

## Consolidated Financial Results for the First Half of FY2008

Listed Company Name: Nippon Flour Mills Co., Ltd.  
 Listing: Tokyo Stock Exchange, Osaka Securities Exchange,  
 Sapporo Securities Exchange  
 Code Number: 2001 URL: <http://www.nippn.co.jp>  
 Head Office: 27-5, Sendagaya 5 chome, Shibuya-ku, Tokyo, Japan  
 Representative: Wataru Aosaki, President and Chief Operating Officer  
 Contact: Yasuo Morizumi, General Manager of Corporate Communications Group  
 TEL: 03-3350-3900  
 Filing date of interim Securities Report: December 20, 2007  
 Payment date of cash dividends: December 4, 2007

*\*Amounts under one million yen have been rounded down.*

### 1. Consolidated Results for the First Half of FY2008 (Apr. 1, 2007 – Sept. 30, 2007)

#### (1) Consolidated Operating Results

(Millions of yen, except for per share figures.)

(Percentage figures indicate the rate of the change from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income	
First Half of FY2008	123,525	3.5%	3,648	6.7%	3,653	3.6%
First Half of FY2007	119,354	5.8%	3,419	0.4%	3,525	(4.6%)
[Reference] FY2007	239,575	-	6,329	-	6,578	-

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
First Half of FY2008	1,743	(13.7%)	10.31	9.43
First Half of FY2007	2,020	(5.6%)	12.01	11.17
[Reference] FY2007	4,146	-	24.66	22.93

(Reference) Gain from investment in subsidiaries and affiliates accounted for by the equity method:

First half of FY2008: (¥745 million); First half of FY2007: (¥22 million); FY2007: (¥7 million)

#### (2) Consolidated Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
First Half of FY2008	206,346	101,114	48.0	585.90
First Half of FY2007	206,900	99,224	47.0	578.03
[Reference] FY2007	212,152	102,172	47.2	592.48

(Reference) Shareholders' equity:

First half of FY2008: ¥99,064 million; First half of FY2007: ¥97,262 million; FY2007: ¥100,179 million

#### (3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Term-End
First Half of FY2008	3,045	(3,687)	(3,939)	7,568
First Half of FY2007	1,135	(5,041)	3,461	9,766
[Reference] FY2007	5,834	(7,894)	3,839	12,024

## 2. Dividends

(Record date)	Dividends per Share (Yen)		
	Interim	Year-end	Full year
FY2007	3.50	3.50	7.00
FY2008	3.50	-	7.00
FY2008 (Forecast)	-	3.50	

## 3. Forecast for Consolidated Business Results for FY2008 (Apr. 1, 2007 - Mar. 31, 2008)

(Percentage figures indicate the rate of change from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %
FY2008	248,000	3.5	7,000	10.6	7,000	6.4

	Net Income		Net Income per Share
	Millions of yen	Change %	Yen
FY2008	4,200	1.3	24.84

## 4. Others

- (1) Changes in significant subsidiaries during the term (transfers of specific subsidiaries with changes in the range of consolidation): None
- (2) Changes in accounting principles, procedures and method of presentation associated with preparation of the consolidated financial statements (the matters to be included in the section, changes in basic important matters for preparation of consolidated financial statements)
  - 1) Changes due to revisions of accounting standards etc.: Yes
  - 2) Changes other than 1): None
- (3) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued and outstanding at the end of each term and fiscal year (including treasury stocks)  
First half of FY2008:174,148,018 shares; First half of FY2007:174,148,018 shares;  
FY2007: 174,148,018 shares
  - 2) Number of treasury stocks at the end of each term and fiscal year  
First half of FY2008: 5,067,247 shares; First half of FY2007:5,881,773 shares; FY2007:  
5,063,794 shares

**(References) Overview of the Non-Consolidated Business Results**

**1. Non-Consolidated Business Results**

**(1) Non-Consolidated Operating Results**

(Percentage figures indicate the rate of change from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	Change %	Millions of yen	Change %	Millions of yen	Change %
First Half of FY2008	80,273	0.6	3,033	17.2	3,857	32.2
First Half of FY2007	79,829	2.0	2,588	1.8	2,917	3.9
[Reference] FY2007	157,722	-	4,920	-	5,207	-

	Net Income		Net Income per Share
	Millions of yen	Change %	Yen
First Half of FY2008	2,111	12.1	12.49
First Half of FY2007	1,884	(7.2)	11.20
[Reference] FY2007	2,832	-	16.84

**(2) Non-Consolidated Financial Position**

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
First Half of FY2008	171,239	92,754	54.2	548.54
First Half of FY2007	175,070	92,111	52.6	547.38
[Reference] FY2007	176,730	93,541	52.9	553.19

(Reference) Shareholders' equity:

First Half of FY2008: ¥92,754 million ; First Half of FY2007: ¥92,111 million ; FY2007: ¥93,541 million

**\* Disclaimer regarding forward-looking statements and other remarks**

1. The forecast of results for the end of the FY2008 announced on July 25, 2007, has been revised and presented in the report.
2. The above forecast has been prepared based on data as of the announcement date. Actual results may differ from the forecasted figures due to various factors. See the accompanying reference page 5 regarding the forecast above.

## 1. Operating Results

### (1) Analysis Concerning Operating Results

#### Overview for the First Half of FY2008

#### Overview of the operating results

(Millions of yen, except for per share figures)

	First Half of FY2007	First Half of FY2008	Increase (Decrease)	
			Amount	Ratio (%)
Net sales	119,354	123,525	4,171	3.5
Operating income	3,419	3,648	229	6.7
Ordinary income	3,525	3,653	127	3.6
Net income	2,020	1,743	(276)	(13.7)
Net income per share (Yen)	12.01	10.31	(1.70)	(14.2)

During the first half of the year ending March 31, 2008, the Japanese economy remained on a modest recovery track. Although the Japanese economy performed solidly in general, personal consumption lacked vigor.

The food industry continued to operate in a challenging environment as costs of raw materials and fuel increased owing to sharp increases in grain prices and oil prices. Also, alarmed by quality control issues of certain companies, consumers became more concerned about food safety and reliability. Furthermore, in regard to the flour milling industry, the Japanese government sought to strengthen international competitiveness by reforming the wheat system for the first time since its inception 55 years ago. Specifically, in April 2007 the government introduced a variable price system for the sale of imported wheat and a simultaneous buy-and-sell (SBS) system for certain types of wheat. The government's selling price of wheat was raised for the first time in 24 years, also partly due to the hike in grain prices.

In these circumstances, the Group made a concerted effort to implement the 05/07 medium-term business plan in its final year with the aim of expanding the business and increasing profits and profit margins.

During the six-month period under review, as a part of this drive, NFP Japan Co., Ltd., a subsidiary engaged in production and sales of pet foods decided to construct a new production plant adjacent to the Company's Chiba Mill. The plan calls for the new plant to start operation in April 2008. Also, with a view to expanding the Group's international business, construction of a premix plant in a suburb of Bangkok, Thailand, is progressing on schedule.

In consolidated business performance for the period under review, net sales of ¥123,525 million, an increase of 3.5% year on year, operating income of ¥3,648 million, an increase of 6.7% , ordinary income of ¥3,653 million, an increase of 3.6%, and net income of ¥1,743 million, a decrease of 13.7%.

The performance of business segments was as follows.

#### **Flour Milling**

Worldwide production output of wheat is expected to amount to 600 million tons in 2007, an increase of 7 million tons year on year. However, production is not keeping up with vigorous demand and inventories have been at a record low. Reflecting this situation, international wheat prices have been at the highest level ever.

Amid sluggish demand for wheat flour in Japan, the business environment in which the flour milling industry operates became increasingly severe owing to fierce price competition. In April 2007, the Japanese government increased its selling price of imported wheat for the first time in 24 years and sales prices of wheat flour were raised in May 2007.

While further strengthening the relationships with customers, the Group conducted vigorous sales & marketing, including the holding of various workshops and management seminars and the launch of distinctive new products geared to market needs. As a result, sales of wheat flour exceeded the same period of the previous year in terms of quantity and value.

Sales of wheat bran, a by-product, exceeded the level of the same period of the previous year as the market developed favorably.

Revenues from the warehousing and harbor transport businesses were below the prior-year level.

As a result, sales for the Flour Milling segment were ¥44,464 million, an increase of 2.9% year on year.

#### **Food**

The Group introduced distinctive new products based on the threefold concept of wellbeing, safety, and simplicity, while at the same time, engaging in vigorous marketing, including participation in exhibitions and holding of seminars and technical workshops.

Sales of pasta-related products increased both for commercial and home use. In order to further vitalize the pasta market, the Group introduced one-person portions for certain products as new additions to the Oh'my Gold Pasta Sauce series for home use.

Sales of premixes for commercial use were robust both in Japan and overseas but sales of premixes for home

use were rather weak.

Regarding frozen ingredients and food, the Group newly introduced frozen risotto in addition to frozen pasta in order to enrich the popular Oh'my Premium series. As a result, sales of frozen ingredients and food greatly exceeded the level for the same period of the previous year both for commercial and home use.

Sales of deli products were below the prior-year level.

As a result, sales for the Food segment were ¥ 65,538 million, an increase of 3.3% year on year.

### **Other Businesses**

Sales of pet food products held steady, partly due to the rising number of pet lovers.

The health food operation, which has good prospects for growth in coming years, vigorously introduced high-quality products with originality, including a new product using Korean ginseng, in order to boost sales. However, in the severe environment, sales were lower than for the same period of the previous year.

Sales of natural cosmetics and sales of the engineering business were both higher than the previous year.

As a result, sales for the Other Businesses segment were ¥ 13,523 million, an increase of 6.7% year on year.

### **Outlook for FY2008**

(Millions of yen)

	FY2007 (Results)	FY2008 (Forecasts)	Increase (Decrease)	
			Amount	Ratio (%)
Net sales	239,575	248,000	8,425	3.5
Operating income	6,329	7,000	671	10.6
Ordinary income	6,578	7,000	422	6.4
Net income	4,146	4,200	54	1.3
Net income per share (Yen)	24.66	24.84	0.18	0.7

Despite certain risk factors, such as a possible slowing of the U.S. economy and the rise in resource price, the Japanese economy is expected to maintain solid growth.

In the food industry, the Japanese market continues to shrink, while raw material and fuel prices are increasing. These will encourage fiercer competition among companies.

Under these severe circumstances, in accordance with the basic business strategies formulated in the medium-term business plan, the Group will make an all-out effort with full employee participation to develop into a global multifaceted food company by promoting the business plan and enhancing efficiency.

### **Flour Milling**

A declining population, an aging society combined with low birthrates, and a preoccupation with safety and reliability on the part of consumers are among the issues confronting the flour milling industry. The Group will work to increase sales through dynamic marketing, proposing products designed to satisfy latent market needs and working to enhance customer satisfaction.

### **Food**

We will aggressively engage in the development and introduction of new products that satisfy consumer needs. We will redouble our efforts in the field of food products for home use by proposing differentiated products. In the field for deli products, we will further strengthen the structures and systems underpinning our capabilities in regard to new product development and the proposal of products attuned to customer needs. In the frozen food field, we intend to increase sales by introducing high-value-added products developed for the consumer market.

### **Other Businesses**

The market for the products of the life-related business, which includes health food products, is growing steadily in step with the aging of Japanese society. We intend to develop unique new products and to launch a mail-order business to fuel sales growth. Keeping pets has a positive effect on people, and the market for pet products is expanding. The Group will work to increase sales in this sector by engaging in research and development of pet foods that meet consumer needs.

Management forecasts consolidated net sales of ¥248 billion, operating income of ¥7 billion, ordinary income of ¥7 billion, and net income of ¥4.2 billion for the year ending March 2008.

**Cautionary statement:** Forecasts for future operating results have been prepared based on certain assumptions and beliefs that can be inferred from the current situation. The Company undertakes to provide no guarantee or assurance that the forecasts will be realized.

## (2) Financial Position

(Millions of yen)

Item	First Half of FY2007	First Half of FY2008	Increase (Decrease)
Cash flows from operating activities	1,135	3,045	1,909
Cash flows from investing activities	( 5,041 )	(3,687)	1,354
Cash flows from financing activities	3,461	(3,939)	(7,401)
Effects of exchange rate changes on cash and cash equivalents	(1)	125	127
Net increase (decrease) in cash and cash equivalents	(445)	(4,455)	(4,009)
Cash and cash equivalents at the beginning of the term	9,601	12,024	2,422
Increase in cash and cash equivalents due to inclusion of an additional company	611	-	(611)
Cash and cash equivalents at the end of the term	9,766	7,568	(2,198)

### (Consolidated Statements of Assets, Liabilities and Net Assets for the First Half of FY2008)

Total assets at the end of the first six-month period of FY2008, amounted to ¥206,346 million, having decreased ¥5,806 million compared with the end of the previous fiscal year. This decrease was mainly attributable to a decrease in investment in securities. Liabilities decreased ¥4,749 million from the end of the previous fiscal year to ¥105,231 million. This decrease was mainly attributable to a decrease in debt. Net assets including minority interests decreased ¥1,057 million from the end of the previous fiscal year to ¥101,114 million.

### (Consolidated Statements of Cash Flows for the First Half of FY2008)

Cash and cash equivalents at the end of the term under review was ¥7,568 million, having decreased ¥4,455 million yen. The condition of each cash flow was as follows.

Net cash provided by operating activities amounted to ¥3,045 million, having increased by ¥1,909 million compared with the same period of the previous year. This is mainly because notes and accounts receivable decreased, although income before income taxes was virtually unchanged from the same period of the previous year.

Net cash used in investing activities amounted to ¥3,687 million. The principal factor was facility investment amounting to ¥3.1 billion.

As a result, free cash flow calculated by subtracting cash used in investing activities from cash provided by operating activities, was negative ¥641 million.

Net cash used in financing activities was ¥3,939 million.

### Cash Flow Indicator Trends

	FY2006	First Half of FY2007	FY2007	First Half of FY2008
Equity ratio (%)	48.7	47.0	47.2	48.0
Equity ratio at market value (%)	46.7	40.4	37.9	34.7
Cash flow / interest-bearing debt ratio	629.4	-	948.0	-
Interest coverage ratio (times)	11.4	3.0	7.5	7.6

(Notes) Equity ratio: (Net assets – Minority interests) / Total assets

Equity ratio at market value: Market capitalization / Total assets

Cash flow / interest-bearing debt ratio: Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest expense

\* The consolidated financial figures constitute the basis for calculating these indicators.

\* Market capitalization is calculated by multiplying the closing stock price at end of the term by the number of shares outstanding at end of the term (after the deduction of treasury stocks).

\* The basis for calculating cash flow from operating activities is net cash provided by operating activities in the consolidated statements of cash flows.

\* Interest-bearing debt includes all debts recorded on the consolidated balance sheet on which interest is paid.

\* The basis for interest expense is the amount of interest paid recorded in the consolidated statements of cash flows.

### **(3) Basic Policy on Profit Distribution and Dividends for the FY2008**

The Company's basic policy on profit distribution is to ensure maintenance of adequate internal reserves in consideration of the need to strengthen the corporate structure, preparations for future business development, and the operating environment. While at the same time, returning profits to shareholders is positioned as an important management issue. The Company intends to continue payment of stable dividends, taking consolidated financial performance and financial position into account. In the use of free cash flow, the Company will accord priority to investments made to increase enterprise value, for example, by expanding existing core businesses and establishing new businesses. The Company will also flexibly repurchase its own stock, utilizing free cash flow with a view to long-term investment efficiency, as a means of returning profit to shareholders.

Accordingly, the Company plans to pay an interim dividend of ¥3.5 per share. As for the year-end dividend of ¥3.5 per share is planned, the cash dividend for FY 2008 will be ¥7.0 per share.

## **2. Nippon Flour Mills Group**

As no material change has occurred with respect to the matters of "the schematic diagram of the Company's businesses" and "affiliated companies" submitted in the Consolidated Financial Results for the FY2007 (published June 27, 2007), disclosure is omitted.

## **3. Management Policy**

### **(1) Basic Management Policy**

### **(2) Target Performance Indicators**

### **(3) Medium-Term to Long-Term Management Strategies**

As no material change has occurred with respect to the matters disclosed in the Consolidated Financial Results for the First Half of FY2007 (published November 10, 2006), disclosure is omitted.

The Consolidated Financial Results for the First Half of FY2007 is available at the following URL:  
(HP)

[http://www.nippon.co.jp/ir/announcement/ir\\_briefnote.html](http://www.nippon.co.jp/ir/announcement/ir_briefnote.html)

(Tokyo Stock Exchange)

<http://www.tse.or.jp/listing/compsearch/index.html>

### **(4) Issues to Be Addressed**

The Japanese economy is expected to achieve sustainable growth owing to improved productivity. However, rises in prices of oil and other resources and the slowing of the U.S. economy are casting a shadow over Japan's economic prospects.

The food industry is facing contraction of the Japanese market caused by a declining birth rate and an aging population. Competition among companies is likely to intensify.

The market environment in which the flour milling industry operates is undergoing rapid transformation. In line with the Japanese government's fundamental reform of the wheat price system in a bid to enhance international competitiveness, the government increased the selling price of imported wheat by 1.3% on average in April and by 10% in October.

In the final year of the 05/07 medium-term business plan, in order to deal with the challenging business environment, the Group is making a concerted effort to tackle issues, including establishment and strengthening of large-scale coastal production plants, expansion of sales, further cost reduction, establishment of internal controls, enhancement of quality assurance, and reduction of environmental impacts. Our aim is to strengthen the fundamentals of the business while further vitalizing business activities.

In order to meet shareholder expectations, the Company emphasizes maximization of corporate value as well as the returning of profits. Although the Company does not rule out the possibility of the purchase of a large number of the Company's shares by a third party, provided that such purchase is based on an understanding of the Company's mission and philosophy, and moreover, is not detrimental to corporate value and shareholders' common interests. Furthermore, the Company recognizes the importance taking effective action in the case that such an approach is inimical to corporate value and shareholders' common interests.

We continuously aim to grow and develop into a global multifaceted food company.

## 4. Interim Consolidated Financial Statements

### (1) Interim Consolidated Balance Sheets

(Millions of yen)

	FY2007	First Half of FY2008	Increase (Decrease)	First Half of FY2007
<b>Assets</b>				
I Current assets:				
1. Cash and deposits	12,064	7,608	(4,455)	9,766
2. Trade notes and accounts receivable	30,401	30,151	(249)	33,403
3. Inventories	19,138	20,818	1,680	15,067
4. Others	4,123	4,266	143	3,680
5. Allowance for doubtful accounts	(191)	(186)	4	(148)
Total current assets	65,535	62,658	(2,877)	61,769
II Fixed assets:				
1. Tangible fixed assets:				
(1) Buildings and structures	27,442	26,772	(669)	28,018
(2) Machinery, equipment and vehicles	20,174	19,440	(733)	20,568
(3) Land	24,356	25,016	659	24,679
(4) Construction in progress	141	735	594	490
(5) Others	1,051	1,468	416	1,120
Total tangible fixed assets	73,166	73,434	267	74,877
2. Intangible fixed assets	851	886	35	854
3. Investments and other assets:				
(1) Investment in securities	66,025	62,384	(3,640)	62,754
(2) Others	6,941	7,380	438	6,828
(3) Allowance for doubtful accounts	(367)	(398)	(30)	(184)
Total investments and other assets	72,599	69,366	(3,232)	69,399
Total fixed assets	146,617	143,687	(2,929)	145,131
<b>Total assets</b>	<b>212,152</b>	<b>206,346</b>	<b>(5,806)</b>	<b>206,900</b>

	FY2007	First Half of FY2008	Increase (Decrease)	First Half of FY2007
<b>Liabilities</b>				
I Current liabilities:				
1. Trade notes and accounts payable	13,403	14,086	683	13,325
2. Short-term loans	19,357	21,465	2,108	23,899
3. Corporate bonds redeemable within one year	-	-	-	500
4. Others	20,552	17,156	(3,395)	13,580
Total current liabilities	53,313	52,708	(604)	51,305
II Long-term liabilities:				
1. Bonds	8,098	8,098	-	8,098
2. Long-term debt	22,849	20,431	(2,417)	23,240
3. Reserve for employee retirement benefits	1,963	1,985	22	1,963
4. Reserve for directors' retirement benefits	713	625	(87)	640
5. Deferred tax liabilities	21,074	19,446	(1,628)	20,309
6. Others	1,968	1,934	(33)	2,118
Total long-term liabilities	56,667	52,522	(4,144)	56,370
<b>Total liabilities</b>	<b>109,980</b>	<b>105,231</b>	<b>(4,749)</b>	<b>107,676</b>
<b>Net assets</b>				
I Shareholders' equity:				
1. Common stock	12,240	12,240	-	12,240
2. Additional capital surplus	11,387	11,387	0	11,057
3. Retained earnings	52,097	53,249	1,152	50,559
4. Treasury stock, at cost	(1,522)	(1,524)	(2)	(1,625)
Total shareholders' equity	74,202	75,353	1,150	72,232
II Unrealized gains and adjustment:				
1. Unrealized gains on revaluation of securities	25,686	23,129	(2,556)	24,872
2. Differed gains on hedges	(0)	(1)	(1)	(1)
3. Foreign currency translation adjustment	290	582	292	160
Total unrealized gains and adjustment	25,976	23,711	(2,265)	25,030
III Minority interests	1,992	2,050	57	1,961
<b>Total net assets</b>	<b>102,172</b>	<b>101,114</b>	<b>(1,057)</b>	<b>99,224</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>212,152</b>	<b>206,346</b>	<b>(5,806)</b>	<b>206,900</b>

**(2) Interim Consolidated Statements of Income**

(Millions of yen)

	First Half of FY2007		First Half of FY2008		Increase (Decrease)		FY2007	
	Amount	Ratio	Amount	Ratio	Amount	Change	Amount	Ratio
I Net sales	119,354	100.0	123,525	100.0	4,171	3.5	239,575	100.0
II Cost of sales	91,763	76.9	94,730	76.7	2,967	3.2	184,572	77.0
Gross profit	27,591	23.1	28,794	23.3	1,203	4.4	55,003	23.0
III Selling, general and administrative expenses	24,172	20.2	25,146	20.3	973	4.0	48,673	20.4
<b>Operating income</b>	<b>3,419</b>	<b>2.9</b>	<b>3,648</b>	<b>3.0</b>	<b>229</b>	<b>6.7</b>	<b>6,329</b>	<b>2.6</b>
IV Other income:								
Interest and dividend income	468		542		74		744	
Gain on sale of securities	329		443		114		579	
Others	184		368		184		448	
Total other income	981	0.8	1,354	1.1	372	37.9	1,772	0.7
V Other expenses:								
Interest expenses	387		399		11		771	
Others	488		950		462		751	
Total other expenses	875	0.7	1,349	1.1	474	54.2	1,523	0.6
<b>Ordinary income</b>	<b>3,525</b>	<b>3.0</b>	<b>3,653</b>	<b>3.0</b>	<b>127</b>	<b>3.6</b>	<b>6,578</b>	<b>2.7</b>
VI Extraordinary income:								
Gain on sale of investments in securities	477		429		(47)		1,529	
Gain on sale of fixed assets	34		58		24		1,013	
Others	23		65		41		24	
Total extraordinary income	535	0.4	553	0.4	17	3.3	2,568	1.1
VII Extraordinary losses:								
Evaluation loss of investments in securities	96		64		(32)		131	
Transfer to allowance for bad debt	75		37		(37)		296	
Loss on disposal or sale of fixed assets	51		73		22		667	
Others	43		213		169		201	
Total extraordinary losses	267	0.2	388	0.3	121	45.6	1,296	0.5
<b>Income before income taxes</b>	<b>3,794</b>	<b>3.2</b>	<b>3,818</b>	<b>3.1</b>	<b>23</b>	<b>0.6</b>	<b>7,850</b>	<b>3.3</b>
Income taxes	1,289		1,953		663		2,908	
Deferred income taxes	422		56		(366)		647	
Minority interest	61		65		3		146	
<b>Net income</b>	<b>2,020</b>	<b>1.7</b>	<b>1,743</b>	<b>1.4</b>	<b>(276)</b>	<b>(13.7)</b>	<b>4,146</b>	<b>1.7</b>

**Consolidated Statements of Changes in Shareholders' Equity**  
**First Half of FY2007 (from Apr. 1, 2006 to Sept. 30, 2006)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance as of March 31, 2006</b>	<b>12,240</b>	<b>11,057</b>	<b>49,269</b>	<b>(1,619)</b>	<b>70,947</b>
Amount of fluctuation during the term					
Dividends from retained earnings			(673)		(673)
Bonuses to directors			(57)		(57)
Net income			2,020		2,020
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		0		0	0
Amount of fluctuation of items other than shareholders' equity during the term (net)					
Total amount of fluctuation during the term	-	0	1,289	(5)	1,284
<b>Balance as of September 30, 2006</b>	<b>12,240</b>	<b>11,057</b>	<b>50,559</b>	<b>(1,625)</b>	<b>72,232</b>

	Unrealized gains and adjustment				Minority interests	Total net assets
	Unrealized gains on revaluation of securities	Deferred gains on hedges	Foreign currency translation adjustment	Total		
<b>Balance as of March 31, 2006</b>	<b>28,367</b>	<b>-</b>	<b>86</b>	<b>28,453</b>	<b>1,710</b>	<b>101,111</b>
Amount of fluctuation during the term						
Dividends from retained earnings						(673)
Bonuses to directors						(57)
Net income						2,020
Purchase of treasury stock						(6)
Disposal of treasury stock						0
Amount of fluctuation of items other than shareholders' equity during the term (net)	(3,494)	(1)	73	(3,423)	251	(3,171)
Total amount of fluctuation during the term	(3,494)	(1)	73	(3,423)	251	(1,887)
<b>Balance as of September 30, 2006</b>	<b>24,872</b>	<b>(1)</b>	<b>160</b>	<b>25,030</b>	<b>1,961</b>	<b>99,224</b>

**Consolidated Statements of Changes in Shareholders' Equity**  
**First Half of FY2008 (from Apr. 1, 2007 to Sept. 30, 2007)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance as of March 31, 2007</b>	<b>12,240</b>	<b>11,387</b>	<b>52,097</b>	<b>(1,522)</b>	<b>74,202</b>
Amount of fluctuation during the term					
Dividends from retained earnings			(591)		(591)
Bonuses to directors					
Net income			1,743		1,743
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		0		1	1
Amount of fluctuation of items other than shareholders' equity during the term (net)					
Total amount of fluctuation during the term		0	1,152	(2)	1,150
<b>Balance as of September 30, 2007</b>	<b>12,240</b>	<b>11,387</b>	<b>53,249</b>	<b>(1,524)</b>	<b>75,353</b>

	Unrealized gains and adjustment				Minority interests	Total net assets
	Unrealized gains on revaluation of securities	Deferred gains on hedges	Foreign currency translation adjustment	Total		
<b>Balance as of March 31, 2007</b>	<b>25,686</b>	<b>(0)</b>	<b>290</b>	<b>25,976</b>	<b>1,992</b>	<b>102,172</b>
Amount of fluctuation during the term						
Dividends from retained earnings						(591)
Bonuses to directors						
Net income						1,743
Purchase of treasury stock						(3)
Disposal of treasury stock						1
Amount of fluctuation of items other than shareholders' equity during the term (net)	(2,556)	(1)	292	(2,265)	57	(2,208)
Total amount of fluctuation during the term	(2,556)	(1)	292	(2,265)	57	(1,057)
<b>Balance as of September 30, 2007</b>	<b>23,129</b>	<b>(1)</b>	<b>582</b>	<b>23,711</b>	<b>2,050</b>	<b>101,114</b>

**Consolidated Statements of Changes in Shareholders' Equity**  
**FY2007 (from Apr. 1, 2006 to Mar. 31, 2007)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance as of March 31, 2006</b>	<b>12,240</b>	<b>11,057</b>	<b>49,269</b>	<b>(1,619)</b>	<b>70,947</b>
Amount of fluctuation during the fiscal year					
Dividends from retained earnings			(1,262)		(1,262)
Bonuses to directors			(57)		(57)
Net income			4,146		4,146
Purchase of treasury stock				(452)	(452)
Disposal of treasury stock		329		549	879
Amount of fluctuation of items other than shareholders' equity during the fiscal year (net)					
Total amount of fluctuation during the fiscal year	-	329	2,827	97	3,254
<b>Balance as of March 31, 2007</b>	<b>12,240</b>	<b>11,387</b>	<b>52,097</b>	<b>(1,522)</b>	<b>74,202</b>

	Unrealized gains and adjustment				Minority interests	Total net assets
	Unrealized gains on revaluation of securities	Deferred gains on hedges	Foreign currency translation adjustment	Total		
<b>Balance as of March 31, 2006</b>	<b>28,367</b>	<b>-</b>	<b>86</b>	<b>28,453</b>	<b>1,710</b>	<b>101,111</b>
Amount of fluctuation during the fiscal year						
Dividends from retained earnings						(1,262)
Bonuses to directors						(57)
Net income						4,146
Purchase of treasury stock						(452)
Disposal of treasury stock						879
Amount of fluctuation of items other than shareholders' equity during the fiscal year (net)	(2,680)	(0)	203	(2,476)	282	(2,194)
Total amount of fluctuation during the fiscal year	(2,680)	(0)	203	(2,476)	282	1,060
<b>Balance as of March 31, 2007</b>	<b>25,686</b>	<b>(0)</b>	<b>290</b>	<b>25,976</b>	<b>1,992</b>	<b>102,172</b>

**(4) Interim Consolidated Statements of Cash Flows**

(Millions of yen)

	First Half of FY2007	First Half of FY2008	FY2007
<b>I</b> Cash flows from operating activities			
Income before income taxes	3,794	3,818	7,850
Depreciation and amortization	2,793	2,963	5,954
(Increase) Decrease in prepaid pension cost and reserve for employee retirement benefits	(557)	(154)	(661)
Increase (Decrease) in reserve for directors' retirement benefits	68	(87)	4
Increase (Decrease) in allowance for doubtful accounts	82	25	308
Interest and dividend income	(468)	(542)	(744)
Interest expenses	387	399	771
Gain on sale of securities	(806)	(864)	(2,108)
Loss on devaluation of securities	96	64	131
Equity in earnings of companies accounted for by equity method	22	745	7
Gain on sale of fixed assets	(34)	(58)	(1,013)
Loss on sale of fixed assets	94	110	753
Bonuses paid to directors and statutory auditors	(58)	(53)	(62)
(Increase) Decrease in notes and accounts receivable	(5,365)	301	(2,323)
(Increase) Decrease in inventories	274	(1,686)	(3,781)
Increase (Decrease) in notes and accounts payable	943	720	1,044
Others, net	742	(1,065)	1,741
Sub-total	2,008	4,636	7,872
Interest and dividends received	477	552	754
Interest paid	(377)	(400)	(774)
Payments for income taxes	(972)	(1,742)	(2,016)
Net cash provided by operating activities	1,135	3,045	5,834
<b>II</b> Cash flows from investing activities			
Purchase of fixed assets	(5,750)	(3,121)	(9,013)
Proceeds from sale of fixed assets	48	129	1,155
Purchase of investments in securities	(1,034)	(2,779)	(3,951)
Proceeds from sale and redemption of investments in securities	1,296	2,172	3,501
Proceeds from acquisition of shares of subsidiaries in line with change in the scope of consolidation	386	-	-
Lending of loans receivable	(12)	(1)	(34)
Collection of loans receivable	98	36	125
Others, net	(74)	(123)	323
Net cash used in investing activities	(5,041)	(3,687)	(7,894)
<b>III</b> Cash flows from financing activities			
Net increase (Decrease) of short-term loans	(91)	619	367
Net increase (Decrease) of commercial paper	3,000	1,000	5,000
Proceeds from long-term debt	8,816	-	9,500
Repayments of long-term debt	(2,571)	(951)	(8,678)
Payments for redemption of bonds	(5,000)	-	(5,500)
Proceeds from guarantee deposits of lending stock received	-	(4,000)	4,000
Acquisition of treasury stock	(6)	(3)	(453)
Proceeds from sale of treasury stock	0	1	879
Cash dividends paid by the Company	(686)	(605)	(1,276)
Net cash used in financing activities	3,461	(3,939)	3,839
<b>IV</b> Effect of exchange rate changes on cash and cash equivalents	(1)	125	32
<b>V</b> (Increase) Decrease in cash and cash equivalents	(445)	(4,455)	1,811
<b>VI</b> Cash and cash equivalents at beginning of the term	9,601	12,024	9,601
<b>VII</b> Increase in cash and cash equivalents due to inclusion of an additional subsidiary	611	-	611
<b>VIII</b> Cash and cash equivalents at end of the term	9,766	7,568	12,024

## Segment Information

### (1) Business Segment Information

Previous interim term (April 1, 2006 to September 30, 2006)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated or Eliminations	Consolidated
Net sales and operating income						
Net sales						
1) Net sales to external customers	43,223	63,454	12,676	119,354	-	119,354
2) Internal sales or transfers between segments	2,641	408	1,521	4,572	(4,572)	-
Total	45,865	63,863	14,198	123,927	(4,572)	119,354
Operating expenses	43,975	62,324	14,159	120,459	(4,523)	115,935
Operating income	1,889	1,539	39	3,467	(48)	3,419

Interim term under review (from April 1, 2007 to September 30, 2007)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated or Eliminations	Consolidated
Net sales and operating income						
Net sales						
1) Net sales to external customers	44,464	65,538	13,523	123,525	-	123,525
2) Internal sales or transfers between segments	962	543	769	2,275	(2,275)	-
Total	45,427	66,081	14,292	125,801	(2,275)	123,525
Operating expenses	43,295	64,416	14,421	122,134	(2,256)	119,877
Operating income	2,131	1,664	(129)	3,667	(18)	3,648

Previous fiscal year (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated or Eliminations	Consolidated
Net sales and operating income						
Net sales						
1) Net sales to external customers	87,431	126,206	25,937	239,575	-	239,575
2) Internal sales or transfers between segments	3,547	812	2,251	6,611	(6,611)	-
Total	90,979	127,018	28,188	246,186	(6,611)	239,575
Operating expenses	87,298	124,232	28,295	239,825	(6,579)	233,245
Operating income	3,680	2,786	(106)	6,360	(31)	6,329

(Notes) 1. Business segmentation method

Business segmentation is based on considerations of similarities between product types and markets.

2. Classification of main products by business segment

Business Segment	Main Products
Flour Milling	Wheat flour, wheat bran, buckwheat
Food	Wheat flour for home use, premixes, pasta, frozen food, deli foods
Other Businesses	Pet food, health foods, food-related machinery and equipment, foodservice

3. No unallocated operating expenses are included in the Unallocated and eliminations category.

**(2) Geographically Segmented Information**

Because net sales for Japan exceed 90% of aggregate net sales for all segments, geographically segmented information is omitted.

**(3) Overseas Sales**

Because overseas sales account for less than 10% of consolidated net sales, overseas net sales information is omitted.