

# Consolidated Financial Results for the Third Quarter of FY2008

Listed Company Name: Nippon Flour Mills Co., Ltd.  
 Listing: The 1st section of Tokyo and Osaka Securities Exchanges,  
 Sapporo Securities Exchange  
 Code Number: 2001  
 URL: <http://www.nippon.co.jp>  
 Representative: Wataru Aosaki, President and Chief Operating Officer  
 Contact: Yasuo Morizumi, General Manager of Corporate Communications Group  
 TEL: 03-3350-3900

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

## 1. Consolidated Results for the Third Quarter of FY2008 (April 1, 2007-December 31, 2007)

### (1) Consolidated Business Results

(Percentage figures indicate the rate of changes from the same period of the previous year)  
 (Millions of yen, except for per share figures)

	Net Sales		Operating Income		Ordinary Income	
Third Quarter of FY2008	188,967	4.4%	5,996	22.7%	5,871	11.8%
Third Quarter of FY2007	180,941	5.2%	4,886	(12.3%)	5,249	(11.4%)
[Reference] FY2007	239,575	-	6,329	-	6,578	-

	Net Income		Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Third Quarter of FY2008	3,017	(8.1%)	17.87	16.34
Third Quarter of FY2007	3,283	(6.9%)	19.54	18.16
[Reference] FY2007	4,146	-	24.66	22.93

### (2) Consolidated Financial Position

	Total Assets (Millions of yen)	Net Assets (Millions of yen)	Equity Ratio (%)	Net Assets per Share (Yen)
Third Quarter of FY2008	202,880	97,082	46.9	568.81
Third Quarter of FY2007	204,711	99,001	47.4	579.90
[Reference] FY2007	212,152	102,172	47.2	592.48

### (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
Third Quarter of FY2008	4,361	(6,321)	(3,147)	6,989
Third Quarter of FY2007	2,857	(6,662)	726	7,165
[Reference] FY2007	5,834	(7,894)	3,839	12,024

## 2. Forecasts of the Consolidated Financial Results for FY 2008 (April 1, 2007-March 31, 2008)

(Percentage figures indicate the rate of changes from previous year)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full Year	250,000	4.4%	7,000	10.6%	7,000	6.4%	3,800	(8.4%)	22.50

## 3. Others

(1) Significant changes in subsidiaries during the period  
(Changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of simplified accounting procedures: Yes

(3) Difference in the accounting method from the method applied for the most recent fiscal year: Yes

Note: For details, please refer page 4 "4.Others" of "Qualitative Information and Financial Statements."

### \* Disclaimer regarding Forward-looking Statements and Other Remarks

1. The forecast of results for the full year announced on November 9, 2007 has been revised and presented in the report. See page 4 regarding the forecast above.
2. The above forecast has been prepared based on data as of the announcement date. Actual results may materially differ from the forecasted figures due to various factors.

## [Qualitative Information and Financial Statements]

### 1. Qualitative Information on Consolidated Operating Results

During the third quarter of the year ending March 31, 2008, the Japanese economy continued to grow steadily supported by an improvement in corporate earnings. However, the economic outlook was increasingly uncertain due to the financial unrest originating from the U.S. sub-prime loan problems and considerable rise of oil and material prices.

The food industry continued to operate in a challenging environment. Soaring prices of grain and other materials pushed up cost. Consumers became more aware of food safety and reliability alarmed by quality control issues of certain companies. Furthermore, the business environment of the flour milling industry has significantly changed since April 2007 when the Japanese government raised its selling price of wheat for the first time in 24 years by introducing a variable price system for the sale of imported wheat and a simultaneous buy-and-sell (SBS) system for certain types of wheat.

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.

Consolidated net sales for the third quarter (nine-month period) were ¥188,967 million, an increase of 4.4% year on year, operating income was ¥5,996 million, up 22.7%, ordinary income was ¥5,871 million, up 11.8%, and net income was ¥3,017 million, a decrease of 8.1%.

The performance of individual business segments was as follows.

In the Flour Milling segment, following the Japanese government's hike in its selling price of imported wheat, the Group raised sales prices of wheat flour in May and November 2007. While further strengthening the relationships with customers, the Group conducted vigorous sales and 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 and sales volume of wheat flour exceeded the level of the same period of the previous year. Sales of bran, a by-product, exceeded the level of the same period of the previous year, reflecting the sharp increase in grain prices. Revenues from the warehousing and harbor transport businesses were below the prior-year level. Consequently, net sales for the Flour Milling segment were ¥69,365 million, an increase of 5.1% year on year.

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

As a result, sales of premixes and pastas were brisk both in Japan and overseas and increased from the same period of the previous year. Sales of frozen ingredients and food greatly exceeded the level of 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 of these developments, net sales for the Food segment were ¥98,984 million, an increase of 3.6% year on year.

In the Other Businesses segment, sales of the pet food product

## 2. Qualitative Information on Consolidated Financial Position

### (1) Changes in financial position

Total assets were ¥202,880 million, having decreased ¥9,271 million compared with the figure at the end of the previous fiscal year ended March 31, 2007 mainly because market price of the aggregate amount of shares held by the Company decreased approximately ¥9,400 million.

Total liabilities were ¥105,798 million, having decreased ¥4,182 million compared with the figure at the end of the previous fiscal year, due to a decrease in deferred tax liabilities of approximately ¥4,100 million.

Net assets were ¥97,082 million, having decreased ¥5,089 million compared with the figure at the end of the previous fiscal year. This decrease was attributable to a decrease in gain on revaluation of securities of approximately ¥6,300 million, despite an increase of retained earnings of approximately ¥1,800 million.

### (2) Consolidated Cash Flows

Cash and cash equivalents at the end of the third quarter of the year ending March 31, 2008 were ¥6,989 million, having decreased ¥5,034 million year on year.

The performance of individual cash flows was as follows.

Net cash provided by operating activities increased roughly ¥1,500 million compared with the same period of the previous year to ¥4,361 million. The main reason for this was the decrease in inventories although payments for income taxes increased.

Net cash used in investing activities amounted to ¥6,321 million. The principal factor was acquisition of fixed assets.

Net cash used in financing activities was ¥3,147 million. The principal factors were repayment of debt and payment of cash dividends.

## 3. Qualitative Information on Forecasts

Taking into consideration the results for the current third quarter, the forecasts of the consolidated financial results for the year ending March 31, 2008 have been revised as indicated below.

(Percentage figures indicate the rate of changes from previous year)  
(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Original Forecast (A)	248,000	3.5%	7,000	10.6%	7,000	6.4%	4,200	1.3%	24.84
Revised Forecast (B)	250,000	4.4%	7,000	10.6%	7,000	6.4%	3,800	(8.4%)	22.50
Increase (Decrease) (B)-(A)	2,000		-		-		(400)		(2.34)

## 4. Others

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation)

Not applicable.

- (2) Application of simplified accounting procedures

Simplified procedures are applied in part of the calculation of tax expenses.

- (3) Difference in the accounting method from the method applied for the most recent fiscal year

In line with the amendment of the Corporation Tax Law, the Company records depreciation of tangible fixed assets purchased on and after April 1, 2007, by the method based on the amended Corporation Tax Law.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen, %)

	FY2007		Third Quarter of FY2008		Increase (Decrease)	[Reference] Third Quarter of FY2007	
	As of Mar. 31, 2007		As of Dec. 31, 2007			As of Dec. 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
Assets							
I Current assets							
Cash and deposits	12,064		7,029		(5,034)	7,205	
Trade notes and accounts receivable	30,401		35,774		5,373	34,099	
Inventories	19,138		16,880		(2,258)	15,658	
Deferred tax assets	748		762		13	596	
Others	3,374		4,304		929	3,174	
Allowance for doubtful accounts	(191)		(160)		31	(150)	
Total current assets	65,535	30.9	64,591	31.8	(944)	60,583	29.6
II Fixed assets							
Tangible fixed assets	73,166		73,819		653	74,447	
Buildings and structures	27,442		27,455		13	28,049	
Machinery, equipment and vehicles	20,174		19,496		(677)	20,464	
Land	24,356		25,061		704	24,673	
Construction in progress	141		828		687	119	
Others	1,051		977		(74)	1,140	
Intangible fixed assets	851		852		1	880	
Investments and other assets	72,599		63,617		(8,982)	68,799	
Investment in securities	66,025		56,612		(9,412)	62,462	
Long-term loan receivable	677		649		(27)	689	
Deferred tax assets	1,142		1,373		231	1,125	
Prepaid pension cost	1,887		2,145		258	1,749	
Others	3,234		3,267		32	3,226	
Allowance for doubtful accounts	(367)		(432)		(64)	(453)	
Total fixed assets	146,617	69.1	138,289	68.2	(8,327)	144,127	70.4
Total assets	212,152	100.0	202,880	100.0	(9,271)	204,711	100.0

(Millions of yen, %)

	FY2007		Third Quarter of FY2008		Increase (Decrease)	[Reference] Third Quarter of FY2007	
	As of Mar. 31, 2007		As of Dec. 31, 2007			As of Dec. 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
<b>Liabilities</b>							
<b>I Current liabilities</b>							
Trade notes and accounts payable	13,403		14,690		1,286	13,746	
Short-term loans	19,357		27,142		7,785	18,329	
Current portion of redeemable bonds within a year	-		-		-	500	
Accrued income taxes	1,878		1,814		(63)	1,198	
Others	18,673		17,674		(999)	16,030	
Total current liabilities	53,313	25.1	61,322	30.2	8,009	49,805	24.3
<b>II Long-term liabilities:</b>							
Bonds	8,098		8,098		-	8,098	
Long-term debt	22,849		14,900		(7,948)	23,166	
Reserve for employees' retirement benefits	1,963		2,006		43	1,959	
Reserve for directors' retirement benefits	713		662		(50)	677	
Deferred tax liabilities	21,074		16,933		(4,141)	19,978	
Others	1,968		1,874		(93)	2,023	
Total long-term liabilities	56,667	26.7	44,475	21.9	(12,191)	55,904	27.3
<b>Total liabilities</b>	<b>109,980</b>	<b>51.8</b>	<b>105,798</b>	<b>52.1</b>	<b>(4,182)</b>	<b>105,709</b>	<b>51.6</b>
<b>Net assets</b>							
<b>I Shareholders' equity</b>							
Common stock	12,240	5.8	12,240	6.0	-	12,240	6.0
Additional capital surplus	11,387	5.4	11,387	5.6	0	11,057	5.4
Retained earnings	52,097	24.5	53,930	26.6	1,833	51,232	25.0
Treasury stock, at cost	(1,522)	(0.7)	(2,308)	(1.1)	(785)	(2,070)	(1.0)
Total shareholders' equity	74,202	35.0	75,251	37.1	1,048	72,461	35.4
<b>II Unrealized gain or loss on adjustment</b>							
Unrealized gain on revaluation of securities	25,686	12.1	19,403	9.6	(6,283)	24,186	11.8
Differed gain (loss) on hedges	(0)	(0.0)	(0)	(0.0)	(0)	1	0.0
Foreign currency translation adjustment	290	0.1	439	0.2	149	347	0.2
Total unrealized gain or loss on adjustment	25,976	12.2	19,842	9.8	(6,134)	24,535	12.0
<b>III Minority interests</b>	1,992	1.0	1,989	1.0	(3)	2,005	1.0
<b>Total net assets</b>	<b>102,172</b>	<b>48.2</b>	<b>97,082</b>	<b>47.9</b>	<b>(5,089)</b>	<b>99,001</b>	<b>48.4</b>
<b>Total liabilities and net assets</b>	<b>212,152</b>	<b>100.0</b>	<b>202,880</b>	<b>100.0</b>	<b>(9,271)</b>	<b>204,711</b>	<b>100.0</b>

**(2) Consolidated Statements of Income**

(Millions of yen, %)

	Third Quarter of FY2007		Third Quarter of FY2008		Increase (Decrease)		[Reference] FY2007	
	From Apr. 1, 2006 To Dec. 31, 2006		From Apr. 1, 2007 To Dec. 31, 2007				From Apr. 1, 2006 To Mar. 31, 2007	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
I Net sales	180,941	100.0	188,967	100.0	8,025	4.4	239,575	100.0
II Cost of sales	139,270	77.0	144,726	76.6	5,455	3.9	184,572	77.0
Gross profit	41,671	23.0	44,241	23.4	2,570	6.2	55,003	23.0
III Selling, general and administrative expenses	36,784	20.3	38,245	20.2	1,460	4.0	48,673	20.4
<b>Operating income</b>	<b>4,886</b>	<b>2.7</b>	<b>5,996</b>	<b>3.2</b>	<b>1,109</b>	<b>22.7</b>	<b>6,329</b>	<b>2.6</b>
IV Non-operating income								
Interest and dividend income	705		823		118		744	
Others	815		896		80		1,027	
Total non-operating income	1,520	0.8	1,719	0.9	198	13.1	1,772	0.7
V Non-operating expenses								
Interest expenses	587		610		22		771	
Others	569		1,234		664		751	
Total non-operating expenses	1,157	0.6	1,844	1.0	686	59.3	1,523	0.6
<b>Ordinary income</b>	<b>5,249</b>	<b>2.9</b>	<b>5,871</b>	<b>3.1</b>	<b>621</b>	<b>11.8</b>	<b>6,578</b>	<b>2.7</b>
VI Extraordinary income	1,583	0.9	766	0.4	(816)	(51.6)	2,568	1.1
VII Extraordinary losses	587	0.3	411	0.2	(175)	(29.8)	1,296	0.5
<b>Income before income taxes</b>	<b>6,245</b>	<b>3.5</b>	<b>6,225</b>	<b>3.3</b>	<b>(19)</b>	<b>(0.3)</b>	<b>7,850</b>	<b>3.3</b>
Income taxes	2,219		3,083				2,908	
Deferred income taxes	660		38				647	
Minority interests	81		86				146	
<b>Net income</b>	<b>3,283</b>	<b>1.8</b>	<b>3,017</b>	<b>1.6</b>	<b>(265)</b>	<b>(8.1)</b>	<b>4,146</b>	<b>1.7</b>

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

	Third Quarter of FY2007	Third Quarter of FY2008	[Reference] FY2007
	From Apr. 1, 2006 To Dec. 31, 2006	From Apr. 1, 2007 To Dec. 31, 2007	From Apr. 1, 2006 To Mar. 31, 2007
<b>I</b> Cash flows from operating activities			
Income before income taxes	6,245	6,225	7,850
Depreciation and amortization	4,342	4,502	5,954
(Increase) Decrease in trade notes and accounts receivable	(6,021)	(5,358)	(2,323)
(Increase) Decrease in inventories	(301)	2,240	(3,781)
Increase (Decrease) in trade notes and accounts payable	1,364	1,385	1,044
Others, net	(927)	(1,800)	(872)
Sub-total	4,701	7,194	7,872
Interest and dividends received	712	833	754
Interest paid	(573)	(645)	(774)
Payments for income taxes	(1,983)	(3,021)	(2,016)
Net cash provided by operating activities	2,857	4,361	5,834
<b>II</b> Cash flows from investing activities			
Acquisition of fixed assets	(7,896)	(5,503)	(9,013)
Proceeds from sale of fixed assets	655	348	1,155
Purchase, sale and redemption of investment in securities	170	(1,226)	(450)
Others, net	408	59	413
Net cash used in investing activities	(6,662)	(6,321)	(7,894)
<b>III</b> Cash flows from financing activities			
Net increase (decrease) of short-term loans	(603)	1,061	367
Net increase (decrease) of commercial paper	7,000	1,000	5,000
Proceeds from long-term debt	9,016	-	9,500
Repayments of long-term debt	(7,961)	(1,209)	(8,678)
Payments for redemption of bonds	(5,000)	-	(5,500)
(Increase) Decrease of guarantee deposits of lending stock received	-	(2,000)	4,000
Acquisition of treasury stock	(450)	(803)	(453)
Proceeds from sale of treasury stock	0	1	879
Cash dividends paid	(1,275)	(1,197)	(1,276)
Net cash provided by (used in) financing activities	726	(3,147)	3,839
<b>IV</b> Effect of exchange rate changes on cash and cash equivalents	32	71	32
<b>V</b> Increase (Decrease) in cash and cash equivalents	(3,047)	(5,034)	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	7,165	6,989	12,024

#### (4) Segment Information

[Business Segment Information]

Third Quarter of FY2007 (April 1, 2006 - December 31, 2006)

(Millions of yen)

	Flour Milling	Food	Others	Total	Unallocated and Eliminations	Consolidated
I Net sales and operating income						
Net sales						
1) Net sales to external customers	66,005	95,516	19,419	180,941	-	180,941
2) Internal sales or transfers between segments	3,932	660	1,501	6,094	(6,094)	-
Total	69,938	96,176	20,921	187,036	(6,094)	180,941
Operating expenses	67,151	94,046	20,915	182,113	(6,058)	176,055
Operating income	2,786	2,130	6	4,922	(36)	4,886

Third Quarter of FY2008 (April 1, 2007 - December 31, 2007)

(Millions of yen)

	Flour Milling	Food	Others	Total	Unallocated and Eliminations	Consolidated
I Net sales and operating income						
Net sales						
1) Net sales to external customers	69,365	98,984	20,618	188,967	-	188,967
2) Internal sales or transfers between segments	1,502	628	2,166	4,298	(4,298)	-
Total	70,868	99,612	22,785	193,265	(4,298)	188,967
Operating expenses	67,345	96,954	22,954	187,255	(4,283)	182,971
Operating income	3,522	2,657	(169)	6,010	(14)	5,996

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, bran, buckwheat
Food	Wheat flour for home use, premixes, pasta, frozen foods, deli foods
Others	Pet foods, health foods, food-related machinery and equipment

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

[Reference] FY2007 (April 1, 2006 - March 31, 2007)

(Millions of yen)

	Flour Milling	Food	Others	Total	Unallocated and Eliminations	Consolidated
I 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

[Geographically Segmented Information]

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

[Overseas Sales]

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