

# Consolidated Financial Results for FY2008 and Forecast for FY2009

Nippon Flour Mills Co., Ltd.

Listing: The 1st section of Tokyo and Osaka Stock Exchanges, Sapporo Securities Exchange

Code Number: 2001 URL <http://www.nippon.co.jp/> TEL: 03-3350-3900

Representative: Wataru Aosaki, President & Chief Operating Officer

Contact: Yasuo Morizumi, General Manager of Corporate Communications Group

Date of the general meeting of shareholders: June 27, 2008

Payment date of cash dividends: June 30, 2008

Filing date of financial statements: June 27, 2008

\*Amounts less than one million yen have been rounded down.

## 1. Consolidated results for the year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

### (1) Consolidated operating results

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

	Net Sales		Operating Income		Ordinary Income	
FY2008	250,719	4.7%	6,706	6.0%	6,729	2.3%
FY2007	239,575	5.3%	6,329	(13.1%)	6,578	(13.7%)

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	ROE (%)	Ordinary Income to Total Assets (%)	Operating Income to Net Sales (%)
FY2008	3,810	(8.1%)	22.62	20.68	4.0	3.3	2.7
FY2007	4,146	(14.3%)	24.66	22.93	4.2	3.2	2.6

Reference: Equity in earnings of affiliated companies: FY2008 (683) million yen FY2007 (7) million yen

### (2) Consolidated financial position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY2008	193,113	93,726	47.5	549.13
FY2007	212,152	102,172	47.2	592.48

Reference: Net assets excluding minority interests: FY2008 91,782 million yen FY2007 100,179 million yen

### (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 the End of the FY2008
FY2008	11,231	(6,906)	(6,721)	9,651
FY2007	5,834	(7,894)	3,839	12,024

## 2. Dividends

Record Date	Dividends per Share (Yen)			Total Amount of Cash Dividends (Annual) (Millions of yen)	Dividends Payout Ratio (Consolidated) (%)	Dividends on Net Assets (Consolidated) (%)
	Interim	Year-end	Full Year			
FY2007	3.50	3.50	7.00	1,180	28.4	1.2
FY2008	3.50	3.50	7.00	1,176	30.9	1.2
FY2009 (Forecast)	3.50	3.50	7.00	-	27.2	-

### 3. Forecast of consolidated business results for FY2009 (April 1, 2008 - March 31, 2009)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	136,000	10.1	3,900	6.9	3,900	6.7	2,200	26.1	13.16
Full Year	275,000	9.7	7,500	11.8	7,500	11.4	4,300	12.8	25.73

### 4. Others

#### (1) Significant changes in subsidiaries during the fiscal year

(Changes in specified subsidiaries resulting in changes in scope 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): Yes \*Revised from "None" as of May 28, 2008.

#### (3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of each fiscal year (included treasury stock):

FY2008 174,148,018 shares FY2007 174,148,018 shares

2. Number of treasury stocks at the end of each fiscal year:

FY2008 7,005,544 shares FY2007 5,063,794 shares

Note: Please refer to changes in basis for the calculation of net income per share of consolidated financial statements, on page 15 for details.

### (References) Overview of the non-consolidated business results

#### 1. Non-consolidated results for the year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

##### (1) Non-consolidated operating results

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

	Net Sales		Operating Income		Ordinary Income	
FY2008	165,902	5.2%	5,694	15.7%	6,714	28.9%
FY2007	157,722	(0.1%)	4,920	(10.2%)	5,207	(8.0%)

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
FY2008	3,676	29.8%	21.82	19.95
FY2007	2,832	(21.4%)	16.84	15.66

##### (2) Non-consolidated financial position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY2008	158,555	85,258	53.8	509.95
FY2007	176,730	93,541	52.9	553.19

Reference: Net assets: FY2008 85,258 million yen FY2007 93,541 million yen

#### \*Note to ensure appropriate use of forecasts

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. For the above forecast, please refer pages 4 to 5 of the attached document.

## 1. Operating results

### (1) Analysis of operating results

Overview for the year ended March 31, 2008

#### Overview of the operating results

(Millions of yen)

	FY2007	FY2008	Increase (Decrease)	
			Amount	Ratio (%)
Net sales	239,575	250,719	11,144	4.7
Operating income	6,329	6,706	377	6.0
Ordinary income	6,578	6,729	151	2.3
Net income	4,146	3,810	(335)	(8.1)
Net income per share (Yen)	24.66	22.62	(2.04)	(8.3)

The Japanese economy showed underlying strength during the first half of the fiscal year. However, a perception that the tempo of economic activity was slowing gradually took hold for the second half, reflecting the impact of a sharp increase in the price of crude oil and the subprime loan problem in the U.S., as indicated by yen appreciation and a declining stock market.

In the food industry, the cost of raw materials, fuel, and other items increased owing to the impact of soaring grain and crude oil prices and business conditions remained adverse. Furthermore, factors such as exposure of a spate of false product labeling incidents and pesticide contamination of frozen food imported from China led to heightened consumer mistrust and uncertainty, and expectations regarding safety and security measures and information disclosure on the part of food companies increased.

In the flour milling industry, the Japanese government sought to strengthen international competitiveness by reforming the wheat price system for the first time since its inception of 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 after the hike in grain prices.

Despite these harsh circumstances, Nippon Flour Mills Group made a concerted effort to implement the 05/07 Medium-Term Business Plan in its final year to expand the business and increase profits and profit margins.

Accordingly, the Group aggressively invested in business sectors from which future growth can be expected: in December 2007, Nippon Flour Mills group company Matsuya Flour Mills Co., Ltd. completed construction of a buckwheat milling plant, and this February Thai subsidiary NIPPON (Thailand) Co., Ltd. began full-scale operation of a state-of-the-art premix plant in a suburb of Bangkok. Furthermore, in April of this year another group company NPF Japan Co., Ltd. completed construction of a new pet food plant on the land adjacent to the Company's Chiba Mill.

As a result, the consolidated net sales increased by 4.7% year on year to ¥250,719 million, the operating income increased by 6.0% year on year to ¥6,706 million, and the ordinary income increased by 2.3% year on year to ¥6,729 million. However, because of the worsening performance of our overseas equity-method affiliated companies, the net income decreased by 8.1% to ¥3,810 million.

The performance of individual business segments was as follows.

#### Flour Milling

Worldwide wheat flour production of 607 million tons exceeded production in the previous year by 14 million tons. However, year-end inventory is expected to decrease for the third consecutive year and reach a historically low level owing to increased demand brought about by economic growth in developing countries. In response to this situation, the international market price of wheat flour is likely to move in a high range.

Wheat flour production in Japan increased 60,000 tons from the previous year to 910,000 tons owing to a bumper crop in Hokkaido, the main producing district.

Amid sluggish demand for wheat flour in Japan, the business environment of the flour milling industry became increasingly severe owing to fierce price competition. In April 2007, followed by the Japanese government's price increase of imported wheat for the first time in 24 years, we raised our selling prices of wheat flour in May 2007. Furthermore, in response to the implementation of a further increase in the government selling price of imported wheat in October 2007, to cope with the continuation of high international market prices of wheat flour, the Company revised its selling price of wheat flour in November. To further strengthen relationships with customers, the Group engaged in vigorous marketing activities, such as holding workshops in tie-ups with famous chefs and launching specialty flour for cakes and cookies and specialty flour for French bread. As a result, shipments of wheat flour exceeded the level for the previous year.

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

Revenues from the warehousing and harbor transport businesses were below the previous-year level.  
As a result, the net sales for the Flour Milling segment increased by 4.6% year on year to ¥91,474 million.

### **Food**

We launched new products that meet consumers' heightened awareness of safety and wellbeing and needs for convenience. We also vigorously engaged in marketing activities, such as participation in FABEX (a delicatessen, box lunch, restaurant, and foodservice exhibition) and other exhibitions, and the holding of Italian cookery workshops.

Sales of pastas for business and home use were brisk both in Japan and overseas. Sales of premixes also exceeded the previous year's level.

In order to open up new markets for the products for home use, the Company introduced original new products such as a cream puff kit consisting of cream puff dough and custard cream and *monjayaki* flour for easy preparation of crispy *monjayaki* (a Japanese dish consisting of batter fried with various ingredients) on a hotplate.

In frozen ingredients and food, sales of new products for home use such as "Oh'my BIG spaghetti" and "Oh'my Premium Gold" significantly increased. The sale of the products for business use steadily increased.

As a result, the net sales for the Food segment increased by 4.3% year on year to ¥131,584 million.

### **Other Businesses**

Sales of the pet food products business increased due to the rising number of pet lovers. Sales of the engineering business also increased from the previous fiscal year. However, sales of natural cosmetics and health food were sluggish.

As a result, the net sales for the Other Businesses segment increased by 6.6% year on year to ¥27,660 million.

### **–Forecast for the year ending March 31, 2009–**

(Millions of yen)

	FY2008 (Results)	FY2009 (Forecast)	Increase (Decrease)	
			Amount	Ratio (%)
Net sales	250,719	275,000	24,281	9.7
Operating income	6,706	7,500	794	11.8
Ordinary income	6,729	7,500	711	11.4
Net income	3,810	4,300	490	12.8
Net income per share (yen)	22.62	25.73	3.11	13.7

Japanese Economy is expected to improve steadily thanks to the expanding domestic demand. However, uncertainty still remains such as a slowdown of the world economy, especially in the U.S., and movements on the crude oil and grain prices.

The food industry faces contractions of domestic market due to decreasing population and aging society. Therefore, competition among companies is expected to become more severe.

In the flour milling industry, the international market price of wheat significantly increased. In April 2008, the government selling price of wheat was significantly raised, which was the third time followed by the increases in April and October of last year. The business environment of the flour milling industry is undergoing unprecedented upheaval, making industry realignment probably unavoidable. In October of last year, the Company increased its equity ownership in and concluded an operating alliance agreement with Tofuku Flour Mills Co., Ltd. in an effort to reinforce competitive advantage in the core flour milling business.

In such rapidly changing circumstances, Nippon Flour Mills Group has resolved to continuously grow and develop as a multifaceted global food enterprise. To that end, in April of this year, the Group implemented institutional reform, and the employees have mounted a concerted effort to implement the newly established medium-term business plan.

### **Flour Milling**

The business environment in the flour milling industry becomes increasingly severe and our responsibilities for the society becomes more important because of the issues such as a declining population, an aging society with fewer children and the consumers' preoccupation with safety and security. In order to increase our sales, we will fulfill customer satisfaction by working on positive marketing activities and proposing products designed to satisfy the latent market needs.

## **Food**

In the Food business, we will aggressively engage in developing and introducing new products that satisfy customer needs. In food for home use, we will further improve the business by introducing differentiated products. In deli products, we will further strengthen our structure by underpinning our capabilities to propose and develop new products attuned to customer needs. In frozen food, we intend to increase sales by introducing commercial products with high value.

## **Other businesses**

The market for daily-use products including health food is expected to grow steadily in step with the Japanese aging society. We will work on developing unique products and to launch a mail-order business to fuel sales growth. The market for pet products is expanding because keeping pets is considered to have life-enhancing effects on people. We will endeavor to increase sales in this sector by researching and developing pet foods that meet customer needs.

As a result, management forecasts the consolidated net sales of ¥275.0 billion, the operating income of ¥7.5 billion, the ordinary income of ¥7.5 billion and the net income of ¥4.3 billion for the year ending March 2009.

Notes: 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) Analysis of financial position**

### **Overview for the year ended March 31, 2008**

(Millions of yen)

Item	FY2007	FY2008	Increase (Decrease)
Cash flows from operating activities	5,834	11,231	5,396
Cash flows from investing activities	(7,894)	(6,906)	987
Cash flows from financing activities	3,839	(6,721)	(10,560)
Effect of exchange rate changes on cash and cash equivalents	32	71	39
Increase (decrease) in cash and cash equivalents	1,811	(2,324)	(4,136)
Cash and cash equivalents at beginning of the year	9,601	12,024	2,422
Increase in cash and cash equivalents due to inclusion of an additional subsidiary	611	-	(611)
Decrease in cash and cash equivalents due to exclusion of a subsidiary	(0)	(48)	(47)
Cash and cash equivalents at end of the year	12,024	9,651	(2,372)

### **(Balance Sheet)**

Total assets at the end of the fiscal year decreased by ¥19,039 million year on year to ¥193,113 million. This decrease was mainly attributable to a decrease in investment securities. Liabilities decreased by ¥10,593 million year on year to ¥99,386 million. This decrease was mainly attributable to a decrease in deferred tax liabilities of approximately ¥6.8 billion and decrease of the loans. Net assets including minority interests decreased by ¥8,445 million year on year to ¥93,726 million because unrealized gain on revaluation of securities decreased by ¥10.4 billion, while retained earnings increased by ¥2.6 billion. As of December 2007, we acquired our treasury stock of 1,900,000 shares.

### **(Cash Flows)**

Cash and cash equivalents at the end of the fiscal year decreased by ¥2,372 million to ¥9,651 million. The condition of each cash flows was as follows.

Net cash provided by operating activities increased by ¥5,396 million year on year to ¥11,231 million. This is mainly because inventories decreased, although income before income taxes increased from the previous fiscal year.

Net cash used in investing activities amounted to ¥6,906 million. The principal factor was facility investment amounting to approximately ¥6.8 billion.

Net cash used in financing activities was ¥6,721 million mainly due to repayment of loans and dividend payment.

### –Outlook for the year ending March 31, 2009–

Cash flows from operating activities are expected to increase due to sales and profit improvement and continuing efforts to reduce inventories and trade notes and accounts receivable.

With regard to cash flows from investing activities, we will continue to make effective capital investments while at the same time implementing asset conversion by selling idle fixed assets and investment securities. Through cash flows from financing activities, the balance of cash and cash equivalents at the end of the year ending March 31, 2009 is expected to be roughly the same as at the end of the current fiscal year.

#### - Cash flow indicator trends -

	FY2005	FY2006	FY2007	FY2008
Equity ratio (%)	46.4	48.7	47.2	47.5
Equity ratio at market value (%)	49.2	46.7	37.9	35.1
Ratio of interest-bearing debt to cash flows (%)	904.2	629.4	948.0	485.9
Interest coverage ratio (times)	7.3	11.4	7.5	13.9

Equity ratio: Shareholders' equity / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows 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 period by the number of shares outstanding at end of the period (after the deduction of treasury stocks).

\* The basis for calculating ratio of interest-bearing debt to cash flows is from 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 FY2008 and FY2009

Nippon Flour Mill's Group's basic policy on profit distribution is to maintain adequate internal reserves in consideration of the need to strengthen the corporate structure, and preparations for future business development and the operating environment. At the same time, returning profits to shareholders is also considered as an important management issue to the Group. We intend to continue paying stable dividends, taking consolidated financial performance and financial position into account. The Group will place priority to invest free cash flow to increase corporate value, by expanding existing core businesses and establishing new businesses. The Group 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 our shareholders.

Accordingly, the Group plans to pay a year-end common dividend of ¥3.5 per share. Including the payment of an interim dividend of ¥3.5, total cash dividends for the fiscal year is ¥7.0 per share.

Common dividend for the year ending March 2009 is expected to be ¥7.0 per share.

Furthermore, the Group operates a shareholder benefits program in order to increase understanding of and support for the Group's products among shareholders who own at least one minimum trading unit.

## 2. Nippon Flour Mills Group

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

## 3. Management Policy

### (1) Basic management policy

"Responding to the changes of the times and boldly introducing technological innovation to establish new businesses" — the motto of Nippon Flour Mills Group expresses the venturesome spirit at work when the Company started its operation. Based on this motto, Nippon Flour Mills makes it a basic policy to contribute to the welfare of society through introducing excellent products and services.

In addition to actively expanding into new business areas, the Company aims to increase competitive advantage through unflagging management reform, maintain the trust of our shareholders and other stakeholders, and achieve further growth and development as a highly regarded multifaceted food company.

## **(2) Management indicators and mid- to long-term management strategies**

Under the 05/07 Medium-Term Business Plan, launched in 2005, the Group worked to achieve business expansion in high-priority areas and overseas markets with the aim of becoming a multifaceted global food enterprise and promoted the establishment of a highly profitable business structure through productivity increases at mills and restructuring of the logistics system.

The business environment of the food products industry is expected to become increasingly adverse owing to intensifying price competition and heightened customer needs for safety and security coupled with soaring prices for food-product raw materials and stiffer competition to secure stable supplies of raw materials.

Amid this uncertainty about the future, the Nippon Flour Mills Group has established the SG100 08/09 Medium-Term Business Plan to renew awareness that the Group's mission is to continuously create added value and achieve sustainable growth.

In consideration of the fact that the business environment is fraught with great uncertainty and change, the SG100 08/09 Medium-Term Business Plan covers the two-year period starting from April 2008 through March 2010. During the term of the plan, the Group will review the business foundation and deploy human, physical, and financial resources, placing priority on cultivating the shoots of businesses that hold the promise of sustainable growth, while implementing the necessary improvement measures. By reinforcing earning power and the financial position, the Group aims to achieve consolidated net sales of ¥300 billion and operating income of ¥10 billion (an operating margin of 3.3%) in the final year of the plan. In this way, we will secure a position of competitive advantage and increase our group's value over time.

Coinciding with the start of the SG100 08/09 Medium-Term Business Plan, in order to inject greater dynamism into corporate management and day-to-day operations while improving efficiency, the Company implemented institutional reforms on April 1, 2008, abolishing the business division and division manager system and instituting an executive officer system.

An overview of the SG100 08/09 Medium-Term Business Plan follows.

### 1. Numerical targets (consolidated) for the final year of the SG100 08/09 Medium-Term Business Plan

Net sales:	¥300 billion
Operating income:	¥ 10 billion

### 2. Basic strategy of the SG100 08/09 Medium-Term Business Plan

- 1) Reinforcement of earning power
- 2) Active pursuit of multifaceted growth
- 3) Efficient utilization of resources

## **(3) Issues to be addressed**

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

The food industry faces contraction of the Japanese market caused by a declining birth rate and an aging population, so the competition among companies is likely to further intensify.

The market environment of the flour milling industry 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 30% on average from April of this year.

In order to deal with the challenging business environment, Nippon Flour Mills Group is making a concerted effort to tackle many issues; improving large-scale coastal production plants, expanding sales, further reducing costs, establishing internal controls, enhancing quality assurance, and reducing environmental impacts. Through these measures, we are strengthening our business foundation while further vitalizing business activities.

In order to meet our shareholders' expectations, we pay special attention to maximizing our group's value as well as returning profits. We do not rule out the possibility of purchasing large number of our shares by a third party, provided that such purchase is based on an understanding of the Company's mission and philosophy, and is not detrimental to our group's value and shareholders' common interests. However, we recognize the importance taking effective action if such approach is inimical to corporate value and our shareholders' common interests.

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

## **(4) Other material issues concerning management**

There is nothing applicable.

## 4. Consolidated financial statements

### (1) Consolidated balance sheets

(Millions of yen, %)

	FY2007		FY2008		Increase (Decrease)
	As of March 31, 2007		As of March 31, 2008		
	Amount	Ratio	Amount	Ratio	Amount
Assets					
I Current assets					
Cash and deposits	12,064		9,691		(2,372)
Trade notes and accounts receivable	30,401		30,718		317
Inventories	19,138		19,017		(121)
Deferred tax assets	748		752		4
Others	3,374		2,289		(1,085)
Allowance for doubtful accounts	(191)		(201)		(9)
Total current assets	65,535	30.9	62,267	32.2	(3,267)
II Fixed assets					
Tangible fixed assets					
Buildings and structures	27,442		27,055		(386)
Machinery, equipment and vehicles	20,174		18,861		(1,313)
Land	24,356		25,054		697
Construction in progress	141		1,021		880
Others	1,051		944		(107)
Total tangible fixed assets	73,166		72,938		(228)
Intangible fixed assets	851		978		127
Investments and other assets					
Investment securities	66,025		49,733		(16,292)
Long-term loan receivable	677		711		34
Deferred tax assets	1,142		1,421		279
Prepaid pension cost	1,887		2,229		342
Others	3,234		3,282		47
Allowance for doubtful accounts	(367)		(449)		(81)
Total investments and other assets	72,599		56,928		(15,670)
Total fixed assets	146,617	69.1	130,845	67.8	(15,771)
Total assets	212,152	100.0	193,113	100.0	(19,039)

(Millions of yen, %)

	FY2007		FY2008		Increase (Decrease)
	As of March 31, 2007		As of March 31, 2008		
	Amount	Ratio	Amount	Ratio	Amount
<b>Liabilities</b>					
<b>I Current liabilities</b>					
Trade notes and accounts payable	13,403		14,146		742
Short-term loans	19,357		29,074		9,717
Accrued income taxes	1,878		2,054		176
Others	18,673		14,800		(3,873)
Total current liabilities	53,313	25.1	60,076	31.1	6,762
<b>II Long-term liabilities:</b>					
Bonds	8,098		8,098		-
Long-term debt	22,849		12,396		(10,452)
Reserve for employees' retirement benefits	1,963		2,008		45
Reserve for directors' retirement benefits	713		780		67
Deferred tax liabilities	21,074		14,230		(6,844)
Others	1,968		1,795		(172)
Total long-term liabilities	56,667	26.7	39,310	20.4	(17,356)
<b>Total liabilities</b>	<b>109,980</b>	<b>51.8</b>	<b>99,386</b>	<b>51.5</b>	<b>(10,593)</b>
<b>Net assets</b>					
<b>I Shareholders' equity</b>					
Common stock	12,240	5.8	12,240	6.3	-
Additional capital surplus	11,387	5.4	11,387	5.9	0
Retained earnings	52,097	24.5	54,724	28.4	2,627
Treasury stock, at cost	(1,522)	(0.7)	(2,308)	(1.2)	(786)
Total shareholders' equity	74,202	35.0	76,043	39.4	1,841
<b>II Unrealized gain or loss on adjustment</b>					
Unrealized gain on revaluation of securities	25,686	12.1	15,301	7.9	(10,385)
Differed gain (loss) on hedges	(0)	0.0	(1)	(0.0)	(1)
Foreign currency translation adjustment	290	0.1	439	0.2	149
Total unrealized gain or loss on adjustment	25,976	12.2	15,738	8.1	(10,237)
<b>III Minority interests</b>	1,992	1.0	1,944	1.0	(48)
<b>Total net assets</b>	<b>102,172</b>	<b>48.2</b>	<b>93,726</b>	<b>48.5</b>	<b>(8,445)</b>
<b>Total liabilities and net assets</b>	<b>212,152</b>	<b>100.0</b>	<b>193,113</b>	<b>100.0</b>	<b>(19,039)</b>

## (2) Consolidated statements of income

(Millions of yen)

	FY2007 From April 1, 2006 To March 31, 2007		FY2008 From April 1, 2007 To March 31, 2008		Increase (Decrease)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
I Net sales	239,575	100.0	250,719	100.0	11,144	4.7
II Cost of sales	184,572	77.0	193,674	77.2	9,101	4.9
Gross profit	55,003	23.0	57,045	22.8	2,042	3.7
III Selling, general and administrative expenses	48,673	20.4	50,338	20.1	1,664	3.4
Operating income	6,329	2.6	6,706	2.7	377	6.0
IV Non-operating income						
Interest income	52		73		21	
Dividend income	692		789		69	
Gain on sale of securities	579		444		(134)	
Others	448		697		249	
Total non-operating income	1,772	0.7	2,005	0.8	233	13.2
V Non-operating expenses						
Interest expenses	771		809		37	
Others	751		1,173		421	
Total non-operating expenses	1,523	0.6	1,982	0.8	459	30.1
Ordinary income	6,578	2.7	6,729	2.7	151	2.3
VI Extraordinary income						
Gain on sale of investment securities	1,529		1,368		(160)	
Gain on sale of fixed assets	1,013		259		(754)	
Others	24		82		58	
Total extraordinary income	2,568	1.1	1,711	0.7	(857)	(33.4)
VII Extraordinary losses						
Loss on impairment	-		178		178	
Loss on revaluation of investment securities	131		108		(22)	
Loss on retirement and sale of fixed assets	667		304		(362)	
Bad debts expenses	68		-		(68)	
Reserve for allowance for doubtful accounts	296		-		(296)	
Factory consolidation expenses	-		212		212	
Others	133		246		112	
Total extraordinary losses	1,296	0.5	1,050	0.5	(245)	(19.0)
Income before income taxes	7,850	3.3	7,390	2.9	(460)	(5.9)
Income taxes	2,908		3,390		481	
Income tax adjustments	647		123		(524)	
Minority interests	146	0.1	65	0.0	(81)	
Net income	4,146	1.7	3,810	1.5	(335)	(8.1)

**(3) Consolidated statements of changes in shareholders' equity  
FY2007 (April 1, 2006 – March 31, 2007)**

(Millions of yen)

	Shareholders' equity				
	Common shares	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of March 31, 2006	12,240	11,057	49,269	(1,619)	70,947
Changes of items during the fiscal year					
Dividend from retained earnings*1			(1,262)		(1,262)
Directors' bonus*2			(57)		(57)
Net income			4,146		4,146
Purchase of treasury stock				(452)	(452)
Disposal of treasury stock		329		549	879
Changes other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	-	329	2,827	97	3,254
Balance as of March 31, 2007	12,240	11,387	52,097	(1,522)	74,202

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

\*1 Including ¥673 million of dividends from appropriation of retained earnings at the general meeting of shareholders' for the fiscal year ended March 31, 2006.

\*2 Appropriation of retained earnings approved at the general meeting of shareholders for the fiscal year ended March 31, 2006

**FY2008 (April 1, 2007 – March 31, 2008)**

(Millions of yen)

	Shareholders' equity				
	Common shares	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of March 31, 2007	12,240	11,387	52,097	(1,522)	74,202
Changes of items during the fiscal year					
Dividend from retained earnings			(1,183)		(1,183)
Net income			3,810		3,810
Purchase of treasury stock				(788)	(788)
Disposal of treasury stock		0		2	2
Changes other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	-	0	2,627	(786)	1,841
Balance as of March 31, 2008	12,240	11,387	54,724	(2,308)	76,043

	Unrealized gains and adjustment				Minority interests	Total net assets
	Unrealized gain on revaluation of securities	Deferred gain on hedges	Foreign currency translation adjustment	Total		
Balance as of March 31, 2007	25,686	(0)	290	25,976	1,992	102,172
Changes of items during the fiscal year						
Dividend from retained earnings						(1,183)
Net income						3,810
Purchase of treasury stock						(788)
Disposal of treasury stock						2
Changes other than shareholders' equity during the fiscal year (net)	(10,385)	(1)	149	(10,237)	(48)	(10,286)
Total changes during the fiscal year	(10,385)	(1)	149	(10,237)	(48)	(8,445)
Balance as of March 31, 2008	15,301	(1)	439	15,738	1,944	93,726

#### (4) Consolidated statements of cash flows

(Millions of yen)

	FY2007 From April 1, 2006 To March 31, 2007	FY2008 From April 1, 2007 To March 31, 2008
I Cash flows from operating activities		
Income before income taxes	7,850	7,390
Depreciation and amortization	5,954	6,202
Increase in prepaid pension cost and reserve for employee retirement benefits	(661)	(297)
Increase (decrease) in reserve for directors' retirement benefits	4	67
Increase (decrease) in allowance for doubtful accounts	308	91
Impairment loss	-	178
Interest and dividend income	(744)	(863)
Interest expenses	771	809
Gain on sale of securities	(2,108)	(1,770)
Loss on revaluation of securities	131	109
Gain on sale of fixed assets	(1,013)	(259)
Loss on disposal or sale of fixed assets	753	394
Directors' bonus paid	(62)	(53)
Decrease (increase) in trade notes and accounts receivable	(2,323)	(389)
Decrease (increase) in inventories	(3,781)	399
Increase (decrease) in trade notes and accounts payable	1,044	839
Others, net	1,749	1,400
Sub-total	7,872	14,249
Interest and dividends received	754	869
Interest paid	(774)	(811)
Payments for income taxes	(2,016)	(3,075)
Net cash provided by operating activities	5,834	11,231
II Cash flows from investing activities		
Acquisition of fixed assets	(9,013)	(6,796)
Proceeds from sale of fixed assets	1,155	359
Purchase of investment securities	(3,951)	(3,909)
Proceeds from sale and redemption of investment securities	3,501	3,532
Lending of loans receivable	(34)	(5)
Collection of loans receivable	125	64
Others, net	323	(152)
Net cash used in investing activities	(7,894)	(6,906)
III Cash flows from financing activities		
Net increase (decrease) of short-term loans	367	913
Net increase (decrease) of commercial paper	5,000	-
Proceeds from long-term debt	9,500	300
Repayments of long-term debt	(8,678)	(1,933)
Payments for redemption of bonds	(5,500)	-
Increase (decrease) of guarantee deposits of lending stock received	4,000	(4,000)
Acquisition of treasury stock	(453)	(800)
Proceeds from sale of treasury stock	879	2
Cash dividends paid	(1,276)	(1,203)
Net cash provided by (used in) financing activities	3,839	(6,721)
IV Effect of exchange rate changes on cash and cash equivalents	32	71
V Increase (decrease) in cash and cash equivalents	1,811	(2,324)
VI Cash and cash equivalents at beginning of the year	9,601	12,024
VII Increase in cash and cash equivalents due to inclusion of an additional subsidiary	611	-
VIII Decrease in cash and cash equivalents due to exclusion of a subsidiary	(0)	(48)
IX Cash and cash equivalents at end of the year	12,024	9,651

**(Segment information)****(1) Business segment information****FY2007 (April 1, 2006 - March 31, 2007)**

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
<b>I Net sales and operating income</b>						
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
<b>II Assets, depreciation expenses and capital expenditures</b>						
Assets	88,233	56,002	15,721	159,957	52,195	212,152
Depreciation expenses	3,473	1,671	737	5,882	72	5,954
Capital expenditures	4,637	1,665	930	7,233	(179)	7,053

**FY2008 (April 1, 2007 - March 31, 2008)**

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
<b>I Net sales and operating income</b>						
Net sales						
(1) Net sales to external customers	91,474	131,584	27,660	250,719	-	250,719
(2) Internal sales or transfers between segments	3,489	896	2,519	6,904	(6,904)	-
Total	94,963	132,481	30,179	257,624	(6,904)	250,719
Operating expenses	91,471	129,005	30,413	250,890	(6,877)	244,012
Operating income	3,492	3,475	(233)	6,733	(27)	6,706
<b>II Assets, depreciation expenses and capital expenditures</b>						
Assets	85,871	54,199	15,287	155,359	37,754	193,113
Depreciation expenses	3,595	1,725	796	6,117	85	6,202
Capital expenditures	2,112	2,112	2,395	6,620	(2)	6,618

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, premix, pasta, frozen food, deli products
Other Businesses	Pet food, health food, food-related machinery and equipment

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

4. In line with the revision to the Corporate Tax Law, beginning in the year under review the Company and its domestic consolidated subsidiaries have changed the method of depreciation of tangible fixed assets acquired on or after April 1, 2007, to a method based on the revised Corporation Tax Law. As a result of this change, operating income has decreased by ¥38 million for the Flour Milling segment, ¥24 million for the Food segment, and ¥14 million for the Other Businesses segment.

5. In line with the revision to the Corporate Tax Law, with respect to tangible fixed assets acquired on or before March 31, 2007, beginning in the year under review the Company and its domestic consolidated subsidiaries now amortize the difference between the amount equivalent to 5% of the acquisition cost and memorandum price using the straight-line method over five years starting from the fiscal year after the residual value reaches 5% of acquisition cost owing to the application of a depreciation method based on the revised Japanese Corporation Tax Law, and the amortized amount is included in depreciation expense. As a result of this change, operating income has decreased by ¥164 million for the Flour Milling segment, ¥23 million for the Food segment, and ¥30 million for the Other Businesses segment.

## **(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 sales information is omitted.

### **(Per share information)**

Net assets per share:	¥549.13
Earnings per share:	¥22.62
Diluted earnings per share:	¥20.68

(Basis for the calculation of net assets per share)

Total net assets: ¥93,726 million

Amount deducted from the total amount in net assets:

¥1,944 million (including ¥1,944 million of minority interests)

Number of shares of common stock outstanding and issued:

174,148,018 shares

Number of shares of common stock as treasury stock:

7,005,544 shares (including the amount of the Company's interest in shares of the Company held by affiliates)

(Basis for the calculation of net income per share)

Net income: ¥3,810 million

Amount not attributable to common shareholders: ¥ - million

Average number of shares of common stock in the year:

168,443,669 shares

(Basis for the calculation of diluted net income per share)

Diluted earnings: ¥0 million (including office commissions: ¥0 million)

Increase in common stock: 15,869,047 shares

(including stock acquisition rights: 15,869,047 shares)

All potentially dilutive securities are included in the calculation of diluted net income per share.

### **(Significant subsequent events)**

There are no items to report.

Disclosure is omitted regarding matters relating to such transactions as lease transactions, deals with associated companies, because the Company considers there to be no great necessity for disclosing such information in the report of the Consolidated Financial Results for FY2008 and Forecast for FY2009.