

Consolidated Financial Results for the First Half of FY2009

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
 Filing date of quarterly financial statements: November 13, 2008
 Payment date of cash dividends: December 5, 2008

*Amounts under one million yen have been rounded down.

1. Consolidated Results for the Second Quarter of FY2009 (April 1, 2008 - September 30, 2008)

(1) Business Results (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
2Q of FY2009	137,628	—	4,906	—	4,896	—	2,207	—
2Q of FY2008	123,525	3.5%	3,648	6.7%	3,653	3.6%	1,743	(13.7%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
2Q of FY2009	13.21	12.07
2Q of FY2008	10.31	9.43

(2) Consolidated Financial Position

	Total Assets (Millions of yen)	Net Assets (Millions of yen)	Equity Ratio (%)	Net Assets per Share (Yen)
2Q of FY2009	198,037	93,988	46.5	550.97
FY2008	193,113	93,726	47.5	549.13

(Reference) Equity capital: 2Q of FY2009: ¥92,085 million; FY2008: ¥91,782 million

2. Dividends

Record date	Dividends per Share (Yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
FY2008	—	3.50	—	3.50	7.00
FY2009	—	3.50	—	—	—
FY2009 (Forecast)	—	—	—	3.50	7.00

(Note) Adjustment for the projected dividend in the current quarter: None

3. Forecast of the Consolidated Financial Results for FY2009 (April 1, 2008 - March 31, 2009)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
Full Year	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
	275,000	9.7	7,500	11.8	7,500	11.4	4,300	12.8	25.73

(Note) Adjustment for the projected consolidated financial results in the current quarter: None

4. Others

(1) Significant changes in subsidiaries during the term (Changes in specific subsidiaries with changes in the scope of consolidation): None

(2) Adoption of the simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For details, please refer to Page 4-5, "4. Others" of "Qualitative information on financial statements."

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements (Changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")

1) Changes due to revisions of accounting standards: Yes

2) Changes other than 1): None

Note: For details, please refer to Page 4-5, "4. Others" of "Qualitative Information on financial statements."

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of each period (including treasury stock)

2Q of FY2009: 174,148,018 shares; FY2008: 174,148,018 shares

2) Number of treasury stocks at the end of each term and fiscal year

2Q of FY2009: 7,016,261 shares; FY2008: 7,005,544 shares

3) Average number of shares (quarterly consolidated cumulative period):

2Q of FY2009: 167,135,126 shares; 2Q of FY2008: 169,081,486 shares

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

1. 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.

2. Effective from the first quarter of the fiscal year ending March 31, 2009, the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the "Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No. 14) are applied. In addition, quarterly consolidated financial statements are prepared in accordance with the "Rules for Quarterly Consolidated Financial Statements."

[Qualitative information and financial statements]

1. Qualitative information on consolidated operating results

During the first half of the year ending March 31, 2009, there was increasing concern about the possibility of a slowdown of the Japanese economy owing to sharp increases in crude oil prices and turmoil in financial markets worldwide, which spread outward from the U.S.

The food industry continued to operate in a challenging environment as prices of ingredients and other materials remained high. Also, consumers' mistrust of the food industry was exacerbated by a spate of false product labeling incidents and a scandal concerning tainted rice. The market environment for the flour milling industry is changing greatly. Against the background of sharp increases in international wheat prices, the government increased prices of major types of wheat by 30% in April 2008 and by 10% in October 2008.

In these circumstances, the Group launched the two-year SG100 08/09 Medium-Term Business Plan in April 2008 with the aim of achieving sustainable growth and enhancing corporate value. Based on key strategies to strengthen profitability and to achieve diversified growth, the Group worked to reduce costs and improve productivity. In May 2008, the Company signed a basic agreement on a tie-up with Mayeda Sangyo Co., Ltd. concerning the flour milling business with the objective of strengthening competitiveness of the core business. In June 2008, a premix plant of Tianjin Chuan Shun Foods Co., Ltd., a joint venture established in Tianjin, China, for the purpose of expanding business overseas, started operation.

As a result, consolidated net sales for the first half of the current fiscal year were ¥137,628 million, operating income was ¥4,906 million, ordinary income was ¥4,896 million, and net income was ¥2,207 million.

The performance of individual business segments was as follows.

Flour Milling

In the Flour Milling segment, to further strengthen 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 attuned to the evolving market. However, reflecting sluggish demand for wheat flour in Japan, shipments of wheat flour were slightly lower than in the same period of the previous year. The Group revised the wheat flour sales prices in line with the 30% increase in April 2008 in the government's sales prices of major types of wheat. As a result, net sales for the Flour Milling segment were ¥52,668 million, and operating income was ¥2,911 million.

Food

In the Food segment, the Group introduced distinctive new products based on the threefold concept of wellbeing, safety, and simplicity. At the same time, the Group conducted vigorous marketing, including holding of technical workshops on Italian food for professional cooks and participation in exhibitions. The Group launched new home-use products attuned to recent customer preferences, including a new tempura flour premix emphasizing health and economy in the Oh' my series and the Nippn-brand pancake premix suitable for cooking on an electric hot plate. As a result, sales of pasta-related products and premixes were robust. Sales of frozen ingredients and foods increased through expansion of the "Oh' my Premium Gold" series of high-grade frozen foods for home use with the addition of new products and the Group's entry in new categories such as frozen short pasta and frozen snacks. Sales of deli products increased led by robust sales of boxed lunches for convenience stores. As a result, net sales for the Food segment were ¥70,906 million, and operating income was ¥2,447 million.

Other Businesses

In the pet food products business, both shipments and sales increased. In health food business, newly launched specified health food and linseed oil were sold well. While sales of the biotechnology-related business increased compared with the same period of the previous year, sales of the engineering business decreased. As a result, sales for the Other Businesses segment were ¥14,053 million.

2. Qualitative information on consolidated financial position

Total assets at the end of the first half of the current fiscal year were ¥198,037 million, having increased ¥4,923 million compared with the figure at the end of the previous fiscal year (March 31, 2008). This is mainly because inventories increased, although investment securities decreased. Total liabilities were ¥104,048 million, having increased ¥4,661 million compared with the figure at the previous fiscal year-end. The main factor was an increase in commercial paper. Net assets amounted to ¥93,988 million, having increased ¥262 million compared with the figure at the previous fiscal year-end. This increase was mainly attributable to an approximately ¥1,400 million increase in retained earnings, although unrealized gain on revaluation of securities decreased approximately ¥900 million.

(Consolidated cash flows)

Cash and cash equivalents at the end of the first half of the current fiscal year were ¥9,879 million, having increased ¥228 million compared with the previous fiscal year-end.

Net cash from operating activities was an outflow of ¥2,085 million, having decreased ¥5,131 million compared with the same period of the previous year. This decrease was mainly attributable to an increase in inventories.

Net cash used in investing activities was ¥3,348 million. The main factor was an expenditure on capital investment of approximately ¥3,300 million.

Net cash provided by financing activities was ¥5,698 million. The principal factor was issuance of commercial paper.

3. Qualitative information on forecast of the consolidated financial results

In the challenging operating environment, the Group promoted efficient sales activities, which resulted in cost reduction. As a result, the Group posted favorable financial results on a consolidated basis for the first half of the fiscal year ending March 31, 2009. However, the worldwide financial crisis is having an adverse impact on the Japanese economy, as indicated by falling stock prices and rapid fluctuation of exchange rates. As a decline in demand has become notable in the food industry, the outlook for the operating environment of the Group is becoming less promising. Accordingly, we have not made any changes for the forecasts of the consolidated financial results for FY2009 announced on May 15, 2008.

4. Others

(1) Significant changes in subsidiaries during the term (changes in specific subsidiaries with changes in the scope of consolidation)

There is no related information.

(2) Adoption of the simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements

- 1) Inventories at the end of the first half of the year ending March 31, 2009 are calculated using a reasonable estimate based on the physical inventory amount at the previous fiscal year-end, in lieu of performing physical inventory count.
- 2) Income taxes are computed, taking into consideration only significant addition and deduction items and tax exemption items. The Company judges the recoverability of deferred tax assets with a method that uses the future earning forecast and tax planning that were used in the previous fiscal year, when the Company has judged that there has been no significant change in the management environment or other circumstances and in the status of occurrence of temporary difference since the end of the previous fiscal year.

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements

(Changes in accounting procedures)

- 1) Effective from the first quarter of the fiscal year ending March 31, 2009, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Implementation Guidance for Accounting Standard for Quarterly Financial Statements” (ASBJ Guidance No. 14) are applied. In addition, Quarterly consolidated financial statements are prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”
- 2) Inventories held for ordinary sales were previously stated at cost determined by the monthly gross average method. However, in line with the application of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006), effective from the first quarter of the fiscal year ending March 31, 2009, onward, inventories held for ordinary sales are stated at cost determined by the monthly gross average method (book value stated in a balance sheet is written down in accordance with a decline in profitability). This change has no material impact on operating income, ordinary income or income before income taxes on consolidated results of the first half of current fiscal year.

- 3) Effective from the first quarter of the fiscal year ending March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006) is applied and necessary adjustments are made for consolidated financial reporting. This change has no material impact on operating income, ordinary income or income before income taxes on consolidated results of the first half of current fiscal year.

(Additional information)

- 1) The Company and its consolidated subsidiaries in Japan reviewed their use of assets, taking the opportunity of the fiscal 2008 tax revision concerning the useful lives of depreciable assets. As a result, effective from the fiscal year ending March 31, 2009, the depreciation method in accordance with the revised Corporation Tax Law is applied. As a result of this change, operating income, ordinary income and income before income taxes of the first half of current fiscal year were ¥287 million lower, respectively.

5. Consolidated Financial Statements for the Second Quarter Ended September 30, 2008

(1) Consolidated balance sheets

(Millions of yen)

	Second Quarter of FY2009 (As of September 30, 2008)	FY2008 (As of March 31, 2008)
Assets		
Current assets		
Cash and deposits	9,919	9,691
Trade notes and accounts receivable	27,931	30,718
Securities	17	121
Merchandise and finished goods	12,286	11,351
Work in progress	347	198
Raw materials and supplies	16,086	7,467
Others	3,959	2,920
Allowance for doubtful accounts	(198)	(201)
Total current assets	70,351	62,267
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	26,398	27,055
Machinery, equipment and vehicles, net	19,002	18,861
Land	24,866	25,054
Construction in progress	660	1,021
Others, net	1,105	944
Total tangible fixed assets	72,032	72,938
Intangible fixed assets		
Goodwill	218	446
Others	518	531
Total intangible fixed assets	737	978
Investments and other assets		
Investment securities	48,021	49,733
Others	7,452	7,645
Allowance for doubtful accounts	(558)	(449)
Total investments and other assets	54,915	56,928
Total fixed assets	127,685	130,845
Total assets	198,037	193,113

(Millions of yen)

	Second Quarter of FY2009 (As of September 30, 2008)	FY2008 (As of March 31, 2008)
Liabilities		
Current liabilities		
Trade notes and accounts payable	13,392	14,146
Short-term loans	27,542	29,074
Accrued income taxes	3,574	2,054
Reserve for employee bonuses	394	267
Reserve for directors' bonuses	–	41
Others	20,996	14,491
Total current liabilities	65,900	60,076
Long-term liabilities		
Bonds	8,098	8,098
Long-term debt	12,992	12,396
Reserve for employee retirement benefits	2,068	2,008
Reserve for directors' retirement benefits	869	780
Others	14,119	16,026
Total long-term liabilities	38,148	39,310
Total liabilities	104,048	99,386
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,388	11,387
Retained earnings	56,183	54,724
Treasury stock, at cost	(2,311)	(2,308)
Total shareholders' equity	77,500	76,043
Unrealized gain or loss and adjustment		
Unrealized gains on revaluation of securities	14,440	15,301
Deferred gain (loss) on hedges	(11)	(1)
Foreign currency translation adjustment	155	439
Total unrealized gain or loss and adjustment	14,584	15,738
Minority interests	1,903	1,944
Total net assets	93,988	93,726
Total liabilities and net assets	198,037	193,113

(2) Consolidated statements of income

(Millions of yen)

	Second Quarter of FY2009 (April 1, 2008 - September 30, 2008)
Net sales	137,628
Cost of sales	106,472
Gross profit	31,155
Selling, general and administrative expenses	26,249
Operating income	4,906
Non-operating income	
Interest income	29
Dividend income	544
Others	294
Total non-operating income	868
Non-operating expenses	
Interest expenses	423
Foreign exchange losses	118
Others	336
Total non-operating expenses	878
Ordinary income	4,896
Extraordinary income	
Gain on sale of fixed assets	64
Gain on forgiveness of debt	135
Others	33
Total extraordinary income	232
Extraordinary losses	
Loss on retirement and sale of fixed assets	64
Impairment loss	470
Loss on revaluation of investment securities	345
Others	80
Total extraordinary losses	961
Income before income taxes	4,166
Income taxes	3,590
Income tax adjustments	(1,675)
Total income taxes	1,915
Minority interests	44
Net income	2,207

(3) Consolidated statements of cash flows

(Millions of yen)

	Second Quarter of FY2009 (April 1, 2008 - September 30, 2008)
Cash flows from operating activities	
Income before income taxes	4,166
Depreciation and amortization	3,390
Impairment loss	470
Amortization of goodwill	42
Increase (decrease) in allowance for doubtful accounts	106
Interest and dividend income	(573)
Interest expenses	423
Loss (gain) on revaluation of investment securities	345
Foreign exchange loss (gain)	109
Equity in losses (earnings) of affiliates	99
Loss (gain) on sale of tangible fixed assets	(55)
Loss on retirement of fixed assets	91
Gain on forgiveness of debt	(135)
Decrease (increase) in trade notes and accounts receivable	2,715
Decrease (increase) in inventories	(9,937)
Increase (decrease) in trade notes and accounts payable	(630)
Others, net	(784)
Sub-total	(155)
Interest and dividends received	575
Interest paid	(424)
Payments for income taxes	(2,081)
Net cash provided by (used in) operating activities	(2,085)
Cash flows from investing activities	
Acquisition of tangible fixed assets	(3,340)
Proceeds from sale of tangible fixed assets	122
Purchase of investment securities	(705)
Proceeds from sale of investment securities	597
Lending of loans receivable	(110)
Collection of loans receivable	67
Others, net	21
Net cash used in investing activities	(3,348)
Cash flows from financing activities	
Net increase (decrease) of short-term loans	(887)
Net increase (decrease) of commercial paper	7,000
Proceeds from long-term debt	1,690
Repayments of long-term debt	(1,502)
Acquisition of treasury stock	(3)
Proceeds from sale of treasury stock	1
Cash dividends paid	(585)
Dividends paid to minority shareholders	(13)
Net cash provided by (used in) financing activities	5,698
Effect of exchange rate changes on cash and cash equivalents	(36)
Increase (decrease) in cash and cash equivalents	228
Cash and cash equivalents at beginning of the term	9,651
Cash and cash equivalents at end of the term	9,879

Effective from the first quarter of the fiscal year ending March 31, 2009, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Implementation Guidance for Accounting Standard for Quarterly Financial Statements” (ASBJ Guidance No. 14) are applied. In addition, Quarterly consolidated financial statements are prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”

(4) Notes on premise of a going concern

There is no related information.

(5) Segment information

a. Business segment information

Second Quarter of FY2009 (April 1, 2008 - September 30, 2008)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
I Net sales and operating income						
Net sales						
(1) Net sales to external customers	52,668	70,906	14,053	137,628	-	137,628
(2) Internal sales or transfers between segments	2,074	516	877	3,468	(3,468)	-
Total	54,742	71,423	14,930	141,096	(3,468)	137,628
Operating income	2,911	2,447	(406)	4,952	(46)	4,906

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.

b. Geographically segmented information

Second Quarter of FY2009 (April 1, 2008 - September 30, 2008)

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

c. Overseas sales

Second Quarter of FY2009 (April 1, 2008 - September 30, 2008)

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

(6) Notes on significant changes in the amount of shareholders' equity

There is no related information.

[Reference]

1. Financial Statements for the Previous Second Quarter
 (1) (Summary) Interim consolidated statements of income

(Millions of yen)

	Second Quarter of FY2008 (April 1, 2007 - September 30, 2007)
	Amount
I Net sales	123,525
II Cost of sales	94,730
Gross profit	28,794
III Selling, general and administrative expenses	25,146
Operating income	3,648
IV Non-operating income	
Interest and dividend income	542
Gain on sale of securities	443
Others	368
Total non-operating income	1,354
V Non-operating expenses	
Interest expenses	399
Others	950
Total non-operating expenses	1,349
Ordinary income	3,653
VI Extraordinary income	
Gain on sale of investment securities	429
Gain on sale of fixed assets	58
Others	65
Total extraordinary income	553
VII Extraordinary losses	
Loss on revaluation of investment securities	64
Reserve for allowance for doubtful accounts	37
Loss on retirement and sale of fixed assets	73
Others	213
Total extraordinary losses	388
Income before income taxes	3,818
Income taxes	1,953
Income tax adjustments	56
Minority interests	65
Net income	1,743

(2) (Summary) Interim consolidated statements of cash flows

(Millions of yen)

		Second Quarter of FY2008 (April 1, 2007 - September 30, 2007)
		Amount
I	Cash flows from operating activities	
	Income before income taxes	3,818
	Depreciation and amortization	2,963
	Increase in prepaid pension cost and reserve for employee retirement benefits	(154)
	Increase (decrease) in reserve for directors' retirement benefits	(87)
	Increase (decrease) in allowance for doubtful accounts	25
	Interest and dividend income	(542)
	Interest expenses	399
	Loss (gain) on sale of securities	(864)
	Loss on revaluation of securities	64
	Equity in losses (earnings) of affiliates	745
	Loss (gain) on sale of fixed assets	(58)
	Loss on retirement or sale of fixed assets	110
	Directors' bonuses paid	(53)
	Decrease (increase) in trade notes and accounts receivable	301
	Decrease (increase) in inventories	(1,686)
	Increase (decrease) in trade notes and accounts payable	720
	Others, net	(1,065)
	Sub-total	4,636
	Interest and dividends received	552
	Interest paid	(400)
	Payments for income taxes	(1,742)
	Net cash provided by (used in) operating activities	3,045
II	Cash flows from investing activities	
	Acquisition of fixed assets	(3,121)
	Proceeds from sale of fixed assets	129
	Purchase of investment securities	(2,779)
	Proceeds from sale and redemption of investment securities	2,172
	Lending of loans receivable	(1)
	Collection of loans receivable	36
	Others, net	(123)
	Net cash used in investing activities	(3,687)
III	Cash flows from financing activities	
	Net increase (decrease) of short-term loans	619
	Net increase (decrease) of commercial paper	1,000
	Repayments of long-term debt	(951)
	Increase (decrease) of guarantee deposits of lending stock received	(4,000)
	Acquisition of treasury stock	(3)
	Proceeds from sale of treasury stock	1
	Cash dividends paid	(605)
	Net cash provided by (used in) financing activities	(3,939)
IV	Effect of exchange rate changes on cash and cash equivalents	125
V	Increase (decrease) in cash and cash equivalents	(4,455)
VI	Cash and cash equivalents at beginning of the term	12,024
VII	Cash and cash equivalents at end of the term	7,568

(3) Segment information**a. Business segment information**

Interim of FY2008 (April 1, 2007 - September 30, 2007)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
I 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

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 food, deli foods
Others	Pet food, health foods, food-related machinery and equipment

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

b. Geographically segmented information

Interim of FY2008 (April 1, 2007 - September 30, 2007)

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

c. Overseas sales

Interim of FY2008 (April 1, 2007 - September 30, 2007)

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