

Consolidated Financial Results for the First Quarter 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>
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*Amounts under one million yen have been rounded down.

1. Consolidated Results for the First Quarter of FY2009 (April 1, 2008 - June 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	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
First Quarter of FY2009	67,819	—	2,546	—	2,672	—	1,349	—
First Quarter of FY2008	61,868	4.4%	1,749	13.6%	2,171	10.8%	1,153	2.1%

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
	First Quarter of FY2009	8.08
First Quarter of FY2008	6.82	6.24

(2) Consolidated Financial Position

	Total Assets (Millions of yen)	Net Assets (Millions of yen)	Equity Ratio (%)	Net Assets per Share (Yen)
	First Quarter of FY2009	199,590	96,493	47.4
FY2008	193,113	93,726	47.5	549.13

(Reference) Net assets including minority interests: First quarter of FY2009: ¥94,657 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	—	—	—	—	—
FY2009 (Forecast)	—	3.50	—	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
	(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

(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

There is no related information.

(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): No

Note: For details, please refer to Page 4, "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)

First quarter 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

First quarter of FY2009: 7,011,707 shares; FY2008: 7,005,544 shares

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

First quarter of FY2009: 167,136,635 shares; First quarter of FY2008: 169,082,279 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. 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 quarter of the year ending March 31, 2009, while the tempo of private-sector capital investment started to slow owing to sharp increases in prices of crude oil and raw materials, rising prices caused personal consumption to weaken. A sluggish outlook for the Japanese economy became apparent.

The food industry continued to operate in an adverse environment as soaring grain prices and rising prices of materials pushed costs higher. Consumer mistrust and uncertainty about food persisted as a result of exposure of a spate of false product labeling incidents, and expectations regarding safety and security measures and information disclosure on the part of food companies increased. Regarding flour milling, following the introduction of a variable price system for the sale of imported wheat and a simultaneous buy-and-sell (SBS) system for certain types of wheat in April 2007, the government increased prices of major types of wheat by 30% in April 2008. In these circumstances, the Nippon Flour Mills Group launched the SG100 08/09 Medium-Term Business Plan in April 2008 with the aim of improving profitability and strengthening the financial position of the Group in order to ensure sustainable growth.

As a result, consolidated net sales for the first quarter were ¥67,819 million, operating income was ¥2,546 million, ordinary income was ¥2,672 million, and net income was ¥1,349 million.

The performance of individual business segments was as follows.

In the Flour Milling segment, the Group revised the wheat sales prices in April 2008 in line with the increases in the government's sales prices of imported wheat. In order to address customer needs and diversifying preferences concerning food, 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. As a result, although shipments were virtually unchanged compared with the same period of the previous year, sales exceeded the figure for the same period of the previous year. Revenues from the warehousing and harbor transport businesses were higher than for the same period of the previous year. As a result, net sales for the Flour Milling segment were ¥25,997 million, and operating income was ¥1,280 million.

In the Food segment, 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. Also, the Group worked to enhance the efficiency of sales by curtailing distribution expenses and advertising and sales promotion expenses. As a result, sales of premixes, pastas and pasta-related products increased compared with the same period of the previous year. Sales of frozen ingredients and food also exceeded the level for the same period of the previous year both for commercial use and home use. 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 ¥34,896 million, and operating income was ¥1,335 million.

In the Other Businesses segment, sales of the pet food products business were buoyant, reflecting the rising number of pet lovers. 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 ¥6,925 million.

2. Qualitative information on consolidated financial position

Total assets at the end of the first quarter under review were ¥199,590 million, having increased ¥6,476 million compared with the figure at the end of the previous fiscal year (March 31, 2008). The main factors were increases in inventories and investment securities. Total liabilities were ¥103,097 million, having increased ¥3,710 million compared with the figure at the previous fiscal year-end. The main factor was an increase in debt. Net assets amounted to ¥96,493 million, having increased ¥2,766 million compared with the figure at the previous fiscal year-end. This increase was mainly attributable to a ¥0.6 billion increase in retained earnings and a ¥2.6 billion increase in unrealized gain on revaluation of securities.

(Qualitative information on consolidated cash flows)

Cash and cash equivalents at the end of the first quarter under review were ¥9,890 million, having increased ¥238 million compared with the previous fiscal year end.

Net cash from operating activities was an outflow of ¥2,104 million, having decreased ¥2,343 million compared with the same period of the previous year. This was mainly because inventories increased although income before income taxes increased from the previous fiscal year.

Net cash used in investing activities was ¥1,309 million. The main factor was an expenditure on capital investment of ¥1,300 million.

Net cash used in financing activities was ¥3,772 million. The principal factor was issuance of commercial paper.

3. Qualitative information on forecast of the consolidated financial results

Consolidated results for the first quarter of the year ending March 31, 2009, were in accordance with the plan despite a challenging business environment. In view of the uncertainty concerning the business environment, including the trends of grain prices, prices of crude oil and other resources, and interest rates, the Company has made no changes to the forecasts for the first half or for the full year of the fiscal year ending March 31, 2009 announced on May 15, 2008.

4. Others

(1) Significant changes to subsidiaries during the term (transfers of 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 quarter 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)“Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14) are applied from the current consolidated fiscal year. In addition, the Company prepared quarterly consolidated financial statements in accordance with the “Regulations on 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) 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 profits.

- 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) is applied and necessary adjustments are made for consolidated financial reporting. This change has no material impact on profits.

(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 were ¥141 million lower, respectively.

5. Consolidated Financial Statements for the First Quarter Ended June 30, 2008

(1) Consolidated balance sheets

(Millions of yen)

	First Quarter of FY2009 (As of June 30, 2008)	FY2008 (As of March 31, 2008)
Assets		
Current assets		
Cash and deposits	9,957	9,691
Trade notes and accounts receivable	28,660	30,718
Securities	122	121
Merchandise and finished goods	12,499	11,351
Work in progress	163	198
Raw materials and supplies	10,210	7,467
Others	3,401	2,920
Allowance for doubtful accounts	(183)	(201)
Total current assets	64,830	62,267
Fixed assets		
Tangible fixed assets		
Buildings and structures	26,852	27,055
Machinery, equipment and vehicles	19,491	18,861
Land	24,993	25,054
Construction in progress	519	1,021
Others	966	944
Total tangible fixed assets	72,823	72,938
Intangible fixed assets		
Goodwill	234	446
Others	517	531
Total intangible fixed assets	751	978
Investments and other assets		
Investment securities	54,128	49,733
Others	7,527	7,645
Allowance for doubtful accounts	(471)	(449)
Total investments and other assets	61,184	56,928
Total fixed assets	134,759	130,845
Total assets	199,590	193,113

(Millions of yen)

	First Quarter of FY2009 (As of June 30, 2008)	FY2008 (As of March 31, 2008)
Liabilities		
Current liabilities		
Trade notes and accounts payable	13,153	14,146
Short-term loans	21,320	29,074
Accrued income taxes	2,028	2,054
Reserve for bonuses	327	267
Reserve for directors' bonuses	–	41
Others	19,224	14,491
Total current liabilities	56,054	60,076
Long-term liabilities:		
Bonds	8,098	8,098
Long-term debt	19,394	12,396
Reserve for employee retirement benefits	2,034	2,008
Reserve for directors' retirement benefits	805	780
Others	16,710	16,026
Total long-term liabilities	47,042	39,310
Total liabilities	103,097	99,386
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,387	11,387
Retained earnings	55,335	54,724
Treasury stock, at cost	(2,309)	(2,308)
Total shareholders' equity	76,654	76,043
Unrealized gains and adjustment		
Unrealized gains on revaluation of securities	17,932	15,301
Deferred gain (loss) on hedges	(3)	(1)
Foreign currency translation adjustment	73	439
Total unrealized gain or loss and adjustment	18,002	15,738
Minority interests	1,836	1,944
Total net assets	96,493	93,726
Total liabilities and net assets	199,590	193,113

(2) Consolidated statements of income

(Millions of yen)

	First Quarter of FY2009 (April 1, 2008 - June 30, 2008)
Net sales	67,819
Cost of sales	52,238
Gross profit	15,580
Selling, general and administrative expenses	13,034
Operating income	2,546
Non-operating income	
Interest income	13
Dividend income	511
Others	197
Total operating income	721
Non-operating expenses	
Interest expenses	204
Foreign exchange losses	210
Others	180
Total non-operating expenses	595
Ordinary income	2,672
Extraordinary income	–
Extraordinary losses	
Loss on revaluation of investment securities	29
Others	68
Total extraordinary losses	97
Income before income taxes	2,574
Income taxes	2,066
Income tax adjustments	(853)
Total income taxes	1,212
Minority interests	12
Net income	1,349

(3) Consolidated statements of cash flows

(Millions of yen)

	First Quarter of FY2009 (April 1, 2008 - June 30, 2008)
Cash flows from operating activities	
Income before income taxes	2,574
Depreciation and amortization	1,661
Amortization of goodwill	20
Increase (decrease) in allowance for doubtful accounts	4
Interest and dividend income	(524)
Interest expenses	204
Foreign exchange loss (gain)	207
Equity in losses (earnings) of affiliates	46
Loss (gain) on sale of tangible fixed assets	(13)
Decrease (increase) in trade notes and accounts receivable	1,946
Loss (gain) on disposal of inventories	(4,107)
Increase (decrease) in trade notes and accounts payable	(915)
Others, net	(1,491)
Sub-total	(385)
Interest and dividends received	534
Interest paid	(242)
Payments for income taxes	(2,010)
Net cash provided by (used in) operating activities	(2,104)
Cash flows from investing activities	
Acquisition of fixed assets	(1,300)
Proceeds from sale of fixed assets	25
Purchase of investment securities	(508)
Proceeds from sale of investment securities	538
Lending of loans receivable	(105)
Collection of loans receivable	44
Others, net	(3)
Net cash used in investing activities	(1,309)
Cash flows from financing activities	
Net increase (decrease) of short-term loans	(780)
Net increase (decrease) of commercial paper	5,000
Proceeds from long-term debt	1,400
Repayments of long-term debt	(1,248)
Acquisition of treasury stock	(0)
Proceeds from sale of treasury stock	0
Cash dividends paid	(585)
Dividends paid to minority shareholders	(13)
Net cash provided by (used in) financing activities	3,772
Effect of exchange rate changes on cash and cash equivalents	(119)
Increase (decrease) in cash and cash equivalents	238
Cash and cash equivalents at beginning of the term	9,651
Cash and cash equivalents at end of the term	9,890

“Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14) are applied from the current consolidated fiscal year. In addition, the Company prepared quarterly consolidated financial statements in accordance with the “Regulations on Quarterly Consolidated Financial Statements.”

(4) Notes on premise of a going concern

There is no related information.

(5) Segment information

a. Business segment information

First Quarter of FY2009 (April 1, 2008 - June 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	25,997	34,896	6,925	67,819	-	67,819
(2) Internal sales or transfers between segments	1,069	246	485	1,802	(1,802)	-
Total	27,067	35,142	7,411	69,621	(1,802)	67,819
Operating expenses	25,786	33,807	7,466	67,060	(1,787)	65,273
Operating income	1,280	1,335	(55)	2,560	(14)	2,546

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

First Quarter of FY2009 (April 1, 2008 - June 30, 2008)

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

c. Overseas sales

First Quarter of FY2009 (April 1, 2008 - June 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 First Quarter

(1) (Summary) Quarterly consolidated statements of income

(Millions of yen)

	First quarter of FY2008 (April 1, 2007 - June 30, 2007)
	Amount
I Net sales	61,868
II Cost of sales	47,419
Gross profit	14,448
III Selling, general and administrative expenses	12,699
Operating income	1,749
IV Non-operating income	
Interest and dividend income	494
Others	298
Total non-operating income	793
V Non-operating expenses	
Interest expenses	199
Others	171
Total non-operating expenses	370
Ordinary income	2,171
VI Extraordinary income	-
VII Extraordinary losses	79
Income before income taxes	2,091
Income taxes	428
Deferred income taxes	485
Minority interests	24
Net income	1,153

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

(Millions of yen)

	First Quarter of FY2008 (April 1, 2007 - June 30, 2007)
I Cash flows from operating activities	
Income before income taxes	2,091
Depreciation and amortization	1,475
Decrease (increase) in trade notes and accounts receivable	(3,540)
Decrease (increase) in inventories	2,480
Increase (decrease) in trade notes and accounts payable	267
Others, net	(991)
Sub-total	1,783
Interest and dividends received	504
Interest paid	(230)
Payments for income taxes	(1,817)
Net cash provided by operating activities	239
II Cash flows from investing activities	
Acquisition of fixed assets	(1,652)
Proceeds from sale of fixed assets	8
Proceeds from purchase, sale and redemption of investment securities	(103)
Others, net	(123)
Net cash used in investing activities	(1,871)
III Cash flows from financing activities	
Net increase (decrease) of short-term loans	(288)
Repayments of long-term debt	(307)
Increase (decrease) of guarantee deposits of lending stock received	(2,000)
Acquisition of treasury stock	(1)
Cash dividends paid	(605)
Net cash used in financing activities	(3,202)
IV Effect of exchange rate changes on cash and cash equivalents	125
V Increase (decrease) in cash and cash equivalents	(4,708)
VI Cash and cash equivalents at beginning of the term	12,024
VII Cash and cash equivalents at end of the term	7,315

(3) Segment information

a. Business segment information

First Quarter of FY2008 (April 1, 2007 - June 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	22,147	32,446	7,274	61,868	-	61,868
(2) Internal sales or transfers between segments	499	218	437	1,155	(1,155)	-
Total	22,646	32,664	7,711	63,023	(1,155)	61,868
Operating expenses	21,564	31,946	7,768	61,279	(1,160)	60,118
Operating income	1,082	718	(57)	1,744	4	1,749

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

First Quarter of FY2008 (April 1, 2007 - June 30, 2007)

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

c. Overseas sales

First Quarter of FY2008 (April 1, 2007 - June 30, 2007)

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