

Consolidated Financial Results

For the Third Quarter of FY2010

February 5, 2010

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: Hiroshi Sawada, Chairman and President, Chief Executive Officer, and Chief Operating Officer
 Contact: Yasuo Morizumi, General Manager of Corporate Communications Division
 TEL: 03-3350-3900
 Filing date of quarterly financial statements: February 12, 2010
 Payment date of cash dividends: -

*Amounts under one million yen have been rounded down.

1. Consolidated Results for the Third Quarter of FY2010 (April 1, 2009 – December 31, 2009)

(1) Business Results (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY2010	200,926	(4.4)	10,062	15.3	10,482	20.1	6,032	48.7
3Q of FY2009	210,216	—	8,728	—	8,727	—	4,056	—

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
3Q of FY2010	36.09		32.97	
3Q of FY2009	24.27		22.17	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
3Q of FY2010	181,924	94,612	51.3	557.96
FY2009	182,863	88,536	47.7	521.77

(Reference) Equity capital: 3Q of FY2010: ¥93,250 million; FY2009: ¥87,205 million

2. Dividends

Record date	Dividends per Share (Yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
FY2009	—	3.50	—	4.50	8.00
FY2010	—	4.00	—		
FY2010 (Forecast)				6.00	10.00

(Note) Adjustment for the forecast of the dividend in the current quarter: Yes

3. Forecast of the Consolidated Financial Results for FY2010 (April 1, 2009 – March 31, 2010)

	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
Full Year	265,000	(4.3)	12,000	12.3	12,000	23.3	7,000	45.0	41.88

(Note) Adjustment for the forecast of the consolidated financial results in the current quarter: Yes

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 simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

(Note) For details, please refer to Page 5, "4. Others" of "Qualitative Information and 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 5, "4. Others" of "Qualitative Information and 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)

3Q of FY2010: 174,148,018 shares; FY2009: 174,148,018 shares

2) Number of treasury stocks at the end of each period

3Q of FY2010: 7,022,007 shares; FY2009: 7,015,503 shares

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

3Q of FY2010: 167,128,489 shares; 3Q of FY2009: 167,134,693 shares

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

The above forecast has been prepared based on data as of the announcement date. Actual results may differ significantly from the forecast due to various factors. Some figures in the Forecast of the Consolidated Financial Results above, which were announced on November 2, 2009, have been revised and updated in this report.

[Qualitative Information and Financial Statements]

1. Qualitative Information on Consolidated Operating Results

During the nine months of the year ending March 31, 2010, although the Japanese economy emerged from the depths of the recession aided by a series of economic measures, challenging circumstances continued as personal consumption remained lackluster owing to deterioration of the employment situation, as indicated by the rising unemployment rate.

In view of the decline in international wheat prices, the Japanese government reduced its sales prices of five types of imported wheat by 14.8%, and then 23% on average in April and October 2009. Reflecting these reductions, the Nippon Flour Mills Group revised its product prices.

Under these circumstances, the Group has done its utmost to achieve the objectives of the 08/09 SG100 New Business Plan, striving to strengthen its competitiveness and cut costs not only in its core flour milling business but also throughout the Group's business fields.

As a result, consolidated net sales for the nine months of the current fiscal year decreased by 4.4% year on year to ¥200,926 million, operating income increased by 15.3% year on year to ¥10,062 million, ordinary income increased by 20.1% year on year to ¥10,482 million, and net income increased by 48.7% year on year to ¥6,032 million.

The performance of individual business segments was as follows.

1) Flour Milling

To address customer needs and diversifying preferences concerning food, the Group developed new products, held cookery workshops, and executed vigorous sales & marketing, including proposal-driven sales. As a result, sales volume of wheat flour increased compared to the volume during the same period of the previous year.

However, followed by the reductions in the government's sales prices of imported wheat in April and October, the Group revised its sales prices of wheat flour in May and November 2009, which reduced in the sales of wheat flour compared with the same period of the previous fiscal year.

Sales of wheat bran, a by-product, were lower than the figure for the same period of the previous year, reflecting a drop in grain price.

As a result, net sales for the Flour Milling segment decreased by 4.1% to ¥78,617 million, and operating income decreased by 11.3% year on year to ¥4,671 million.

2) 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 cookery workshops on Italian cuisine for professional cooks and participation in exhibitions. Meanwhile, the Group revised the prices of wheat flour-related products in line with the reduction of the government sales prices of imported wheat.

Sales of premixes increased compared with the same period of the previous year as the sales volumes of both commercial- and home-use premixes rose.

Sales of frozen ingredients and foods rose, a result partly attributable to the impact of the introduction of new frozen pasta dish products for home use.

As a result, net sales of the Food segment decreased by 6.0% compared with the same period of the previous year to ¥100,361 million, but operating income soared by 33.6% to ¥5,417 million.

3) Other

The pet food products business recorded higher sales fueled by rising sales volume. In the engineering business, the sales exceeded the previous year's level.

As a result, net sales for the Other segment increased by 2.4% to ¥21,947 million.

2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the nine months of the current fiscal year decreased by ¥939 million from the figure at the previous fiscal year-end (March 31, 2009) to ¥181,924 million. This was mainly because cash and deposits,

accounts receivables and investment securities increased, although inventories and tangible fixed assets decreased. Total liabilities decreased by ¥7,015 million from the previous fiscal year-end to ¥87,311 million. The main factor was a decrease in commercial papers and accrued income taxes.

Net assets increased by ¥6,076 million from the previous fiscal year-end to ¥94,612 million. This increase was mainly attributable to the increase in retained earnings and unrealized gain on revaluation of securities.

(Consolidated cash flows)

Cash and cash equivalents at the end of the third quarter of the current fiscal year increased by ¥2,222 million compared with the previous fiscal year-end to ¥12,907 million. The conditions of cash flows were as follows.

Net cash provided by operating activities increased by ¥12,669 million compared with the same period of the previous year to ¥13,187 million. This was mainly because of the increase of income before income taxes and the decrease of inventories.

Net cash used in investing activities was ¥3,232 million. The main factor was an expenditure on capital investment of approximately ¥3,200 million.

Net cash used in financing activities was ¥7,742 million. The principal factors were the repayment of commercial papers and long-term debt, and dividend payments.

3. Qualitative Information on Forecast of the Consolidated Financial Results

In the current economic downturn, in view of the possibility of a further softening of demand amid mounting deflationary pressure, the operating environment is expected to remain challenging.

In these circumstances, the Group intends to expand sales and meticulously reduce costs not only in the core flour milling business but throughout all business fields. Moreover, in order to accelerate Group-wide structural reforms and sharpen the Group's competitiveness, we intend to execute a vigorous program of capital investment amounting to ¥17 billion. Projects include 1) addition of a flour milling line and construction of a new silo at the Company's Kobe-Konan Mill, 2) integration of the Takasaki Plant of NIPPON Frozen Food Co., Ltd. with its Ryugasaki Plant, 3) expansion and improvement of production facilities of the Chiba Plant of NPF Japan Co., Ltd., which manufactures pet food, and 4) accelerated integration of the head office plant of Matsuya Flour Mills Co., Ltd., which manufactures buckwheat flour, with its Kaminokawa Plant and broadening of the business scope beyond buckwheat flour to include such items as rice flour.

The Group will also endeavor to grow internationally. For example, production capacity of the premix plant of subsidiary NIPPON (Thailand) Co., Ltd. will be increased.

Forecasts of consolidated operating results for the full year ending March 31, 2010, are as follows: net sales of ¥265 billion, operating income of ¥12 billion, ordinary income of ¥12 billion, and net income of ¥7 billion.

The Group plans to pay a year-end dividend of ¥6 per share, increasing the dividend by ¥2 from the previous forecast. Total cash dividends for the fiscal year will amount to ¥10 per share.

Revised Forecast of the Consolidated Financial Results for FY2010 (April 1, 2009 – March 31, 2010)

	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)
Previous forecasts (A)	265,000	11,000	11,000	6,000	35.90
Revised forecast (B)	265,000	12,000	12,000	7,000	41.88
Change (B – A)	—	1,000	1,000	1,000	—
Change (%)	—	9.1	9.1	16.7	—
(Reference) Previous year results (Fiscal year ended March 31, 2009)	276,797	10,682	9,736	4,829	28.89

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 simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements

1) Write-downs of the book value of inventories at the end of the second quarter of the current fiscal year are based on the estimated net sale amount of inventories whose profitability has clearly worsened.

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 matters concerning accounting standards)

The Company previously recognized revenues of contract work by applying the completed contract method. Effective from the first quarter of the year ending March 31, 2010, the Company has adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan (ASBJ) Statement No. 15, December 27, 2007) and the "Implementation Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). Accordingly, the percentage-of-completion method is applied to construction contracts commenced from the first quarter of the fiscal year ending March 2010 for which the outcome of the construction activity by the end of the third quarter is deemed certain, whereas the completed contract method is applied to other construction contracts.

There is no impact on quarterly financial results.

5. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Third Quarter of FY2010 (As of December 31, 2009)	FY2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	12,947	10,725
Trade notes and accounts receivable	37,160	33,657
Securities	99	24
Merchandise and finished goods	10,012	12,124
Work in progress	243	137
Raw materials and supplies	6,574	9,923
Others	2,631	4,304
Allowance for doubtful accounts	(177)	(165)
Total current assets	69,492	70,730
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	24,275	25,392
Machinery, equipment and vehicles, net	16,250	17,896
Land	24,139	24,133
Construction in progress	179	139
Others, net	1,820	1,222
Total tangible fixed assets	66,665	68,785
Intangible fixed assets		
Goodwill	43	167
Others	573	503
Total intangible fixed assets	616	671
Investments and other assets		
Investment securities	38,784	36,123
Others	7,028	7,082
Allowance for doubtful accounts	(663)	(530)
Total investments and other assets	45,149	42,675
Total fixed assets	112,431	112,132
Total assets	181,924	182,863

(Millions of yen)

	Third Quarter of FY2010 (As of December 31, 2009)	FY2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Trade notes and accounts payable	13,505	12,683
Short-term loans	20,322	20,858
Current portion of bonds	8,098	7,998
Accrued income taxes	970	4,197
Reserve for employee bonuses	180	384
Reserve for directors' bonuses	—	50
Others	10,829	14,164
Total current liabilities	53,907	60,336
Long-term liabilities		
Bonds	—	100
Long-term debt	19,490	21,204
Reserve for employee retirement benefits	2,103	2,016
Reserve for directors' retirement benefits	890	933
Others	10,919	9,736
Total long-term liabilities	33,403	33,989
Total liabilities	87,311	94,326
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,389	11,388
Retained earnings	62,858	58,247
Treasury stock, at cost	(2,313)	(2,311)
Total shareholders' equity	84,174	79,565
Unrealized gain or loss and adjustment		
Unrealized gains on revaluation of securities	9,213	7,793
Deferred gain on hedges	8	12
Foreign currency translation adjustment	(146)	(166)
Total unrealized gain or loss and adjustment	9,075	7,640
Minority interests	1,362	1,331
Total net assets	94,612	88,536
Total liabilities and net assets	181,924	182,863

(2) Quarterly consolidated statements of income

	(Millions of yen)	
	Third Quarter of FY2009 (April 1, 2008 to December 31, 2008)	Third Quarter of FY2010 (April 1, 2009 to December 31, 2009)
Net sales	210,216	200,926
Cost of sales	161,943	150,475
Gross profit	48,272	50,450
Selling, general and administrative expenses	39,543	40,387
Operating income	8,728	10,062
Non-operating income		
Interest income	43	24
Dividend income	822	631
Foreign exchange gains	—	107
Others	388	394
Total non-operating income	1,255	1,158
Non-operating expenses		
Interest expenses	659	535
Foreign exchange losses	204	28
Others	391	176
Total non-operating expenses	1,255	739
Ordinary income	8,727	10,482
Extraordinary income		
Gain on sales of fixed assets	64	0
Gain on sales of subsidiaries and affiliates' stocks	11	9
Gain on forgiveness of debts	135	—
Reversal of allowance for doubtful accounts	—	17
Others	47	1
Total extraordinary income	257	29
Extraordinary losses		
Loss on sales and retirement of fixed assets	120	97
Loss on revaluation of investment securities	351	3
Business structure improvement expenses	—	412
Impairment loss	605	67
Others	80	65
Total extraordinary losses	1,158	645
Income before income taxes	7,827	9,865
Income taxes	5,342	3,519
Income tax adjustments	(1,610)	291
Total income taxes	3,731	3,810
Minority interests	39	22
Net income	4,056	6,032

(2) Quarterly consolidated statements of cash flows

	(Millions of yen)	
	Third Quarter of FY2009 (April 1, 2008 to December 31, 2008)	Third Quarter of FY2010 (April 1, 2009 to December 31, 2009)
Cash flows from operating activities		
Income before income taxes	7,827	9,865
Depreciation and amortization	5,192	5,023
Impairment loss	605	67
Amortization of goodwill	62	152
Increase (decrease) in allowance for doubtful accounts	128	145
Interest and dividend income	(866)	(656)
Interest expenses	659	535
Loss (gain) on valuation of investment securities	351	3
Foreign exchange losses (gains)	155	15
Equity in losses (earnings) of affiliates	105	(107)
Loss (gain) on sales of tangible fixed assets	(27)	11
Loss on retirement of fixed assets	126	84
Gain on forgiveness of debt	(135)	—
Business structure improvement expenses	—	412
Decrease (increase) in trade notes and accounts receivable	(4,357)	(3,493)
Decrease (increase) in inventories	(4,719)	5,353
Increase (decrease) in trade notes and accounts payable	(269)	821
Others, net	(915)	1,531
Subtotal	3,923	19,765
Interest and dividends received	865	669
Interest paid	(685)	(590)
Payments for income taxes	(3,585)	(6,658)
Net cash provided by operating activities	518	13,187
Cash flows from investing activities		
Acquisition of tangible fixed assets	(4,659)	(3,210)
Proceeds from sale of tangible fixed assets	152	12
Purchase of investment securities	(791)	(1,138)
Proceeds from sale of investment securities	653	1,010
Proceeds from sale of affiliates' stocks	—	362
Lending of loans receivable	(124)	(194)
Collection of loans receivable	118	34
Others, net	122	(109)
Net cash used in investing activities	(4,527)	(3,232)

(Millions of yen)

	Third Quarter of FY2009 (April 1, 2008 to December 31, 2008)	Third Quarter of FY2010 (April 1, 2009 to December 31, 2009)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(892)	(1,625)
Increase (decrease) of commercial paper	5,000	(4,000)
Proceeds from long-term debt	9,080	530
Repayments of long-term debt	(7,033)	(1,164)
Acquisition of treasury stock	(5)	(1)
Proceeds from sale of treasury stock	3	0
Cash dividends paid	(1,170)	(1,421)
Dividends paid to minority shareholders	(13)	(14)
Repayments of lease obligations	—	(45)
Net cash provided by (used in) financing activities	4,968	(7,742)
Effect of exchange rate changes on cash and cash equivalents	(52)	10
Increase (decrease) in cash and cash equivalents	906	2,222
Cash and cash equivalents at beginning of the year	9,651	10,685
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	16	—
Cash and cash equivalents at end of the term	10,573	12,907

(4) Notes on premise of a going concern

There is no related information.

(5) Segment information

a. Business segment information

Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)

(Millions of yen)

	Flour Milling	Food	Other	Total	Unallocated and Eliminations	Consolidated
Net sales						
1) Net sales to external customers	81,975	106,815	21,425	210,216	—	210,216
2) Internal sales or transfers between segments	2,802	694	1,659	5,156	(5,156)	—
Total	84,777	107,509	23,084	215,372	(5,156)	210,216
Operating income (loss)	5,267	4,055	(556)	8,767	(38)	8,728

Third Quarter of FY2010 (April 1, 2009 – December 31, 2009)

(Millions of yen)

	Flour Milling	Food	Other	Total	Unallocated and Eliminations	Consolidated
Net sales						
1) Net sales to external customers	78,617	100,361	21,947	200,926	—	200,926
2) Internal sales or transfers between segments	1,901	688	1,184	3,774	(3,774)	—
Total	80,519	101,049	23,131	204,700	(3,774)	200,926
Operating income (loss)	4,671	5,417	(55)	10,033	29	10,062

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, rice flour
Other	Pet food, health food, food-related machinery and equipment, restaurant food service

b. Geographically segmented information

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

c. Overseas sales

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.