

# Consolidated Financial Results for the First Quarter of FY2010

August 6, 2009

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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 Filing date of quarterly financial statements: August 12, 2009  
 Payment date of cash dividends: -

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

## 1. Consolidated Results for the First Quarter of FY2010 (April 1, 2009 – June 30, 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	%
1Q of FY2010	67,904	0.1	2,994	17.6	3,491	30.7	2,422	79.5
1Q of FY2009	67,819	-	2,546	-	2,672	-	1,349	-

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
1Q of FY2010	14.49		13.24	
1Q of FY2009	8.08		7.38	

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
1Q of FY2010	180,024	92,078	50.4	542.84
FY2009	182,863	88,536	47.7	521.77

(Reference) Equity capital: 1Q of FY2010: ¥90,725 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	-				
FY2010 (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 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
Half Year	140,000	1.7	4,500	(8.3)	4,500	(8.1)	2,500	13.3	14.96
Full Year	280,000	1.2	10,000	(6.4)	10,000	2.7	5,500	13.9	32.91

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

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

1Q of FY2010: 174,148,018 shares; FY2009: 174,148,018 shares

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

1Q of FY2010: 7,017,599 shares; FY2009: 7,015,503 shares

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

1Q of FY2010: 167,130,860 shares; FY2009: 167,136,635 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 from the figures due to various factors.

## [Qualitative Information and Financial Statements]

### 1. Qualitative Information on Consolidated Operating Results

During the first quarter of the fiscal year ending March 31, 2010, the Japanese economy remained under a tough environment because of the recession triggered by the global financial and economic crises.

The food industry continued to operate in a challenging environment. Although the prices of ingredients and other materials stabilized, personal consumption weakened as a deteriorating economy encouraged consumers to rein in their spending.

The business environment of the flour milling industry is undergoing an unprecedented upheaval. The government increased sales prices of wheat in April and October of 2008, but then reduced them by 14.8% on average in April 2009.

Under these circumstances, the Nippon Flour Mills 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 first quarter of the current fiscal year increased by 0.1% year on year to ¥67,904 million, operating income increased by 17.6% year on year to ¥2,994 million, ordinary income increased by 30.7% year on year to ¥3,491 million, and net income increased by 79.5% year on year to ¥2,422 million.

The performance of individual business segments was as follows.

#### 1) Flour Milling

The Group revised the wheat sales prices in May 2009 in line with the decreases in the government's sales prices of imported wheat in April. To address customer needs and to diversify preferences concerning food, the Group developed new products, held cookery workshops, and executed vigorous sales & marketing, including proposal-driven sales. As a result, shipments of wheat flour increased compared to the amount shipped during the same period of the previous 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 increased by 2.9% to ¥26,743 million, and operating income increased by 5.9% year on year to ¥1,356 million.

#### 2) Food

In the Food segment, we aggressively engaged in developing and introducing new products that satisfy customer needs and marketing activities such as participation in various exhibitions and the holding of seminars and cookery workshops.

Sales of premixes exceeded the figure for the same period of the previous year led by brisk shipments of handy packs containing multiple packages. While sales of pasta-related products for business use were lackluster, sales for home use exceeded the figure for the same period of the previous year. Sales of frozen foods and ingredients rose thanks to buoyant sales of frozen spaghetti for home use. Sales of deli products were lower than the figure for the same period of the previous year.

As a result, net sales for the Food segment decreased by 3.1% to ¥33,806 million, and operating income increased by 22.7% year on year to ¥1,638 million.

#### 3) Other

The pet food products business recorded higher sales fueled by rising shipments. In the health food business, sales of linseed-related products did well. In addition, sales of the engineering business also increased compared with the same period of the previous year.

As a result, net sales for the Other Businesses segment increased by 6.2% to ¥7,354 million, and operating income was ¥4 million.

### 2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the current first quarter were ¥180,024 million, having decreased by ¥2,838 million compared with the figure at the previous fiscal year-end (March 31, 2009). This was mainly because of the decrease in accounts receivables and inventories, although investment in securities increased. Total liabilities were ¥87,946 million, having decreased by ¥6,380 million compared with the figure at the previous fiscal year-end. The main factor was a decrease in accrued income taxes.

Net assets amounted to ¥92,078 million, having increased by ¥3,541 million compared with the figure at the previous fiscal year-end. 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 first quarter of the current fiscal year were ¥12,014 million, having increased by ¥1,328 million compared with the previous fiscal year-end. The conditions of cash flows were as follows.

Net cash from operating activities was an inflow of ¥5,232 million, having increased by ¥7,337 million compared with the same period of the previous year. This was mainly because of the decrease of inventories.

Net cash used in investing activities was ¥1,050 million. The main factor was an expenditure on capital investment of approximately ¥1,200 million.

Net cash used in financing activities was ¥2,926 million. The principal factor was the repayment of commercial paper and payments of dividends.

### 3. Qualitative Information on Forecast of the Consolidated Financial Results

Consolidated results for the first quarter of the year ending March 2010 were in accordance with the plan. However, in view of the current difficult economic circumstances, there is concern about the possibility of a further decline in demand and deflationary pressure on sales prices. Thus, the challenging business environment is likely to continue. Grain markets and foreign exchange markets remain unstable and their prospects are uncertain. Coupled with possible revisions to the government's policies for sales of imported wheat, market trends may have a large impact on the Group's flour milling and the food businesses in terms of raw materials costs and sales prices.

In order to challenge these difficult circumstances, the Nippon Flour Mills Group intends to expand sales and further reduce costs in its core flour milling business as well as other businesses. In addition, by examining businesses and products and by reviewing every aspect of subsidiaries and affiliates of the entire Group including properly allocating management resources, the Group intends to sharpen its competitiveness as a multifaceted global food enterprise.

Accordingly, management forecasts the consolidated net sales of ¥280.0 billion, the operating income of ¥10.0 billion, the ordinary income of ¥10.0 billion and the net income of ¥5.5 billion for the year ending March 2010, as announced on May 15, 2009. By thoroughly implementing the 08/09 SG100 New Business Plan, the Group will make a concerted effort to achieve results exceeding initial forecasts.

### 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 first 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 during the first quarter of the fiscal year ending March 2010 for which the outcome of the construction activity by the end of the first 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)	
	First Quarter of FY2010 (As of June 30, 2009)	FY2009 (As of March 31, 2009)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,053	10,725
Trade notes and accounts receivable	31,392	33,657
Securities	29	24
Merchandise and finished goods	11,805	12,124
Work in progress	182	137
Raw materials and supplies	6,224	9,923
Others	3,745	4,304
Allowance for doubtful accounts	(165)	(165)
<b>Total current assets</b>	<u>65,267</u>	<u>70,730</u>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures, net	25,309	25,392
Machinery, equipment and vehicles, net	17,294	17,896
Land	24,146	24,133
Construction in progress	317	139
Others, net	1,328	1,222
<b>Total tangible fixed assets</b>	<u>68,396</u>	<u>68,785</u>
<b>Intangible fixed assets</b>		
Goodwill	85	167
Others	530	503
<b>Total intangible fixed assets</b>	<u>615</u>	<u>671</u>
<b>Investments and other assets</b>		
Investment in securities	39,308	36,123
Others	7,031	7,082
Allowance for doubtful accounts	(595)	(530)
<b>Total investments and other assets</b>	<u>45,744</u>	<u>42,675</u>
<b>Total fixed assets</b>	<u>114,756</u>	<u>112,132</u>
<b>Total assets</b>	<u>180,024</u>	<u>182,863</u>

(Millions of yen)

	First Quarter of FY2010 (As of June 30, 2009)	FY2009 (As of March 31, 2009)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	12,119	12,683
Short-term loans	21,640	20,858
Current portion of bonds	7,998	7,998
Accrued income taxes	516	4,197
Reserve for employee bonuses	258	384
Reserve for directors' bonuses	–	50
Others	11,129	14,164
Total current liabilities	53,662	60,336
Long-term liabilities		
Bonds	100	100
Long-term debt	20,316	21,204
Reserve for employee retirement benefits	2,024	2,016
Reserve for directors' retirement benefits	818	933
Others	11,023	9,736
Total long-term liabilities	34,283	33,989
Total liabilities	87,946	94,326
<b>Net assets</b>		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,388	11,388
Retained earnings	59,916	58,247
Treasury stock, at cost	(2,311)	(2,311)
Total shareholders' equity	81,234	79,565
Unrealized gain or loss and adjustment		
Unrealized gains on revaluation of securities	9,591	7,793
Deferred gain on hedges	1	12
Foreign currency translation adjustment	(101)	(166)
Total unrealized gain or loss and adjustment	9,490	7,640
Minority interests	1,353	1,331
Total net assets	92,078	88,536
Total liabilities and net assets	180,024	182,863

(2) Quarterly consolidated statements of income  
(For the first quarter cumulative period)

(Millions of yen)

	First Quarter of FY2009 (April 1, 2008 to June 30, 2008)	First Quarter of FY2010 (April 1, 2009 to June 30, 2009)
Net sales	67,819	67,904
Cost of sales	52,238	51,454
Gross profit	15,580	16,449
Selling, general and administrative expenses	13,034	13,455
Operating income	2,546	2,994
Non-operating income		
Interest income	13	6
Dividend income	511	409
Foreign exchange gains	–	185
Others	197	162
Total non-operating income	721	764
Non-operating expenses		
Interest expenses	204	182
Foreign exchange losses	210	–
Others	180	83
Total non-operating expenses	595	266
Ordinary income	2,672	3,491
Extraordinary income		
Gain on sales of investment securities	–	1
Reversal of allowance for doubtful accounts	–	26
Total extraordinary income	–	27
Extraordinary losses		
Loss on revaluation of investment securities	29	1
Plant start-up costs	68	–
Loss on retirement of fixed assets	–	1
Others	–	0
Total extraordinary losses	97	2
Income before income taxes	2,574	3,516
Income taxes	2,066	467
Income tax adjustments	(853)	623
Total income taxes	1,212	1,091
Minority interests	12	3
Net income	1,349	2,422

## (2) Quarterly consolidated statements of cash flows

	(Millions of yen)	
	First Quarter of FY2009 (April 1, 2008 – June 30, 2008)	First Quarter of FY2010 (April 1, 2009 – June 30, 2009)
Cash flows from operating activities		
Income before income taxes	2,574	3,516
Depreciation and amortization	1,661	1,612
Amortization of goodwill	20	86
Increase (decrease) in allowance for doubtful accounts	4	64
Interest and dividend income	(524)	(416)
Interest expenses	204	182
Foreign exchange losses (gains)	207	(146)
Equity in losses (earnings) of affiliates	46	(20)
Loss (gain) on sales of tangible fixed assets	(13)	–
Loss on retirement of fixed assets	–	16
Decrease (increase) in trade notes and accounts receivable	1,946	2,310
Decrease (increase) in inventories	(4,107)	3,999
Increase (decrease) in trade notes and accounts payable	(915)	(598)
Others, net	(1,491)	(1,495)
Subtotal	(385)	9,112
Interest and dividends received	534	427
Interest paid	(242)	(233)
Payments for income taxes	(2,010)	(4,074)
Net cash provided by (used in) operating activities	(2,104)	5,232
Cash flows from investing activities		
Acquisition of tangible fixed assets	(1,300)	(1,232)
Proceeds from sale of tangible fixed assets	25	4
Purchase of investment securities	(508)	(354)
Proceeds from sale of investment securities	538	262
Proceeds from sale of affiliates' stocks	–	334
Lending of loans receivable	(105)	(71)
Collection of loans receivable	44	10
Others, net	(3)	(2)
Net cash used in investing activities	(1,309)	(1,050)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(780)	58
Increase (decrease) of commercial paper	5,000	(2,000)
Proceeds from long-term debt	1,400	–
Repayments of long-term debt	(1,248)	(207)
Acquisition of treasury stock	(0)	(0)
Proceeds from sale of treasury stock	0	–
Cash dividends paid	(585)	(752)
Dividends paid to minority shareholders	(13)	(14)
Repayments of finance lease obligations	–	(10)
Net cash provided by (used in) financing activities	3,772	(2,926)
Effect of exchange rate changes on cash and cash equivalents	(119)	72
Increase (decrease) in cash and cash equivalents	238	1,328
Cash and cash equivalents at beginning of the year	9,651	10,685
Cash and cash equivalents at end of the term	9,890	12,014

## (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	Total	Unallocated and Eliminations	Consolidated
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 income (loss)	1,280	1,335	(55)	2,560	(14)	2,546

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

(Millions of yen)

	Flour Milling	Food	Other	Total	Unallocated and Eliminations	Consolidated
Net sales						
1) Net sales to external customers	26,743	33,806	7,354	67,904	–	67,904
2) Internal sales or transfers between segments	686	229	385	1,302	(1,302)	–
Total	27,430	34,036	7,740	69,207	(1,302)	67,904
Operating income (loss)	1,356	1,638	4	2,998	(4)	2,994

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
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.