

# Consolidated Financial Results for the Third Quarter of FY2011 (J-GAAP)

February 4, 2011

Listed company name: Nippon Flour Mills Co., Ltd.  
 Listing: The 1st Section of Tokyo and Osaka Securities Exchanges,  
 Sapporo Securities Exchange  
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 Start of cash dividend payments: -  
 Supplementary quarterly materials prepared: -  
 Quarterly results information meeting held: -

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

## 1. Consolidated Financial Results for the Third Quarter of FY2011 (April 1, 2010 – December 31, 2010)

### (1) Consolidated business results (cumulative)

(Percentage figures show 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 FY2011	190,410	(5.2)	8,267	(17.8)	8,515	(18.8)	5,634	(6.6)
3Q of FY2010	200,926	(4.4)	10,062	15.3	10,482	20.1	6,032	48.7

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
3Q of FY2011	33.72	—
3Q of FY2010	36.09	32.97

### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
3Q of FY2011	190,706	99,923	51.2	584.27
FY2010	179,181	97,979	53.9	578.07

(Reference) Equity capital: 3Q of FY2011: ¥97,646 million; FY2010: ¥96,615 million

## 2. Dividends

	Annual dividends (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
FY2010	—	4.00	—	6.00	10.00
FY2011	—	5.00	—		
FY2011 (forecast)	—			5.00	10.00

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

## 3. Forecast of the Consolidated Financial Results for FY2011 (April 1, 2010 – March 31, 2011)

(Percentage figures show the rates of changes from the previous fiscal 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
Full Year	255,000	(2.5)	11,700	(6.8)	11,700	(8.6)	7,000	(11.3)	41.88

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

4. Others (For more details, refer to “2. Other Information” on Page 4.)

(1) Significant changes in subsidiaries during the term: Yes

Newly included: 1 (OK Food Industry Co., Ltd.) Excluded: 0

(Note) This refers to changes in specified subsidiaries with changes in the scope of consolidation during the term.

(2) Adoption of simplified accounting as well as specific accounting: Yes

(Note) This refers to the adoption of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements.

(3) Changes in accounting policies, procedures and methods of presentation

1) Changes due to revisions of accounting standards: Yes

2) Changes other than 1): None

(Note) This refers to changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements described in the section of “Changes in significant matters forming the basic of preparing the quarterly consolidated financial statements”.

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

1) Number of shares outstanding at the end of each period (including treasury stock)	Third quarter of FY2011	174,148,018 shares	FY2010	174,148,018 shares
2) Number of treasury stocks at the end of each period	Third quarter of FY2011	7,021,112 shares	FY2010	7,013,885 shares
3) Average number of shares (quarterly consolidated cumulative period)	Third quarter of FY2011:	167,131,238 shares	Third quarter of FY2010	167,128,489 shares

**\* Presentation of implementation status for quarterly review procedures**

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the procedure based on this Act was not complete as of the release of these Consolidated Financial Results.

**\* Explanation regarding the appropriate use of projected financial results and other special instructions**

Descriptions regarding the future, including the financial outlook contained in this material, are based on certain information currently available to the Company and particular assumptions, which are, at the discretion of the Company, deemed reasonable, and actual financial results may significantly vary due to various factors.

Please refer to “(3) Qualitative information on forecast of the consolidated financial results” on page 3 for information on preconditions underlying the above outlook and other related information.

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## 1. Qualitative Information on Quarterly Consolidated Financial Results

### (1) Qualitative information on consolidated business results

During the first nine months of the year ending March 31, 2011, the Japanese economy remained lackluster owing to sharp appreciation of the yen, persisting deflationary pressure, and weak personal consumption, without any indications that recovery was imminent.

The food industry continued to be in a tough environment amid intensifying sales competition caused by a loss of consumer confidence in the adverse economic situation.

In these circumstances, the Group made a concerted effort to implement the SG130 Mid-term Business Plan launched in April 2010 to achieve sustainable growth of the Group in a market environment undergoing far-reaching change.

Moreover, in order to further strengthen the Group's foundation and expand the business, the Company acquired shares in OK Food Industry Co., Ltd., an equity-method affiliate, through a takeover bid, making it a consolidated subsidiary of the Company from the third quarter under review.

Consolidated net sales for the first nine months under review decreased by 5.2% year on year to ¥190,410 million, operating income decreased by 17.8% year on year to ¥8,267 million, ordinary income decreased by 18.8% year on year to ¥8,515 million, and net income decreased by 6.6% year on year to ¥5,634 million.

Results of each business segment are as follows.

The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, issued on March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, issued on March 21, 2008) are being applied from the first quarter of the current fiscal year. Because segment classification has not been changed, figures compared with business segment information for the same period of the previous year are stated.

#### 1) Flour Milling

Followed by the 5% reductions in the government's sales prices of imported wheat in April 2010, the Group revised its sales prices of wheat flour in May 2010. The third quarter was a turning point for the flour milling industry, because the Japanese government introduced in October 2010 a new method of selling imported wheat immediately after its purchase without stockpiling for a specified period.

To address customer needs and 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 decreased by 11.3% year on year to ¥69,710 million, and operating income decreased by 21.3% year on year to ¥3,678 million.

#### 2) Food

For business use products, the Group engaged in vigorous marketing, including the holding of Italian cookery workshops and participation in various exhibitions. As a result, sales of premixes increased compared with the same period of the previous year, but those of pasta-related products decreased.

For home-use products, we adopted a new tagline for the Oh' my brand, "Delicious! With ideas." Based on an approach designed to address customer needs and overcome dissatisfaction in the kitchen, we introduced a series of products that are easier to choose from and are more convenient. We worked to reinforce the Oh' my brand through a package redesign and the publication of recipes on the Company's website to spur the popularity of Oh' my products among consumers. As a result, sales of home-use products exceeded the level of the same period of the previous year.

Sales of frozen ingredients and foods increased compared with the same period of the previous year in terms of both value and volume. These gains were attributable to the launch of new and redesigned products in the "Oh' my Premium Gold" and "Oh' my Premium" series of high-grade pastas for home use and the adoption of an easy-to-open tray design for products in these series for greater customer convenience.

Net sales of the Food segment decreased by 0.5% compared with the same period of the previous year to

Nippon Flour Mills, Co., Ltd. (2001) Consolidated Financial Results for the Third Quarter of FY2011  
¥99,906 million, and operating income decreased by 14.8% to ¥4,614 million.

3) Other

Sales of the engineering business were higher than the same period of the previous year, but sales of health and pet foods were lower. As a result, net sales for the Other segment decreased by 5.3% year on year to ¥20,793 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the current third quarter increased by ¥11,525 million from the previous fiscal year end (March 31, 2010) to ¥190,706 million. The main factors were an increase in trade notes and accounts receivable, and an increase in raw materials because of the purchase of foreign wheat as part of a national project to stockpile wheat for food.

Total liabilities increased by ¥9,581 million from the previous fiscal year end to ¥90,783 million. The main factors were increases in trade notes and accounts payable due to the purchase of foreign wheat, and decrease in accrued income taxes.

Net assets increased by ¥1,944 million from the previous fiscal year end to ¥99,923 million. This was mainly attributable to the increase in retained earnings and the decrease in unrealized gain on revaluation of securities.

(Cash flows)

Cash and cash equivalents at the end of the current third quarter decreased by ¥333 million from the previous fiscal year end to ¥13,950 million. Conditions of each cash flow are explained below.

Net cash provided by operating activities amounted to ¥5,263 million. This was mainly because income before income taxes and minority interests of ¥9,432 million, depreciation and amortization of ¥4,974 million, a ¥3,720 million increase of inventories, and an income tax payment of ¥5,154 million.

Net cash used in investing activities was ¥3,674 million. The main factor was a ¥4,264 million expenditure on capital investment.

Net cash used in financing activities was ¥1,910 million. The principal factor was dividend payments.

(3) Qualitative information on forecast of the consolidated financial results

The forecast for the fiscal year ending March 31, 2011 is unchanged from the forecasts announced on November 5, 2010.

## 2. Other Information

### (1) Overview of significant changes in subsidiaries (changes in specified subsidiaries with changes in the scope of consolidation during the term)

OK Food Industry Co., Ltd., which used to be an equity-method affiliate, became the Company's consolidated subsidiary through a takeover bid during the first nine months under review.

### (2) Overview of simplified accounting as well as specific accounting

- 1) Write-downs of the book value of inventories at the end of the third 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) Overview of changes in accounting policies, procedures and methods of presentation

- 1) Effective from the first quarter of the fiscal year ending March 31, 2011, the Company has applied the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 issued on March 10, 2008), and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24 issued on March 10, 2008), making necessary adjustments to consolidated results. The impact of this application on profit and loss was negligible.
- 2) Effective from the first quarter of the fiscal year ending March 31, 2011, the Company has applied the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 issued on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 issued on March 31, 2008).

As a result of this application, operating income and ordinary income declined ¥9 million respectively, and income before income taxes and minority income decreased ¥116 million.

- 3) Effective from the first quarter of the fiscal year ending March 31, 2011, the Company has applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, issued on December 26, 2008), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on December 26, 2008), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, issued on December 26, 2008), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guideline No. 10, issued on December 26, 2008).

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	Third quarter of FY2011 (As of December 31, 2010)	FY2010 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	13,973	14,322
Trade notes and accounts receivable	38,300	31,180
Securities	50	-
Merchandise and finished goods	9,599	9,866
Work in progress	54	452
Raw materials and supplies	11,282	6,161
Others	3,644	3,352
Allowance for doubtful accounts	(168)	(171)
Total current assets	76,737	65,164
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	24,915	23,995
Machinery, equipment and vehicles, net	16,106	16,200
Land	25,261	24,075
Construction in progress	1,834	9
Others, net	1,867	1,915
Total tangible fixed assets	69,985	66,196
Intangible fixed assets		
Goodwill	1,314	26
Others	549	569
Total intangible fixed assets	1,864	595
Investments and other assets		
Investment securities	35,848	41,171
Others	6,955	6,712
Allowance for doubtful accounts	(685)	(659)
Total investments and other assets	42,119	47,224
Total fixed assets	113,969	114,016
Total assets	190,706	179,181

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(Millions of yen)

	Third quarter of FY2011 (As of December 31, 2010)	FY2010 (As of March 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	20,639	12,625
Short-term loans	26,738	18,386
Current portion of bonds	-	100
Accrued income taxes	940	2,593
Provision for employee bonuses	205	387
Provision for directors' bonuses	-	39
Others	11,109	10,977
<b>Total current liabilities</b>	<b>59,634</b>	<b>45,110</b>
<b>Long-term liabilities</b>		
Long-term debt	17,350	20,989
Provision for employee retirement benefits	2,448	2,147
Provision for directors' retirement benefits	932	930
Others	10,416	12,024
<b>Total long-term liabilities</b>	<b>31,148</b>	<b>36,091</b>
<b>Total liabilities</b>	<b>90,783</b>	<b>81,202</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	12,240	12,240
Additional capital surplus	11,391	11,391
Retained earnings	68,514	64,718
Treasury stock, at cost	(2,312)	(2,310)
<b>Total shareholders' equity</b>	<b>89,833</b>	<b>86,039</b>
<b>Unrealized gain or loss and adjustment</b>		
Unrealized gain on revaluation of securities	7,953	10,694
Deferred gain on hedges	(3)	4
Foreign currency translation adjustment	(137)	(123)
<b>Total unrealized gain or loss and adjustment</b>	<b>7,813</b>	<b>10,575</b>
<b>Minority interests</b>	<b>2,276</b>	<b>1,363</b>
<b>Total net assets</b>	<b>99,923</b>	<b>97,979</b>
<b>Total liabilities and net assets</b>	<b>190,706</b>	<b>179,181</b>

## (2) Quarterly consolidated statements of income

(Millions of yen)

	Third quarter of FY2010 (April 1, 2009 to December 31, 2009)	Third quarter of FY2011 (April 1, 2010 to December 31, 2010)
Net sales	200,926	190,410
Cost of sales	150,475	139,875
Gross profit	50,450	50,534
Selling, general and administrative expenses	40,387	42,267
Operating income	10,062	8,267
Non-operating income		
Interest income	24	30
Dividend income	631	749
Foreign exchange gains	107	40
Others	394	399
Total non-operating income	1,158	1,219
Non-operating expenses		
Interest expenses	535	489
Equity in earning of affiliates	28	254
Others	176	227
Total non-operating expenses	739	971
Ordinary income	10,482	8,515
Extraordinary income		
Gain on sales of fixed assets	0	52
Gain on sales of investment securities	-	563
Gain on sales of subsidiaries and affiliates' stocks	9	-
Reversal of allowance for doubtful accounts	17	55
Gain on step acquisitions	-	789
Others	1	54
Total extraordinary income	29	1,515
Extraordinary losses		
Loss on retirement and sales of fixed assets	97	129
Loss on revaluation of investment securities	3	71
Business structure improvement expenses	412	143
Impairment loss	67	-
Effect of application of accounting standard for asset retirement obligations	-	106
Others	65	146
Total extraordinary losses	645	598
Income before income taxes and minority interests	9,865	9,432
Income taxes	3,519	3,463
Income tax adjustments	291	385
Total income taxes	3,810	3,848
Income before minority interests	-	5,584
Minority interests	22	(50)
Net income	6,032	5,634

## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Third quarter of FY2010 (April 1, 2009 to December 31, 2009)	Third quarter of FY2011 (April 1, 2010 to December 31, 2010)
Cash flows from operating activities		
Income before income taxes and minority interests	9,865	9,432
Depreciation and amortization	5,023	4,974
Impairment loss	67	-
Amortization of goodwill	152	66
Increase (decrease) in allowance for doubtful accounts	145	8
Interest and dividend income	(656)	(779)
Interest expenses	535	489
Loss (gain) on sales of investment securities	-	(575)
Loss (gain) on valuation of investment securities	3	71
Foreign exchange losses (gains)	15	161
Equity in losses (earnings) of affiliates	(107)	(40)
Loss (gain) on sales of tangible fixed assets	11	(21)
Loss on retirement of fixed assets	84	99
Business structure improvement expenses	412	143
Effect of application of accounting standard for asset retirement obligations	-	106
Loss (gain) on step acquisitions	-	(789)
Decrease (increase) in trade notes and accounts receivable	(3,493)	(5,691)
Decrease (increase) in inventories	5,353	(3,720)
Increase (decrease) in trade notes and accounts payable	821	7,172
Others	1,531	(958)
Subtotal	19,765	10,149
Interest and dividends received	669	815
Interest paid	(590)	(546)
Payment of income taxes	(6,658)	(5,154)
Net cash provided by operating activities	13,187	5,263
Cash flows from investing activities		
Acquisition of tangible fixed assets	(3,210)	(4,264)
Proceeds from sale of tangible fixed assets	12	206
Retirement of fixed assets	-	(81)
Purchase of investment securities	(1,138)	(348)
Proceeds from sale of investment securities	1,010	1,019
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(343)
Proceeds from sale of affiliates' stocks	362	-
Payments of loans receivable	(194)	(15)
Collection of loans receivable	34	34
Others, net	(109)	119
Net cash used in investing activities	(3,232)	(3,674)

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(Millions of yen)

	Third quarter of FY2010 (April 1, 2009 to December 31, 2009)	Third quarter of FY2011 (April 1, 2010 to December 31, 2010)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(1,625)	502
Increase (decrease) of commercial paper	(4,000)	-
Proceeds from long-term debt	530	1,530
Repayments of long-term debt	(1,164)	(1,862)
Redemption of bonds	-	(100)
Acquisition of treasury stock	(1)	(2)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(1,421)	(1,839)
Dividends paid to minority shareholders	(14)	(12)
Repayments of lease obligations	(45)	(126)
Net cash used in financing activities	(7,742)	(1,910)
Effect of exchange rate changes on cash and cash equivalents	10	(12)
Increase (decrease) in cash and cash equivalents	2,222	(333)
Cash and cash equivalents at beginning of the term	10,685	14,283
Cash and cash equivalents at end of the term	12,907	13,950

## (4) Notes on going concern assumption

There is no related information.

## (5) Segment information

## a. Business segment information

First nine months 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 in product types and markets.

2. Classification of main products by business segment

Business Segment	Main Products
Flour Milling	Wheat flour, bran, buckwheat flour
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

First nine months of FY2010 (April 1, 2009 – December 31, 2009)

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

## c. Overseas sales

First nine months of FY2010 (April 1, 2009 – December 31, 2009)

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

## (Segment Information)

## 1. Overview of reporting segments

The Group's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Group consists of three main business units classified by product types—Flour Milling, Food and Other. Each business unit formulates business strategies and promotes business activities.

Consequently, the Group has classified its operations into two reporting segments: Flour Milling and Food.

The Flour Milling segment covers wheat flour, bran, and buckwheat flour, while the Food segment covers wheat flour for home use, premixes, pasta, frozen foods, deli foods, and rice flour.

## 2. Information on sales and income (loss) by reporting segment

First nine months of FY2011 (April 1, 2010 – December 31, 2010)

(Millions of yen)

	Reporting segments			Other (Note) 1	Total	Adjustments (Note) 2	Amounts recorded on quarterly consolidated statements of income (Note) 3
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	69,710	99,906	169,617	20,793	190,410	-	190,410
Internal sales or transfers between segments	1,544	615	2,160	1,085	3,245	(3,245)	-
Total	71,255	100,522	171,777	21,878	193,656	(3,245)	190,410
Segment income (loss)	3,678	4,614	8,292	(48)	8,244	23	8,267

Notes: 1. The "Other" column indicates businesses not included in the reporting segments, including pet food, health food and engineering.

2. The ¥23 million segment income adjustment is an elimination of inter-segment transactions.

3. Segment income is adjusted to reflect operating income as recorded on the quarterly consolidated statements of income.

## (Additional information)

Effective from the first quarter of the fiscal year ending March 31, 2011, the Company has applied Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 issued on March 27, 2009) and Revised Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 issued on March 21, 2008).

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

There is no related information.