

# Consolidated Financial Results

## For the First Half of FY2010

November 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: November 12, 2009

Payment date of cash dividends: December 4, 2009

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

### 1. Consolidated Results for the First Half of FY2010 (April 1, 2009 – September 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	%
First Half of FY2010	134,527	(2.3)	6,185	26.1	6,491	32.6	3,679	66.7
First Half of FY2009	137,628	–	4,906	–	4,896	–	2,207	–

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
First Half of FY2010	22.01	20.11
First Half of FY2009	13.21	12.07

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
First Half of FY2010	181,627	93,412	50.7	550.69
FY2009	182,863	88,536	47.7	521.77

(Reference) Equity capital: First Half of FY2010: ¥92,035million; 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)			–	4.00	8.00

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

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

Full 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
	265,000	(4.3)	11,000	3.0	11,000	13.0	6,000	24.2	35.90

(Note) Adjustment for the forecast of the 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)

First half of FY2010: 174,148,018 shares; FY2009: 174,148,018 shares

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

First half of FY2010: 7,019,664 shares; FY2009: 7,015,503 shares

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

First half of FY2010: 167,129,892 shares; First half of FY2009: 167,135,126 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 half 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.

Although sharp rises in prices of raw materials and fuels stabilized, the food industry continued to face a tough operating environment because a deflationary trend strengthened in the market.

In view of the decline in international wheat prices, the government sales prices of five types of imported wheat were reduced 14.8% on average in April 2009. Reflecting this reduction, 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 first half of the current fiscal year decreased by 2.3% year on year to ¥134,527 million, operating income increased by 26.1% year on year to ¥6,185 million, ordinary income increased by 32.6% year on year to ¥6,491 million, and net income increased by 66.7% year on year to ¥3,679 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 diversifying 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 0.1% to ¥52,701 million, but operating income decreased by 4.0% year on year to ¥2,795 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.

The Group launched new home-use products including a *karaage* flour premix for cooking Japanese-style fried meat or fish in a shallow pan without the need to use a lot of oil and the Oh' my series of premixed sauces for quick preparation of Italian dishes.

Regarding frozen ingredients and foods, the "Oh' my Premium Gold" and "Oh' my Premium" series of high-grade frozen pasta dishes in one-person portions for home use were expanded with the addition of new products. The Group also introduced new products responding to the diversification of cuisine and eating habits, including the "Italian Deli" series of frozen short pasta, rice-based dishes, and bento dishes.

Partly owing to the revision of prices of wheat-related products in line with the decreases in the government's sales prices of imported wheat in April, sales of the Food segment decreased 4.9% compared with the same period of the previous year to ¥67,404 million, but operating income soared 41.3% to ¥3,458 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, but the sales lowered the previous year level.

As a result, net sales for the Other segment increased by 2.6% to ¥14,421 million.

## 2. Qualitative Information on Consolidated Financial Position

Total assets at the end of the first half of the current fiscal year decreased by ¥1,235 million from the figure at the previous fiscal year-end (March 31, 2009) to ¥181,627 million. This was mainly because accounts receivables and inventories decreased, although cash and deposits, and investment in securities increased. Total liabilities decreased by ¥6,111 million from the previous fiscal year-end to ¥88,215 million. The main factor was a decrease in commercial papers and accrued income taxes.

Net assets increased by ¥4,876 million from the previous fiscal year-end to ¥93,412 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 first half of the current fiscal year increased by ¥5,369 million compared with the previous fiscal year-end to ¥16,055 million. The conditions of cash flows were as follows.

Net cash provided by operating activities increased by ¥14,656 million compared with the same period of the previous year to ¥12,570 million. This was mainly because of the decrease of inventories.

Net cash used in investing activities was ¥1,825 million. The main factor was an expenditure on capital investment of approximately ¥2,300 million.

Net cash used in financing activities was ¥5,411 million. The principal factor was the repayment of commercial papers and long-term debt, and dividend payments.

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

There are no changes to the forecast of consolidated financial results for the full year from the figures in the Notice of Revisions to the Forecast of Consolidated Financial Results announced on November 2, 2009.

## 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 second 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 Half of FY2010 (As of September 30, 2009)	FY2009 (As of March 31, 2009)
<b>Assets</b>		
Current assets		
Cash and deposits	16,094	10,725
Trade notes and accounts receivable	31,261	33,657
Securities	–	24
Merchandise and finished goods	11,146	12,124
Work in progress	155	137
Raw materials and supplies	6,294	9,923
Others	3,329	4,304
Allowance for doubtful accounts	(158)	(165)
Total current assets	68,122	70,730
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	24,676	25,392
Machinery, equipment and vehicles, net	17,027	17,896
Land	24,150	24,133
Construction in progress	126	139
Others, net	1,450	1,222
Total tangible fixed assets	67,431	68,785
Intangible fixed assets		
Goodwill	66	167
Others	574	503
Total intangible fixed assets	640	671
Investments and other assets		
Investment in securities	39,041	36,123
Others	6,992	7,082
Allowance for doubtful accounts	(601)	(530)
Total investments and other assets	45,432	42,675
Total fixed assets	113,505	112,132
Total assets	181,627	182,863

(Millions of yen)

	First Half of FY2010 (As of September 30, 2009)	FY2009 (As of March 31, 2009)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	12,205	12,683
Short-term loans	21,930	20,858
Current portion of bonds	7,998	7,998
Accrued income taxes	2,345	4,197
Reserve for employee bonuses	414	384
Reserve for directors' bonuses	–	50
Others	9,591	14,164
Total current liabilities	54,485	60,336
Long-term liabilities		
Bonds	100	100
Long-term debt	19,563	21,204
Reserve for employee retirement benefits	2,061	2,016
Reserve for directors' retirement benefits	851	933
Others	11,154	9,736
Total long-term liabilities	33,729	33,989
Total liabilities	88,215	94,326
<b>Net assets</b>		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,389	11,388
Retained earnings	61,173	58,247
Treasury stock, at cost	(2,312)	(2,311)
Total shareholders' equity	82,490	79,565
Unrealized gain or loss and adjustment		
Unrealized gains on revaluation of securities	9,615	7,793
Deferred gain on hedges	(7)	12
Foreign currency translation adjustment	(63)	(166)
Total unrealized gain or loss and adjustment	9,544	7,640
Minority interests	1,377	1,331
Total net assets	93,412	88,536
Total liabilities and net assets	181,627	182,863

## (2) Quarterly consolidated statements of income

	(Millions of yen)	
	First Half of FY2009 (April 1, 2008 to September 30, 2008)	First Half of FY2010 (April 1, 2009 to September 30, 2009)
Net sales	137,628	134,527
Cost of sales	106,472	101,668
Gross profit	31,155	32,858
Selling, general and administrative expenses	26,249	26,673
Operating income	4,906	6,185
Non-operating income		
Interest income	29	14
Dividend income	544	415
Foreign exchange gains	-	86
Others	294	291
Total non-operating income	868	809
Non-operating expenses		
Interest expenses	423	358
Foreign exchange losses	118	-
Others	336	144
Total non-operating expenses	878	503
Ordinary income	4,896	6,491
Extraordinary income		
Gain on sales of fixed assets	64	0
Gain on sales of investment securities	-	1
Gain on sales of subsidiaries and affiliates' stocks	-	9
Gain on forgiveness of debts	135	-
Reversal of allowance for doubtful accounts	-	29
Others	33	-
Total extraordinary income	232	41
Extraordinary losses		
Loss on sales and retirement of fixed assets	64	57
Loss on revaluation of investment securities	345	3
Business structure improvement expenses	-	412
Impairment loss	470	67
Others	80	65
Total extraordinary losses	961	605
Income before income taxes	4,166	5,927
Income taxes	3,590	2,256
Income tax adjustments	(1,675)	(28)
Total income taxes	1,915	2,228
Minority interests	44	20
Net income	2,207	3,679

## (2) Quarterly consolidated statements of cash flows

	(Millions of yen)	
	First Half of FY2009 (April 1, 2008 to September 30, 2008)	First Half of FY2010 (April 1, 2009 to September 30, 2009)
Cash flows from operating activities		
Income before income taxes	4,166	5,927
Depreciation and amortization	3,390	3,286
Impairment loss	470	67
Amortization of goodwill	42	105
Increase (decrease) in allowance for doubtful accounts	106	63
Interest and dividend income	(573)	(430)
Interest expenses	423	358
Loss (gain) on valuation of investment securities	345	3
Foreign exchange losses (gains)	109	(95)
Equity in losses (earnings) of affiliates	99	(16)
Loss (gain) on sales of tangible fixed assets	(55)	1
Loss on retirement of fixed assets	91	54
Gain on forgiveness of debt	(135)	-
Business structure improvement expenses	-	412
Decrease (increase) in trade notes and accounts receivable	2,715	2,444
Decrease (increase) in inventories	(9,937)	4,613
Increase (decrease) in trade notes and accounts payable	(630)	(535)
Others, net	(784)	235
Subtotal	(155)	16,496
Interest and dividends received	575	441
Interest paid	(424)	(361)
Payments for income taxes	(2,081)	(4,006)
Net cash provided by (used in) operating activities	(2,085)	12,570
Cash flows from investing activities		
Acquisition of tangible fixed assets	(3,340)	2,347
Proceeds from sale of tangible fixed assets	122	5
Purchase of investment securities	(705)	(797)
Proceeds from sale of investment securities	597	1,001
Proceeds from sale of affiliates' stocks	-	362
Lending of loans receivable	(110)	(71)
Collection of loans receivable	67	22
Others, net	21	(0)
Net cash used in investing activities	(3,348)	(1,825)

	(Millions of yen)	
	First Half of FY2009 (April 1, 2008 to September 30, 2008)	First Half of FY2010 (April 1, 2009 to September 30, 2009)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(887)	(101)
Increase (decrease) of commercial paper	7,000	(4,000)
Proceeds from long-term debt	1,690	430
Repayments of long-term debt	(1,502)	(944)
Acquisition of treasury stock	(3)	(1)
Proceeds from sale of treasury stock	1	0
Cash dividends paid	(585)	(752)
Dividends paid to minority shareholders	(13)	(14)
Repayments of lease obligations	-	(27)
Net cash provided by (used in) financing activities	5,698	(5,411)
Effect of exchange rate changes on cash and cash equivalents	(36)	35
Increase (decrease) in cash and cash equivalents	228	5,369
Cash and cash equivalents at beginning of the year	9,651	10,685
Cash and cash equivalents at end of the term	9,879	16,055

## (4) Notes on premise of a going concern

There is no related information.

## (5) Segment information

## a. Business segment information

First Half of FY2009 (April 1, 2008 – September 30, 2008)

(Millions of yen)

	Flour Milling	Food	Other	Total	Unallocated and Eliminations	Consolidated
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 (loss)	2,911	2,447	(406)	4,952	(46)	4,906

First Half of FY2010 (April 1, 2009 – September 30, 2009)

(Millions of yen)

	Flour Milling	Food	Other	Total	Unallocated and Eliminations	Consolidated
Net sales						
1) Net sales to external customers	52,701	67,404	14,421	134,527	-	134,527
2) Internal sales or transfers between segments	1,275	553	982	2,812	(2,812)	-
Total	53,977	67,958	15,404	137,340	(2,812)	134,527
Operating income (loss)	2,795	3,458	(85)	1,618	17	6,185

## 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.