

Consolidated Financial Results for the First Half of FY2012 (J-GAAP)

November 2, 2011

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
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 Filing of quarterly financial report: November 11, 2011
 Start of cash dividend payments: December 2, 2011
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors/analysts)

*Amounts under one million yen have been rounded down.

1. Consolidated Financial Results for the First Half of FY2012 (April 1, 2011 – September 30, 2011)

(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	%
First Half of FY2012	132,460	6.3	5,007	(9.0)	5,367	(6.6)	3,072	(2.6)
First Half of FY2011	124,658	(7.3)	5,500	(11.1)	5,744	(11.5)	3,153	(14.3)

(Note) Comprehensive income (loss) First Half of FY2012: ¥1,918 million (– %)
 First Half of FY2011: ¥(245) million (– %)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
First Half of FY2012	18.42	—
First Half of FY2011	18.87	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
First Half of FY2012	196,118	101,089	50.5
FY2011	194,365	100,016	50.3

(Reference) Equity capital: First Half of FY2012: ¥98,956 million; FY2011: ¥97,776 million

2. Dividends

	Annual dividends (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year
FY2011	—	5.00	—	5.00	10.00
FY2012	—	5.00			
FY2012 (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 FY2012 (April 1, 2011 – March 31, 2012)

(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	271,000	7.5	11,000	4.1	11,000	1.6	6,300	4.6	37.70

(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 specified subsidiaries in accordance with changes in the scope of consolidation): None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: None

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

1) Changes due to revisions of accounting standards: None

2) Changes other than 1): None

3) Change in accounting estimate: None

4) Retrospective restatement: None

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

1) Number of shares outstanding at the end of each period (including treasury stock)	First Half of FY2012	174,148,018 shares	FY2011	174,148,018 shares
2) Number of treasury stocks at the end of each period	First Half of FY2012	7,327,150 shares	FY2011	7,024,080 shares
3) Average number of shares (quarterly consolidated cumulative period)	First Half of FY2012	166,821,936 shares	First Half of FY2011	167,132,277 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 the Consolidated Financial Results and the procedure based on this Act was not complete as of the release of the 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 half of the year ending March 31, 2012, the tempo of manufacturing slowed temporarily and personal consumption was stagnant owing to a mood of voluntary restraint in the aftermath of the Great East Japan Earthquake of March 11. Moreover, electricity supplies were constrained and the sharp appreciation of the yen continued. Despite these challenging conditions, the Japanese economy showed some indications of a moderate recovery.

The food industry continued to face a tough business environment amid intensifying price competition as consumers remained frugal and oriented toward low prices in the face of difficult economic conditions.

In these circumstances, having marked its 115th anniversary in September of this year, the Group made a concerted effort to implement the SG130 Mid-term Business Plan in order to expand the business and increase profits and profit margins in pursuit of sustainable growth.

Consolidated net sales for the first half under review increased by 6.3% year on year to ¥132,460 million, operating income decreased by 9.0% year on year to ¥5,007 million, ordinary income decreased by 6.6% year on year to ¥5,367 million, and net income decreased by 2.6% to ¥3,072 million.

Results of each business segment are as follows.

1) Flour Milling

Followed by the 18% hike in the government's sales prices of imported wheat of five key products in April 2011, the Group revised its sales prices of wheat flour.

The Group proposed products attuned to customer needs, such as "Merveille" wheat flour made entirely of wheat grown in France and promoted dynamic sales initiatives, including cookery workshops. As a result, shipments of wheat flour exceeded 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 6.2% year on year to ¥48,929 million, and operating income decreased by 11.2% to ¥2,257 million.

2) Food

In the Food segment, the Group developed distinctive new products embodying the concepts of wellbeing, safety and convenience, and addressing customer needs while engaging in vigorous marketing, including participation in Bakery China 2011, which is one of the largest international exhibitions for the bakery and confectionary trades in Asia, and various other exhibitions.

For home-use products, the launch of a new brand, "Oh' my Premium" series, was successful and sales of new products designed to overcome dissatisfaction in the kitchen and satisfy customer needs were brisk. As a result, sales of home-use products rose in volume and value compared with the same period of the previous year, owing to buoyant sales of premixes in small-quantity packages, tempura premixes, and pasta sauces.

Regarding business-use products, buoyant sales of pasta-related products and premixes resulted in higher sales of business-use products compared with figures for the same period of the previous year in terms of both volume and value.

Sales of frozen ingredients and foods increased compared with the same period of the previous year thanks to brisk sales of new products in the "Oh' my Premium" series of high-grade pastas and the "Big Series" of large-portion dishes 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 of the Food segment increased by 7.7% year on year to ¥69,912 million, and operating income decreased by 14.2% to ¥2,656 million.

3) Other

Sales of pet food business were higher than the same period of the previous year, but the health food business and the engineering business were lower than the same period of the previous year.

As a result, net sales for the Other segment decreased by 0.4% year on year to ¥13,617 million, and operating income came to ¥142 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first half under review increased by ¥1,753 million from the previous fiscal year end (March 31, 2011) to ¥196,118 million. This was mainly because inventories and tangible fixed assets increased by ¥9,067 million and ¥2,865 million respectively, while cash and deposits and investment securities decreased by ¥9,271 million and ¥1,331 million respectively.

Total liabilities increased by ¥680 million from the previous fiscal year end to ¥95,028 million. This was mainly because trade notes and accounts payable increased by ¥1,631 million, and other current liabilities by ¥2,749 million, while allowance for loss on disaster and loans payable decreased by ¥314 million and ¥312 million respectively.

Net assets increased by ¥1,072 million from the previous fiscal year end to ¥101,089 million. This was mainly attributable to the increase in retained earnings by ¥2,236 million and the decrease in unrealized gain on revaluation of securities by ¥988 millions.

(Cash flows)

The balance of cash and cash equivalents at the end of the first half under review stood at ¥12,681 million, a decrease of ¥9,275 million compared with the end of previous fiscal year. The conditions of cash flows were as follows.

Operating activities used net cash of ¥1,644 million. This mainly reflected cash inflows including income before income taxes and minority income of ¥5,238 million, and depreciation and amortization of ¥3,404 million, while there were cash outflows including an increase in inventory of ¥9,057 million and payment of income tax of ¥1,727 million.

Investing activities used net cash of ¥5,561 million. This mainly reflected cash outflows including capital investment of ¥5,655 million.

Financing activities used net cash of ¥2,053 million. This mainly reflected repayments of loans payable and payment of dividends.

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

The forecast of the financial results for the fiscal year ending March 31, 2012 is unchanged from the forecasts announced on May 12, 2011.

2. Information about the Summary of Business Results (Other)

(1) Significant changes in subsidiaries during the current quarter

There is nothing applicable.

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements

There is nothing applicable.

(3) Changes in accounting policies, accounting estimates and restatements

There is nothing applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY2011 (As of March 31, 2011)	First half of FY2012 (As of September 30, 2011)
Assets		
Current assets		
Cash and deposits	22,006	12,735
Trade notes and accounts receivable	32,359	32,961
Securities	12	101
Merchandise and finished goods	10,393	12,251
Work in progress	112	107
Raw materials and supplies	11,178	18,392
Others	4,096	3,987
Allowance for doubtful accounts	(151)	(121)
Total current assets	80,007	80,415
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	24,593	25,500
Machinery, equipment and vehicles, net	16,114	16,225
Land	25,256	25,392
Construction in progress	2,504	3,998
Others, net	1,769	1,989
Total tangible fixed assets	70,239	73,105
Intangible fixed assets		
Goodwill	1,246	1,106
Others	633	725
Total intangible fixed assets	1,879	1,831
Investments and other assets		
Investment securities	36,035	34,703
Others	6,904	6,745
Allowance for doubtful accounts	(700)	(683)
Total investments and other assets	42,238	40,765
Total fixed assets	114,357	115,702
Total assets	194,365	196,118

Nippon Flour Mills, Co., Ltd. (2011) Consolidated Financial Results for the First Half of FY2012
(Millions of yen)

	FY2011 (As of March 31, 2011)	First half of FY2012 (As of September 30, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	22,370	24,001
Short-term loans	26,983	18,874
Accrued income taxes	1,903	2,417
Provision for employee bonuses	439	449
Provision for directors' bonuses	37	-
Allowance for loss on disaster	516	201
Others	11,174	13,924
Total current liabilities	63,425	59,869
Long-term liabilities		
Long-term debt	17,462	22,450
Provision for employee retirement benefits	2,500	2,231
Provision for directors' retirement benefits	977	967
Others	9,981	9,510
Total long-term liabilities	30,922	35,159
Total liabilities	94,348	95,028
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,391	11,391
Retained earnings	68,906	71,142
Treasury stock, at cost	(2,313)	(2,313)
Total shareholders' equity	90,224	92,460
Accumulated other comprehensive income		
Unrealized gain on revaluation of securities	7,699	6,710
Deferred gain on hedges	8	(9)
Foreign currency translation adjustment	(155)	(205)
Total accumulated other comprehensive income	7,551	6,495
Minority interests	2,240	2,133
Total net assets	100,016	101,089
Total liabilities and net assets	194,365	196,118

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)

(Millions of yen)

	First half of FY2011 (From April 1, 2010 to September 30, 2010)	First half of FY2012 (From April 1, 2011 to September 30, 2011)
Net sales	124,658	132,460
Cost of sales	91,509	98,359
Gross profit	33,149	34,100
Selling, general and administrative expenses	27,648	29,092
Operating income	5,500	5,007
Non-operating income		
Interest income	19	14
Dividend income	470	480
Others	296	412
Total non-operating income	786	907
Non-operating expenses		
Interest expenses	312	307
Foreign exchange losses	144	75
Others	85	164
Total non-operating expenses	542	548
Ordinary income	5,744	5,367
Extraordinary income		
Gain on sale of investment securities	400	402
Gain on sales of fixed assets	8	40
Reversal of allowance for doubtful accounts	63	-
Others	54	-
Total extraordinary income	527	442
Extraordinary losses		
Loss on valuation of investment securities	291	1
Loss on sales and retirement of fixed assets	93	56
Impairment loss	-	111
Business structure improvement expenses	132	126
Effect of application of accounting standard for asset retirement obligations	106	-
Plant consolidation expenses	-	173
Loss on disaster	-	72
Others	54	28
Total extraordinary losses	677	571
Income before income taxes and minority interests	5,594	5,238
Income taxes	2,521	2,334
Income tax adjustments	(27)	(59)
Total income taxes	2,494	2,275
Income before minority interests	3,099	2,963
Minority interests in loss	(54)	(108)
Net income	3,153	3,072

Nippon Flour Mills, Co., Ltd. (2011) Consolidated Financial Results for the First Half of FY2012
(Consolidated statements of comprehensive income)

	First half of FY2011 (From April 1, 2010 to September 30, 2010)	First half of FY2012 (From April 1, 2011 to September 30, 2011)
Income before minority interests	3,099	2,963
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(3,312)	(983)
Deferred gains or losses on hedges	(5)	(17)
Foreign currency translation adjustment	(20)	(36)
Share of other comprehensive income of affiliates accounted for using equity method	(7)	(6)
Total other comprehensive income (loss)	(3,345)	(1,044)
Comprehensive income (loss)	(245)	1,918
(Comprehensive income (loss) attributable to)		
Comprehensive income attributable to owners of the parent	(177)	2,016
Comprehensive income (loss) attributable to minority interests	(68)	(97)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First half of FY2011 (April 1, 2010 to September 30, 2010)	First half of FY2012 (April 1, 2011 to September 30, 2011)
Cash flows from operating activities		
Income before income taxes and minority interests	5,594	5,238
Depreciation and amortization	3,169	3,404
Amortization of goodwill	(3)	140
Increase (decrease) in allowance for doubtful accounts	(38)	(36)
Impairment loss	-	111
Business structure improvement expenses	132	126
Loss on disaster	-	72
Interest and dividend income	(489)	(494)
Interest expenses	312	307
Loss (gain) on sales of investment securities	(412)	(409)
Loss (gain) on valuation of investment securities	291	1
Equity in losses (earnings) of affiliates	(22)	(89)
Foreign exchange losses (gains)	73	19
Loss (gain) on sales of tangible fixed assets	21	(37)
Loss on retirement of fixed assets	63	56
Effect of application of accounting standard for asset retirement obligations	106	-
Decrease (increase) in trade notes and accounts receivable	1,341	(614)
Decrease (increase) in inventories	(6,362)	(9,057)
Increase (decrease) in trade notes and accounts payable	7,652	1,662
Others	(1,529)	(489)
Subtotal	9,899	(87)
Interest and dividends received	528	505
Interest paid	(312)	(335)
Payment of income taxes	(2,491)	(1,727)
Net cash provided by (used in) operating activities	7,623	(1,644)
Cash flows from investing activities		
Purchase of investment securities	(211)	(218)
Proceeds from sale of investment securities	800	596
Proceeds from sale of affiliates' stocks	-	(335)
Acquisition of tangible fixed assets	(2,255)	(5,655)
Retirement of fixed assets	(49)	(70)
Proceeds from sale of tangible fixed assets	149	63
Payments of loans receivable	(11)	(34)
Collection of loans receivable	21	39
Others, net	(54)	54
Net cash used in investing activities	(1,610)	(5,561)

(Millions of yen)

	First half of FY2011 (April 1, 2010 to September 30, 2010)	First half of FY2012 (April 1, 2011 to September 30, 2011)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(183)	(944)
Increase (decrease) of commercial paper	-	2,000
Proceeds from long-term debt	1,330	5,290
Repayments of long-term debt	(1,607)	(7,461)
Acquisition of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	-	0
Repayments of lease obligations	(77)	(92)
Cash dividends paid	(1,003)	(835)
Dividends paid to minority shareholders	(12)	(9)
Net cash used in financing activities	(1,555)	(2,053)
Effect of exchange rate changes on cash and cash equivalents	(12)	(16)
Increase (decrease) in cash and cash equivalents	4,445	(9,275)
Cash and cash equivalents at beginning of the term	14,283	21,956
Cash and cash equivalents at end of the term	18,728	12,681

(4) Notes on going concern assumption

There is no related information.

(5) Segment information

I. First half of FY2011 (April 1, 2010 – September 30, 2010)

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

(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	46,067	64,919	110,986	13,672	124,658	-	124,658
Internal sales or transfers between segments	1,050	353	1,404	790	2,194	(2,194)	-
Total	47,117	65,272	112,390	14,463	126,853	(2,194)	124,658
Segment income	2,542	3,098	5,640	(156)	5,484	15	5,500

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

2. The ¥15 million segment income adjustment is an elimination of inter-segment transactions.

3. Segment income is reconciled to operating income in the consolidated statements of income.

II. First half of FY2012 (April 1, 2011 – September 30, 2011)

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

(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	48,929	69,912	118,842	13,617	132,460	-	132,460
Internal sales or transfers between segments	1,122	661	1,784	1,833	3,617	(3,617)	-
Total	50,052	70,574	120,626	15,451	136,078	(3,617)	132,460
Segment income	2,257	2,656	4,914	142	5,057	(49)	5,007

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

2. The ¥ (49) million segment income adjustment is an elimination of inter-segment transactions.

3. Segment income is reconciled to operating income in the consolidated statements of income.

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

There is no related information.