

## Consolidated Financial Results for the First Quarter of FY2013 (J-GAAP)

August 3, 2012

Listed Company Name: **Nippon Flour Mills Co., Ltd.**  
 Listing: The 1st section of Tokyo Stock Exchange, Osaka Securities Exchange and Sapporo Securities Exchange  
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 President and Chief Operating Officer  
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Filing of quarterly financial report: August 10, 2012  
 Start of cash dividend payments: –  
 Supplementary quarterly materials prepared: None  
 Quarterly results information meeting held: None

\*Amounts less than one million yen have been rounded down.

### 1. Consolidated financial results for the first quarter of FY2013 (From April 1, 2012 to June 30, 2012)

#### (1) Consolidated operating 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	%
1Q of FY2013	67,815	3.1	2,259	(30.2)	2,844	(23.8)	1,537	(28.4)
1Q of FY2012	65,748	5.6	3,238	3.7	3,733	5.3	2,148	6.9

(Note) Comprehensive income 1Q of FY2013: ¥276 million yen (-85.3 %)  
 1Q of FY2012: ¥1,876 million yen (- %)

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
1Q of FY2013	9.29		–	
1Q of FY2012	12.88		–	

#### (2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
1Q of FY2013	197,109		103,405		51.5	
FY2012	202,904		104,450		50.4	

(Reference) Equity capital: 1Q of FY2013: ¥101,446 million; FY2012: ¥102,271 million

### 2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2012	–	5.00	–	7.00	12.00
FY2013	–				
FY2013 (Forecast)		5.00	–	5.00	10.00

(Note) Adjustment for the most recent forecast of the dividend in the current quarter: None3.

### Forecast of the consolidated financial results for FY2013 (From April 1, 2012 to March 31, 2013)

(Percentage figures show the rates of changes from the same period of 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	
Half year	139,000	4.9	5,000	(0.2)	5,400	0.6	3,300	7.4	19.95	
Full year	276,000	2.6	10,500	9.0	11,000	7.7	6,500	4.2	39.29	

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

\* Notes

(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: Yes

2) Changes other than 1): None

3) Change in accounting estimate: Yes

4) Retrospective restatement: None

(Note) For more details, please refer to “2. Matters concerning summary information (notes), (3) Changes in accounting policies, accounting estimates and restatement of revisions,” on page 4 of the attached documents.

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

1) Number of shares outstanding at the end of each period (including treasury stock)	1Q of FY2013	170,148,018	shares	FY2012	170,148,018	shares
2) Number of treasury stocks at the end of each period	1Q of FY2013	4,727,201	shares	FY2012	4,725,589	shares
3) Average number of shares (quarterly consolidated cumulative period)	1Q of FY2013	165,421,288	shares	1Q of FY2012	166,822,701	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 three months of the year ending March 31, 2013, the Japanese economy showed signs of a moderate recovery, which was partially supported by demand associated with reconstruction following the Great East Japan Earthquake. However, the economic outlook remained uncertain owing to the European sovereign debt crisis and the impact of the strong yen on the competitiveness of exports.

The food industry continued to operate in a challenging business environment where competition for sales intensified as economic prospects took their toll on consumer confidence. In these circumstances, while flexibly responding to the evolving business environment, the Group advanced in line with the SG130 Mid-term Business Plan Phase II launched in April 2012. The beneficial impacts of various capital investment projects that we executed in accordance with SG130 to strengthen the fundamentals of the Group's business are becoming increasingly evident. One of the projects involved the relocation of production facilities from the Takasaki Plant of Nippon Frozen Foods Co., Ltd. to the Ryugasaki Plant in order to consolidate operations. Construction of the Ryugasaki Plant was completed in March 2012 and full-scale operations began there in April. We are making good progress with the expansion project at the Kobe-Konan Mill of Nippon Flour Mills Co., Ltd. to increase supply capacity in Kansai, improve productivity of the flour mill, and boost cost competitiveness by improving the systems for receiving raw wheat.

Consolidated net sales for the first quarter under review increased by 3.1% year on year to ¥67,815 million, operating income decreased by 30.2% year on year to ¥2,259 million, ordinary income decreased by 23.8% year on year to ¥2,844 million, and net income decreased by 28.4% to ¥1,537 million.

Results of each business segment are as follows.

#### 1) Flour Milling

Amid stagnant demand for wheat flour in Japan, the Group strove to strengthen quality control in a concerted effort in tune with the growing preoccupation with safety and security of food throughout society. At the same time, to address customer needs and diversifying food preferences, the Group developed new products, held cookery workshops, and executed vigorous sales & marketing, including proposal-driven sales.

Regarding wheat flour sales in Japan, shipments were lower than for the same period of the previous year because the earthquake triggered a spike in demand last year.

In connection with the 15% average reduction from April onward in government sales prices of five types of imported wheat in line with the decline of wheat prices in international markets, we revised the price of wheat flour products to be shipped from July 10, 2012 onward.

The sales and sales volume of wheat bran, a by-product, were lower than the figures for the same period of the previous year.

As a result, net sales for the Flour Milling segment increased by 3.2% year on year to ¥25,127 million, and operating income decreased by 39.9% to ¥880 million.

#### 2) Food

In the Food business, we engaged in vigorous marketing, including holding cookery workshops and participating various exhibitions. As a result, sales of premixes and pasta-related products rose compared with the same period of the previous year.

In the home-use product category, we emphasized development of products that deliver customer satisfaction by meeting needs and overcoming dissatisfaction in the kitchen. We introduced new products that not only cut cooking time and processes but also expand the range of menus. However, sales of home-use products were lower than for the same period of the previous year because of the temporary spike in demand last year triggered by the earthquake.

Sales of frozen ingredients and frozen foods greatly increased compared with the same period of the previous year in terms of both volume and value. The spring 2012 launch of the redesigned Oh' my Premium series of high-grade pastas for home use and Oh' my BIG series of large-portion pasta dishes attracted many new customers for these items. Sales of frozen pasta dishes designed for lunch-box use were higher than for the same period of the previous year, led by buoyant sales of "Obento Tarako Spaghetti" and "Oh'my Double Spaghetti".

As a result, net sales of the Food segment increased by 4.9% year on year to ¥35,922 million, and operating income decreased by 16.1% to ¥1,332 million.

### 3) Other

Sales of the pet food business were lower than for the same period of the previous year as shipments flatlined. Sales of the engineering business were also below the level of the same period of the previous year.

As a result, net sales for the Other segment decreased by 5.5% year on year to ¥6,765 million, and operating income decreased by 76.7% to ¥42 million.

## **(2) Qualitative information on consolidated financial position**

Total assets at the end of the first quarter under review decreased by ¥5,795 million from the previous fiscal year end (March 31, 2012) to ¥197,109 million. This was mainly because tangible fixed assets increased by ¥1,888 million, while trade notes and accounts receivable, raw materials and supplies and investment securities decreased by ¥1,273 million, ¥4,448 million, and ¥ 2,109 million respectively.

Total liabilities decreased by ¥4,749 million from the previous fiscal year end to ¥93,704 million. This was mainly because trade notes and accounts payable, accrued income taxes decreased by ¥2,729 million and ¥1,303 million, respectively.

Net assets decreased by ¥1,045 million from the previous fiscal year end to ¥103,405 million. This was mainly attributable to the increase in retained earnings by ¥377 million and the decrease in valuation difference on available-for-sale securities by ¥1,329 millions.

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

The forecast of the financial results for the fiscal year ending March 31, 2013 is unchanged, despite unclear economic situation in the future, from the forecasts for the first half and the full year announced on May 11, 2012.

## **2. Information about the Summary of Business Results (Notes)**

### **(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**

**(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)**

In line with the revision to the Corporation Tax Act of Japan, effective from the first three months of the fiscal year ending March 31, 2013, the Company and its domestic consolidated subsidiaries adopted a new depreciation method pursuant to the revised Corporation Tax Act for tangible fixed assets acquired on or after April 1, 2012. The impact of this change on operating income, income before income taxes and net income was immaterial.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly consolidated balance sheets**

(Millions of yen)

	FY2012 (As of March 31, 2012)	First quarter of FY2013 (As of June 30, 2012)
<b>Assets</b>		
Current assets		
Cash and deposits	9,903	10,063
Trade notes and accounts receivable	40,219	38,946
Securities	200	123
Merchandise and finished goods	12,615	13,095
Work in progress	103	61
Raw materials and supplies	18,102	13,653
Others	3,931	3,576
Allowance for doubtful accounts	(144)	(100)
<b>Total current assets</b>	<b>84,931</b>	<b>79,420</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	26,476	26,247
Machinery, equipment and vehicles, net	16,169	16,269
Land	25,368	25,779
Construction in progress	4,374	5,947
Others, net	1,834	1,868
<b>Total tangible fixed assets</b>	<b>74,223</b>	<b>76,112</b>
Intangible fixed assets		
Goodwill	966	896
Others	724	744
<b>Total intangible fixed assets</b>	<b>1,690</b>	<b>1,641</b>
Investments and other assets		
Investment securities	36,388	34,278
Others	6,530	6,004
Allowance for doubtful accounts	(859)	(347)
<b>Total investments and other assets</b>	<b>42,059</b>	<b>39,935</b>
<b>Total fixed assets</b>	<b>117,973</b>	<b>117,689</b>
<b>Total assets</b>	<b>202,904</b>	<b>197,109</b>

	FY2012 (As of March 31, 2012)	First quarter of FY2013 (As of June 30, 2012)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	24,322	21,592
Short-term loans	18,531	19,703
Accrued income taxes	1,610	307
Reserve for employees' bonuses	445	362
Reserve for directors' bonuses	50	—
Others	18,407	17,986
<b>Total current liabilities</b>	<b>63,367</b>	<b>59,952</b>
Long-term liabilities		
Long-term debt	22,592	21,887
Reserve for employees' retirement benefits	2,350	2,332
Reserve for directors' retirement benefits	1,048	937
Others	9,094	8,593
<b>Total long-term liabilities</b>	<b>35,086</b>	<b>33,751</b>
<b>Total liabilities</b>	<b>98,453</b>	<b>93,704</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	10,666	10,666
Retained earnings	72,855	73,232
Treasury stock, at cost	(1,577)	(1,577)
<b>Total shareholders' equity</b>	<b>94,185</b>	<b>94,562</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,383	7,053
Deferred gain or loss on hedges	2	(5)
Foreign currency translation adjustment	(300)	(164)
<b>Total accumulated other comprehensive income</b>	<b>8,085</b>	<b>6,883</b>
Minority interests	2,179	1,959
<b>Total net assets</b>	<b>104,450</b>	<b>103,405</b>
<b>Total liabilities and net assets</b>	<b>202,904</b>	<b>197,109</b>



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

(Millions of yen)

	First quarter of FY2012 (From April 1, 2011 to June 30, 2011)	First quarter of FY2013 (From April 1, 2012 to June 30, 2012)
Net sales	65,748	67,815
Cost of sales	47,968	50,570
Gross profit	17,779	17,245
Selling, general and administrative expenses	14,541	14,985
Operating income	3,238	2,259
Non-operating income		
Interest income	7	6
Dividend income	472	492
Others	257	288
Total non-operating income	737	787
Non-operating expenses		
Interest expenses	165	143
Others	76	59
Total non-operating expenses	242	202
Ordinary income	3,733	2,844
Extraordinary income		
Gain on sales of fixed assets	0	15
Total extraordinary income	0	15
Extraordinary losses		
Loss on revaluation of investment securities	1	225
Loss on sales of fixed assets	1	0
Loss on retirement of fixed assets	18	21
Impairment loss	111	—
Business structure improvement expenses	18	37
Loss on disaster	72	—
Others	68	43
Total extraordinary losses	292	328
Income before income taxes	3,441	2,531
Income taxes	893	329
Income tax adjustments	468	759
Total income taxes	1,362	1,089
Income before minority interests	2,078	1,442
Minority interests in loss	(69)	(95)
Net income	2,148	1,537

**(Quarterly consolidated statements of comprehensive income)**

(Millions of yen)

	First quarter of FY2012 (From April 1, 2011 to June 30, 2011)	First quarter of FY2013 (From April 1, 2012 to June 30, 2012)
Income before minority interests	2,078	1,442
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(224)	(1,290)
Deferred gains or losses on hedges	(6)	(8)
Foreign currency translation adjustment	29	136
Share of other comprehensive income of affiliates accounted for using equity method	0	(4)
Total other comprehensive income (loss)	(201)	(1,166)
Comprehensive income	1,876	276
(Comprehensive income (loss) attributable to)		
Comprehensive income attributable to owners of the parent	1,940	335
Comprehensive income (loss) attributable to minority interests	(63)	(59)

**(3) Notes on going concern assumption**

There is no related information.

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

There is no related information.

**(5) Segment information**

## I. First quarter of FY2012 (From April 1, 2011 to June 30, 2011)

## 1. Information of 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	24,336	34,253	58,590	7,158	65,748	—	65,748
Internal sales or transfers between segments	544	325	870	440	1,310	(1,310)	—
Total	24,881	34,579	59,460	7,598	67,058	(1,310)	65,748
Segment income	1,463	1,587	3,050	181	3,232	5	3,238

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

2. The ¥5 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 quarter of FY2013 (From April 1, 2012 to June 30, 2012)

## 1. Information of 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	25,127	35,922	61,050	6,765	67,815	—	67,815
Internal sales or transfers between segments	569	143	712	543	1,255	(1,255)	—
Total	25,697	36,066	61,763	7,308	69,071	(1,255)	67,815
Segment income	880	1,332	2,212	42	2,254	4	2,259

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

2. The ¥4 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.