

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

November 2, 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: November 9, 2012
 Start of cash dividend payments: December 4, 2012
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first half of FY2013 (From April 1, 2012 to September 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	%
First half of FY2013	135,211	2.1	4,032	(19.5)	4,555	(15.1)	2,586	(15.8)
First half of FY2012	132,460	6.3	5,007	(9.0)	5,367	(6.6)	3,072	(2.6)

(Note) Comprehensive income: First half of FY2013: ¥772 million yen(-59.8 %)
 First half of FY2012: ¥1,918 million yen (- %)

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
First half of FY2013	15.64		-	
First half of FY2012	18.42		-	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
First half of FY2013	198,135		103,900		51.6	
FY2012	202,904		104,450		50.4	

(Reference) Equity capital: First half of FY2013: ¥102,147 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	-	5.00			
FY2013 (Forecast)			-	5.00	10.00

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

3. 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 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	273,000	1.5	9,500	(1.4)	10,000	(2.1)	6,300	1.0	38.08

(Note) Adjustment for the most recent forecast of the consolidated financial results in the current quarter: Yes

* 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. Information about the Summary of Business Results (notes), (3) Changes in accounting policies, accounting estimates and restatements of revisions” on page 5 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)	First half of FY2013	170,148,018 shares	FY2012	170,148,018 shares
2) Number of treasury stocks at the end of each period	First half of FY2013	4,739,520 shares	FY2012	4,725,589 shares
3) Average number of shares (quarterly consolidated cumulative period)	First half of FY2013	165,418,848 shares	First half of FY2012	166,821,936 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 “1. Qualitative Information on Quarterly Consolidated Financial Results, (3) Qualitative information on forecast of the consolidated financial results” on page 5 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, 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 continued deflation took their toll on consumer confidence. In these circumstances, while flexibly responding to the evolving business environment, the Group rose to the challenges of the SG130 Mid-term Business Plan Phase II launched in April 2012.

Implementation of the SG130 Phase II measures is progressing well. A project involving the relocation of production facilities from the Takasaki Plant of Nippon Frozen Foods Co., Ltd. to the Ryugasaki Plant and the consolidation of operations there was completed in March 2012 and full-scale operations began at the Ryugasaki Plant.

The premix plant of Nippon (Thailand) Co., Ltd., which suffered flood damage, resumed production and returned to full operation.

At our Kobe-Konan Mill, construction of a new milling line was completed in September, following the completion of the construction of a cereal silo in July, resulting in greater supply capacity and enhanced productivity, as well as increased storage capacity and reduced costs through improved infrastructure for receiving raw wheat.

As part of a plan to increase the storage capacity of the Group's cereal silos from the current 200,000 tons to 300,000 tons, construction was started at our Chiba Mill to increase the capacity of its cereal silo to 25,000 tons.

Consolidated net sales for the first half under review increased by 2.1% year on year to ¥135,211 million, operating income decreased by 19.5% year on year to ¥4,032 million, ordinary income decreased by 15.1% year on year to ¥4,555 million, and net income decreased by 15.8% to ¥2,586 million.

Results of each business segment are as follows.

1) Flour Milling

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

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, the Group developed new products, held cookery workshops, and executed vigorous sales & marketing, including proposal-driven sales.

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

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

As a result, net sales for the Flour Milling segment decreased by 0.6% year on year to ¥48,629 million, and operating income decreased by 50.5% to ¥1,117 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing. We participated in various exhibitions, such as FABEX 2012, a trade show for the take-out food and catering sectors, and POWREX 2012, a trade show devoted to rice flour, and held Italian cookery workshops. As a result, sales of premixes, pasta, and pasta-related products were buoyant. Sales of professional-use products increased 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 increased compared with the same period of the previous year as a result of sales promotions and the expansion of the line-up of the Oh' my Premium series of high-grade pastas for home use and the launch of new products and redesigned products in the Oh' my Premium Gold series, which are our top-of-the-line frozen pasta dishes, and in the Oh' my BIG series of large-portion pasta dishes.

As a result, net sales of the Food segment increased by 4.4% year on year to ¥72,985 million, and operating income increased by 7.6% to ¥2,858 million.

3) Other

Sales of the healthcare business were higher than for the same period of the previous year. Sales of the pet care and engineering businesses were below the level of the same period of the previous year.

As a result, net sales for the Other segment decreased by 0.2% year on year to ¥13,596 million, and operating income decreased by 64.4% to ¥50 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first half under review decreased by ¥4,769 million from the previous fiscal year end (March 31, 2012) to ¥198,135 million. This was mainly because tangible fixed assets increased by ¥3,214 million, while trade notes and accounts receivable, inventories and investment securities decreased by ¥560 million, ¥3,952 million, and ¥2,840 million respectively.

Total liabilities decreased by ¥4,219 million from the previous fiscal year end to ¥94,234 million. This was mainly because trade notes and accounts payable, and other current liabilities decreased by ¥482 million and ¥3,513 million, respectively.

Net assets decreased by ¥549 million from the previous fiscal year end to ¥103,900 million. This was mainly attributable to the increase in retained earnings by ¥1,426 million and the decrease in valuation difference on available-for-sale securities and minority interests by ¥1,571 million, and ¥426 million, respectively.

(Cash flows)

The balance of cash and cash equivalents at the end of the first half under review stood at ¥18 million, an increase of ¥9,867 million compared with the end of previous fiscal year.

The conditions of cash flows were as follows.

Operating activities provided by net cash of ¥10,389 million. This mainly reflected cash inflows including income before income taxes and minority income of ¥4,505 million, depreciation and amortization of ¥3,559

Nippon Flour Mills Co., Ltd. (2001) Consolidated Financial Results for the First Half of FY2013 million, and a decrease in inventory of ¥3,961 million, while there was cash outflows including and payment of income tax of ¥1,553 million.

Investing activities used net cash of ¥6,422 million. This mainly reflected cash outflows including proceeds from sales of investment securities of ¥1,016 million and acquisition of fixed assets of ¥7,314 million.

Financing activities used net cash of ¥3,967 million. This mainly reflected ¥3.0 billion decline in the balance for commercial papers and payment of dividends of ¥1,160 million.

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

In view of the financial results for the first half of the year ending March 31, 2013, management revised the forecast of financial results for the full year which were announced on May 11 as indicated below.

The business environment in which the Group operates is expected to be increasingly challenging in view of increases in grain prices and energy costs amid intensifying sales competition, reflecting the prevailing orientation toward frugality and low prices in Japan. In such adverse conditions, the Group will press on with the implementation of the SG130 Phase II measures through tight linkage of product development attuned to market needs with sales. The Group aims to ensure sustainable growth through sales expansion and a thorough review of costs.

Forecast of the Consolidated Financial Results for FY2013 (From April 1, 2012 to March 31, 2013)

	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)
Previous forecasts (A)	276,000	10,500	11,000	6,500	39.29
Revised forecast (B)	273,000	9,500	10,000	6,300	38.08
Change (B – A)	(3,000)	(1,000)	(1,000)	(200)	—
Change (%)	(1.1)	(9.5)	(9.1)	(3.1)	—
(Reference) Previous year results (Fiscal year ended March 31, 2012)	269,094	9,634	10,210	6,235	37.46

2. Information about the Summary of Business Results (Notes)**(1) Significant changes in subsidiaries during the current quarter**

There is no related information.

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

There is no related information.

(3) Changes in accounting policies, accounting estimates and restatements of revisions**(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 half of FY2013 (As of September 30, 2012)
Assets		
Current assets		
Cash and deposits	9,903	9,921
Trade notes and accounts receivable	40,219	39,659
Securities	200	100
Merchandise and finished goods	12,615	11,992
Work in progress	103	44
Raw materials and supplies	18,102	14,831
Others	3,931	3,837
Allowance for doubtful accounts	(144)	(99)
Total current assets	84,931	80,287
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	26,476	27,702
Machinery, equipment and vehicles, net	16,169	17,171
Land	25,368	25,645
Construction in progress	4,374	4,965
Others, net	1,834	1,952
Total tangible fixed assets	74,223	77,438
Intangible fixed assets		
Goodwill	966	829
Others	724	758
Total intangible fixed assets	1,690	1,588
Investments and other assets		
Investment securities	36,388	33,548
Others	6,530	5,613
Allowance for doubtful accounts	(859)	(339)
Total investments and other assets	42,059	38,821
Total fixed assets	117,973	117,848
Total assets	202,904	198,135

	FY2012 (As of March 31, 2012)	First half of FY2013 (As of September 30, 2012)
Liabilities		
Current liabilities		
Trade notes and accounts payable	24,322	23,839
Short-term loans	18,531	20,051
Accrued income taxes	1,610	1,647
Reserve for employees' bonuses	445	476
Reserve for directors' bonuses	50	—
Others	18,407	14,894
Total current liabilities	63,367	60,909
Long-term liabilities		
Long-term debt	22,592	21,422
Reserve for employees' retirement benefits	2,350	2,392
Reserve for directors' retirement benefits	1,048	975
Others	9,094	8,534
Total long-term liabilities	35,086	33,325
Total liabilities	98,453	94,234
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	10,666	10,666
Retained earnings	72,855	74,281
Treasury stock, at cost	(1,577)	(1,577)
Total shareholders' equity	94,185	95,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,383	6,811
Deferred gain or loss on hedges	2	(2)
Foreign currency translation adjustment	(300)	(272)
Total accumulated other comprehensive income	8,085	6,536
Minority interests	2,179	1,753
Total net assets	104,450	103,900
Total liabilities and net assets	202,904	198,135

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

(Millions of yen)

	First half of FY2012 (From April 1, 2011 to September 30, 2011)	First half of FY2013 (From April 1, 2012 to September 30, 2012)
Net sales	132,460	135,211
Cost of sales	98,359	101,186
Gross profit	34,100	34,025
Selling, general and administrative expenses	29,092	29,992
Operating income	5,007	4,032
Non-operating income		
Interest income	14	14
Dividend income	480	501
Others	412	435
Total non-operating income	907	951
Non-operating expenses		
Interest expenses	307	295
Foreign exchange losses	75	16
Others	164	117
Total non-operating expenses	548	429
Ordinary income	5,367	4,555
Extraordinary income		
Gain on sales of investment securities	402	300
Gain on sales of fixed assets	40	145
Total extraordinary income	442	446
Extraordinary losses		
Loss on revaluation of investment securities	1	234
Loss on retirement or sales of fixed assets	56	123
Impairment loss	111	—
Business structure improvement expenses	126	54
Plant consolidation expenses	173	—
Loss on disaster	72	—
Others	28	83
Total extraordinary losses	571	495
Income before income taxes	5,238	4,505
Income taxes	2,334	1,614
Income tax adjustments	(59)	602
Total income taxes	2,275	2,216
Income before minority interests	2,963	2,288
Minority interests in loss	(108)	(297)
Net income	3,072	2,586

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First half of FY2012 (From April 1, 2011 to September 30, 2011)	First half of FY2013 (From April 1, 2012 to September 30, 2012)
Income before minority interests	2,963	2,288
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(983)	(1,533)
Deferred gains or losses on hedges	(17)	(5)
Foreign currency translation adjustment	(36)	27
Share of other comprehensive income of affiliates accounted for using equity method	(6)	(5)
Total other comprehensive income (loss)	(1,044)	(1,516)
Comprehensive income	1,918	772
(Comprehensive income (loss) attributable to)		
Comprehensive income attributable to owners of the parent	2,016	1,037
Comprehensive income (loss) attributable to minority interests	(97)	(265)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First Half of FY2012 (From April 1, 2011 to September 30, 2011)	First Half of FY2013 (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	5,238	4,505
Depreciation and amortization	3,404	3,559
Amortization of goodwill	140	106
Increase (decrease) in allowance for doubtful accounts	(36)	(65)
Impairment loss	111	—
Business structure improvement expenses	126	54
Loss on disaster	72	—
Interest and dividend income	(494)	(516)
Interest expenses	307	295
Loss (gain) on sales of investment securities	(409)	(294)
Loss (gain) on valuation of investment securities	1	234
Equity in losses (earnings) of affiliates	(89)	(86)
Foreign exchange losses (gains)	19	(30)
Loss (gain) on sales of tangible fixed assets	(37)	(84)
Loss on retirement of fixed assets	56	66
Decrease (increase) in trade notes and accounts receivable	(614)	572
Decrease (increase) in inventories	(9,057)	3,961
Increase (decrease) in trade notes and accounts payable	1,662	(448)
Others	(489)	(134)
Subtotal	(87)	11,697
Interest and dividends received	505	540
Interest paid	(335)	(294)
Payment of income taxes	(1,727)	(1,553)
Net cash provided by operating activities	(1,644)	10,389
Cash flows from investing activities		
Acquisition of investment securities	(218)	(308)
Proceeds from sale of investment securities	596	1,016
Acquisition of tangible fixed assets	(5,655)	(7,314)
Proceeds from sale of tangible fixed assets	63	233
Lending of loans receivable	(34)	(14)
Collection of loans receivable	39	94
Others, net	(352)	(128)
Net cash used in investing activities	(5,561)	(6,422)

Nippon Flour Mills Co., Ltd. (2001) Consolidated Financial Results for the First Half of FY2013
(Millions of yen)

	First Half of FY2012 (From April 1, 2011 to September 30, 2011)	First Half of FY2013 (From April 1, 2012 to September 30, 2012)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(944)	(45)
Increase (decrease) of commercial paper	2,000	(3,000)
Proceeds from long-term debt	5,290	885
Repayments of long-term debt	(7,461)	(491)
Acquisition of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	—
Repayments of lease obligations	(92)	(134)
Cash dividends paid	(835)	(1,160)
Dividends paid to minority shareholders	(9)	(21)
Net cash used in financing activities	(2,053)	(3,967)
Effect of exchange rate changes on cash and cash equivalents	(16)	18
Increase (decrease) in cash and cash equivalents	(9,275)	18
Cash and cash equivalents at beginning of the term	21,956	9,848
Cash and cash equivalents at end of the term	12,681	9,867

(4) Notes on going concern assumption

There is no related information.

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

There is no related information.

(6) Segment information

I. First half of FY2012 (From April 1, 2011 to September 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	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.

II. First half of FY2013 (From April 1, 2012 to September 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	48,629	72,985	121,614	13,596	135,211	—	135,211
Internal sales or transfers between segments	1,063	291	1,355	1,102	2,458	(2,458)	—
Total	49,693	73,276	122,970	14,699	137,669	(2,458)	135,211
Segment income	1,117	2,858	3,976	50	4,027	5	4,032

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.