

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

February 6, 2013

Listed Company Name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange, Osaka Securities Exchange and Sapporo Securities Exchange
 Code Number: 2001 URL: <http://www.nippon.co.jp/> TEL: 03-3350-3900
 Representative: Haruki Kotera
 President and Chief Operating Officer
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 General Manager of Corporate Communications Division

Filing of quarterly financial report: February 13, 2013
 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 third quarter of FY2013 (From April 1, 2012 to December 31, 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	%
3Q of FY2013	204,556	0.9	7,028	(7.9)	7,893	(4.0)	4,794	(2.3)
3Q of FY2012	202,798	6.5	7,630	(7.7)	8,224	(3.4)	4,907	(12.9)

(Note) Comprehensive income: 3Q of FY2013: ¥4,924 million (47.0 %)
 3Q of FY2012: ¥3,349 million (18.8 %)

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
3Q of FY2013	28.98		–	
3Q of FY2012	29.42		–	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2013	202,097	107,224	52.2
FY2012	202,904	104,450	50.4

(Reference) Equity capital: 3Q of FY2013: ¥105,395 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 dividends 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: 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. Information about the Summary of Business Results (notes), (3) Changes in accounting policies, accounting estimates and restatements of revisions” on page 3 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)	3Q of FY2013	170,148,018 shares	FY2012	170,148,018 shares
2) Number of treasury stocks at the end of each period	3Q of FY2013	4,740,903 shares	FY2012	4,725,589 shares
3) Average number of shares (quarterly consolidated cumulative period)	3Q of FY2013	165,415,051 shares	3Q of FY2012	166,821,285 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 Quarterly Consolidated Financial Results and the procedure based on this Act was not complete as of the release of the Quarterly 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 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, 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 Europe's economic slowdown and the slowing tempo of growth in emerging economies.

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 changing 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. In the Flour Milling segment, construction of a cereal silo and a new milling line at the Kobe-Konan Mill was completed and these facilities are already in full-scale operation. With a view to strengthening cost competitiveness, we plan to increase the storage capacity of raw wheat by 50% from the current 200,000 tons to 300,000 tons. As part of this plan, construction of an additional silo for raw cereal started at the Chiba Mill, which will add 25,000 tons of storage capacity.

In the Food segment, 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, 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.

Consolidated net sales for the first nine months under review increased by 0.9% year on year to ¥204,556 million, operating income decreased by 7.9% year on year to ¥7,028 million, ordinary income decreased by 4.0% year on year to ¥7,893 million, and net income decreased by 2.3% to ¥4,794 million.

Results of each business segment are as follows.

1) Flour Milling

Whereas we had revised the prices of wheat flour products shipped from July 2012 in response to the reduction in government sales prices of imported wheat from April 2012 onward, we increased the prices of wheat flour products shipped from December 2012 in response to the increase in government sales prices of imported wheat from October 2012 onward.

In a rapidly changing business environment, 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 and marketing, including proposal-driven sales. However, wheat flour sales in Japan were lower than for the same period of the previous year. The sales 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 3.3% year on year to ¥73,056 million, and operating income decreased by 39.8% to ¥1,920 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including participation in various exhibitions and holding of cookery workshops. As a result, sales of professional-use products

Nippon Flour Mills Co., Ltd. (2001) Consolidated Financial Results for the Third Quarter of FY2013 increased compared with the same period of the previous year, owing to buoyant sales of premixes.

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.

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.

Sales of deli-products increased compared with the same period of the previous year.

As a result, net sales of the Food segment increased by 4.4% year on year to ¥110,858 million, and operating income increased by 17.9% to ¥4,933 million.

3) Other

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

As a result, net sales for the Other segment decreased by 2.1% year on year to ¥20,641 million, and operating income decreased by 51.7% to ¥189 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first nine months under review decreased by ¥807 million from the previous fiscal year end (March 31, 2012) to ¥202,097 million. This was mainly because tangible fixed assets increased by ¥4,277 million, while raw materials and supplies decreased by ¥4,740 million.

Total liabilities decreased by ¥3,581 million from the previous fiscal year end to ¥94,872 million. This was mainly because trade notes and accounts payable decreased by ¥4,533 million.

Net assets increased by ¥2,773 million from the previous fiscal year end to ¥107,224 million. This was mainly attributable to the increase in retained earnings by ¥2,804 million.

(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 from the forecasts announced on November 2, 2012.

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.

As a result, for the first nine months of the fiscal year ending March 31, 2013, operating income, ordinary income, and income before income taxes were each ¥149 million higher than they would have been if calculated with the previous method.

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

(Millions of yen)

	FY2012 (As of March 31, 2012)	Third quarter of FY2013 (As of December 31, 2012)
Assets		
Current assets		
Cash and deposits	9,903	10,164
Trade notes and accounts receivable	40,219	41,518
Securities	200	—
Merchandise and finished goods	12,615	11,904
Work in progress	103	61
Raw materials and supplies	18,102	13,361
Others	3,931	3,193
Allowance for doubtful accounts	(144)	(104)
Total current assets	84,931	80,099
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	26,476	30,072
Machinery, equipment and vehicles, net	16,169	20,274
Land	25,368	25,522
Construction in progress	4,374	651
Others, net	1,834	1,980
Total tangible fixed assets	74,223	78,501
Intangible fixed assets		
Goodwill	966	760
Others	724	743
Total intangible fixed assets	1,690	1,503
Investments and other assets		
Investment securities	36,388	36,847
Others	6,530	5,462
Allowance for doubtful accounts	(859)	(316)
Total investments and other assets	42,059	41,993
Total fixed assets	117,973	121,998
Total assets	202,904	202,097

	FY2012 (As of March 31, 2012)	Third quarter of FY2013 (As of December 31, 2012)
Liabilities		
Current liabilities		
Trade notes and accounts payable	24,322	19,788
Short-term loans	18,531	26,521
Accrued income taxes	1,610	702
Reserve for employees' bonuses	445	182
Reserve for directors' bonuses	50	—
Others	18,407	20,431
Total current liabilities	63,367	67,626
Long-term liabilities		
Long term debt	22,592	14,235
Reserve for employees' retirement benefits	2,350	2,466
Reserve for directors' retirement benefits	1,048	1,020
Others	9,094	9,523
Total long-term liabilities	35,086	27,246
Total liabilities	98,453	94,872
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	10,666	10,666
Retained earnings	72,855	75,660
Treasury stock, at cost	(1,577)	(1,577)
Total shareholders' equity	94,185	96,989
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,383	8,643
Deferred gain or loss on hedges	2	26
Foreign currency translation adjustment	(300)	(263)
Total accumulated other comprehensive income	8,085	8,405
Minority interests	2,179	1,829
Total net assets	104,450	107,224
Total liabilities and net assets	202,904	202,097

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

(Millions of yen)

	Third quarter of FY2012 (From April 1, 2011 to December 31, 2011)	Third quarter of FY2013 (From April 1, 2012 to December 31, 2012)
Net sales	202,798	204,556
Cost of sales	151,188	152,188
Gross profit	51,610	52,367
Selling, general and administrative expenses	43,979	45,339
Operating income	7,630	7,028
Non-operating income		
Interest income	24	26
Dividend income	809	848
Equity in earning of affiliates	142	57
Others	452	533
Total non-operating income	1,429	1,466
Non-operating expenses		
Interest expenses	457	442
Foreign exchange losses	151	—
Others	226	159
Total non-operating expenses	835	601
Ordinary income	8,224	7,893
Extraordinary income		
Gain on sales of investment securities	402	300
Gain on sales of fixed assets	45	481
Gain on transfer of business	58	—
Total extraordinary income	506	782
Extraordinary losses		
Loss on revaluation of investment securities	176	250
Loss on retirement or sales of fixed assets	100	169
Impairment loss	111	—
Business structure improvement expenses	231	96
Plant consolidation expenses	200	—
Loss on disaster	72	—
Others	113	111
Total extraordinary losses	1,007	627
Income before income taxes	7,722	8,048
Income taxes	2,812	2,360
Income tax adjustments	127	1,122
Total income taxes	2,940	3,482
Income before minority interests	4,782	4,565
Minority interests in loss	(124)	(229)
Net income	4,907	4,794

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third quarter of FY2012 (From April 1, 2011 to December 31, 2011)	Third quarter of FY2013 (From April 1, 2012 to December 31, 2012)
Income before minority interests	4,782	4,565
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(1,298)	298
Deferred gains or losses on hedges	(9)	23
Foreign currency translation adjustment	(118)	36
Share of other comprehensive income of affiliates accounted for using equity method	(5)	0
Total other comprehensive income (loss)	(1,432)	359
Comprehensive income	3,349	4,924
(Comprehensive income (loss) attributable to)		
Comprehensive income attributable to owners of the parent	3,438	5,114
Comprehensive income (loss) attributable to minority interests	(89)	(189)

(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. Third Quarter of FY2012 (From April 1, 2011 to December 31, 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	75,540	106,176	181,716	21,081	202,798	—	202,798
Internal sales or transfers between segments	1,732	965	2,697	3,512	6,210	(6,210)	—
Total	77,272	107,141	184,414	24,594	209,008	(6,210)	202,798
Segment income	3,188	4,185	7,373	392	7,765	(135)	7,630

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

2. The ¥ (135) million segment income adjustment is an elimination of inter-segment transactions.

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

II. Third Quarter of FY2013 (From April 1, 2012 to December 31, 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	73,056	110,858	183,914	20,641	204,556	—	204,556
Internal sales or transfers between segments	1,560	410	1,971	1,972	3,944	(3,944)	—
Total	74,616	111,269	185,886	22,614	208,500	(3,944)	204,556
Segment income	1,920	4,933	6,854	189	7,043	(14)	7,028

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

2. The ¥ (14) million segment income adjustment is an elimination of inter-segment transactions.

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