

Consolidated Financial Results for the First Quarter of FY2014 (J-GAAP)

August 6, 2013

Listed Company Name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange and Sapporo Securities Exchange
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 Representative: Haruki Kotera
 President and Chief Operating Officer
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 General Manager of Corporate Communications Division

Filing of quarterly financial report: August 14, 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 first quarter of FY2014 (From April 1, 2013 to June 30, 2013)

(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 FY2014	68,881	1.6	2,489	10.2	3,113	9.4	2,050	33.3
1Q of FY2013	67,815	3.1	2,259	(30.2)	2,844	(23.8)	1,537	(28.4)

(Note) Comprehensive income: 1Q of FY2014: ¥3,279 million (–%)
 1Q of FY2013: ¥276 million (–85.3%)

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
1Q of FY2014	12.39		–	
1Q of FY2013	9.29		–	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2014	217,609	115,374	52.2
FY2013	214,528	113,263	51.9

(Reference) Equity capital: 1Q of FY2014: ¥113,525 million; FY2013: ¥111,412 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2013	–	5.00	–	7.00	12.00
FY2014	–				
FY2014 (Forecast)		6.00	–	6.00	12.00

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

3. Forecast of the consolidated financial results for FY2014 (From April 1, 2013 to March 31, 2014)

(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
Half year	142,000	5.0	5,000	24.0	5,200	14.2	3,100	19.9	18.74
Full year	290,000	7.0	11,000	13.2	11,500	5.4	7,200	2.7	43.53

(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: 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)	1Q of FY2014	170,148,018 shares	FY2013	170,148,018 shares
2) Number of treasury stocks at the end of each period	1Q of FY2014	4,744,731 shares	FY2013	4,741,725 shares
3) Average number of shares (quarterly consolidated cumulative period)	1Q of FY2014	165,403,582 shares	1Q of FY2013	165,421,288 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 three months of the year ending March 31, 2014, the Japanese economy showed signs of recovery as corporate earnings and personal consumption picked up somewhat, assisted by a weakening of the yen and rising share prices, amid expectations centering on the Abe administration's economic and monetary policies. However, a recovery of the real economy did not materialize and the outlook of the Japanese economy remained unclear.

The food industry continued to operate in an uncertain and challenging business environment where competition for sales intensified as deflation persisted despite rising costs of raw materials and higher electricity charges.

In these circumstances, the Group made an all-out effort to accomplish the targets for the final year of the SG130 Mid-term Business Plan Phase II (SG130 Phase II), a two-year business plan. With the objective of achieving sustainable growth by responding flexibly to the changing business environment, the Group worked to expand the business and strengthen competitiveness by cutting costs throughout its operations

Consolidated net sales for the first three months under review increased by 1.6% year on year to ¥68,881 million, operating income increased by 10.2% year on year to ¥2,489 million, ordinary income increased by 9.4% year on year to ¥3,113 million, and net income increased by 33.3% to ¥2,050million.

Results of each business segment are as follows.

1) Flour Milling

In line with the increase of government sales prices of imported wheat by 9.7% on average for the five key products in April 2013, we revised the prices of wheat flour products shipped from June 20 onward.

The Group strove to strengthen quality control in response to the growing preoccupation with the 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. As a result, the volume of sales of wheat flour increased compared with 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 4.6% year on year to ¥23,978 million, and operating income increased by 6.1% to ¥933 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including participation in holding of cookery workshops and various exhibitions. As a result, sales of pasta and pasta-related 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 deliver delight in terms of both cooking and eating. As a result, sales of home-use products were higher than for the same period of the previous year. With regard to frozen foods, we launched new products and redesigned products in the Oh' my Premium series of high-grade pastas for home use, which celebrated the 10th anniversary since their debut, and pursued sales promotion initiatives. As for frozen pasta dishes designed for lunch-box use, sales of "Obento Tarako Spaghetti" and "Oh'my Double Spaghetti"

Nippon Flour Mills Co., Ltd. (2001) Consolidated Financial Results for the First Quarter of FY2014 continued to be buoyant. As a result, sales of frozen foods were higher than for the same period of the previous year, in terms of both volume and value.

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 5.9% year on year to ¥38,051 million, and operating income increased by 9.1% to ¥1,453 million.

3) Other

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

As a result, net sales for the Other segment increased by 1.3% year on year to ¥6,851 million, and operating income increased by 110.0% to ¥88 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first three months under review increased by ¥3,081 million from the previous fiscal year end (March 31, 2013) to ¥217,609 million. This was mainly because cash and deposits, investment securities increased by ¥4,368 million and ¥1,351 million, respectively, while raw materials and supplies decreased by ¥2,763 million.

Total liabilities increased by ¥970 million from the previous fiscal year end to ¥102,235 million. This was mainly because bonds payable increased by ¥10,000 million, while trade notes and accounts payable and other current liabilities decreased by ¥6,315 million and ¥2,152 million, respectively.

Net assets increased by ¥2,110 million from the previous fiscal year end to ¥115,374 million. This was mainly because retained earnings and valuation difference on available-for-sale securities increased by ¥889 million and ¥898 million, respectively.

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

The forecast of the financial results for the fiscal year ending March 31, 2014 is unchanged from the forecasts announced on May 14, 2013.

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

There is no related information.

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

(Millions of yen)

	FY2013 (As of March 31, 2013)	First quarter of FY2014 (As of June 30, 2013)
Assets		
Current assets		
Cash and deposits	10,055	14,424
Notes and accounts receivable-trade	40,740	40,541
Merchandise and finished goods	12,672	12,903
Work in process	79	180
Raw materials and supplies	18,406	15,642
Others	3,820	4,400
Allowance for doubtful accounts	(102)	(117)
Total current assets	85,671	87,975
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	30,090	29,826
Machinery, equipment and vehicles, net	20,064	19,625
Land	25,594	25,506
Construction in progress	641	997
Others, net	1,999	1,929
Total property, plant and equipment	78,390	77,885
Intangible assets		
Goodwill	691	622
Others	762	763
Total intangible assets	1,453	1,385
Investments and other assets		
Investment securities	43,930	45,281
Others	5,381	5,432
Allowance for doubtful accounts	(298)	(351)
Total investments and other assets	49,012	50,362
Total noncurrent assets	128,857	129,633
Total assets	214,528	217,609

	FY2013 (As of March 31, 2013)	First quarter of FY2014 (As of June 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,524	22,209
Short-term loans payable	27,705	27,154
Income taxes payable	2,293	376
Provision for bonuses	438	381
Others	14,779	12,627
Total current liabilities	73,741	62,748
Noncurrent liabilities		
Bonds payable	—	10,000
Long-term loans payable	12,535	14,174
Provision for retirement benefits	2,506	2,437
Provision for directors' retirement benefits	1,067	980
Others	11,414	11,894
Total noncurrent liabilities	27,523	39,486
Total liabilities	101,265	102,235
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,666
Retained earnings	77,875	78,764
Treasury stock	(1,577)	(1,577)
Total shareholders' equity	99,204	100,093
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,253	13,152
Deferred gain or loss on hedges	23	12
Foreign currency translation adjustment	(69)	266
Total accumulated other comprehensive income	12,207	13,431
Minority interests	1,851	1,848
Total net assets	113,263	115,374
Total liabilities and net assets	214,528	217,609

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

(Millions of yen)

	First quarter of FY2013 (From April 1, 2012 to June 30, 2012)	First quarter of FY2014 (From April 1, 2013 to June 30, 2013)
Net sales	67,815	68,881
Cost of sales	50,570	50,701
Gross profit	17,245	18,179
Selling, general and administrative expenses	14,985	15,690
Operating income	2,259	2,489
Non-operating income		
Interest income	6	10
Dividend income	492	452
Others	288	419
Total non-operating income	787	882
Non-operating expenses		
Interest expenses	143	144
Bond issuance cost	—	73
Others	59	39
Total non-operating expenses	202	258
Ordinary income	2,844	3,113
Extraordinary income		
Gain on sales of noncurrent assets	15	0
Gain on sales of investment securities	—	6
Total extraordinary income	15	6
Extraordinary loss		
Loss on revaluation of investment securities	225	—
Loss on sales of noncurrent assets	0	3
Loss on retirement of noncurrent assets	21	32
Business structure improvement expenses	37	—
Others	43	—
Total extraordinary loss	328	36
Income before income taxes	2,531	3,083
Income taxes-current	329	344
Income taxes-deferred	759	690
Total income taxes	1,089	1,034
Income before minority interests	1,442	2,048
Minority interests in loss	(95)	(1)
Net income	1,537	2,050

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2013 (From April 1, 2012 to June 30, 2012)	First quarter of FY2014 (From April 1, 2013 to June 30, 2013)
Income before minority interests	1,442	2,048
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,290)	898
Deferred gains or losses on hedges	(8)	(11)
Foreign currency translation adjustment	136	338
Share of other comprehensive income of affiliates accounted for using equity method	(4)	5
Total other comprehensive income (loss)	(1,166)	1,231
Comprehensive income	276	3,279
(Comprehensive income (loss) attributable to)		
Comprehensive income attributable to owners of the parent	335	3,274
Comprehensive income (loss) attributable to minority interests	(59)	5

(3) Notes on quarterly consolidated financial statements**(Notes on going concern assumption)**

There is no related information.

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

There is no related information.

(Segment information)

I. 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 quarterly consolidated statements of income.

II. First Quarter of FY2014 (From April 1, 2013 to June 30, 2013)

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	23,978	38,051	62,030	6,851	68,881	—	68,881
Internal sales or transfers between segments	584	138	722	637	1,359	(1,359)	—
Total	24,563	38,189	62,753	7,488	70,241	(1,359)	68,881
Segment income	933	1,453	2,386	88	2,475	13	2,489

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

2. The ¥13 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.