

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

November 1, 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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 President and Chief Operating Officer
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Filing of quarterly financial report: November 11, 2013
 Start of cash dividend payments: December 3, 2013
 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 FY2014 (From April 1, 2013 to September 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	%
First half of FY2014	140,312	3.8	5,241	30.0	5,992	31.5	3,848	48.8
First half of FY2013	135,211	2.1	4,032	(19.5)	4,555	(15.1)	2,586	(15.8)

(Note) Comprehensive income: First half of FY2014: ¥6,869 million yen (789.8 %)
 First half of FY2013: ¥772 million yen (-59.8 %)

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
First half of FY2014	23.27		-	
First half of FY2013	15.64		-	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
First half of FY2014	230,941		120,345		50.7	
FY2013	214,528		113,263		51.9	

(Reference) Equity capital: First half of FY2014: ¥117,084 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	-	6.00	-	-	-
FY2014 (Forecast)	-	-	-	6.00	12.00

(Note) Adjustment for the most recent forecast of the dividend 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
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)	First half of FY2014	170,148,018 shares	FY2013	170,148,018 shares
2) Number of treasury stocks at the end of each period	First half of FY2014	4,745,311 shares	FY2013	4,741,725 shares
3) Average number of shares (quarterly consolidated cumulative period)	First half of FY2014	165,403,226 shares	First half of FY2013	165,418,848 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 4 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, 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 policy and the Bank of Japan's monetary policy. However, generally speaking, consumers have been slow to recognize these improvements. Furthermore, owing to uncertainties, including the possibility of a protracted weakening of the emerging economies, the outlook for the Japanese economy remained unclear.

The food industry continued to operate in a challenging business environment with intensifying sales competition and increasing costs, such as those of raw materials and electricity.

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.

In September 2013, the Company acquired an equity stake in Nagano Tomato Co., Ltd., a manufacturer and a distributor of tomato-based food products in Nagano Prefecture, to pursue further diversification in the processed food field, which is among the Group's key business fields.

Consolidated net sales for the first half under review increased by 3.8% year on year to ¥140,312 million, operating income increased by 30.0% year on year to ¥5,241 million, ordinary income increased by 31.5% year on year to ¥5,992 million, and net income increased by 48.8% to ¥3,848 million.

Results of each business segment are as follows.

1) Flour Milling

Reflecting the increase of government sales prices of imported wheat by 9.7% on average for the five key products in April 2013 in line with the increase in international wheat prices, we revised the prices of wheat flour products shipped from June 20 onward. 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, shipments were higher than for the same period of the previous 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 increased by 0.8% year on year to ¥49,020 million, and operating income increased by 94.8% to ¥2,177 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including the holding of Italian cookery workshops and participating in various exhibitions, such as FABEX 2013, a trade show for the take-out food and catering sectors. 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 making things easier in the kitchen. We introduced new products that not only cut cooking

Nippon Flour Mills Co., Ltd. (2001) Consolidated Financial Results for the First Half of FY2014 time and processes but also deliver delights in terms of both cooking and eating. Sales of new pasta sauces were brisk and, as a result, sales of home-use products exceeded the level 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 and the Oh' my BIG series of large-portion pasta dishes, 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" 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 previous year.

As a result, net sales of the Food segment increased by 6.7% year on year to ¥77,853 million, and operating income increased by 4.8% to ¥2,996 million.

3) Other

Sales of the pet food 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 1.2% year on year to ¥13,438 million, and operating income increased by 9.5% to ¥55 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first half under review increased by ¥16,413 million from the previous fiscal year end (March 31, 2013) to ¥230,941 million. This was mainly because cash and deposits, investment securities increased by ¥15,413 million and ¥4,328 million, respectively, while trade notes and accounts receivable decreased by ¥3,880 million.

Total liabilities increased by ¥9,331 million from the previous fiscal year end to ¥110,596 million. This was mainly because bonds payable and other non-current liabilities increased by ¥10,000 million and ¥1,395 million, respectively, while trade notes and accounts payable decreased by ¥2,798 million.

Net assets increased by ¥7,081 million from the previous fiscal year end to ¥120,345 million. This was mainly attributable to the increase in retained earnings, valuation difference on available-for-sale securities and minority interests by ¥2,677 million, ¥2,671 million and ¥1,409 million, respectively.

(Cash flows)

The balance of cash and cash equivalents at the end of the first half under review stood at ¥24,816 million, an increase of ¥14,816 million compared with the end of previous fiscal year.

The conditions of cash flows were as follows.

Operating activities provided net cash of ¥8,544 million. This mainly reflected cash inflows including income before income taxes and minority income of ¥5,991 million and depreciation of ¥3,909 million, while cash outflows included payment of income taxes of ¥2,235 million.

Investing activities used net cash of ¥2,440 million. This mainly reflected cash inflows including proceeds from sales of investment securities of ¥820 million and purchase of property, plant and equipment of ¥3,074 million.

Financing activities provided net cash of ¥8,572 million. This mainly reflected proceeds from issuance of bonds amounting to ¥9,926 million and payment of dividends of ¥1,160 million.

(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 half of FY2014 (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	10,055	25,468
Notes and accounts receivable-trade	40,740	36,859
Securities	—	1
Merchandise and finished goods	12,672	13,413
Work in process	79	351
Raw materials and supplies	18,406	16,801
Other	3,820	4,570
Allowance for doubtful accounts	(102)	(115)
Total current assets	85,671	97,350
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,090	29,940
Machinery, equipment and vehicles, net	20,064	19,613
Land	25,594	26,165
Construction in progress	641	1,229
Other, net	1,999	1,883
Total tangible fixed assets	78,390	78,833
Intangible assets		
Goodwill	691	553
Other	762	818
Total intangible assets	1,453	1,371
Investments and other assets		
Investment securities	43,930	48,258
Other	5,381	5,477
Allowance for doubtful accounts	(298)	(349)
Total investments and other assets	49,012	53,385
Total non-current assets	128,857	133,591
Total assets	214,528	230,941

	FY2013 (As of March 31, 2013)	First half of FY2014 (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,524	25,726
Short-term loans payable	27,705	26,798
Income taxes payable	2,293	1,980
Provision for bonuses	438	485
Other	14,779	13,636
Total current liabilities	73,741	68,626
Non-current liabilities		
Bonds payable	—	10,000
Long-term loans payable	12,535	15,445
Provision for retirement benefits	2,506	2,696
Provision for directors' retirement benefits	1,067	1,017
Other	11,414	12,810
Total non-current liabilities	27,523	41,969
Total liabilities	101,265	110,596
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,666
Retained earnings	77,875	80,552
Treasury shares	(1,577)	(1,577)
Total shareholders' equity	99,204	101,881
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,253	14,925
Deferred gains or losses on hedges	23	0
Foreign currency translation adjustment	(69)	277
Total accumulated other comprehensive income	12,207	15,203
Minority interests	1,851	3,260
Total net assets	113,263	120,345
Total liabilities and net assets	214,528	230,941

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

(Millions of yen)

	First half of FY2013 (From April 1, 2012 to September 30, 2012)	First half of FY2014 (From April 1, 2013 to September 30, 2013)
Net sales	135,211	140,312
Cost of sales	101,186	103,413
Gross profit	34,025	36,898
Selling, general and administrative expenses	29,992	31,657
Operating income	4,032	5,241
Non-operating income		
Interest income	14	22
Dividend income	501	460
Other	435	750
Total non-operating income	951	1,232
Non-operating expenses		
Interest expenses	295	295
Foreign exchange losses	16	—
Other	117	186
Total non-operating expenses	429	481
Ordinary income	4,555	5,992
Extraordinary income		
Gain on sales of noncurrent assets	145	0
Gain on sales of investment securities	300	10
Insurance income	—	47
Gain on bargain purchase	—	37
Total extraordinary income	446	96
Extraordinary losses		
Loss on sales and retirement of non-current assets	123	94
Loss on valuation of investment securities	234	—
Business structure improvement expenses	54	—
Other	83	2
Total extraordinary losses	495	96
Income before income taxes	4,505	5,991
Income taxes-current	1,614	1,951
Income taxes-deferred	602	171
Total income taxes	2,216	2,122
Income before minority interests	2,288	3,869
Minority interests in income (loss)	(297)	20
Net income	2,586	3,848

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First half of FY2013 (From April 1, 2012 to September 30, 2012)	First half of FY2014 (From April 1, 2013 to September 30, 2013)
Income before minority interests	2,288	3,869
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(1,533)	2,668
Deferred gains or losses on hedges	(5)	(23)
Foreign currency translation adjustment	27	348
Share of other comprehensive income of entities accounted for using equity method	(5)	6
Total other comprehensive income (loss)	(1,516)	3,000
Comprehensive income	772	6,869
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,037	6,840
Comprehensive income attributable to minority interests	(265)	29

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First Half of FY2013 (From April 1, 2012 to September 30, 2012)	First Half of FY2014 (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes	4,505	5,991
Depreciation	3,559	3,909
Amortization of goodwill	106	137
Gain on bargain purchase	—	(37)
Increase (decrease) in allowance for doubtful accounts	(65)	58
Business structure improvement expenses	54	—
Interest and dividend income	(516)	(482)
Interest expenses paid	295	295
Loss (gain) on sales of investment securities	(294)	(128)
Loss (gain) on valuation of investment securities	234	—
Share of profit of entities accounted for using equity method	(86)	(118)
Foreign exchange losses (gains)	(30)	(204)
Loss (gain) on sales of property, plant and equipment	(84)	3
Loss on retirement of intangible assets	66	94
Decrease (increase) in notes and accounts receivable-trade	572	4,778
Decrease (increase) in inventories	3,961	1,316
Increase (decrease) in notes and accounts payable-trade	(448)	(3,522)
Other	(134)	(1,542)
Subtotal	11,697	10,548
Interest and dividends income received	540	503
Interest expenses paid	(294)	(271)
Income taxes paid	(1,553)	(2,235)
Net cash provided by (used in) operating activities	10,389	8,544
Cash flows from investing activities		
Purchase of investment securities	(308)	(694)
Proceeds from sales of investment securities	1,016	820
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	523
Purchase of property, plant and equipment	(7,314)	(3,074)
Proceeds from sales of property, plant and equipment	233	4
Payments of loans receivable	(14)	(74)
Collection of loans receivable	94	52
Other, net	(128)	1
Net cash provided by (used) in investing activities	(6,422)	(2,440)

Nippon Flour Mills Co., Ltd. (2001) Consolidated Financial Results for the First Half of FY2014
(Millions of yen)

	First Half of FY2013 (From April 1, 2012 to September 30, 2012)	First Half of FY2014 (From April 1, 2013 to September 30, 2013)
Cash flows from financing activities		
Net increase (decrease) of short-term loans payable	(45)	401
Increase (decrease) of commercial paper	(3,000)	(2,000)
Proceeds from long-term loans payable	885	3,580
Repayments of long-term loans payable	(491)	(2,004)
Proceeds from issuance of bonds	—	9,926
Purchase of treasury shares	(0)	(0)
Proceeds from sales of treasury shares	—	0
Repayments of lease obligations	(134)	(161)
Cash dividends paid	(1,160)	(1,160)
Cash dividends paid to minority shareholders	(21)	(8)
Net cash provided by (used in) financing activities	(3,967)	8,572
Effect of exchange rate change on cash and cash equivalents	18	201
Net increase (decrease) in cash and cash equivalents	18	14,877
Cash and cash equivalents at beginning of the term	9,848	10,000
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(60)
Cash and cash equivalents at end of the term	9,867	24,816

(4) Segment information

I. 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.

II. First half of FY2014 (From April 1, 2013 to September 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	49,020	77,853	126,873	13,438	140,312	—	140,312
Internal sales or transfers between segments	1,119	281	1,401	1,050	2,451	(2,451)	—
Total	50,139	78,135	128,275	14,488	142,763	(2,451)	140,312
Segment income	2,177	2,996	5,174	55	5,230	11	5,241

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

2. The ¥11 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.