

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

February 6, 2014

Listed Company Name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock 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
 Contact: Kiyoshi Mansyo
 General Manager of Corporate Communications Division

Filing of quarterly financial report: February 13, 2014
 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 FY2014 (From April 1, 2013 to December 31, 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	%
3Q of FY2014	215,692	5.4	8,701	23.8	9,937	25.9	6,569	37.0
3Q of FY2013	204,556	0.9	7,028	(7.9)	7,893	(4.0)	4,794	(2.3)

(Note) Comprehensive income: 3Q of FY2014: ¥10,390 million (111.0 %)
 3Q of FY2013: ¥4,924 million (47.0 %)

	Net Income per Share		Fully Diluted Net Income per Share	
	Yen		Yen	
3Q of FY2014	39.72		–	
3Q of FY2013	28.98		–	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2014	226,432	122,875	52.8
FY2013	214,528	113,263	51.9

(Reference) Equity capital: 3Q of FY2014: ¥ 119,574 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 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
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, accounting estimates and restatements of revising

- 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)	3Q of FY2014	170,148,018 shares	FY2013	170,148,018 shares
2) Number of treasury stocks at the end of each period	3Q of FY2014	4,746,514 shares	FY2013	4,741,725 shares
3) Average number of shares (quarterly consolidated cumulative period)	3Q of FY2014	165,402,797 shares	3Q of FY2013	165,415,051 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.

Contents

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Qualitative information on consolidated business results	2
(2) Qualitative information on consolidated financial position.....	3
(3) Qualitative information on forecast of the consolidated financial results	3
2. Information about the Summary of Business Results (Notes)	3
(1) Significant changes in subsidiaries during the term	3
(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements.....	4
(3) Changes in accounting policies, accounting estimates and restatements of revisions.....	4
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly consolidated balance sheets.....	5
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	7
(Quarterly consolidated statements of income).....	7
(Quarterly consolidated statements of comprehensive income).....	8
(3) Notes on quarterly consolidated financial statements	9
(Notes on going concern assumption).....	9
(Notes to significant changes in the amount of shareholders' equity).....	9
(Segment information)	9

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Qualitative information on consolidated business results

During the first nine months of the fiscal year ending March 31, 2014, the Japanese economy showed signs of recovery as the Abe administration's economic policy and the Bank of Japan's monetary policy took effect, leading to improvement of both corporate earnings and personal consumption. However, a broadly based recovery of the Japanese economy has yet to gain traction. In view of concerns about the slowing growth of the emerging economies and the consumption tax increase in Japan scheduled for April 2014, the outlook of the Japanese economy remained unclear.

The food industry continued to operate in a challenging business environment amid rising costs, notably those of raw materials and electricity, and intensifying sales competition reflecting consumption that still lacks vigor.

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.

The Group is implementing a series of plans to add silo capacity for raw cereal in order to strengthen cost competitiveness and respond to the changing business environment of the Flour Milling segment. In one of these initiatives, construction is underway at the Company's Chiba Mill to increase its silo capacity for raw cereal, which is scheduled for completion in March 2014.

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.

Moreover, the Group is also working to reinforce the existing business. For example, having included NIPPON Donuts Kyushu Co., Ltd. in the Group in October 2013, the Group has started developing a donuts business in Kyushu.

Consolidated net sales for the first nine months under review increased by 5.4% year on year to ¥215,692 million, operating income increased by 23.8% year on year to ¥8,701 million, ordinary income increased by 25.9% year on year to ¥9,937 million, and net income increased by 37.0% to ¥6,569 million.

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 and by 4.1% in October 2013, we revised the prices of wheat flour products for professional use in June and December, respectively.

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, sales of wheat flour in Japan increased in terms of both volume and value 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 increased by 3.2% year on year to ¥75,364 million, and operating income increased by 84.7% to ¥3,547 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. As a result, sales of 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 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, the Oh' my Premium series of high-grade pastas for home use and the Oh' my BIG series of large-portion pasta dishes showed brisk sales growth centering on new products. 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 same period of the previous year.

As a result, net sales of the Food segment increased by 7.7% year on year to ¥119,442 million, and operating income decreased by 1.1% to ¥4,881 million.

3) Other

Sales of the engineering business and the donut business were higher than for the same period of the previous year.

As a result, net sales for the Other segment increased by 1.2% year on year to ¥20,885 million, and operating income increased by 30.3% to ¥246 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first nine months under review increased by ¥11,903 million from the previous fiscal year end (March 31, 2013) to ¥226,432 million. This was mainly because cash and deposits, other current assets, and investment securities increased by ¥5,261 million, ¥1,359 million and ¥5,618 million, respectively.

Total liabilities increased by ¥2,291 million from the previous fiscal year end to ¥103,556 million. This was mainly because bonds payable increased by ¥10,000 million, while trade notes and accounts payable decreased by ¥7,038 million.

Net assets increased by ¥9,612 million from the previous fiscal year end to ¥122,875 million. This was mainly because retained earnings, valuation difference on available-for-sale securities, and minority interests increased by ¥4,403 million, ¥3,452 million and ¥1,449 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 term

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)	Third quarter of FY2014 (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	10,055	15,317
Notes and accounts receivable-trade	40,740	41,648
Securities	—	1
Merchandise and finished goods	12,672	13,581
Work in process	79	210
Raw materials and supplies	18,406	16,343
Other	3,820	5,179
Allowance for doubtful accounts	(102)	(126)
Total current assets	85,671	92,155
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,090	29,589
Machinery, equipment and vehicles, net	20,064	18,926
Land	25,594	25,975
Construction in progress	641	1,510
Other, net	1,999	1,895
Total tangible fixed assets	78,390	77,897
Intangible assets		
Goodwill	691	820
Other	762	813
Total intangible assets	1,453	1,634
Investments and other assets		
Investment securities	43,930	49,548
Other	5,381	5,542
Allowance for doubtful accounts	(298)	(345)
Total investments and other assets	49,012	54,744
Total non-current assets	128,857	134,276
Total assets	214,528	226,432

	FY2013 (As of March 31, 2013)	Third quarter of FY2014 (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,524	21,486
Short-term loans payable	27,705	20,340
Income taxes payable	2,293	1,019
Provision for bonuses	438	233
Other	14,779	18,063
Total current liabilities	73,741	61,142
Non-current liabilities		
Bonds payable	—	10,000
Long-term loans payable	12,535	15,208
Provision for retirement benefits	2,506	2,786
Provision for directors' retirement benefits	1,067	1,061
Other	11,414	13,357
Total non-current liabilities	27,523	42,413
Total liabilities	101,265	103,556
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,666
Retained earnings	77,875	82,278
Treasury shares	(1,577)	(1,577)
Total shareholders' equity	99,204	103,607
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,253	15,706
Deferred gains or losses on hedges	23	23
Foreign currency translation adjustment	(69)	238
Total accumulated other comprehensive income	12,207	15,967
Minority interests	1,851	3,300
Total net assets	113,263	122,875
Total liabilities and net assets	214,528	226,432

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

(Millions of yen)

	Third quarter of FY2013 (From April 1, 2012 to December 31, 2012)	Third quarter of FY2014 (From April 1, 2013 to December 31, 2013)
Net sales	204,556	215,692
Cost of sales	152,188	159,070
Gross profit	52,367	56,622
Selling, general and administrative expenses	45,339	47,921
Operating income	7,028	8,701
Non-operating income		
Interest income	26	36
Dividend income	848	901
Share of profit of entities accounted for using equity method	57	161
Others	533	779
Total non-operating income	1,466	1,877
Non-operating expenses		
Interest expenses	442	425
Others	159	215
Total non-operating expenses	601	641
Ordinary income	7,893	9,937
Extraordinary income		
Gain on sales of noncurrent assets	481	869
Gain on sales of investment securities	300	14
Other	—	93
Total extraordinary income	782	977
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	169	496
Loss on revaluation of investment securities	250	—
Business structure improvement expenses	96	—
Others	111	101
Total extraordinary loss	627	598
Income before income taxes	8,048	10,317
Income taxes-current	2,360	2,831
Income taxes-deferred	1,122	851
Total income taxes	3,482	3,683
Income before minority interests	4,565	6,633
Minority interests in income (loss)	(229)	64
Net income	4,794	6,569

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third quarter of FY2013 (From April 1, 2012 to December 31, 2012)	Third quarter of FY2014 (From April 1, 2013 to December 31, 2013)
Income before minority interests	4,565	6,633
Other comprehensive income		
Valuation difference on available-for-sale securities	298	3,438
Deferred gains or losses on hedges	23	(0)
Foreign currency translation adjustment	36	309
Share of other comprehensive income of affiliates accounted for using equity method	0	9
Total other comprehensive income	359	3,756
Comprehensive income	4,924	10,390
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	5,114	10,320
Comprehensive income attributable to minority interests	(189)	70

(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. 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.

II. Third Quarter of FY2014 (From April 1, 2013 to December 31, 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	75,364	119,442	194,807	20,885	215,692	—	215,692
Internal sales or transfers between segments	1,672	439	2,111	1,367	3,479	(3,479)	—
Total	77,036	119,881	196,918	22,253	219,171	(3,479)	215,692
Segment income	3,547	4,881	8,428	246	8,675	25	8,701

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

2. The ¥25 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.