

Consolidated Financial Results for the First Quarter of FY2015 (J-GAAP)

August 6, 2014

Listed Company Name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange and Sapporo Securities Exchange
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Filing of quarterly financial report: August 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 first quarter of FY2015 (From April 1, 2014 to June 30, 2014)

(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 FY2015	73,867	7.2	2,194	(11.9)	2,670	(14.2)	1,790	(12.7)
1Q of FY2014	68,881	1.6	2,489	10.2	3,113	9.4	2,050	33.3

(Note) Comprehensive income: 1Q of FY2015: ¥2,521 million (23.1) %
 1Q of FY2014: ¥3,279 million – %

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
1Q of FY2015	10.83	–
1Q of FY2014	12.39	–

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2015	228,038	123,018	52.5
FY2014	226,803	121,636	52.2

(Reference) Equity capital: 1Q of FY2015: ¥119,735 million; FY2014: ¥118,358 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2014	–	6.00	–	6.00	12.00
FY2015	–				
FY2015 (Forecast)		6.00	–	6.00	12.00

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

3. Forecast of the consolidated financial results for FY2015 (From April 1, 2014 to March 31, 2015)

(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	148,000	5.5	4,500	(14.1)	5,000	(16.6)	3,200	(16.8)	19.35
Full year	300,000	4.5	10,000	(7.5)	11,000	(10.2)	6,800	(12.9)	41.11

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

- 1) Changes due to revisions of accounting standards: Yes
- 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 FY2015	170,148,018 shares	FY2014	170,148,018 shares
2) Number of treasury stocks at the end of each period	1Q of FY2015	4,718,915 shares	FY2014	4,718,689 shares
3) Average number of shares (quarterly consolidated cumulative period)	1Q of FY2015	165,342,285 shares	1Q of FY2014	165,403,582 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, 2015, the Japanese economy remained on a moderate recovery track as corporate earnings and the labor market showed signs of improvement, supported by the Abe administration's economic policy. However, the outlook of the Japanese economy remained unclear mainly because of concerns about the slowing of emerging-market economies and the change in personal consumption following the consumption tax increase.

The food industry continued to operate in a challenging business environment amid rising costs, notably those of raw materials and electricity, in line with the depreciation of the yen, and intensifying sales competition in a Japanese market that is shrinking as the population declines and ages.

In these circumstances, instead of a mid-term business plan, the Group is implementing a single-year policy based on the fundamental measures implemented so far to strengthen the business foundation. The Group is continuing to execute capital investment to improve the earnings structure and striving to ensure that capital investment projects are executed swiftly and come on stream without delay. We are seeking to advance into business fields with high growth potential, including overseas business. In the Flour Milling segment, our plan calls for increasing the storage capacity of grain silos by 100,000 tons to 300,000 tons, with a view to strengthening cost competitiveness. As one element of this plan, we decided to construct a grain silo with a 20,000-ton capacity at the Company's Fukuoka Mill. Regarding international business, we established PT. NIPPON FOODS INDONESIA, a subsidiary in Indonesia, to expand sales of the Group's ingredients and processed foods for professional use in the ASEAN region.

Consolidated net sales for the first three months under review increased by 7.2% year on year to ¥73,867 million, operating income decreased by 11.9% year on year to ¥2,194 million, ordinary income decreased by 14.2% year on year to ¥2,670 million, and net income decreased by 12.7% to ¥1,790 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 2.3% on average for the five key products in April 2014, we revised the prices of wheat flour products for professional use shipped from July 1 onward.

The Group is strengthening 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 promoted proposal-driven sales. By strengthening such initiatives that are highly regarded by customers, we sought to expand sales. As a result, sales of wheat flour in Japan increased compared with the same period of the previous year.

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

As a result, net sales for the Flour Milling segment increased by 5.2% year on year to ¥25,223 million, and operating income decreased by 28.2% to ¥670 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including participation in various exhibitions, such as FABEX 2014, a trade show for the catering and take-out food sectors, and the holding of Italian cookery workshops. As a result, sales of premixes increased compared with the same period of the

previous year.

In the home-use product category, we focused on development of products that deliver customer satisfaction by meeting customer needs and making things easier in the kitchen. We also vigorously promoted proposal-driven sales, for example by offering in-store merchandising proposals, in order to promote sales of our core products. However, sales decreased compared with the same period of the previous year in the aftermath of the last-minute spike in demand just before the consumption tax increase.

With regard to frozen foods, we launched the Oh' my Premium "Vege-Full" Series, with the theme of making up for the deficiency of vegetable intake, as part of the Oh' my Premium series of high-grade pasta dishes for home use, which are our mainstay products. At the same time, we redesigned the existing products to enrich the line-up. 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 7.8% year on year to ¥41,004 million, and operating income decreased by 1.3% to ¥1,434 million.

3) Other

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

As a result, net sales for the Other segment increased by 11.5% year on year to ¥7,639 million, and operating income decreased by 20.2% to ¥70 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first three months under review increased by ¥1,235 million from the previous fiscal year end (March 31, 2014) to ¥228,038 million. This was mainly because investment securities increased by ¥1,369 million.

Total liabilities decreased by ¥147 million from the previous fiscal year end to ¥105,020 million. This was mainly because notes and accounts payable-trade increased by ¥2,708 million, while income taxes payable decreased by ¥2,361 million.

Net assets increased by ¥1,382 million from the previous fiscal year end to ¥123,018 million. This was mainly because retained earnings and valuation difference on available-for-sale securities increased by ¥672 million and ¥718 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, 2015 is unchanged from the forecasts announced on May 14, 2014.

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

(Changes in accounting policies)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter the “Guidance”) pursuant to the main clause of Paragraph 35 of the Standard and the main clause of Paragraph 67 of the Guidance, reviewed the method of calculating retirement benefit obligations and current service costs, and changed the method of determining the discount rate. The method of attributing expected benefit to periods was changed from the straight-line method to the benefit formula basis. The method of determining the discount rate was changed from the use of the discount rate based on the number of years approximating to the expected average remaining working lives of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

For application of the Standard and the Guidance, the Company followed the transitional treatment stipulated in Paragraph 37 of the Standard, and included the impact of the change in the calculation method of retirement benefit obligations and service costs in retained earnings at the beginning of the three months of the fiscal year ending March 31, 2015.

As a result, at the beginning of the first three months of the fiscal year ending March 31, 2015, net defined benefit liability increased by ¥125 million and retained earnings decreased by ¥124 million. The impact on operating income, ordinary income, and income before income taxes for the first three months of the fiscal year ending March 31, 2015 is negligible.

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

(Millions of yen)

	FY2014 (As of March 31, 2014)	First quarter of FY2015 (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	12,859	12,418
Notes and accounts receivable - trade	39,131	37,784
Securities	1	1
Merchandise and finished goods	14,105	15,060
Work in process	297	188
Raw materials and supplies	17,776	18,193
Other	3,672	4,580
Allowance for doubtful accounts	(324)	(285)
Total current assets	87,520	87,940
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	29,756	30,390
Machinery, equipment and vehicles, net	18,879	18,711
Land	32,671	32,507
Construction in progress	1,716	290
Other, net	2,018	1,978
Total property, plant and equipment	85,042	83,877
Intangible assets		
Goodwill	734	647
Other	808	756
Total intangible assets	1,543	1,404
Investments and other assets		
Investment securities	47,915	49,285
Other	5,112	5,863
Allowance for doubtful accounts	(330)	(331)
Total investments and other assets	52,698	54,816
Total noncurrent assets	139,283	140,098
Total assets	226,803	228,038

	FY2014 (As of March 31, 2014)	First quarter of FY2015 (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,769	28,478
Short-term loans payable	19,767	20,360
Income taxes payable	2,604	242
Provision for bonuses	454	462
Other	13,775	13,122
Total current liabilities	62,370	62,667
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	15,104	14,332
Provision for retirement benefits	4,488	4,524
Provision for directors' retirement benefits	1,105	901
Other	12,098	12,593
Total noncurrent liabilities	42,796	42,352
Total liabilities	105,167	105,020
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,666
Retained earnings	83,519	84,191
Treasury stock	(1,607)	(1,607)
Total shareholders' equity	104,818	105,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,609	15,327
Deferred gain or loss on hedges	3	(5)
Foreign currency translation adjustment	363	295
Remeasurements of defined benefit plans	(1,436)	(1,372)
Total accumulated other comprehensive income	13,539	14,245
Minority interests	3,278	3,283
Total net assets	121,636	123,018
Total liabilities and net assets	226,803	228,038

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

(Millions of yen)

	First quarter of FY2014 (From April 1, 2013 to June 30, 2013)	First quarter of FY2015 (From April 1, 2014 to June 30, 2014)
Net sales	68,881	73,867
Cost of sales	50,701	54,901
Gross profit	18,179	18,965
Selling, general and administrative expenses	15,690	16,771
Operating income	2,489	2,194
Non-operating income		
Interest income	10	7
Dividend income	452	489
Other	419	213
Total non-operating income	882	710
Non-operating expenses		
Interest expenses	144	107
Bond issuance cost	73	—
Other	39	125
Total non-operating expenses	258	233
Ordinary income	3,113	2,670
Extraordinary income		
Gain on sales of noncurrent assets	0	—
Gain on sales of investment securities	6	0
Total extraordinary income	6	0
Extraordinary loss		
Loss on sales of noncurrent assets	3	0
Loss on retirement of noncurrent assets	32	19
Total extraordinary loss	36	19
Income before income taxes	3,083	2,651
Income taxes-current	344	186
Income taxes-deferred	690	657
Total income taxes	1,034	843
Income before minority interests	2,048	1,808
Minority interests in income (loss)	(1)	17
Net income	2,050	1,790

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2014 (From April 1, 2013 to June 30, 2013)	First quarter of FY2015 (From April 1, 2014 to June 30, 2014)
Income before minority interests	2,048	1,808
Other comprehensive income		
Valuation difference on available-for-sale securities	898	719
Deferred gains or losses on hedges	(11)	(8)
Foreign currency translation adjustment	338	(66)
Remeasurements of defined benefit plans, net of tax	—	63
Share of other comprehensive income of entities accounted for using equity method	5	5
Total other comprehensive income (loss)	1,231	712
Comprehensive income	3,279	2,521
(Comprehensive income (loss) attributable to)		
Comprehensive income attributable to owners of the parent	3,274	2,496
Comprehensive income (loss) attributable to minority interests	5	25

(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 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.

II. First Quarter of FY2015 (From April 1, 2014 to June 30, 2014)

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	25,223	41,004	66,227	7,639	73,867	—	73,867
Internal sales or transfers between segments	548	174	722	359	1,082	(1,082)	—
Total	25,771	41,178	66,949	7,999	74,949	(1,082)	73,867
Segment income	670	1,434	2,105	70	2,176	18	2,194

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

2. The ¥18 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.