

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

February 5, 2015

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: February 13, 2015
 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 FY2015 (From April 1, 2014 to December 31, 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	%
3Q of FY2015	225,230	4.4	6,223	(28.5)	7,370	(25.8)	5,312	(19.1)
3Q of FY2014	215,692	5.4	8,701	23.8	9,937	25.9	6,569	37.0

(Note) Comprehensive income: 3Q of FY2015: ¥9,904 million (95.3 %)
 3Q of FY2014: ¥10,390 million (111.0 %)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
3Q of FY2015	32.13	32.12
3Q of FY2014	39.72	–

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2015	245,696	130,881	51.3
FY2014	226,803	121,636	52.2

(Reference) Equity capital: 3Q of FY2015: ¥126,017 million; FY2014: ¥118,358million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2014	–	6.00	–	6.00	12.00
FY2015	–	6.00	–		
FY2015 (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 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
Full year	305,000	6.2	8,500	(21.4)	9,500	(22.4)	6,300	(19.3)	38.10

(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 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)	3Q of FY2015	170,148,018 shares	FY2014	170,148,018 shares
2) Number of treasury stocks at the end of each period	3Q of FY2015	4,719,890 shares	FY2014	4,718,689 shares
3) Average number of shares (quarterly consolidated cumulative period)	3Q of FY2015	165,341,342 shares	3Q of FY2014	165,402,797 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 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 nine months of the fiscal year ending March 31, 2015, the Japanese economy remained on a moderate recovery track as earnings of certain companies and the labor market showed signs of improvement, supported by the beneficial effects of Abe administration's economic policy and the Bank of Japan's additional quantitative easing. However, personal consumption continued to falter primarily because of the negative repercussions of the consumption tax increase and a decline in disposable incomes, and prospects for personal consumption remained uncertain.

The food industry continued to operate in a challenging business environment. Prices of raw materials and energy and logistics costs increased in line with the depreciation of the yen. Price erosion proceeded with consumers becoming more frugal in a Japanese market that is shrinking as the population ages while the birth rate remains low.

In these circumstances, in order to flexibly and speedily respond to the changing business environment, the Group is strengthening the business foundation based on the fundamental measures implemented so far that center on cost reduction and sales expansion.

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, as part of our plan for increasing the storage capacity of grain silos by 100,000 tons to 300,000 tons with a view to strengthening cost competitiveness, we decided to construct a grain silo with a 20,000-ton capacity at the Fukuoka Mill. In international business, Indonesian subsidiary PT. NIPPON FOODS INDONESIA, whose mission is to expand sales of the Group's ingredients and processed foods for professional use in the ASEAN region, started operation.

Consolidated net sales for the first nine months under review increased by 4.4% year on year to ¥225,230 million, operating income decreased by 28.5% year on year to ¥6,223 million, ordinary income decreased by 25.8% year on year to ¥7,370 million, and net income decreased by 19.1% to ¥5,312 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, 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 and sales volume 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 2.2% year on year to ¥77,000 million, and operating income decreased by 54.3% to ¥1,619 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including participating in various exhibitions and the holding of Italian cookery workshops. However, sales of professional-use products decreased compared with the same period of the previous year, partly owing to a decrease in sales volumes of premixes and pasta products.

In the home-use product category, we emphasized development of products that deliver customer satisfaction. The themes were to “make things easier in the kitchen” and “simple, healthy and tasty.” We also vigorously promoted proposal-driven sales, for example by offering in-store merchandising proposals, in order to promote sales of our core products and new products.

Sales of 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 redesigned the Oh’ my Premium series of high-grade pasta dishes for home use, which are our mainstay products, and launched the Oh’ my Premium “Vege-Full” Series to enrich the line-up. Sales of frozen pasta dishes designed for lunch-box use continued to be buoyant. As a result, sales of frozen foods for professional use and those for home use were both 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 in the context of the emergence of increasingly diverse demand in line with greater participation of women in society and a rise in the number of single-person households.

As a result, net sales of the Food segment increased by 4.9% year on year to ¥125,246 million, and operating income decreased by 11.1% to ¥4,338 million.

3) Other

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

As a result, net sales for the Other segment increased by 10.0% year on year to ¥22,983 million, and operating income decreased by 8.9% to ¥225 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first nine months under review increased by ¥18,892 million from the previous fiscal year end (March 31, 2014) to ¥245,696 million. This was mainly because investment securities, notes and accounts receivable, raw materials and supplies, and cash and deposits increased by ¥6,847 million, ¥4,628 million, ¥3,098 million and ¥2,613 million, respectively.

Total liabilities increased by ¥9,647 million from the previous fiscal year end to ¥114,814 million. This was mainly because commercial paper and other non-current liabilities increased by ¥7,000 million and ¥3,098 million, respectively.

Net assets increased by ¥9,245 million from the previous fiscal year end to ¥130,881 million. This was mainly because valuation difference on available-for-sale securities, retained earnings and minority interests increased by ¥4,041 million, ¥3,200 million and ¥1,555 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 forecast announced on November 7, 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 nine months of the fiscal year ending March 31, 2015.

As a result, at the beginning of the first nine 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 nine 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)	Third quarter of FY2015 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	12,859	15,472
Notes and accounts receivable-trade	39,131	43,759
Securities	1	1
Merchandise and finished goods	14,105	14,552
Work in process	297	111
Raw materials and supplies	17,776	20,874
Other	3,672	3,515
Allowance for doubtful accounts	(324)	(161)
Total current assets	87,520	98,127
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,756	30,338
Machinery, equipment and vehicles, net	18,879	18,543
Land	32,671	34,576
Construction in progress	1,716	263
Other, net	2,018	2,138
Total tangible fixed assets	85,042	85,860
Intangible assets		
Goodwill	734	476
Other	808	745
Total intangible assets	1,543	1,222
Investments and other assets		
Investment securities	47,915	54,763
Other	5,112	6,279
Allowance for doubtful accounts	(330)	(556)
Total investments and other assets	52,698	60,485
Total non-current assets	139,283	147,569
Total assets	226,803	245,696

(Millions of yen)

	FY2014 (As of March 31, 2014)	Third quarter of FY2015 (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,769	24,755
Short-term loans payable	19,767	22,950
Income taxes payable	2,604	663
Provision for bonuses	454	267
Other	13,775	21,586
Total current liabilities	62,370	70,223
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	15,104	13,997
Net defined benefit liability	4,488	4,466
Provision for directors' retirement benefits	1,105	931
Other	12,098	15,196
Total non-current liabilities	42,796	44,591
Total liabilities	105,167	114,814
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,666
Retained earnings	83,519	86,720
Treasury shares	(1,607)	(1,608)
Total shareholders' equity	104,818	108,018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,609	18,650
Deferred gains or losses on hedges	3	27
Foreign currency translation adjustment	363	561
Remeasurements of defined benefit plans	(1,436)	(1,240)
Total accumulated other comprehensive income	13,539	17,998
Subscription rights to shares	—	31
Minority interests	3,278	4,833
Total net assets	121,636	130,881
Total liabilities and net assets	226,803	245,696

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

(Millions of yen)

	Third quarter of FY2014 (From April 1, 2013 to December 31, 2013)	Third quarter of FY2015 (From April 1, 2014 to December 31, 2014)
Net sales	215,692	225,230
Cost of sales	159,070	168,001
Gross profit	56,622	57,228
Selling, general and administrative expenses	47,921	51,004
Operating income	8,701	6,223
Non-operating income		
Interest income	36	46
Dividend income	901	936
Share of profit of entities accounted for using equity method	161	62
Others	779	661
Total non-operating income	1,877	1,706
Non-operating expenses		
Interest expenses	425	341
Others	215	218
Total non-operating expenses	641	560
Ordinary income	9,937	7,370
Extraordinary income		
Gain on sales of noncurrent assets	869	18
Gain on sales of investment securities	14	8
Gain on bargain purchase	37	491
Other	56	9
Total extraordinary income	977	528
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	496	64
Loss on step acquisitions	—	131
Others	101	56
Total extraordinary loss	598	251
Income before income taxes	10,317	7,646
Income taxes-current	2,831	1,730
Income taxes-deferred	851	510
Total income taxes	3,683	2,240
Income before minority interests	6,633	5,406
Minority interests in income (loss)	64	94
Net income	6,569	5,312

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Third quarter of FY2014 (From April 1, 2013 to December 31, 2013)	Third quarter of FY2015 (From April 1, 2014 to December 31, 2014)
Income before minority interests	6,633	5,406
Other comprehensive income		
Valuation difference on available-for-sale securities	3,438	4,061
Deferred gains or losses on hedges	(0)	23
Foreign currency translation adjustment	309	200
Remeasurements of defined benefit plans	—	195
Share of other comprehensive income of affiliates accounted for using equity method	9	16
Total other comprehensive income	3,756	4,498
Comprehensive income	10,390	9,904
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	10,320	9,755
Comprehensive income attributable to minority interests	70	149

(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 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.

II. Third quarter of FY2015 (From April 1, 2014 to December 31, 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	77,000	125,246	202,246	22,983	225,230	—	225,230
Internal sales or transfers between segments	1,650	416	2,066	1,184	3,250	(3,250)	—
Total	78,650	125,662	204,312	24,167	228,480	(3,250)	225,230
Segment income	1,619	4,338	5,958	225	6,183	40	6,223

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

2. The ¥40 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.