

Consolidated Financial Results for the First Quarter of FY2016 (J-GAAP)

August 6, 2015

Listed Company Name: **Nippon Flour Mills Co., Ltd.**
 Listing: The 1st section of Tokyo Stock Exchange
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 Representative: Haruki Kotera
 President and Chief Operating Officer
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Filing of quarterly financial report: August 11, 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 first quarter of FY2016 (From April 1, 2015 to June 30, 2015)

(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		Profit (loss) Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2016	76,118	3.0	2,113	(3.7)	2,948	(10.4)	2,120	18.4
1Q of FY2015	73,867	7.2	2,194	(11.9)	2,670	(14.2)	1,790	(12.7)

(Note) Comprehensive income: 1Q of FY2016: ¥3,723 million 47.7 %
 1Q of FY2015: ¥2,521 million (23.1) %

	Profit per Share		Fully Diluted Profit per Share	
	Yen		Yen	
1Q of FY2016	12.86		12.85	
1Q of FY2015	10.83		–	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2016	249,411	139,676	54.0
FY2015	248,890	137,535	53.3

(Reference) Equity capital: 1Q of FY2016: ¥134,748 million; FY2015: ¥132,633 million

2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2015	–	6.00	–	6.00	12.00
FY2016	–				
FY2016 (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 FY2016 (From April 1, 2015 to March 31, 2016)

(Percentage figures show the rates of changes from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit (loss) Attributable to Owners of Parent		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	155,000	5.0	4,500	19.9	5,000	17.7	3,300	5.2	19.96
Full year	310,000	3.8	9,500	13.0	10,500	7.1	6,700	(4.0)	40.52

(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 FY2016	170,148,018 shares	FY2015	170,148,018 shares
2) Number of treasury stocks at the end of each period	1Q of FY2016	5,622,841 shares	FY2015	4,719,895 shares
3) Average number of shares (quarterly consolidated cumulative period)	1Q of FY2016	164,918,394 shares	1Q of FY2015	165,342,285 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, 2016, the Japanese economy remained on a moderate recovery track as corporate earnings and the labor market showed signs of improvement. However, the outlook of the Japanese economy remained unclear mainly because of concerns about the slowing of certain emerging-market economies and financial turmoil in Europe.

The food industry continued to operate in a challenging business environment. Sharp rises in prices of raw materials in line with the persisting weak yen are pushing costs up. While consumers become more frugal, sales competition is intensifying.

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 of the entire Group. In order to respond to the rapidly changing business environment, the Group reorganized the business structure in June 2015 to expand sales and strengthen cost competitiveness throughout the Group's business fields.

Consolidated net sales for the first three months under review increased by 3.0% year on year to ¥76,118 million, operating income decreased by 3.7% year on year to ¥2,113 million, ordinary income increased by 10.4% year on year to ¥2,948 million, and profit attributable to owners of parent increased by 18.4% to ¥2,120 million.

Results of each business segment are as follows.

1) Flour Milling

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, promoted proposal-driven sales, and held cookery workshops. By vigorously conducting these sales & marketing initiatives, we sought to expand sales. Despite a challenging sales environment, sales of wheat flour increased compared with the same period of the previous year partly owing to the impact of the inclusion of new subsidiaries in the scope of consolidation.

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

In line with the increase of government sales prices (tax inclusive) of imported wheat by 3.0% on average for the five key products in April 2015, we revised the prices of wheat flour products for professional use in June.

As a result, net sales for the Flour Milling segment increased by 0.7% year on year to ¥25,394 million, and operating income increased by 6.5% to ¥714 million.

2) Food

In the professional-use category, the Group engaged in vigorous marketing, including participation in various exhibitions and the holding of Italian cookery workshops. As a result, sales of products in the professional-use category increased compared with the same period of the previous year.

In the home-use product category, we vigorously promoted proposal-driven sales, for example by offering in-store merchandising proposals, in order to promote sales of our core products. Sales of products in this category increased compared with the same period of the previous year. For example, the Oh' my PLUS series of products were buoyant, reflecting rising health consciousness. Oh' my PLUS is a new brand that encourages consumers to try our functional food ingredients, such as flaxseed oil.

In regard to frozen foods, we enriched the Oh' my Premium series of high-grade pasta dishes for home use, which are our mainstay products. At the same time, we sought to reposition our brands to meet various needs, in terms of

price zones, volume, etc. so as to expand sales of frozen pasta to a wider range of consumers. We also promoted sales of the frozen rice based meals on paper trays and the Oh' my Yokubari Plate series of frozen one-plate dishes consisting of a hamburger and pasta. As a result, sales of frozen foods exceeded the previous year's level.

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 4.8% year on year to ¥42,976 million, and operating income decreased by 8.5% to ¥1,312 million.

3) Other

Sales of the healthcare business were higher than for the same period of the previous year owing to brisk sales of functional ingredients, notably flaxseed-related products, reflecting enhanced awareness of flaxseed. Sales of the pet care business were higher than for the same period of the previous year, but 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 1.4% year on year to ¥7,747 million, and operating income increased by 33.5% to ¥94 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first three months under review increased by ¥521 million from the previous fiscal year end (March 31, 2015) to ¥249,411 million.

The main factors were an increase of cash and deposits by ¥2,977 million, an increase of investment securities by ¥1,897 million, a decrease of notes and accounts receivable-trade by ¥2,061 million, and a decrease of raw materials and supplies by ¥1,524 million.

Total liabilities decreased by ¥1,619 million from the previous fiscal year end to ¥109,735 million. This was mainly because notes and accounts payable-trade decreased by ¥2,047 million.

Net assets increased by ¥2,141 million from the previous fiscal year end to ¥139,676 million. This was mainly because retained earnings and valuation difference on available-for-sale securities increased by ¥1,154 million and ¥1,452 million, respectively. Incidentally, in accordance with the resolution by the Board of Directors on May 14, 2015, the Company conducted a share buyback of ¥626 million during the first quarter of the fiscal year under review.

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

The forecast of the financial results for the fiscal year ending March 31, 2016 is unchanged from the forecasts announced on May 14, 2015.

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, 2016, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013), the "Accounting

Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013). Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries that the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they accrued. In addition, regarding business combinations that became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the amount allocated to acquisition cost under provisional accounting treatment in the consolidated financial statements for the quarter in which the relevant business combinations became or will become effective. The Company also changed the presentation of net income and changed the reference to minority interests to non-controlling interests. To reflect these changes in the presentations, quarterly consolidated financial statements for the first quarter of the previous fiscal year and consolidated financial statements for the previous fiscal year have been reclassified.

For application of the Accounting Standard for Business Combinations and other standards, the Company followed the transitional treatment stipulated in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures and has applied these new accounting policies from the beginning of the first quarter of the fiscal year ending March 31, 2016 onward.

These changes in accounting policies have no impact on profit or loss.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY2015 (As of March 31, 2015)	First quarter of FY2016 (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	13,601	16,578
Notes and accounts receivable - trade	40,326	38,265
Merchandise and finished goods	15,938	15,286
Work in process	284	390
Raw materials and supplies	20,592	19,068
Other	3,771	4,096
Allowance for doubtful accounts	(152)	(141)
Total current assets	94,362	93,544
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	29,664	29,859
Machinery, equipment and vehicles, net	18,136	17,924
Land	34,636	34,638
Construction in progress	1,867	1,692
Other, net	2,043	1,934
Total property, plant and equipment	86,349	86,050
Intangible assets		
Goodwill	392	305
Other	739	701
Total intangible assets	1,131	1,006
Investments and other assets		
Investment securities	61,335	63,233
Other	6,297	6,165
Allowance for doubtful accounts	(585)	(588)
Total investments and other assets	67,047	68,810
Total noncurrent assets	154,527	155,867
Total assets	248,890	249,411

(Millions of yen)

	FY2015 (As of March 31, 2015)	First quarter of FY2016 (As of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,672	25,624
Short-term loans payable	20,883	20,837
Income taxes payable	1,542	419
Provision for bonuses	500	605
Other	14,017	14,366
Total current liabilities	64,616	61,854
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	15,454	16,178
Provision for retirement benefits	4,723	4,665
Provision for directors' retirement benefits	963	883
Other	15,596	16,153
Total noncurrent liabilities	46,738	47,880
Total liabilities	111,354	109,735
Net assets		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,668
Retained earnings	88,389	89,543
Treasury stock	(1,608)	(2,230)
Total shareholders' equity	109,688	110,221
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,419	24,872
Deferred gain or loss on hedges	(7)	6
Foreign currency translation adjustment	947	986
Remeasurements of defined benefit plans	(1,414)	(1,338)
Total accumulated other comprehensive income	22,945	24,526
Subscription rights to shares	46	56
Non-controlling interests	4,854	4,871
Total net assets	137,535	139,676
Total liabilities and net assets	248,890	249,411

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

(Millions of yen)

	First quarter of FY2015 (From April 1, 2014 to June 30, 2014)	First quarter of FY2016 (From April 1, 2015 to June 30, 2015)
Net sales	73,867	76,118
Cost of sales	54,901	56,630
Gross profit	18,965	19,488
Selling, general and administrative expenses	16,771	17,374
Operating income	2,194	2,113
Non-operating income		
Interest income	7	17
Dividend income	489	753
Other	213	224
Total non-operating income	710	995
Non-operating expenses		
Interest expenses	107	98
Other	125	62
Total non-operating expenses	233	160
Ordinary income	2,670	2,948
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Gain on sales of investment securities	0	111
Total extraordinary income	0	111
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Loss on retirement of noncurrent assets	19	75
Other	—	3
Total extraordinary loss	19	79
Income before income taxes	2,651	2,980
Income taxes-current	186	470
Income taxes-deferred	657	389
Total income taxes	843	860
Profit (loss)	1,808	2,119
Profit (loss) attributable to non-controlling interests	17	(1)
Profit (loss) attributable to owners of parent	1,790	2,120

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	First quarter of FY2015 (From April 1, 2014 to June 30, 2014)	First quarter of FY2016 (From April 1, 2015 to June 30, 2015)
Profit (loss)	1,808	2,119
Other comprehensive income		
Valuation difference on available-for-sale securities	719	1,474
Deferred gains or losses on hedges	(8)	14
Foreign currency translation adjustment	(66)	23
Remeasurements of defined benefit plans, net of tax	63	75
Share of other comprehensive income of entities accounted for using equity method	5	15
Total other comprehensive income (loss)	712	1,603
Comprehensive income	2,521	3,723
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,496	3,701
Comprehensive income attributable to non-controlling interests	25	21

(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 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.

2. Information about impairment loss on noncurrent assets and about goodwill etc. by reportable segment

Not applicable

II. First Quarter of FY2016 (From April 1, 2015 to June 30, 2015)

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	25,394	42,976	68,370	7,747	76,118	—	76,118
Internal sales or transfers between segments	540	134	675	558	1,233	(1,233)	—
Total	25,934	43,111	69,045	8,306	77,352	(1,233)	76,118
Segment income	714	1,312	2,026	94	2,121	(7)	2,113

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

2. The ¥ (7) 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.

2. Information about impairment loss on noncurrent assets and about goodwill etc. by reportable segment

Not applicable