

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

February 4, 2016

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 date of quarterly financial report: February 12, 2016  
 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 FY2016 (From April 1, 2015 to December 31, 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 Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY2016	236,414	5.0	8,777	41.0	10,265	39.3	7,101	33.7
3Q of FY2015	225,230	4.4	6,223	(28.5)	7,370	(25.8)	5,312	(19.1)

(Note) Comprehensive income: 3Q of FY2016: ¥7,337 million (25.9) %  
 3Q of FY2015: ¥9,904 million (4.7) %

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
3Q of FY2016	43.42	43.37
3Q of FY2015	32.13	32.12

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2016	252,558	141,002	53.8
FY2015	248,890	137,535	53.3

(Reference) Equity capital: 3Q of FY2016: ¥135,910 million; FY2015: ¥132,633 million

### 2. Dividends

	Dividends per Share (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Full Year
FY2015	0.00	6.00	0.00	6.00	12.00
FY2016	0.00	6.00	0.00		
FY2016 (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 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 Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	310,000	3.8	10,500	24.9	12,000	22.4	7,600	8.9	46.35

(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 current quarter (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 restatement 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 FY2016	170,148,018 shares	FY2015	170,148,018 shares
2) Number of treasury stocks at the end of each period	3Q of FY2016	7,390,829 shares	FY2015	4,719,895 shares
3) Average number of shares (quarterly consolidated cumulative period)	3Q of FY2016	163,545,849 shares	3Q of FY2015	165,341,342 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 nine months of the fiscal year ending March 31, 2016, the Japanese economy remained on a moderate recovery track as corporate earnings and the labor market started to improve. However, personal consumption remained at a standstill despite expectations of a recovery. The food industry continued to operate in a challenging business environment as prices of imported raw materials rose sharply owing to the persisting weak yen and consumers became more frugal. Although the possible impact of the Trans-Pacific Partnership (TPP) is unclear, enforcement of TPP is expected to bring about great changes in the food industry. Therefore, we will continue to carefully monitor developments and take timely, effective action.

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

In June 2015, as one of the initiatives to reinforce the Company's structure, structural reforms were implemented for faster decision-making at the corporate level and total optimization of resource allocation. In September 2015 the Company formed a capital partnership with Matsuda Shokuhin Kogyo K.K., which manufactures and sells soybean-based processed foods. The Company's consolidated subsidiary OK Food Industry Co., Ltd. also handles soybean-based processed foods. Through the capital tie-up with Matsuda Shokuhin Kogyo, the Group intends to strengthen and develop its soybean-related foods business, which plays a role in business diversification.

As a result, consolidated net sales for the first nine months under review increased by 5.0% year on year to ¥236,414 million, operating income increased by 41.0% year on year to ¥8,777 million, ordinary income increased by 39.3% year on year to ¥10,265 million, and profit attributable to owners of parent increased by 33.7% to ¥7,101 million.

The performance of individual business segments was as follows.

#### 1) Flour Milling

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

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 identifying the latent market needs. 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, reflecting market conditions.

In line with the reduction of government sales prices of imported wheat by 5.7% on average (tax inclusive) for the five key products in October 2015, we revised the prices of wheat flour products for commercial use in January 2016.

As a result, net sales for the Flour Milling segment increased by 2.1% year on year to ¥78,608 million, and operating income increased by 100.7% to ¥3,251 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 launched the Oh'my Gift Campaign commemorating the 60th anniversary of the Oh'my brand and other campaigns to stimulate purchase motivation. We also vigorously promoted proposal-driven sales, for example by offering in-store merchandising proposals, in order to promote sales of our core products.

For the Oh'my PLUS series of products whose theme is "Become healthy by eating delicious food," the introduction of a range of products that use popular flaxseed oil, including mayonnaise, salad dressing, and pasta sauces, led to buoyant sales. As a result, sales of home-use products exceeded the level for the same period of the previous year.

In 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 redesigned our brand mix attuned to diverse needs in terms of price zone, volume, etc. As a result of brisk sales of a range of rice-based dishes in a tray and the Oh'my Yokubari Plate series of frozen one-plate dishes consisting of a main dish and pasta, sales of frozen foods exceeded the level for the same period of the previous year.

The sales volume of deli-products increased, resulting in higher sales compared with the same period of the previous year.

As a result, net sales of the Food segment increased by 7.1% year on year to ¥134,124 million, and operating income increased by 19.7% to ¥5,192 million.

### 3) Other

Sales of the healthcare business were higher than for the same period of the previous year because of the continuing brisk sales of flaxseed-related products and other health-enhancing food ingredients. Sales of the pet care business were higher than for the same period of the previous year, but the engineering business experienced a decrease in sales.

As a result, net sales for the Other segment increased by 3.0% year on year to ¥23,680 million, and operating income increased by 37.9% to ¥310 million.

## (2) Qualitative information on consolidated financial position

Total assets at the end of the first nine months under review increased by ¥3,668 million from the previous fiscal year end (March 31, 2015) to ¥252,558 million. This was mainly because cash and deposits and notes and accounts receivable increased by ¥3,877 million and ¥6,023 million, respectively, and raw materials and supplies decreased by ¥3,963 million.

Total liabilities increased by ¥201 million from the previous fiscal year end to ¥111,556 million. This was mainly because trade notes and accounts payable decreased by ¥711 million and other non-current liabilities increased by ¥839 million.

Net assets increased by ¥3,467 million from the previous fiscal year end to ¥141,002 million. This was mainly attributable to the increase in retained earnings and treasury stock by ¥5,182 million and ¥1,998 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, 2016 is unchanged from the forecast announced on November 6, 2015.

**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**

(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 4 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 nine months 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 quarterly consolidated financial statements for the first nine months of the fiscal year to December 31, 2015.

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

(Millions of yen)

	FY2015 (As of March 31, 2015)	Third quarter of FY2016 (As of December 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	13,601	17,478
Notes and accounts receivable - trade	40,326	46,350
Merchandise and finished goods	15,938	15,065
Work in process	284	40
Raw materials and supplies	20,592	16,629
Other	3,771	3,934
Allowance for doubtful accounts	(152)	(175)
Total current assets	94,362	99,323
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,664	28,818
Machinery, equipment and vehicles, net	18,136	17,120
Land	34,636	34,648
Construction in progress	1,867	3,061
Other, net	2,043	1,730
Total property, plant and equipment	86,349	85,379
Intangible assets		
Goodwill	392	200
Other	739	659
Total intangible assets	1,131	859
Investments and other assets		
Investment securities	61,335	61,513
Other	6,297	5,871
Allowance for doubtful accounts	(585)	(388)
Total investments and other assets	67,047	66,996
Total non-current assets	154,527	153,234
Total assets	248,890	252,558

(Millions of yen)

	FY2015 (As of March 31, 2015)	Third quarter of FY2016 (As of December 31, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	27,672	26,960
Short-term loans payable	20,883	26,762
Income taxes payable	1,542	1,619
Provision for bonuses	500	259
Other	14,017	14,856
Total current liabilities	64,616	70,459
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	15,454	10,411
Provision for directors' retirement benefits	963	909
Provision for retirement benefits	4,723	4,443
Other	15,596	15,331
Total non-current liabilities	46,738	41,097
Total liabilities	111,354	111,556
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,240	12,240
Capital surplus	10,666	10,668
Retained earnings	88,389	93,572
Treasury shares	(1,608)	(3,606)
Total shareholders' equity	109,688	112,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,419	23,671
Deferred gain or loss on hedges	(7)	(8)
Foreign currency translation adjustment	947	568
Remeasurements of defined benefit plans	(1,414)	(1,195)
Total accumulated other comprehensive income	22,945	23,035
Subscription rights to shares	46	97
Non-controlling interests	4,854	4,994
Total net assets	137,535	141,002
Total liabilities and net assets	248,890	252,558

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

(Millions of yen)

	Third quarter of FY2015 (From April 1, 2014 to December 31, 2014)	Third quarter of FY2016 (From April 1, 2015 to December 31, 2015)
Net sales	225,230	236,414
Cost of sales	168,001	174,892
Gross profit	57,228	61,521
Selling, general and administrative expenses	51,004	52,744
Operating income	6,223	8,777
Non-operating income		
Interest income	46	55
Dividend income	936	1,233
Share of profit of entities accounted for using equity method	62	150
Other	661	472
Total non-operating income	1,706	1,912
Non-operating expenses		
Interest expenses	341	284
Other	218	139
Total non-operating expenses	560	423
Ordinary income	7,370	10,265
Extraordinary income		
Gain on sales of non-current assets	18	28
Gain on sales of investment securities	8	329
Gain on bargain purchase	491	-
Other	9	-
Total extraordinary income	528	358
Extraordinary losses		
Loss on sales and retirement of non-current assets	64	135
Loss on step acquisitions	131	-
Business structure improvement expenses	-	309
Other	56	12
Total extraordinary losses	251	457
Income before income taxes	7,646	10,166
Income taxes - current	1,730	2,798
Income taxes - deferred	510	131
Total income taxes	2,240	2,929
Profit (loss)	5,406	7,237
Profit (loss) attributable to non-controlling interests	94	135
Profit (loss) attributable to owners of parent	5,312	7,101

**(Quarterly consolidated statements of comprehensive income)**

(Millions of yen)

	Third quarter of FY2015 (From April 1, 2014 to December 31, 2014)	Third quarter of FY2016 (From April 1, 2015 to December 31, 2015)
Profit (loss)	5,406	7,237
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	4,061	243
Deferred gains or losses on hedges	23	(1)
Foreign currency translation adjustment	200	(392)
Remeasurements of defined benefit plans, net of tax	195	218
Share of other comprehensive income of entities accounted for using equity method	16	31
Total other comprehensive income (loss)	4,498	99
Comprehensive income	9,904	7,337
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	9,755	7,187
Comprehensive income attributable to non- controlling interests	149	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, etc.)**

[Segment information]

## I. 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.

## II. Third quarter of FY2016 (From April 1, 2015 to December 31, 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	78,608	134,124	212,733	23,680	236,414	-	236,414
Internal sales or transfers between segments	1,665	403	2,068	1,196	3,264	(3,264)	-
Total	80,274	134,528	214,802	24,877	239,679	(3,264)	236,414
Segment income	3,251	5,192	8,443	310	8,753	23	8,777

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

2. The ¥23 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.