

# Consolidated Financial Results for FY2010 and Forecast for FY2011

Listed Company Name: Nippon Flour Mills Co., Ltd.

Listing: The 1st section of Tokyo and Osaka Stock Exchanges, Sapporo Securities Exchange

Code Number: 2001 URL <http://www.nippon.co.jp/> TEL: 03-3350-3900

Representative: Hiroshi Sawada, Chairman and President, Chief Executive Officer, and Chief Operating Officer

Contact: Kiyoshi Mansyo, General Manager of Corporate Communications Group

Date of the general meeting of shareholders: June 29, 2010

Payment date of cash dividends: June 30, 2010

Filing date of financial statements: June 29, 2010

\*Amounts less than one million yen have been rounded down.

## 1. Consolidated results for the year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

### (1) Consolidated operating results

(Millions of yen, Percentage figures indicate the rate changes from previous year.)

	Net Sales		Operating Income		Ordinary Income	
FY2010	261,586	(5.5)%	12,549	17.5%	12,802	31.5%
FY2009	276,797	10.4%	10,682	59.3%	9,736	44.7%

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	ROE (%)	Ordinary Income to Total Assets (%)	Operating Income to Net Sales (%)
FY2010	7,892	63.4%	47.23	—	8.6	7.1	4.8
FY2009	4,829	26.7%	28.89	26.39	5.4	5.2	3.9

Reference: Equity in earnings of affiliated companies: FY2010 73 million yen FY2009 (590) million yen

### (2) Consolidated financial position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY2010	179,181	97,979	53.9	578.07
FY2009	182,863	88,536	47.7	521.77

Reference: Equity capital: FY2010 96,615 million yen FY2009 87,205 million yen

### (3) Consolidated cash flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
FY2010	23,094	(3,297)	(16,223)	14,283
FY2009	7,080	(4,646)	(1,258)	10,685

## 2. Dividends

Record Date	Dividends per Share (Yen)					Total Amount of Cash Dividends (Annual) (Millions of yen)	Dividends Payout Ratio (Consolidated) (%)	Dividends on Net Assets (Consolidated) (%)
	1Q-end	2Q-end	3Q-end	Year-end	Full Year			
FY2009	—	3.50	—	4.50	8.00	1,337	27.7	1.5
FY2010	—	4.00	—	6.00	10.00	1,671	21.2	1.8
FY2011 (Forecast)	—	5.00	—	5.00	10.00		22.3	

### 3. Forecast of consolidated business results for FY2011 (April 1, 2010 - March 31, 2011)

(Percentage figures show changes from corresponding year-ago period.)

	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	131,000	(2.6)	6,300	1.9	6,300	(2.9)	3,700	0.6	22.14
Full Year	262,000	0.2	12,500	(0.4)	12,500	(2.4)	7,500	(5.0)	44.88

#### 4. Others

##### (1) Significant changes in subsidiaries during the fiscal year

(Changes in specified subsidiaries resulting in changes in scope of consolidation): None

##### (2) Changes in accounting principles, procedures and method of presentation associated with preparation of the consolidated financial statements (The matters to be included in the section, changes in basic important matters for preparation of consolidated financial statements)

- 1) Changes due to revisions of accounting standards, etc.: Yes
- 2) Changes other than 1): None

##### (3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of each fiscal year (included treasury stock):

FY2010 174,148,018 shares      FY2009 174,148,018 shares

2. Number of treasury stocks at the end of each fiscal year:

FY2010 7,013,885 shares      FY2009 7,015,503 shares

Note: Please refer to page 18, Per share information for the number of shares in basis for the calculation of net income per share of consolidated financial statements.

#### (References) Overview of the non-consolidated business results

##### 1. Non-consolidated results for the year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

###### (1) Non-consolidated operating results

(Millions of yen, Percentage figures indicate the rate changes from previous year.)

	Net Sales		Operating Income		Ordinary Income	
FY2010	180,119	(5.4)%	11,008	8.6%	11,363	8.8%
FY2009	190,319	14.7%	10,140	78.1%	10,442	55.5%

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
FY2010	6,888	60.7%	41.2	—
FY2009	4,287	16.6%	25.64	23.43

###### (2) Non-consolidated financial position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
FY2010	150,503	89,922	59.7	537.84
FY2009	153,229	81,629	53.3	488.26

Reference: Net assets:      FY2010 89,922 million yen      FY2009 81,629 million yen

##### \*Note to ensure appropriate use of forecast, other remarks

The above forecast has been prepared based on data as of the announcement date. Actual results may differ from the forecasted figures due to various factors.

For the above forecast, please refer pages 3-5 of the attached document.

## **1. Operating results**

### **(1) Analysis of operating results**

During the fiscal year ended March 31, 2010, prospects for the Japanese economy remained uncertain. Although domestic production picked up somewhat, reflecting the recovery of exports, capital investment and the labor market continued to be weak while deflationary pressure was a source of concern.

The tough environment for the food industry persisted, with consumer confidence cooling and competition for sales intensifying against the backdrop of a struggling economy.

In these circumstances, the Nippon Flour Mills Group made a concerted effort to expand business and increase profits and profit margins in the final year of the two-year 08/09 SG100 New Business Plan launched in April 2008.

The fiscal year ended March 2010 marked the 50th anniversary of the Company's development of premixes. Among new premixes for professional use that the Company introduced commemorating the anniversary, the NIPPON Selection series of new products were well received as they responded to customer needs for premixes in small quantities.

As a result, the consolidated net sales decreased by 5.5% year on year to ¥261,586 million, the operating income increased by 17.5% year on year to ¥12,549 million, and the ordinary income increased by 31.5% year on year to ¥12,802 million, the net income increased by 63.4% year on year to ¥7,892 million.

The performance of individual business segments was as follows.

#### **Flour Milling**

Worldwide wheat flour production is expected to amount to 678 million tons, 5 million tons lower than production in the previous year. Year-end inventory is expected to have increased for the second consecutive year. In these circumstances, the international market price of wheat flour has been stable but the outlook remains uncertain.

Wheat flour production in Japan decreased 207,000 tons from the previous year to 674,000 tons owing to a poor crop in Hokkaido, the main producing district, as well as in the Tokai and Kyushu regions, because of unsettled weather.

Amid sluggish demand for wheat flour in Japan, the Group strove to identify needs from the viewpoints of corporate customers and consumers, respectively. The Group also engaged in vigorous marketing activities, such as participating in various exhibitions and holding workshops and seminars, including those on management, around Japan. As a result, the sales volume of wheat flour increased compared with the previous year.

Sales of wheat bran, a by-product, were lower than the previous year due to weak market conditions.

As a result, net sales for the Flour Milling segment decreased by 7.2% year on year to ¥101,358 million, and operating income decreased by 6.9% year on year to ¥5,486 million.

#### **Food**

We launched new products that meet consumers' heightened preoccupation with wellbeing and the trend toward cooking and eating at home. At the same time, we vigorously engaged in marketing activities, such as participation in various exhibitions and the holding of Italian cookery workshops.

Although sales of pasta-related products for business and home use were lower than the previous year, sales of premixes exceeded the previous year's level.

Regarding home-use pasta, we strove to expand sales by introducing captivating products. Sponsoring the Earth Marathon, a project of Kanpei Hazama, a Japanese comedian, to run and sail around the world, we introduced "Oh' my Spaghetti" that bears the Earth Marathon logo.

In frozen ingredients and foods for home use, sales of the "Oh' my Premium" series of frozen spaghetti dishes in one-person portions, the "Tray-in" series of frozen spaghetti dishes in paper trays, and the "Obento pasta" series suitable for packed lunches increased greatly as these products have won a strong following among consumers who value their simplicity, convenience and quality.

As a result, net sales for the Food segment decreased by 5.2% year on year to ¥131,439 million, and operating income increased by 32.5% year on year to ¥6,976 million.

#### **Other Businesses**

Sales of health food and natural cosmetics were lower than the previous year. On the other hand, sales of pet food and sales of the engineering business increased from the previous year.

As a result, net sales for the Other Businesses segment were ¥28,789 million, and operating income was ¥60 million.

#### **–Forecast for the year ending March 31, 2011–**

Although the recovery of the global economy and the government's measures to support household incomes are expected to help the Japanese economy grow, the situation is likely to remain uncertain as the economy remains subject to high risks that could undermine prospects for growth.

In addition to contractions of the domestic market due to the decreasing population and the aging of society, the food industry is facing a cooling of personal consumption in line with the deterioration of the labor market and

personal incomes. In these circumstances, competition among companies is expected to intensify.

In view of the decline in international wheat prices, the government sales prices of five types of imported wheat were reduced 14.8% on average in April 2009, 23% in October 2009, and 5% in April 2010. The flour milling industry is in a dilemma regarding how best to respond to these reductions.

In these circumstances, the Group intends to continue restructuring in order to strengthen competitiveness and reduce costs throughout the business. Also, we will vigorously invest in growth fields in Japan and overseas in order to secure sustainable growth while making a group-wide effort to enhance corporate value. Our goal is to develop as a multifaceted global food enterprise.

### **Flour Milling**

The business environment in the flour milling industry becomes increasingly severe and our responsibilities for the society becomes more important because of the issues such as the declining population, the aging society with fewer children and the consumers' preoccupation with safety and security. In order to expand our sales, we will fulfill customer satisfaction by working on positive marketing activities and proposing products designed to satisfy the latent market needs.

### **Food**

In the Food business, we will aggressively engage in developing and introducing new products that satisfy customer needs. In food for home use, we will further improve the business by introducing differentiated products. In deli products, we will further strengthen our structure by underpinning our capabilities to propose and develop new products attuned to customer needs. In frozen food, we intend to increase sales by introducing products with high value.

### **Other businesses**

The market for daily-use products including health food is expected to grow steadily in step with the Japanese aging society. We will work on developing unique products and to launch a mail-order business to fuel sales growth. The market for pet products is expanding because keeping pets is considered to have life-enhancing effects on people. We will endeavor to increase sales in this sector by researching and developing pet foods that meet customer needs.

As a result, management forecasts the consolidated net sales of ¥262.0 billion, operating income of ¥12.5 billion, ordinary income of ¥12.5 billion and net income of ¥7.5 billion for the year ending March 31, 2011.

Note: Forecasts for future operating results have been prepared based on certain assumptions and beliefs that can be inferred from the current situation. The Company undertakes to provide no guarantee or assurance that the forecasts will be realized.

## **(2) Analysis of financial position**

### **(Balance sheets)**

Total assets at the end of the fiscal year decreased by ¥3,681 million year on year to ¥179,181 million. This decrease was mainly because trade notes and accounts receivable, merchandise and finished goods, raw materials and supplies, and tangible fixed assets decreased by ¥2,477 million, ¥2,257 million, ¥3,761 million, and ¥2,588 million, respectively, although cash and deposits and investment securities increased by ¥3,597 million and ¥5,047 million, respectively.

Liabilities decreased by ¥13,124 million year on year to ¥81,202 million. This decrease was mainly because convertible bonds, commercial paper and long-term and short-term debt decreased by ¥7,998 million, ¥4,000 million, and ¥2,687 million, respectively.

Net assets increased by ¥9,442 million year on year to ¥97,979 million because retained earnings and unrealized gain on revaluation of securities increased by ¥6,471 million and ¥2,901 million, respectively.

### **(Cash flows)**

Cash and cash equivalents at the end of the fiscal year increased by ¥3,597 million to ¥14,283 million. The conditions of cash flows were as follows.

Net cash provided by operating activities increased by ¥16,014 million year on year to ¥23,094 million. This is mainly because income before income taxes came to ¥12,810 million, depreciation and amortization came to ¥6,795 million, and inventories decreased by ¥5,711 million.

Net cash used in investing activities was ¥3,297 million. The principal factors were ¥1,844 million of proceeds from sale and redemption of investment securities, and ¥4,391 million of capital investment spending.

Net cash used in financing activities was ¥16,223 million. The principal factors were redemption of bonds and payments of commercial papers and loans payable.

### –Forecast for the year ending March 31, 2011–

Cash flows from operating activities are expected to increase due to sales and profit improvement and efforts to reduce inventories and trade notes and accounts receivable.

With regard to cash flows used in investing activities, the plan calls for large-scale capital investment projects amounting to ¥17.0 billion over the next three years, which we intend to fund the entire amount by ourselves. Therefore, the balance of cash and cash equivalents at March 31, 2011, is expected to be roughly the same as at March 31, 2010.

### –Cash flow indicator trends–

	FY2006	FY2007	FY2008	FY2009	FY2010
Equity ratio (%)	48.7	47.2	47.5	47.7	53.9
Equity ratio at market value (%)	46.7	37.9	35.1	36.7	43.5
Ratio of interest-bearing debt to cash flows (%)	629.4	948.0	485.9	765.0	170.9
Interest coverage ratio (times)	11.4	7.5	13.9	8.6	33.1

Note: Equity ratio: (Net assets – Minority interests) / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows from operating activities / Interest expense

\* The consolidated financial figures constitute the basis for calculating these indicators.

\* Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (after the deduction of treasury stocks).

\* The basis for calculating ratio of interest-bearing debt to cash flows is from operating activities in the consolidated statements of cash flows.

\* Interest-bearing debt includes all debts recorded on the consolidated balance sheets on which interest is paid.

\* The basis for interest expense is the amount of interest paid recorded in the consolidated statements of cash flows.

### (3) Basic policy on profit distribution and dividends for the year ended March 31, 2010 and the year ending March 31, 2011

The Company's basic policy on profit distribution is to continue payment of stable dividends while maintaining adequate internal reserves in light of the need to strengthen the fundamentals of the business, prepare for future business development, and respond to change in the operating environment. At the same time, management considers returning profits to shareholders to be an important management issue. In the use of free cash flow, the Company will consider long-term investment efficiency. While placing priority on investment of free cash flow to enhance corporate value, for example, through expansion of the existing core businesses and cultivation of new businesses, the Company will also use free cash flow for flexible repurchase of its own stock as a means of returning profit to the shareholders.

We plan to pay a year-end dividend of ¥6.0 per share, an increase of ¥2.0 from the previous year, in order to reward our shareholders' for their support. Including the payment of an interim dividend of ¥4.0, total cash dividends for the fiscal year are ¥10.0 per share.

Dividend payment for the year ending March 2011 is expected to be ¥10.0 per share.

Furthermore, the Group operates a shareholder benefits program in order to increase understanding of and support for the Group's products among shareholders who own at least one minimum trading unit.

## 2. Nippon Flour Mills Group

There has been no material change regarding the Group's diagram and affiliated companies information from the Consolidated Financial Report (announced on June 26, 2009), so the disclosure is omitted.

## 3. Management Policy

### (1) Basic management policy

"Responding to the changes of the times and boldly introducing technological innovation to establish new businesses" — the motto of Nippon Flour Mills Group expresses the venturesome spirit at work when the Company started its operation. Based on this motto, Nippon Flour Mills makes it a basic policy to contribute to the welfare of society through introducing excellent products and services.

In addition to actively expanding into new business areas, the Company aims to increase competitive advantage through unflagging management reform, maintain the trust of our shareholders and other stakeholders, and achieve further growth and development as a highly regarded multifaceted food company.

### (2) Management indicators and mid- to long-term management strategies

In recent years, through three consecutive mid-term business plans, the Group consistently pursued restructuring and strengthening of the profit base and strove to expand the business and increase profits and profit margins with the aim of becoming a multifaceted global food enterprise. The Group worked to lay the foundation for sustainable growth. As a result, the Group grew strongly: consolidated net sales increased from ¥207.9 billion in the fiscal year ended March 31, 2002 to ¥261.5 billion in the fiscal year ended March 31, 2010 while consolidated operating income rose from ¥3.8 billion to ¥12.5 billion.

Meanwhile, the food industry continues to operate in a challenging business environment where change is becoming faster and more disruptive. The business environment is expected to become more challenging amid mounting competition to secure stable procurement of foodstuffs and the associated price volatility, plus changes in various systems concerning the food industry, as well as intensifying competition for sales and a growing preoccupation with food safety.

Against this backdrop, considering the challenging business environment as an opportunity and without any hint of complacency born of past achievements, the Group formulated the 10/11 SG130 Mid-term Business Plan to secure the path to sustained growth.

In view of significant changes and uncertainty in the business environment, the 10/11 SG130 Mid-term Business Plan covers a period of two years from April 2010 through March 2012. In these two years, the Group intends to vigorously strengthen its corporate capabilities, which is a prerequisite for the Group's sustainable growth. With the long-term vision (consolidated net sales of ¥500.0 billion and consolidated operating income of ¥25.0 billion) in mind, the Group's targets are consolidated net sales of ¥300.0 billion, consolidated operating income of ¥13.0 billion, and EBITDA of ¥20.0 billion in the year ending March 31, 2012, the final year of the plan. Achieving these targets will enable the Group to fulfill its responsibility to stakeholders and ensure cash flows for R&D and capital investment necessary for the Group's sustainable growth, thereby securing competitive advantage and enhancing corporate value.

Coinciding with the launch of the 10/11 SG130 Mid-term Business Plan, the Group implemented a reorganization addressing several objectives, including the introduction of the in-house company system on April 1, in order to flexibly and speedily respond to the changing business environment.

Following is a brief summary of the 10/11 SG 130 Mid-term Business Plan.

#### 1. Numerical target of the final year of the plan (the year ending March 2012, Consolidated)

Net sales:	¥300.0 billion
Operating income:	¥ 13.0 billion
EBITDA	¥ 20.0 billion

#### 2. Basic strategies

- 1) Accelerate low-cost operation
- 2) Re-establish the business structure and the business portfolio
- 3) Strengthen management for the Group's total optimization

### (3) Issues to be addressed

Although the recovery of the global economy and the Japanese government's measures to support household incomes are expected to help the Japanese economy grow, the situation is likely to remain uncertain as the economy remains subject to high risks that could undermine prospects for growth.

In addition to a contracting domestic market due to the declining population and the aging of society, the food industry faces a challenge as a weak labor market and pressure on personal incomes puts a brake on personal

consumption. In these circumstances, competition among companies is expected to further intensify.

In response, adhering to the Mission Statement and the Principles, the Group will tackle the following three key issues with the aim of enhancing corporate value and shareholder value.

### **Strengthen cost competitiveness**

We believe enhanced competitiveness by shifting to a thoroughly low-cost operation will enable us to offer products that deliver outstanding customer satisfaction at lower cost.

Based on this concept, we announced a plan comprising the following large-scale capital investment projects amounting to ¥17 billion in October 2009.

- 1) Addition of a flour milling line and construction of a new silo at the Company's Kobe-Konan Mill
- 2) Consolidation of the Takasaki Plant of NIPPON Frozen Food Co., Ltd. with its Ryugasaki Plant
- 3) Expansion and improvement of production facilities of the Chiba Plant of NPF Japan Co., Ltd., which manufactures pet food
- 4) Consolidation of the head office plant of Matsuya Flour Mills Co., Ltd., which manufactures buckwheat flour, with its Kaminokawa Plant and integration of Mizuho Food Co., Ltd., which manufactures rice flour, to the Kaminokawa area.

### **Overhaul of the business structure**

In order to flexibly and speedily respond to the rapidly changing business environment, the Group is re-examining future prospects, profitability, product lifecycle, etc. of each business with a view to ensuring optimized allocation of resources, vigorous investment in growth fields, and strengthening of the "Nippon" and "Oh' my" brands.

As a part of these efforts, the Group introduced the in-house company system and implemented a reorganization on April 1, 2010, as described below.

- 1) Flour Mill Company and Food Company have been established. For other businesses, the Deli Food Division, the Healthcare Division, and the Pet Care Division have been established.

One objective is to establish an organizational structure flexibly combining businesses and integrating manufacturing, sales & marketing, and administration. Another objective is to accelerate judgment of the situation and decision-making in routine work while clarifying responsibilities and delegating power.

- 2) Two subsidiaries operating doughnut shops were integrated and a new holding company has been established.
- 3) The Internal Control Office has been reorganized as the Internal Control Department with a view to strengthening internal control and compliance systems and structures.

### **Reexamination of the business portfolio**

In order to expand the business, the Group is channeling resources to business fields that have good prospects in terms of growth and profit through selection and focus. Cultivation of the Japanese market and improvement of efficiency of the international business are objectives.

Regarding the international business, in Southeast Asia, an area poised for growth from now on, a production line will be added at the premix factory of NIPPON (Thailand) Co., Ltd. by November 2010 to increase production capacity by 70%.

Through these initiatives, the Group will continue restructuring to strengthen competitiveness and reduce costs in each business field. At the same time, we will vigorously invest in growth fields around the world to ensure sustainable growth of the Group. We are resolved to develop as a multifaceted global food enterprise.

### **(4) Other material issues concerning management**

There is nothing applicable.

## 4. Consolidated financial statements

### (1) Consolidated balance sheets

(Millions of yen)

	FY2009 (As of March 31, 2009)	FY2010 (As of March 31, 2010)
<b>Assets</b>		
Current assets		
Cash and deposits	10,725	14,322
Trade notes and accounts receivable	33,657	31,180
Securities	24	—
Merchandise and finished goods	12,124	9,866
Work in progress	137	452
Raw materials and supplies	9,923	6,161
Deferred tax assets	1,213	1,169
Others	3,091	2,183
Allowance for doubtful accounts	(165)	(171)
Total current assets	70,730	65,164
Fixed assets		
Tangible fixed assets		
Buildings and structures	57,783	58,398
Accumulated depreciation	(32,391)	(34,403)
Buildings and structures, net	25,392	23,995
Machinery, equipment and vehicles	73,760	75,314
Accumulated depreciation	(55,864)	(59,113)
Machinery, equipment and vehicles, net	17,896	16,200
Land	24,133	24,075
Construction in progress	139	9
Others	6,119	7,135
Accumulated depreciation	(4,896)	(5,220)
Others, net	1,222	1,915
Total tangible fixed assets	68,785	66,196
Intangible fixed assets	671	595
Investments and other assets		
Investment securities	36,123	41,171
Long-term loan receivable	686	852
Deferred tax assets	1,366	1,438
Others	5,029	4,421
Allowance for doubtful accounts	(530)	(659)
Total investments and other assets	42,675	47,224
Total fixed assets	112,132	114,016
Total assets	182,863	179,181

(Millions of yen)

	FY2009 (As of March 31, 2009)	FY2010 (As of March 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	12,683	12,625
Short-term loans	20,858	18,386
Current portion of bonds	7,998	100
Accrued income taxes	4,197	2,593
Accrued expenses	7,672	7,990
Reserve for employees' bonuses	384	387
Reserve for directors' bonuses	50	39
Others	6,491	2,986
Total current liabilities	60,336	45,110
Long-term liabilities:		
Bonds	100	—
Long-term debt	21,204	20,989
Deferred tax liabilities	7,808	9,547
Reserve for employees' retirement benefits	2,016	2,147
Reserve for directors' retirement benefits	933	930
Others	1,927	2,477
Total long-term liabilities	33,989	36,091
Total liabilities	94,326	81,202
<b>Net assets</b>		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,388	11,391
Retained earnings	58,247	64,718
Treasury stock, at cost	(2,311)	(2,310)
Total shareholders' equity	79,565	86,039
Unrealized gain or loss on adjustment		
Unrealized gain on revaluation of securities	7,793	10,694
Deferred gain or loss on hedges	12	4
Foreign currency translation adjustment	(166)	(123)
Total unrealized gain or loss on adjustment	7,640	10,575
Minority interests	1,331	1,363
Total net assets	88,536	97,979
<b>Total liabilities and net assets</b>	<b>182,863</b>	<b>179,181</b>

## (2) Consolidated statements of income

(Millions of yen)

	FY2009 (From April 1, 2008 to March 31, 2009)	FY2010 (From April 1, 2009 to March 31, 2010)
Net sales	276,797	261,586
Cost of sales	213,588	195,210
Gross profit	63,208	66,376
Selling, general and administrative expenses		
Sales fare related expenses	24,896	25,766
Reserve for allowance for doubtful accounts	124	164
Salaries	14,724	14,691
Reserve for retirement benefits	930	1,186
Depreciation	815	833
Others	11,034	11,183
Total selling, general and administrative expenses	52,526	53,826
Operating income	10,682	12,549
Non-operating income		
Interest income	56	35
Dividend income	838	644
Rent income on fixed assets	212	208
Gain on sale of securities	25	29
Others	285	347
Total non-operating income	1,418	1,265
Non-operating expenses		
Interest expenses	840	694
Equity in losses of affiliates	590	—
Foreign exchange losses	399	—
Others	534	317
Total non-operating expenses	2,364	1,012
Ordinary income	9,736	12,802

(Millions of yen)

	FY2009 (From April 1, 2008 to March 31, 2009)	FY2010 (From April 1, 2009 to March 31, 2010)
Extraordinary income		
Gain on sale of investment securities	23	593
Gain on sales of affiliates' stocks	211	9
Gain on sale of fixed assets	471	354
Gain on forgiveness of debts	135	—
Others	49	33
Total extraordinary income	891	990
Extraordinary losses		
Loss on revaluation of investment securities	520	199
Loss on sale of fixed assets	429	16
Loss on retirement of fixed assets	198	153
Impairment loss	793	74
Business structure improvement expenses	—	412
Others	88	125
Total extraordinary losses	2,031	983
Income before income taxes	8,596	12,810
Income taxes	5,690	5,191
Income tax adjustments	(2,050)	(291)
Total income taxes	3,640	4,900
Minority interests	127	17
Net income	4,829	7,892

**(3) Consolidated statements of changes in shareholders' equity**

(Millions of yen)

	FY2009 (From April 1, 2008 to March 31, 2009)	FY2010 (From April 1, 2009 to March 31, 2010)
<b>Shareholders' equity</b>		
Common stock		
Balance as of the end of previous year	12,240	12,240
Changes in items for current year		
Total changes in items for current year	—	—
Balance as of the end of current year	12,240	12,240
Additional capital surplus		
Balance as of the end of previous year	11,387	11,388
Changes in items for current year		
Disposal of treasury stock	1	2
Total changes in items for current year	1	2
Balance as of the end of current year	11,388	11,391
Retained earnings		
Balance as of the end of previous year	54,724	58,247
Effect of changes in accounting policies applied to foreign subsidiaries	(174)	—
Changes in items for current year		
Cash dividends	(1,170)	(1,421)
Net income	4,829	7,892
Change of scope of equity method	38	—
Total changes in items for current year	3,697	6,471
Balance as of the end of current year	58,247	64,718
Treasury stock		
Balance as of the end of previous year	(2,308)	(2,311)
Changes in items for current year		
Acquisition of treasury stock	(5)	(3)
Disposal of treasury stock	2	4
Total changes in items for current year	(2)	0
Balance as of the end of current year	(2,311)	(2,310)
<b>Total shareholders' equity</b>		
Balance as of the end of previous year	76,043	79,565
Effect of changes in accounting policies applied to foreign subsidiaries	(174)	—
Changes in items for current year		
Cash dividends	(1,170)	(1,421)
Net income	4,829	7,892
Acquisition of treasury stock	(5)	(3)
Disposal of treasury stock	4	6
Change of scope of equity method	38	—
Total changes in items for current year	3,696	6,474
Balance as of the end of current year	79,565	86,039

(Millions of yen)

	FY2009 (From April 1, 2008 to March 31, 2009)	FY2010 (From April 1, 2009 to March 31, 2010)
<b>Valuation and translation adjustments</b>		
Unrealized gain (loss) on securities		
Balance as of the end of previous year	15,301	7,793
Changes in items for current year		
Changes other than shareholders' equity for the fiscal year, net	(7,507)	2,901
Total change in items for current year	(7,507)	2,901
Balance as of the end of current year	7,793	10,694
Deferred gains or losses on hedges		
Balance as of the end of previous year	(1)	12
Changes in items for current year		
Changes other than shareholders' equity for the fiscal year, net	14	(8)
Total changes in items for current year	14	(8)
Balance as of the end of current year	12	4
Foreign currency translation adjustment		
Balance as of the end of previous year	439	(166)
Changes in items for current year		
Changes other than shareholders' equity for the fiscal year, net	(605)	42
Total changes in items for current year	(605)	42
Balance as of the end of current year	(166)	(123)
Total valuation and translation adjustments		
Balance as of the end of previous year	15,738	7,640
Changes in items for current year		
Changes other than shareholders' equity for the fiscal year, net	(8,098)	2,935
Total change in items for current year	(8,098)	2,935
Balance as of the end of current year	7,640	10,575
Minority interests		
Balance as of the end of previous year	1,944	1,331
Changes in items for current year		
Changes other than shareholders' equity for the fiscal year, net	(612)	32
Total change in items for current year	(612)	32
Balance as of the end of current year	1,331	1,363
Total net assets		
Balance as of the end of previous year	93,726	88,536
Effect of changes in accounting policies applied to foreign subsidiaries	(174)	—
Changes in items for current year		
Cash dividends	(1,170)	(1,421)
Net income	4,829	7,892
Acquisition of treasury stock	(5)	(3)
Disposal of treasury stock	4	6
Changes other than shareholders' equity for the fiscal year, net	(8,711)	2,968
Change of scope of equity method	38	—
Total changes in items for current year	(5,015)	9,442
Balance as of the end of current year	88,536	97,979

**(4) Consolidated statements of cash flows**

(Millions of yen)

	FY2009 (From April 1, 2008 To March 31, 2009)	FY2010 (From April 1, 2009 To March 31, 2010)
Cash flows from operating activities		
Income before income taxes	8,596	12,810
Depreciation and amortization	7,016	6,795
Increase (decrease) in prepaid pension cost and reserve for employees' retirement benefits	607	598
Increase (decrease) in reserve for directors' retirement benefits	149	(2)
Gain on forgiveness of debts	(135)	—
Increase (decrease) in allowance for doubtful accounts	46	134
Impairment loss	793	74
Business structure improvement expenses	—	412
Interest and dividend income	(895)	(680)
Interest expenses	840	694
Loss (gain) on sale of securities	58	(554)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(211)	(9)
Loss (gain) on revaluation of investment securities	520	199
Foreign exchange losses (gains)	349	(17)
Equity in losses (earnings) of affiliates	590	(73)
Loss (gain) on sales of tangible fixed assets	(42)	(337)
Loss on retirement of fixed assets	290	153
Decrease (increase) in trade notes and accounts receivable	(3,309)	2,505
Decrease (increase) in inventories	(3,473)	5,711
Increase (decrease) in trade notes and accounts payable	(1,230)	(74)
Increase (decrease) in accrued consumption taxes	(456)	263
Decrease (increase) in other receivable	(646)	247
Increase (decrease) in other payable	1,126	819
Others	78	169
Sub-total	10,665	29,840
Interest and dividends received	890	692
Interest paid	(820)	(696)
Payments for income taxes	(3,656)	(6,741)
Net cash provided by operating activities	7,080	23,094

	(Millions of yen)	
	FY2009 (From April 1, 2008 To March 31, 2009)	FY2010 (From April 1, 2009 To March 31, 2010)
Cash flows from investing activities		
Acquisition of securities	—	(96)
Proceeds from sales and redemption of securities	103	101
Acquisition of fixed assets	(5,877)	(4,391)
Proceeds from sale of fixed assets	800	441
Purchase of investment securities	(932)	(1,386)
Proceeds from sale and redemption of investment securities	902	1,844
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	319	91
Proceeds from sales of stocks of subsidiaries and affiliates	—	271
Payments of loans receivable	(124)	(208)
Collection of loans receivable	149	43
Others, net	12	(7)
Net cash used in investing activities	(4,646)	(3,297)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(658)	(1,897)
Net increase (decrease) of commercial paper	(1,000)	(4,000)
Proceeds from long-term debt	11,430	2,220
Repayments of long-term debt	(9,819)	(3,038)
Expenditure for redemption of bonds	—	(7,992)
Acquisition of treasury stock	(5)	(3)
Proceeds from sale of treasury stock	4	0
Cash dividends paid	(1,170)	(1,421)
Cash dividends paid to minority interests	(22)	(14)
Repayments of finance lease obligations	(16)	(77)
Net cash provided by (used in) financing activities	(1,258)	(16,223)
Effect of exchange rate changes on cash and cash equivalents	(156)	23
Increase (decrease) in cash and cash equivalents	1,018	3,597
Cash and cash equivalents at beginning of the year	9,651	10,685
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	16	—
Cash and cash equivalents at end of the year	10,685	14,283

**(Segment information)****a. Business segment information****FY2009 (From April 1, 2008 to March 31, 2009)**

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
<b>I</b> Net sales and operating income						
Net sales						
(1) Net sales to external customers	109,280	138,716	28,800	276,797	—	276,797
(2) Internal sales or transfers between segments	3,481	963	2,293	6,738	(6,738)	—
Total	112,761	139,679	31,094	283,535	(6,738)	276,797
Operating expenses	106,870	134,416	31,537	272,824	(6,708)	266,115
Operating income	5,891	5,263	(443)	10,711	(29)	10,682
<b>II</b> Assets, depreciation expenses and capital expenditures						
Assets	87,817	52,213	16,110	156,141	26,721	182,863
Depreciation expenses	3,934	1,850	1,124	6,908	108	7,016
Impairment loss	29	470	134	635	158	793
Capital expenditures	1,945	2,038	2,111	6,094	180	6,274

Notes: 1. Business segmentation method

Business segmentation is based on considerations of similarities between product types and markets.

2. Classification of main products by business segment

Business Segment	Main Products
Flour Milling	Wheat flour, bran, buckwheat
Food	Wheat flour for home use, premix, pasta, frozen food, deli products
Other Businesses	Pet food, health food, food-related machinery and equipment, and restaurant food service

3. No unallocated operating expenses are included in the unallocated and eliminations category.

4. Of assets, corporate assets included in the unallocated and eliminations category amounted to ¥28,498 million and principal items are the Company's surplus funds (cash and securities) and assets concerning administrative operations.

5. Depreciation expenses and capital expenditures include long-term prepaid expenses and amortization thereof.

6. Under the revision to Ministerial Ordinance regarding the Durable Years of Depreciable Assets in 2008, the Company and its domestic consolidated subsidiaries reviewed utilization state of asset and applied durable year based on the revised Corporate Tax Law from the current fiscal year. As a result of this change, operating income has decreased by ¥528 million for the Flour Milling segment, ¥62 million for the Food segment, and increased by ¥9 million for the Other Businesses segment, respectively.

**FY2010 (From April 1, 2009 to March 31, 2010)**

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
<b>I</b> Net sales and operating income						
Net sales						
(1) Net sales to external customers	101,358	131,439	28,789	261,586	—	261,586
(2) Internal sales or transfers between segments	2,390	832	2,134	5,357	(5,357)	—
Total	103,748	132,271	30,923	266,944	(5,357)	261,586
Operating expenses	98,262	125,295	30,863	254,420	(5,384)	249,036
Operating income	5,486	6,976	60	12,523	26	12,549
<b>II</b> Assets, depreciation expenses and capital expenditures						
Assets	78,347	50,157	15,300	143,805	35,375	179,181
Depreciation expenses	3,615	1,948	1,063	6,626	168	6,795
Impairment loss	7	412	67	487	—	487
Capital expenditures	1,698	2,003	932	4,634	264	4,898

Notes: 1. Business segmentation method

Business segmentation is based on considerations of similarities between product types and markets.

2. Classification of main products by business segment

Business Segment	Main Products
Flour Milling	Wheat flour, bran, buckwheat
Food	Wheat flour for home use, premix, pasta, frozen food, deli products, rice flour
Other Businesses	Pet food, health food, food-related machinery equipment, and restaurant food service

3. No unallocated operating expenses are included in the unallocated and eliminations category.

4. Of assets, corporate assets included in the unallocated and eliminations category amounted to ¥36,817 million and principal items are the Company's surplus funds (cash and securities) and assets concerning administrative operations.

5. Depreciation expenses and capital expenditures include long-term prepaid expenses and amortization thereof.

**b. Geographically segmented information****FY2009 (From April 1, 2008 to March 31, 2009)**

Because net sales for Japan exceed 90% of aggregate net sales for all segments, geographically segmented information is omitted.

**FY2010 (From April 1, 2009 to March 31, 2010)**

Because net sales for Japan exceed 90% of aggregate net sales for all segments, geographically segmented information is omitted.

**c. Overseas sales****FY2009 (From April 1, 2008 to March 31, 2009)**

Because overseas sales account for less than 10% of consolidated net sales, overseas sales information is omitted.

**FY2010 (From April 1, 2009 to March 31, 2010)**

Because overseas sales account for less than 10% of consolidated net sales, overseas sales information is omitted.

**(Per share information)**

FY2009 (From April 1, 2008 to March 31, 2009)		FY2010 (From April 1, 2009 to March 31, 2010)	
Net assets per share	¥521.77	Net assets per share	¥578.07
Net income per share	¥28.89	Net income per share	¥47.23
Diluted net income per share	¥26.39		

Note: Basis for the calculation of net income per share and diluted net income per share are as follows.

		FY2009 (From April 1, 2008 to March 31, 2009)	FY2010 (From April 1, 2009 to March 31, 2010)
Net income per share			
Net income	(Millions of yen)	4,829	7,892
Amount not attributable to common shareholders	(Millions of yen)	—	—
Net income associated with common shares	(Millions of yen)	4,829	7,892
Average number of shares of common stock in the year	(Share)	167,134,246	167,129,360
Diluted net income per share			
Diluted net income	(Millions of yen)	0	—
Of which, office commissions	(Millions of yen)	0	—
Increase in common stock	(Share)	15,869,047	—
Of which, stock acquisition rights	(Share)	15,869,047	—
Outlines of the residual shares not taken into calculation of net income per share after residual shares due to absence of dilution effects		—	—

**(Significant subsequent events)**

FY2009 (From April 1, 2008 to March 31, 2009)	FY2010 (From April 1, 2009 to March 31, 2010)
—	—

**(Omission of disclosure)**

Disclosure is omitted regarding matters relating to such transactions as lease transactions, deals with associated parties and derivative trading, because the Company considers there to be no great necessity for disclosing such information in the Consolidated Financial Results for FY2010 and Forecast for FY2011.