

May 14, 2010

**Nippon Flour Mills Announces Its Consolidated Financial Results for 2009 and Forecasts
for FY2010**

- Record operating income, ordinary income and net income, with a dividend increase of ¥2 -

Nippon Flour Mills Co., Ltd. (Chairman, President, CEO & COO: Hiroshi Sawada) recorded net sales of ¥261.6 billion, down 5.5% year on year, operating income of ¥12.5 billion, up 17.5%, ordinary income of ¥12.8 billion, rising 31.5%, and net income of ¥7.9 billion, an increase of 63.4% for the consolidated fiscal year 2009.

1. Summary of consolidated financial results for the fiscal year 2009

During fiscal 2009, despite some signs of a bottoming out in domestic production, given a recovery in exports, the Japanese economy continued to face an uncertain future outlook, as capital spending and the employment environment remained sluggish, and concerns over the impact of the deflation persisted. The food industry also continued to operate in a challenging environment. As economic conditions remained difficult, consumer confidence deteriorated and sales competition became increasingly severe.

In view of the decline in international wheat prices, the Japanese government reduced the prices Japanese millers pay to the government for foreign-grown wheat for five brands by 14.8%, and then 23% on average in April and October 2009. Reflecting these reductions, the Nippon Flour Mills Group revised its product prices.

Under these circumstances, the Nippon Flour Mills Group has done its utmost to achieve the objectives of the 08/09 SG100 New Business Plan, striving to strengthen its competitiveness and cut costs not only in its flour milling and food businesses but also throughout the Group's businesses.

- 1) In the Flour Milling segment, amid generally sluggish demand for wheat flour in Japan, the Group sought to identify needs from the viewpoint of customers and consumers. It also carried out vigorous marketing activities, such as participating in a number of exhibitions, and held workshops and seminars, including management seminars, around Japan. As a result, sales volume increased on a year-on-year basis. However, followed by the reductions in the prices Japanese millers pay to the government for foreign-grown wheat, the Group revised its sales prices of wheat flour. As a result, sales fell compared with the same period of the previous fiscal year. Sales of wheat bran, a by-product, were lower than the figure for the year-ago period, reflecting sluggish market conditions. As a result, net sales for the Flour Milling segment were down by 7.2% from the previous fiscal year, to ¥101.4 billion, and operating income decreased 6.9% year on year, to ¥5.5 billion, despite the implementation of cost cutting initiatives.
- 2) In the Food segment, the Group launched new products that meet new customer needs, including a rising preference to spend time with the family, their preoccupation with their wellbeing, and the trend toward cooking and eating at home. At the same time, we vigorously engaged in marketing activities, such as participation in exhibitions and the holding of Italian cookery workshops. As a result, although sales of pasta-related products were sluggish, those of premixes for both commercial and home use grew. In particular, in frozen ingredients and food, sales of new frozen pasta products for home use grew as they earned a strong reputation from

consumers for both their convenience and quality. Meanwhile, as in the case in the Flour Milling segment, the Group revised its prices of wheat flour-related products. As a result, net sales of the Food segment fell 5.2% compared with the same period of the previous year, to ¥13.14 billion, but operating income rose 32.5%, to ¥7 billion, given an improvement in productivity thanks to higher sales and initiatives to cut selling, general and administrative expenses.

- 3) In Other Businesses segment, net sales stood at ¥28.8 billion, primarily reflecting a significant rise in the sales volume of pet food products, and strong sales of the engineering business, beating the figures for the previous fiscal year.

To show its appreciation to its shareholders for their continued support, the Company plans to pay a year-end dividend of ¥6 per share, an increase of ¥2 from the previous year, making an annual dividend of ¥10 per share for the fiscal year under review.

2. Forecasts for the 2010 consolidated fiscal year

Under the two year 10/11 Medium-term Business Plan SG130 that has been adopted since April, to promptly and flexibly respond to the constantly changing business environment, Nippon Flour Mills Group has adopted a company system, integrated two subsidiaries that managed doughnut shops, bolstered its pet food business, strengthened its internal control and compliance system, and conducted a series of other organizational and structural reforms.

Through these initiatives, the Group aims to achieve net sales of ¥300 billion, operating income of ¥13 billion, and earnings before interest, taxes, depreciation and amortization (EBITDA) of ¥20 billion for the final year of the Plan, and will carry out the following three basic initiatives in a prompt and decisive manner:

- (i) Continue to promote low cost operations
- (ii) Reexamine its business structure and business portfolio
- (iii) Strengthen optimum overall group management

The Group expects net sales of ¥262 billion, up 0.2% from the previous fiscal year, operating income of ¥12.5 billion, decline of 0.4%, ordinary income of ¥12.5 billion, falling 2.4%, and net income of ¥7.5 billion, down 5.0%, with annual dividend payments of ¥10 per share for the fiscal year 2010.

<Reference> Consolidated operating results and forecasts (Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Dividends
Operating Results for FY2008	276,797	10,682	9,736	4,829	8.0 yen
Operating Results for FY2009	261,586	12,549	12,802	7,892	10.0 yen
Forecasts for FY2010	262,000	12,500	12,500	7,500	10.0 yen