

August 5, 2011

**Nippon Flour Mills Announces Consolidated Financial Results for the First Quarter of FY2012/3 and  
Forecasts for FY2012/3**

**-Sales and profits increased, reflecting operational streamlining and cost reduction-**

**Nippon Flour Mills Co., Ltd. (Chairman, President, CEO & COO: Hiroshi Sawada) recorded nets sales of ¥65.7 billion (up 5.6% year on year), operating income of ¥3.2 billion (up 3.7% year on year), ordinary income of ¥3.7 billion (up 5.3% year on year), and net income of ¥2.1 billion (up 6.9% year on year) for the first quarter of the consolidated fiscal year ending March 31, 2012.**

**1. Summary of consolidated financial results for the first quarter of the fiscal year ending March 31, 2012**

The Japanese economy in the first quarter of the fiscal year ending March 31, 2012, experienced stagnation following the Great East Japan Earthquake of March 11 and subsequent power shortages and constraints due to the nuclear disaster at Fukushima. Uncertainty about the future remained high, and the cooling of consumer confidence weakened consumer spending. Temporary stockpiling, voluntary restraints on consumption, electric power saving initiatives, and harmful rumors all contributed to lowered production activities.

The Nippon Flour Mills Group (hereinafter “the Group”) established a Countermeasures Taskforce immediately following the earthquake and devoted all its efforts to arranging relief supplies and establishing systems enabling stable supply of its products. As a result, the Group was able to normalize its operations across the board in an extremely short period of time and maintain a steady supply a variety of products, including wheat flour, to customers.

The Group had done its utmost to achieve the objectives of the 10/11 SG130 Medium-Term Business Plan, the new two-year plan that began in April 2010, and worked to expand its business and increase profitability to achieve sustainable growth. All major capital investment projects, with a total cost of ¥20 billion, geared at strengthening our cost-competitiveness have been progressing as planned. A rice flour milling plant of Mizuho Foods Co., Ltd., began operating in April 2011 and has doubled its production capacity, and we acquired a 50% stake in Chiba Grain Center Co., Ltd. We also developed products to meet diversified customer needs and worked on sales promotion.

Associated with an 18% average hike in the government sales prices of five types of imported wheat, the Group revised its retail price of wheat flour for professional use, starting with that to be shipped on and after June 20. The Group also announced revisions in the retail prices of wheat flour for home use and secondary processed wheat flour products for those to be shipped on and after July 1.

- 1) In the Flour Milling segment, sales increased ¥1.2 billion, as the shipment of wheat flour was steady, although bran prices declined. In the Food segment, sales were up ¥2.2 billion, as the shipment of pre-mixes and pasta for professional and home use and the overseas business were solid, although sales of frozen food and deli-related products declined year on year. In the Other segment, sales slightly decreased, as engineering business grew at a sluggish pace. Overall, net sales increased ¥3.4 billion year on year.
- 2) Operating income and ordinary income increased from a year ago, as streamlining and cost reduction activities were carried out thoroughly in all business areas, with the in-house company system that began in April 2010 achieving positive effects as production, sales, and administration divisions worked together in strengthening management.
- 3) Net income increased ¥0.1 billion, mainly attributable to a fall in income taxes.

## **2. Full-year consolidated results forecast for the fiscal year ending March 31, 2012**

It is expected that the Japanese economy will continue to face an unoptimistic environment, given the fluctuations in the financial and capital markets, nationwide power shortages in the aftermath of the earthquake, and rising raw material prices and power costs, and customer preferences for locking away savings and purchasing low-priced products are anticipated to continue. The year ending March 31, 2012, will be the final year of the 10/11 SG130 Medium-Term Business Plan, and the Company will celebrate the 115th anniversary of its foundation in September. The Group will work to increase profitability by strengthening its competitiveness through the expansion of sales and cost reduction activities to lay the foundation for achieving sustainable growth. On that basis, the Group will promote total optimization by verifying its business structures, including those of the Group companies. In terms of large capital investment projects intended to reform our corporate structure, we plan to complete the strengthening of Kobe-Konan Mill facilities, the relocation and enhancement of the buckwheat flour plant of Matsuya Flour Mills Co., Ltd., and NIPPON Frozen Food Co., Ltd., and the enhancement and improvement of the pet food plant of NPF Japan Co., Ltd.

On the whole, as progress so far is on track, the Group will leave its initial full-year consolidated results forecast for fiscal year 2011 unchanged, with net sales of ¥271 billion (up 7.5% year on year), operating income of ¥11 billion (up 4.1% year on year), ordinary income of ¥11 billion (up 1.6% year on year), and net income of ¥6.3 billion (up 4.6% year on year).