

May 14, 2010

**Working towards Sustainable Growth:**

**Nippon Flour Mills Group Set out a 10/11 SG130 Medium-Term Business Plan, Adopting Offensive and Defensive Measures to Achieve a Sustainable Growth**

Nippon Flour Mills Co., Ltd. (Chairman, President, CEO & COO: Hiroshi Sawada) set out a new 10/11 Medium-Term Business Plan that commenced in April 2010.

Under the previous three medium-term business plans, in its effort to become a multi-faceted global food company, the Nippon Flour Mills Group consistently focused on business restructuring and bolstering earnings by strengthening its operating foundations and expanding its business. In doing so, it sought to establish the basis for sustainable growth. As a result, the Group achieved significant results, with consolidated net sales reaching ¥261.6 billion, compared with sales of ¥207.9 billion for fiscal 2001, and consolidated operating income amounting to ¥12.5 billion, compared with ¥3.8 billion for fiscal 2001.

However, the operating environment surrounding the food industry has recently become very severe, with changes taking place in shorter cycles and fluctuations more marked than before. The Group anticipates that this business environment will become even more challenging in the future, given intensifying competition for raw materials, price fluctuations resulting from that competition, and changes in related regulations, in addition to increasingly fierce competition for sales and growing calls for improved levels of food safety and reliability.

With this backdrop, without being contented with its previous achievements, the Nippon Flour Mills Group views the testing conditions as new business opportunities, and has established a 10/11 SG130 Medium-Term Business Plan to ensure sustainable growth.

In an operating environment characterized by drastic change and persistent uncertainty, the Group adopted the 10/11 SG130 Medium-Term Business Plan for two years, namely fiscal years 2010 and 2011. During this period, while retaining its long-term vision (aiming at consolidated net sales of ¥500 billion and an operating income of ¥25 billion in the long term), the Group will strengthen its corporate structure to ensure sustainable growth in the future, and will aim to achieve consolidated 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. By achieving these goals, the Group will strive to fulfill its responsibility to all stakeholders, as well as obtain cash flows that it can invest in the R&D and capital spending needed for sustainable growth, ultimately achieving the competitiveness it needs to bolster its corporate value.

To coincide with the commencement of the 10/11 SG130 Medium-Term Business Plan, the Nippon Flour Mills Group has been conducting a series of organizational and structural reforms, including the introduction of the company system as of April 1, to ensure that the Group can promptly and flexibly respond to the rapidly changing business environment.

The details of the 10/11 SG130 Medium-Term Business Plan are as follows:

## **1. Outline of the 10/11 SG130 Medium-Term Business Plan**

- (i) SG: Sustainable Growth
- (ii) Duration: April 2010 – March 2012
- (iii) Slogan: Adopt offensive and defensive measures to achieve a sustainable growth

## **2. Numerical targets (consolidated) for the final fiscal year of the 10/11 SG130 Medium-Term Business Plan (FY2011)**

- (i) Net sales: ¥300 billion
- (ii) Operating income: ¥13 billion
- (iii) Earnings before interest, taxes, depreciation and amortization (EBITDA): ¥20 billion

## **3. Basic strategy behind the 10/11 SG130 Medium-Term Business Plan**

- (i) Continue to promote low-cost operations
  - Carry out effective management based on vertical organizations under the company system
  - Enhance the speed of commercialization of large-scale capital investments
  - Propose and carry out new cost-cutting measures by introducing new methods
- (ii) Reexamine the business structure and the business portfolio
  - Reexamine the potential and profitability of existing businesses
  - Employ a category-leader strategy by concentrating management resources on growth businesses
  - Develop new business fields
- (iii) Strengthen overall Group management
  - Take a Group management perspective for optimum results
  - Bolster Group management through a more refined focus