

Interim Report

April 1, 2013 to September 30, 2013



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To Our Shareholders

First of all, I would like to express my thanks for your loyal patronage. Nippon Flour Mills Co., Ltd. (NIPPON) announced its consolidated financial results for the first half of the year ending March 31, 2014 (FY2014). I will explain about the progress and future outlook of FY2014 as we are halfway through the fiscal year.

Representative Director,
President and COO

Haruki Kotera

小寺 春樹



■ Interview with President

FY2014 1H Business Climate and Future Outlook

Accelerate the Growth with Enhanced Profitability

Q Looking back at the first half of FY2014, what do you think of the business environment?

A During the past six months, expectations for the government's economic policy and the Bank of Japan's monetary easing policy led to high stock prices and correction of the yen appreciation as there were some signs of an economic recovery in part of the corporate performance and consumer spending. However, the food industry remained in a harsh business environment such as increasing costs of raw materials and electricity and even fiercer competition to rack up sales. In these circumstances, the Group has been exerting its fullest efforts to achieve the goal for this fiscal year by steadily carrying out its measures based on the basic strategy of the "12/13 Medium-Term Business Plan" to make its sustainable growth more real.

Q How do you see the consolidated performance for the first half and of FY2014?

A In response to the 9.7% increase (an average of five varieties) in government sales prices of imported wheat in April 2013, we revised our selling prices

of the flour shipped on and after June 20. The net sales in the Flour Milling segment during the first half of FY2014 grew on a year-on-year basis as a result of the increase from the year-ago period in the sales volume of flour and steady performance of the price of wheat bran, a by-product. Good sales of pastas and delicatessen items such as pasta sauces and frozen pastas boosted net sales in the Food segment. Profits rose due to the sales increase and cost reduction facilitated as a group-wide effort in all the business segments with production, sales and administration working together. Accordingly, the consolidated financial results were as follows: net sales were ¥140,312 million, operating income was ¥5,241 million, ordinary income was 5,992 million, and net income was ¥3,848 million.

Q The segment composition of the net sales is characterized by the significant growth of the Food segment, isn't it?

A Exactly. The Flour Milling segment accounts for around 35% of the net sales while the Food segment accounts for 55%. What is vital for a company

to survive is self-transformation, such as facilitating globalization by shifting its portfolio to more profitable businesses. Such growth resulted from nurturing the Food segment by creating synergy between two directions: developing markets from raw materials to more processed products and broadening the material utilization technology for flour to cover buckwheat, corn, soybean and new materials as well. We will continue these efforts to raise the level of comprehensive strength held by the Group.

Q Share with us the progress and outcome up to now and future outlook as we are halfway through FY2014.

A The basic strategy in the “12/13 Medium-term Business Plan” is to promote low-cost operations, facilitate diversification to profitable businesses, and boost profitability of all the Group companies. The measures for FY2014 are in accordance with this policy. A professional-use premix plant and small-portion packaging facilities are attached as well to Kobe-Konan Mill, where a new milling line (C Mill) and wheat silo were completed last year. This single mill completes the full cycle from flour milling to production and shipping of premixes and flour for home use. This has eliminated the need of material handling (handling related to transfer of all the raw materials and

finished goods within production and logistics sites) and therefore enabled the low-cost operations. In order to further enhance our cost competitiveness, we plan to increase the current wheat storage capacity by 50% to 300,000 tons by building additional wheat silos in a seaside plant, at whose pier a large grain vessel can berth. This promises to increase the income from the storage fee and suction fee as well as to reduce the raw material pickup cost. As part of this plan, the construction work of an additional wheat silo in Chiba Mill to add 25,000 tons to its storage capacity started last October and is well under way toward the completion next March.

Moreover, M&A was implemented to add two companies, Nagano Tomato Co., Ltd. and NIPPON Donuts Kyushu Co., Ltd., to our consolidated subsidiaries as the strategy to review the business structure / business portfolio for sustainable growth. Since we are working on the expansion of operations in the Food segment, the business alliance with Nagano Tomato is intended for the diversification to new fields of the processed food realm while the franchise operation of Mister Donut by NIPPON Donuts Kyushu facilitates the reinforcement of the existing businesses. Accordingly, as I mentioned before, the business plan for FY2014 is well under way.

Consolidated Financial Highlights

(April 1, 2013 to September 30, 2013)

Net Sales	¥140.3 billion (Up 3.8% y-o-y)	Net Income per Share	¥23.27
Operating Income	¥5.2 billion (Up 30.0% y-o-y)	Total Assets	¥230.9 billion
Ordinary Income	¥5.9 billion (Up 31.5% y-o-y)	Net Assets	¥120.3 billion
Quarter Net Income	¥3.8 billion (Up 48.8% y-o-y)	Net Assets per Share	¥707.88

Full-Year Forecasts

(April 1, 2013 to March 31, 2014)

Net Sales	¥290.0 billion (Up 7.0% y-o-y)
Operating Income	¥11.0 billion (Up 13.2% y-o-y)
Ordinary Income	¥11.5 billion (Up 5.4% y-o-y)
Current Term Net Income	¥7.2 billion (Up 2.7% y-o-y)

Q Tell us about the outlook of the full-year consolidated financial results for FY2014.

A With our ongoing efforts for sales increase and cost reduction, we expect ¥290,000 million in net sales, ¥11,000 million in operating income, ¥11,500 million in ordinary income, and ¥7,200 million in net income, as indicated in our initial full-year forecast, although we are in the harsh environment. The annual dividend is anticipated to be ¥12 per share.

Q Finally, do you have message for shareholders?

A Our concern is that more significant change in the business environment may come about in the future, depending on the sales system of imported wheat and the movement of the Trans-Pacific Partnership (TPP). In order to deal with any change in circumstances surrounding, we will further enhance our competitiveness through the expanded business operations and cost reduction in each business segment, will create new business fields, and will aim for sustainable growth as we continue self-transformation. Your further support will be greatly appreciated.

Nagano Tomato Co., Ltd.

Expand into a new business field

Acquired 51% of the outstanding shares to make it a consolidated subsidiary.

- Facilitate diversification in the Food segment.
- Reduce cost by joint procurement of raw materials and resources.
- Utilization of seasoning know-how.



JAS-certified plant

Business description	Manufacture and sell tomato and enoki mushroom products, etc.
Capital	¥100 million
Location	Murai-machi, Matsumoto-shi, Nagano
Representative	Takao Igaki, President
Business performance & financial position (*)	Net sales: ¥4,272 million Total assets: ¥3,480 million (*) FY ended Dec. 31, 2012
Date of share acquisition	October 1, 2013

NIPPN Donuts. Kyushu Co., Ltd. (former name: Umino Y. K.)

Reinforce existing businesses

NIPPN Donuts Holdings, Co., Ltd. acquired a 100% stake

- Operate franchisees in Kyushu.
- Expand the eating-out business.



Business description	Operate donut shops in Kyushu
Capital	¥5 million
Location	Yorozuya-machi, Nagasaki-shi, Nagasaki
Representative	Shigeru Kimura, President
Business performance & financial position (*)	Net sales: ¥1,129 million Total assets: ¥578 million (*) FY ended Jan. 31, 2013
Date of share acquisition	October 31, 2013

Overview of Business

(April 1, 2013 to September 30, 2013)

Flour Milling Segment

Reflecting the increase of government sales prices of imported wheat by 9.7% on average for the five key products in April 2013 in line with the increase in international wheat prices, we revised the prices of wheat flour products shipped from June 20 onward. The Group strove to strengthen quality control in a concerted effort in tune with the growing preoccupation with safety and security of food throughout society. At the same time, to address customer needs, the

Group developed new products, held cookery workshops, and executed vigorous sales & marketing, including proposal-driven sales. Regarding wheat flour sales in Japan, shipments were higher than for the same period of the previous year.

The sales and sales volume of wheat bran, a by-product, were higher than the figures for the same period of the previous year. As a result, net sales for the Flour Milling segment increased by 0.8% year on year to ¥49,020 million.

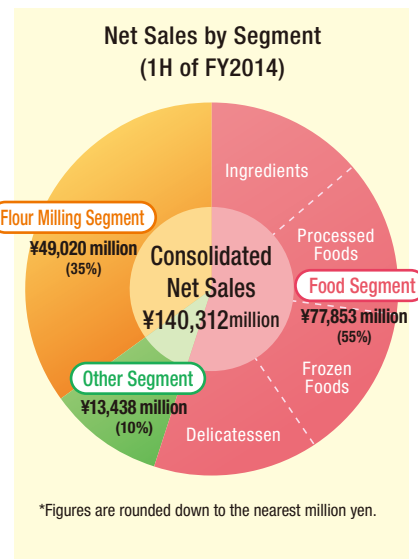
Food Segment

In the professional-use category, the Group engaged in vigorous marketing, including the holding of Italian cookery workshops and participating in various exhibitions, such as FABEX 2013, a trade show for the take-out food and catering sectors. As a result, sales of pasta, and pasta-related products were buoyant.

In the home-use product category, we emphasized development of products that deliver customer satisfaction by meeting needs and making things easier in the kitchen. We introduced new products that not only cut cooking time and processes but also deliver delights in terms of both cooking and eating. Sales of new pasta sauces were brisk and, as a result, sales of home-use products exceeded the level for the same period of the previous year.

With regard to frozen foods, we launched new products and redesigned products in

the Oh' my Premium series of high-grade pastas for home use and the Oh' my BIG series of large-portion pasta dishes, and pursued sales promotion initiatives. As for frozen pasta dishes designed for lunch-box use, sales of "Obento Tarako Spaghetti" and "Oh'my Double Spaghetti" continued to be buoyant. As a result, sales of frozen foods were higher than for the same period of the previous year, in terms of both volume and value. Sales of deli-products increased compared with the previous year. As a result, net sales of the Food segment increased by 6.7% year on year to ¥77,853 million.



Other Segment

Sales of the pet food and engineering businesses were below the level of the same period of the previous year. As a result, net sales for the Other segment decreased by 1.2% year on year to ¥13,438 million.

Capital Expenditure

Capital expenditure for the first half of FY2014 was ¥2,875 million (on an accrual basis).



Tamesue College

Dietary Education Department

As part of corporate social responsibility (CSR) activities, NIPPN has established "Dietary Education Department of Tamesue College," a joint project with "Tamesue College" planned and produced by Dai Tamesue, a Japanese athlete, in order to make visits to and give classes in elementary schools.

What is "Dietary Education Department of Tamesue College"?

It is intended to give children the opportunities they can enjoy physical activities and experience how they feel during the activities as well as to inform their guardians of meals needed for growing children. This program is scheduled to be held around six times a year in elementary schools across the country and as of the end of October, schools in Tokyo, Saitama and Fukushima have already been visited.



Course Content

1st Period

"Gym Class"

Challenge yourself!

After a running lesson given by Mr. Tamesue, children try to leap over the hurdles of the height set as their goal and experience success to appreciate the fun of physical activities.

2nd Period

"Discussion Class"

Accept diversification

Children in groups discuss a theme decided by Mr. Tamesue in advance. Each child thinks about the importance of expressing their own thought as well as accepting opinions of others.

3rd Period

"Dietary Education Class"

**Aimed at guardians
Build body for tomorrow*

Ms. Terumi Kobata, registered dietician, introduces and explains nutrition and recipes needed for growing children in an amusing way fun by including the view of Mr. Tamesue on diet.



● Dai Tamesue

Former professional track-and-field athlete. Representative director of Athlete Society



● Terumi Kobata

Certified sports dietician. Registered dietician/certified health and physical educator. Representative director of shoku sports Inc.



Scenes from the classes at the schools visited by "Dietary Education Department of Tamesue College" can be found at NIPPN's website:

<http://www.nippon.co.jp/hiroba/tamesue-college/index.html>

(In Japanese)



Notice of "Cookery Workshops for Shareholders 2014"

This year we will again hold "Cookery Workshops for Shareholders." A cooking class using our products and a gateau chocolat class are available.

A shareholder and up to one accompanying person may participate.



	A. Cooking Class	B. Valentine Gateau Chocolat
Date & time:	Thursday, February 13, 2014 10:30 to 13:30 (Doors open at 10:15)	Friday, February 14, 2014 10:30 to 13:30 (Doors open at 10:15)
Venue:	"Your Kitchen," 8th Floor, Head Office of Nippon Flour Mills Co., Ltd. at 27-5 Sendagaya 5-chome, Shibuya-ku, Tokyo, located near Shinjuku Takashimaya Times Square, seven-minute walk from either the south exit of JR Shinjuku station or east exit of Yoyogi station.	
Items participants need to bring:	Apron, hand towel, something to write with	
Capacity	30 participants	10 pairs / 20 participants
Course details:	<p>You will practice cooking, watch demonstrations and enjoy brief tastings with our products.</p> <ul style="list-style-type: none"> • Bruschetta with basil and cheese (cooking practice) • Pasta with spicy tomato sauce (demo & tasting) • Meat pie (cooking practice) • Orange bavaoires (cooking practice) 	<p>A gateau chocolat, perfect for the Valentine's Day, will be made.</p>
Tuition:	Free of charge	
How to apply for:	<p>Paste the triangular "token" on a postcard with the following information: (1) zip code; (2) mailing address; (3) name; (4) (daytime) phone number; (5) name of desired workshop (either "A. Cooking Class" or "B. Valentine Gateau Chocolat"); and (6) name of the accompanying person (who can be a non-shareholder)</p> <p>* You (shareholder) may apply for "A. Cooking Class" with no accompanying person.</p> <p>Send it to us at: "Cookery Workshop" Section, IR Office Nippon Flour Mills Co., Ltd. 27-5 Sendagaya 5-chome, Shibuya-ku, Tokyo 151-8537</p>	
Application deadline:	Tuesday, December 24, 2013, as indicated by the postmark on the postcard	* If more than the set number applies, a lottery will be held to select participants.
Notice of winners:	Winners will receive a participation ticket by Friday, January 10, 2014 There will be no announcement of winners prior to the delivery of the ticket.	
Contact point:	IR Office, Nippon Flour Mills Co., Ltd. at 03-3350-2356 (phone) (Weekdays 9:00 to 17:00)	



Notes

- Paste one token per postcard. ● Pay transportation cost to and from NIPPON. ● No parking space available. (Use public transportation.)
- Applications from non-shareholders will not be accepted. ● Refrain from bringing children. ● Online or telephone applications will not be accepted.
- Note that we will take pictures at the venue on the day and use them on our website or "To Our Shareholders."

Oh'my Vegetable Supporters!

The target value of daily vegetable intake for adults is set as 350 grams or more, according to "Healthy Japan 21" from the Ministry of Health*, Labor and Welfare. However, the vegetable intake tends to decrease year by year and what happens now is that the Japanese have a chronic vegetable deficiency. So, NIPPN has focused on the development of products which allow people to eat vegetables in a tasty and easy way. Let's use Oh'my to create delicious vegetable dishes. Oh'my products are supporters of your vegetable intake.

* "Healthy Japan 21" means the "People's Health Promotion Campaign for the 21st Century" promoted by the Ministry of Health, Labor and Welfare.

Tie-up products with vegetable sommeliers



Oh'my Cheese Fondue

You can readily enjoy an authentic cheese fondue dish simply by emptying the packet into a bowl and heating up in a microwave.



In tie-up with the Japan Vegetable Sommelier Association, NIPPN conducts research to develop products making vegetables tasty and introduces vegetable sommeliers' suggestions of recommended vegetables and arranged recipes going with the products.

Oh'my Fritter Mix

Italian-style lightly-coated fries. This salted plain mix enhances the palatability of vegetables.



Too busy? Try these convenient items!

Japanese-style
Onion



Sesame
Seeds

NIPPN Flaxseed Oil
Dressing Series



NIPPN Flaxseed Oil

Rich in an omega 3 fatty acid (α -Linolenic acid), which cannot be produced in the body.



Japanese-style Flaxseed Dressing

Ingredients (for one plate)

NIPPN Flaxseed Oil: 6 tablespoons
Mustard paste: 3 g
Vinegar: 2 tablespoons
Soy sauce: 1 tablespoon
Sugar: 1 teaspoon
Salt & pepper: Pinch each

Preparation

- 1) Mix mustard paste, vinegar, soy sauce and sugar. (A)
- 2) Add the flaxseed oil to (A) little by little, season the dressing with salt and pepper, and then it's ready.

Pour it on your favorite salad and eat.



Oh'my Premium "Vege-Full" Series

Developer's Comment

Further upgraded taste on the 10th anniversary. The Vege-Full Series with a plenty of vegetables is launched.



Vege-Full:
Four Vegetables
with White Wine

Vege-Full:
Three Vegetables
and Tomato with Oil

The "Vege-Full" Series was developed based on the concept of "unprecedented volume of vegetables and tasty sauce" in response to the need of easier vegetable meals. We will pursue our studies to develop products making our customers say, "I knew Oh'my Premium would never disappoint me."



Mie Ogawa,
Processing Technology Lab,
Food Company

oh'my DELI Vegetable Dish

Add color to your meals!
Enjoy necessary vegetables in a tasty, casual and easy way.
The "oh'my DELI" series is to prepare one more colorful dish.



Colorful
vegetables
with anchovy sauce

Greens
with basil sauce



Four vegetables
with tomato sauce

Chili Potato
with Oozy Cheese

Developer's Comment

This series was developed to allow people to quickly relish vegetables they should eat more in everyday meals whenever they want. Seasoning and combinations of vegetables were reviewed over and over with consideration to provide colorful and gorgeous meals. Please savor and utilize the series to solve your daily vegetable deficiency.



Masamichi Morotomi,
Market Development Dept.,
Food Company

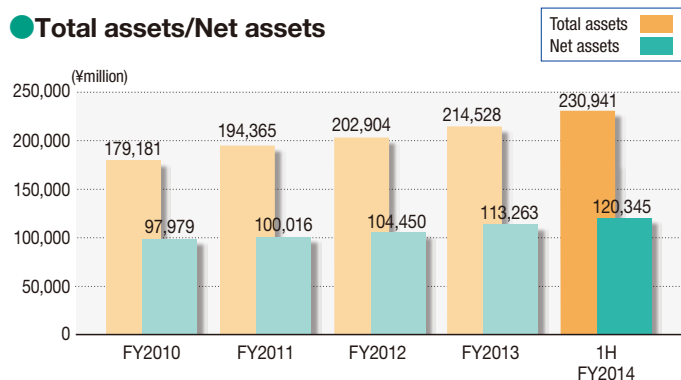
Shop at NIPPON Net Shop!

<http://www.nippon-shop.com/> (In Japanese)

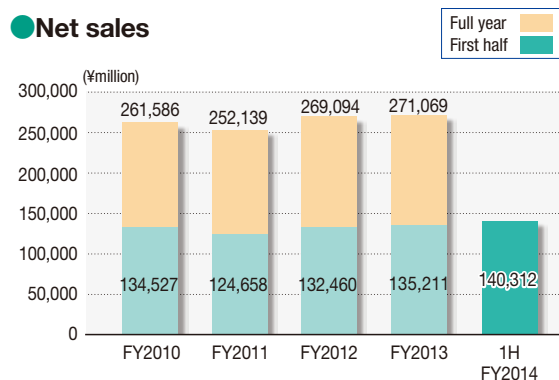
Internet shopping of NIPPON's food products (except frozen foods) is available.

Consolidated Financial Results

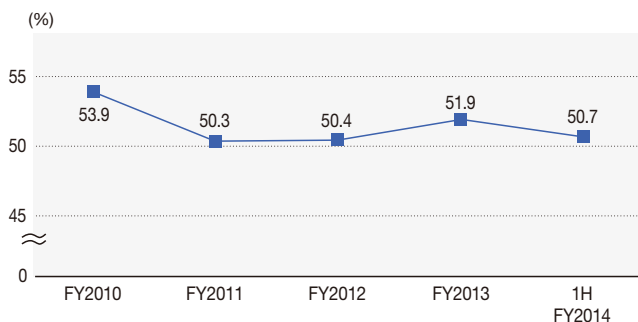
Total assets/Net assets



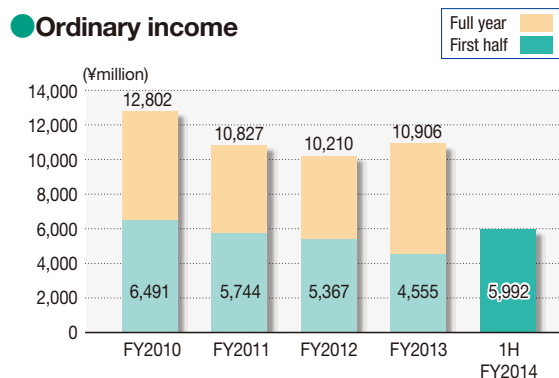
Net sales



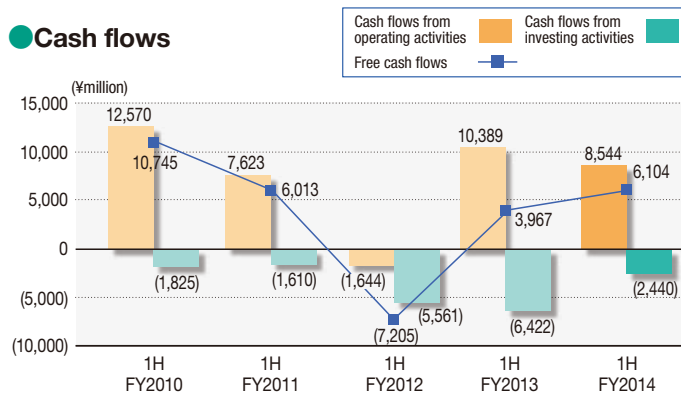
Equity ratio



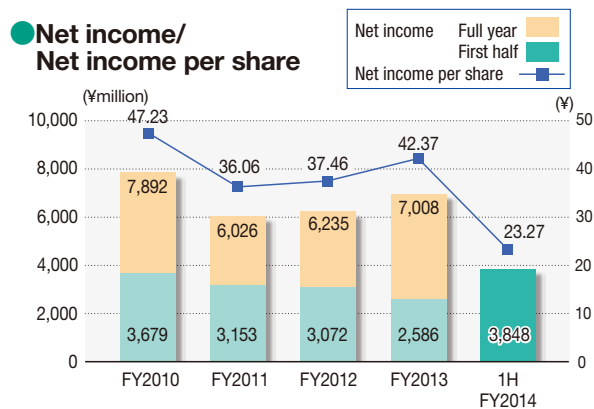
Ordinary income



Cash flows



Net income/Net income per share



Company Overview

Company Name:	Nippon Flour Mills Co., Ltd.
Head Office:	27-5 Sendagaya 5-chome, Shibuya-ku, Tokyo
Established:	December 1896
Capital:	¥12.24 billion
Number of Employees:	1,002 [non-consolidated basis]
Major Businesses:	Manufacturing and marketing of wheat flour and secondary processed foods, including premixes, pastas and frozen foods, deli (packaged lunch), pet food products, health care products, biotechnology business, etc.
Locations:	Head office (Tokyo), two administration divisions, eight branches, eight plants, central laboratory and processing laboratory

Major Group Companies

Matsuya Flour Mills Co., Ltd.	NIPPN SHOJI Co., Ltd.
OHMY Co., Ltd.	OK Food Industry Co., Ltd.
NIPPN Frozen Foods Co., Ltd.	Nippon Rich Co., Ltd.
NF Frozen Co., Ltd.	Fast Foods Co., Ltd.
NPF Japan Co., Ltd.	NIPPN Donut Co., Ltd.

Shares

● Number of Authorized Shares	696,590,000 shares
● Number of Outstanding Shares	170,148,018 shares
● Number of Shareholders	17,943
● Major Shareholders	

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Nippon Flour Mills Clients Shareholding Association	8,887	5.3
Japan Trustee Services Bank, Ltd. (trust account)	7,250	4.3
Mitsui Life insurance Co., Ltd.	6,994	4.2
The Master Trust Bank of Japan, Ltd. (trust account)	6,745	4.0
MITSUI & CO., LTD.	6,698	4.0
Mitsui Sumitomo Insurance Co., Ltd.	6,009	3.6
DUSKIN CO., LTD.	5,020	3.0
Itochu Corporation	5,000	3.0
Sumitomo Mitsui Banking Corporation	4,493	2.7
The Norinchukin Bank	4,121	2.4

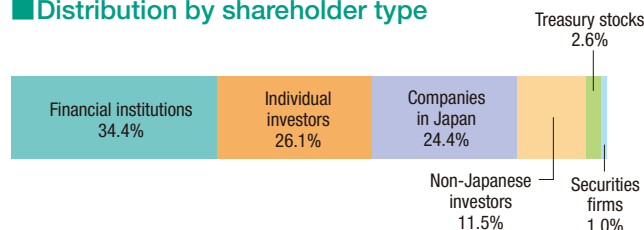
Note: The calculation of the shareholding ratios excludes 4,360,000 treasury shares.

Directors and Executive Officers

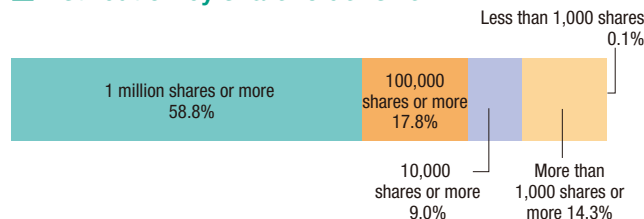
Representative Director, Chairman and CEO:	Hiroshi Sawada	Corporate Auditor (Outside Corporate Auditor):	Yoshio Kumakura
Representative Director, President and COO:	Haruki Kotera	Corporate Auditor (Outside Corporate Auditor):	Akio Okuyama
Representative Director Senior Managing Director:	Tsunetaka Honda	Managing Director:	Masaki Miyamoto
Managing Director:	Tatsuo Amano	Executive Officer:	Seiji Kanai
Managing Director:	Masayuki Kondo	Executive Officer:	Kiyoshi Ochiai
Managing Director:	Mitsuo Somezawa	Executive Officer:	Keisuke Nishiwaki
Managing Director:	Masaaki Tamura	Executive Officer:	Yuji Takahama
Managing Director:	Hirokazu Shimizu	Executive Officer:	Hirofumi Hamada
Managing Director:	Takafumi Kiyoto	Executive Officer:	Mitsuhiko Takeuchi
Managing Director:	Hiroyuki Matsui	Executive Officer:	Yoshiaki Murakami
Director (Outside Director):	Morimasa Akashi	Executive Officer:	Hideo Kondo
Executive Corporate Auditor (full time):	Kyoichi Sumiya	Executive Officer:	Shizuo Yamaguchi
Executive Corporate Auditor (full time):	Katsutarō Nishihara	Executive Officer:	Noboru Sekine
		Executive Officer:	Toshikatsu Oshige

Distribution of Shares

Distribution by shareholder type



Distribution by shareholder size



Shareholder Information

Fiscal Year: April 1 to March 31

General Meeting of Shareholders: June

Record Date:

March 31 for the General Meeting of Shareholders and Year-end Dividend
September 30 for the Interim Dividend

Administrator of Shareholder Registry (Manager of Special Account):

Sumitomo Mitsui Trust Bank, Limited.
4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo

Mailing Address:

Transfer Agent, Sumitomo Mitsui Trust Bank, Limited.
8-4 Izumi 2-chome, Suginami-ku, Tokyo 168-0063

(Telephone Contact): 0120-782-031 (toll free in Japan)

Handling Offices:

Head office and all domestic branch offices of Sumitomo Mitsui Trust Bank, Limited.

Website: <http://www.smtb.jp/personal/agency/index.html>

Procedural matters relating to shares

The shares recorded in accounts at securities companies and recorded in special accounts are handled by different agents. Please contact the following for any inquiry regarding various procedures related to shares:

Shares recorded in the general account (account at a securities company)

Procedures / Inquiries	Contact
<ul style="list-style-type: none"> Request for purchase of odd lot shares or sale of additional shares Change of name, address, etc Specification of dividend receipt method 	Securities company at which you have an account
<ul style="list-style-type: none"> Inquiries regarding delivery and return of mail Inquiries regarding dividends after payment period General inquiries regarding the administration of shares 	Transfer Agent Sumitomo Mitsui Trust Bank, Limited. Phone: 0120-782-031 (toll free in Japan)

Shares recorded in the special account (account at a trust bank)

Procedures / Inquiries	Contact
<ul style="list-style-type: none"> Request for purchase of odd lot shares or sale of additional shares Change of name, address, etc Specification of dividend receipt method Application for transfer from special account to general account 	Transfer Agent Sumitomo Mitsui Trust Bank, Limited. Phone: 0120-782-031 (toll free in Japan)
<ul style="list-style-type: none"> Inquiries regarding delivery and return of mail Inquiries regarding dividends after payment period General inquiries regarding the administration of shares 	

Information on the "Special Reconstruction Income Tax"

The "Act on the Special Measures Concerning the Securing of Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 177 of 2011) was enforced on January 1, 2013. The Special Reconstruction Income Tax will be withheld from the dividends that you will receive during the period from January 1, 2013 to December 31, 2037 at an amount equivalent to 2.1% of your income tax.

2014 Calendar Free Gift

We give away a calendar for free to the first 500 applicants of our shareholders. **Cut off and paste on a postcard the triangular token at the lower left corner** and then send it to us with your name, address, and zip code at:

Mail to: Calendar Section, Legal Group
Nippon Flour Mills Co., Ltd.
27-5 Sendagaya 5-chome, Shibuya-ku, Tokyo 151-8537

Oil paintings
by Vincent van Gogh



NIPPON 日本製粉株式会社

NIPPON FLOUR MILLS CO., LTD.

27-5 Sendagaya 5-chome, Shibuya-ku, Tokyo 151-8537

Phone: 03-3350-2311 (General) Website: <http://e-nippon.com/>

