

Consolidated Financial Results for the First Quarter of FY2011 (J-GAAP)

August 5, 2010

Listed company name: Nippon Flour Mills Co., Ltd.
 Listing: The 1st Section of Tokyo and Osaka Securities Exchanges,
 Sapporo Securities Exchange
 Code Number: 2001 URL: <http://www.nippon.co.jp>
 Representative: Hiroshi Sawada, Chairman and President,
 Chief Executive Officer, and Chief Operating Officer
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 Filing of quarterly financial report: August 12, 2010
 Start of cash dividend payments: –
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

*Amounts under one million yen have been rounded down.

1. Consolidated Financial Results for the First Quarter of FY2011 (April 1, 2010 – June 30, 2010)

(1) Consolidated business results (cumulative)

(Percentage figures indicate the rate of change from the same period in the previous year.)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|--------------|-----------------|-------|------------------|------|-----------------|------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 1Q of FY2011 | 62,283 | (8.3) | 3,123 | 4.3 | 3,546 | 1.6 | 2,009 | (17.0) |
| 1Q of FY2010 | 67,904 | 0.1 | 2,994 | 17.6 | 3,491 | 30.7 | 2,422 | 79.5 |

| | Net Income per Share | Fully Diluted Net Income per Share |
|--------------|----------------------|------------------------------------|
| | Yen | Yen |
| 1Q of FY2011 | 12.02 | – |
| 1Q of FY2010 | 14.49 | 13.24 |

(2) Consolidated financial position

| | Total Assets | Net Assets | Equity Ratio | Net Assets per Share |
|--------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| 1Q of FY2011 | 170,441 | 96,105 | 55.6 | 567.15 |
| FY2010 | 179,181 | 97,979 | 53.9 | 578.07 |

(Reference) Equity capital: 1Q of FY2011: ¥94,788 million; FY2010: ¥96,615 million

2. Dividends

| | Annual dividends (yen) | | | | |
|-------------------|------------------------|----------------|---------------|----------|-----------|
| | First quarter | Second quarter | Third quarter | Year-end | Full year |
| FY2010 | – | 4.00 | – | 6.00 | 10.00 |
| FY2011 | – | | | | |
| FY2011 (forecast) | – | 5.00 | – | 5.00 | 10.00 |

(Note) Adjustment for the forecast of the dividend in the current quarter: None

3. Forecast of the Consolidated Financial Results for FY2011 (April 1, 2010 – March 31, 2011)

(Full year percentage figures indicate the rates of changes from the previous fiscal year, and half year figures indicate the rates of changes from the same period of the previous year.)

| | 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 |

(Note) Adjustment for the forecast of the consolidated financial results in the current quarter: None

4. Others (For more details, refer to “2. Other Information” on Page 3-4.)

(1) Significant changes in subsidiaries during the term: None

(Note) This refers to changes in specific subsidiaries with changes in the scope of consolidation during the term.

(2) Adoption of simplified accounting as well as specific accounting: Yes

(Note) This refers to the adoption of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements.

(3) Changes in accounting policies, procedures and methods of presentation

1) Changes due to revisions of accounting standards: Yes

2) Changes other than 1): None

(Note) This refers to changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements described in the section of “Changes in significant matters forming the basic of preparing the quarterly consolidated financial statements”.

(4) Number of shares issued and outstanding (common stock)

| | | | | |
|--|---------------|---------------------|---------------|--------------------|
| 1) Number of shares outstanding at the end of each period (including treasury stock) | 1Q of FY2011 | 174,148,018 shares; | FY2010: | 174,148,018 shares |
| 2) Number of treasury stocks at the end of each period | 1Q of FY2011 | 7,015,324 shares; | FY2010: | 7,013,885 shares |
| 3) Average number of shares (quarterly consolidated cumulative period) | 1Q of FY2011: | 167,133,324 shares; | 1Q of FY2010: | 167,130,860 shares |

*** Presentation of implementation status for quarterly review procedures**

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the procedure based on this Act was not complete as of the release of these Consolidated Financial Results.

*** Explanation regarding the appropriate use of projected financial results and other special instructions**

Descriptions regarding the future, including the financial outlook contained in this material, are based on certain information currently available to the Company and particular assumptions, which are, at the discretion of the Company, deemed reasonable, and actual financial results may significantly vary due to various factors. Please refer to “(3) Qualitative Information on Forecast of the Consolidated Financial Results” on page 3 for information on preconditions underlying the above outlook and other related information.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Qualitative information on consolidated business results

In the first quarter of the fiscal year ending March 31, 2011, despite a modest economic recovery, the outlook of the Japanese economy remained uncertain as the labor market continued to be weak and lackluster personal consumption persisted.

The food industry as well has experienced a tough business environment from the previous fiscal year amid the intensified price competition caused by low-end customer needs.

In these circumstances, having launched the 10/11 SG130 Mid-term Business Plan in April 2010 to swiftly secure the path to sustained growth, the Group made a fresh start with the aim of further increasing profits and profit margins and improving productivity.

As a result, consolidated net sales for the first quarter of the current fiscal year decreased by 8.3% year on year to ¥62,283 million, operating income increased by 4.3% year on year to ¥3,123 million, ordinary income increased by 1.6% year on year to ¥3,546 million, and net income decreased by 17.0% year on year to ¥2,009 million.

The performance of individual business segments was as follows.

The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17; March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20; March 21, 2008) are being applied from the current first quarter. Because segment classification has not been changed, figures compared with business segment information for the same period of the previous year are stated.

1) Flour Milling

Followed by the reductions in the government's sales prices of imported wheat in April 2010, the Group revised its sales prices of wheat flour in May. To address customer needs and diversify preferences concerning food, the Group developed new products, held cookery workshops, and executed vigorous sales & marketing, including proposal-driven sales. As a result, shipments of wheat flour increased compared to the amount shipped during the same period of the previous year.

Sales of wheat bran, a by-product, were lower than the figure for the same period of the previous year, reflecting a drop in grain price.

As a result, net sales for the Flour Milling segment decreased by 13.5% year on year to ¥23,135 million, while operating income increased by 2.8% year on year to ¥1,393 million.

2) Food

The Group 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.

Shipments of premixes, both domestic and overseas, increased compared to the amounts shipped during the same period of the previous year. Shipments of pasta-related products and wheat flour for home use also increased from the same period of the previous year. However, the Group revised its sales prices of wheat flour, which reduced in the sales of wheat flour compared with the same period of the previous fiscal year. Sales of frozen foods and ingredients rose thanks to buoyant sales of frozen spaghetti for home use. Sales of deli products were lower than the figure for the same period of the previous year.

As a result, net sales of the Food segment decreased by 5.4% compared with the same period of the previous year to ¥31,977 million, but operating income increased by 2.8% to ¥1,684 million.

3) Other

Sales of health and pet foods and natural cosmetics were lower than the previous year. However, sales of the engineering and biotechnology-related businesses increased from the previous year.

As a result, net sales for the Other segment decreased by 2.5% year on year to ¥7,171 million and operating income was ¥39 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the current first quarter decreased by ¥8,739 million from the figure at the previous fiscal year-end (March 31, 2010) to ¥170,441 million. This was mainly because trade notes and accounts receivable and investment securities decreased. Total liabilities decreased by ¥6,865 million from the previous fiscal year-end to ¥74,336 million. The main factors were decreases in trade notes and accounts payable and accrued income taxes.

Net assets decreased by ¥1,873 million from the previous fiscal year-end to ¥96,105 million. This decrease was mainly attributable to the decrease in unrealized gain on revaluation of securities.

(Consolidated cash flows)

Cash and cash equivalents at the end of the first quarter of the current fiscal year increased by ¥165 million compared with the previous fiscal year-end to ¥14,448 million. The conditions of cash flows were as follows.

Net cash provided by operating activities increased by ¥2,537 million compared with the same period of the previous year. This was because amounts increased in income before income taxes of ¥3,413 million and depreciation expenses of ¥1,571 million were more than an outlay of ¥2,463 million including payment of income taxes.

Net cash used in investing activities was ¥872 million. The main factor was an expenditure on capital investment of ¥865 million.

Net cash provided by (used in) financing activities was ¥1,520 million. The principal factors were repayments of long-term debt and dividend payments.

(3) Qualitative information on forecast of the consolidated financial results

The forecast for the fiscal year ending March 31, 2011 is unchanged from the forecasts for the half year and full year released on May 14, 2010.

2. Other Information

(1) Overview of significant changes in subsidiaries

There is no related information.

(2) Overview of simplified accounting as well as specific accounting

- 1) Write-downs of the book value of inventories at the end of the first quarter of the current fiscal year are based on the estimated net sale amount of inventories whose profitability has clearly worsened.
- 2) Income taxes are computed, taking into consideration only significant addition and deduction items and tax exemption items. The Company judges the recoverability of deferred tax assets with a method that uses the future earning forecast and tax planning that were used in the previous fiscal year, when the Company has judged that there has been no significant change in the management environment or other circumstances and in the status of occurrence of temporary difference since the end of the previous fiscal year.

(3) Overview of changes in accounting policies, procedures and methods of presentation

- 1) Effective from the current first quarter, the Company has applied the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 issued on March 10, 2008), and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24 issued on March 10, 2008), making necessary adjustments to consolidated results. The impact of this application on profit and loss was negligible.
- 2) Effective from the current first quarter, the Company has applied the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 issued on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 issued on March 31, 2008). As a result of this application, operating income and ordinary income declined ¥3 million each, and income before income taxes decreased ¥109 million.

- 3) Effective from the current first quarter, the Company has applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, issued on December 26, 2008), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on December 26, 2008), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, issued on December 26, 2008), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guideline No. 10, issued on December 26, 2008).

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

| | First Quarter of FY2011 (As of June 30, 2010) | FY2010 (As of March 31, 2010) |
|--|--|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,493 | 14,322 |
| Trade notes and accounts receivable | 28,994 | 31,180 |
| Merchandise and finished goods | 10,301 | 9,866 |
| Work in progress | 111 | 452 |
| Raw materials and supplies | 5,036 | 6,161 |
| Others | 3,122 | 3,352 |
| Allowance for doubtful accounts | (131) | (171) |
| Total current assets | 61,929 | 65,164 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 23,864 | 23,995 |
| Machinery, equipment and vehicles, net | 15,703 | 16,200 |
| Land | 23,931 | 24,075 |
| Construction in progress | 138 | 9 |
| Others, net | 1,879 | 1,915 |
| Total tangible fixed assets | 65,517 | 66,196 |
| Intangible fixed assets | | |
| Goodwill | 23 | 26 |
| Others | 546 | 569 |
| Total intangible fixed assets | 569 | 595 |
| Investments and other assets | | |
| Investment securities | 36,442 | 41,171 |
| Others | 6,638 | 6,712 |
| Allowance for doubtful accounts | (656) | (659) |
| Total investments and other assets | 42,424 | 47,224 |
| Total fixed assets | 108,512 | 114,016 |
| Total assets | 170,441 | 179,181 |

| | First Quarter of FY2011 (As of June 30, 2010) | FY2010 (As of March 31, 2010) |
|---|--|----------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 11,258 | 12,625 |
| Short-term loans | 24,421 | 18,386 |
| Current portion of bonds | 100 | 100 |
| Accrued income taxes | 918 | 2,593 |
| Reserve for employee bonuses | 329 | 387 |
| Reserve for directors' bonuses | - | 39 |
| Others | 9,584 | 10,977 |
| Total current liabilities | 46,612 | 45,110 |
| Long-term liabilities | | |
| Long-term debt | 14,494 | 20,989 |
| Reserve for employee retirement benefits | 2,139 | 2,147 |
| Reserve for directors' retirement benefits | 768 | 930 |
| Others | 10,320 | 12,024 |
| Total long-term liabilities | 27,723 | 36,091 |
| Total liabilities | 74,336 | 81,202 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 12,240 | 12,240 |
| Additional capital surplus | 11,391 | 11,391 |
| Retained earnings | 65,725 | 64,718 |
| Treasury stock, at cost | (2,311) | (2,310) |
| Total shareholders' equity | 87,045 | 86,039 |
| Unrealized gain or loss and adjustment | | |
| Unrealized gains on revaluation of securities | 7,855 | 10,694 |
| Deferred gain on hedges | (20) | 4 |
| Foreign currency translation adjustment | (91) | (123) |
| Total unrealized gain or loss and adjustment | 7,743 | 10,575 |
| Minority interests | 1,316 | 1,363 |
| Total net assets | 96,105 | 97,979 |
| Total liabilities and net assets | 170,441 | 179,181 |

(2) Quarterly consolidated statements of income

(Millions of yen)

| | First Quarter of FY2010 (April 1, 2009 to June 30, 2009) | First Quarter of FY2011 (April 1, 2010 to June 30, 2010) |
|---|--|--|
| Net sales | 67,904 | 62,283 |
| Cost of sales | 51,454 | 45,419 |
| Gross profit | 16,449 | 16,864 |
| Selling, general and administrative expenses | 13,455 | 13,740 |
| Operating income | 2,994 | 3,123 |
| Non-operating income | | |
| Interest income | 6 | 9 |
| Dividend income | 409 | 463 |
| Foreign exchange gains | 185 | – |
| Others | 162 | 174 |
| Total non-operating income | 764 | 647 |
| Non-operating expenses | | |
| Interest expenses | 182 | 158 |
| Foreign exchange losses | – | 19 |
| Others | 83 | 46 |
| Total non-operating expenses | 266 | 224 |
| Ordinary income | 3,491 | 3,546 |
| Extraordinary income | | |
| Gain on sales of fixed assets | – | 7 |
| Gain on sales of investment securities | 1 | – |
| Reversal of allowance for doubtful accounts | 26 | 64 |
| Total extraordinary income | 27 | 72 |
| Extraordinary losses | | |
| Loss on revaluation of investment securities | 1 | 55 |
| Loss on sales of fixed assets | – | 27 |
| Loss on retirement of fixed assets | 1 | 16 |
| Effect of application of accounting standard for asset retirement obligations | – | 106 |
| Others | 0 | 0 |
| Total extraordinary losses | 2 | 205 |
| Income before income taxes | 3,516 | 3,413 |
| Income taxes | 467 | 874 |
| Income tax adjustments | 623 | 574 |
| Total income taxes | 1,091 | 1,449 |
| Income before minority interests | – | 1,963 |
| Minority interests | 3 | (46) |
| Net income | 2,422 | 2,009 |

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

| | First Quarter of FY2010 (April 1, 2009 to June 30, 2009) | First Quarter of FY2011 (April 1, 2010 to June 30, 2010) |
|---|--|--|
| Cash flows from operating activities | | |
| Income before income taxes | 3,516 | 3,413 |
| Depreciation and amortization | 1,612 | 1,571 |
| Amortization of goodwill | 86 | (1) |
| Increase (decrease) in allowance for doubtful accounts | 64 | (42) |
| Interest and dividend income | (416) | (473) |
| Interest expenses | 182 | 158 |
| Foreign exchange losses (gains) | (146) | (14) |
| Equity in losses (earnings) of affiliates | (20) | (9) |
| Loss (gain) on sales of tangible fixed assets | – | 19 |
| Loss on retirement of fixed assets | 16 | 16 |
| Effect of application of accounting standard for asset retirement obligations | – | 106 |
| Decrease (increase) in trade notes and accounts receivable | 2,310 | 2,201 |
| Decrease (increase) in inventories | 3,999 | 1,037 |
| Increase (decrease) in trade notes and accounts payable | (598) | (1,379) |
| Others | (1,495) | (1,903) |
| Subtotal | 9,112 | 4,702 |
| Interest and dividends received | 427 | 512 |
| Interest paid | (233) | (213) |
| Payments for income taxes | (4,074) | (2,463) |
| Net cash provided by operating activities | 5,232 | 2,537 |
| Cash flows from investing activities | | |
| Acquisition of tangible fixed assets | (1,232) | (865) |
| Proceeds from sale of tangible fixed assets | 4 | 146 |
| Purchase of investment securities | (354) | (196) |
| Proceeds from sale of investment securities | 262 | 78 |
| Proceeds from sale of affiliates' stocks | 334 | – |
| Lending of loans receivable | (71) | (1) |
| Collection of loans receivable | 10 | 9 |
| Others, net | (2) | (44) |
| Net cash used in investing activities | (1,050) | (872) |

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(Millions of yen)

| | First Quarter of FY2010 (April 1, 2009 to June 30, 2009) | First Quarter of FY2011 (April 1, 2010 to June 30, 2010) |
|--|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) of short-term loans | 58 | (297) |
| Increase (decrease) of commercial paper | (2,000) | - |
| Proceeds from long-term debt | - | 750 |
| Repayments of long-term debt | (207) | (923) |
| Acquisition of treasury stock | (0) | (0) |
| Cash dividends paid | (752) | (1,003) |
| Dividends paid to minority shareholders | (14) | (12) |
| Repayments of lease obligations | (10) | (32) |
| Net cash used in financing activities | (2,926) | (1,520) |
| Effect of exchange rate changes on cash and cash equivalents | 72 | 20 |
| Increase (decrease) in cash and cash equivalents | 1,328 | 165 |
| Cash and cash equivalents at beginning of the year | 10,685 | 14,283 |
| Cash and cash equivalents at end of the term | 12,014 | 14,448 |

(4) Notes on going concern assumption

There is no related information.

(5) Segment information

a. Business segment information

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

(Millions of yen)

| | Flour Milling | Food | Other | Total | Unallocated and eliminations | Consolidated |
|---|---------------|--------|-------|--------|------------------------------|--------------|
| Net sales | | | | | | |
| 1) Net sales to external customers | 26,743 | 33,806 | 7,354 | 67,904 | – | 67,904 |
| 2) Internal sales or transfers between segments | 686 | 229 | 385 | 1,302 | (1,302) | – |
| Total | 27,430 | 34,036 | 7,740 | 69,207 | (1,302) | 67,904 |
| Operating income (loss) | 1,356 | 1,638 | 4 | 2,998 | (4) | 2,994 |

Notes: 1. Business segmentation method

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

2. Classification of main products by business segment

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

b. Geographically segmented information

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

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

c. Overseas sales

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

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

(Segment Information)

1. Overview of reporting segments

The Group's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Group consists of three main business units classified by product types—Flour Milling, Food and Other. Each business unit formulates business strategies and promotes business activities.

Consequently, the Group has classified its operations into two reporting segments: Flour Milling and Food.

The Flour Milling segment covers wheat flour, bran, and buckwheat flour, while the Food segment covers wheat flour for home use, premixes, pasta, frozen foods, deli foods, and rice flour.

2. Information on sales and income (loss) by reporting segment

First Quarter of FY2011 (April 1, 2010 – June 30, 2010)

(Millions of yen)

| | Reporting segments | | | Other (Note) 1 | Total | Adjustments (Note) 2 | Amounts recorded on quarterly consolidated statements of income (Note) 3 |
|---|--------------------|--------|--------|-------------------|--------|-------------------------|--|
| | Flour Milling | Food | Total | | | | |
| Net sales | | | | | | | |
| Net sales to external customers | 23,135 | 31,977 | 55,112 | 7,171 | 62,283 | – | 62,283 |
| Internal sales or transfers between segments | 506 | 183 | 689 | 332 | 1,022 | (1,022) | – |
| Total | 23,641 | 32,160 | 55,801 | 7,504 | 63,306 | (1,022) | 62,283 |
| Segment income | 1,393 | 1,684 | 3,078 | 39 | 3,117 | 6 | 3,123 |

Notes: 1. The “Other” column indicates businesses not included in the reporting segments, including pet food, health food and engineering.

2. The ¥6 million segment income adjustment is an elimination of inter-segment transactions.

3. Segment income is adjusted to reflect operating income as recorded on the quarterly consolidated statements of income.

(Additional information)

Effective from the current first quarter, the Company has applied Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 issued on March 27, 2009) and Revised Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 issued on March 21, 2008).

(6) Notes to significant changes in the amount of shareholders' equity

There is no related information.