Goodwill and Other Intangible Assets

Goodwill and non-amortizable intangible assets with indefinite useful lives are no longer amortized, but are instead tested for impairment at least annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Fair value, which is indispensable for the impairment test, is estimated by discounted future cash flows based on the business plan.

The management of the Company believes these calculations of estimated future cash flows and fair value have been done in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of goodwill and other intangible assets, which may have a material impact on the Company's consolidated financial statements.

Cost of Retirement and Severance Benefits

The Company and certain Group companies calculate the cost of its employees' retirement and severance benefits and pension obligations based on the same types of assumptions used in actuarial calculations, which include such important estimations as discount rates, retirement rates, death rates, increase rates of salary and long-term expected rates of return on plan assets. To determine each of these assumptions, the Company comprehensively judges all available information including market trends such as interest rate changes.

The management of the Company believes the determination of these assumptions has been done in a rational manner. However, any difference between the assumptions and the actual conditions may influence the future retirement benefit costs and pension liabilities, which may have a material impact on the Company's consolidated financial statements.

New Accounting Pronouncements

a. Accounting for Conditional Asset Retirement Obligations

In March 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement No. 143." FIN 47 clarifies that the term conditional asset retirement obligation as used in SFAS 143 refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity.

The Company and its subsidiaries adopted FIN47 at the end of Fiscal 2006, and the effect of adoption of FIN47 on the Company and its subsidiaries' financial position and results of operation was immaterial.

b. Accounting for Stripping Costs in the Mining Industry

The FASB EITF reached a consensus at the meeting of March, 2005 on EITF 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry." In Issue EITF 04-6, the cost of removing overburden and waste materials to access mineral deposits are referred to as "stripping costs," and stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. EITF 04-6 is effective for the first reporting period in financial statements issued for fiscal years beginning after December 15, 2005. The Company and its subsidiaries early adopted EITF 04-6 in Fiscal 2006. Cumulative effect of an accounting change, net of tax was ¥3,439 million and was presented in the consolidated statement of operations.

c. Accounting Changes and Error Corrections

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3."

SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Because the effects are attributable to future events, the effect of adoption of SFAS 154 on the Company and its subsidiaries' financial position and results of operations cannot be reasonably estimated.