

5. Impaired Loans and Allowance for Doubtful Receivables

An analysis of the changes in the allowance for doubtful receivables for the years ended March 31, 2006, 2005 and 2004 is as follows:

	Millions of Yen			Millions of U.S. dollars
	2006	2005	2004	2006
Balance at beginning of year	¥ 163,451	¥ 196,599	¥ 230,866	\$ 1,391
Provision for doubtful receivables	14,728	6,181	10,624	125
Charge-offs	(67,231)	(46,854)	(36,812)	(572)
Other	10,407	7,525	(8,079)	89
Balance at end of year	¥ 121,355	¥ 163,451	¥ 196,599	\$ 1,033

Note: Other changes consisted primarily of the effects due to changes in the number of consolidated subsidiaries and changes in foreign currency exchange rates.

The carrying amounts of impaired loans within the scope of SFAS 114 and the allowance for doubtful receivables related to those impaired loans as of March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. dollars
	2006	2005	2006
Impaired loans	¥ 104,751	¥ 183,566	\$ 892
Allowance for doubtful receivables related to those impaired loans	¥ 95,043	¥ 133,120	\$ 809

The recorded investment in the impaired loans, net of the allowance for doubtful receivables, is either secured by collateral or believed to be collectible.

The average amounts of impaired loans during the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2006	2005	2004	2006
Average amounts of impaired loans	¥ 144,159	¥ 200,513	¥ 245,049	\$ 1,227

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2006, 2005 and 2004 were not significant.

6. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥12,855 million (\$109 million), ¥4,735 million and ¥125,343 million for the years ended March 31, 2006, 2005 and 2004, respectively, which were included in "Loss on property and equipment-net" in the consolidated statements of operations. The impaired assets were primarily commercial rental buildings in the Finance, Realty, Insurance & Logistics Services operating segment and land in the Other, Adjustments & Eliminations operating segment for the year ended March 31, 2006 and domestic commercial rental buildings in the Finance, Realty, Insurance & Logistics Services operating segment for the

year ended March 31, 2005 and domestic commercial rental buildings and golf courses in the Finance, Realty, Insurance & Logistics Services operating segment and domestic property held for lease and unutilized assets in the Other, Adjustments & Eliminations operating segment for the year ended March 31, 2004. The impairments were generally due to the deterioration of rents for commercial buildings and to the decline in the market value of land.

The fair values of long-lived assets were primarily determined based on discounted cash flows or independent appraisals by third parties.

Impairment losses recognized for the years ended March 31, 2006, 2005, and 2004 by operating segment were as follows:

	Millions of Yen			Millions of U.S. dollars
	2006	2005	2004	2006
Textile	¥ 258	¥ 783	¥ 188	\$ 2
Machinery	390	87	1,913	3
Aerospace, Electronics & Multimedia	1,162	703	1,330	10
Chemicals, Forest Products & General Merchandise	581	192	7	5
Food	150	578	1,035	1
Finance, Realty, Insurance & Logistics Services	7,578	1,144	91,920	65
Other, Adjustments & Eliminations	2,736	1,248	28,950	23
Total	¥ 12,855	¥ 4,735	¥ 125,343	\$ 109