cles of incorporation of the company so stipulate.

The Code permits the transfer of a portion of unappropriated retained earnings available for dividends to the common stock account by resolution of the stockholders at the shareholders' meeting. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

At the June 29, 2000 shareholders' meeting of the Company, the shareholders approved a proposal to eliminate the Company's accumulated deficits of ¥109,799 million ($935 million) from the Company's books of account by a transfer from capital surplus as permitted by the Code.

Because the Company's accumulated deficits in the U.S. GAAP consolidated financial statements on that date was not significantly different from the Company's books of account, the Company reflected such deficits reclassification entry on its books of account when preparing the consolidated financial statements in reliance on private company's practices in the United States of America. The balance of the consolidated retained earnings at March 31, 2005 would have been ¥206,129 million ($1,755 million) including a legal reserve of ¥5,667 million ($48 million) had the Company not eliminated the accumulated deficits. The Code allows Japanese companies to purchase treasury stock upon resolution of the Board of Directors if the articles of incorporation of the company so stipulate. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders. The Code also permits Japanese companies to dispose of their own shares by resolution of the Board of Directors, unless otherwise specified in the Code, or if the articles of Incorporation do not require a resolution of the stockholders at the shareholders' meeting.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The Corporate Law provides as below;

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

Likewise the provisions under the Code, there is a limitation as to the amount available for distribution to the shareholders and the amount available for the purchase of treasury stocks. The amount of net assets after dividends must be maintained at no less than ¥3 million.

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as additional paid-in capital (a component of capital surplus) or as a legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula.

## 19. Other Comprehensive Income (Loss)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | 2006 | | |
| | Before-Tax Amount | Tax Benefit (Expense) | Net-of-Tax Amount |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year on investments in foreign entities | ¥ 37,246 | ¥ (16) | ¥ 37,230 |
| Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities | 371 | 17 | 388 |
| Net change in foreign currency translation adjustments during the year | 37,617 | 1 | 37,618 |
| Minimum pension liability adjustments | 285 | (324) | (39) |
| Unrealized holding gains on securities: | | | |
| Amount arising during the year on available-for-sale securities | 92,723 | (33,991) | 58,732 |
| Reclassification adjustments for gains and losses realized in net income | (22,241) | 8,452 | (13,789) |
| Net change in unrealized holding gains on securities during the year | 70,482 | (25,539) | 44,943 |
| Unrealized holding gains on derivative instruments: | | | |
| Amount arising during the year on derivative instruments for cash flow hedges | 6,963 | (3,057) | 3,906 |
| Reclassification adjustments for gains and losses realized in net income | 4,554 | (1,851) | 2,703 |
| Net change in unrealized holding gains on derivative instruments during the year | 11,517 | (4,908) | 6,609 |
| Other comprehensive income | ¥ 119,901 | ¥ (30,770) | ¥ 89,131 |