

Quoted market prices, where available, are used to estimate fair values of financial instruments. However fair values are estimated using discounted cash flow technique or other methods when quoted market prices are not available. These estimates involve uncertainty and subjectivity, and therefore fair values are not objectively verifiable. Changes in assumptions could significantly affect fair value amounts.

Current Financial Assets other than Marketable Securities and Current Financial Liabilities:

The carrying amounts approximate fair values because of the short maturity of these instruments.

Marketable Securities and Other Investments:

The fair values of marketable investment securities included in "Marketable Securities" and "Other Investments" are based on quoted market prices. The carrying amounts of non-marketable investment securities and others approximate fair values. The fair values for each category of securities is set forth in note 3 "Marketable Securities and Investments."

Other Non-current Receivables and Advances to Associated Companies:

The fair values of other non-current receivables and advances

to associated companies are estimated based on the present value of future cash flows discounted by using the current rates of loans or receivables with similar terms, conditions and maturities being offered to borrowers or customers with similar credit ratings.

Long-term Debt:

The fair values of long-term debt are based on the present value of future cash flows discounted using the current borrowing rates of similar debt instruments having comparable maturities.

Foreign Exchange Contracts

The fair values of foreign exchange contracts are estimated based on the quoted market prices of comparable contracts.

Currency and Interest Rate Swap Agreements:

The fair values of currency and interest rate swap agreements are estimated using discounted cash flow technique, based on the current swap rates with similar terms and remaining periods.

Interest Rate Option Agreements:

The fair values of interest rate option agreements are estimated using option pricing model.

19. Issuance of Stock by Subsidiaries or Associated Companies

CENTURY LEASING SYSTEM, INC., an associated company, issued 10,000,000 shares of common stock in a public offering to third parties on September 18, 2003, the date of its listing on the second section of the Tokyo Stock Exchange. The offering price per share was ¥752, which was lower than the Company's carrying value per share of the associated company's stock.

This issuance decreased the Company's ownership of the associated company from 26.3% to 21.3%. The issuance of these shares for ¥7,520 million (\$71 million) was regarded as a sale of part of the Company's interest in the associated company and the Company recognized a loss of ¥362 million (\$3 million) for the year ended March 31, 2004, which is included in "Loss on disposal of investments and marketable securities, including write-down."

Excite Japan Co., Ltd., a consolidated subsidiary, issued 3,500 shares of common stock in a public offering to third parties on November 2, 2004, the date of its listing on the JASDAQ market. The offering price per share was ¥1,222,000, which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company and its subsidiaries'

ownership of the subsidiary from 87.3% to 76.0%. The issuance of these shares for ¥4,277 million (\$40 million) was regarded as a sale of part of the Company's interest in the subsidiary and the Company recognized a gain of ¥3,043 million (\$28 million) for the year ended March 31, 2005, which is included in "Loss on disposal of investments and marketable securities, including write-down."

kabu.com Securities Co., Ltd., an associated company, issued 36,000 shares of common stock in a public offering to third parties on March 17, 2005, the date of its listing on the first section of the Tokyo Stock Exchange. The offering price per share was ¥338,400, which was in excess of the Company's carrying value per share of the associated company's stock.

This issuance decreased the Company and its subsidiary's ownership of the associated company from 29.7% to 26.3%. The issuance of these shares for ¥12,182 million (\$113 million) was regarded as a sale of part of the Company's interest in the associated company and the Company recognized a gain of ¥2,842 million (\$26 million) for the year ended March 31, 2005, which is included in "Loss on disposal of investments and marketable securities, including write-down."