

**v. Issuance of Stock by Subsidiaries or Associated Companies**

With respect to the issuance of shares to a third party by a subsidiary or an associated company, the resulting gain or loss arising from the change in the Company's relative ownership interest is recorded in earnings in the period when such shares are issued.

**w. Classification of Mineral Rights**

In accordance with EITF 04-2, "Whether Mineral Rights are Tangible or Intangible Assets," FASB Staff Position ("FSP") SFAS 141-1 and SFAS 142-1 "Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, and EITF Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets"" and FSP SFAS 142-2, "Application of FASB Statement No. 142, Goodwill and Other Intangible Assets, to Oil- and Gas-Producing Entities," all mineral rights held by mining, oil- and gas-producing entities have been reclassified as tangible assets on Consolidated Balance Sheets, although such mineral rights were previously classified as intangible assets.

**x. Use of Estimates**

The Company and its subsidiaries make estimates and assumptions to prepare these financial statements. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities, and actual results could differ from those estimates.

**(3) New Accounting Standards****a. Accounting for Conditional Asset Retirement Obligations**

In March 2005, the FASB issued 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. Although the timing and (or) method of settlement may be conditional on a future event, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Accordingly, FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated when incurred. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored in the measurement of the liability when sufficient information exists.

In addition, FIN 47 clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

The Company and its subsidiaries adopted FIN 47 at the end of the year ended March 31, 2006, and the effect of adoption of FIN 47 on the Company and its subsidiaries' financial position and results of operations 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 costs 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 the year ended March 31, 2006. Cumulative effect of an accounting change, net of tax was ¥3,439 million and was presented in the consolidated statements 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 applies to all voluntary changes in accounting principle and those changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions.

Accounting Principles Board ("APB") Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle, but SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principles, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

In addition, SFAS 154 requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change, and a change in depreciation, amortization, or depletion method should be accounted for as a change in accounting estimate effected by a change in accounting principle.

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.

**(4) Reclassification**

Certain reclassifications and changes have been made to prior year amounts to conform to the current year's presentation.