

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 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 for the year ended March 31, 2005, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company recognized ¥1,165 million of deferred tax liability on the recognized gain which is included in "Income Taxes - Deferred."

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

22. Variable Interest Entities

The Company and its subsidiaries have involvement in certain businesses such as ocean plying vessels, property development and providing loans to third parties, which are conducted through special purpose entities. The Company and its subsidiaries retain variable interests through loans, guarantees and equity investments in these special purpose entities which are classified as variable interest entities under FIN 46R.

There are no material matters to disclose about the entities where the Company and its subsidiaries are the primary beneficiary.

The total assets and maximum exposure to loss to the

Company and its subsidiaries as a result of its involvement in the variable interest entities where the Company and its subsidiaries are not the primary beneficiary, but have significant variable interests, were ¥165,155 million (\$1,406 million) and ¥37,099 million (\$316 million), respectively, as of March 31, 2006 and ¥153,403 million and ¥27,253 million, respectively, as of March 31, 2005. The maximum exposure to loss, which includes loans and guarantees, are partially covered by guarantees provided by third parties, and has no relation to the loss estimated to be incurred from involvement with the variable interest entities.

23. Commitments and Contingent Liabilities

The Company and certain subsidiaries enter into purchase contracts for certain items, principally energy, machinery and chemical materials either at fixed or at variable prices. In most cases, these contracts are matched with counterparty sales contracts. At March 31, 2006, the outstanding purchase contracts amounted to ¥1,650,830 million (\$14,053 million) of which deliveries are at various dates through 2026.

The Company and certain subsidiaries also had long-term financing commitments aggregating ¥34,640 million (\$295 million) at March 31, 2006 for loans and investments in

equity capital.

The Company and its subsidiaries issue various guarantees for indebtedness of associated companies and customers. The guarantees are principally for monetary indebtedness by third parties to enhance their credit standings. If a guaranteed party failed to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk at March 31, 2006 and 2005 are summarized below:

	Millions of Yen		
	2006		
	Guarantees for Monetary indebtedness	Other Guarantees	Total
Guarantees for associated companies:			
Maximum potential amount of future payments	¥ 114,554	¥ 25,717	¥ 140,271
Amount of substantial risk	73,538	22,523	96,061
Guarantees for customers:			
Maximum potential amount of future payments	115,344	16,501	131,845
Amount of substantial risk	66,353	15,295	81,648
Total:			
Maximum potential amount of future payments	¥ 229,898	¥ 42,218	¥ 272,116
Amount of substantial risk	139,891	37,818	177,709