

## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

#### **Organization**

The Company is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Commercial Code (*shoho*) of Japan. It is registered in the Commercial Register (*shogyo tokibo*) maintained by the Osaka Legal Affairs Bureau and several other registry offices of the Ministry of Justice.

#### **Objects and Purposes**

Article 2 of the Articles of Incorporation of the Company provides that its purpose is to engage in the following business activities: manufacture, sale and laying work of cast iron pipe, various kinds of pipe and fittings thereof; manufacture and sale of castings, powder-metallurgy products and ceramic and other moldings; manufacture and sale of internal combustion engines, automobiles, agricultural machinery and ancillary farming products; manufacture, sale and installation of construction machinery, machine tools, pumps, valves, various kinds of industrial machinery and other machinery; manufacture, sale and installation of weighing, measuring and control equipment, electrical, electronic and communication machinery and equipment, automatic vending machines and automatizing machinery and equipment; manufacture and sale of various kinds of materials for civil engineering and construction as well as various kinds of machinery and equipment for houses; construction and civil engineering, and planning, manufacture, supervision, performance and sale of, and contracting for, houses, building structures, steel-frame structures and storage facilities and equipment; sale, purchase, lease and management of real estate and development of residential land; planning, manufacture, engineering and construction of, and contracting for, various environmental control devices and equipment and various plants; treatment, recovery and recycling business of various kinds of wastewater, exhaust gas and contaminated soil; treatment, recovery and recycling business of municipal and industrial wastes; manufacture and sale of chemicals for household use and for environmental control devices and equipment as well as bioproducts; manufacture, processing and sale of synthetic resins and other chemical synthetic products; development and sale of information processing and communication systems, and computer software; operation of facilities for sports, lodging, training, health and medical care, recuperation and recreation; road cargo transportation business, water transportation business and warehousing business; general leasing business; personnel dispatching agency business; business of soliciting life insurance, casualty insurance agency business and insurance agency business pursuant to the Automobile Injury Compensation Law; any consulting business relating to each of the foregoing items, and any other business ancillary to or relating to any of the foregoing items.

#### **Directors**

Under the Commercial Code, each Director has executive powers and duties to manage the affairs of the Company and each Representative Director, who is elected from among the Directors by the Board of Directors, has the statutory authority to represent the Company in all respects. Under the Commercial Code, the Directors must refrain from engaging in any business competing with the Company unless approved by the Board of Directors and any Director who has a material interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote in such resolution. The total amounts of remuneration to Directors and that to Corporate Auditors are subject to the approval of the general meeting of shareholders. Within such authorized amounts the Board of Directors and the Board of Corporate Auditors respectively determine the compensation to each Director and Corporate Auditor.

Except as stated below, neither the Commercial Code nor the Company's Articles of Incorporation make a special provisions as to the Director's or Corporate Auditor's power to vote in connection with their compensation; the borrowing power exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such power), their retirement age or requirement to hold any shares of capital stock of the Company. The Commercial Code specifically requires the resolution of the Board of Directors for a corporation to acquire or dispose of material assets; to borrow a substantial amount of money; to employ or discharge from employment important employees, such as corporate executive officers; and to establish, change or abolish material corporate organization such as a branch office. The Regulations of the Board of Directors of the Company require a resolution of the Board of Directors for the Company to borrow a large amount of money or to give a guarantee in a large amount. There is no written rule as to what constitutes a "large" amount in these contexts. However, it has been the general practice of the Company's Board of Directors to adopt a resolution for the debt in an amount not less than five billion yen or its equivalent, or standing joint and several suretyship for the debt in an amount not less than 1 billion yen or its equivalent.

### **Common stock**

Set forth below is information relating to the Company's Common Stock, including brief summaries of the relevant provisions of the Company's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Commercial Code of Japan and related legislation. The discussion of the Commercial Code below reflects certain amendments to the Commercial Code (the "2001 Amendments") that were promulgated on June 29, 2001, and which will come into force not later than six months from their promulgation (the "effectiveness of the 2001 Amendments").

#### *(Authorized capital)*

Article 5 of the Articles of Incorporation of the Company provides that the total number of shares authorized to be issued by the Company is two billion (2,000,000,000) shares.

Under the Company's Articles of Incorporation, currently in effect, only shares of common stock are issuable and as of March 31, 2001, 1,409,808,978 shares of Common Stock with a par value of 50 yen per share were issued and outstanding. The 2001 Amendments eliminate the concept of "par value" of shares of capital stock. Thus, after the effectiveness of the 2001 Amendments all shares of capital stock of the Company will have no par value.

#### *(Dividends)*

The Articles of Incorporation of the Company provide that the accounts shall be closed on March 31 of each year and that dividends, if any, shall be paid to shareholders, beneficial shareholders and pledgees of record as of the end of such day. After the close of the fiscal period, the Board of Directors prepares, among other things, a proposed allocation of profits for dividends and other purposes; this proposal is submitted to the Corporate Auditors of the Company and to independent certified public accountants and then submitted for approval to the ordinary general meeting of shareholders, which is normally held in June each year. In addition to provisions for dividends, if any, and for the legal reserve and other reserves, the allocation of profits customarily includes a bonus to Directors and Corporate Auditors. In addition to year-end dividends, the Board of Directors may by its resolution declare a cash distribution pursuant to Article 293-5 of the Commercial Code (an "interim dividend") to shareholders, beneficial shareholders and pledgees of record at the end of each September 30, without shareholders' approval, but subject to the limitations described below.

The Commercial Code provides that a company may not make any distribution of profit by way of dividends or interim dividends for any fiscal period unless it has set aside in its legal reserve an amount equal to at least one-tenth of the amount paid by way of appropriation of retained earnings for such fiscal period until the amount of legal reserve (after the effectiveness of the 2001 Amendments, the aggregate amount of additional paid-in capital and legal reserve) is one-quarter of its stated capital. Under the Commercial Code, the Company is permitted to distribute profits by way of year-end or interim dividends

out of the excess of its net assets over the aggregate of:

- (i) its stated capital;
- (ii) its additional paid-in capital;
- (iii) its accumulated legal reserve;
- (iv) the legal reserve to be set aside in respect of the fiscal period concerned;
- (v) the excess, if any, of unamortized expenses incurred in preparation for commencement of business and in connection with research and development over the aggregate of amounts referred to in (ii), (iii) and (iv) above;
- (vi) if the Company has on its balance sheet a number of shares of its capital stock which it has acquired for the purpose of transferring the same to its Directors and/or employees but such shares are yet to be so transferred, the book value of such shares; and
- (vii) if certain assets of the Company are stated at market value pursuant to the provisions of the Commercial Code, the aggregate amount of the difference between their market value and acquisition cost.

In the case of interim dividends, the net assets are calculated by reference to the balance sheet as at the last closing of the Company's accounts, but adjusted to reflect any subsequent payment by way of appropriation of retained earnings and transfer to legal reserve in respect thereof; provided that interim dividends may not be paid where there is a risk that at the end of the fiscal year there might not be any excess of net assets over the aggregate of the amounts referred to in (i) through (vii) above. In addition, if the Company's shareholders have adopted a resolution for its purchase of shares of its common stock for the purpose of transferring the same to its Directors and/or employees or for the purpose of retiring the same with retained earnings, the total amount of purchase price authorized by such resolution shall, so long as such resolution has not expired, and whether or not such purchase has been effected, be deducted from the amount available for interim dividends. (After the effectiveness of the 2001 Amendments, item (vi) above will be eliminated.)

In Japan the "ex-dividend" date and the record date for dividends precede the date of determination of the amount of the dividends to be paid.

Under its Articles of Incorporation, the Company is not obligated to pay any dividends which are left unclaimed for a period of 3 years after the date on which they first became payable.

*(General meeting of shareholders)*

The ordinary general meeting of shareholders to settle accounts of the Company for each fiscal year is normally held in June in each year in Osaka, Japan. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving at least 2 weeks' advance notice to shareholders.

Notice of a shareholders' meeting setting forth the place, time and purpose thereof, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his resident proxy or mailing address in Japan) at least 2 weeks prior to the date set for the meeting.

Any shareholder holding at least 300 units of shares (see *'("Unit" share system)'* below) or 1 percent of the total number of outstanding shares (after the effectiveness of the 2001 Amendments, 300 voting rights or 1 percent of the total voting rights) for 6 months or more may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a Representative Director at least 6 weeks prior to the date set for such meeting.

*(Voting rights)*

A shareholder is entitled to one vote per share (after the effectiveness of the 2001 Amendments, if the Company provides or is deemed to provide in its Articles of Incorporation for the unit of shares under the new unit share system (see *'(New "unit" share system)'* below), one vote per unit) subject to the limitations on voting rights set forth in the following paragraph and *'("Unit" share system) – Voting rights*

*of a holder of shares representing less than one unit*' below. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the shares having voting rights (after the effectiveness of the 2001 Amendments, a majority of the voting rights) represented at the meeting. The Commercial Code and the Company's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total number of outstanding shares having voting rights (after the effectiveness of the 2001 Amendments, one-third of the total voting rights). The Company's shareholders are not entitled to cumulative voting in the election of Directors. A corporate shareholder more than one-quarter of whose outstanding shares are directly or indirectly owned by the Company may not exercise its voting rights with respect to shares of Common Stock of the Company that it owns. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. The Company's shareholders also may cast their votes in writing.

The Commercial Code provides that in order to amend the Articles of Incorporation and in certain other instances, including, a reduction of stated capital, the removal of a Director or Corporate Auditor, dissolution, merger or consolidation requiring shareholders resolution, the transfer of the whole or an important part of the business, the taking over of the whole of the business of any other corporation requiring shareholders resolution, share exchange or share transfer requiring shareholders resolution for the purpose of establishing 100 percent parent-subsidiary relationships, splitting of the corporation into two or more corporations requiring shareholders resolution, any offering of new shares at a "specially favorable" price (or any offering of convertible bonds or bonds with warrants to subscribe for new shares of capital stock at a "specially favorable" conversion or exercise conditions) to any persons other than shareholders or granting to Directors and/or employees rights to subscribe for new shares if the Articles of Incorporation so permit, the quorum shall be a majority of the total number of shares having voting rights outstanding (after the effectiveness of the 2001 Amendments, a majority of the total voting rights) and the approval of the holders of at least two-thirds of the shares having voting rights (after the effectiveness of the 2001 Amendments, two-thirds of the voting rights) represented at the meeting is required (the "special shareholders resolutions").

*(Subscription rights)*

Holders of the Company's shares of common stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a "specially favorable" price mentioned under "*(Voting rights)*" above. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date of which not less than 2 weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiration thereof at least 2 weeks prior to the date on which such rights expire.

Rights to subscribe for new shares may be made generally transferable by the Board of Directors. Whether the Company will make subscription rights generally transferable in future rights offerings will depend upon the circumstances at the time of such offerings. If subscription rights are not made generally transferable, transfers by a non-resident of Japan or a corporation organized under the laws of a foreign country or whose principal office is located in a foreign country will be enforceable against the Company and third parties only if the Company's prior written consent to each such transfer is obtained. When such consent is necessary in the future for the transfer of subscription rights, the Company intends to consent, on request, to all such transfers by such a non-resident or foreign corporation.

The Commercial Code permits a company to provide in its articles of incorporation that it may, by a special shareholders resolution, grant to its directors and/or employees rights to subscribe for new shares if there exists a justifiable reason. The Articles of Incorporation of the Company do not have such a provision.

*(Liquidation rights)*

In the event of a liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective number of shares of Common Stock held.

*(Record date)*

March 31 is the record date for the Company's year-end dividends. The shareholders and beneficial shareholders who are registered as the holders of 1,000 shares or more (after the effectiveness of the 2001 Amendments, insofar as the Company provides or is deemed to provide in its Articles of Incorporation for the unit of shares under the new unit share system, the number of shares constituting one unit or more) in the Company's registers of shareholders and/or beneficial shareholders at the end of each March 31 are also entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the fiscal year ending on such March 31. September 30 is the record date for interim dividends. In addition, the Company may set a record date for determining the shareholders and/or beneficial shareholders entitled to other rights and for other purposes by giving at least 2 weeks prior public notice.

The price of shares generally goes ex-dividend or ex-rights on Japanese stock exchanges on the third business day prior to a record date (or if the record date is not a business day, the fourth business day prior thereto), for the purpose of dividends or rights offerings.

*(Repurchase by the Company of its Common Stock)*

Except as otherwise permitted by the Commercial Code or the Law of Special Measures to the Commercial Code Concerning Retirement of Shares (the "Special Retirement Law", which will be abolished upon the effectiveness of the 2001 Amendments) as set out below, the Company or any of its subsidiaries cannot acquire the Company's common stock except by means of a reduction of capital in the manner prescribed by the Commercial Code.

The Company may acquire shares of its common stock in response to a shareholder's request for purchase of his/her shares representing less than one unit. See *'("Unit" share system) – Right of a holder of shares representing less than one unit to require the Company to purchase such shares'* and *'(New "unit" share system) – Repurchase by the Company of shares constituting less than a full unit'* below. Shares so purchased must, until the effectiveness of the 2001 Amendments, be sold or otherwise transferred to a third party within a reasonable period thereafter.

Under the Commercial Code and the Special Retirement Law, the Company may acquire shares of its common stock for the following purposes, subject to the authorization of shareholders at an ordinary general meeting of shareholders (if the Articles of Incorporation provide that the shares may be purchased for the purpose of retirement by a resolution of the Board of Directors if the Board deems it especially necessary to do so in view of general economic condition, the business and financial conditions of the Company and other factors, by the resolution of the Board of Directors):

- (i) for the purpose of transferring the same to its Directors and/or employees if there exists a justifiable reason; and
- (ii) for the purpose of retirement thereof with retained earnings.

Acquisition by the Company of shares of its common stock for the purpose of (i) above is subject to, among other things, the following restrictions:

- (a) the sum of the number of shares to be acquired, the number of shares acquired but not yet transferred to its Directors and/or employees and the number of shares subject to the subscription rights granted to its Directors and/employees pursuant to the resolution of the Board of Directors as authorized under the Company's Articles of Incorporation does not exceed 10 percent of all issued and outstanding shares;
- (b) the total amount of purchase price does not exceed the amount of the retained earnings

- available for dividend payment minus the amount to be paid by way of appropriation of retained earnings for the fiscal year and, if any amount of retained earnings is to be capitalized, such amount (if the purchase is made pursuant to the resolution of the Board of Directors as referred to in the parentheses above, one-half of such permitted amount); and
- (c) acquisition shall be made through a stock exchange transaction or by way of tender offer.

Acquisition by the Company of shares of its Common Stock for the purpose (ii) above is subject to, among other things, the same restrictions as described in (b) and (c) above.

The Company's Articles of Incorporation provide that it may purchase up to 140 million shares of Common Stock by a resolution of the Board of Directors for the purpose of retiring the same with retained earnings. No such purchase pursuant to a resolution of the Board of Directors may be made after the conclusion of the ordinary general meeting of shareholders for the fiscal year ending immediately after the Board resolution. No Board resolution has been made for this purpose.

The 2001 Amendments permit the Company to effect purchases of shares of its Common Stock pursuant to the above authorization until the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2002 and to hold such shares as its treasury shares regardless of the time of any such purchase.

Upon the effectiveness of the 2001 Amendments, the Special Retirement Law will be abolished and the provisions of the Commercial Code with respect to the purchase and holding by a company of its own shares for the purpose of retirement and for transfer to its directors or employees will be materially amended. Under the 2001 Amendments, in order for the Company to purchase its own shares a resolution of an ordinary general meeting of shareholders is required with respect to (i) the total number of shares and the total acquisition price which the Company may purchase during the period ending the conclusion of the next ordinary general meeting of shareholders, or (ii) if the purchase(s) is/are to be made from a specified person or persons, the identity of such person(s). The total amount of purchase price referred to above cannot exceed the amount which can be distributed as dividends as described under "*Dividends*" above. The shareholders resolution for (ii) above shall be by a special shareholders resolution and any shareholder who received a convocation notice of the general meeting of shareholders where the resolution on item (ii) above is sought may require the Company in writing not later than 5 days prior to the date set for the meeting to include him/her as the seller of his/her shares in the proposed purchase. Any purchase by the Company of its shares pursuant to the shareholders resolutions except in the case of (ii) above should be made either on the stock exchange or by way of tender offer. Shares so purchased may be retired by a resolution of the Board of Directors or held by the Company as treasury shares.

*("Unit" share system)*

Pursuant to the Commercial Code, currently in effect, the Company has adopted 1,000 shares as one unit of shares.

*Transferability of shares representing less than one unit*

Certificates for shares representing less than a unit may only be issued in certain limited circumstances. Since the transfer of shares normally requires delivery of the certificates therefor, fractions of a unit for which no share certificates are issued are not transferable. Shares representing less than a unit for which share certificates have been issued continue to be transferable, but the transfer may be registered in the Company's register of shareholders only if the transferee is already a registered shareholder (whether in respect of units or of shares representing less than a unit).

*Right of a holder of shares representing less than a unit to require the Company to purchase such shares*

A holder of shares representing less than a unit may at any time require the Company to purchase such shares at their last reported sale price on the Osaka Securities Exchange on the day when such

request is made or, if no sale takes place on the Osaka Securities Exchange on such day, the last reported sale price on the Tokyo Stock Exchange on such day, and if a sale takes place on neither of such exchanges on such day, the price at which the first sale of the shares is effected on either the Osaka Securities Exchange or the Tokyo Stock Exchange thereafter, and if such sale is effected on both Exchanges on any such subsequent day, the price at which the first sale of the shares is effected on the Osaka Securities Exchange, less applicable brokerage commission.

#### *Other rights of a holder of shares representing less than a unit*

A holder of shares representing less than a unit has the following rights in respect of such shares:

- (i) the right to receive dividends (including interim dividends);
- (ii) the right to receive shares and/or cash by way of a stock split or upon consolidation or subdivision of shares, a capital decrease, merger or consolidation, share exchange or share transfer for the purpose of establishing 100 percent parent-subsidiary relationship or splitting of the Company into two or more companies;
- (iii) the right to be allotted subscription rights with respect to new shares, convertible bonds or bonds with warrants when such rights are granted to shareholders;
- (iv) the right to participate in the distribution of residual assets in the event of the liquidation of the Company; and
- (v) the right to require the Company to issue replacement share certificates for lost, stolen or destroyed share certificates.

All other rights, including voting rights, cannot be exercised with respect to shares representing less than a unit.

#### *Voting rights of a holder of shares representing less than a unit*

A holder of shares representing less than a unit cannot exercise any voting rights with respect to such shares. In calculating the quorum for various voting purposes, the aggregate number of shares representing less than a unit will be excluded from the number outstanding shares. A holder of shares representing one or more whole units will have one vote for each such shares, except as stated in “*Voting rights*” above.

#### *(New “unit” share system)*

After the effectiveness of the 2001 Amendments, the unit share system described above will be abolished and a new unit share system called “tangen-kabushiki” will be introduced. Whether to adopt the new unit system by providing in its Articles of Incorporation for the number of shares constituting the new unit or not to do so is at the discretion of the Company. However, under the 2001 Amendments, it is deemed that the Company has provided in the Articles of Incorporation 1,000 shares (the same number of shares constituting the present unit) as its new unit of shares and that a provision is also made in the Articles of Incorporation that no share certificate for any number less than a full unit shall be issued. Under the 2001 Amendments, any amendment to the Articles of Incorporation reducing the number of shares constituting a unit or eliminating the provisions for the unit of shares may be made by the resolution of the Board of Directors rather than by the special shareholders resolution. The number of shares constituting one unit cannot exceed 1,000 or one two-hundredth (1/200) of all issued shares.

#### *Voting rights under the new unit share system*

Under the new unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

#### *Share certificates for less than a unit of shares*

Under the new unit share system, the Company has an option either to issue share certificates for less than a unit shares or to provide in its articles of incorporation not to issue share certificates for less

than a unit of shares. As stated above, upon the effectiveness of the 2001 Amendments, the Company is deemed to have provided in the Articles of Incorporation not to issue share certificates for less than a unit of shares. Thus, unless the Company's Board of Directors takes a resolution to eliminate the provision for the unit shares from the Articles of Incorporation or the shareholders amend the Articles of Incorporation by a special shareholders resolution to eliminate the provision for not to issue share certificates for less than a unit of shares, a share certificate for any number of shares less than a full unit will in general not be issued. As the transfer of shares normally requires the delivery of the share certificates therefor, any fraction of a unit for which no share certificates are issued is not transferable.

#### *Repurchase by the Company of shares constituting less than a full unit*

A holder of shares constituting less than one unit may require the Company to purchase such shares at their market value.

#### *Effect of the unit share system on holders of ADRs*

A holder who owns ADRs evidencing less than 1,000 ADSs will indirectly own less than a whole unit. Although, as discussed above, under the unit share system (whether the existing unit share system or the new unit share system) holders of less than a unit have the right to require the Company to purchase their shares, holders of ADRs evidencing ADSs that represent other than integral multiples of whole units are unable to withdraw the underlying shares of capital stock representing less than a unit and, therefore, are unable, as a practical matter, to exercise the rights to require the Company to purchase such underlying shares unless the Company's Articles of Incorporation is amended to eliminate the provision not to issue share certificates for the numbers of shares less than a whole unit. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares in lots less than a unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

#### **Reporting of substantial shareholdings**

The Securities and Exchange Law of Japan requires any person who has become, beneficially and solely or jointly, a holder of more than 5 percent of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the Prime Minister within 5 business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of 1 percent or more in any such holding, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Copies of such report must also be furnished to the issuer of such shares and all Japanese stock exchanges on which the shares are listed or (in the case of shares traded over-the-counter) the Japan Securities Dealers Association.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Commercial Code or the Company's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to the Company or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares of common stock of the Company.

There is no provision in the Company's Articles of Incorporation or by-laws that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving the Company.

### C. Material Contracts

All contracts concluded by Kubota during the two years preceding the date of this report were entered into in the ordinary course of business.

### D. Exchange Controls

The Japanese Foreign Exchange and Foreign Trade Law, currently in effect (the “Law”), does not affect or restrict the rights of a non-resident or foreign corporation to acquire or hold shares of capital stock of the Company except that in the event of acquisition of shares of common stock, unless such acquisition is made through a securities company or other financial institution, the acquiring non-resident or foreign corporation is subject to a post-transaction reporting requirement under the Law. However, the Minister of Finance has the power to impose a licensing requirement in certain acquisitions in extremely limited circumstances. Under the Law, dividends paid on, and the proceeds of sales in Japan of, shares of common stock of the Company held by non-residents may in general be converted into any foreign currency and repatriated abroad.

### E. Taxation

*The following is a general summary of the major Japanese and U.S. federal income tax consequences of the ownership and disposition of shares of Common Stock of the Company and of ADRs evidencing ADSs representing shares of common stock of the Company by a non-resident of Japan or a non-Japanese corporation which holds those shares or ADSs, and is not purposed to be comprehensive to cover all situations that may be relevant to any particular investors. Holders of shares of common stock of the Company or ADSs are strongly urged to consult their tax advisers regarding their tax positions.*

For purposes of the Income Tax Convention between the United States and Japan (the “Tax Convention”) and the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. holders of ADRs will be treated as the owners of the Common Stock underlying the ADSs evidenced by the ADRs. For the purposes of the following discussion, a “U.S. holder” is a beneficial owner of a share of Common Stock as an ADS that:

- (i) is a resident of the United States for purposes of the Tax Convention,
- (ii) is a citizen of the United States,
- (iii) does not maintain a permanent establishment or fixed base in Japan to which ADRs or shares of Common Stock are attributable and through which the beneficial owner carries on or has carried on business (or in the case of an individual, performs or has performed independent personal services), and
- (iv) is not otherwise ineligible for benefits under the Tax Convention with respect to income and gains derived in connection with the ADSs or shares of Common Stock.

#### *(Japanese taxation)*

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by a Japanese corporation. Stock splits in themselves are not subject to Japanese income tax.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-residents of Japan or non-Japanese corporations is 20 percent. At the date of this document, Japan has income tax treaties, conventions or agreements whereby the above mentioned withholding tax rate is reduced, in most cases to 15 percent for portfolio investors with, among other countries, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Under the Tax Convention, as currently in force, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to eligible U.S. holders generally is limited to 15 percent of the gross amount actually distributed. A non-resident holder who is entitled to a reduced rate of Japanese withholding tax on payment of dividends by the Company is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends in advance through the Company to the relevant tax authority before payment of dividends. A standing proxy for a non-resident holder may provide this application service. With respect to ADSs, this reduced rate is applicable if the Depository or its agent submits two Application Forms (one before payment of dividends, the other within eight months after the Company's fiscal year-end). To claim this reduced rate, a non-resident holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depository. A non-resident holder who does not submit an application in advance will be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty from the relevant Japanese tax authority.

Gains derived by a non-resident of Japan or a non-Japanese corporation from the sale of shares of common stock or ADSs outside Japan or from the sale of shares of common stock within Japan by a non-resident of Japan or a non-Japanese corporation not having a permanent establishment in Japan, are in general not subject to Japanese income or corporation tax.

If the Company purchases shares of its Common Stock by way of a tender offer and retire the same with retained earnings available for dividend payment, individual shareholders who sold the shares to the Company in such tender offer who are residents of Japan or non-residents of Japan having a permanent establishment within Japan, if such purchases are made on or before March 31, 2002, will be subject to Japanese taxation applicable to gains realized by individuals from sales of shares – 26 percent separate taxation upon filing tax returns (although up to March 31, 2003, the taxpayers may choose a 1.05 percent withholding tax on the gross sales proceeds). However, this is an interim measure applicable to the period ending March 31, 2002 and after such date, unless the present treatment is extended, a similar treatment as those currently applicable to foreign corporations having a permanent establishment within Japan as discussed in the next sentence will be applicable. If the sellers are foreign corporations having a permanent establishment within Japan, the portion of the proceeds received from the Company corresponding to the excess over the aggregate of the portions attributable to stated capital and additional paid-in capital will be deemed dividends and subject to taxation on dividends and the rest of the net proceeds will be subject to taxation treatment on gains realized from sales of shares. For non-resident individuals having no permanent establishment within Japan, no Japanese income tax will accrue, except in certain exceptional circumstances. For foreign corporations having no permanent establishment within Japan, the portion of the proceeds received from the Company which is deemed dividends as discussed in the third sentence of this paragraph will be subject to withholding income tax (generally 20 percent, subject to applicable income tax treaty provisions); otherwise, except in certain exceptional cases, no further Japanese tax will be imposed.

Japanese inheritance or gift tax at progressive rates may be payable by an individual who has acquired shares of Common Stock or ADSs as a legatee, heir or donee even though neither the individual nor the deceased nor donor is a Japanese resident.

Holders of shares of common stock or ADSs should consult their tax advisers regarding the effect of these taxes.

*(United States Taxation of Common Stock or ADSs)*

The following describes the material United States federal income tax consequences of owing shares or ADSs. It applies to you only if you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- (i) a dealer in securities,

- (ii) a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- (iii) a tax-exempt organization,
- (iv) a life insurance company,
- (v) a person liable for alternative minimum tax,
- (vi) a person that actually or constructively owns 10% or more of the Company's voting stock,
- (vii) a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction, or
- ( ) a person whose functional currency is not the U.S. dollar.

This section is based on the International Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Tax Convention. These laws are subject to change, possibly on a retrospective basis.

#### *Taxation of Dividends*

U.S. holders will include in gross income as ordinary income the gross amount of any dividends received (before reduction for Japanese withholding taxes) to the extent paid out of the Company's current or accumulated earning and profits (as determined for United States federal income tax purposes). The dividend will not be eligible for the dividends-received deduction allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend is includible in the U.S. holder's income.

Subject to certain limitations, the Japanese tax withheld in accordance with the Tax Convention will be creditable against the U.S. holder's United States federal income tax liability.

For foreign tax credit limitation purposes, the dividend will be income from sources without the United States, but generally will be treated separately, together with other items of "passive income", or in the case of certain holders, "financial services income".

#### *Taxation of Capital Gains*

Upon a sale or other disposition of Common Stock or ADSs, a U.S. holder will recognize gain or loss in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis (determined in U.S. dollars) in such Common Stock or ADSs. Generally, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for such Common Stock or ADSs exceeds one year. Any such gain or loss will be income or loss from sources within the United States for foreign tax credit limitation purposes.

The Company believes that shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If the Company were to be treated as a PFIC, unless a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs, gain realized on the sale or other disposition of your shares or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, you would be treated as if you had realized such gain and certain "excess distributions" ratably over your holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year.

#### F. Dividends and Paying Agent

Not applicable

#### G. Statements by Experts

Not applicable

#### H. Documents on Display

It is possible to read and copy documents referred to this annual report on Form 20F that has been filed with the SEC's public reference room located at 450 Fifth Street, New York, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for future information on the public reference rooms and their copy charges.

#### I. Subsidiary Information

Not applicable