

As of March 31, 1999, approximately 12.9% of the Company's Common Stock was owned by 243 United States shareholders as a whole, including the Depository's nominee as one shareholder of record, the percentage ownership of which was about 4.5%.

Item 6. Exchange Controls and Other Limitations Affecting Security Holders

(a) Exchange Regulations

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder (the "Foreign Exchange Law") govern certain matters relating to the issuance of equity-related securities by the Company and the acquisition and holding of shares of Common Stock or ADSs representing such shares by "exchange non-residents" and by "foreign investors" as hereinafter defined. The Foreign Exchange Law currently in effect does not affect the right of an exchange non-resident to purchase or sell an ADS outside Japan.

"Exchange non-residents" are defined under the Foreign Exchange Law as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan. "Foreign investors" are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan and (iii) corporations of which (a) 50% or more of the shares are held by (i) and/or (ii) above, (b) a majority of officers consists of non-resident individuals or (c) a majority of officers having the power of representation consists of non-resident individuals.

Dividends and Proceeds of Sales

Under the Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares of Common Stock held by exchange non-residents in general may be converted into any foreign currency and repatriated abroad. The acquisition of shares of Common Stock by exchange non-resident shareholders by way of stock splits is not subject to any requirements under the Foreign Exchange Law.

Acquisition of Shares

Under the Foreign Exchange Law, acquisition of shares of a Japanese company listed on any Japanese stock exchange or traded on the over-the-counter market in Japan ("listed shares") by an exchange non-resident from a resident of Japan is generally not subject to a prior filing requirement.

In case a foreign investor acquires listed shares (whether from a resident of Japan or an exchange non-resident, from another foreign investor or from or through a designated securities company) and as a result of such acquisition the number of shares held directly or indirectly by such foreign investor would become 10% or more of the total outstanding shares of the company, the foreign investor is required to make a post report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company (the "Competent Ministers.") In certain exceptional cases, a prior filing is required and the Competent Ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition.

Exercise or Transfer of Subscription Rights

Acquisition by an exchange non-resident shareholder of shares of Common Stock upon exercise of subscription rights is subject to the same procedures as described under “Acquisition of Shares.” If an exchange non-resident shareholder wishes to transfer, rather than exercise, any subscription rights, he may sell such rights in or outside Japan without restriction. Rights to subscribe for shares of Common Stock given to the shareholders may be made generally transferable by the Board of Directors. Whether a company will make subscription rights generally transferable in future offerings will depend upon the circumstances at the times of such offerings. If subscription rights are not made generally transferable, a transfer by a foreign investor (as defined above) not resident in Japan will be enforceable against the company and third parties only if prior written consent to each such transfer is obtained from the company. 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 non-residents.

American Depositary Shares

The deposit of shares of Common Stock by an exchange non-resident of Japan, the issuance of ADRs in exchange therefor and the withdrawal of the underlying shares of Common Stock by an exchange non-resident upon surrender of ADRs are not subject to any requirements under the Foreign Exchange Law, except where as a result of such deposit or withdrawal the aggregate number of shares of Common Stock held by the Depositary (or its nominee) or the holder surrendering ADRs, as the case may be, would be 10% or more of the total outstanding shares of Common Stock, in which event a post reporting may be required as described under “Acquisition of Shares.”

(b) Certain Other Provisions of Japanese Law

Stock Splits

The entire amount of the issue price of new shares of Common Stock is required to be accounted for as stated capital, although a company may account for an amount not exceeding one-half of such issue price as capital surplus (subject to the remainder being not less than the total par value of the new shares being issued.) A company may at any time transfer the whole or any part of its capital surplus and legal reserve to stated capital by a resolution of the Board of Directors. The whole or any part of retained earnings which may be distributed as annual dividends may also be transferred to stated capital by a resolution of an ordinary general meeting of shareholders. “Stock split” means any kind of stock split including a free share distribution, a stock dividend and a sub-division.

A company may, upon giving prior public notice to shareholders, at any time split the outstanding shares of Common Stock into a greater number of shares by a resolution of the Board of Directors if (i) the total par value of the shares in issue after the stock split does not exceed the stated capital and (ii) the net assets of the company (as appearing in the latest balance sheet) divided by the number of the shares in issue after the stock split is at least ¥50. Such a stock split generally becomes effective on the record date specified in the above mentioned public notice unless a different effective date is specified by the aforementioned resolution of the Board of Directors.

Reporting of Substantial Shareholdings

The Securities and Exchange Law of Japan, as amended, requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued voting 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 Minister of Finance of Japan within five business days a report concerning such share holdings. A similar report must also be made in respect of any subsequent change of one percentage point or more in any such holding. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of 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 each 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.

Unit Share System

Pursuant to the Commercial Code, the Company has adopted 1,000 shares as one unit of shares. The Company may not issue share certificates for a number of shares not constituting an integral number of units except in certain limited cases. Since transfers of less than one unit of the underlying shares of common stock are normally prohibited under the unit share system, under the Deposit Agreement currently in force, the right of ADR holders to surrender their ADRs and withdraw the underlying shares of common stock may only be exercised as to whole units of common stock.

Acquisition by the Company of Shares

The Company is generally prohibited from acquiring its own shares of Common Stock except, among others, in the following cases as more fully provided in the Commercial Code (or, in the case of (iv) below, the Law on an Exception for the Procedure of Retirement of Shares in the Commercial Code as well): (i) by means of a reduction of its capital; (ii) by means of merger, consolidation or acquisition of all assets of other company; (iii) for the purpose of transfer of shares to its directors and employees (if there is any justifiable reason) pursuant to a resolution of general meeting of shareholders, including a transfer pursuant to a stock option plan, to the extent that such acquired shares do not exceed 10% of all the outstanding shares, so long as the retained earnings are legally available; or (iv) for the purpose of retirement of shares pursuant to a resolution of general meeting of shareholders, or if provided in the Articles of Incorporation, a resolution of the Board of Directors, (a) by means of an appropriation of the earnings to the extent that such acquired shares (together with the shares acquired under (b) below) do not exceed 10% of all the outstanding shares or (b) by means of an appropriation of additional paid-in capital, so long as the retained earnings in each of (a) and (b) are legally available.

In addition, the Company may acquire shares in response to a shareholder's request for purchase of his shares representing less than one unit or certain other reasons, as provided in the Commercial Code.

Shares acquired must be canceled as soon as possible (in the case of (i) or (iv)), transferred to its directors and employees within six months from the date of acquisition of the shares or before expiry of an exercise period under a stock option plan (in the case of (iii)) or sold or otherwise transferred to a third party within a reasonable time thereafter (in the case of (ii) or (iii)).

The Commercial Code generally prohibits any subsidiary from acquiring shares in its parent company.

By the resolution of the ordinary general meeting of shareholders of the Company held in June 1998, the Articles of Incorporation was amended to provide that the Company can purchase and retire a maximum of 300 million shares by appropriations of retained earnings.

Item 7. Taxation

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits are in general not subject to Japanese income tax. However, a transfer of retained earnings or legal reserve (but, in general, not capital surplus) to stated capital (whether made in connection with a stock split or otherwise) is treated as a dividend payment to shareholders for Japanese tax purposes and is, in general, subject to Japanese income and withholding tax. No such transfer would be necessary in connection with a stock split if the total par value of the shares in issue after the stock split does not exceed the stated capital.

Under the income tax convention currently in effect between the United States and Japan, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by Japanese corporations to a United States resident or a United States corporation not having a “permanent establishment” (as defined therein) in Japan is generally 15%.

Absent any applicable tax 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 at present 20%.

Gains derived from the sale outside Japan of shares of Common Stock or ADRs by a non-resident of Japan or a non-Japanese corporation, 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 taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares of Common Stock or ADRs as legatee, heir or donee.

If the purchase of shares with respect to retirement of shares of common stock under the Law on an Exception for Procedure of Retirement of Shares in the Commercial Code is made during the period from November 17, 1995 to March 31, 2002, tax on a constructive dividend is generally not applicable to shareholders who do not sell shares. See “Item 6. Exchange Controls and Other Limitations Affecting Security Holders - (b) Certain Other Provisions of Japanese Law - Acquisition by the Company of Shares.”