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We believe we should use retained earnings mainly to invest in new growth opportunities as we strive to achieve returns for shareholders by increasing our corporate value over the long run. This basic dividend policy has not changed even though we have increased our dividend for fiscal 2003.

We currently intend to continue to pay annual cash dividends on the Shares. In the future, however, we may decide not to pay dividends for any of the following reasons:

- in response to a decline in our earnings or financial condition;
- to permit us to increase our assets;
- to maintain our debt-to-equity ratios at a desired level; or
- if any of our lenders with the right to review our dividend plan and approve our payment of dividends objects to a planned dividend.

Dividends paid to US holders of shares or ADSs are generally reduced by a Japanese withholding tax at the maximum rate of 15%.

TAXATION

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences for owners of the Notes, ADNs, Shares or ADSs who are non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable ("non-resident Holders"). The statements regarding Japanese tax laws set forth below are based on the laws in force and as interpreted by the Japanese taxation authorities as of the date hereof and are subject to changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as:

- to the overall tax consequences of the acquisition, ownership and disposition of Notes, ADNs, Shares or ADSs, including specifically the tax consequences under Japanese law;
- the laws of the jurisdiction of which they are resident; and
- any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Notes

Payment of interest on the notes outside Japan by our paying agents to non-resident Holders will not be subject to Japanese withholding tax.

Each non-resident Holder must comply with procedures for establishing its status in accordance with the requirements of Japanese law.

Interest on the Notes will continue to be exempt from Japanese withholding tax until March 31, 2006. You should be aware that the exemption for non-resident Holders may be affected if Japan adopts new rules that apply to interest on outstanding securities and does not provide for grandfathering. If that happens,

- non-resident Holders generally would be entitled to receive additional amounts; and
- we would be entitled to redeem the debt securities.

Under current Japanese practice, we and our paying agents may determine our withholding obligations in respect of notes held through a qualified clearing organization in reliance on certifications we receive from the qualified clearing organization. In these cases, we do not need to obtain certifications from the ultimate beneficial

owners of the notes. As part of the procedures under which these certifications are given, a beneficial owner may be required to establish that it is a non-resident Holder to the person or entity through which it holds the notes. If a non-resident Holder does not hold its notes through a qualified clearing organization, the non-resident Holder will be required to deliver to our paying agents a claim for exemption from Japanese withholding tax and documentation concerning its identity and residence in order to receive interest payments on the notes free of Japanese withholding tax. We and our paying agents may adopt modified or supplemental certification procedures to the extent necessary to comply with changes in Japanese law or administrative practice.

There are generally no Japanese taxes payable on conversion of Notes, including if we pay holders cash for Shares that we are prohibited from delivering to them.

If holders sell our Notes or ADNs outside of Japan, the proceeds will generally not be subject to Japanese income or corporation taxes.

If holders acquire our Notes or ADNs as a legatee, heir or donee, holders may be subject to Japanese inheritance and gift taxes at progressive rates.

We will pay the Japanese stamp duty tax imposed upon the issuance of Shares registered in the name of the custodian and the delivery of the Shares to the custodian's agent.

Shares

Generally, a non-resident Holder is subject to Japanese withholding tax on dividends on Shares paid by us. Stock splits are not subject to Japanese income or corporation tax.

Pursuant to the amendment to the Special Taxation Measures Law, in effect since April 1, 2003, the Japanese withholding tax rate applicable to dividends on Shares paid to non-resident Holders by us is 15%; provided, however, that this tax rate is reduced to 7% for the period from January 1, 2004 to March 31, 2008. Japan has entered into income tax treaties, conventions and agreements where this withholding tax rate is, in some cases, reduced to a lower percentage for portfolio investors. Non-resident Holders in the countries who are entitled to this reduced Japanese withholding tax rate are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for a non-resident Holder may provide such application service. Non-resident Holders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority.

The Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Tax Convention, established the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a United States resident not having a permanent establishment in Japan. The brief outline of the new Tax Convention, effective since July 1, 2004, is that the maximum withholding rate is limited to (a) 5% of the relevant dividends if the recipient is a corporation which owns more than 10% of voting shares of the paying corporation or (b) 10% of the relevant dividends for otherwise. Notwithstanding the above, the dividends shall not be taxed if the recipient is (a) a corporation that has owned more than 50% of voting shares of the paying corporation for the period of 12 months ending on the date on which entitlement to the dividends is determined, and that satisfies certain other conditions set forth in the new Tax Convention or (b) a certain pension fund.

Gains derived from the sale outside Japan of Shares, or from the sale of Shares within Japan by a non-resident Holder, 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 as legatee, heir or donee.

US TAXATION

The following discussion describes the material United States federal tax consequences of ownership and disposition of Notes, ADNs, Shares or ADSs held as capital assets by United States Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of their particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Notes, ADNs, Shares or ADSs as part of a hedge;
- persons whose functional currency is not the dollar;
- partnerships or other entities classified as partnerships for US federal income tax purposes;
- persons subject to the alternative minimum tax;
- persons owning 10% or more of the common stock of the Company; or
- persons carrying on a trade or business in Japan through a permanent establishment.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this annual report may affect the tax consequences described herein.

As used herein, the term “United States Holder” means a beneficial owner of Notes, ADNs, Shares or ADSs that is for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for US federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to United States federal income taxation regardless of our source.

We believe that we will be considered a passive foreign investment company, or a PFIC, for United States federal income tax purposes in the year to which this annual report relates and for the foreseeable future by reason of the composition of our assets and the nature of our income.

Persons considering the purchase of Notes, ADNs, Shares or ADSs should consult their tax advisors with regard to the PFIC rules described below as well as the application of other United States federal income tax laws relevant to their particular situations and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Notes or ADNs

A United States Holder who uses the cash method of accounting and who receives a payment of stated interest on a Note or ADN in yen will be required to include in income the dollar value of the yen payment (determined based on a spot rate on the date the payment is received by the holder or the depositary in the case of ADNs) regardless of whether the payment is in fact converted to dollars at that time, and this dollar value will be the United States Holder’s tax basis in the yen.

In the case of an accrual method taxpayer, a United States Holder will be required to include in income the dollar value of the amount of interest income that has accrued during an accrual period. The dollar value of the

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accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The United States Holder will recognize ordinary income or loss with respect to accrued interest income on the date the income is actually received by the holder (or the depository in the case of ADNs). The amount of ordinary income or loss recognized will equal the difference between the dollar value of the yen payment received (determined based on a spot rate on the date the payment is received by the holder, in the case of Notes, or the depository, in the case of ADNs) in respect of the accrual period (or, where a holder receives dollars, the amount of the payment in respect of the accrual period) and the dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue market discount.

A United States Holder may elect to translate interest income into dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A United States Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service.

If a United States Holder purchases a Note or ADN for an amount that is less than its stated redemption price at maturity the amount of the difference will be treated as market discount for US federal income tax purposes, unless this difference is less than a specified de minimis amount. A United States Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note or ADN as ordinary income to the extent of the market discount accrued on the Note or ADN at the time of the payment or disposition unless this market discount has been previously included in income by the holder pursuant to an election by the holder to include market discount in income as it accrues, or pursuant to a constant yield election by the holder. If the Note or ADN is disposed of in certain nontaxable transactions (not including its conversion into common stock), accrued market discount will be includible as ordinary income to the holder as if such holder had sold the Note or ADN in a taxable transaction at its then fair market value. In addition, the holder may be required to defer, until the maturity of the Note or ADN or its earlier disposition (including certain nontaxable transactions, but not including its conversion into common stock), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note or ADN.

A United States Holder of a Note or ADN whose purchase price for the Note or ADN exceeds its stated redemption price at maturity will be considered to have purchased the Note or ADN with "amortizable bond premium" equal to such excess (reduced as set forth in the following sentence). For purposes of calculating the amortizable bond premium only, a United States Holder's purchase price of the Note or ADN is reduced by an amount equal to the value of the option to convert the Note or ADN into common stock; the value of this conversion option may be determined under any reasonable method. A United States Holder may elect to amortize this premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note or ADN. The election, once made, generally applies to all bonds held or subsequently acquired by the United States Holder on or after the first day of the first taxable year to which the election applies and is revocable only with the consent of the Internal Revenue Service. A United States Holder that elects to amortize the premium must reduce its tax basis in the Note or ADN by the amount of the premium amortized during its holding period. With respect to a United States Holder that does not elect to amortize bond premium, the amount of bond premium will be included in the United States Holder's tax basis when the Note or ADN matures or is disposed of by the United States Holder. Therefore, a United States Holder that does not elect to amortize the premium and that holds the Note or ADN to maturity will be required to treat the premium as a capital loss when the Note or ADN matures.

Market discount and amortizable bond premium on a Note or ADN are to be determined in yen. Where the United States Holder elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in yen and then translated into dollars on the basis of the average rate in

effect during the accrual period. Exchange gain or loss realized with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis shall reduce interest income in units of yen. Exchange gain or loss is realized on amortized bond premium with respect to any period by treating the portion of the bond premium amortized in the period in the same manner as on the sale, exchange or retirement of the Note or ADN. Any exchange gain or loss will be ordinary income or loss as described below. Any loss realized on the sale, exchange or retirement of a Note or ADN with amortizable bond premium by a United States Holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium.

Interest income will be foreign source income for foreign tax credit purposes. The limitation on foreign tax eligible for credit is calculated separately for specific classes of income. For this purpose, interest income will generally be "passive income" or, for certain holders, "financial services income."

A United States Holder's tax basis in a Note or ADN, and the amount of any subsequent adjustment to the holder's tax basis, will be the dollar value of the yen amount paid for the Note or ADN, or of the yen amount of the adjustment, determined on the date of purchase.

Gain or loss realized upon the sale, exchange or retirement of a Note or ADN that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the dollar value of the yen principal amount of the Note or ADN, determined on the date the payment is received or the Note or ADN is disposed of, and (ii) the dollar value of the yen principal amount of the Note or ADN, determined on the date the United States Holder acquired the Note or ADN. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on Notes or ADNs described above. The foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by a United States Holder on the sale, exchange or retirement of the Note or ADN. Foreign currency gain or loss will generally be US source gain or loss for a United States Holder.

Any gain or loss realized by these Holders in excess of the foreign currency gain or loss will be treated in the manner described below under "PFIC Rules," except to the extent of any accrued market discount not previously included in the Holder's income.

A United States Holder's conversion of a Note or ADN into Shares or ADSs will generally not be a taxable event, except for (i) the receipt of cash in lieu of a fractional share, which will result in gain or loss (measured by the difference between the cash received in lieu of the fractional share and the United States Holder's tax basis in the fractional share), and (ii) foreign currency gain or loss to the extent of the amount of the total gain or loss otherwise realized on the conversion. Gain or loss recognized with respect to cash paid in lieu of fractional shares will be treated in the manner described below under "PFIC Rules."

A United States Holder's tax basis in Shares or ADSs received upon a conversion of a Note or ADN will be the same as the United States Holder's basis in the Note or ADN at the time of conversion, reduced by any basis allocated to a fractional share and increased or reduced by any foreign currency gain or loss recognized on the conversion. The United States Holder's holding period for the Shares or ADSs received will include the holder's holding period for the Note or ADN converted.

If we were to make a distribution of property to shareholders (for example, distributions of evidences of indebtedness or assets, but generally not stock dividends or rights to subscribe for the Shares or ADSs) and the conversion price of the Notes or ADNs were decreased pursuant to the anti-dilution provisions of the Notes and ADNs, such decrease would be deemed to be a taxable distribution to the United States Holder. In addition, any other decrease to the conversion price of the Notes or ADNs may, depending on the circumstances, be deemed to

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be a taxable distribution to the United States Holder. In certain circumstances, the failure to make an adjustment of the conversion price may result in a taxable distribution to holders of the Shares and ADSs.

United States Holders are urged to consult their own tax advisors with respect to the US federal income tax consequences of the ownership and disposition of Notes or ADNs in their particular circumstances, including the possible application of the market discount, acquisition premium and amortizable bond premium rules.

PFIC Rules

If, as expected, we are treated as a PFIC for any year during a United States Holder's holding period of the Shares or ADSs, and the United States Holder has not made the mark-to-market election for the Shares or ADSs as described below, the holder will be subject to special rules generally intended to eliminate any benefits from the deferral of US federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Upon a disposition of Shares or ADSs, including, under proposed Treasury regulations, a disposition pursuant to an otherwise tax-free reorganization, gain recognized by a United States Holder would be allocated ratably over its holding period for the Shares or ADSs. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations for such year, as appropriate, and an interest charge would be imposed on tax liability allocated to such taxable year. Under proposed Treasury regulations that have a proposed retroactive effective date, comparable rules apply with respect to a disposition of Notes or ADNs (other than a conversion of such Notes or ADNs into Shares or ADSs) including if we pay holders cash in lieu of Shares that we are prohibited from delivering. Further, any distribution in respect of Shares or ADSs in excess of 125 percent of the average of the annual distributions on Shares received during the preceding three years or the United States Holder's holding period, whichever is shorter, would be subject to taxation as described above with respect to the sale or other disposition of Shares.

If the Shares or ADSs are considered regularly traded on a "qualified exchange," a United States Holder of Shares or ADSs would be eligible to make a mark-to-market election. A "qualified exchange" includes the NYSE and a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service, or IRS, has not yet identified specific foreign exchanges that are "qualified" for this purpose.

If a United States Holder is eligible and makes the mark-to-market election, the United States Holder will include each year, as ordinary income, the excess, if any, of the fair market value of the Shares or ADSs at the end of the taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a United States Holder validly makes the election, the holder's basis in the Shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of Shares or ADSs will be treated as ordinary income.

We do not intend to comply with the requirements necessary for a United States Holder to make a different election (the qualified electing fund election), which is sometimes available to shareholders of a PFIC.

Special rules apply to determine the foreign tax credit with respect to withholding taxes imposed on distributions on shares in a PFIC.

Because we expect to be a PFIC, distributions paid by us will not be eligible for taxation at lower rates (generally 15%) than other types of ordinary income for certain non-corporate United States Holders.

If a United States Holder owns Shares during any year in which we are a PFIC, the holder must file Internal Revenue Service Form 8621 with the IRS.