2. With reference to paragraph 6 of Article 5 of the Convention, it is understood the fact that an enterprise of a Contracting State is acting in that Contracting State as a sole distributor of an enterprise of the other Contracting State or has an exclusive sales agreement with an enterprise of the other Contracting State shall not of itself constitute either enterprise a permanent establishment of the other.

3. With reference to Article 7 of the Convention, it is understood that in the case of profits from any activity performed for a building site or a construction or installation project, only so much of them will be attributable to a permanent establishment as results from the actual performance of such activity by that permanent establishment.

4. With reference to Article 8 of the Convention, it is understood that profits from the operation of ships or aircraft in international traffic include:

(a) profits from the rental on a bareboat basis of ships or aircraft; and

(b) profits from the use, maintenance or rental of containers, including trailers and related equipment for the transport of containers, used for the transport of goods or merchandise;

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic.

5. With reference to paragraph 3 of Article 10 of the Convention, it is understood that a company referred to in that paragraph includes any entity which is established or created under the Act on Securitisation of Assets (Law No. 105 of 1998) or the Act on Securities Investment Trust and Securities Investment Corporations (Law No. 198 of 1951) of Japan, and which is entitled to a deduction for dividends paid to its beneficiaries in computing its taxable income in Japan in accordance with the taxation laws of Japan.

6. With reference to Article 11 of the Convention, notwithstanding the provisions of paragraph 2 of that Article, interest arising in Kuwait and beneficially owned by a pension fund established under the laws of Japan shall be taxable only in Japan.

7. With reference to paragraph 2 of Article 13 of the Convention, it is understood that the term "recognised stock exchange" means:

(a) any stock exchange established by a Financial Instruments Exchange or an approved-type financial instruments firms association under the Financial Instruments and Exchange Law (Law No. 25 of 1948) of Japan;

(b) Kuwait Stock Exchange; and

(c) any other stock exchange which the competent authorities of the Contracting States agree to recognise for the purposes of that paragraph.

8. With reference to paragraph 3 of Article 13 of the Convention, for the purposes of applying that paragraph, in the case of Japan, the term "the Government of that Contracting State" includes the Deposit Insurance Corporation of Japan.

9. Notwithstanding the provisions of paragraph 1 of Article 14 of the Convention, remuneration which an employee of an air carrier wholly owned by the government of a Contracting State who is or was immediately before visiting the other Contracting State a resident of the first-mentioned Contracting State receives in respect of services rendered to the air carrier in that other Contracting State shall not be taxed in that other Contracting State. The exemption provided by this paragraph shall apply to the employee only for a period not exceeding five years from the date on which he begins rendering services in that other Contracting State.

10. With reference to Article 22 of the Convention, it is understood that the implementation of the provisions of the laws of each Contracting State relevant to the application of that Article is not affected by the provisions of subparagraph (b)(4) of paragraph 1 of Article 2 of the Convention.

11. With reference to Article 23 of the Convention:

(a) the provisions of that Article shall not be construed as obliging a Contracting State to grant to a resident of the other Contracting State the benefit of preference, privilege or any other treatment which shall be accorded to a resident of a state other than the Contracting States by virtue of the formation of a customs union or a free trade area or by virtue of any regional arrangement relating wholly or partly to taxation, to which the first-mentioned Contracting State is a party;