

1. Conditions of Corporate Group

The company and its group participate mainly in businesses of data communications as well as development, manufacture and sales of network products. The corporate group consists of PLANEX COMMUNICATIONS INC. ("Company") as its core, PLANEX COMMUNICATIONS INC. (Taiwan) as its consolidated subsidiary and PLANEX COMMUNICATIONS PTE LTD. (Singapore) as its nonconsolidated subsidiary. Together with PLANEX COMMUNICATIONS INC. (Taiwan) which is located in Taiwan where the latest technologies are developed, the Company has established a structure to collect information on these technologies and is developing highly competitive products.

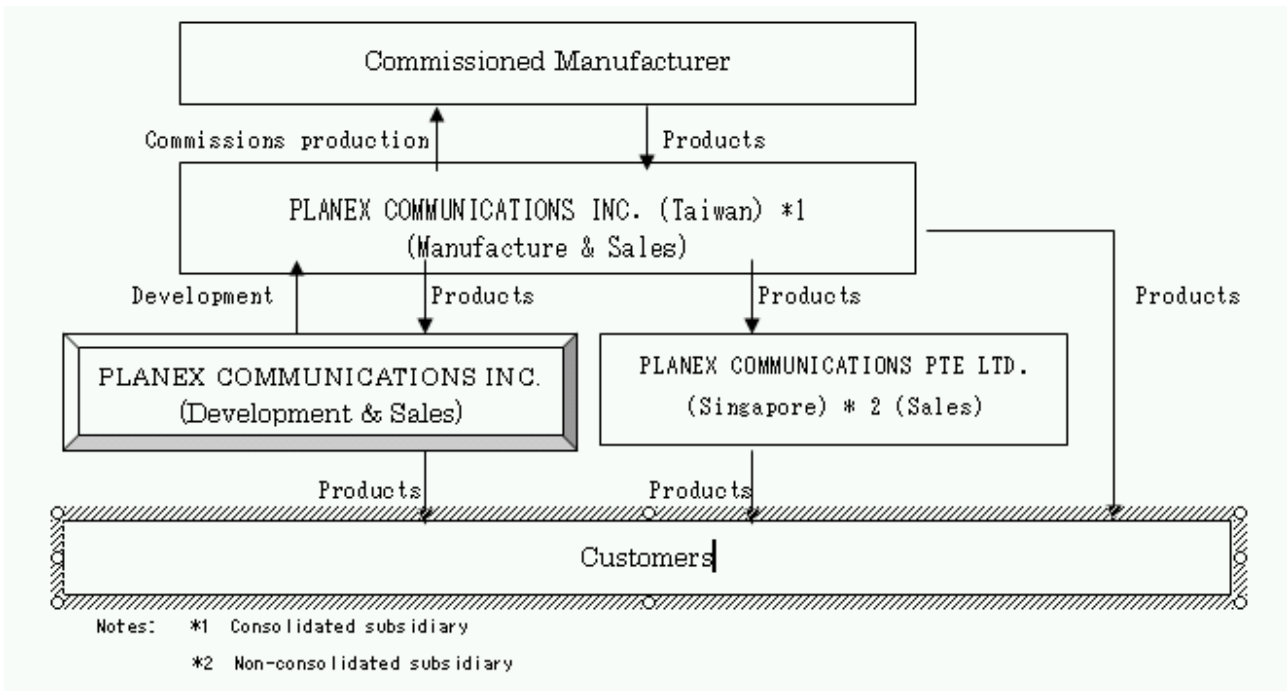
Product development cycles are fast as technologies employed at PLANEX COMMUNICATIONS INC. (Taiwan) are used. The Company commissions the production of products to agents in Taiwan and China where production cost is low and high engineering level is maintained.

Sales of products are steadily expanding in Japan, Taiwan and Singapore where further growth of IT-related businesses are expected and in other Asian markets, as the Company utilizes channels of distributors, volume retailers and corporate customers as well as direct sales via Web (PCI Direct). Companies in the group involved in the sales activities are the Company, PLANEX COMMUNICATIONS INC. (Taiwan) and PLANEX COMMUNICATIONS PTE LTD. (Singapore).

Products developed and marketed by the Company and its consolidated subsidiary are categorized into three groups, namely 1)network products, 2)Internet system products and 3)other. The breakdown of each product group is shown below.

Product Group	Product Types
Network Products	Hubs, Network Interface Cards (NIC's), non-intelligent switches, intelligent switches, gigabit products, print servers, cables, wireless LAN products
Internet System Products	VoIP products, Linux servers, routers, ADSL/cable modems
Other	USB, IEEE1394, Maintenance/ Implementation/ Training services

Business flows within the corporate group are as follows.



2. Management Policy

1. Fundamental Managerial Policy

As a Networking Company that will continue to lead and support future trends in data communication, the Company aims to be an enterprise capable of continuous growth, a corporation that can always provide solutions needed by customers. "Provide network products at fair prices" is the company's corporate motto.

2. Dividend Policy

The Company regards returning profits to its shareholders as a critical managerial mission. It is the company's basic policy to maintain a constant level of dividend (returning profits), and it is achieved by judging the business performance while retaining certain portion of the profits to both 1)strengthen management bases and 2)deploy future business operations.

3. Policies for Reduction in Investment Unit

Decisions on changing the company's investment unit will be made with caution after considering both the benefit of shareholders and liquidity of shares to be improved by such modifications.

4. Medium, Long-Term Management Strategy

Due to 1)the explosive advancement of information technology triggered by the spread of the Internet,

2)the advent of broadband era and 3)the declining cost of always-on Internet services, the network market is expected to grow further in the future. Considering these factors, the Company strives to provide products and services for large-scale corporations , government and other public offices as well as educational institutions, while strengthening sales to medium and small companies as well as individual users all to sustain the Company's strength in the network market.

5. Corporate Governance: Measures on Maintaining Organization of Management

The mission of the Company's management team is to maximize the profit for various stake holders (including shareholders) through 1)understanding managerial risks, 2)implementing reliable and reasonable corporate management to reduce the risks, 3)making changes that are required to expedite the decision-making process in management and 4)disclosing corporate information adequately.

Furthermore, in order to make more advanced decisions on management and to build a tougher management organization, people who excel in corporate management have been invited from outside the company and appointed as outside directors since the fixed general meeting held in March.

6. Goals To Be Achieved

Network products as well as Internet system products (ex. broadband solutions, etc.) are now subject to both rapid technological advancement and severe price competition, and harsh competition for these products is likely to continue following the market's rapid growth. Due to this factor, profit margins of especially consumer products (including products for small offices) are expected to sag despite the increasing quantity sold and sales figure for these products.

Under these circumstances,

- A. Concerning network products, the company aims at
 - i) Develop and sell multifunction, high-value added products/product lineup for SI vendors and corporate users and
 - ii) Reduce production cost and shorten the development cycle of consumer products
- B. Concerning Internet system products, the company aims at
 - i) Develop multifunction and high-value added broadband router products as our standard articles ,
 - ii) Sell VPN and other related solutions,
 - iii) Develop products with high gross margin ratio and
 - iv) Strengthen the sales system.

Consumer products (whose sales have been the foundation of the company itself) excluding broadband and wireless LAN products have already become technologically mature. For this reason, the company has started to (and intend to continue to) develop products in shorter cycles while reducing cost by manufacturing products in China. In addition, product development and evaluation/testing in PCI Taiwan will be further reinforced to both improve production efficiency and promote the development and sales of multifunction products for corporate networks (Layer3, Layer4, intelligent switches) whose demand is expected to rise in the "multifunction/high-value added products for corporate users" product

category above.

Following the improvement of communication infrastructure (in general), Internet access services that utilize broadband-based technologies such as ADSL, CATV and FTTH are becoming increasingly popular. The company has been taking the lead in the broadband router market, and by further implementing cost reduction, it strives to continue developing market leading products that support faster connectivity as well as a wide range of advanced functions. The company will also advance the development of products supporting sophisticated functions including VoIP, wireless LAN, VPN and Firewall to promote the development and sales of broadband products that can serve the company's standard articles as well as business solutions. As for wireless LAN, the company will closely observe its market trend and intends to develop new-price products and dual-band products.

While price competition for SOHO products including NICs and hubs has been intensifying, high gross margin products including cables, accessories, USB and IEEE1394 products constitute most of the company's profit rate. Products in these categories and fields can generate stable growth as the company introduces products covering various ideas and those that satisfy client needs. The market for these peripherals is expected to further expand since it will incorporate 1) faster USB (USB 2.0) products as well as 2) peripherals integrated in home electric appliances / communications devices. The company will continue the sales of cables (as its standard articles) while developing and selling products that meet customer needs such as faster storage products (ex. HDD case) and multifunction memory cards.

7. Policies regarding the relationship between the company and parties within the company

It is the company's policy to not to enter into a business arrangement with persons inside the company. Should it have a business relationship with parties within itself, such transactions shall be positively and clearly disclosed.

8. Management Goal

While Planex strives to achieve continuous business growth during every term, it also aims at maintaining a constant profit rate. Although the company used to treat i) sales growth rate and ii) rate of ordinary profit as important management indices, ordinary profit rate is now easily influenced by currency movement due to the company's implementation of financial instrument accounting since the previous term. Due to this situation, the company is now unable to maintain profit rate by its own corporate effort. From now on, the company aims at achieving operating profit ratio of 10% as its management goal as well as an index that reflects the company's managerial effort with regards to its operation.

It has the sales growth target of 20% or more and ordinary profit rate target of at least 10% for the next term.

Moreover, engaging in business with fresh inventory on hand is essential to maintain a high profit rate in the network equipment industry where technical innovation takes at an increasingly rapid rate. For this reason, Planex has been performing management that places a strong emphasis on inventory turnover ratio. The company will continue to sustain its high turnover rate of over twelve times a year.

With regard to this interim period and based on the company's sales expansion strategies including the "going public" campaign since July, inventory was increased with a view to enhance the company's market share by avoiding out-of-stock situation. Due to this change, its inventory turnover ratio temporarily fell below the target value. Nonetheless, its management policy still and will regard inventory turnover as a critical business indicator.

3. Managerial Results

1. Overview of This Current Term

(1) Operational Results

The national economy during the current fiscal term is still in a severe situation despite the government's declaration that Japanese economy is "bottoming out". General 4% bonus cut has been aggravating the flagging condition of personal spending, while restructuring and business reorganization in corporations as part of their efforts to improve management practices have resulted in even tougher business environments compared to the previous year.

Even in the U.S, the driving engine of economy worldwide, improper transactions among corporations and the general distrust of the growth potential of IT-related companies have led to stock price crash. It in turn shook confidence in recovery of economy, leading to further weakening of the dollar. Due to these factors, competitiveness of Japanese export industries has weakened and capital investment intention has been similarly declining.

In this harsh economic environment, business prospects of so-called Broadband Revolution now appears, (even though it the revolution is making progress each day,) bleak due to the declining motivation of companies to invest and sagging personal spending.

With regard to Planex group, although increase of sales through introduction of new anchor products was planned for the first quarter, rollout of the products was delayed to ensure their quality, resulting in considerable unachieved budget of sales. .

During the second quarter, the company's sales strategy was more clearly defined. Routers and wireless LAN products were chosen as the company's strategy products, and the selection of these attractive products allowed the company to develop new markets. For instance, the BRL-04FA was featured on magazines as the most popular in their TA/router selections. Furthermore, the company's inventory/order management was reinforced to prevent stock exhaust, allowing mass retailers to always have adequate quantity of the product. As a result, the company's market share of broadband routers increased from 5% to approximately 10% (BCN survey).

Nonetheless, due to the company's inadequate (organizational) sales system, it failed to increase sales through sales-boosting projects that involve cultivation of new corporate business channels as well as securing large volume orders. For these reasons, the sales volume for the current interim consolidated accounting period was 2,438 million yen (16.1% decrease from the previous year). The company thus failed to achieve the original sales target.

Despite this situation, the company achieved operating income of 224 million yen (9.4% increase from the previous year) by i)reducing import costs through the implementation of mobile currency hedging and ii) the company's continued effort to cut cost. On the other hand, ordinary income showed a deficit of 29 million yen and interim net profit showed a deficit of 23 million yen since currency option evaluation loss of 328 million yen was included in non-operating expenses.

However, the company's currency option is used for the purpose of hedging foreign currency risk that accompanies import settlement, and it is used according to the genuine importing demand. Thus the

company recognizes that evaluating the actual (current) value of such currency option and letting it influence the gain/loss for each term influence do not correctly indicate the company's true earning capacity. For this reason, operational results that exclude the influence of currency option are provided below as a reference.

Operating Results that Exclude the Influence of Currency Option (Thousands of yen)

	Previous Midterm	Current Midterm	Net Change
Net Sales	2,904,580	2,438,324	-16.1%
Operating Income	230,035	288,897	+25.6%
Ordinary Income	334,642	359,499	+7.4%
Net Income	185,324	183,260	-1.1%

Operating results of the geographical segments of the group are as follows:

<Japan>

The nation's sluggish economy has hit the national market, retarding corporations' capital investment in information systems as well as personal spending (for which nationwide bonus cut is responsible). For this reason, sales have been sluggish despite the popular "broadband" boom in Japan.

Under these circumstances, the company has been actively introducing Internet products and high-end products including OEM products as well as routers. As a result, the company's project to supply OEM products to major Internet (service/connectivity) carriers has got off the ground. Furthermore, some of the company's router products have received the No.1 evaluation from several research organizations. As for wireless LAN products, the company actively worked toward at obtaining the WiFi interoperability certification and managed to supply products to corporate users including those engaged in the HotSpot businesses.

In addition, its storehouse has been relocated from Akabane to Kameari to achieve higher efficiency in logistics and in anticipation of further business growth in the future.

Although sales strategies and plans were implemented for future development of the company's operation, delays in new product rollout and inadequate sales system of the company have led to its sales of 2,136 million yen (17.2% decrease from the previous year), a figure considerably lower than the target value specified in the sales plan.

Under these circumstances, the company achieved operating income of 178 million yen (32.2% increase from the previous year and thus indicates profit increase) through implementation of mobile exchange hedging and its continued effort to reduce costs.

< Asia >

Just like Japan, many Asian nations suffer from economic stagnation. Nonetheless, nationwide movement of informatization in each country ("Asia-Pacific operation center project" in Taiwan, "Cyber

Korea21" in Korea, "Singapore One" in Singapore, "Shanghai Information Port" in China, "Digital 21" in Hong Kong) has led to improvement of communications infrastructure (ex. implementation of high-speed Internet services) and decline in service fee. Due to these factors, Internet diffusion rate has been improving in these countries. Sales of the group have been steadily growing in Taiwan and China (including Hong Kong), achieving sales of 301 million yen and operating income of 136 million yen.

While the overall economic climate in Asia recovering, corporations in each of these nations are still hesitant to increase their capital investment. For this reason, the group's business activities in these countries still face challenges.

Under the circumstances, PCI Taiwan established a division dedicated to sales for corporate users in the second quarter to expand channels of sales. In this area, both field support and product development/evaluation facilities have been improved to establish a system to increase sales of high-end products, allowing PCI Taiwan to take customized/proposal-based orders. In Hong Kong, just like the ADSL market/connectivity environment in Japan, major ISP's in the area (including PCCW) have been providing faster connectivity services and are engaged in price-cutting competition, thereby accelerating the diffusion of ADSL services in that region. Product models sold in Japan are thus popularly sold "just-on-time" in Hong Kong. The group extensively carried out product customization for Hong Kong users, and just like in Taiwan the group has won the largest share of retail router market in the area. The group is now considering the establishment of a business office in China.

(2) Cash Flows

Although interim net profit before adjustment (before tax, etc) was deficit of 31 million yen, it included option evaluation loss of 28 million yen. Furthermore, purchase of a large volume of core (strategic) products led to both an increase in inventory of 345 million yen and increase in purchase liabilities of 580 million yen. Since the closing day was a national holiday, collection of some portion of receivables had to be delayed until the next term. For this reason receivables increased by 137 million yen. In addition, there was corporate tax payment of 233 million yen. Due to all these factors, sales cash flow increased by 278 million yen.

Cash flow due to investment activities decreased by 333 million yen due to 1)the acquisition cost of investment securities required to employ excess cash (575 million yen) and its sale (391 million yen), and 2) 132 million yen increase in the amount invested for anonymous union (leveraged lease).

Cash flow due to financial activities decreased by 35 million yen due to the payment of dividends resulting from the disposition of profit from the previous term (35 million yen).

Due to the cash flows presented above, cash and cash equivalents at the end of current interim period was 1,351 million yen (327 million yen increase compared with the same period in the previous year).

(3) Purchases and Sales

Purchase Results

Purchase results for the current term by product group are as follows.

(Thousands of yen)

Product Group	Amount	Net Change
Network Products	1,291,201	-25.2%
Internet System Products	608,972	+110.4%
Other	147,566	+12.0%
Total	2,047,740	-4.6%

Notes: 1. The figures above do not include consumption tax.

2. The exchange rate on the settling day (1NTD=3.58 yen as of June 30, 2002) was used for the current term.

Sales Results

The sales results for this current period by product group are as follows:

(thousands of yen)

Product Group	Amount	Net Change
Network Products	1,711,533	-22.7%
Internet System Products	558,259	+13.7%
Other	168,531	-15.5%
Total	2,438,324	-16.1%

Notes:1. The figures above do not include consumption tax.

2. The exchange rate on the settling day (1NTD=3.58 yen as of June 30, 2002) was used for the current term.

2. Outlook For the Next Fiscal Year

Japanese economy still does not show any sign of recovery, and most likely it will be vulnerable to the U.S. stock market fluctuations as well as currency movement. Even in markets of network-related products that are expected to grow steadily, product prices are dropping rapidly due to the general trend in the industry to "commoditize" network products. Although actual quantity sold is expected to rise, it is not likely to result in increase in sales growth.

Under the circumstances, the group will attempt to cover reduction in growth margin rate (due to price competition of commoditized network products) by aggressively developing and introducing high-value added products as well as the group's original products with distinctive advantage. Thus while increase in sales volume may be marginal, operating income is expected to rise.

On the other hand, ordinary income and current net income, both of which are subject to erratic and uncertain fluctuations in currency movement, are likely to be directly influenced by the evaluation loss of currency option posted during the first half of this term and thus huge profit decline is anticipated. As for the currency option used for hedging purposes, no loss will occur upon its usage with the current currency and thus increase in current income is expected.

(Thousands of yen)

	Outlook for the Next Term	Real Business Perfor mance for the Current Term (Reference)	Real business performance for the previous term (Reference)	Net Change
Net Sales	5,968,188	5,968,904	5,818,904	+2.6%
Operating Income	594,477	659,347	477,737	+38.0%
Ordinary Income	317,344	710,693	585,056	+21.5%
Net Income	217,607	414,281	336,540	+23.1%

Note:

“Real business performance for the previous term” refers to business results minus option net value of 224,105 thousand yen, an amount which is retained to settle import dealings for the next term and later (and thus not originally included in the profit of this term). It is the “true business performance” of the corporate group, and its ordinary income is smaller by 224,105 thousand yen than the figure presented in the statement of accounts. Similarly, its net income for the current term is smaller by 134,216 thousand yen than the corresponding figure in the statement of accounts.

Sales forecast by product group for the period of December 2002 is as follows.

(Thousands of yen)

Product Group	Outlook for the Next Term	Business Performance for the Current Term	Net Change
Network Products	4,356,777	4,255,654	+2.4%
Internet System Products	1,233,638	1,214,018	+1.6%
Other	377,773	349,231	+8.2%
Total	5,968,185	5,818,904	+2.6%

Notes on sales forecast above

- 1 . The estimated values for the period of December 2002 are based on the trend of the industry, domestic as well as overseas economic situations, exchange rates that are all currently available. For this reason, there is a chance that the actual sales proceeds and profits may significantly deviate from the figures above.
- 2 . The dollar-yen exchange rate used in the sales forecast calculation is 1US\$ = 118 yen.

4. Midterm Consolidated Financial Statements

(1)Midterm Consolidated Balance Sheet

(In thousands of yen)

	Previous Midterm (June 30, 2001)		Current Midterm (June 30, 2002)		Previous Term (December 31, 2001)	
	Sum	Ratio	Sum	Ratio	Sum	Ratio
(Assets)		%		%		%
Current Assets						
Cash and time deposits	974,283		1083,574		1,464,811	
Accounts and notes receivable - trade	1,133,901		945,325		828,290	
Marketable securities	50,003		267,862		-	
Inventories	339,162		653,045		309,939	

Exchange contract	180,629		104,940		416,039	
Option Assets	164,382		-		224,105	
Other	200,388		262,245		161,567	
Allowance for doubtful accounts	-2,366		-7,355		-5,100	
Total current assets	3,040,385	89.3	3,309,638	74.4	3,399,654	79.8
Fixed Assets						
Tangible fixed assets	74,772		111,060		116,218	
Intangible Fixed Assets	9,746		11,040		8,926	
Investments and other assets						
Investments in securities	20,711		687,299		496,161	
Amount invested	100,000		232,777		100,000	
Other	159,616		93,674		140,846	
Investments and other assets (total)	280,328		1,013,750		737,008	
Total fixed assets	364,846	10.7	1,135,851	25.6	862,153	20.2
Total assets	3,405,231	100.0	4,445,490	100.0	4,261,807	100.0
(Liabilities)s						
Current Liabilities						
Accounts payable	887,137		1,029,612		471,433	
Accrued income taxes	312,202		71,112		249,019	
Accrued bonuses	42,354		42,025		9,468	
Deferred hedge income	180,629		104,940		416,039	
Other current liabilities	196,249		340,255		183,280	
Total current liabilities	1,618,573	47.5	1,587,947	35.7	1,329,241	31.2
Fixed liabilities						
Allowance for retirement benefits for directors	95,913		114,841		103,968	
Other	306		-		-	
Total fixed liabilities	96,220	2.8	114,841	2.6	103,968	2.4
Total liabilities	1,714,793	50.3	1,702,788	38.3	1,433,210	33.6
(Shareholders' Equity)						
Common stock	588,710	17.3	914,260	20.6	914,260	21.5
Additional paid-in capital	548,700	16.1	1,103,920	24.8	1,103,920	25.9
Retained earnings	583,989	17.2	715,377	16.1	785,373	18.4
Revaluation profit from an investment security	962	0.0	-3,637	-0.1	3,839	0.1
Translation adjustments	-31,924	-0.9	12,780	0.3	21,204	0.5
Total shareholders' equity	1,690,438	49.7	2,742,701	61.7	2,828,597	66.4
Total liabilities and shareholders' equity	3,405,231	100.0	4,445,490	100.0	4,261,807	100.0

(2) Consolidated Income Statements

(in thousands of yen)

	Previous Midterm Starting: Jan. 1, 2001 Ending: June 30, 2001		Current Midterm Starting: Jan. 1, 2002 Ending: June 30, 2002		Previous Term Starting: Jan. 1, 2001 Ending: Dec. 31, 2001	
	Sum	Ratio	Sum	Ratio	Sum	Ratio
		%		%		%
Net sales	2,904,580	100.0	2,438,324	100.0	5,818,904	100.0
Cost of sales	2,011,517	69.2	1,557,545	63.9	3,936,068	67.6
Gross profit	893,062	30.8	880,778	36.1	1,882,835	32.4
Selling, general and administrative expenses	688,249	23.7	656,752	26.9	1,405,098	24.2
Employees' salaries and bonuses	204,254		206,896		471,348	
Advertising expenses	98,194		38,590		145,303	
Transportation expenses	61,268		62,169		127,925	
Provision for doubtful accounts	-		2,815		3,349	
Provision for bonus payable	36,263		37,570		9,468	
Allowance for retirement benefits for directors	17,588		10,873		25,643	
Other	270,679		297,837		622,058	
Operating income	204,812	7.1	224,026	9.2	477,737	8.2
Non-operating income	297,661	10.2	74,976	3.1	351,179	6.0
Interest and dividends received	4,789		24,958		22,873	
Exchange gains	120,605		30,208		78,716	
Net option value	164,382		-		224,105	
Miscellaneous income	7,885		19,808		25,484	
Non-operating expenses	3,450	0.1	328,492	13.5	19,755	0.3
Option evaluation losses	-		328,479		-	
Miscellaneous losses	3,450		13		19,755	
Ordinary income	499,024	17.2	-29,490	-1.2	809,161	13.9
Extraordinary gains	-		-		2,614	0.0
Transfer from reserve for possible loan losses	-		-		2,614	
Extraordinary losses	12,170	0.4	2,022	0.1	25,733	0.4
Head office relocation expenses	11,671		-		22,970	
Loss from disposition of tangible fixed assets	498		2,022		498	
Other	-		-		2,264	
Income before income taxes	486,854	16.8	-31,512	-1.3	786,042	13.5
Income, residential and enterprise taxes	310,139	10.7	58,762	2.4	368,171	6.3
Adjustments to income taxes	-92,657	-3.2	-66,429	-2.7	-52,885	-0.9

Net income	269,372	9.3	-23,845	-1.0	470,756	8.1

(3) Midterm Consolidated Statements of Retained Earnings

(in thousands of yen)

	Previous Midterm Starting: 2001/1/1 Ending: 2001/6/30	Current Midterm Starting: 2002/1/1 Ending: 2002/6/30	Previous Term Starting: 2001/1/1 Ending: 2001/12/31
	Sum	Sum	Sum
Consolidated retained earnings at the beginning of the period	345,095	785,373	345,095
Decrease in consolidated retained earnings			
Dividends	30,478	36,150	30,478
Bonus for directors	-	10,000	-
Current Net Income	269,372	-23,845	470,756
Interim consolidated retained earnings at the end of the period	583,989	715,377	785,373

(4) Midterm Consolidated Statements of Cash Flows

(in thousands of yen)

	Previous Midterm Starting: 1/1/2001 Ending: 6/30/2001	Current Midterm Starting: 1/1/2002 Ending: 6/30/2002	Previous Term Starting: 1/1/2001 Ending: 12/31/2001
	Sum	Sum	Sum
I Operating Activities			
1 . Income before income taxes	486,854	-31,512	786,042
2 . Depreciation and amortization	8,627	16,747	28,036
3. Decrease in allowance for doubtful accounts	-1,999	2,414	734
4. Increase in accrued bonus	36,236	32,731	3,350
5. Increase in allowance for severance benefits	17,588	10,873	25,643
6. Interest income and dividend income	-4,789	-24,958	-22,873
7. Exchange gain	-32,846	63,206	13,661
8. Net option value	-164,382	328,479	-224,105
9. Loss on sales of investment securities	-	-6,420	2,264
10. Loss on disposal and sales of property, plant and equipment	498	2,018	498
11. Increase in accounts receivable	-369,751	-137,076	-45,863
12. Increase in inventories	-104,902	-345,082	75,235
13. Increase in accounts payable	226,905	580,380	-213,832
14. Increase in accrued liabilities	43,242	135	36,011
15. Other increases and decreases in assets and liabilities	23,261	5,213	37,898
Subtotal	164,542	497,148	352,231
16. Interest and dividend received	4,946	14,685	19,008
17. Income taxes paid	-170,761	-233,189	-293,372
Net cash provided by operating activities	-1,272	278,644	77,867
II Investing Activities			
1. Acquisition of marketable securities	-	-575,351	-481,880
2. Proceeds from sales of marketable securities	-	391,260	-
3. Acquisition of property, plant and equipment	-58,430	-17,147	-113,326
4. Increase in amount invested	-	-132,777	-
5. Others	7,636	858	-4,520
Net cash used in investing activities	-66,067	-333,157	-599,727
III Financing Activities			
1. Proceeds from capital increase	-	-	880,770
2. Cash dividends	-30,478	-35,266	-30,478

Net cash provided by financing activities	-30,478	-35,266	850,291
IV Effects of exchange rate changes on cash and cash equivalents	15,293	-23,595	29,567
V Increase in cash and cash equivalents	-82,524	-113,374	357,999
VI Cash and cash equivalents at beginning of year	1,106,812	1,464,811	1,106,812
VII Cash and cash equivalents at end of year	1,024,287	1,351,436	1,464,811

(5) Scope of Consolidation and Other Accounting Policies Adapted for Preparing the Consolidated Financial Statements

1. Scope of consolidation

Consolidated subsidiaries: 1 (PLANEX COMMUNICATIONS INC. (Taiwan))

Main unconsolidated subsidiary:

PLANEX COMMUNICATIONS PTE LTD. (Singapore)

2. Application of Equity Method

Main unconsolidated subsidiary to which equity method is not applied

PLANEX COMMUNICATIONS PTE LTD. (Singapore)

3. Closing Date of Consolidated Subsidiaries

The closing day for all subsidiaries coincides with the consolidated closing date.

4. Significant Accounting Policies

1) Standards and Methods for Evaluating Major Assets

i. Marketable Securities

Marketable securities is calculated using a amortized cost method (straight line basis).

Other marketable securities

Current quotes available: valued at their market prices as of the balance sheet date.(All differences in valuations were included directly in shareholders' equity, and cost of securities sold was determined based on the moving average method.) Note, however, that compound instruments in which derivative part and receivable part are indistinguishable are wholly stated at fair value, and evaluation differences are stated as profit/loss.

Current quotes unavailable: valued at cost using the moving average method.

ii Derivatives: stated at fair value

iii Inventories: The cost accounting method based on the moving average method was used.

2) Depreciation Method for Significant Depreciable Assets

i Tangible fixed assets: Buildings (excluding equipment therein) are depreciated by the straight-line method, while other assets are depreciated using the declining-balance method. The overseas consolidated subsidiary uses a straight-line method based on the accounting standard of its country.

ii Intangible fixed assets··· Software for in-house use is amortized using the straight-line

method over estimated useful life.

3) Accounting Standards for Major Reserves

- i Reserve for bad debts · · · As for general loans, the figure is based on a loan loss ratio, and in the case of such legally defined loans as loans feared to be irrecoverable, the figure is based on an estimation of the likelihood of recovery of individual loans.
- ii Allowance for accrued bonuses · · · To provide bonuses of employees, an amount is determined based on the amount that is regarded as likely to be incurred.
- iii Allowance for severance benefits · · · To provide for the retirement allowances of directors, an amount is stated based on the payment requirements at the interim period under review according to company rules concerning retirement allowances for directors.

4) Other basic items for preparing interim consolidated financial statements

- i. Accounting treatment of consumption tax
The tax exclusion method has been adopted for accounting for consumption tax and local consumption tax.
- ii. Accounting treatment of leveraged leases

With respect to leveraged leases involved in the company's investments, the method of adding the amount of investments made to assets has been used.

5) Method of Important Hedge Accounting

i. Method of hedge accounting

Deferred hedge accounting is used. As for liabilities in foreign currency to which exchange contracts are attached, those that fulfill conditions for appropriation are appropriated.

ii. Hedge means and hedge targets

Hedge means··· Derivative transaction (Forward Exchange Contracts)

Hedge targets··· Stock liabilities in foreign currency and others

iii. Hedge policy

It has been performed to countervail the possibility of losses including stock liabilities incurred by fluctuations in exchange.

iv. Method of evaluating the effectiveness of hedge

The effectiveness of hedge has been evaluated by assessing whether or not exchange risks of hedge targets including stock liabilities in foreign currency are diminishing.

5. Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

(Explanatory Notes to the Consolidated Financial Statements)

1. Issues relating to balance sheet

(1) Cumulative depreciation of tangible fixed assets

Previous Midterm: 30,017 thousand yen

Current Midterm: 62,135 thousand yen

Previous Term: 50,857 thousand yen

2. Notes to the Statements of Cash Flows

Reconciliation between cash and cash equivalents and the related accounts shown in the consolidated balance sheet at year end for the previous midterm, current midterm and previous term

	Previous Midterm	Current Midterm	(Thousands of yen) Previous Term
Cash and time deposits	974,283	1,083,574	1,464,811
Marketable Securities	50,003	267,862	-
Total	1,024,287	1,351,436	1,464,811

5. Segment Information

(1) Industry Segment Information

During the previous midterm, current midterm and previous term, the company's consolidated group has been engaged in just one business enterprise concerning the development, manufacture and sales of network and information communication products. For this reason, segment information by business type is not presented.

(2) Geographical Segment Information

< Previous Midterm > (June 30, 2001)

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to customers	2,580,092	324,487	2,904,580	-	2,904,580
(2) Intersegment sales	-	2,059,242	2,059,242	(2,059,242)	-
Total Sales	2,580,092	2,383,730	4,963,822	(2,059,242)	2,904,580
Operating expenses	2,444,780	2,190,363	4,635,144	(1,935,377)	2,699,767
Operating income (loss)	135,311	193,366	328,678	(123,865)	204,812

Notes:

1. Segmentation of country or areas is based on geographical proximity.
2. Countries and areas included in each category are as follows:
Asia Taiwan
3. Corporate expenses, which are not allocated to each segment and are included in eliminations and corporate, consist mainly of employment cost incurred at the R&D and purchasing departments and the amount is 35,985 thousand yen.
4. The standards for accounting related to financial instruments have been applied since current term. This change has only a minor impact on the segment information above.

< Current Midterm > (June 30, 2002)

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to customers	2,136,700	301,624	2,438,324	-	2,438,324
(2) Intersegment sales	-	1,948,167	1,948,167	(1,948,167)	-
Total Sales	2,136,700	2,249,791	4,386,492	(1,948,167)	2,438,324
Operating expenses	1,957,764	2,112,894	4,070,659	(1,856,360)	2,214,298
Operating income (loss)	178,936	136,896	315,833	(91,806)	224,026

Notes:

1. Segmentation of country or areas is based on geographical proximity.
2. Countries and areas included in each category are as follows:
Asia Taiwan
3. Corporate expenses, which are not allocated to each segment and are included in eliminations and corporate, consist mainly of employment cost incurred at the R&D and purchasing departments and the amount is 42,370 thousand yen.

< Previous Term > (December 31, 2001)

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to customers	4,937,487	881,417	5,818,904	-	5,818,904
(2) Intersegment sales	-	3,980,719	3,980,719	(3,980,719)	-
Total Sales	4,937,487	4,862,136	9,799,624	(3,980,719)	5,818,904
Operating expenses	4,629,220	4,544,694	9,173,915	(3,832,748)	5,341,166
Operating income (loss)	308,266	317,442	625,709	(147,971)	477,737

Notes:

1. Segmentation of country or areas is based on geographical proximity.
4. Countries and areas included in each category are as follows:
Asia Taiwan
5. Corporate expenses, which are not allocated to each segment and are included in eliminations and corporate, consist mainly of employment cost incurred at the R&D and purchasing departments and the amount is 96,435 thousand yen.
4. The standards for accounting related to financial instruments have been applied since current term. This change has only a minor impact on the segment information above.

(3) Overseas Sales

< Previous Midterm > (June 30, 2001)

(Thousands of yen)

	Asia	Other	Total
Overseas sales	248,685	1,710	250,396
Consolidated sales	-	-	2,904,580
Share of overseas sales	8.6%	0.0%	8.6%

< Current Midterm > (June 30, 2002)

(Thousands of yen)

	Asia	Other	Total
Overseas sales	295,678	5,946	301,624
Consolidated sales	-	-	2,438,324
Share of overseas sales	12.1%	0.3%	12.4%

< Previous Term > (December 31, 2001)

(Thousands of yen)

	Asia	Other	Total
Overseas sales	531,186	26,731	557,917
Consolidated sales	-	-	5,818,904
Share of overseas sales	9.1%	0.5%	9.6%

Notes:

1. Segmentation of country or areas is based on geographical proximity.

2. Countries and areas included in each category are as follows:

Asia..... Taiwan, Hong Kong, Thailand, Singapore, Kazakhstan, Korea and Pakistan

Other..... Italy, Denmark, Poland, the Unites States of America and Canada

6. Marketable Securities

< Previous Midterm > (June 30, 2001)

(1) Bonds to be held until expiration that have market value

None

(2) Market Value of Other Securities

(Thousands of yen)

Categories	Previous Midterm		
	Cost	Carrying Amount	Balance
Stocks	11,390	13,050	1,659
Bonds	-	-	-
Other	-	-	-
Total	11,390	13,050	1,659

(3) Marketable Securities Whose Fair Value is Not Determined

Unlisted bonds (excluding OTC shares)

7,661 thousand yen

Unlisted investment trust

50,003 thousand yen

Total

57,664 thousand yen

< Current Midterm > (June 30, 2002)

(1) Bonds to be held until expiration that have market value

None

(2) Market Value of Other Securities

(Thousands of yen)

Categories	Current Midterm		
	Cost	Carrying Amount	Balance
Stocks	37,858	34,600	-3,258
Bonds	-	-	-
Other	178,257	175,245	-3,012
Total	216,116	209,845	-6,270

(3) Marketable Securities Whose Fair Value is Not Determined

Other marketable securities

Unlisted bonds (excluding OTC shares)

11,195 thousand yen

Unlisted Euro-Yen bonds

300,000 thousand yen

Unlisted foreign currency bonds

116,793 thousand yen

Foreign currency MMF

267,862 thousand yen

Other

49,464 thousand yen

Total

745,315 thousand yen

< Previous Term > (December 31, 2001)

(1) Market Value of Other Securities

(Thousands of yen)

Categories	Previous Term		
	Cost	Carrying Amount	Balance
Stocks	-	-	-
Bonds	-	-	-
Other	178,920	185,540	6,619
Total	178,920	185,540	6,619

(2) Other marketable securities sold during this term

These values are omitted since the total loss/profit on the sales of these bonds is insignificant.

(3) Marketable Securities Whose Fair Value is Not Determined

Other marketable securities

Unlisted Euro-Yen bonds 300,000 thousand yen

Stocks of Subsidiaries and affiliates 10,621 thousand yen

7. Derivative Financial Instruments

< Previous Midterm > (June 30, 2001)

(Thousands yen)

Subject Type	Type	Previous Midterm		
		Contract amount	F a i r v a l u e	Unrealized gain (loss)
C u r r e n c y	U.S. dollar currency option contracts			
	Buying (USD):	336,702	419,709	83,007
	Selling (USD):	387,793	306,418	81,375
Total				164,382

Notes:

1. Market value calculation methods:
The fair market values of these quotations are based on the values provided by the company's banks.
2. Among debts in foreign currency that are subject to derivative contracts and thus whose Japanese yen values are already fixed, those whose yen values are disclosed in the balance sheet are excluded from the table above.
3. The values subject to hedge accounting are excluded from the table above.

< Current Midterm > (June 30, 2002)

(Thousands yen)

Subject Type	Type	Current Midterm		
		Contract amount	F a i r v a l u e	Unrealized gain (loss)
C u r r e n c y	U.S. dollar currency option contracts			
	Buying (USD):	205,524	277,862	72,337
	Selling (USD):	435,437	450,489	-15,052
Total				57,285

Notes:

1. Market value calculation methods:
The fair market values of these quotations are based on the values provided by the company's banks.
2. Among debts in foreign currency that are subject to derivative contracts and thus whose Japanese yen values are already fixed, those whose yen values are disclosed in the balance sheet are excluded from the table above.
3. The values subject to hedge accounting are excluded from the table above.

< Previous Term > (December 31, 2001)

(Thousands yen)

Subject Type	Type	Current Midterm
--------------	------	-----------------

		Contract amount	F a i r v a l u e	Unrealized gain (loss)
Currency	U.S. dollar currency option contracts			
	Buying (USD):	223,012	631,478	408,466
	Selling (USD):	383,014	567,374	-184,360
	Total			224,105

Notes:

1. Market value calculation methods:
The fair market values of these quotations are based on the values provided by the company's banks.
2. Among debts in foreign currency that are subject to derivative contracts and thus whose Japanese yen values are already fixed, those whose yen values are disclosed in the balance sheet are excluded from the table above.
3. The values subject to hedge accounting are excluded from the table above.