

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.

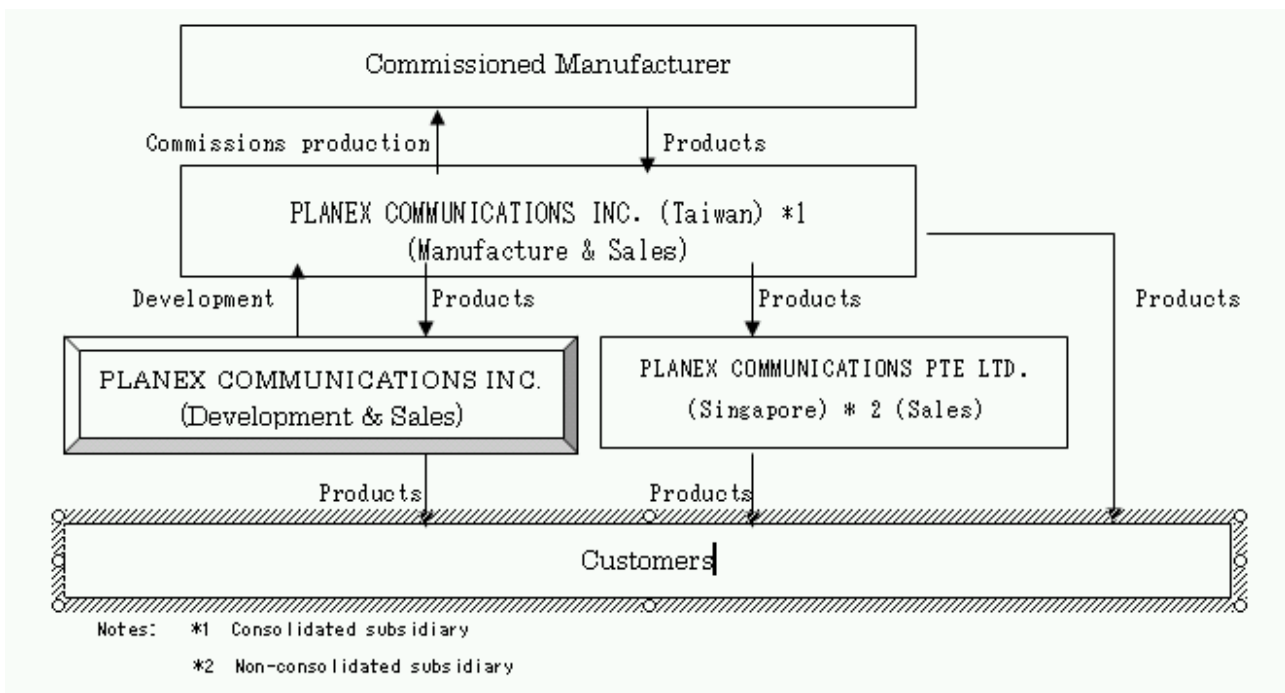
Product development cycles are fast as technologies employed at PLANEX COMMUNICATIONS INC. (Taiwan) are used. The Company commissions the production of products to agents in Taiwan and China where production cost is low and high engineering level is maintained.

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, Rack, gigabit products, print servers, cables, wireless LAN products, USB
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.

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 both i)the general price reduction of always-on Internet services including ADSL and ii) the widespread use of wireless products, access to broadband service has become the second-most vital lifeline after telephone in business and home environments. In this circumstance, the company strives

to enhance the sales to medium scale corporations and individual users while expanding product lineup and services targeted to major companies, government and public offices and education market, all to maintain the company's advantage in the network market.

5. About Corporate Governance

1. Basic Policy of the Company Regarding Corporate Governance

The company recognizes the need to reinforce corporate governance for improvement of the value of the enterprise and continued growth of the company and its group, and thus is strives to enhance its corporate governance system.

2. Implementation Status of Corporate Governance

The company uses its auditing system to reinforce corporate governance. Its implementation status is as follows:

(Directors and Board of Directors)

In addition to its regular meetings of board of directors, similar meetings have been held as the necessity arises. Decisions on issues raised are made after each board member's understanding of the topic (being discussed) is clarified through adequate exchange of information and consultation.

6. Goals To Be Achieved

The widespread movement towards "broadbandization" since two years ago has resulted in i)price reduction in both broadband products and high-speed access services and ii)further addition of advanced functions to these products. Due to these factors, consumer product market is still expanding. As for products for corporate users, while the IT budget now shows sign of recovery due to the turnaround, it is no longer possible to expect growth in the number of products sold that is big enough to accommodate price reduction. In this circumstance, the company aims to improve sales by developing new products with the company's original extra functions or utilities.

7. Policies regarding the relationship between the company and its related parties

It is the company's policy to not to enter into a business arrangement with its related parties. Should it have a business relationship with those parties, 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 has failed to achieve both its sales growth rate target and ordinary profit rate target, it will continue to sustain the net sales as well as ordinary profit rate.

(Unit: Million yen)

	Next Term Forecast	Performance of Current Term
Net Sales	4,675	4,029
Sales Growth (%)	16.0%	-17.7%
Ordinary Income	105	-684
Ordinary Income Rate (%)	2.2%	-17.0%
Inventory Turnover Ratio (#/yr)	16.5	15.2

3. Managerial Results

1. Overview of This Current Term

(1) Operational Results

During this term, the yen rose sharply against the dollar and consequently a considerable amount of evaluation loss of currency option resulted. The said loss has led to the operational result above. The reason that the company is using currency option is as follows. In the data communication/ network market to which the company belongs, both technological advancements and general price reduction occur quite rapidly. In this type of market, having long-term inventory and/or huge volume inventory is risky in that it might easily lead to the "standardization" of low price or price reduction.

In this market, the company operates as it focuses on the following two business management goals: i) maintaining an appropriate level of inventory and ii) securing cash. As the following tables indicate, even when compared with the previous term performance (index-wise), the company has been emphasizing the importance of maintaining the right level of inventory as it operates. As a result, the company has managed to maintain its inventory of 267 million yen (a slight increase compared with the previous year's figure) , a favorable level that is not affected by the general "commonalization" or product-redundancy tendency. Furthermore, cash balance has increased to 1,178 million yen from the previous year, indicating that the company has also maintained a healthy cash level.

While evaluation loss from currency option is treated as accounting loss, from the perspective of cash it is not financial loss. For an enterprise like the company which i) manufactures products at overseas manufacturing sites in Taiwan, etc. and ii) sells its products in countries other than the manufacturing countries, to minimize the effect of currency fluctuations, it is vital to employ the very simple method of selling products at a price that is greater than the (business-wise) stable manufacturing cost. As the company's business performance mainly relies on net sales in Japan which is not directly linked with the dollar as key currency, ensuring a certain exchange rate with appropriate foreign currency is extremely important and thus the company utilizes currency option. In this settlement of accounts and other situations where currency fluctuations are rapid, however, the use of currency option may entail significantly huge evaluation loss.

Reference (Unit: Million yen)

	9 th Term	10 th Term
Cash	954	1,178
Account Receivable	954	840
Inventory	260	267

(2) Cash Flows

Despite the reduction in sales volume and huge net loss during this term, the end-of-term cash and cash equivalents was 1,364 million yen (128 million yen increase compared with the end of the previous term). The 257 million yen increase in operating cash flows is chiefly responsible for the increase above. While the net loss before tax adjustment for this term was 569 million yen, evaluation loss of option and exchange loss are loss factors that do not involve outflow of cash and thus such factors are excluded in the cash flow accounting statement. In addition, as operational items, account receivable decreased while purchase liabilities increased and thus cash flows from operating activities showed an increase. Cash flows from investment activities during the term decreased by 39 million yen, and the increase in the balance of investment securities during the term is responsible for the decrease. Cash flows from financing activities also decreased by 33 million yen due to the dividend payment of 35 million yen during the term (as appropriation of previous term's profit). Furthermore, the

sharp appreciation of the yen against the dollar towards the end of the term led to -56 million yen of exchange conversion balance. Due to these changes, the increase in cash and cash-equivalents during this term was 128 million yen.

(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	1,886	-29.8%
Internet System Products	1,026	-22.4%
Other	193	1,031.3%
Total	3,105	-17.2%

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

2. The exchange rate on the settling day (1NTD=3.16 yen as of December 31, 2003) 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	2,769	-19.4%
Internet System Products	1,138	-20.3%
Other	122	254.3%
Total	4,029	-17.7%

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

2. The exchange rate on the settling day (1NTD=3.16 yen as of December 31, 2004) was used for the current term.

3. The category "Other" used until the 8th term has been transferred to the "Network Products" category. From the 9th term, the category "Other" includes sales services, sales promotion materials/tools, i Support and others.

2. Outlook For the Next Fiscal Year

Following the rapid spread of broadband services since last year, high speed Internet access services have become significantly less expensive and more functions have been added to low-end products. Due to these changes, while the market itself is expanding, it is unlikely to achieve an increase in unit sales of products for corporate users that would match their price reduction.

Under the circumstances, the group will attempt to maintain steady growth by i) developing and marketing the group's original products as well as functions and ii) carrying out exchange currency/pricing measures that withstand exchange fluctuations.

(Millions of yen)

	Outlook for the Next Term	Real Business Performance for the Current Term	Net Change
Sales Proceeds	4,675	4,029	+16.0%
Operating Income	75	-217	+134.6
Ordinary Income	105	-684	+115.4
Net Profit for Current Term	61	-327	+118.7

Sales forecast by product group for the period of December 2004 is as follows.

(Thousands of yen)

Product Group	Outlook for the Next Term	Business Performance for the Current Term	Net Change
Network Products	3,433	2,769	+24.0
Internet System	1,237	1,138	+8.7

P r o d u c t s			
O t h e r	5	122	-95.9
T o t a l	4,675	4,029	+16.0

Notes on sales forecast above

The estimated values for the period of December 2003 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(In thousands of yen)

	Current Term (December 31, 2003)		Previous Term (December 31, 2002)	
	Sum	Ratio	Sum	Ratio
(Assets)		%		%
Current Assets				
Cash and deposits	1,178,283		954,714	
Notes receivable and accounts receivable - t r a d e	840,441		954,996	
M a r k e t a b l e s e c u r i t i e s	186,284		305,274	
Inventory assets	267,912		260,847	
Deferred Income Tax	27,004		35,516	
A s s e t s				
Exchange contract	-		96,617	
Option Assets	-		260,965	
O t h e r	77,569		124,016	
Allowance for doubtful accounts	-4,035		-5,220	
Total current assets	2,573,461	64.7	2,987,727	73.3
Fixed Assets				
Tangible fixed assets				
Buildings	46,936		52,210	
Vehicles	5,512		12,005	
Other	49,372		68,227	
Total Intangible Fixed Assets	101,821	2.6	132,442	3.3
Intangible fixed a s s e t s	36,272	0.9	9,091	0.2
Investments and o t h e r a s s e t s				
Investments in securities	731,243		649,789	
Investments in capital	232,777		232,777	
Long-term prepaid expenses	92		-	
Deferred tax assets	243,218		48	
Other	58,668		68,467	
Allowance for doubtful accounts	-3,278		-3,278	
Investments and o t h e r a s s e t s (total)	1,262,721	31.8	947,804	23.2
Total fixed assets	1,401,270	35.3	1,089,339	26.7
T o t a l a s s e t s	3,974,731	100.0	4,077,066	100.0

(Liabilities)s	Current Term (December 31, 2003)		Previous Term (December 31, 2002)	
	Sum	Ratio %	Sum	Ratio %
Current Liabilities				
Accounts payable, trade	559,261		536,561	
Income taxes payable, others	14,124		23,698	
Accounts payable, other	64,225		106,170	
Accrued bonuses	12,203		17,264	
Deferred tax liabilities	-		1,273	
Exchange contract	25,987		-	
Option Assets	640,942		-	
Deferred hedging	22,312		337,291	
i n c o m e				
O t h e r	86,705		107,515	
Total current liabilities	1,425,763	35.9	1,129,775	27.7
Fixed liabilities				
Deferred tax liabilities	-		14,158	
Retirement allowances for directors	128,774		123,741	
Deposits received for guarantees deposit	2,000		5,000	
Total fixed liabilities	130,774	3.3	142,900	3.5
Total liabilities	1,556,538	39.2	1,272,676	31.2
(Shareholders' Equity)				
Common stock	-	-	915,835	22.5
Additional paid-in capital	-	-	1,105,495	27.1
Consolidated surplus	-	-	864,386	21.2
Other profit and loss from securities revaluation	-	-	-121	-0.0
Foreign currency translation adjustments	-	-	-5,161	-0.1
Treasury stock	-	-	-76,044	-1.9
Total shareholders' equity	-	-	2,804,389	68.8
Total liabilities and shareholders' equity (Shareholders' Equity)	-	-	4,077,066	100.0

Common stock	916,985	23.1	-	-
Additional paid-in capital	1,106,646	27.8	-	-
Consolidated surplus	500,894	12.6	-	-
Other profit and loss from securities revaluation	8,686	0.2	-	-
Foreign currency translation adjustments	-47,087	-1.2	-	-
Treasury stock	-67,932	-1.7	-	-
Total shareholders' equity	2,418,193	60.8	-	-
Total liabilities and shareholders' equity	3,974,731	100.0	-	-

(2) Consolidated Income Statements

(in thousands of yen)

	Current Term		Previous Term	
	Starting: January 1, 2003 Ending: December 31, 2003		Starting: January 1, 2002 Ending: December 31, 2002	
	Sum	Ratio	Sum	Ratio
		%		%
Net sales	4,029,785	100.0	4,897,544	100.0
Cost of sales	2,829,611	70.2	3,261,293	66.6
Gross profits	1,200,173	29.8	1,636,251	33.4
Selling, general and administrative expenses	1,417,465	35.2	1,439,481	29.4
Officers' remuneration	69,807		90,004	
Employees' salaries and bonuses	397,035		413,202	
Advertising expenses	66,396		131,079	
Transportation expenses	109,854		120,439	
Provision for doubtful accounts	1,418		4,289	
Provision for bonus payable	15,905		19,773	
Provision for retirement benefits for officers	16,466		22,786	
Other	740,580		637,905	
Operating income	-217,291	-5.4	196,769	4.0
Non-operating income	76,105	1.9	151,040	3.1
Interest and dividends received	35,015		54,943	
Gains on sales of marketable securities	33,900		8,995	
Exchange gains	-		65,647	
Miscellaneous income	7,189		21,454	
Non-operating expenses	543,709	13.5	130,534	2.7
Interests paid	18,758		-	
Exchange losses	518,310		128,246	
Miscellaneous losses	6,639		2,288	
Ordinary income	-684,895	-17.0	217,274	44
Extraordinary gains	115,546	2.9	234	0.0
Gain on sale of property and equipment	544		234	

Transfer from reserve for possible loan losses	2,165		-	
役員退職慰勞引当金戻入	8,583		-	
保險解約益	104,252		-	
Extraordinary losses	640	0.0	14,154	0.3
Loss from write-down of securities	640		11,868	
Other	-		2,285	
Income before income taxes	-569,988	-14.1	203,354	4.1
Income, residential and enterprise taxes	26,805	0.7	51,364	1.0
未払法人税等戻入益	-16,836	-0.4	-	-
Adjustments to income taxes	-252,706	-6.3	26,827	0.5
Net income	-327,251	-8.1	125,163	2.6

(3) Consolidated Statements of Surplus

(in thousands of yen)

	Current Term	Previous Term
	Starting: January 1, 2003 Ending: December 31, 2003	Starting: January 1, 2002 Ending: December 31, 2002
	Sum	Sum
Consolidated surplus at the opening of each period	-	785,373
Decrease in consolidated surplus		
Dividends	-	36,150
Directors' bonuses	-	10,000
Current Net Income	-	125,163
Interim consolidated surplus at the end of each period	-	864,386
(Capital Surplus Reserve)		
Capital surplus balance at the beginning of the term	1,105,495	-
Increase in capital surplus reserve		
New stocks issued due to capital increase	1,151	-
Capital surplus balance at the end of the term	1,106,646	-
(Earned Surplus)		
Earned surplus at the beginning of the term	864,386	-
Decrease in earned surplus		
Dividend	35,557	-
Loss from disposition of own stocks	682	-
Net loss during this term	327,251	-
Earned surplus at the end of the term	500,894	-

(4) Consolidated Statements of Cash Flows

(in thousands of yen)

	Current Term	Previous Term
	Starting: January 1, 2003 Ending: December 31, 2003	Starting: January 1, 2002 Ending: December 31, 2002
	Sum	Sum
I Cash Flows From Operating Activities		
1. Current net income before income taxes	-569,988	203,354
2. Depreciation expenses	43,040	36,505
3. Increase/Decrease in allowance for doubtful accounts	-920	386
4. Increase in allowance for bonus payable	-4,221	8,087
5. Increase in provision for retirement benefits for directors	5,033	19,773
6. Interest and dividend received	-35,015	-54,943
7. Exchange gain	210,522	61,980
8. Net option value	518,310	128,246
9. Loss on sales of investment securities	-33,900	-8,995
10. Gain on sales of property and equipment	-544	-234
11. Loss on disposal and sales of property and equipment	-	2,285
12. Loss on sales of marketable securities	640	11,868
13. Increase in accounts receivables	6,814	-160,109
14. Increase in inventories	-10,829	45,798
15. Increase in accounts payables	70,218	102,129
16. Increase (decrease) in accrued liabilities	-37,887	-13,906
17. Other increases and decreases in assets and liabilities	11,954	138,880
18. Bonus payment to directors	-	-10,000
Sub Total	234,226	511,109
19. Interest and dividend received	42,074	33,697
20. Income taxes paid	-18,661	-270,886
Net cash provided by operating activities	257,640	273,921
II Cash Flows From Investing Activities		
1. Acquisition of marketable securities	-	-23,813
2. Acquisition of investments in securities	-239,322	-639,232
3. Proceeds from sales of marketable securities	233,764	496,568
4. Acquisition of property and equipment	-8,214	-62,261
5. Proceeds from sales of property and equipment	4,400	10,307
6. Increase in capital investment	-	-132,777
7. Other	-29,648	-3,619
Net cash used for investing activities	-39,021	-354,827
III Cash Flows From Financing Activities		
1. Proceeds from capital increase	2,301	3,150
2. Reacquisition of common stock	-	-76,044
3. Cash dividends	-35,557	-35,510
Net cash provided by financing activities	-33,256	-108,404
IV Effects of exchange rate changes on cash and cash equivalents	-56,970	-39,325
V Increase in cash and cash equivalents	128,392	-228,635
VI Cash and cash equivalents at the beginning of year	1,236,175	1,464,811
VIII Cash and cash equivalents at end of year	1,364,567	1,236,175

(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

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.)

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 end of the 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. Evaluation of consolidated subsidiaries

All assets and liabilities of consolidated subsidiaries are evaluated using current-price system.

6. Appropriation of profit

The statement of consolidated surplus has been prepared using data on profit appropriation for consolidated companies that was settled during the fiscal consolidated year.

7. Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows consist of 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.

(Additional Information)

1. Accounting for treasury stock and reclassification of statutory reserve

Since this consolidated accounting term, the company adopted the "Accounting Standard for Treasury Stock and Reclassification of Statutory Reserve (ASB No.1)". There is no major impact of adopting the new accounting standard on profits and losses of this period. Due to the amendment of the Regulations Regarding Consolidated Financial Statements, the Assets section of the consolidated balance sheet and consolidated surplus statement were prepared in accordance with the amended regulations.

2. Accounting standard for current net income per share

Since this consolidated period, the company adapted "Accounting Standard for Current Net Income Per Share (ASB No.2)" and "Application Guideline for Accounting Standard for Current Net Income Per Share (ASB Application Guideline No.4)". There is no major impact of the adoption of the standard and guideline on the current net income per share during this consolidated accounting period.

(Explanatory Notes to the Consolidated Financial Statements)

1. Issues relating to balance sheet

(1) Cumulative depreciation of tangible fixed assets

Current Term: 99,525 thousand yen

Previous Term: 76,358 thousand yen

(2) Accounting treatment of bills maturing on the balance sheet date

Bills maturing on the balance sheet date are settled on the check clearing date. Note also that bills maturing on the next balance sheet date are included in the balance at the end of term since the last day of the current term coincided with a holiday for financial institutions.

- Bills receivable: 1,352 thousand yen

(3) Assets and liabilities with regards to non-consolidated subsidiaries and companies that have business with Planex

Investment securities (shares) : 11,195 thousand yen

4) Commitment Line

To effectively finance its operating fund payments, the company and its bank have entered into a loan commitment agreement. The unexecuted loan balance based on the agreement at the end of the term is as follows:

Total amount covered in loan commitment	500,000 thousand yen
Executed loan balance	
Balance	500,000 thousand yen

5) Amount of treasure stocks owned:

268 stocks

2. Issues related to profit and loss statement

Total expenditure of R&D expenses included in administrative expenses:

Current Term: 125,785 thousand yen Previous Term: 101,144 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 current and previous terms

	<u>Current Term</u> (thousands of yen)	<u>Previous Term</u> (thousands of yen)
Cash and time deposits	1,178,283	954,714
MMF and others included in marketable securities	186,284	281,461
Cash and cash equivalents	1,364,567	1,236,175

5. Segment Information

(1) Industry Segment Information

During the previous period and current period, 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

< Current Term >

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to customers	3,341,490	688,295	4,029,785	-	4,029,785
(2) Intersegment sales	-	2,450,234	2,450,234	(2,450,234)	-
Total Sales	3,341,490	3,138,529	6,480,019	(2,450,234)	4,029,785
Operating expenses	3,553,912	3,078,700	6,632,613	(2,385,536)	4,247,076
Operating income (loss)	-212,422	59,829	-152,593	(64,698)	-217,291
II Assets	1,638,922	1,110,487	2,723,421	1,225,322	3,974,731

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 66,834 thousand yen.
4. Corporate assets included in eliminations and corporate, consist mainly of surplus operating capital (time deposits) and long-term investments (investment securities and investments), and the amount is 1,746,883 thousand yen.

< Previous Term >

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated

Sales and operating income					
Sales					
(1) Sales to customers	4,225,725	671,819	4,897,544	-	4,897,544
(2) Intersegment sales	-	3,065,360	3,065,360	(3,065,360)	-
Total Sales	4,225,725	3,737,179	7,962,905	(3,065,360)	4,897,544
Operating expenses	4,070,251	3,620,646	7,690,897	(2,990,121)	4,700,775
Operating income (loss)	155,474	116,533	272,008	(75,238)	196,769
II Assets	1,877,936	1,085,331	2,963,268	1,113,797	4,077,066

Notes:

1. Segmentation of country or areas is based on geographical proximity.
5. Countries and areas included in each category are as follows:
Asia Taiwan
6. 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 70,610 thousand yen.
7. Corporate assets included in eliminations and corporate, consist mainly of surplus operating capital (time deposits) and long-term investments (investment securities and investments), and the amount is 1,556,643 thousand yen.

(3) Overseas Sales

< Current Term >

(Thousands of yen)

	Asia	Other	Total
Overseas sales	644,355	43,652	688,008
Consolidated sales	-	-	4,029,785
Share of overseas sales	16.0%	1.1%	17.1%

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, Philippine ,Sri Lanka, India and Malaysia

Other.....United Kingdom, Poland, Denmark, Italy, the Unites States of America, Canada,Panama

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(Thousands of yen)

	Asia	Other	Total
Overseas sales	651,796	20,023	671,819
Consolidated sales	-	-	4,897,544
Share of overseas sales	13.3%	0.4%	13.7%

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, Pakistan, Sri Lanka, Korea, Indonesia, Saudi Arabia, Vietnam, India and Malaysia

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

6. Marketable Securities

< Current Term >

(1) Market Value of Other Securities

(Thousands of yen)

	Categories	Cost	Carrying Amount	Balance
Carrying amount (reported in the consolidated balance sheet) is greater than cost	1. Stocks	65,008	78,547	13,538
	2. Bonds			
	Government bonds and municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Other	50,000	50,525	525
	3. Other	195,971	204,331	8,359
	Subtotal	310,980	333,403	22,423
Carrying amount (reported in the consolidated balance sheet) does not exceed cost	1. Stocks	68,532	60,700	-7,832
	2. Bonds			
	Government bonds and municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Other	11,715	10,944	-770
	Other	-	-	-
	Subtotal	80,247	71,644	-8,603
	Total	391,227	405,047	13,820

(2) Other marketable securities sold during the current term

Sales	Total profit on sales	Total loss on sales
496,568	33,900	-

(3) Marketable Securities Whose Fair Value is Not Determined

Other marketable securities

	Carrying Amount
1. Bonds held to maturity	
Unlisted Euro-Yen bonds	300,000 thousand yen
2. Other marketable securities	
Unlisted bonds (excluding OTC shares)	26,195 thousand yen
Foreign currency MMF	186,284 thousand yen
Total	512,480 thousand yen

(4) The redemption schedule of other marketable securities with maturity date/those held to maturity
(Thousands of yen)

Categories	Within a year	1 year to 5 years	5 years to 10 years	Over 10 years

1 Bonds	-	-	-	-
National bond, local bond	-	-	-	-
Corporate bond	-	-	-	-
Other	-	-	-	300,300
2. Other	-	-	-	-
Total	-	-	-	300,300

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(1) Market Value of Other Securities

(Thousands of yen)

	Categories	Cost	Carrying Amount	Balance
Carrying amount (reported in the consolidated balance sheet) is greater than cost	1. Stocks	-	-	-
	2. Bonds			
	Government bonds and municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Other	-	-	-
	3. Other	195,971	197,937	1,965
	Subtotal	195,971	197,937	1,965
Carrying amount (reported in the consolidated balance sheet) does not exceed cost	1.Stocks	30,756	16,711	-14,044
	2.Bonds			
	Government bonds and municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Other	23,813	23,414	-398
	Other	-	-	-
	Subtotal	54,569	40,125	-14,443
	Total	250,540	238,063	-12,477

(2) Other marketable securities sold during the current term

Sales	Total profit on sales	Total loss on sales
496,568	8,995	-

(3) Marketable Securities Whose Fair Value is Not Determined

Other marketable securities

	Carrying Amount
1. Bonds held to maturity	
Unlisted Euro-Yen bonds	300,000 thousand yen
2. Other marketable securities	
Unlisted bonds (excluding OTC shares)	11,195 thousand yen
Unlisted foreign currency bonds	123,944 thousand yen
Foreign currency MMF	281,461 thousand yen
Total	716,601 thousand yen

(4) The redemption schedule of other marketable securities with maturity date/those held to maturity

(Thousands of yen)

Categories	Within a year	1 year to 5 years	5 years to 10 years	Over 10 years
1 Bonds	-	-	-	-
National bond, local bond	-	-	-	-

Corporate bond	-	-	-	-
Other	-	-	-	300,300
2. Other	-	-	-	-
Total	-	-	-	300,300

7. Derivative Financial Instruments

< Current Term >

(Thousands yen)

Subject Type	Type	Current Term (December 31, 2003)		
		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:	331,629	179,705	-515,923
	Selling:	523,290	-867,313	344,022
Total				-495,946

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.

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(Thousands yen)

Subject Type	Type	Current Term (December 31, 2002)		
		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:			
	US dollar	169,711	279,417	109,706
	Selling:			
	US dollar	414,976	-259,126	155,850
Total			20,291	265,553

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. Option premiums within the balance sheets are disclosed, in brackets (<->), under the contract or notional amounts.
3. 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.
4. The values subject to hedge accounting are excluded from the table above.

8. Business Dealings with Parties within the Company

There are no applicable business transactions or dealings to be reported here.

9. Tax Effect Accounting

<Current Term>

1. Factors responsible for deferred income tax asset and deferred income tax liabilities

Deferred income tax asset

Allowance for severance benefits	: 52,153 thousand yen
Taxable depreciation of software	: 11,879 thousand yen
Loss from evaluating remaining inventories	: 9,824 thousand yen
Amount of loss brought forward	: 279,379 thousand yen
Unrealized profit from inventory	: 7,672 thousand yen
Other	: <u>24,324 thousand yen</u>
Total deferred income tax asset	: <u>385,232 thousand yen</u>

Deferred income tax liabilities

Leveraged leases	: -106,461 thousand yen
Special depreciation reserves	: -2,858 thousand yen
Unrealized exchange gain	: <u>-5,690 thousand yen</u>
Total deferred income tax liabilities	: <u>-115,009 thousand yen</u>
Net deferred income tax asset	: <u>270,222 thousand yen</u>

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1. Factors responsible for deferred income tax asset and deferred income tax liabilities

Deferred income tax asset

Allowance for severance benefits	: 51,971 thousand yen
Taxable depreciation of software	: 16,963 thousand yen
Loss from evaluating remaining inventories	: 9,272 thousand yen
Amount of loss brought forward	: 12,095 thousand yen
Unrealized profit from inventory	: 6,568 thousand yen
Other	: <u>13,018 thousand yen</u>
Total deferred income tax asset	: <u>109,889 thousand yen</u>

Deferred income tax liabilities

Leveraged leases	: -80,892 thousand yen
Special depreciation reserves	: - 3,933 thousand yen
Unrealized exchange gain	: <u>- 4,929 thousand yen</u>
Total deferred income tax liabilities	: <u>-89,755 thousand yen</u>
Net deferred income tax asset	: <u>20,133 thousand yen</u>

2. Factors responsible for the discrepancy between the statutory effective tax rate and corporate tax rate after tax effect accounting

Statutory effective tax rate (adjusted)	: 42.00%
Social and other expenses not to be included in losses	: 0.27%
Tax on undistributed profits	: 10.28%
Applied tax rate differences for subsidiaries	: - 12.26%
Other	: <u>- 1.84%</u>
Corporate tax rate after tax effect accounting	: <u>38.45%</u>

(Market Price Information (1 Share))

<Current Term>

Net assets/ share : 169,092 yen 60 sen

Current net loss/ share: 22,946 yen 79 sen

Since net loss has been already accounted for this term, current net profit per share after residual securities adjustment is not listed.

Note: The following data is used to calculate net loss per share.

Current net loss per share	22,946 yen79 sen
Current net loss (thousands of yen)	327,251
Amount that does not belong to common stockholder(thousands of yen)	-
Current net loss associated with common stock (thousands of yen)	327,251
Average number of shares during term	14,261

<Previous Term>

Net Asset per share: 197,172 yen 89 sen

Current net profit per share: 8,708 yen 81 sen

Current net profit per share after residual securities adjustment: 8,684 yen 16 sen