

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.

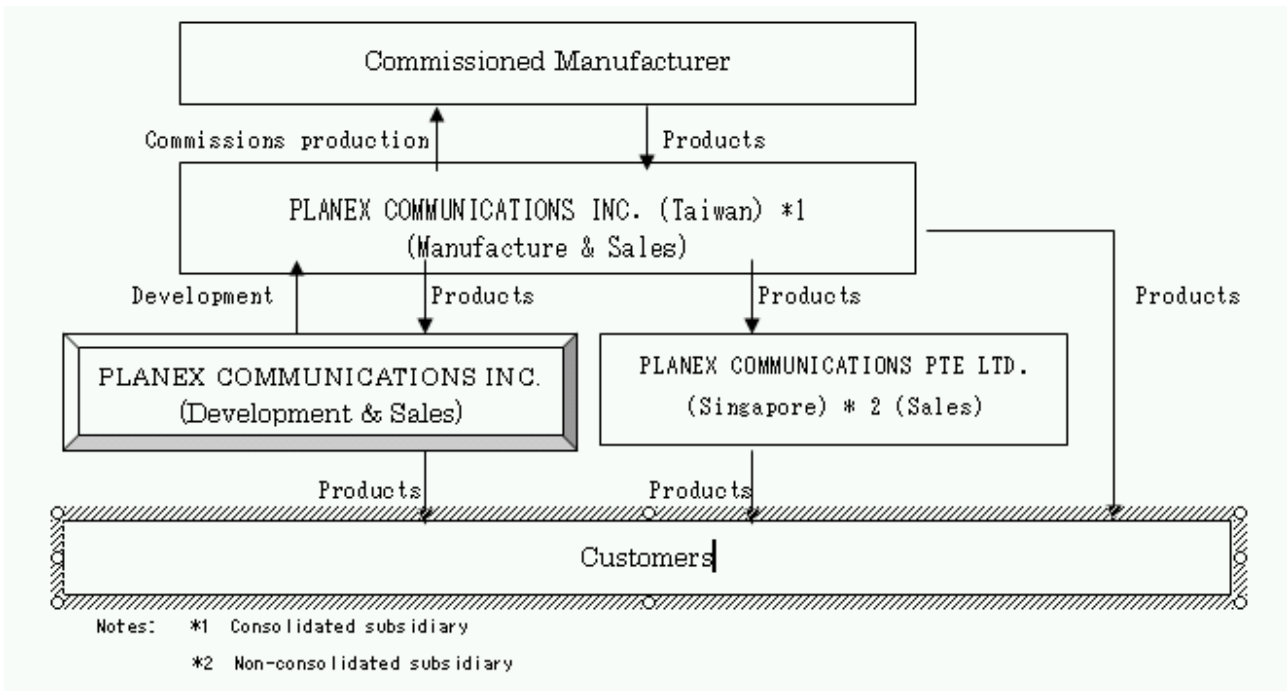
Product development cycles are fast as technologies employed at PLANEX COMMUNICATIONS INC. (Taiwan) are used. The Company commissions the production of products to agents in Taiwan and China where production cost is low and high engineering level is maintained.

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

The company's goals to be achieved for the last half of the business term mainly concern i) strengthening of product development and ii)strengthening of organizational control. More specifically, the company aims at:

1. Releasing advanced-function and low priced attractive products ahead of other vendors
2. Continuing expanding/upgrading our own popular product lineup
3. Strengthening our marketing division to grasp market demand more accurately
4. Enhancing our technical support system to improve product quality

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.

mhas 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

To its product lineup, the company has added a variety of broadband router products to meet various demands in networking environment, including wireless routers with wireless LAN capabilities (now regular products of the company), low priced popular models for ADSL users and high-speed models with advanced functions for fiber optic communications service users.

In addition to the company's own brand products, the company has provided OEM broadband router products to major communications service vendors. Their sales figure has grown steadily as the company's weekly over-the-counter share was the highest throughout the second quarter. Furthermore, in June an NTT - Planex "double-logo" OEM product (an extraordinary case for an OEM business), "NTT Web Caster 7000 powered by Pci (multi-function broadband router for high-end users) was released from NTT East/West, the company's new OEM customer, and through this business the company was valued highly for its technical strength and product planning capacity.

In addition to the company's wireless LAN products including IEEE802.11b(2.4GHz/11Mbps) and IEEE802.11a (5GHz/43Mbps) models, new models supporting IEEE801.11g (2.4GHz/54Mbps: high-speed standard for less expensive products) have been made available to our customers to improve and strengthen the lineup of wireless products whose market is still expanding as of today.

With regards to the company's switch products for corporate users, switches supporting PoE (IEEE802.3af), a new international standard that allows the switch to provide power via network cable (without using an AC adapter) have been developed for IP telephone (IP centrex) services. The rapid diffusion of these IP services is anticipated, and the switch products were released during Interlop 2003 in Makuhari. The company has been highly esteemed by uses of cutting-edge technologies for its release of the switch models in the Japanese market well ahead of other vendors.

Although the total sales for corporate users did not reach its goal, the sales of OEM products increased favorably despite low corporate demands for them, making the overall achievement rate acceptable.

On the other hand, the sales of consumer products for volume retailers reflected the fierce price competition of the related products in the market. Main factors responsible for these results are: i) ever intensifying sales competition of these products and the unexpectedly rapid drop in the product unit price as well as ii) delay in releasing products to the market due to prolonged development work for new OEM products (that in turn overwhelmed the company's R&D resource).

As stated above, the scale of networking market has been expanding while the sales competition in

network product industry is increasingly becoming more fierce as evidenced and influenced by intensifying price competition, the flood of newly released products. All of these movements have led to decline in product unit price and increasingly more fierce price competition.

The company's overseas affiliate company, PCI Taiwan, overcame the various negative impacts of SARS and sales in Taiwan grew steadily. The SI related sales business (since last year) has got on the right track. Overseas sales in Hong Kong and southeast Asian countries grew favorably as well.

(2) Cash Flows

Although interim net profit before adjustment (before tax, etc) was 14 million yen, reduction of account receivable included a deposit of 360 million yen and reduction factors consist of increase in inventory (117 million yen) and option evaluation loss of 141 million yen. Due to all these factors, sales cash flow increased by 120 million yen.

Cash flow due to investment activities decreased by 38 million yen due to the purchase of backbone/mission critical software.

Cash flow due to financial activities decreased by 35 million yen due to the payment of dividends.

Due to the cash flows presented above, cash and cash equivalents at the end of current interim period was 1,285 million yen (49 million yen increase compared with the figure for same period in the previous year, which was 1,236 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	1,022,696	-20.8%
Internet System Products	389,079	-36.1%
Other	141,718	-4.0%
Total	1,553,493	-24.1%

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

2. The exchange rate on the settling day (1NTD=3.47 yen as of June 30, 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	1,378,005	-19.5%
Internet System Products	490,666	-12.1%
Other	48,067	-71.5%
Total	1,916,740	-21.4%

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

2. The exchange rate on the settling day (1NTD=3.47 yen as of June 30, 2003) was used for the current term.

2. Outlook For the Next Fiscal Year

Despite the sagging Japanese economy, network and its related industries have been expanding steadily due to the rapid diffusion of broadband network and communication services such as ADSL. While the number of ADSL service subscribers is increasing, the increase rate since the beginning of this year has been decreasing, indicating that its ADSL services in Japan are about to enter their "mature phase" in which they will no longer show rapid growth. In spite of this situation, sales competition is becoming increasingly fierce and product price is rapidly declining to the extent that it is now likely to have seriously negative impact on the gross margin rate despite the expanding market for related products.

Under the circumstances, the group has been selecting and focusing managerial resources to both strengthen high-value added own brand products and expand sales channels. Compared with the previous term, its sales volume is thus expected to rise while its operating income will improve significantly.

(Thousands of yen)

	Outlook for the Next Term	Real business performance for the previous term	Net Change
Net Sales	5,108,000	4,897,544	+4.3%
Operating Income	-11,000	196,769	-105.6%
Ordinary Income	198,000	217,274	-8.9%
Net Income	140,000	125,163	+11.8%

Sales forecast by product group for the period of December 2003 is as follows.

(Thousands of yen)

Product Group	Outlook for the Present Term	Business Performance for the Previous Term	Net Change
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Network Products	3,570,000	3,435,011	+3.9%
Internet System Products	1,438,000	1,428,098	+0.7%
Other	100,000	34,434	+190.4%
Total	5,108,000	4,897,544	+4.3%

Notes on sales forecast above

- 1 . 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.
- 2 . The dollar-yen exchange rate used in the sales forecast calculation is 1US\$ = 119.75 yen.

4. Midterm Consolidated Financial Statements

(1)Midterm Consolidated Balance Sheet

(In thousands of yen)

	Previous Midterm (June 30, 2002)		Current Midterm (June 30, 2003)		Previous Term (December 31, 2002)	
	Sum	Ratio	Sum	Ratio	Sum	Ratio
(Assets)		%		%		%
Current Assets						
Cash and time deposits	1,083,574		1,081,126		954,714	
Accounts and notes receivable - trade	945,325		595,991		954,996	
Marketable securities	267,862		204,236		305,274	
Inventories	653,045		378,019		260,847	
Exchange contract	104,940		24,376		96,617	
Option Assets	-		445,918		260,965	
Other	262,245		171,642		159,532	
Allowance for doubtful accounts	-7,355		-3,829		-5,220	
Total current assets	3,309,638	74.4	2,897,482	71.2	2,987,727	73.3
Fixed Assets						
Tangible fixed assets	111,060		119,812		132,442	
Intangible Fixed Assets	11,040		41,423		9,091	
Investments and other assets						
Investments in securities	687,299		713,534		649,789	
Amount invested	232,777		232,777		232,777	
Other	93,674		66,379		65,238	

Investments and other assets (total)	1,013,750		1,012,691		947,804	
Total fixed assets	1,135,851	25.6	1,173,926	28.8	1,089,339	26.7
Total assets	4,445,490	100.0	4,071,409	100.0	4,077,066	100.0
(Liabilities)s						
Current Liabilities						
Accounts payable	1,029,612		524,926		535,561	
Accrued income taxes	71,112		20,865		23,698	
Accrued bonuses	42,025		32,288		17,264	
Deferred hedge income	104,940		396,098		337,291	
Other current liabilities	340,255		144,418		214,961	
Total current liabilities	1,618,573	1,587,947	1,118,595	27.5	1,129,775	27.7
Fixed liabilities						
Allowance for retirement benefits for directors	114,841		120,608		123,741	
Other	-		40,712		19,158	
Total fixed liabilities	114,841	2.6	161,320	3.9	142,900	3.5
Total liabilities	1,702,788	38.3	1,279,916	31.4	1,272,676	31.2
(Shareholders' Equity)						
Common stock	914,260	20.6	-	-	915,835	22.5
Capital reserve	1,103,920	24.8	-	-	1,105,495	27.1
Retained earnings	715,377	16.1	-	-	864,386	21.2
Revaluation profit from an investment security	-3,637	-0.1	-	-	-121	-0.0
Translation adjustments	12,780	0.3	-	-	-5,161	-0.1
Treasury stock	-	-	-	-	-76,044	-1.9
Total shareholders' equity	2,742,701	61.7	-	-	2,804,389	68.8
Total liabilities and shareholders' equity	4,445,490	100.0	-	-	4,077,066	100.0
Common stock	-	-	916,460	22.5	-	-
Additional paid-in capital	-	-	1,106,121	27.2	-	-
Retained earnings	-	-	847,423	20.8	-	-
Revaluation profit from an investment security	-	-	12,833	0.3	-	-
Translation adjustments	-	-	-15,302	-0.4	-	-
Treasury stock	-	-	-76,044	-1.8	-	-
Total shareholders' equity	-	-	2,791,492	68.6	-	-
Total liabilities and shareholders' equity	-	-	4,071,409	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	2,438,324	100.0	1,916,740	100.0	4,897,544	100.0
Cost of sales	1,557,545	63.9	1,363,908	71.2	3,261,293	66.6
880,778	36.1	30.8	552,832	28.8	1,636,251	33.4
Selling, general and administrative expenses	656,752	26.9	749,207	39.0	1,439,481	29.4
Employees' salaries and bonuses	206,896		224,827		503,206	
Advertising expenses	38,590		26,848		131,079	
Transportation expenses	62,169		54,492		120,439	
Provision for doubtful accounts	2,815		-		4,289	
Provision for bonus payable	37,570		24,373		19,773	
Allowance for retirement benefits for directors	10,873		8,299		22,786	
R & D expenses	-		93,214		-	
Other	297,837		317,151		637,905	
Operating income	224,026	9.2	-196,374	-10.2	196,769	4.0
Non-operating income	74,976	3.1	202,926	10.5	151,040	3.1
Interest and dividends received	24,958		24,115		54,943	
Gain on sale of investments in securities	-		23,595		8,995	
Exchange gains	30,208		10,692		65,647	
Net option value	-		141,043		-	
Miscellaneous income	19,808		3,478		21,454	
Non-operating expenses	328,492	13.5	2,080	0.1	130,534	2.7
Option evaluation losses	328,479		-		2,288	
Miscellaneous losses	13		2,080		2,288	
Ordinary income	-29,490	-1.2	4,470	0.2	217,274	4.4
Extraordinary gains	-		10,408	0.5	234	0.0
Gain on sale of property and equipment	-		544		234	
Transfer from reserve for possible loan losses	-		1,280		-	
Transfer from allowance for retirement benefits for directors			8,583		-	
Extraordinary losses	2,022	0.1	640	0.0	14,154	0.3
Loss from write-down of marketable securities	-		640		11,868	
Loss from disposition of	2,022		-		2,285	

tangible fixed assets						
Income before income taxes for this term	-31,512	-1.3	14,239-	0.7	203,354	4.1
Income, residential and enterprise taxes	58,762	2.4	21,313	1.1	51,364	1.0
Transfer from accrued income taxes	-	-	-16,836	-0.9	-	-
Adjustments to income taxes	-66,429	-2.7	-8,832	-0.5	26,827	0.5
Net income	-23,845	-1.0	18,594	1.0	125,163	2.6

(3) Midterm Consolidated Statements of Retained Earnings

(in thousands of yen)

	Previous Midterm Starting: 2002/1/1 Ending: 2002/6/30	Current Midterm Starting: 2003/1/1 Ending: 2003/6/30	Previous Term Starting: 2002/1/1 Ending: 2002/12/31
	Sum	Sum	Sum
Consolidated retained earnings at the beginning of the period	785,373	-	785,373
Decrease in consolidated retained earnings	-	-	
Dividends	36,150	-	36,150
Bonus for directors	10,000	-	10,000-
Current Net Income	-23,845	-	125,163
Interim consolidated retained earnings at the end of the period	715,377		864,386
(Capital Surplus)			
Capital surplus at the beginning of this period	-	1,105,495	-
Increase in capital surplus			
New stocks issued due to capital increase	-	626	-
Capital surplus at the end of the interim period	-	1,106,121	-
(Earned Surplus)			
Earned surplus at the beginning of this period	-	864,386	-
Increase in earned surplus			
Interim net profit	-	18,594	-
Decrease in earned surplus			
Dividends	-	35,557	
Earned surplus at the end of the interim period	-	847,423	

(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	-31,512	14,239	203,354
2 . Depreciation and amortization	16,747	22,603	36,505
3. Decrease in allowance for doubtful accounts	2,414	-1,399	386
4. Increase in accrued bonus	32,731	14,995	8,087
5. Increase in allowance for severance benefits	10,873	-3,133	19,773
6. Interest income and dividend income	-24,958	-24,115	-54,943
7. Exchange gain	63,206	75,676	61,980
8. Net option value	328,479	-141,043	128,246
9. Loss on sales of investment securities	-6,420	-23,595	-8,995
10. Gain on sales of property, plant and equipment	-	-544	-234
11. Loss on disposal and sales of property, plant and equipment	2,018	-	2,285
12. Loss from evaluation of investments in securities	-	640	11,868
13. Increase in accounts receivable	-137,076	360,562	-160,109
14. Increase in inventories	-345,082	-117,047	45,798
15. Increase in accounts payable	580,380	-13,219	102,129
16. Increase in accrued liabilities	135	-44,304	-13,906
17. Other increases and decreases in assets and liabilities	5,213	-31,712	138,880
18. Bonus payment for directors	-	-	-10,000
Subtotal	497,148	88,600	511,109
19. Interest and dividend received	14,685	39,233	33,697
20. Income taxes paid	-233,189	-7,339	-270,886
Net cash provided by operating activities	278,644	120,494	273,921
II Investing Activities			
1. Acquisition of securities	-	-	-23,813
2. Acquisition of marketable securities	-575,351	-143,275	-639,232
3. Proceeds from sales of marketable securities	391,260	147,609	496,568
4. Acquisition of property, plant and equipment	-17,147	-7,054	-62,261
5. Sales of property, plant and equipment	-	4,400	10,307
6. Increase in amount	-132,777	-	-132,777

invested			
6.Others	858	-39,953	-3,619
Net cash used in investing activities	-333,157	-38,274	-354,827
III Financing Activities			
1.Proceeds from capital increase	-	1,251	3,150
2.Repurchase of treasury stock	-	-	-76,044
2.Cash dividends	-35,266	-35,557	-35,510
Net cash provided by financing activities	-35,266	-34,306	-108,404
IV Effects of exchange rate changes on cash and cash equivalents	-23,595	1,273	-39,325
V Increase in cash and cash equivalents	-113,374	49,187	-228,635
VI Cash and cash equivalents at beginning of year	1,464,811	1,236,175	1,464,811
VII Cash and cash equivalents at end of year	1,351,436	1,285,363	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

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.

(Additional Information)

1. The Company's Own Shares and the Withdrawal of Legal Reserve

The company adopted Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve (ASB Statement No.1) since this interim consolidated accounting period. The adoption of the new standards did not influence the gains and losses during the interim consolidated accounting period. Due to the amendment to the "Regulations of Financial Statements", the Assets part of the balance sheet for the current interim consolidated accounting period and reserve (surplus) statements were prepared in accordance with the amended regulations of (interim consolidated)financial statements

2. Earnings per share of the current net earnings

During this interim consolidated accounting period, the company adopted "Calculations of Earnings Per Share of the Current Net Earnings" (ASB Statement No.2) and "Implementation Guidance for Accounting Standard for Earnings Per Share" (Financial Standards Implementation Guidance No. 4). The adoption of the statement and guideline had only a minor impact on the earnings per share of the current net earnings.

(Explanatory Notes to the Consolidated Financial Statements)

1. Issues relating to balance sheet

(1) Cumulative depreciation of tangible fixed assets

Previous Midterm: 62,135 thousand yen

Current Midterm: 84,415 thousand yen

Previous Term: 76,358 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	1,083,574	1,081,126	954,714
Marketable Securities	267,862	204,236	281,461
Total	1,351,436	1,285,363	1,236,175

5. Segment Information

(1) Industry Segment Information

During the previous midterm, current midterm and previous term, the company's consolidated group was 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, 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.
4. The standards for accounting related to financial instruments were adopted during the current term. This change had only a minor impact on the segment information above.

< Current Midterm > (June 30, 2003)

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to customers	1,550,857	365,883	1,916,740	-	1,916,740
(2) Intersegment sales	-	1,375,689	1,375,689	(1,375,689)	-
Total Sales	1,550,857	1,741,572	3,292,429	(1,375,689)	1,916,740
Operating expenses	1,723,544	1,700,843	3,424,288	(1,311,272)	2,113,115
Operating income (loss)	(172,687)	40,729	(131,958)	(64,416)	(196,374)

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 35,250 thousand yen.

< Previous Term > (December 31, 2002)

(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

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 70,610 thousand yen.
4. The standards for accounting related to financial instruments were applied during the current term. This change had only a minor impact on the segment information above.

(3) Overseas Sales

< Previous 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%

< Current Midterm > (June 30, 2003)

(Thousands of yen)

	Asia	Other	Total
Overseas sales	350,158	15,724	365,882
Consolidated sales	-	-	1,916,740
Share of overseas sales	18.2%	0.8%	19.0%

< Previous Term > (December 31, 2002)

(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, Philippine, Malaysia, India and Sri Lanka

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

6. Marketable Securities

< Previous 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	Previous 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

Held-to-maturity securities

Unlisted Euro-Yen bonds 300,000 thousand yen

Other marketable securities

Unlisted foreign currency bonds 116,793 thousand yen

Foreign currency MMF 267,862 thousand yen

Other 49,464 thousand yen

Total 734,119 thousand yen

< Current Midterm > (June 30, 2003)

(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	92,235	96,733	4,497
Bonds	61,715	64,126	2,411
Other	212,333	226,479	14,145
Total	366,284	387,338	21,054

(3) Marketable Securities Whose Fair Value is Not Determined

Held-to-maturity securities

Unlisted Euro-Yen bonds 300,000 thousand yen

Other marketable securities

Unlisted stocks (excluding OTC shares)	15,000 thousand yen
Foreign currency MMF	<u>204,236 thousand yen</u>
Total	<u>519,236 thousand yen</u>

< Previous Term > (December 31, 2002)

(1) Market Value of Other Securities

(Thousands of yen)

Categories	Previous Term		
	Cost	Carrying Amount	Balance
Stocks	30,756	16,711	-14,044
Bonds	23,813	23,414	-398
Other	195,971	197,937	1,965
Total	250,540	238,063	-12,477

(2) Marketable Securities Whose Fair Value is Not Determined

Held-to-maturity securities	
Unlisted Euro-Yen bonds	300,000 thousand yen
Other marketable securities	
Unlisted foreign currency bonds	<u>123,944 thousand yen</u>
Foreign currency MMF	<u>281,461 thousand yen</u>
Total	<u>705,405 thousand yen</u>

7. Derivative Financial Instruments

< Previous Midterm > (June 30, 2002)

(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):	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.

< Current Midterm > (June 30, 2003)

(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):	123,889	231,485	107,595
	Selling (USD):	355,841	-157,288	198,553
Total				306,148

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, 2002)

(Thousands yen)

Subject Type	Type	Current Midterm
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		Contract amount	F a i r v a l u e	Unrealized gain (loss)
Currency	U.S. dollar currency option contracts			
	Buying (USD):	169,711	279,417	109,706
	Selling (USD):	414,976	-259,126	155,850
	Total			265,556

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.