

FIVE-YEAR SUMMARY

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note)
	2003	2002	2001	2000	1999	2003
Consolidated						
Net sales	¥ 710,616	¥ 771,411	¥ 826,954	¥ 696,569	¥ 726,684	\$ 5,921,800
Cost of sales	623,539	642,617	656,818	570,431	593,938	5,196,158
Selling, general and administrative expenses ...	130,924	118,143	112,067	104,892	112,615	1,091,033
Operating income (loss)	(43,847)	10,651	58,069	21,246	20,131	(365,391)
Income (loss) before income taxes and minority interests	(153,951)	5,538	252,519	56,902	15,966	(1,282,924)
Net income (loss)	(114,026)	(3,384)	167,393	35,169	2,787	(950,216)
Cash dividends	1,967	5,244	5,205	5,851	1,969	16,392
Total current assets	423,395	557,371	612,966	556,462	465,317	3,528,292
Property, plant and equipment, net of accumulated depreciation	419,146	485,118	332,019	319,751	325,797	3,492,883
Total assets	1,179,399	1,501,705	1,504,237	972,326	880,317	9,828,325
Total current liabilities	544,457	616,175	431,151	487,335	356,435	4,537,141
Total shareholders' equity	¥ 295,901	¥ 494,777	¥ 683,047	¥ 217,286	¥ 212,343	\$ 2,465,842

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥120 to US\$1.

Financial Section

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CONSOLIDATED FINANCIAL REVIEW

Scope of Consolidation

The consolidated financial statements for the fiscal year ended March 31, 2003, include the business results of 84 consolidated subsidiaries and 21 affiliates accounted for using the equity method. In the year under review, three subsidiaries were added and five were removed, decreasing the total number of consolidated subsidiaries by two. With regard to affiliates accounted for based on the equity method, two were added and four were removed from the previous year's figure. Consequently, there was a combined total of 105 consolidated subsidiaries and equity-method affiliates.

Sales

While overall demand continued to decline in fiscal 2003, the second half of the term brought signs of recovery in domestic demand for optical fiber and cable, aluminum beverage cans, and copper strips. A worldwide slump in IT demand led to a significant drop in sales of optical products, particularly in North America. Consequently, overseas sales fell 21.6% from the previous year, to ¥141.6 billion (US\$1.1 billion), and total consolidated sales declined 7.9%, to ¥710.6 billion (US\$5.9 billion).

Sales by segment, including intra-segment sales and transfers, compared with the previous year as follows.

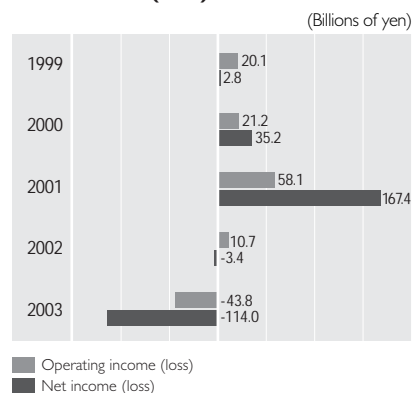
- Telecommunications: down 27.0%, to ¥164.1 billion (US\$1.4 billion)
- Plastics, cables and wires: down 9.0%, to ¥171.6 billion (US\$1.4 billion)
- Nonferrous products: up 4.1%, to ¥267.9 billion (US\$2.2 billion)
- Electronics-related products and others: up 4.9%, to ¥145.2 billion (US\$1.2 billion)

Loss

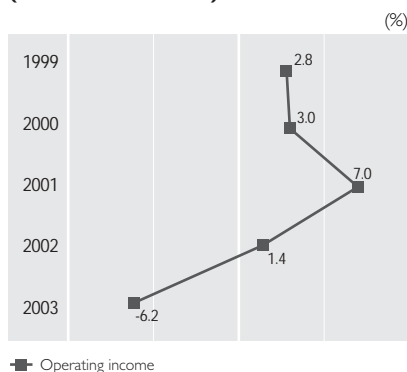
Cost of sales dropped 3.0% from the previous year, to ¥623.5 billion (US\$5.2 billion). Net profitability from sales fell 4.4 percentage points, to 12.3%. Selling, general, and administrative (SG&A) expenses climbed 10.8%, to ¥130.9 billion (US\$1.1 billion) due to increases in depreciation expenses and R&D expenses. The ratio of SG&A expenses to net sales rose from 15.3% in the previous year to 18.4%. Altogether, a loss of ¥43.8 billion (US\$400 million) was generated during the year under review.

In regard to other income (expenses), interest and dividends received amounted to ¥6.1 billion in the year under review, and there was a gain on sales of securities investments totaling ¥13.8 billion. There was also an extraordinary loss of ¥115.1 billion (US\$1 billion) due to losses of ¥46 billion in OFS goodwill, ¥15.9 billion from sales of fixed assets related to the restructuring of OFS, ¥11.4

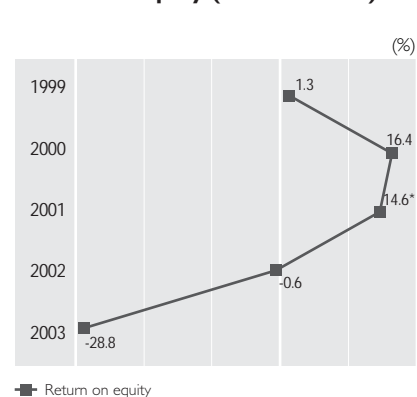
Operating income (loss) and Net income (loss)



Operating income (Ratio to net sales)



Return on equity (Consolidated)



*The effect of the new Japanese financial accounting standard for financial instruments adopted in fiscal 2001 was retroactively reflected in the computation of ROE in fiscal 2001 as follows:
 $ROE = a / [(b+c+d) \times 0.5]$
 a = net income
 b = shareholders' equity as of March 31, 2000
 c = unrealized holding gains on available-for-sale securities as of March 31, 2001
 d = shareholders' equity as of March 31, 2001

billion for transfer reserve for possible loan losses of our Brazilian subsidiary, and ¥11 billion from revaluation of securities investments.

As a result, in fiscal 2003 net loss before income taxes and other adjustments came to ¥154 billion. Net loss after taxes, tax effects, and loss of minority shareholders amounted to ¥114 billion (US\$1 billion). This increased net loss per share from ¥5.16 (US\$0.04) in the previous year to ¥173.94 (US\$1.45). Cash dividend paid per share was ¥3.00 (US\$0.025), as compared with ¥6.00 (US\$0.05) in the previous year.

Cash Flows

Net cash from operating activities was ¥10.5 billion (US\$900 million), as a result of several factors. Depreciation expenses and extraordinary loss in non-fund transactions accounted for a large portion of the total loss, and funds increased due to reduced inventory assets. On the other hand, there was a net loss before income taxes and other adjustments amounting to ¥154 billion as a result of sagging sales of IT-related products, optical communication components, and other products.

Net cash from investing activities used ¥26.9 billion (US\$200 million), due mainly to cash outlays to purchase securities and fixed assets for investment purposes.

Net cash from financial activities used ¥28.8 billion

(US\$200 million), despite income of ¥30 billion from stock lease transactions. The negative figure resulted mainly from redemption of corporate bonds and decreases in short-term debt and commercial paper.

As a result of the above, cash and cash equivalents at the end of fiscal 2003 were down ¥52.1 billion from the beginning of the fiscal year, to ¥74.9 billion (US\$600 million).

Financial Position

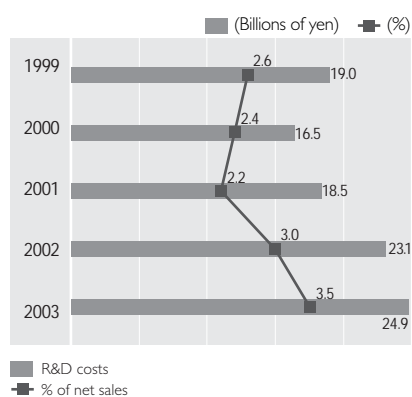
Total current assets fell 24.0% from the previous year, to ¥423.4 billion (US\$3.5 billion) due to substantial compression of inventory assets.

Tangible fixed assets dropped 13.6% from the previous year, to ¥419.1 billion, and investments and long-term loans decreased 36.0%, to ¥178.9 billion (US\$1.5 billion), due to a loss of ¥81.9 billion from revaluation of securities based on current market prices. In addition, other assets fell 37.9% from the previous year, to ¥107.5 billion, as a result of a loss of ¥46 billion in OFS goodwill.

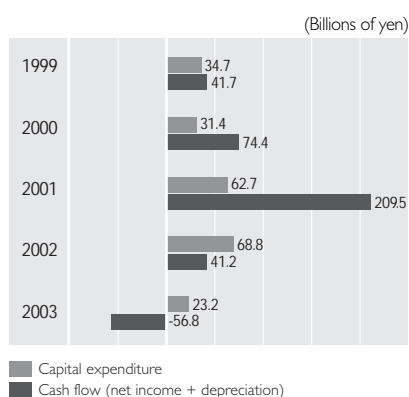
Consequently, total assets declined 21.5% from the previous year, to ¥1,179.4 billion (US\$9.8 billion).

Interest-bearing debt (short-term and long-term) fell ¥48.1 billion from the previous year, to ¥560.9 billion (US\$4.7 billion). Total shareholders' equity fell 40.2%, to ¥295.9 billion (US\$2.5 billion).

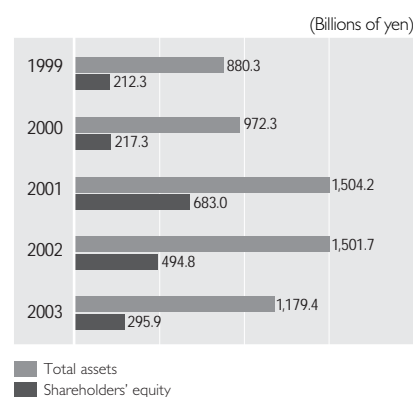
Research & Development costs



Capital expenditure and Cash flow



Total assets and Shareholders' equity



CONSOLIDATED BALANCE SHEETS

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
March 31, 2003 and 2002

Thousands of
U.S. dollars
(Note 3)

	Millions of yen		2003
	2003	2002	
ASSETS			
Current assets:			
Cash and bank deposits (Notes 11 and 19)	¥ 68,699	¥ 121,101	\$ 572,492
Marketable securities (Note 5)	9,491	12,795	79,092
Trade receivables (Notes 6 and 11)	218,033	250,398	1,816,941
Inventories (Note 7)	99,889	136,610	832,408
Deferred income taxes (Note 18)	13,706	14,350	114,217
Other current assets	13,577	22,117	113,142
Total current assets	423,395	557,371	3,528,292
Investments and long-term loans (Notes 5, 8 and 11)	178,875	279,463	1,490,625
Property, plant and equipment, net of accumulated depreciation (Notes 9 and 11)	419,146	485,118	3,492,883
Deferred income taxes (Note 18)	7,717	6,495	64,308
Refundable income taxes by carryback of loss (Note 18)	42,755	—	356,292
Other assets (Note 4)	107,511	173,258	895,925
Total assets	¥1,179,399	¥ 1,501,705	\$ 9,828,325

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt (Note 11)	¥ 334,584	¥ 403,951	\$ 2,788,200
Trade payables (Note 10)	132,475	156,272	1,103,958
Customers' advances	3,261	3,679	27,175
Accrued income taxes (Note 18)	3,283	3,399	27,358
Deferred income taxes (Note 18)	43	205	358
Obligation to return collateral under security loan agreement (Note 8)	29,997	—	249,975
Other current liabilities	40,814	48,669	340,117
Total current liabilities	544,457	616,175	4,537,141
Long-term debt (Note 11)	196,306	205,074	1,635,883
Accrued retirement benefits (Note 12)	76,434	76,670	636,950
Deferred income taxes (Note 18)	25,525	37,667	212,708
Other long-term liabilities	10,435	14,202	86,959
Total long-term liabilities	308,700	333,613	2,572,500
Minority interests	30,341	57,140	252,842
Shareholders' equity:			
Common stock (Note 13)			
Authorized shares, 2,593,303,000 in 2003 and 2002			
Issued shares, 655,640,602 in 2003 and 2002	59,234	59,234	493,617
Additional paid-in capital	68,394	68,394	569,950
Retained earnings (Notes 2n and 21)	131,679	247,334	1,097,325
Unrealized holding gains on available-for-sale securities (Note 5)	42,183	124,054	351,525
Foreign currency translation adjustment	(5,553)	(4,233)	(46,275)
	295,937	494,783	2,466,142
Common stock in treasury, at cost	(36)	(6)	(300)
Total shareholders' equity	295,901	494,777	2,465,842
Contingent liabilities (Note 14)			
Total liabilities and shareholders' equity	¥ 1,179,399	¥ 1,501,705	\$ 9,828,325

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF LOSS

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the two years ended March 31, 2003

Thousands of
U.S. dollars
(Note 3)

	Millions of yen		2003
	2003	2002	
Net sales	¥ 710,616	¥ 771,411	\$ 5,921,800
Cost of sales (Note 16)	623,539	642,617	5,196,158
Gross profit	87,077	128,794	725,642
Selling, general and administrative expenses (Note 16)	130,924	118,143	1,091,033
Operating income (loss)	(43,847)	10,651	(365,391)
Other income (expenses):			
Interest and dividend income	6,109	7,305	50,908
Interest expenses	(12,400)	(9,294)	(103,333)
Foreign exchange gain loss, net	(3,794)	(12)	(31,617)
Gain on sales of marketable securities (Note 5)	4	—	33
Gain on sales of investments in securities (Notes 5 and 17)	13,838	26,124	115,317
Loss on disposal of property, plant and equipment, net	(15,878)	(1,314)	(132,316)
Loss on liquidation of affiliates	(3,104)	(5,314)	(25,867)
Provision for doubtful accounts	(11,370)	(663)	(94,750)
Loss on disposal of inventories	(8,060)	(4,403)	(67,167)
Supplemental expense for retirement benefits	(7,628)	(865)	(63,567)
In-process research and development projects acquired in business combination (Note 4)	—	(9,368)	—
Loss on impairment of goodwill (Note 4)	(45,960)	—	(383,008)
Equity in loss of non-consolidated subsidiaries and affiliates	(2,052)	(483)	(17,100)
Other, net	(19,809)	(6,826)	(165,066)
	(110,104)	(5,113)	(917,533)
Income (loss) before income taxes and minority interests	(153,951)	5,538	(1,282,924)
Income taxes (Note 18) :			
Current	3,361	16,179	28,008
Benefit of loss carryback	(42,755)	—	(356,292)
Deferred	13,057	(6,759)	108,808
	(26,337)	9,420	(219,476)
Minority interests in loss of consolidated subsidiaries	13,588	498	113,232
Net loss	¥ (114,026)	¥ (3,384)	\$ (950,216)

	Yen		U.S. dollars
	2003	2002	
Per share:			
Net loss per share	¥ (173.94)	¥ (5.16)	\$ (1.450)
Cash dividends paid	3.00	6.00	0.025

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the two years ended March 31, 2003

	Millions of yen						
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Common stock in treasury
Balance at April 1, 2001	655,458,833	¥ 59,175	¥ 68,336	¥ 256,149	¥ 303,710	¥ (4,322)	¥ (1)
Conversion of convertible bonds	62,769	26	26	—	—	—	—
Exercise of stock options	119,000	33	32	—	—	—	—
Net loss	—	—	—	(3,384)	—	—	—
Cash dividends	—	—	—	(5,244)	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(187)	—	—	—
Unrealized holding gains on available-for-sale securities	—	—	—	—	(179,656)	—	—
Foreign currency translation	—	—	—	—	—	89	—
Acquisition of treasury stock, net	—	—	—	—	—	—	(5)
Balance at March 31, 2002	655,640,602	59,234	68,394	247,334	124,054	(4,233)	(6)
Effect of increase in consolidated subsidiaries	—	—	—	397	—	—	—
Net loss	—	—	—	(114,026)	—	—	—
Cash dividends	—	—	—	(1,967)	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(59)	—	—	—
Unrealized holding gains on available-for-sale securities	—	—	—	—	(81,871)	—	—
Foreign currency translation	—	—	—	—	—	(1,320)	—
Acquisition of treasury stock, net	—	—	—	—	—	—	(30)
Balance at March 31, 2003	655,640,602	¥ 59,234	¥ 68,394	¥ 131,679	¥ 42,183	¥ (5,553)	¥ (36)

	Thousands of U.S. dollars (Note 3)						
	Common stock	Additional paid-in capital	Retained earnings	Unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Common stock in treasury	
Balance at March 31, 2002	\$ 493,617	\$ 569,950	\$ 2,061,117	\$ 1,033,783	\$ (35,275)	\$ (50)	
Effect of increase in consolidated subsidiaries	—	—	3,308	—	—	—	
Net loss	—	—	(950,216)	—	—	—	
Cash dividends	—	—	(16,392)	—	—	—	
Bonuses to directors and statutory auditors	—	—	(492)	—	—	—	
Unrealized holding gains on available-for-sale securities	—	—	—	(682,258)	—	—	
Foreign currency translation	—	—	—	—	(11,000)	—	
Acquisition of treasury stock, net	—	—	—	—	—	(250)	
Balance at March 31, 2003	\$ 493,617	\$ 569,950	\$ 1,097,325	\$ 351,525	\$ (46,275)	\$ (300)	

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the two years ended March 31, 2003

Thousands of
U.S. dollars
(Note 3)

	Millions of yen		2003
	2003	2002	
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (153,951)	¥ 5,538	\$ (1,282,924)
Adjustments for:			
Depreciation and amortization	57,217	44,591	476,808
Gain on sales of marketable and investment securities	(13,838)	(24,399)	(115,317)
Equity in loss of non-consolidated subsidiaries and affiliates	2,052	483	17,100
Reversal of accrued retirement benefits	(261)	(1,786)	(2,175)
Loss on disposal of inventories	8,060	4,896	67,167
Loss on disposal of property, plant and equipment	18,382	1,571	153,183
Loss on write-down of investment securities	11,020	1,278	91,833
Loss on impairment of goodwill	45,960	—	383,008
Interest and dividend income	(6,109)	(7,305)	(50,908)
Interest expenses	12,400	9,294	103,333
Foreign exchange loss (gain)	2,844	(87)	23,700
Decrease in trade receivables	18,118	36,757	150,983
Decrease in inventories	24,415	5,252	203,458
Decrease in trade payables	(7,625)	(49,853)	(63,542)
Other	1,176	20,343	9,793
Subtotal	19,860	46,573	165,500
Interest and dividend income received	6,462	8,158	53,850
Interest expenses paid	(12,441)	(9,434)	(103,675)
Income taxes paid	(3,398)	(32,613)	(28,317)
Net cash provided by operating activities	10,483	12,684	87,358
Cash flows from investing activities:			
Payments for purchase of marketable securities	—	(251)	—
Proceeds from sales of marketable securities	2,627	19,659	21,892
Payments for purchase of property, plant and equipment	(31,013)	(78,096)	(258,442)
Payments for purchase of investment securities	(16,569)	(16,124)	(138,075)
Proceeds from sales of investment securities	17,533	29,887	146,108
Payments for acquisition of intangibles	(4,215)	(2,468)	(35,125)
Acquisition of optical fiber business, net of cash acquired (Note 4)	—	(276,382)	—
Other	4,770	(3,475)	39,751
Net cash used in investing activities	(26,867)	(327,250)	(223,891)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(81,134)	197,730	(676,117)
Issuance of long-term debt	46,537	67,144	387,808
Repayment of long-term debt	(32,313)	(12,992)	(269,275)
Cash dividends paid	(1,967)	(5,244)	(16,392)
Proceeds from securities lending transaction	29,997	—	249,975
Other	10,124	10,797	84,368
Net cash provided by (used in) financing activities	(28,756)	257,435	(239,633)
Effect of exchange rate changes on cash and cash equivalents	(7,626)	8,733	(63,550)
Net decrease in cash and cash equivalents	(52,766)	(48,398)	(439,716)
Cash and cash equivalents at beginning of year	126,952	174,955	1,057,933
Cash and cash equivalents of new consolidated subsidiaries, net of excluded subsidiaries from consolidation	700	395	5,833
Cash and cash equivalents at end of year (Note 19)	¥ 74,886	¥ 126,952	\$ 624,050

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

I. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Furukawa Electric Co., Ltd. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan as required by the Securities and Exchange Law of Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Significant Accounting Policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and 84 and 86 subsidiaries in 2003 and 2002, respectively. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in 21 and 22 major affiliates in 2003 and 2002, respectively, are accounted for by the equity method. In addition, a less significant subsidiary was accounted for by the equity method in 2002.

The excess of purchase price over the value of net assets of businesses acquired, which is included in "Other assets", is, in principle, amortized over a five-year period by the straight-line method. One such amount recognized by a subsidiary in the United States of America (the "U.S.") is recorded as goodwill, which, also included in "Other assets" is not amortized in accordance with the generally accepted accounting principles in the U.S. ("U.S.GAAP"). When the carrying amount of goodwill exceeds its fair value, an impairment loss may be recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the goodwill becomes its new accounting basis.

A change in the Company's interest in the non-consolidated subsidiaries and affiliates resulting from other investors' capital transactions with such subsidiaries and affiliates is, in principle, included in net income.

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits withdrawable on demand and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuations in value.

c) Financial instruments

— 1) Debt and equity securities

Debt securities for which the Company and its consolidated subsidiaries have both the positive intent and ability to hold to maturity are classified as "held-to-maturity debt securities" and carried at amortized cost. Securities other than held-to-maturity debt securities and equity securities of subsidiaries and affiliates are classified as "available-for-sale securities" and carried at fair value with unrealized holding gains and losses, net of tax, reported as a separate component of shareholders' equity. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Securities that do not have readily determinable fair values are recorded at cost. The Company and its consolidated subsidiaries do not hold any trading securities.

Debt securities due within one year are presented as "marketable securities" under current assets, and all other securities are presented as "investments and long-term loans".

Additional information with respect to marketable debt and equity securities is included in Note 5.

— 2) Derivatives

Derivative financial instruments are measured at fair value, if determinable, and resulting gains or losses included in net income, with the exception that gains or losses on certain qualified hedging instruments may be deferred as an asset or liability until the gains and losses on the hedged items are recognized. The Company's hedging activity concerning interest rate risk on outstanding debt is considered a qualified hedge transaction.

Additional information on derivatives is presented in Note 20.

d) Allowance for doubtful accounts

Allowance for doubtful accounts are provided at estimated irrecoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss rates to the remaining receivables.

e) Inventories

Copper and other main raw materials are stated principally at cost, which is determined by the last-in, first-out method. Other inventories are stated principally at cost, which is determined by the average method.

f) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost. Repairs and maintenance expenses are charged to income as incurred.

Approximately 71% and 72% at March 31, 2003 and 2002, respectively, of property, plant and equipment were depreciated by the straight-line method and the remainder by the declining-balance method.

g) Accrued retirement benefits

Employees who terminate their service with the Company or its domestic consolidated subsidiaries are entitled to lump-sum severance indemnities determined by reference to current basic rates of pay and length of service. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its 26 domestic consolidated subsidiaries have features whereby the employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension benefits include current service costs, amortization of prior service costs and interest on the unfunded portion of past service costs.

The Company and its domestic consolidated subsidiaries accrue retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end. Certain assumptions used in accounting for the benefit plans are indicated in Note 12.

In addition, retirement benefits to directors and statutory auditors are provided at the amount which would be required if all directors and statutory auditors were to retire at the balance sheet date.

h) Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases which do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

i) Revenues

For significant long-term construction contracts, the Company recognizes revenues under the percentage of completion method. Other operating revenues are recorded upon shipment of goods or on completion of construction or services.

j) Research and development costs, and computer software

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

k) Income taxes

Accrued income taxes have been recorded on the basis of income tax returns.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

l) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance-sheet dates. Monetary items denominated in foreign currencies which are covered by foreign exchange forward contracts are translated into Japanese yen at such contract rates. Exchange gains or losses are credited or charged to current operations.

Financial statements expressed in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance-sheet date.

m) Appropriation of retained earnings

Cash dividends, transfer to legal reserve and bonuses to directors and statutory auditors are recorded in the financial year in which the proposed appropriation of retained earnings is approved by the Board of Directors and/or the shareholders.

n) Legal reserve

Under the revised Japanese Commercial Code, which became effective from October 1, 2001, an amount not less than 10% of cash dividends and any other amounts paid out by the Company shall be appropriated as a legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of stated capital. The legal reserve may be used to reduce an operating deficit or transferred to stated capital by a resolution of the shareholders or the Board of Directors, respectively. However, the legal reserve is not available for cash dividends, unless the sum of the legal reserve and additional paid-in capital exceeds 25% of stated capital, in which case the excess amount attributable to the legal reserve may be available for cash dividends by a resolution of the shareholders. The Company's legal reserve of ¥11,315 million (\$94,292 thousand) at March 31, 2003 and 2002 is included in retained earnings in the accompanying consolidated balance sheets.

o) Net loss per share

Net loss per share is based on the weighted average number of shares of common stock outstanding during the respective years. The average numbers of common stock used in the computation were 655,548 thousand and 655,557 thousand for the years ended March 31, 2003 and 2002, respectively. Diluted net income per share is not provided because of the Company's net loss position for the two years ended March 31, 2003.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 120 =U.S. \$ 1, the approximate effective rate of exchange on March 31, 2003, has been used for purpose of translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4. Acquisition of Optical Fiber Business

On November 17, 2001, the Company purchased Lucent Technologies' Optical Fiber Solutions business unit for cash through Fitel USA Corporation ("Fitel USA"), a wholly owned U.S. subsidiary of the Company incorporated on August 23, 2001. The business operations were separated into two entities, OFS Fitel, LLC ("Fitel") and OFS BrightWave, LLC ("BrightWave"), and engage in designing, manufacturing, and supplying of leading edge optical fiber, optical fiber cable, optical connectivity and specialty photonics products for high speed optical net work. Fitel USA has retained 100% and 81.6% interest in Fitel and BrightWave, respectively.

The fair values of assets acquired and liabilities assumed in the

acquisition were as follows:

	Millions of yen
Current assets	¥ 41,867
Fixed assets	231,492
Goodwill	59,510
Current liabilities	(12,060)
Long-term liabilities	(7,217)
Minority interests	(30,137)
Total purchase price	283,455
Less, cash and cash equivalents acquired	(7,073)
Cash payment on acquisition, net of cash acquired	¥ 276,382

During the year ended March 31, 2003, Fitel and BrightWave incurred losses on disposal of property and equipment in the aggregate amount of ¥12,335 million (\$102,792 thousand), which is included in "Loss on disposal of properties, plant and equipment, net". In response to these asset disposals, Fitel USA reviewed its goodwill related to the acquisitions of Fitel and BrightWave for impairment, and recognized an impairment loss in the amount of ¥45,960 million (\$383,008 thousand) in the year ended March 31, 2003.

5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value at March 31, 2003 and 2002 included in marketable securities (current assets) and in investments and long-term loans (non-current assets) are summarized as follows:

	Millions of yen							
	2003				2002			
	Cost	Fair value	Gross unrealized gains	Gross unrealized losses	Cost	Fair value	Gross unrealized gains	Gross unrealized losses
Held-to-maturity debt securities:								
Japanese national government bonds and municipal bonds								
	¥ 7,924	¥ 7,924	¥ —	¥ —	¥ 10,080	¥ 10,080	¥ —	¥ —
Other debt securities	138	138	—	—	572	570	—	2
Total held-to-maturity debt securities	8,062	8,062	—	—	10,652	10,650	—	2
Available-for-sale securities:								
Marketable equity securities								
	51,290	119,623	75,812	7,479	56,429	212,249	161,286	5,466
Marketable debt securities	—	—	—	—	3	3	—	—
Other securities	5	5	—	—	11	8	—	3
Total available-for-sale securities	51,295	119,628	75,812	7,479	56,443	212,260	161,286	5,469
	¥ 59,357	¥ 127,690	¥ 75,812	¥ 7,479	¥ 67,095	¥ 222,910	¥ 161,286	¥ 5,471

	Thousands of U.S. dollars			
	2003			
	Cost	Fair value	Gross unrealized gains	Gross unrealized losses
Held-to-maturity debt securities:				
Japanese national government bonds and municipal bonds	\$ 66,033	\$ 66,033	\$ —	\$ —
Other debt securities	1,150	1,150	—	—
Total held-to-maturity debt securities	67,183	67,183	—	—
Available-for-sale securities:				
Marketable equity securities	427,417	996,858	631,766	62,325
Marketable debt securities	—	—	—	—
Other securities	42	42	—	—
Total available-for-sale securities	427,459	996,900	631,766	62,325
	\$494,642	\$1,064,083	\$631,766	\$ 62,325

The proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥15,703 million (\$130,858 thousand) and ¥27,915 million, respectively. The gross realized gains on those sales for the years ended March 31, 2003 and 2002 were ¥13,421 million (\$111,842 thousand) and ¥25,098 million, respectively, and gross realized losses were ¥36 million (\$300 thousand) and ¥1,727 million, respectively.

The aggregate annual maturities of available-for-sale securities and held-to-maturity debt securities at March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within 1 year	¥ 8,023	¥ 10,527	\$ 66,858
Due after 1 year through 5 years	33	122	275
Due after 5 years through 10 years	4	4	33
	¥ 8,060	¥ 10,653	\$ 67,166

6. Trade Receivables

Trade receivables at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Non-consolidated subsidiaries and affiliates	¥ 6,319	¥ 8,982	\$ 52,658
Other	213,540	243,109	1,779,500
Allowance for doubtful accounts	(1,826)	(1,693)	(15,217)
	¥ 218,033	¥ 250,398	\$1,816,941

7. Inventories

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished goods	¥ 27,263	¥ 36,571	\$ 227,192
Work in process	37,484	51,019	312,366
Raw materials and supplies ..	35,142	49,020	292,850
	¥ 99,889	¥ 136,610	\$ 832,408

8. Investments and Long-term Loans

Investments and long-term loans at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Non-consolidated subsidiaries and affiliates	¥ 45,407	¥ 53,239	\$ 378,392
Other	133,468	226,224	1,112,233
	¥ 178,875	¥ 279,463	\$ 1,490,625

Included in "Other" at March 31, 2003 are investment securities of ¥33,697 million (\$280,808 thousands) lent to a third party under the security loan agreement, and for which collateral received in cash for ¥29,997 million (\$249,975 thousands) is shown as a current liability.

9. Property, Plant and Equipment

Property, plant and equipment at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Land	¥ 81,328	¥ 85,512	\$ 677,733
Buildings	260,360	263,994	2,169,667
Machinery and equipment ...	654,297	668,698	5,452,475
Construction in progress	36,450	48,976	303,750
	1,032,435	1,067,180	8,603,625
Accumulated depreciation ...	(613,289)	(582,062)	(5,110,742)
	¥ 419,146	¥ 485,118	\$ 3,492,883

11. Short and Long-term Debt

Short-term debt represents notes payable to banks, most of which are unsecured, bank overdrafts, commercial papers issued by the Company, and bearing interest at rates ranging from 0.0533% to 13.3900% and 0.050% to 20.190% per annum at March 31, 2003 and 2002, respectively, and the current portion of long-term debt.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
2.7% unsecured Bonds due 2002	¥ —	¥ 20,000	\$ —
2.45% unsecured Bonds due 2003	10,000	10,000	83,333
2.775% unsecured Bonds due 2007	20,000	20,000	166,667
2.15% unsecured Bonds due 2003	10,000	10,000	83,333
3.0% unsecured Bonds due 2008	13,000	13,000	108,333
2.0% unsecured Bonds due 2004	7,000	7,000	58,333
1.28% unsecured Bonds due 2007	30,000	30,000	250,000
2.95% unsecured Bonds due 2006	10,000	—	83,333
2.2% convertible bonds due 2004, convertible currently at ¥847	7,437	7,437	61,975
Debt issued by consolidated subsidiary, due from 2003 to 2006 with interest ranging from 3.20% to 3.35%	3,103	8,080	25,859
Debt issued by consolidated subsidiaries, due from 2007 to 2008 with interest ranging from 0.47% to 0.91%	1,080	—	9,000
Loans, principally from banks and insurance companies, due from 2004 to 2011 with interest rates ranging from 0.6500% to 13.500% and predominantly collateralized	154,681	142,263	1,289,009
	266,301	267,780	2,219,175
Less: portion due within one year	69,995	62,706	583,292
	¥ 196,306	¥ 205,074	\$ 1,635,883

10. Trade Payables

Trade payables at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Non-consolidated subsidiaries and affiliates....	¥ 663	¥ 1,345	\$ 5,525
Other	131,812	154,927	1,098,433
	¥ 132,475	¥ 156,272	\$ 1,103,958

At March 31, 2003 and 2002, the following assets were pledged as collateral for long-term debt:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Property, plant and equipment ...	¥ 46,611	¥ 50,256	\$ 388,425
Investments in securities	14,926	14,787	124,383
Trade notes receivable	373	671	3,108
Cash and bank deposits	1,049	—	8,742
	¥ 62,959	¥ 65,714	\$ 524,658

At March 31, 2003 and 2002, the number of shares of common stock necessary for conversion of all of the aforementioned convertible bonds was approximately 8,780 thousand.

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2003 are as follows:

Year ending March 31	Millions of yen	Thousands of
		U.S. dollars
2005	¥ 15,354	\$ 127,950
2006	24,904	207,533
2007	52,064	433,867
2008 and thereafter	103,984	866,533

On March 22, 2000, the Company entered into agreements with two banks, under the terms of which the Company placed cash with the banks and the banks assumed debt servicing on behalf of the Company for the 2.775% unsecured bonds due 2007 and 2.95% unsecured bonds due 2006 in the amount of ¥10,000 million each. Although the Company is not legally released from being the primary obligor, the Company considered the debt has substantially been extinguished and, accordingly, removed the debt from the consolidated balance sheets as of March 31, 2001 and 2000 on the assumption that the possibility for the Company to make future payments with respect to such debt is deemed to be remote.

On July 18, 2001, one of the two banks proposed termination of debt servicing of the 2.775% unsecured bonds and the Company accepted the offer and received cash for ¥10,000 million. In consequence, the Company reinstated the 2.775% unsecured bonds in the amount of ¥10,000 million, which resulted in ¥20,000 million total outstanding on the consolidated balance sheet as of March 31, 2002 and thereafter.

On August 27, 2002, pursuant to the cancellation of the debt servicing agreement for 2.95% unsecured bonds, the Company received ¥10,000 million (\$83,333 thousand) from the bank and reinstated the bonds in the amount of ¥10,000 million (\$83,333 thousand) on the consolidated balance sheet as of March 31, 2003.

12. Severance and Retirement Plans

The following table sets forth the retirement benefit obligation, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2003 and 2002:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Projected benefit obligation	¥ 100,262	¥ 98,281	\$ 835,517
Fair value of plan assets	(14,555)	(17,687)	(121,292)
Benefit obligation in excess of plan assets	85,707	80,594	714,225
Unrecognized prior service cost	(15)	(15)	(125)
Unrecognized actuarial net loss	(9,258)	(3,909)	(77,150)
Accrued retirement benefits recognized in the consolidated balance sheets	¥ 76,434	¥ 76,670	\$ 636,950

Severance and retirement benefit expenses of the Company and its consolidated subsidiaries included the following components for the years ended March 31, 2003 and 2002:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Service cost	¥ 5,392	¥ 4,996	\$ 44,933
Interest cost	2,661	2,716	22,175
Expected return on plan assets	(423)	(451)	(3,525)
Amortization of prior service cost	15	71	125
Amortization of actuarial differences	729	328	6,075
Retirement benefit expense	¥ 8,374	¥ 7,660	\$ 69,783

Assumptions used in accounting for the employees' retirement benefit plans for the years ended March 31, 2003 and 2002 are as follows:

2003 and 2002	
Discount rate	2.2 - 3.0% for 2003 and 3.0% for 2002
Expected rate of return on plan assets	2.0 - 3.0% for 2003 and 3.0% for 2002
Method of attributing the projected benefits to periods of service	Straight-line basis
Amortization of unrecognized prior service cost	1 - 20 years
Amortization of unrecognized actuarial differences (amortization starts from the year following the year in which they arise)	1 - 20 years

13. Common Stock

As a result of the revision of the Japanese Commercial Code, which became effective on October 1, 2001, all of the Company's common

shares, which previously had a par value of ¥500 per share, were changed to non-par value shares.

14. Contingent Liabilities

In addition to the debt servicing agreement with the bank discussed in Note 11, contingent liabilities at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Notes discounted	¥ 4,469	¥ 4,988	\$ 37,242
Notes endorsed	5,309	4,018	44,242
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	12,478	13,586	103,983
Total	¥ 22,256	¥ 22,592	\$ 185,467

15. Leases

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease rental expenses	¥ 2,739	¥ 2,763	\$ 22,825

The amounts of outstanding future lease payments at March 31, 2003 and 2002, which included the portion of interest thereon, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finance leases:			
Future lease payments:			
Within one year	¥ 2,360	¥ 2,628	\$ 19,667
Over one year	3,080	4,259	25,666
Total	¥ 5,440	¥ 6,887	\$ 45,333

Acquisition cost, accumulated depreciation and net book value at March 31, 2003 and 2002, and depreciation expenses for the years ended March 31, 2003 and 2002 of the leased assets, assuming capitalization, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition costs	¥ 12,817	¥ 14,260	\$ 106,808
Accumulated depreciation	7,377	7,373	61,475
Net book value	¥ 5,440	¥ 6,887	45,333
Depreciation	¥ 2,739	¥ 2,763	\$ 22,825

Depreciation is based on the straight-line method over the lease term of leased assets with zero residual value.

16. Research and Development Expenses

Research and development costs charged to income, excluding the in-process research and development projects of the optical fiber business acquired, for the years ended March 31, 2003 and 2002 amounted to ¥24,895 million (\$207,458 thousand) and ¥23,149 million, respectively.

17. Gain on Sales of Investments in Securities

Included in "Gain on sales of investments in securities" for the year ended March 31, 2003 and 2002 are gains of ¥10,668 million (\$88,900 thousand) and ¥23,117 million, respectively, resulting from the sales of portions of shares held in JDS Uniphase Corporation, a Canadian corporation.

18. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants tax and enterprise tax, which in the aggregate would result in normal statutory rate of approximately 40.9% for the years ended March 31, 2003 and 2002. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective April 1, 2004. As a result of this amendment, the tax rate to be applied to temporary differences between the carrying amount and tax basis of assets and liabilities that are expected to reverse in the years beginning April 1, 2004 decreased from 41% to 40% as at March 31, 2003. For the temporary differences that are expected to reverse in the year ending March 31, 2004, the tax rate of 41% has been used at that date. This resulted in a reduction in deferred tax assets at March 31, 2003 by ¥389 million (\$3,242 thousand), compared with the assets that would have been recognized had the tax rate of 41% been fully applied to all temporary differences. Net loss for the year ended March 31, 2003 increased by ¥956 million (\$7,967 thousand), as a result of these changes in local enterprise tax regulations.

The following is a reconciliation of the above statutory tax rate in Japan to the effective rates reflected in the accompanying consolidated statements of loss for the years ended March 31, 2003 and 2002:

	2003	2002
Japanese statutory income tax rate	40.9%	40.9%
Tax benefits of net operating losses not recognized	(34.6)	173.4
Dividend income not taxable	(0.6)	19.8
Foreign capital gains taxed at rates lower than Japanese normal rate	(1.5)	(87.9)
Tax benefits of net operating losses carryback	16.8	—
Other, net	(3.9)	23.9
Effective tax rate	17.1%	170.1%

The net loss of a Canadian subsidiary was carried back to previous years to the extent allowable under applicable tax laws, and a receivable was recognized in the amount of ¥42,755 million (\$356,292 thousand) at March 31, 2003 which is expected to be refunded in the fiscal year beginning on April 1, 2004.

Deferred tax assets (liabilities) as of March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Accrued retirement benefits	¥ 27,221	¥ 26,707	\$ 226,842
Unrealized gains on properties ..	1,646	1,710	13,717
Loss carryforwards	37,775	10,303	314,792
Depreciation	19,806	4,053	165,050
Other	16,018	13,393	133,482
Gross deferred tax assets	102,466	56,166	853,883
Valuation allowance	(53,469)	(8,896)	(445,575)
Total deferred tax assets	48,997	47,270	408,308
Unrealized holding gains on available-for-sale securities ..	(25,224)	(51,232)	(210,200)
Gain on affiliate's issue of new shares	(2,893)	(3,108)	(24,108)
Special reserve for deferred capital gains	(6,578)	(7,856)	(54,817)
Undistributed earnings of subsidiaries	(16,905)	—	(140,875)
Other	(1,542)	(2,101)	(12,850)
Total deferred tax liabilities	(53,142)	(64,297)	(442,850)
Net deferred tax liabilities ..	¥ (4,145)	¥ (17,027)	\$ (34,542)

The valuation allowance principally relates to deferred tax assets recognized for loss carryforwards of consolidated subsidiaries.

19. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2003 and 2002 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash and bank deposits	¥ 68,699	¥ 121,101	\$ 572,492
Less, time deposits having original maturity of more than 3 months, and other non-liquid deposits	(2,705)	(4,676)	(22,542)
Highly liquid securities	8,892	10,527	74,100
Cash and cash equivalents ..	¥ 74,886	¥ 126,952	\$ 624,050

20. Additional Information on Derivatives

The Company and its subsidiaries have financial instruments, including financial assets and liabilities and derivative financial instruments, arising in the normal course of business. In applying a consistent risk management strategy, the Company and its subsidiaries manage their exposure to market rate movements of their financial assets and liabilities through the use of derivative financial instruments, which include currency forward exchange contracts, currency swap contracts and interest rate swap and interest cap option contracts designated as hedges. The Company and its subsidiaries do not hold or issue financial instruments for trading purposes.

These instruments are executed with creditworthy financial institutions. Although the Company and certain subsidiaries may be exposed to losses in the event of nonperformance by counterparties or from interest and currency rate movements, no significant losses are anticipated due to the nature of their counterparties or hedging arrangements.

1) Foreign currency transactions

Information on fair value and valuation gain or loss in respect of foreign currency derivative contracts outstanding at March 31, 2003 and 2002 are not presented as they are not required due to application of hedge accounting, as explained in Note 2c.

2) Interest rate transactions

The interest rate swap contracts outstanding at March 31, 2003 and 2002 are summarized below. Those interest rate swap contracts to which the hedge accounting has been applied, as explained in Note 2c, are excluded from this summary.

	Millions of yen		
	2003		
	Notional amount	Estimated fair value	Unrealized gain(loss)
Interest rate swap:			
Receiving fixed rates and paying floating rates	¥ —	¥ —	¥ —
Receiving floating rates and paying fixed rates	1,320	(34)	(34)
Total	¥ 1,320	¥ (34)	¥ (34)

	Millions of yen		
	2002		
	Notional amount	Estimated fair value	Unrealized gain(loss)
Interest rate swap:			
Receiving fixed rates and paying floating rates	¥ 800	¥ 10	¥ 10
Receiving floating rates and paying fixed rates	1,100	(24)	(24)
Total	¥ 1,900	¥ (14)	¥ (14)

	Thousands of U.S. dollars		
	2003		
	Notional amount	Estimated fair value	Unrealized gain(loss)
Interest rate swap:			
Receiving fixed rates and paying floating rates	\$ —	\$ —	\$ —
Receiving floating rates and paying fixed rates	11,000	(283)	(283)
Total	\$ 11,000	\$ (283)	\$ (283)

21. Reclassifications

Certain amounts in the consolidated financial statements for 2002 have been reclassified to conform to the 2003 presentation.

22. Subsequent Events

On June 27, 2003, a cash dividend of ¥3.00 (\$0.025) per share, aggregating to ¥1,967 million (\$16,392 thousands) in total, was approved at the general meeting of shareholders of the Company.

On June 16, 2003, the Company issued ¥12,000 million (\$100,000 thousands) of 1.34% unsecured bonds due June 2006 and ¥3,000 million (\$25,000 thousands) of 1.67% unsecured bonds due June 2008. Both bonds were issued at 100% of the face value. The Company intends to use the proceeds from issuance of the bonds for redemption of outstanding bonds and repayment of borrowings.

Upon the resolution made by the Board of Directors of the Company on May 16, 2003, the Company signed an agreement with Sky Aluminium Co., Ltd. ("Sky"), an unrelated company, to separate and transfer the operations of its light metals division to Sky. Under the agreement, the Company will transfer all of the assets and liabilities of the light metals division in exchange for 70,000 thousands shares of Sky in October 2003, at which time Sky will change its name to Furukawa Sky Co., Ltd. Assets and liabilities at March 31, 2003 and revenue for the year then ended of the division were ¥137,979 million (\$1,149,825 thousands), ¥112,415 million (\$936,792 thousands) and ¥109,324 million (\$91,033 thousands), respectively. Such amounts of Sky were ¥51,873 million (\$432,275 thousands), ¥41,942 million (\$349,517 thousands) and ¥55,535 million (\$462,792 thousands), respectively.

23. Segment Information

The Company and its consolidated subsidiaries' business segments, which are required to be disclosed pursuant to regulations on consolidated financial statements in Japan, have been classified based upon similarity of products and services, marketing methods, etc. as follows.

(1) Telecommunications:

Manufacture and sale of optical fiber cable, optical related parts, optical fiber cable-attached parts and construction, network equipment, etc.

(2) Plastic, cables and wires:

Manufacture and sale of bare wire, aluminum wire, insulated wire and cable, magnet wire, power cable, power cable-attached parts and construction, electric wire tubing, plastic products, thermal engineering electric feeders, etc.

(3) Nonferrous products:

Manufacture and sale of nonferrous metals products such as copper tube, rolled copper products, electrolytic copper foils, shape memory alloys, aluminum sheets and plates, extruded products, etc.

(4) Electronics-related products and others:

Manufacture and sale of batteries, automobile parts and electric wire and cable, heat pipe, aluminum plate for memory disk, electronic components and parts, etc.

Segment information by business segment for the years ended March 31, 2003 and 2002 is summarized as follows:

	Millions of yen						
	Telecomm- unications	Plastic, cables and wires	Nonferrous products	Electronics-related products and others	Total	Elimination and corporate assets*	Consolidated
2003:							
Net sales							
Outside customers	¥ 157,453	¥ 166,632	¥ 267,175	¥ 119,356	¥ 710,616	¥ —	¥ 710,616
Inter-segment sales	6,668	5,008	725	25,867	38,268	(38,268)	—
Total	164,121	171,640	267,900	145,223	748,884	(38,268)	710,616
Operating expenses	225,055	167,159	259,614	141,225	793,053	(38,590)	754,463
Operating income (loss)	¥ (60,934)	¥ 4,481	¥ 8,286	¥ 3,998	¥ (44,169)	¥ 322	¥ (43,847)
Assets, depreciation and capital expenditures:							
Assets	¥ 347,137	¥ 139,879	¥ 243,916	¥ 129,918	¥ 860,850	¥ 318,549	¥ 1,179,399
Depreciation	32,552	5,427	10,423	5,589	53,991	3,226	57,217
Capital expenditures	6,806	1,860	5,716	4,906	19,288	3,884	23,172

	Millions of yen						
	Telecomm- unications	Plastic, cables and wires	Nonferrous products	Electronics-related products and others	Total	Elimination and corporate assets*	Consolidated
2002:							
Net sales							
Outside customers	¥ 217,084	¥ 183,663	¥ 256,925	¥ 113,739	¥ 771,411	¥ —	¥ 771,411
Inter-segment sales	7,704	4,963	532	24,712	37,911	(37,911)	—
Total	224,788	188,626	257,457	138,451	809,322	(37,911)	771,411
Operating expenses	219,515	187,842	255,615	135,737	798,709	(37,949)	760,760
Operating income	¥ 5,273	¥ 784	¥ 1,842	¥ 2,714	¥ 10,613	¥ 38	¥ 10,651
Assets, depreciation and capital expenditures:							
Assets	¥ 644,717	¥ 162,445	¥ 257,576	¥ 134,629	¥ 1,199,367	¥ 302,338	¥ 1,501,705
Depreciation	17,662	6,540	11,296	5,935	41,433	3,158	44,591
Capital expenditures	43,176	6,601	7,344	7,828	64,949	3,828	68,777

	Thousands of U.S. dollars						
	Telecomm- unications	Plastic, cables and wires	Nonferrous products	Electronics-related products and others	Total	Elimination and corporate assets*	Consolidated
2003:							
Net sales							
Outside customers	\$ 1,312,116	\$ 1,388,600	\$ 2,226,450	\$ 994,634	\$ 5,921,800	\$ —	\$ 5,921,800
Inter-segment sales	55,567	41,733	6,042	215,558	318,900	(318,900)	—
Total	1,367,683	1,430,333	2,232,492	1,210,192	6,240,700	(318,900)	5,921,800
Operating expenses	1,875,458	1,392,992	2,163,450	1,176,883	6,608,783	(321,592)	6,287,191
Operating income (loss)	\$ (507,775)	\$ 37,341	\$ 69,042	\$ 33,309	\$ (368,083)	\$ 2,692	\$ (365,391)
Assets, depreciation and capital expenditures:							
Assets	\$ 2,892,808	\$ 1,165,658	\$ 2,032,642	\$ 1,082,650	\$ 7,173,758	\$ 2,654,567	\$ 9,828,325
Depreciation	271,267	45,217	86,858	46,583	449,925	26,883	476,808
Capital expenditures	56,717	15,500	47,633	40,875	160,725	32,358	193,083

Segment information by geographic areas for the years ended March 31, 2003 and 2002 is presented below. Further segmentation by countries or areas in the Other areas is not provided pursuant to

regulations on consolidated financial statements in Japan, as both net sales and assets in respective country or area were less than 10% of consolidated net sales and assets.

Millions of yen						
	Japan	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2003:						
Net sales						
Outside customers	¥ 621,409	¥ 53,704	¥ 35,503	¥ 710,616	¥ —	¥ 710,616
Inter-segment sales	10,653	1,184	10,817	22,654	(22,654)	—
Total	632,062	54,888	46,320	733,270	(22,654)	710,616
Operating expenses	622,791	107,331	47,113	777,235	(22,772)	754,463
Operating income (loss)	¥ 9,271	¥ (52,443)	¥ (793)	¥ (43,965)	¥ 118	¥ (43,847)
Assets	¥ 685,397	¥ 233,998	¥ 36,410	¥ 955,805	¥ 223,594	¥ 1,179,399

Millions of yen						
	Japan	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2002:						
Net sales						
Outside customers	¥ 648,215	¥ 59,796	¥ 63,400	¥ 771,411	¥ —	¥ 771,411
Inter-segment sales	20,377	1,529	7,957	29,863	(29,863)	—
Total	668,592	61,325	71,357	801,274	(29,863)	771,411
Operating expenses	655,255	70,139	66,065	791,459	(30,699)	760,760
Operating income (loss)	¥ 13,337	¥ (8,814)	¥ 5,292	¥ 9,815	¥ 836	¥ 10,651
Assets	¥ 744,333	¥ 421,599	¥ 52,908	¥ 1,218,840	¥ 282,865	¥ 1,501,705

Thousands of U.S. dollars						
	Japan	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2003:						
Net sales						
Outside customers	\$ 5,178,408	\$ 447,533	\$ 295,859	\$ 5,921,800	\$ —	\$ 5,921,800
Inter-segment sales	88,775	9,867	90,150	188,792	(188,792)	—
Total	5,267,183	457,400	386,009	6,110,592	(188,792)	5,921,800
Operating expenses	5,189,925	894,417	392,608	6,476,950	(189,759)	6,287,191
Operating income (loss)	\$ 77,258	\$ (437,017)	\$ (6,599)	\$ (366,358)	\$ 967	\$ (365,391)
Assets	\$ 5,711,642	\$ 1,949,983	\$ 303,425	\$ 7,965,050	\$ 1,863,275	\$ 9,828,325

* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Corporate assets include surplus funds of the parent company, assets related to the research and development and administrative divisions, and assets of an overseas consolidated finance subsidiary.

Information on overseas sales, which consisted of export sales by the Company and its domestic subsidiaries and overseas sales of overseas

consolidated subsidiaries, for the years ended March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Overseas sales	¥ 141,578	¥ 180,629	\$ 1,179,817
Consolidated net sales	710,616	771,411	5,921,800
Percentage of overseas sales against consolidated net sales	19.9%	23.4%	

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
The Furukawa Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of The Furukawa Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of loss, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Furukawa Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

As discussed in Note 22 to the accompanying consolidated financial statements, on May 16, 2003, the Company entered into an agreement to separate and transfer the operation of its light metals division to an unrelated party to take effect in October 2003.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

Tokyo, Japan
June 27, 2003

Chuo Aoyama Audit Corporation

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Paid-in Capital

¥59,234 million (As of March 31, 2003)

Number of Shares of Common Stock Issued

655,640 thousand (As of March 31, 2003)

Branches

Osaka, Nagoya, Fukuoka, Hiroshima, Sendai and Sapporo

Sales Offices

Takamatsu, Toyama, Hamamatsu, Toyota, Naha and Kitakyushu

Manufacturing Facilities

Chiba, Nikko, Hiratsuka, Mie, Osaka, Kyushu,
Kambara, and Shinagawa

Research Laboratories

Yokohama R&D Laboratories
Metal Research Center
Ecology & Energy Laboratory
FITEL Network Laboratory
FITEL Photonics Laboratory
Automotive Technology Center



Head Office

