

Directors and Auditors



Junnosuke Furukawa
President and CEO



Masashi Kato
Senior Managing Director



Hiroshi Ishihara
Senior Managing Director



Katsuhiko Okubo
Senior Managing Director



Shintaro Koizumi
Senior Managing Director



Takekazu Hanatani
Managing Director



Yuichi Suzuki
Managing Director



Hiroshi Wada
Managing Director



Kunihiro Matsubara
Managing Director



Osamu Sato
Managing Director

President and CEO
Junnosuke Furukawa

Senior Managing Directors
Masashi Kato
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Katsuhiko Okubo
Shintaro Koizumi

Managing Directors
Takekazu Hanatani
Yuichi Suzuki

Hiroshi Wada
Kunihiro Matsubara
Osamu Sato

Directors
Katsuhiko Kondo
Ikuo Shigemura
Zensuke Iwata
Kiyoshi Takeuchi
Yusaku Himono
Katsuhiko Utsumi
Atsushi Kitanoya

Masateru Yoshihara
Kosaku Nakano
Shigeru Watanabe
Shigenori Takayama
Michitoyo Kurokawa
Masao Yoshida

Statutory Auditors
Shiro Okuda
Harumitsu Ogino
Yasuyuki Wakahara
Toshikuni Nishinohara

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)
	2002	2001	2000	1999	1998	2002
Consolidated						
Net sales	¥ 771,411	¥ 826,954	¥ 696,569	¥ 726,684	¥ 799,243	\$ 5,933,931
Cost of sales	642,617	656,818	570,431	593,938	654,263	4,943,208
Selling, general and administrative expenses	118,143	112,067	104,892	112,615	110,978	908,792
Operating income	10,651	58,069	21,246	20,131	34,002	81,931
Income before income taxes and minority interests ..	5,538	252,519	56,902	15,966	27,709	42,601
Net income (loss)	(3,384)	167,393	35,169	2,787	13,662	(26,030)
Cash dividends	5,244	5,205	5,851	1,969	3,937	40,339
Total current assets	557,371	612,966	556,462	465,317	557,249	4,287,468
Property, plant and equipment, net of accumulated depreciation	485,118	332,019	319,751	325,797	342,577	3,731,677
Total assets	1,501,705	1,504,237	972,326	880,317	973,220	11,551,576
Total current liabilities	616,175	431,151	487,335	356,435	451,312	4,739,808
Total shareholders' equity	¥ 494,777	¥ 683,047	¥ 217,286	¥ 212,343	¥ 213,697	\$ 3,805,977

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, 2002 include the results of 86 consolidated subsidiaries and 23 affiliates accounted for by the equity method. As a result of the addition of 19 subsidiaries and the removal of 2, the number of consolidated subsidiaries increased by a net 17 companies. With regard to affiliates based on the equity method, 3 were added and 1 removed from the previous figure. Consequently, the combined total of consolidated subsidiaries and equity method affiliates comes to 109, exceeding the 100-company mark.

Sales

In Fiscal 2002, while sales of optical fiber and cables grew, there was a significant downturn in sales of optical equipment and parts and wrought copper products. Sales of bare wires and light metal products also remained below the previous year's levels, consequently bringing down consolidated sales by 6.7% on the year to ¥771.4 billion (US\$5.9 billion). Overseas sales increased 2.1% to ¥180.6 billion (US\$1.4 billion).

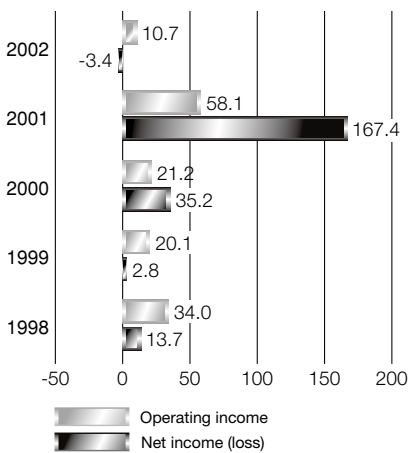
Sales by segment, including intra-segment sales and transfers, were as follows:

- Telecommunications: up 9.1% compared to the previous year at ¥224.8 billion (US\$1.7 billion)
- Plastic, cables and wires: down 9.5% at ¥188.6 billion (US\$1.5 billion)
- Nonferrous products: down 15.3% at ¥257.5 billion (US\$2.0 billion)
- Electronics-related products and others: down 5.3% at ¥138.5 billion (US\$1.1 billion)

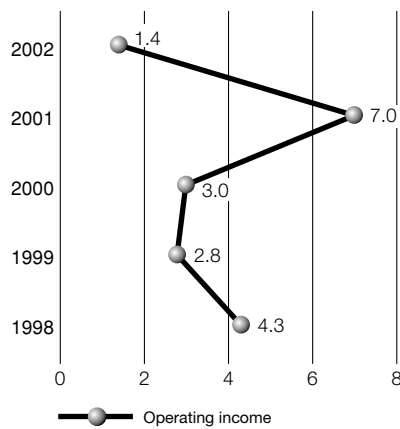
Income

Cost of sales declined 2.2% to ¥642.6 billion (US\$4.9 billion), bringing the net sales profitability to 16.7%. Selling, general and administrative (SG&A) expenses were ¥118.1 billion (US\$908.8 million), and the ratio of SG&A expenses to net sales rose from 13.6% in the previous year to 15.3%. As a result, operating income fell 81.7% from the previous year to ¥10.7 billion (US\$81.9 million). Other income was negative in the fiscal year under review. A loss of ¥5.1 billion (US\$39.3 million) was generated, compared with a

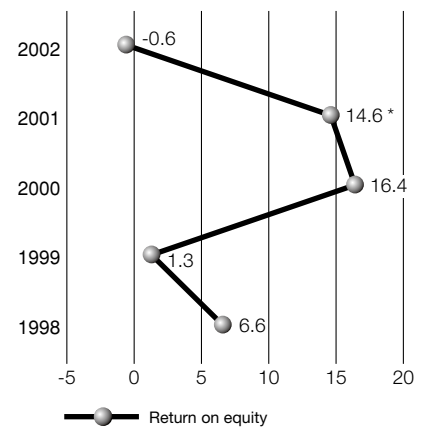
Operating income and Net income
(Billions of yen)



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;

$$ROE = a / [(b+c+d) \cdot 0.5]$$

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

profit of ¥194.5 billion in the previous fiscal year. This decline includes a loss of ¥9.4 billion related to R&D expenses for the acquisition of OFS, a loss of ¥5.3 billion related to the liquidation of U.S. affiliates, and a loss of ¥4.4 billion for inventory disposition. Consequently, net income before income taxes and minority interests for Fiscal 2002 came to ¥5.5 billion, and net loss was ¥3.4 billion (US\$26.0 million). This resulted in net loss per share of ¥5.16 (US\$0.04) compared with net income per share of ¥256.56 in the previous year. Cash dividends paid per share was ¥6.00 (US\$0.05).

Cash Flows

Net cash by operating activities provided ¥12.7 billion (US\$97.6 million). Declines in EBIT caused by lower sales in IT-related products and electronics products were offset by a cash inflow resulting from an increase in depreciation expenses and a decrease in trade receivables.

Net cash by investing activities used ¥327.3 billion (US\$2.5 billion), caused by proceeds from the sale of JDSU stock being more than offset by expenditures on acquisition of fixed assets and business operations.

Net cash by financial activities provided ¥257.4 billion (US\$2.0 billion), resulting from financing the acquisition of fixed assets and that of an optical communications business operation in North America by issuing bonds and by taking out short- and long-term loans.

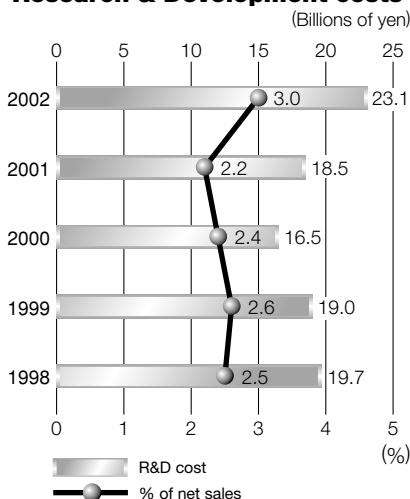
As a result of the above, cash and cash equivalents at the end of Fiscal 2002 decreased by ¥48.4 billion from the previous year to ¥127.0 billion (US\$976.6 million).

Financial Position

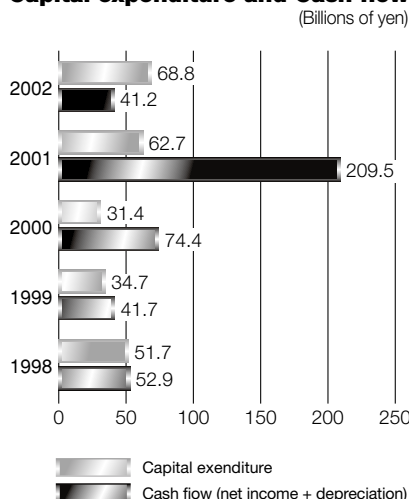
Current assets fell 9.1% from the previous year to ¥557.4 billion (US\$4.2 billion) and current liabilities rose 42.9% to ¥616.2 billion (US\$4.7 billion). Investment securities decreased 48.9% to ¥263.6 billion (US\$2.0 billion) and tangible fixed assets increased 46.1% to ¥485.1 billion (US\$3.7 billion), bringing total assets to ¥1,501.7 billion (US\$11.6 billion), down 0.2% from the previous year.

Interest-bearing debt increased by ¥265.6 billion from the previous year to ¥609.0 billion (US\$4.7 billion). Total shareholders' equity fell 27.6% to ¥494.8 billion (US\$3.9 billion). Average return on assets declined from 13.5% to negative 0.2%, and average return on equity similarly fell from 37.2% to negative 0.6%.

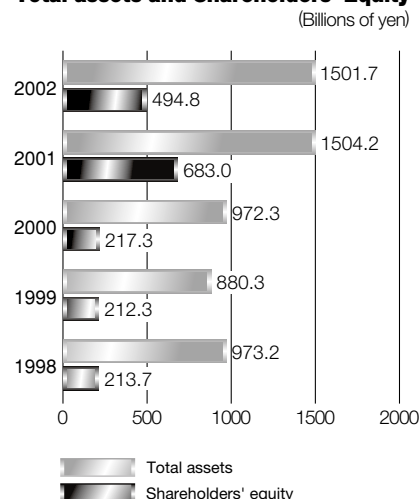
Research & Development costs



Capital expenditure and Cash flow



Total assets and Shareholders' Equity



CONSOLIDATED BALANCE SHEETS

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
ASSETS			
Current assets:			
Cash and bank deposits (Note 19)	¥ 121,101	¥ 59,025	\$ 931,546
Marketable securities (Notes 2c and 5)	12,795	132,074	98,423
Trade receivables (Notes 6 and 11)	250,398	278,583	1,926,138
Inventories (Note 7)	136,610	119,886	1,050,846
Deferred income taxes (Note 18)	14,350	10,851	110,384
Other current assets	22,117	12,547	170,131
Total current assets	557,371	612,966	4,287,468
Investments and long-term loans (Notes 2c, 5, 8 and 11)	279,463	530,192	2,149,715
Property, plant and equipment, net of accumulated depreciation (Notes 9 and 11)	485,118	332,019	3,731,677
Deferred income taxes (Note 18)	6,495	7,524	49,962
Other assets (Note 4)	173,258	21,536	1,332,754
Total assets	¥ 1,501,705	¥ 1,504,237	\$ 11,551,576

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt (Note 11)	¥ 403,951	¥ 160,070	\$ 3,107,315
Trade payables (Note 10)	156,272	210,075	1,202,092
Customers' advances	3,679	4,317	28,300
Accrued income taxes (Note 18)	3,399	18,443	26,147
Deferred income taxes (Note 18)	205	131	1,577
Other current liabilities	48,669	38,115	374,377
Total current liabilities	616,175	431,151	4,739,808
Long-term debt (Note 11)	205,074	183,330	1,577,492
Accrued retirement benefits (Note 12)	76,670	78,455	589,769
Deferred income taxes (Note 18)	37,667	92,797	289,746
Other long-term liabilities	14,202	11,128	109,246
Total long-term liabilities	333,613	365,710	2,566,253
Minority interests	57,140	24,329	439,538
Shareholders' equity:			
Common stock (Note 13)			
Authorized shares, 2,593,303,000 in 2002 and 2001			
Issued shares, 655,640,602 in 2002	59,234	59,175	455,646
655,458,833 in 2001			
Additional paid-in capital	68,394	68,336	526,108
Retained earnings (Notes 2n and 21)	247,334	256,149	1,902,569
Unrealized holding gains on available-for-sale securities (Notes 2c and 5)	124,054	303,710	954,262
Foreign currency translation adjustment (Note 2l)	(4,233)	(4,322)	(32,562)
	494,783	683,048	3,806,023
Common stock in treasury	(6)	(1)	(46)
Total shareholders' equity	494,777	683,047	3,805,977
Contingent liabilities (Note 14)			
Total liabilities and shareholders' equity	¥ 1,501,705	¥ 1,504,237	\$ 11,551,576

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, 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,538	¥ 252,519	\$ 42,601
Adjustments for:			
Depreciation and amortization	44,591	42,104	343,007
Gain on sales of marketable and investment securities	(24,399)	(220,191)	(187,684)
Gain on affiliate's issue of new shares	—	(7,771)	—
Equity in loss (income) of non-consolidated subsidiaries and affiliates ..	483	(1,412)	3,715
Provision for (reversal of) retirement benefits	(1,786)	36,793	(13,738)
Interest and dividend income	(7,305)	(13,565)	(56,192)
Interest expenses	9,294	10,110	71,492
Foreign exchange gain	(87)	(12,200)	(669)
Decrease (increase) in trade receivables	36,757	(44,999)	282,746
Decrease (increase) in inventories	5,252	(35,015)	40,400
Increase (decrease) in trade payables	(49,853)	58,380	(383,485)
Other	28,088	18,726	216,061
Subtotal	46,573	83,479	358,254
Interest and dividend income received	8,158	13,542	62,754
Interest expenses paid	(9,434)	(9,711)	(72,569)
Income taxes paid	(32,613)	(92,569)	(250,869)
Net cash provided by (used in) operating activities	12,684	(5,259)	97,570
Cash flows from investing activities:			
Payments for purchase of marketable securities	(251)	(7,615)	(1,931)
Proceeds from sales of marketable securities	19,659	17,576	151,223
Payments for purchase of property, plant and equipment	(78,096)	(56,238)	(600,738)
Proceeds from sales of investments securities	29,887	220,949	229,900
Acquisition of optical fiber business, net of cash acquired (Note 4)	(276,382)	—	(2,126,015)
Other	(22,067)	(16,886)	(169,746)
Net cash provided by (used in) investing activities	(327,250)	157,786	(2,517,307)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	197,730	(20,127)	1,521,000
Issuance of long-term debt	67,144	9,861	516,492
Repayment of long-term debt	(12,992)	(38,214)	(99,938)
Cash dividends paid	(5,244)	(5,205)	(40,338)
Other	10,797	16,154	83,054
Net cash provided by (used in) financing activities	257,435	(37,531)	1,980,270
Effect of exchange rate changes on cash and cash equivalents	8,733	20,802	67,177
Net increase (decrease) in cash and cash equivalents	(48,398)	135,798	(372,290)
Cash and cash equivalents at beginning of year	174,955	37,835	1,345,807
Cash and cash equivalents of new consolidated subsidiaries, net of excluded subsidiaries from consolidation	395	1,322	3,037
Cash and cash equivalents at end of year (Note 19)	¥ 126,952	¥ 174,955	\$ 976,554

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

1. 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 86 and 69 subsidiaries in 2002 and 2001 respectively. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in 23 and 21 less significant subsidiaries and major affiliates in 2002 and 2001, respectively, are accounted for by the equity method.

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 is 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

With effect from the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted the new Japanese financial accounting standard for financial instruments. The effect of adopting this new standard on the consolidated statement of income and retained earnings for the year ended March 31, 2001 was immaterial.

1) Debt and equity securities

Under the new standard, 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 called "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.

Prior to adoption of the new standard, marketable equity securities were stated at the lower of cost or market.

As a result of adopting the new standard, the Company and its consolidated subsidiaries recognized unrealized net holding gains on available-for-sale securities amounting to ¥303,710 million, net of applicable deferred tax liability of ¥110,370 million and minority interests of ¥239 million, as a separate component of shareholders' equity at March 31, 2001.

Under the new standard, trading securities and 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". The securities held by the Company and its consolidated subsidiaries have been reclassified as of April 1, 2000 to conform with the new standard. As a result of such reclassification, the securities in the current portfolio decreased by ¥55,487 million and those in the non-current portfolio increased by the same amount at March 31, 2001.

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

2) Derivatives

The new standard for financial instruments also requires that derivative financial instruments be 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

Prior to the year ended March 31, 2001, allowance for doubtful accounts had been provided at an estimated irrecoverable portion of receivables on an individual account basis, plus the maximum amount that could be charged to income under Japanese income tax laws.

However, with effect from the year ended March 31, 2001, as a result of adoption of the new Japanese financial accounting standard for financial instruments, allowance for doubtful accounts has been provided at an 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 72% and 59% at March 31, 2002 and 2001, 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 past service costs over a 20-year period and

interest on the unfunded portion of past service costs. Until the year ended March 31, 2000, such contributions were charged to income when paid.

With effect from the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted the new Japanese financial accounting standard for employees' retirement benefits. This standard requires the amount of severance or retirement benefit liability be based on employees' service to date and computed at actuarial present value (projected benefit obligation). The new standard also requires that actuarial valuations regarding past service costs, experience adjustments, and the effect of changes in actuarial assumptions be allocated to income on a systematic basis. At March 31, 2000, the liability for employees' retirement benefits had been provided for at 100% of the amount that would be required if all employees terminated their services with the relevant companies voluntarily at the balance-sheet date.

The transitional liability under the new standard at April 1, 2000 in the amount of ¥37,165 million has been fully charged to other income for the year ended March 31, 2001. As a result of adopting the new standard, retirement benefit expense and operating income were increased by ¥38,207 million and ¥206 million, respectively, and income before income taxes was decreased by ¥38,102 million for the year ended March 31, 2001.

In addition, with effect from the year ended March 31, 2001, the Company and some domestic consolidated subsidiaries changed their basis of recording directors' and statutory auditors' retirement benefits from the cash basis to the accrual basis to reflect periodic income and expenses more appropriately.

The total cumulative effect at April 1, 2000 in the amount of ¥1,282 million has been charged to other income. The effect of this change was to decrease operating income and income before income taxes by ¥302 million and ¥1,584 million, respectively, for the year ended March 31, 2001.

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 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

Income taxes payable has 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.

The Company adopted the amended Japanese financial accounting standard for foreign currency translation effective from the year ended March 31, 2001. As a result, the "foreign currency translation adjustment" account, which had been previously shown under assets, has been recorded as a separate component of shareholders' equity.

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.

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, 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 in the amount of ¥11,315 million (\$87,038 thousand) and ¥10,977 million at March 31, 2002 and 2001, respectively, is included in retained earnings in the accompanying consolidated balance sheets.

o) Net income per share

Net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the respective years.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥130 =U.S. \$ 1, the approximate effective rate of exchange on March 31, 2002, 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	Thousands of U.S. dollars
Current assets	¥ 41,867	\$ 322,054
Fixed assets	231,492	1,780,708
Goodwill	59,510	457,769
Current liabilities	(12,060)	(92,769)
Long-term liabilities	(7,217)	(55,515)
Minority interests	(30,137)	(231,824)
Total purchase price	283,455	2,180,423
Less, cash and cash equivalents acquired	(7,073)	(54,408)
Cash payment on acquisition, net of cash acquired	¥ 276,382	\$ 2,126,015

5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value at March 31, 2002 and 2001 included in

marketable securities (current assets) and in investments and long-term loans (non-current assets) are summarized as follows:

	Millions of yen							
	2002				2001			
	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	¥ 10,080	¥ 10,080	¥ —	¥ —	¥ 653	¥ 653	¥ —	¥ —
Corporate debt securities	—	—	—	—	13	13	—	—
Other debt securities	572	570	—	2	86	85	—	1
Total held-to-maturity debt securities	10,652	10,650	—	2	752	751	—	1
Available-for-sale securities:								
Marketable equity securities	56,429	212,249	161,286	5,466	59,674	473,947	414,945	672
Marketable debt securities	3	3	—	—	5	4	—	1
Other securities	11	8	—	3	11	9	—	2
Total available-for-sale securities	56,443	212,260	161,286	5,469	59,690	473,960	414,945	675
	¥ 67,095	¥ 222,910	¥ 161,286	¥ 5,471	¥ 60,442	¥ 474,711	¥ 414,945	¥ 676

	Thousands of U.S. dollars			
	2002			
	Cost	Fair value	Gross unrealized gains	Gross unrealized losses
Held-to-maturity debt securities:				
Japanese national government bonds and municipal bonds	\$ 77,538	\$ 77,538	\$ —	\$ —
Corporate debt securities	—	—	—	—
Other debt securities	4,400	4,385	—	15
Total held-to-maturity debt securities	81,938	81,923	—	15
Available-for-sale securities:				
Marketable equity securities	434,069	1,632,685	1,240,662	42,046
Marketable debt securities	23	23	—	—
Other securities	84	61	—	23
Total available-for-sale securities	434,176	1,632,769	1,240,662	42,069
	\$ 516,114	\$ 1,714,692	\$ 1,240,662	\$ 42,084

The proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥27,915 million (\$214,731 thousand) and ¥220,948 million, respectively. The gross realized gains on those sales for the years ended March 31, 2002 and 2001 were ¥25,098 million (\$193,062 thousand) and ¥220,204 million, respectively, and gross realized losses were ¥1,727 million (\$13,285 thousand) and ¥36 million, respectively.

The aggregate annual maturities of available-for-sale securities and held-to-maturity debt securities at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within 1 year	¥ 10,527	¥ 22	\$ 80,977
Due after 1 year through 5 years	122	741	938
Due after 5 years through 10 years	4	3	31
	¥ 10,653	¥ 766	\$ 81,946

6. Trade Receivables

Trade receivables at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Non-consolidated subsidiaries and affiliates	¥ 8,982	¥ 16,570	\$ 69,092
Other	243,109	264,132	1,870,069
Allowance for doubtful accounts	(1,693)	(2,119)	(13,023)
	¥ 250,398	¥ 278,583	\$ 1,926,138

7. Inventories

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods	¥ 36,571	¥ 28,470	\$ 281,315
Work in process	51,019	46,747	392,454
Raw materials and supplies	49,020	44,669	377,077
	¥ 136,610	¥ 119,886	\$ 1,050,846

8. Investments and Long-term Loans

Investments and long-term loans at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Non-consolidated subsidiaries and affiliates	¥ 53,239	¥ 44,712	\$ 409,531
Other	226,224	485,480	1,740,185
	¥ 279,463	¥ 530,192	\$ 2,149,716

9. Property, Plant and Equipment

Property, plant and equipment at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land	¥ 85,512	¥ 75,737	\$ 657,785
Buildings	263,994	210,163	2,030,723
Machinery and equipment	668,698	585,335	5,143,831
Construction in progress	48,976	15,362	376,738
	1,067,180	886,597	8,209,077
Accumulated depreciation	(582,062)	(554,578)	(4,477,400)
	¥ 485,118	¥ 332,019	\$ 3,731,677

10. Trade Payables

Trade payables at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Non-consolidated subsidiaries and affiliates	¥ 1,345	¥ 2,910	\$ 10,346
Other	154,927	207,165	1,191,746
	¥ 156,272	¥ 210,075	\$ 1,202,092

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 0.050% to 20.190% and 0.300% to 8.850% per annum at March 31, 2002 and 2001, respectively, and the current portion of long-term debt.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
			2002
2.7% unsecured Bonds due 2002 . . .	¥ 20,000	¥ 20,000	\$ 153,846
2.45% unsecured Bonds due 2003 . .	10,000	10,000	76,923
2.775% unsecured Bonds due 2007 . .	20,000	10,000	153,846
2.15% unsecured Bonds due 2003 . .	10,000	10,000	76,923
3.0% unsecured Bonds due 2008 . . .	13,000	13,000	100,000
2.0% unsecured Bonds due 2004 . . .	7,000	7,000	53,846
1.28% unsecured Bonds due 2007 . .	30,000	—	230,769
2.5% convertible sinking fund mortgage bonds due 2002, convertible currently at ¥535	—	9	—
2.2% convertible bonds due 2004, convertible currently at ¥847	7,437	7,487	57,207
Debt issued by consolidated subsidiary, due from 2002 to 2006 with interest ranging from 0.362% to 4.45%	8,080	14,995	62,154
Loans, principally from banks and insurance companies, due from 2003 to 2018 with interest rates ranging from 0.540% to 13.500 % and predominantly collateralized . .	142,263	106,649	1,094,332
	267,780	199,140	2,059,846
Less: portion due within one year . . .	62,706	15,810	482,354
	¥ 205,074	¥ 183,330	\$ 1,577,492

At March 31, 2002 and 2001, the following assets were pledged as collateral for long-term debt:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
			2002
Property, plant and equipment . . .	¥ 50,256	¥ 53,295	\$ 386,585
Investments in securities	14,787	23,175	113,746
Trade notes receivable	671	920	5,161
	¥ 65,714	¥ 77,390	\$ 505,492

At March 31, 2002 and 2001, the number of shares of common stock necessary for conversion of all of the aforementioned convertible bonds was approximately 9 million.

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2002 are as follows:

Year ending March 31,	Millions of yen		Thousands of
			U.S. dollars
2004	¥ 60,134		\$ 462,569
2005	15,617		120,131
2006	16,492		126,862
2007 and thereafter	112,831		867,930

On March 22, 2000, the Company entered into agreements with two banks, under the terms of which the Company placed cash in the banks and the banks assumed debt servicing on behalf of the Company for the 2.95% unsecured bonds due 2006 and 2.775% unsecured bonds due 2007 in the amount of ¥10,000 million (\$76,923 thousand) 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 (\$76,923 thousand). In consequence, the Company reinstated the 2.775% unsecured bonds in the amount of ¥10,000 million (\$76,923 thousand), which resulted in ¥20,000 million (\$153,846 thousand) total outstanding on the consolidated balance sheet as of March 31, 2002.

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, 2002 and 2001:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
			2002
Projected benefit obligation . . .	¥ 98,281	¥ 99,332	\$ 756,008
Fair value of plan assets	(17,687)	(18,288)	(136,054)
Benefit obligation in excess of plan assets	80,594	81,044	619,954
Unrecognized prior service cost	(15)	(15)	(115)
Unrecognized actuarial net loss	(3,909)	(2,574)	(30,069)
Accrued retirement benefits recognized in the consolidated balance sheets	¥ 76,670	¥ 78,455	\$ 589,770

Severance and retirement benefit expenses of the Company and its consolidated subsidiaries included the following components for the years ended March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 4,996	¥ 4,734	\$ 38,431
Interest cost	2,716	2,688	20,892
Expected return on plan assets ..	(451)	(480)	(3,469)
Amortization of prior service cost ..	71	752	546
Amortization of actuarial differences ..	328	—	2,523
Immediate recognition of net transitional liability at date of adoption	—	37,165	—
Retirement benefit expense ...	¥ 7,660	¥ 44,859	\$ 58,923

Assumptions used in accounting for the employees' retirement benefit plans for the years ended March 31, 2002 and 2001 are as follows:

	2002 and 2001
Discount rate	3.0%
Expected rate of return on plan assets	3.0%
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 next 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 (\$3.85) 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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Notes discounted	¥ 4,988	¥ 4,365	\$ 38,369
Notes endorsed	4,018	5,033	30,908
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates) ..	13,586	10,376	104,507
Total	¥ 22,592	¥ 19,774	\$ 173,784

15. Leases

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Lease rental expenses	¥ 2,763	¥ 3,056	\$ 21,254

The amounts of outstanding future lease payments at March 31, 2002 and 2001, which included the portion of interest thereon, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finance leases:			
Future lease payments:			
Within one year	¥ 2,628	¥ 2,450	\$ 20,215
Over one year	4,259	3,607	32,762
Total	¥ 6,887	¥ 6,057	\$ 52,977

Acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2001, and depreciation expenses for the years ended March 31, 2002 and 2001 of the leased assets, assuming capitalization, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition costs	¥ 14,260	¥ 13,692	\$ 109,692
Accumulated depreciation	7,373	7,635	56,715
Net book value	¥ 6,887	¥ 6,057	\$ 52,977
Depreciation	¥ 2,763	¥ 3,056	\$ 21,254

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 for the year ended March 31, 2002, excluding the in-process research and development projects of the optical fiber business acquired, amounted to ¥23,149 million (\$178,069 thousand). Such costs were ¥18,451 million for the year ended March 31, 2001.

17. Gain on Sales of Investments in Securities

Included in "gain on sales of investments in securities" for the years ended March 31, 2002 and 2001 are gains of ¥23,117 million (\$177,823 thousand) and ¥219,714 million, respectively, resulting from the sales of portions of shares held in JDS Uniphase

Corporation, a Canadian affiliate until January 2000 and a non-affiliate thereafter.

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, 2002 and 2001. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The following is a reconciliation of the above statutory tax rate in Japan to the effective rates reflected in the accompanying consolidated statements of income (loss) and retained earnings for the years ended March 31, 2002 and 2001:

	2002	2001
Japanese statutory income tax rate	40.9%	40.9%
Tax benefits of net operating losses not recognized	173.4	—
Dividend income not taxable	19.8	—
Foreign capital gains taxed at rates lower than Japanese normal rate	(87.9)	(9.8)
Other, net	23.9	2.6
Effective tax rate	170.1%	33.7%

Deferred tax assets (liabilities) as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Accrued retirement benefits	¥ 26,707	¥ 27,069	\$ 205,438
Unrealized gains on properties ..	1,710	802	13,154
Loss carryforwards	10,303	3,347	79,254
Other	17,446	11,672	134,200
Gross deferred tax assets	56,166	42,890	432,046
Valuation allowance	(8,896)	(1,395)	(68,431)
Total deferred tax assets	47,270	41,495	363,615
Unrealized holding gains on available-for-sale securities ...	(51,232)	(110,370)	(394,092)
Gain on affiliate's issue of new shares	(3,108)	(3,108)	(23,908)
Special reserve for deferred capital gains	(7,856)	(1,892)	(60,430)
Other	(2,101)	(679)	(16,162)
Total deferred tax liabilities ...	(64,297)	(116,049)	(494,592)
Net deferred tax liabilities ...	¥ (17,027)	¥ (74,554)	\$ (130,977)

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, 2002 and 2001 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and bank deposits	¥ 121,101	¥ 59,025	\$ 931,546
Less, time deposits having original maturity of more than 3 months, and other non-liquid deposits	(4,676)	(2,359)	(35,969)
Highly liquid securities	10,527	118,289	80,977
Cash and cash equivalents ..	¥ 126,952	¥ 174,955	\$ 976,554

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

The currency forward exchange contracts at March 31, 2001 are summarized below. Those forward exchange contracts to which the hedge accounting has been applied, as explained in Note 2c, are excluded from this summary. At March 31, 2002, there were no such contracts similarly required to be disclosed.

	Millions of Yen		
	2001		
	Carrying amount	Estimated fair value	Unrealized gain
Currency forward exchange contracts:			
To sell,			
U.S. dollars	¥ 291	¥ 265	¥ 26
To buy,			
U.S. dollars	57	68	11
Total	¥ 348	¥ 333	¥ 37

2) Interest rate transactions

The interest rate swap contracts outstanding at March 31, 2002 and 2001 are summarized below. Those interest rate swap contracts to which the hedge accounting has been applied, as explained in Note 2 c, are excluded from this summary.

	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)

	Millions of Yen		
	2001		
	Notional amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap:			
Receiving fixed rates and paying floating rates	¥ 500	¥ 5	¥ 5
Receiving floating rates and paying fixed rates	600	(22)	(22)
Total	¥ 1,100	¥ (17)	¥ (17)

	Thousands of U.S. dollars		
	2002		
	Notional amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap:			
Receiving fixed rates and paying floating rates	\$ 6,153	\$ 77	\$ 77
Receiving floating rates and paying fixed rates	8,462	(185)	(185)
Total	\$ 14,615	\$ (108)	\$ (108)

21. Subsequent Event

On June 27, 2002, a cash dividend of ¥3.00 (\$0.023) per share, aggregating to ¥1,966 million (\$15,123 thousand) in total, was approved at the general meeting of shareholders of the Company.

22. 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, 2002 and 2001 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
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

	Millions of yen						
	Telecomm- unications	Plastic, cables and wires	Nonferrous products	Electronics-related products and others	Total	Elimination and corporate assets*	Consolidated
2001:							
Net sales							
Outside customers ·····	¥ 199,581	¥ 200,958	¥ 303,034	¥ 123,381	¥ 826,954	¥ —	¥ 826,954
Inter-segment sales ·····	6,524	7,534	1,061	22,808	37,927	(37,927)	—
Total ·····	206,105	208,492	304,095	146,189	864,881	(37,927)	826,954
Operating expenses ·····	167,210	207,227	292,482	139,871	806,790	(37,905)	768,885
Operating income ·····	¥ 38,895	¥ 1,265	¥ 11,613	¥ 6,318	¥ 58,091	¥ (22)	¥ 58,069
Assets, depreciation and capital expenditures:							
Assets ·····	¥ 248,308	¥ 164,328	¥ 273,015	¥ 131,649	¥ 817,300	¥ 686,937	¥ 1,504,237
Depreciation ·····	13,294	6,384	13,988	5,696	39,362	2,742	42,104
Capital expenditures ·····	35,735	6,586	9,793	5,695	57,809	4,939	62,748

	Thousands of U.S. dollars						
	Telecomm- unications	Plastic, cables and wires	Nonferrous products	Electronics-related products and others	Total	Elimination and corporate assets*	Consolidated
2002:							
Net sales							
Outside customers ·····	\$ 1,669,877	\$ 1,412,792	\$ 1,976,346	\$ 874,916	\$ 5,933,931	\$ —	\$ 5,933,931
Inter-segment sales ·····	59,261	38,177	4,092	190,092	291,622	(291,622)	—
Total ·····	1,729,138	1,450,969	1,980,438	1,065,008	6,225,553	(291,622)	5,933,931
Operating expenses ·····	1,688,577	1,444,938	1,966,269	1,044,131	6,143,915	(291,915)	5,852,000
Operating income ·····	\$ 40,561	\$ 6,031	\$ 14,169	\$ 20,877	\$ 81,638	\$ 293	\$ 81,931
Assets, depreciation and capital expenditures:							
Assets ·····	\$ 4,959,361	\$ 1,249,577	\$ 1,981,354	\$ 1,035,608	\$ 9,225,900	\$ 2,325,676	\$ 11,551,576
Depreciation ·····	135,861	50,307	86,892	45,655	318,715	24,292	343,007
Capital expenditures ·····	332,123	50,777	56,492	60,215	499,607	29,447	529,054

As described in Note 2 to the consolidated financial statements, the method of accounting for directors' and statutory auditors' ("officers") retirement benefits was changed during the year ended March 31, 2001. In addition, the Company and its consolidated subsidiaries adopted new or amended accounting standards for

financial instruments, employees' retirement benefits, and foreign currency translation. As a result, the following items for the year ended March 31, 2001 were increased or decreased as compared with the amounts which would have been reported had the previous methods been applied :

	Millions of yen						
	Telecomm-unications	Plastic, cables and wires	Nonferrous products	Electronics-related products and others	Total	Elimination and corporate assets*	Consolidated
Change in officers' retirement benefits accounting							
Decrease in operating income	¥ 94	¥ 79	¥ 76	¥ 53	¥ 302	¥ —	¥ 302
Adoption of employees' retirement benefit accounting							
Increase (decrease) in operating income	96	99	49	(38)	206	—	206
Adoption of financial instruments accounting							
Increase in assets	50	686	2	583	1,321	412,998	414,319
Adoption of amended foreign currency translation accounting							
Decrease in assets	—	—	—	—	—	4,440	4,440

Segment information by geographic areas for the years ended March 31, 2002 and 2001 is presented below.

During the year ended March 31, 2002, the Company regrouped its geographic areas as presented below, giving increasing importance of North America. North America consists of the U.S. and Canada.

Previously, North America and Other areas were aggregated as "Overseas".

The previously reported geographic segment information has been restated to conform with current presentation.

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
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

	Millions of yen					
	Japan	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2001:						
Net sales						
Outside customers	¥ 726,155	¥ 51,870	¥ 48,929	¥ 826,954	¥ —	¥ 826,954
Inter-segment sales	40,654	789	7,417	48,860	(48,860)	—
Total	766,809	52,659	56,346	875,814	(48,860)	826,954
Operating expenses	716,113	48,960	52,250	817,323	(48,438)	768,885
Operating income	¥ 50,696	¥ 3,699	¥ 4,096	¥ 58,491	¥ (422)	¥ 58,069
Assets	¥ 738,050	¥ 46,241	¥ 39,234	¥ 823,525	¥ 680,712	¥ 1,504,237

	Thousands of U.S. dollars					
	Japan	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2002:						
Net sales						
Outside customers	\$ 4,986,269	\$ 459,969	\$ 487,693	\$ 5,933,931	\$ —	\$ 5,933,931
Inter-segment sales	156,746	11,761	61,208	229,715	(229,715)	—
Total	5,143,015	471,730	548,901	6,163,646	(229,715)	5,933,931
Operating expenses	5,040,423	539,531	508,192	6,088,146	(236,146)	5,852,000
Operating income (loss)	\$ 102,592	\$ (67,801)	\$ 40,709	\$ 75,500	\$ 6,431	\$ 81,931
Assets	\$ 5,725,638	\$ 3,243,069	\$ 406,985	\$ 9,375,692	\$ 2,175,884	\$ 11,551,576

As described in Note 2 to the consolidated financial statements, the method of accounting for directors' and statutory auditors' ("officers") retirement benefits was changed during the year ended March 31, 2001. In addition, the Company and its consolidated subsidiaries adopted new or amended accounting standards for

financial instruments, employees' retirement benefits, and foreign currency translation. As a result, the following items for the year ended March 31, 2001 were increased or decreased as compared with the amounts which would have been reported had the previous methods been applied consistently :

	Millions of yen					
	Japan	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
Change in officers' retirement benefits accounting						
Decrease in operating income	¥ 302	¥ —	¥ —	¥ 302	¥ —	¥ 302
Adoption of employees' retirement benefit accounting						
Increase (decrease) in operating income	206	—	—	206	—	206
Adoption of financial instruments accounting						
Increase in assets	1,321	—	—	1,321	412,998	414,319
Adoption of amended foreign currency translation accounting						
Decrease in assets	—	—	—	—	4,440	4,440

* 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, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Overseas sales	¥ 180,629	¥ 176,969	\$ 1,389,454
Consolidated net sales	771,411	826,954	5,933,931
Percentage of overseas sales against consolidated net sales	23.4%	21.4%	

Report of Independent Certified Public Accountants

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, 2002 and 2001, and the related consolidated statements of income (loss) and retained earnings and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of The Furukawa Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, 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) applied on a consistent basis, except for the change, with which we concur, in the method of accounting for directors' and statutory auditors' retirement benefits effective for the year ended March 31, 2001 as described in Note 2 g to the consolidated financial statements.

As explained in Note 2 c, g and l to the consolidated financial statements, the Company and its consolidated subsidiaries have adopted amended or new Japanese financial accounting standards for financial instruments, employees' retirement benefits, and foreign currency translation effective for the year ended March 31, 2001.

The amounts expressed in U.S. dollars, 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, 2002

Chuoheiyama Audit Corporation