



ANNUAL REPORT 2001

SMK CORPORATION

Preparing for the Broadband Age Stronger Global Supply for Network Infrastructure

SMK is emerging as one of the world's leading suppliers of products for information infrastructure, especially high-speed networks in the fields of communication, information, audio-visual, and home electronics.



As markets continue to become more globalized, SMK is aggressively globalizing its own management, human resources and marketing, including both production and sales.

SMK is capitalizing on opportunities in Asia and Europe to increase its overseas production capabilities, including expansion of existing factories in the Philippines and Shenzhen, China and construction of a new factory in Hungary.

SMK has also made the environment a top priority by enhancing its environmental protection and safety measures, including plans to finish ISO14001 certification of all remaining group production facilities around the world.

Financial Highlights

SMK Corporation and Consolidated Subsidiaries

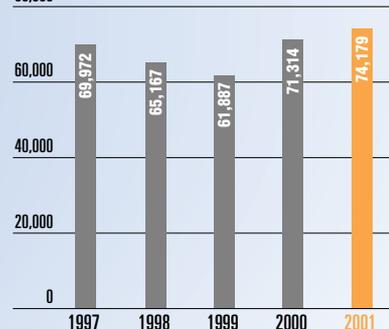
Year ended and as of March 31

	Millions of Yen		Percent change 2000/2001	Thousands of U.S. Dollars
	2000	2001		
Operating Results				
Net sales	¥ 71,314	¥ 74,179	4.0 %	\$ 598,708
Operating income	5,213	3,494	(33.0)	28,201
Net income	1,218	1,832	50.3	14,787
Financial Position				
Total assets	¥ 58,995	¥ 58,453	(0.9)	\$ 471,782
Total shareholders' equity	28,211	27,384	(2.9)	221,021
Per Share Data				
	Yen		U.S. Dollars	
Net income	¥ 15.09	¥ 22.66	50.2	\$ 0.18
Cash dividends	7.00	7.00	—	0.06

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥123.90 = U.S. \$1.00.

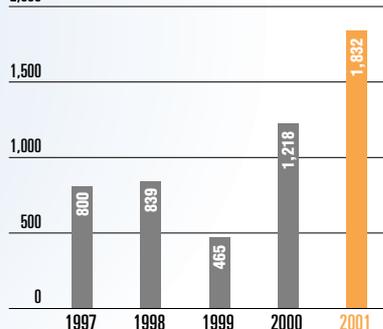
NET SALES

Millions of Yen
80,000



NET INCOME

Millions of Yen
2,000

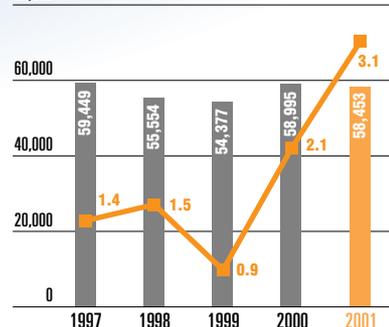


TOTAL ASSETS / ROA

Millions of Yen / %

— Return on assets (ROA)

80,000

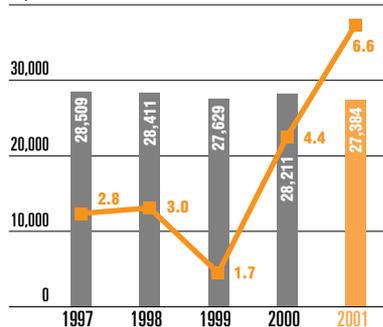


TOTAL SHAREHOLDERS' EQUITY / ROE

Millions of Yen / %

— Return on equity (ROE)

40,000



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To Our Shareholders and Investors

Supporting the Development of Information Infrastructure



Terutaka Ikeda Chairman & President

A handwritten signature in black ink, reading "Terutaka Ikeda" in a cursive style.

Success in a Challenging Environment

The Japanese economy during the reporting period (April 1, 2000 to March 31, 2001) faced extremely challenging conditions, including weak consumer spending, reduced budgets for public works projects, low stock prices and the sudden slowing of the U.S. economy in the second half of the year.

Despite such challenges, SMK successfully increased sales and income from the previous year. The company deeply appreciated its shareholders' unwavering support as it worked toward these significant achievements.

Information Infrastructure Supplier

SMK is contributing to the development of an information-based society by maximizing its development of advanced technology. At a time when national borders are blurring and markets are becoming increasingly globalized, SMK is pursuing its own globalization through a system we call "Trans-National" management. At the same time, by capitalizing on the group's

cumulative strengths in research and development, backed by a global organization encompassing both production and sales, SMK is rapidly harnessing new technology to meet evolving needs.

Following these basic strategies, SMK expects to become a key player in the field of networks and firmly establish its position as a major supplier of information infrastructure in markets worldwide. Moreover, these strategies are enabling SMK to respond more quickly to user needs in the face of competition with increasingly large multinational conglomerates.

Further Globalization and Stronger IT Development

In response to the increasing challenges of the global environment, SMK is enhancing its international competitiveness through further globalization of its organization and strengthened development of information technology.

Overseas production capabilities are being increased through large-scale expansion of existing facilities and construction of new facilities in locations such as the Philippines, Shenzhen, China and Hungary. SMK is also globalizing its human resources by dispatching more personnel to overseas offices, and made English the primary common language effective April 2001.

SMK is using information technology as a highly strategic tool to strengthen not only the

company's product lineup, but also the company itself. A new ad hoc committee has been established, for example, to provide guidance in the use of IT to develop new markets as well as enhance corporate efficiency.

Protecting our Environment

Never before has it been so important for corporations to address the world's pressing environmental issues. In Japan, where heightened awareness of the environment has led to the enactment of full-fledged recycling laws, our customers are demanding products and components that offer increasingly higher levels of environmental friendliness. Our very survival as a manufacturer depends on the credibility of our efforts to reduce, recycle and reuse, the so-called "Three Rs," which is why we are striving to lay down an environmental track record that is second to none among our competitors.

SMK is working to obtain ISO14001 certification of its environmental management systems in all production facilities that have not yet done so. In addition, the SMK Group has created its own Environmental Charter and is conducting educational programs to raise the level of environmental awareness among employees.

Taking this opportunity, I would like to thank our shareholders in advance for their continued support as we work to increase our corporate value.

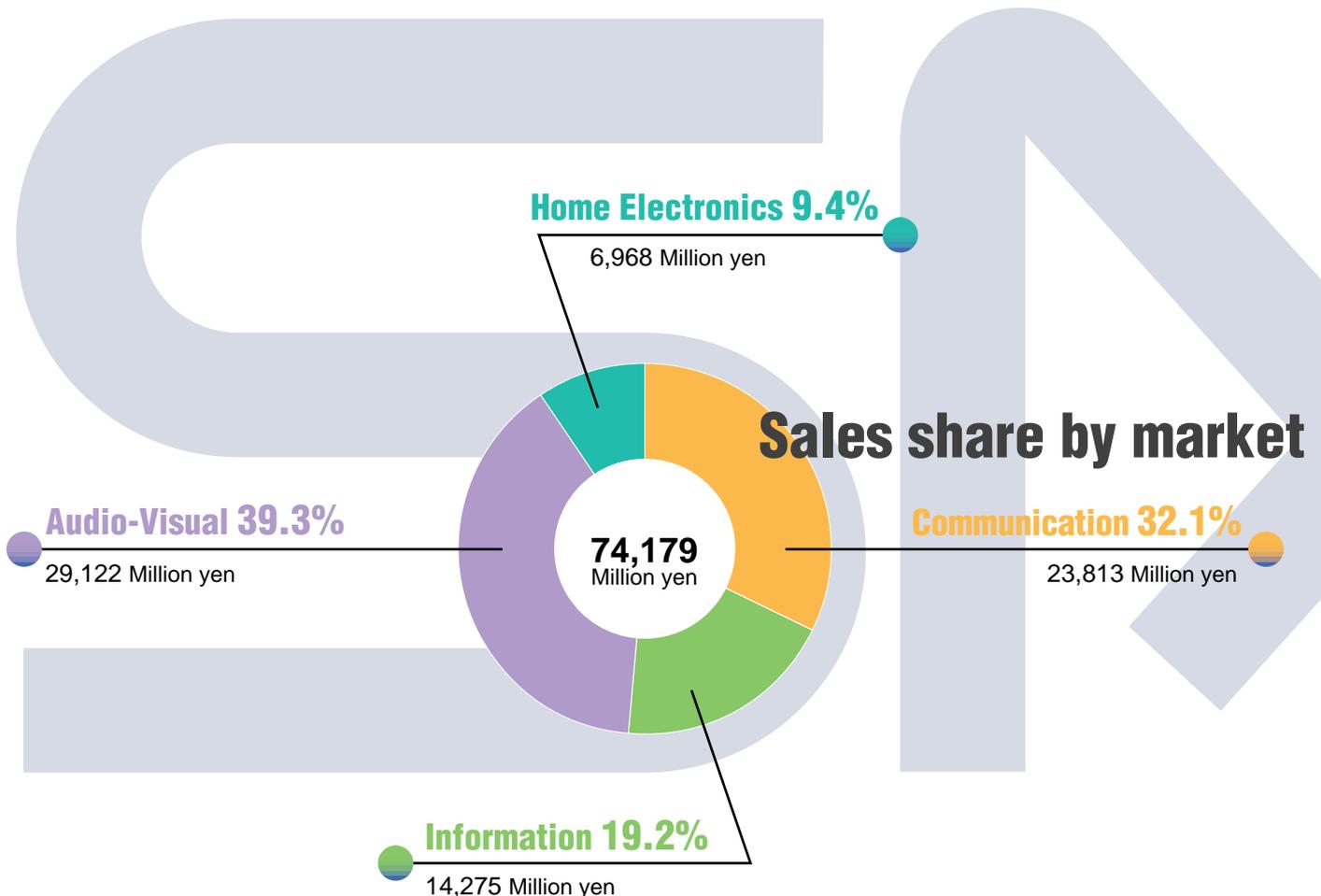
SMK Overview

The Japanese business environment in the electronics industry showed signs of improvement, mostly in exports, during the first half of the year (April to September 2000), despite the continuing Japanese economic slump. In the second half, however, overseas business slowed suddenly due to the U.S. economic downturn. The result was a slight decrease in domestic economic growth from the previous fiscal year.

Despite these difficult conditions, however, SMK posted increased sales in the Japanese market thanks to the development of successful new technologies and products. The company also improved its cost competitiveness and enhanced marketing in the Communication, Information, Audio-Visual and Home Electronics fields. Weakened demand in Europe, however,

pushed export value down to 20,736 million yen, a 7.8% reduction from the previous year. Consequently, consolidated sales increased only 4.0% to 74,179 million yen.

A strong effort was made to enhance profitability by decreasing the costs of production and distribution. Nevertheless, weakened demand for exports and other external factors resulted in operating income falling 1,719 million yen, or 33.0%, to 3,494 million yen. Net income soared 614 million yen, or 50.3%, to 1,832 million yen, largely the result of one-time charges taken for losses on the valuation of securities and the amortization of liability due to new accounting rules for corporate pensions. Earnings per share increased from 15 yen to 23 yen.



Communication Market

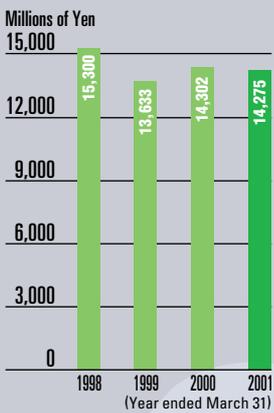


SMK is continually meeting demands for communication products that feature reduced size and weight, more functionality and lower power consumption, especially in the rapidly growing field of mobile communications. Among the company's many innovations are the industry's smallest and lightest jack, an ultra-small connector and an ultra-small switch for mobile phones and personal data assistants (PDAs). SMK supplies these and other parts to major Japanese companies and leading overseas manufacturers, including Nokia and Motorola.

The company is also developing products for new mobile phones that incorporate the third-generation IMT2000 standard, as well as vehicle information and communication systems (VICS) and electronic toll-collection (ETC) systems, both of which are key infrastructure for advanced traffic-management systems.

- Parts for**
- Mobile phones
 - Personal Handyphone System (PHS) mobile phones
 - Personal Digital Assistants (PDA)

Information Market

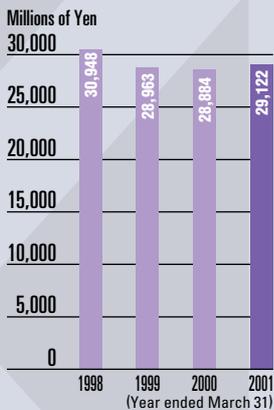


With information-based products playing an increasingly important role in modern society, this field represents another core market for SMK. In Japan, for example, the rising popularity and falling prices of notebook computers are driving the rapid penetration of personal computers into the home. ATM machines are being widely used to introduce greater efficiency in the financial industry, while office equipment continues to incorporate more advanced technology and greater systematization.

SMK supplies this dynamic market with a wide range of parts that offer exceptional functionality and quality, including the world's lightest keyboard, an interface connector with highly advanced functions and an optical touch panel featuring high transparency and low glare. SMK is also making rapid progress in the development of wireless technology for local area networks (LAN).

- Parts for**
- Personal computers
 - Point-of-Sale (POS) systems
 - Automatic Teller Machines (ATM)

Audio-Visual Market



Japan's audio-visual field is enjoying a digitalization boom that was triggered by the advent of DVDs and then the start of digital satellite broadcasting in December 2000. Additional growth is being fueled by the emergence of digital high-definition TVs, set-top boxes and both audio equipment and information devices equipped with chip-based storage systems.

Since its founding, SMK has been developing core technology that both matches and anticipates trends in the audio-visual market. For the current wave of digitalization, for example, SMK has produced a digital AV pin jack that is not only the industry's smallest, but also offers excellent noise suppression and superb video picture, plus multifunctional and interactive remote controls. In the fast-growing market for car navigation systems, which are being pre-equipped in late-model automobiles, SMK touch panels made with proprietary technology command a leading share of the market.

- Parts for**
- Televisions
 - Digital Video Disc (DVD) players
 - Camcorders

Home Electronics Market



Innovative products from SMK are being used by electric appliance manufacturers to create advanced digital systems that network appliances within the home. These include SMK's ultra-advanced touch panels and remote controls equipped with guidance features to help consumers easily operate sophisticated devices.

SMK is also developing devices that minimize power consumption, a major priority of home electronics manufacturers. The company will soon market, for example, a low-energy module that substantially reduces the standby power consumption of appliances, which accounts for approximately 10% of all power consumption in homes.

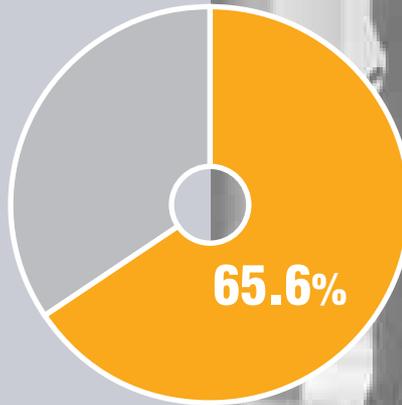
- Parts for**
- Video game machines
 - Household appliances

Business Review

Main Products

- Multi-Pin Connectors with Coaxial
- SMT-Compatible Ultra-small Coaxial Connectors
- Ultra-small Coaxial Connectors with Switch
- Small-Size Memory Card Connectors
- FPC Connectors
- Dataport Connectors
- Battery Connectors
- Board-to-Board Connectors
- SIM Card Connectors
- 4-Way MT Switches
- Momentary Slide Switches
- Lever Push Switches
- Touch Panels
- Antennas
- TC Jacks
- Ground Terminals
- AC Chargers
- Charger Bases

Overseas Sales Ratio



Communication

- DC Power Supply Plugs/Jacks
- DC-DC Converters with Car Plug
- Universal Car Plugs



SMK sales in the Communication field increased 9.2% to 23,813 million yen in the current reporting period. The company developed and brought to market a number of noteworthy products, including an ultra-small microphone, micro stick switch and high-frequency coaxial connector for base stations. Like many other SMK products, all three are exceptionally small and lightweight and consume minimal power.

Sales in the Japanese market grew sharply as numerous new mobile phone models were brought onto market. In Europe, however, where mobile phone sales slowed due to a market penetration rate exceeding 60%, surplus inventories and other negative factors contributed to a falloff in sales.

Sales are expected to increase in fiscal 2001 as well. Asia (excluding Japan), particularly China, will continue to see demand rise for communication products. Demand will also grow in the developed markets of Japan, North America and Europe. Despite the high rates of penetration for mobile phones in these markets, the introduction of third-generation (3G) mobile phone services will create new demand as consumers replace their outdated mobile phones with new 3G-equipped models.

SMK is aggressively developing products that support new communication-based services, such as music delivery and video transmission via mobile phones incorporating 3G technology.



New Products

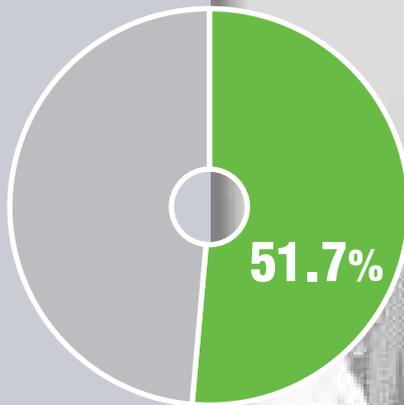
- SA Series \varnothing 2.5mm TC Jack for 3G Cellular Phones
- DI-7 Series Interface Connectors for W-CDMA System
- High-Frequency Coaxial Connectors for Cellular Phones and Base Stations
- TS-5 Series SMT-Ready Coaxial Connectors with Switch
- Electret Condenser Microphones
- Momentary Slide Push Switches for Cellular Phones
- Thin-Type Lever Push Switches for Cellular Phones

Business Review

Main Products

- Super-Transparent Low Reflectance Touch Panels
- Optical Touch Panels
- Control Panels with Touch Panel
- Touch Panels for PDAs
- Wireless Keyboards
- Keyboards for Notebook PCs
- Keyboards for ECR/POS
- Power Switches
- Detector Switches
- Key Switches
- FPC Connectors
- Interface Connectors
- IEEE1394 Connectors
- Board-to-Board Connectors
- Small-size Card Connectors
- Small-size Power Connectors
- DC Jacks
- Shielded Low-profile Jacks
- Jack with Ground Plates
- USB 4-port Hubs
- IC Card Reader/Writers

Overseas Sales Ratio



Information



SMK sales in the Information market declined 0.2% to 14,275 million yen. Price competition intensified for parts used in PCs, the main product category in this field. Increased sales of notebook PCs was overshadowed by lower prices in Japan, while PC sales slumped in the U.S. in the second half, prompting manufacturers to curtail production slightly. PDA production grew in Japan, however, as more manufacturers newly entered the market.

Higher sales were achieved with many SMK products, such as multifunctional remote controls, touch panels, and thin, lightweight keyboards. Nevertheless, price competition and other negative factors suppressed sales of PC parts, our core line of information products.

Global PC production is expected to increase in fiscal 2001. In the Japanese market, a shift to higher-end models that can be networked with TV and audio products should help to drive up the demand for high-quality products equipped with advanced features, one of SMK's chief strengths.



New Products

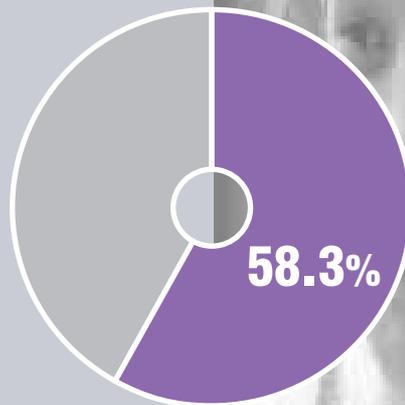
- **SX Series Low Profile Notebook Keyboards**
- **15" Optical Touch Panels**
- **High Transmissivity and Low Reflectance Touch Panels for PDAs**
- **Cradles for PDAs**
- **Wireless Remote Controls for PC Peripheral Equipment**
- **SSR-WP25 Series Standard Remote Control Units with Pointing Device**

Business Review

Main Products

- Jacks
- Pin Jacks
- CRT Sockets
- Standard Remote Control Units with Pointing Device
- IR/RF Remote Control Units
- Interactive-Type Remote Control Units
- Internal Connectors (FPC, Crimp, Board-to-Board, etc.)
- Interface Connectors (IEEE1394, D-socket, etc.)
- Detachable Connectors
- Optical Connectors
- Speaker Terminals (Screw type, Push type)
- Detector Switches
- Multi-way Switches
- Rotary Switches
- AV Modulation/Demodulation Modules for Infrared Transmission

Overseas Sales Ratio



Audio-Visual



Sales of Audio-Visual products increased 0.8% to 29,122 million yen. Although the demand for stereo and VCR products dropped off, parts used in digital products, such as DVD players, digital TV and set-top boxes, enjoyed increased demand.

In the automobile market, the increasing pre-installation car navigation systems spurred a large jump in sales of touch panels and other parts. Sales of established products for car audio systems were also strong.

The audio-visual market is witnessing the continuing development of networking products. SMK expects to realized stronger sales for products that support home networking, such as remote TV controls with pointing devices for mouse-like operation.



New Products

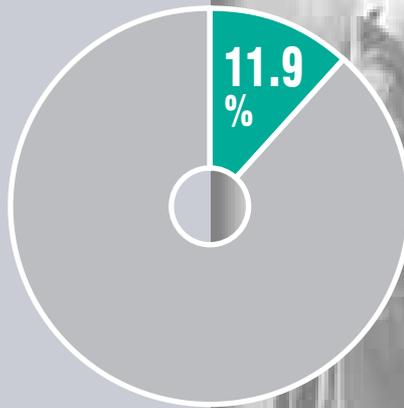
- AP-2 Series Shielded Pin Jacks
- Antenna Jacks for Antenna Input into Automotive Equipment
- RF Remote Controls for Home Networks
- NI-2 Series Interface Connectors with Coaxial for Car Navigation and Car TV Equipment
- Lever Push Switches for Car Navigation and Car Audio Equipment
- Low Reflectance Touch Panels for Car Navigation Equipment

Business Review

Main Products

- Waterproof MT Switches
- Drip-Proof Switches
- Remote Control Units with LCD
- Interactive Remote Control Units
- Touch Panels
- Power-Saving Modules
- Terminal Base Connectors for Air Conditioners
- Power Switches
- Power Connectors
- Optical Connectors
- Control Panels
- Internal Connectors (FPC, Crimp, etc.)

Overseas Sales Ratio



Home Electronics



Sales in the Home Electronics market rose 10.3% to 6,968 million yen. In response to industry demands for products offering low-level power consumption and simplified operation, SMK introduced a low-power module and an interactive remote control that provides useful information about everything from the level of power consumption in appliances to the amount of allergy-inducing pollen in household air. Expanded production of new game consoles also contributed to increased sales.

SMK expects to enjoy increased demand for network-related products as the trend of networking of electrical appliances in the home continues to expand.



New Products

- Interactive Remote Controls for Air Conditioners
- Echonet-Compatible Power Line DS-SS Communication Module
- TS-4 Series Ultra-small SMT-applicable 6GHz Coaxial Connectors with Switch for ETC
- Control Panels for Boilers

Overseas Operations

Strengthened Trans-National Management

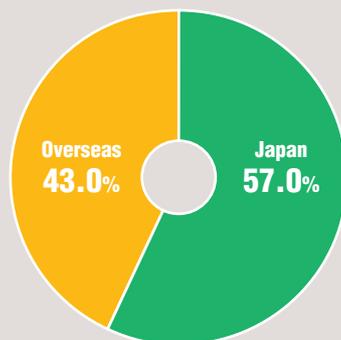
With non-Japanese personnel accounting for more than 70% of its total workforce, the SMK Group has decided to further strengthen its Trans-National management system by adopting English as the official language of the group effective April 2001. The aim is to deepen the level of contact among employees worldwide, including the main office, as well as develop management assets through education and training.

SMK takes a positive view of placing local personnel in executive positions in overseas sales offices and production facilities. The company also believes firmly that its Trans-National perspective enhances the group-wide sharing of information and the standardization of SMK production technology SPI.

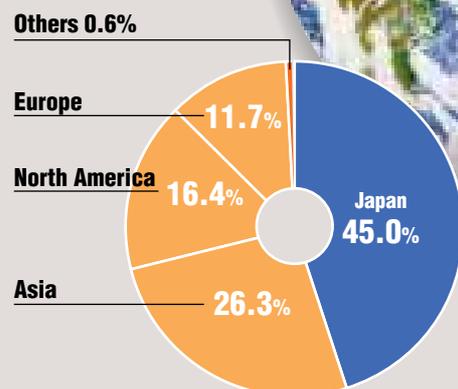
SMK's ongoing buildup of overseas operations includes the expansion of production facilities in the Philippines and Shenzhen and the establishment of a new manufacturing facility in Hungary for stronger supply in Europe. The SMK Group will continue to follow the market-in approach as the basic strategy for developing its global product supply system. In addition, all remaining overseas production facilities are scheduled to receive ISO9001 and ISO14001 certification to ensure world-class quality control and environmental management throughout the group.



Worldwide Production

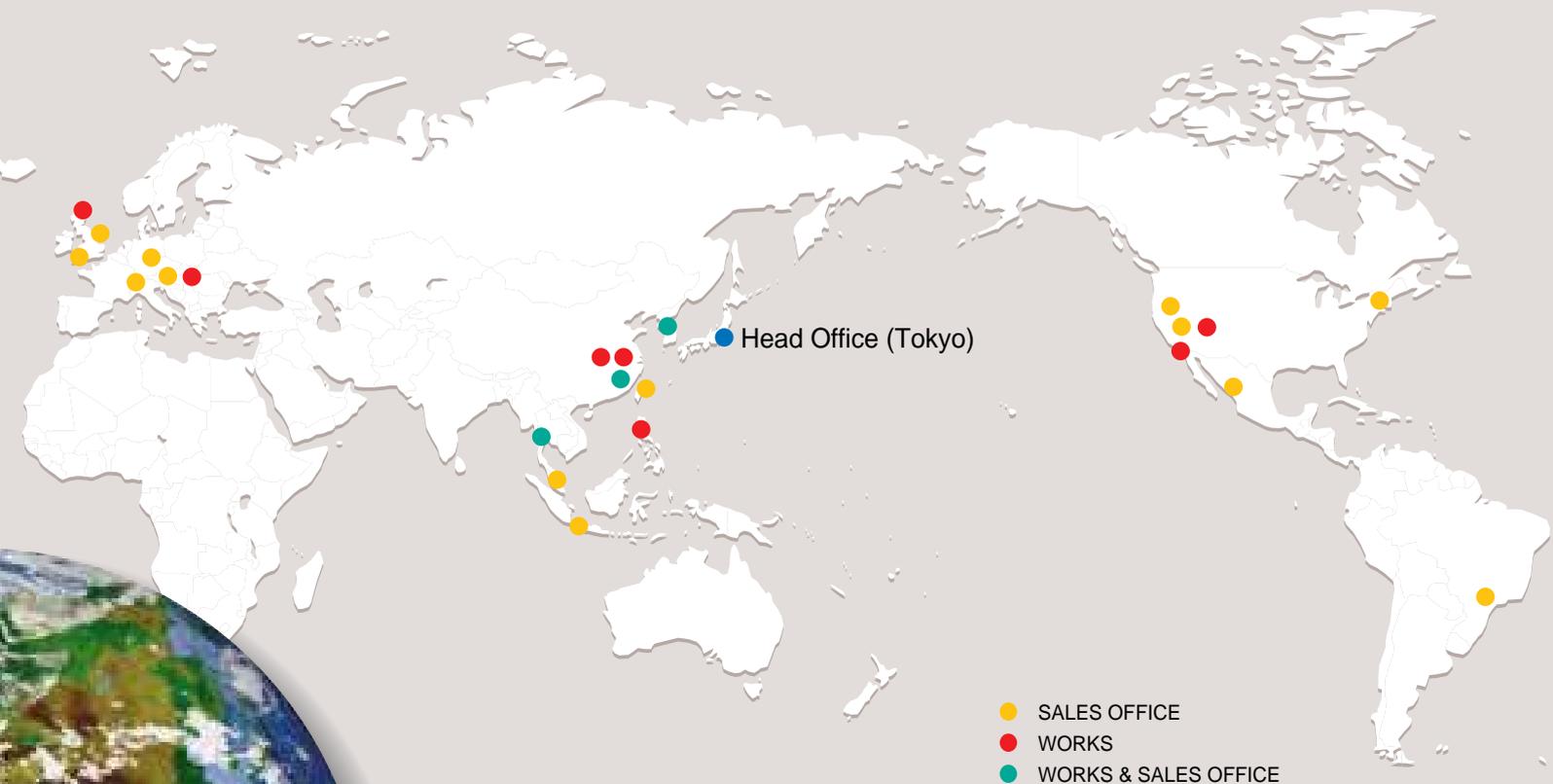


Worldwide Sales



Overseas Sales Trend





SMK NETWORK



ASIA

TAIWAN

- SMK High-Tech Taiwan Trading Co., Ltd.

CHINA

- SMK Electronics (H.K.) Ltd.
- SMK Trading (H.K.) Ltd.
- SMK Dongguan Gaobu Factory
- SMK Electronics (Shenzhen) Co., Ltd.

SINGAPORE

- SMK Electronics Singapore Pte. Ltd.

INDONESIA

- SMK Electronics JKT Rep. Office

MALAYSIA

- SMK Electronics (Malaysia) Sdn. Bhd

PHILIPPINES

- SMK Electronics (Phils.) Corporation

KOREA

- SMK Korea Co., Ltd.

EUROPE

BELGIUM

- SMK Europe N.V.

UNITED KINGDOM

- SMK Europe N.V., U.K. Branch
- SMK Europe N.V., U.K. South Office
- SMK (U.K.) Ltd.

FRANCE

- SMK Europe N.V., French Branch

GERMANY

- SMK Europe N.V., German Office

HUNGARY

- SMK Hungary Ltd.

NORTH AMERICA

U.S.A.

- SMK Electronics Corporation U.S.A.
- SMK Electronics Corporation U.S.A., San Jose Office
- SMK Electronics Corporation U.S.A., East Office
- SMK Manufacturing Inc.

MEXICO

- SMK Electronics S.A. de C.V.
- SMK Electronics Corporation U.S.A., Guadalajara Office

SOUTH AMERICA

BRAZIL

- SMK São Paulo Indústria Eletrônica Ltda.

● R&D

Research & Development

Responding with Diversity and Speed

The SMK Group draws on a significant body of proprietary core technology for research into leading-edge IT, as well as to develop products distinguished by advanced features and superior quality that satisfy the most demanding customers. Backed by these two strategic strengths, the group's research and development program is characterized by its diversity and speed in responding to the needs of the marketplace.

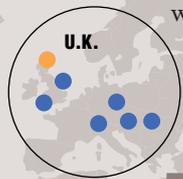
SMK is striving to halve the time required for development by making full use of R&D facilities located in Asia (Japan), North America and Europe, which are linked by a 3D CAD network for around-the-clock operation. The group's development center in the U.S. and design centers in other overseas locations are currently being upgraded. Sales offices and other facilities overseas continually provide information about new technology and products around the world, which enables SMK to remain constantly aware of opportunities for development in new

fields of business.

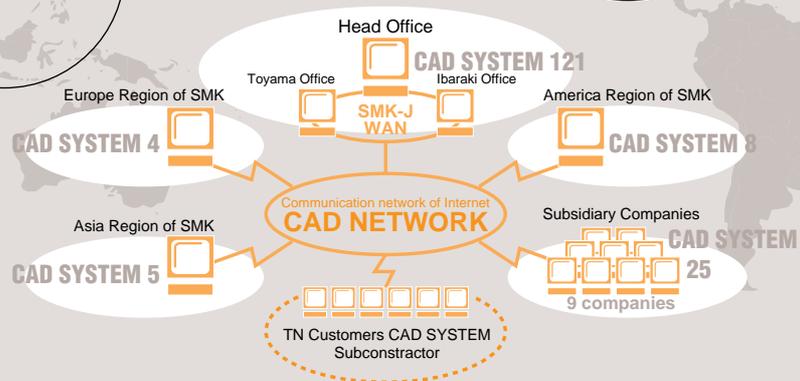
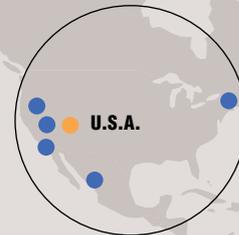
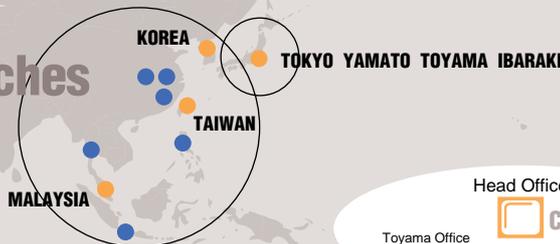
At present, the group's R&D is focused primarily on technology for mobile and high-speed data communication. Some of the many exciting developments include products for networked appliances and ultra-small, low-power products for 3G mobile phones.

Quality control based on the ISO 9001 standard has been unified in every facility worldwide. The group's worldwide quality guarantee system uses the very latest methods for total quality control, which enables the SMK Group to supply products of the highest-possible quality to markets throughout the world.

In the process of obtaining more than 100 patents in various countries, overseas offices work closely with the head office in Japan to insure that intellectual property rights are fully protected in all markets.



R&D Branches



SMK EXHIBITION TEXPO2000



TOKYO
June 7-9, 2000



SHENZHEN
October 11-17, 2000



MÜNCHEN
November 21-24, 2000



SAN DIEGO
February 8-9, 2001

Marking the company's milestone 75th anniversary, SMK organized the TEXPO 2000 show in four countries to display next-generation products for mobile and digital communication. Beginning in Tokyo in June 2000, the show moved to Shenzhen, China in October, Munich, Germany in November, and finally San Diego,



California in the USA in February 2001. Representatives of the local electronics industries in each venue showed a keen interest in the show. As the first SMK-only exhibition ever held in the U.S., the show's interactive demonstrations received very high marks from the American visitors.

Financial Section

Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Years ended and as of March 31	Millions of Yen					Thousands of U.S. Dollars
	1997	1998	1999	2000	2001	2001
Operating Results						
Net sales	¥ 69,972	¥ 65,167	¥ 61,887	¥ 71,314	¥ 74,179	\$ 598,708
Cost of sales	62,090	56,284	52,915	59,384	63,523	512,702
Selling, general and administrative expenses	6,702	6,662	7,183	6,717	7,162	57,805
Operating income	1,179	2,219	1,789	5,213	3,494	28,201
Income before income taxes	1,361	2,004	697	2,370	2,802	22,621
Net income	800	839	465	1,218	1,832	14,787
Financial Position						
Total assets	¥ 59,449	¥ 55,554	¥ 54,377	¥ 58,995	¥ 58,453	\$ 471,782
Total shareholders' equity	28,509	28,411	27,629	28,211	27,384	221,021
Per Share Data						
	Yen					U.S. Dollars
Net income	¥ 9.64	¥ 10.11	¥ 5.72	¥ 15.09	¥ 22.66	\$ 0.18
Cash dividends	3.00	5.00	5.00	7.00	7.00	0.06
Key Ratio						
	%					
Return on assets (ROA)	1.35	1.51	0.86	2.07	3.13	
Return on equity (ROE)	2.84	2.95	1.66	4.36	6.59	

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Financial Review

NET SALES

Millions of Yen



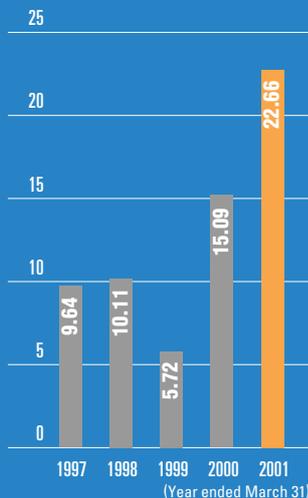
NET INCOME

Millions of Yen



NET INCOME PER SHARE

Yen



SMK's consolidated net sales for fiscal 2001, which ended March 31, 2001, increased by 4.0% from the previous year to ¥ 74,179 million (US\$ 598,708 thousand). Operating income decreased by 33.0% to ¥ 3,494 million (US\$ 28,201 thousand), and net income grew by 50.3% to ¥ 1,832 million (US\$ 14,787 thousand).

Net Sales

Net sales increased by 4.0% to ¥ 74,179 million (US\$ 598,708 thousand), supported by ongoing efforts to strengthen the development of new products and technology, as well as increase cost competitiveness and enhance marketing in all markets.

Operating income

Operating income decreased by 33.0% to ¥ 3,494 million (US\$ 28,201 thousand). Growth in information and communication markets fell short

of our expectations as a result of sluggish consumption, a rapid slowdown of the U.S. economy and large inventories held by customers.

Net income

Net income increased by 50.3% to ¥ 1,832 million (US\$ 14,787 thousand). Other expenses included amortization of ¥ 747 million (US\$ 6,031 thousand) in prior service costs for pension plans, based on new accounting standards for retirement benefits, and a loss on the devaluation of investment securities amounting to ¥ 113 million (US\$ 912 thousand).

Total assets / ROA

Total assets on March 31, 2001 were valued at ¥ 58,453 (US\$ 471,782 thousand). ROA came to 3.1%, an increase of 1.0 percentage point from the previous year-end.

Total shareholders' equity / ROE

Total shareholders' equity on March 31, 2001 was ¥ 27,384 million (US\$ 221,021 thousand). ROE rosed to 6.6%, up 2.2 percentage points.

Cash flows

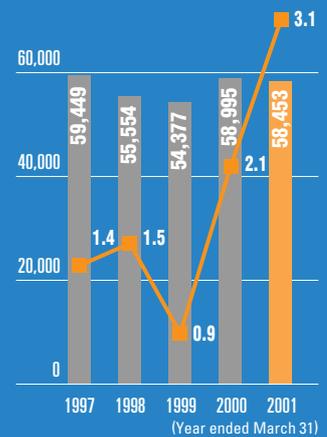
Net cash provided by operating activities amounted to ¥ 3,639 million (US\$ 29,374 thousand), net cash used in investing activities totaled ¥ 3,941 million (US\$ 31,815 thousand) and net cash used in financing activities was valued at ¥ 880 million (US\$ 7,109 thousand).

TOTAL ASSETS / ROA

Millions of Yen / %

— Return on assets (ROA)

80,000

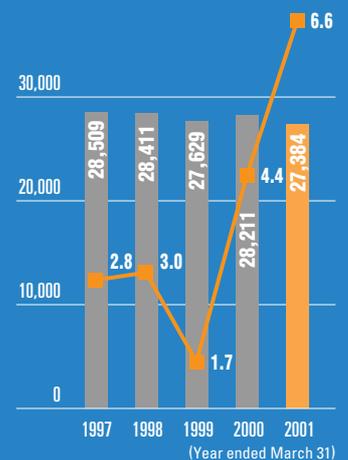


TOTAL SHAREHOLDERS' EQUITY / ROE

Millions of Yen / %

— Return on equity (ROE)

40,000



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of March 31

Assets	Millions of yen		Thousands of U.S. Dollars (Note 2)
	2000	2001	2001
Current assets			
Cash and cash equivalents	¥ 5,806	¥ 4,807	\$ 38,799
Time deposits	1,035	216	1,745
Notes and accounts receivable, trade	18,205	19,434	156,852
Allowance for doubtful accounts	(63)	(78)	(632)
Inventories (Note 3)	6,895	9,053	73,065
Deferred income taxes (Note 5)	161	565	4,557
Other current assets	834	1,067	8,616
	32,873	35,064	283,002
Investments and long-term loans			
Investments in securities (Note 8)	4,624	3,358	27,101
Long-term loans receivable	46	54	432
Other investments	1,069	1,186	9,573
Allowance for doubtful accounts	(77)	(251)	(2,022)
	5,662	4,347	35,084
Property, plant and equipment (Note 4)			
Land	3,640	3,650	29,461
Buildings	14,896	15,089	121,787
Machinery and equipment	31,391	33,604	271,214
Construction in progress	31	1	11
	49,958	52,344	422,473
Less accumulated depreciation	(32,488)	(34,241)	(276,358)
	17,470	18,103	146,115
Other assets			
Foreign currency translation adjustments	2,329	—	—
Deferred income taxes (Note 5)	602	776	6,266
Other	59	163	1,315
	2,990	939	7,581
Total assets	¥ 58,995	¥ 58,453	\$ 471,782

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

Year ended March 31

	Millions of yen		Thousands of U.S. Dollars (Note 2)
	2000	2001	2001
Net sales	¥ 71,314	¥ 74,179	\$ 598,708
Cost of sales	59,384	63,523	512,702
Selling, general and administrative expenses	6,717	7,162	57,805
Operating income	5,213	3,494	28,201
Other income			
Interest and dividend income	140	130	1,049
Rent income	615	725	5,850
Foreign exchange gain, net	—	604	4,875
Share of net earnings in affiliates	—	18	147
Gain on sales of investment securities	—	34	277
Other	136	271	2,182
Total other income	891	1,782	14,380
Other expenses			
Interest expenses	415	351	2,831
Foreign exchange loss, net	766	—	—
Loss on disposal of fixed assets	138	218	1,757
Loss on devaluation of investment securities	28	113	912
Loss from write-down of golf club memberships	—	86	691
Bad debt expenses	—	229	1,850
Loss on setting trust for pension contribution	—	286	2,305
Accrued severance expenses	—	747	6,031
Provision for special retirement allowance	248	71	571
Recognition of unamortized prior service cost as expenses resulting from an accounting change	1,881	—	—
Other	258	373	3,012
Total other expenses	3,734	2,474	19,960
Income before income taxes	2,370	2,802	22,621
Income taxes (Note 5)			
Current	1,967	1,549	12,502
Deferred	(766)	(579)	(4,668)
Income before minority interests	1,169	1,832	14,787
Minority interests	(49)	—	—
Net income	¥ 1,218	¥ 1,832	\$ 14,787
		Yen	U.S. Dollars
Per share data			
Net income	¥ 15.09	¥ 22.66	\$ 0.18
Cash dividends	7.00	7.00	0.06

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

SMK Corporation and Consolidated Subsidiaries

	Millions of yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Treasury Stock
Balance at March 31, 1999	83,038,726	¥ 7,996	¥ 12,057	¥ 8,203	—	¥ (627)
Increase resulting from inclusion of consolidated subsidiaries				239		
Net income				1,218		
Cash dividends paid				(406)		
Treasury stock retired	408,000			(206)		(263)
Balance at March 31, 2000	82,630,726	7,996	12,057	9,048	—	(890)
Increase resulting from inclusion of affiliate companies				105		
Net income				1,832		
Cash dividends paid				(564)		
Bonus to directors				(40)		
Foreign currency translation adjustments					¥ (1,646)	
Treasury stock retired	1,179,000			(753)		239
Balance at March 31, 2001	81,451,726	¥ 7,996	¥ 12,057	¥ 9,628	¥ (1,646)	¥ (651)

	Thousands of U.S. Dollars (Note 2)				
	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Treasury Stock
Balance at March 31, 2000	\$ 64,543	\$ 97,313	\$ 73,021	—	\$ (7,184)
Increase resulting from inclusion of affiliate companies			849		
Net income			14,787		
Cash dividends paid			(4,552)		
Bonus to directors			(323)		
Foreign currency translation adjustments				\$ (13,286)	
Treasury stock retired			(6,074)		1,927
Balance at March 31, 2001	\$ 64,543	\$ 97,313	\$ 77,708	\$ (13,286)	\$ (5,257)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

Year ended March 31

	Millions of yen		Thousands of U.S. Dollars (Note 2)
	2000	2001	2001
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,370	¥ 2,802	\$ 22,621
Depreciation and amortization	3,298	3,743	30,206
Increase in reserve for retirement benefit obligations	—	406	3,280
Increase in allowance for doubtful accounts	—	179	1,447
Interest and dividend income	(139)	(130)	(1,049)
Interest expenses	415	351	2,832
Foreign exchange losses, net	44	—	—
Provision for special retirement allowance	248	71	574
Increase(Decrease) in accrued severance benefits	1,593	(1,638)	(13,222)
Loss on disposal of fixed assets	—	218	1,757
Trust for pension contribution	—	1,977	15,959
Loss on setting trust for pension contribution	—	286	2,305
Increase in notes and accounts receivable, trade	(4,658)	(1,158)	(9,348)
Increase in inventories	(930)	(1,844)	(14,893)
Increase in notes and accounts payable, trade	3,525	944	7,619
Other, net	540	417	3,374
Subtotal	6,306	6,624	53,462
Receipts of interest and dividend income	139	131	1,053
Payments of interest expenses	(421)	(331)	(2,669)
Special retirement payments	(248)	(71)	(574)
Receipts of tax refund	261	—	—
Payments of income taxes	(264)	(2,714)	(21,898)
Net cash provided by operating activities	5,773	3,639	29,374
Cash flows from investing activities:			
Payments to time deposits	(1,035)	(214)	(1,729)
Proceeds from time deposits	1,035	1,035	8,354
Purchases of fixed assets	(3,228)	(3,610)	(29,141)
Proceeds from sale of fixed assets	99	206	1,660
Purchases of marketable securities	(140)	(615)	(4,962)
Proceeds from sale of marketable securities	280	121	978
Purchases of subsidiaries' stock	—	(752)	(6,073)
Payments on loans receivable	(262)	(160)	(1,293)
Proceeds from loans receivable	260	48	391
Net cash used in investing activities	(2,991)	(3,941)	(31,815)
Cash flows from financing activities:			
(Decrease) Increase in short-term loans receivable	(1,373)	303	2,448
Proceeds from long-term debt	508	451	3,637
Repayments of long-term debt	(536)	(655)	(5,287)
Proceeds from issuance of corporate bond	—	90	725
Purchase of treasury stock	(469)	(952)	(7,689)
Proceeds from sale of treasury stock	—	446	3,600
Dividends paid	(406)	(563)	(4,543)
Net cash used in financing activities	(2,276)	(880)	(7,109)
Effect of exchange rate changes on cash and cash equivalents	(227)	183	1,489
Increase (Decrease) in cash and cash equivalents	279	(999)	(8,061)
Cash and cash equivalents at beginning of year	5,515	5,806	46,860
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	12	—	—
Cash and cash equivalents at end of year	¥ 5,806	¥ 4,807	\$ 38,799

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

Year ended March 31

Note 1. Summary of significant accounting policies

(a) Basis of presenting financial statements

The accompanying consolidated financial statements of SMK CORPORATION (the "Company") have been prepared from the financial statements filed with the Prime Minister as required by the Japanese Securities and Exchange Law in accordance with accounting principles and practices generally accepted and applied in Japan. Accordingly, the accompanying financial statements are not intended to present the consolidated financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purpose of this document, certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan.

(b) Basis of consolidation and investments in affiliated companies

In accordance with the accounting standards for consolidation issued by the Business Accounting Deliberation Council of Japan, effective April 1, 1999, the accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exercised either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain foreign subsidiaries' fiscal periods end December 31, which differs from the year-end date of the Company; however, the accounts of these companies were tentatively closed as of March 31 and the necessary adjustments for consolidation were made.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits. However, for the year ended March 31, 2000, all unconsolidated subsidiaries and affiliates have been stated at cost because their total assets, net sales and net income were immaterial to the consolidated results of operations.

All assets and liabilities of the Company's subsidiaries are revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.

(c) Translation of foreign currencies

All assets and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate year-end exchange rates except for shareholder's equity, which is translated at rates of exchange prevailing at the time the transactions occurred. Revenue and expense accounts are translated at the average rates of exchange prevailing during the year.

(d) Cash and cash equivalents

Cash and cash equivalents are composed of cash and time deposits all of which are low-risk, short-term financial instruments readily convertible into cash.

(e) Inventories

Inventories are stated at cost as determined principally by the following methods:

Finished products :	Retail cost method
Work in process :	Actual raw material cost, determined by the most recent purchase cost method, plus direct labor costs and manufacturing overheads
Raw materials and supplies:	Most recent purchase cost method

(f) Securities

Securities with or without market cost are both stated at cost determined by the moving average method. Derivatives are stated at market cost.

(g) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed on the declining-balance method for the Company and its domestic subsidiaries, and on the straight-line method mainly for foreign subsidiaries.

(h) Basis for provision of reserves

(1) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided at the amount of estimated uncollectable accounts, based on individual collectability with respect to identified doubtful receivables and past experience of doubtful receivables.

(2) Reserve for Accrued Bonuses

Liabilities for employees' bonus reserves are provided on the estimate of the amounts to be paid in the future by the Company, and domestic consolidated subsidiaries and certain of its overseas subsidiaries based on an accrual basis at the balance sheet date.

(3) Reserve for Retirement Benefit Obligations

To cover projected employee benefits, the Company records the estimated obligations at the end of the current fiscal year based on projected year-end benefit obligations and plan assets.

The prior service cost of ¥ 3,736 million (\$ 30,157 thousand), will be amortized for the period of five years.

(i) Income taxes

Deferred income taxes are recognized based on the differences between financial reporting and the tax bases of the assets and liabilities and are calculated using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessee are not capitalized, but are accounted for by a method similar to that applicable to operating leases.

(k) Per share information

Net income per share is computed based on the weighted average number of shares of common stock outstanding during the respective years. Cash dividends per share shown for each period in the consolidated statements of income represent the dividends applicable to the respective period.

Note 2. U.S. Dollar Amounts

The U.S. dollar amounts are stated solely for the convenience of the reader at the rate of U.S.\$1.00=¥123.90, the approximate rate of exchange at March 31, 2001. The translation should not be construed as a representation that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at that or any other rate.

Note 3. Inventories

Inventories as of March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2000	2001	2001
Finished products	¥ 3,435	¥ 4,202	\$ 33,917
Work in process	377	564	4,548
Raw materials	2,957	4,098	33,077
Supplies	126	189	1,523
	¥ 6,895	¥ 9,053	\$ 73,065

Note 4. Short-term loans payable and long-term debt

Short-term loans payable principally to banks were mainly unsecured and represented with interests ranging from 0.910% to 7.550% per annum as of March 31, 2001.

Long-term debt as of March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2000	2001	2001
Loans, principally to banks with interest rates ranging from 1.70% to 6.00% :			
Secured	¥ 3,893	¥ 3,867	\$ 31,213
Unsecured	102	1	4
Less: portion due within one year	(651)	(553)	(4,463)
	¥ 3,344	¥ 3,315	\$ 26,754

The assets pledged as collateral for short-term loans payable and long-term debt as of March 31, 2001 were summarized as follows:

	Millions of yen	Thousands of U.S. Dollars
Property, plant and equipment-book value	¥ 3,777	\$ 30,488

The aggregate annual maturities of long-term debt outstanding as of March 31, 2001 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31,		
2002	¥ 553	\$ 4,463
2003	2,286	18,448
2004	426	3,435
2005	291	2,354
2006 and thereafter	312	2,517
	¥ 3,868	\$ 31,217

Note 5. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation, inhabitant's and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 41.8%.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2001 is as follows:

Statutory tax rate	41.8%
Add (deduct) :	
Non- deductible expenses	2.8
Non- taxable income	(1.0)
Valuation allowance to the loss carried forward for consolidated subsidiaries	(4.1)
Statutory tax rate differences	(8.3)
Other	3.4
Effective tax rate	34.6%

The significant components of deferred tax assets and liabilities at March 31, 2001 were as follows:

	Millions of yen	Thousand of U.S. dollars
Deferred tax assets:		
Inventory write-down disallowed	¥ 166	\$ 1,339
Accrued bonuses disallowed	166	1,339
Unrealized holding profit of inventory	134	1,082
Retirement benefits disallowed	979	7,900
Operating losses carried forward for tax purposes	643	5,188
Other	305	2,465
Valuation allowance	(643)	(5,188)
Deferred tax assets	1,750	14,125
Deferred tax liabilities:		
Advanced depreciation on land	(112)	(903)
Advanced depreciation on buildings	(252)	(2,033)
Reserve for special depreciation	(45)	(365)
Net deferred tax assets	¥ 1,341	\$ 10,824

Note 6. Additional paid-in capital and retained earnings

The Commercial Code of Japan provides that an amount equivalent to at least 10% of all cash appropriations of retained earnings and 10% of interim cash dividends must be appropriated to the legal reserve until such reserve equals 25% of the stated amount of common stock.

The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

Retained earnings in the accompanying consolidated financial statements include the legal reserve of ¥ 1,249million (\$ 10,088 thousand) as of March 31, 2001.

Note 7. Contingent liabilities

Contingent liabilities as of March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. Dollars
Trade notes receivable discounted with banks	¥ 2,754	\$ 22,230
Guarantees of loans	¥ 700	\$ 5,650

Note 8. Marketable Securities

Effective April 1, 2000, the Company adopted "Opinion on Establishing Financial Instrument Accounting Standards," issued by the Business Accounting Deliberative Council on January 22, 1999. According to this standards, there are few changes including the calculation method on Allowance for doubtful accounts.

As a result from this change, income before income taxes decreased by ¥ 324 million (\$ 2,618 thousand), as compared with the amount by the previous accounting policy.

For Available-for-Sales Securities which have market price are stated at cost based on the moving average method.

The net unrealized gains of Available-for-Sales Securities were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Balance Sheet	¥ 2,288	\$18,473
Market Price	1,898	15,322
Net unrealized gain	(227)	(1,833)
Deferred Tax	163	1,317

Note 9. Retirement benefit

In this fiscal year, Company adopted "Opinion on Establishing Retirement Benefit Accounting Standards," issued by the Business Accounting Deliberative Council on June 16, 1998. As a result of this change, net periodic benefit cost and income before income taxes increased by ¥ 727 million (\$ 5,871 thousands), as compared with the amount by the previous accounting policy.

The impact amount on segment information is described in Note 13.

The accrued severance benefits liabilities of ¥ 1,638 million (\$ 13,222 thousand) which mainly consisted of prior service cost of Company's pension plan, are included in retirement benefit obligation.

(a) Outline of retirement benefit plans

The Company has terminated tax qualified pension plans on April 1, 1987 and totally switched over to employees' pension funds. Certain domestic subsidiaries are also member of this employees' pension funds.

The employees are also entitled to lump-sum payments at the time of termination which are determined based on years of service and compensation as stipulated in the Company's retirement regulations.

(b) Retirement benefit obligation as of March 31, 2001

	Millions of yen	Thousands of U.S. dollars
Benefit obligation	¥ 14,355	\$ 115,864
Fair value of plan assets	(9,916)	(80,034)
Funded status	4,439	35,830
Unrecognized amount	(4,022)	(32,463)
Unrecognized prior service cost	(2,989)	(24,126)
Unrecognized actuarial cost	(1,033)	(8,338)
Net amount recognized	¥ 417	\$ 3,367

"Net amount recognized" was recognized in the consolidated balance sheets as "Retirement benefit obligation".

(c) Retirement benefit cost

	Millions of yen	Thousands of U.S. dollars
Service cost, net of plan participant's contributions	¥ 565	\$ 4,561
Interest cost	402	3,252
Expected returns on plan assets	(282)	(2,283)
Amortization of prior service cost	747	6,031
Net periodic cost	¥ 1,432	\$ 11,561

(d) Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets.

Discount rate	3.0%
Compensation increase rate	3.4%
Expected return on plan assets	3.5%
Amortization period of unrecognized prior service cost	5year
Amortization period of unrecognized actuarial service cost	5year

Note 10. Foreign Currency Denominated Transaction Accounting Standards

In the fiscal 2001, the Company adopted the "Opinion on Revising Foreign Currency Denominated Transaction Accounting Standards," issued by the Business Accounting Deliberative Council on October 22, 1999. This change had no material effect in the Company's financial statement.

Based on the change in accounting principle, foreign currency translation adjustment which was recorded in "Assets" in the prior fiscal year, are recorded in "Equity" at March 31, 2001 for the amount of ¥ 1,646 million (\$ 13,286 thousand).

Note 11. Derivatives

The Company has entered into interest rate option contracts (cap transactions) to reduce the cost of its borrowings. As a matter of policy, the Company does not speculate in derivative transactions, but uses such contracts to hedge its exposure to interest rate risks. The Company does not anticipate nonperformance by any of the counterparties to the above transactions, all of whom are leading domestic financial institutions with high bond ratings.

In accordance with the Company's policy, the accounting department controls derivative transactions and requires approval by the director responsible for accounting and the representative directors of the Company. The director who has the responsibility to control the performance and the related risks connected with derivatives reports these to the Management Committee of the Company.

(Interest related) Interest rate option (cap transaction)	March 31, 2001					
	Contract amount		Market price		Net unrealized gain(losses)	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Put	¥ 246[¥ 0]	\$ 1,985[\$ 3]	¥ 0	\$ 2	¥ 0	\$ 0

(1) Option expenses are shown in first two [].

(2) Calculation of market price

The market price is calculated by the proposed price by banks.

Note 12. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2000 and 2001, which would have been reflected in the balance sheets if lease accounting had been applied to finance leases currently accounted for as operating leases.

(Millions of yen)	Acquisition costs		Accumulated depreciation		Net book value	
	2000	2001	2000	2001	2000	2001
Machinery and vehicle	¥ 255	¥ 357	¥ 163	¥ 178	¥ 92	¥ 179
Tools, office furniture and equipment	209	266	81	82	128	184
Total	¥ 464	¥ 623	¥ 244	¥ 260	¥ 220	¥ 363

(Thousands of U.S. dollars)	Acquisition costs		Accumulated depreciation		Net book value	
	2001	2001	2001	2001	2001	2001
Machinery and vehicle	\$ 2,883		\$ 1,438		\$ 1,445	
Tools, office furniture and equipment	2,143		658		1,485	
Total	\$ 5,026		\$ 2,096		\$ 2,930	

The amount of outstanding future lease payments subsequent to March 31, 2000 and 2001 are as Follows:

	Millions of yen		Thousands of U.S. Dollars
	2000	2001	2001
Due within one year	¥ 82	¥ 105	\$ 851
Due over one year	152	274	2,209
Total	¥ 234	¥ 379	\$ 3,060

Lease expenses on finance leases for the years ended March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2000	2001	2001
Lease expenses:	¥ 107	¥ 128	\$ 1,033
Components of lease expenses:			
Depreciation	¥ 89	¥ 108	\$ 873
Interest	¥ 15	¥ 23	\$ 182

Depreciation is based on the straight-line method, assumed that useful life is within the lease term and salvage value is zero.

Interest is based on the discrepancy between total lease expenses and acquisition cost and is distributed to each term by the interest method.

Note13. Segment information

The business segments were not presented because the Company's primary business activity is a single segment of electronic components .

Geographic segments

Year ended March 31

2001	Millions of Yen				Consolidated
	Japan	Asia	Other areas	Elimination	
Net sales					
Outside customers	¥ 41,523	¥ 16,517	¥ 16,139	¥ —	¥ 74,179
Intersegment sales	19,170	12,443	176	(31,789)	—
Total	60,693	28,960	16,315	(31,789)	74,179
Cost and expenses	58,671	28,239	15,295	(31,520)	70,685
Operating income *	2,022	721	1,020	(269)	3,494
Identifiable assets	45,431	10,955	7,431	(5,364)	58,453

2001	Thousands of U.S. Dollars				Consolidated
	Japan	Asia	Other areas	Elimination	
Net sales					
Outside customers	\$ 335,137	\$ 133,306	\$ 130,265	\$ —	\$ 598,708
Intersegment sales	154,722	100,432	1,422	(256,576)	—
Total	489,859	233,738	131,687	(256,576)	598,708
Cost and expenses	473,540	227,920	123,451	(254,404)	570,507
Operating income *	16,319	5,818	8,236	(2,172)	28,201
Identifiable assets	366,680	88,418	59,977	(43,293)	471,782

2000	Millions of Yen				Consolidated
	Japan	Asia	Other areas	Elimination	
Net sales					
Outside customers	¥ 40,656	¥ 16,659	¥ 13,999	¥ —	¥ 71,314
Intersegment sales	19,425	13,016	191	(32,632)	—
Total	60,081	29,675	14,190	(32,632)	71,314
Cost and expenses	56,540	28,912	13,291	(32,642)	66,101
Operating income **	3,541	763	899	10	5,213
Identifiable assets	43,215	9,975	6,686	(881)	58,995

The division of these groups depends on the geographic proximity and region.

Asia-----Singapore, Malaysia, China, Taiwan, Korea

Other areas-----United Kingdom, Belgium, U.S.A, Brazil

* As described in Note 9, adopting the accounting for retirement benefit, operating income for the year ended March, 2001 increased by ¥ 26 million (\$ 207 thousand) in the segment of Japan and decreased by ¥ 3 million (\$ 27 thousand) in the segment of Asia from the amount which have been recorded in the previous year. There was no impact in the segment of Other areas.

* * The method of accounting for prior service cost has been changed to recognize the unamortized balance of prior service cost as a liability effective the year ended March 31, 2000. As a result, operating income in the segment of Japan for the year ended March 31, 2000 increased by ¥ 288 million (\$ 2,324 thousand) from the amount which would have been recorded under the method applied in the previous year. There was no impact in the segments of Asia and Other areas.

Overseas sales

2001					Millions of Yen
	Asia	North America	Europe	Other areas	Total
Overseas sales	¥ 19,535	¥ 12,173	¥ 8,690	¥ 424	¥ 40,822
Consolidated sales					74,179
Ratio of overseas sales (%)	26.3	16.4	11.7	0.6	55.0

2001					Thousands of U.S. Dollars
	Asia	North America	Europe	Other areas	Total
Overseas sales	\$ 157,670	\$ 98,247	\$ 70,135	\$ 3,424	\$ 329,476
Consolidated sales					598,708
Ratio of overseas sales (%)	26.3	16.4	11.7	0.6	55.0

2000					Millions of Yen
	Asia	North America	Europe	Other areas	Total
Overseas sales	¥ 19,578	¥ 11,878	¥ 9,413	¥ 526	¥ 41,395
Consolidated sales					71,314
Ratio of overseas sales (%)	27.5	16.7	13.2	0.7	58.1

The division of these groups depends on the geographic proximity and region.

Asia -----Singapore, Malaysia, China, Taiwan, Korea, other

North America-----U.S.A, other

Europe -----United Kingdom, Belgium, other

Other areas -----Brazil, other

Independent Auditors' Report

Century Ota Showa & Co.

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503-1100
Fax: 03 3503-1197

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SMK CORPORATION

We have audited the consolidated balance sheets of SMK CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in 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 accompanying consolidated financial statements referred to above, expressed in yen, present fairly the consolidated financial position of SMK CORPORATION and its consolidated subsidiaries at March 31, 2001 and 2000, 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 applied on a consistent basis.

As described in Notes 8, 9 and 10 to the consolidated financial statements, SMK CORPORATION and its consolidated subsidiaries have adopted new accounting standards for consolidation, accounting for financial instruments, retirement benefit accounting and foreign currency denominated transaction accounting standards in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Century Ota Showa & Co

June 20, 2001

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of SMK CORPORATION under Japanese accounting principles and practices.

Corporate Data

Company name:	SMK Corporation
Foundation:	April 1925
Capital:	7,996 million yen (as of March 31, 2001)
Stock:	
Authorized:	198,413,000 shares
Issued:	81,451,726 shares
Listed:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	The Mitsubishi Trust and Banking Corporation
Independent Auditors:	Century Ota Showa & Co. Tokyo, Japan
Number of Employees:	7,332 (as of March 31, 2001)
Head Office:	
Address:	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511 Japan
Telephone:	81-3-3785-1111
Fax:	81-3-3785-1878
Subsidiaries & Affiliates:	
Domestic:	Subsidiaries - 10 companies Affiliates - 3 companies
Overseas:	Subsidiaries - 19 companies

Board of Directors and Corporate Auditors

(As of June 20, 2001)

Chairman & President:	Terutaka Ikeda
Executive Vice Chairman:	Jun Sugimoto
Executive Senior Director:	Mikio Ito
Managing Directors:	Tetsuo Murase Shigenobu Oyashiki Kenji Kobayashi Tetsuya Nakamura
Directors:	Hiroshi Kon Tadashi Yamoto Takushi Suzuki Mitsuru Ito Takashi Hirawata Toru Kaneyoshi
Corporate Auditors:	Toshisada Uchida Yuji Tanahashi Hiroyoshi Miyahara Shinji Yoshimizu



<http://www.smk.co.jp>