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# Financial Highlights

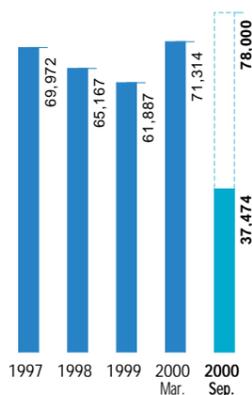
SMK Corporation and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
Six months ended September 30	1999	2000	2000	Year ended March 31 2000
<b>Operating Results</b>				
Net sales	¥ 35,342	¥ 37,474	\$ 346,990	¥ 71,314
Operating income	2,529	1,971	18,255	5,213
Net income	1,012	785	7,274	1,218
<b>Financial Position</b>				
Total assets	¥ 56,281	¥ 57,698	\$ 534,244	¥ 58,995
Total shareholders' equity	28,004	26,274	243,279	28,211
<b>Per Share Data</b>				
Net income	¥ 12.51	¥ 9.68	\$ 0.09	¥ 15.09

Note : The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.00 = U.S. \$1.00.

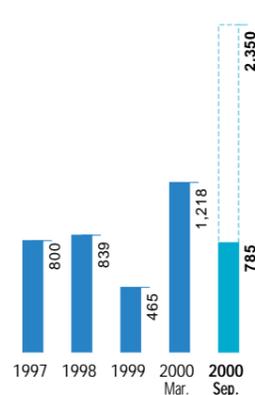
## NET SALES

Millions of Yen  
■ Six months ended results



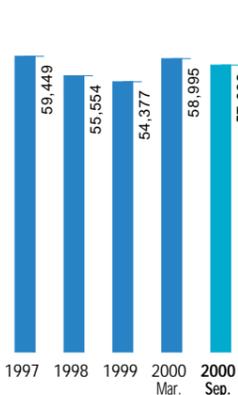
## NET INCOME

Millions of Yen  
■ Six months ended results



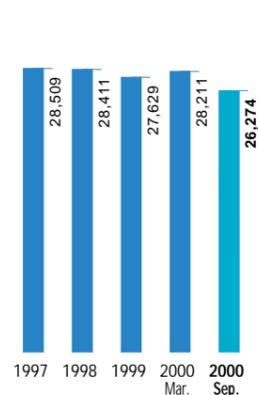
## TOTAL ASSETS

Millions of Yen



## TOTAL SHAREHOLDERS' EQUITY

Millions of Yen



# To Our Stakeholders

## Trends in the Electronic Components Market in 2000

The global economy in the year 2000 faced the destabilizing factors of a decelerating U.S. economy, skyrocketing oil prices and a plunge in the value of the euro, and as a result the economies of Japan and Southeast Asia were also saddled with a lack of transparency. Furthermore, after the dramatic increase in demand, primarily from mobile-related sectors, in the previous year, the electronic component market this period was rather heated until early spring 2000. Currently, we are in a healthy adjustment phase that is cooling a potentially overheated market.

Within this environment, the consolidated results for the first half (April 1, 2000 to September 30, 2000) fell below initial forecasts, but for the net sales, we were able to achieve year-on-year growth.

Given, however, that our three mainstay product sectors of communications, information and audio-visual are all IT-related sectors and that over the medium- to long-term the uptrend in demand in these sectors is expected to continue on a worldwide basis, we forecast to achieve further improvement and results for the second half and for the next fiscal year.

## Moving toward a Network Society

The diversification of network infrastructure brought by the progress made toward becoming a network society is creating demand for network-compatible equipment in a variety of sectors throughout the global, with an emphasis on the expanding digital appliance business.

We have successfully brought to market and profited from a wide range of Internet-related components for use in digital appliances, 3G mobile phones, handheld organizers and equipment for electronic commerce. These products include chargers and interactive remote controls, as well as touch panels, compact multi-use switches, connectors and other products with widely expanding applications.

On the production side, the new factory under construction in the Philippines is scheduled to begin production from next spring of touch panels, a product experiencing rapid growth in demand. This expansion will enable us to double the capacity to supply markets.

We also decided to establish a manufacturing base in Hungary to enhance its ability to supply product to European markets. This factory is scheduled to start up operation from August 2001. Given the instability of the euro, we expect that production on the European continent will serve to lessen the risk of involvement in the European market.

In recognition of the current environment whereby increased use of networks has brought progress toward a single unified world market and an accelerating trend toward global standardization, we will continue to work to develop new products, new technologies and new markets, while striving to enhance production within markets, build supply chains and continuously improve upon transnational management, thus increasing the value of the company.

Terutaka Ikeda Chairman & President



# Technical Exposition 'SMK TEXPO 2000' Held in Tokyo

The technical exposition 'SMK TEXPO2000' was held at the Gate City Hall in Osaki, Tokyo in June of this year. 'SMK TEXPO2000' was a great success, being attended by a large number of valued customers and other participants.

This technical exposition was held for the first time in 1985 to mark our 60th anniversary of incorporation, with 'SMK TEXPO2000' marking the 5th such exposition.

Under the theme "SMK Technologies, Networking into the 21st Century", a number of exhibitions and demonstrations were held to show off our new products and other fruits of our ongoing research and development activities, with exhibition areas featuring 'home and personal', 'business', 'ecology', and 'communications' zones. A record number of people attended the 3-day exposition, with visitors demonstrating a high level of interest.



SMK employees at the reception desk



Packed audience in seminar hall



Demonstration of power-saving module



Exhibition of touch panel displays

Large audiences also attended each of the seminars which were held in conjunction with the exposition.

We plan to develop 'TEXPO2000' into a transnational event, with the Tokyo exposition to be followed by expositions in Shenzhen, China in October, Europe in November, and the US in February 2001.

# Operating Results

During the fiscal first half, the U.S. economy continued to maintain its strong performance, but began to show signs of a slowdown with an easing of consumption demand, a correction in share prices and other factors. However, Europe and the world overall is doing quite well on top of a solid base. Japan's economy, on the other hand, although showing improved corporate earnings and a recovery in capital spending, has not seen the recovery in consumer spending take hold and it appears that it will take considerable time before a self-sustaining recovery sets in.

The electronic parts sector has been supported by strong demand in IT-related areas and remains strong overall, with parts for information and communication-related devices and for digital audio-visual equipment in particular showing continued strong performance.

Within this environment, we have carried out an aggressive sales promotion campaign focused on the information and communications markets, but results have fallen slightly short of initial projections, given, for example, production adjustments for some mobile phone-related products. Consolidated revenue for the interim period was up 6.0% compared with the previous interim term to 37,474 million yen.

The following is a summary of each market.

In the communications market, sales of parts for mobile phones continued strong, resulting in a 17.6% compared with the previous interim term increase to 11,391 million yen.

In the information market, while parts for personal computers and peripherals were solid there was a drop in parts for ECR and POS, resulting in a 1.8% compared with the previous interim term decline in sales to 7,300 million yen.

In the audio-visual market, sales of parts for DVD player and VTR equipped with camera were favorable growing 3.9% compared with previous interim term to 15,862 million yen.

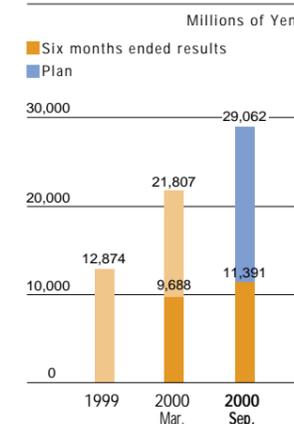
Sales in the home electronics market, decreased 0.9% compared with previous interim term to 2,920 million yen.

Export sales from Japan, primarily to the U.S. and Asia, were solid, showing 6.3% compared with the previous interim term growth to 10,869 million yen.

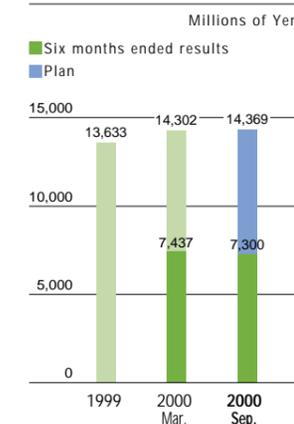
As for the profit, Operating profit was down 22.0% compared with previous interim term to 1,971 million yen.

Due to losses from write-down of investment and other factors, net income was 785 million yen.

## Communication NET SALES



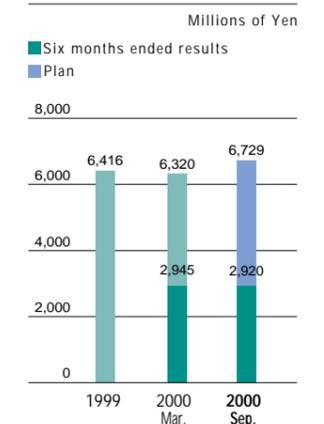
## Information NET SALES



## Audio-Visual NET SALES



## Home Electronics NET SALES



# Consolidated Balance Sheets

## SMK Corporation and Consolidated Subsidiaries

As of September 30

Assets	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
	1999	2000	2000	As of March 31 2000
<b>Current assets</b>				
Cash and cash equivalents	¥ 4,855	¥ 4,678	\$ 43,320	¥ 5,806
Time deposits	1,035	—	—	1,035
Notes and accounts receivable, trade	17,546	19,416	179,779	18,205
Allowance for doubtful notes and accounts	(71)	(52)	(481)	(63)
Inventories	6,623	8,288	76,739	6,895
Deferred income taxes	342	333	3,088	161
Other current assets	662	1,292	11,953	834
	30,992	33,955	314,398	32,873
<b>Investments and long-term loans</b>				
Investments in securities	4,675	4,192	38,814	4,624
Long-term loans receivable	60	59	547	46
Other investments	1,095	1,140	10,556	1,069
Allowance for doubtful notes and accounts	(52)	(258)	(2,391)	(77)
	5,778	5,133	47,526	5,662
<b>Property, plant and equipment</b>				
Land	3,645	3,636	33,673	3,640
Buildings	14,855	14,923	138,178	14,896
Machinery and equipment	31,082	32,539	301,287	31,391
Construction in progress	30	50	464	31
	49,612	51,148	473,602	49,958
Less accumulated depreciation	(32,358)	(33,560)	(310,744)	(32,488)
	17,254	17,588	162,858	17,470
<b>Other assets</b>				
Foreign currency translation adjustments	2,178	—	—	2,329
Deferred income taxes	—	904	8,367	602
Other	79	118	1,095	59
	2,257	1,022	9,462	2,990
<b>Total assets</b>	¥ 56,281	¥ 57,698	\$ 534,244	¥ 58,995

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.00 = U.S.\$1.00.

Liabilities and shareholders' equity	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
	1999	2000	2000	As of March 31 2000
<b>Current liabilities</b>				
Short-term loans payable	¥ 7,954	¥ 7,662	\$ 70,943	¥ 7,866
Notes and accounts payable, trade	13,091	14,243	131,886	12,769
Accrued income taxes	871	774	7,164	1,936
Accrued expenses	515	625	5,787	328
Deferred income taxes	—	1	8	—
Other current liabilities	1,880	2,549	23,605	2,543
	24,311	25,854	239,393	25,442
<b>Long-term liabilities</b>				
Long-term debt	3,132	3,092	28,632	3,344
Reserve for retirement allowance	42	—	—	—
Accrued severance benefits	—	2,033	18,825	1,638
Deferred income taxes	382	—	—	—
Other long-term liabilities	358	444	4,108	349
	3,914	5,569	51,565	5,331
<b>Minority interest in consolidated subsidiaries</b>	52	1	7	11
<b>Shareholders' equity</b>				
Common stock, ¥50 par value				
Authorized: 199,592,000 shares				
Issued and outstanding: 82,630,726 shares	7,996	7,996	74,045	7,996
Additional paid-in capital	12,057	12,057	111,640	12,057
Retained earnings	8,841	9,229	85,453	9,048
Foreign currency translation adjustments	—	(2,312)	(21,416)	—
Treasury stock	(890)	(696)	(6,443)	(890)
	28,004	26,274	243,279	28,211
<b>Total liabilities and shareholders' equity</b>	¥ 56,281	¥ 57,698	\$ 534,244	¥ 58,995

# Consolidated Statements of Income

## SMK Corporation and Consolidated Subsidiaries

Six months ended September 30

	Millions of Yen		Thousands of	Millions of
	1999	2000	U.S. Dollars	Yen
	Year ended March 31			
	1999	2000	2000	2000
<b>Net sales</b>	¥ 35,342	¥ 37,474	\$ 346,990	¥ 71,314
Cost of sales	29,422	31,810	294,538	59,384
<b>Selling, general and administrative expenses</b>	3,391	3,693	34,197	6,717
<b>Operating income</b>	2,529	1,971	18,255	5,213
<b>Other income</b>				
Interest and dividend income	56	76	702	140
Rent income	250	368	3,404	615
Foreign exchange gain, net	—	23	213	—
Gain on sales of fixed assets	6	1	14	9
Gain on sales of investment securities	0	18	165	—
Other	60	146	1,357	127
Total other income	372	632	5,855	891
<b>Other expenses</b>				
Interest expenses	188	200	1,851	415
Foreign exchange loss, net	716	—	—	766
Loss on disposal of fixed assets	24	2	16	138
Loss from devaluation of investment securities	—	—	—	28
Loss from write-down of investment	—	722	6,687	—
Loss from write-down of golf-membership	—	273	2,527	—
Provision for special retirement allowance	26	63	580	248
Accrued severance expenses	—	372	3,448	—
Recognition of unamortized prior service cost as expenses resulting from an accounting change	—	—	—	1,881
Other	154	122	1,134	258
Total other expenses	1,108	1,754	16,243	3,734
<b>Income before income taxes</b>	1,793	849	7,867	2,370
<b>Income taxes</b>				
Current	754	656	6,073	1,967
Deferred	35	(592)	(5,480)	(766)
<b>Income before minority interests</b>	1,004	785	7,274	1,169
<b>Minority interest</b>	(8)	—	—	(49)
<b>Net income</b>	¥ 1,012	¥ 785	\$ 7,274	¥ 1,218
	Yen		U.S.Dollars	Yen
<b>Net income per share</b>	¥ 12.51	¥ 9.68	\$ 0.09	¥ 15.09

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.00 = U.S.\$1.00.

# Consolidated Statements of Cash Flows

## SMK Corporation and Consolidated Subsidiaries

Six months ended September 30

	Millions of Yen		Thousands of	Millions of
	1999	2000	U.S. Dollars	Yen
	Year ended March 31			
	1999	2000	2000	2000
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 1,793	¥ 849	\$ 7,867	¥ 2,370
Depreciation and amortization	1,715	1,781	16,495	3,298
Increase in accrued severance benefits	—	2,033	18,825	—
Interest and dividend income	(56)	(76)	(702)	(139)
Interest expenses	188	200	1,851	415
Foreign exchange losses, net	151	25	232	44
Provision for special retirement allowance	26	63	580	248
(Decrease) Increase in long-term accrued accounts payable	—	(1,638)	(15,168)	1,593
Losses from write-down of investments	—	722	6,687	—
Losses from write-down of golf-membership	—	273	2,527	—
Increase in notes and accounts receivable, trade	(3,563)	(1,087)	(10,062)	(4,658)
Increase in inventories	(599)	(1,392)	(12,892)	(930)
Increase in notes and accounts payable, trade	3,384	906	8,389	3,525
Other, net	(1)	(365)	(3,382)	540
Subtotal	3,038	2,294	21,247	6,306
Receipts of interest and dividend income	56	76	702	139
Payments of interest expenses	(196)	(201)	(1,860)	(421)
Special retirement payments	(26)	(63)	(580)	(248)
Receipts of tax refund	261	—	—	261
Payments of income taxes	(123)	(1,813)	(16,789)	(264)
<b>Net cash provided by operating activities</b>	3,010	293	2,720	5,773
<b>Cash flows from investing activities:</b>				
Payments to time deposits	(1,035)	—	—	(1,035)
Proceeds from time deposits	1,035	1,035	9,583	1,035
Purchases of fixed assets	(1,323)	(1,806)	(16,727)	(3,228)
Proceeds from sale of fixed assets	26	148	1,367	99
Purchases of marketable securities	(21)	(367)	(3,397)	(140)
Proceeds from sale of marketable securities	138	94	872	280
Payments on loans receivable	(239)	(110)	(1,016)	(262)
Proceeds from loans receivable	230	117	1,085	260
<b>Net cash used in investing activities</b>	(1,189)	(889)	(8,233)	(2,991)
<b>Cash flows from financing activities:</b>				
(Decrease) Increase in short-term loans receivable	(1,045)	163	1,507	(1,373)
Proceeds from long-term debt	567	—	—	508
Repayments of long-term debt	(844)	(346)	(3,200)	(536)
Proceeds from issue of corporate bond	—	90	832	—
Purchases of treasury stock	(469)	(234)	(2,167)	(469)
Proceeds from sale of treasury stock	—	385	3,563	—
Dividends paid	(403)	(560)	(5,188)	(406)
<b>Net cash used in financing activities</b>	(2,194)	(502)	(4,653)	(2,276)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(299)	(30)	(273)	(227)
<b>(Decrease) Increase in cash and cash equivalents</b>	(672)	(1,128)	(10,439)	279
<b>Cash and cash equivalents at beginning of year</b>	5,515	5,806	53,759	5,515
<b>Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries</b>	12	—	—	12
<b>Cash and cash equivalents at end of six months and year</b>	¥ 4,855	¥ 4,678	\$ 43,320	¥ 5,806

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.00 = U.S.\$1.00.

## New Product

### Development of SA Series 2.5-mm Diameter 6-Pole Jack

SMK has recently developed the SA Series 2.5-mm diameter 6 pole jack and has begun accepting orders for this new product.

IT devices are seeing rapid advances in greater functionality. With the IMT-2000 system being readied for 2001, mobile phones are expected to perform a wide variety of functions including playing and downloading music from the Internet.

With its unique construction, the new SA Series is the first 2.5-mm diameter jack in the industry to feature 6 poles, and enables stereo audio output from earphone/microphone jacks.

With the use of this jack in the soon to be expected Silicon Audio equipped mobile phones, headphone audio playback and hands-free conversation in mobile phones will both become possible, giving users more free and easy usage.

We will continue to aggressively develop and release new products in anticipation of the needs of the rapidly evolving IT market.



### Development of Connector A for IMT-2000 Mobile Phones

The 3G mobile phone protocol IMT-2000 (W-CDMA), expected to start service in spring 2001, is developing into a world standard. It is transcending being thought only as a mobile phone service and is expected to develop into the next-generation electronic communication network.

We recently developed the Connector A for IMT-2000 mobile phone use, and has begun shipping this product.

This new product is a 0.5-mm pitch coaxial 10P interface connector for mobile phone use under the IMT-2000 3G mobile phone network.

The product conforms to the EIAJ standard (EIAJ RC-5238) for connector A for IMT-2000 mobile phone use, which we took part in standardizing.

We have already developed and is marketing interface connectors for various standards such as PDC, GSM, and CDMA, and now we are seeking to claim an even larger market share.

\*IMT-2000 (International Mobile Telecommunications 2000): This mobile phone system with its technical standards determined by ITU aims to enable mobile phone handsets to be used anywhere worldwide.

\*W-CDMA: Wideband code division multiple access, one of the 3G mobile phone protocols.



### Development of Intelligent Remote Control

The home theater market is rapidly growing in North America, and at its center is the intelligent remote control.

This remote control is equipped with a large screen LCD touch panel that enables simple control of all audio-visual electronics products within the home through onscreen selections. With two-way communication between audio-visual equipment and the remote control, program content of audio-visual equipment can be displayed on the remote's LCD screen, thus enabling simple selection of your favorite programs.

RF transmissions are possible, enabling system control from places that infrared signals won't reach, including from the next room.

As a leader in intelligent remote controls, we have earned the trust of our customers and now own a commanding market share. It is our mainstay remote control product, and we expect the product to become even more popular.

Another area of our development is incorporating the next-generation communication technology Bluetooth. We believe that in the near future a new breed of easy to use remote controls will become available for the home and lead to further expansion of the market.



### Development of Power Line DS-SS Communication Module

We have recently developed the power line DS-SS communication module compatible with the ECHONET standard version 1.0. Samples of the product have begun shipping.

This product is a device-embedded communication module that enables home networking by using existing power lines as a transfer medium. The communication protocol supports ECHONET standard A, and it uses direct spread spectrum modulation technology. Moreover, both the modulation and demodulation circuits have been contained on one chip, reducing the module to the size of a business card.

In addition to use in home appliances such as air conditioners and refrigerators, the power line DS-SS communication module can be embedded in a wide variety of devices such as sensors and lighting equipment. The module can be used in applications such as in remotely controlling the power switch of various devices and in the integrated management of power consumption.



## Corporate Data

(As of September 30, 2000)

Company name:	SMK Corporation
Foundation:	April 1925
Capital:	7,996 million yen
Stock:	199,592,000
Authorized:	199,592,000 shares
Issued:	82,630,726 shares
Listed:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi Trust and Banking Corporation
Independent Accountants:	Century Ota Showa & Co. Tokyo, Japan
Number of Employees:	7,657
Head Office:	Address: 5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511
	Telephone: 81-3-3785-1111
	Fax: 81-3-3785-1122
Subsidiaries & Affiliates:	Domestic: Subsidiaries - 10 companies Affiliates - 3 companies
	Overseas: Subsidiaries - 18 companies
URL:	<a href="http://www.smk.co.jp">http://www.smk.co.jp</a>

## Board of Directors

(As of September 30, 2000)

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