

ANNUAL REPORT 2002



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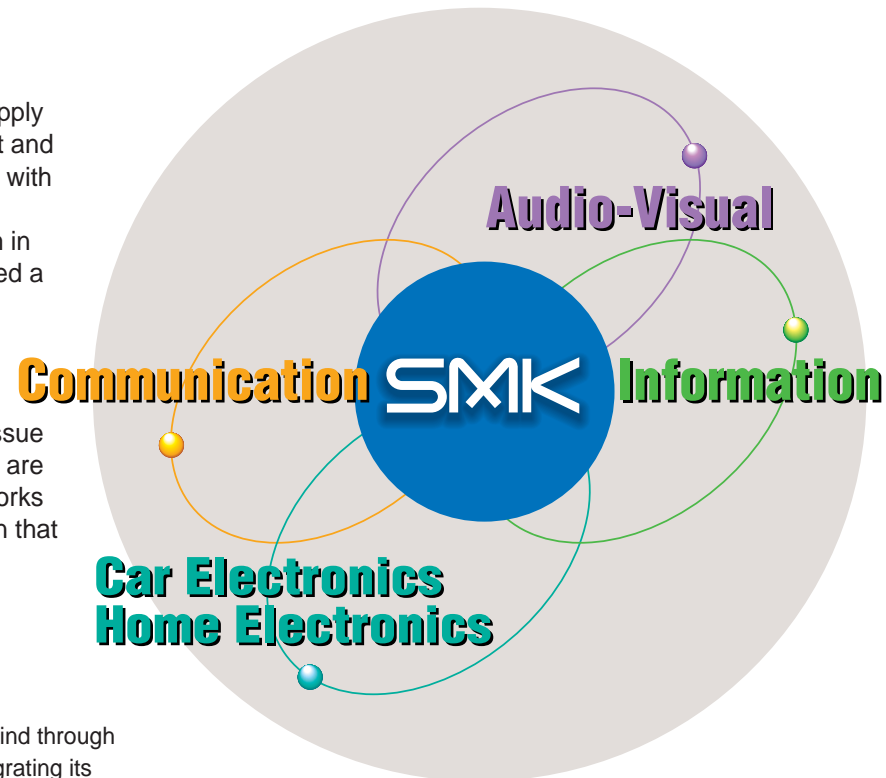
Speeding Up Product Development in Line with Advances in Broadband

Fulfilling Global Needs through Reinforcement of Our Transnational Development System

We strive to establish global systems of product development and stable supply in the four fields of communication, information, audio-visual, and car electronics and home electronics. Our aim is to become the main supplier in the global market.

SMK is reinforcing its transnational administration both from the aspects of research and development and product supply to meet the integration of the global market and intensification of mega competition. In line with this we have reinforced our integrated manufacturing and sales marketing system in the growing Chinese market and established a supply system for the European market by starting operations at our Hungary Works.

Simultaneously, preservation of the environment has been established as an issue of greatest priority at SMK. In addition, we are proactively tackling the establishment of works that do not emit waste and product creation that does not utilize toxic substances.



SMK Philosophy

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology.

Action Guidelines

1. Contribute to society with pride and confidence.
2. Be customer-oriented, with zeal and sincerity.
3. Challenge courageously for higher goals without fear of failure.
4. Trust and respect each other for a brighter working atmosphere.
5. Keep an open mind, and view SMK from a global perspective.

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Financial Highlights

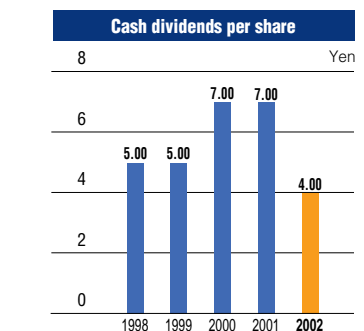
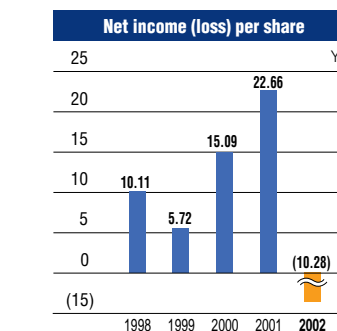
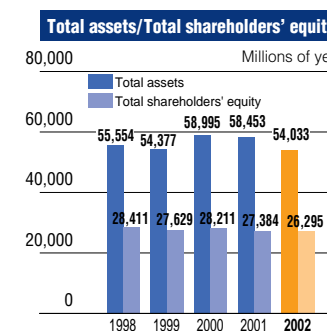
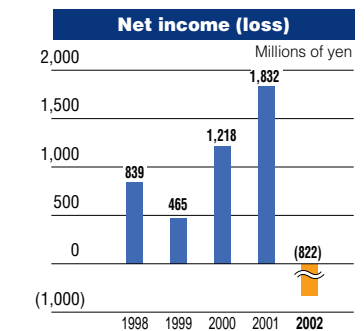
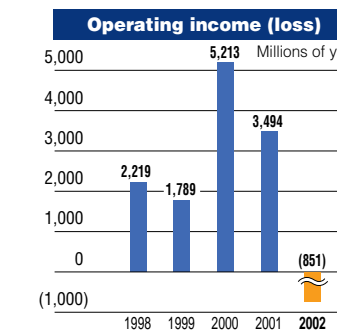
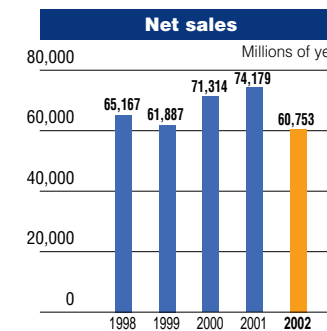
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SMK Corporation and Consolidated Subsidiaries

Year ended March 31

	Millions of yen		Percent Change 2001/2002	Thousands of U.S. dollars 2002
	2001	2002		
Operating Results				
Net sales	¥ 74,179	¥ 60,753	(18.1) %	\$ 455,938
Operating income (loss)	3,494	(851)	—	(6,389)
Net income (loss)	1,832	(822)	—	(6,172)
Financial Position				
Total assets	¥ 58,453	¥ 54,033	(7.6)	\$ 405,506
Total shareholders' equity	27,384	26,295	(4.0)	197,339
Per Share Data				
	Yen			U.S. dollars
Net income (loss)	¥ 22.66	¥ (10.28)	—	\$ (0.08)
Cash dividends	7.00	4.00	—	0.03

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.25 = U.S. \$1.00.



Towards Re-growth in an Intense Era



Tetsuya Nakamura
President and Chief Operating
Officer

Terutaka Ikeda
Chairman and Chief Executive
Officer

Severe Business Environment

Japan's economy during this fiscal year (April 1, 2001 to March 31, 2002) was at a very low level due to the slump in personal consumption and drop in share prices. In addition, the simultaneous terror incidents in the U.S. last September served to further this crisis and create very severe conditions. To accelerate this position even more, the Japanese economy's market share down-turned and structural reformation was delayed. Therefore it was unable to stop the deflationary economy and both the electronics industry and IT related markets were centrally exposed to drastic plummet in demand.

Within these conditions, we worked to fulfill our plan and we repeated company efforts in this area, however the results were dramatically lower than the original plan.

Information Infrastructure Supplier

SMK aims to contribute to the development of an information-based society by maximizing our development of advanced technology. Specifically, we will consolidate the group strength and actively incorporate new technologies towards the target to establish its position as a leading supplier for information infrastructures in the global information society. In this manner we are working to generate more speedy research and development. Using our production and sales bases implemented worldwide, we also intend to promote marketing activities in line with the global market.

In response to the increasing challenges of the global environment, intensification of mega competition and the ever evolving market trends, it is becoming more and more important to efficiently utilize all conventional administrative resources.

Consequently, we will further strengthen our approach towards heightening the administrative efficiency, reinforcing transnational management and promote pioneering product development.

Heightening Business Efficiency and Reinforcing Transnational Management

As for the heightening of business efficiency, in April 2002 we separated the post of chairman and president to create a management system that can quickly respond to the rapidly changing business environment of today. In addition, we enhanced corporate governance and promote the realization of a high-efficiency administrative organization by introducing systems for executives and outside directors.

In response to the challenges of globalization, we are making steady progress while discerning market trends. One of our important issues is to build a production and sales system that promptly responds to intense changes in the business environment. Overseas production capabilities are being increased through the opening of new facilities in the Philippines and Shenzhen as well as a new facility scheduled to open in Hungary within 2002. As for the sales system, we have endeavored to enhance this area from before and have opened an office in Shanghai in 2001. By promoting alliances with and utilizing our existing production and sales bases in China, we will strive to respond to the Chinese market, which is expected to grow even further.

Moreover, we are proactively promoting transnational management in the area of human resources by making English the common language along with Japanese beginning in April 2001, and encouraging interaction with overseas bases.

As for product development, we will strive to promote further development of leading products through grasping market trends, especially on IT related markets. We will also strive to develop new markets in areas where growth is expected.

In addition, we aim to reinforce our corporate organization to create a company with the ability to sustain growth and development even within the present severe economic environment.

Therefore we will promote our corporate administration while streamlining our production, sales, logistics and other areas, reorganize our business while reviewing the medium to long-term market and profitability, and establish operational tie-ups over a wide variety of areas.

"Environment" measures

The handling of environmental issues is being a greater theme within future corporate management. Our customers have also begun seeking environmentally friendly products and parts more than ever before. We intend to be diligent so that we can lead the industry in this area as we know that a condition for survival is to be recognized highly as being a supplier that is tackling the 3Rs of reduce, reuse and recycle. Moreover, we have also worked to achieve certification for ISO14001, the environmental standard for environmental preservation, at our production bases both in Japan and overseas. Furthermore, the SMK Group has established an "Environmental Charter" and is conducting educational programs to raise the level of environmental awareness among employees. We believe that consideration of the environment is the issue of greatest priority in the 21st century and will continue to proactively confront it.

The above is a summation of the management strategy for the SMK Group. We will work to realize growth again and devote ourselves to heightening corporate value through unending administrative effort and new concepts. We ask our shareholders to continue providing us your valuable understanding and support.

June 2002

Terutaka Ikeda
Chairman and Chief Executive Officer

Tetsuya Nakamura
President and Chief Operating Officer

SMK's advanced product line achieving success in the mobile field

Among the slumping personal computer and semiconductor manufacturers as well as communications related companies, as a result of the collapse of the IT bubble, SMK has been posting solid growth in both car electronics and third-generation (3G) compatible cellular phones. SMK continues to supply high functionality, high quality and compact products in these fields.



CAR ELECTRONICS MARKET

In the car electronics market, car navigation systems have been penetrating the market well with year-on-year global production growth in fiscal 2001 reaching 23% and 4 million units. The systems are evolving into network compatible telematics service systems including Internet compatible systems and transforming systems into information terminals. In correlation with this, automobile manufacturers themselves have advanced the production of genuine systems as they seek heightened added value, and further market expansion is expected. On the other hand, the Electronic Toll Collection (ETC) system, for which an

increase in users is expected, is struggling to grow due in part to the delays in the schedule for installation of the infrastructure including toll gates. As a result of reinforcing our development and introduction of on-board LAN connectors and telematics service related products centering on transparent and low reflectance touch panels for genuine car navigation systems, SMK posted dramatic growth in its car electronics field to post a year-on-year increase in sales of 37.5 % to reach 4,973 million yen.

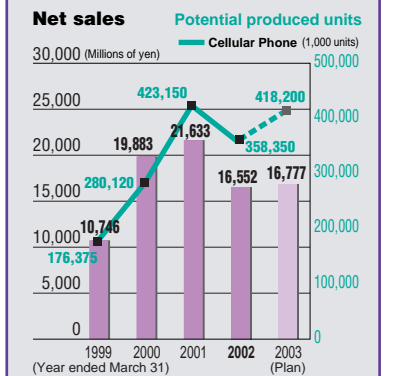


CELLULAR PHONE MARKET

In fiscal 2001, the major manufacturers of cellular phones started the year with major inventories from the end of the preceding fiscal year. This combined with a slump in trade-in demand, in the primary markets of Japan, the West and such, led to results falling below the previous year for the first time and global production was limited to 380 million units. It is anticipated that fiscal 2002 will see the cellular phone market begin recovering. This is due to inventories having generally fallen to appropriate levels, the global start of 3G services, business in the Chinese market that joined WTO becoming full-fledged and other factors.

In fiscal 2001, SMK sales were greatly affected on our figures by the slump in both the domestic and overseas markets. We posted a year-on-year decrease of 23.4% to 16,552 million yen. In preparation towards full-scale operation of 3G cellular phone services, in fiscal 2002, we are introducing and reinforcing a wide range of products including energy-saving products, products that are compatible with their markets of use. SMK will also pursue quick development of new products including the further size reduction of products and expansion of product functionality.

CELLULAR PHONE MARKET

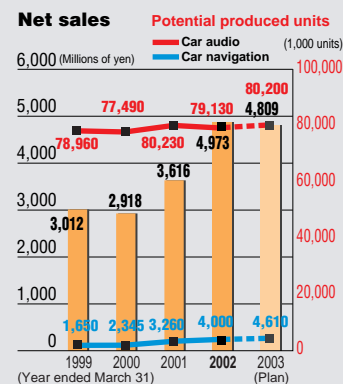


Source: JEITA (Japan Electronics and Information Technology Industries Association)

Business Trends and Topics

1. Introduction of new products to meet full-scale start-up of 3G cellular phone services.
2. Reinforcing marketing activities in the Chinese market by integrating manufacturing and sales.

CAR ELECTRONICS MARKET

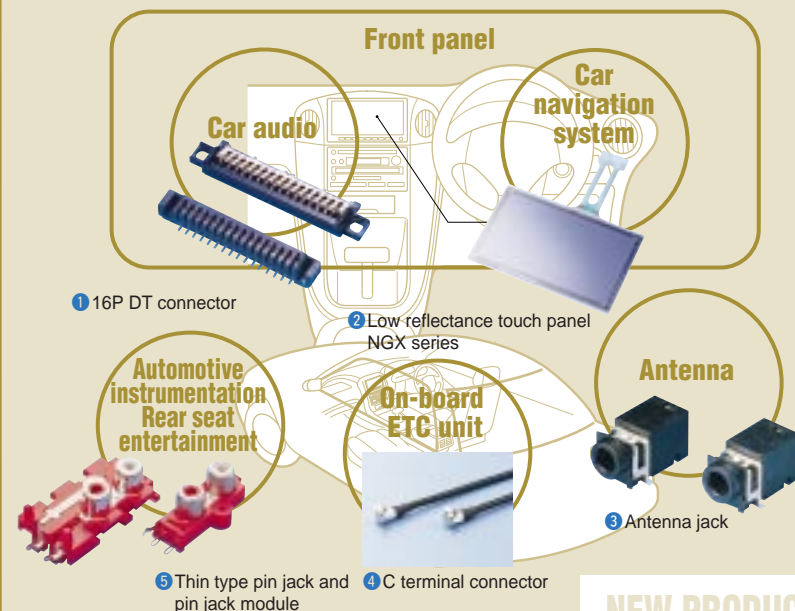


Source: JEITA (Japan Electronics and Information Technology Industries Association)

Business Trends and Topics

1. SMK posted a dramatic increase in actual delivery of low reflectance touch panels for genuine car navigation systems of major automobile manufacturers in Japan and overseas.
2. Activities for receiving orders concerning on-board LAN connectors have become full-fledged.
3. Commenced supplying a microphone unit for the telematics service.
4. Increased orders of antenna connectors to be installed on cars with ETC units.

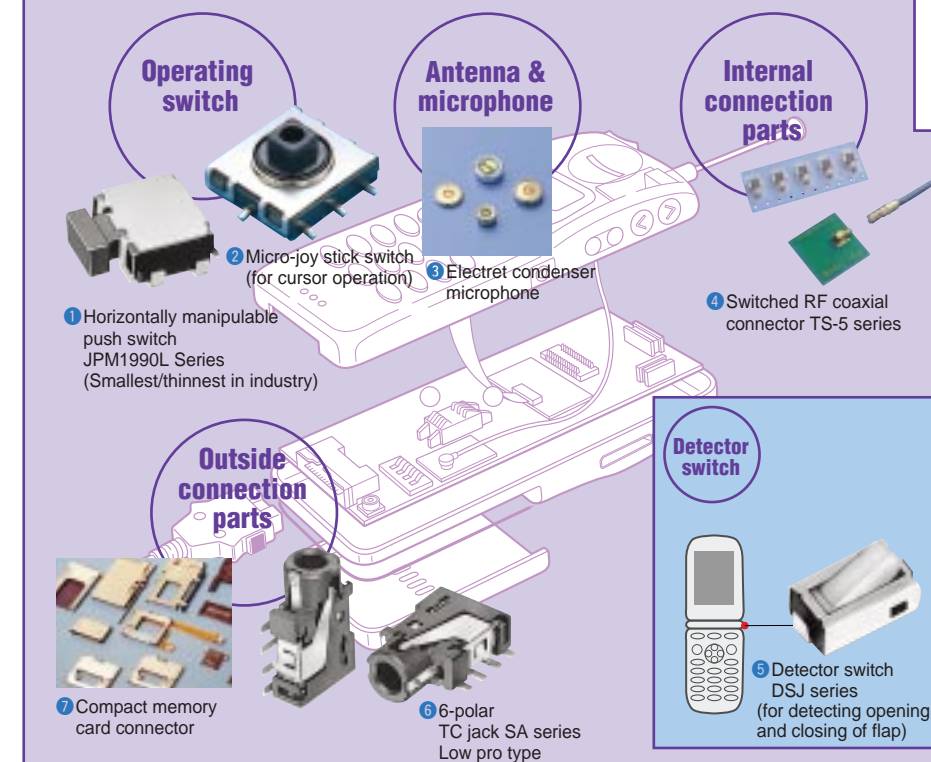
MAIN PRODUCTS



NEW PRODUCTS

- 1 16P DT connector
- 2 Low reflectance touch panel NGX series
- 3 Antenna jack
- 4 C terminal connector
- 5 Thin type pin jack and pin jack module

MAIN PRODUCTS



NEW PRODUCTS

- 1 Horizontally manipulable push switch JPM1990L Series
- 2 Micro-joy stick switch
- 3 Electret condenser microphone
- 4 Switched RF coaxial connector TS-5 series
- 5 Detector switch DSJ series
- 6 6-polar TC jack SA series Low pro type
- 7 Compact memory card connector (SIM, SD, memory stick, smart media, MMC)

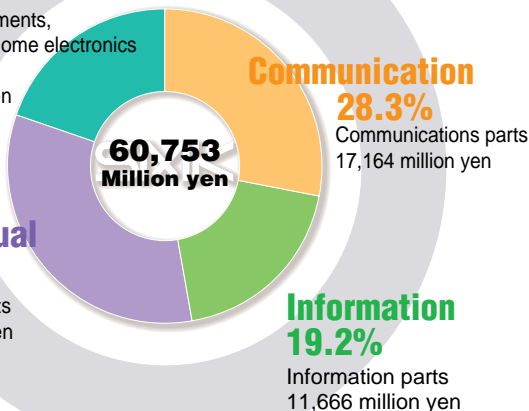
Sales and Market-wise Overview

Car Electronics and home electronics 19.5%

Electronic instruments, electronic toys, home electronics and other parts
11,831 million yen

Audio-visual 33.0%

Audio-visual parts
20,091 million yen



Business Progress and Results (Consolidated)

(1) Overview for the Fiscal Year

The global economy for the fiscal year was extremely weak due to the slowdown in the U.S. economy. The U.S. terrorist incidents that occurred in September worsened the situation further creating a severe environment due to a global recession. In addition, owing to the stock market slump and delayed structural reform, our economy was unable to alleviate the slowdown in the economic climate and we posted negative growth.

Within the electronic component industry, demand in the IT related market, mainly for communication equipment including information technology devices and mobile phones, decreased dramatically due to the collapse of the IT bubble, which was primarily caused by the economic slowdown in the U.S. Consequently, a reduction in receipt of orders continued due to

our clients' lingering adjustments in production and component inventory, along with a sizable drop in supply costs.

Furthermore, the lowering in consumption forced other markets to generally do poorly.

Under such conditions, our group has striven to increase market share, to strengthen development of new products and to improve cost competitiveness. However, the consolidated net sales for the fiscal year decreased by 18.1% year-on-year to 60,753 million yen.

The per market performances are as follows.

Within the visual parts market, demand for VCR related products, including the combination camera VCR, decreased. The digital satellite broadcasting and the DVD area, which did well in the first half of the year, didn't do as well in the latter half due to the terrorist attacks in the U.S. As a result, sales decreased by 18.5% year-on-year to 15,830 million yen.

Within the audio parts market, the continued slump in luxury audio equipment caused sales to fall 29.3% year-on-year to 4,260 million yen.

As for the electronic instrument parts market, the increase in demand for automobile products centering on navigation systems in line with advances in car electronics technology, the releasing of new products and other efforts lead to a steady expansion following the previous fiscal year. We posted a 38.4% increase to 5,004 million yen year-on-year in this market.

Within the electronic toys and home electronics parts market, parts for TV games and home appliances have fluctuated steadily, posting a 3.1% increase year-on-year to 5,732 million yen.

Within the communication parts market, the decrease in production corresponding to the sudden slowdown of the market, negative impact of inventory adjustments resulting from the previous year's excessive mobile phone production, and the sizable decrease in unit prices due to intensified competition, caused sales to decrease by 24.1% from the previous year to 17,164 million yen.

As for the information parts market, solid growth was posted in the PDA, digital still camera and other areas, but demand dropped in the peripheral equipment area. This led to an overall decrease in sales of 22.2% year-on-year to 11,666 million yen.

As for revenues, the situation was severe due to the unexpected prolonging of demand recovery and delay in inventory adjustments within the data communication related markets. Although the depreciation of the yen had a slightly positive effect, the operating loss totaled 851 million yen, and the ordinary loss was 243 million yen.

In addition, depreciation generated by changes in the accounting standard (5 year equal depreciation) resulting from retirement allowance accounting and valuation losses of negotiable securities have been appropriated as special costs. This has resulted in a net loss for the fiscal year of 822 million yen.

(2) Dividends

As for dividends, medium and long-term earnings capacity, retained earnings and other factors based on business results for the fiscal year are taken into consideration. Consequently, the dividend for the current term shall be 4 yen per share.

(3) Financial Situation

Cash flows from operating activities totaled 6,427 million yen (an increase of 2,788 million yen from the previous consolidated fiscal year).

The net loss for the term before tax and other adjustments totaled 1,602 million yen. This is due to decreases in depreciation and amortization by 3,799 million yen, notes and accounts receivable by 4,715 million yen, inventories by 3,594 million yen, and notes and accounts payable (including factoring debts) by 3,709 million yen.

Cash flows from investment activities totaled 4,811 million yen (a decrease of 869 million yen from the previous consolidated fiscal year).

This is due to expenditures totaling 4,465 million yen for acquirement of tangible fixed assets, and 520 million yen for loans and other payments.

Cash flows from financing activities totaled 565 million yen (an increase of 1,445 million yen from the previous consolidated fiscal year).

This is due to an increase in loans payable by 1,154 million yen,

expenditures of 545 million yen for dividends paid, and 85 million yen for purchase of treasury stock.

As a result, the balance at the end of term for cash and cash equivalents increased by 2,383 million yen from the balance at the beginning of the term to 7,190 million yen.

(4) Prospects for the Next Term

As for prospects for the future, the Japanese economy will continue to suffer negative factors such as the lingering problems of disposing bad loans in a deflationary market and slowdowns in consumer spending. On the other hand, the global economy is showing signs of having bottomed out, including signs of recovery in the U.S. economy that had been depressed due to the terrorist attacks. None the less prospects for the future continue to be unclear.

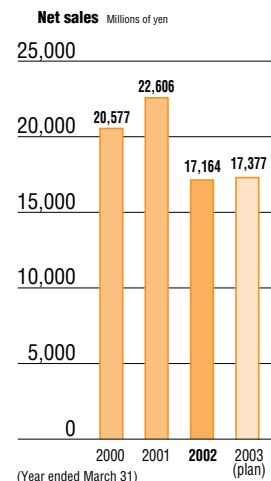
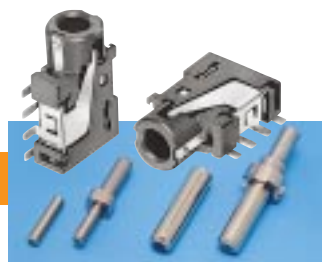
The electronic component industry appears to be emerging from the extreme slowdown it experienced due to recovery trends in personal computer and other IT related markets and digital household appliances. Also, there are many markets with a prospect of growth during the medium and long-term due to advances in IT and digitalization, and competition of networks due to penetrations of broadband and fiber optics.

As for the next fiscal year, the electronic industry as a whole is expected to return to a recovery trend in the latter half of the year as a result of further advancement in mobile communication devices centering on next generation mobile phones, full-fledged diffusion of DVDs in the digital household appliance market, improvements in digital broadcast receivers, and diffusion of vehicular information terminals including car navigation systems.

Under such conditions, we will maintain our proactive measures concerning globalization and IT. Based on this stance, our company will improve business performance by responding quickly to growth areas and cultivating new markets, developing new products and technology corresponding to customer needs, upgrading manufacturing technology, and establishing an efficient sales system.

As for the next fiscal year's consolidated business performance, we anticipate net sales of 61,000 million yen, ordinary income of 1,250 million yen and net income of 1,300 million yen.

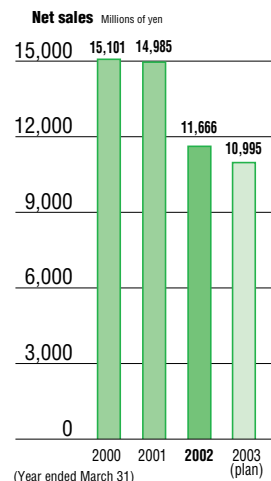
Communication



The number of cellular phones produced globally in fiscal 2001 fell below the previous year for the first time as a result of slumping demand in Japan, America and other industrialized nations. However, there is increasing demand for the preparation of infrastructures in correlation with the full-fledged start of 3G services in addition to increasing demand in the office wireless LAN and ADSL related areas. SMK will proactively introduce products in this area with advanced functionality that save energy and are environment friendly.

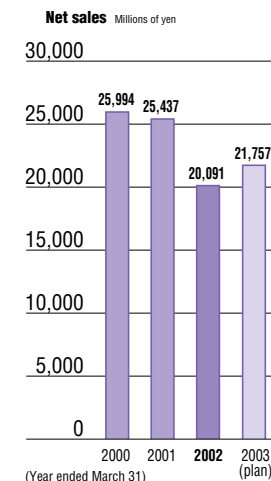
In addition, we have finished preparing our supply organization for "metal ferrule" manufactured with our unique high-precision manufacturing method. These ferrule will be manufactured for the optical communications area.

Information



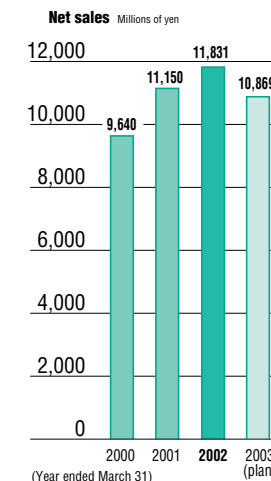
Within the lack of growth in global personal computer demand, production of personal computers saw polarization proceed conspicuously in two areas – reductions in product prices and advancing of multimedia compatible functions. SMK did well in selling notebooks and high-grade units through the introduction of products with great added value. In addition, the non-personal computer areas in this field such as KIOSK terminals, digital cameras and personal digital assistants (PDAs) showed solid demand and SMK reinforced sales of various products to these areas.

Audio-Visual



In the audio-visual field, the spread of digital audio-visual equipment including home theaters is advancing and SMK expanded sales by introducing new products including speaker terminals and pin jacks. In light of the trend for the formation of home networks, SMK will hereafter pursue the development and market introduction of advanced function products such as interactive remote control unit and multi-pole FPC connector for areas where rapid growth is anticipated including PDP/LCD televisions and DVD recorder.

Car Electronics & Home Electronics



Although the overall home electronics field is sluggish, appliances focusing on comfort such as air conditioners and shower toilets are doing well. In addition, there is an intensifying need for easily operable products within the social environment with more and more elderly living alone.

Bearing in mind such market conditions, SMK is reinforcing the introduction of products in energy-saving and comfort promoting areas. Consequently, we will devote our energies to selling products for networking and intelligent appliance including "sensor switch units" and "power line communication modules."

R&D Activities and New Products

Reinforce ^{Transnational} TN Development Organization towards Mega-Competition

In the information technology field where the technology innovation is making a significant progress, it is regarded the conditions to be a winner in the global competition to swiftly and accurately grasp the global current and keep supplying new products that meet the global market requirements together with the steady product supply.

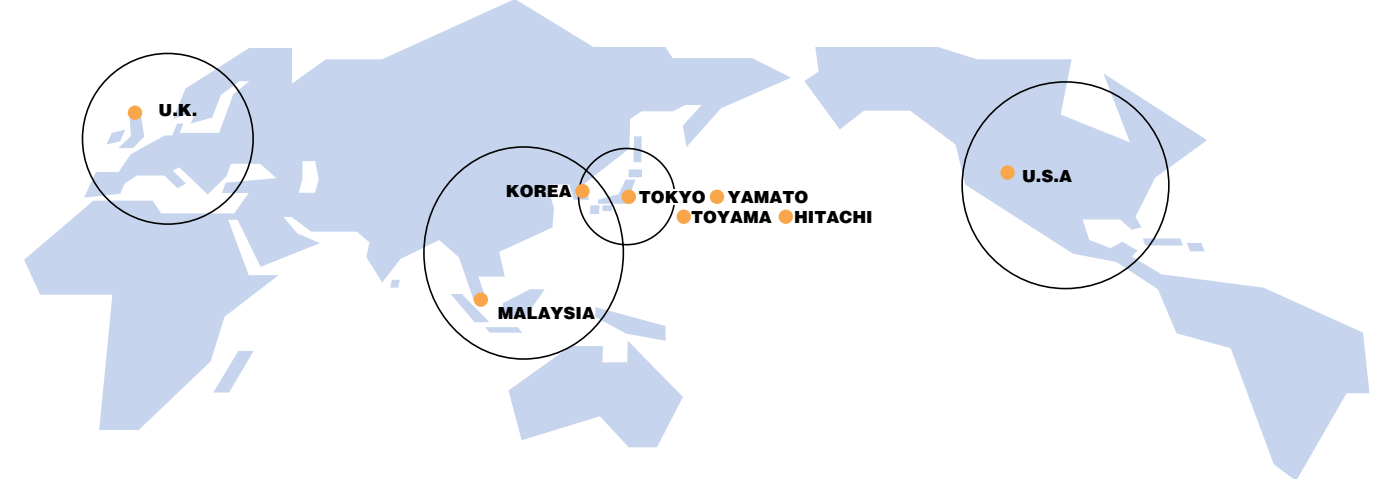
Consequently, it is essential to establish an R&D organization closely affiliated with the global marketing organization for production and sales. SMK is promoting the transnational development organization that networks its R&D, and Design Centers in eight domestic and overseas operation sites.

Furthermore, SMK has been preparing an R&D roadmap that designates the direction of the R&D reflecting its core competences after predicting global technological trend for the next decade. Based upon this R&D roadmap, we are seeking to share information and integrate consciousness under transnational R&D organization.

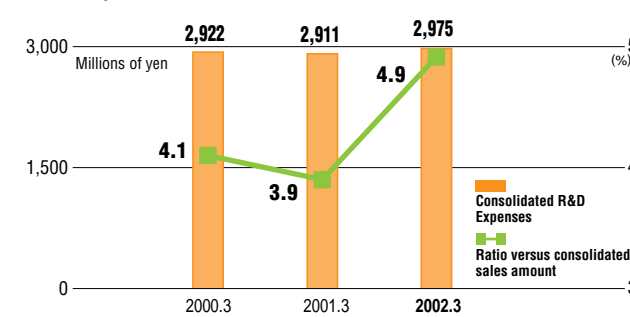
Among the R&D directions in 21st century, SMK is reinforcing such material or element technologies as circuit technology for GHz band or ultra fine combination technology as well as such environmental protection technologies as product design conscious to recycling or seeking alternatives to harmful materials. Of course, the measures to protect intellectual property rights are also taken to secure the R&D results as corporate assets.



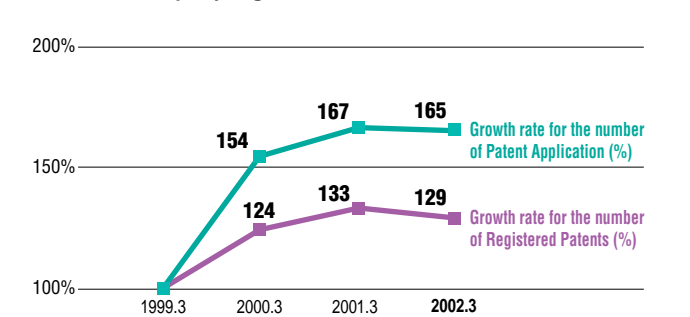
R&D Branches 8 Locations



R&D Expenses



Intellectual Property Rights



NEW Expanding sales through development of pin jacks and terminals for the digital audio-visual market

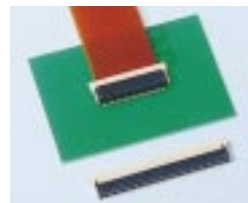
SMK recently developed and released pin jacks with shields and new standard compatible terminals for digital audio-visual equipment, which is experiencing growing demand due to the penetration of home theaters and other products. The pin jacks demonstrate digital noise reducing effects for audio-visual equipment via an integrated shield and plate design and they have been highly acclaimed by customers.



The terminal is the first EIA standard color compatible product in the industry. The terminals prevent mistaken wiring when connecting home theater speakers and such by introducing different colored parts and thus provide easy connecting.

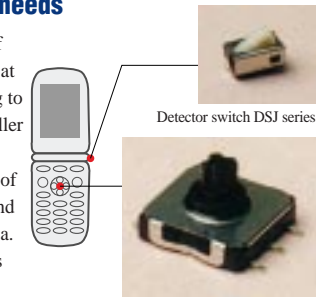
NEW Reinforcing product lines through development of "narrow pitch connectors" including the first 0.2mm pitch FPC connector in the industry

SMK recently developed and released the first 0.2mm pitch FPC connector in the industry for compact, light equipment including cellular phones, DVC, PDA, DSC and notebook computers. Within the advancing reduction in size and thinning of devices, there is a constantly growing need among users and manufacturers for narrow pitched internal connectors. The new product responds to this need by realizing the industry's narrowest pitch of 0.2mm and a maximum of 120 poles. In addition, SMK has further strengthened its product line of "narrow pitch connectors" with developing a 0.4mm pitch CSP connector for print board to print board connections, adding a bottom connection type to its popular 0.3mm pitch FPC connectors. In this way, SMK is greatly contributing to high density mounting in electronic equipments.



NEW Focusing on development of compact cellular phone switches to meet consumer needs

The thinning and lightening of cellular phones are advancing at an inconceivable pace, leading to even greater demands for smaller and thinner parts. SMK is strengthening the development of switches for cellular phones and leading the industry in this area. Since entering 2002, SMK has released a variety of switches including the industry's smallest horizontal push switch for adjusting volumes that is the smallest in the industry, a flap open/close detector switch for foldable cellular phones and a compact 4-way switch for selecting menu and all those new switches are leading other switch manufacturers. Moreover, SMK has commercialized a 360 degree operable micro joy stick switch and is compatible with third generation cellular phone services prior to any other company. Even further expansion in sales is expected from this product.



NEW Development of a "communications module" that enables the construction of home networks using power lines

In correlation with the recent upgrading of Echonet standards, SMK has developed a "power line communications module" that is compliant with Version 2.0.

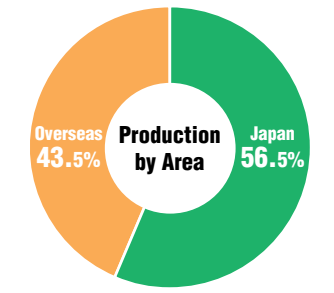
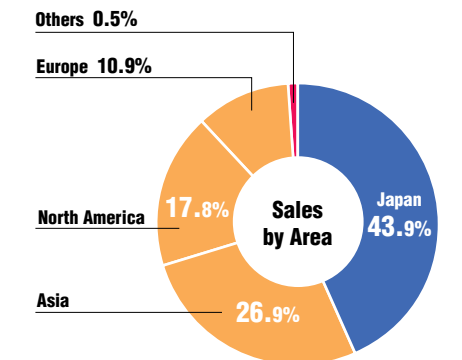
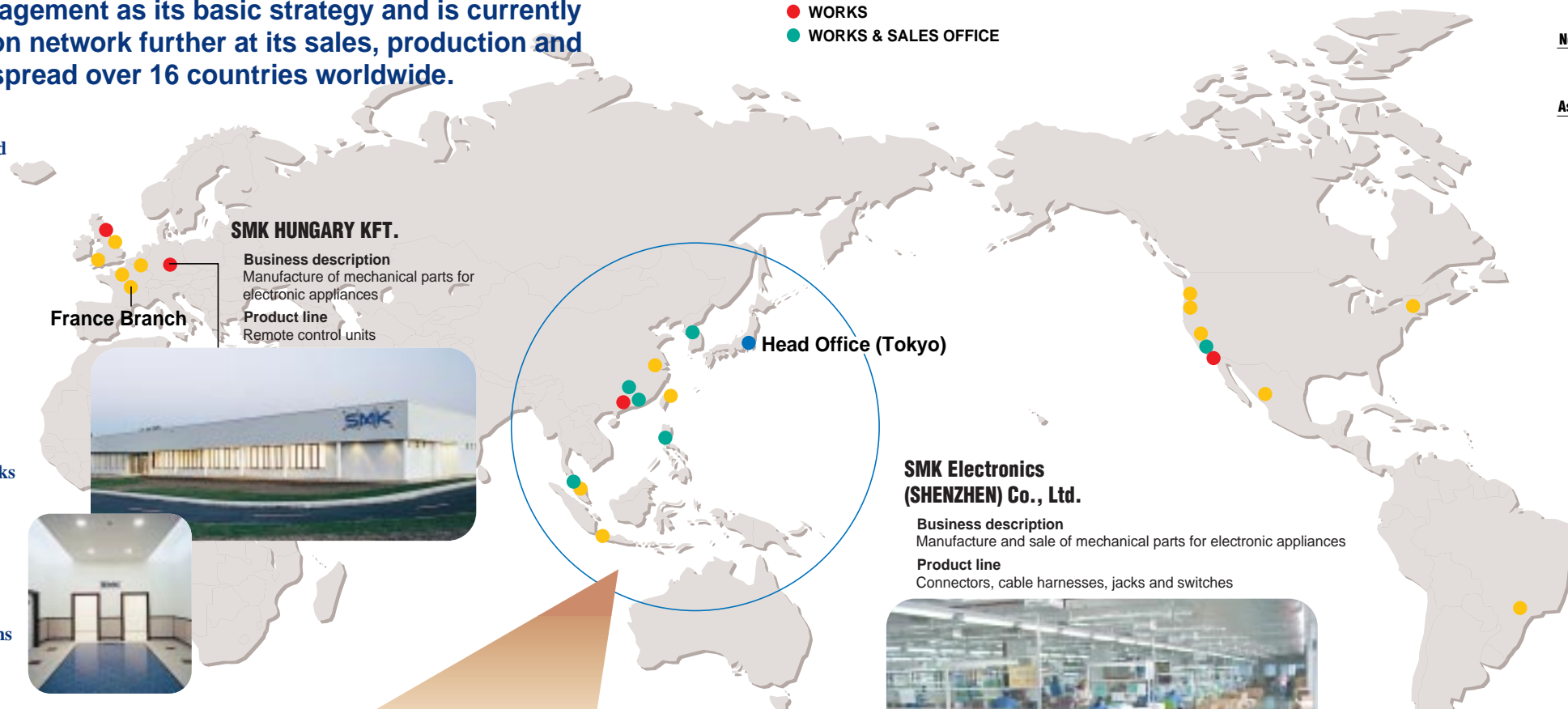


This product enables home networks to be easily built using power lines laid indoors as the medium. Growth in demand is forecast in correlation with advances in the networking of home facilities and equipment, which have the objectives of managing in-home energy and supporting care for the elderly.

Enhancing ^{Transnational} TN Sales and Production System for Asia and Europe in Line with Market Expansion

SMK has raised transnational management as its basic strategy and is currently focusing on enhancing its operation network further at its sales, production and research and development bases spread over 16 countries worldwide.

- SALES OFFICE
- WORKS
- WORKS & SALES OFFICE



New Shenzhen Works Operation Commencement and Opening of the Shanghai Representative Office

The new Shenzhen Works that had been under construction to meet the continued high growth of the Chinese electronic equipment market was completed in April 2001 and has begun operating as a 400-personnel organization. Simultaneously, we have opened a representative office in Shanghai to reinforce our integrated manufacturing and sales marketing activities in China following its attaining of membership in WTO.

Increase Production Capacity of the Philippines Works

The Philippine Works was dramatically reinforced in 2000 and the plant has begun full fledged production of touch panels from July 2001 and we are strengthening our supply system to the Asian market including Japan.

New Strategic European Bases Hungary Works Begins Operation and France Branch Opens

With the goal of constructing a market-in production system in Europe, we have been building a Hungary Works from October 2000, as our second production base following the British Plant. The Hungary Plant is scheduled to begin operating in September 2002. We have also opened a France Branch to reinforce our sales activities in the French market.

SMK HUNGARY KFT.
Business description
 Manufacture of mechanical parts for electronic appliances
Product line
 Remote control units



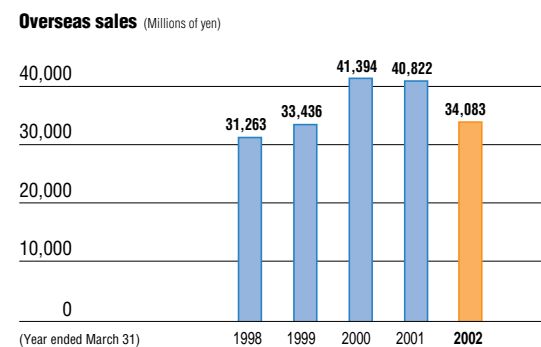
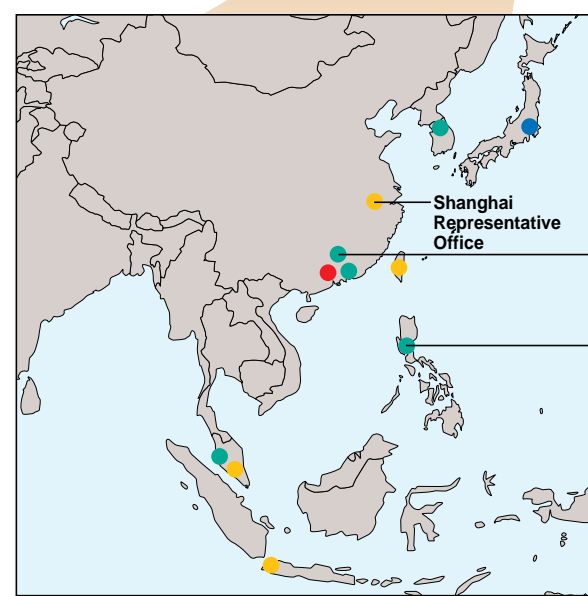
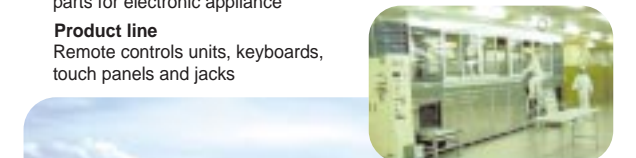
SMK Electronics (SHENZHEN) Co., Ltd.

Business description
 Manufacture and sale of mechanical parts for electronic appliances
Product line
 Connectors, cable harnesses, jacks and switches



SMK ELECTRONICS (Phils.) Corporation

Business description
 Manufacture and sale of mechanical parts for electronic appliance
Product line
 Remote controls units, keyboards, touch panels and jacks



Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Year ended and as of March 31	Millions of yen					Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2002
Operating Results						
Net sales	¥ 65,167	¥ 61,887	¥ 71,314	¥ 74,179	¥ 60,753	\$ 455,938
Operating income (loss)	2,219	1,789	5,213	3,494	(851)	(6,389)
Net income (loss)	839	465	1,218	1,832	(822)	(6,172)
Financial Position						
Total assets	¥ 55,554	¥ 54,377	¥ 58,995	¥ 58,453	¥ 54,033	\$ 405,506
Total shareholders' equity	28,411	27,629	28,211	27,384	26,295	197,339
Per Share Data						
	yen				U.S. dollars	
Total shareholders' equity	¥ 342.15	¥ 339.15	¥ 350.13	¥ 341.69	¥ 328.65	\$ 2.47
Net income (loss)	10.11	5.72	15.09	22.66	(10.28)	(0.08)
Cash dividends	5.00	5.00	7.00	7.00	4.00	0.03

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SMK's consolidated net sales for fiscal 2002, which ended March 31, 2002, decreased by 18.1% from the previous year to ¥60,753 million (US\$ 455,938 thousand). Operating income and net income highly decreased from the previous year, showed a loss of ¥851 million (US\$ 6,389 thousand) and ¥822 million (US\$ 6,172 thousand) respectively.

Net sales

Net sales decreased by 18.1% to ¥60,753 million (US\$455,938 thousand), mainly due to collapse of "IT bubble" on worldwide basis, caused a rapid decline in demand for the communication device market centered around information device and mobile phones.

Operating income

Operating income highly decreased from the previous year, ended up as a loss of ¥851 million (US\$ 6,389 thousand). Not only the decrease in sales but also sales price deduction affected the income.

Net income

Net income highly decreased from the previous year, ended up as a loss of ¥822 million (US\$ 6,172 thousand). Other expenses included amortization of ¥747 million (US\$ 5,608 thousand) in prior service costs for pension plans, based on accounting standards for retirement benefits, and a loss on the devaluation of investment securities amounting to ¥193 million (US\$ 1,446 thousand).

Total assets/ ROA

Total assets on March 31, 2002 were valued at ¥54,033 million (US\$ 405,506 thousand). ROA went down to (1.5)%, 4.6 percentage point decrease from the previous year-end.

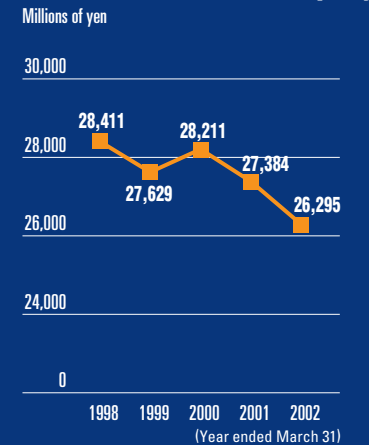
Total shareholders' equity/ ROE

Total shareholders' equity on March 31, 2002 was ¥26,295 million (US\$ 197,339 thousand). ROE went down to (3.1)%, 9.7% percentage point decrease from the previous year-end.

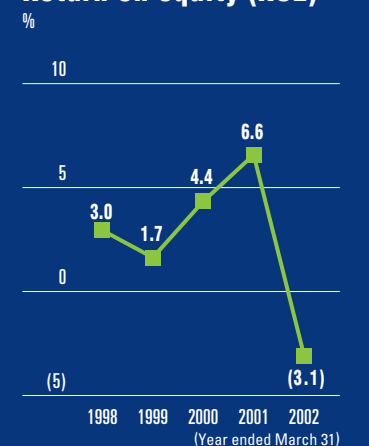
Cash flows

Net cash provided by operating activities amounted to ¥6,427 million (US\$ 48,236 thousand), net cash used in investing activities totaled ¥4,811 million (US\$ 36,110 thousand) and net cash used in financing activities was valued at ¥565 million (US\$ 4,233 thousand).

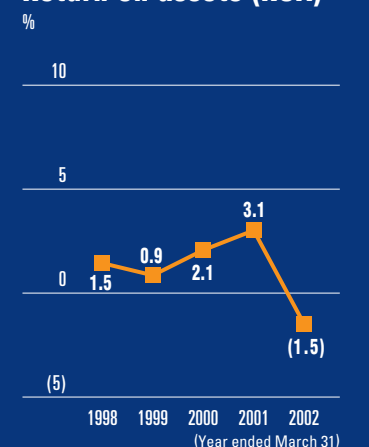
Total shareholders' equity



Return on equity (ROE)



Return on assets (ROA)



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of March 31

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2002	2002
Current assets			
Cash and cash equivalents	¥ 4,807	¥ 7,190	\$ 53,959
Time deposits	216	233	1,751
Notes and accounts receivable, trade	19,434	14,964	112,304
Allowance for doubtful accounts	(78)	(138)	(1,039)
Inventories (Note 3)	9,053	5,670	42,549
Deferred income taxes (Note 5)	565	649	4,868
Other current assets	1,067	2,014	15,114
	35,064	30,582	229,506
Investments and long-term loans			
Investments in securities (Note 8)	3,358	2,807	21,066
Long-term loans receivable	54	88	660
Other investments	1,186	1,423	10,683
Allowance for doubtful accounts	(251)	(292)	(2,189)
	4,347	4,026	30,220
Property, plant and equipment (Note 4)			
Land	3,650	3,657	27,447
Buildings	15,089	15,688	117,732
Machinery and equipment	33,604	36,085	270,803
Construction in progress	1	22	168
	52,344	55,452	416,150
Less accumulated depreciation	(34,241)	(37,957)	(284,852)
	18,103	17,495	131,298
Other assets			
Deferred income taxes (Note 5)	776	1,847	13,859
Other	163	83	623
	939	1,930	14,482
Total assets	¥ 58,453	¥ 54,033	\$ 405,506

Liabilities and shareholders' equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2002	2002
Current liabilities			
Short-term loans payable (Note 4)	¥ 8,060	¥ 11,131	\$ 83,537
Notes and accounts payable, trade	13,715	6,625	49,720
Accrued income taxes (Note 5)	807	107	803
Accrued expenses	426	503	3,778
Account payable-non trade	864	4,796	35,993
Other current liabilities	3,047	1,322	9,917
	26,919	24,484	183,748
Long-term liabilities			
Long-term debt (Note 4)	3,315	1,526	11,452
Deferred income taxes (Note 5)	—	53	400
Reserve for retirement benefit obligations (Note 9)	417	1,253	9,404
Other long-term liabilities	418	422	3,163
	4,150	3,254	24,419
Minority interests in consolidated subsidiaries	—	—	—
Contingent liabilities (Note 7)			
Shareholders' equity			
Common stock, ¥50 par value per share			
Authorized:	198,313,000 shares		
Issued and outstanding:	2001 - 81,451,726 shares	7,996	—
	2002 - 81,351,726 shares	—	7,996
			60,014
Additional paid-in capital (Note 6)	12,057	12,057	90,485
Retained earnings (Note 6)	9,628	8,285	62,177
Foreign currency translation adjustments	(1,646)	(1,161)	(8,712)
Treasury stock	(651)	(656)	(4,926)
Unrealized holding losses on securities	—	(226)	(1,699)
	27,384	26,295	197,339
Total liabilities and shareholders' equity	¥ 58,453	¥ 54,033	\$ 405,506

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

SMK Corporation and Consolidated Subsidiaries

Year ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2002	2002
Net sales	¥ 74,179	¥ 60,753	\$ 455,938
Cost of sales	63,523	54,796	411,231
Selling, general and administrative expenses	7,162	6,808	51,096
Operating income	3,494	(851)	(6,389)
Other income			
Interest and dividend income	130	114	854
Rent income	725	712	5,341
Foreign exchange gain, net	604	158	1,189
Share of net earnings in affiliates	18	—	—
Gain on sales of investment securities	34	—	—
Other	271	220	1,651
Total other income	1,782	1,204	9,035
Other expenses			
Interest expenses	351	246	1,847
Loss on disposal of fixed assets	218	108	808
Loss from devaluation of investment securities	113	193	1,446
Loss from write-down of golf club memberships	86	17	130
Bad debt expenses	229	156	1,169
Loss on setting trust for pension contribution	286	—	—
Accrued severance expenses	747	747	5,608
Provision for special retirement allowance	71	149	1,118
Other	373	338	2,540
Total other expenses	2,474	1,954	14,666
Income (loss) before income taxes and minority interests	2,802	(1,601)	(12,020)
Income taxes (Note 5)			
Current	1,549	203	1,525
Deferred	(579)	(982)	(7,373)
Income (loss) before minority interests	1,832	(822)	(6,172)
Minority interests	—	—	—
Net income (loss)	¥ 1,832	¥ (822)	\$ (6,172)

Per share data

	Yen		U.S. dollars (Note 2)
Total shareholders' equity	¥ 341.69	¥ 328.65	\$ 2.47
Net income (loss)	22.66	(10.28)	(0.08)
Cash dividends	7.00	4.00	0.03

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, 2000	82,630,726	¥ 7,996	¥ 12,057	¥ 9,048	—	¥ (890)
Increase resulting from inclusion of consolidated subsidiaries				105		
Net income				1,832		
Cash dividends paid				(564)		
Bonuses 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)
Increase resulting from inclusion of affiliate companies				89		
Net income				(822)		
Cash dividends paid				(562)		
Foreign currency translation adjustments					485	
Treasury stock retired	100,000			(48)		(5)
Balance at March 31, 2002	81,351,726	¥ 7,996	¥ 12,057	¥ 8,285	¥ (1,161)	¥ (656)

	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, 2001	\$ 60,014	\$ 90,485	\$ 72,256	\$ (12,355)	\$ (4,888)
Increase resulting from inclusion of affiliate companies			673		
Net income			(6,172)		
Cash dividends paid			(4,219)		
Foreign currency translation adjustments				3,643	
Treasury stock retired			(361)		(38)
Balance at March 31, 2002	\$ 60,014	\$ 90,485	\$ 62,177	\$ (8,712)	\$ (4,926)

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)
	2001	2002	2002
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,802	¥ (1,601)	\$ (12,020)
Depreciation and amortization	3,743	3,799	28,512
Increase in reserve for retirement benefit obligations	406	835	6,266
Increase in allowance for doubtful accounts	179	100	749
Interest and dividend income	(130)	(114)	(853)
Interest expenses	351	246	1,847
Provision for special retirement allowance	71	149	1,118
Decrease in long-term accrued accounts payable	(1,638)	—	—
Loss on disposal of fixed assets	218	108	808
Trust for pension contribution	1,977	—	—
Loss on setting trust for pension contribution	286	—	—
Increase in notes and accounts receivable, trade	(1,158)	4,714	35,382
Increase in inventories	(1,844)	3,594	26,975
Increase in notes and accounts payable, trade	944	(3,709)	(27,835)
Other, net	417	(539)	(4,049)
Subtotal	6,624	7,582	56,900
Receipts of interest and dividend income	131	113	851
Payments of interest expenses	(331)	(294)	(2,207)
Special retirement payments	(71)	(70)	(526)
Receipts of tax refund	—	12	88
Payments of income taxes	(2,714)	(916)	(6,870)
Net cash provided by operating activities	3,639	6,427	48,236
Cash flows from investing activities:			
Payments to time deposits	(214)	—	—
Proceeds from time deposits	1,035	2	17
Purchases of fixed assets	(3,610)	(4,465)	(33,513)
Proceeds from sale of fixed assets	206	218	1,634
Purchases of marketable securities	(615)	(77)	(579)
Proceeds from sale of marketable securities	121	0	0
Purchases of subsidiaries' stock	(752)	(98)	(739)
Payments on loans receivable	(160)	(520)	(3,900)
Proceeds from loans receivable	48	129	970
Net cash used in investing activities	(3,941)	(4,811)	(36,110)
Cash flows from financing activities:			
Increase in short-term loans receivable	303	1,206	9,048
Proceeds from long-term debt	451	493	3,696
Payments of long-term debt	(655)	(545)	(4,089)
Proceeds from issuance of corporate bond	90	—	—
Purchase of treasury stock	(952)	(85)	(645)
Proceeds from sale of treasury stock	446	41	311
Dividends paid	(563)	(545)	(4,088)
Net cash provided by (used in) financing activities	(880)	565	4,233
Effect of exchange rate changes on cash and cash equivalents	183	194	1,462
Increase (Decrease) in cash and cash equivalents	(999)	2,375	17,821
Cash and cash equivalents at beginning of year	5,806	4,807	36,076
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	—	8	62
Cash and cash equivalents at end of year	¥ 4,807	¥ 7,190	\$ 53,959

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

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.

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 shareholders' 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

Marketable securities classified as other securities are carried at fair value with unrealized gains and losses reported in a separate component of shareholders' equity, net of applicable income taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Derivatives

Derivatives are stated at fair value.

(h) Property, plant and equipment and depreciation

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

(i) 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, domestic consolidated subsidiaries and certain 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 effect of the adoption of the new standard for retirement benefits of ¥ 3,736 million (\$ 28,041 thousand), are being amortized for the period of five years.

Unrecognized prior service cost are amortized as incurred by the straight-line method over the period of 5 years which is within the average remaining years of service of the employees. Unrecognized actuarial service cost are amortized as incurred by the straight-line method over the period of 5 years which is within the average remaining years of service, commencing with the following period.

(j) 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.

(k) 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.

(l) 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 operations 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=¥133.25, the approximate rate of exchange at March 31, 2002. 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, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Finished products	¥ 4,202	¥ 2,699	\$ 20,258
Work in process	564	264	1,982
Raw materials	4,098	2,654	19,914
Supplies	189	53	395
	¥ 9,053	¥ 5,670	\$ 42,549

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 0.490% to 7.150% per annum as of March 31, 2002.

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

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Loans, principally to banks with interest rates ranging from 1.70% to 6.00% :			
Secured	¥ 3,867	¥ 3,842	\$ 28,830
Unsecured	1	0	1
Less: portion due within one year	(553)	(2,316)	(17,379)
	¥ 3,315	¥ 1,526	\$ 11,452

The assets pledged as collateral for short-term loans payable and long-term debt as of March 31, 2002 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment-book value	¥ 3,535	\$ 26,534

The aggregate annual maturities of long-term debt outstanding as of March 31, 2002 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 2,316	\$ 17,379
2004	545	4,094
2005	411	3,089
2006	190	1,423
2007 and thereafter	379	2,846
	¥ 3,841	\$ 28,831

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, 2002 is as follows:

Statutory tax rate	41.8%
Add (deduct) :	
Non- deductible expenses	(1.7)
Provision of valuation allowance	(19.6)
Statutory tax rate differences in subsidiaries	3.4
Elimination of intercompany profits	27.3
Other	(2.5)
Effective tax rate	48.7%

The significant components of deferred tax assets and liabilities at March 31, 2002 were as follows:

	Millions of yen	Thousand of U.S. dollars
Deferred tax assets:		
Inventory write-down disallowed	¥ 142	\$ 1,067
Accrued bonuses disallowed	104	779
Unrealized holding profit of inventory	79	592
Retirement benefits disallowed	1,326	9,953
Operating losses carried forward for tax purposes	1,630	12,236
Unrealized holding losses on securities	162	1,220
Other	438	3,285
Valuation allowance	(1,006)	(7,555)
Deferred tax assets	2,875	21,577
Deferred tax liabilities:		
Advanced depreciation on land	(112)	(839)
Advanced depreciation on buildings	(229)	(1,718)
Reserve for special depreciation	(39)	(293)
Other	(53)	(400)
Net deferred tax assets	¥ 2,442	\$ 18,327

Note 6. Additional paid-in capital and retained earnings

Effective October 1, 2001, the Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. Retained earnings in the accompanying consolidated balance sheet as of March 31, 2002 included the legal reserve of ¥ 1,306 million (\$ 9,801 thousand) .

Note 7. Contingent liabilities

Contingent liabilities as of March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks	¥ 1,153	\$ 8,656
Guarantees of loans	¥ 700	\$ 5,253

Note 8. Securities

The new accounting standards for financial instruments which became effective April 1, 2000, requires that securities be classified into three categories : trading securities, held-to-maturity securities and other securities. And under this standard, marketable securities classified as other securities are reported at fair value as of year end, with unrealized gains and losses, net of applicable income taxes, reported in a separate component of shareholders' equity, which, in prior years, were stated at cost based on the moving-average method. The cost of securities sold is determined based on the moving- average method.

As a result, "unrealized holding losses on securities" amounted to ¥ 226 million and "deferred income taxes" amounted to ¥ 162 million.

Information regarding marketable securities classified as other securities at March 31, 2002 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Costs	Fair value	Unrealized gain(loss)	Costs	Fair value	Unrealized gain(loss)
Securities whose fair value exceeds their cost						
Stocks	¥ 212	¥ 262	¥ 50	\$ 1,595	\$ 1,969	\$ 374
Bonds	105	107	2	788	799	11
Others	—	—	—	—	—	—
	317	369	52	2,383	2,768	385
Securities whose cost exceeds fair value						
Stocks	1,184	915	(269)	8,884	6,868	(2,016)
Bonds	—	—	—	—	—	—
Others	606	434	(172)	4,547	3,259	(1,288)
	1,790	1,349	(441)	13,431	10,127	(3,304)
Total	¥ 2,107	¥ 1,718	¥ (389)	\$ 15,814	\$ 12,895	\$ (2,919)
	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Bonds	¥ —	¥ 105	¥ —	\$ —	\$ 788	\$ —
Others	30	312	263	225	2,341	1,979
Total	¥ 30	¥ 417	¥ 263	\$ 225	\$ 3,129	\$ 1,979

Note 9. Retirement benefit

(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, 2002

	Millions of yen	Thousands of U.S. dollars
Benefit obligation	¥ 16,333	\$ 122,576
Fair value of plan assets	(9,731)	(73,025)
Funded status	6,602	49,551
Unrecognized amount	(5,349)	(40,147)
Unrecognized the effect of the adoption of the new standard for retirement benefit	(2,242)	(16,824)
Unrecognized actuarial service cost	(3,578)	(26,857)
Unrecognized prior service cost	471	3,534
Net amount recognized	¥ 1,253	\$ 9,404

"Net amount recognized" was recognized in the consolidated balance sheets as "Reserve for retirement benefit obligation".

(c) Retirement benefit cost

	Millions of yen	Thousands of U.S. dollars
Service cost, net of plan participants' contributions	¥ 593	\$ 4,454
Interest cost	428	3,211
Expected returns on plan assets	(287)	(2,159)
Actuarial service cost	206	1,550
Amortization of the effect of the adoption of the new standard for retirement benefit	747	5,608
Net periodic cost	¥ 1,687	\$ 12,664

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

Discount rate	2.5%
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
Amortization period of the effect of the adoption of the new standard for retirement benefit	5year

Note 10. 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.

	Contract amount		Fair value		Unrealized gain(loss)	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Forward foreign exchange contracts:						
Sell:						
US\$	¥ 210	\$ 1,575	¥ 211	\$ 1,587	¥ (1)	\$ (11)
(Interest related)						
Interest rate option						
(cap transaction)						
Put	¥ 166[¥ 0]	\$ 1,246[\$ 1]	¥ 0	\$ 1	¥ (0)	\$ (0)

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

(2) Calculation of fair value

The fair value is calculated by the proposed price by banks.

Note 11. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2001 and 2002, 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	
	2001	2002	2001	2002	2001	2002
Machinery and vehicle	¥ 357	¥ 310	¥ 178	¥ 166	¥ 179	¥ 144
Tools, office furniture and equipment	266	265	82	135	184	130
Total	¥ 623	¥ 575	¥ 260	¥ 301	¥ 363	¥ 274

(Thousands of U.S. dollars)	Acquisition costs	Accumulated depreciation	Net book value
	2002	2002	2002
Machinery and vehicle	\$ 2,329	\$ 1,245	\$ 1,084
Tools, office furniture and equipment	1,993	1,018	975
Total	\$ 4,322	\$ 2,263	\$ 2,059

The amount of outstanding future lease payments subsequent to March 31, 2001 and 2002 are as Follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Due within one year	¥ 105	¥ 108	\$ 809
Due over one year	274	182	1,372
Total	¥ 379	¥ 290	\$ 2,181

Lease expenses on finance leases for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Lease expenses:	¥ 128	¥ 123	\$ 924
Components of lease expenses:			
Depreciation	¥ 108	¥ 105	\$ 789
Interest	¥ 23	¥ 20	\$ 150

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.

Note12. 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

2002	Millions of yen					Consolidated
	Japan	Asia	North America	Other areas	Elimination	
Net sales						
Outside customers	¥ 36,177	¥ 13,229	¥ 9,032	¥ 2,315	¥ —	¥ 60,753
Intersegment sales	13,235	10,823	130	59	(24,247)	—
Total	49,412	24,052	9,162	2,374	(24,247)	60,753
Cost and expenses	50,793	23,484	8,797	2,876	(24,346)	61,604
Operating income	(1,381)	568	365	(502)	99	(851)
Identifiable assets	42,163	9,752	3,082	1,658	(2,622)	54,033

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

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

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

Other areas----- United Kingdom, Belgium, Brazil

*We have previously included North America in "Other Business Areas," but as its sales totaled over 10% of sales from all segments, we have added a new "North America" segment.

2002	Thousands of U.S. dollars					Consolidated
	Japan	Asia	North America	Other areas	Elimination	
Net sales						
Outside customers	\$ 271,496	\$ 99,284	\$ 67,780	\$ 17,378	\$ —	\$ 455,938
Intersegment sales	99,329	81,220	977	441	(181,967)	—
Total	370,825	180,504	68,757	17,819	(181,967)	455,938
Cost and expenses	381,193	176,238	66,015	21,588	(182,707)	462,327
Operating income	(10,368)	4,266	2,742	(3,769)	740	(6,389)
Identifiable assets	316,427	73,186	23,129	12,443	(19,679)	405,506

2001	Millions of yen					Consolidated
	Japan	Asia	North America	Other areas	Elimination	
Net sales						
Outside customers	¥ 41,523	¥ 16,517	¥ 10,030	¥ 6,109	¥ —	¥ 74,179
Intersegment sales	19,170	12,443	160	16	(31,789)	—
Total	60,693	28,960	10,190	6,125	(31,789)	74,179
Cost and expenses	58,671	28,239	9,401	5,894	(31,520)	70,685
Operating income *	2,022	721	789	231	(269)	3,494
Identifiable assets	45,431	10,955	4,562	2,869	(5,364)	58,453

* 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.

Overseas sales

2002	Millions of yen				Total
	Asia	North America	Europe	Other areas	
Overseas sales	¥ 16,373	¥ 10,794	¥ 6,623	¥ 293	¥ 34,083
Consolidated sales					60,753
Ratio of overseas sales (%)	26.9	17.8	10.9	0.5	56.1

2002	Thousands of U.S. dollars				Total
	Asia	North America	Europe	Other areas	
Overseas sales	\$ 122,878	\$ 81,008	\$ 49,701	\$ 2,200	\$ 255,787
Consolidated sales					455,938
Ratio of overseas sales (%)	26.9	17.8	10.9	0.5	56.1

2001	Millions of yen				Total
	Asia	North America	Europe	Other areas	
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

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



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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, 2002 and 2001, and the related consolidated statements of operations, 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, 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 applied on a consistent basis.

As described in Note 8 to the consolidated financial statements, SMK CORPORATION and its consolidated subsidiaries have adopted new accounting standards for financial instruments with respect to the valuation of the securities classified as other securities with which fair value information is available in the preparation of their consolidated financial statements for the year ended March 31, 2002.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 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.

Shin Nihon & Co

June 21, 2002

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.

(As of March 31, 2002)

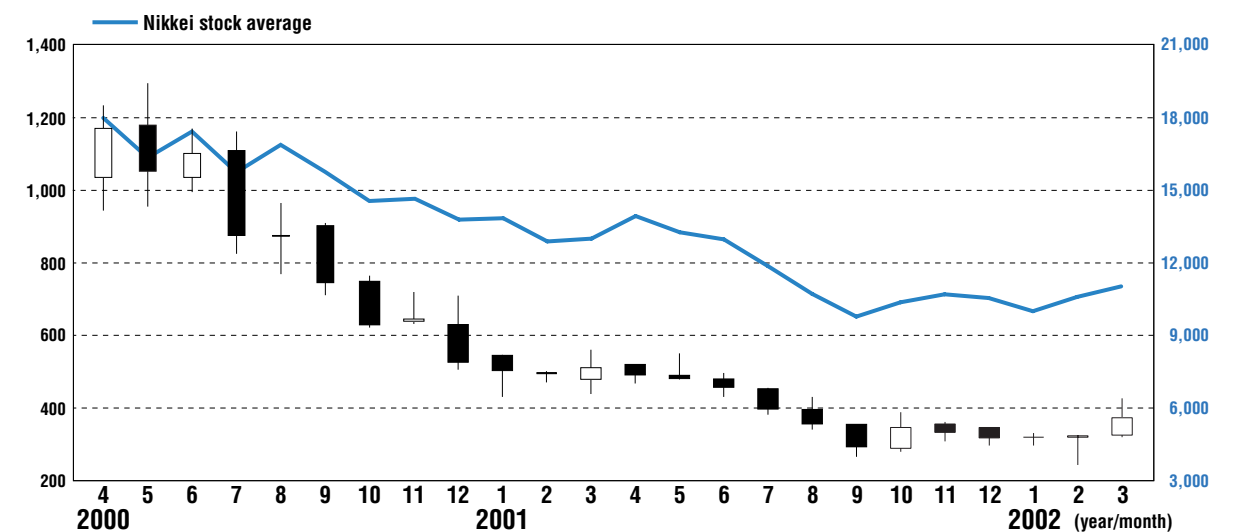
Authorized shares: 198,313,000
Issued shares: 81,351,726
Number of shareholders: 16,105

Major shareholders (top ten)	Shareholder Shares Owned (1,000 shares)	Percentage of Shares (%)
Mitsubishi Trust and Banking Corp.	6,112	7.51
Nippon Life Insurance Company	4,001	4.92
Industrial Bank of Japan, Ltd. (now Mizuho Corporate Bank, Ltd.)	3,560	4.38
Bank of Tokyo-Mitsubishi, Ltd.	3,372	4.15
UFJ Bank, Ltd.	2,745	3.38
Terutaka Ikeda	2,005	2.46
Dai Nippon Printing Co., Ltd.	1,795	2.21
SMK Cooperating Company Share Holding Association	1,730	2.13
Japan Trustee Services Bank, Ltd.	1,589	1.95
Fuji Bank, Ltd. (now Mizuho Corporate Bank, Ltd.)	1,443	1.77

Distribution of share ownership	
1-99 shares	1,976 (12.27%)
100-499 shares	2,238 (13.90%)
500-999 shares	450 (2.79%)
1,000-4,999 shares	10,011 (62.17%)
5,000-9,999 shares	862 (5.35%)
10,000-49,999 shares	464 (2.88%)
50,000~ shares	102 (0.63%)
2 others	(0.01%)

Distribution of shareholders	
Government/local public organization	1 (0.01%)
Financial institutions	53 (0.33%)
Securities companies	36 (0.22%)
Companies and other entities	285 (1.77%)
Foreigners	41 (0.25%)
Individuals and others	15,689 (97.42%)

Share Price Chart (unit: yen)



Corporate Data

(As of March 31, 2002)

Name:	SMK Corporation
Established:	January 15, 1929
Primary business:	Manufacture and sale of various electronic machinery and parts used in power, communications and electronic equipment, other industrial machinery, information equipment, etc.
Capital:	7,996,828,021 yen
Stock Exchange Listing:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi Trust and Banking Corporation
Independent Auditors:	Shin Nihon & Co. Tokyo, Japan
Employees:	SMK Corporation 980 SMK Corporation and Consolidated Subsidiaries 5,713
Head office:	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan TEL 81-3-3785-1111 FAX 81-3-3785-1878
Subsidiaries & Affiliates:	
Domestic:	Subsidiaries - 10 companies Affiliates - 3 companies
Overseas:	Subsidiaries - 19 companies
Website:	http://www.smk.co.jp/

Board of Directors and Corporate Auditors

(As of June 21, 2002)

Directors and Auditors

Chairman and Chief Executive Officer	Terutaka Ikeda
President and Chief Operating Officer	Tetsuya Nakamura
Executive Deputy President	Mikio Ito
Director	Yuji Tanahashi
Auditor	Jun Sugimoto
Auditor	Hiroyoshi Miyahara
Auditor	Shinji Yoshimizu

Corporate Executive Officer

Senior Executive Vice President	Tetsuo Murase
Senior Executive Vice President	Shigenobu Oyashiki
Senior Executive Vice President	Kenji Kobayashi
Executive Vice President	Tadashi Yamoto
Executive Vice President	Takushi Suzuki
Executive Vice President	Hajime Yamada
Vice President	Mitsuru Ito
Vice President	Takashi Hirawata
Vice President	Toru Kaneyoshi
Vice President	Yu Hosoya
Vice President	Hirozumi Kawabata
Vice President	Yoshiyuki Yonejima
Vice President	Yasumitsu Ikeda

Offices

(As of March 31, 2002)

Gate City Office

Gate City Ohsaki East Tower 18F, 11-2 Ohsaki 1-chome, Shinagawa-ku, Tokyo 141-0032 JAPAN
Tel. : 81-3-3785-1111

Osaka Branch

3-11 Shimizu 4-chome, Asahi-ku, Osaka-shi, Osaka 535-0021 JAPAN
Tel. : 81-6-6953-7222

Nagoya Branch

19-13 Noritake 1-chome, Nakamura-ku, Nagoya-shi, Aichi 453-0014 JAPAN
Tel. : 81-52-453-3011

Fukuoka Sales Office

6F, Yaoji Building 25-24 Hakataekimae 3-chome, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011 JAPAN
Tel. : 81-92-472-7236

Toyama Works, Technology Center, and Hokuriku Sales Office

1-1 Yasuuchi, Yatsuo-machi, Nei-gun, Toyama 939-2366 JAPAN
Tel. : 81-76-455-1212(Toyama Works and Technology Center)
Tel. : 81-76-455-1213(Hokuriku Sales Office)

Hitachi Works and Ibaraki Sales Office

20-9 Oaza Ishi, Juo-cho, Taga-gun, Ibaraki 319-1301 JAPAN
Tel. : 81-293-20-2111(Hitachi Works)
Tel. : 81-293-20-2144(Ibaraki Sales Office)

Yamato Works and Kanagawa Sales Office

1-8 Soyagi 3-chome, Yamato-shi, Kanagawa 242-0026 JAPAN
Tel. : 81-46-262-0711(Yamato Works)
Tel. : 81-46-262-0710(Kanagawa Sales Office)

Overseas Sales and Works

SMK Electronics (H.K.) Ltd.

Unit D, 1st Floor, Big Star Centre, No.8, Wang Kwong Road, Kowloon Bay, Kowloon, HONG KONG
Tel. : 852-2795-4451

SMK Dongguan Gaobu Factory

First East Branch, Zhenxing Road, Gaobu Town, Dongguan City Guangdong, 511784 China
Tel. : 86-769-887-3451-3

SMK Electronics (Shenzhen) Co.,Ltd.

3/F., Section 3 (East), Honghualing Industrial Area, Xili Town, Nanshan District, Shenzhen 518055, Guangdong, P.R.C.
Tel. : 86-755-6985999

SMK Electronics (Malaysia) Sdn. Bhd

Lot 15, Jalan Perusahaan 1, Beranang Industries Estates, 43700 Beranang, Selangor Darul Ehsan, Malaysia
Tel. : 60-3-8766-0166

SMK Electronics (Phils.) Corporation

Lot C-4, Clark Premiere Industrial Park, M.A.Roxas Highway, Clark Special Economic Zone, Clark Field, Pampanga, PHILIPPINES
Tel. : 63-45-599-5780

SMK Korea Co., Ltd.

581 Yongjedong, Iksan-City, Junbuk 570-350, Korea
Tel. : 82-63-835-5231

SMK (U.K.) Ltd.

Northfield Way, Aycliffe Industrial Estate, Newton Aycliffe, County Durham, DL5 6UF ENGLAND
Tel. : 44-1325-300-770

SMK Hungary Kft.

5600 Bekescsaba Almaskerti Ipari Park 1. Hungary
Tel. : 36-66-524-300

SMK Manufacturing, Inc.

1055 Tierra Del Rey, Chula Vista, California 91910 U.S.A.
Tel. : 1-619-216-6400

SMK Electronica S.A. de C.V.

Calle Tercera No.800 Facc. La Cienega, La Mesa, Tijuana, Baja California Mexico
Tel. : 52-664-689-2292

Overseas Sales Office

SMK High-Tech Taiwan Trading Co., Ltd.

SMK Trading (H.K.) Ltd.

Shanghai Representative Office

SMK Electronics Singapore Pte. Ltd.

SMK Electronics JKT REP Office

SMK Europe N.V.

SMK Europe N.V., U.K. Branch

SMK Europe N.V., U.K. South Office

SMK Europe N.V., France Branch

SMK Europe N.V., German Office

SMK Electronics Corporation U.S.A

SMK Electronics Corporation U.S.A., San Jose Office

SMK Electronics Corporation U.S.A., East Office

SMK Electronics Corporation U.S.A., Guadalajara Office

SMK São Paulo Indústria Eletrônica Ltda.