



5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511
Telephone:81-3-3785-1111 Fax:81-3-3785-1122



Financial Highlights

SMK Corporation and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
Six months ended September 30	2000	2001	2001	Year ended March 31 2001
Operating Results				
Net sales	¥ 37,474	¥ 32,031	\$ 268,268	¥ 74,179
Operating income	1,971	(230)	(1,929)	3,494
Net income	785	(691)	(5,790)	1,832
Financial Position				
Total assets	¥ 57,698	¥ 52,715	\$ 441,504	¥ 58,453
Total shareholders' equity	26,274	25,835	216,377	27,384
Per Share Data				
Net income	¥ 9.68	¥ (8.62)	\$ (0.07)	¥ 22.66

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥119.40 = U.S. \$1.00.

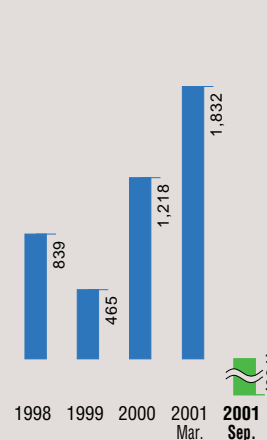
NET SALES

Millions of Yen
■ Six months ended results



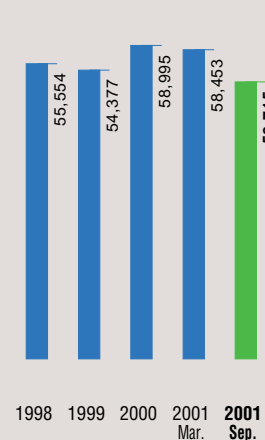
NET INCOME

Millions of Yen
■ Six months ended results



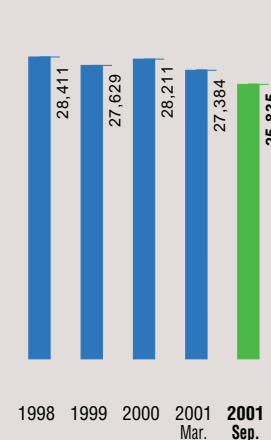
TOTAL ASSETS

Millions of Yen
■ Six months ended results



TOTAL SHAREHOLDERS' EQUITY

Millions of Yen
■ Six months ended results



To Our Shareholders

Overcoming the Global Recession and the Era of Drastic Changes

Increasing Severeness of the Business Environment

The world economy in the year 2001, affected by the slowdown of the U.S. economy that was further accelerated by the terrorist attacks simultaneously made on U.S. cities, appears to have entered the global recession.

This has brought a sudden halt to the economic globalization centered on Japan, Southeast Asia and Europe, and the outlook for the world economy has become uncertain.

Furthermore, with the collapse of the IT bubble, the market for electronic components in which SMK is largely involved, has seen a sharp decline in demand in the mobile-phone-oriented mobile/communication market, which had been showing steady and sharp growth, and in the information market centering on PCs and PDAs. Audio-visual and other markets have generally stagnated due to the slowing consumer consumption.

Under such circumstances, SMK's interim consolidated settlement for the period between April 1, 2001 and September 30, 2001 fell short of the initial projection, despite our diligent efforts to attain the goal.

I, however, believe that, even though the corporate management environment will remain severe for some time, the electronics industry will further develop, especially in the IT market, in the medium to long-term.

In coping with this recession, the SMK group will establish readiness for rapid and sharp changes in the markets. In addition, we will pursue our management strategies for better performance, in preparation for the coming year and for continuous growth in conjunction with the further expected development of the electronics industry. Through these efforts, SMK will overcome this era of drastic changes.

Enhancement of IT and Management Strategy

Although the IT bubble has collapsed, IT is essential for the present and future growth of SMK and our industry.

SMK has been actively engaged in the IT market and globally promoted management using IT as a tool, and will continue on with this strategy to respond to the further unification of world business.

As one of our responses to the economic globalization, we made English, together with Japanese, our official corporate language this year, which has led to acceleration in productivity.

In addition, we will steadily reform our development, production and sales systems with an eye on IT and globalization, while carefully observing market trends.

While we are in a period of global recession, we will prepare for the leap in the recovery period through: developing new products ahead of other corporations, raising transnational price competitiveness, reorganizing business fields, securing globally effective quality and environmental measures, and establishing multifaceted cooperation and tie-ups in every field. With these five action plans at the core, the SMK group will be united to promote the management strategy and increase the corporate value.

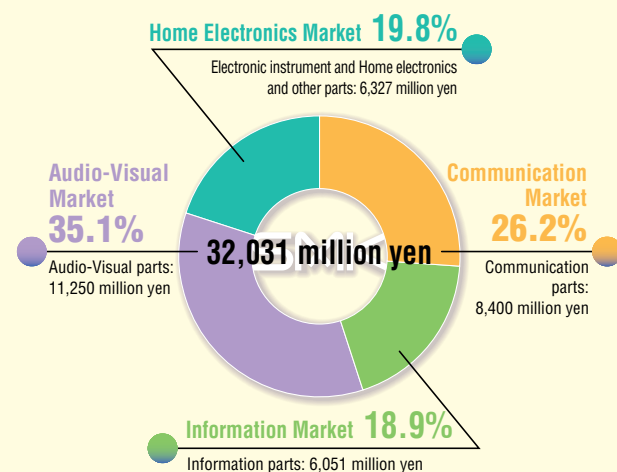
I would like to take this opportunity to ask all the shareholders for your further understanding and continued support.



Terutaka Ikeda
Chairman & President

Operational Overview (Consolidated)

(April 1-September 30, 2001)



Interim Overview

The simultaneous global recession and the continuing dismal performance of the stock market during the first half of this fiscal year created a severe environment for corporate management.

In the electronic component market in which SMK is involved, demand in the communication device market, centering on information devices and mobile phones, saw a drastic drop due to the IT bubble collapse triggered by the slowdown in the U.S. economy. Low order placement was seen all over the world, along with a protracted adjustment of production and parts inventory.

In addition, there was a slowdown in other markets due to the slackened consumption.

Under these circumstances, SMK made every effort to

increase market share, develop new products and enhance cost competitiveness. However, the results were below the set goals.

The consolidated sales at the end of the first half of the fiscal year decreased 14.5% year-on-year to 32,031 million yen.

The performance in each market is as follows.

In the visual parts market, the decrease in VTR and DVC fields could not be compensated with the healthy digital satellite broadcasting and DVD areas. This led to a 16.4% year-on-year decrease in the interim consolidated sales to 8,668 million yen.

In the audio parts market, the interim consolidated sales decreased 27.6% year-on-year to 2,582 million yen, due to slackening growth in luxury audio devices.

In the electronic instrument parts market, our efforts in advancing car electronics contributed to a significant year-on-year increase of 44.3% in interim consolidated sales to 2,692 million yen.

In the home electronics parts market, parts for TV games were favorably sold and the interim consolidated sales increased 39.8% year-on-year to 3,097 million yen.

In the communication parts market, the interim consolidated sales decreased 21.4% year-on-year to 8,400 million yen. Given the sharp growth in the previous year, this market experienced a severe slowdown and also a drastic decline in unit prices due to harsh competition.

In the information parts market, there was a large increase in the PDA market. However, the demand for PCs and peripheral equipment declined along with the bursting of the IT bubble. This market also experienced a decline in

unit prices and the interim consolidated sales decreased 22.1% year-on-year to 6,051 million yen.

As for income, despite earnest cost reduction efforts, a decrease in sales and a reduction in sales prices resulted in the Company posting an operating loss.

In addition, the Company posted an interim consolidated net loss of 691 million yen and an interim non-consolidated net loss of 1,180 million yen due to the following special losses: five-year equal amortization by adopting new accounting standards for retirement benefit, a 213 million yen devaluation loss of investment securities caused by a steep drop in the stock market, and an appraised investment loss of subsidiaries totaling 728 million yen.

Outlook for This Term

The terrorist incidents in the United States coupled with the slumping economy, have created anxiety about further slumping U.S. demand. Moreover, the impact of the global

recession, centered on IT-related demand, is foreseen. These factors will create an even more severe administrative environment for our group.

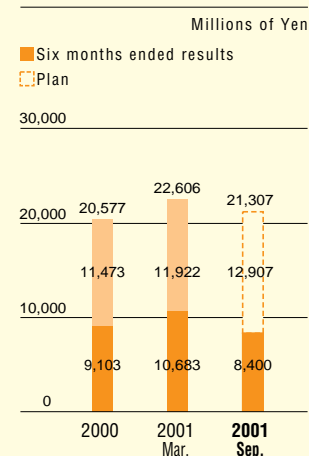
However, we are confident that further growth can be expected in the electronics industry in the future.

Our group will continue to steadfastly grasp the conditions of today and tomorrow and strive to improve performance focused on globalization by strengthening our sales structure through the entrance to the new markets, development of new products, new technology and more sophisticated production technology.

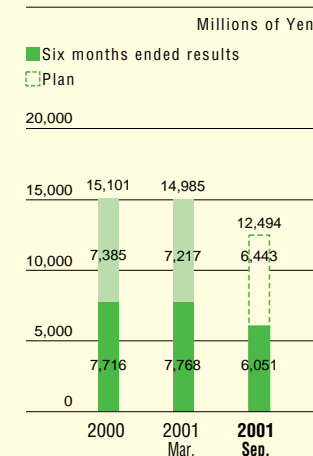
The outlook for the whole year is a year-on-year decrease in consolidated net sales of 11.0% to 66,000 million yen, ordinary income of 410 million yen and net loss for the current year of 300 million yen.

Moreover, the end-of-year dividend is scheduled to decrease 3 yen to 4 yen for the year.

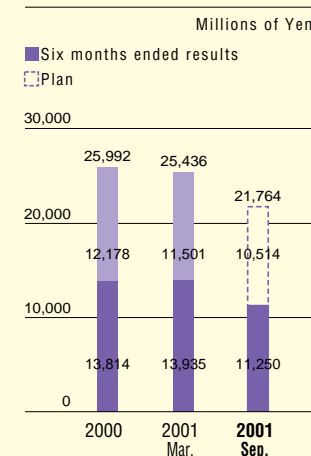
Communication NET SALES



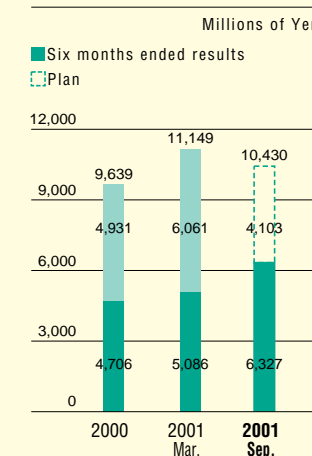
Information NET SALES



Audio-Visual NET SALES



Home Electronics NET SALES



New Product

Electret Condenser Microphone (ECM)

First product released in the digital voice field

SMK has developed an Electret Condenser Microphone, to be used for voice input into information devices such as mobile phones, digital video cameras and PDAs. This is the first product the Company releases in the digital voice market. The newly developed ECM adopts a back electret type form that catches less vibration and gives the new product excellent tolerance for use in a variety of environments.

It is a promising market with a potential demand of about 400 million units annually, in the mobile phone market alone. SMK will take advantage of its knowledge and technology as a comprehensive component maker to provide users with user-friendly products by integrating ECM with the holder connector that is essential for ECM, which creates a total assemble unit. It is our goal to apply these measures to gain a 10% market share.

Simultaneously, we will be aiming to gain added value for this ECM by developing it towards combined units such as hands-free units and voice recognition units.



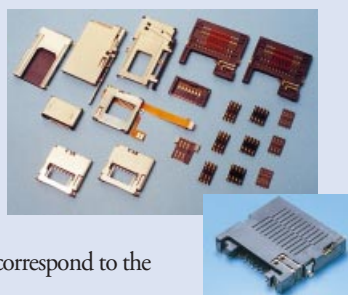
“Connector for Compact Memory Card”

Expanding product line-up, with the increase in digital devices

The compact memory card, currently utilized in video cameras, laptops, mobile phones and other digital devices, is expected to be utilized in many other devices due to its expandable potential.

SMK has developed various card connectors necessary for mounting these compact memory cards on devices. The connectors have been adopted globally, including the GSM, which is used in most Japanese and European mobile phones and the “SIM card,” which is to be used in next generation services. These products has contributed to the increased sales of the connector.

SMK has also developed a “3 in 1 Card Connector” that is compatible with three kinds of memory cards*, to respond to the advancing user needs. Utilizing its unique technology strength, SMK will further enhance its repertory to correspond to the expanding market.



- * SmartMedia: This is a conventional SSFDC (Solid State Floppy Disc Card). It is a NAND-type compact flash memory card for the next generation.
- * Memory Stick: Semiconductor memory device
- * SD Memory Card: Semiconductor memory card
- MMC: Multimedia Card
- SIM Card: This is an acronym for Subscriber Identity Module. The card is used in GSM mobile terminals to identify subscribers. GSM is the common European standard for mobile phones.

“Standard Remote Control with Mouse Functions”

Strengthening product lineup for high function PCs

Today, personal computers are equipped with functions such as TV, DVD, and music CD. And the demand for wireless remote control for these functions has sharply increased. In response to this demand, SMK developed an industry first, remote control device for laptop & desktop PCs. This device is equipped with scroll functions, mouse functions and other functions,



in addition to conventional standard remote control functions.

Adding this product to the existing wireless lineup that includes wireless mice and wireless keyboards does not only widens our repertory of wireless products but has further strengthened the Company's ability to respond to PC products, with their increasingly advancing functions.

“2.4GHzSS Communication Module”

New development for the wireless communication system market
SMK has developed “2.4GHzSS Communication Module” complying with IEEE802.11b.

This module consists of a base band section and RF section, and has no media access control function included. It is expected to be utilized in various wireless communication systems such as inventory management, remote monitoring and image transmission by using a free communication protocol in system configurations.



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of September 30

Assets	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
	2000	2001	2001	As of March 31 2001
Current assets				
Cash and cash equivalents	¥ 4,678	¥ 3,196	\$ 26,770	¥ 4,807
Time deposits	—	188	1,576	216
Notes and accounts receivable, trade	19,416	17,126	143,430	19,434
Allowance for doubtful accounts	(52)	(26)	(222)	(78)
Inventories	8,288	7,297	61,113	9,053
Deferred income taxes	333	930	7,793	565
Other current assets	1,292	1,327	11,115	1,067
	33,955	30,038	251,575	35,064
Investments and long-term loans				
Investments in securities	4,192	2,566	21,489	3,358
Long-term loans receivable	59	56	471	54
Other investments	1,140	1,300	10,887	1,186
Allowance for doubtful accounts	(258)	(251)	(2,106)	(251)
	5,133	3,671	30,741	4,347
Property, plant and equipment				
Land	3,636	3,641	30,497	3,650
Buildings	14,923	15,011	125,721	15,089
Machinery and equipment	32,539	34,581	289,626	33,604
Construction in progress	50	249	2,084	1
	51,148	53,482	447,928	52,344
Less accumulated depreciation	(33,560)	(35,730)	(299,246)	(34,241)
	17,588	17,752	148,682	18,103
Other assets				
Deferred income taxes	904	1,111	9,309	776
Other	118	143	1,197	163
	1,022	1,254	10,506	939
Total assets	¥ 57,698	¥ 52,715	\$ 441,504	¥ 58,453

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥119.40 = U.S.\$1.00.

Liabilities and shareholders' equity	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
	2000	2001	2001	As of March 31 2001
Current liabilities				
Short-term loans payable	¥ 7,662	¥ 9,294	\$ 77,838	¥ 8,060
Notes and accounts payable, trade	14,243	11,495	96,272	13,715
Accrued income taxes	774	175	1,463	807
Accrued expenses	625	433	3,627	426
Other current liabilities	2,550	2,930	24,546	3,911
	25,854	24,327	203,746	26,919
Long-term liabilities				
Long-term debt	3,092	1,261	10,560	3,315
Reserve for retirement benefit obligations	2,033	825	6,911	417
Other long-term liabilities	445	467	3,910	418
	5,570	2,553	21,381	4,150
Shareholders' equity				
Common stock, ¥50 par value				
Authorized: 198,313,000 shares				
Issued and outstanding: 2000.9 82,630,726 shares	7,996	—	—	—
2001.9 81,351,726 shares	—	7,996	66,975	—
2001.3 81,451,726 shares	—	—	—	7,996
Additional paid-in capital	12,057	12,057	100,981	12,057
Retained earnings	9,229	8,417	70,494	9,628
Foreign currency translation adjustments	(2,312)	(1,681)	(14,077)	(1,646)
Treasury stock	(696)	(619)	(5,187)	(651)
Unrealized holding losses on securities	—	(335)	(2,809)	—
	26,274	25,835	216,377	27,384
Total liabilities and shareholders' equity	¥ 57,698	¥ 52,715	\$ 441,504	¥ 58,453

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

Six months ended September 30

	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
	2000	2001	2001	Year ended March 31 2001
Net sales	¥ 37,474	¥ 32,031	\$ 268,268	¥ 74,179
Cost of sales	31,810	28,579	239,359	63,523
Selling, general and administrative expenses	3,693	3,682	30,838	7,162
Operating income	1,971	(230)	(1,929)	3,494
Other income				
Interest and dividend income	76	66	549	130
Rent income	368	356	2,984	725
Foreign exchange gain, net	23	—	—	604
Gain on sales of fixed assets	1	4	36	2
Gain on sales of investment securities	18	0	0	34
Other	146	89	746	287
Total other income	632	515	4,315	1,782
Other expenses				
Interest expenses	180	123	1,029	351
Foreign exchange loss, net	—	353	2,955	—
Loss on disposal of fixed assets	2	14	119	218
Loss from devaluation of investment securities	722	213	1,785	113
Bad debt expenses	165	—	—	229
Loss on setting trust for pension contribution	—	—	—	286
Special retirement payments	63	66	552	71
Accrued severance expenses	372	374	3,129	747
Other	250	146	1,220	459
Total other expenses	1,754	1,289	10,789	2,474
Income before income taxes	849	(1,004)	(8,403)	2,802
Income taxes				
Current	656	140	1,177	1,549
Deferred	(592)	(453)	(3,790)	(579)
Net income	¥ 785	¥ (691)	\$ (5,790)	¥ 1,832
	Yen	Yen	U.S.Dollars	Yen
Net income per share	¥ 9.68	¥ (8.62)	\$ (0.07)	¥ 22.66

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥119.40 = U.S.\$1.00.

Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

Six months ended September 30

	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen
	2000	2001	2001	Year ended March 31 2001
Cash flows from operating activities:				
Income before income taxes	¥ 849	¥ (1,003)	\$ (8,403)	¥ 2,802
Depreciation and amortization	1,781	1,979	16,579	3,743
Increase in reserve for retirement benefit obligations	2,033	409	3,424	406
Interest and dividend income	(75)	(121)	(1,017)	(130)
Interest expenses	180	123	1,029	351
Foreign exchange losses, net	25	179	1,502	(58)
Provision for special retirement allowance	62	66	552	71
Decrease in long-term accrued accounts payable	(1,638)	—	—	(1,638)
Losses from write-down of investments	722	207	1,737	113
Trust for pension contribution	—	—	—	1,977
Loss on setting trust for pension contribution	—	—	—	285
Increase in notes and accounts receivable, trade	(1,086)	1,616	13,539	(1,158)
Increase in inventories	(1,392)	1,618	13,551	(1,844)
Increase in notes and accounts payable, trade	906	(1,602)	(13,423)	944
Other	(73)	51	430	759
Subtotal	2,294	3,522	29,500	6,623
Receipts of interest and dividend income	75	52	439	130
Payments of interest expenses	(200)	(152)	(1,277)	(330)
Special retirement payments	(63)	(66)	(552)	(71)
Payments of income taxes	(1,813)	(743)	(6,225)	(2,713)
Net cash provided by operating activities	293	2,613	21,885	3,639
Cash flows from investing activities:				
Payments to time deposits	—	—	—	(214)
Proceeds from time deposits	1,035	26	223	1,035
Purchases of fixed assets	(1,806)	(2,575)	(21,570)	(3,610)
Proceeds from sale of fixed assets	147	126	1,055	206
Purchases of marketable securities	(366)	(1)	(10)	(615)
Proceeds from sale of marketable securities	94	0	0	121
Purchases of subsidiaries' stock	—	(98)	(825)	(752)
Payments on loans receivable	(110)	(446)	(3,736)	(160)
Proceeds from loans receivable	117	6	52	48
Net cash used in investing activities	(889)	(2,962)	(24,811)	(3,941)
Cash flows from financing activities:				
Decrease(Increase) in short-term loans receivable	162	(426)	(3,567)	303
Proceeds from long-term debt	—	0	2	451
Payments of long-term debt	(345)	(253)	(2,118)	(655)
Proceeds from issuance of corporate bond	90	—	—	90
Purchases of treasury stock	(234)	(52)	(440)	(952)
Proceeds from sale of treasury stock	385	34	289	446
Dividends paid	(560)	(499)	(4,178)	(563)
Net cash used in financing activities	(502)	(1,196)	(10,012)	(880)
Effect of exchange rate changes on cash and cash equivalents	(30)	(74)	(621)	183
Decrease in cash and cash equivalents	(1,128)	(1,619)	(13,559)	(999)
Cash and cash equivalents at beginning of year	5,806	4,807	40,261	5,806
Increase in cash and cash equivalents arising from inclusion in consolidation	—	8	69	—
Cash and cash equivalents at end of six months and year	¥ 4,678	¥ 3,196	\$ 26,771	¥ 4,807

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥119.40 = U.S.\$1.00.

Original High Precision Method Development of “Metal Ferrules”

Full entrance into expanding optical communication and transmission market

SMK is the first in the industry to develop “metal ferrules” and has established a system for supplying one million units a month.

Ferrules are the main component of optical communications and transmissions, which require ultra precise manufacturing to accurately connect the optical fiber and light receiving/emitting elements. Compared to conventional zirconia ceramic ferrules, metal ferrules are highly customizable to specifications, such as small diameters and multiple cores, and are easy to polish following incorporation into the optical fiber. The special feature is the high precision of its holes.

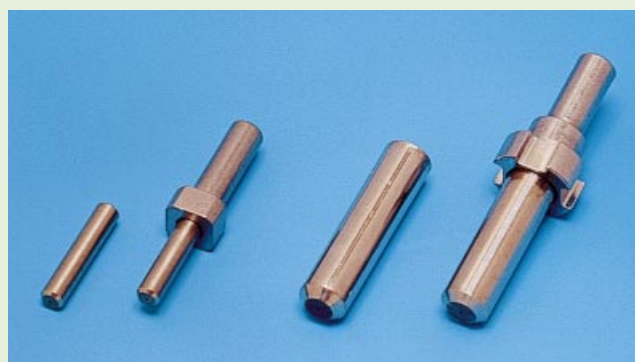
In correlation with the growth of the optical communications market, great growth in the demand for ferrules is expected particularly in terminal-like interfaces and as a result of new

optical transmission capabilities of household equipment.

The manufacturing method for metallic ferrules was completed through entering into a business tie-up with Microferr Inc. Microferr's method for manufacturing the base metal of ferrule using electroforming was combined with a precision manufacturing method developed by SMK for the finishing process.

An international PCT PAT patent is currently pending for the manufacturing method and SMK has the exclusive rights for the sale of “metal ferrules” manufactured using the electroforming method.

SMK will develop a product line-up of connectors using metal ferrules and respond to the expanding market.



New product “Metal Ferrules”



Press conference

Source: Dempa Shimbun, November 1, 2001

Source: Nihon Kogyo Shimbun November 1, 2001



Source: Nikkan Kogyo Shimbun (Daily Industrial News) November 1, 2001

Source: Nikkei Industrial Daily, November 1, 2001

Corporate Data

(As of September 30, 2001)

Company name:	SMK Corporation
Foundation:	April 1925
Capital:	7,996 million yen
Stock:	198,313,000
Authorized:	198,313,000 shares
Issued:	81,351,726 shares
Listed:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi Trust and Banking Corporation
Independent Auditors:	Shin Nihon & Co. Tokyo, Japan
Number of Employees:	6,560
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 - 19 companies
URL:	http://www.smk.co.jp/

Board of Directors and Corporate Auditors

(As of September 30, 2001)

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