



5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, JAPAN
Telephone: 81-3-3785-1111 Fax: 81-3-3785-1878
<http://www.smk.co.jp/>

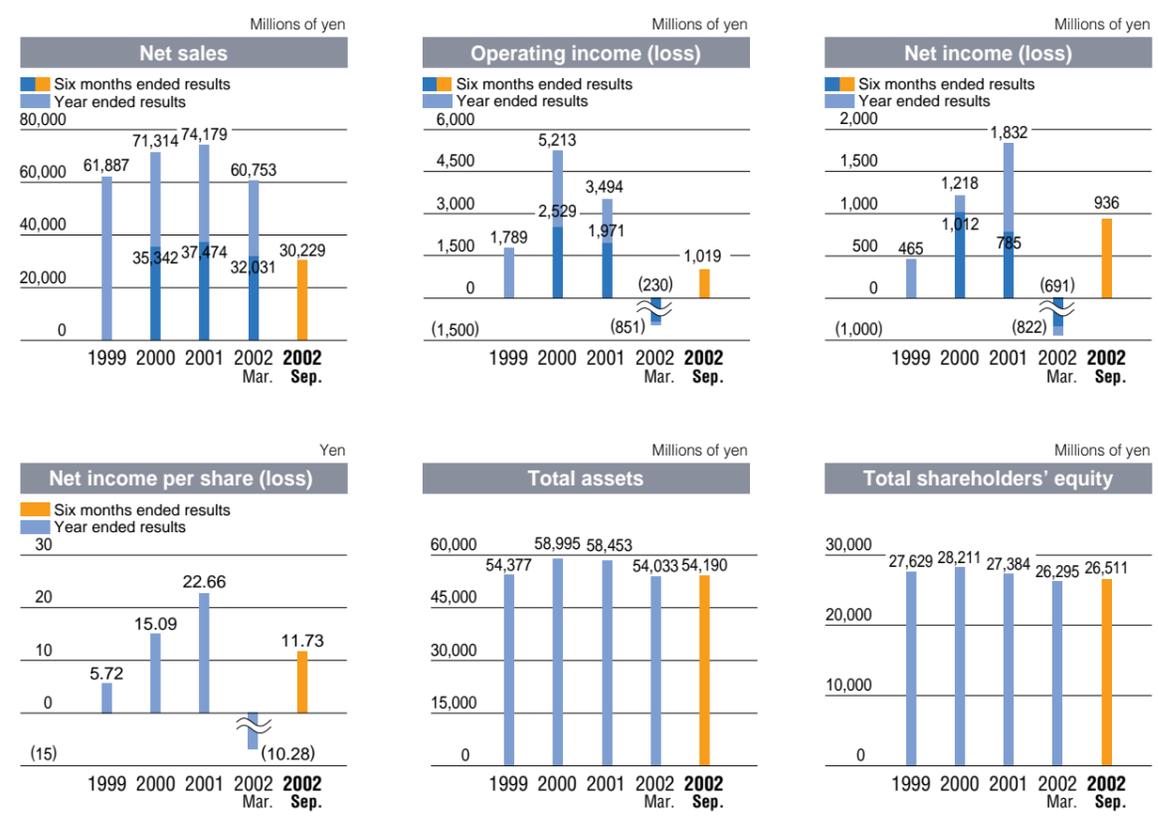


Financial Highlights

SMK Corporation and Consolidated Subsidiaries

Six months ended September 30	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2001	2002	2002	2002 Year ended March 31
Operating Results				
Net sales	¥ 32,031	¥ 30,229	\$ 246,574	¥ 60,753
Operating income (loss)	(230)	1,019	8,314	(851)
Net income (loss)	(691)	936	7,641	(822)
Financial Position				
Total assets	¥ 52,715	¥ 54,190	\$ 442,013	¥ 54,033
Total shareholders' equity	25,835	26,511	216,245	26,295
Per Share Data				
Net income (loss)	¥ (8.62)	¥ 11.73	\$ 0.10	¥ (10.28)

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.60 = U.S. \$1.00.



To Our Shareholders and Investors

Dedication to Victoriously Overcome Difficult Environments

Increasing Opacity of the Business Environment

Although the world economy during this consolidated interim period has shown signs of recovery from the dire slumps following the simultaneous terror incidents in the U.S. (September 2001), the future is still unclear due to the continuing drop in the U.S. stock market. Although the decline in personal consumption within the Japanese economy has shown indications of bottoming out, there is an increasing bleakness concerning the future including the stock market continuing to tumble to new lows while the deflationary trend grows.

In the electronics industry, there are signs of a recovery for demand in digital appliances and other areas. However, resilience is still lacking in the market that centers on the IT related areas.

Under such circumstances, our consolidated performance for the interim period (April 1, 2002 to September 30, 2002) showed net sales posting a year-on-year decline, both operating income and ordinary profit returning to a profit.

Despite the continuing severe business climate, the SMK Group will establish an organization that will overcome this recession and rapidly respond to the changing market. In addition, we will pursue an administration that will improve performance and realize growth by increasing business efficiency and optimizing management resources.

Business in an Era of Drastic Change

The SMK Group has proactively entered into IT related markets and used IT as a tool to promote efficient management globally. For the time being, we will develop technology associated with broadband that is dominating in the market and with the ubiquitous network environment. We will especially place the greatest priority on producing original, creative and pioneering products as well as seek out new markets where future growth is expected.

In response to the challenges of globalization, we will further expand business opportunities in the Chinese market, with its great potential, by putting an emphasis on production and sales network bases.

As for the heightening of business efficiency, we have separated the posts of chairman and

president in April 2002 and have enhanced corporate governance by introducing a structure with executive and outside directors.

Moreover, we are striving to reinforce our corporate organization to create a company with an ability to achieve continual growth and development even within periods of slumps in demand, as we are currently experiencing. We will streamline production, sales, logistics and other areas. We will also reorganize our business by reviewing the productivity and the trends of medium to long-term markets, and are establishing operational tie-ups on various dimensions. We will also further review the cost structure and reinforce our corporate organization, although some measures have already generated positive effects in this interim period.

Through these efforts, the SMK Group will collectively work to heighten corporate value.

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



Tetsuya Nakamura
President and Chief Operating Officer

Terutaka Ikeda
Chairman and Chief Executive Officer



Sales and Market-wise Overview

(April 1, 2002 to September 30, 2002)

Car electronics and home electronics 19.6%

Electronic instruments, electronic toys, home electronics and other parts
5,941 million yen

Audio-visual 36.1%

Audio-visual parts
10,907 million yen

Communication 27.0%

Communications parts
8,161 million yen

Information 17.3%

Information parts
5,219 million yen

30,229 million yen

Overview for the Interim Period

Although the world economy during this consolidated interim period has shown signs of recovery from the dire slumps following the simultaneous terror incidents in the U.S. (September 2001), the future is still unclear due to the continuing drop in the U.S. stock market. Although the decline in personal consumption within the Japanese economy has shown signs of bottoming out, there is an increasing bleakness concerning the future including the stock market continuing to tumble to new lows while the deflationary trend grows.

In the electronics industry, there are signs of a recovery for demand in digital appliances and other areas. However, resilience is still lacking in the market that centers on the IT related areas.

Under these conditions, the SMK group has striven to

increase the market, strengthen development of new products and improve cost competitiveness among other measures. However, the consolidated net sales for the interim period decreased by 5.6% year-on-year to 30,229 million yen.

The conditions by market are as follows.

Within **the visual parts market**, a demand for TVs including LCD /PDP and DVD units remained steady, due in part to the World Cup games held in June 2002, although VCRs did poorly. As a result, net sales decreased by 2.1% year-on-year to 8,489 million yen.

Within **the audio parts market**, the slump in luxury type of AV receivers caused net sales to fall by 6.3% year-on-year to 2,418 million yen.

As for **the electronic instrument parts market**, the relatively strong demand for automobile products centering on car navigation systems and the release of new products compensated for the unit price decrease and resulted in a 0.6% increase year-on-year to 2,707 million yen.

Within **the electronics toys and home electronics parts market**, the impact of the drop in unit price offset the expansion in the sales volume of TV game parts, and home appliance parts sold poorly. Consequently, net sales decreased year-on-year by 14.6% to 2,645 million yen.

Within **the communication parts market**, there were positive factors such as the rapid spread of cellular phones with cameras and the growth in production for some overseas clients. However, the sales level of last year was not reached and net sales decreased by 2.8% to 8,161 million yen.

As for **the information parts market**, solid growth was posted in digital still-cameras and other areas, but demand dropped in the office equipment area. This led to an overall decrease in net sales by 13.8% year-on-year to 5,219 million yen.

As for revenues, despite the loss in exchange arising

from the sharp yen appreciation, operating income totaling 1,019 million yen was posted due to cost-cutting and other rationalization measures.

In addition, despite about 1,700 million yen in extraordinary profit resulting from the return of the agency portion of the welfare pension funds, there were also extraordinary charges such as special retirement allowance payments. Thus, the net interim income posting an amount of 936 million yen.

Outlook for This Fiscal Year

As for future prospects, while Japan's economy continues to exhibit disturbing elements including deflation showing no signs of ending and consumer spending declining under the continuing stock market slump, there is also a greater uncertainty about the global economy due to the slowdown of the U.S. economy resulting from the stock market crash.

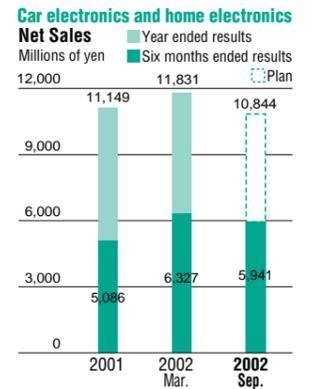
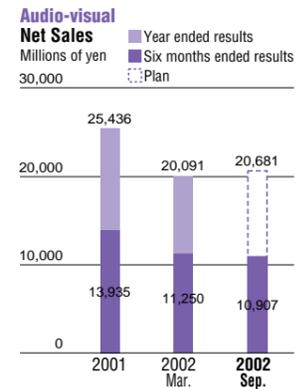
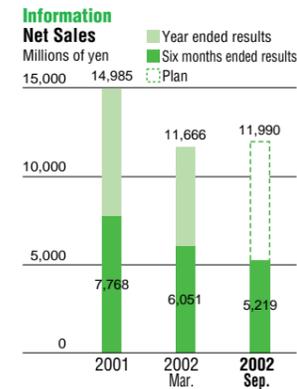
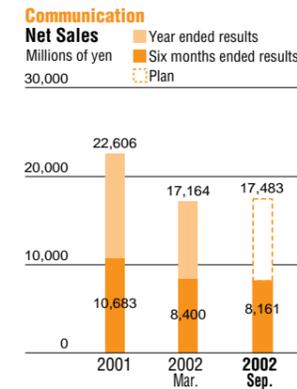
Our electronics industry is showing signs of recovery in demand in the digital home appliance and digital still-camera market. Nevertheless, it is still hard to predict the

future of the overall market including the cellular phone area.

However, there are also markets with a prospect of growth during the medium and long-term due to the advancement of IT and digitalization, and the development of networks resulting from the propagation of broadband and fiber optics.

SMK will maintain our proactive measures for globalization and IT as our steadfast principle. For these reasons, our company will improve business performance by responding quickly to growth areas and cultivating new markets, developing new products and technologies that correspond to customer needs, upgrading manufacturing technologies, establishing efficient sales systems and reviewing cost structures so that as a company we can continue to post growth in the progressively tougher economic environments. In this manner, we promise to improve our performance by strengthening our coherence as one group.

As for our consolidated business performance for this fiscal year, we anticipate net sales of 61,000 million yen, and net income of 1,520 million yen.



SMK in Market

Thin Condenser Microphone with a Connector

Greatly contributing to making information terminals thinner and smaller

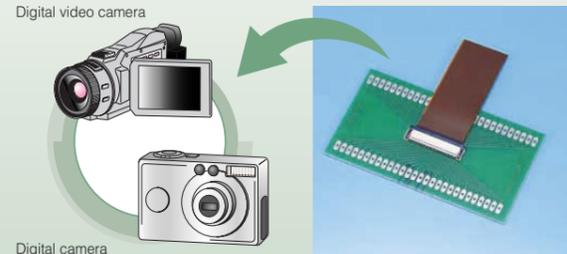
By combining a 1.5mm compact and thin electret condenser microphone (ECM) with our unique newly developed microphone connector, the mounted height is 2mm, the smallest in the industry.



0.3mm Pitch FPC Connector, the EC-03 Series

PCB height of 1.3mm; designed a unique easy flip lock method

By making the contact section a slider structure, which is less susceptible to bending, high contact reliability has been secured. This combined with both a top contact point compatibility being realized and the use of our exclusive easy flip lock system has secured a higher level of operability.



Force-Feedback Type Touch Panel

Produces a "clicking" sensation when inputting on the Touch Panel

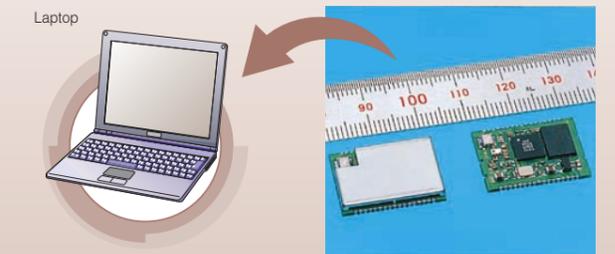
The sense of operation has been improved several levels by providing various touch-like sensations including clicking. This is achieved by implementing our unique technology that vibrates the touch panel and feeding back this reaction to a finger or pen when inputting on the panel.



Bluetooth Module

Short distance wireless communication technology using a 2.4GHz band

Use of Bluetooth is increasing in frequency in the case of cellular phones, laptops, computer equipment, digital household appliances and other equipment. Its use is expected to extend to even more types of equipment from now on.



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of September 30

Assets	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2001	2002	2002	As of March 31 2002
Current assets				
Cash and cash equivalents	¥ 3,196	¥ 5,963	\$ 48,643	¥ 7,190
Time deposits	188	202	1,645	233
Notes and accounts receivable, trade	17,126	17,754	144,817	14,964
Allowance for doubtful accounts	(26)	(180)	(1,468)	(138)
Inventories	7,297	5,656	46,137	5,670
Deferred income tax assets	930	351	2,866	649
Other current assets	1,327	1,748	14,249	2,014
	30,038	31,494	256,889	30,582
Investments and long-term loans				
Investment securities	2,566	2,659	21,692	2,807
Long-term loans receivable	56	133	1,082	88
Other investments	1,300	1,725	14,073	1,423
Allowance for doubtful accounts	(251)	(338)	(2,755)	(292)
	3,671	4,179	34,092	4,026
Property, plant and equipment				
Land	3,641	3,643	29,720	3,657
Buildings	15,011	15,435	125,897	15,688
Machinery and equipment	34,581	36,119	294,605	36,085
Construction in progress	249	24	194	22
	53,482	55,221	450,416	55,452
Less-Accumulated depreciation	(35,730)	(38,450)	(313,626)	(37,957)
	17,752	16,771	136,790	17,495
Other assets				
Deferred income tax assets	1,111	1,674	13,653	1,847
Other	143	72	589	83
	1,254	1,746	14,242	1,930
Total assets	¥ 52,715	¥ 54,190	\$ 442,013	¥ 54,033

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.60 = U.S.\$1.00.

Liabilities and shareholders' equity	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2001	2002	2002	As of March 31 2002
Current liabilities				
Short-term loans payable	¥ 9,294	¥ 8,989	\$ 73,319	¥ 11,131
Notes and accounts payable, trade	11,495	7,627	62,206	6,625
Accrued income taxes	175	93	761	107
Accrued expenses	433	537	4,381	503
Account payable-non trade	785	5,342	43,576	4,796
Other current liabilities	2,145	1,396	11,385	1,322
	24,327	23,984	195,628	24,484
Long-term liabilities				
Long-term debt	1,261	3,175	25,899	1,526
Liability for employees' retirement benefit	825	141	1,148	1,253
Other long-term liabilities	467	379	3,093	475
	2,553	3,695	30,140	3,254
Shareholders' equity				
Common stock, ¥50 par value per share				
Authorized: 198,313,000 shares				
Issued and outstanding: 2001.9 81,351,726 shares	7,996	—	—	—
2002.9 81,351,726 shares	—	7,996	65,227	—
2002.3 81,351,726 shares	—	—	—	7,996
Capital reserve	12,057	12,057	98,345	12,057
Earnings reserve	8,417	8,902	72,607	8,285
Foreign exchange translation adjustment	(1,681)	(1,323)	(10,792)	(1,161)
Unrealized losses on securities available for sale	(335)	(337)	(2,746)	(226)
Treasury stock	(619)	(784)	(6,396)	(656)
	25,835	26,511	216,245	26,295
Total liabilities and shareholders' equity	¥ 52,715	¥ 54,190	\$ 442,013	¥ 54,033

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
	2001	2002	2002	Year ended March 31 2002
Net sales	¥ 32,031	¥ 30,229	\$ 246,574	¥ 60,753
Cost of sales	28,579	26,025	212,280	54,796
Selling, general and administrative expenses	3,682	3,185	25,980	6,808
Operating income (loss)	(230)	1,019	8,314	(851)
Other income				
Interest and dividend income	66	65	531	114
Rent income	356	344	2,806	712
Foreign exchange gain, net	—	—	—	158
Gain on sales of fixed assets	4	4	35	7
Gain on return of substitutional portion of retirement benefits	—	1,735	14,154	—
Other	89	118	963	213
Total other income	515	2,266	18,489	1,204
Other expenses				
Interest expenses	122	101	822	246
Foreign exchange loss, net	353	656	5,351	—
Loss on disposal of fixed assets	14	99	812	108
Loss from devaluation of investments securities	213	29	233	193
Bad debt expenses	—	81	659	156
Directors and statutory auditors retirement payments	—	145	1,184	—
Special retirement payments	66	153	1,249	149
Accrued severance expenses	374	347	2,831	747
Other	146	143	1,170	355
Total other expenses	1,288	1,754	14,311	1,954
Income (loss) before income taxes	(1,003)	1,531	12,492	(1,601)
Income taxes				
Current	140	46	371	203
Deferred	(452)	549	4,480	(982)
Net income (loss)	¥ (691)	¥ 936	\$ 7,641	¥ (822)
	Yen		U.S.dollars	Yen
Net income (loss) per share	¥ (8.62)	¥ 11.73	\$ 0.10	¥ (10.28)

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.60 = U.S.\$1.00.

Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

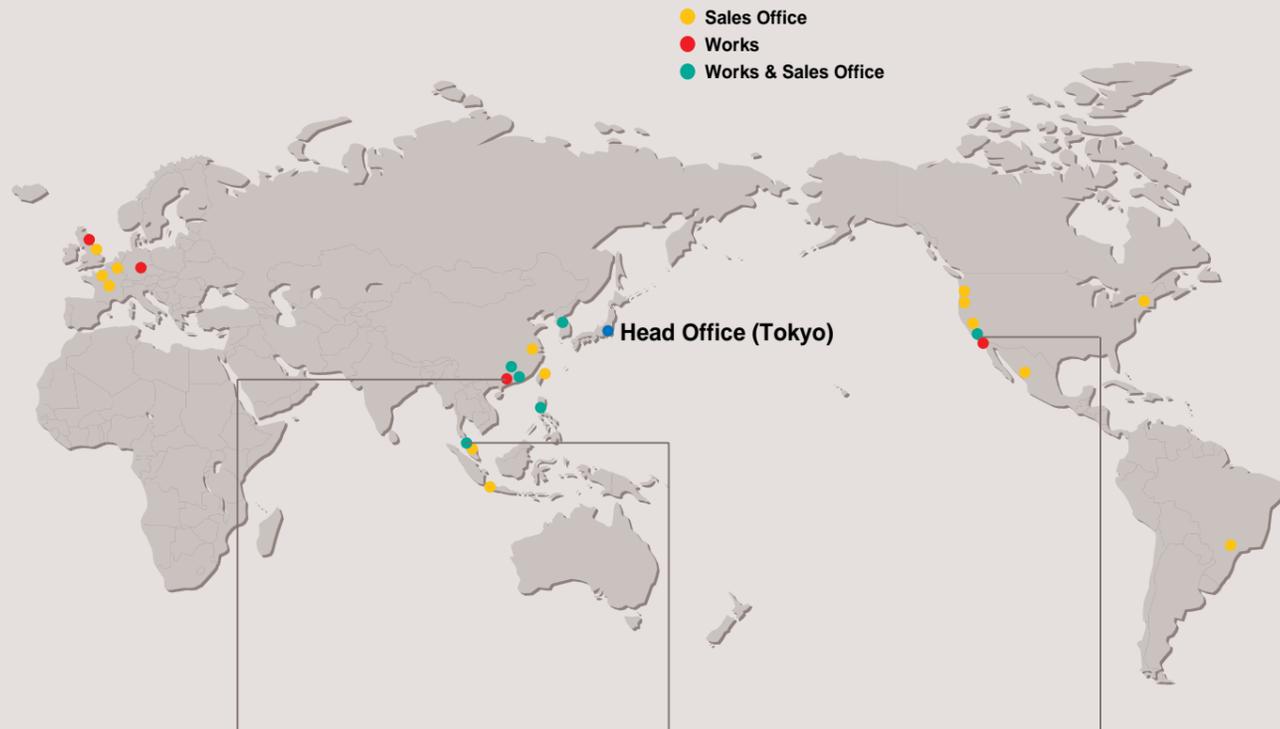
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2001	2002	2002	Year ended March 31 2002
Cash flows from operating activities				
Income before income taxes	¥ (1,003)	¥ 1,531	\$ 12,492	¥ (1,601)
Depreciation and amortization	1,979	1,589	12,965	3,799
(Decrease) increase in liability for employees' retirement benefit	409	(1,112)	(9,073)	835
Increase (decrease) in allowance for doubtful accounts	(55)	88	715	100
Interest and dividend income	(121)	(65)	(531)	(114)
Interest expenses	122	101	822	246
Foreign exchange loss, net	179	396	3,230	(75)
Provision for directors and statutory auditors retirement allowance	—	145	1,184	—
Provision for special retirement allowance	66	153	1,249	149
Loss on disposal of fixed assets	14	99	812	108
Losses from write-down of investments	207	29	233	193
(Increase) decrease in notes and accounts receivable, trade	1,616	(3,466)	(28,272)	4,714
(Increase) decrease in inventories	1,618	(188)	(1,533)	3,594
Increase (decrease) in notes and accounts payable, trade	(1,602)	2,257	18,411	(3,709)
Other	93	50	408	(657)
Subtotal	3,522	1,607	13,112	7,582
Receipts for interest and dividend income	52	65	526	113
Payments of interest expenses	(152)	(118)	(962)	(294)
Directors and statutory auditors retirement payments	—	(145)	(1,184)	—
Special retirement payments	(66)	(141)	(1,150)	(70)
Receipts of tax refund	—	160	1,309	12
Payments of income taxes	(743)	(69)	(563)	(916)
Net cash provided by operating activities	2,613	1,359	11,088	6,427
Cash flows from investing activities				
Proceeds from time deposits	26	29	240	2
Purchases of fixed assets	(2,575)	(1,084)	(8,845)	(4,465)
Proceeds from sale of fixed assets	126	120	978	218
Purchases of marketable securities	(1)	(503)	(4,099)	(77)
Proceeds from sale of marketable securities	0	0	1	0
Purchases of subsidiaries' stock	(98)	(1)	(6)	(98)
Payment on loans receivable	(446)	(217)	(1,774)	(520)
Proceeds from loans receivable	6	54	442	129
Other	—	5	38	—
Net cash used in investing activities	(2,962)	(1,597)	(13,025)	(4,811)
Cash flows from financing activities				
(Decrease) increase in short-term loans receivable	(426)	(8)	(61)	1,206
Proceeds from long-term debt	0	1,171	9,548	493
Payments of long-term debt	(253)	(1,524)	(12,432)	(545)
Purchases of treasury stock	(52)	(120)	(980)	(85)
Proceeds from sale of treasury stock	34	18	147	41
Dividends paid	(499)	(319)	(2,604)	(545)
Net cash used in financing activities	(1,196)	(782)	(6,382)	565
Effect of exchange rate changes on cash and cash equivalents	(74)	(207)	(1,685)	194
(Decrease) increase in cash and cash equivalents	(1,619)	(1,227)	(10,004)	2,375
Cash and cash equivalents at beginning of year	4,807	7,190	58,647	4,807
Increase in cash and cash equivalents arising from inclusion in consolidation	8	—	—	8
Cash and cash equivalents at end of six months and year	¥ 3,196	¥ 5,963	\$ 48,643	¥ 7,190

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.60 = U.S.\$1.00.

Global Network

Corporate Data (As of September 30, 2002)



Company Name: SMK Corporation
Established: January 15, 1929
Major Operations: 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 Listings: Tokyo Stock Exchange, Osaka Securities Exchange
Transfer Agent: The Mitsubishi Trust and Banking Corporation
Independent Auditors: Shin Nihon & Co. Tokyo, Japan

Employees: SMK Corporation 958
 SMK Corporation and Consolidated Subsidiaries 6,734
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 - 20 companies
Website: <http://www.smk.co.jp/>

Board of Directors and Corporate Auditors

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 Officers
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

SMK Dongguan Gaobu Factory
Business description
 Manufacture of mechanical parts for electronic appliances
Product line
 Control panels, Remote control units and Jacks

SMK Electronics (Malaysia) Sdn. Bhd
Business description
 Manufacture and sale of mechanical parts for electric appliances
Product and sales line
 Pin jacks, Remote control units and CRT sockets

SMK Manufacturing, Inc.
Business description
 Manufacture of mechanical parts for electronic appliances
Product line
 Keyboard units, Remote control units and Jack boards

ASIA
 SMK High-Tech Taiwan Trading Co., Ltd.
 SMK Electronics (H.K.) Ltd.
 SMK Trading (H.K.) Ltd.
 SMK Dongguan Gaobu Factory
 SMK Electronics (Shenzhen) Co., Ltd.
 SMK Electronics (Shenzhen) Co., Ltd. Shanghai Representative Office
 SMK Electronics Singapore Pte. Ltd.
 SMK Electronics JKT REP Office
 SMK Electronics (Malaysia) Sdn. Bhd
 SMK Electronics (Phils.) Corporation
 SMK Korea Co., Ltd.

EUROPE
 SMK Europe N.V.
 SMK Europe N.V., U.K. Branch
 SMK Europe N.V., France Branch
 SMK Europe N.V., German Office
 SMK (U.K.) Ltd.
 SMK Hungary Kft.
NORTH AMERICA
 SMK Electronics Corporation U.S.A.
 SMK Electronics Corporation U.S.A., San Jose Office
 SMK Electronics Corporation U.S.A., East Office

SMK Manufacturing, Inc.
 SMK Electronica S.A. de C.V.
 SMK Electronics Corporation U.S.A., Guadalajara Office
 SMK Electronics Corporation U.S.A., Los Angeles Office
 SMK Electronics Corporation U.S.A., Seattle Office
SOUTH AMERICA
 SMK São Paulo Indústria Eletrônica Ltda.

Shares and Shareholders

Authorized shares: 198,313,000
Issued shares: 81,351,726
Number of shareholders: 16,052

Major shareholders (top ten)	Shareholder Shares Owned (1,000 shares)	Percentage of Shares (%)
Mizuho Corporate Bank, Ltd.	4,066	5.00
Nippon Life Insurance Company	4,001	4.92
The Mitsubishi Trust and Banking Corporation	3,286	4.04
UFJ Bank, Limited	2,745	3.38
The Bank of Tokyo-Mitsubishi, Ltd.	2,610	3.21
Mizuho Bank, Ltd.	2,214	2.72
Terutaka Ikeda	2,005	2.46
The Master Trust Bank of Japan, Ltd.	1,913	2.35
SMK Cooperating Company Share Holding Association	1,902	2.34
Dai Nippon Printing Co., Ltd.	1,795	2.21