

SEMI ANNUAL REPORT 2004
For the six months ended September 30, 2003



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
	2002	2003	2003	2003
				Year ended March 31
Operating Results				
Net sales	¥ 30,229	¥ 29,808	\$ 267,945	¥ 58,133
Operating income	1,019	944	8,493	1,155
Net income	936	526	4,734	588
Financial Position				
Total assets	¥ 54,190	¥ 55,452	\$ 498,450	¥ 51,487
Total shareholders' equity	26,511	25,833	232,214	25,794
Per Share Data				
Net income	¥ 11.73	¥ 6.71	\$ 0.06	¥ 7.42

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.25 = U.S. \$1.00.



To Our Shareholders and Investors

Striving for Further Growth and Development

Achieving Higher than Expected Earnings

The Japanese economy during this consolidated interim period has shown a gradual recovery trend as evidenced by steady capital investment and the stock market, where the Tokyo stock market's main index fell below the benchmark 10,000 yen level for an extended period of time, finally pulling out of its slump. In the overall electronics industry, the demand bottomed out and signs of gradual expansion have emerged.

Under these circumstances, although we did not attain our initial target in net sales, we achieved earnings that surpassed forecasts as a result of our concerted corporate efforts.

Becoming a Leading Supplier of Information Infrastructure

As our corporate philosophy states, "SMK is committed to the advancement of mankind through development of the information society by integrating its current technological strengths and creating advanced technology." In other words, with the goal to "establish our position as the leading supplier for information technology infrastructure in the global information society," we have been promoting efficient research and development. To accomplish this, new technologies are being proactively employed and all group resources are also being integrated. In addition, marketing activities suitable for the global market have been adopted by focusing on our production and sales bases located around the world.

Restructuring Business Divisions and Seeking Business Efficiency

With regard to the improvement of management efficiency, we have successfully established a management system that is able to respond immediately to various changes and enhance corporate governance. The new management system includes the separation of the responsibilities of chairman and president as of April 2002 and the introduction of executive officers and outside directors. Furthermore, the former three divisions (KK, Connector and Component for System Control (CSC)) were reorganized and a new division system (Connection System (CS), Functional Components (FC) and Touch Panel (TP)) was established in September 2003. Through this new system, product development and production systems will be integrated and superior business activities will be developed through efficient business operations.

As for our response to globalization, emphasis has been placed on entry into the booming Chinese market. We will further expand business opportunities in the Chinese market by taking appropriate measures for the future as well as emphasizing our existing production and sales bases.

We will be promoting product development that will be more epoch-making than before, while building upon our foundation in "manufacturing." In addition, a focus will be placed on cultivating new markets, in which growth will be expected, centering on the information technology market.

Approach to Environmental Issues

We strive to produce products and parts that are environmentally friendly and take pride in our efforts to encourage environmental consciousness in every employee by formulating an "Environmental Charter." In addition to efforts to acquire the international standard of environmental preservation in domestic and international works, ISO 14001, we proactively incorporate corporate management that places sufficient consideration on the environment, such as the issuing of our first environmental report in July 2003.

The overview of our Group's management policy is as stated above. We are fully committed to continually realize such growth and enhance corporate value through unrelenting efforts of management and renewed ideas. We earnestly hope that you, our shareholders, will continue to provide us with your further understanding and support.

December 2003



Tetsuya Nakamura
President and Chief Operating Officer

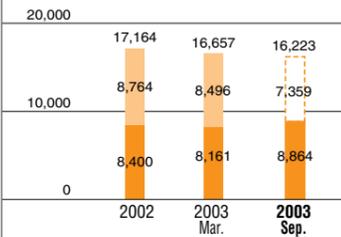
Sales and Market-wise Overview

Communication

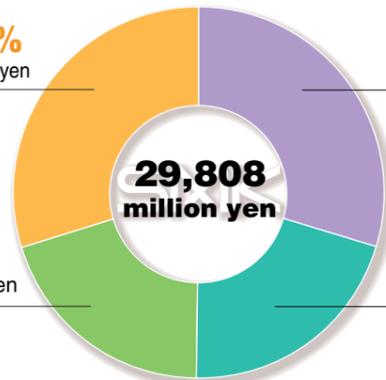


As demand for cellular phones grew steadily outside Asia and the thinning of phones continued, we expanded our performance centered on FPC, SIM card and coaxial connectors. We are also developing new components for thin cellular phones and phones with cameras. Moreover, solid growth is being posted in sales of coaxial connectors for base stations.

Net Sales
Millions of yen



Communication 29.8%
Communications parts 8,864 million yen



Audio-visual 29.7%
Audio-visual parts 8,849 million yen

Car electronics and home electronics 20.5%
Electronic instruments, electronic toys, home electronics and other parts 6,122 million yen

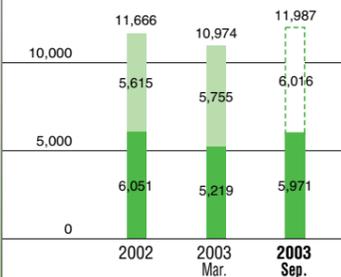
Information 20.0%
Information parts 5,971 million yen

Information

Remote control units for personal computers that could also act as TVs, complex card connectors for personal computer peripherals and touch panels for automated teller machines (ATMs) and ticket-vending machines are showing strong growth. Sales in the digital camera sector are also increasing. We are also focused on expanding sales of input devices in the information sector and reinforcing our marketing for RF components in the wireless LAN sector.



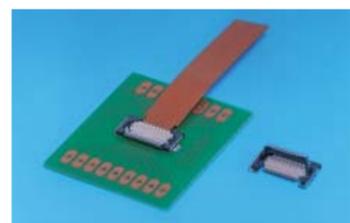
Net Sales
Millions of yen



SMK's NEW LINEUP

Industry First! Achieved a mounted height of 0.85mm (as of September, 2003)

- Features
- *Contributing to miniaturization and thinning of consumer product design with ultra short profile
 - *Adopting original technology of an easy flip-lock system
 - *Sliding type connection resistant to bending



0.3mm spacing FPC connector, easy flip-lock type, EC-LP series



Developed stereo earphone-microphone with a square connector

Demands for earphone-microphone are increasing in recent years as cellular phones are manufactured with more functions. This new product incorporates earphones with stereo function. They facilitate music enjoyment for cellular phones and PDA with silicon audio function, which are expected to grow in the near future.

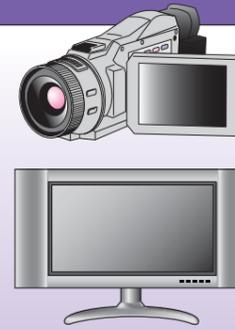


Stereo earphone-microphone combination with a square connector

Earphones with stereo function

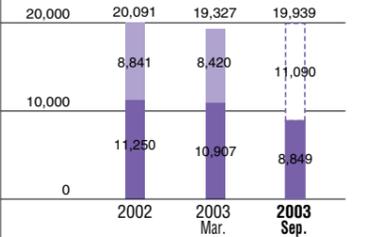
Adopted RC-5240 standard 10P flat type connector

Audio-visual



In the audio-visual equipment market, we are ramping up to meet part needs globally. In digital television, DVD recorders and other growing segments, we are incorporating new technologies in core products including thin-type CRT sockets and standard remote control featuring a back-lighting function. As for home network needs, we are bolstering sales of coaxial connectors and intelligent remote control units.

Net Sales
Millions of yen

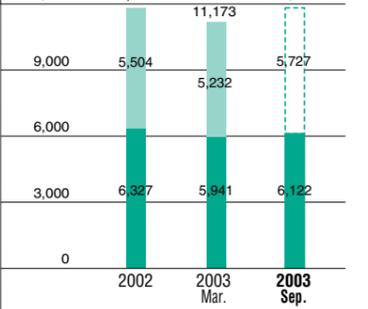


Car electronics & home electronics

In the electronic instrument parts sector, steady sales growth is being posted in touch panels for car navigation systems within the genuine parts market and the automobile accessories market. Sales of coaxial connectors for the ETC are increasing as well. We are also upgrading our anti-smudge touch panel with the latest technology. In the home electronics segment, we struggled due to the sluggish domestic demand for air conditioners. However, sales performance grew for comfort and health home electronic products such as air purifiers and shower toilets (bidet equipped toilet seats). We will further reinforce sales of products, including newly developed multifunctional control panels for hot water systems.



Net Sales
Millions of yen



Outlook for this Fiscal Year

As for future prospects, the Japanese economy has started to show promising trends including the recovery of the long-slumping stock market, with the Tokyo stock market's main index exceeding its benchmark 10,000 yen level, and roaring corporate capital investment despite the continually weak personal consumption. On the other hand, uncertain factors still exist including the ongoing appreciation of yen as well as the uncertain direction of the U.S. economy. However, overall, the downturn appears to have finally ended and a gradual strengthening of the economy is being generated.

In our electronic component industry, the steadily expanding digital products will expect further diversification, expansion of product types and networking. In addition, the cellular phone and IT related areas have also started to thrive, hence future growth and expansion are greatly anticipated.

Amidst the progressively tough economic environment, our company will strive to assure continued growth, based on our efforts in promoting globalization and enhanced employment of IT. In order to accomplish this, we will respond quickly to growth areas, cultivate new markets and integrating the strengths of our group. This will be accomplished through developing new products and technologies that correspond to customer needs, upgrading manufacturing technologies, establishing efficient sales systems, reviewing cost structures, and other measures.

As for our consolidated business performance for this fiscal year, we anticipate net sales will increase 3.2% year-on-year to 60,000 million yen, and net income will be 950 million yen.

Developed "Anti-smudge touch panel" which is resistant to finger-prints

This new product is a touch panel consisting of film and glass. The uppermost layer of film, the part of the upper electrodes, is given a special micro-mat processing.

This new product enhances the lineup of touch panel and the Company's share in the car navigation market is expected to increase.



Anti-smudge touch panel

Resistant to smudge

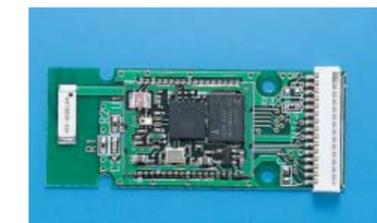
Less conspicuous smudges

Easy wiping out smudge

Developed Bluetooth™ Serial Port Adapter

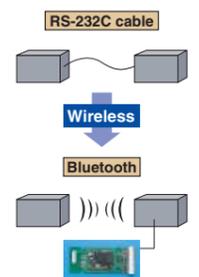
Features

- Acquired Bluetooth™ logo qualification
- Compatible with Bluetooth™ Serial Port Profile
- Realizes Bluetooth™ wireless communication, with little modification applied to the design of existing devices



Bluetooth™ Serial Port Adapter

Typical Application



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of September 30

Assets	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2002	2003	2003	As of March 31 2003
Current assets				
Cash and cash equivalents	¥ 5,963	¥ 7,058	\$ 63,447	¥ 6,575
Time deposits	202	231	2,079	231
Notes and accounts receivable, trade	17,754	18,863	169,555	15,608
Allowance for doubtful accounts	(180)	(19)	(175)	(115)
Inventories	5,656	5,472	49,189	4,924
Deferred income tax assets	351	585	5,254	1,179
Other current assets	1,748	1,519	13,656	2,027
	31,494	33,709	303,005	30,429
Investments and long-term loans				
Investment securities	2,659	3,308	29,732	2,834
Long-term loans receivable	133	391	3,515	94
Other investments	1,725	1,372	12,333	1,454
Allowance for doubtful accounts	(338)	(512)	(4,603)	(541)
	4,179	4,559	40,977	3,841
Property, plant and equipment				
Land	3,643	3,620	32,537	3,641
Buildings	15,435	15,244	137,025	15,378
Machinery and equipment	36,119	35,847	322,226	35,339
Construction in progress	24	—	—	5
	55,221	54,711	491,788	54,363
Less-Accumulated depreciation	(38,450)	(38,731)	(348,148)	(37,996)
	16,771	15,980	143,640	16,367
Other assets				
Deferred income tax assets	1,674	1,063	9,552	759
Intangible assets	72	141	1,276	91
	1,746	1,204	10,828	850
Total assets	¥ 54,190	¥ 55,452	\$ 498,450	¥ 51,487

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.25 = U.S.\$1.00.

Liabilities and shareholders' equity	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2002	2003	2003	As of March 31 2003
Current liabilities				
Short-term loans payable	¥ 8,989	¥ 8,584	\$ 77,156	¥ 8,680
Notes and accounts payable, trade	7,627	7,240	65,080	6,038
Accrued income taxes	93	71	636	29
Reserve for bonus	550	626	5,630	496
Accounts payable - non trade	5,342	6,126	55,065	5,088
Other current liabilities	1,383	1,345	12,093	1,341
	23,984	23,992	215,660	21,672
Long-term liabilities				
Corporate bond	—	300	2,697	300
Long-term debt	3,175	4,077	36,647	2,959
Liability for employees' retirement benefits	141	859	7,717	366
Other long-term liabilities	379	391	3,515	396
	3,695	5,627	50,576	4,021
Shareholders' equity				
Common stock				
Authorized:				
2002.9	198,313,000 shares			
2003.9	195,961,274 shares			
2003.3	198,313,000 shares			
Issued and outstanding:				
2002.9	81,351,726 shares	7,996	—	—
2003.9	79,000,000 shares	—	7,996	—
2003.3	79,000,000 shares	—	—	7,996
Capital reserve	12,057	12,057	108,378	12,057
Earnings reserve	8,902	7,669	68,938	7,729
Foreign exchange translation adjustment	(1,323)	(1,605)	(14,430)	(1,425)
Unrealized losses on securities available for sale	(337)	(28)	(251)	(307)
Treasury stock	(784)	(256)	(2,303)	(256)
	26,511	25,833	232,214	25,794
Total liabilities and shareholders' equity	¥ 54,190	¥ 55,452	\$ 498,450	¥ 51,487

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

Six months ended September 30

	Millions of yen		Thousands of	Millions of
	2002	2003	U.S. dollars	yen
				Year ended March 31
				2003
Net sales	¥ 30,229	¥ 29,808	\$ 267,945	¥ 58,133
Cost of sales	26,025	25,532	229,500	50,498
Selling, general and administrative expenses	3,185	3,332	29,952	6,480
Operating income	1,019	944	8,493	1,155
Other income				
Interest and dividend income	65	57	515	104
Rent income	344	353	3,171	686
Gain on sales of fixed assets	4	37	332	63
Gain on return of substitutional portion of retirement benefits	1,735	—	—	1,862
Other	118	64	573	141
Total other income	2,266	511	4,591	2,856
Other expenses				
Interest expenses	101	76	680	186
Foreign exchange loss, net	656	240	2,155	685
Loss on disposal of fixed assets	99	36	328	232
Loss from devaluation of investment securities	29	1	13	235
Bad debt expenses	81	16	142	251
Directors and statutory auditors retirement benefits	145	—	—	145
Special retirement benefits	153	2	16	155
Amortization of the effect of the adoption of the new standard for retirement benefits	347	236	2,120	594
Other	143	117	1,053	295
Total other expenses	1,754	724	6,507	2,778
Income before income taxes	1,531	731	6,577	1,233
Income taxes				
Current	46	107	965	41
Deferred	549	98	878	604
Net income	¥ 936	¥ 526	\$ 4,734	¥ 588
	Yen		U.S. dollars	Yen
Net income per share	¥ 11.73	¥ 6.71	\$ 0.06	¥ 7.42

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.25 = U.S.\$1.00.

Consolidated Statements of Cash Flows

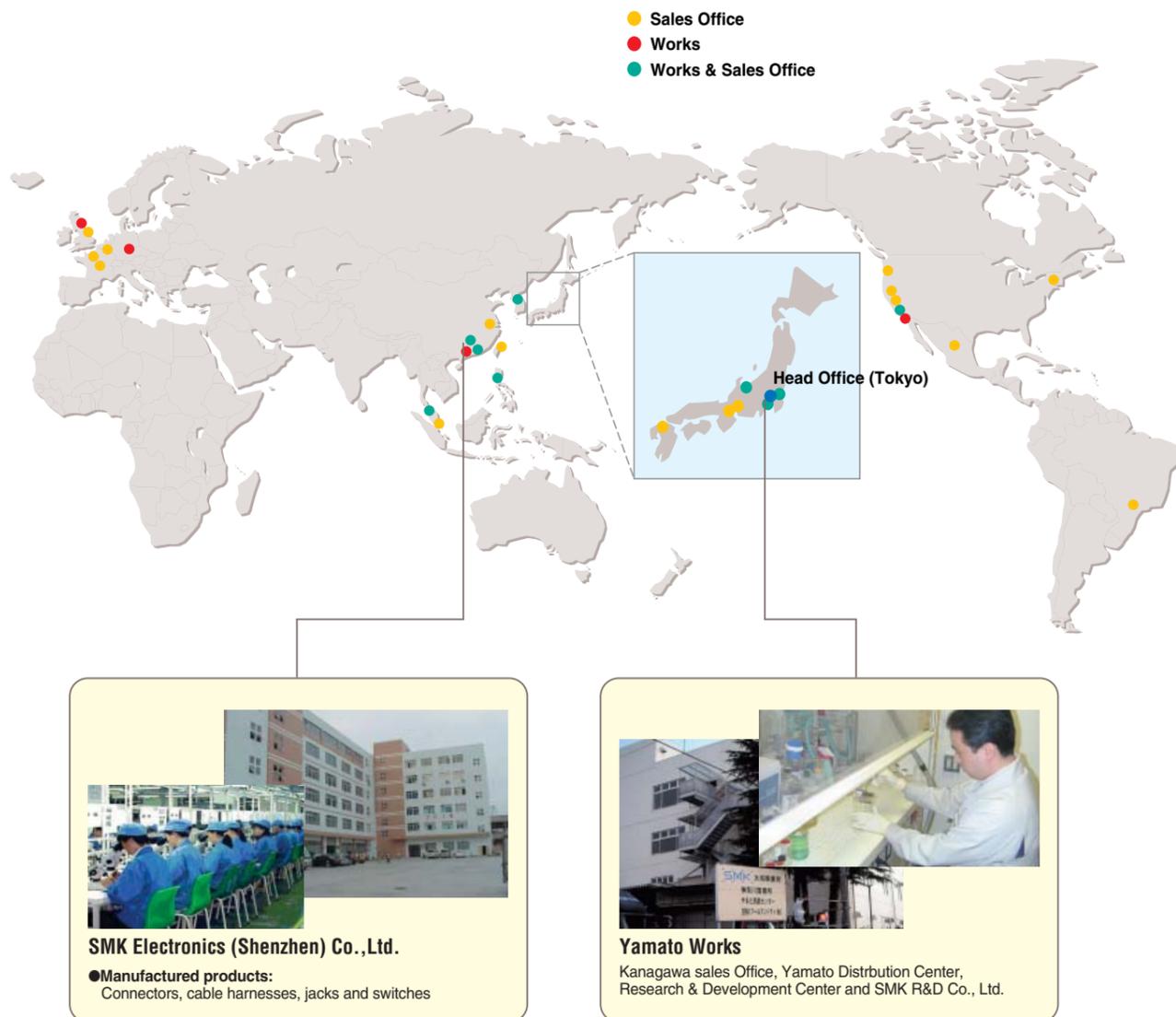
SMK Corporation and Consolidated Subsidiaries

Six months ended September 30

	Millions of yen		Thousands of	Millions of
	2002	2003	U.S. dollars	yen
				Year ended March 31
				2003
Cash flows from operating activities				
Income before income taxes	¥ 1,531	¥ 731	\$ 6,577	¥ 1,233
Depreciation and amortization	1,589	1,596	14,345	3,138
Increase (decrease) in liability for employees' retirement benefits	(1,112)	492	4,419	(886)
Increase (decrease) in allowance for doubtful accounts	88	6	53	245
Interest and dividend income	(65)	(57)	(515)	(104)
Interest expenses	101	76	680	186
Foreign exchange loss, net	396	39	347	412
Directors and statutory auditors retirement benefits	145	—	—	145
Special retirement benefits	153	2	16	155
Loss on disposal of fixed assets	99	36	328	232
Loss from devaluation of investment securities	29	1	13	235
(Increase) decrease in notes and accounts receivable, trade	(3,466)	(3,759)	(33,787)	(1,019)
(Increase) decrease in inventories	(188)	(746)	(6,708)	505
Increase (decrease) in notes and accounts payable, trade	2,257	2,540	22,829	66
Other	50	223	2,012	(51)
Subtotal	1,607	1,180	10,609	4,492
Receipts for interest and dividend income	65	42	382	96
Payments of interest expenses	(118)	(77)	(688)	(200)
Payments of directors and statutory auditors retirement benefits	(145)	—	—	(145)
Payments of special retirement benefits	(141)	(2)	(16)	(186)
Receipts of tax refund	160	70	626	94
Payments of income taxes	(69)	(92)	(829)	(222)
Net cash provided by operating activities	1,359	1,121	10,084	3,929
Cash flows from investing activities				
Payments into time deposits	—	(12)	(105)	(1)
Proceeds from time deposits	29	—	—	—
Proceeds from redemption of investment securities	—	100	899	—
Purchases of fixed assets	(1,084)	(1,569)	(14,107)	(2,601)
Proceeds from sale of fixed assets	120	416	3,736	333
Purchases of intangible fixed assets	—	(70)	(625)	(25)
Purchases of investment securities	(503)	(1)	(9)	(501)
Proceeds from sale of investment securities	0	—	—	0
Purchases of subsidiaries' stock	(1)	(1)	(12)	(1)
Payment on loans receivable	(217)	(48)	(431)	(344)
Proceeds from loans receivable	54	64	578	52
Other	5	2	16	—
Net cash used in investing activities	(1,597)	(1,119)	(10,060)	(3,088)
Cash flows from financing activities				
Increase (decrease) in short-term loans receivable	(8)	200	1,800	(631)
Proceeds from long-term debt	1,171	1,500	13,483	2,153
Payments of long-term debt	(1,524)	(637)	(5,726)	(2,298)
Proceeds from issuance of corporate bond	—	—	—	287
Payment of redemption of corporate bond	—	(90)	(808)	—
Purchases of treasury stock	(120)	(14)	(126)	(416)
Proceeds from sale of treasury stock	18	7	67	18
Dividends paid	(319)	(311)	(2,794)	(322)
Net cash provided by (used in) financing activities	(782)	655	5,896	(1,209)
Effect of exchange rate changes on cash and cash equivalents	(207)	(174)	(1,573)	(247)
Increase (decrease) in cash and cash equivalents	(1,227)	483	4,348	(615)
Cash and cash equivalents at beginning of year	7,190	6,575	59,103	7,190
Decrease in cash and cash equivalents due to exclusion from consolidation	—	(0)	(3)	—
Cash and cash equivalents at end of six months and year	¥ 5,963	¥ 7,058	\$ 63,447	¥ 6,575

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Global Network



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 (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., East Office

SMK Electronics Corporation U.S.A., San Jose Office
 SMK Electronics Corporation U.S.A., Los Angeles Office
 SMK Electronics Corporation U.S.A., Seattle Office
 SMK Electronics Corporation U.S.A., Guadalajara Office
 SMK Manufacturing, Inc.
 SMK Electronica S.A. de C.V.

SOUTH AMERICA
 SMK São Paulo Indústria Eletrônica Ltda.

Corporate Data (As of September 30, 2003)

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 Listing: Tokyo Stock Exchange
Transfer Agent: The Mitsubishi Trust and Banking Corporation
Independent Auditors: Shin Nihon & Co. Tokyo, Japan
Employees (SMK-Group): 7,293
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 Auditors

Directors and Auditors		Senior Executive Vice President	Kenji Kobayashi
Chairman and Chief Executive Officer	Terutaka Ikeda	Executive Vice President	Tadashi Yamoto
President and Chief Operating Officer	Tetsuya Nakamura	Executive Vice President	Takushi Suzuki
Executive Deputy President	Mikio Ito	Executive Vice President	Hajime Yamada
Director	Yuji Tanahashi	Vice President	Mitsuru Ito
Auditor	Jun Sugimoto	Vice President	Takashi Hirawata
Auditor	Yoshio Tada	Vice President	Toru Kaneyoshi
Auditor	Takeshi Nakamura	Vice President	Yu Hosoya
Corporate Executive Officers		Vice President	Hirozumi Kawabata
Senior Executive Vice President	Tetsuo Murase	Vice President	Yoshiyuki Yonejima
Senior Executive Vice President	Shigenobu Oyashiki	Vice President	Yasumitsu Ikeda

Shares and Shareholders

Authorized shares: 195,961,274
Issued shares: 79,000,000
Number of shareholders: 15,539

Major shareholders (top ten)	Shareholder Shares Owned (1,000 shares)	Percentage of Shares (%)
Nippon Life Insurance Company	4,001	5.06
Mizuho Corporate Bank, Ltd.	3,844	4.87
The Mitsubishi Trust and Banking Corporation	2,250	2.85
Mizuho Bank, Ltd.	2,214	2.80
Terutaka Ikeda	2,009	2.54
Japan Trustee Services Bank, Ltd.	1,925	2.44
Dai Nippon Printing Co., Ltd.	1,795	2.27
UFJ Bank, Limited	1,788	2.26
The Bank of Tokyo-Mitsubishi, Ltd.	1,760	2.23
SMK Cooperating Company Share Holding Association	1,717	2.17