



SEMI ANNUAL REPORT 2005

For the six months ended September 30, 2004



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/>



Connection System

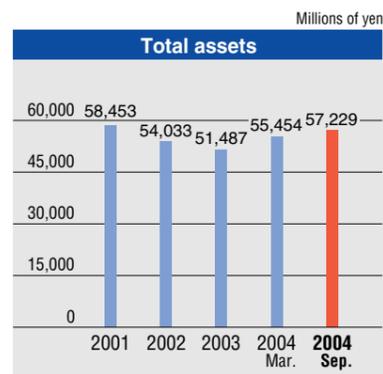
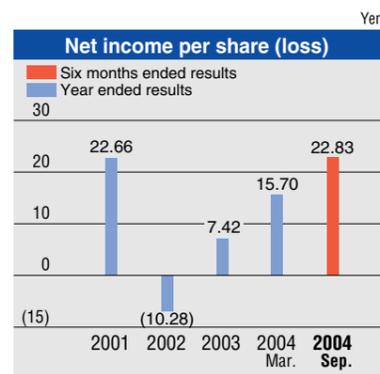
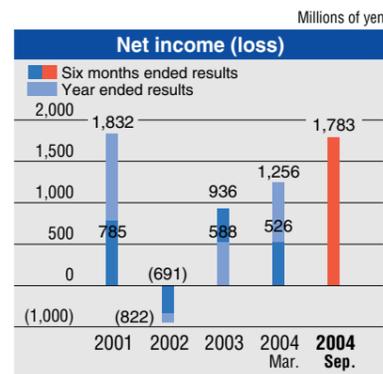
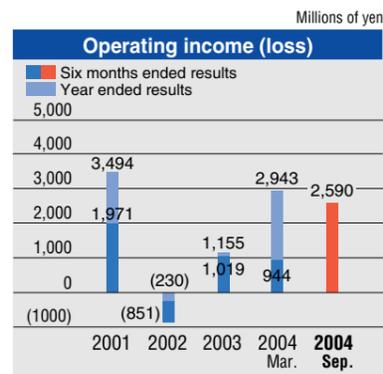
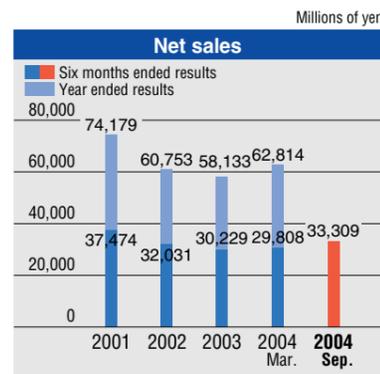
Functional Components

Touch Panel

SMK Corporation and Consolidated Subsidiaries

Six months ended September 30	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2003	2004	2004	2004
Operating Results				
Net sales	¥ 29,808	¥ 33,309	\$ 299,949	¥ 62,814
Operating income	944	2,590	23,324	2,943
Net income	526	1,783	16,061	1,256
Financial Position				
Total assets	¥ 55,452	¥ 57,229	\$ 515,351	¥ 55,454
Total shareholders' equity	25,833	27,390	246,651	26,340
Per Share Data				
Net income	¥ 6.71	¥ 22.83	\$ 0.21	¥ 15.70

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.05 = U.S. \$1.00.



Exceeding the Projected Earnings

The Japanese economy during this interim period grew steadily as a result of improved corporate earnings, exports and capital investment. The electronics industry as a whole is on an expansion trend driven mainly by new digital home appliances.

Under these circumstances, we achieved sales and earnings that surpassed forecasts as a result of our concerted corporate efforts to improve product quality and reduce costs.

Basic Management Policy

Based on our corporate philosophy to be "committed to the advancement of mankind through the development of the information society by integrating its current technological strengths and creating advanced technology," with the specific goal to "establish its position as the leading supplier for information technology infrastructure in the global information society," all group resources are being integrated to promote more efficient, quick research and development. In addition, marketing activities of the caliber required for the global market are being adopted with the focus on our production and sales bases located around the world.

With regard to management efforts, we revised part of our charter on corporate conduct in January 2003, reorganized the former three divisions (KK, Connector and Component for System Control [CSC]) into new division system (Connection System [CS]), Functional Components [FC] and Touch Panel [TP] 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. Furthermore, we are striving to improve our sales capacity by partially modifying our sales system in April 2004.

Approach to Environmental Issues

We are striving to acquire ISO14001 environmental management certification in domestic and overseas production offices, while taking a proactive approach towards "Green Procurement" as public demand for green procurement is growing. In addition, we are proactively implementing corporate management that adequately takes the environment into consideration. In fact, we issued our first environmental report in July 2003.

Future Endeavours

We will devise our medium-term management plans to take a comprehensive approach so that we can achieve medium- and long-term management growth and development as a corporation without being influenced by the economic climate. On the globalization front, emphasis will be placed on entering the booming Chinese market, among others.

We will be promoting proprietary product development in order to introduce epoch-making products mainly in the information technology market, while building upon our foundation in "manufacturing." In June 2004, we held SMK TEXPO 2004, an exhibition of our proprietary technology, and presented some of these products there.

Moreover, we are taking a comprehensive approach towards establishing a corporate structure that can meet the challenge to achieve higher goals in the future as well.

The overview of our group's management policy is as stated above. We are fully committed to continual, stable growth and the enhancement of corporate value through the unrelenting efforts of management and innovative ideas.

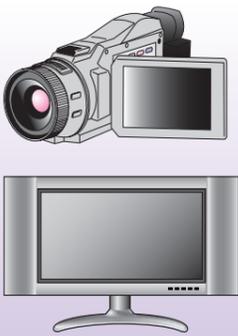
We trust that you, our shareholders, will continue to extend your esteemed understanding and support to the Company.

December 2004



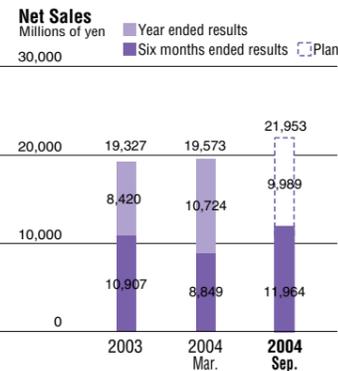
Tetsuya Nakamura
President and Chief Operating Officer

Audio-visual



With increased demand for digital audio-visual equipment such as thin TVs and DVD recorders, the sales of remote control units, pin jacks and lamp connectors are increasing. In addition, sales of remote control units for TV receivers for digital broadcasting in Europe and the U.S. are still going strong.

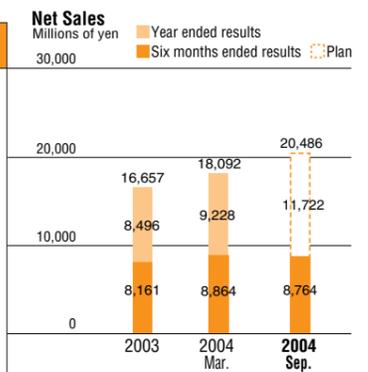
At present, we are striving to develop new basic components such as multiple FPC connectors and memory card connectors in this expanding market.



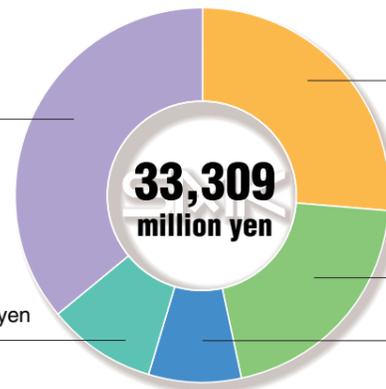
Communication



Demand for cellular phones is growing steadily, thanks to increased sales of units with built-in cameras, etc. We enhanced our performance in camera connectors, FPC connectors, earphone- microphones, etc. by attaining slimmer phones, and equipping them with cameras and multi-functionality while the competition to cut cost progresses. We are developing PB connectors, FPC connectors and switches that respond to user needs as multi-functionality as well as more advanced functions are increasingly in demand in this market.



Audio-visual 36.0%
Audio-visual parts 11,964 million yen



Communication 26.3%
Communications parts 8,764 million yen

Information 20.3%
Information parts 6,776 million yen

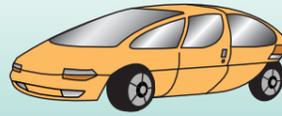
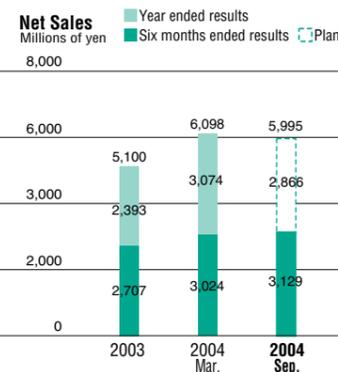
Home electronics 8.0%
Electronic toys, home electronics and other parts 2,674 million yen

Car electronics 9.4%
Electronic instruments 3,129 million yen

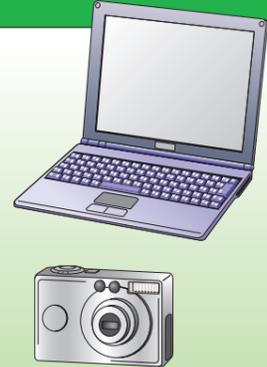
Car electronics

Sales of touch panels for car navigation systems within the domestic and foreign genuine-parts markets are increasing steadily, and force-feedback touch panels have been used in car navigation systems for the first time ever.

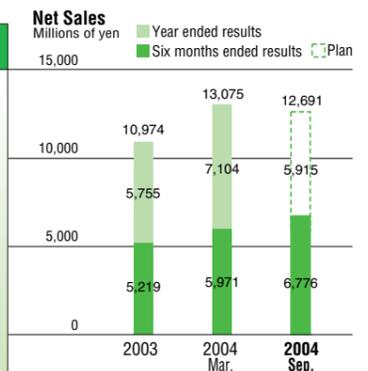
In addition, more coaxial connectors are being used for digital radios in the U.S.

Information



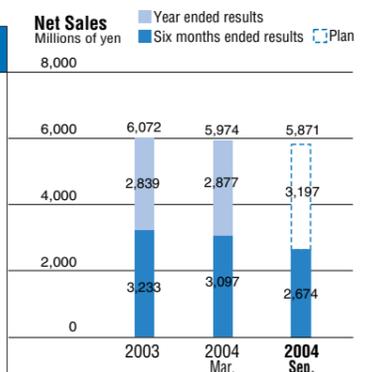
Various components such as switches, connectors and microphones have been introduced in the digital still camera market, and sales of these components are increasing steadily. The division's overall performance remains stable, as sales of personal computers with AV functions are increasing both domestically and internationally, and we are receiving related orders from manufacturers overseas as well. We will continuously develop products that respond to global customer needs.



Home electronics



In the home electronics segment, sales for shower toilets (bidet-equipped toilet seats) and remote controllers of lighting fixtures grew, with consumers becoming more energy conscious on the one hand while pursuing comfort and health-oriented lives on the other. We will develop and increase sales of electric power line modules and other products that can meet extensive needs—ranging from security products to home network appliances—utilizing highly advanced technologies.



Outlook for this Fiscal Year

The Japanese economy is expected to expand gradually for the time being, as consumer spending, corporate capital investment and revenues are recovering. On the other hand, uncertain factors still exist including the ongoing appreciation of the yen as well as the rapidly rising crude oil prices. However, overall, a gradual strengthening of the economy is in evidence.

In our electronic component industry, new digital home appliances such as thin digital TVs and DVD recorders proliferated due to the commencement of terrestrial digital broadcasting, and sales of camera-equipped cellular phones are increasing in particular. Accordingly, the IT related sectors are expected to continually expand.

In the progressively tough economic climate, the Company will strive to attain continued growth, based on its efforts in promoting globalization, enhanced utilization of IT and digital home appliances. While responding quickly to growth areas and cultivating new markets, we develop new products and technologies that meet customer needs, upgrade manufacturing technologies and establish more efficient sales systems, as well as review cost structure. By consolidating the strengths of our group, we seek to improve our overall performance.

For our consolidated business performance in this fiscal year, we anticipate net sales to increase 6.7%, year on year, to 67 billion yen, ordinary income to increase 87.7% to 5.6 billion yen, and net income to increase 138.9% to 3 billion yen.

Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of September 30

Assets	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2003	2004	2004	As of March 31 2004
Current assets				
Cash and cash equivalents	¥ 7,058	¥ 7,719	\$ 69,511	¥ 7,792
Time deposits	231	240	2,159	342
Notes and accounts receivable, trade	18,863	18,836	169,612	18,371
Allowance for doubtful accounts	(19)	(16)	(146)	(7)
Inventories	5,472	6,457	58,147	5,193
Deferred income tax assets	585	556	5,010	826
Other current assets	1,519	1,008	9,079	1,545
	33,709	34,800	313,372	34,062
Investments and long-term loans				
Investment securities	3,308	2,734	24,625	3,440
Long-term loans receivable	391	681	6,133	393
Other investments	1,372	1,611	14,504	1,612
Allowance for doubtful accounts	(512)	(437)	(3,936)	(531)
	4,559	4,589	41,326	4,914
Property, plant and equipment				
Land	3,620	3,593	32,359	3,596
Buildings	15,244	15,718	141,540	15,234
Machinery and equipment	35,847	36,505	328,727	35,032
Construction in progress	—	132	1,186	24
	54,711	55,948	503,812	53,886
Less-Accumulated depreciation	(38,731)	(39,636)	(356,922)	(38,395)
	15,980	16,312	146,890	15,491
Other assets				
Deferred income tax assets	1,063	1,379	12,421	821
Intangible assets	141	149	1,342	166
	1,204	1,528	13,763	987
Total assets	¥ 55,452	¥ 57,229	\$ 515,351	¥ 55,454

Liabilities and shareholders' equity	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2003	2004	2004	As of March 31 2004
Current liabilities				
Short-term loans payable	¥ 8,584	¥ 7,309	\$ 65,815	¥ 7,577
Notes and accounts payable, trade	7,240	6,546	58,951	6,484
Accrued income taxes	71	811	7,305	634
Reserve for bonus	626	731	6,584	723
Account payable-non trade	6,126	6,788	61,122	6,350
Other current liabilities	1,345	1,299	11,697	1,172
	23,992	23,484	211,474	22,940
Long-term liabilities				
Corporate bond	300	300	2,701	300
Long-term debt	4,077	3,914	35,245	4,220
Liability for employees' retirement benefits	859	1,509	13,590	1,302
Liability for directors' retirement benefits	—	296	2,663	—
Other long-term liabilities	391	336	3,027	352
	5,627	6,355	57,226	6,174
Shareholders' equity				
Common stock				
Authorized: 195,961,274 shares				
Issued and outstanding: 79,000,000 shares	7,996	7,996	72,011	7,996
Capital surplus	12,057	12,057	108,577	12,057
Retained earnings	7,669	9,385	84,508	8,399
Foreign currency translation adjustments	(1,605)	(1,632)	(14,696)	(1,891)
Net unrealized gains (losses) on securities available for sale	(28)	2	15	141
Treasury stock	(256)	(418)	(3,764)	(362)
	25,833	27,390	246,651	26,340
Total liabilities and shareholders' equity	¥ 55,452	¥ 57,229	\$ 515,351	¥ 55,454

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.05 = U.S.\$1.00.

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
	2003	2004	2004	Year ended March 31 2004
Net sales	¥ 29,808	¥ 33,309	\$ 299,949	¥ 62,814
Cost of sales	25,532	27,111	244,136	53,222
Selling, general and administrative expenses	3,332	3,608	32,489	6,649
Operating income	944	2,590	23,324	2,943
Other income				
Interest and dividend income	57	82	741	85
Rent income	353	346	3,118	714
Foreign exchange gain, net	—	339	3,049	—
Gain on sales of fixed assets	37	3	30	53
Other	64	168	1,512	100
Total other income	511	938	8,450	952
Other expenses				
Interest expenses	76	78	698	149
Foreign exchange loss, net	240	—	—	442
Loss on disposal of fixed assets	36	157	1,415	298
Loss from devaluation of investment securities	1	—	—	15
Bad debt expenses	16	0	2	24
Provision for directors' retirement benefits	—	279	2,511	—
Special retirement benefits	2	4	37	2
Amortization of the effect of the adoption of the new standard for retirement benefits	236	236	2,124	472
Other	117	127	1,144	341
Total other expenses	724	881	7,931	1,743
Income before income taxes	731	2,647	23,843	2,152
Income taxes				
Current	107	1,065	9,588	915
Deferred	98	(201)	(1,806)	(19)
Net income	¥ 526	¥ 1,783	\$ 16,061	¥ 1,256
	Yen		U.S. dollars	Yen
Net income per share	¥ 6.71	¥ 22.83	\$ 0.21	¥ 15.70

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.05 = U.S.\$1.00.

Consolidated Statements of Cash Flows

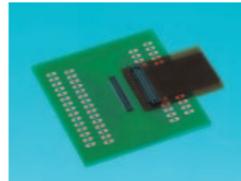
SMK Corporation and Consolidated Subsidiaries
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2003	2004	2004	Year ended March 31 2004
Cash flows from operating activities				
Income before income taxes	¥ 731	¥ 2,647	\$ 23,843	¥ 2,152
Depreciation and amortization	1,596	1,405	12,651	3,186
Increase in liability for employees' retirement benefits	492	206	1,852	936
Increase in liability for directors' retirement benefits	—	296	2,663	—
Interest and dividend income	(57)	(82)	(741)	(85)
Interest expenses	76	78	698	150
Foreign exchange (gain) loss, net	39	(9)	(77)	85
Special retirement benefits	2	4	37	2
Loss on disposal of fixed assets	36	157	1,415	298
Increase in notes and accounts receivable, trade	(3,759)	(70)	(631)	(3,731)
Increase in inventories	(746)	(1,061)	(9,556)	(592)
Increase (decrease) in notes and accounts payable, trade	2,540	(424)	(3,816)	2,487
Other	230	359	3,236	418
Subtotal	1,180	3,506	31,574	5,306
Receipts for interest and dividend income	42	76	687	67
Payments of interest expenses	(77)	(81)	(732)	(139)
Payments of directors' and corporate auditors' retirement benefits	—	(12)	(105)	—
Payments of special retirement benefits	(2)	(4)	(37)	(2)
Receipts of tax refund	70	—	—	76
Payments of income taxes	(92)	(876)	(7,892)	(255)
Net cash provided by operating activities	1,121	2,609	23,495	5,053
Cash flows from investing activities				
Payments into time deposits	(12)	(151)	(1,354)	(705)
Proceeds from time deposits	—	277	2,493	266
Proceeds from redemption of investment securities	100	—	—	105
Purchases of fixed assets	(1,569)	(1,776)	(15,991)	(2,965)
Proceeds from sale of fixed assets	416	81	728	459
Purchases of intangible fixed assets	(70)	(2)	(21)	(164)
Purchases of investment securities	(1)	(1)	(10)	(177)
Purchases of subsidiaries' stock	(1)	(1)	(13)	(1)
Payment on loans receivable	(48)	(509)	(4,585)	(179)
Proceeds from loans receivable	64	218	1,967	213
Other	2	27	243	4
Net cash used in investing activities	(1,119)	(1,837)	(16,543)	(3,144)
Cash flows from financing activities				
Increase (decrease) in short-term loans payable	200	(207)	(1,858)	(847)
Proceeds from long-term debt	1,500	—	—	2,540
Payments of long-term debt	(637)	(382)	(3,440)	(1,557)
Payment of redemption of corporate bond	(90)	—	—	(90)
Purchases of treasury stock	(14)	(173)	(1,557)	(121)
Proceeds from sale of treasury stock	7	124	1,115	9
Dividends paid	(311)	(467)	(4,207)	(312)
Net cash provided by (used in) financing activities	655	(1,105)	(9,947)	(378)
Effect of exchange rate changes on cash and cash equivalents	(174)	110	990	(314)
Increase (decrease) in cash and cash equivalents	483	(223)	(2,005)	1,217
Cash and cash equivalents at beginning of year	6,575	7,792	70,163	6,575
Increase in cash and cash equivalents arising from inclusion in consolidation	—	150	1,353	—
Decrease in cash and cash equivalents due to exclusion from consolidation	(0)	—	—	(0)
Cash and cash equivalents at end of six months and year	¥ 7,058	¥ 7,719	\$ 69,511	¥ 7,792

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥111.05 = U.S.\$1.00.

**Achieved the smallest size with the lowest profile in the industry and stacking height of 0.8mm
Developed 0.4mm spacing board-to-board connector, PB-4 series**

0.4mm spacing board-to-board connectors are installed in various equipment, such as cellular phones and DSC, and there are growing needs for miniaturization and thin product design primarily for compact mobile equipment. Shipments of samples of 30 and 60 poles connectors will commence soon, and range of types will be gradually increased (20-120 poles).



0.4mm spacing board-to-board connector, PB-4 Series

Developed Super low reflection touch panel with 1% reflectance, the highest level in industry

We have developed Super low reflectance touch panel with upper and lower electrodes sheathed in glass, and started operations to obtain more orders. Demand for low reflection touch panels installed on products such as car navigation equipment and digital cameras for outdoor and semi-enclosed environments is growing because these panels can reduce the exposure to direct sunlight and offer clearer views of the screens.



Super low reflectance touch panel

Increased order receipt of remote control equipment for Windows XP Media Center PC

As this product has been well received since the product release at the end of 2003, sales have increased and a high market share has been secured.



Infrared ray control for Media Center PCs
USB receiver for Media Center PCs
Ir blister for Media Center PCs

Bluetooth™ Serial Port Adapter BA112 Acquired Japan Radio Law Certification

SMK has completed Japan Radio Law qualification on Bluetooth™ Serial Port Adapter BA112, in addition to Bluetooth™ Logo qualification already done. It turns out that Bluetooth™ Serial Port Adapter BA112 has acquired all the Bluetooth™ -related certifications. With no extra work required on Bluetooth™ certification, its customers will reduce their own time and cost for development outstandingly. SMK will accordingly expand Bluetooth™ product line-up further on, such as shrinking its module size first.



Bluetooth™ Serial Port Adapter BA112

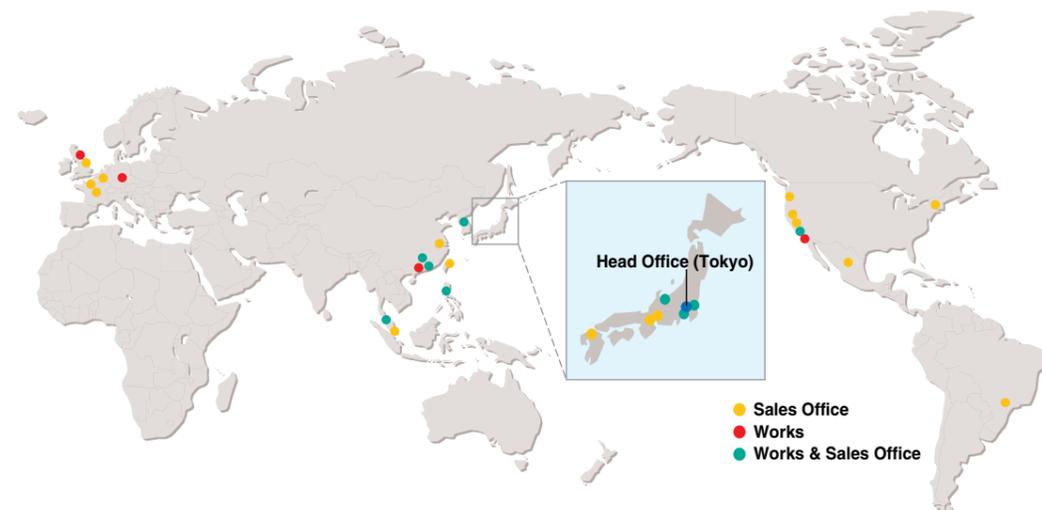
Company Name: SMK Corporation
Established: January 15, 1929
Major Operations: Manufacture and sale of various electronic machinery and parts used in power, communications and electronic equipment, other industrial machinery, information equipment, etc.
Capital: 7,996,828,021 yen
Stock Exchange Listing: Tokyo Stock Exchange
Transfer Agent: The Mitsubishi Trust and Banking Corporation
Independent Auditors: Shin Nihon & Co. Tokyo, Japan

Employees (SMK-Group): 8,264
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

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

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 (Philis.) 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.

Shares and Shareholders

Authorized shares: 195,961,274
Issued shares: 79,000,000
Number of shareholders: 14,995

Major shareholders (top ten)	Shares Owned (1,000 shares)	Percentage of Shares (%)
Nippon Life Insurance Company	4,001	5.06
Mizuho Corporate Bank, Ltd.	3,815	4.83
Japan Trustee Services Bank, Ltd.	3,071	3.89
The Master Trust Bank of Japan, Ltd.	2,930	3.71
Mizuho Bank, Ltd.	2,214	2.80
The Mitsubishi Trust and Banking Corporation	2,192	2.77
Terutaka Ikeda	1,988	2.52
Dai Nippon Printing Co., Ltd.	1,795	2.27
The Bank of Tokyo-Mitsubishi, Ltd.	1,760	2.23
SMK Cooperating Company Share Holding Association	1,716	2.17

Note: Of the above shares owned by major shareholders, the following numbers of shares are held in trust operations:

Japan Trustee Services Bank, Ltd.:	3,071 thousand shares
The Master Trust Bank of Japan, Ltd.:	2,930 thousand shares
The Mitsubishi Trust and Banking Corporation:	255 thousand shares