

The logo for SMK Corporation, featuring the letters 'SMK' in a bold, blue, sans-serif font. The 'S' and 'M' are connected, and the 'K' has a distinctive shape with a horizontal bar.

SMK Corporation

Environmental Report 2005

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About This Report

Reporting Period

This report presents data for the period from April 2004 to March 2005.

Scope of Data

This report presents data for the SMK Group and its major affiliates.

Guidelines Applied for This Report

The preparation of this report made reference to the Environmental Reporting Guidelines 2003 and the Environmental Accounting Guidelines 2005 published by Japan's Ministry of the Environment.

Poised for further evolution into an environment-preserving firm on our 80th anniversary

In April 2005, we at SMK celebrated the 80th anniversary of our founding. We are deeply grateful to our transaction partners and all other concerned parties for their support, without which we could never have come this far.

We are committed to remaining a provider of goods and services that meet the needs of the times and the expectations of our customers, and look forward to receiving your continuing support in this endeavor.

In the environmental field, prevention of global warming has become a worldwide task along with the ratification of the Kyoto Protocol in February of this year. Similarly, in countries around the world, enactment of laws and regulations concerning environment-related substances is spreading, as exemplified by the Restriction of Hazardous Substances (RoHS) directive, which is to be placed into effect in the European Union in July of 2006. We intend to address such environmental issues both actively and promptly, and fulfill our social responsibility in this field.

This report sets forth our initiatives for environmental preservation in fiscal 2004. We trust it will give the reader a good idea of our activities. We are determined to continue progressing toward the goal of building a society capable of sustainable advancement posted in our environmental charter, and taking positive action for preservation of the global environment together with our transaction partners and surrounding communities.

July 2005

Terutaka Ikeda

Chairman and Chief Executive Officer





The big effect of the aggregate acts by individuals

Preservation of the global environment is a duty of ours.

The earth has an enormous capacity, and this has enabled it to nourish humankind so far. In recent years, however, human activities have begun going beyond the limits of this capacity. Hardly a day goes by without mentioning the problems of global warming, the ozone hole, waste, and the like in the media.

Around the time when I entered the work force, there were already vague fears about environmental pollution because of the difference of color between the sky over Tokyo and that in the



Tetsuya Nakamura

President and Chief Operating Officer

direction of Mount Fuji. Today, such fears are rapidly becoming real, and all of us must take action to protect resources and preserve the environment. I see it as our duty to leave the earth with its capacity intact to succeeding generations.

Environmental management with universal participation!

Companies are currently being called upon to discharge their corporate social responsibility (CSR). At SMK, we have formulated a corporate behavior charter and are taking active initiatives on this front. I ask our employees to heed what I call their personal social responsibility (PSR). This is because I think the times demand awareness of responsibility to society and autonomous action by each and every employee. Genuine fulfillment of social responsibility by companies demands, first and foremost, responsible action by their employees.

We are participating in the “Team Minus 6%” program led by Prime Minister Junichiro Koizumi (toward achievement of Japan’s GHG emission reduction target in the Kyoto Protocol) and have also instated the “Cool Biz” scheme (elimination of the necktie requirement in the interest of higher air conditioning settings). Measures like this that can be immediately taken are surprisingly numerous. While there are a wide variety of concerns to be addressed by companies in their activities of environmental preservation, from large to small, the vital tasks are sure execution of what can be done and rigorous elimination of waste. To this end, it is important for each and every employee to be mindful of his or her social responsibility and tackle on this issue continuously.

Approach on



In our activities at SMK, environmental preservation efforts are by no means confined to certain groups of employees in the design, development, and manufacturing divisions; even those in sales, accounting, and personnel affairs impose a burden on the earth through their work. This is why we always regard these efforts as being for the participation of all employees.

Dead stock may be cited as one of the worst types of environmental burden in the sphere of manufacturing. It must be termed a negative output at the opposite pole of environmental preservation, considering the waste of raw materials, energy, and labor expended to produce it, as well as the pollution resulting from its final disposal. Dead stock originates with sales information, and I believe it can be eradicated if the concerned personnel in all divisions pool their intelligence. In addition, we would like to widen awareness of global environmental preservation in taking positive action together with our suppliers and cooperating firms, and the families of our employees.

Japan is a leader in the area of environmental preservation.

Japan was hit hard by the oil crises in the 1970s. In their wake, it nurtured the development of energy-conserving technology and procedures. In my view, it is crucial for action toward attainment of the targets noted in the Kyoto Protocol to be taken not only by Japan but also by the countries that are massive consumers of energy. Although initiatives in this area properly belong to the sphere of government, we at SMK believe we can apply our environmental preservation know-how in our development of business in other countries around the world.



We need approaches that can be continued over the long term.

At SMK, we are planning to obtain certification under ISO 14001 in our head office area during fiscal 2005. When we do so, all of the main establishments in our Group will have received such certification.

We realize that the environmental preservation and resource protection activities of some firms extends to tree-planting programs. SMK is not yet in a position to launch such high-profile campaigns. But we are taking approaches that can be continued, such as the installation of energy-saving air conditioners and inverter-type light fixtures.

As a corporate enterprise, we could not engage in such activities unless we grow, and we therefore want to achieve good results in our business proper so that we can forge ahead with our activities of environmental preservation into the long term. The actions of each and every employee have a big effect as an aggregate, and we are consequently also furnishing our employees with environmental education and training.

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Corporate Behavior Charter and Environmental Charter

We formulated our corporate behavior charter for the purpose of tightening compliance with laws and regulations, acquiring and keeping the trust of consumers and users, and clearly stating the roles and responsibilities to be discharged by our top layer of management. We also formulated a separate environmental charter aimed at preservation of the environment as one of the key elements of the behavior charter.

SMK-Group Charter for Corporate Behavior

SMK-Group, in addition to being economic entity engaged in the pursuit of profit through fair competition, must be useful to society as a whole.

For this reason, SMK-Group will adhere to the following nine principles; respect the letter and spirit of all laws, whether domestic or foreign, and of international rules, and behave in a socially responsible manner.

1. For customers' confidence, We will develop and provide superior goods in terms of quality, cost, and safety through our accumulated advanced technology.
2. To be understood/supported by customers, business partners, and shareholders, We will engage in fair, transparent, and free competition, under the spirit of independence, self-help, and self-regulation.
3. We will promote communication with society, by fairly disclosing corporate information, as an open enterprise in the advanced information network age.
4. We will take independent and positive action, fully recognizing the necessity of environment conservation.
5. We will strive to make it possible for employees to lead pleasant and enriched lives, by guaranteeing a comfortable and safe work environment and respecting employees' dignity and individuality.
6. We will stand firm against antisocial forces and organizations that threaten the order and security of civil society.
7. In overseas operations, we will observe international rules, respecting the cultures and customs of the hosting society, and will manage ourselves in a manner that contributes to local development as good corporate citizen.
8. In order to turn the spirit of the Charter into reality, top executives will always listen to the voices within/ outside SMK, take the leadership to make all relevant Group people be fully aware of the Charter and to bring corporate systems into line with it, and will endeavor to cultivate corporate ethics.
9. When the Charter is violated, top executives will take the initiative in resolving the problem, endeavoring to clarify its causes and prevent its recurrence, and take necessary action as explain precisely to the society/punish responsible person including themselves.

SMK Environmental Charter

1. Basic Philosophy

The SMK Group pursues environmental preservation as well as economic development, by integrating its current technological strengths and creating advanced technology. As a good corporate citizen, every one of us will contribute to the promotion of sustainable global development.

2. Action Guidelines

- 1) Develop environmentally friendly products
- 2) Reduce waste by using everything to its fullest extent
- 3) Preserve natural resources and saving of energy
- 4) Encourage 3R(reduce, reuse and recycle)
- 5) Realize waste-free procurement and manufacturing

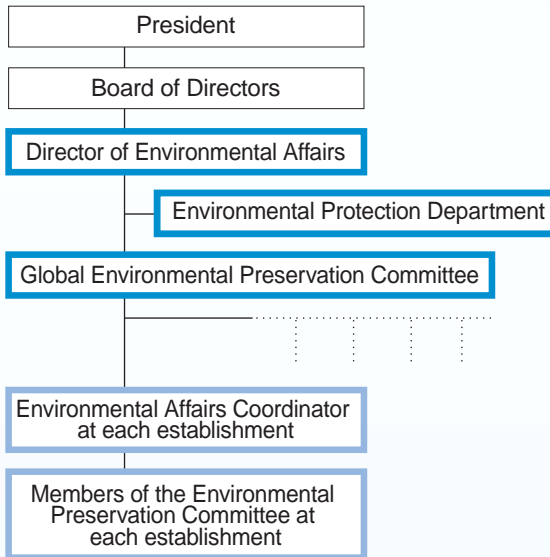


Organizational Framework

At SMK, decision-making for corporate policies and initiatives related to environmental preservation is conducted by the Global Environmental Preservation Committee, which is chaired by the Director of Environmental Affairs. Environmental policies and initiatives are also reviewed at the Board of Directors level when the need arises.

At the manufacturing works, sales office and branch level, corporate policies and initiatives are implemented by Environmental Preservation Committees, which have been established at each site. These committees are responsible for establishing policies and targets to guide the implementation of environmental initiatives. The Environmental Preservation Committees at each site are further responsible for addressing additional environmental issues relevant to each site.

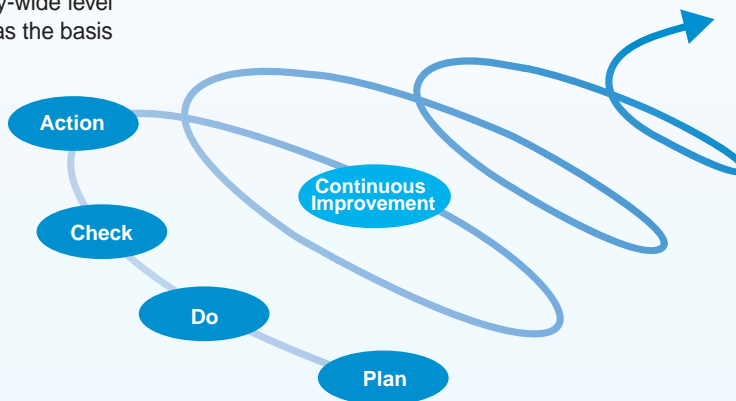
Organization for Environmental Preservation



Environmental Management Systems

SMK's environmental management systems adhere to ISO 14001 standards, which require that the company establish environmental policies on a company-wide level and for each of its sites. These policies serve as the basis for creating environmental action plans that guide the implementation of environmental initiatives within SMK. SMK also conducts internal audits to assess the effectiveness of its environmental initiatives and improve upon initiatives for the future.

Senior management also plays a role in assessing the effectiveness of SMK's environmental management systems by mandating improvements that are reflected in future corporate environmental policies and future environmental action plans. This system of reviews and checks is conducted on a regular basis to ensure that SMK's environmental management systems are continually improved.



ISO 14001 Certification

SMK has acquired ISO 14001 certification at all of its manufacturing works in Japan and other countries. For fiscal 2005, it is taking aim at certification of the office departments in its head office.

Status of receipt of ISO 14001 certification

Establishment	ISO14001
Toyama Works	Certified on 27 March 1998
Hitachi Works	Certified on 3 September 1999
SMK Manufacturing Inc. SMK Electronica S.A. de C.V.	Certified on 21 October 1998
SMK Dongguan Gaobu Factory	Certified on 12 September 2002
SMK (U.K.) Ltd.	Certified on 27 January 2000
SMK Electronics (Malaysia) Sdn. Bhd.	Certified on 25 May 2000
SMK Electronics (Shenzhen) Co., Ltd.	Certified on 28 February 2000
SMK Korea Co., Ltd.	Certified on 20 September 2004
SMK Electronics (Phils.) Corporation	Certified on 18 December 2003
SMK Hungary Kft.	Certified on 18 November 2004

Compliance with Laws and Regulations

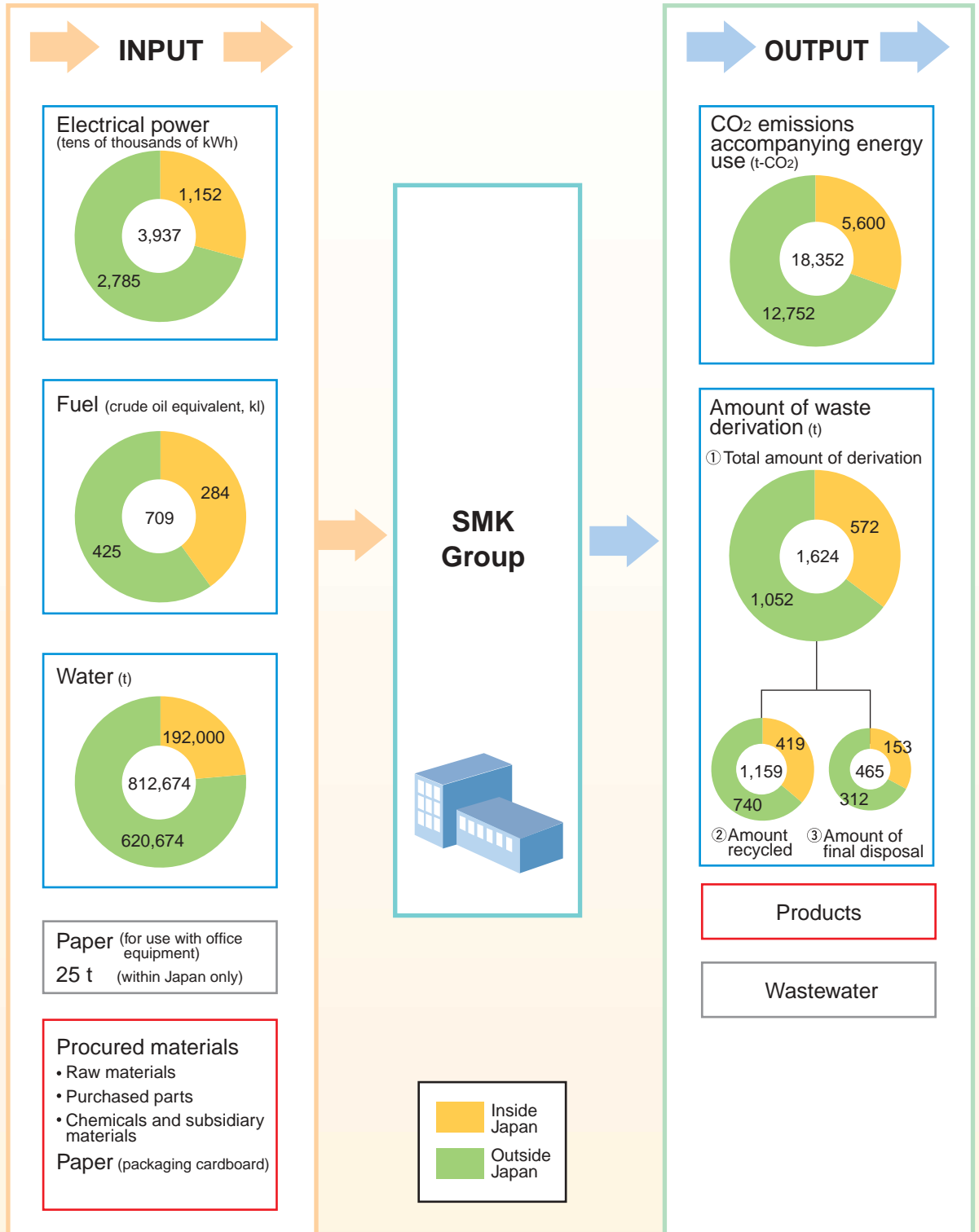
Each of SMK offices and sites prepares regulations suited to its operation and local situation, giving due consideration to national and local laws and regulations, and complies with these standards. Based on the ISO 14001 certification system, each of them formulates responses for potential accidents that carry the risk of environmental contamination or to address conditions that exceed standard values, and perform regular training exercise so as to be ready for any eventuality.

Another important task is supply of products in conformance with the substance regulations imposed on the substance contents of products in host countries (as exemplified by the EU RoHS directive) and on substances at customer firms. This obviously requires the selection of materials that do not contain the regulated substance at the design stage, based on accurate information about the regulations. Additionally, with the cooperation of our suppliers, we have embarked on the task of "cleaning" all processes, internal and external, to completely remove the substance from all parts of the manufacturing process. Furthermore, we are installing detectors to verify that incoming materials and outgoing products are entirely free of the regulated substances.



Material Balance

At SMK, we are striving to ascertain and reduce the environmental burden derived in the processes of product development, manufacture, and sale. The production of our overseas establishments has been steadily rising along with the globalization of our transaction partners. In recent years, their level of environmental burden has been much higher than that of our establishments in Japan. We have prepared a manual for provisions enabling the collection of data on environmental burden overseas under the same standards as applied in Japan, and began collecting and totalizing such data for fiscal 2004 as the initial year. Nevertheless, arrangements in this aspect are still insufficient, and we are determined to increase the totalization precision and alleviate environmental burden inside and outside Japan.



At present, we are taking autonomous action to reduce levels for the items indicated in blue, i.e., energy use and the accompanying CO₂ emissions, use of paper, and final disposal volumes (through waste recycling, i.e., transformation into usable resources).

We intend to reinforce our activities of green procurement and product assessment, in order to lower the environmental burden of procured materials (indicated in red) and that associated with the use and scrapping of products shipped to the market.



Reduction of environmental hazardous substances

The list of substances presenting a risk of adverse impact on the environment includes lead (which holds the risk of water pollution and soil contamination), and halogen compounds (which have the potential to cause dioxin emissions). The following is a profile of some eco-products that do not contain these substances.

Lead-Free Products

We have completely excluded lead from our electronic components and circuit boards (lead was formerly used in connection solder and plating, and as a plasticizer for resin). Needless to say, these products are also free of other hazardous metals.



Halogen-Free Products

Halogen compounds used to be applied in covering for cable materials and as a flame retarder for resins. Our products now utilize flame retarders that are naturally not of the specified bromic type and also do not contain other halogens.



Solderless Products

We have developed products that do not require soldering.

We use spring contacts for stable connection with printed circuit boards. These eliminate the need for soldering.



Development of energy-saving products

At SMK, we are engaged in vigorous programs for development of products that save energy both in use and in the standby status, for the purpose of reducing emissions of CO₂, a cause of global warming.

“No Power” LCD Systems

Utilizing cholesteric liquid crystal, this system enables continued display of the same screen without power once the display panel is activated.





FY2004 Environmental Preservation Activities

Summary

At SMK, we have prepared a road map for environmental preservation activities and are promoting action to attain its objectives. The following table summarizes our major environmental targets and achievements in fiscal 2004.

The acquisition of ISO 14001 certification by our production establishments in Korea and Hungary for their environmental management systems meant that all of our production establishments had been so certified. In fiscal 2005, we are planning to expand the movement for certification to the office divisions in our head office.

Although we managed to reduce our levels of waste derivation and buried disposal through improvement of processes and expansion of recycling, we did not attain our targets for energy conservation. This was because of the start of production of new products and construction of additional clean rooms at the Hitachi works.

As for reduction of environment-burdening substances, our goal is to bring all of our products into conformance with the RoHS directive during fiscal 2005.

While work toward our medium-term goals is smoothly progressing overall, we must make our manufacturing processes more efficient and achieve more effective use of energy in order to hit our targets for energy conservation, which remain unattained. Fiscal 2005 is the terminal one for the medium-term targets. We are committed to continued promotion of these activities as rigorously as ever even for the targets we have already attained.



Toru Kaneyoshi
Vice President

	Medium-term targets (FY2001 - FY2005)	FY2004		Self- assessment
		Target	Achievement	
TN deployment of environmental management systems	Acquisition of ISO 14001 certification by our head office and four overseas production establishments	Acquisition of ISO 14001 certification by our production establishments in Korea and Hungary	Certification acquired Korea: September 2004 Hungary: November 2004	B
Energy conservation	Reduction in energy use per unit of production value by 8 percent relative to FY2001 (FY2005 target: 0.068 kl/million yen)	11 percent reduction relative to FY2003 Target: 0.068 kl/million yen	2.6% increase 0.079 kl/million yen	C
Reduction of waste	20% reduction in the derivation as percentage of production value relative to FY2001 (FY2005 target: 0.0145 t/million yen)	1% reduction relative to FY2003 Target: 0.0146 t/million yen	8.2% reduction 0.0135 t/million yen	A
	20% reduction in the buried disposal volume relative to FY2001 (FY2005 target: 95.3 t)	1% reduction relative to FY2003 Target: 108 t	25.5% reduction 82 t	A
Reduction of use of environment-burdening substances in products	<ul style="list-style-type: none"> • Achievement of lead-free solder and plating • Complete elimination of hexavalent chromium • Reduced use of halogen compounds 	Conformance with the EU RoHS directive	Action currently being taken for each type of product	B

Self-assessment
A: attainment of targets by a wide margin
B: attainment of targets
C: failure to attain targets



Since fiscal 2000, SMK has been practicing environmental accounting for quantitative assessment of the costs and benefits (positive effects) of its environmental preservation activities. This accounting is in accordance with "Environmental Accounting Guidelines," which was published by the Ministry of the Environment.

Environmental Preservation Costs and Benefits

Unit: millions of yen

Category	Environmental Preservation Cost				Economic Benefits Accrued		Environmental Conservation Benefit (Materials)		
	Major Initiatives	Investment		Expense		Amount	Year-on-Year	Consumption/ Output Savings	Year-on-Year
		Amount	Year-on-Year	Amount	Year-on-Year				
Business area costs	Pollution prevention costs	1.1	18%	22.5	124%	0	—	Reduction of toxic substances: (6.5 tons)	1,625%
	Global environmental preservation costs	5.4	267%	5.1	242%	0	—	Energy consumption on a production value basis: (0.002 kl/million yen)	—
	Resource circulation costs	0.7	145%	36.4	142%	48.5	266%	Landfill waste by volume: (27.8 tons) Industrial waste output on a production value basis: (0.0012 tons/million yen)	289%
	Sub-total	7.1	83%	64.0	140%	48.5	266%		
Upstream/downstream cost	Green procurement	0	—	0.4	244%	0	—		
Administration costs	Education for environmental management; acquisition of ISO 14001 certification; auditing and assessment of environmental impact	0	—	71.2	81%	0	—		
R&D costs	Development of environmentally friendly products	0	—	97.0	256%	0	—		
Social activity costs	Initiatives to expand use of green space of manufacturing works	0	—	3.4	287%	0	—		
Environmental remediation costs		0	—	0	—	0	—		
Total environmental preservation costs		7.1	44%	235.9	136%	48.5	266%		

Overall investment by SMK and domestic subsidiaries: 2,453 million yen
Overall R&D costs borne by SMK and domestic subsidiaries: 3,578 million yen

Environmental Preservation Costs

In fiscal 2004, our environmental preservation costs consisted of 7 million yen for investment and 236 million yen in expenses, for a decrease of 9 million yen and an increase of 63 million yen, respectively, from fiscal 2003. The major subject of investment was the installation of an energy-saving air conditioning system for more efficient use of electrical energy.

The major factor behind the increase in expenses was research and development costs, which were up 59 million yen from fiscal 2003. These costs were driven up by the labor costs required for selection of materials and parts that do not contain lead and other substances specified under the RoHS directive at the stage of product design and development, and assurance of their absence to customers. Administrative costs, which include the cost of contents examination and measurement to confirm the absence of the aforementioned specified substances in mass-produced products, were down some 17 million yen from fiscal 2003. This decrease was due to the effects of continued efforts for in-house performance of and higher efficiency in such work.

Benefits

Environmental preservation activities delivered an economic benefit of 49 million yen. As compared to fiscal 2003, we recorded a decrease of 6.5 tons in use of hazardous substances, increase of 0.002 kiloliters of energy use per million yen of production value, decrease of 0.0012 tons in derivation of waste per million yen of production value, and decrease of 27.8 tons in the buried disposal volume. We were able to realize a big

increase in the economic benefit by curtailing purchase of new equipment by reuse of idle production facilities and tools as far as possible. The volume-reducing benefits derived mainly from our reduction of the hazardous substance contents of raw materials for forming, which brought a big decrease in the use of these substances relative to fiscal 2003.

Totalization Procedure

- SMK's environmental accounting practices adhere to the Environmental Accounting Guidelines 2005 published by Japan's Ministry of the Environment.
- Environmental accounting covers all expenses, including depreciation and equipment investments, as well as benefits related to environmental conservation initiatives implemented between April 2004 and March 2005 by SMK and its domestic subsidiaries.
- Data was collected from SMK's domestic business establishments, branches and sales offices, and five of its domestic subsidiaries.
SMK: Head Office, Gate City Office, Toyama Works and Hokuriku Sales Office, Hitachi Works and Ibaraki Sales Office, Yamato Works and Kanagawa Sales Office, Osaka Branch, Nagoya Branch, Fukuoka Sales Office
Subsidiaries: Toyama Showa Co., Ltd., Showa Denshi Co., Ltd., Yatsuo Denshi Kogyo Co., Ltd., Ibaraki SMK Co., Ltd., SMK R&D Co., Ltd.
- Benefits accrued consist of economic benefits measured on a monetary basis, and benefits accrued from consumption or output savings measured by volume.
- Data for environmental conservation benefits indicated the decrease in volume compared with the previous fiscal year.
- Economic benefits accrued are clearly demonstrable and do not include speculative benefits.
- Depreciation on equipment investments was calculated at a climbing rate based on the preceding five years.

Extension to Overseas Establishments and Policy for the Future

Overseas Establishments

In fiscal 2004, we began to totalize the environmental preservation costs and benefits of our overseas establishments. The costs consisted of 26 million yen in investment and 78 million yen in expenses. The investment went for purchase of machinery and facilities for production of environment-friendly products. Costs in the establishment area accounted for about 73 percent of the total expenses. This is because the overseas establishments have many production divisions and consequently high expense burdens for maintenance and management of production facilities. The economic benefit came to 47 million yen, and was comprised almost entirely of profit on sale of unneeded waste articles (scrap iron, non-ferrous metal scrap, and plastic scrap).

Policy for the Future

In fiscal 2004, we made provisions for practice of environmental accounting for the whole SMK Group, including overseas establishments. For the future, we shall endeavor to ascertain the trend of costs and benefits on the Group level and construct a system for higher accuracy and more efficient totalization and use.

Note: For the scope of overseas establishments covered, see the list of overseas establishment production and sales locations on page 18.



Energy and Resource Conservation Initiatives

We at SMK are making efforts to reduce our amount of power use and our energy use per unit of production value by reinforcing measures to improve energy efficiency. We are also promoting a movement to curtail waste derivation and discarding, and constructing a system for resource recycling.

Scope of Data Compilation

SMK: Head Office, Osaki (Gate City) Office, Toyama Works (including the Hokuriku Sales Office), Hitachi Works (including the Ibaraki Sales Office), Yamato Works (including the Kanagawa Sales Office), Osaka Branch, Nagoya Branch, and Fukuoka Sales Office

Five domestic subsidiaries: Toyama Showa Co., Ltd., Showa Denshi Co., Ltd., Yatsuo Denshi Kogyo Co., Ltd., Ibaraki SMK Co., Ltd., SMK R&D Co., Ltd.

Period

Targets: FY2005 (April 2005 - March 2006)

Actual achievements: FY2004 (April 2004 - March 2005), FY2003 (April 2003 - March 2004), FY2002 (April 2002 - March 2003), and FY2001 (April 2001 - March 2002)

Energy Consumption

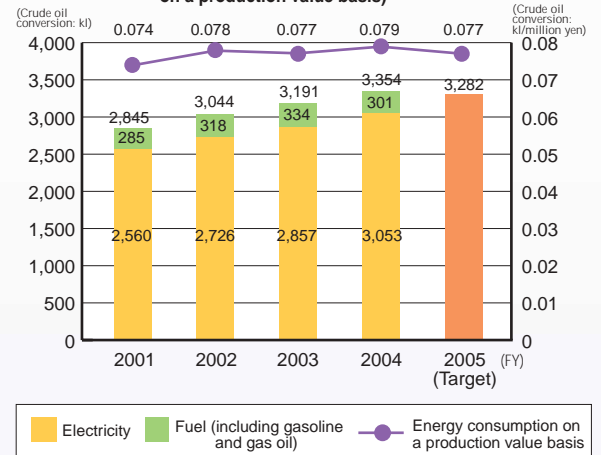
(vs. FY2003)

- Energy consumption on a production value basis 103%
- Energy consumption 105%
- Production volume 102%

Major initiatives

- We are pursuing energy conservation activities using the level of energy consumption on a production value basis as an indicator. In fiscal 2004, our energy consumption on a production value basis rose by 3% as compared to the increase of 2% in the production volume in the Group as a whole. The main factor behind the consumption increase was the start-up of the new facilities at the Hitachi plant and increased production of new products.

Energy Use (fuel, electricity, and energy consumption on a production value basis)



Industrial Waste Output

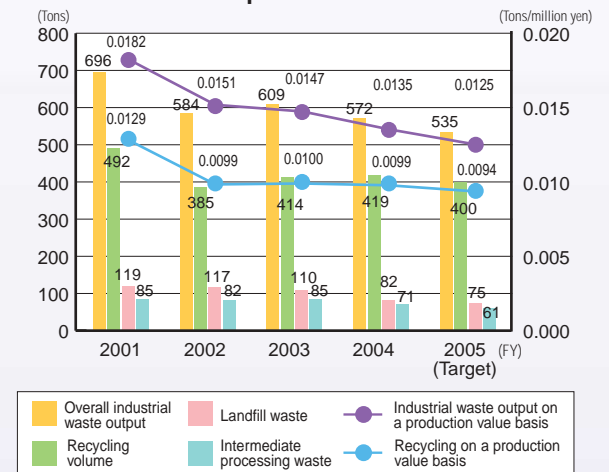
(vs. FY2003)

- Industrial waste output on a production value basis 92%
- Industrial waste output by volume 94%

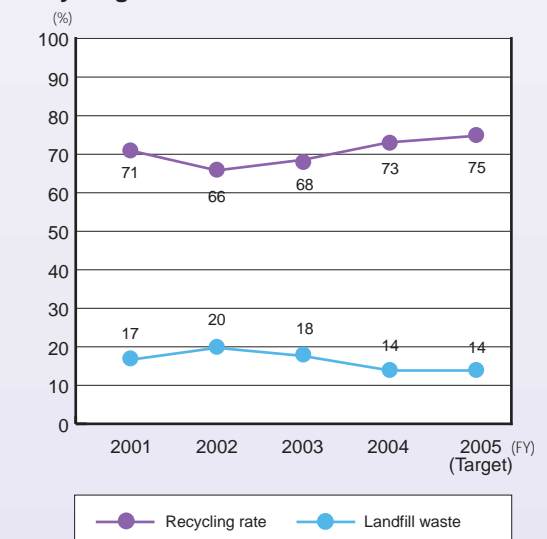
Major initiatives

- We are working to curtail derivation and discarding. In fiscal 2004, the amount of industrial waste output on a production value basis decreased by 8% in spite of the 2% increase in production volume in the Group as a whole.

Industrial Waste Output



Recycling Rate and Landfill Waste Rate



Glossary

Energy consumption on a production value basis: Volume of energy consumed (kl) measured per million yen of production value.

Industrial waste output on a production value basis: Amount of industrial waste output volume (tons) measured per million yen of production value.

Recycling on a production value basis: Amount of waste recycling volume (tons) measured per million yen of production value.

Zero emissions: Elimination of industrial waste through recycling and reuse of materials.

Intermediate processing waste: Waste that is crushed, separated or subjected to a process such as thermal processing, chemical fusion, chemical neutralization or chemical detoxification. Intermediate processing is conducted for recycling purposes. (Industrial waste is categorized as recycling waste, intermediate processing waste or landfill waste.)

Thermal recycling: Reuse of industrial waste as an alternative fuel for industrial boilers and other equipment.

Material recycling: Recovery of raw materials from industrial waste for recycling purposes.

Recycling

(FY2004 Actual) (vs. FY2003)

- Recycling rate 73% 108%
- Thermal recycling rate 6% 81%
- Material recycling rate 67% 111%
- Landfill waste rate 14% 79%
- Landfill waste volumes 82t 75%

Major initiatives

- Toward our goal of "zero emissions," we are working to reduce landfill waste volumes, increase material recycling rates, and reuse resources. Relative to the entire amount of waste derivation, we achieved a recycling rate of 73 % (up 5 % from fiscal 2003) and buried disposal rate of 14 % (down 4 % from fiscal 2003).
- Our Hitachi works achieved "zero emissions" for the fourth consecutive year since fiscal 2001.



Toyama Group

Toyama Works*, Hokuriku Sales Office*, Toyama Showa Co., Ltd.*, Showa Denshi Co., Ltd., and Yatsuo Denshi Kogyo Co., Ltd.

* Asterisks indicate establishments that have received ISO 14001 certification.

● Toward “Zero Emissions”

At the Toyama Works, various types of waste are derived in the manufacture of electronic components. The establishment has repeatedly conducted campaigns aimed at reducing derivation and increasing the recycling rate. These efforts have been steadily taking effect.

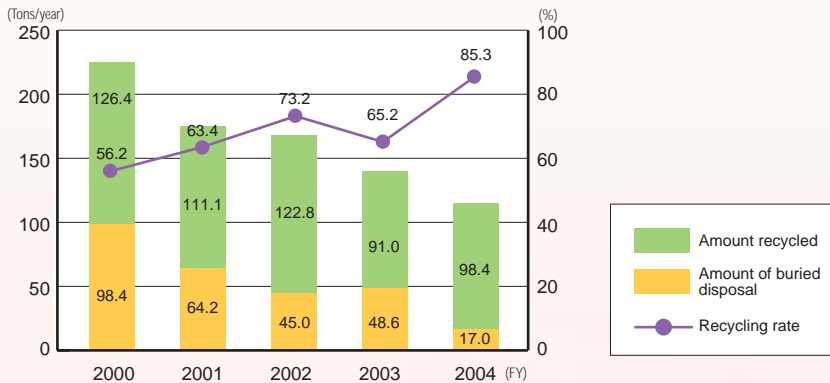
In fiscal 2004, the establishment succeeded in the recycling of composite glass materials, which had not been amenable to recycling, and greatly increased its recycling rate.

The sole major remaining issue is the sludge derived in the treatment of wastewater from manufacturing processes, which is still sent out for disposal by burial. However, the amount of derivation has been gradually declining thanks to process improvements. At this point, the Toyama Works is poised for attainment of “zero emissions.”



Recycled product (road bed material) made from composite glass materials

Trend of the amount of waste derivation and the recycling rate at the Toyama Works (excluding subsidiaries)



● Environmental Education

In March 2005, the Toyama Group entered its eighth year since its acquisition of ISO 14001 certification. One of the items that is particularly high on its agenda is environmental education for employees. Each year, it implements programs of such education on both the Group-wide and divisional levels based on an ad-hoc scheme already established for the entire Group. In fiscal 2004, it invited external experts to make presentations aimed at raising environmental consciousness. In such ways, it is further heightening awareness of the environment among all of its employees.



A seminar for environmental consciousness-raising



Hitachi-Ibaraki Group Hitachi Works, Ibaraki Sales Office, and Ibaraki SMK Co., Ltd.

* Asterisks indicate establishments that have received ISO 14001 certification.

● Installation of environment-friendly production facilities

The Hitachi-Ibaraki Group is erecting a production system capable of providing high-reliability products made with environment-friendly facilities and materials in a wide range of fields, including mobile telephones, personal computers, digital versatile disks (DVDs), and other digitized audio-visual hardware.

Due to the installation of reflow ovens using lead-free solder, 35% of its solder used in fiscal 2004 was free of lead.

Taking aim at environment-friendly production, the Group wants to completely eliminate use of hazardous substances by 2006.



Reflow ovens using lead-free solder

● Participation in volunteer clean-up campaigns in the community

As part of its activities for protection of the natural environment on the community level, the Group is participating in campaigns to clean up the beach along the Isohara coast in the city of Kita-Ibaraki and the Ishihama coast in the city of Hitachi in advance of the summer swimming season.

In 2004, 70 of its employees joined in and recovered a lot of debris, including empty cans, plastic bottles, driftwood, and tires.

There is a wide gulf in awareness between those who leave litter on beaches and those who collect it. The campaign participants, who are apprehensive about marine pollution and aware of the importance of environmental preservation, are gradually growing in number.



Clean-up campaign on the Isohara coast

In the Ishi industrial estate, where the Hitachi Works is sited, employees participate in campaigns to collect empty cans and other such litter discarded on public roads in order to protect the natural environment. These campaigns are undertaken through cooperation among the tenant companies, local government, and citizens in the surrounding community.



Clean-up campaign in the Ishi industrial estate



Overseas Establishments

● Installation of environment-friendly production facilities

Whereas our production locations in Japan engage mainly in assembly of products using purchased components, those overseas are extending their in-house production to more of the components used in their products. They also possess component processing facilities that entail comparatively high levels of electrical power use, including plastic molders and stamping presses.

The switch from the conventional hydraulic systems to motorized ones for plastic molders may be cited as one recent move that has done much to reduce energy consumption at our overseas locations. The motorized molders use from 50% to 70% less electricity than the hydraulic ones, and this shift is scheduled to continue. For other facilities as well, we are making assessments of environmental impact in advance and selecting types that put less of a strain on the environment.

● SMK Electronics (Phils.) Corporation

■ Relief for flood victims – encouraged by the joy on the victims' faces

Winnie, the tropical monsoon that struck the Philippines in late November 2004, and Typhoon No. 27, which swept across central Luzon the week after, caused flooding and landslides in many parts of the country.

In response, SMK Electronics (Phils.) decided to do its part to aid the victims. Its employees visited evacuation centers in the province of Bulacan, where its plant was formerly sited, and distributed relief food supplies.

The employees had a hard time getting to the evacuation centers. In many areas, roads were under water that was sometimes waist-high. Nevertheless, the warm welcome they received from the evacuees convinced them of the need to continue such efforts.



Relief supplies readied for delivery



Volunteers from SMK Electronics (Phils.) distributing relief supplies

■ Commendation of our human resource education system – receipt of awards from a national institution

SMK Electronics (Phils.) was commended by the national Technical Education and Skills Development Authority (TESDA) for its Dual Training System (DTS).

The DTS is a scheme for technical and vocational instruction that was instated for provision of education and job training to Philippine nationals based on partnership between the company and educational institutions.

More specifically, the awards were received for the best DTS education model in 2004 and the most outstanding DTS training coordinator in fiscal 2004, and were given to one employee each.



Scene at the award ceremony



Education and Training

At SMK, one of our goals is to have all employees take part in environmental preservation activities on their own initiative.

Environmental Education

We have a phased program of education beginning with instruction for new hires. Through it, we instill all employees with an awareness of the importance of the environmental aspect of our activities.

We have also made arrangements for in-house proposal, and often receive some for measures thought to be effective for preservation of the environment. We have all proposals examined by a committee of professionals and disclose the results to all within the company.

Through these arrangements, employees can feel free to make proposals for improvements, major or minor. The setup consequently enables reflection of employee ideas in management. The following are some examples of proposals received in fiscal 2004 for improvements thought to be effective for environmental presentation activities.

- Reduction of use of KOH solvent and derivation of specified industrial waste through improvement of the method of controlling resist ink stripping liquid in the etching process (production technology)
- Use of reusable plastic containers in shipments among SMK Electronics (Phils.) plant, Toyama Works, and customers (production management)
- Review of the periods (times of day) of air conditioner operation (logistics)
- Partial paperless arrangement for the order receipt and processing system (sales)
- Addition of the item "environment-related modification" to application sheets for modification of production conditions (quality control)

* Parentheses indicate the department of the proposer.



An environmental education class for a sales dept. (June 2004)

Toward Acquisition of ISO 14001 Certification for our head office area in the first half of FY2005

At SMK, all of our production establishments, whether inside or outside Japan, have already obtained ISO 14001 certification. We are extending the scope of such activities in fiscal 2005, and are planning to obtain certification for our head office area.

The members of the SMK Group are sharing their accumulated experience and know-how in cultivating environmental specialists on a global scale.

For employees in our head office area, we are aligning perceptions by such means as testing to ascertain their degree of understanding, and having them join in a concerted effort to obtain certification in the first half of the fiscal year.

— Education for obtaining certification —

In fiscal 2004, we established an environmental preservation committee for our head office area and invited an outside expert to conduct a program of basic education for the committee members. The program attracted the participation of 43 members, who were eager to acquire the knowledge needed for ISO 14001 certification. To my mind, the biggest benefit of the program was that it not only imparted basic knowledge but also gave us an appreciation of the importance of environmental preservation activities. In February 2005, we held a two-day seminar to train internal ISO 14001 environmental auditors. These seminars further solidified our footing for acquiring the certification.



Shuji Wada

Secretariat,
Environmental Protection Department,
Head Office

Social Contribution and Communication Activities



In accordance with our corporate behavior charter, which stipulates management that contributes to community advancement as a good corporate citizen, we are engaged in all kinds of activities of social contribution. We also stage a technology exhibit once every four years to showcase our technical capabilities to our transaction partners and other interested parties.

The Showa Ikeda Memorial Foundation

The Foundation was established by the late Heishiro Ikeda, the man who founded SMK and served as its president for about 50 years, and his wife Shizuko in 1976, when we celebrated our 50th anniversary.

Operated to assist projects of social welfare, the Foundation rests on the funding from our founder, with some donations from the company.

Each year, it awards scholarships to about 40 high school students and 20 students from other countries

pursuing studies in the Japanese language. In fiscal 2004, the scholarships were handed out to 63 students. The non-Japanese recipients consisted of 10 from China, two each from Taiwan, Vietnam, Thailand, and Indonesia, and one each from Korea and Malaysia.

The Foundation also held its 23rd contest for student papers, and gave awards to four of the total of 47 entries.



Foundation personnel and winners after the award ceremony for the 23rd student paper contest

Assistance for Disaster Recovery

To assist the victims of the Niigata-Chuetsu Earthquake, which struck on 23 October 2004, the SMK Group presented 1.5 million yen in donations to the task force headquarters in Niigata Prefecture. The Group employees began to collect donations on their own initiative, and the company matched the sum with a donation of its own. When these donations for Niigata are included, SMK, the Showa Ikeda Memorial Foundation, and our subsidiaries gave a total of 2.42 million yen to recipients such as the Japan Business Federation, the Tokyo Chamber of Commerce and Industry, and the Japanese Red Cross Society.

Employees of SMK and our overseas establishments also collected about 11.8 million yen in donations for the victims of the tsunami that wreaked so much devastation along the coast of the Indian Ocean on December 26 of the same year. Our SMK Dongguan

Gaobu Factory in Dongguan, China was commended for its contribution.

The donations collected from other countries were presented to aid institutions in them, and those collected in Japan, to the Japanese Red Cross Society. We would like to take this opportunity to again express our deep condolences to all victimized by the tsunami.



Commendation of the SMK Dongguan Gaobu Factory

TEXPO 2004

In April 2005, we entered the 80th year since our founding, and staged the technology exhibit TEXPO 2004 over the three-day period (June 2 - 4) to celebrate this milestone. The exhibit showcased our Group's development of new products and technology to meet the needs of society at large amid the trends of networking, broadband communication, ubiquitous systems, and digitization now unfolding. To spotlight them, we displayed our environment-friendly products in a separate space dubbed the "Ecology Plaza," and drew the attention of visitors to our measures of concern for the environment.



Ecology Plaza at TEXPO 2004

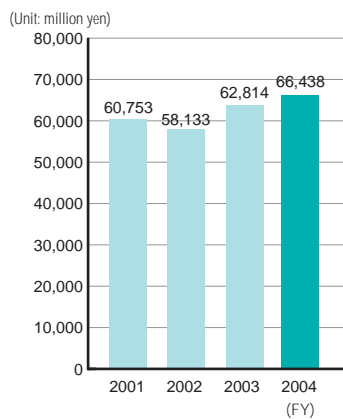


Corporate Profile (as of 31 March 2005)

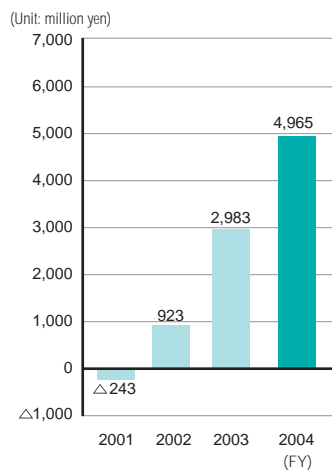
- **Name** SMK Corporation
- **Established** January 15, 1929
- **Primary Businesses** Manufacturing and sales of electronic components for use in electrical equipment, communications equipment, electronic equipment, industrial machinery, IT equipment and other applications.
- **Capital** 7,996 million yen
- **Number of Employees** 9,384 (Group)
- **Head Office** 5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511 Japan
Tel: +81-3-3785-1111
Fax: +81-3-3785-1878
URL: <http://www.smk.co.jp/>
- **Major Products**

<ul style="list-style-type: none"> Switches Remote control units Keyboards Control panel units Electret condenser microphones Earphone/microphone assemblies Camera modules AC adaptors Cradles Antennas Crimp connectors FPC and FFC connectors 	<ul style="list-style-type: none"> Board-to-board connectors RF coaxial connectors Interface connectors Card connectors Power connectors Metal ferrules Jacks and pin jacks DC power supply plugs/jacks Fuse holders Resistance sensitive touch panels Optical touch panels Bluetooth modules
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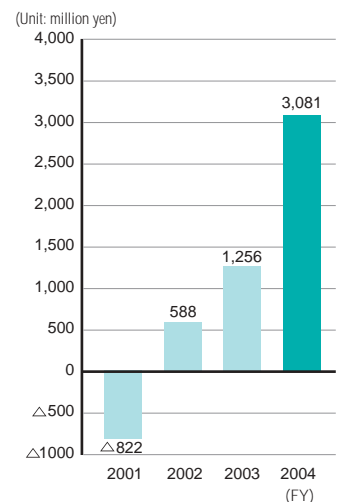
Consolidated Net Sales



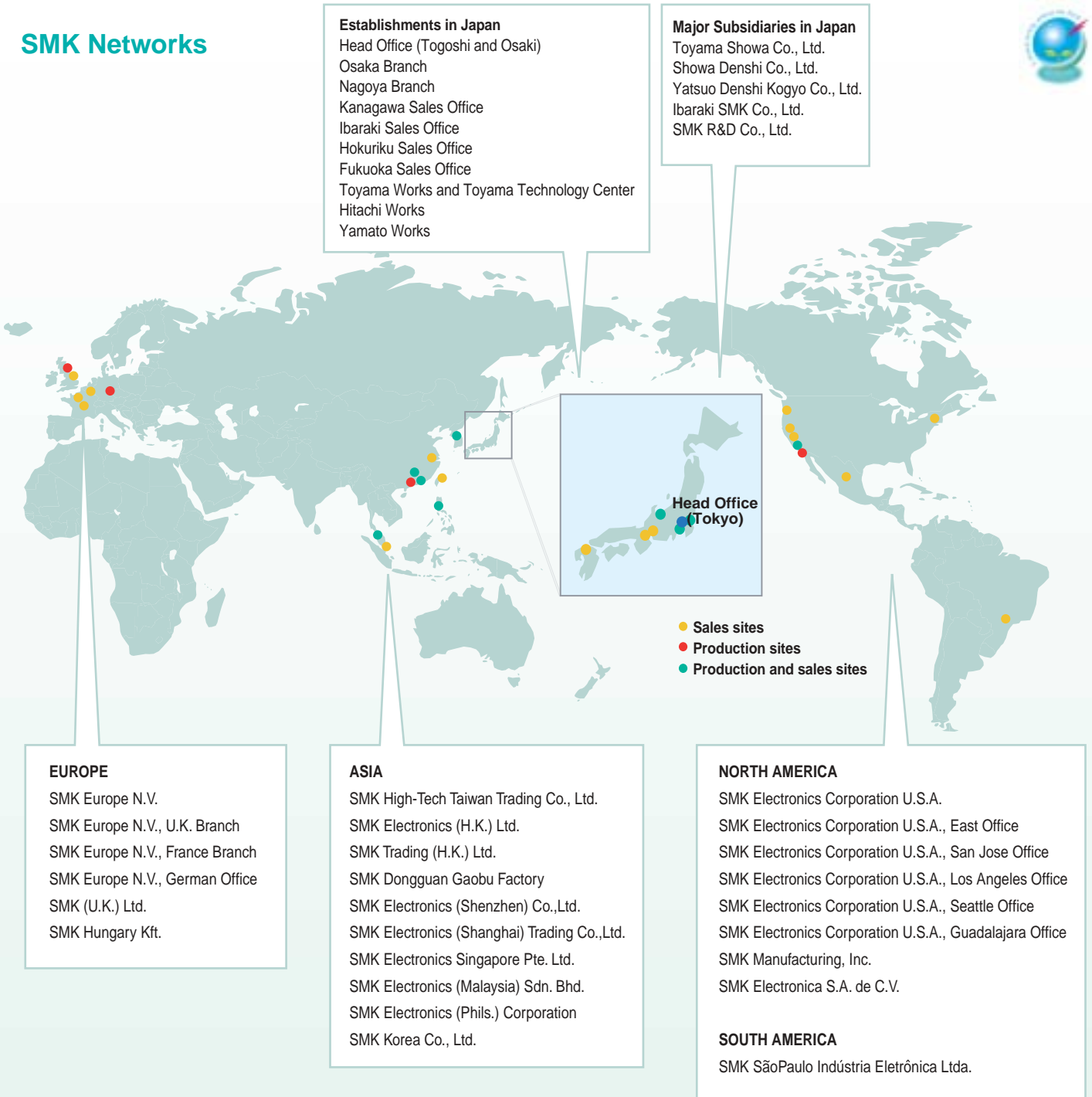
Consolidated Operating Income



Consolidated Net Income



SMK Networks



Editor's Postscript

Thank you for taking the time to read our Environmental Report 2005. This is the third in the series of environmental reports published by SMK Corporation.

For this edition, we decided to allot more space to the activities of our domestic and foreign establishments in order to deepen appreciation of the global scale of SMK activities.

The reports from individual establishments are undoubtedly of interest to readers in the communities surrounding them, and we want to portray their many activities in succeeding editions as well.

With this edition, we began to compile data for overseas establishments under the same standards as applied for those in Japan. We consequently cannot yet present trends, and the account was therefore confined to mere notation of the data. Beginning with the 2006 edition, we intend to widen the data scope and increase the precision of the compilation system so that we can also provide data trends for overseas establishments, too.

We want to continue making the report more complete so that it can better function as a tool of communication with our stakeholders, and would be grateful to receive your frank views on this subject.



Shigeo Maeyama
 General Manager,
 Environmental Protection
 Department

Contact: Environmental Protection Department, SMK Corporation TEL.+81-3-3785-5058 FAX.+81-3-3785-2904



About the SMK Environmental Symbol Mark

The symbol mark represents an earth with green land, clear water, and bright sunlight that support all kinds of life. It symbolizes our idea that environmental destruction would come to an end if people would love this earth in the same way as they do their other favorite things.