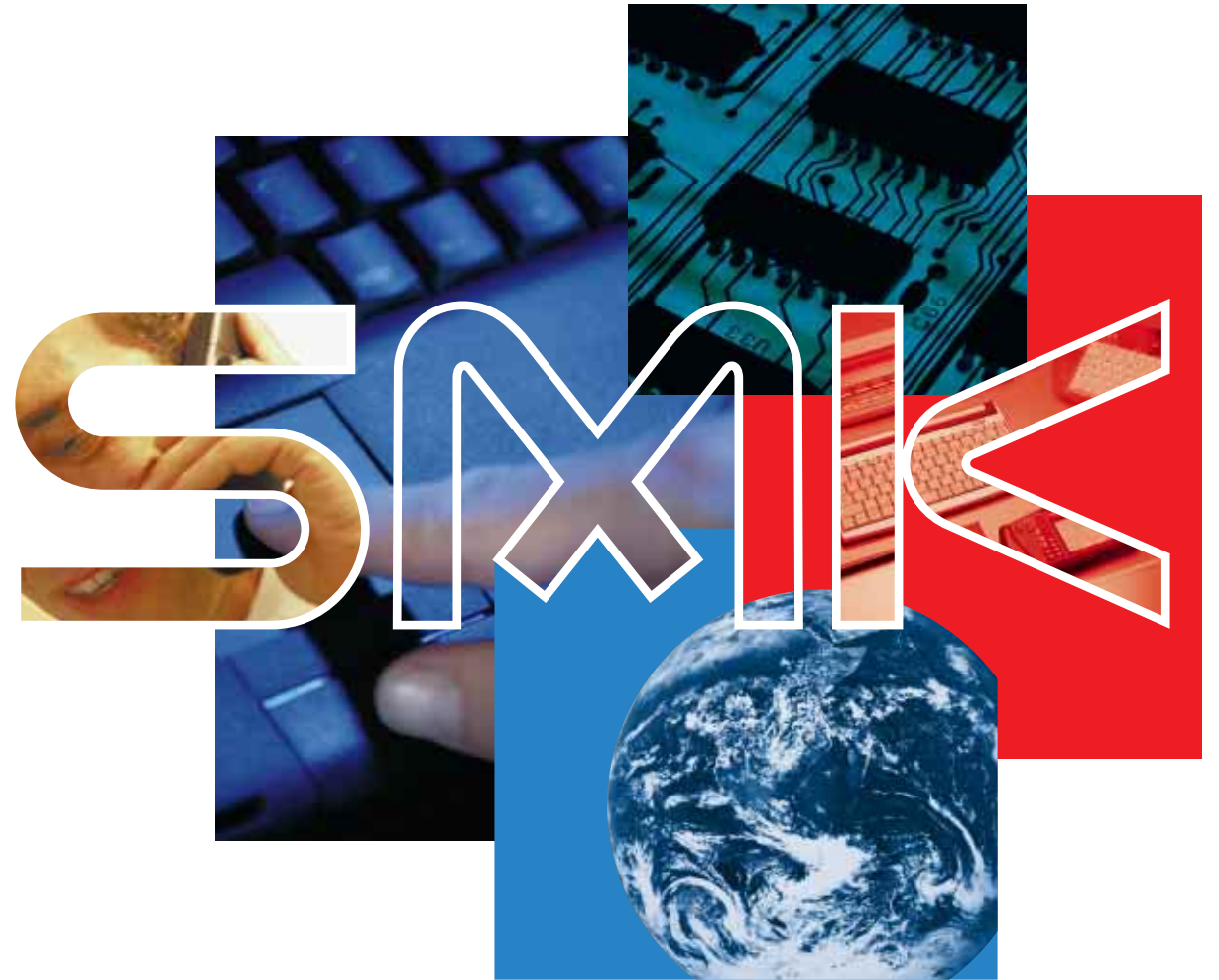


ANNUAL REPORT 2000
(Year ended March 31, 2000)



SMK Philosophy

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strength and creating advanced technology.

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 ten 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 We will develop and provide superior goods in terms of quality, cost, and safety through our accumulated advanced technology.
- 2 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 discharge our duty as good corporate citizen, by supporting and cooperating with society.
- 6 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.
- 7 We will stand firm against antisocial forces and organizations that threaten the order and security of civil society.
- 8 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.
- 9 In order to turn the spirit of the Charter into reality, our top executives will take the leadership in making all relevant Group people become fully aware of the Charter and in bringing corporate systems into line with it, and will endeavor to cultivate corporate ethics.
- 10 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 measures.

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Financial Highlights

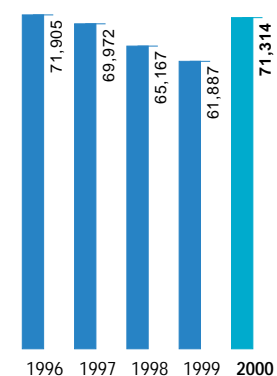
SMK Corporation and Consolidated Subsidiaries

	Millions of Yen		Percent change 1999/2000	Thousands of U.S. Dollars
Year ended March 31	1999	2000		2000
Operating Results				
Net sales	¥ 61,887	¥ 71,314	15.2 %	\$ 671,826
Operating income	1,789	5,213	191.4	49,116
Net income	465	1,218	161.7	11,480
Financial Position				
Total assets	¥ 54,377	¥ 58,995	8.5	\$ 555,773
Total shareholders' equity	27,629	28,211	2.1	265,767
Per Share Data				
	Yen			U.S. Dollars
Net income	¥ 5.72	¥ 15.09	163.8	\$ 0.14
Cash dividends	5.00	7.00	40.0	0.07

Note : The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥106.15 = U.S. \$1.00.

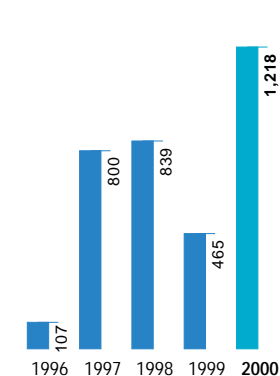
NET SALES

Millions of Yen



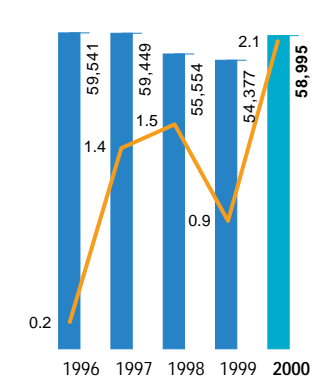
NET INCOME

Millions of Yen



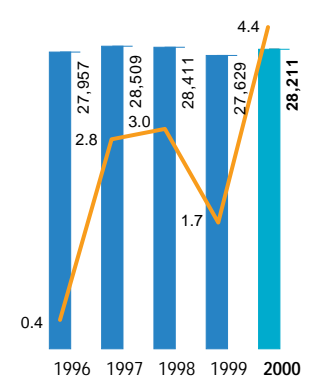
TOTAL ASSETS/ROA

Millions of Yen & %
Return on assets (ROA)



TOTAL SHAREHOLDERS' EQUITY / ROE

Millions of Yen & %
Return on equity (ROE)



To Our Stakeholders

We broadly exceeded sales and profits goals, while expanding rapidly in overseas markets, contributing to environment protection and developing leading-edge technology.



Terutaka Ikeda
Chairman & President

The global economy in the reporting period (April 1, 1999 to March 31, 2000) showed favorable signs of improvement supported by strong demand in the U.S. economy. The Japanese economy, although buoyed somewhat by improved conditions in selected industries, primarily in the manufacturing sector, did not yet exhibit signs of a true, sustainable turnaround.

SMK broadly exceeded its initial projections for sales and profits. This strong performance was facilitated by making full use of our superior technology to increase the cost competitiveness and expand the supply of our small, lightweight products for equipment in the fast-growing field of information technology (IT). At the same time, we expanded our international operations at a rapidly accelerated pace, continuing a trend started in 1996, and raised the ratio of our overseas operations by further developing our transnational management system. Our renewed profitability has benefited from our steadily increasing efficiency in the management of IT investment and other group-wide operations, as well as successfully focusing our research and development on the specific needs of customers. In the next reporting period, based on expectations of sustained growth in the IT and digital audio-visual sectors, we are confident that we will increase our product supply to the global market and steadily approach the goals of our current midium-term business plan ending in March 2002.

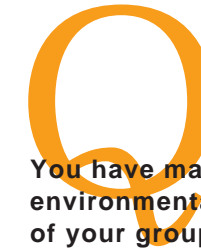


What are the targets of your transnational management system in regard to further overseas expansion?

Answer

One of the main targets of introducing our transnational management system has been to establish our products as the de facto global standards for performance and quality. We have been developing our international sales and production bases since the 1970s in response to a shift overseas by Japanese companies, our major customers. With the rapid advancement of the borderless global market in the 1990s, our ability to continue growing has hinged on our implementation of effective, globally oriented supply-chain management. We launched our transnational management system in 1996 to support the ongoing expansion of our overseas sales and production operations, as well as the development of our information systems. Our overseas operations (overseas sales and exports from Japan, excluding those to group companies) accounted for 58% of total group-wide business. Moreover, our transnational management system has enabled us to maintain a workforce of some 8,000 employees with 79% non-Japanese personnel. We set international standards for our group by introducing the SMK Group Charter for Corporate Behavior in 1997 and we will make English our primary language for internal

business communication from April 2001. We are revising our group regulations and systems to bring them in line with recognized international standards, which will help to attract superior personnel and enable them to realize their full potential.



You have made environmental protection one of your group's top priorities for the 21st century.

Answer

Six of our works (factories) worldwide have already acquired certification under the ISO 14001 standards for environmental management systems, and the remaining works are scheduled to acquire certification by the end of our current medium-term business plan in 2002. Our works in Dongguan, China has become a nationwide model for environmentally aware manufacturing facilities and attracts inspection tours from throughout the country. Our growth in the 21st century would be severely restricted if our global group-wide operations were not able to respond effectively to needs for environmental protection. Major companies in Japan, Europe and the U.S. demand products that lower environmental impact, consume minimal energy and are recyclable. Implementation of comprehensive environmental programs at every one of our works around the world is a key to their being fully accepted by their host

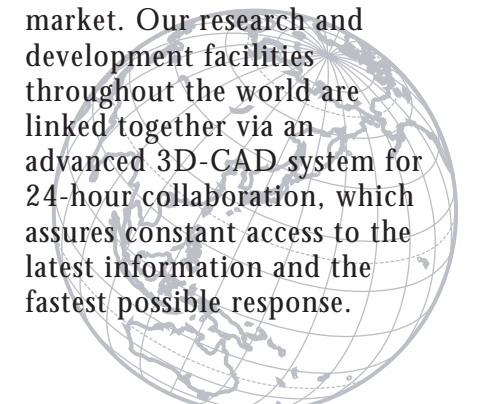
communities. These motivations led us to create the SMK Environmental Charter, which is helping to raise our employees' awareness of environment issues and responsibilities. We are also considering the commissioning of an environmental audit by an outside organization to assure our investors that we are taking extensive measures to protect the environment.



In view of the rapid pace of change in electronics technology, what is the focus of your research and development?

Answer

Our basic R&D policy is to concentrate business resources in our areas of specialty, which enables us to remain as the front-runner in these fields. We use our core technology as a springboard for developing both leading-edge technologies and completely new lines of products. Research and development operations in Japan include an advanced research center set up in 1996 and design units within each division. We have also established five research and development centers overseas to develop new products tailored to local needs in each market. Our research and development facilities throughout the world are linked together via an advanced 3D-CAD system for 24-hour collaboration, which assures constant access to the latest information and the fastest possible response.

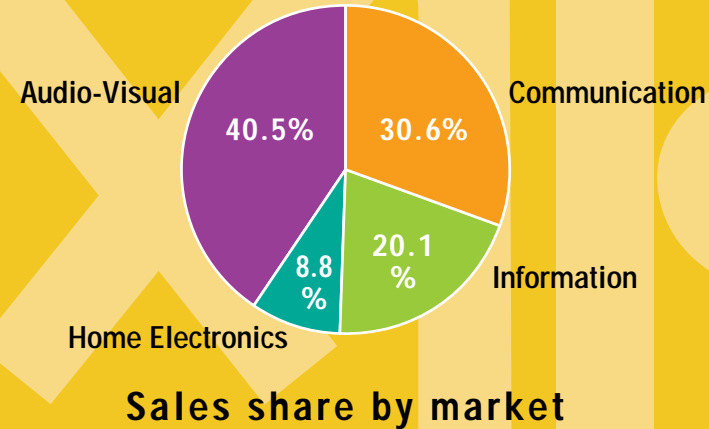


At a Glance

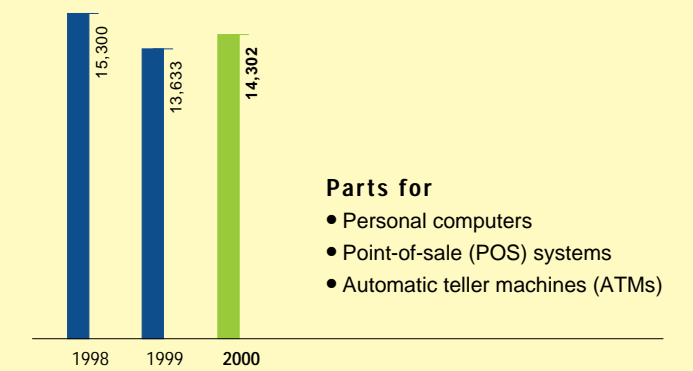
The SMK Group supplies parts for the communication, information, audio-visual and home electronics products of major manufacturers worldwide. Our overseas operations ratio (overseas sales and exports from Japan, excluding those to group companies) now stands at 58%.

We are developing our global market under the following basic strategies:

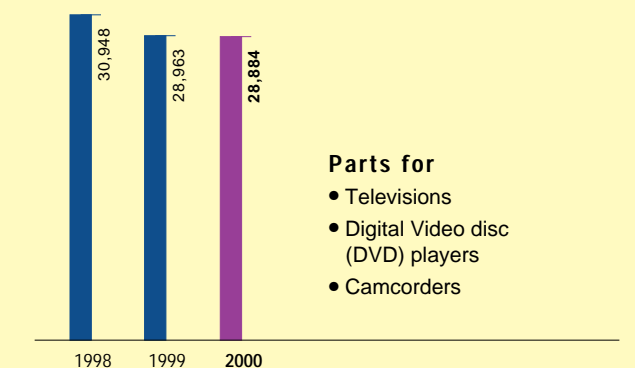
- Supply world-leading manufacturers with high-quality parts and components to establish these products as global standards.
- Continually enhance our transnational management system to support and strengthen overseas operations and bring products to market efficiently and effectively.
- Supply energy-saving, low-impact products to help protect the environment.



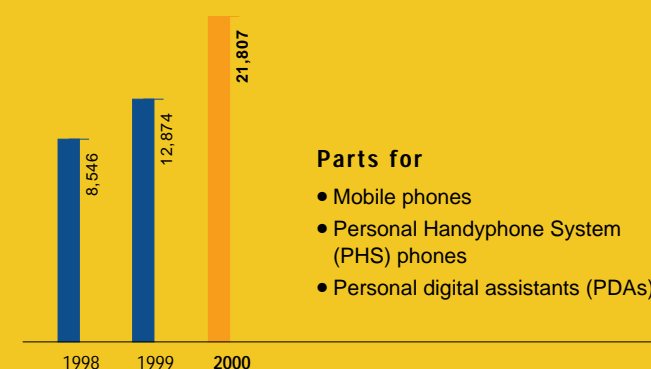
Net Sales
(Millions of Yen)



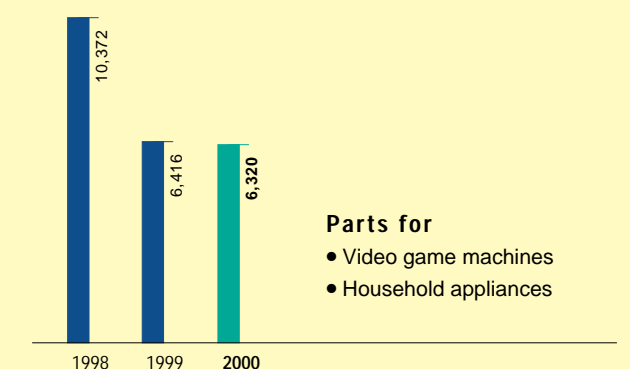
Net Sales
(Millions of Yen)

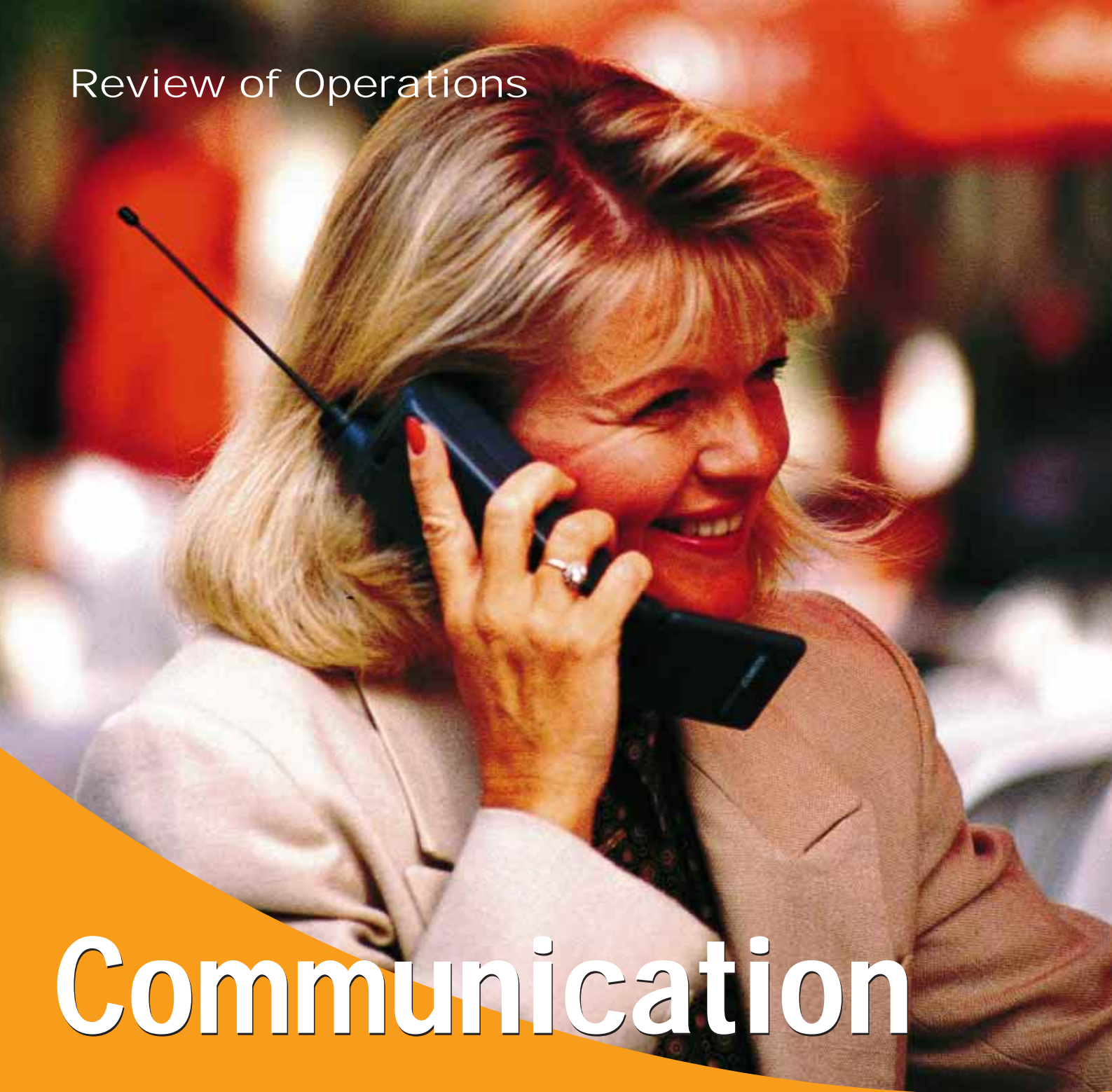


Net Sales
(Millions of Yen)



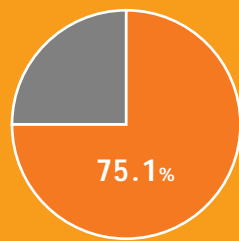
Net Sales
(Millions of Yen)





Communication

Ratio of Overseas Operations



Main Products

- Multi-Pin Connectors with Coaxial
- SMT-Compatible Ultra-small Coaxial Connectors
- Ultra-small Coaxial Connectors with a Switch
- Small-Size Memory Card Connectors
- FPC Connectors
- Dataport Connectors
- Battery Connectors
- Board-to-Board Connectors
- SIM Card Connectors
- 4-Way MT Switches
- Momentary Slide Switches
- Lever Push Switches
- Touch Panels
- Antennas
- TC Jacks
- Ground Terminals
- AC Chargers
- Charger Bases
- DC Power Supply Plugs/Jacks
- DC-DC Converters with a Car Plug
- Universal Car Plugs

Sales in the communication field jumped 69.4% to 21,087 million yen. We introduced a wide range of excellent products, including the global communication industry's smallest jack, ultra-small switches, accessory parts, and a small, lightweight interface connector with signal and coaxial ports for mobile devices, such as mobile phones and PDAs.

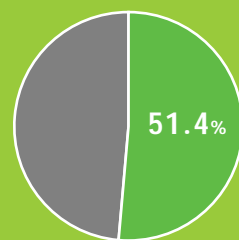
The number of mobile phones in use, currently 400 million worldwide, is expected to reach one billion by 2003. Market growth is being accelerated by impressive technological innovation, such as i-mode from NTT DoCoMo, Japan's largest mobile phone services provider, which provides constant, direct access to the Internet via mobile phones, and IMT-2000, the new global standard for third-generation mobile phone service systems, which will be introduced in the first half of 2001.

In light of these favorable trends, we expect our sales to the manufacturers of mobile phones and other wireless devices to continue growing in the next reporting period. At the same time, we will actively develop advanced products based on current and forthcoming technical standards for voice, data and video transmission.



Information

Ratio of Overseas Operations



Main Products

- Super-Transparent Low Reflectance Touch Panels
- Optical Touch Panels
- Control Panels with Touch Panel
- Touch Panels for PDAs
- Wireless Keyboards
- Keyboards for Notebook PCs
- Keyboards for ECR/POS
- Power Switches
- Detector Switches
- Key Switches
- FPC Connectors
- Interface Connectors
- IEEE1394 Connectors
- Board-to-Board Connectors
- Small-size Card Connectors
- Small-size Power Connectors
- DC Jacks
- Shielded Low-profile Jacks
- Jack with Ground Plates
- USB 4-port Hubs
- IC Card Reader/Writers



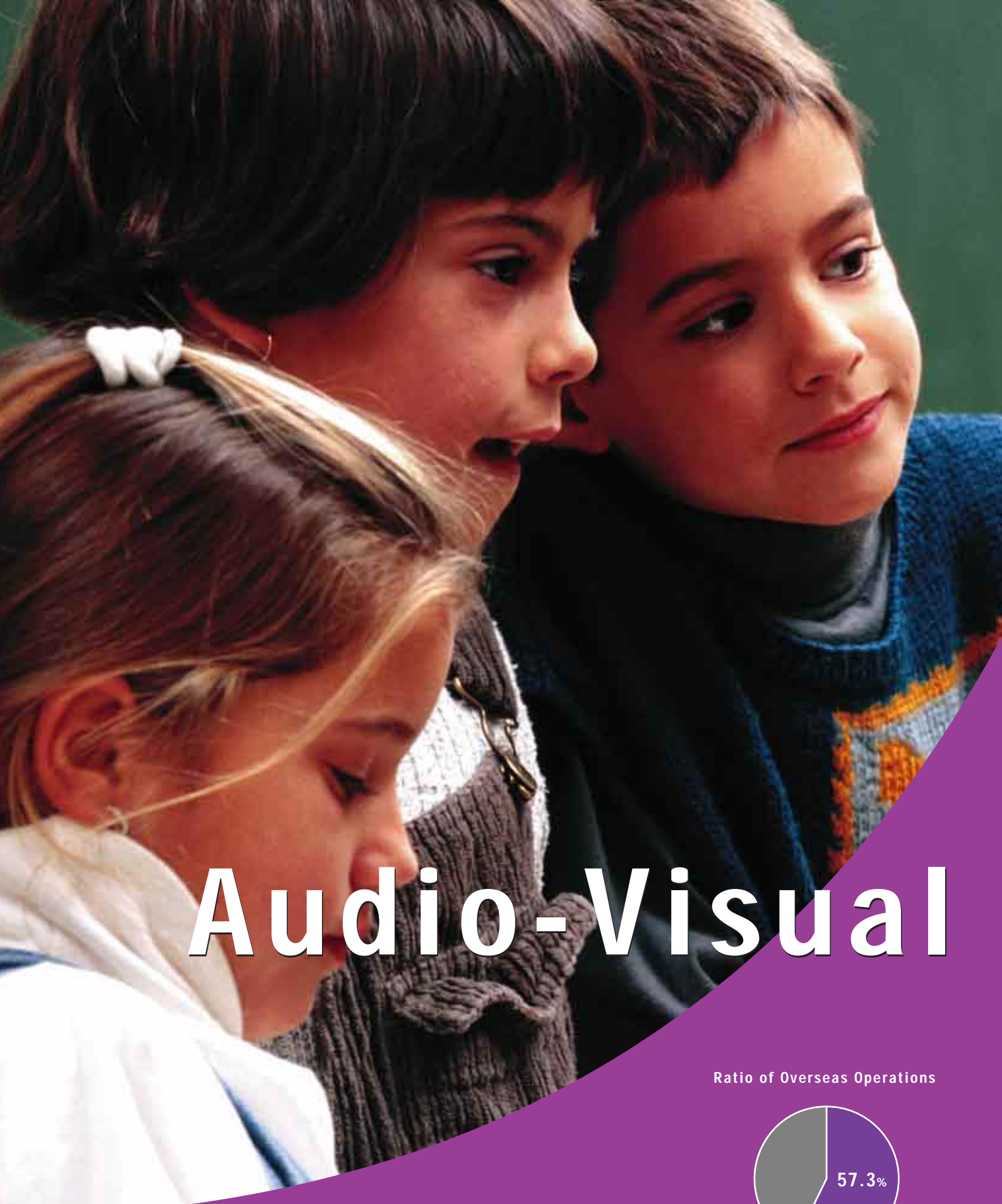
Sales in the information field grew 4.9% to 14,302 million yen. The makers of personal computers, POS systems and office equipment produced a steady demand for our information technology products, including connectors, keyboards and touch panels.

Global production of personal computers, the core of the information technology market, is estimated to have exceeded 100 million units during the reporting period. The market was robust in Japan, where sales surpassed 10 million units. Personal computer production in the next reporting period will continue to rise, mostly in Asia, although price competition will

intensify. Market growth will be stimulated by the increasing use of personal computers for new functions, such as video editing. We are responding to this trend by developing high-performance products, including through collaborations with customers from the design stage.

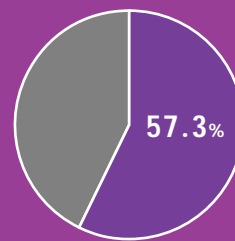
As IT becomes an increasingly integral part of daily life in the modern world, the demand is growing for IT infrastructure, including, ATMs and other terminals for debit cards and now e-money.





Audio-Visual

Ratio of Overseas Operations



Main Products

- Jacks
- Pin Jacks
- CRT Sockets
- Standard Remote Control Units with a Pointing Device
- IR/RF Remote Control Units
- Interactive Type Remote Control Units
- Internal Connectors (FPC, Crimp, Board-to-Board, etc.)
- Interface Connectors (IEEE1394, D-socket, etc.)
- Detachable Connectors
- Optical Connectors
- Speaker Terminals (Screw type, Push type)
- Detector Switches
- Multi-way Switches
- Rotary Switches
- AV Modulation/Demodulation modules for infrared transmission

Sales in the audio-visual field declined 0.3% to 28,884 million yen. Performance was strongly influenced by overall trends in the audio-visual market, where the demand was strong for digital audio-visual products, such as DVD players and camcorders, but weak for televisions and stereo products.

The global market for DVD players is expected to double to 14 million units in the next reporting period, making this one of our brightest markets. Sales of digital television equipment will create new demand in Japan.

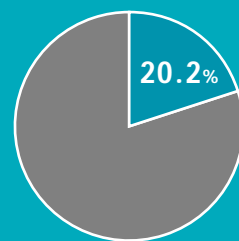


Introduction of the newly enhanced global positioning system (GPS), which features a tenfold improvement in accuracy over its predecessor, should significantly expand the demand for our products in the car navigation market in the global market.



Home Electronics

Ratio of Overseas Operations



Main Products

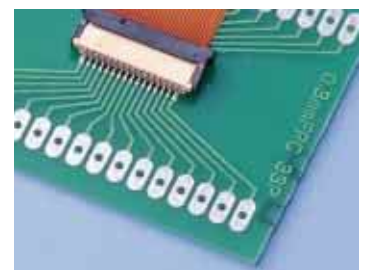
- Waterproof MT Switches
- Drip-Proof Switches
- Remote Control Units with an LCD
- Interactive Remote Control Units
- Touch Panels
- Power-Saving Modules
- Terminal Base Connectors for Air Conditioners
- Power Switches
- Power Connectors
- Optical Connectors
- Control Panels
- Internal Connectors (FPC, Crimp, etc.)

Sales in the home electronics field fell 1.5% to 6,320 million yen. The major factor behind this decline was falling demand for video game machines. Game machine production is expected to rebound, however, in the next reporting period.

Centrally controlled home automation is one of the most exciting developments to ever occur in the field of home electronics. Home-network systems that centrally link

household appliances will provide excellent opportunities for our technology and products, such as optical telecommunications technology for wireless connections and touch panels with operational guidance functions.

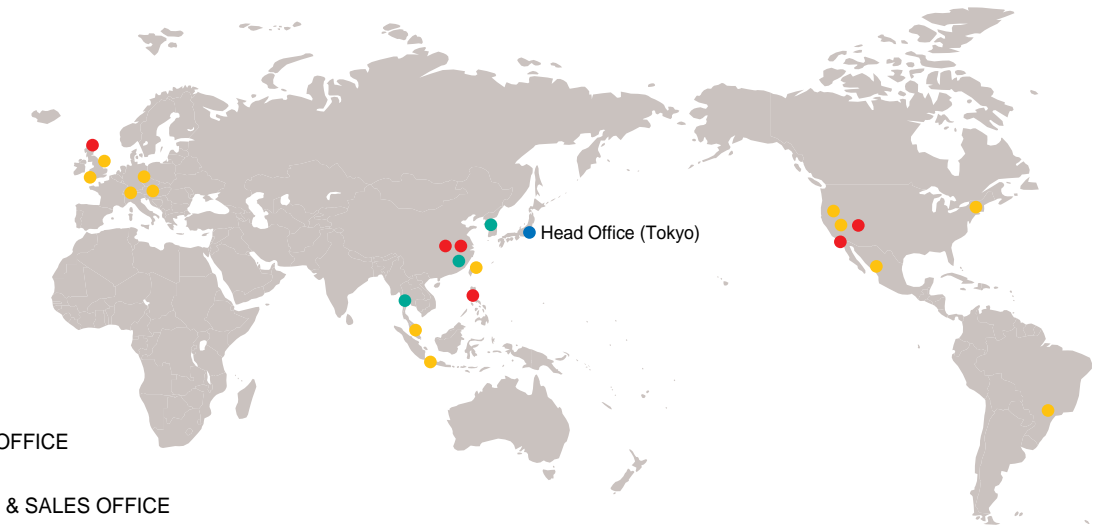
We are supporting the trend toward more environmentally friendly products by developing power-saving modules that reduce standby power consumption.



Overseas Operations

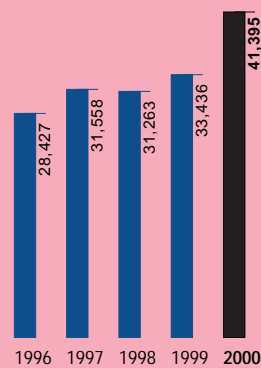
SMK, long recognizing the importance of supplying products to Japanese and local manufacturers in electronics markets overseas, has steadily expanded its global production and sales bases since the 1970s. As of March 2000, we had eight works (factories) in seven countries and 16 sales offices in 13 countries outside Japan. Moreover, 79% of the SMK Group workforce is non-Japanese. We have developed and enhanced our international character in several important ways, including the introduction of a transnational management system in 1996 and the adoption of the SMK Group Charter for Corporate Behavior in 1997.

The SMK Group aggressively develops and supplies overseas customers with high-performance, high-quality products tailored closely to local needs. Most of our overseas works have acquired ISO 14001 certification, and the remaining works are scheduled to do so by 2002. Our quality-assurance system guarantees that products manufactured at any of our works satisfy the quality requirements of customers throughout the world.

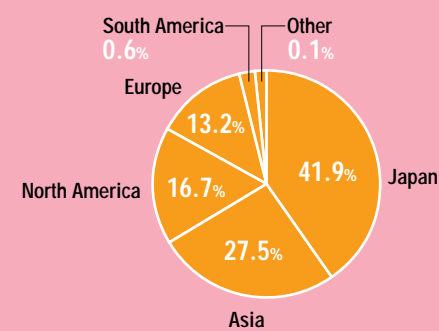


- SALES OFFICE
- WORKS
- WORKS & SALES OFFICE

Overseas Operations
(Millions of Yen)



Ratio of Overseas Sales
(%)



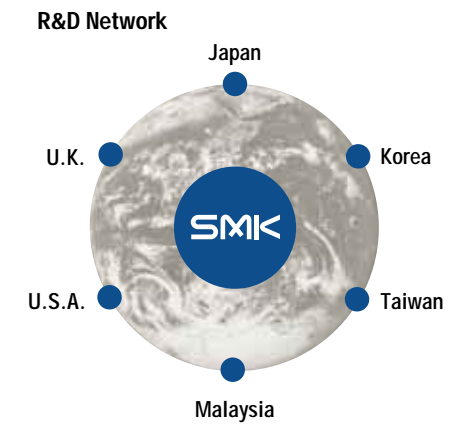
- ASIA**
- TAIWAN**
- SMK High-Tech Taiwan Trading Co., Ltd.
- CHINA**
- SMK Electronics (H.K.) Ltd.
- SMK Trading (H.K.) Ltd.
- SMK Dongguan Gaobu Factory
- SMK Electronics (Shenzhen) Co., Ltd.
- SINGAPORE**
- SMK Electronics Singapore Pte. Ltd.
- INDONESIA**
- SMK Electronics JKT REP Office
- MALAYSIA**
- SMK Electronics (Malaysia) Sdn. Bhd
- PHILIPPINES**
- SMK Electronics (Phils.) Corporation
- KOREA**
- SMK Korea Co., Ltd.
- EUROPE**
- BELGIUM**
- SMK Europe N.V.
- UNITED KINGDOM**
- SMK Europe N.V., U.K. Branch
- SMK Europe N.V., U.K. South Office
- SMK (U.K.) Ltd.
- FRANCE**
- SMK Europe N.V., France Office
- GERMANY**
- SMK Europe N.V., German Office
- NORTH AMERICA**
- U.S.A.**
- SMK Electronics Corporation U.S.A.
- SMK Electronics Corporation U.S.A., San Jose Office
- SMK Electronics Corporation U.S.A., East Office
- SMK Manufacturing Inc.
- MEXICO**
- SMK Electronics S.A. de C.V.
- SMK Electronics Corporation U.S.A., Guadalajara Office
- SOUTH AMERICA**
- BRAZIL**
- SMK São Paulo Indústria Eletrônica Ltda.
- R&D

Research & Development



The SMK Group's research and development program focuses on creating both leading-edge and all-new technology, as well as developing new products. Work is carried out at research and development centers around the world and design units within each division.

We employ approximately 100 core-technology specialists around the world. All offices involved in research and development, both in Japan and worldwide, are linked via a 3D-CAD network for around-the-clock collaboration. We have created an open, flexible



R&D system in which each specialist, besides working on regular research, is encouraged to pursue unique research and thereby enhance their ability to respond to the changing needs of our customers.

We support our research and development efforts by accumulating crucial technical information in every market where we operate. Information about important trends is immediately shared online throughout our global R&D network.

A shift from the conventional development of pure hardware to that preloaded with software, an especially important trend, is creating new opportunities for the development of products with extra added value.



The SMK Group has made environment protection a top priority throughout its global operations. Product development and design, encompassing everything from raw materials to final disposal, is approached with a keen awareness of the growing need to protect our planet's natural environment. We recognize that environmental sensitivity is absolutely essential for continued growth and prosperity in the 21st century.

As part of our adherence to the principles of environmental protection, six of our works (factories) have had their environmental management systems certified under the ISO 14001 standards, and the remaining works are scheduled to acquire certification by 2002.



SMK Environmental Charter

1. Basic Philosophy

For SMK and its employees to continue to be good corporate citizens, we will endeavor to maintain consistent economic development and environmental protection by integrating its current technological strengths and creating advanced technology, ever conscious of contributing towards making our society a place where sustainable development is possible on a global scale.

2. Action Guidelines

- (1) Development of environmentally friendly products
- (2) Reduction of waste by using everything to its fullest extent
- (3) Preservation of natural resources and saving of energy
- (4) Encouragement of recycling and re-use of materials
- (5) Procurement and manufacturing in a waste-free manner

ISO 14001-Certified Works

SMK	Location	Certification Date
SMK Toyama Works	Japan	March 1998
SMK Ibaraki Works	Japan	September 1999
SMK Manufacturing Inc.	U.S.A.	October 1998
SMK Electronics S.A. de C.V.	Mexico	October 1998
SMK (U.K.) Ltd.	U.K.	January 2000
SMK Electronics (Malaysia) Sdn.Bhd	Malaysia	May 2000
SMK Electronics (Shenzhen) Co., Ltd.	China	February 2000

Five-Year Summary

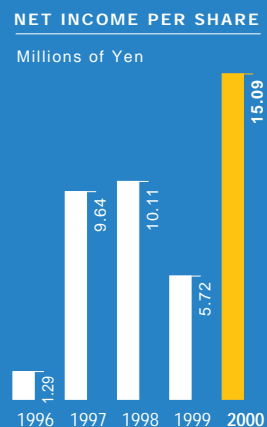
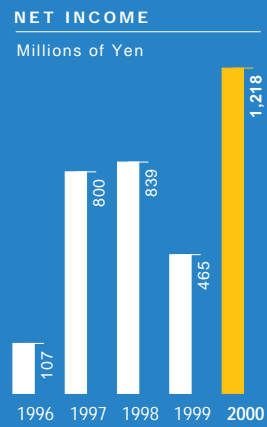
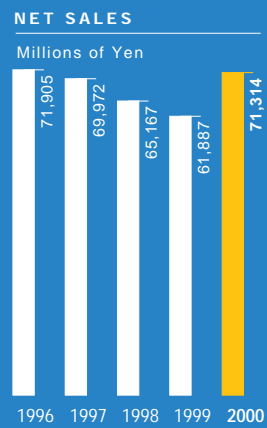
SMK Corporation and Consolidated Subsidiaries

Years ended March 31	Millions of Yen					Thousands of U.S. Dollars
	1996	1997	1998	1999	2000	2000
Operating Results						
Net sales	¥ 71,905	¥ 69,972	¥ 65,167	¥ 61,887	¥ 71,314	\$ 671,826
Cost of sales	64,768	62,090	56,284	52,915	59,384	559,429
Selling, general and administrative expenses	6,211	6,702	6,662	7,183	6,717	63,281
Operating income	925	1,179	2,219	1,789	5,213	49,116
Income before income taxes	1,035	1,361	2,004	697	2,370	22,333
Net income	107	800	839	465	1,218	11,480
Financial Position						
Total assets	¥ 59,541	¥ 59,449	¥ 55,554	¥ 54,377	¥ 58,995	\$ 555,773
Total shareholders' equity	27,957	28,509	28,411	27,629	28,211	265,767
Per Share Data						
	Yen					U.S. Dollars
Net income	¥ 1.29	¥ 9.64	¥ 10.11	¥ 5.72	¥ 15.09	\$ 0.14
Cash dividends	3.00	3.00	5.00	5.00	7.00	0.07
Key Ratio						
	%					
Return on assets (ROA)	0.18	1.35	1.51	0.86	2.07	
Return on equity (ROE)	0.38	2.84	2.95	1.66	4.36	

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- 27 Notes to Consolidated Financial Statements
- 32 Independent Accountants' Report

Financial Review



SMK's consolidated net sales for fiscal 2000, the year ended March 31, 2000, increased 15.2% from the previous term to ¥ 71,314 million (US\$ 671,826 thousand). Operating income increased 191.4% from the previous term to ¥ 5,213 million (US\$ 49,116 thousand), and net income increased 161.7% from the previous term to ¥ 1,218 million (US\$ 11,480 thousand).

Based on the above results, the Company raised cash dividend payments to ¥ 7.00 per share, a ¥ 2.00 increase, including a ¥ 1.00 cash dividend in commemoration of the 75th year since our foundation.

Net Sales

Net sales increased 15.2% from the previous term to ¥ 71,314 million (US\$ 671,826 thousand). This performance was supported by ongoing efforts to expand supply to the fast-growing information and communication markets to strengthen the development of new products and technology and to increase our cost competitiveness.

Operating income

Operating income increased 191.4% from the previous term to ¥ 5,213 million (US\$ 49,116 thousand). This performance was supported by new products which contributed to profit as well as to our efforts to increase productivity and reduce costs.

Net income

Net income increased 161.7% from the previous term to ¥ 1,218 million (US\$ 11,480 thousand). Other expenses included amortization of prior service cost of ¥ 1,881 million (US\$ 17,720 thousand) and provision for special retirement allowances totaling ¥ 208 million (US\$ 1,963 thousand) which resulted from our decision to terminate production in Taiwan.

Total assets/ROA

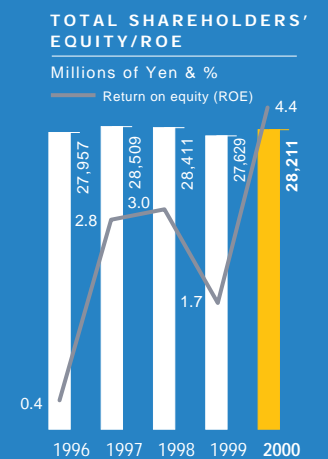
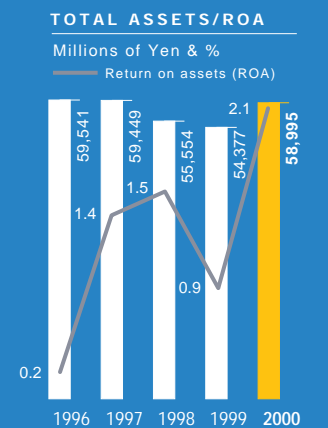
Total assets as of March 31, 2000 amounted to ¥ 58,995 million (US\$ 555,773 thousand), and the ROA increased by 1.2 percentage points from March 31, 1999 to 2.1%.

Total shareholders' equity/ROE

Total shareholders' equity as of March 31, 2000 amounted to ¥ 28,211 million (US\$ 265,767 thousand), and the ROE increased by 2.7 percentage points from March 31, 1999 to 4.4%.

Cash flows

Net cash provided by operating activities amounted to ¥ 5,773 million (US\$ 54,390 thousand), net cash used in investing activities amounted to ¥ 2,991 million (US\$ 28,182 thousand) and net cash used in financing activities amounted to ¥ 2,276 million (US\$ 21,445 thousand).



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

As of March 31

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	2000	2000
Current assets			
Cash and cash equivalents	¥ 5,515	¥ 5,806	\$54,696
Time deposits	1,035	1,035	9,750
Marketable securities	12	—	—
Notes and accounts receivable, trade	14,934	18,205	171,502
Allowance for doubtful notes and accounts	(74)	(63)	(598)
Inventories (Note 3)	6,325	6,895	64,954
Deferred income taxes (Note 5)	194	161	1,521
Other current assets	1,056	834	7,861
	28,997	32,873	309,686
Investments and long-term loans			
Investments in securities (Note 8)	5,087	4,624	43,556
Long-term loans receivable	82	46	431
Other investments	1,164	1,069	10,080
Allowance for doubtful notes and accounts	(55)	(77)	(726)
	6,278	5,662	53,341
Property, plant and equipment (Note 4)			
Land	3,647	3,640	34,290
Buildings	14,732	14,896	140,332
Machinery and equipment	30,182	31,391	295,721
Construction in progress	21	31	296
	48,582	49,958	470,639
Less accumulated depreciation	(31,168)	(32,488)	(306,060)
	17,414	17,470	164,579
Other assets			
Foreign currency translation adjustments	1,546	2,329	21,938
Deferred income taxes (Note 5)	105	602	5,668
Other	37	59	561
	1,688	2,990	28,167
Total assets	¥ 54,377	¥ 58,995	\$ 555,773

Liabilities and shareholders' equity	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	2000	2000
Current liabilities			
Short-term loans payable (Note 4)	¥ 9,151	¥ 7,866	\$ 74,100
Notes and accounts payable, trade	9,884	12,769	120,295
Accrued income taxes (Note 5)	228	1,936	18,243
Accrued expenses	671	328	3,092
Other current liabilities	2,773	2,543	23,954
	22,707	25,442	239,684
Long-term liabilities			
Long-term debt (Note 4)	3,548	3,344	\$31,500
Reserve for retirement allowances	46	—	—
Accrued severance benefits	—	1,638	15,433
Deferred income taxes (Note 5)	289	—	—
Other long-term liabilities	98	349	3,288
	3,981	5,331	50,221
Minority interests in consolidated subsidiaries	60	11	101
Contingent liabilities (Note 7)			
Shareholders' equity			
Common stock, ¥50 par value			
Authorized: 200,000,000 shares			
Issued and outstanding: 1999 - 83,038,726 shares	7,996	—	—
2000 - 82,630,726 shares	—	7,996	75,335
Additional paid-in capital (Note 6)	12,057	12,057	113,586
Retained earnings (Note 6)	8,203	9,048	85,231
Treasury stock	(627)	(890)	(8,385)
	27,629	28,211	265,767
Total liabilities and shareholders' equity	¥ 54,377	¥ 58,995	\$ 555,773

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

Year ended March 31

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	2000	2000
Net sales	¥ 61,887	¥ 71,314	\$ 671,826
Cost of sales	52,915	59,384	559,429
Selling, general and administrative expenses	7,183	6,717	63,281
Operating income	1,789	5,213	49,116
Other income			
Interest and dividend income	288	140	1,321
Rent income	463	615	5,795
Gain on sale of fixed assets	69	9	81
Gain on sale of investment securities	14	—	—
Other	163	127	1,196
Total other income	997	891	8,393
Other expenses			
Interest expense	609	415	3,912
Foreign exchange loss, net	697	766	7,216
Loss on disposal of fixed assets	59	138	1,304
Loss on devaluation of investment securities	304	28	260
Provision for special retirement allowances	56	248	2,339
Recognition of unamortized prior service cost as expenses resulting from an accounting change (Note 1)	—	1,881	17,720
Other	364	258	2,425
Total other expenses	2,089	3,734	35,176
Income before income taxes	697	2,370	22,333
Income taxes (Note 5)			
Current	324	1,967	18,533
Deferred	(83)	(766)	(7,216)
Income before minority interests	456	1,169	11,016
Minority interests	(9)	(49)	(464)
Net income	¥ 465	¥ 1,218	\$ 11,480
	Yen		U.S. Dollars (Note 2)
Per share data			
Net income	¥ 5.72	¥ 15.09	\$ 0.14
Cash dividends	5.00	7.00	0.07

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

SMK Corporation and Consolidated Subsidiaries

	Number of shares of common stock	Millions of Yen			
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1998	83,038,726	¥ 7,996	¥ 12,057	¥ 8,152	¥ (0)
Net income				465	
Cash dividends paid				(414)	
Balance at March 31, 1999	83,038,726	7,996	12,057	8,203	(627)
Increase resulting from inclusion of consolidated subsidiaries				239	
Net income				1,218	
Cash dividends paid				(406)	
Treasury stock retired	408,000			(206)	(263)
Balance at March 31, 2000	82,630,726	¥ 7,996	¥ 12,057	¥ 9,048	¥ (890)

	Thousands of U.S. Dollars (Note 2)			
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1999	\$ 75,335	\$ 113,586	\$ 77,280	\$ (5,913)
Increase resulting from inclusion of consolidated subsidiaries			2,254	
Net income			11,480	
Cash dividends paid			(3,837)	
Treasury stock retired			(1,946)	(2,472)
Balance at March 31, 2000	\$ 75,335	\$ 113,586	\$ 85,231	\$ (8,385)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries

Year ended March 31

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	2000	2000
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 2,370	\$ 22,333
Depreciation and amortization	3,298	31,067
Interest and dividend income	(139)	(1,305)
Interest expenses	415	3,912
Foreign exchange losses, net	44	423
Provision for special retirement allowances	248	2,339
Increase in accrued severance benefits	1,593	15,003
Increase in notes and accounts receivable, trade	(4,658)	(43,880)
Increase in inventories	(930)	(8,766)
Increase in notes and accounts payable, trade	3,525	33,204
Other, net	540	5,080
Subtotal	6,306	59,410
Receipts of interest and dividend income	139	1,305
Payments of interest expenses	(421)	(3,965)
Special retirement payments	(248)	(2,339)
Receipts of tax refund	261	2,461
Payments of income taxes	(264)	(2,482)
Net cash provided by operating activities	5,773	54,390
Cash flows from investing activities:		
Payments to time deposits	(1,035)	(9,750)
Proceeds from time deposits	1,035	9,750
Purchases of fixed assets	(3,228)	(30,407)
Proceeds from sale of fixed assets	99	928
Purchases of marketable securities	(140)	(1,316)
Proceeds from sale of marketable securities	280	2,635
Payments on loans receivable	(262)	(2,470)
Proceeds from loans receivable	260	2,448
Net cash used in investing activities	(2,991)	(28,182)
Cash flows from financing activities:		
Decrease in short-term loans receivable	(1,373)	(12,934)
Proceeds from long-term debt	508	4,785
Repayments of long-term debt	(536)	(5,054)
Purchases of treasury stock	(469)	(4,417)
Dividends paid	(406)	(3,825)
Net cash used in financing activities	(2,276)	(21,445)
Effect of exchange rate changes on cash and cash equivalents	(227)	(2,136)
Increase in cash and cash equivalents	279	2,627
Cash and cash equivalents at beginning of year	5,515	51,959
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	12	110
Cash and cash equivalents at end of year	¥ 5,806	\$ 54,696

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

March 31, 2000

Note 1. Summary of significant accounting policies

(a) Basis of presenting financial statements

The accompanying consolidated financial statements of SMK CORPORATION (the "Company") have been prepared from the financial statements filed with the Ministry of Finance as required by the Japanese Securities and Exchange Law in accordance with accounting principles and practices generally accepted and applied in Japan. Accordingly, the accompanying financial statements are not intended to present the consolidated financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purpose of this document, certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan.

Effective the year ended March 31, 2000, under new disclosure requirements, a consolidated statement of cash flows is to be prepared and included as an integral component of consolidated financial statements. Accordingly, a consolidated statement of cash flows only for the year ended March 31, 2000 is presented in the accompanying consolidated financial statements.

(b) Basis of consolidation and investments in affiliated companies

In accordance with the accounting standards for consolidation issued by the Business Accounting Deliberation Council of Japan, effective April 1, 1999, the accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain foreign subsidiaries' fiscal periods end December 31, which differs from the year-end date of the Company; however, the accounts of these companies were tentatively closed as of March 31 and the necessary adjustments for consolidation were made.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits. However, for the years ended March 31, 1999 and 2000, all unconsolidated subsidiaries and affiliates have been stated at cost because their total assets, net sales and net income were immaterial to the consolidated results.

All assets and liabilities of the Company's subsidiaries are revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.

Before the adoption of the new accounting standards, subsidiaries and affiliates included only companies in which

the Company held a majority ownership and companies owned 20% to 50% by the Company, respectively.

(c) Translation of foreign currencies

All assets and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate year-end exchange rates except for shareholder's equity, which is translated at rates of exchange prevailing at the time the transactions occurred. Revenue and expense accounts are translated at the average rates of exchange prevailing during the year.

(d) Cash and cash equivalents

Cash and cash equivalents are composed of cash and time deposits all of which are low-risk, short-term financial instruments readily convertible cash.

(e) Inventories

Inventories are stated at cost as determined principally by the following methods:

Finished products : Retail cost method

Work in process : Actual raw material cost, determined by the most recent purchase cost method, plus direct labor costs and manufacturing overheads.

Raw materials and supplies: Most recent purchase cost method.

(f) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed on the declining-balance method for the Company and its domestic subsidiaries, and on the straight-line method mainly for foreign subsidiaries.

(g) Change in method of accounting for pension plan

The Company and certain domestic consolidated subsidiaries formerly charged contributions for prior service cost of the government-organized contributory welfare prior service cost to income when paid. Effective the year ended March 31, 2000, the method of accounting for the prior service cost has been changed to recognize the unamortized balance of prior service cost as a liability in order to reflect more appropriately the severe financial condition of the pension fund which has experienced a deterioration in value because of the negative performance of the pension fund assets under management. As a result, ¥ 1,881 million (\$ 17,569 thousand) of unamortized prior service cost was accounted for as an other expense in the statement of income for the year ended March 31, 2000. The effect of this change was to increase operating income by ¥ 288 million (\$ 2,713 thousand) and to decrease income before income taxes by ¥ 1,593 million (\$ 15,007 thousand) for the year ended March 31, 2000 from the amounts which would have been recorded under the method applied in the previous year.

(h) Income taxes

Deferred income taxes are recognized based on the differences between financial reporting and the tax bases of the assets and liabilities and are calculated using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

	Millions of Yen		Thousands of U.S. Dollars	
	2000		2000	
Property, plant and equipment-book value	¥ 4,065		\$ 38,296	

The aggregate annual maturities of long-term debt outstanding as of March 31, 2000 are summarized as follows:

Year ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	2000		2000	
2001	¥ 651		\$ 6,137	
2002	516		4,860	
2003	2,137		20,131	
2004	277		2,610	
2005 and thereafter	414		3,899	
	¥ 3,995		\$ 37,637	

(i) Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessee are not capitalized, but are accounted for by a method similar to that applicable to operating leases.

(j) Per share information

Net income per share is computed based on the weighted average number of shares of common stock outstanding during the respective years. Cash dividends per share shown for each period in the consolidated statements of income represent the dividends applicable to the respective period.

Note 2. U.S. Dollar Amounts:

The U.S. dollar amounts are stated solely for the convenience of the reader at the rate of U.S.\$1.00=¥106.15, the approximate rate of exchange at March 31, 2000. The translation should not be construed as a representation that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at that or any other rate.

Note 3. Inventories:

Inventories as of March 31, 1999 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	1999	2000	1999	2000
Finished products	¥ 3,201	¥ 3,435	\$ 32,359	
Work in process	297	377	3,551	
Raw materials	2,803	2,957	27,859	
Supplies	24	¥ 126	1,185	
	¥ 6,325	6,895	\$ 64,954	

Note 4. Short-term loans payable and long-term debt

Short-term loans payable principally to banks were mainly unsecured and represented with interests ranging from 0.660% to 9.000% per annum as of March 31, 2000. Long-term debt as of March 31, 1999 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	1999	2000	1999	2000
Loans, principally to banks with interest rates ranging from 1.18% to 6.00% :				
Secured	¥ 4,019	¥ 3,893	\$ 36,673	
Unsecured	65	102	964	
Less: portion due within one year	(536)	(651)	(6,137)	
	¥ 3,548	¥ 3,344	\$ 31,500	

The assets pledged as collateral for short-term loans payable and long-term debt as of March 31, 2000 were summarized as follows:

Note 5. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 47.4% and 41.8% for 1999 and 2000, respectively.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2000 is as follows:

Statutory tax rate	41.8%
Add(deduct):	
Non-deductible expenses	1.4
Valuation allowance to the loss carried forward for consolidated subsidiaries	13.5
Statutory tax rate differences	(2.9)
Other	(3.1)
Effective tax rate	50.7%

The significant components of deferred tax assets and liabilities at March 31, 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2000		2000	
Deferred tax assets:				
Inventory write-down disallowed	¥ 137		\$ 1,292	
Accrued bonuses disallowed	141		1,326	
Retirement allowances disallowed	679		6,396	
Operating losses carried forward for tax purposes	1,329		12,528	
Other	215		2,017	
Valuation allowance	(1,310)		(12,338)	
Deferred tax assets	1,191		11,221	

Deferred tax liabilities:

Advanced depreciation on land	(112)		(1,054)	
Advanced depreciation on buildings	(253)		(2,387)	
Reserve for special depreciation	(46)		(436)	
Other	(17)		(155)	
Net deferred tax assets	¥ 763		\$ 7,189	

Note 6. Legal reserve and additional paid-in capital

The Commercial Code of Japan provides that an amount equivalent to at least 10% of all cash appropriations of retained earnings and exactly 10% of interim cash dividends

must be appropriated to the legal reserve until such reserve equals 25% of the stated amount of common stock. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

Retained earnings in the accompanying consolidated financial statements include the legal reserve of ¥ 1,189million (\$ 11,206 thousand) as of March 31, 2000.

Note 7. Contingent liabilities

Contingent liabilities as of March 31, 2000 was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2000		2000	
Trade notes receivable discounted with banks	¥ 2,752		US\$ 25,932	
Guarantees of loans	¥ 700		US\$ 6,594	

Note 8. Investments in securities

Information with respect to the book and market values of investments in securities for which market prices are available as of March 31, 2000 is summarized as follows:

	March 31, 2000					
	Balance Sheet		Market price		Net unrealized gains(losses)	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Equity securities	¥ 3,812	\$ 35,910	¥ 3,894	\$ 36,687	¥ 82	\$ 777
Bonds	105	989	106	1,002	1	13
Other	131	1,237	147	1,384	16	147
Total	¥ 4,048	\$ 38,136	¥ 4,147	\$ 39,073	¥ 99	\$ 937

(1) Calculation method of current price

a) Securities of 1st & 2nd sections of the Tokyo and Osaka Stock Exchanges

Mainly final prices on the Tokyo Stock Exchange

b) Securities in the over-the-counter market:

Selling prices announced by the Securities Dealers Association of Japan

c) Unlisted securities in investment trust

Standard prices announced by the Association for Securities Investment Trust of Japan

(2) Booking value of securities excluded as disclosure:

Unlisted securities except for securities in the over-the-counter market amounted to ¥ 575 millions.

Note 9. Derivatives

The Company has entered into interest rate option contracts (cap transactions) to reduce the cost of its borrowing. As a matter of policy, the Company does not speculate in derivative transactions, but uses such contracts to hedge its exposure to interest rate risks. The Company does not anticipate nonperformance by any of the counterparties to the above transactions, all of whom are domestic financial institutions with high bond ratings.

In accordance with the Company's policy, the accounting department controls derivative transactions and requires approval by the director responsible for accounting and the

representative directors of the Company. The director who has the responsibility to control the performance and the related risks connected with derivatives reports these to the Management Committee of the Company.

(Interest related)	March 31, 2000					
	Contract amount		Market price		Net unrealized gain(losses)	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Interest rate option (cap transaction)						
Put	¥ 326[¥ 0]	\$ 3,071[\$ 7]	(¥ 0)	(\$ 7)	¥ 0	\$ 0

(1) Option expenses are shown in first two [].

(2) Calculation of market price

The market price is calculated due to the proposed price by banks.

Note 10. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 1999 and 2000, which would have been reflected in the balance sheets if lease accounting had been applied to finance leases currently accounted for as operating leases.

(Millions of yen)	Acquisition costs		Accumulated depreciation		Net book value	
	1999	2000	1999	2000	1999	2000
Machinery and vehicle	¥ 298	¥ 255	¥ 150	¥ 163	¥ 148	¥ 92
Tools, office furniture and equipment	154	209	56	81	98	128
Total	¥ 452	¥ 464	¥ 206	¥ 244	¥ 246	¥ 220

(Thousands of U.S. dollars)	Acquisition Costs		Accumulated depreciation		Net book value	
	2000	2000	2000	2000	2000	2000
Machinery and vehicle	\$ 2,407	\$ 1,542	\$ 865			
Tools, office furniture and equipment	1,965	757	1,208			
Total	\$ 4,372	\$ 2,299	\$ 2,073			

The amount of outstanding future lease payments subsequent to March 31, 1999 and 2000 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	1999	2000	1999	2000
Due within one year	¥ 87	¥ 82	\$ 776	
Due subsequent to one year	175	152	1,436	
Total	¥ 262	¥ 234	\$ 2,212	

Lease expenses on finance leases for the years ended March 31, 1999 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	1999	2000	1999	2000
Lease expenses:	¥ 98	¥ 107	\$ 1,012	
Components of lease expenses:				
Depreciation	¥ 82	¥ 89	\$ 846	
Interest	¥ 18	¥ 15	\$ 149	

Depreciation is based on the straight-line method, assumed that useful life is within the lease term and salvage value is zero.

Interest is based on the discrepancy between total lease expenses and acquisition cost and is distributed to each term by the interest method.

Note11. Segment information

The business segments were not presented because the company's primary business activity is a single segment of electronic components.

Geographic segments

Year ended March 31		Millions of Yen				
2000	Japan	Asia	Other areas	Elimination	Consolidated	
Net sales						
Outside customers	¥ 40,656	¥ 16,659	¥ 13,999	¥ —	¥ 71,314	
Intersegment sales	19,425	13,016	191	(32,632)	—	
Total	60,081	29,675	14,190	(32,632)	71,314	
Cost and expenses	56,540	28,912	13,291	(32,642)	66,101	
Operating income *	3,541	763	899	10	5,213	
Identifiable assets	43,215	9,975	6,686	(881)	58,995	

2000		Thousands of U.S. Dollars				
	Japan	Asia	Other areas	Elimination	Consolidated	
Net sales						
Outside customers	\$ 383,002	\$ 156,938	\$ 131,886	\$ —	\$ 671,826	
Intersegment sales	182,999	122,619	1,798	(307,416)	—	
Total	566,001	279,557	133,684	(307,416)	671,826	
Cost and expenses	532,641	272,363	125,211	(307,505)	622,710	
Operating income *	33,360	7,194	8,473	89	49,116	
Identifiable assets	407,108	93,968	62,995	(8,298)	555,773	

1999		Millions of Yen				
	Japan	Asia	Other areas	Elimination	Consolidated	
Net sales						
Outside customers	¥ 35,911	¥ 15,024	¥ 10,952	¥ —	¥ 61,887	
Intersegment sales	15,215	11,227	7	(26,449)	—	
Total	51,126	26,251	10,959	(26,449)	61,887	
Cost and expenses	50,441	25,236	10,876	(26,455)	60,098	
Operating income	685	1,015	83	6	1,789	
Identifiable assets	36,491	8,949	6,874	2,063	54,377	

The division of these groups depends on the geographic proximity and region.
 Asia-----Singapore, Malaysia, China, Taiwan, Korea
 Other areas-----United Kingdom, Belgium, U.S.A, Brazil

* As described in Note 1(g), the method of accounting for prior service cost has been changed to recognize the unamortized balance of prior service cost as a liability effective the year ended March 31, 2000. As a result, operating income in the segment of Japan for the year ended March 31, 2000 increased by ¥ 288 million (\$ 2,713 thousand) from the amount which would have been recorded under the method applied in the previous year. There was no impact in the segments of Asia and Other areas.

Overseas sales

2000		Millions of Yen				
	Asia	North America	Europe	Other areas	Total	
Overseas sales	¥ 19,578	¥ 11,878	¥ 9,413	¥ 526	¥ 41,395	
Consolidated sales	71,314					
Ratio of overseas sales (%)	27.5	16.7	13.2	0.7	58.1	

2000		Thousands of U.S. Dollars				
	Asia	North America	Europe	Other areas	Total	
Overseas sales	\$ 184,434	\$ 111,902	\$ 88,673	\$ 4,955	\$ 389,964	
Consolidated sales	671,826					
Ratio of overseas sales (%)	27.5	16.7	13.2	0.7	58.1	

1999		Millions of Yen				
	Asia	North America	Europe	Other areas	Total	
Overseas sales	¥ 16,702	¥ 8,406	¥ 7,385	¥ 943	¥ 33,436	
Consolidated sales	61,887					
Ratio of overseas sales (%)	27.0	13.6	11.9	1.5	54.0	

The division of these groups depends on the geographic proximity and region.
 Asia-----Singapore, Malaysia, China, Taiwan, Korea, other
 North America-----U.S.A, other
 Europe-----United Kingdom, Belgium, other
 Other areas-----Brazil, other

Independent Accountants' Report

 **CENTURY OTA SHOWA & CO.**
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
SMK CORPORATION

We have examined the consolidated balance sheets of SMK CORPORATION and consolidated subsidiaries as of March 31, 1999 and 2000, and the related consolidated statements of income, shareholder' equity, and cash flows for the years ended, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly the consolidated financial position of SMK CORPORATION and consolidated subsidiaries at March 31, 1999 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for prior service cost as described in Note 1(g) to the consolidated financial statements and the related impact on the segment information as described in Note 11 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Century Ota Showa & Co.

June 27, 2000

Corporate Data

Company name:	SMK Corporation
Foundation:	April 1925
Capital:	7,996 million yen (as of March 31, 2000)
Stock:	199,592,000
Authorized:	199,592,000 shares
Issued:	82,630,726 shares
Listed:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi Trust and Banking Corporation
Independent Accountants:	Century Ota Showa & Co. Tokyo, Japan
Number of Employees:	7,926 (as of March 31, 2000)
Head Office:	
Address:	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511
Telephone:	81-3-3785-1111
Fax:	81-3-3785-1122
Subsidiaries & Affiliates:	
Domestic:	Subsidiaries - 10 companies Affiliates - 3 companies
Overseas:	Subsidiaries - 18 companies

Board of Directors

(As of June 27, 2000)

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