



ANNUAL REPORT 2009

For the fiscal year ended March 31, 2009



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<http://www.smk.co.jp/>



SMK CORPORATION

“Survival and Innovation”

— Enhance Power to Overcome Changes

• SMK Philosophy

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



• Action Guidelines

1. Contribute to society with pride and confidence.
2. Be customer-oriented, with zeal and sincerity.
3. Challenge courageously for higher goals without fear of failure.
4. Trust and respect each other for a brighter working atmosphere.
5. Keep an open mind, and view SMK from a global perspective.

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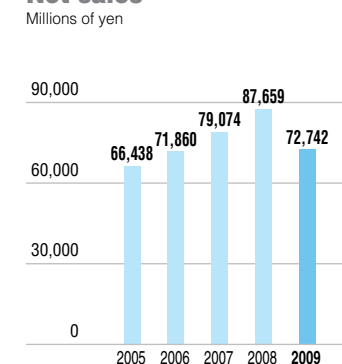
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Financial Highlights

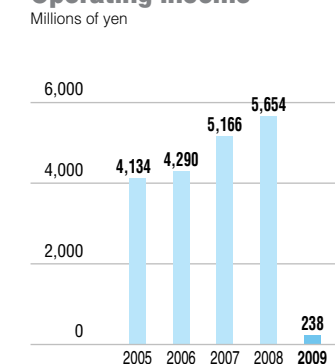
	Millions of yen		Percent change 2008/2009	Thousands of U.S. dollars
	2008	2009		2009
Operating Results				
Net sales	¥ 87,659	¥ 72,742	(17.0)%	\$ 740,534
Operating income	5,654	238	(95.8)	2,430
Net income (loss)	2,094	(1,620)	—	(16,499)
Financial Position				
Total assets	¥ 66,737	¥ 58,168	(12.8)%	\$ 592,164
Total net assets	32,386	29,079	(10.2)	296,038
Per Share Data				
Net income (loss)	Yen		U.S. dollars	
Basic	¥ 27.32	¥ (21.68)	— %	\$ (0.22)
Diluted	27.30	—	—	—
Cash dividends	14.00	9.00	(35.7)	0.09

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥98.23 = U.S. \$1.00.

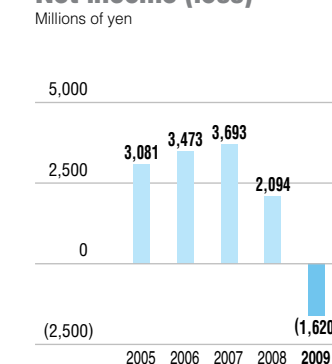
Net sales



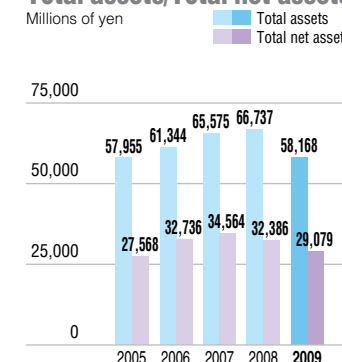
Operating income



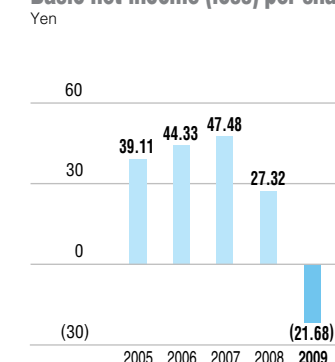
Net income (loss)



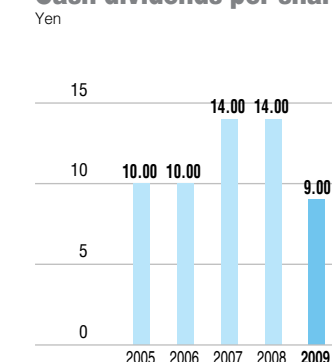
Total assets/Total net assets



Basic net income (loss) per share



Cash dividends per share





Terutaka Ikeda
Chairman and
Chief Executive Officer

Tetsuya Nakamura
President and
Chief Operating Officer

Overview

During the term under review, the impact of the financial crisis that originated in the United States extended into the real economy, and the global economy entered recession in the latter half of the term. For the Japanese economy, the drop in consumer confidence all over the world and the appreciation of the yen prompted a decline in exports and capital investments, enhancing the recessionary mood. In the electronics industry, corporate profits remained strong in the first half of the term, fueled by strong exports. In contrast, the second half of the year saw an increasingly severe business environment due to the continuing appreciation of the yen, rapid inventory adjustment, and other factors.

In this environment, the SMK Group posted year-on-year declines in consolidated sales and profits, which resulted in a net loss for the period. In response, we intend to reduce costs while reducing inventory by reviewing our production system. We will also devote ourselves to improving our performance by utilizing our technological capabilities to create attractive products.

“Survival and Innovation”—Enhance Power to Overcome Changes

Based on our corporate philosophy of being “committed to the advancement of mankind through development of the information society, by integrating current technological strengths and creating advanced technology,” we aim to “establish a position as the leading supplier of information technology infrastructure in the global information society.”

In recent years, while the speed of change has accelerated due to drastic changes in the economic environment, the diversification of consumption and the digitalization of products, the period for product development has shortened and demand for further improvement in the quality of electronics components has been growing. To respond quickly to these changes and to overcome competition, we will enhance the SMK brand, carry out zero defects initiatives for quality improvement, and take on another challenge of manufacturing again under our new slogan, “Survival and Innovation”—Enhance Power to Overcome Changes.

In 2009, we will capitalize on new business opportunities in the environmental field, such as solar products, in addition to the communications, digital consumer electronics, and automotive electronics fields. We will act quickly in growth areas and step up the development of new products, new technologies, and new markets to establish a firm business structure that will enable us to survive the global recession. We at SMK regard coexistence with the global environment as a corporate duty and have positioned it as a key management objective. We will continue promoting green procurement in a positive manner and bolster our capabilities to comply with laws and regulations including the RoHS Directive. We will also pursue development and design with a reduced environmental footprint by eyeing energy and resource conservation and other environmental measures, and manufacture products that help preserve the environment. With these actions, we will continue making sincere efforts to protect the global environment.

Although the earnings environment is likely to become more severe in the future, the SMK Group is united in its commitment to improving corporate value and boosting performance. We hope that we can continue counting on the understanding and support of our shareholders as we pursue these goals.

June 2009

Terutaka Ikeda
Chairman and Chief Executive Officer

Tetsuya Nakamura
President and Chief Operating Officer

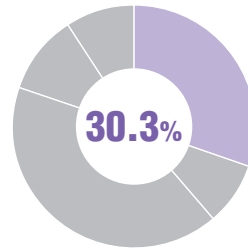
Sales and Market Overview

(April 1, 2008 to March 31, 2009)

Audio-Visual



HDMI Standard Type A receptacle

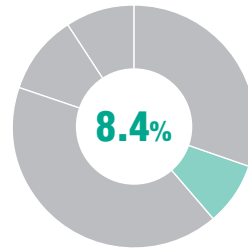


Audio-visual parts
22,044 million yen

Car Electronics



"Force-feedback" touch panels

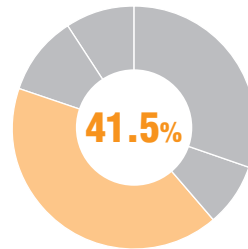


Electronic instruments
6,077 million yen

Communication



Stereo earphone-microphone and Bluetooth unit

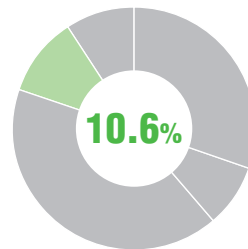


Communications parts
30,207 million yen

Information

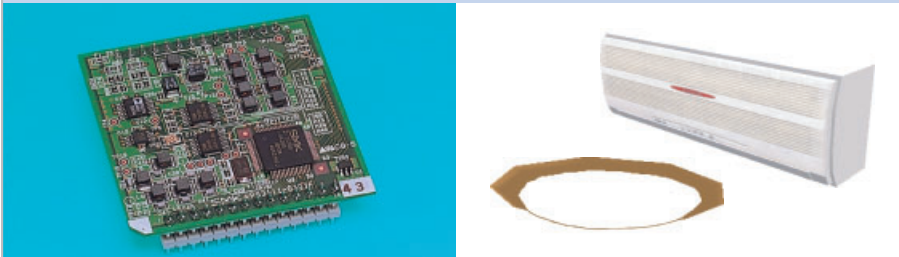


xD-4in1 card connectors

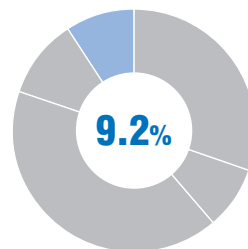


Information, office equipment parts
7,681 million yen

Home Electronics

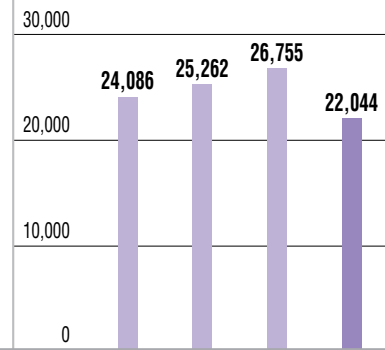


DS-SS modulation/demodulation engine for PLC

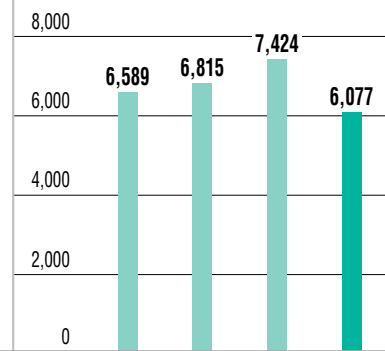


Electronic toys, home electronics and other parts
6,732 million yen

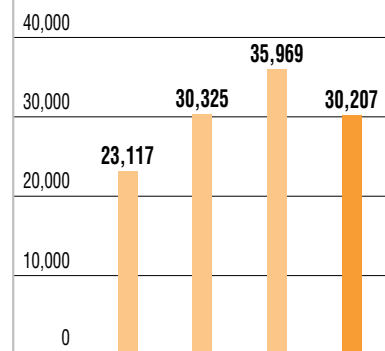
(Year ended March 31)				
Net Sales Millions of yen				
2006	2007	2008	2009	



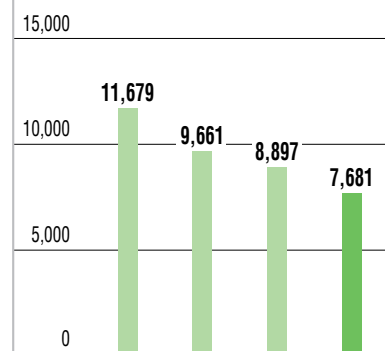
Although sales of remote controls for flat-panels televisions and connectors for portable audio players remained robust, we had a difficult period because sales of our products for audio equipment and set-top boxes have been slowing since autumn of last year. By anticipating future demand, we will actively enhance the development of new products including RF remote controls that lead the market, connectors for high-speed transmission, and so on.



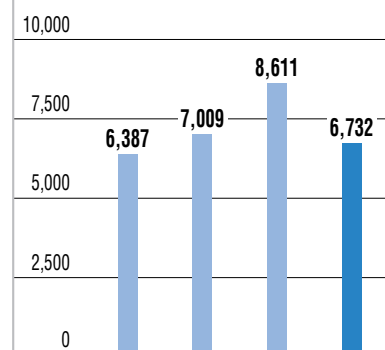
With the decline in the sales of vehicles, sales of car audio parts, as well as touch panels and microphone units, etc., for the car navigation system market, have slowed. To respond to our customers' latest needs, we are currently developing products such as vehicle-mounted connectors and parts used in operating systems. These efforts are aimed at marketing new products in a timely manner.



Although overall sales slumped with production cutbacks by major overseas cellular phone manufacturers since autumn of last year, sales of connectors, switches, and touch panels for smart phones have increased. We will continue to focus on developing new products, including parts used in operating systems and internal parts that will contribute to improving the added value of cellular phones.



Although sales of ATM touch panels and remote controls for Internet terminals remained strong, sales of connectors and unit products slumped because of the rapid worsening of market conditions for laptop PCs and digital still cameras. We will focus on developing new products that respond to new market trends, including parts for the next-generation data transmission market.



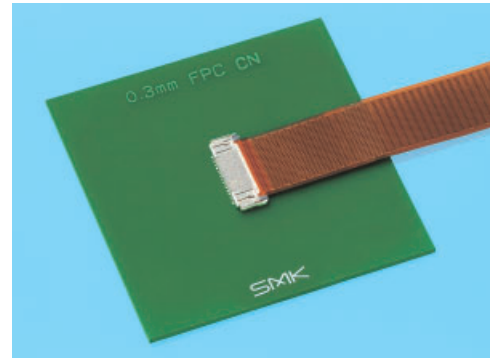
Although touch panels for electronic dictionaries began to contribute to sales, we had a difficult period because sales of connectors for video game consoles and remote control devices for home electric appliances such as air-conditioners and lighting equipment remained stagnant. We will make a strong effort to develop new products for environmental businesses, including the field of new energies such as solar cells and fuel cells.

EN-32 Series 0.3mm-pitch shielded FPC connectors compatible with high-speed transmission and low mounting height of 0.8mm, developed and marketed

SMK has developed and launched the EN-32 Series 0.3mm-pitch shielded FPC connectors, which are compatible with high-speed transmission. This product is intended for use in cellular phones. It has been noticed in the market that signal transmission speeds have increased with improved image quality and performance of DVCs and DSCs. Given the growing demand for higher transmission speed for connectors for internal connection, coaxial connectors for extra-fine cables are mainly used for connection of image pickup devices, LCD panels and main PCBs.

Operating at the forefront of the industry, we put forward a suggestion that coaxial connectors for extra-fine cables be replaced with shielded FPCs, and developed the EN-31 series shielded FPC connectors featuring 0.3mm-pitch and 1.2mm mounting height, which enjoy a good reputation. To respond to market demands for even lower profile and smaller dimensions, SMK has developed the EN-32 Series connectors whose mounting height is 0.8mm (down 33% from previous products). This new product's performance is equal to that of connectors for extra-fine cables, and it is capable of fast signal transmission.

This connector is covered with a metal shield, and its shielding performance and advanced rigidity ensure high contact reliability. Combined use of this connector with a shielded FPC will enhance grounding performance of both the FPC and the connector, and make counter-EMI performance more effective.



EN-32 Series 0.3mm-pitch shielded FPC connector

Small capacitive touch panel with multi-touch input function developed

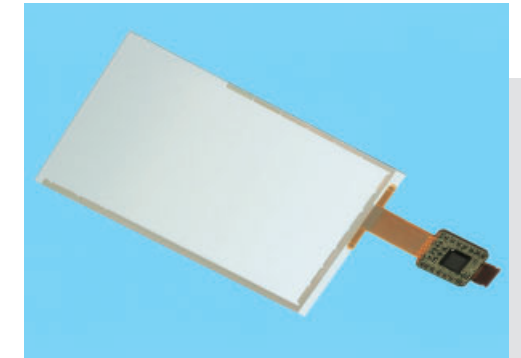
SMK has developed a capacitive touch panel with multi-point input (multi-touch) and gesture input functions, and commenced commercial production.

In recent years, user interfaces allowing intuitive input have attracted market attention as mobile phones become more multifunctional and their display screens grow larger. In response to these market needs, we have developed capacitive touch panels for small equipment.

The capacitive system is structured to sense changes in capacitance in the electrical charge on the sensor surface to "read" the points that are touched. A soft touch with fingers on a touch panel is sufficient to operate the panel, freeing users from the hard pressing required with resistance-sensitive touch panels. Further, the provision of multi-touch input and gesture input capabilities permits gesture operations such as zooming in or out (scaling the screen) or page scrolling.

The most important aspect in developing this product was to ensure visibility of LCD panels and light-touch operation when the touch panels are built into products. To do this, we sought to realize both highly transparent and colorless visual performance and high input sensitivity—formerly considered difficult—and finally achieved this by establishing an exclusive production method.

In the future, we will seek to supply modules comprising a touch panel and a decorative sheet glued together, and to expand sales for more extensive application opportunities in small equipment.



Capacitive touch panel

Microphone-free Bluetooth® headset FX 7009 developed

SMK has developed a full-duplex system microphone-free Bluetooth® headset, the FX 7009, featuring an earphone unit that functions both as an earphone when listening and as a microphone when talking.

Microphone function has been achieved by picking up faint vibrations of the eardrum within the external ear canal when the earpiece is inserted into the ear.

The microphone-free structure makes this product less susceptible to external noise than most Bluetooth® headsets.

Moreover, the simultaneous use of echo and noise canceling functions allows uninterrupted conversation, even with background noise that usually inhibits phone call conversations, such as the whistling of strong wind.



FX 7009 microphone-free Bluetooth® headset

Note: Bluetooth® is a trademark owned by Bluetooth SIG, Inc. SMK has been given permission to apply this trademark.

IEEE802.11b/g compatible wireless LAN module WL101C developed

SMK has developed and began to accept orders for the IEEE802.11b/g compatible wireless LAN module WL101C.

There has been remarkable market penetration and expansion of wireless LAN, with which networks can be easily built. Increase in its demand is prominent with business-purpose information terminals such as order-entry terminals, handheld terminals, web terminals and business-use printers.

Previously, however, stringent size and consumption power requirements restricted embedding of wireless LAN modules to a very limited number of equipment. As a response to these requirements, we developed and commercialized the WL101C, an IEEE802.11b/g compatible wireless LAN module, for built-in applications.

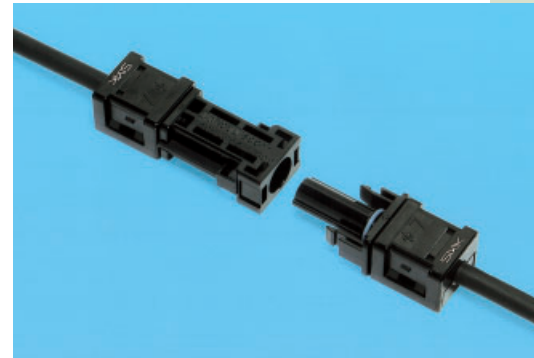
Building wireless networks will be a matter of ease with this product when it is built into various types of information communication terminals.



WL101C IEEE802.11b/g compatible wireless LAN module

UL recognized “photovoltaic cell module connector” for photovoltaic power generation systems marketed

We have earned recognition from UL for the American market for our “photovoltaic cell module connector” which has been accepted in the photovoltaic power generation system market very favorably. Generation systems of photovoltaic power, a clean energy, have drawn attention and demands have grown centering around in Europe, and also in the USA, where growth of the presence of this system is expected. Photovoltaic power generation systems consist of multiple photovoltaic cell modules, which are connected via cables when the systems are installed. To connect cables, relay connectors are used. These connectors are installed outdoors, so they are required to be waterproof and resistant to weather. Workability during installation is also important. This connector is designed to relay cables emerging from photovoltaic cell modules. With our eyes focused on the big potential for further expansion lying in this market, we developed the “photovoltaic cell module connector” excellent in contact performance, waterproofing property and workability, and recently earned UL recognition. In addition to TÜV certification for European markets, we have also acquired UL recognition, which will enable us to evolve and spread marketing activities in the North American market.



Acquisition of ISO/TS16949 certification

Our touch panels for car navigation systems produced in our Philippines Factory has obtained the certification according to ISO/TS16949, the international standards of quality management for automotive-related products. Our Philippine factory launched its operations in 2001. Its current business is production primarily of touch panels for automotive and portable product applications for distribution worldwide. ISO/TS16949 is an expansion of ISO 9001, an international standard for quality management systems, with requirements unique to automotive applications added. Acquisition of the certification is now a common requirement that many automakers require of their suppliers. This acquisition is the result of efforts promoted by all our Works including those located overseas since some time ago to acquire certification of various types of international standards for quality management systems. We plan a more aggressive approach to the automotive electronics market where steady growth is anticipated, as well as enhancing product line up.



Exhibiting at Int’l Automotive Electronics Technology Expo

We exhibited at the Int’l Automotive Electronics Technology Expo, held at Tokyo Big Sight from January 28 to 30, 2009. The Int’l Automotive Electronics Technology Expo (known as CAR-ELE JAPAN), which was inaugurated this year, is an exhibition of all kinds of specialized technologies related to automotive electronics. At the Electronic Component & Device Zone of the venue, we exhibited products for automotive electronics, including connectors and modules for vehicle-mounted cameras, antenna connectors, and force feedback touch panels. Our technical capabilities appealed to a large number of visitors.



Ranked 121st in the manufacturing sector of the Environmental Management Survey

SMK was ranked 121st in the overall ranking of the manufacturing sector of the 12th Environmental Management Survey conducted by Nikkei Inc. The purpose of this survey is to evaluate companies’ commitment to environmental measures in a comprehensive manner. Overall scores of manufacturers are calculated based on their answers to questions in five categories: environmental management systems, measures against pollution, resource recycling, eco-friendly products, and measures against global warming. We at SMK regard coexistence with the global environment as a corporate duty and have positioned it as a key management objective. We will continue to make diligent efforts to preserve the global environment.

	Overall score
1st	490
121st (SMK)	372
510th	85

The subjects of the survey were 1,796 manufacturers and 2,639 non-manufacturers from among listed and major unlisted companies. The questionnaire was conducted from late August to early November, 2008. The response rates were 28.4% for manufacturers and 13.5% for non-manufacturers. The maximum overall score for manufacturers is 500.

SMK remote control used in TV drama

A special model of the RemotePoint Presenter, a presentation remote control from SMK, was used in the Fuji Television drama *Zettai Kareshi Special*, broadcast on March 24, 2009.

SMK produced the unit in response to a request from Fuji Television, who found the remote control close to what they had been looking for—a unit featuring neo-futuristic design and laser pointer—for use in the drama. The remote control we provided earned high marks from both cast and crew.

The RemotePoint Presenter is a wireless mouse remote control that permits Forward, Back, and Mute operations and laser pointer function during slideshows using PowerPoint®.



SMK website renewed

In November 2008, we renewed our website to improve our brand image and to improve the provision of information about our products.

The new website comes with a sophisticated design that uses blue—the corporate color of SMK—as the base color, giving unity to the entire website. The product information pages now permit search by category, application or feature. We have made a database of our products to provide more information and to enable smooth updating.

We will continue to enhance our website to ensure usability for all users. We hope you will find the renewed website useful.



Shenzhen, China

SMK Electronics (Shenzhen) Co., Ltd.



ASIA

- SMK High-Tech Taiwan Trading Co., Ltd.
- SMK Electronics (H.K.) Ltd.
- SMK Trading (H.K.) Ltd.
- SMK Dongguan Gaobu Factory
- SMK Electronics (Shenzhen) Co., Ltd.
- SMK Electronics Trading (H.K.) Ltd. Shenzhen Office
- SMK Electronics Trading (Shanghai) Co., Ltd.
- SMK Electronics Trading (Shanghai) Co., Ltd. Beijing Office
- SMK Electronics Int'l Trading (Shanghai) Co., Ltd.
- SMK Electronics Singapore Pte. Ltd.
- SMK Electronics (Malaysia) Sdn. Bhd.
- SMK Electronics (Philis.) Corporation
- SMK Korea Co., Ltd.
- SMK Korea Co., Ltd. Seoul Office

EUROPE

- SMK Europe N.V.
- SMK Europe N.V., U.K. Branch
- SMK Europe N.V., France Branch
- SMK Europe N.V., Munich Office
- SMK Europe N.V., Dortmund Office
- SMK (U.K.) Ltd.
- SMK Hungary Kft.
- SMK Corporation Helsinki Office

NORTH AMERICA

- SMK Electronics Corporation U.S.A.
- SMK-Link Electronics Corporation
- SMK Electronics Corporation U.S.A., East Office
- SMK Electronics Corporation U.S.A., San Jose Office
- SMK Electronics Corporation U.S.A., Los Angeles Office
- SMK Electronics Corporation U.S.A., Seattle Office
- SMK Electronics Corporation U.S.A., Chicago Office
- SMK Mexicana S.R.L. de C.V.
- SMK Mexicana S.R.L. de C.V., Mexico City Office
- SMK Manufacturing, Inc.
- SMK Electronica S.A. de C.V.

Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

Year ended and as of March 31	Millions of yen					Thousands of U.S. dollars
	2005	2006	2007	2008	2009	2009
Operating Results						
Net sales	¥ 66,438	¥ 71,860	¥ 79,074	¥ 87,659	¥ 72,742	\$ 740,534
Operating income	4,134	4,290	5,166	5,654	238	2,430
Net income (loss)	3,081	3,473	3,693	2,094	(1,620)	(16,499)
Financial Position						
Total assets	¥ 57,955	¥ 61,344	¥ 65,575	¥ 66,737	¥ 58,168	\$ 592,164
Total net assets	27,568	32,736	34,564	32,386	29,079	296,038
Per Share Data						
Total net assets	¥ 362.88	¥ 416.04	¥ 445.33	¥ 427.75	¥ 392.15	\$ 3.99
Net income (loss)						
Basic	39.11	44.33	47.48	27.32	(21.68)	(0.22)
Diluted	38.94	44.13	47.41	27.30	—	—
Cash dividends	10.00	10.00	14.00	14.00	9.00	0.09

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SMK's net sales for fiscal 2009, which ended March 31, 2009, decreased 17.0% year-on-year, to ¥72,742 million (US\$740,534 thousand). Operating income declined 95.8% year-on-year, to ¥238 million (US\$2,430 thousand) with net loss of ¥1,620 million (US\$16,499 thousand).

Net Sales

Given the repercussions of the economic recession, which was triggered by the financial crisis emerging from the United States and spread across the globe through Europe, Asia, and emerging countries, production of electronic components for new digital home electronics such as cellular phones and flat-panel televisions and automobile was cut substantially. As a result, net sales were ¥72,742 million (US\$740,534 thousand), down 17.0% year-on-year.

Operating Income

Despite emergency measures such as the right-sizing of production and reductions in fixed costs to improve profitability in the face of a sharp fall in net sales from the 3rd quarter of the fiscal year under review, operating income was ¥238 million (US\$2,430 thousand), declining 95.8% from the level of previous fiscal year.

Net Income (Loss)

In spite of the generation of gains on foreign exchange, reflecting the execution of forward exchange contracts among other measures against the appreciation of the yen, the net loss was ¥1,620 million (US\$16,499 thousand) due to a large loss on the valuation of investment securities and an impairment loss on fixed assets.

Total Net Assets/ROE

As of March 31, 2009, total net assets were at ¥29,079 million (US\$296,038 thousand). ROE was at -5.3%.

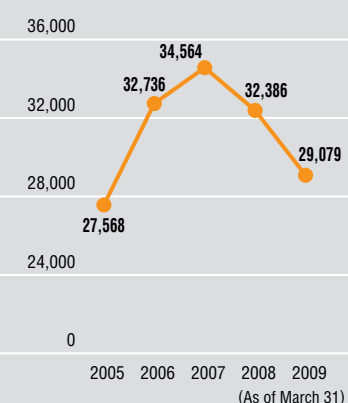
Total Assets/ROA

As of March 31, 2009, total assets were ¥58,168 million (US\$592,164 thousand). ROA was at -2.6%.

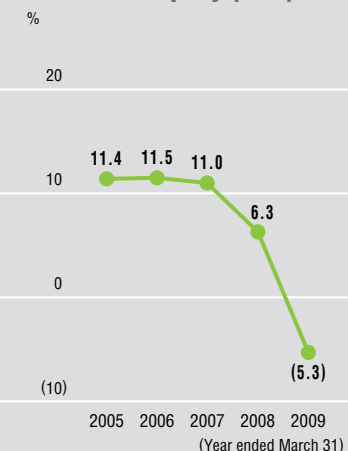
Cash Flows

Net cash flow from operating activities amounted to ¥9,249 million (US\$94,161 thousand), net cash used in investing activities totaled ¥4,020 million (US\$40,931 thousand) and net cash used in financing activities was valued at ¥3,419 million (US\$34,808 thousand).

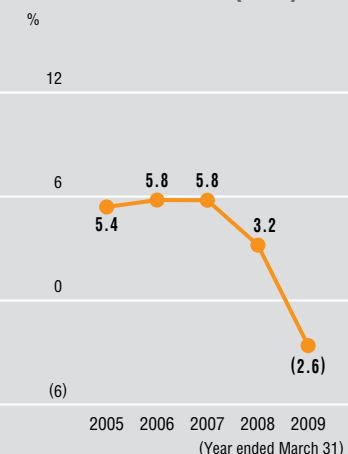
Total net assets
Millions of yen



Return on equity (ROE)
%



Return on assets (ROA)
%



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries
As of March 31

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Current assets			
Cash and cash equivalents	¥ 7,073	¥ 9,072	\$ 92,363
Time deposits	145	9	88
Notes and accounts receivable, trade	20,830	14,864	151,322
Allowance for doubtful accounts	(66)	(77)	(788)
Inventories (Note 3)	8,207	6,235	63,475
Deferred tax assets (Note 8)	849	555	5,653
Other current assets	2,495	3,645	37,092
	39,533	34,303	349,205
Investments and long-term loans			
Investment securities (Note 13)	3,906	1,947	19,821
Long-term loans receivable	852	876	8,914
Other investments (Note 14)	1,779	1,880	19,136
Allowance for doubtful accounts	(269)	(259)	(2,627)
	6,268	4,444	45,244
Property, plant and equipment (Notes 4 and 7)			
Land	4,365	4,437	45,166
Buildings	16,274	16,512	168,093
Machinery and vehicles	16,815	18,032	183,574
Tooling and office furnitures	23,677	24,794	252,406
Construction in progress	28	6	62
	61,159	63,781	649,301
Less accumulated depreciation	(41,959)	(45,760)	(465,840)
	19,200	18,021	183,461
Other assets			
Deferred tax assets (Note 8)	827	619	6,302
Intangible assets (Note 7)	909	781	7,952
	1,736	1,400	14,254
Total assets	¥ 66,737	¥ 58,168	\$ 592,164

See accompanying notes to consolidated financial statements.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Current liabilities			
Short-term loans payable (Note 4)	¥ 13,638	¥ 10,528	\$ 107,173
Notes and accounts payable, trade	4,864	2,689	27,374
Accrued income taxes	283	49	497
Accrued bonus	977	592	6,029
Accrued directors' bonus	83	—	—
Accounts payable, non trade	6,922	6,502	66,189
Other current liabilities	1,383	1,450	14,772
	28,150	21,810	222,034
Long-term liabilities			
Corporate bond	300	—	—
Long-term debt (Note 4)	5,042	6,366	64,809
Accrued employees' retirement benefits (Note 14)	13	13	129
Accrued directors' and officers' retirement benefits	388	391	3,976
Other long-term liabilities (Note 8)	458	509	5,178
	6,201	7,279	74,092
Net assets			
Shareholders' equity (Note 9)			
Common stock			
Authorized: 195,961,274 shares			
Issued and outstanding: 79,000,000 shares	7,996	7,996	81,409
Capital surplus	12,370	12,348	125,705
Retained earnings	16,741	13,961	142,126
Treasury stock (Note 11)	(2,264)	(2,873)	(29,255)
	34,843	31,432	319,985
Valuation, translation adjustments and other			
Net unrealized losses on other securities	(161)	(29)	(296)
Foreign currency translation adjustments	(2,304)	(2,393)	(24,356)
	(2,465)	(2,422)	(24,652)
Subscription rights to shares	—	56	568
Minority interests	8	13	137
	32,386	29,079	296,038
Total liabilities and net assets	¥ 66,737	¥ 58,168	\$ 592,164

Consolidated Statements of Operations

SMK Corporation and Consolidated Subsidiaries
Year ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Net sales	¥ 87,659	¥ 72,742	\$ 740,534
Cost of sales (Notes 3 and 5)	73,002	63,651	647,979
Selling, general and administrative expenses (Notes 5 and 6)	9,003	8,853	90,125
Operating income	5,654	238	2,430
Other income			
Interest and dividend income	318	170	1,734
Rent income	889	903	9,188
Foreign exchange gain, net	—	249	2,540
Gain on sales of fixed assets	92	69	703
Gain on sales of investment securities	38	—	—
Other	311	234	2,380
Total other income	1,648	1,625	16,545
Other expenses			
Interest expense	285	311	3,171
Rent expense	294	280	2,847
Foreign exchange loss, net	2,148	—	—
Loss on disposal of fixed assets	229	75	760
Loss on valuation of investment securities	37	1,681	17,111
Impairment loss of fixed assets (Note 7)	179	692	7,040
Other	125	166	1,706
Total other expenses	3,297	3,205	32,635
Income (loss) before income taxes and minority interests	4,005	(1,342)	(13,660)
Income taxes (Note 8)			
Current	1,256	(67)	(684)
Deferred	654	350	3,574
Minority interests	1	(5)	(51)
Net income (loss)	¥ 2,094	¥ (1,620)	\$ (16,499)
			U.S. dollars (Note 2)
Per share data	Yen		
Total net assets	¥ 427.75	¥ 392.15	\$ 3.99
Net income (loss)			
Basic	27.32	(21.68)	(0.22)
Diluted	27.30	—	—
Cash dividends	14.00	9.00	0.09

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries

	Millions of yen											
	Shareholders' equity						Valuation, translation adjustments and other					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Total valuation, translation adjustments and other	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2007	79,000,000	¥ 7,996	¥ 12,390	¥ 15,461	¥ (992)	¥ 34,855	¥ 425	¥ (723)	¥ (298)	¥ —	¥ 7	¥ 34,564
Net income				2,094		2,094			—			2,094
Cash dividends paid				(1,159)		(1,159)			—			(1,159)
Acquisition of treasury stock					(1,329)	(1,329)			—			(1,329)
Disposition of treasury stock				(20)	57	37			—			37
Increase due to exclusion of subsidiaries from consolidation					345	345			—			345
Items other than shareholders' equity, net						—	(586)	(1,581)	(2,167)	—	1	(2,166)
Total changes	—	—	(20)	1,280	(1,272)	(12)	(586)	(1,581)	(2,167)	—	1	(2,178)
Balance at March 31, 2008	79,000,000	7,996	12,370	16,741	(2,264)	34,843	(161)	(2,304)	(2,465)	—	8	32,386
Net loss				(1,620)		(1,620)			—			(1,620)
Cash dividends paid				(981)		(981)			—			(981)
Acquisition of treasury stock					(667)	(667)			—			(667)
Disposition of treasury stock				(22)	58	36			—			36
Decrease due to inclusion of subsidiaries in consolidation					(179)	(179)			—			(179)
Items other than shareholders' equity, net						—	132	(89)	43	56	5	104
Total changes	—	—	(22)	(2,780)	(609)	(3,411)	132	(89)	43	56	5	(3,307)
Balance at March 31, 2009	79,000,000	¥ 7,996	¥ 12,348	¥ 13,961	¥ (2,873)	¥ 31,432	¥ (29)	¥ (2,393)	¥ (2,422)	¥ 56	¥ 13	¥ 29,079

	Thousands of U.S. dollars (Note 2)										
	Shareholders' equity						Valuation, translation adjustments and other				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Total valuation, translation adjustments and other	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2008	\$ 81,409	\$ 125,932	\$ 170,423	\$ (23,054)	\$ 354,710	\$ (1,637)	\$ (23,463)	\$ (25,100)	\$ —	\$ 86	\$ 329,696
Net loss			(16,499)		(16,499)			—			(16,499)
Cash dividends paid			(9,988)		(9,988)			—			(9,988)
Acquisition of treasury stock				(6,791)	(6,791)			—			(6,791)
Disposition of treasury stock			(227)	590	363			—			363
Decrease due to inclusion of subsidiaries in consolidation				(1,810)	(1,810)			—			(1,810)
Items other than shareholders' equity, net					—	1,341	(893)	448	568	51	1,067
Total changes	—	(227)	(28,297)	(6,201)	(34,725)	1,341	(893)	448	568	51	(33,658)
Balance at March 31, 2009	\$ 81,409	\$ 125,705	\$ 142,126	\$ (29,255)	\$ 319,985	\$ (296)	\$ (24,356)	\$ (24,652)	\$ 568	\$ 137	\$ 296,038

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries
Year ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 4,005	¥ (1,342)	\$ (13,660)
Depreciation and amortization	4,934	5,611	57,119
Decrease in accrued directors' bonus	(12)	(83)	(845)
Increase (decrease) in accrued employees' retirement benefits	(430)	3	26
Increase in prepaid pension costs	(377)	(852)	(8,673)
Increase in accrued directors' retirement benefits	44	2	24
Increase (decrease) in allowance for doubtful accounts	(26)	1	15
Interest and dividend income	(317)	(170)	(1,734)
Interest expense	285	311	3,171
Loss on disposal of fixed assets	229	75	760
Impairment loss of fixed assets	179	692	7,041
Loss on valuation of investment securities	37	1,681	17,111
Increase (decrease) in notes and accounts receivable, trade	(657)	5,523	56,227
Increase (decrease) in inventories	(2,199)	1,886	19,204
Increase (decrease) in notes and accounts payable, trade	1,751	(1,686)	(17,166)
Other	1,231	(1,438)	(14,642)
Subtotal	8,677	10,214	103,978
Receipts for interest and dividend income	317	179	1,822
Payments of interest expenses	(276)	(324)	(3,302)
Payments of income taxes	(2,648)	(1,248)	(12,705)
Refunds of income taxes	—	429	4,368
Net cash provided by operating activities	6,070	9,249	94,161
Cash flows from investing activities			
Payments into time deposits	(953)	—	—
Proceeds from time deposits	1,791	435	4,432
Purchases of fixed assets	(5,940)	(4,970)	(50,591)
Proceeds from sale of fixed assets	202	74	752
Purchases of intangible fixed assets	(77)	(116)	(1,184)
Purchases of investment securities	(740)	(13)	(135)
Proceeds from sale of investment securities	195	506	5,148
Payment on loans receivable	(299)	(136)	(1,382)
Proceeds from loans receivable	343	202	2,059
Payment for business transfer (Note 12)	(1,317)	—	—
Other	(24)	(2)	(30)
Net cash used in investing activities	(6,819)	(4,020)	(40,931)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	609	(1,585)	(16,136)
Proceeds from long-term debt	3,890	1,790	18,223
Payments of long-term debt	(1,520)	(1,990)	(20,254)
Purchases of treasury stock	(1,328)	(667)	(6,786)
Proceeds from sale of treasury stock	37	13	130
Dividends paid	(1,155)	(980)	(9,985)
Net cash provided by (used in) financing activities	533	(3,419)	(34,808)
Effect of exchange rate changes on cash and cash equivalents	(269)	55	559
Increase (decrease) in cash and cash equivalents	(485)	1,865	18,981
Cash and cash equivalents at beginning of the year	7,562	7,073	72,009
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	—	134	1,373
Decrease in cash and cash equivalents due to exclusion of a subsidiary from consolidation	(4)	—	—
Cash and cash equivalents at end of the year	¥ 7,073	¥ 9,072	\$ 92,363

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

Note 1. Summary of significant accounting policies

(a) Basis of presenting financial statements

The accompanying consolidated financial statements of SMK Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of 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. In addition, certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.

(b) Basis of consolidation and investments in affiliated companies

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exercised 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 period ends 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. 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.

(c) Scope of consolidation

Number of consolidated subsidiaries: 22

The remaining 5 subsidiaries which are unconsolidated are deemed immaterial and, accordingly, their results of operations had no significant effect on the consolidated financial statements.

From the year ended March 31, 2009, SMK Hungary Kft., Showa Denshi Co., Ltd. and Toyama Showa Co., Ltd. were included in the scope of consolidation.

(d) Application of equity method of accounting

Number of affiliated companies accounted for by the equity method: 2

The 5 unconsolidated subsidiaries and 1 other affiliated company are deemed immaterial. As the effect of their results of operations on the consolidated financial statements would be insignificant, the equity method of accounting has not been applied to these companies.

(e) Translation of foreign currencies

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate year-end exchange rates except for shareholders' 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.

(f) 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 into cash.

(g) Inventories

The following inventories are measured principally by their respective 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

(Change in accounting policy)

From the year ended March 31, 2009, the Company and consolidated subsidiaries accounted for inventories in accordance with the Accounting Standard for Measurement of Inventories issued by the Accounting Standards Board of Japan. Under this standard, inventories held for sale in the ordinary course of business are stated at cost, wrote down due to decreased profitability.

Due to the application of this standard, operating income for the year ended March 31, 2009 decreased by ¥115 million (\$1,174 thousand) and loss before income taxes and minority interests increased the same amount.

The impact on the segment is listed in the concerned note.

(h) Securities

Securities are classified into three categories depending upon the holding purpose and accounted for as follows:

i) trading securities, which are held for the purpose of earning capital gains in the short-term, are stated at fair market value, with related gain and loss realized on disposal and unrealized gain and loss from market fluctuations recognized as gain or loss in the statement of income in the year of the change; ii) held-to-maturity debt securities, which a company has the positive intent to hold until maturity, are stated at amortized cost; and iii) other securities, which are not classified as either of the aforementioned categories but are stated at fair market value if such value is available, or, if not, at moving-average cost, with unrealized gain and loss, net of the applicable taxes, reported as a separate component of net assets. Realized gain and loss on sales of such securities are calculated based on the moving-average cost.

(i) Derivatives

Derivatives are stated at fair value.

(j) Property, plant and equipment and depreciation

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

(Change in accounting policy)

From the year ended March 31, 2008, the Company and consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007, which was based on an amendment to the Corporation Tax Law.

The effect of this change was operating income and income before income taxes and minority interests decreased by ¥504 million respectively compared with the amount which would have been recorded by the method applied in the previous year.

The impact on the segment is listed in the concerned note.

(Additional information)

From the year ended March 31, 2008, the Company and consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired before March 31, 2007 to depreciate to memorandum value by the straight-line method of 5 years after the year when depreciated to their respective residual values. As a result of this change, operating income decreased by ¥168 million and income before income taxes and minority interests decreased by ¥172 million compared with the amount which would have been recorded by the method applied in the previous year.

The impact on the segment is listed in the concerned note.

Also, from the year ended March 31, 2009, the Company and consolidated subsidiaries changed the residual term of a part of machinery under the 2008 revision of the Corporation Tax Law.

As a result of this change, operating income decreased by ¥198 million (\$2,019 thousand) and loss before income taxes and minority interests increased by the same amount. The impact on the segment is listed in the concerned note.

(k) Intangible assets

Amortization of intangible assets is calculated by the straight-line method. Software for own use is amortized based on the utilizable period (5 years).

(l) Leases

Finance leases which are deemed to transfer the ownership of the leased assets to the lessee are capitalized and depreciated to zero for their lease term.

However, such finance lease agreements executed on or before March 31, 2008 are accounted for by a method similar to that applicable to operating leases.

(m) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the amount of estimated uncollectable accounts, based on individual collectability with respect to identified doubtful receivables and past experience of doubtful receivables.

(n) Accrued bonuses

Accrued bonuses are provided on the estimate of the amounts to be paid in the future by the Company, domestic consolidated subsidiaries and certain overseas subsidiaries based on an accrual basis at the balance sheet date.

(o) Accrued directors' bonuses

Accrued directors' bonuses are provided on the estimate of the amounts to be paid in the future by the Company based on an accrual basis at the balance sheet date.

(p) Accrued retirement benefit obligations

To cover projected employee retirement benefits, the Company records the estimated obligations at the end of the fiscal year based on projected year-end benefit obligations and plan assets, as adjusted for unrecognized actuarial gains or losses and unrecognized prior service cost. Unrecognized actuarial gains or losses are amortized in the year following the year in which the gains or losses are incurred by the straight-line method over the period of 5 years which is within the average remaining years of service of the employees. Unrecognized prior service cost is amortized in the year following the year in which the prior service cost is incurred by the straight-line method over the period of 5 years which is within the average remaining years of service of the employees.

(q) Accrued directors' and officers' retirement benefits

Accrued directors' and officers' retirement benefits have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers resigned from the Company on the balance sheet date.

(r) Hedge accounting

(1) Method of hedge accounting

The exception method of hedge accounting is applied for the transactions of interest rate swaps, in cases meeting certain conditions.

(2) Hedge instrument and hedged item

Hedge instrument: interest rate swap

Hedged item: interest rate for long-term borrowings subject to interest rate fluctuations.

(3) Hedge policy

The Company uses interest rate swaps to avoid risks from interest rate fluctuations on borrowings, only when approved by the management.

(4) Assessment of hedge effectiveness

As the exception method is applied for interest rate swap, the assessment of hedge effectiveness is omitted.

(s) 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.

(t) Per share information

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to shareholders and weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Net assets per share is computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the balance sheet date. Cash dividends per share shown for each period in the consolidated statements of income represent the dividends applicable to the respective period.

(u) Change in method of accounting

(1) Research and development expense

From the year ended March 31, 2008, the Company and consolidated subsidiaries changed the account of research and development expense from cost of sales to selling, general and administrative expense. The Company used to account research and development expense for cost of sales because the research and development activities belonged to design department, which was accounted in manufacturing cost. However, the organizational change of the Company's development center etc. enabled to separate from the manufacturing cost.

Due to this change in accounting, cost of sales decreased by ¥584 million and selling, general and administrative expense increased by ¥599 million for the year ended March 31, 2008 from the amount which would have been recorded by the method applied in the previous year. Also, operating income and income before income taxes and minority interests decreased by ¥14 million respectively.

The impact on the segment is listed in the concerned note.

(2) Accounting standard for lease transactions

From the year ended March 31, 2009, the Company and consolidated subsidiaries accounted for leased assets in accordance with the Accounting Standard for Lease Transactions and the Guidance on Accounting Standard for Lease Transactions issued by the Accounting Standards Board of Japan. Under this standard and guidance, finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessee are accounted for in a manner similar to ordinary sales and purchase transactions.

However, such finance lease agreements executed on or before March 31, 2008, are accounted for in a manner similar to the accounting for ordinary rental transactions.

Due to the application of this standard, the Company had no impact on net loss for the year ended March 31, 2009.

(3) Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

From the year ended March 31, 2009, the Company applied the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements and made necessary modifications for the consolidated process.

Due to the application of this standard, the Company had a slight impact on net loss for the year ended March 31, 2009.

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 = ¥98.23, the approximate rate of exchange at March 31, 2009. 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, 2008 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Finished Products	¥ 4,727	¥ 3,255	\$ 33,136
Work in process	770	527	5,366
Raw materials	2,616	2,129	21,670
Supplies	94	324	3,303
Total	¥ 8,207	¥ 6,235	\$ 63,475

The write-downs of inventories resulted from decreased profitability as of March 31, 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Cost of sales	¥ —	¥ 387	\$ 3,937

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

Short-term loans payable principally to banks were unsecured and represented with interests ranging from 0.96% to 1.48% per annum as of March 31, 2009.

Long-term debt as of March 31, 2008 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Loans, principally to banks with interest rates ranging from 1.19% to 2.40%:			
Secured	¥ 985	¥ 668	\$ 6,798
Unsecured	6,046	6,464	65,805
Less: portion due within one year	(1,989)	(766)	(7,794)
Total	¥ 5,042	¥ 6,366	\$ 64,809

The assets pledged as collateral for long-term debt as of March 31, 2009 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment—book value	¥ 1,506	\$ 15,333

The aggregate annual maturities of long-term debt outstanding as of March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 466	\$ 4,740
2011	550	5,605
2012	717	7,295
2013	3,530	35,936
2014 and thereafter	1,569	15,973
Total	¥ 6,832	\$ 69,549

Note 5. Research and development costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2008 and 2009 amounted to ¥3,387 million and ¥3,168 million (\$32,251 thousand), respectively.

Note 6. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Salaries and wages of employees	¥ 3,843	¥ 3,876	\$ 39,460
Provision for bonus	369	204	2,080
Retirement benefit cost	(166)	(69)	(712)
Provision for directors' and officers' retirement benefit	44	57	579
Provision for doubtful accounts	—	2	20

Note 7. Impairment of fixed assets

An impairment loss is recognized when the carrying amount of asset exceeds undiscounted future net cash flows which are expected to be generated by such asset. The impairment loss is measured by the amount by which the carrying amount of the asset exceeds its recoverable amount being higher of discounted future net cash flows or net realizable value.

For the years ended March 31, 2008 and 2009, the impairment losses were recognized for the following assets.

Asset group	Location	Use	Millions of yen					
			2008					
			Buildings	Machinery and vehicles	Tooling and office furnitures	Patent	—	Total
Idle assets	Japan	Ferrule production facilities	¥ —	¥ 47	¥ —	¥ 78	¥ —	¥ 125
SMK Korea Co., Ltd.	Korea	Switch production facilities	1	1	1	—	—	3
SMK U.K. Ltd.	U.K.	Switch production facilities	—	42	9	—	—	51
Total			¥ 1	¥ 90	¥ 10	¥ 78	¥ —	¥ 179

Asset group	Location	Use	Millions of yen					
			2009					
			Buildings	Machinery and vehicles	Tooling and office furnitures	Leased assets	Software	Total
Functional components	Japan	Switch/Unit production facilities	¥ 68	¥ 257	¥ 124	¥ 80	¥ 3	¥ 532
Touch panel	Japan	Touch panel production facilities	3	147	10	—	—	160
Total			¥ 71	¥ 404	¥ 134	¥ 80	¥ 3	¥ 692

Asset group	Location	Use	Thousands of U.S. dollars					
			2009					
			Buildings	Machinery and vehicles	Tooling and office furnitures	Leased assets	Software	Total
Functional components	Japan	Switch/Unit production facilities	\$ 692	\$ 2,619	\$ 1,261	\$ 817	\$ 27	\$ 5,416
Touch panel	Japan	Touch panel production facilities	27	1,495	103	—	—	1,625
Total			\$ 719	\$ 4,114	\$ 1,364	\$ 817	\$ 27	\$ 7,041

Note 8. 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 40.5% for the years ended March 31, 2008 and 2009 respectively. Reconciliations between the statutory tax rate and the effective tax rates for the year ended March 31, 2008 and 2009 are as follows, however those for the year ended March 31, 2009 are omitted because the operating result ended with net loss:

	2008	2009
Statutory tax rate	40.5%	—%
Items such as entertainment expenses permanently not deductible for tax purposes	1.4	—
Tax credit for research and development cost	(4.7)	—
Foreign tax credit	(8.0)	—
Change in valuation allowance	2.4	—
Statutory tax rate differences in subsidiaries	0.1	—
Elimination of dividend income	16.9	—
Other	(0.9)	—
Effective tax rates	47.7%	—%

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Inventory write-down disallowed	¥ 70	¥ 91	\$ 927
Accrued bonuses disallowed	384	224	2,281
Intercompany profit on inventory	112	54	545
Retirement benefits disallowed	523	178	1,816
Impairment loss	143	361	3,675
Operating loss carryforwards for tax purposes	389	384	3,907
Net unrealized losses on other securities	156	22	224
Other	865	726	7,392
Valuation allowance	(690)	(403)	(4,106)
Deferred tax assets	1,952	1,637	16,661
Deferred tax liabilities:			
Deferred gain on land	(108)	(108)	(1,103)
Advanced depreciation on buildings	(140)	(128)	(1,302)
Reserve for special depreciation	(27)	(39)	(392)
Net unrealized gains on other securities	—	—	—
Other	(74)	(188)	(1,913)
Net deferred tax assets	¥ 1,603	¥ 1,174	\$ 11,951

Note 9. Shareholders' equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholder's meeting, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Note 10. Contingent liabilities

Contingent liabilities as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Guarantees of loans	¥ 500	¥ 250	\$ 2,545

Note 11. Treasury stock

The number of common stock of the Company held by the Company, consolidated subsidiaries and affiliated companies subject to the equity method at March 31, 2008 and 2009 totaled 3,307,091 shares and 5,021,837 shares, respectively.

Note 12. Supplementary cash flow information

For the year ended March 31, 2008, consolidated subsidiaries of the Company acquired from Interlink Electronics (U.S.A) its business segments. Assets and liabilities increased or decreased due to the acquisition were as follows:

	Millions of yen		
	2008		
(As of August 31, 2007)			
Current assets	¥ 457		
Fixed assets	978		
Total assets	1,435		
Current liabilities	(118)		
Total liabilities	(118)		
Cash paid due to the acquisition of business	1,317		

Note 13. Securities

Information regarding marketable securities classified as other securities at March 31, 2008 and 2009 is summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008		2009		2009		2009		
	Costs	Fair value	Unrealized gain (loss)	Costs	Fair value	Unrealized gain (loss)	Costs	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost									
Stocks	¥ 385	¥ 669	¥ 284	¥ 196	¥ 275	¥ 79	\$ 1,992	\$ 2,799	\$ 807
Others	—	—	—	—	—	—	—	—	—
	385	669	284	196	275	79	1,992	2,799	807
Securities whose cost exceeds their fair value									
Stocks	3,060	2,444	(616)	1,582	1,452	(130)	16,110	14,786	(1,324)
Others	100	79	(21)	55	55	0	562	559	(3)
	3,160	2,523	(637)	1,637	1,507	(130)	16,672	15,345	(1,327)
Total	¥ 3,545	¥ 3,192	¥ (353)	¥ 1,833	¥ 1,782	¥ (51)	\$ 18,664	\$ 18,144	\$ (520)

Information regarding sales of securities for the year ended March 31, 2008 and 2009 is as follows, however that for the year ended March 31, 2009 is omitted because of low materiality:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Sales of securities	¥ 194	¥ —	\$ —
Gains of sales	38	—	—
Losses on sales	—	—	—

Information regarding other securities without market value at March 31, 2008 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Unlisted securities	¥ 529	¥ 35	\$ 352

The schedules for redemption of other securities with maturity dates at March 31, 2008 and 2009 are summarized as follows:

	Millions of yen					
	2008		2009		2009	
	Due in one year	Due after one year through five years	Due after five years through ten years	Due in one year	Due after one year through five years	Due after five years through ten years
Others	¥ —	¥ 39	¥ 40	¥ 19	¥ 14	¥ 22
	Thousands of U.S. dollars					
	2008		2009		2009	
	Due in one year	Due after one year through five years	Due after five years through ten years	Due in one year	Due after one year through five years	Due after five years through ten years
Others	\$ 193	\$ 143	\$ 223			

Note 14. Accrued employees' retirement benefits

(a) Outline of retirement benefit plans

The Company and certain of its domestic consolidated subsidiaries transferred the retirement benefit plans to the corporate pension fund plans under the Defined Benefits Enterprise Pension Law of Japan on April 1, 2004. On the same day the approval was obtained for the exemption from the substituted portion of the welfare pension fund plans from the Minister of Health, Labor and Welfare. At the same time, the Company and certain of its domestic consolidated subsidiaries revised the retirement benefit schemes and adopted the cash balance pension plans and the defined contribution pension plans for a part of future contribution.

(b) Retirement benefit obligation as of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Retirement benefit obligation	¥ 6,955	¥ 7,114	\$ 72,421
Fair value of plan assets	(6,902)	(5,245)	(53,394)
Funded status	53	1,869	19,027
Unrecognized actuarial losses	(882)	(3,085)	(31,410)
Unrecognized prior service cost	465	—	—
Net amount recognized in the consolidated balance sheets	(364)	(1,216)	(12,383)
Prepaid pension costs	377	1,229	12,512
Accrued employees' retirement benefits	¥ 13	¥ 13	\$ 129

(c) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service cost, net of plan participants' contributions	¥ 275	¥ 289	\$ 2,945
Interest cost	137	139	1,413
Expected returns on plan assets	(236)	(205)	(2,091)
Amortization of unrecognized actuarial gains	(246)	(27)	(273)
Amortization of unrecognized prior service cost	(473)	(465)	(4,736)
Contribution to defined contribution pension plan	45	54	549
Net periodic cost	¥ (498)	¥ (215)	\$ (2,193)

(d) Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets

	2008	2009
Discount rate	2.0%	2.0%
Expected return on plan assets	3.5%	3.5%
Amortization period of unrecognized actuarial gains	5 years	5 years
Amortization period of unrecognized prior service cost	5 years	5 years

Note 15. Derivatives

As a matter of policy, the Company does not speculate in derivative transactions. The Company does not anticipate nonperformance by any of the counterparties to the derivative transactions, all of whom are leading 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.


The Company uses interest rate swaps to avoid risks from interest rate fluctuations on borrowings. The exception method of hedge accounting is used to account for those transactions.

	Millions of yen						Thousands of U.S. dollars		
	Contract amount		Fair value		Unrealized gain (loss)		Contract amount		Unrealized gain (loss)
	2008	2009	2008	2009	2008	2009	2009	2009	2009
Forward foreign exchange contracts:									
Sell:									
US\$	¥ 549	¥ 1,137	¥ 521	¥ 1,208	¥ 28	¥ (71)	\$ 11,579	\$ 12,300	\$ (721)
EUR	—	35	—	36	—	(1)	356	365	(9)
NT\$	90	—	96	—	(6)	—	—	—	—
Total	¥ 639	¥ 1,172	¥ 617	¥ 1,244	¥ 22	¥ (72)	\$ 11,935	\$ 12,665	\$ (730)

(1) Calculation of fair value

The fair value is calculated by the forward exchange rate.

(2) Derivative transactions to which hedge accounting was applied are excluded from the above table.



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Report of Independent Auditors


The Board of Directors
 SMK Corporation

We have audited the accompanying consolidated balance sheets of SMK Corporation and consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMK Corporation and consolidated subsidiaries at March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit 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.



June 25, 2009

A member firm of Ernst & Young Global Limited

(As of March 31, 2009)

Authorized shares:	195,961,274
Issued shares:	79,000,000
Number of shareholders:	11,574

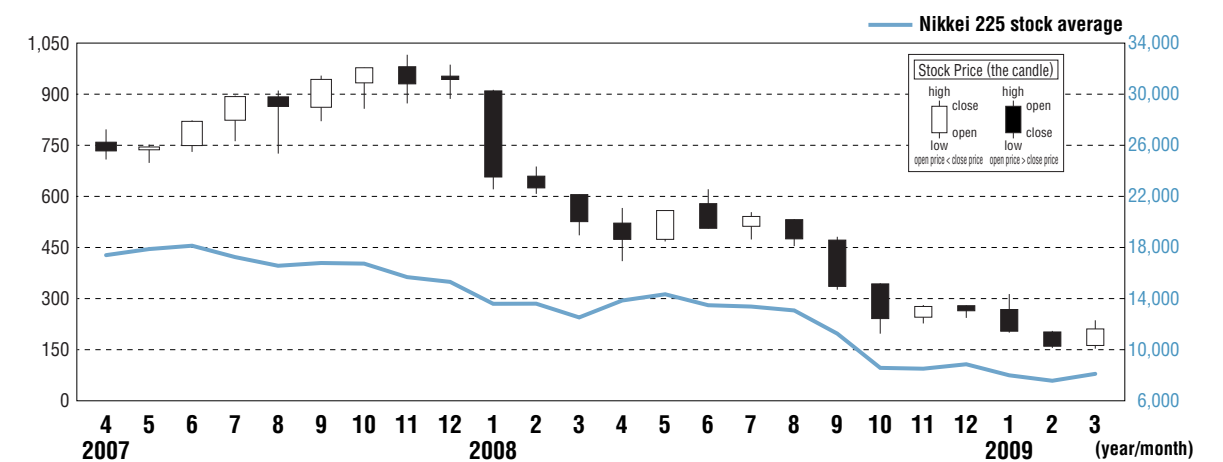
Major shareholders (top ten)	Shares Owned (1,000 shares)	Percentage of Shares (%)
Japan Trustee Services Bank, Ltd.	5,698	7.21
Nippon Life Insurance Company	4,001	5.06
Mizuho Corporate Bank, Ltd.	3,663	4.64
Dai Nippon Printing Co., Ltd.	3,200	4.05
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,134	3.97
Mitsubishi UFJ Trust and Banking Corporation	2,049	2.59
Terutaka Ikeda	1,714	2.17
Meiji Yasuda Life Insurance Company	1,580	2.00
SMK Cooperating Company Share Holding Association	1,504	1.90
The Showa Ikeda Memorial Foundation	1,500	1.90

Notes: 1. SMK holds 4,932 thousand shares of treasury stock, but is excluded from the above list.
 2. Of the above shares owned by major shareholders, the following number of shares are held in trust operations:
 Japan Trustee Service Bank, Ltd. : 5,698 thousand shares
 Mitsubishi UFJ Trust and Banking Corporation : 112 thousand shares

Share ownership by number	
1~999 shares	2,913 (25.17%)
1,000~9,999 shares	7,970 (68.86%)
10,000~99,999 shares	619 (5.35%)
100,000~499,999 shares	55 (0.47%)
500,000 shares~	17 (0.15%)

Share ownership by shareholder type (unit: share)	
Financial institutions	24,496,685 (31.01%)
Financial instruments dealers	1,115,964 (1.41%)
Companies and other entities	11,670,359 (14.77%)
Foreign investors	4,175,262 (5.29%)
Individuals and others	32,609,575 (41.28%)
Treasury stock	4,932,155 (6.24%)

Share price chart (unit: yen)



Board of Directors and Corporate Auditors

(As of June 25, 2009)

DIRECTORS



Tetsuya Nakamura
President and COO

Yasumitsu Ikeda
Executive Deputy President
Sales Division



Hajime Yamada
Director, Executive Vice President,
Chief Financial Officer

Tadashi Yamoto
Director, Senior Executive Vice President,
Chief Technology Officer

Yuji Tanahashi
Director

AUDITORS



Terutaka Ikeda
Auditor and
Chairman of Auditors
Meeting



Kenji Kobayashi
Auditor



Hidefumi Kobayashi
Auditor



Kouichiro Sugihara
Auditor



Naru Nakashima
Auditor

CORPORATE EXECUTIVE OFFICERS



Makoto Irisawa
Executive Vice President
Human Resources
and General Affairs

Yoshiyuki Kaku
Executive Vice President
Connection System
Division

Yoshio Sakurai
Executive Vice President
Production Engineering and
Environmental Protection

Hideo Matsumoto
Vice President
Sales Division, Europe

Akira Utazaki
Vice President
Deputy Division Director
of Sales Division



Mikio Wakabayashi
Vice President
Functional Components
Division

Paul Evans
Vice President
Sales Division, Americas

Tsutomu Isoda
Vice President
Research and Development

Hiroshi Miyakawa
Vice President
Sales Division

Corporate Data

(As of March 31, 2009)

Name:	SMK Corporation
Established:	January 15, 1929
Primary business:	Manufacture and sale of various electronic machinery and parts used in power, communications and electronic equipment, other industrial machinery, information equipment, etc.
Capital:	7,996,828,021 yen
Stock exchange listing:	Tokyo Stock Exchange
Administrator of shareholders register:	Mitsubishi UFJ Trust and Banking Corporation
Independent auditors:	Ernst & Young ShinNihon LLC Tokyo, Japan
Employees (SMK-Group):	11,482
Head office:	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan TEL 81-3-3785-1111 FAX 81-3-3785-1878
Subsidiaries & affiliates:	
Domestic:	Subsidiaries 6 companies Affiliates 3 companies
Overseas:	Subsidiaries 21 companies
Website:	http://www.smk.co.jp/