

The background features a collage of images related to technology and global connectivity. At the top, there's a blue-tinted image of a circuit board. Below it, a purple outline of a world map is overlaid on a grid pattern. The central part of the image shows a horizontal strip with various tech-related items: a CD-ROM, a red car, a mobile phone, a laptop, and a person taking a photo. The bottom part of the image shows a blue-tinted image of a circuit board with a purple world map outline overlaid.

Invisible, but

everywhere.

CMK CORPORATION

2003 Annual Report

Year ended March 31, 2003

Profile

As a leading company in the printed wiring board (PWB) industry, CMK Corporation has developed expertise and built up a firm business foundation. Currently, the PWB industry is showing promise due to demand from IT related industries, but tough competition against foreign products is requiring highly cost-effective and more sophisticated products.

In order to succeed amidst this fierce competition domestically, CMK is promoting cost reduction and business reconstruction, restructuring and integrating to a self-contained business unit with a more clearly defined structure of responsibility.

Overseas, on the other hand, CMK group as a whole is deploying our corporate strategy with the world market as the target. In this process, the group is moving factories to China, making capital alliances that aim for expansion of market-share in the European and US automotive-related markets, wholeheartedly working together in development, production and sales to ensure the satisfaction of our customers.

CMK will continue to contribute to the world's progress and advancement, and pursue our company motto of "Permanent Growth"

CMK—Invisible, but everywhere.



AV equipment



Mobile communications



Others



Car electronics



Information devices

CONTENTS

- 1 Financial Highlights
- 2 Message from the Management
- 2 Management Issues
- 3 The Top Interview
- 4 Products Information
- 5 CMK Topics
- 6 Take a Virtual Tour of
CMK KANBARA ELECTRONIC
- 8 Environmental Protection
- 9 Financial Section
- 24 Group Companies
- 25 Management
- 25 Corporate Data

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to CMK's plans, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of CMK, which are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and unpredictability. Potential risks and unpredictability include, without limitation, general economic conditions in CMK's markets; industrial market conditions, exchange rates in which CMK makes significant sales or in which CMK's assets and liabilities are denominated; and CMK's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by the continual introduction of new products, rapid developments in technology, and changing customer requirements.

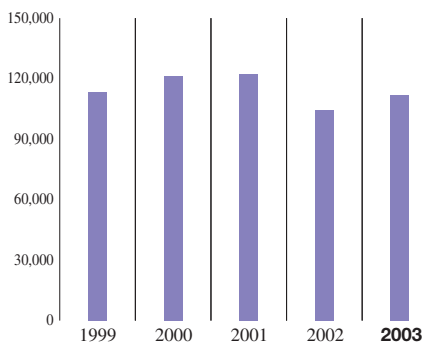
Financial Highlights

CMK CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

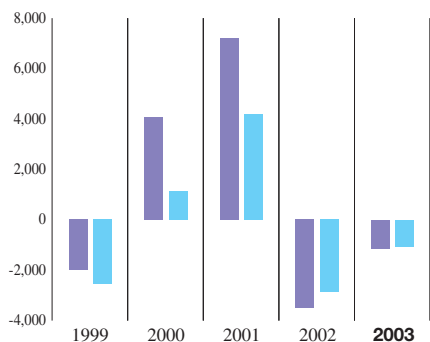
| | Yen (Millions) | | | U.S. Dollars (Thousands) |
|-----------------------------------|----------------------------|-----------|------------------|-----------------------------|
| | (except per share amounts) | | | (except per share amounts) |
| | 2001 | 2002 | 2003 | 2003 |
| Operating Results: | | | | |
| For the year | | | | |
| Net sales | ¥ 122,293 | ¥104,540 | ¥111,745 | \$ 929,659 |
| Income (loss) before income taxes | 7,220 | (3,507) | (1,134) | (9,434) |
| Net income (loss) | 4,182 | (2,871) | (1,058) | (8,802) |
| At year-end | | | | |
| shareholders' equity | ¥ 52,822 | ¥ 49,716 | ¥ 46,206 | \$ 384,410 |
| Total assets | 144,749 | 149,477 | 154,271 | 1,283,453 |
| Per share | | | | |
| Net income (loss) | | | | |
| — Basic | ¥ 80.36 | ¥ (54.66) | ¥ (20.16) | \$ (0.17) |
| — Diluted | 69.75 | — | — | — |
| Shareholders' equity | 1,005.62 | 946.43 | 883.26 | 7.35 |

Notes: 1. U.S. Dollars amounts have been translated from Yen, for convenience only, at the rate of ¥120.20 = \$1, the Tokyo foreign exchange market rate as of March 31, 2003.
2. All Millions Yen and thousands U.S. Dollars amounts are rounded to the nearest figure.

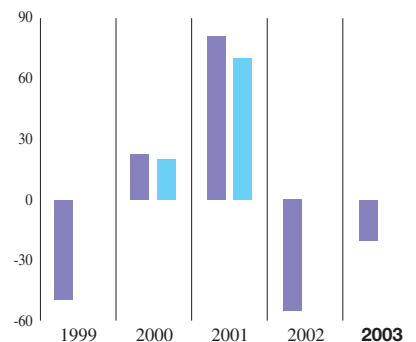
Net Sales
Yen (Millions)



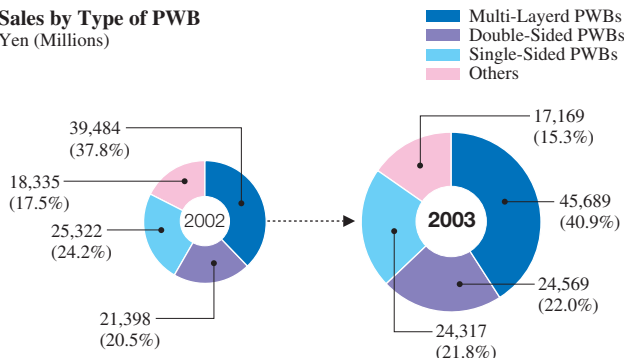
Income (loss) before Income Taxes and Net Income (loss)
Yen (Millions)



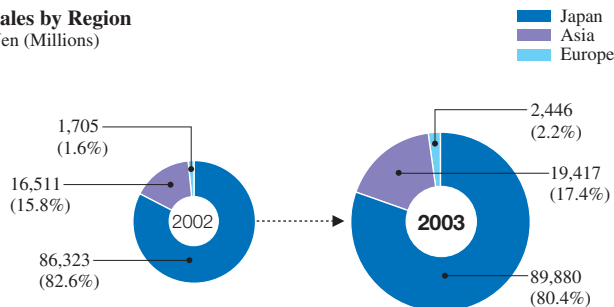
Net Income (loss) per Share of Common Stock
Yen



Sales by Type of PWB
Yen (Millions)



Sales by Region
Yen (Millions)



M

Message from
the Management



Takahiro Nakayama
President and
Chief Executive Officer

The Japanese economy was showing signs of a partial recovery this term, largely due to an increase in exports following the economic upturn overseas and the parallel bottoming-out of capital investment. However, for the latter half, there was concern over the direction of the world economy and the impact of sluggish share prices, as well as uneasiness about international situation in Iraq and the Middle East. No improvement was likely in overall employment and income figures, and consumer spending continued to decline.

In the printed wiring board industry served by CMK, many were expecting an upswing in consumer spending during the first half of the year. However, overseas production focusing on China had expanded even more, while prices continue to drop as a result of the global IT slump persisting from the last term, making the business environment quite severe indeed.

Under these circumstances, we were committed to aggressive business expansion emphasizing our high-value-added products. We remained keenly aware of the overseas expansion of our corporate clients. Even as we strengthened our foreign production network, we are moving ahead to thoroughly streamline domestic operations, restructure Japanese production sites, and cut costs. As we look to enhance our business capacity throughout the CMK Group, we are making a concerted effort to achieve our management objectives. We would like to take this opportunity to thank our shareholders for their continuous support.

June 2003

Takahiro Nakayama
President and Chief Executive Officer

M

Management
Issues

Looking ahead in the electronics industry, we anticipate market expansion to be driven by trends in advanced IT and more sophisticated automotive electronics. This will encourage demand for smaller, lighter, and more precise electronics. At the same time, pricing competition is expected to intensify.

Our new working framework has strengthened group integrity to allow us to respond more swiftly to changes in different business environments. We will, nevertheless, continue to uphold a management policy that places customer trust first.

The midterm CMK management plan currently underway presents the following commitments.

1. Emphasize group management

Maintain strategic, agile, and responsive management aimed at enhancing the performance of all CMK group companies.

2. Review the domestic production system and promote manufacturing abroad

For comprehensive streamlining, press for further restructuring of the Japanese production network while expanding global production facilities.

3. Strengthen our line of high value-added products

Promote the development in Japan of our high value-added products and preserve our high quality.

4. Uphold global environmental policies and information disclosure

Play an active role in reducing our environmental load by practicing green procurement, cutting CO₂ output, and promoting zero emissions programs. Information disclosure practices will continue through ongoing environmental reports.

Can you tell us your aspirations for your new role as president?

Nakayama: I feel a tremendous sense of responsibility in assuming such a prominent role in these times of intense business competition. In particular, it is deeply regrettable for all our shareholders that business performance had been poor over the past two years. Despite this, CMK has the energy and ability to make a comeback. I consider this a prime opportunity to take the lead in the PWB industry, and a good time to enhance the value of the CMK brand, to be the sole company that customers turn to. I am fully committed to implementing the policies needed to make this happen under our new working framework, and I am looking forward to even greater support from our investors.

Tell us about business performance in the current term.

Nakayama: Looking at the results for the CMK Group this term, we do see increased income, but conditions since last year have been very severe. On the other hand, we are enjoying sustained sales of high-end products such as build-up PWBs, compared to the previous term, with orders now steady. From April 2003, and throughout the year, we expect to see benefits from the domestic restructuring implemented this term. If we consider overseas operations, however, CMK is still feeling the aftereffects of an ongoing decline in per-unit sales prices and operating losses associated with the startup of the Wuxi plant for build-up PWBs in Jiangsu, China. But we're pleased to report a favorable shift in performance, led by our plants in China.

How would you forecast sales trends for different application from this term to the next?

Nakayama: In particular, we predict a steady increase in demand for CMK build-up PWBs caused by the surge in camera-phones and other mobile IT devices and related

digital cameras. Prospects are also bright for the domestic and overseas markets for AV equipment, including plasma television displays and DVD players. For automotive PWBs, we also predict the steady upward shift to continue.

Explain CMK's objectives in starting a fourth plant in China and update us on the other three plants.

Nakayama: In Dong-guan, Guang-dong, we have established CMK Global Brands Manufacture, Ltd., a new joint-venture plant with the Taiwanese Pou Chen Group. Production here will focus on through-hole PWBs. Our objective in establishing this plant was to strengthen supply capacity to meet brisk demand from expanding Chinese markets and to better serve western markets. Meanwhile, our other nearby Chinese plants—CMKC (DONG GUAN) LTD., and the CMKS CHINA FACTORY, which specializes in single-sided PWBs—have shifted to full capacity, because more corporate users are now active in China, and sales of AV equipment are strong. CMK ELECTRONICS (WUXI) CO., LTD. for build-up PWBs is on track to move into the black after operating at a loss this term.

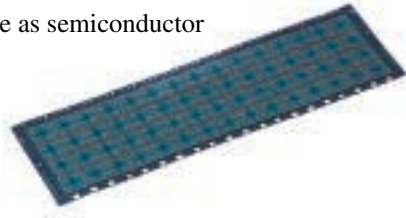
Please share some insights on present and future developments at the newly established CMK PACKAGE TECH CORPORATION.

Nakayama: We founded this subsidiary to specialize in businesses related to semiconductor packaging, a field we expect to continue expanding. To provide optimal products that fulfill the needs of our corporate users, we are strengthening production and sales of advanced products. We are aggressively seeking to enhance profitability in our commitment to make CMK PACKAGE TECH a core subsidiary of the CMK Group. (For a closer look at developments at CMK, see *CMK Topics*.)

Package Substrate

Rigid Substrate

Rigid substrate is a package substrate, and the advanced technology to fulfill the requirement of miniaturization and thin substrate as the same as semiconductor devices.

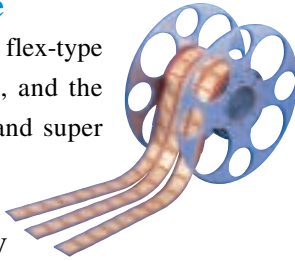


Tape Substrate

Tape substrate is a flex-type package substrate, and the features are thin and super fine conductors.

Applications:

Mobile Phones, TV games, and PCs



E-Spec

E-Spec

The “E-spec”, the CMK original environment PWB specifications, has fulfilled the ecological requirements in the market. CMK continuously minimizes hazardous chemicals to our neighbors and eliminates negative impact to our children.

*“E-Spec” is a registered trademark of CMK CORPORATION.



“E-Spec” mark

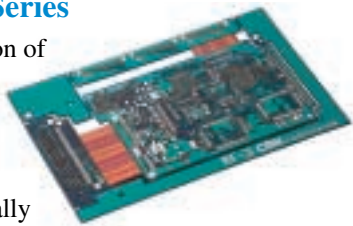


Rigid-Flex Series

Rigid-Flex Series

The combination of flexible and rigid structure. The Rigid-Flex is 3 dimensionally bendable and twistable.

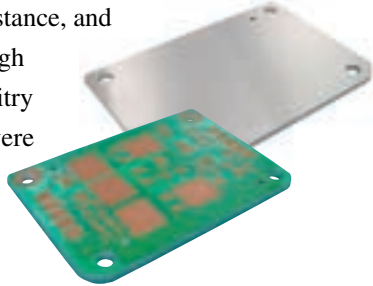
Applications: Digital Still Cameras, Mobile Phones



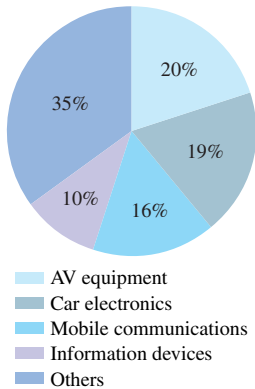
Heat Sink PWB exclusively for Automobiles

MB • MC Series

Newly developed for excellent heat sink, high pressure resistance, and assembled high density circuitry under the severe automotive conditions.



Sales by Different Applications



Examining sales for different applications, we see a favorable upturn from last term in camera-phones and other mobile IT devices, as well as digicams and other cameras. These products are expected to continue to be the driving force for sales in the IT field, and we forecast a steady increase in demand.

Automotive electronics sales are also strong. On the other hand, sales declined from last term for electronic entertainment systems and digital AV devices such as plasma television displays and digital video units.

Joint Development of Next-Generation PWBs

In December 2002, we announced our collaboration with Casio Computer Co., Ltd. on the development of advanced packaging technology for embedding semiconductor components in PWB substrates. Because embedding components in the substrate offers more effective use of space, it can contribute to the overall miniaturization of electronic devices and boost performance. Casio plans to use the new substrates in forthcoming products such as handsets, PDAs, and digital still cameras.

This innovation fuses Casio's wafer-level technology (CSP, or Chip Scale Package) with technology for high-density packaging substrates developed by our subsidiary, CMK PACKAGE TECH, which manufactures and sells semiconductor packages. It can be applied in the increasingly sophisticated component packaging of electronic devices. This ideal combination of technologies offers the promise of application in a wide array of electronic products.



CMK PACKAGE TECH headquarters in Technical Center Plant

Expanding Production in China for Automotive PWBs

CMK Global Brands Manufacture, Ltd. was established in Dong-guan, China, this January 2003 with the Taiwanese Pou Chen Group. We have strengthened the production system to handle products from double-sided boards to multi-layered PWBs up to the 10-layer class. The plant now has a monthly capacity of 100,000 m², which is slated to expand by 60% before 2004. Production emphasizes the fields currently in demand: the four Cs (Computers, Consumer goods, Communication devices, and Car electronics), one M (Mobile devices), and one L (LCDs). The shipment ratio is currently 70:30 for domestic and export markets, with future prospects for supplying CMK Group sales networks being developed in North America and Europe after strengthening automotive PWB and LCD production in particular this year.



CMK Global Brands Manufacture, Ltd.



CMK KANBARA
ELECTRONIC
CORPORATION
JAPAN

Established in May 1989 in Niigata prefecture, the CMK subsidiary CMK KANBARA ELECTRONIC CORPORATION JAPAN joined the CMK Group in 1990. From the start, production has focused on high-precision double-sided automotive PWBs. Although the PWB industry as a whole has slumped in recent years, sales of automotive PWBs have tended to be relatively bullish, with levels increasing by about 400% over the last ten years for CMK KANBARA ELECTRONIC.

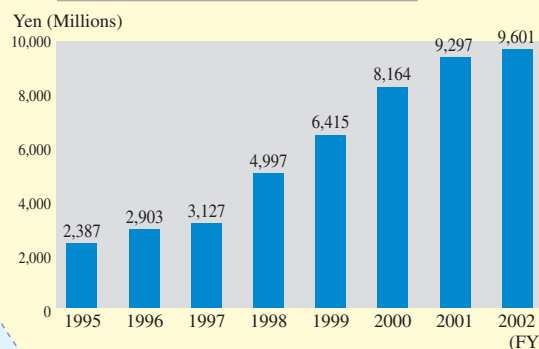
As part of the restructuring of domestic production sites undertaken in the midterm business plan, equipment has been transferred within the CMK Group. CMK KANBARA ELECTRONIC has been restructured for integrated production of automotive PWBs. The monthly production volume there is currently 50,000 m².

Because automotive PWBs are projected to remain one of our leading products in Japan, CMK KANBARA ELECTRONIC will play an increasingly greater role within the CMK Group. It is our pleasure to introduce this company, an enterprise that will fulfill the expectations of the group as a whole.

Company Spotlight

Production of double-sided PWBs for vehicle engine control began at a monthly output of 20,000 m². In 1998, a new plant was built on site, boosting production to 70,000 m². Along with double-sided PWBs, CMK KANBARA ELECTRONIC has recently started manufacturing multi-layered PWBs. Sales have increased steadily—to the point of achieving the objective of 12 billion yen in the period ending March 2001. The plant won ISO 14001 environmental certification in December 2002, and it continues to make gains in aggressive programs to deal with environmental issues.

Sales Trends for Automotive PWBs of
CMK KANBARA ELECTRONIC



Production Details

Half of production output is for vehicle engine control applications, with the remainder being chiefly products for car audio systems. Currently, the overall sales ratio is divided equally between double-sided and multi-layered PWBs, but the production ratio of multi-layered PWBs has recently surged. The plant is moving ahead in manufacturing high-value-added products.

Future Challenges

After reviewing the domestic production system according to the CMK Group midterm business plan, we have designated CMK KANBARA ELECTRONIC as an integrated production site for automotive PWBs. To this end, drilling and sheeting fabrication equipment was transferred from other group companies. This enabled in-house production for processes that were once entrusted to our partners, significantly reducing operating costs, and boosting profitability. We will continue to efficiently manufacture high-quality products, as we remain committed to expanding CMK Group profits.

PWB Sample Applications

Types of automotive PWBs

- Double-sided
- Multi-layered
- Interstitial via hole (IVH)

- Vehicle proximity warning equipment
- Vehicle proximity regulating systems
- Vehicle proximity control systems
- Warning systems based on road markings*
- Tracking systems based on road markings*
- Collision warning systems*
- Systems to warn of dangerous objects ahead on the road*
- Emergency braking systems*
- Blind-spot monitors
- Clearance sonar
- Impact velocity reduction systems*

- Electronic fuel injectors

- Drowsy driver warning systems*
- Wake-up systems*
- Erratic driving detectors*
- Audio navigation
- VICS-compliant navigation
- Communication-based navigation
- GPS navigation
- D-GPS
- Equipment for reporting emergency information
- "May-day" systems
- Automatic accident notification systems

- Rear monitors
- Side rear monitors
- Clearance sonar
- Back-up sonar

- Hands-free mobile calling

- Tire pressure warning equipment

- Tire pressure warning equipment

- Active suspension
- Hydraulic suspension with preview control
- Electronic all-wheel ABS
- Electronic all-wheel ABS with ground sensors
- Slide control systems
- Stability control systems

- Electronically controlled AT
- Traction control
- Traction control with preview functions
- Shift control coordinated with navigation
- Yaw control systems

- Active suspension
- Active preview hydraulic suspension
- 4WS and active 4WS
- Electronic rear-wheel steering systems
- Braking assistance
- Traction control
- Electronic all-wheel ABS
- Yaw control systems
- Slide control systems
- Stability control systems
- Active steering

*In development

Environmental Protection

We practice environmental preservation activities such as acquisition of ISO14001 Certificate and sales of “E-Spec” (environmental-friendly PWBs) production.

Recently, we accomplished to develop the industrial waste recycled procedure during the PWB manufacturing processes.

Schedule of Acquisition of ISO14001

We consider the environment management systems as the foundation of the environmental activities. Therefore, we aim to acquire the ISO14001 Certificate in FY2004 for all the CMK production site.

History of ISO14001

| Plants and Offices | Acquired Date |
|--|---------------|
| KIBAN Center Plant | Sep. 1998 |
| NIIGATA SATELLITE PLANT | Aug. 1999 |
| JSIC CORPORATION | Dec. 1999 |
| CMK EUROPE N. V. | Oct. 2000 |
| G-Station Plant | Oct. 2000 |
| JT CMK CORPORATION | Dec. 2000 |
| CMK Global Brands Manufacture, Ltd. | Feb. 2001 |
| CMK SINGAPORE (PTE.) LTD. | Aug. 2001 |
| WAKOH ELECTRONICS CORPORATION | Oct. 2001 |
| P. T. CMKS INDONESIA | Dec. 2001 |
| CMKS (MALAYSIA) SDN. BHD. | Dec. 2001 |
| CMK KANBARA ELECTRONIC CORPORATION JAPAN | Dec. 2002 |

Environmental Policy

Based on one of our management policies, “fulfillment of the Company’s social responsibility as a good corporate citizen”,

CMK CORPORATION makes the best efforts to all the business operation in order to protect the global environment.

General Environmental Policy

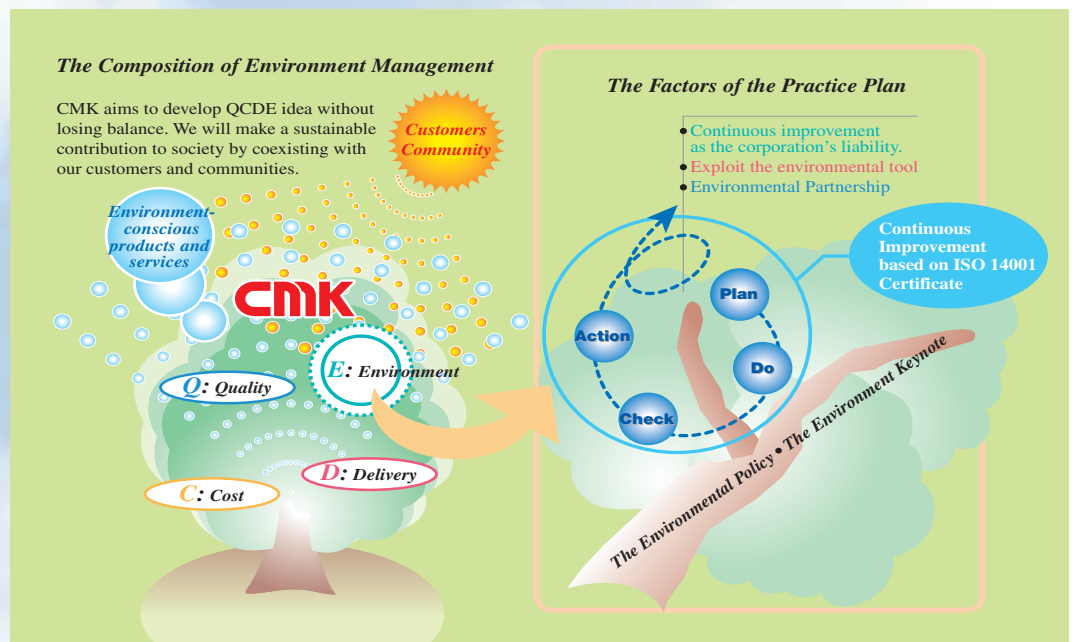
As a member of society, CMK believes that we are also responsible for harmony with the global environment.

Our policies are as follows:

1. To develop how to deal with environmental problems, establish an environmental promotion system of the CMK Group.
2. To abide by environmental laws and regulations and strictly control corporate activities.
3. To encourage energy- saving, recycling and the reduction of industrial waste with an aim to conserving limited resources.
4. To perform environmental assessment as part of corporate activities to reduce the load on the environment and promote the use of substitutes for toxic substances.
5. To perform environmental inspections to confirm and continuously improve environmental control activities.
6. To make every effort to protect natural areas and scenic sites, and coexist with the global environment.
7. To elevate awareness through environmental education and open to publicity measures.



Environmental report 2003



Financial Section

CONTENTS

| | |
|----|---|
| 10 | Consolidated Balance Sheets |
| 12 | Consolidated Statements of Income |
| 13 | Consolidated Statements of Shareholders' Equity |
| 14 | Consolidated Statements of Cash Flows |
| 15 | Notes to Consolidated Financial Statements |
| 23 | Independent Auditors' Report |

Five-Year Summary

CMK CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003, 2002, 2001, 2000 and 1999

| | | Yen (Millions) | | | | U.S. Dollars (Thousands) |
|-------------------------|----------|-------------------|----------|----------|----------|-----------------------------|
| | 2003 | 2002 | 2001 | 2000 | 1999 | 2003 |
| For the year | | | | | | |
| Net sales | ¥111,745 | ¥104,540 | ¥122,293 | ¥121,246 | ¥113,448 | \$ 929,659 |
| Operating income (loss) | 703 | (1,139) | 9,284 | 4,945 | 895 | 5,849 |
| Net income (loss) | (1,058) | (2,871) | 4,182 | 1,147 | (2,542) | (8,802) |
| At year end | | | | | | |
| Shareholders' equity | 46,206 | 49,716 | 52,822 | 48,407 | 47,451 | 384,410 |
| Total assets | 154,271 | 149,477 | 144,749 | 152,087 | 159,902 | 1,283,453 |

| | | Yen | | | | U.S. Dollars |
|--------------------------------------|----------|----------|--------|--------|----------|--------------|
| Per Share | | | | | | |
| Net income | | | | | | |
| —Basic | ¥(20.16) | ¥(54.66) | ¥80.36 | ¥22.21 | ¥(49.20) | \$(0.17) |
| —Diluted | — | — | 69.75 | 19.74 | — | — |
| Price at Tokyo Stock Exchange | | | | | | |
| High | 1,219 | 1,480 | 2,390 | 1,600 | 1,810 | 10.14 |
| Low | 460 | 735 | 1,130 | 1,005 | 980 | 3.83 |
| Cash dividends, applicable to period | 10.00 | 12.00 | 10.00 | 10.00 | 10.00 | 0.08 |

| | | % | | | |
|----------------------|------|------|------|------|------|
| Ratios | | | | | |
| Equity Ratio | 30.0 | 33.3 | 36.5 | 31.8 | 29.7 |
| Return on Equity | — | — | 8.3 | 2.4 | — |
| Price Earnings Ratio | — | — | 16.8 | 54.9 | — |

| | | | | | |
|-------------------------------------|-------|-------|-------|-------|---|
| Number of employees (Person) | 7,122 | 6,780 | 6,180 | 6,103 | — |
|-------------------------------------|-------|-------|-------|-------|---|

Notes: 1. U.S. Dollars amounts have been translated from Yen, for convenience only, at the rate of ¥120.20= \$1, the Tokyo foreign exchange market rate as of March 31, 2003.

2. All Millions Yen and thousands U.S. Dollars amounts are rounded to the nearest figure.

Consolidated Balance Sheets

CMK CORPORATION and Consolidated Subsidiaries
March 31, 2003, and 2002

| | Yen (Millions) | | U.S.Dollars (Thousands) |
|---|-------------------|-----------------|----------------------------|
| | March 31 | | March 31 |
| ASSETS | 2003 | 2002 | 2003 |
| Current assets: | | | |
| Cash and time deposits (Note 5) | ¥ 28,524 | 17,873 | \$ 237,304 |
| Marketable securities (Note 3 & 5) | 151 | 392 | 1,256 |
| Trade receivables: | | | |
| Accounts and notes (Note 13) | 27,200 | 26,826 | 226,290 |
| Allowance for doubtful accounts | (45) | (85) | (374) |
| Inventories (Note 4) | 9,942 | 10,288 | 82,712 |
| Deferred income taxes (Note 9) | 662 | 1,077 | 5,508 |
| Other current assets | 1,590 | 2,380 | 13,227 |
| Total current assets | 68,024 | 58,751 | 565,923 |
| Property, plant and equipment (Note 7 & 10): | | | |
| Land | 13,463 | 14,125 | 112,005 |
| Buildings and structures | 58,262 | 56,883 | 484,709 |
| Machinery, equipment and others | 100,591 | 103,234 | 836,864 |
| Construction in progress | 1,149 | 2,965 | 9,559 |
| | 173,465 | 177,207 | 1,443,137 |
| Less accumulated depreciation | 106,145 | 106,808 | 883,070 |
| | 67,320 | 70,399 | 560,067 |
| Investments and other assets: | | | |
| Investments in securities (Note 3 & 6) | 7,969 | 8,709 | 66,298 |
| Long-term loans | 2,894 | 257 | 24,077 |
| Deferred income taxes (Note 9) | 2,166 | 1,687 | 18,020 |
| Others | 5,898 | 9,674 | 49,068 |
| Total investments and other assets | 18,927 | 20,327 | 157,463 |
| Total assets (Note 14) | ¥154,271 | ¥149,477 | \$1,283,453 |

The accompanying notes are an integral part of these statements.

| | Yen (Millions) | | U.S.Dollars (Thousands) |
|---|-------------------|----------|----------------------------|
| | March 31 | | March 31 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | 2003 | 2002 | 2003 |
| Current liabilities: | | | |
| Short-term borrowings (Note 7) | ¥ 7,448 | ¥ 6,835 | \$ 61,963 |
| Current portion of long-term debt (Note 7) | 26,367 | 6,781 | 219,359 |
| Trade payables: | | | |
| Accounts and notes | 11,112 | 12,226 | 92,446 |
| Income taxes payables (Note 9) | 330 | 493 | 2,745 |
| Other current liabilities (Notes 9) | 11,082 | 11,573 | 92,197 |
| Total current liabilities | 56,339 | 37,908 | 468,710 |
| Long-term liabilities: | | | |
| Long-term debt (Note 7) | 43,239 | 54,345 | 359,725 |
| Accrued pension and severance costs (Note 12) | 246 | 141 | 2,047 |
| Retirement and severance benefits | 630 | 689 | 5,241 |
| Others (Note 9) | 1,671 | 1,641 | 13,902 |
| Total long-term liabilities | 45,786 | 56,816 | 380,915 |
| Minority interests in subsidiaries | 5,940 | 5,037 | 49,418 |
| Contingent liabilities (Note 13): | — | — | — |
| Shareholders' equity (Note 8): | | | |
| Common stock | | | |
| Authorized: 199,871,000 Shares | | | |
| Issued: | | | |
| March 31, 2003: 53,205,124 Shares | 16,117 | | 134,085 |
| March 31, 2002: 53,205,124 Shares | | 16,117 | |
| Additional paid-in capital | 15,875 | 15,875 | 132,072 |
| Retained earnings | 18,059 | 20,398 | 150,241 |
| Unrealized gains on securities | (261) | 32 | (2,171) |
| Foreign currency translation adjustments | (2,087) | (1,353) | (17,363) |
| Treasury stock, at cost: | | | |
| March 31, 2003: 892,084 Shares | (1,497) | | (12,454) |
| March 31, 2002: 675,945 Shares | | (1,353) | |
| Total shareholders' equity | 46,206 | 49,716 | 384,410 |
| Total liabilities and shareholders' equity | ¥154,271 | ¥149,477 | \$1,283,453 |

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

CMK CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

| | Yen (Millions) | | | U.S.Dollars (Thousands) |
|---|---------------------|-----------|----------|----------------------------|
| | Year ended March 31 | | | Year ended March 31 |
| | 2003 | 2002 | 2001 | 2003 |
| Net sales (Note 14) | ¥111,745 | ¥104,540 | ¥122,293 | \$929,659 |
| Cost of sales | 99,768 | 94,625 | 101,878 | 830,017 |
| Gross profit | 11,977 | 9,915 | 20,415 | 99,642 |
| Selling, general and administrative expenses | 11,274 | 11,054 | 11,131 | 93,793 |
| Operating income (loss) (Note 14) | 703 | (1,139) | 9,284 | 5,849 |
| Other income (expenses): | | | | |
| Interest and dividend income | 268 | 144 | 349 | 2,230 |
| Interest expenses | (1,183) | (1,239) | (1,484) | (9,842) |
| Others, net | (922) | (1,273) | (929) | (7,671) |
| Income (loss) before income taxes | (1,134) | (3,507) | 7,220 | (9,434) |
| Income taxes (Note 9) | 708 | (380) | 2,562 | 5,890 |
| Income (loss) before minority interests | (1,842) | (3,127) | 4,658 | (15,324) |
| Minority interests in subsidiaries | 784 | 256 | (476) | 6,522 |
| Net income (loss) | ¥ (1,058) | ¥ (2,871) | ¥ 4,182 | \$ (8,802) |

| | Yen | | | U.S.Dollars |
|--------------------------------------|---------------------|-----------|---------|---------------------|
| | Year ended March 31 | | | Year ended March 31 |
| Per share of common stock: | | | | |
| Net income (loss) – Basic | ¥ (20.16) | ¥ (54.66) | ¥ 80.36 | \$ (0.17) |
| – Diluted | — | — | 69.75 | — |
| Cash dividends, applicable to period | 10.00 | 12.00 | 10.00 | 0.08 |

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

CMK CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

| | Yen (Millions) | | | | | |
|---|-------------------|----------------------------|-------------------|--------------------------------|---|-------------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Unrealized gains on securities | Foreign currency translation adjustment | Treasury stock, at cost |
| Balance at March 31, 2000 | ¥14,821 | ¥14,578 | ¥20,422 | — | ¥(1,413) | ¥ (1) |
| Conversion of convertible bonds | 1,296 | 1,297 | — | — | — | — |
| Net income | — | — | 4,182 | — | — | — |
| Cash dividends | — | — | (515) | — | — | — |
| Bonuses to directors and statutory auditors | — | — | (51) | — | — | — |
| Unrealized holding gains arising during the period | — | — | — | 223 | — | — |
| Translation adjustment | — | — | — | — | (647) | — |
| Purchase of treasury stock | — | — | — | — | — | (1,536) |
| Reissuance of treasury stock | — | — | — | — | — | 167 |
| Balance at March 31, 2001 | ¥16,117 | ¥15,875 | ¥24,038 | ¥ 223 | ¥(2,060) | ¥(1,370) |
| Net income (loss) | — | — | (2,871) | — | — | — |
| Cash dividends | — | — | (631) | — | — | — |
| Effect arising from changes of subsidiaries for consolidation | — | — | (67) | — | — | — |
| Bonuses to directors and statutory auditors | — | — | (71) | — | — | — |
| Unrealized holding loss arising during the period | — | — | — | (191) | — | — |
| Translation adjustment | — | — | — | — | 707 | — |
| Purchase of treasury stock | — | — | — | — | — | (22) |
| Sale of treasury stock | — | — | — | — | — | 39 |
| Balance at March 31, 2002 | ¥16,117 | ¥15,875 | ¥20,398 | ¥ 32 | ¥(1,353) | ¥(1,353) |
| Net income (loss) | — | — | (1,058) | — | — | — |
| Cash dividends | — | — | (525) | — | — | — |
| Effect arising from changes of subsidiaries for consolidation | — | — | (751) | — | — | — |
| Bonuses to directors and statutory auditors | — | — | (5) | — | — | — |
| Unrealized holding loss arising during the period | — | — | — | (293) | — | — |
| Translation adjustment | — | — | — | — | (734) | — |
| Purchase of treasury stock | — | — | — | — | — | (338) |
| Sale of treasury stock | — | — | — | — | — | 194 |
| Balance at March 31, 2003 | ¥16,117 | ¥15,875 | ¥18,059 | ¥(261) | ¥(2,087) | ¥(1,497) |

| | U.S.Dollars (Thousands) | | | | | |
|---|----------------------------|----------------------------|-------------------|---|---|-------------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Unrealized gains (losses) on securities | Foreign currency translation adjustment | Treasury stock, at cost |
| Balance at March 31, 2002 | \$134,085 | \$132,072 | \$169,701 | \$ 266 | \$(11,256) | \$(11,256) |
| Net income (loss) | — | — | (8,802) | — | — | — |
| Cash dividends | — | — | (4,368) | — | — | — |
| Effect arising from changes of subsidiaries for consolidation | — | — | (6,248) | — | — | — |
| Bonuses to directors and statutory auditors | — | — | (42) | — | — | — |
| Unrealized holding loss arising during the period | — | — | — | (2,437) | — | — |
| Translation adjustment | — | — | — | — | (6,107) | — |
| Purchase of treasury stock | — | — | — | — | — | (2,812) |
| Sale of treasury stock | — | — | — | — | — | 1,614 |
| Balance at March 31, 2003 | \$134,085 | \$132,072 | \$150,241 | \$(2,171) | \$(17,363) | \$(12,454) |

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

CMK CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

| | Yen (Millions) | | | U.S.Dollars (Thousands) |
|--|---------------------|----------------|----------------|----------------------------|
| | Year ended March 31 | | | Year ended March 31 |
| | 2003 | 2002 | 2001 | 2003 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | ¥(1,058) | ¥(2,871) | ¥ 4,182 | \$ (8,802) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 9,459 | 10,062 | 10,344 | 78,694 |
| Loss on disposal of fixed assets | 348 | 331 | 189 | 2,895 |
| Provision for officers' retirement benefit | (59) | 46 | 140 | (491) |
| Deferred income taxes (Note 9) | 158 | (1,023) | (508) | 1,315 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in trade accounts and notes receivable | (631) | 7,216 | 520 | (5,250) |
| (Increase) decrease in inventories | 209 | 63 | 773 | 1,739 |
| Increase (decrease) in trade payable | 201 | (116) | (4,586) | 1,672 |
| Increase (decrease) in income taxes payable | 861 | (2,474) | (749) | 7,163 |
| Changes in other current assets and liabilities | 378 | (844) | 3,376 | 3,145 |
| Others, net | (246) | 366 | 791 | (2,047) |
| Net cash provided by operating activities | 9,620 | 10,756 | 14,472 | 80,033 |
| Cash flows from investing activities: | | | | |
| Decrease (increase) in investments and advances | (2,748) | (3,681) | (492) | (22,862) |
| Payment for purchase of property, plant and equipment | (9,863) | (11,447) | (7,455) | (82,055) |
| Proceeds from sales of property, plant and equipment | 781 | 547 | 1,119 | 6,498 |
| Acquisitions of subsidiaries, net of cash acquired | 3,431 | 65 | — | 28,544 |
| Others, net | 125 | (1,118) | (240) | 1,040 |
| Net cash used in investing activities | (8,274) | (15,634) | (7,068) | (68,835) |
| Cash flows from financing activities: | | | | |
| Increase (decrease) in short-term borrowings | 1,023 | 41,687 | (1,372) | 8,511 |
| Repayment of long-term debt | (6,788) | (54,864) | (10,290) | (56,473) |
| Proceeds from long-term debt | 9,664 | 21,300 | 2,150 | 80,399 |
| Cash dividends paid | (525) | (631) | (515) | (4,368) |
| Others, net | 5,671 | 967 | (773) | 47,180 |
| Net cash provided by (used in) financing activities | 9,045 | 8,459 | (10,800) | 75,249 |
| Effect of exchange rate changes on cash | (136) | 8 | (975) | (1,131) |
| Net increase (decrease) in cash and cash equivalents | 10,255 | 3,589 | (4,371) | 85,316 |
| Cash and cash equivalents at beginning of year | 17,723 | 14,134 | 18,505 | 147,446 |
| Cash and cash equivalents at end of year (Note 5) | ¥27,978 | ¥17,723 | ¥14,134 | \$232,762 |
| Supplemental data: | | | | |
| Cash paid (refund) during the year for: | | | | |
| Income taxes | ¥ (311) | ¥ 3,116 | ¥ 3,819 | \$ (2,587) |
| Interest | 1,174 | 1,192 | 1,495 | 9,767 |

The accompanying notes are an integral part of these statements.

1. Summary of significant accounting policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of CMK CORPORATION (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangement have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers outside Japan.

(b) Principle of consolidation

The Company had 26 and 25 subsidiaries as of March 31, 2003 and 2002, respectively. The consolidated financial statements included the accounts of the Company and its 21 and 20 significant subsidiaries as of March 31, 2003 and 2002, respectively. Intercompany accounts and significant intercompany transactions have been eliminated on consolidation.

The investments in (20% to 50% owned) affiliates, except some of them, are accounted for by the equity method.

Non-consolidated subsidiaries and a part of investments in affiliates are stated at cost because of their immateriality. Earnings of these companies are recorded in the Company's books only to the extent that cash dividends are received.

The difference between the cost of investments in consolidated subsidiaries and the equity in their net assets at dates of acquisition is amortized, on a straight-line basis, over five years for subsidiaries in Japan, twenty-years for subsidiaries outside Japan.

(c) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(d) Marketable securities and investment securities

Debt and equity securities are classified in one of three categories: available-for-sale, trading, or held-to-maturity. Debt securities are classified as "held-to-maturity" securities and reported at amortized cost. Debt and equity securities that are

classified as "trading" securities are reported at fair value, with unrealized gains and losses included in earnings. Other debt and equity securities are classified as "available-for-sale" securities and are reported at fair value at the closing date, with unrealized gains or losses net of deferred taxes, included in unrealized gains (losses) on securities in the shareholders' equity section of the consolidated balance sheet. Realized gains and losses which are determined on the moving average cost method are reflected in income.

(e) Inventories

Merchandise except for molds, raw materials, finished goods and work in process are stated at cost determined by the average method. Molds are stated at cost determined by the specific identification method. Subsidiary outside of Japan, inventories are valued at lower of cost or market, which are determined by the moving-average method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost. In the company and subsidiaries inside Japan, depreciation is computed by the declining-balance method at rates based on estimated useful lives of the respective assets according to general class, type of construction and use. For subsidiaries outside Japan, depreciation is computed by straight-line method.

Significant renewals and additions are capitalized at cost. Maintenance, repairs, minor renewals and betterments are charged to income as incurred.

(g) Accounting for leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by the method similar to that applicable to ordinary rental transactions.

(h) Income taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. The assets and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(i) Retirement and pension plans

The Company and its subsidiaries inside Japan have various defined benefit pension plans and severance indemnity plans.

The Company provided for retirement allowance to directors and statutory auditors determined based on their pertinent rules that calculate the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date.

(j) Research and development costs

Research and development costs are charged to income as incurred.

(k) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese Yen at appropriate year-end current rates, and the shareholders' equity accounts except for retained earnings are translated at historical rates. All income and expense accounts of foreign subsidiaries and affiliates are translated into Japanese Yen at the average rate during the fiscal year. The resulting translation adjustments are presented as "foreign currency translation adjustments" in the accompanying consolidated financial statements.

The monetary assets and liabilities in foreign currencies are translated into Japanese Yen at applicable current year-end rates, and other assets and liabilities are translated at historical rates, and differences due to translation are credited or charged to income as incurred.

(l) Net income and dividends per share

Basic net income per share is computed based on the weighted average number of shares outstanding during each period, and diluted net income per share assumes the dilution that could occur if convertible bonds or similar securities were converted into common stock or exercised to result in the issuance of common stock.

Cash dividends per share reflect cash dividends applicable to the respective periods.

(m) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2002 and 2001 have been made to conform to the presentation in the year ended March 31, 2003.

All Millions Yen and thousands U.S. Dollars amounts are rounded to the nearest figure.

2. Translation into U.S. Dollars

The consolidated financial statements presented herein are expressed in Japanese Yen and, solely for the convenience of the reader, have been translated into U.S. Dollars at the rate of ¥120.20 = U.S. \$1, the exchange rate on March 31, 2003. The

translations should not be construed as representation that the Japanese Yen amounts actually represent, or have been or could be converted into U.S. Dollars.

3. Marketable securities and investment

The cost and fair value of marketable securities and investments as of March 31, 2003 are shown below:

| | Yen (Millions) | U.S. Dollars (Thousands) |
|--|-------------------|-----------------------------|
| | 2003 | 2003 |
| Debt and equity securities – available-for-sale: | | |
| Cost | ¥2,411 | \$20,058 |
| Gross unrealized gains | 95 | 790 |
| Gross unrealized losses | (544) | (4,525) |
| Amount in balance sheet | ¥1,962 | \$16,323 |

4. Inventories

Inventories at March 31, 2003 and 2002 comprise the following:

| | Yen (Millions) | U.S. Dollars (Thousands) | |
|----------------------------|-------------------|-----------------------------|----------|
| | 2003 | 2002 | 2003 |
| Merchandise | ¥ 1,503 | ¥ 1,487 | \$12,504 |
| Finished goods | 2,648 | 2,325 | 22,030 |
| Work in process | 3,436 | 3,976 | 28,586 |
| Raw materials and supplies | 2,355 | 2,500 | 19,592 |
| | ¥ 9,942 | ¥10,288 | \$82,712 |

5. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts at March 31, 2003 and 2002:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|--|-------------------|----------------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Cash and time deposits | ¥28,524 | ¥17,873 | \$237,304 |
| Marketable securities | 151 | 392 | 1,256 |
| Deposits with a maturity of three months or more | (697) | (542) | (5,798) |
| Cash and cash equivalents | ¥27,978 | ¥17,723 | \$232,762 |

6. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates at March 31, 2003 and 2002 are shown below:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|-------------------------------|-------------------|-------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Investment in: | | | |
| Non-consolidated subsidiaries | ¥ 172 | ¥ 310 | \$ 1,431 |
| Affiliates | 3,200 | 2,734 | 26,622 |

7. Short-term borrowings and Long-term debt

Short-term borrowings principally represent notes due within one year. Such borrowings are bearing interest at average

annual rates of approximately 2.2% and 2.8% in 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 is as follows:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|--|-------------------|----------------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Unsecured convertible bonds: | | | |
| Due 2005, interest 0.7% | ¥12,408 | ¥12,408 | \$103,228 |
| Unsecured bonds: | | | |
| Due 2003, interest 2.25% | 20,000 | 20,000 | 166,389 |
| Due 2006, interest 0.43% | 100 | — | 832 |
| Due 2008, interest 1.29% | 2,500 | — | 20,799 |
| Due 2008, interest 1.23% | 3,000 | — | 24,958 |
| Loans, principally from banks and insurance companies: | | | |
| Secured, due 2002~2008 interest 1.875%~5.5% | | 4,534 | |
| Secured, due 2003~2016 interest 0.99%~2.94% | 3,913 | | 32,554 |
| Unsecured, due 2002~2008 interest 1.85%~8.5% | | 24,184 | |
| Unsecured, due 2003~2008 interest 0.59%~3.97% | 27,685 | | 230,324 |
| | 69,606 | 61,126 | 579,084 |
| Less current portion | 26,367 | 6,781 | 219,359 |
| | ¥43,239 | ¥54,345 | \$359,725 |

As of March 31, 2003, the loans in amount of ¥3,940 million (\$32,778 thousand), including short-term borrowings of ¥27 million (\$225 thousand), are secured by property, plant, equipment and investment securities with a net value of ¥13,291 million (\$110,574 thousand).

As is customary in Japan, short-term and long-term bank loans are made under general agreements, which provide that security, and guarantees for future and present indebtedness will be given upon request of the bank.

The aggregate annual maturities of long-term debt are as follows:

| Year ending March 31 | Yen (Millions) | U.S. Dollars (Thousands) |
|----------------------|-------------------|-----------------------------|
| 2004 | ¥26,367 | \$219,359 |
| 2005 | 4,782 | 39,784 |
| 2006 | 18,826 | 156,622 |
| 2007 | 11,891 | 98,927 |
| 2008 | 7,403 | 61,589 |
| 2009 and thereafter | 337 | 2,803 |
| | ¥69,609 | \$579,084 |

8. Shareholders' equity

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the parent company and its Japanese subsidiaries be appropriated as a legal reserve. The capital surplus and legal reserve, up to 25% of stated capital, are not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The capital surplus and legal reserve, exceeding 25% of stated capital, are available for distribution upon approval of the shareholders' meeting.

In accordance with customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

In October 2001, the Japanese Commercial Code has been modified. The new Japanese Commercial Code allows the company to purchase treasury stock at any reason at any time

by the resolution of the Board of Directors up to the limitation approved by the shareholders' meeting. On June 27, 2003, the shareholders of the parent company approved to purchase treasury stock up to 3 million shares and up to ¥1,500 million (\$12,479 thousand) during the period up to the resolution of next Ordinary General Shareholders' Meeting which would be held in June 2004. In this connection, the company purchased 0.3 million shares with ¥178 million (\$1,481 thousand), though the limitation, which approved by the shareholders' meeting in June 2002, was up to 3 million shares and up to ¥3,000 million (\$24,958 thousand).

The Company has a stock option plan. On June 29, 2000, the shareholders approved the grant of 155,000 and 535,000 stock options for the directors and employees of the Company, respectively, to raise corporate performance and maximizing corporate value. The exercise period of the options is from July 1, 2002 to June 30, 2005.

9. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate

resulted in normal tax rates of approximately 42% for the year ended March 31, 2003 and 2002.

Income tax expense comprises the following:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|---------------|-------------------|---------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Income taxes: | | | |
| Current | ¥ 550 | ¥ 642 | \$ 4,576 |
| Deferred | 158 | (1,022) | (1,314) |
| | ¥ 708 | ¥ (380) | \$ (5,890) |

The significant components of deferred tax assets and liabilities are as follows:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|--|-------------------|--------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Deferred tax assets: | | | |
| Accrued employee's bonuses | ¥ 241 | ¥ 188 | \$ 2,005 |
| Accrued pension severance cost | 126 | 64 | 1,048 |
| Provision for enterprises tax | 25 | — | 208 |
| Depreciation | 297 | 346 | 2,471 |
| Fixed assets - intercompany profits | 115 | 92 | 957 |
| Inventory - intercompany profits | 22 | 57 | 183 |
| Securities valuation loss | 842 | 712 | 7,005 |
| Tax loss | 212 | 774 | 1,764 |
| Retirement and severance benefit | 256 | 289 | 2,130 |
| Unrealized gains on securities | 200 | — | 1,664 |
| Others | 492 | 243 | 4,093 |
| Gross deferred tax assets | 2,828 | 2,764 | 23,528 |
| Deferred tax liabilities: | | | |
| Allowance for doubtful receivables - intercompany losses | (21) | (31) | (175) |
| Reserve for special depreciation | (8) | (10) | (66) |
| Others | (30) | (16) | (250) |
| Gross deferred tax liabilities | (59) | (57) | (491) |
| | ¥2,769 | ¥2,707 | \$23,037 |

Reconciliation of the differences between the statutory tax rate and the effective tax rate is as follows:

| | 2003 | 2002 |
|---|---------|---------|
| Statutory tax rate | 42.0% | 42.0% |
| Increase (reduction) in taxes resulting from: | | |
| Tax loss carry forward | (78.8%) | (29.4%) |
| Non-deductible entertainment expenses | (2.6%) | (1.1%) |
| Per capita | (3.5%) | (1.1%) |
| Effect of changes in tax rate applied | (13.7%) | (1.0%) |
| Foreign tax credit | (2.4%) | — |
| Others | (3.4%) | 1.5% |
| Effective income tax rate | (62.4%) | 10.9% |

Net deferred tax assets are included in the consolidated balance sheets as follows:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|--|-------------------|--------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Current assets - Deferred income taxes | ¥ 662 | ¥1,077 | \$ 5,508 |
| Investments and other assets - Deferred income taxes | 2,166 | 1,687 | 18,020 |
| Current liabilities - other current liabilities | (6) | (5) | (50) |
| Long-term liabilities - other | (53) | (52) | (441) |
| Net deferred tax assets | ¥2,769 | ¥2,707 | \$23,037 |

10. Leased assets

Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased assets to the lessees are permitted to be accounted for as rental transactions if certain “as if capitalized” information is disclosed in notes to lessee’s financial statements. For the years ended March 31,

2003, 2002 and 2001, the Company and its domestic subsidiaries made payments of ¥581 million (\$4,834 thousand), ¥634 million and ¥818 million, respectively, on these finance leases.

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|---|-------------------|---------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Class of property (inclusive of interest) | | | |
| Machinery and equipment | ¥ 2,630 | ¥ 2,244 | \$ 21,880 |
| Others | 966 | 1,014 | 8,037 |
| Accumulated depreciation | (2,146) | (1,716) | (17,854) |
| | ¥ 1,450 | ¥ 1,542 | \$ 12,063 |

Depreciation charges are computed using straight-line method over lease terms assuming no residual value.

Future minimum lease payments, inclusive of interest, as of March 31, 2003 and 2002 are:

| Year ending March 31 | Yen (Millions) | | U.S. Dollars (Thousands) |
|------------------------------------|-------------------|---------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Payments due within one year | ¥ 566 | ¥ 539 | \$ 4,709 |
| Payments due after one year | 884 | 1,003 | 7,354 |
| Total future minimum lease payment | ¥ 1,450 | ¥ 1,542 | \$ 12,063 |

11. Derivative financial instruments

Foreign exchange forward contracts are used to hedge the risk of changes in foreign currency exchange rates substantially associated with accounts receivable denominated in foreign currencies. As foreign exchange forward contracts are utilized for hedging purposes, such resulting gains or losses are effectively offset against foreign exchange gains or losses on the underlying hedged assets by recognizing them in the same

period. The purpose of the Company’s foreign currency hedging activities is to protect the Company from the risk that eventual Yen net cash inflows resulting from the sale of products to foreign customers will be adversely affected by changes in exchange rates. The contracted amounts outstanding at March 31, 2003 and 2002 are shown below.

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|-----------------------------|-------------------|------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Forward exchange contracts: | | | |
| To sell foreign currencies | ¥ — | ¥ — | \$ — |
| To buy foreign currencies | 16 | — | 133 |
| | ¥ 16 | ¥ — | \$ 133 |

12. Pension and severance plans

The Company and its domestic subsidiaries have various defined benefit pension plans and severance indemnity plans.

| | Yen (Millions) | U.S. Dollars (Thousands) |
|---|-------------------|-----------------------------|
| Accrued pension and severance costs at March 31, 2003 | 2003 | 2003 |
| Benefit obligation | ¥ (4,338) | \$ (36,090) |
| Plan assets | 3,097 | 25,765 |
| Funded status | (1,241) | (10,325) |
| Unrecognized actuarial loss | 998 | 8,303 |
| Net amount recognized | (243) | (2,022) |
| Prepaid benefit cost | 3 | 25 |
| Accrued pension and severance costs | ¥ (246) | \$ (2,047) |

| | Yen (Millions) | U.S. Dollars (Thousands) |
|---|-------------------|-----------------------------|
| Detail of net periodic benefit cost at March 31, 2002 | 2003 | 2003 |
| Service cost | ¥ 358 | \$ 2,978 |
| Interest cost | 103 | 857 |
| Expected return on plan assets | (87) | (724) |
| Amortization of net transition obligation | 58 | 483 |
| Net periodic benefit cost | ¥ 432 | \$ 3,594 |

| Actuarial assumptions | 2003 |
|--------------------------------|-------------|
| Discount rate | 2.5% |
| Expected return on plan assets | 2.5% |

13. Contingent liabilities

Contingent liabilities at March 31, 2003 and 2002 are as follows:

| | Yen (Millions) | | U.S. Dollars (Thousands) |
|--|-------------------|---------|-----------------------------|
| | 2003 | 2002 | 2003 |
| Notes receivable discounted with banks | ¥ 224 | ¥ 101 | \$ 1,864 |
| Endorsed notes | 446 | 945 | 3,710 |
| | ¥ 670 | ¥ 1,046 | \$ 5,574 |

14. Segment information

The Company and its consolidated subsidiaries principally operate a printed circuit board business in Japan and foreign countries. The amounts of operating revenues and total assets

of this business exceed 90% of the amounts of combined operating revenues and total assets of all segments, respectively. Therefore, business segment information is not disclosed.

Geographic areas:

| | Yen (Millions) | | | U.S.Dollars (Thousands) |
|-------------------------------------|---------------------|------------------|-----------------|----------------------------|
| | Year ended March 31 | | | Year ended March 31 |
| | 2003 | 2002 | 2001 | 2003 |
| Sales and operating revenue: | | | | |
| Japan | | | | |
| Customers | ¥ 89,880 | ¥ 86,323 | ¥101,788 | \$ 747,754 |
| Intersegment | 4,117 | 2,645 | 2,920 | 34,251 |
| Total | 93,997 | 88,968 | 104,708 | 782,005 |
| Asia | | | | |
| Customers | ¥ 19,418 | ¥ 16,512 | ¥ 18,764 | \$ 161,548 |
| Intersegment | 3,620 | 1,318 | 558 | 30,116 |
| Total | 23,038 | 17,830 | 19,322 | 191,664 |
| Europe | | | | |
| Customers | ¥ 2,447 | ¥ 1,706 | ¥ 1,741 | \$ 20,358 |
| Intersegment | 9 | — | 20 | 75 |
| Total | 2,456 | 1,706 | 1,761 | 20,433 |
| Corporate and elimination | (7,746) | (3,964) | (3,498) | (64,443) |
| Consolidated | ¥111,745 | ¥104,540 | ¥122,293 | \$ 929,659 |
| Operating income: | | | | |
| Japan | ¥ 3,094 | ¥ 438 | ¥ 9,111 | \$ 25,740 |
| Asia | (1,041) | (465) | 1,287 | (8,660) |
| Europe | (145) | (267) | (182) | (1,206) |
| Corporate and elimination | (1,205) | (845) | (932) | (10,025) |
| Consolidated | ¥ 703 | ¥ (1,139) | ¥ 9,284 | \$ (5,849) |
| Identifiable assets: | | | | |
| Japan | ¥111,159 | ¥107,058 | ¥115,709 | \$ 924,784 |
| Asia | 19,565 | 17,492 | 17,465 | 162,770 |
| Europe | 2,303 | 2,034 | 2,057 | 19,160 |
| Corporate and elimination | 21,244 | 22,893 | 9,518 | 176,739 |
| Consolidated | ¥154,271 | ¥149,477 | ¥144,749 | \$1,283,453 |
| Export sales: | | | | |
| To Asia | ¥ 19,647 | ¥ 18,413 | ¥ 20,193 | \$ 163,453 |
| To Europe | 2,518 | 1,753 | 1,783 | 20,948 |
| To Others | 1,849 | 2,135 | 1,509 | 15,383 |
| Total | ¥ 24,014 | ¥ 22,301 | ¥ 23,485 | \$ 199,784 |

General corporate expenses of ¥1,591 million (\$13,236 thousand), ¥1,221 million and ¥1,366 million in 2003, 2002 and 2001, respectively, are included in "Corporate and elimination".

Corporate assets of ¥31,843 million (\$264,917 thousand), ¥30,390 million and ¥17,679 million in 2003, 2002 and 2001, respectively, which mainly consists of investment securities and corporate properties, are included in "Corporate and elimination".

Independent Auditors' Report

CMK CORPORATION and Consolidated Subsidiaries

To the Shareholders and the Board of Directors of
CMK CORPORATION

We have audited the accompanying consolidated balance sheets of CMK CORPORATION and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2003, all expressed in Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of CMK CORPORATION and subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2003, in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2003 have been translated into U.S. Dollars solely for the convenience of the reader. We have reviewed the translation and, in our opinion, the consolidated financial statements expressed in Yen have been translated into U.S. Dollars on the basis set forth in Note 2 to consolidated financial statements.

Tokyo, Japan
June 27, 2003

Shingitaku Audit Corporation

Group Companies

(As of March 31, 2003)

| Company Name | Equity held by the Company (%) | Principal Business | Country |
|---|-----------------------------------|--|-----------|
| Subsidiaries | | | |
| CMK MECHANICS CORPORATION | 100.0 | Manufacturing and sales of PWBs and molds | Japan |
| CMK NIIGATA CORPORATION | 100.0 | Manufacturing and sales of PWBs | Japan |
| CMK DRILLING CORPORATION | 100.0 | Manufacturing and sales of PWBs | Japan |
| CMK MULTI CORPORATION | 100.0 | Manufacturing and sales of PWBs | Japan |
| CMK CIRCUIT TECHNOLOGY CENTER CORPORATION | 100.0 | Designing circuit of PWBs | Japan |
| SE PRODUCTS CORPORATION | 100.0 | Manufacturing and sales of PWBs | Japan |
| CMK FINANCE CORPORATION | 100.0 | Credit and loan to subsidiaries | Japan |
| CMK PACKAGE TECH CORPORATION | 100.0 | Manufacturing and sales of PWBs | Japan |
| YAMANASHI SANKO CO., LTD. | 90.0 | Manufacturing and sales of PWBs | Japan |
| CMK EUROPE N. V. | 80.0 | Manufacturing and sales of PWBs | Belgium |
| CMK KANBARA ELECTRONIC CORPORATION JAPAN | 75.5 | Manufacturing and sales of PWBs | Japan |
| JT CMK CORPORATION | 66.6 | Manufacturing and sales of PWBs | Japan |
| CMK ELECTRONICS (WUXI) CO., LTD. | 65.0 | Manufacturing and sales of PWBs | China |
| JSIC CORPORATION | 50.2 | Manufacturing and sales of PWBs | Japan |
| WAKOH ELECTRONICS CORPORATION | 52.6 | Manufacturing and sales of PWBs | Japan |
| CMK SINGAPORE (PTE.) LTD. | 51.0 | Manufacturing and sales of PWBs | Singapore |
| CMKS (MALAYSIA) SDN. BHD. | 64.1 (26.8) | Manufacturing and sales of PWBs | Malaysia |
| P. T. CMKS INDONESIA | 100.0 (100.0) | Manufacturing and sales of PWBs | Indonesia |
| CMKS (HONG KONG) CO., LIMITED | 100.0 (100.0) | Manufacturing and sales of PWBs | Hong Kong |
| CMKC (HONG KONG) LIMITED | 100.0 | Sales of PWBs | Hong Kong |
| CMKC (DONG GUAN) LTD. | 95.1 (95.1) | Manufacturing and sales of PWBs | China |
| Affiliate | | | |
| SNC INDUSTRIAL LAMINATES SDN. BHD. | 49.0 | Manufacturing and sales of copper-clad laminates | Malaysia |

Note: Equity held by the Company equals the total of direct and indirect holdings. Figures in parentheses are indirect holdings.

M

Managements

(As of June 27, 2003)

Directors

| | |
|---|-------------------|
| Chairman | Noboru Nakayama |
| Vice Chairman | Eiji Watanabe |
| President and Chief Executive Officer | Takahiro Nakayama |
| Director and Executive Vice Chairman | Kameharu Seki |
| Director and Executive Managing Officer | Kuniaki Kanemoto |
| Director and Executive Managing Officer | Shigeyuki Seki |
| Director and Executive Managing Officer | Kunio Nishi |
| Director and Executive Officer | Mikihiko Hattori |
| Director | Ichiyu Kotani |

Auditors

| | |
|------------------|-------------------|
| Standing Auditor | Norimasa Sato |
| Auditor | Hideaki Takahashi |
| Auditor | Tatsunao Matsuta |

Executive officers

| | |
|--------------------------|-------------------|
| Executive Vice President | Shigeo Araki |
| Executive officer | Shinji Kadono |
| Executive officer | Sadanobu Kondou |
| Executive officer | Takeo Takai |
| Executive officer | Tsutomu Yamaguchi |

C

Corporate Data

(As of March 31, 2003)

Established

February 1961

Business Activities

Research and Development, production and sales of PWBs and electronic devices.

Major Shareholders

| Shareholders | Number of shares held (Thousands) | Percentage (%) |
|---|-----------------------------------|----------------|
| Nippon Trustee Service Bank, Ltd. (Trustee account) | 5,162 | 9.9 |
| Noboru Nakayama | 2,651 | 5.1 |
| Mizuho Corporate Bank Ltd. | 2,591 | 5.0 |
| The Master Trust Bank of Japan, Ltd. | 2,504 | 4.8 |
| The Foundation for Technology Promotion of Electronic Circuit Board | 2,500 | 4.8 |
| The Dai-ichi Mutual Life Insurance Company | 2,345 | 4.5 |
| Matsushita Electric Works, Ltd. | 1,860 | 3.5 |
| Nippon Master Trust and Banking Corporation / Retirement Benefit for Hitachi Chemical Co., Ltd. | 1,822 | 3.5 |
| Sumitomo Mitsui Banking Corporation | 1,613 | 3.1 |
| Naohiko Seki | 1,557 | 3.0 |

Correspondent Banks

(As of June 27, 2003)

Mizuho Corporate Bank, Ltd.
Mizuho Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Tokyo Tomin Bank, Ltd.
Resona Bank, Limited.

Principal Customers

Matsushita Electric Industrial Co., Ltd.
Sharp Corporation
Denso Corporation
Sanyo Electric Co., Ltd.
Sony Corporation



CMK CORPORATION
43F Shinjuku I-LAND TOWER Bldg.
6-5-1, Nishishinjuku, Shinjuku-ku, Tokyo 163-1388, Japan
Tel: +81-3-5323-0231
<http://www.cmk-corp.com>



This annual report is printed with soy ink on paper which is recycled.

Printed in Japan