



CMK CORPORATION

Securities Code No.: 6958

Creating  
the future

**CMK**

2009 Business Report

Year Ended March 31, 2009



During the consolidated fiscal year under review, while the financial crisis originating in the United States had a profound influence on the real economy of every country around the world, the Japanese economy deteriorated steadily due to the global recession that began last fall. A sharp decline in exports and the appreciation of the yen resulted in companies making drastic production curtailments and employment reductions. In addition, the operating environment remained extremely challenging due to a decrease in private-sector capital spending and a slowdown in consumer spending, which occurred on the back of the deteriorating employment situation. Consequently, declining results were evident in many companies.

In these circumstances, in the electronic parts industry, to which the CMK Group belongs, the production of automobiles, automobile-related equipment and digital home electrical appliances including flat screen TVs was forced to be cut back on a global scale, and demand remained extremely weak. In such a challenging management environment, the CMK Group restructured its production system, including the closure of some of its plants, to contend with the sharp decline in demand, and worked to reduce investments and curtail expenses.

However, the CMK Group suffered very poor business results due to the impact of the economic deterioration, which occurred far more rapidly than expected. As a result, our consolidated sales declined sharply by 30,918 million yen or 22.3% from the previous fiscal year, to 107,583 million yen.

Turning to profits, mainly due to the decline in net sales, we recorded an operating loss of 2,633 million yen (operating income of 4,779 million yen for the previous fiscal year) and an ordinary loss of 3,587 million yen (ordinary income of 5,105 million yen for the previous fiscal year). As for net income and loss for the fiscal year under review, a business restructuring cost of 1,431 million yen (required for the closure of domestic and overseas subsidiaries and the restructuring of production systems) and an asset impairment loss of 1,391 million yen for fixed assets were recorded as extraordinary losses. As a result, we recorded a substantial net loss of 8,378 million yen (net income of 221 million yen for the previous fiscal year).

Accordingly, while we greatly regret doing so, we have decided not to make a dividend payment at the end of the fiscal year under review in consideration of the current challenging environment surrounding the CMK Group.

The economic environment remains somewhat uncertain, while there is some good news such as ecological products. However, we are committed to achieving our management objectives and improving our corporate value. We thank all of you for your continued support.

June 2009

A handwritten signature in black ink, reading "T. Nakayama." The signature is written in a cursive, flowing style.

Takahiro Nakayama  
Representative Director and President

**Q** Please summarize your results for the fiscal year 2008.

**Nakayama:** The financial crisis that originated in the United States spread throughout all the countries in the world, and had a major influence on the real economy. Due to this influence, automobile makers and digital home electrical appliance makers, which are the CMK Group's major customers, were required to make rapid production adjustments, which had a significant impact on the number of orders received by the CMK Group. As a result, on a consolidated basis, net sales declined sharply by 30,918 million yen from the previous fiscal year, to 107,583 million yen. In such a challenging management environment, the CMK Group restructured its production system, including the closure of some of its plants, to manage the sharp decline in the number of orders received, and worked to reduce investments and curtail expenses. However, due to the impact of the economic deterioration, which occurred far more rapidly than expected, we recorded an operating loss of 2,633 million yen and an ordinary loss of 3,587 million yen. As for net income and loss for the fiscal year under review, a business restructuring cost of 1,431 million yen (required for the closure of domestic and overseas subsidiaries and the restructuring of production systems) and an asset impairment loss of 1,391 million yen for fixed assets were recorded as extraordinary losses. As a result, we recorded a substantial net loss of 8,378 million yen.

**Q** While the challenging business environment is expected to continue, what markets will you place special priority on during the current fiscal year?

**Nakayama:** We expect that the adjustment will continue for the time being following last year's shrinkage of the market. However, we will continue to work on business development in a more flexible manner, targeting the automobile market, the mobile phone market and the digital home electrical appliance market.

In the past, we focused on the automobile market as the most important market. However, automobile makers' plans show a uniform decline in sales, at least for the current fiscal year. This situation cannot be taken lightly at all. We expect, however, that there will be steady progress in the development of electric and electronic automobile parts and the spread of hybrid and electric cars in this market in the medium term. All companies are making substantial efforts from the viewpoint of environmental and energy measures. The CMK Group will also continue to make significant efforts, including in the technology development, to be able to immediately meet these needs. In particular, we will place priority on seeking to win orders for build-up wiring boards, which are generally adopted for hybrid cars, and make an effort to increase the number of orders received for new technology products developed for automobiles and module parts that are generally adopted for safety devices such as sensors.

In terms of the mobile phone market, we believe that replacement demand is uncertain, and that the number of

terminals sold in Japan will remain flat. However, as seen in the new products that have been released by a wide range of companies, there will be more development with regard to the camera and wireless functions of mobile phones, more build-up wiring boards, which are highly complex, and more module parts will be adopted than in the past. In this respect, we believe that this is a field where the CMK Group can fully demonstrate its technological capability, such as in the highly complex build-up wiring boards, and product development capability. At present, there is rapid growth in the field of module parts, which are at the forefront of technologies taking the lead in the mobile phone market. They are expected to find application with a variety of applications in the future. We will therefore place top priority on highly complex products, including component embedded substrates.

As for the digital home electrical appliance market, we will thoroughly pursue the global strategy of home electrical appliance makers, and increase sales on a global scale. This is a field where price competition is most fierce. As a result, we will optimize our production systems, including overseas production and OEM supply, from a global viewpoint.

**Q** What are your focuses for the fiscal year 2009?

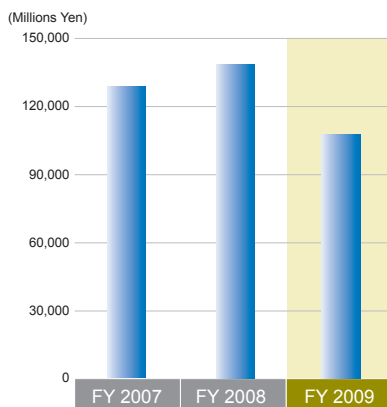
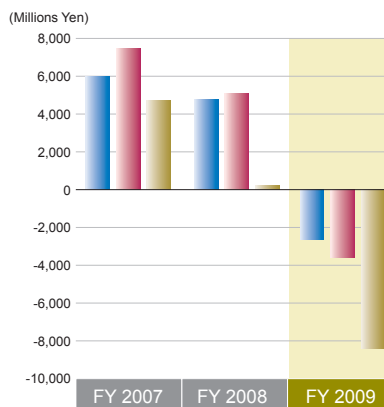
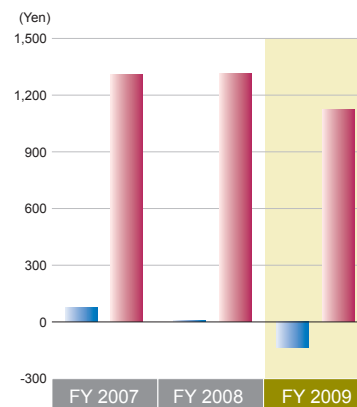
**Nakayama:** We expect that the full-scale recovery of the world economy will take some time. However, we will aim to improve our results by making the most of the CMK Group's strengths in cutting-edge technologies and high quality, as well as its global production and sales systems targeting the three fields mentioned above (automobiles, mobile phones and digital home electrical appliances).

In Japan, we will make progress in the shift of production toward groups of products with more added value, and will continue to pursue more effective intensive production systems from a medium-term perspective. In particular, the establishment of a mass production system for cutting-edge products such as package substrates and component embedded substrates is urgently required this year. As a result, we will place top priority on investment for this purpose.

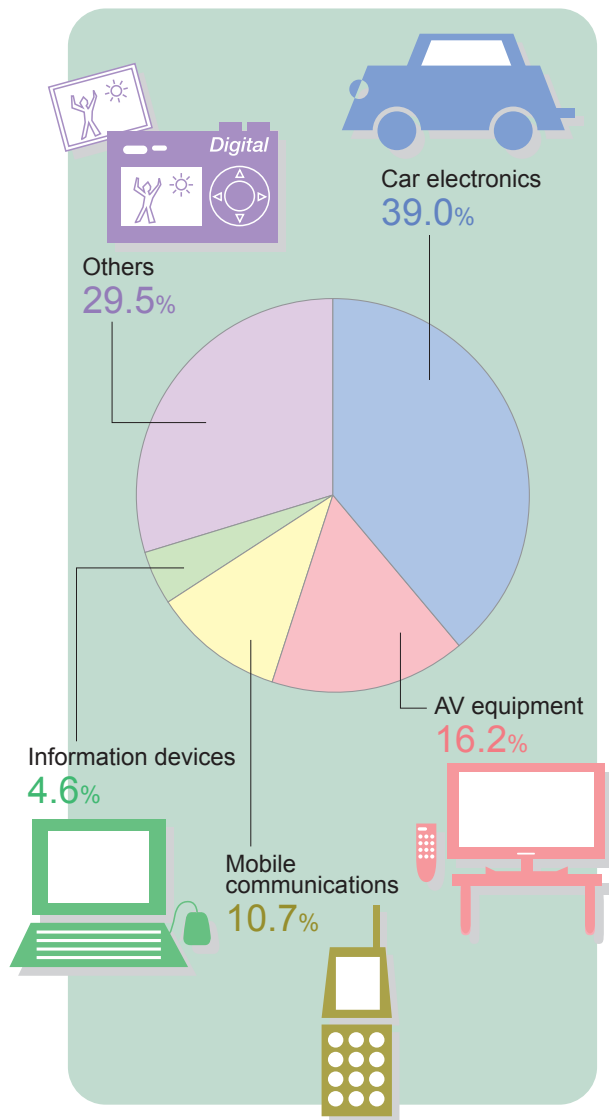
Overseas, meanwhile, we will not only respond to the customer shift to overseas production, but will also strive to improve our own overseas production systems, thereby reducing costs dramatically. In particular, we will invest around 2.3 billion yen in the new plant in Thailand so it can become a central plant for global supply bases and produce highly complex products. As a result of this, a production system will be established almost as initially planned as the first phase of the plant in Thailand. We will therefore adopt a full operating system focusing on highly complex products this year, and make every effort to win orders, including from the European and American regions, in consideration of further expansion of facilities and equipment. We believe that we can improve our results through the firm implementation of these strategies.

	Yen (Millions)			U.S. Dollars (Thousands)
	FY 2007 April 1, 2006 - March 31, 2007	FY 2008 April 1, 2007 - March 31, 2008	FY 2009 April 1, 2008 - March 31, 2009	FY 2009 April 1, 2008 - March 31, 2009
Net sales	¥128,245	¥138,502	¥107,583	\$1,094,880
Operating income (loss)	6,005	4,779	(2,633)	(26,796)
Ordinary income (loss)	7,502	5,105	(3,587)	(36,505)
Net income (loss)	4,687	221	(8,378)	(85,263)
Net assets	¥85,612	¥84,046	¥68,985	\$702,065
Total assets	139,482	150,060	129,044	1,313,291
Net income (loss) per share	¥76.38	¥3.62	¥(138.94)	\$(1.41)
Net assets per share	1,309.54	1,314.00	1,123.42	11.43

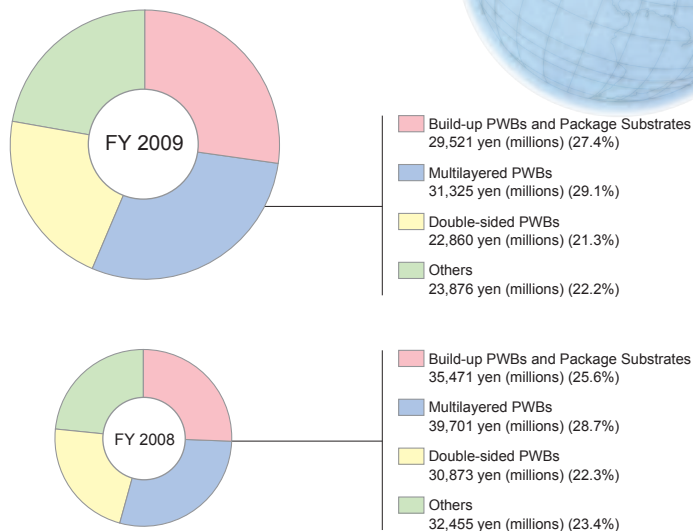
Notes: 1. U.S. Dollars amounts have been translated from Yen, for convenience only, at the rate of ¥98.26 = \$1, the Tokyo foreign exchange market rate as of March 31, 2009.  
 2. All Millions Yen and Thousands U.S. Dollars amounts are rounded to the nearest figure.

**■ Net sales**

**■ Operating income (loss)**  
**■ Ordinary income (loss)**  
**■ Net income (loss)**

**■ Net income (loss) per share**  
**■ Net assets per share**


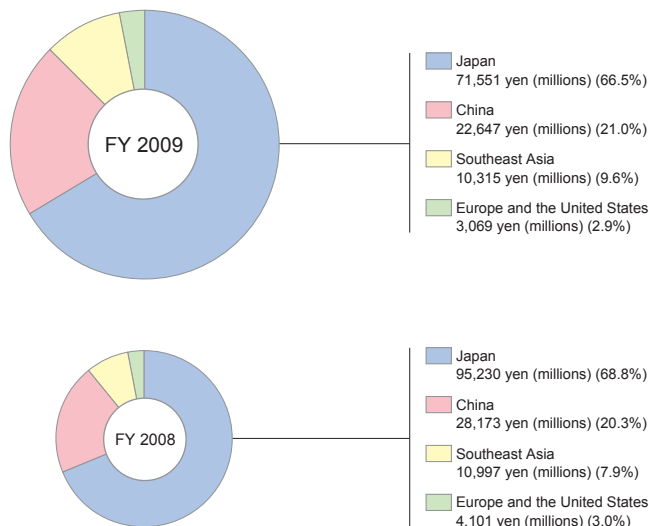
● Sales by application



● Sales by type of PWB



● Sales by region



## Consolidated Balance Sheet

(Unit: Thousands of U.S. Dollars/Millions of yen)

	Yen (Millions)		U.S. Dollars (Thousands)
	FY 2009 As of March 31, 2009	FY 2008 As of March 31, 2008	FY 2009 As of March 31, 2009
<b>(Assets)</b>			
Current assets	¥62,335	¥71,332	\$634,388
Cash and deposits	31,056	16,273	316,059
Notes and accounts receivable	21,763	40,617	221,483
Marketable securities	43	124	437
Merchandise and finished goods	3,726	5,200	37,919
Work in process	2,122	4,511	21,595
Raw materials and supplies	2,080	2,684	21,168
Deferred income taxes	400	645	4,070
Other current assets	1,169	1,309	11,897
Allowance for doubtful accounts	(26)	(34)	(264)
Fixed assets	66,675	78,684	678,556
Tangible fixed assets	57,180	66,438	581,925
Buildings and structures	23,158	27,473	235,680
Machinery, equipment, and others	22,117	26,009	225,086
Land	10,561	11,529	107,480
Construction in process	424	487	4,315
Other tangible fixed assets	918	938	9,342
Intangible fixed assets	1,348	1,624	13,718
Goodwill	707	791	7,195
Other intangible fixed assets	641	833	6,523
Investments and other assets	8,146	10,621	82,902
Investments in securities	5,035	7,818	51,241
Deferred income taxes	281	95	2,859
Other	2,866	2,747	29,167
Allowance for doubtful accounts	(36)	(40)	(366)
Deferred assets	34	43	346
Bond issue costs	34	43	346
Total assets	129,044	150,060	1,313,291

	Yen (Millions)		U.S. Dollars (Thousands)
	FY 2009 As of March 31, 2009	FY 2008 As of March 31, 2008	FY 2009 As of March 31, 2009
<b>(Liabilities)</b>			
Current liabilities	¥29,576	¥39,669	\$300,997
Notes and accounts payable	10,050	19,112	102,279
Short-term borrowings	9,232	7,079	93,954
Trade payables	4,370	9,798	44,473
Income taxes payable	109	543	1,109
Deferred tax liabilities	—	5	—
Allowance for employee bonuses	717	787	7,296
Provision for directors' bonuses	—	90	—
Provision for loss on order received	154	111	1,567
Allowance for restructuring	2,836	291	28,862
Other current liabilities	2,104	1,849	21,412
Fixed liabilities	30,483	26,344	310,227
Bonds	5,500	5,500	55,973
Long-term debt	23,669	19,748	240,881
Deferred tax liabilities	94	112	956
Allowance for employee retirement benefits	721	672	7,337
Allowance for executive retirement benefits	226	210	2,300
Other	271	100	2,757
Total liabilities	60,059	66,014	611,225
<b>(Net assets)</b>			
Shareholders' equity	68,039	77,961	692,438
Capital	22,306	22,306	227,009
Additional paid-in capital	22,063	22,063	224,536
Retained earnings	27,171	36,211	276,521
Treasury stock	(3,501)	(2,620)	(35,629)
Unrealized gains, translation gains, etc.	(2,041)	2,521	(20,771)
Unrealized gains on available-for-sale securities	26	770	264
Deferred hedge gains and losses	(0)	(1)	(0)
Foreign currency translation adjustment	(2,068)	1,751	(21,046)
Minority interests in subsidiaries	2,987	3,563	30,398
Total net assets	68,985	84,046	702,065
Total liabilities and net assets	129,044	150,060	1,313,291

## ● Consolidated Statement of Operations

(Unit: Thousands of U.S. Dollars/Millions of yen)

	Yen (Millions)		U.S. Dollars (Thousands)
	FY 2009 For the year ended March 31, 2009	FY 2008 For the year ended March 31, 2008	FY 2009 For the year ended March 31, 2009
Net sales	¥107,583	¥138,502	\$1,094,880
Cost of sales	100,098	121,920	1,018,705
Gross profit	7,485	16,581	76,175
Selling, general, and administrative expenses	10,118	11,801	102,971
Operating income (loss)	(2,633)	4,779	(26,796)
Non-operating income	1,133	1,862	11,530
Non-operating expenses	2,087	1,536	21,239
Ordinary income (loss)	(3,587)	5,105	(36,505)
Extraordinary income	27	1,159	274
Extraordinary losses	3,655	4,037	37,197
Net income (loss) before taxes and other adjustments	(7,215)	2,228	(73,427)
Corporate, residence, and enterprise taxes	589	1,452	5,994
Corporate taxes and other adjustments	536	969	5,454
Gains or losses (-) on minority Interests in subsidiaries	36	(415)	366
Net income (loss)	(8,378)	221	(85,263)

## ● Consolidated Statement of Cash Flows

(Unit: Thousands of U.S. Dollars/Millions of yen)

	Yen (Millions)		U.S. Dollars (Thousands)
	FY 2009 For the year ended March 31, 2009	FY 2008 For the year ended March 31, 2008	FY 2009 For the year ended March 31, 2009
Cash flows from operating activities	¥17,495	¥6,675	\$178,048
Cash flows from investing activities	(8,896)	(10,750)	(90,535)
Cash flows from financing activities	7,343	10,696	74,730
Effect of exchange-rate changes on cash and cash equivalents	(1,160)	165	(11,805)
Net increase (decrease) in cash and cash equivalents	14,782	6,787	150,437
Cash and cash equivalents at beginning of year	16,255	9,468	165,428
Cash and cash equivalents at end of year	31,038	16,255	315,876

## ● Consolidated Statement of Shareholders' Equity (FY 2009: April 1, 2008 - March 31, 2009) (Unit: Thousands of U.S. Dollars/Millions of yen)

	Shareholders' equity									
	Common stock		Additional paid-in capital		Retained earnings		Treasury stock		Total shareholders' equity	
Balance as of March 31, 2008	\$222,614	¥22,306	\$220,189	¥22,063	\$361,387	¥36,211	\$(26,147)	¥(2,620)	\$778,053	¥77,961
Effect of changes in accounting policies applied to foreign subsidiaries					(498)	(49)			(498)	(49)
Change during this consolidated fiscal year										
Cash dividends					(6,228)	(612)			(6,228)	(612)
Net loss					(85,263)	(8,378)			(85,263)	(8,378)
Purchase of treasury stock							(8,966)	(881)	(8,966)	(881)
Sale of treasury stock			(1)	(0)	(3)	(0)	8	0	2	0
(Net) change during this consolidated fiscal year in accounts other than shareholders' equity										
Total change during this consolidated fiscal year	—	—	(1)	(0)	(91,502)	(8,991)	(8,955)	(880)	(100,468)	(9,872)
Balance as of March 31, 2009	227,009	22,306	224,536	22,063	276,521	27,171	\$(35,629)	¥(3,501)	692,438	68,039

	Unrealized gains (losses)								Minority shareholders' interests		Total net assets	
	Unrealized gains (losses) on available-for-sale securities		Deferred hedge gains and losses		Foreign currency translation adjustment		Total unrealized gains (losses)					
Balance as of March 31, 2008	\$7,684	¥770	\$(9)	¥(1)	\$17,475	¥1,751	\$25,159	¥2,521	\$35,558	¥3,563	\$838,782	¥84,046
Effect of changes in accounting policies applied to foreign subsidiaries											(498)	(49)
Change during this consolidated fiscal year												
Cash dividends											(6,228)	(612)
Net loss											(85,263)	(8,378)
Purchase of treasury stock											(8,966)	(881)
Sale of treasury stock											2	0
(Net) change during this consolidated fiscal year in accounts other than shareholders' equity	(7,571)	(744)	10	1	(38,876)	(3,820)	(46,427)	(4,562)	(5,861)	(576)	(52,300)	(5,139)
Total change during this consolidated fiscal year	(7,571)	(744)	10	1	(38,876)	(3,820)	(46,427)	(4,562)	(5,861)	(576)	(152,768)	(15,011)
Balance as of March 31, 2009	264	26	(0)	(0)	(21,046)	(2,068)	(20,771)	(2,041)	(30,398)	2,987	(702,065)	68,985



## Electronic Device Division Established

As of July 1, 2008, our company undertook a merger by absorption of CMK Package Tech Corporation, a subsidiary engaged in the development and production of package substrates and component embedded substrates. Consequently, the Electronic Device Division and the Electronic Device Sales Department were established on the same day. This completes the integrated organization for the development, volume production and sales of cutting-edge package substrates and component embedded substrates, which are the next-generation PWBs, to meet growing demand.

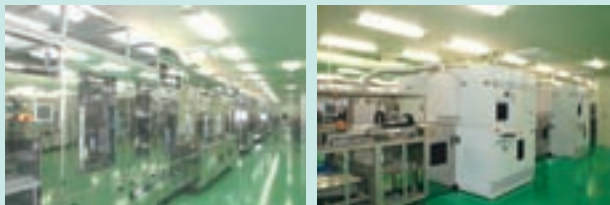
In recent years, the functions of electronic devices have advanced progressively for mobile phones and digital home appliances. This has resulted in an enormous increase in the number of electronic components installed in PWBs, as well as boosting demand for more compact electronic devices. In view of the rapid technological innovations occurring in the electronic component industry, technologies for improving the functions and making the equipment even more compact are also being demanded of the PWBs supplied by our company. The required technological level is particularly high for PWBs used with modules, which are utilized for camera module components and wireless communication module components installed in mobile phones and compact electronic devices. Moreover, their applications are expected to widen to encompass automobiles and other areas. As such, the demands on these PWBs are highly likely to increase.

To respond to these technological requirements, our company has been developing technologies for PWBs embedded with electronic components (component embedded substrates). The component embedded substrates are next-generation PWBs that can meet the demand for more compact electronic components and advanced functions. The scale of the future market is expected to be 300 million units on a quantitative basis, which is eight times that of 2008, and 50 billion yen on a monetary basis. It is a promising market where expansion is anticipated.

The Electronic Device Division has made facility investments for volume production at G Station Factory in Gunma Prefecture by installing leading-edge facilities related to plating, circuits and resistance, with a view toward the market expansion of high-function component embedded substrates. The investment process is now complete and an organization has been established that enables us to meet users' requirements for high precision and quality. Recently, our company started delivering package substrates for semiconductors to the major overseas users. The requirements have been high in terms of technology, quality and delivery for the package substrates used with semiconductors. However, the products provide a firm foothold for the growth strategies of CMK. As such, the entire Electronic Device Division has been striving to win orders for the substrates.

Users' requirements are anticipated to increase even further in terms of the function, density, reliability, environment, energy conservation and other aspects. Our division will strengthen the organization for supplying component embedded substrates and other highly complex products to meet these requirements. All of us at the division are willing to work together to contribute toward the future development of CMK. Keep your eyes on the Electronic Device Division, as we will be making a great deal of progress.

The cutting-edge production lines of the Electronic Device Division



### ENVIRONMENTAL PROTECTION

#### The European REACH Regulation and the environmental measures of the CMK Group

Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) is a European Union Regulation that came into force in June 2007 as a comprehensive system for the registration, evaluation, authorization and restriction of chemical substances.

The objectives of the Regulation include the protection of human health and the environment, and the maintenance and enhancement of the competitiveness of the European chemicals industry. It requires comprehensive chemical substances management as a preventive measure. It applies not only to chemical substances but also to PWBs and other electronic components that contain them.

Our company established the in-house REACH Regulation Team when the Regulation came into effect to comprehensively manage information

gathering and client measures. We have also established guidelines for complying with the Regulation and meeting our clients' requirements, which are to be applied and made known in-house. A survey of all Group companies revealed that there is no product for which registration is required as per the Regulation.

However, one of the important requirements of the Regulation is the conveyance of information related to chemical substances in the supply chain. To meet this requirement, we have provided in-house training and asked our business partners for understanding and cooperation regarding the intentions of the Regulation to ensure that appropriate action is being taken with respect to the Regulation.

- Name of listed company CMK CORPORATION  
(Securities code no.: 6958)
- Date of establishment February 25, 1961
- Capital ¥22,306,203,140
- Address of head office 5-1 Nishishinjuku 6-chome,  
Shinjuku-ku, Tokyo, Japan
- Number of employees 1,083

● Management (as of June 26, 2009)

Directors	President and Chief Executive Officer	Takahiro Nakayama
	Director and Executive Senior Managing Officer	Mikihiko Hattori
	Director and Executive Managing Officer	Tsutomu Yamaguchi
	Director and Executive Managing Officer	Takeo Takai
	Director and Executive Officer	Kazuhiro Ito
	Director and Executive Officer	Akiharu Nakayama
Auditors	Standing Auditor	Nobuo Akiyama
	Auditor	Hiroo Wakabayashi
	Auditor	Kimiaki Inagi
Executive Officers	Executive Officer	Kenichi Urushiyama
	Executive Officer	Nobuyuki Kageyama
	Executive Officer	Toshimi Kuroki
	Executive Officer	Masashi Koike
	Executive Officer	Kazuma Shiobara
	Executive Officer	Takahiro Shirai
	Executive Officer	Munefumi Takano
	Executive Officer	Hiroshi Hanaoka
Senior Counselor	Noboru Nakayama	

● Primary Consolidated Subsidiaries

**Japan**

- CMK Mechanics Corporation
- CMK Multi Corporation
- CMK Niigata Corporation
- CMK Finance Corporation
- CMK Products Corporation
- Yamanashi Sanko Co., Ltd.
- CMK Kanbara Electronic Corporation Japan

**Overseas**

- CMKC (Hong Kong) Ltd.
- CMKC (Dong Guan) Ltd.
- CMK Electronics (Wuxi) Co., Ltd.
- CMK EUROPE N.V.
- CMK ASIA (PTE.) LTD.
- CMK CORPORATION (THAILAND) CO.,LTD.
- CMK AMERICA CORPORATION

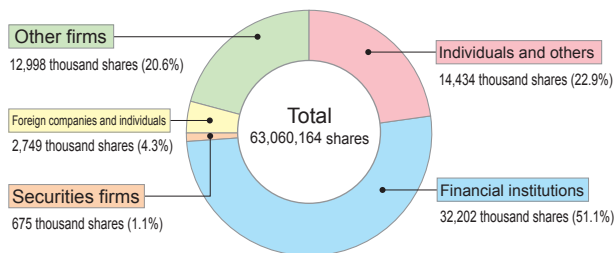


● Total number of shares authorized	227,922,000
● Total number of shares issued and outstanding	63,060,164
● Number of shareholders	6,863
● Share trading unit	100
● Major shareholders (10 largest)	

Shareholders	Investment in CMK	
	Number of shares held (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	5,773	9.1
Japan Trustee Services Bank, Ltd. (Trust account 4G)	4,120	6.5
The Master Trust Bank of Japan, Ltd. (Trust account)	3,261	5.1
Takahiro Nakayama	2,941	4.6
The Dai-ichi Mutual Life Insurance Company	2,845	4.5
Mizuho Corporate Bank, Ltd.	2,576	4.0
The Foundation for Technology Promotion of Electronic Circuit Board	2,500	3.9
Akiharu Nakayama	1,886	2.9
Panasonic Electric Works Co., Ltd.	1,860	2.9
Trust & Custody Services Bank, Ltd. as trustee for Hitachi Chemical Co., Ltd.; retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,822	2.8

Note: Although the Company holds 4,312 thousand shares of treasury stock, it is not included in the above list of major shareholders.

● Shareholder Breakdown



Fiscal year: April 1 through March 31 of the following year

Regular general meeting of shareholders: Held in June each year

Date of record for end-of-year dividends: March 31

Date of record for mid-year dividends: September 30

Notification method: Electronic notification (company website at <http://www.cmk-corp.com>). If notification cannot be made electronically, it will be made using the *Nihon Keizai Shimbun*.

Stock transfer agent: Japan Securities Agents, Ltd. 2-4 Kayabacho 1-chome, Nihonbashi, Chuo-ku, Tokyo, Japan

Contact address: Japan Securities Agents, Ltd., Agent Division, 8-18 Shiohama 2-chome, Koto-ku, Tokyo 137-8650 ☎ 0120-707-843



<http://www.cmk-corp.com>

**CMK**

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