

2016 Business Report

Year Ended March 31, 2016



Creating the future

CMK

CMK CORPORATION

Securities Cord No : 6958



On behalf of the Company, I would like to take this opportunity to express my gratitude to our shareholders for their support.

It is my pleasure to deliver this report on the Company's operating results for the 56th Term (from April 1, 2015 to March 31, 2016).

I humbly ask for the continued understanding and support of all our shareholders in the period ahead.

June 2016

Takeo Takai
President and CEO

Results for fiscal 2015

During fiscal 2015, business expansion continued in the United States, supported by improved employment conditions and personal consumption growth. Business continued to recover slowly in Europe as well, driven by the depreciation of the euro and decline in crude oil prices. In the meantime, the business slowdown in China became more apparent, and economic growth slowed in Southeast Asia. The Japanese economy continued to recover modestly, backed by factors such as improved corporate earnings and employment conditions. However, a sense of uncertainty remained in certain sectors, such as personal consumption that remained stagnant.

In this economic environment, sales for CMK Corporation and its consolidated subsidiaries (hereinafter the "CMK Group") increased from the previous fiscal year in the key Group markets of automobile-related products, supported by the strong sales of new car models in North America and the popularization of advanced driver assistance systems (ADAS) such as automatic brakes. In the meantime, sales of products for consumer appliances decreased because of the adverse effects of the decline in demand for game consoles and digital cameras. As a result, consolidated net sales fell 632 million yen, or 0.9%, from the previous fiscal year, to 73,098 million yen in the fiscal year under review.

On the profit front, the Group posted a consolidated operating loss in the first half of the fiscal year under review due to smaller revenues in Japan and China. The Group consolidated production bases and accepted applications for early resignation from employees in Japan. It also worked harder to make production systems more affordable

overseas (implemented measures to streamline business administration) in the second half. With these steps, the Group secured consolidated operating income of 381 million yen (down 40.5% from the previous fiscal year). The Group, however, posted a consolidated ordinary loss of 628 million yen (compared with a consolidated ordinary income of 1,513 million yen posted for the previous fiscal year), reflecting the strong impact of foreign exchange losses that resulted from exchange rate fluctuations.

The Group posted a consolidated net loss attributable to the owners of the parent company of 8,122 million yen (compared with a consolidated net income attributable to the owners of the parent company of 1,178 million yen posted for the previous fiscal year). This loss was caused by factors such as an impairment loss on fixed assets and business restructuring expenses posted under extraordinary losses that accompanied the implementation of the aforementioned measures to streamline business administration.

Measures to streamline business administration

Domestic demand for printed wiring boards, the staple products for the Group, is falling year after year due to customers shifting production overseas production, even though factors such as the installation of electronic components on automobiles are causing demand to expand outside Japan. Price competition with overseas rivals is also intensifying. Management conditions remain difficult in spite of the depreciation of the yen up to this point. The conditions are predicted to remain severe in the period ahead. Face with these management conditions, CMK Corporation (hereinafter the "Company") consolidated its production in stages and reduced of its workforce in line with the decline in

domestic demand. It also moved forward with initiatives to cut fixed costs. However, the inability to make the domestic organization leaner caused the Company to post an operating loss in the first half of the fiscal year under review. Based on this result, the Company decided that it needs to further slim down the domestic organization ahead of the schedule set in its medium-term management plan. To achieve this goal, it has decided to implement the following measures to streamline business administration.

(1) Consolidate production bases in Japan

The Company will stop production at the G Station Factory and the KIBAN Center Factory in Gunma Prefecture and consolidate its production bases in Japan, with the target date being September 30, 2016. The Company is currently transferring products from these two factories to other Group factories.

(2) Invitation for early resignation

The Company succeeded in persuading 247 employees to resign early. The primary date for resignation was December 31, 2015.

As a result of these measures to streamline business administration, the Company's profitability in Japan improved dramatically in the second half of the fiscal year under review, enabling it to secure a consolidated operating income on a full-year basis. The Company will continue making every possible effort to boost productivity and reduce costs thoroughly to improve results and regain trust.

Outlook and priorities

The adoption of electric equipment systems, such as environment-friendly systems and systems installed with safety devices, is expected to make further progress in the Company's key market for in-vehicle boards. The sales of smartphones and wearable equipment are also expected to expand in the information and telecommunications markets, too. It is believed that these changes will ensure that the sustained growth of demand for printed wiring boards. However, operating conditions for the Company remain uncertain because competition in the area of pricing is expected to become more intense, while demand for higher quality will likely strengthen.

In this operating environment, the Company will work to realize a stable earnings structure, placing greater priority on the in-vehicle board and telecommunications device markets. The Company will also work to aggressively tackle address the following business challenges in line with its business strategy of expanding overseas sales.

[Improve the production capacity]

The Company will work to improve the production capacity at its facilities, focusing primarily on factories overseas in order to keep up with the expanding demand in overseas markets. The Company will seek to improve production efficiency by bolstering the production capacity of one factory in Thailand and reviewing production units. It will also seek to boost its production capacity on a global scale.

[Improve the capacity to meet cost requirements]

The Company consolidated production bases and asked for some employees to voluntarily resign early in an attempt to intensify its management resources during the fiscal year under review. The Company will improve profitability through these kinds of business restructuring measures, and build up its capacity to meet cost requirements by bolstering intensive purchasing efforts worldwide and exhaustively cutting back on waste.

[Improve the capacity to meet quality requirements]

The Company will take steps towards achieving the same level of quality at all factories, such as further automation of manufacturing processes and operating production systems developed in Japan in more overseas markets. At the same time, the Company will seek to increase its capacity to meet quality requirements by strengthening its integrated quality management system for manufacturing, technological, and sales operations in order to satisfy market and customer demands.

Message to shareholders

The basic policy of the CMK Group with respect to returning profits to shareholders is to distribute stable dividends while seeking to expand its operations and improve retained earnings to maintain and strengthen competitiveness. In the fiscal year under review, the Company posted a huge consolidated net loss attributable to a number of factors, such as the measures implemented to streamline business administration and improve operation results. For this reason, the Company felt it was best not to pay year-end dividends in the fiscal year under review. The Company offers its deepest apologies to its shareholders for this decision.

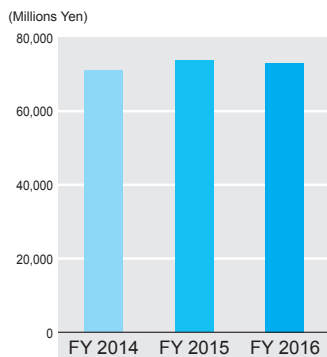
The Group is determined to resume the payment of dividends as soon as possible. It will address the business challenges outlined above, and work to bolster its earning power and secure the revenue sources needed to realize stable dividends. The Group asks for the continued support and understanding of its shareholders as it works toward these goals.

Financial Highlights (Consolidated)

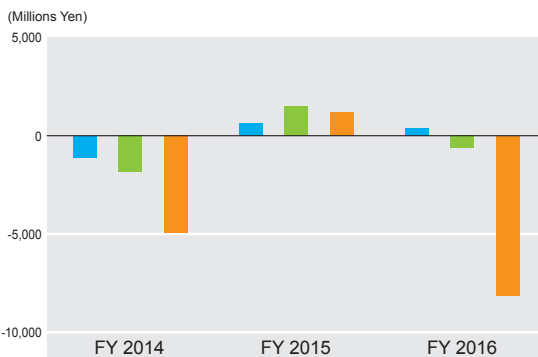
	Millions of Yen			Thousands of U.S. Dollars
	FY 2014	FY 2015	FY 2016	FY 2016
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016	April 1, 2015 - March 31, 2016
Net sales	71,031	73,730	73,098	\$648,664
Operating income(loss)	(1,109)	641	381	3,380
Ordinary income(loss)	(1,843)	1,513	(628)	(5,572)
Profit(loss) attributable to owners of parent	(4,955)	1,178	(8,122)	(72,073)
Net assets	56,966	59,651	50,090	\$444,493
Total assets	97,150	99,175	90,504	803,123

	Yen			U.S. Dollars
Net income(loss) per share	(84.36)	19.99	(137.21)	(\$1,217)
Net assets per share	907.40	944.76	786.33	6,977

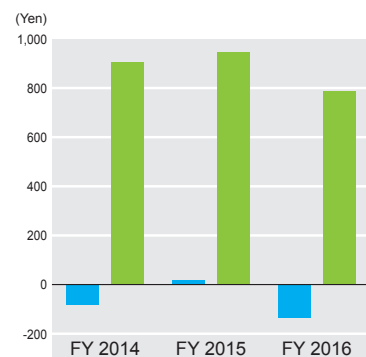
■ Net sales



■ Operating income (loss)
■ Ordinary income (loss)
■ Profit (loss) attributable to owners of parent

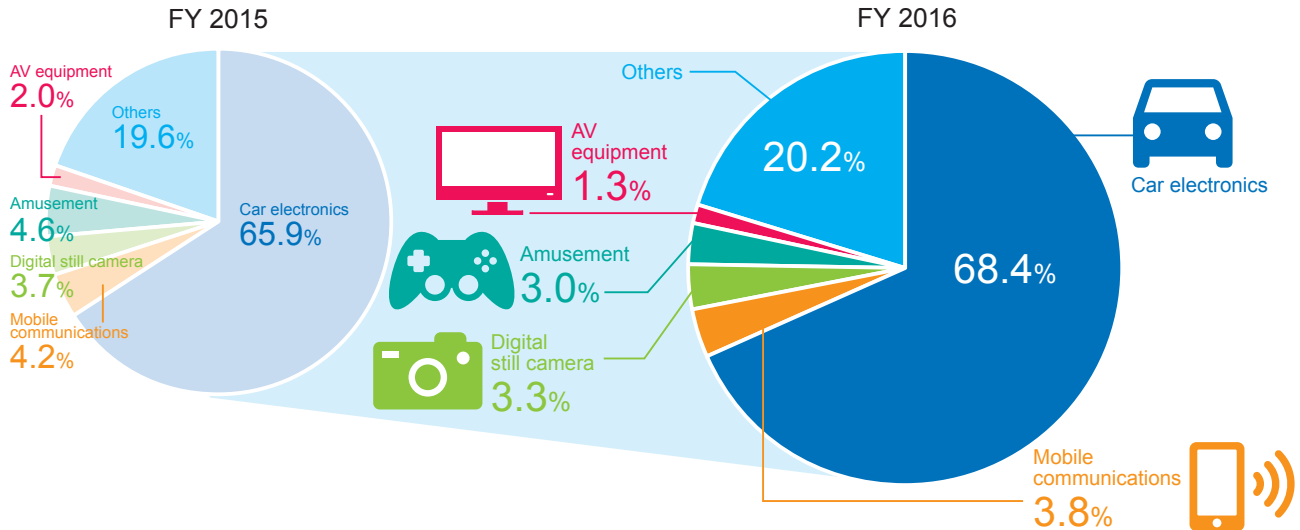


■ Net income (loss) per share
■ Net assets per share

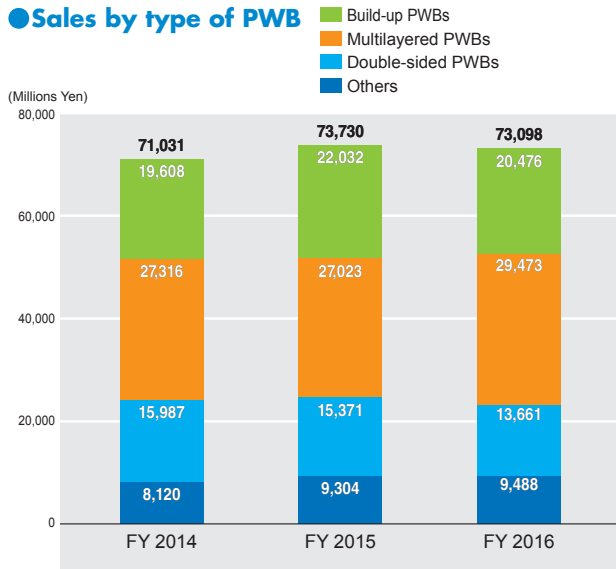


Sales Information (Consolidated)

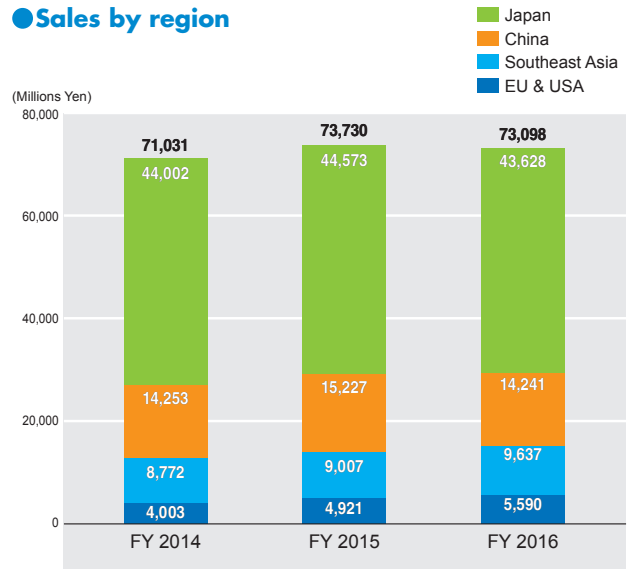
● Sales by application



● Sales by type of PWB



● Sales by region



Consolidated Balance Sheet

	Millions of Yen		Thousands of U.S. Dollars
	FY 2016 As of March 31, 2016	FY 2015 As of March 31, 2015	FY 2016 As of March 31, 2016
Assets			
Current assets	51,419	50,201	\$456,287
Cash and deposits	21,582	14,564	191,516
Notes and accounts receivable-trade	20,376	21,552	180,814
Securities	38	2,647	337
Merchandise and finished goods	3,904	4,441	34,643
Work in process	3,046	3,148	27,029
Raw materials and supplies	1,534	1,659	13,612
Deferred tax assets	22	21	195
Other	948	2,337	8,412
Allowance for doubtful accounts	(34)	(170)	(301)
Non-current assets	38,953	48,959	345,665
Property, plant and equipment	33,306	41,096	295,554
Buildings and structures, net	10,970	14,501	97,346
Machinery, equipment and vehicles, net	11,597	14,985	102,910
Tools, furniture and fixtures, net	1,153	1,125	10,231
Land	9,063	9,972	80,424
Construction in progress	520	511	4,614
Intangible assets	587	748	5,208
Goodwill	265	301	2,351
Other	321	446	2,848
Investments and other assets	5,059	7,115	44,893
Investment securities	2,661	3,380	23,613
Net defined benefit asset	183	495	1,623
Deferred tax assets	0	8	0
Other	2,260	3,278	20,055
Allowance for doubtful accounts	(46)	(48)	(408)
Deferred assets	131	13	1,162
Bond issuance cost	131	13	1,162
Total assets	90,504	99,175	803,123

	Millions of Yen		Thousands of U.S. Dollars
	FY 2016 As of March 31, 2016	FY 2015 As of March 31, 2015	FY 2016 As of March 31, 2016
Liabilities			
Current liabilities	22,704	32,463	\$201,473
Notes and accounts payable-trade	10,088	12,441	89,519
Short-term loans payable	5,476	8,673	48,593
Current portion of bonds	500	4,500	4,436
Accounts payable-other	4,345	3,293	38,557
Lease obligations	294	2,430	2,608
Income taxes payable	103	74	914
Deferred tax liabilities	0	—	0
Provision for bonuses	165	262	1,464
Allowance for restructuring	1,110	207	9,850
Other	617	579	5,475
Non-current liabilities	17,709	7,060	157,147
Bonds payable	7,250	—	64,335
Long-term loans payable	9,179	5,527	81,453
Lease obligations	475	428	4,215
Deferred tax liabilities	564	872	5,004
Net defined benefit liability	44	44	390
Asset retirement obligations	162	160	1,437
Other	33	27	292
Total liabilities	40,413	39,523	358,620
Net assets			
Shareholder's equity	43,422	51,841	385,322
Capital stock	22,306	22,306	197,941
Capital surplus	22,063	22,063	195,784
Retained earnings	2,185	10,603	19,389
Treasury shares	(3,132)	(3,132)	(27,793)
Accumulated other comprehensive income	3,127	4,088	27,748
Valuation difference on available-for-sale securities	359	887	3,185
Deferred gains or losses on hedges	0	0	0
Foreign currency translation adjustment	2,939	2,915	26,080
Remeasurements of defined benefit plans	(170)	286	(1,508)
Non-controlling interests	3,540	3,721	31,413
Total net assets	50,090	59,651	444,493
Total liabilities and net assets	90,504	99,175	803,123

Consolidated Statement of Income

	Millions of Yen		Thousands of U.S. Dollars
	FY 2016 For the year ended March 31, 2016	FY 2015 For the year ended March 31, 2015	FY 2016 For the year ended March 31, 2016
Net sales	73,098	73,730	\$648,664
Cost of sales	64,912	65,403	576,022
Gross profit	8,186	8,326	72,641
Selling, general and administrative expenses	7,804	7,685	69,251
Operating income	381	641	3,380
Non-operating income	585	1,698	5,191
Non-operating expenses	1,595	826	14,153
Ordinary income(loss)	(628)	1,513	(5,572)
Extraordinary income	171	1,111	1,517
Extraordinary losses	7,422	775	65,862
Profit (loss) before income taxes	(7,879)	1,849	(69,917)
Income taxes - current	169	362	1,499
Income taxes - deferred	28	175	248
Profit (loss)	(8,077)	1,310	(71,674)
Profit attributable to non-controlling interests	44	131	390
Profit (loss) attributable to owners of parent	(8,122)	1,178	(72,073)

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars
	FY 2016 For the year ended March 31, 2016	FY 2015 For the year ended March 31, 2015	FY 2016 For the year ended March 31, 2016
Cash flows from operating activities	5,210	1,937	\$46,233
Cash flows from investing activities	(1,579)	(2,789)	(14,011)
Cash flows from financing activities	1,300	(1,438)	11,536
Effect of exchange rate change on cash and cash equivalents	(512)	(1,465)	(4,543)
Net increase (decrease) in cash and cash equivalents	4,418	(3,754)	39,204
Cash and cash equivalents at beginning of period	17,164	20,919	152,311
Cash and cash equivalents at end of period	21,582	17,164	191,516

Consolidated Statement of changes in Equity

(FY 2015: April 1, 2015 - March 31, 2016) (Unit: Thousands of U.S. Dollars/Millions of Yen)

	Shareholder's equity									
	Capital stock		Capital surplus		Retained earnings		Treasury shares		Total shareholder's equity	
Balance at beginning of period	197,941	22,306	195,784	22,063	94,089	10,603	(27,793)	(3,132)	460,031	51,841
Change of item during period										
Dividends of surplus					(2,626)	(296)			(2,626)	(296)
Profit (loss) attributable to owners of parent					(72,073)	(8,122)			(72,073)	(8,122)
Purchase of treasury shares							(0)	(0)	(0)	(0)
Disposal of treasury shares					(0)	(0)	0	0	0	0
Net Charges of items other than shareholder's equity										
Total change of item during period	—	—	—	—	(74,700)	(8,418)	(0)	(0)	(74,700)	(8,418)
Balance at end of period	197,941	22,306	195,784	22,063	19,389	2,185	(27,793)	(3,132)	385,322	43,422

	Accumulated other comprehensive income										Non controlling interests		Total net assets	
	Valuation difference on available-for sale securities		Deferred gains or losses on hedges		Foreign currency translation adjustment		Remeasurements of defined benefit plans		Total accumulated other comprehensive income					
Balance at beginning of period	7,871	887	0	0	25,867	2,915	2,537	286	36,276	4,088	33,019	3,721	529,337	59,651
Change of item during period														
Dividends of surplus													(2,626)	(296)
Profit (loss) attributable to owners of parent													(72,073)	(8,122)
Purchase of treasury shares													(0)	(0)
Disposal of treasury shares													0	0
Net changes of items other than shareholders' equity	(4,685)	(528)	(0)	(0)	204	23	(4,055)	(457)	(8,527)	(961)	(1,606)	(181)	(10,133)	(1,142)
Total change of item during period	(4,685)	(528)	(0)	(0)	204	23	(4,055)	(457)	(8,527)	(961)	(1,606)	(181)	(84,843)	(9,561)
Balance at end of period	3,185	359	0	0	26,080	2,939	(1,508)	(170)	27,748	3,127	31,413	3,540	444,493	50,090

Approaches to ADAS, Automatic Driving, and Wearable Device

The CMK Group proposes highly functional and reliable printed wiring boards to help spread the use of ADAS* and realize automatic driving. The underlying concepts of these efforts are automation, electric operation, and connectivity.

The Group is fully applying its technologies to make wearable terminals, one of the trends in the information and communication technology (ITC) industry, thinner, and higher in density. The Group will develop products that meet demands in a market that is expected to grow large in the future.

*ADAS : Advanced Driver Assistance System

ADAS and Automatic Driving

Outside Sensor Applications

Millimeter wave radars

- High-accuracy wiring boards for antennas/high-definition wiring boards for controls

Sensing cameras

- High-reliability wiring boards for camera modules

Laser radar

- High-definition wiring boards for controls

Infrared sensors and sonar

- Modules for sensors



Supplementary Applications for Outside Sensors

High-brightness headlamps

- High-heat radiation wiring boards for LEDs and lasers



Applications for Operation Assistance and Telecommunications Systems

Telecommunications devices

- Ultra-thin wiring boards for telecommunications modules



Actuator Control Applications

- Highly functional and High reliability wiring boards

CMK's Applications

Super Fine and thin

- PPBU (HDI)
- Thin type modules (HDI)

3D structure

- Rigid-Flex
- CARFT (semi-flexible)

High frequency

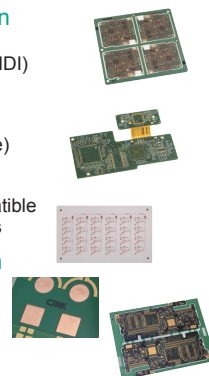
- Wiring boards compatible with millimeter waves

High heat radiation

- CMK-COMP

High reliability

- IVH/ multilayer wiring boards



Wearable Device

Wristband Models (with Telecommunications Functions)

Healthcare/fitness devices equipped with telecommunications functions

- Step count
- Amount of activity
- Body temperature
- Heart rate
- Blood sugar level
- Sleep measurements
- Life logs, etc.



Wristwatch Models (Smartwatches)

- Hands-free telephone conversations
- Email and other incoming call notification
- Music players, etc.



Eyeglasses Models (Smartglasses)

- Displays (emails, maps, and various types of information)
- Hands-free telephone conversations and photographing
- Navigation functions, etc.



Accessories and Other Models

- Smart socks
- Coin-shaped activity volume sensors, etc.

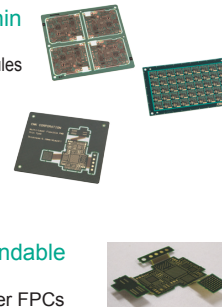
CMK's Applications

Small and thin

- PPBU
- Thin type modules

Thin and bendable

- Rigid-Flex
- Thin multilayer FPCs



Corporate Data

(As of March 31, 2016)

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	1,271 (Group total 4,305)

Executives (as of September 1, 2016)

Board of Directors

President and Chief Executive Officer	Takeo Takai
Director and Executive Vice President	Takahiro Nakayama
Director and Executive Managing Officer	Akira Kurosawa
Director and Executive Managing Officer	Eizo Shibata
Director and Executive Officer	Akiharu Nakayama
Director and Executive Officer	Hiroshi Hanaoka
Director and Executive Officer	Kenichi Urushiyama
Director and Executive Officer	Isao Osawa
Director	Tsuyoshi Ukyo
Director	Yoshiaki Hasegawa

Board of Corporate Auditors

Standing Corporate Auditor	Takashi Ogasawara
Corporate Auditor	Shigeo Ichikawa
Corporate Auditor	Fumio Haraguchi

Executive Officers

Executive Officer	Masanori Kawashima
Executive Officer	Satoru Takahashi

Primary Consolidated Subsidiaries

Japan

- CMK Products Corporation
- CMK Finance Corporation

Overseas

- CMK ASIA (PTE.) LTD.
- CMK CORPORATION (THAILAND) CO.,LTD.
- CMKC (HK) LIMITED
- CMKC (SHENZHEN). LTD.
- CMKC (DONG GUAN) LTD.
- CMK ELECTRONICS (WUXI) CO., LTD.
- CMK EUROPE N.V.
- CMK AMERICA CORPORATION



Stock Information

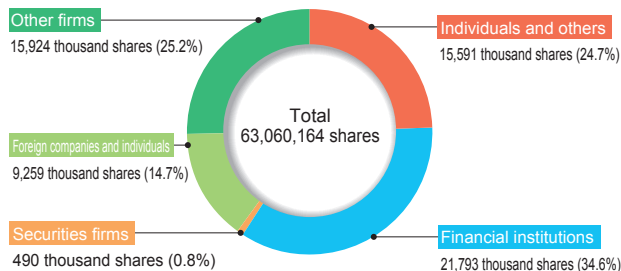
(As of March 31, 2016)

Total number of shares authorized	227,922,000
Total number of shares issued and outstanding	63,060,164
Number of shareholders	5,803
Share trading unit	100
Major shareholders (10 largest)	

Shareholders	Investment in CMK	
	Number of shares held (thousands)	Percentage (%)
Noboru Nakayama	5,609	8.9
Freesia Macross Corporation	3,738	5.9
Mizuho Bank, LTD.	2,576	4.1
The Foundation for Technology Promotion of Electronic Circuit Board	2,500	4.0
Japan Trustee Services Bank, Ltd. (Trust account)	2,488	3.9
The Master Trust Bank of Japan, Ltd. (Trust account)	2,376	3.8
The Bank of New York Mellon (International) Limited	1,930	3.1
The Dai-ichi Life Insurance Company, Limited	1,895	3.0
Trust & Custody Services Bank, Ltd. as trustee for Tokyo Tomin Bank, Ltd.; retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,745	2.8
Sumitomo Mitsui Banking Corporation	1,613	2.6

Note: Although the Company holds 3,860 thousand shares of treasury stock, it is not included in the above list of major shareholders.

Shareholder Breakdown



Shareholders Memo

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 <i>Nihon Keizai Shimbun</i> .
Transfer agent:	Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo, Japan Stock Transfer Agency Business Planning Department
Contact address:	Mizuho Trust & Banking Co., Ltd. 8-4 Izumi 2-chome, Sugunami-ku, Tokyo 168-8507 ☎ 0120-288-324



43rd Floor, Shinjuku I-Land Tower Bldg., 6-5-1
Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-1388, Japan
Tel.: +81-3-5323-0231 (main)

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