

2017 Business Report

Year Ended March 31, 2017



Creating the future



CMK CORPORATION

Securities Cord No : 6958



I would like to take this opportunity to express my gratitude to our shareholders for the consistent support they have shown us over the years. It is my pleasure to present the operating results for the 57th fiscal year (from April 1, 2016 to March 31, 2017).

I ask for your continued understanding and further support in the years to come.

June 2017

Takeo Takai
President and Chief Executive Officer

Financial Results for the Fiscal Year Ended March 31, 2017

During the fiscal year under review, the Japanese economy continued to stay on the path to moderate recovery, reflecting a continued improvement in the employment and income conditions, amid the standstill in consumer spending. However, the future outlook remained uncertain due to concerns about downside risks in the world economy, such as the slower economic growth in China, the Brexit decision in the United Kingdom and the policy trends of the new government in the United States.

In this environment, the CMK Group saw a significant increase in sales in products for automotive use in the consolidated fiscal year under review, thanks to the tailwind of the increasing reliance of automobiles on electronics as shown by the dissemination of advanced driver assistance systems (ADAS). As a result, consolidated net sales increased 3.1% from the previous fiscal year, to ¥75,370 million, despite a decline in sales in other products and the impact of shrinking sales due to the stronger yen.

Operating income was ¥2,652 million, rising by a factor of 6.9 from the level a year ago thanks to higher net sales and an improvement in income in all geographical segments, the result of reductions in fixed costs driven

by management rationalization in Japan, which the Group has been pursuing since the previous fiscal year. Ordinary income amounted to ¥2,628 million (compared with an operating loss of ¥628 million in the previous fiscal year), mainly because of the posting of foreign exchange gains. Profit attributable to owners of parent came to ¥2,153 million (compared with a loss of ¥8,122 million in the previous fiscal year).

Trends in the Automotive PWB Market

In CMK Corporation (hereinafter the “Company”), products for automotive use make up approximately 70% of net sales, and sales of these products continue to expand steadily. The Company views medium- to long-term trends in the automotive printed circuit board market as follows.

1. Increase in new car sales

- New car sales have continued to rise since 2010.
- The market will continue to expand, backed by demand from emerging countries, etc.

2. Dissemination of next-generation vehicles due to response to environmental considerations

- Fuel consumption regulations on automobiles tend to be tightened in many countries including the EU nations and the United States.
- Shift to next-generation vehicles such as PHV and EV is expected.

3. Dissemination of advanced driver assistance systems (ADAS)

- The dissemination of ADAS is expanding due to growing needs for preventive safety and driving support.
- ADAS will advance to autonomous driving in the future.

As described above, we believe that the automotive printed circuit board market will increasingly expand in the future due to a rise in the load of printed circuit boards per vehicle, in addition to increasing new car sales.

In addition, of the automotive printed circuit board market, the market for high value-added products such as multi-layer printed circuit boards and build-up printed circuit boards is expected to expand significantly. On top of that, high growth in the electrical control unit (ECU) market for engines and running and steering, an area where the required reliability is particularly high even in automobiles, is expected to continue. The Company will further expand sales by establishing its competitive advantage in the areas of high value-added products and high reliability.

Increase in Production Capacity at Overseas Plants

Sales of products for automotive use of the Company are steadily expanding, backed by the expansion of the automotive printed circuit board market, and the utilization rate at its plants in Japan and overseas remain high. In this environment, the Company is promoting the “enhancement of production power” as one of the priority measures in the medium-term management plan and made capital investment to increase the production capacity at a plant in Thailand by 30% in the fiscal year under review.

In the next fiscal year, we expect orders to increase further mainly in products for automotive use.



CMK CORPORATION (THAILAND) CO., LTD.

Therefore, we plan to increase the production capacity at the Thai plant by another 30%. We will also increase the production capacity further at two plants in China to strengthen our global production power. With these capacity increases, we will further solidify our competitive advantage in the automotive printed circuit board market where robust demand is expected and aim to expand sales toward the growth path.

Message to Shareholders

We regard profit distribution to shareholders as one of the most important management policies, and the basic policy is to pay stable dividends continuously, taking into account the business performance and financial conditions, etc. while ensuring internal reserves necessary to strengthen our management practices and develop business in the future.

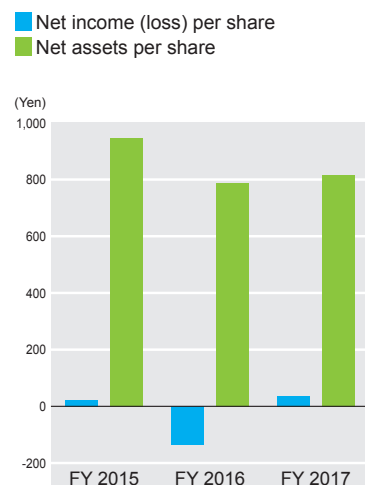
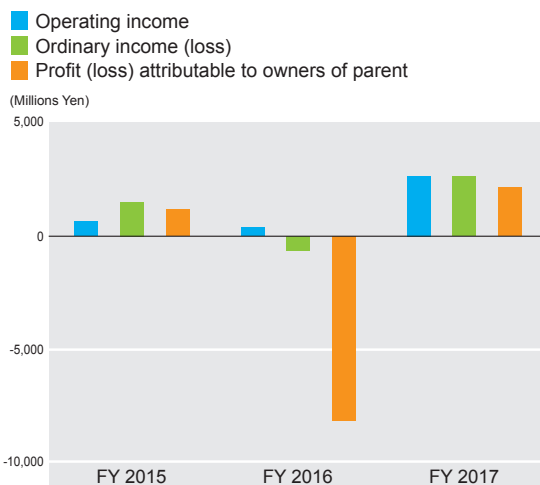
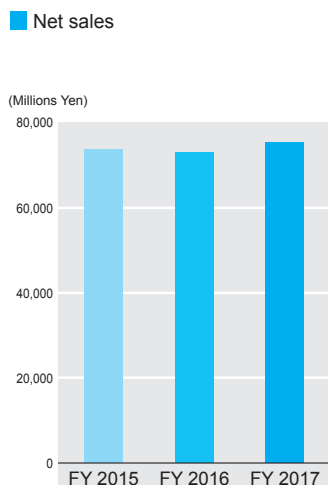
In the fiscal year under review, we have decided to pay the year-end dividends of ¥6.5 per share, given that operating income, ordinary income and profit attributable to owners of parent all increased as a result of sales expansion and improved costs through management rationalization, etc.

We will continue to use all our ability to strengthen our management practices and further enhance our corporate value. We ask for your continued understanding and further support.

Financial Highlights (Consolidated)

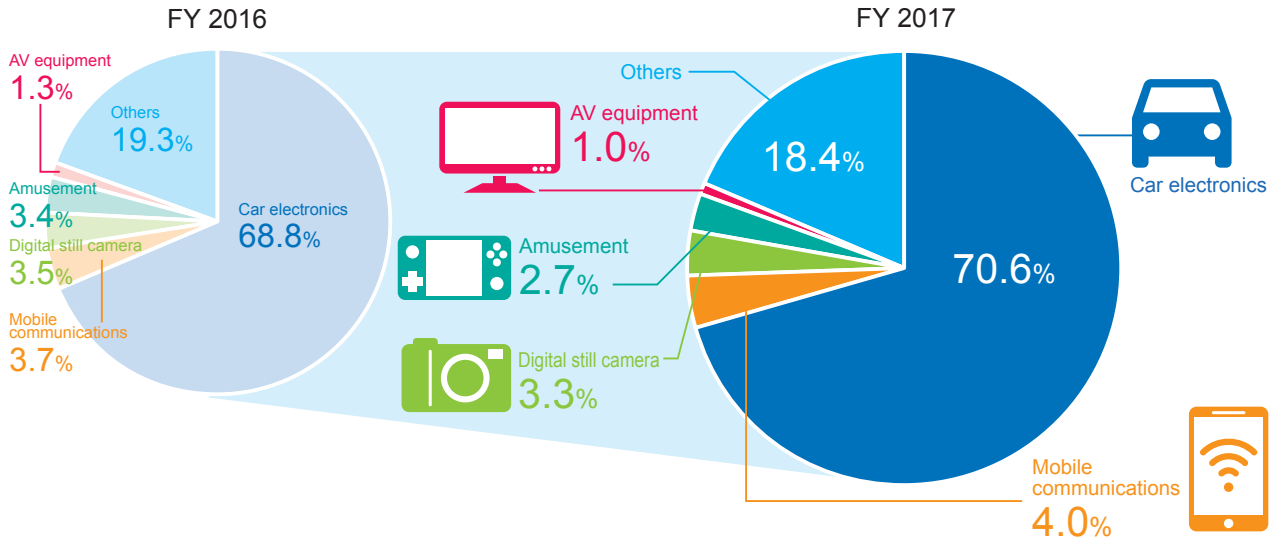
	Millions of Yen			Thousands of U.S. Dollars
	FY 2015	FY 2016	FY 2017	FY 2017
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017	April 1, 2016 - March 31, 2017
Net sales	73,730	73,098	75,370	\$689,696
Operating income	641	381	2,652	24,267
Ordinary income (loss)	1,513	(628)	2,628	24,048
Profit (loss) attributable to owners of parent	1,178	(8,122)	2,153	19,701
Net assets	59,651	50,090	51,549	\$471,714
Total assets	99,175	90,504	93,748	857,869

	Yen			U.S. Dollars
Net income (loss) per share	19.99	(137.21)	36.38	\$0.33
Net assets per share	944.76	786.33	815.14	7.45

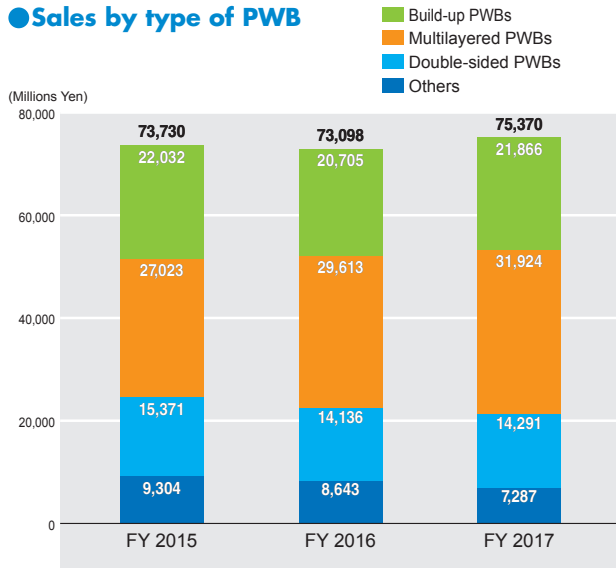


Sales Information (Consolidated)

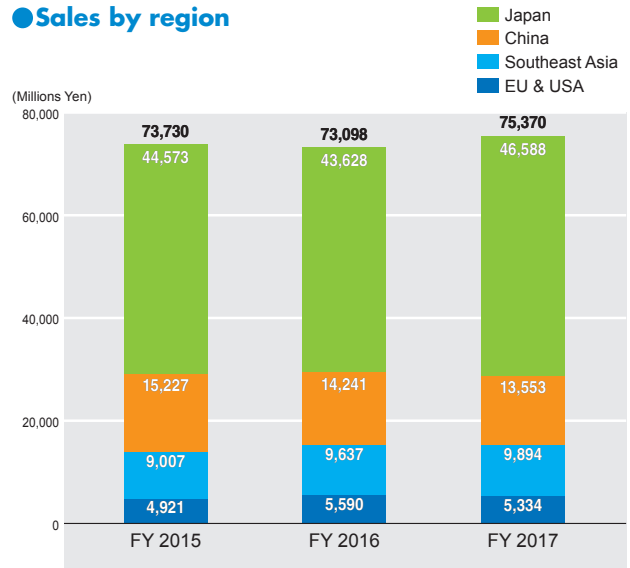
Sales by application



Sales by type of PWB



Sales by region



Consolidated Balance Sheet

	Millions of Yen		Thousands of U.S. Dollars
	FY 2017 As of March 31, 2017	FY 2016 As of March 31, 2016	FY 2017 As of March 31, 2017
Assets			
Current assets	54,672	51,419	\$500,292
Cash and deposits	22,671	21,582	207,457
Notes and accounts receivable - trade	22,166	20,376	202,836
Securities	46	38	420
Merchandise and finished goods	3,273	3,904	29,950
Work in process	3,408	3,046	31,185
Raw materials and supplies	1,829	1,534	16,736
Deferred tax assets	70	22	640
Other	1,242	948	11,365
Allowance for doubtful accounts	(36)	(34)	(329)
Non-current assets	38,984	38,953	356,734
Property, plant and equipment	32,096	33,306	293,704
Buildings and structures, net	10,220	10,970	93,521
Machinery, equipment, and vehicles, net	11,026	11,597	100,896
Tools, furniture and fixtures, net	1,098	1,153	10,047
Land	8,288	9,063	75,841
Construction in progress	1,462	520	13,378
Intangible assets	421	587	3,852
Goodwill	226	265	2,068
Other	195	321	1,784
Investments and other assets	6,466	5,059	59,169
Investment securities	3,390	2,661	31,021
Net defined benefit asset	832	183	7,613
Deferred tax assets	1	0	9
Other	2,281	2,260	20,872
Allowance for doubtful accounts	(38)	(46)	(347)
Deferred assets	91	131	832
Bond issuance cost	91	131	832
Total assets	93,748	90,504	857,869

	Millions of Yen		Thousands of U.S. Dollars
	FY 2017 As of March 31, 2017	FY 2016 As of March 31, 2016	FY 2017 As of March 31, 2017
Liabilities			
Current liabilities	24,990	22,704	\$228,678
Notes and accounts payable - trade	11,543	10,088	105,627
Short-term loans payable	5,407	5,476	49,478
Current portion of bonds	560	500	5,124
Accounts payable - other	5,435	4,345	49,734
Lease obligations	419	294	3,834
Income taxes payable	323	103	2,955
Deferred tax liabilities	—	0	—
Provision for bonuses	374	165	3,422
Allowance for restructuring	131	1,110	1,198
Other	794	617	7,265
Non-current liabilities	17,208	17,709	157,467
Bonds payable	6,960	7,250	63,689
Long-term loans payable	8,468	9,179	77,489
Lease obligations	631	475	5,774
Deferred tax liabilities	912	564	8,345
Net defined benefit liability	43	44	393
Asset retirement obligations	165	162	1,509
Other	27	33	247
Total liabilities	42,199	40,413	386,154
Net assets			
Shareholder's equity	45,575	43,422	417,047
Capital stock	22,306	22,306	204,117
Capital surplus	16,628	22,063	152,159
Retained earnings	9,773	2,185	89,430
Treasury shares	(3,133)	(3,132)	(28,669)
Accumulated other comprehensive income	2,679	3,127	24,515
Valuation difference on available-for-sale securities	886	359	8,107
Deferred gains or losses on hedges	(0)	0	(0)
Foreign currency translation adjustment	1,561	2,939	14,284
Remeasurements of defined benefit plans	232	(170)	2,122
Non-controlling interests	3,294	3,540	30,142
Total net assets	51,549	50,090	471,714
Total liabilities and net assets	93,748	90,504	857,869

Consolidated Statement of Income

	Millions of Yen		Thousands of U.S. Dollars
	FY 2017 For the year ended March 31, 2017	FY 2016 For the year ended March 31, 2016	FY 2017 For the year ended March 31, 2017
Net sales	75,370	73,098	\$689,696
Cost of sales	64,998	64,912	594,784
Gross profit	10,372	8,186	94,912
Selling, general, and administrative expenses	7,720	7,804	70,644
Operating income	2,652	381	24,267
Non-operating income	621	585	5,682
Non-operating expenses	644	1,595	5,893
Ordinary income (loss)	2,628	(628)	24,048
Extraordinary income	388	171	3,550
Extraordinary losses	390	7,422	3,568
Profit (loss) before income taxes	2,627	(7,879)	24,039
Income taxes - current	331	169	3,028
Income taxes - deferred	4	28	36
Profit (loss)	2,291	(8,077)	20,964
Profit attributable to non-controlling interests	137	44	1,253
Profit (loss) attributable to owners of parent	2,153	(8,122)	19,701

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars
	FY 2017 For the year ended March 31, 2017	FY 2016 For the year ended March 31, 2016	FY 2017 For the year ended March 31, 2017
Cash flows from operating activities	5,226	5,210	\$47,822
Cash flows from investing activities	(3,159)	(1,579)	(28,907)
Cash flows from financing activities	(426)	1,300	(3,898)
Effect of exchange rate change on cash and cash equivalents	(552)	(512)	(5,051)
Net increase (decrease) in cash and cash equivalents	1,088	4,418	9,956
Cash and cash equivalents at beginning of period	21,582	17,164	197,492
Cash and cash equivalents at end of period	22,671	21,582	207,457

Consolidated Statement of changes in Equity

(FY 2016: April 1, 2016 - March 31, 2017) (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	204,117	22,306	201,894	22,063	19,994	2,185	(28,660)	(3,132)	397,346	43,422
Change of item during period										
Deficit disposition			(49,734)	(5,435)	49,734	5,435			—	—
Profit (loss) attributable to owners of parent					19,701	2,153			19,701	2,153
Purchase of treasury shares							(0)	(0)	(0)	(0)
Net Charges of items other than shareholder's equity										
Total change of item during period	—	—	(49,734)	(5,435)	69,436	7,588	(0)	(0)	19,701	2,153
Balance at end of period	204,117	22,306	152,159	16,628	89,430	9,773	(28,669)	(3,133)	417,047	45,575

	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	3,285	359	0	0	26,894	2,939	(1,555)	(170)	28,614	3,127	32,393	3,540	458,363	50,090
Change of item during period														
Deficit disposition														—
Profit (loss) attributable to owners of parent														19,701
Purchase of treasury shares														(0)
Net Charges of items other than shareholder's equity	4,822	527	(0)	(0)	(12,609)	(1,378)	3,687	403	(4,090)	(447)	(2,251)	(246)	(6,341)	(693)
Total change of item during period	4,822	527	(0)	(0)	(12,609)	(1,378)	3,687	403	(4,090)	(447)	(2,251)	(246)	13,351	1,459
Balance at end of period	8,107	886	(0)	(0)	14,284	1,561	2,122	232	24,515	2,679	30,142	3,294	471,714	51,549

Automotive PWB Technology

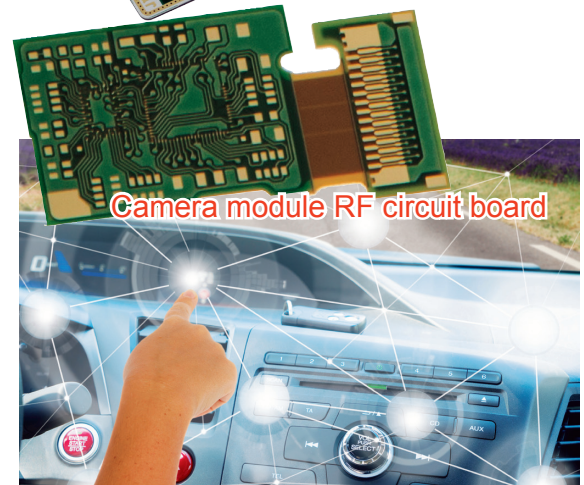
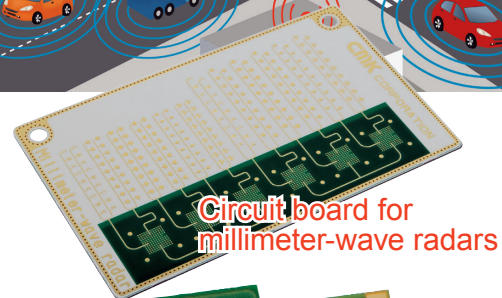
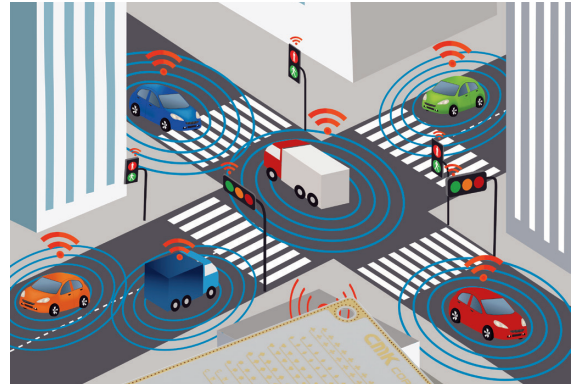
ADAS-responsive automotive rigid-flex printed circuit board technology

As advanced driver assistance systems (ADAS) have become widely available, the automobile society has become more convenient.

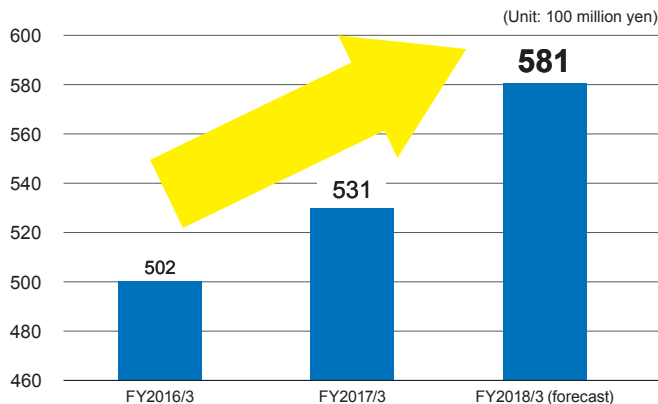
In addition, the development of systems for the practical use of autonomous driving has also been accelerating rapidly in recent years, and printed circuit boards are playing an important role in sensors, communication equipment and actuator control ECU that are used in these systems.

In particular, in sensor devices such as millimeter-wave radars, cameras, laser radars (LiDAR), infrared light and sonars, the load per vehicle is expected to increase further. In the (57th) fiscal year under review, we have commenced the high-volume production of rigid-flex printed circuit boards for in-vehicle camera modules that have become more reliable as a vehicle-responsive sensing camera.

We will continue to increase the production of sensor circuit boards, including control circuit boards, for millimeter-wave radars and cameras by vigorously promoting the development and improvement of printed circuit boards used for ADAS and the autonomous driving technologies.



Actual results and forecast for sales of products for automotive use



Corporate Data

(As of March 31, 2017)

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	1,178 (Group total 4,512)

Executives (as of September 1, 2017)

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	Isao Osawa
Director	Tsuyoshi Ukyo
Director	Yoshiaki Hasegawa

Board of Corporate Auditors

Standing Corporate Auditor	Takashi Ogasawara
Corporate Auditor	Fumio Haraguchi
Corporate Auditor	Yukio Otaka

Executive Officers

Executive Officer	Yoshiaki Ishizaka
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

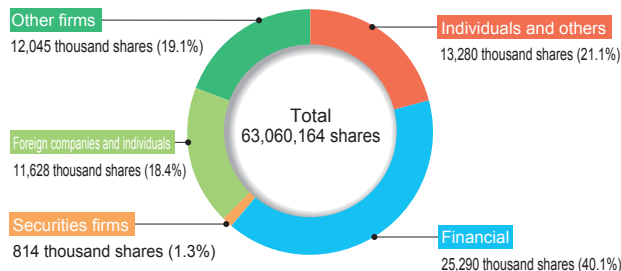
(As of March 31, 2017)

Total number of shares authorized	227,922,000
Total number of shares issued and outstanding	63,060,164
Number of shareholders	5,241
Share trading unit	100
Major shareholders (10 largest)	

Shareholders	Investment in CMK	
	Number of shares held (thousands)	Percentage (%)
Noboru Nakayama	5,529	8.8
Japan Trustee Services Bank, Ltd. (Trust account)	5,236	8.3
The Master Trust Bank of Japan, Ltd. (Trust account)	3,206	5.1
Mizuho Bank, LTD.	2,576	4.1
The Foundation for Technology Promotion of Electronic Circuit Board	2,500	4.0
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
NOMURA PB NOMINEES LIMITED OMNIBUS - MARGIN (CASHPB)	1,632	2.6
Sumitomo Mitsui Banking Corporation	1,613	2.6
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,397	2.2

Note: Although the Company holds 3,861 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 Bussiness Planning Department
Contact address:	Mizuho Trust & Banking Co., Ltd. 8-4 Izumi 2-chome, Suginami-ku, Tokyo 168-8507 ☎ 0120-288-324



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