

The background features a collage of various electronic components and a globe. At the top center is a globe of the Earth. Surrounding it are several printed circuit boards (PCBs) of different shapes and sizes, some with intricate components. To the right, there is a roll of flexible printed circuit (FPC) tape. The entire scene is set against a vibrant, multi-colored background with horizontal bands of blue, green, and purple, and several glowing, semi-transparent circles of varying sizes.

CMK CORPORATION

2001 Annual Report

Year ended March 31, 2001

Profile

CMK is keeping pace with the demand on printed wiring boards (PWBs) for compactness and greater functionality in products such as mobile phones. As a major concern in the field of PWBs, CMK pursues tightly focused technological research and development. And as a leading manufacturer of PWBs, CMK has built up a strong base of operations. CMK products are appreciated by customers all over the world. CMK challenges for continuous success in an increasingly competitive market. At the same time, CMK pays attention to environmental issues.

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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 uncertainties. Potential risks and uncertainties 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 preferences.

CMK—Invisible, but everywhere.

Audio-Visual

Our single-sided, double-sided, silver through-hole PWBs and more are used in CD players, MD players, VCRs and DVD players.

Mobile Communications

We provide primarily multi-layered IVH and ALIVH® boards (4~10 layers) for products such as mobile phones, PDA, etc.

Information Devices

Our 4 ~12 layered through-hole PWBs, 4~10 layered IVH PWBs and Rigid-Flex (RF) build-up PWBs (RF-1, RF-3) can be found in a range of PCs and peripheral devices.

Displays

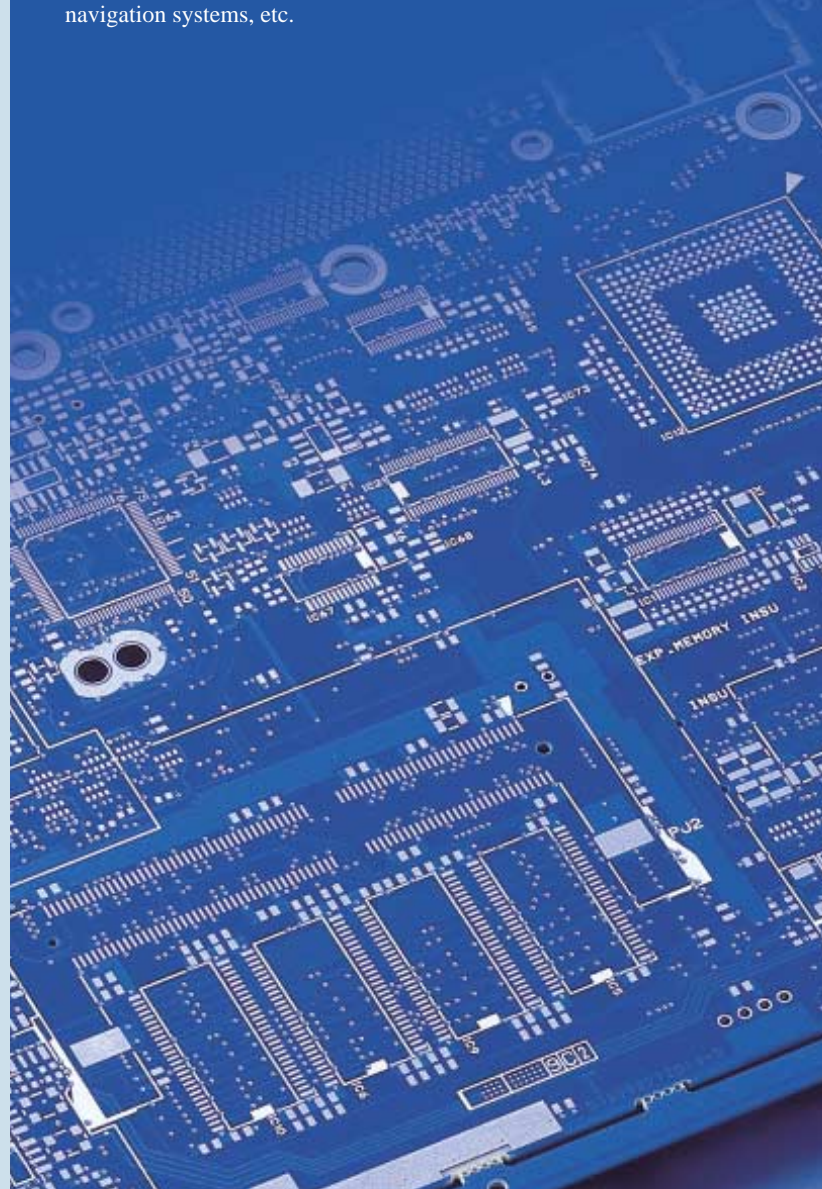
We produce double-sided PWBs, 4~12 layered through-hole PWBs, 4~10 layered IVH PWBs for LCDs, PDP displays and more.

Substrates for Semiconductor Packages (Rigid type, tape type)

Our PWBs accommodate main components such as CPUs, DSPs, DRAM, SRAM, flash memory and more.

Car Electronics

Our PWBs are installed in automotive electronic equipment like engine control systems, ABS, SRS air bags, instrument panels, car navigation systems, etc.

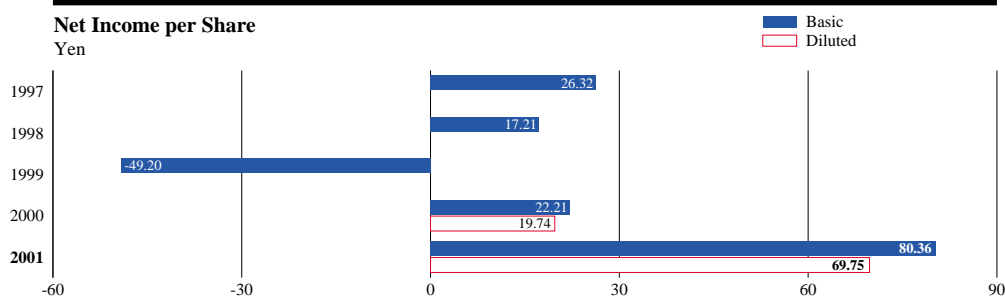
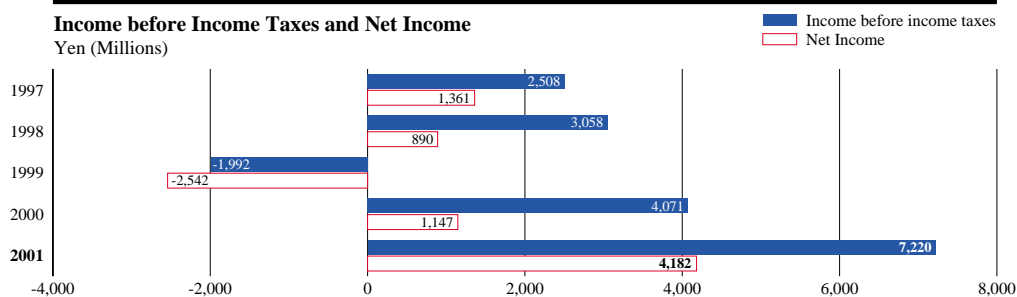
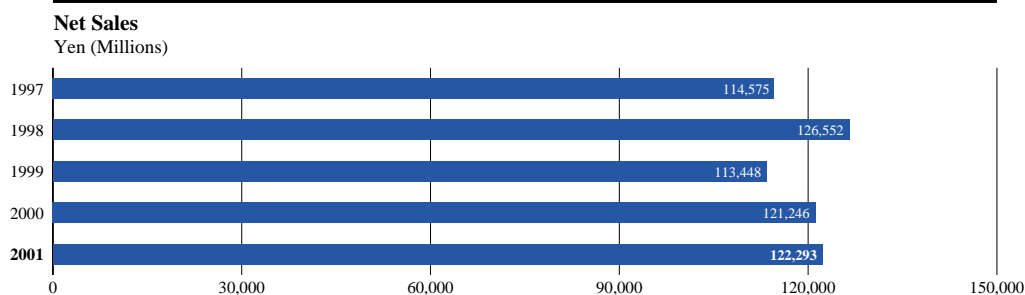


Financial Highlights

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

Operating Results:	Yen (Millions)			U.S. Dollars (Thousands)
	2001	2000	1999	2001
For the year				
Net sales	¥122,293	¥121,246	¥113,448	\$987,030
Income (loss) before income taxes	7,220	4,071	(1,992)	58,273
Net income (loss)	4,182	1,147	(2,542)	33,753
Net income (loss) per share				
... Basic	80.36	22.21	(49.20)	0.649
... Diluted	69.75	19.74	—	0.563
At year-end				
Shareholders' equity	¥ 52,822	¥ 48,407	¥ 47,451	\$ 426,328
Total assets	144,749	152,087	159,902	1,168,273

Note: U.S. Dollars amounts have been translated from Yen, for convenience only, at the rate of ¥123.90 = \$1, the Tokyo foreign exchange market rate as of March 31, 2001.



Message from the Management

Achievements This Term



Noboru Nakayama
Chairman

Eiji Watanabe
President

During the first half of the fiscal year, Japan's economy experienced an upswing in exports owing to economic recovery in Asia and increasing worldwide demand for information technology (IT). However, due to slow improvement in the employment rate and a poor income circumstance, economic recovery remains stagnant. Moreover, the world wide recession in the second half of the year is weakening efforts to revive the economy.

Our sales for the first half of the year was encouraging, due to the rising demand worldwide for mobile phones, personal computers and related electronic goods. However, in the second half of the year, owing to decrease in demand for mobile phones and personal computers, the market has slowed down considerably.

Under the business conditions outlined above, our consolidated record showed sales of 122.29 billion yen. It was an increase of more than 1.04 billion yen compared to the previous period (increase of 0.9%). Favorable demand in the first half of the year increased our income before income taxes to 7.22 billion yen—an increase of 77.4% over the previous period.

CMK is making a concerted effort to reward our investors with increasing profits. We thank you all for your continuous support.

June 2001

Noboru Nakayama
Chairman

Eiji Watanabe
President



1. Corporate Reorganization

To assure the expansion and continuance, we have established two new projective departments.

• Strategic Marketing Development Office

We set up this office to support our sales division based on the development of new products and new business models.

• PMT Business Promotion Office (Package Method Technology)

To concentrate on the future of PWBs, we are promoting a business plan that takes in the next step of the electronics market.

2. Overseas Production Plan

In order to reduce costs of operation and shorten the term of delivery, we are focusing on production in China.

• CMKS (CHINA) FACTORY

Our new factory in China opened in March 2001 and is now in operation. The factory merges our strengths with the low cost of manufacturing. It gives us a substantial production base in Asia.

• CMKC (DONG GUAN) LTD.

This is the first of our overseas plants to manufacture through-hole PWBs and has productive capacity of 20,000m² per month.

• CMK ELECTRONICS (WUXI) CO., LTD.

This is the first of our overseas plants to manufacture build-up multi-layered PWBs. As a major player in this market, CMK expands its factory operations abroad. (Start operation in April 2002)

3. Streamlining of Corporate Structure

We are reorganizing our plants in Japan to keep pace with changing market conditions. At the same time, we allocate resources to high-end products.

4. Research and Development Geared to Profit

Our research and development focuses on profitable goods. Especially, we keep pace with advanced technology of semiconductor devices by developing high-density build-up multi-layered PWBs. We are also gauging the way we can reduce the cost of conventional products while increasing their value.

5. Focus on Cash-Flow Management

For the efficient financial structure, we continue progressing Asset Liability Management and promoting intra-group alliances.

6. Environmental Protection

CMK works on CO₂ reduction and energy saving. In addition, our products are developed with strict regard to their environmental impact. In adhering to this policy, we will improve our corporate environmental activities.

Target for FY 2003 : ROA 10% ROE 13%

Current Three Years

	FY 2001	2000	1999
ROA	6.5%	3.3%	0.8%
ROE	8.3%	2.4%	—



Global Outlook of the CMK Group

CMK is well-known for its extensive product lineup and the production technology. We have achieved this status in Japan through the support of our associates. Our target is to acquire the same reputation in world wide. To this end we have worked towards establishing an organization that can respond to customer demands quickly.



Other Offices, Plants and Associated Companies in Japan

- SE Center
- SE PRODUCTS CORPORATION
- CMK MECHANICS CORPORATION
- CMK HI-TECHS CORPORATION
- CMK DRILLING CORPORATION
- YAMANASHI SANKOH CORPORATION
- ISHIZUKA MFG. CO., LTD.
- WAKOH ELECTRONICS CORPORATION



1 NIIGATA SATELLITE PLANT

From double-sided to multi-layered PWBs that achieve high-performance.

- CMK MULTI CORPORATION
- CMK NIIGATA CORPORATION



2 CMK KANBARA ELECTRONIC CORPORATION JAPAN

Double-sided multi-layered PWBs built to the exacting standards of the automotive industry.



3 JT CMK CORPORATION

Joint-venture with Japan Tobacco Inc. over production of double-sided and multi-layered PWBs.



4 KIBAN Center Plant

Manufacture of single-sided and inner layer of multi-layered PWBs.



5 G-Station Plant

Manufacture of double-sided and multi-layered PWBs.



6 Technical Center Plant

Research & development facilities and manufacture of PWBs for semiconductor package.



7 CMK CIRCUIT TECHNOLOGY CENTER CORPORATION

Offer the most advanced systems for high-grade PWB circuit designing.





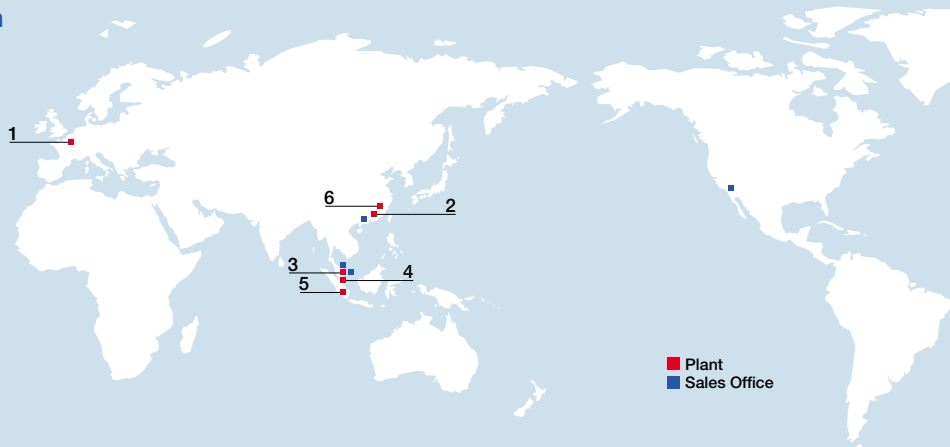
Shift towards overseas production

The trend towards overseas production by electronics manufacturers has expanded the market for PWBs. We have been developing our overseas production facilities in these decades.

We began our expansion into Asian region with the establishment of a manufacturing subsidiary in 1980 Singapore, in 1989 Malaysia and in 1994 Indonesia. Owing to continuing demand in European region, we opened plant in Belgium in 1987.

In addition to above factories, we started production in China in March 2001.

In 1991 we established a company in Malaysia to provide manufacturing materials for our overseas associates. We are developing global network of sales and manufacturing.



1 CMK EUROPE N. V.

Manufacture and sales of single-sided, double-sided and silver through-hole PWBs.



2 CMKS (CHINA) FACTORY

Manufacture of single-sided, silver through-hole PWBs.



3 CMKS (MALAYSIA) SDN. BHD.

Manufacture and sales of single-sided, double-sided and silver through-hole PWBs.



4 CMK SINGAPORE (PTE.) LTD.

Manufacture and sales of single-sided, double-sided PWBs.



5 P. T. CMKS INDONESIA

Manufacture of single-sided PWBs.



6 CMK ELECTRONICS (WUXI) CO., LTD.

Manufacture of build-up PWBs.
(Start operation in April 2002)

Other Companies Overseas

CMKC (DONG GUAN) LTD.

CMK SINGAPORE (PTE.) LTD.

BANGKOK REPRESENTATIVE OFFICE

CMKS (MALAYSIA) SDN. BHD.

PENANG SALES OFFICE

CMKS (MALAYSIA) SDN. BHD.

KUALA LUMPUR OFFICE

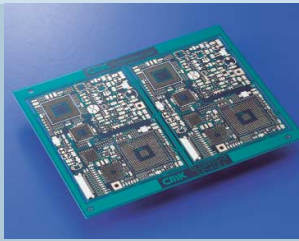
CMKS (HONG KONG) CO., LTD.

CMKC (HONG KONG) LIMITED

Nippon CMK Corporation (U.S.A.)



Build-up Multi-Layered PWBs



CLLAVIS series

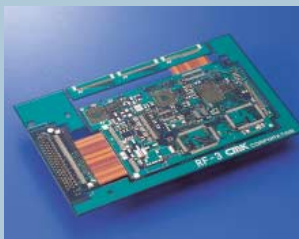
This series is optimized to accommodate the latest high-density chips required for laptop PCs and other compact information stations.



ALIVH® series

This series contributed to bring down the weight of mobile phones less than 100 grams. The series can make circuit design rule flexible, and is used extensively in mobile phones and portable AV equipment.

(ALIVH® is the registered trademark of Matsushita Electric Industrial Co., Ltd.)



RF series

This series is the combination of flexible and rigid constructions. The RF PWBs can be partly bent or twisted, and are perfect for installation in products such as digital cameras.

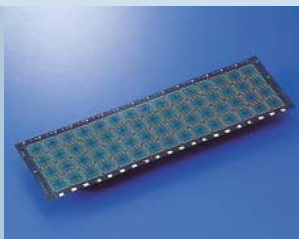
IVH Multi-Layered PWBs



These PWBs are extensively used for mobile phones and mobile information terminals. They enable increased density of circuits and mounted components.

(IVH stands for "Inner Via Hole")

Package Substrates



Rigid substrate

Technology of PWB is required for the more minute field of semiconductor devices. Rigid substrate is applicable for its thinness and compactness.



Tape substrate

Technology which realize especially fine circuit, high-density and thinness. Tape substrate make it possible to assemble super fine chips.



"E-Spec" PWBs

In order to supply environment-conscious products, we have set our own evaluation standard, "E-spec". This self-imposed standard encourages CMK's responsibilities for developing products with regard to their environmental impact.

"E-Spec" is a registered trademark of CMK CORPORATION.



Financial Section

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Five-Year Summary

CMK CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001, 2000, 1999, 1998 and 1997

	Yen (Millions)					U.S. Dollars (Thousands)
	2001	2000	1999	1998	1997	2001
For the year						
Sales	¥122,293	¥121,246	¥113,448	¥126,552	¥114,575	\$ 987,030
Operating income (loss)	9,284	4,945	895	9,905	6,801	74,931
Net income (loss)	4,182	1,147	(2,542)	890	1,361	33,753
At year end						
Shareholders' equity	52,822	48,407	47,451	50,992	51,197	426,328
Total assets	144,749	152,087	159,902	156,271	144,936	1,168,273
Per Share						
Net income						
...Basic	¥80.36	¥22.21	¥(49.20)	¥17.21	¥26.32	\$0.649
...Diluted	69.75	19.74	—	—	—	0.563
Price at Tokyo Stock Exchange						
High	2,390	1,600	1,810	1,790	1,850	19.28
Low	1,130	1,005	980	1,090	1,200	9.12
Cash dividends	10.00	10.00	10.00	10.00	10.00	0.08
Ratios						
Equity Ratio	36.5	31.8	29.7	32.6	35.3	
Return on Equity	8.3	2.4	—	1.7	2.7	
Price Earnings Ratio	16.8	54.9	—	76.7	46.4	
Number of employees (Person)	6,180	6,103	—	—	—	

Note: U.S. Dollars amounts have been translated from Yen, for convenience only, at the rate of ¥123.90 = \$1, the Tokyo foreign exchange market rate as of March 31, 2001.

Consolidated Balance Sheets

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

	Yen (Millions)		U.S.Dollars (Thousands)
	March 31		March 31
ASSETS	2001	2000	2001
Current assets:			
Cash and time deposits (Note 5)	¥ 13,968	¥ 18,220	\$ 112,736
Marketable securities (Note 3 & 5)	376	420	3,035
Trade receivable:			
Notes and accounts (Note 6 & 13)	33,599	33,930	271,178
Allowance for doubtful accounts	(147)	(187)	(1,186)
Net trade receivable	33,452	33,743	269,992
Inventories (Note 4)	9,917	10,564	80,040
Deferred income taxes (Note 9)	537	569	4,334
Other current assets (Note 6)	1,160	1,220	9,363
Total current assets	59,410	64,736	479,500
Property, plant and equipment (Note 7 & 10):			
Land	14,152	14,181	114,221
Buildings	54,524	54,885	440,065
Machinery and equipment	98,858	93,040	797,885
Construction in progress	480	957	3,874
	168,014	163,063	1,356,045
Less accumulated depreciation	99,430	93,037	802,502
	68,584	70,026	553,543
Investments and other assets:			
Investments in securities (Note 3 & 6)	9,893	11,141	79,847
Long-term loans (Note 6)	569	310	4,592
Deferred income taxes (Note 9)	1,088	744	8,781
Other	5,205	5,130	42,010
	16,755	17,325	135,230
	¥144,749	¥152,087	\$1,168,273

The accompanying notes are an integral part of these statements.

	Yen (Millions)		U.S.Dollars (Thousands)
	March 31		March 31
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	¥ 5,632	¥ 6,942	\$ 45,456
Current portion of long-term debt (Note 7)	11,647	13,665	94,003
Trade payable:			
Notes and accounts (Note 6)	12,423	16,819	100,266
Income taxes payable (Note 9)	1,911	2,552	15,424
Other current liabilities (Note 6 & 9)	12,496	9,061	100,856
Total current liabilities	44,109	49,039	356,005
Long-term liabilities:			
Long-term debt (Note 7)	41,718	50,110	336,707
Reserve for pension and severance benefit (Note 12)	115	-	928
Reserve for retirement benefit for directors and statutory auditors	643	504	5,190
Other (Note 9)	869	720	7,014
Total long-term liabilities	43,345	51,334	349,839
Minority interests in subsidiaries	4,473	3,307	36,101
Contingent liabilities (Note 13):			
Shareholders' equity (Note 8):			
Common stock of ¥50 per value			
Authorized : 199,871,000 Shares			
Issued:			
March 31, 2001; 53,205,124 Shares	16,117		130,081
March 31, 2000; 51,553,131 Shares		14,821	
Additional paid-in capital	15,875	14,578	128,128
Retained earnings	24,038	20,422	194,011
Unrealized gains on securities	222	-	1,792
Foreign currency translation adjustments	(2,060)	(1,413)	(16,627)
	54,192	48,408	437,385
Treasury stock, at cost	(1,370)	(1)	(11,057)
Total shareholders' equity	52,822	48,407	426,328
	¥144,749	¥152,087	\$1,168,273

Consolidated Statements of Income

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

	Yen (Millions)			U.S.Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2001	2000	1999	2001
Net sales (Note 14)	¥122,293	¥121,246	¥113,448	\$987,030
Cost of sales	101,878	104,608	101,355	822,260
Gross profit	20,415	16,638	12,093	164,770
Selling, general and administrative expenses	11,131	11,693	11,198	89,839
Operating income (Note 14)	9,284	4,945	895	74,931
Other income (expenses):				
Interest and dividend income	349	228	420	2,817
Interest expenses	(1,484)	(1,795)	(2,614)	(11,977)
Other, net	(929)	693	(693)	(7,498)
Income (loss) before income taxes	7,220	4,071	(1,992)	58,273
Income taxes (Note 9)	2,562	2,611	661	20,678
Income (loss) before minority interests	4,658	1,460	(2,653)	37,595
Minority interests in subsidiaries	(476)	(313)	111	(3,842)
Net income (loss)	¥ 4,182	¥ 1,147	¥ (2,542)	\$ 33,753

	Yen			U.S.Dollars
Per share of common stock:				
Net income (loss)Basic	¥ 80.36	¥ 22.21	¥ (49.20)	\$ 0.649
Diluted	69.75	19.74	–	0.563
Cash dividends, applicable to period	10.00	10.00	10.00	0.081

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

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

	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, 1998	¥ 14,821	¥ 14,578	¥ 21,819	¥ -	¥ (225)	¥ (1)
Net income (loss)	-	-	(2,542)	-	-	-
Cash dividends	-	-	(517)	-	-	-
Bonuses to directors and statutory auditors	-	-	(55)	-	-	-
Increase due to consolidation of subsidiaries not consolidated in the previous year	-	-	89	-	-	-
Translation adjustment	-	-	-	-	(490)	-
Purchase of treasury stock	-	-	-	-	-	(78)
Reissuance of treasury stock	-	-	-	-	-	52
Retirement of treasury stock (Note 8)	-	-	(24)	-	-	24
Balance at March 31, 1999	¥ 14,821	¥ 14,578	¥ 18,770	¥ -	¥ (715)	¥ (3)
Net income	-	-	1,147	-	-	-
Cash dividends	-	-	(528)	-	-	-
Bonuses to directors and statutory auditors	-	-	(53)	-	-	-
Increase due to consolidation of subsidiaries not consolidated in the previous year	-	-	266	-	-	-
Increase due to retroactive effect of accounting for deferred income taxes	-	-	932	-	-	-
Translation adjustment	-	-	-	-	(698)	-
Purchase of treasury stock	-	-	-	-	-	(182)
Reissuance of treasury stock	-	-	-	-	-	72
Retirement of treasury stock (Note 8)	-	-	(112)	-	-	112
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	-	-	-	222	-	-
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	¥ 222	¥ (2,060)	¥ (1,370)

	U.S.Dollars (Thousands)					
	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	\$119,621	\$117,660	\$164,826	\$ -	\$(11,405)	\$ (8)
Conversion of convertible bonds	10,460	10,468	-	-	-	-
Net income	-	-	33,753	-	-	-
Cash dividends	-	-	(4,156)	-	-	-
Bonuses to directors and statutory auditors	-	-	(412)	-	-	-
Unrealized holding gains arising during the period	-	-	-	1,792	-	-
Translation adjustment	-	-	-	-	(5,222)	-
Purchase of treasury stock	-	-	-	-	-	(12,397)
Reissuance of treasury stock	-	-	-	-	-	1,348
Balance at March 31, 2001	\$130,081	\$128,128	\$194,011	\$1,792	\$(16,627)	\$(11,057)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

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

	Yen (Millions)			U.S.Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2001	2000	1999	2001
Cash flows from operating activities:				
Net income (loss)	¥ 4,182	¥ 1,147	¥ (2,542)	¥ 33,753
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	10,344	12,561	11,192	83,487
Loss on disposal of fixed assets	189	219	838	1,525
Provision for directors and statutory auditors' retirement benefit	140	(36)	(52)	1,130
Deferred income taxes (Note 9)	(508)	(345)	–	(4,100)
Other, net	791	(223)	(568)	6,384
Changes in assets and liabilities:				
(Increase) decrease in trade accounts and notes receivable	520	(1,334)	3,038	4,197
(Increase) decrease in inventories	773	(2,191)	1,891	6,239
Increase (decrease) in trade payable	(4,586)	1,117	752	(37,014)
Increase (decrease) in income taxes payable	(749)	2,974	(3,406)	(6,045)
Changes in other current assets and liabilities	3,376	2,057	(1,840)	27,248
Net cash provided by operating activities	14,472	15,946	9,303	116,804
Cash flows from investing activities:				
Decrease (increase) in investments and advances	(492)	1,080	(5,848)	(3,971)
Payment for purchase of property, plant and equipment	(7,455)	(12,028)	(18,034)	(60,170)
Proceeds from sales of property, plant and equipment	1,119	653	1,829	9,032
Other, net	(240)	3,404	(723)	(1,937)
Net cash used in investing activities	(7,068)	(6,891)	(22,776)	(57,046)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	(1,372)	(4,065)	61	(11,073)
Repayment of long-term debt	(10,290)	(11,436)	(21,098)	(83,051)
Proceeds from long-term debt	2,150	6,000	30,746	17,353
Cash dividends paid	(515)	(523)	(517)	(4,157)
Contributions from minority interests	–	–	984	–
Other, net	(773)	(521)	(62)	(6,239)
Net cash provided by (used in) financing activities	(10,800)	(10,545)	10,114	(87,167)
Effect of exchange rate changes	(975)	(538)	(523)	(7,869)
Net changes in cash and cash equivalents	(4,371)	(2,028)	(3,882)	(35,278)
Cash and cash equivalents at beginning of year	18,505	20,533	24,415	149,354
Cash and cash equivalents at end of year (Note 5)	¥14,134	¥18,505	¥20,533	¥114,076
Supplemental data:				
Cash paid (refund) during the year for-				
Income taxes	¥ 3,819	¥(19)	¥4,067	¥ 30,823
Interest	1,495	1,801	2,614	12,066

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

CMK CORPORATION and Consolidated Subsidiaries

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 from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, in conformity with generally accepted accounting principles in Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

(b) Principle of consolidation

The Company had 24 and 21 subsidiaries as of March 31, 2001 and 2000, respectively. The consolidated financial statements included the accounts of the Company and its 18 and 18 significant subsidiaries as of March 31, 2001 and 2000, 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.

(c) Cash and cash equivalents

Starting on April 1, 1999 the Company adopted a new accounting standard which requires the preparation of Statement of Cash Flows. Accordingly the cash and cash equivalents include certificates of deposit, bank deposit with a maturity of three months or less which can be withdrawn without any restriction, and highly liquid debt instruments purchased with a maturity of three months or less.

Previously, cash and cash equivalents included certificates of deposit, bank deposits with a maturity of one year or less which could be withdrawn without any restriction, and highly liquid debt instruments purchased with a maturity of three months or less.

(d) Marketable securities and investment securities

Starting on April 1, 2000 the Company and its domestic subsidiaries adopted a new accounting standard for financial instruments.

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

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 stockholders' equity section of the consolidated balance sheet. Realized gains and losses are determined on the moving average cost method and reflected in income.

Previously, marketable securities and investment securities were stated at cost determined by the moving average method.

(e) Inventories

For the company and its subsidiaries in Japan, 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. Subsidiaries outside of Japan, inventories are valued at lower of cost or market, which are determined by moving average method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation in domestic subsidiaries 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, depreciations are 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

In Japanese Accounting Standards, 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 operating leases.

(h) Income taxes

Starting on April 1, 1999 the Company adopted a new accounting standard which requires for the accounting of recognition and measurement of deferred tax assets and tax liabilities, for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. The assets and liabilities approach is used to recognize deferred tax assets and tax liabilities. The cumulative effect on retained earnings at March 31, 1999 was stated as increase due to retroactive effect of accounting for deferred income taxes in statement of shareholders' equity for year ended March 31, 2000.

Previously, income taxes were provided for items of revenue and expense reported in the income tax returns on the basis of when such items are taxable or deductible.

(i) Retirement and pension plans

Starting on April 1, 2000 the Company and its domestic subsidiaries adopted a new accounting standard for employee's retirement benefits.

In accordance with the new accounting standard, all of the benefit obligation exceeding plan assets at March 31, 2000 (the "transition obligation") was included in periodic benefit costs for the year ended March 31, 2001. The transition obligation at March 31, 2000 is assumed to be ¥ 19 million (\$ 153 thousand).

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

The Company provided for retirement allowance to directors and statutory auditors based on their pertinent rules which calculates 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, liability, income and expense accounts of foreign subsidiaries and affiliates are translated into Japanese Yen at appropriate year-end currency rates, and the shareholders' equity accounts except for retained earnings are translated at historical rates. The resulting translation adjustments are pre-

sented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

Starting on April 1, 2000 the Company and its domestic subsidiaries adopted a new accounting standard for translation of assets and liabilities. 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.

Previously, monetary current assets and liabilities in foreign currencies were translated into Japanese Yen at applicable current year-end rates, and other assets and liabilities were translated at historical rates, and differences due to translation were 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, 2000 and 1999 have been made to conform to the presentation in the year ended March 31, 2001.

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 ¥123.90 = U.S. \$1, the exchange rate on March 31, 2001. 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 investments

The cost and fair value of marketable securities and investments as of March 31, 2001 are shown below:

	Yen (Millions)	U.S. Dollars (Thousands)
	2001	2001
Debt and equity securities – available-for-sale:		
Cost	¥3,593	\$28,999
Gross unrealized gains	807	6,513
Gross unrealized losses	(424)	(3,422)
Amount in balance sheet	¥3,976	\$32,090

Non-marketable securities are not included in the above cost and fair value.

4. Inventories

Inventories at March 31, 2001 and 2000 comprise the following:

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Merchandise	¥ 2,013	¥ 1,718	\$ 16,247
Finished goods	2,405	2,212	19,411
Work in process	3,447	4,759	27,821
Raw materials and supplies	2,052	1,875	16,561
	¥ 9,917	¥10,564	\$ 80,040

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, 2000 and 2001:

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Cash and time deposits	¥13,968	¥18,220	\$112,736
Marketable securities	376	420	3,035
Deposits with a maturity of three months or more	(187)	(49)	(1,509)
Bank over draft	–	(11)	–
Securities and others	(23)	(75)	(186)
Cash and cash equivalents	¥14,134	¥18,505	\$114,076

Conversion of convertible bonds into common stock and additional paid-in capital was ¥2,592 million (\$20,920 thousand) for the year ended March 31, 2001.

6. Accounts with Related Parties

Accounts with the non-consolidated subsidiaries and affiliates are shown below:

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Investment in securities of the non-consolidated subsidiaries and affiliates	¥ 2,704	¥ 3,697	\$ 21,824
Long-term loans	232	250	1,873
Trade receivable–Notes and accounts	25	–	202
Other current assets	45	10	363
Trade payable–Notes and accounts	385	727	3,107
Other current liabilities	23	30	186

7. Long-term debt

Long-term debt at March 31, 2001 and 2000 is as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Unsecured bonds:			
1st series, due 2003, interest 2.25%	¥20,000	¥20,000	\$161,421
Unsecured convertible bonds:			
3rd series, due 2005, interest 0.7%	12,408	15,000	100,145
Loans, principally from banks and insurance company:			
Secured, due 2001 ~ 2008 interest 1.875% ~ 8.1%	3,658		29,524
Secured, due 2000 ~ 2008 interest 1.875% ~ 5.5%		6,350	
Unsecured, due 2001 ~ 2005 interest 1.5% ~ 7.35%	17,299		139,620
Unsecured, due 2000 ~ 2005 interest 1.85% ~ 8.5%		22,425	
	53,365	63,775	430,710
Less current portion	11,647	13,665	94,003
	¥41,718	¥50,110	\$336,707

The indentures covering the 3rd series convertible bonds provide, among other condition, for (1) the conversion into shares of common stock at the current conversion prices of ¥1,569.00 per share, (subject to change in certain circumstances), and (2)

conversion period to September 29, 2005.

As of March 31, 2001 and 2000, long-term debt is secured by property, plant and equipment with a net value of ¥13,905 million (\$112,233 thousand) and ¥15,452 million, respectively.

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

Year ending March 31	Yen (Millions)	U.S. Dollars (Thousands)
2002	¥11,647	\$94,003
2003	6,178	49,863
2004	22,333	180,250
2005	575	4,641
2006	12,561	101,380
2007 and thereafter	71	573
	¥53,365	\$430,710

8. Shareholders' equity

The Japanese Commercial Code provides that the amount not exceeding one-half of the issue price of shares may not be credited to the stated capital, provided that, with respect to the shares with face value, it shall be limited to the face value.

The Company set a provision in its articles of incorporation

that the Company may acquire its own shares, upon resolution of the Board of Directors, within the maximum limit of 5,000 thousands shares to retire by offsetting the related purchase costs against retained earnings.

9. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes computed on income. The aggregated result of normal tax rates were approximately 42% for the year ended March 31, 2001 and 2000.

Income tax expense comprise the following:

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Income taxes:			
Current	¥ 3,070	¥ 2,956	\$ 24,778
Deferred	(508)	(345)	(4,100)
	¥ 2,562	¥ 2,611	\$ 20,678

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Deferred tax assets:			
Reserve for employee's bonuses	¥ 246	¥ 192	\$ 1,986
Provision for enterprises tax	134	204	1,082
Retirement and severance benefit of directors and statutory auditors	270	212	2,179
Depreciation	370	404	2,986
Fix assets - intercompany profits	96	111	775
Inventory - intercompany profits	40	66	323
Others	469	146	3,785
Gross deferred tax assets	1,625	1,335	13,116
Deferred tax liabilities:			
Allowance for doubtful receivables - intercompany losses	(12)	(35)	(97)
Reserve for special depreciation	(11)	(28)	(89)
Others	(54)	(38)	(436)
Gross deferred tax liabilities	(77)	(101)	(622)
	¥ 1,548	¥ 1,234	\$ 12,494

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

	2001	2000
Statutory tax rate	42.0%	42.0%
Increase (reduction) in taxes resulting from:		
Non-deductible entertainment expenses	0.8%	1.2%
Non-taxable dividend income	(1.1%)	(1.5%)
Current operating losses of subsidiaries	–	23.3%
Difference in normal tax rates of subsidiaries	(2.6%)	–
Others	(3.6%)	(0.9%)
Effective income tax rate	35.5%	64.1%

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Current assets - Deferred income taxes	¥ 537	¥ 569	\$ 4,334
Investments and other assets - Deferred income taxes	1,088	744	8,781
Current liabilities - other current liabilities	–	(35)	–
Long-term liabilities - other	(77)	(44)	(621)
Net deferred tax assets	¥ 1,548	¥ 1,234	\$ 12,494

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,

2001, 2000 and 1999, the Company and its domestic subsidiaries made payments of ¥818 million (\$6,602 thousand), ¥810 million and ¥588 million, respectively, on these finance leases.

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Class of property (inclusive of interest)			
Machinery and equipment	¥ 4,306	¥ 3,741	\$ 34,754
Others	809	684	6,529
Accumulated depreciation	(3,297)	(2,524)	(26,610)
	¥ 1,818	¥ 1,901	\$ 14,673

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

Future minimum lease payments, inclusive of interest, as of March 31, 2001 and 2000 are:

Year ending March 31	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
2002	¥ 586	¥ 675	\$ 4,730
2003 and the after	1,232	1,226	9,943
Total future minimum lease payment	¥ 1,818	¥ 1,901	\$ 14,673

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, 2001 and 2000 are shown below.

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Forward exchange contracts:			
To sell foreign currencies	¥ 6	¥ 1	\$ 48
To buy foreign currencies	—	3	—
	¥ 6	¥ 4	\$ 48

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)
Reserve for pension and severance costs at March 31, 2001	2001	2001
Benefit obligation	¥ (3,139)	\$ (25,335)
Plan assets	2,941	23,737
Funded status	(198)	(1,598)
Unrecognized actuarial loss	144	1,162
Net amount recognized	(54)	(436)
Prepaid benefit cost	61	492
Reserve for pension and severance costs	¥ (115)	\$ (928)

	Yen (Millions)	U.S. Dollars (Thousands)
Detail of net periodic benefit cost at March 31, 2001	2001	2001
Service cost	¥ 330	\$ 2,663
Interest cost	91	735
Expected return on plan assets	(80)	(646)
Amortization of net transition obligation	19	153
Net periodic benefit cost	¥ 360	\$ 2,905

Assumptions used at March 31, 2001	2001
Discount rate	3.5%
Expected return on plan assets	3.0%

13. Contingent liabilities

Contingent liabilities at March 31, 2001 and 2000 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2001	2000	2001
Notes receivable discounted with banks	¥ 374	¥ 112	\$ 3,019
Endorsed notes	3,348	2,802	27,022
	¥ 3,722	¥ 2,914	\$ 30,041

The Company and its consolidated subsidiaries are contingently liable as guarantor of bank loans to non-consolidated

subsidiaries in the amounts of ¥272 million (\$2,195 thousand) and ¥545 million at March 31, 2001 and 2000, respectively.

14. Segment information

The following segment information has been prepared according to a Ministerial Ordinance under the Securities and Exchange Law of Japan.

The printed wiring board sector, for each of the years in the three-year period ended March 31, 2001, is more than 90%.

Geographic areas:

	Yen (Millions)			U.S.Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2001	2000	1999	2001
Sales and operating revenue:				
Japan				
Customers	¥101,788	¥103,146	¥ 91,671	\$ 821,533
Intersegment	2,920	3,303	2,401	23,567
Total	104,708	106,449	94,072	845,100
Asia				
Customers	¥ 18,764	¥ 16,160	¥ 17,353	\$ 151,445
Intersegment	558	303	618	4,504
Total	19,322	16,463	17,971	155,949
Europe				
Customers	¥ 1,741	¥ 1,940	¥ 4,425	\$ 14,052
Intersegment	20	–	12	161
Total	1,761	1,940	4,437	14,213
Elimination	(3,498)	(3,606)	(3,032)	(28,232)
Consolidated	¥122,293	¥121,246	¥113,448	\$ 987,030
Operating income:				
Japan	¥ 9,111	¥ 5,193	¥ 997	\$ 73,535
Asia	1,287	605	1,659	10,387
Europe	(182)	(105)	(752)	(1,469)
Corporate and elimination	(932)	(748)	(1,009)	(7,522)
Consolidated	¥ 9,284	¥ 4,945	¥ 895	\$ 74,931
Identifiable assets:				
Japan	¥115,709	¥129,735	¥129,857	\$ 933,890
Asia	17,465	15,303	18,373	140,961
Europe	2,057	2,899	4,930	16,602
Corporate and elimination	9,518	4,150	6,742	76,820
Consolidated	¥144,749	¥152,087	¥159,902	\$1,168,273
Export sales:				
To Asia	¥20,193	¥17,153	¥19,895	\$ 162,978
To Europe	1,783	2,452	4,888	14,391
To Others	1,509	1,201	1,123	12,179
Total	¥ 23,485	¥ 20,806	¥ 25,906	\$ 189,548

General corporate expenses of ¥1,366 million (\$11,025 thousand), ¥1,134 million and ¥1,061 million in 2001, 2000 and 1999, respectively, are included in “Corporate and elimination”.

Corporate assets of ¥17,679 million (\$142,688 thousand), ¥11,804 million and ¥13,536 million in 2001, 2000 and 1999, 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 Board of Directors of
CMK CORPORATION

We have audited the accompanying consolidated balance sheets of CMK CORPORATION and subsidiaries as of March 31, 2001 and 2000, 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, 2001, 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. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2001, in conformity with accounting principles generally accepted in Japan.

As explained in Notes 1 (d), 1 (i) and 1 (k), in the year ended March 31, 2001, the Company and subsidiaries prospectively adopted new Japanese accounting standards for marketable and investment securities, retirement and pension plans and foreign currency translation.

The accompanying consolidated financial statements as of and for the year ended March 31, 2001 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 28, 2001



Shinjuku Audit Corporation

Group Companies

(As of March 31, 2001)

Company Name	Equity held by the Company (%)	Principal Business
Subsidiaries		
CMK MECHANICS CORPORATION	100.0	Manufacturing and sales of PWBs and molds
CMK HI-TECHS CORPORATION	100.0	Manufacturing and sales of PWBs
CMK DRILLING CORPORATION	100.0	Manufacturing and sales of PWBs
CMK MULTI CORPORATION	100.0	Manufacturing and sales of PWBs
CMK CIRCUIT TECHNOLOGY CENTER CORPORATION	100.0	Designing circuit of PWBs
SE PRODUCTS CORPORATION	100.0	Manufacturing and sales of PWBs
CMK NIIGATA CORPORATION	100.0	Manufacturing and sales of PWBs
CMK FINANCE CORPORATION	100.0	Credit and loan to subsidiaries
YAMANASHI SANKOH CORPORATION	90.0	Manufacturing and sales of PWBs
CMK EUROPE N. V.	80.0	Manufacturing and sales of PWBs
CMK KANBARA ELECTRONIC CORPORATION JAPAN	75.5	Manufacturing and sales of PWBs
JT CMK CORPORATION	66.6	Manufacturing and sales of PWBs
ISHIZUKA MFG. CO., LTD.	54.2	Manufacturing and sales of PWBs
WAKOH ELECTRONICS CORPORATION	52.6	Manufacturing and sales of PWBs
CMK SINGAPORE (PTE.) LTD.	51.0	Manufacturing and sales of PWBs
CMKS (MALAYSIA) SDN. BHD.	64.1 (26.8)	Manufacturing and sales of PWBs
P. T. CMKS INDONESIA	100.0 (100.0)	Manufacturing and sales of PWBs
CMKS (HONG KONG) CO., LIMITED	100.0 (100.0)	Sales of PWBs
Affiliate		
SNC INDUSTRIAL LAMINATES SDN. BHD.	49.0	Manufacturing and sales of copper-clad laminates

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

Directors and Corporate Statutory Auditors

(As of June 28, 2001)

Chairman

Noboru Nakayama

President

Eiji Watanabe

Vice President

Kameharu Seki

Senior Managing Director

Norimasa Sato

Managing Directors

Kuniaki Kanemoto

Shigeyuki Seki

Takahiro Nakayama

Susumu Yasuma

Directors

Takeo Takai

Masakazu Takemoto

Kunio Nishi

Mamoru Manaka

Corporate Statutory Auditors

Hirofumi Shinjubo

Takashi Watanabe

Hideaki Takahashi

Mitsuo Honjo

Corporate Data

(As of March 31, 2001)

Established

February 1961

Capital

¥16.¹¹ billion

Employees

6,180 (CMK Group)

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)	4,881	9.17
Noboru Nakayama	3,820	7.17
The Dai-ichi Mutual Life Insurance Company	2,345	4.40
The Industrial Bank of Japan, Limited	2,258	4.24
Sumitomo Bakelite Co., Ltd.	1,896	3.56
Matsushita Electric Works, Ltd.	1,860	3.49
The Tokyo Trust and Banking Corporation / The Nippon Trust and Banking Corporation / Retirement Benefit for Hitachi Chemical Co., Ltd.	1,822	3.42
Naohiko Seki	1,631	3.06
The Sakura Bank, Limited	1,549	2.91
The Tokyo Tomin Bank, Limited	1,545	2.90

Correspondent Banks

The Industrial Bank of Japan, Limited

The Sakura Bank, Limited

The Sumitomo Bank, Limited

The Fuji Bank, Limited

The Daiwa Bank, Limited

The Tokyo Tomin Bank, Limited

Accounting Period

March 31

Principal Clients

Matsushita Electric Industrial Co., Ltd.

Sony Corporation

Toshiba Corporation

Pioneer Corporation

Seiko Epson Corporation

Casio Computer Co., Ltd.



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>