



CMK CORPORATION

(Stock code: 6958)

1H FY2016 Financial Results

(presentation material)

November 25, 2016

CMK CORPORATION

1. 1H FY2016 Financial Results
2. Progress of Medium-Term Management plan
3. Supplementary material on financial results

1. 1H FY2016 Financial Results

(Six months ended September 30, 2016)

1. (1)Overview



- Strong sales of products for automotive use helped to make up for the decline in income affected by a strong yen, maintaining almost the same level of sales as previous fiscal year.
- In Japan, profitability was improved significantly by streamlining business operations (the downsizing of domestic production and a voluntary retirement program).
- Overseas profitability was remarkably improved by reducing fixed costs and improving manufacturing yield.
- As a result, we have succeeded in turning the consolidated operating profit into a surplus since the previous year.

1. (2) Consolidated Financial Results



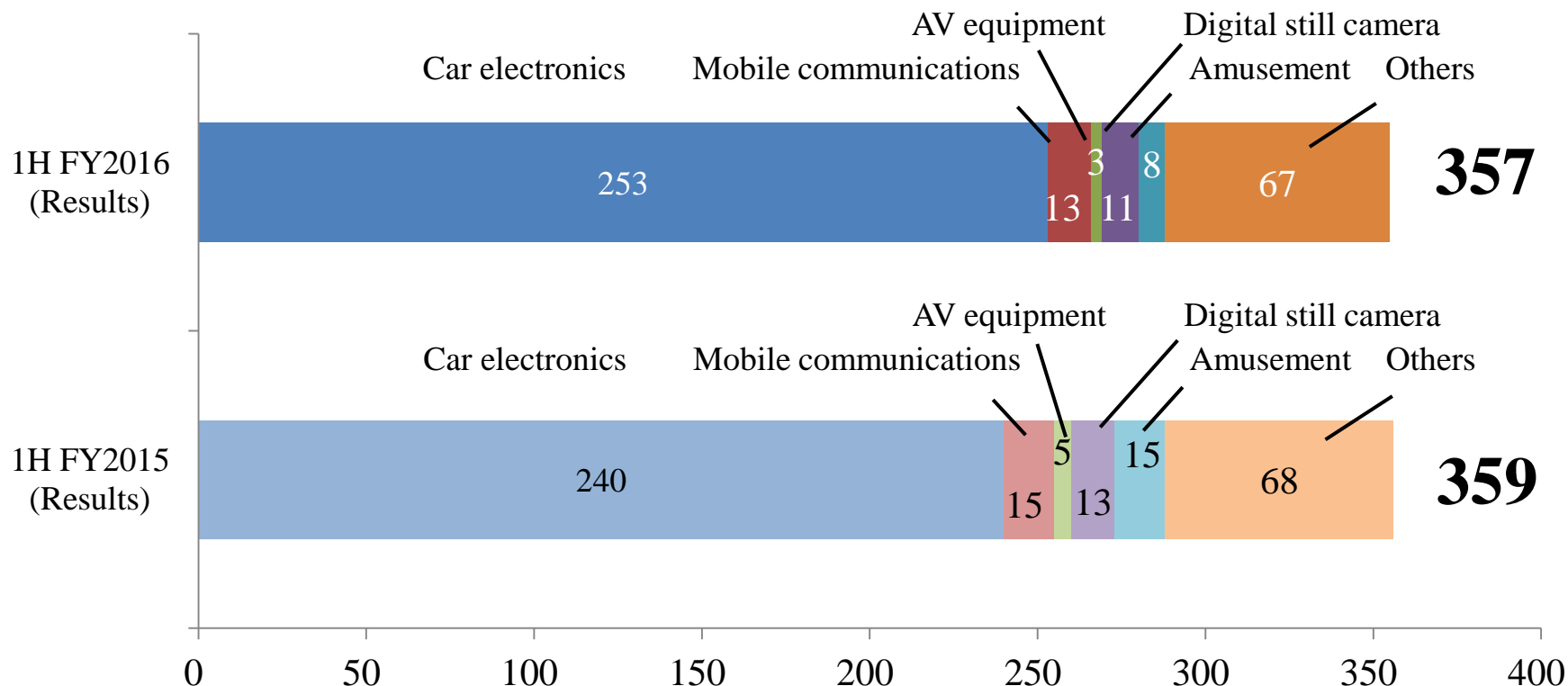
(Millions of Yen)

	1H FY2015 (Results)	1H FY2016 (Results)	YoY Change	YoY %
Sales	35,949	35,785	-163	-0.5%
Operating income	▲502	860	+1,363	—
Ordinary income	▲1,425	776	+2,202	—
Profit attributable to owners of parent	▲8,485	802	+9,288	—
Exchange rate(USD)	120.50	111.47	-9.03	-7.5%

1. (3) Sales by application



(Hundred Millions of Yen)



- Sales of products for automotive use increased compared with previous fiscal year, helped by the increased sales of the Advanced Driver Assistance System (ADAS) as well as further sales promotion such as exploring new business from existing customers and acquiring new customers.
- Sales of products for amusement use decreased compared with the previous fiscal year due to the decline in sales of game equipment.

1. (4) Streamlining business operations



■ Plan (September 30, 2015 release)

① Downsizing of domestic production sites

- Stop production of 2 factories in Gunma prefecture by the end of September 2016.
- Transfer products to domestic and overseas group factories accordingly.
- Implement employee relocation and voluntary retirement programs.

② Voluntary retirement program

- Eligibility: An employee who is at least age 40 with 3 or more years of service
- Availability: For around 200 employees (Number of applicants: 247 employees)



■ Results (At the end of September, 2016)

- Completed both the downsizing of production sites and a voluntary retirement program.
- Improved profitability by enhancing factory operation efficiency in the entire domestic factory.

1. (5) Streamlining business operations



■ Profit improvements through streamlining measures

(Comparison of status before and after the streamlining)

(Hundred Millions of Yen)

	FY2015			FY2016			
	3Q (Results)	4Q (Results)	FY (Results)	1Q (Results)	2Q (Results)	1H (Results)	FY (Forecast)
Reduction in labor costs	—	2.6	2.6	3.4	3.6	7.0	15.0
Reduction in depreciation expenses	1.4	1.4	2.8	1.1	1.1	2.2	4.4
Others (incl. additional costs)	▲0.0	▲0.6	▲0.7	▲1.3	▲1.3	▲2.6	▲3.8
Total	1.4	3.4	4.8	3.1	3.4	6.6	15.6

- Delivered cost-effectiveness of 6.6 hundred million yen in the first half of this fiscal year by streamlining business operations mainly in the labor cost reduction.
- The cost-effectiveness of 15.6 hundred million yen is expected in the full year by completing the streamlining by the end of September.

1. (6) Financial Results by region



(Hundred Millions of Yen)

	1H FY2015 (Results)		1H FY2016 (Results)		YoY Change	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Japan	228	▲1.2	235	6.3	+7	+7.5
China	112	▲1.3	104	3.0	-8	+4.3
Southeast Asia	77	▲0.5	78	1.3	+1	+1.8
Europe and North America	26	0.8	27	1.2	+1	+0.4
Total	445	▲2.3	446	12.0	+1	+14.3
Adjustment	▲85	▲2.6	▲88	▲3.4	-3	-0.8
Consolidated	359	▲5.0	357	8.6	-2	+13.6

- Profitability in Japan was improved by streamlining business operations and overseas profitability by reducing fixed costs and improving manufacturing yield, achieving to have a surplus in the entire region.

1. (7) Consolidated Financial Results (Forecast)

(Millions of Yen)

	FY2015 (Results)	FY2016 (Forecast)	YoY Change	YoY %
Sales	73,098	77,000	+3,901	+5.3%
Operating income	381	2,500	+2,118	+555.1%
Ordinary income	▲628	2,100	+2,728	—
Profit attributable to owners of parent	▲8,122	1,600	+9,722	—
Exchange rate(USD)	121.04	115.00	-6.04	-5.0%

- The forecast for annual results remains unchanged from the initial plan.

2. Progress of Medium-Term Management plan

■ Our Medium-Term strategy

- ◆ A growing CMK to deliver sustainable growth by transforming our solid business strategy
- ◆ Getting an advantage to better compete in the automotive PWB market

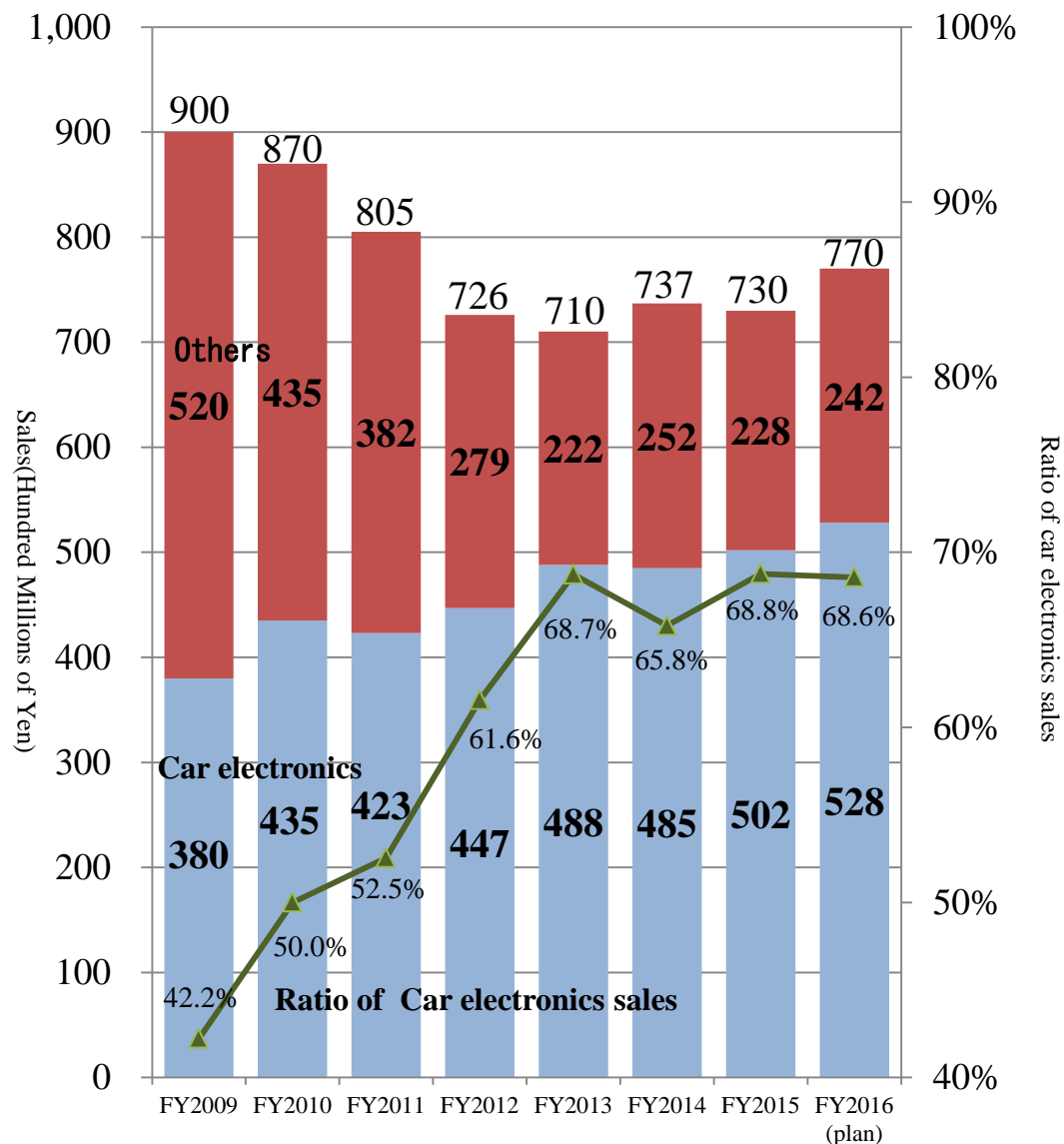
■ Key objectives

- ◆ Increase sales in the market for products for automotive and communication devices.
Growth in the overseas market.
- ◆ Enhance production capacity
- ◆ Strengthen cost competitiveness
- ◆ Enhance quality management

2. (2) Sales of products for automotive use



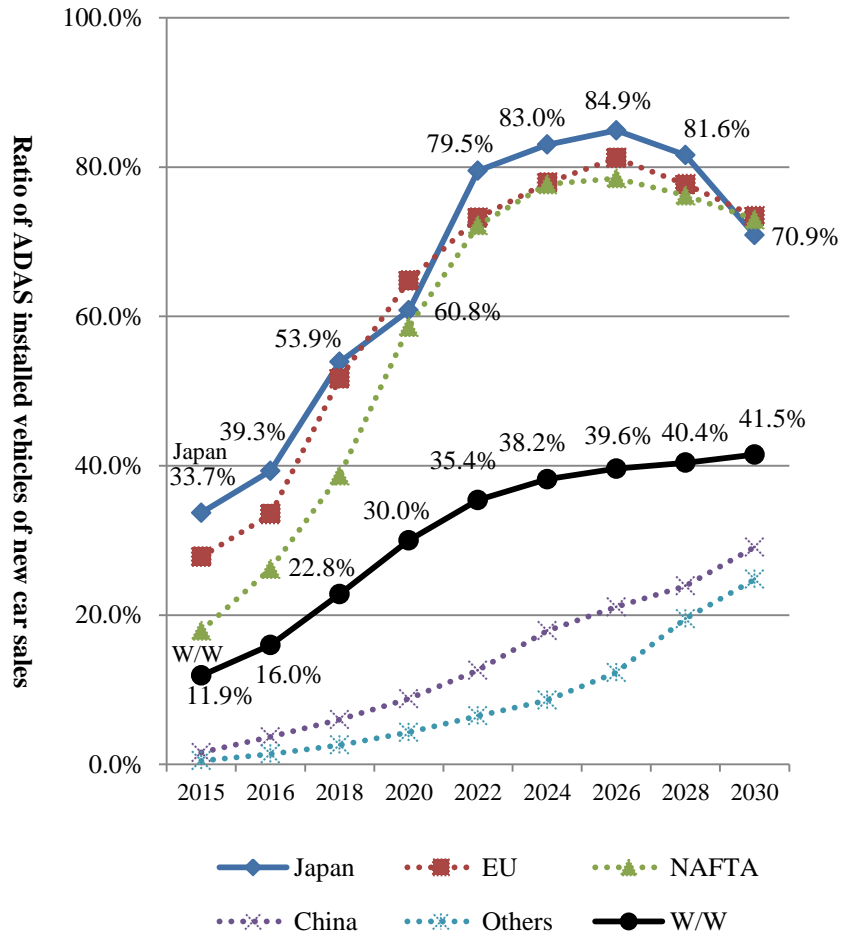
- After the financial crisis in 2008 (Lehman shock), our sales decreased in the area of consumer products such as AV digital equipment and communications device due to the offshore production shift of our customers and the rise of East Asian competitors.
- Sales of products for automotive use increased, helped by the advantages of our long-term business experience with customers, product quality and support system.
- Orders increased steadily since the medium-term business plan made in May 2015, reflecting our efforts focused on the sales expansion of products for automotive use.



2. (3) Prospect for automotive PWB market

■ Spread of ADAS

- In the advanced driver assistance system, millimeter wave radar and camera are installed.
- The ADAS related market is expected to grow rapidly towards 2020, increasing the demand for automotive PWB as well.
- Sales of the ADAS related products increased, reflecting our focus on the market.



※The installation ratio shows the ratio of the number of ADAS installed vehicles to the number of sales of new cars in each region (excluding autonomous cars of Level 3 and over).

The source: "Best Candidate Prediction of Next Generation Car Technologies 2016" Fuji Chimera Research Institute Inc.

2. (4) Prospect for automotive PWB market

■ Spread of new generation vehicles (HV/PHV/EV/FCV)

- The new generation vehicles are expected to be more popular in response to the environmental regulations.
- The demand for automotive PWB is expected to grow further, as more PWB are used in a single vehicle compared to the conventional vehicle.

<Number of sales of the next generation vehicles ▪ sales ratio> (Unit: Thousand)

Country	2015(Results)		2020(Forecast)		2030(Forecast)	
	Number of sales	Sales ratio	Number of sales	Sales ratio	Number of sales	Sales ratio
Japan	950	18.8%	1,380	26.2%	3,050	58.4%
EU	130	0.8%	440	2.8%	10,070	63.7%
NAFTA	510	2.4%	1,250	5.9%	11,250	49.8%
China	200	0.8%	600	1.9%	10,380	18.9%
Others	50	0.2%	410	1.6%	1,910	4.6%
W/W	1,840	2.1%	4,080	4.1%	36,660	26.2%

※The sales ratio shows the ratio of the number of sales of the next generation vehicles to the number of sales of new cars in each region.

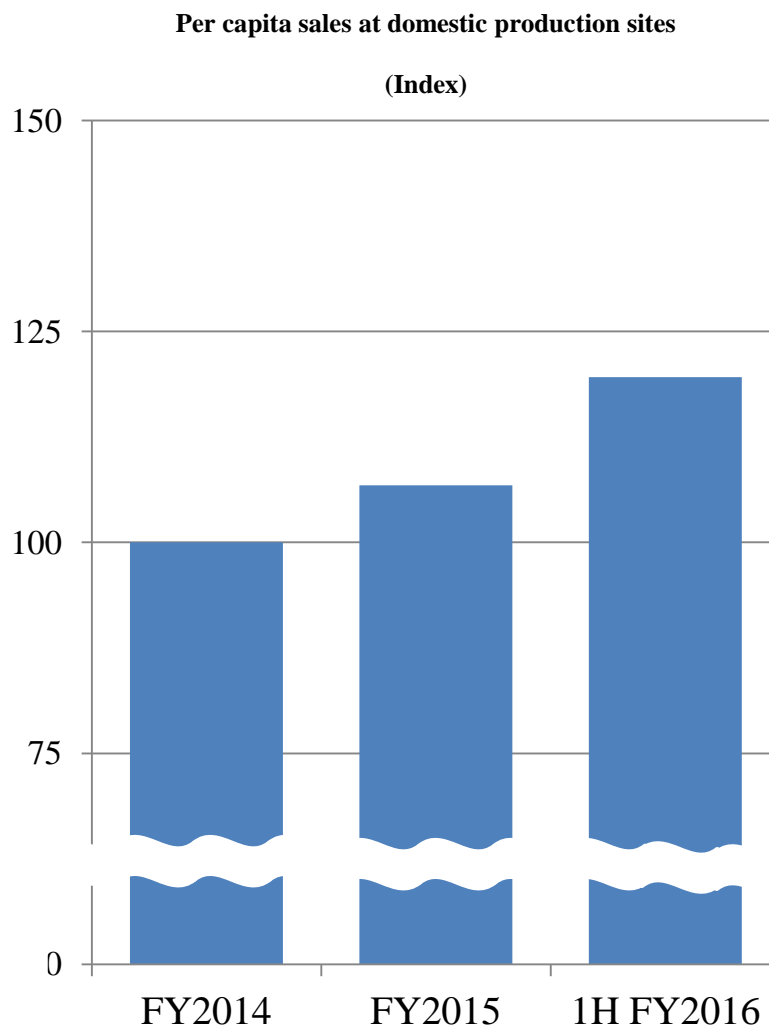
The source: “Best Candidate Prediction of Next Generation Car Technologies 2016” Fuji Chimera Research Institute Inc.

2. (5) Strengthen cost competitiveness



■ Downsizing of domestic production sites

- Domestic production sites were downsized from 3 to 2 by streamlining business operations.
- Per-capita sales increased compared to the status before the downsizing, which improved our profitability.
- In addition, the status of domestic sales orders is gradually recovering, helped by the increased demand for the ADAS related products and the expanded business with the existing customers.
- As a result, domestic profitability was improved significantly, keeping a high operating rate at domestic production sites.
- In future, we will make investments for the automated production to enhance productivity, aiming at further improvement of our profitability.



※Index setting FY2014 as 100

2. (6) Enhance production capacity



■ Further enhancement of production capacity in the factory of Thailand

- By September 2016, our product capacity had been enhanced by 30% from the year-end of 2015.
- However, as the demand for automotive products is expected to increase in future, our production capacity needs to be enhanced further.
- In view of the above, we will enhance our production capacity **further by 30%** by 2018. (It will increase by 66% compared to the year-end of 2015)
- The enhancement is expected to contribute to increasing our sales and profits in the next fiscal year.

CMK CORPORATION (THAILAND) CO., LTD.

Business Contents

Build-up PWBs

Multilayered PWBs

Double-sided PWBs



2. (7) Consolidated Financial Results



(Hundred Millions of Yen)

	Medium-Term management (May 25, 2015 release)			Results and Forecast (As of November 25, 2016)		
	FY2015	FY2016	FY2018	FY2015 (Results)	FY2016 (Forecast)	FY2018 (Forecast)
Sales	750	820	900	730	770	900
Operating income	15	25	45	3	25	45
Operating margin	2.0%	3.0%	5.0%	0.5%	3.2%	5.0%
Profit attributable to owners of parent	7	16	30	▲81	16	30
ROE	1.2%	2.9%	5.0%	-15.9%	3.4%	6.1%

※Assumed exchange rate: 1USD...115yen, 1EUR...125yen

3. Supplementary material on financial results

3. (1)Sales by application



(Hundred Millions of Yen)

	FY2015(Results)			FY2016(Forecast)		
	1H	2H	FY	1H (Results)	2H (Forecast)	FY (Forecast)
Car electronics	240	261	502	253	275	528
Mobile communications	15	11	27	13	21	34
AV equipment	5	4	10	3	12	16
Digital still camera	13	12	25	11	12	24
Amusement	15	9	24	8	16	24
Others	68	71	140	67	74	142
Total	359	371	730	357	412	770

3. (2)Sales by type of PWB



(Hundred Millions of Yen)

	FY2015(Results)			FY2016(Forecast)		
	1H	2H	FY	1H (Results)	2H (Forecast)	FY (Forecast)
Build-up PWBs	72	69	141	69	66	136
Multilayered PWBs	140	155	296	152	193	346
Double-sided PWBs	105	101	207	101	114	215
Others	41	44	86	34	37	72
Total	359	371	730	357	412	770

3. (3)Financial Results by region



(Hundred Millions of Yen)

	FY2015(Results)		FY2016(Forecast)		YoY Change	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Japan	467	6.6	468	15.7	+1	+9.1
China	225	▲0.9	236	9.4	+11	+10.3
Southeast Asia	160	0.0	206	4.5	+46	+4.5
Europe and North America	55	2.3	59	2.2	+4	-0.1
Total	908	8.1	970	31.8	+62	+23.7
Adjustment	▲177	▲4.3	▲200	▲6.8	-23	-2.5
Consolidated	730	3.8	770	25.0	+40	+21.2

3. (4)Capital investment



(Hundred Millions of Yen)

	FY2015(Results)			FY2016(Forecast)		
	1H	2H	FY	1H (Results)	2H (Forecast)	FY (Forecast)
Japan	7	4	12	13	9	22
Overseas	8	10	18	10	20	30
Consolidated	15	15	31	24	29	53
Depreciation cost	26	22	49	21	25	46

Future-related information and descriptions in this material are just forward-looking statements and not guarantees for future achievements.

(Amounts are rounded, and % is rounded to one decimal place.)

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