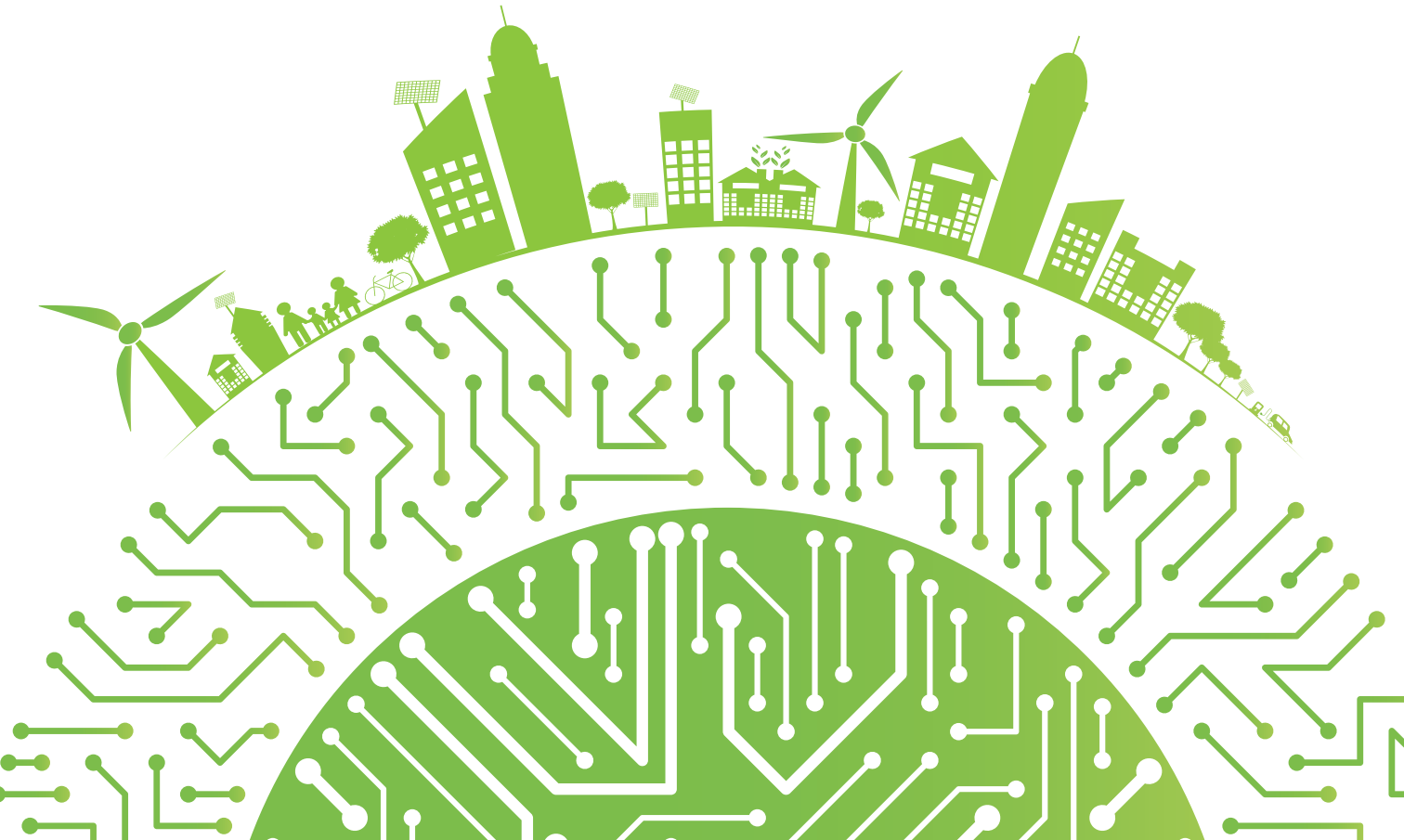
CMK CORPORATION

Securities Cord No : 6958

Creating the future

2019 Business Report

Year Ended March 31, 2019

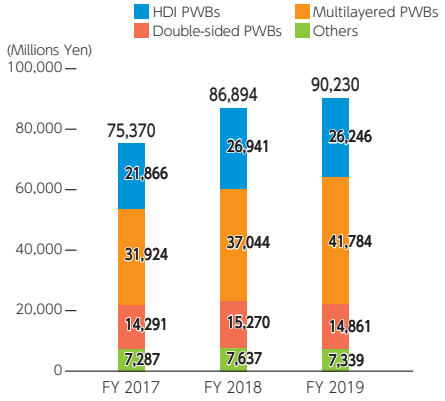


Financial Highlights

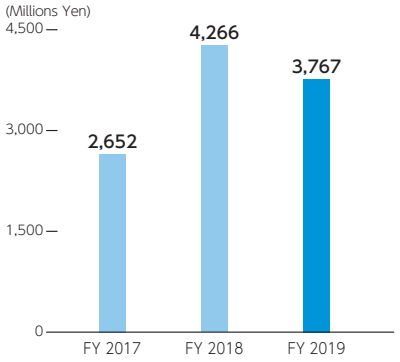
POINT

- Given the increasing reliance of automobiles on electronics, orders for mainstay products designed for automotive use remained strong.
- Operating income declined, reflecting the adverse impact of the currency rate fluctuations and a deterioration in the operating rate associated with a temporary adjustment to the supply-demand situation in Japan.

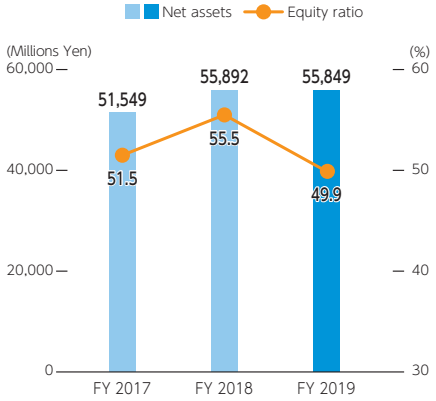
Net sales



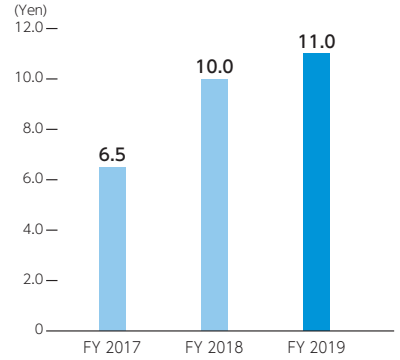
Operating income



Net assets／Equity ratio



Cash dividends



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 59th fiscal year (from April 1, 2018 to March 31, 2019).

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

June 2019

Isao Osawa
President and CEO

Financial Results for the Fiscal Year Ended March 31, 2019

During the consolidated fiscal year under review, the Japanese economy was faced with growing uncertainties caused by the uncertain outlook for the global economy, while consistent improvements were seen in the employment/personal income environment supported by the strong domestic demand. In overseas economies, the United States continued to see strong consumer demand, while European countries and China saw signs of setbacks in the growth of their economies.

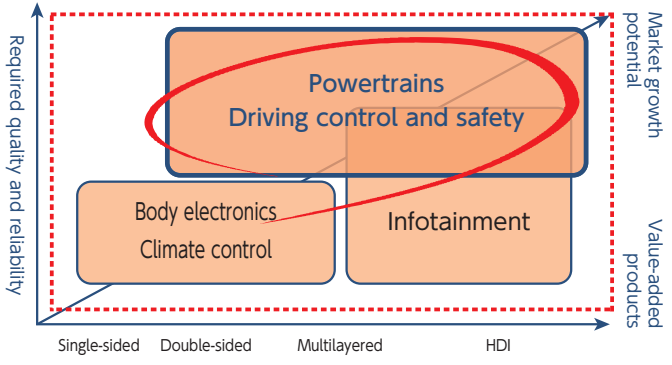
Given this situation, the automotive PWB market, which is the key market for the CMK Group, is continuing to see rising demand with the increasing reliance of automobiles on electronics, given the market shift towards PHVs and EVs amid tightening environmental regulations.

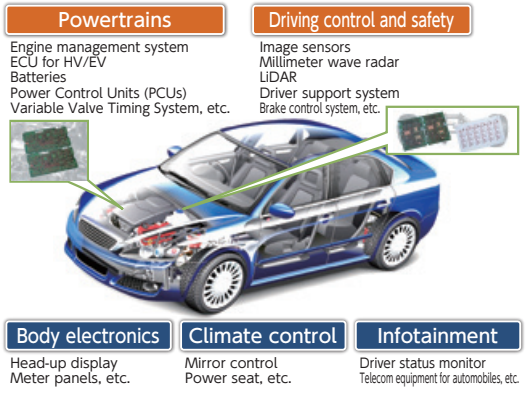
The CMK Group takes steps to execute capital spending for production capacity expansion and enhance productivity in response to the increasing demand, primarily for automotive PWBs. As a result of these efforts, consolidated net sales totaled ¥90,230 million (up 3.8% year on year).

Operating income totaled ¥3,767 million (down 11.7% year on year), reflecting the adverse impact of currency rate fluctuations and the deterioration of the operating rate associated with a temporary adjustment in the supply-demand situation in Japan.

Ordinary income totaled ¥3,770 million (down 3.7% year on year) along with a decline in operating income, and profit attributable to owners of parent came to ¥2,015 million (down 44.6% year on year) due to a valuation loss associated with some of the investment securities.

Business domain with competitive advantage in automotive electronics





Future Outlook

The automotive PWB market, which is the key market for the CMK Group, is continuing to see rising demand with the increasing reliance of automobiles on electronics, given the growing popularity of PHVs and EVs with tightening environmental regulations. Meanwhile, it is expected that the competitive situation will intensify further in the global arena.

Given this situation, the CMK Group has developed the Medium-term Management Plan 2019, covering the period from FY2019 through FY2021, with a medium- to long-term vision aiming to "redevelop the business structure to provide an even more rewarding work environment for employees with greater customer satisfaction."

Among the automotive PWBs with potential for further growth, the CMK Group defines powertrains and driving control and safety including engines, brakes and preventive safety devices that require particularly high quality and reliability as a strategic business domain in which it has a competitive advantage.

We aim to achieve further enhancements in profitability and capital efficiency, focusing on three priority measures including "30 billion yen capital investment," "Company restructuring" and "Company quality improvement" in pursuit of growth in high value-added products centered on automotive PWBs.

We aim to achieve 100 billion yen in sales, 8.0 billion yen in operating income (representing 8% of sales), and ROE of 10% in FY2021 through consistent steps to implement the 30 billion yen capital investment aimed at enhancing production capacity and productivity, the structural reforms of business processes to achieve higher profitability, and the company quality improvement driven by the promotion of ESG initiatives along with the consistent efforts to maintain or enhance our financial soundness.

We will remain committed to enhancing our corporate value with the aim of achieving stable dividend payments as a way of delivering shareholder returns.

We are grateful to all our shareholders for their understanding and support.

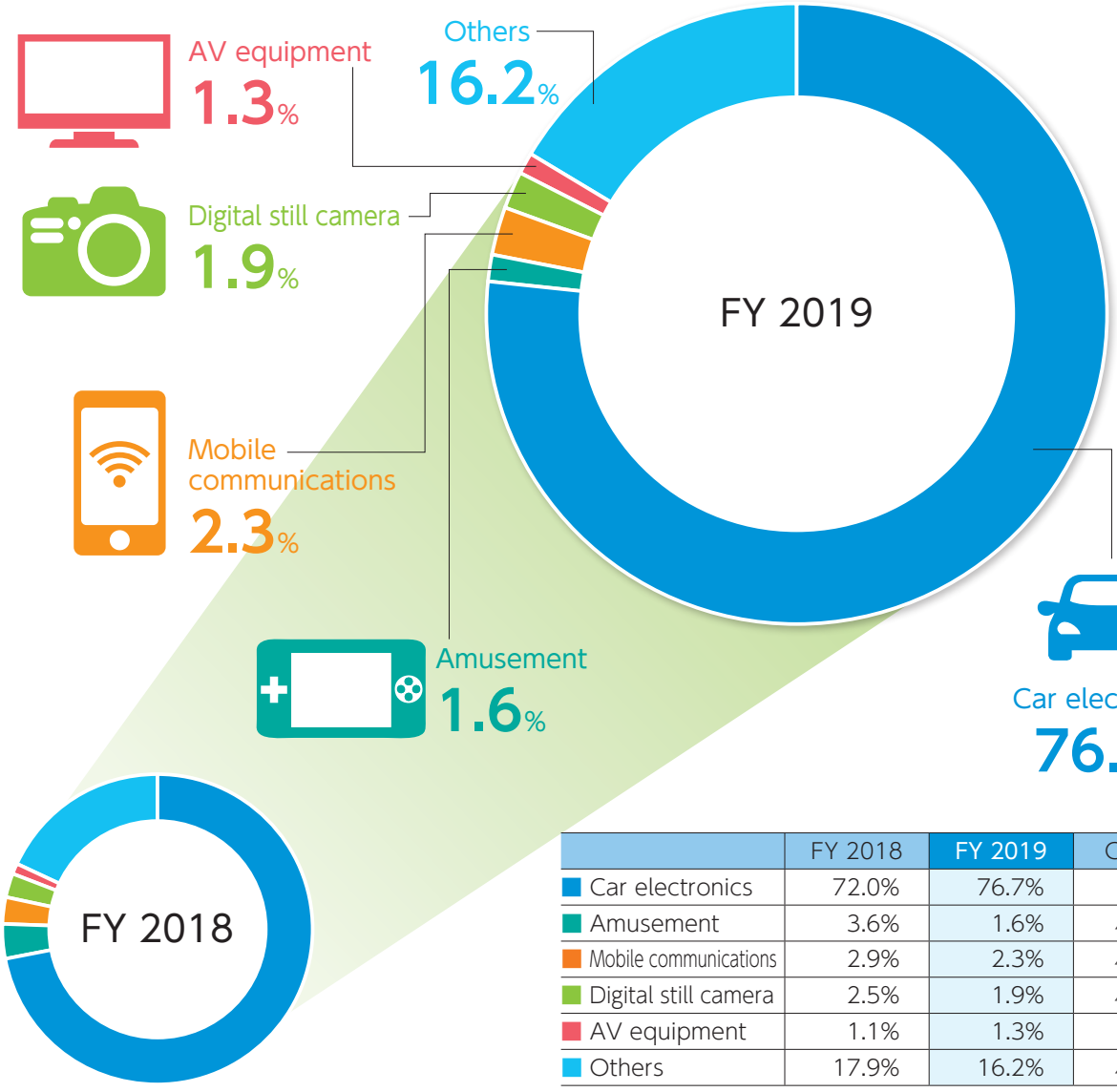
Consolidated Balance Sheet

	Millions of Yen		Thousands of U.S.Dollars
	FY2019 As of March, 2019	FY2018 As of March, 2018	FY2019 As of March, 2019
Assets			
Current assets	61,066	52,277	$553,284
Non-current assets	44,072	42,346	399,311
Property, plant and equipment	37,503	34,788	339,793
Intangible assets	339	371	3,071
Investments and other assets	6,228	7,185	56,428
Deferred assets	50	50	453
Total assets	**105,189**	**94,674**	**953,057**
Liabilities			
Current liabilities	25,917	30,397	234,819
Non-current liabilities	23,422	8,384	212,213
Total liabilities	**49,340**	**38,782**	**447,041**
Net assets			
Shareholder's equity	50,251	48,828	455,295
Capital stock	22,306	22,306	202,102
Capital surplus	16,628	16,628	150,656
Retained earnings	14,451	13,027	130,932
Treasury shares	(3,134)	(3,134)	(28,395)
Accumulated other comprehensive income	2,208	3,670	20,005
Non-controlling interests	3,389	3,393	30,705
Total net assets	**55,849**	**55,892**	**506,016**
Total liabilities and net assets	**105,189**	**94,674**	**953,057**

Consolidated Statement of Income

	Millions of Yen		Thousands of U.S.Dollars
	FY2019 For the year ended March31,2019	FY2018 For the year ended March31,2018	FY2019 For the year ended March31,2019
Net sales	90,230	86,894	$817,522
Cost of sales	77,180	74,036	699,284
Gross profit	13,050	12,857	118,238
Selling, general and administrative expenses	9,283	8,591	84,108
Operating income	3,767	4,266	34,130
Non-operating income	633	438	5,735
Non-operating expenses	630	787	5,708
Ordinary income	3,770	3,917	34,157
Extraordinary income	207	62	1,875
Extraordinary losses	1,005	260	9,105
Profit before income taxes	2,972	3,718	26,927
Income taxes - current	602	541	5,454
Income taxes for prior periods	222	–	2,011
Income taxes - deferred	(101)	(478)	(915)
Profit	2,249	3,656	20,376
Profit attributable to non-controlling interests	233	17	2,111
Profit attributable to owners of parent	2,015	3,638	18,256

Sales by application



	FY 2018	FY 2019	Change
Car electronics	72.0%	76.7%	4.7%
Amusement	3.6%	1.6%	△2.0%
Mobile communications	2.9%	2.3%	△0.6%
Digital still camera	2.5%	1.9%	△0.6%
AV equipment	1.1%	1.3%	0.2%
Others	17.9%	16.2%	△1.7%

Medium- and Long-Term Vision

"Changing our business structure to promote customer satisfaction and create more rewarding working environment"

Aiming at becoming a leading global company in a niche business specialized in highly reliable PWBs and providing 'the highest level of reliable products' in the market, we will meet stakeholders' expectations and deliver the welfare and growth of our employees

■Outline of the medium and long-term strategy

Market environment

- PWB market is growing, mainly supported by Mobile communications and products for automotive use
- With the widespread adoption of electrification, automated driving and 5G, further increase in demand and requirements for quality and reliability are expected
- The industrial equipment sector and Medical equipment sector are regarded as a market likely to grow in the future, where superior quality and reliability are required similarly to the automotive sector

Advantages of CMK

- The share of products for Powertrain and Driving control and Safety is just below 50% of the sales of automotive products
- The global share of HDI PWBs for automotive use is approximately 40% (CMK's assumption)
- Product analysis capability and Quick response according to customer's request based on our technology and experience we have acquired over many years.
- Long-term supply and Quality assurance system based on stable financial base.
- Sharing of roadmaps with major automobile parts manufactures

Select and focus on the sectors where we can make use of our company's great advantages

Focusing on the key business sectors, select targets based on applications and PWB types
Achieving growth in the area of high-value-added products, mainly focusing on the automotive product market

■Medium-term Management Plan 2019

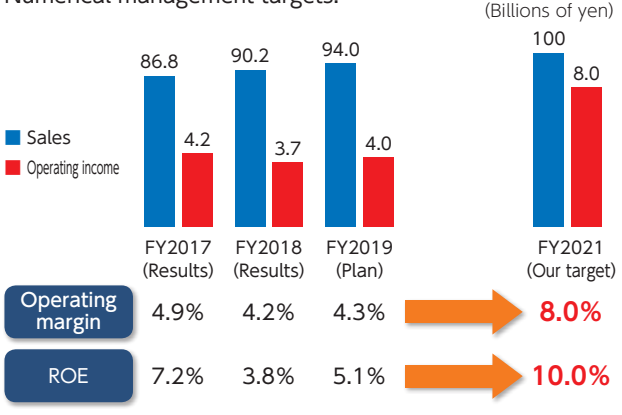
Management policy:

Remain focused on high value-added products centered on automotive products with our competitive advantage in pursuit of higher profitability and capital efficiency.

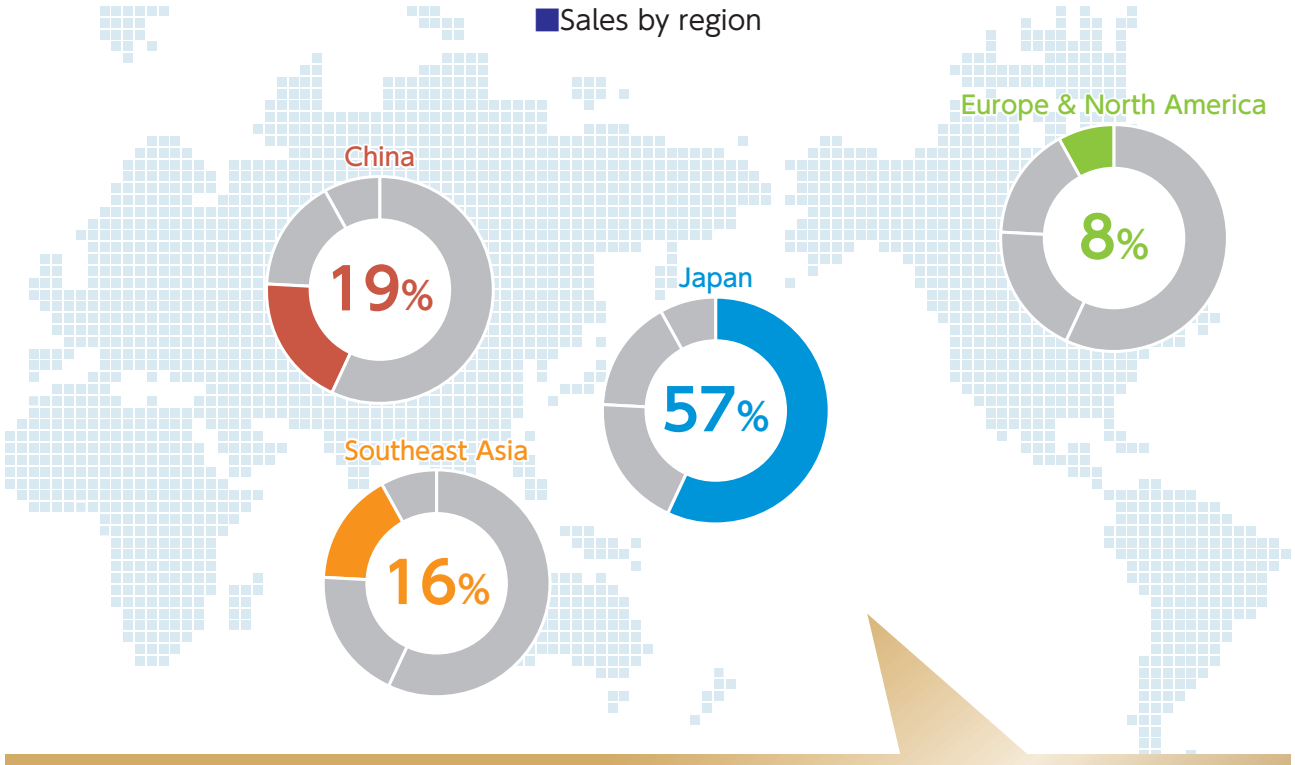
Three key objectives for achieving our medium-term management plan

Capital spending: ¥30 billion	To enhance production capacity and productivity
Structural reform initiatives	To promote structural reform initiatives for each business process in marketing, production, procurement, and human resources management in pursuit of stronger earnings capabilities.
Corporate quality enhancement	Promotion of ESG initiatives and maintenance/ enhancement of financial soundness

Numerical management targets:



Operating Results by Region



Global TOPICS

CMK ELECTRONICS (WUXI) CO.,LTD. (HDI PWBs)

- Investment activities are underway with the aim of improving the current production capacity by approximately 20% in response to the growing demand for HDI PWBs in the automotive sector.

CMK CORPORATION (THAILAND) CO.,LTD (Double-sided PWBs, Multilayered PWBs, HDI PWBs)

- Investment activities are underway with the aim of enhancing production capacity by approximately 25% in response to the growing demand for powertrains and driving control and safety.

Japan

Sales ¥51,520million
(Up 2.1% year on year)

Operating income ¥1,961 million
(Down 27.2% year on year)

Overview of the fiscal year

Auto production in Japan remained strong, primarily driven by brisk exports. Coupled with this, the increasing reliance of automobiles on electronics technologies contributed to the sales of the CMK Group. Sales amounted to ¥51,520 million (up 2.1% year on year), assisted by the growth in demand for automotive products. Operating income for the segment totaled ¥1,961 million (down 27.2% year on year) due to deterioration in the operation rate associated with a temporary adjustment in the supply-demand situation in Japan.

Chia

Sales ¥16,796million
(Down 2.0% year on year)

Operating income ¥1,620million
(Up 33.7% year on year)

Overview of the fiscal year

Auto sales in terms of units made by Japanese car manufacturers remained strong, despite a setback in the growth of the economy. Given this market situation, total sales during the period came to ¥16,796 million (down 2.0% year on year), primarily reflecting a decrease in sales to the amusement industry, partially offset by an increase in sales of automotive products. Meanwhile, operating income for the segment totaled ¥1,620 million (up 33.7% year on year), primarily reflecting an improvement in productivity.

Southeast Asia

Sales ¥14,849million
(Up 17.1% year on year)

Operating income ¥273million
(Down 2.7% year on year)

Overview of the fiscal year

The economies of Southeast Asian nations remained firm in terms of consumer spending, driven by the strong employment and personal income environment. Thailand saw growth in car sales in terms of volume. We achieved sales of ¥14,849 million (up 17.1% year on year), primarily assisted by the strong demand for automotive products. Operating income for the segment totaled ¥273 million (down 2.7% year on year), primarily reflecting the appreciation in the value of the Thai baht against the US dollar.

Europe & North America

Sales ¥7,064million
(Up 6.6% year on year)

Operating income ¥409million
(Down 0.7% year on year)

Overview of the fiscal year

While unit sales of automobiles remained flat in both the United States and Europe, we achieved an increase in sales of products for automotive use, with sales of ¥7,064 million (up 6.6% year on year). Meanwhile, operating income for the segment came to ¥409 million (down 0.7% year on year).

Corporate Data (As of March 31, 2019)

Name of listed company	CMK CORPORATION (Securities code no.: 6958)
Date of establishment	February 25, 1961
Capital	¥22,306,203,140
Number of employees	1,204 (Group total 4,990)

Executives (as of August 1, 2019)

Board of Directors

President and CEO	Isao Osawa
Executive Director and CFO	Akira Kurosawa
Director and Executive Officers	Hiroshi Hanaoka
Director and Executive Officers	Takahiro Shirai
Director	Tsuyoshi Ukyo
Director	Rika Sato
Director	Fumio Haraguchi

Board of Corporate Auditors

Standing Corporate Auditor	Takashi Ogasawara
Standing Corporate Auditor	Masashi Koike
Corporate Auditor	Yukio Otaka
Corporate Auditor	Akihiro Kakizaki

Executive Officers

Executive Officers	Yoshiaki Ishizaka
Executive Officers	Masanori Kawashima
Executive Officers	Masaya Kuriyama
Executive Officers	Seiichi Kobayashi
Executive Officers	Hiroyuki Sato
Executive Officers	Eizo Shibata
Executive Officers	Takahiro Tachikawa
Executive Officers	Akiharu Nakayama
Executive Officers	Masayoshi Hagiwara
Executive Officers	Toshikazu Fujino
Executive Officers	Naoki Matsuo
Executive Officers	Yoshihisa Yamaguchi

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

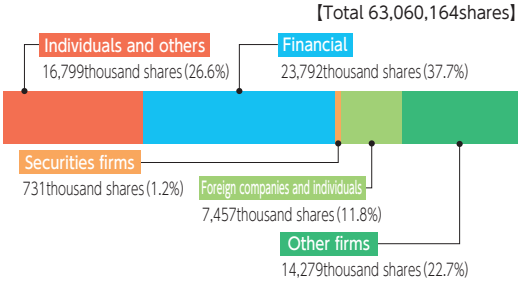
Our Website

- TOPICS
- PRODUCT
- COMPANY
- IR INFO
- CSR
- RECRUIT

We disclose detailed information on this website.

Total number of shares authorized	227,922,000
Total number of shares issued and outstanding	63,060,164
Number of shareholders	7,702
Share trading unit	100

Shareholder Breakdown



Major shareholders (10 largest)

Shareholders	Number of shares held (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	4,574	7.7
Takahiro Nakayama	2,836	4.7
Mizuho Bank, LTD.	2,576	4.3
The Foundation for Technology Promotion of Electronic Circuit Board	2,500	4.2
Japan Trustee Services Bank, Ltd. (Trust account)	2,386	4.0
The Dai-ichi Life Insurance Company, Limited	1,895	3.2
Hiroshi Hashimoto	1,890	3.1
Akiharu Nakayama	1,886	3.1
Trust & Custody Services Bank, Ltd. as trustee for Kiraboshi Bank, Ltd.; retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,745	2.9
Kyoden Area Net KK	1,735	2.9

Note:1. Although the Company holds 3,863,270 shares of treasury stock, it is not included in the above list of major shareholders.
2. Treasury shares were excluded in calculating the shareholding ratios.

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 https://www.cmk-corp.com). If notification cannot be made electronically, it will be made using the Nihon Keizai Shimbun.

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

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