



CMK CORPORATION
(Stock code: 6958)

FY 2017 Financial Results

(presentation material)

May 22, 2018

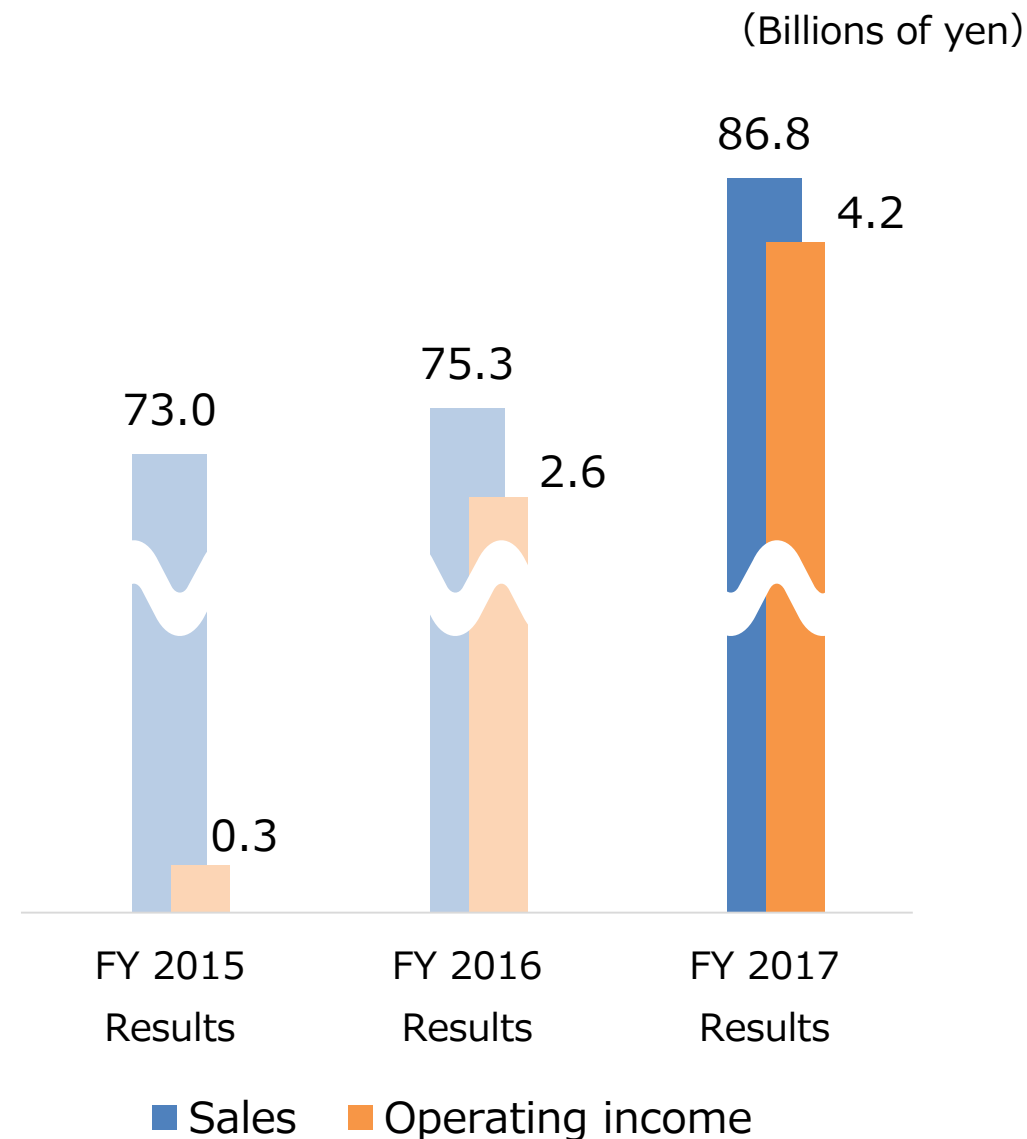
CMK CORPORATION

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- 3 . Trends of Automotive PWB market
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1 . Consolidated financial results for FY 2017

① Key points of FY 2017 Financial results

- Orders of our key products, PWBs for automotive use, increased significantly, driven by the progress of automotive electrification
- Profitability improved, as a result of reflecting the impact of production capacity enhancements and productivity improvements implemented in parallel in factories
- Despite the impact of a rise in material prices, operating profit margin improved up to around 4.9%



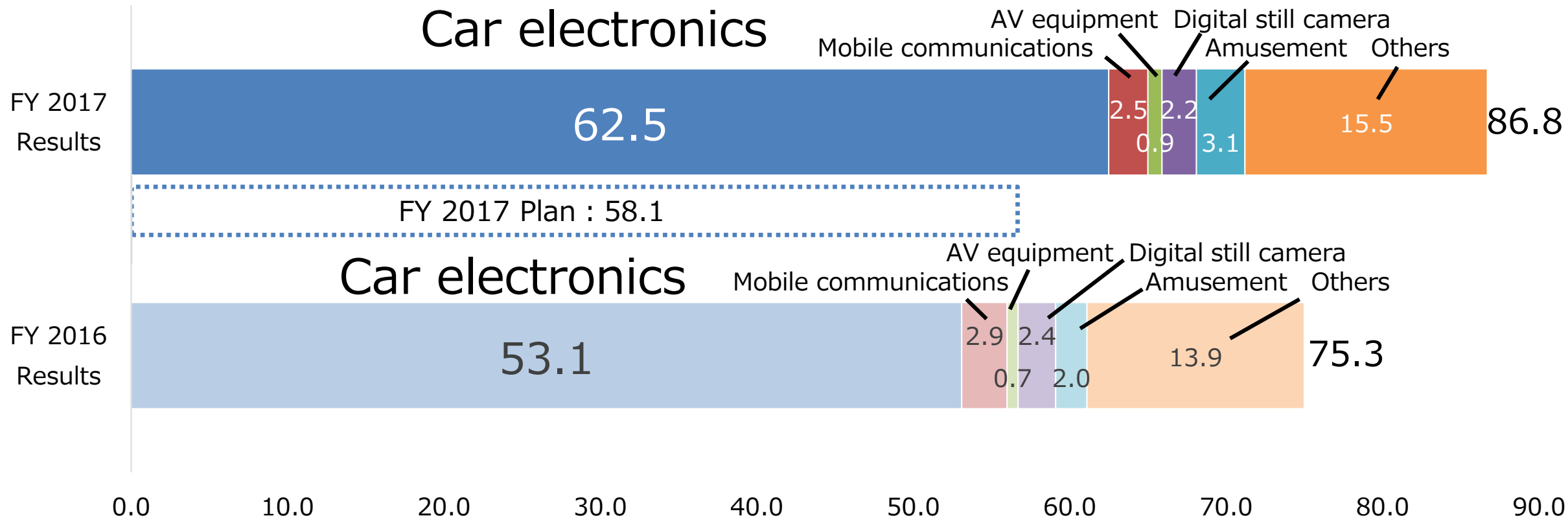
② Consolidated Income Statement

(Billions of yen)

	FY 2016 Results	FY 2017 Results	YoY		Compared with plan	
			Change	%	Plan	Change
Net sales	75.3	86.8	+11.5	+15.3%	80.0	+6.8
Operating income	2.6	4.2	+1.6	+60.9%	4.0	+0.2
Operating margin	3.5%	4.9%	+1.4%		5.0%	-0.1%
Ordinary income	2.6	3.9	+1.2	+49.0%	3.7	+0.2
Profit attributable to owners of parent	2.1	3.6	+1.4	+69.0%	3.0	+0.6
ROE	4.5%	7.2%	+2.7%		6.1%	+1.1%
Exchange rate (USD/JPY)	109.28	112.04	+2.76	+2.5%	110.00	+2.04

③ Sales by application

(Billions of yen)



- Sales of products for automotive use exceeded our target planned in the beginning of FY2017, driven by the progress of automotive electrification
- Orders of products for popular game equipment use contributed to increase sales in the amusement sector

④ Enhancing overseas production capability

Capability enhancements in FY2017 (reproduced - Presentation material of 1H FY2017 Results)

Thailand



CMK Corporation(THAILAND) co., Ltd.

(Double-sided PWBs, Multilayered PWBs, HDI PWBs)

- Order intake mainly of products for automotive use remains strong
- In the end of September, enhanced production capacity by 30% compared with the previous fiscal year (acceleration of the initial schedule)

China



CMK electronics(WUXI) co., Ltd.

(HDI PWBs)

- HDI PWBs adopted in products for automotive use increased
- In the end of June, enhanced production capacity by 30% compared with the previous fiscal year



CMKC (Dong Guan) Ltd.

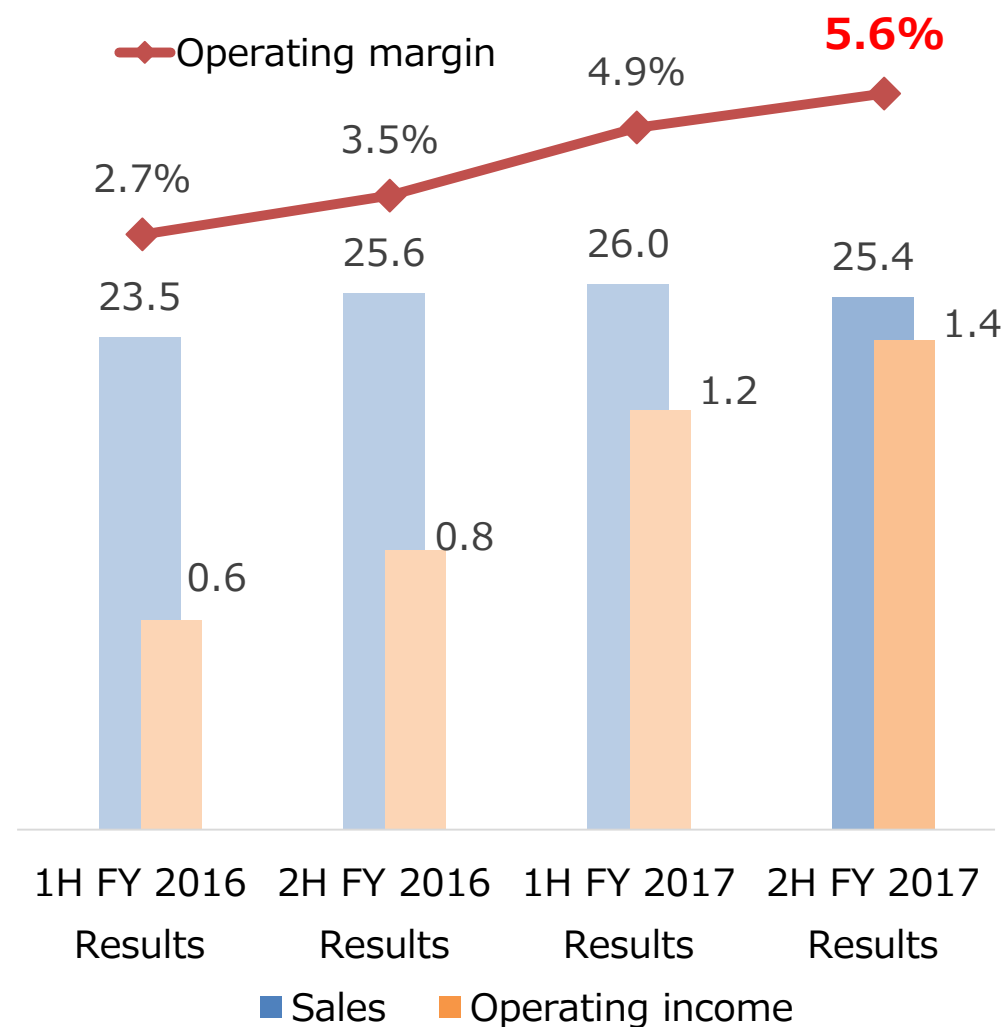
(Double-sided PWBs, HDI PWBs)

- The factory manufacturing products for automotive use being operated continuously at full capacity

⑤ Improving domestic productivity

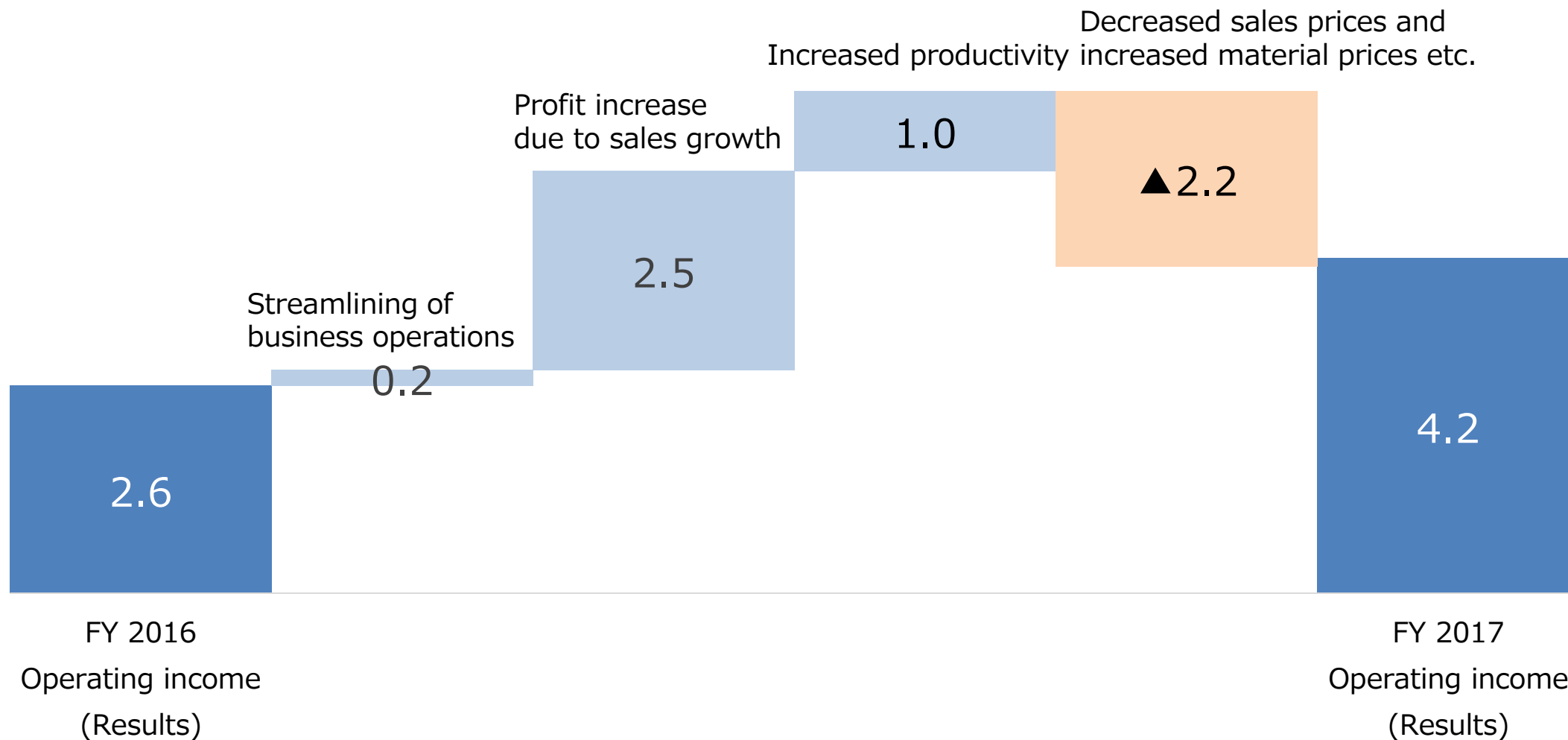
- Downsized domestic production sites in 1H FY2016
- Launched a project to enhance productivity mainly in Niigata factory since 2H FY2016
- With manufacturing operation continued at full capacity, domestic operating profit margin improved up to 5.6% exceeding the average in CMK, helped by cost reduction per unit

Changes in Japan profit and loss



⑥ Analysis of changes in operating income

(Billions of yen)



⑦ Cash dividends

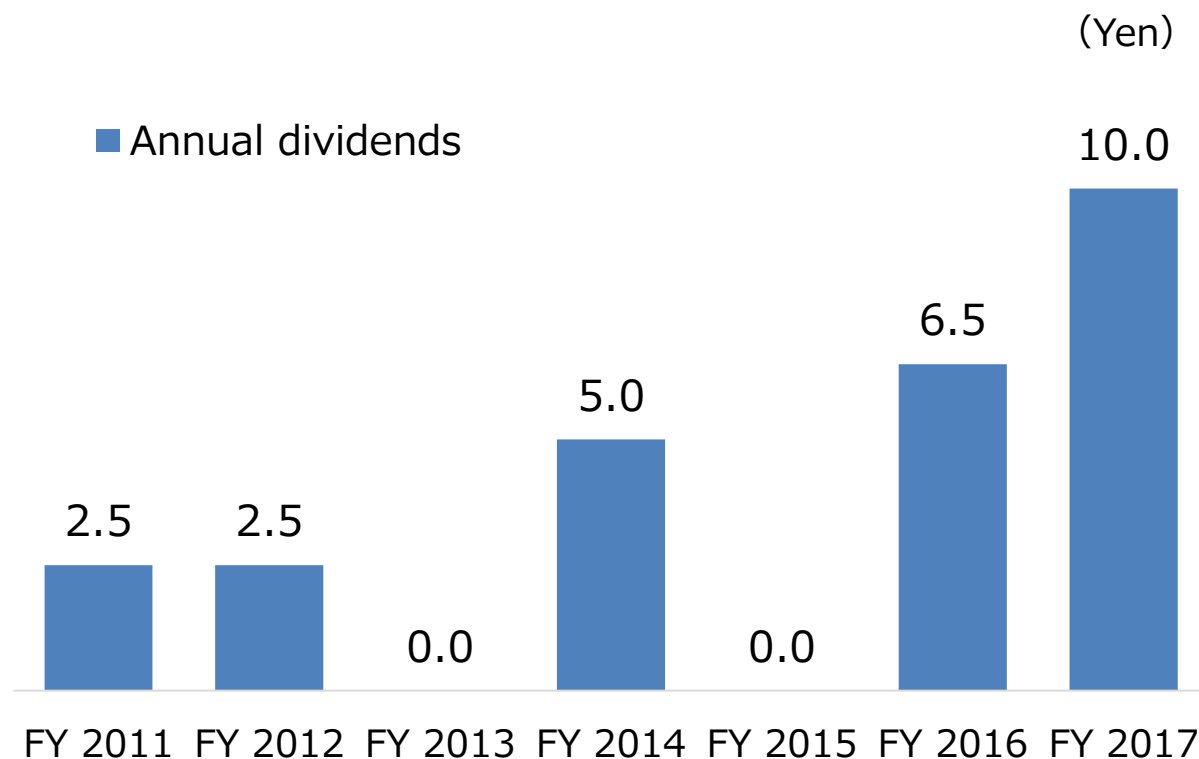
■ Basic policy

Continue to pay stable dividends in light of our financial results and performance, while securing sufficient internal reserves we need to reinforce our management structure and expand our business further

■ Cash dividends

FY 2017 Annual dividends per share

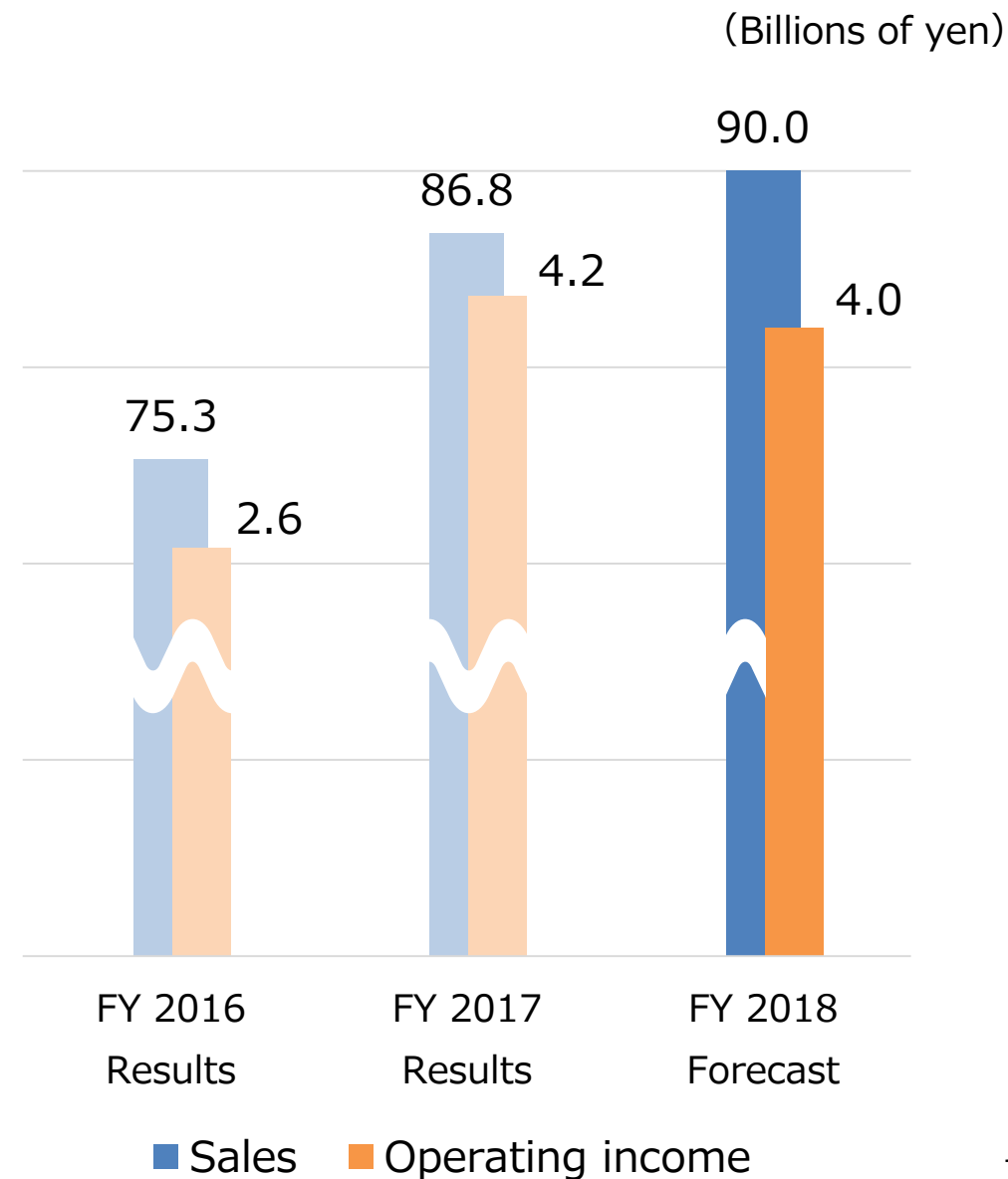
10Yen



2 . Consolidated financial forecast for FY 2018

① Key points of FY 2018 forecast

- Demand for products for automotive use is expected to remain strong, driven by the progress of automotive electrification
- However, the continuing trend of a strong Chinese yuan and Thai baht against US dollar is expected to affect our profit adversely
- Operating profit is expected to decline due to a rise in material prices likely to continue for the time being as a result of tight supply-demand

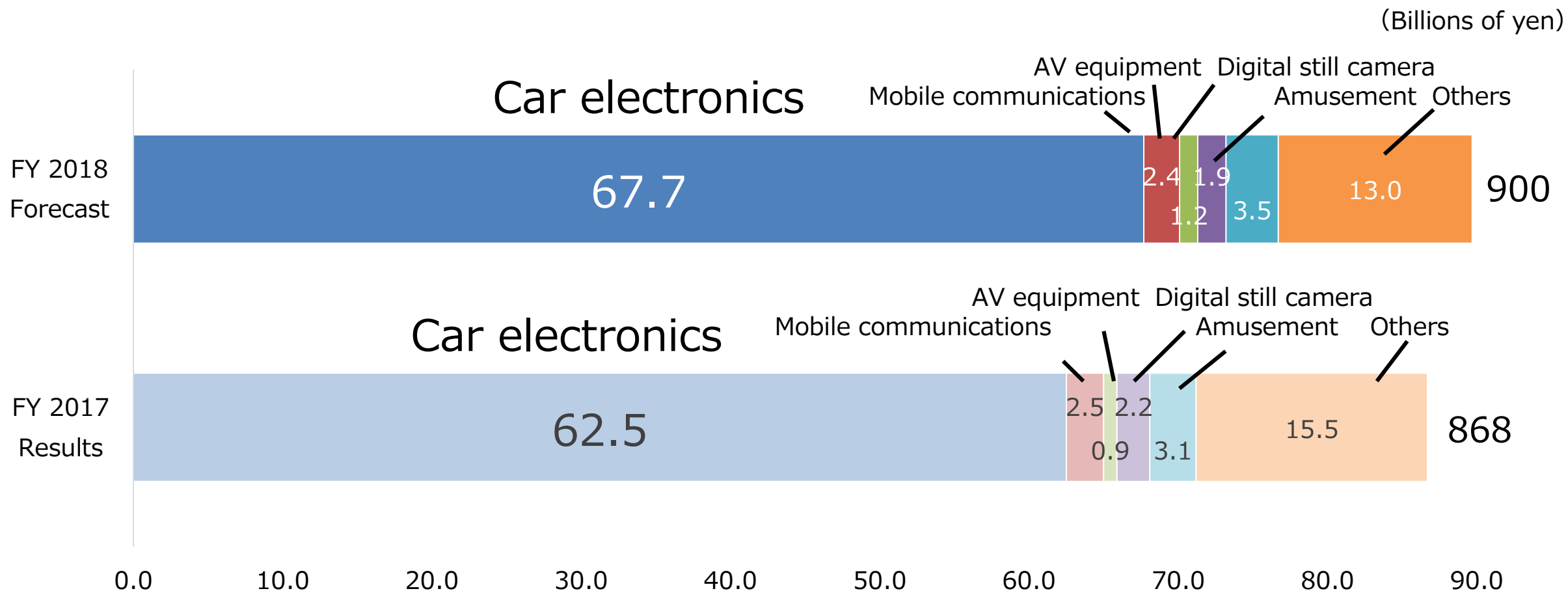


② Consolidated Income Statement

(Billions of yen)

	FY 2017 Results	FY 2018 Forecast	YoY	
			Change	%
Net sales	86.8	90.0	+3.1	+3.6%
Operating income	4.2	4.0	-0.2	-6.2%
Operating margin	4.9%	4.4%	-0.5%	
Ordinary income	3.9	3.7	-0.2	-5.5%
Profit attributable to owners of parent	3.6	3.0	-0.6	-17.5%
Exchange rate (USD/JPY)	112.04	110.00	-2.04	-1.8%

③ Sales by application



- Sales of products for automotive use are expected to remain strong and increase by 8.3% compared with the previous fiscal year, driven by the progress of automotive electrification

④CMK Thailand – Factory expansion

Capability enhancements from FY 2018 to FY 2019 (February 28, release)

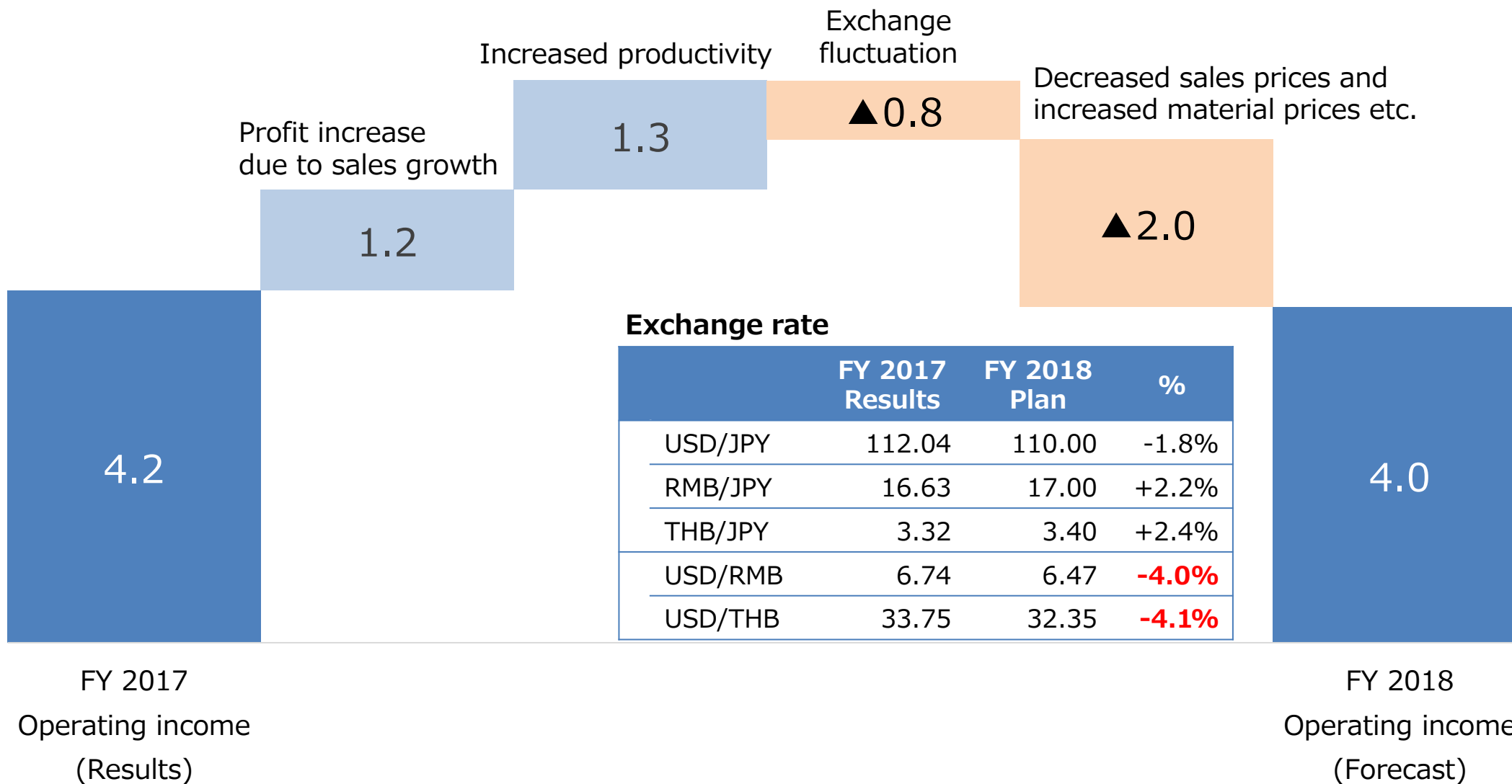
CMK Corporation(THAILAND) co., Ltd.

- Demand for automotive PWBs is expected to grow further, driven by the automotive electrification
- **Expansion of the factory was decided** to ensure further profit increase by keeping up with globally growing demand for automotive PWBs

Location	Prachinburi, Thailand (304 industrial park)
Business contents	Double-sided PWBs, Multilayered PWBs, HDI PWBs
Investment amount	About 5 billion yen
Operation start	Phased operation start from December 2018 (plan)
Production capacity after expansion	Increase by approximately 25% compared with the present status

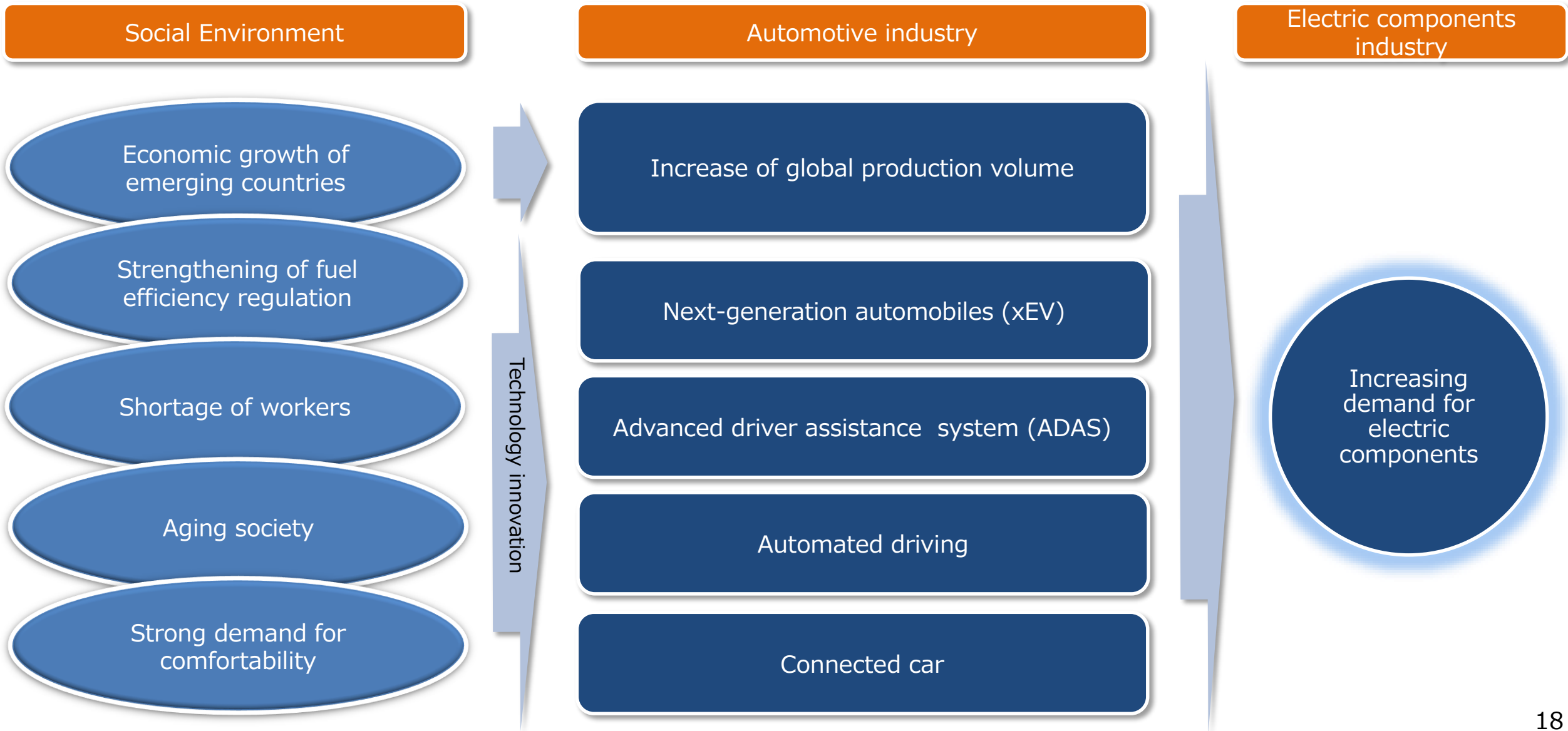
⑤ Analysis of changes in operating income

(Billions of yen)



3 . Trends of Automotive PWB market

① Trends of Automotive PWB market



② Trends of market expansion

Forecast of ECU sales volume

Growing popularity of next generation automobiles

USA: Inter-vehicle communications become mandatory in new cars from 2023 (plan)

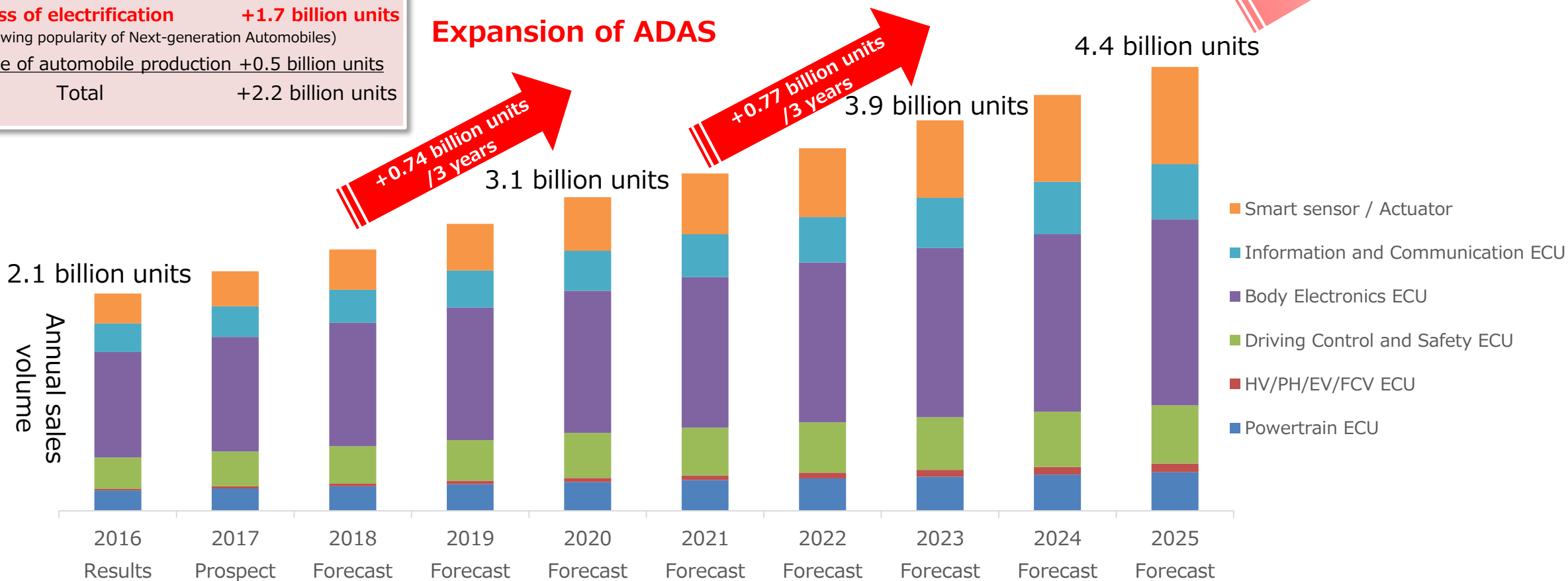
Breakdown of ECU increase

※our calculation

(2016: 2.1 billion ⇒ 2025: 4.4 billion units)

Progress of electrification (incl. Growing popularity of Next-generation Automobiles)	+1.7 billion units
Increase of automobile production	+0.5 billion units
Total	+2.2 billion units

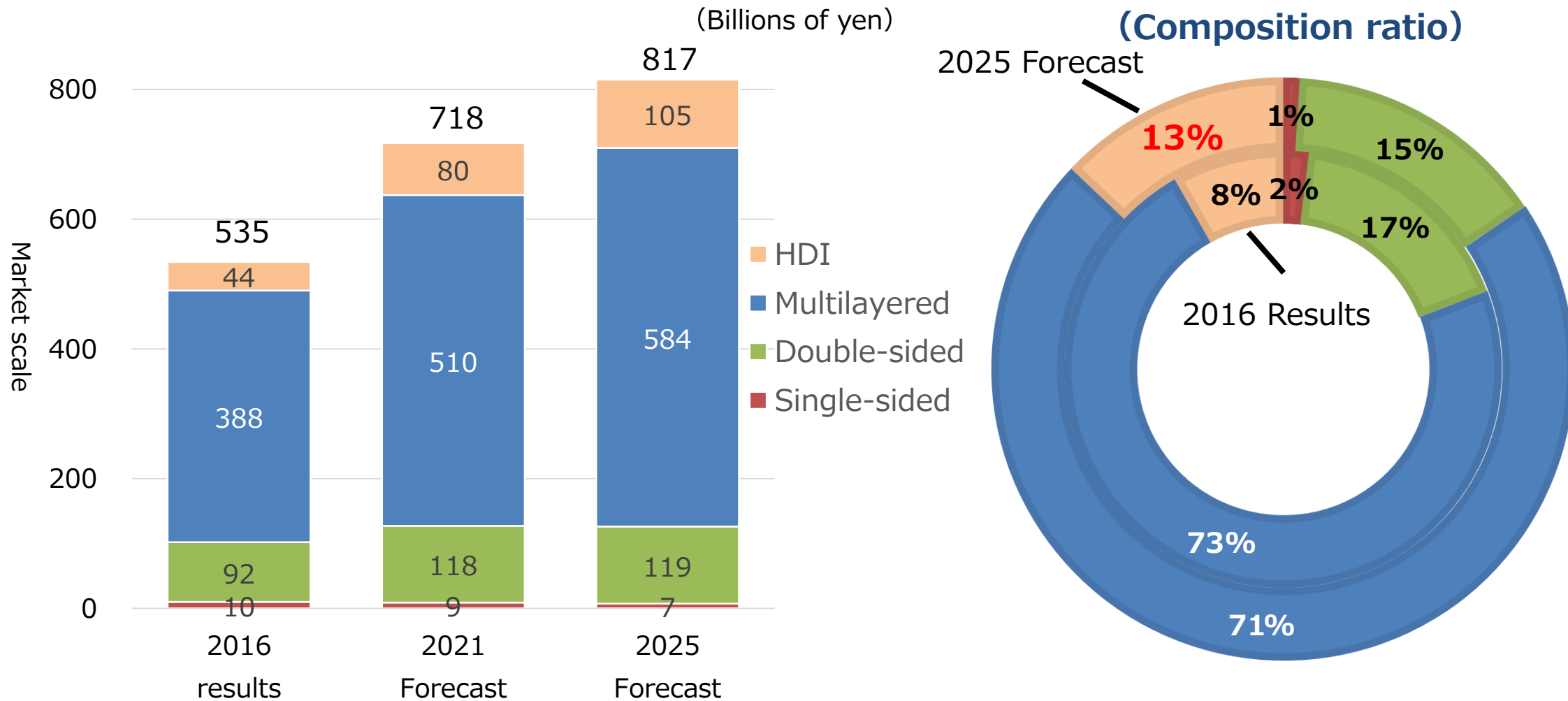
Expansion of ADAS



※Source : prepared by CMK reference to Fuji Chimera Research [Comprehensive Study of In-Vehicle Electronic Devices & Components 2018]

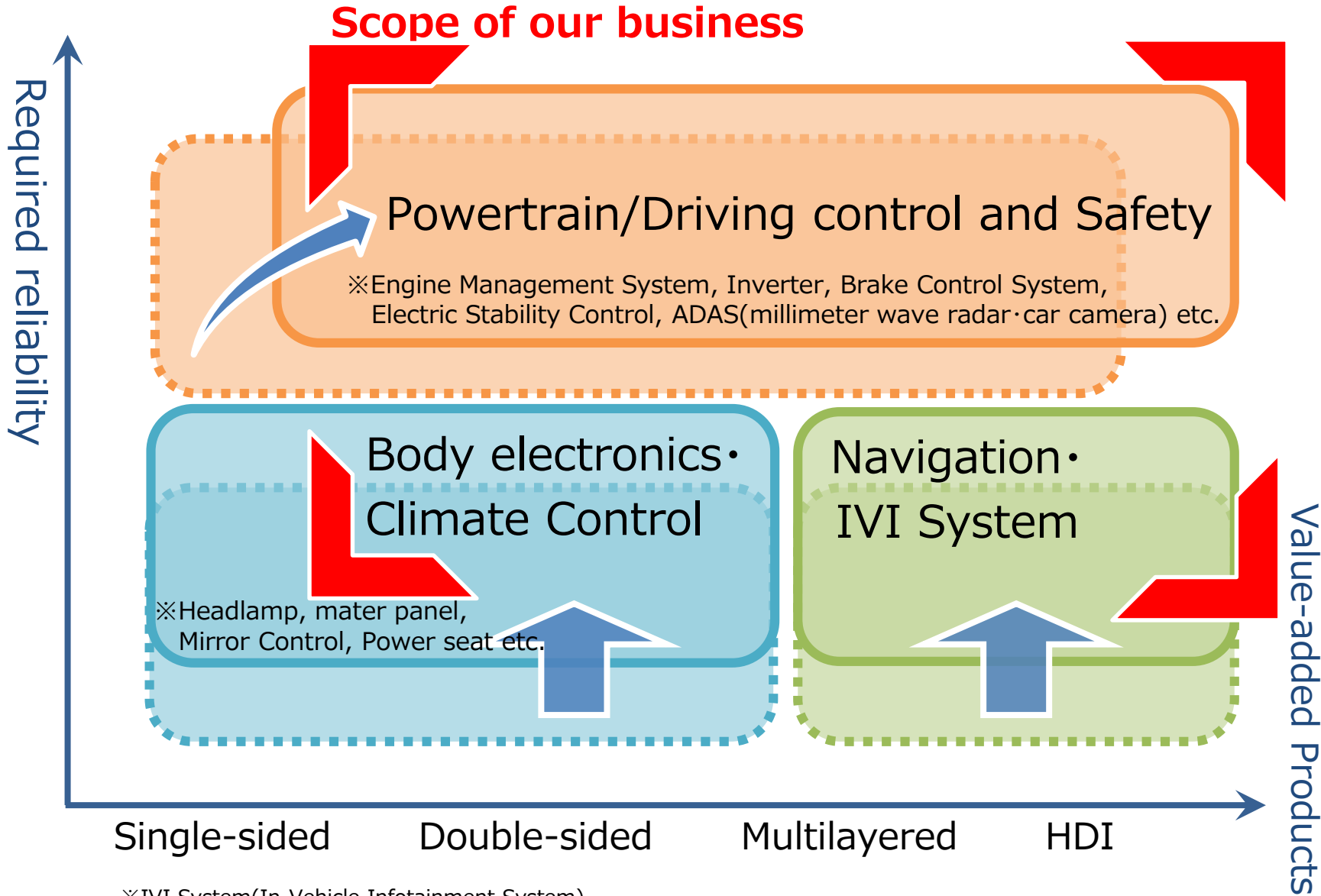
③ Prospect of Automotive PWB market

Market scale forecast of rigid PWBs for automotive use



※Source : prepared by CMK reference to Fuji Chimera Research [Comprehensive Study of In-Vehicle Electronic Devices & Components 2018]

④ Trends of Automotive PWBs



- Use of HDI PWBs
 - HDI PWBs used for Powertrain ECU increased, as microcomputers contain more pins than ever
 - With the spread of ADAS, HDI PWBs are used for Driving control and Safety ECU in millimeter wave radar and car camera which require real-time processing

- Growing demand for reliability
 - Demand for reliability became stronger, driven by the spread of connected cars and autonomous driving

※IVI System(In-Vehicle Infotainment System)

4 . Medium-Term Management plan

① Review of the Medium-Term Management Plan(summary)

Sales

- Sales fell short of our plan due to the unachieved sales in the consumer sector and the Yen's appreciation
- Sales in our key automotive sector exceeded our forecast, driven by accelerating automotive electrification

Profit

- Profitability improved, as a result of our efforts to downsize production sites and promote productivity in Japan and to enhance overseas production capacity
- Product mix improved, helped by increase in sales of HDI PWBs
- Despite such a negative factor as rising material prices, operating profit margin increased to 4.9% and ROE to 7.2%

② Review of the Medium-Term Management Plan (Consolidated Income Statement)

(Billions of yen)

	Medium-term Management plan (May 25, 2015 release)			Results		
	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017
Net sales	75.0	82.0	90.0	73.0	75.3	86.8
Operating income	1.5	2.5	4.5	3.8	2.6	4.2
Operating margin	2.0%	3.0%	5.0%	0.5%	3.5%	4.9%
Profit attributable to owners of parent	0.7	1.6	3.0	▲8.1	2.1	3.6
ROE	1.2%	2.9%	5.0%	▲15.9%	4.5%	7.2%
Exchange rate (USD/JPY)	115.00	115.00	115.00	121.04	109.28	112.04

③ Present issues

Chance

- Demand in the automotive PWB market is expected to increase drastically after 2020

Risk

- The environment surrounding our business is expected to be getting more competitive because a further rise in material prices and more intense competition with overseas companies are anticipated

Issue

- We are required to deliver incomparable quality and reliability as well as cost competitiveness to survive more competitive environment
- We need to restructure our manufacturing and business process by reviewing them with zero-based thinking

④ Positioning of FY2018 in the Medium-Term Management Plan

Positioning of FY2018

- ① Review the whole business process thoroughly and promptly under the new management team started on 1st April (facilities, value-chain and corporate function)
- ② Work out a program for restructuring of our production facilities, manufacturing process and sales organization, and a long-term vision not confined to organic growth
- ③ Commence investments and reforms based on the restructuring program



A new Medium-Term Management Plan we initially planned to announce in May will be released later this year

5 . Supplementary material

① Promote ESG management

Environment

Carbon-Dioxide emission reduction, Water consumption reduction, Resource recycling, and Renewal with energy-saving

Society

Diversity and inclusion, and Promotion of work-life balance

Governance

Enhancement of group management , Information disclosure in English, and Appointment of two independent outside directors

<Note>

In July 2018, the current 'CSR Report' will be renewed and issued as 'CMK Report'.

We will keep our stakeholders informed of our various activities through easy-to-understand reading.

Carrying forward the management focused on ESG to enhance the value of our company over a long period

② Sales by type of PWBs

(Billions of yen)

	FY 2016 Results	FY 2017 Results	YoY Change	FY 2018 Forecast	YoY Change
HDI PWBs	21.8	26.9	+5.0	30.4	+3.5
Multilayered PWBs	31.9	37.0	+5.1	39.2	+2.1
Double-sided PWBs	14.2	15.2	+0.9	14.9	-0.2
Others	7.2	7.6	+0.3	5.3	-2.3
Total	75.3	86.8	+11.5	90.0	+3.1

③ Financial results by region

(Billions of yen)

	FY 2016 Results		FY 2017 Results		YoY	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Japan	49.1	1.5	52.6	2.6	+3.4	+1.1
China	22.7	0.9	29.0	1.2	+6.2	+0.2
Southeast Asia	16.9	0.4	21.4	0.2	+4.4	-0.1
Europe & North America	5.3	0.2	6.6	0.4	+1.2	+0.1
Total	94.2	3.2	109.7	4.5	+15.5	+1.3
Adjustment	▲18.9	▲0.5	▲22.8	▲0.3	-3.9	+0.2
Consolidated	75.3	2.6	86.8	4.2	+11.5	+1.6

FY 2018 Forecast		YoY	
Sales	Operating income	Sales	Operating income
50.7	1.9	-1.9	-0.7
30.7	1.4	+1.7	+0.2
22.9	0.6	+1.5	+0.3
8.0	0.3	+1.4	0
112.5	4.4	+2.7	-0.1
▲22.5	▲0.4	+0.3	0
90.0	4.0	+3.1	-0.2

④ Capital investment

(Billions of yen)

	FY 2016 Results	FY 2017 Results	YoY Change
Japan	1.7	1.5	-0.2
Overseas	2.8	5.4	+2.6
Consolidated	4.6	7.0	+2.4

FY 2018 Forecast	YoY Change
2.8	+1.3
7.1	+1.6
10.0	+3.0

Depreciation cost	4.1	4.1	0
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4.6	+0.5
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Future-related information and descriptions in this material are just forward-looking statements and not guarantees for future achievements
(Amounts are rounded down, and % is rounded to one decimal place.)

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