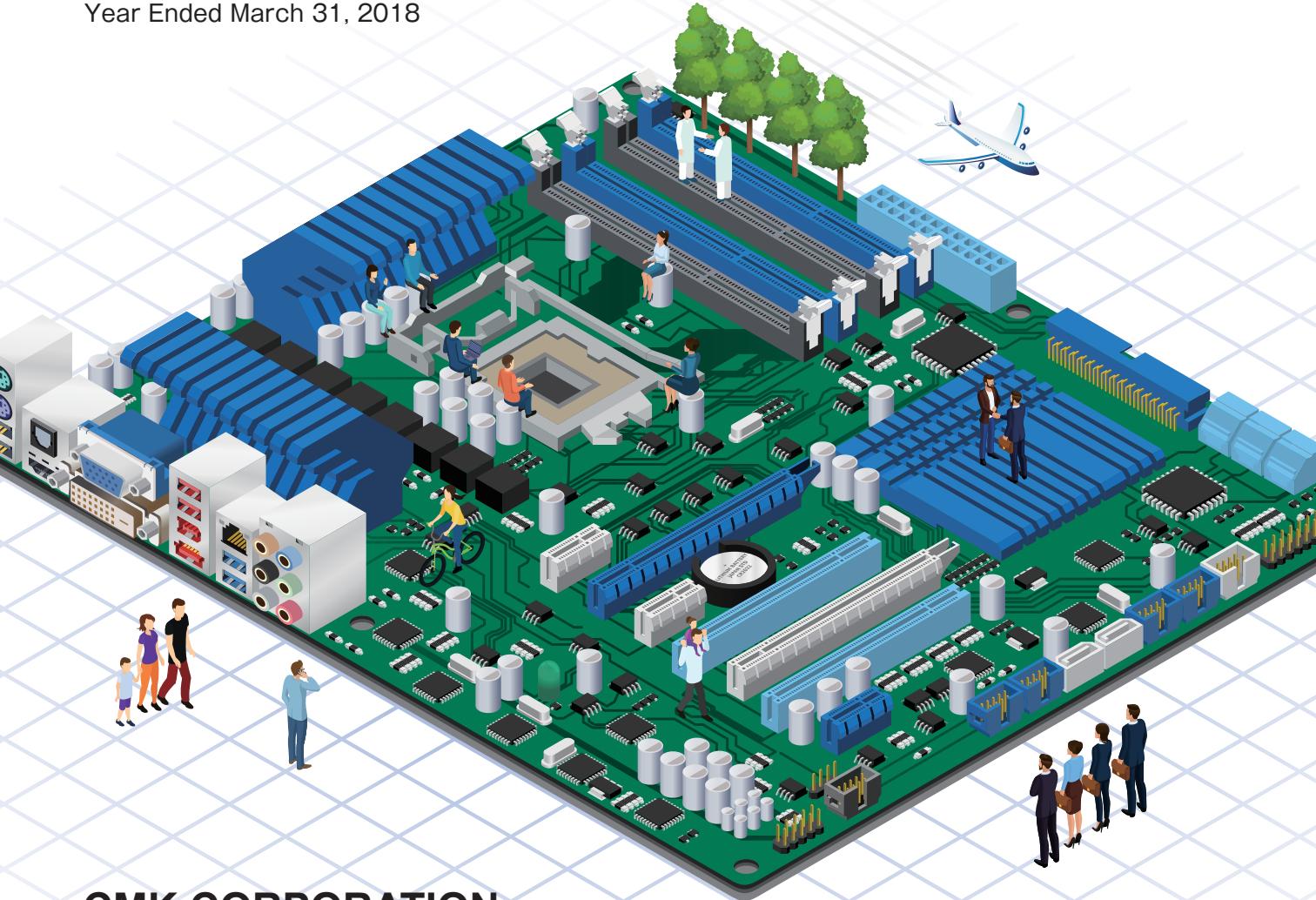


# 2018 Business Report

Year Ended March 31, 2018



**CMK CORPORATION**

Securities Cord No : 6958

## POINT

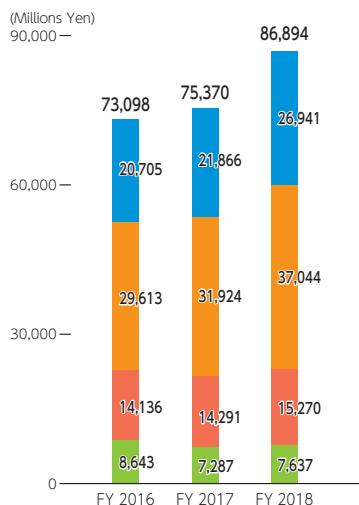
Orders for products for automotive use, our mainstay products, increased significantly.

## POINT

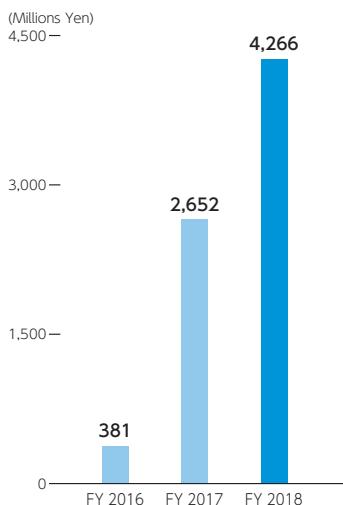
We also achieved improved profitability as a result of the simultaneous promotion of measures for increasing the production capacity of our plants as well as initiatives for improving their productivity.

### Net sales

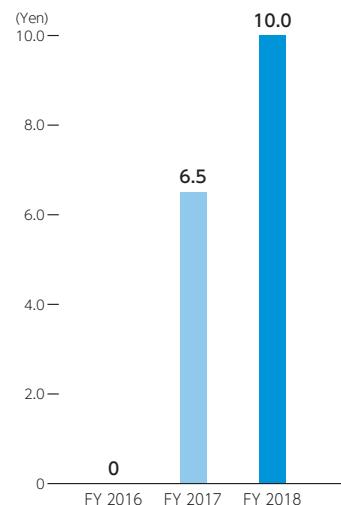
■ HDI PWBs ■ Multilayered PWBs  
■ Double-sided PWBs ■ Others



### Operating income



### Cash dividends



The CMK Group has continued to enjoy rising orders, particularly orders for products for automotive use. The Group is taking steps to bolster productivity at the same time as making capital investments to expand its production capacity. As a result of these efforts, consolidated net sales increased 15.3% from the previous fiscal year, to ¥86,894 million.

Operating income was ¥4,266 million, up 60.9% from the previous fiscal year, despite the impact of a rise in material prices, thanks to the steady improvement in profitability that resulted from the simultaneous pursuit of initiatives for both production capacity and productivity.

In the fiscal year under review, we have decided to pay year-end dividends of ¥10 per share, given that operating income, ordinary income, and profit attributable to owners of parent all increased as a result of sales expansion and improved costs through management rationalization, among other factors.



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. I was appointed president and CEO on April 1 this year. I am committed to the continued development of the CMK Group. It is my pleasure to present the operating results for the 58th fiscal year (from April 1, 2017 to March 31, 2018). I ask for your continued understanding and further support in the years to come.

June 2018

**Isao Osawa**

President and Chief Executive Officer

### Financial Results for the Fiscal Year Ended March 31, 2018

During the fiscal year under review, the Japanese economy continued to stay on the path to moderate recovery, partly reflecting further improvements in employment and income conditions. In addition, the United States has seen continued economic growth due to the strong performance of the corporate sector, while Europe also enjoyed an economic recovery, including a moderate rebound in consumer spending. The Chinese economy has maintained a high rate of growth. Nonetheless, uncertainties remained in the world economy due in part to the intensified trade friction between the United States and China.

The automotive PWB market, which is the key market for the CMK Group, is continuing to see rising demand, partly reflecting the spread of advanced driver assistance systems (ADAS) attributable to the growing safety awareness and the accelerated

shift to PHV and EV that resulted from tighter environmental regulations, in addition to the increasing proportion of gasoline vehicles that are reliant on electronics.

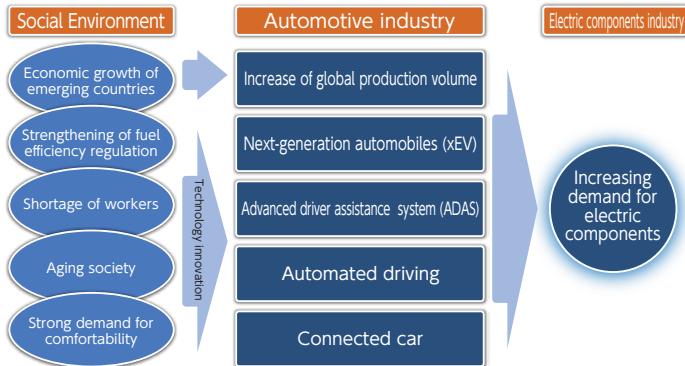
In this environment, the CMK Group made capital investment to increase the production capacity at its main plant in Thailand by 30%. The Group also invested in more production capacity at two plants in China, partly reflecting the increase in sales of build-up PWBs for automotive use and products for foreign companies.

In addition, we focused on improving productivity at our plants in Niigata and other areas, thereby taking steps to increase production volume and improve profitability.

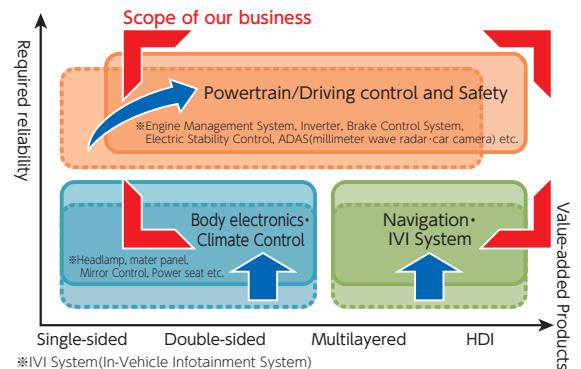
As a result of these efforts, consolidated net sales increased 15.3% from the previous fiscal year, to ¥86,894 million while operating income was ¥4,266 million, up 60.9% year on year.

In addition, thanks to the increase in operating income, ordinary income amounted to ¥3,917 million, up 49.0% year on year, and profit attributable to owners of parent came to ¥3,638 million, up 69.0% from the previous fiscal year.

## Trends of Automotive PWB market



## Trends of Automotive PWBs



## Future Outlook

The automotive PWB market, which is the key market of the CMK Group, is continuing to benefit from rising demand for electronic components attributable to changes in the social environment and technological innovations.

Specifically, the market has seen rapid changes in the environment, including a tightening of fuel efficiency regulations in Europe and other regions, growing social issues such as labor shortages and the aging of the population faced mainly by developed countries, and growing consumer demand for comfort.

In response, automotive manufacturers are stepping up the development of next-generation vehicles, such as EV and PHV, and advanced driver assistance systems (ADAS), including automatic brakes. In addition, self-driving cars are expected to enter the mainstream in the future. We believe that connected cars, which are connected with devices outside the vehicles via the internet, will be a majority in the future.

Given the increasing reliance of automobiles on electronics,

the number of PWBs used per vehicle is expected to increase further.

With regard to trends in automotive PWBs, demand for HDI PWBs as high value-added products has been growing due to the higher functionality of automotive electronic components. It is therefore expected that an even higher level of reliability will be required of PWBs.

In this environment, we believe that a much higher level of quality, reliability, and cost competitiveness than before will be required to maintain and strengthen our competitive edge in the areas of high value-added products and high reliability.

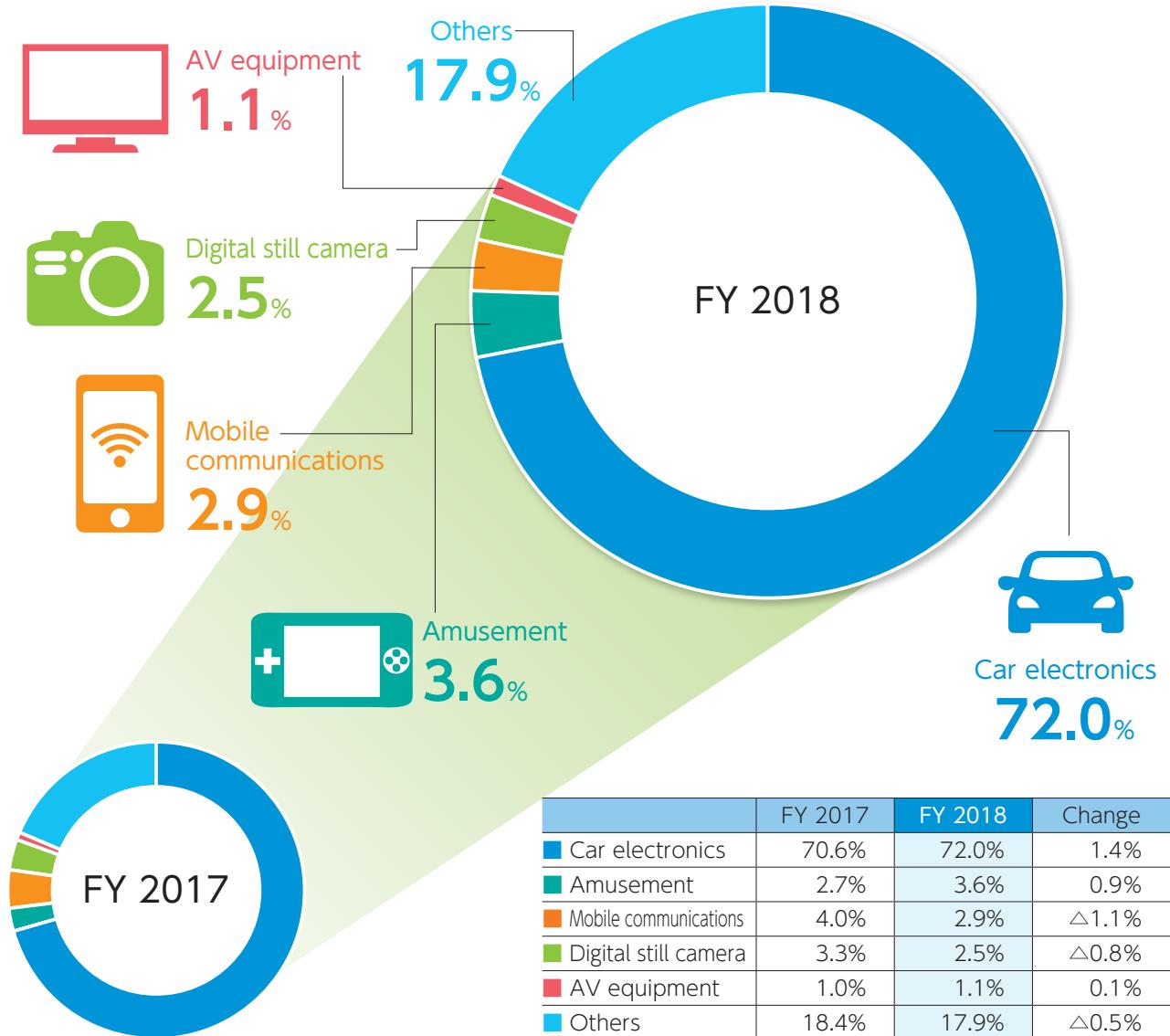
Given the above trends, the CMK Group is planning to respond to the global demand growth by expanding its key plant in Thailand to increase production capacity. In addition, to improve our competitiveness, we will undertake a zero-based review of the status quo and work to reform our manufacturing and business processes. We will advance these initiatives promptly in an effort to improve profitability further.

## Consolidated Balance Sheet

	Millions of Yen		Thousands of U.S.Dollars
	FY2018 As of March, 2018	FY2017 As of March, 2017	FY2018 As of March, 2018
<b>Assets</b>			
Current assets	52,737	54,672	\$470,697
Non-current assets	42,283	38,984	377,392
Property, plant and equipment	34,788	32,096	310,496
Intangible assets	371	421	3,311
Investments and other assets	7,123	6,466	63,575
Deferred assets	50	91	446
<b>Total assets</b>	<b>95,072</b>	<b>93,748</b>	<b>848,554</b>
<b>Liabilities</b>			
Current liabilities	30,397	24,990	271,304
Non-current liabilities	8,782	17,208	78,382
<b>Total liabilities</b>	<b>39,180</b>	<b>42,199</b>	<b>349,696</b>
<b>Net assets</b>			
Shareholder's equity	48,828	45,575	435,808
Capital stock	22,306	22,306	199,089
Capital surplus	16,628	16,628	148,411
Retained earnings	13,027	9,773	116,270
Treasury shares	(3,134)	(3,133)	(27,972)
Accumulated other comprehensive income	3,670	2,679	32,756
Non-controlling interests	3,393	3,294	30,283
<b>Total net assets</b>	<b>55,892</b>	<b>51,549</b>	<b>498,857</b>
<b>Total liabilities and net assets</b>	<b>95,072</b>	<b>93,748</b>	<b>848,554</b>

## Consolidated Statement of Income

	Millions of Yen		Thousands of U.S.Dollars
	FY2018 For the year ended March31,2018	FY2017 For the year ended March31,2017	FY2018 For the year ended March31,2018
Net sales	86,894	75,370	\$775,562
Cost of sales	74,036	64,998	660,799
Gross profit	12,857	10,372	114,753
Selling, general, and administrative expenses	8,591	7,720	76,677
Operating income	4,266	2,652	38,075
Non-operating income	438	621	3,909
Non-operating expenses	787	644	7,024
Ordinary income (loss)	3,917	2,628	34,960
Extraordinary income	62	388	553
Extraordinary losses	260	390	2,320
Profit (loss) before income taxes	3,718	2,627	33,184
Income taxes - current	541	331	4,828
Income taxes - deferred	(478)	4	(4,266)
Profit (loss)	3,656	2,291	32,631
Profit attributable to non-controlling interests	17	137	151
Profit (loss) attributable to owners of parent	3,638	2,153	32,470



## Expansion of the Plant of our Subsidiary in Thailand

The automotive PWB market, the key market of the CMK Group, continues to expand thanks to the spread of advanced driver assistance systems (ADAS) linked to the growing demand for preventive safety and driver assistance, the emergence of next-generation vehicles reflecting tightened environmental regulations, among other factors, in addition to the global increase in new car sales.

The CMK Group has been striving to increase production capacity and improve productivity to respond to the increase in orders. It is expected that demand for automotive PWBs will continue to rise in the future, given the increasing reliance of automobiles on electronics.

To respond to these trends, the Company has decided to increase production capacity by expanding the plant of CMK CORPORATION (THAILAND) CO., LTD., which is its subsidiary. By expanding the plant in Thailand, we will be able to capture the globally growing demand for automotive PWBs and achieve further gains in earnings.



### [Outline of the plant expansion]

Production lines will be added by building an extension to the plant building on the premises in Thailand.

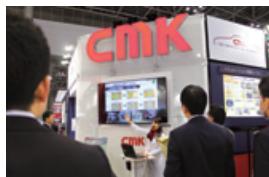
Location	Prachinburi Province (304 Industrial Park), Thailand
Production items	Double-sided PWBs, multilayered PWBs, and HDI PWBs
Amount of investment	Approx. ¥5,000 million
Start of operation	Scheduled for December 2018. (plan)
Production capacity after the expansion	To be increased by approx. 25% from the current level

## Running a Booth at a Trade Show

The Company runs a booth at the INTERNEPCON JAPAN each year to collect information about customer needs.

At the INTERNEPCON JAPAN 2018 held this year, we exhibited products including PWBs for millimeter wave radar and PWBs for sensing cameras, which are used for external sensors. These sensors will be especially important for the future of the autonomous driving, the evolution of which has been accelerating with the progress of ADAS technologies.

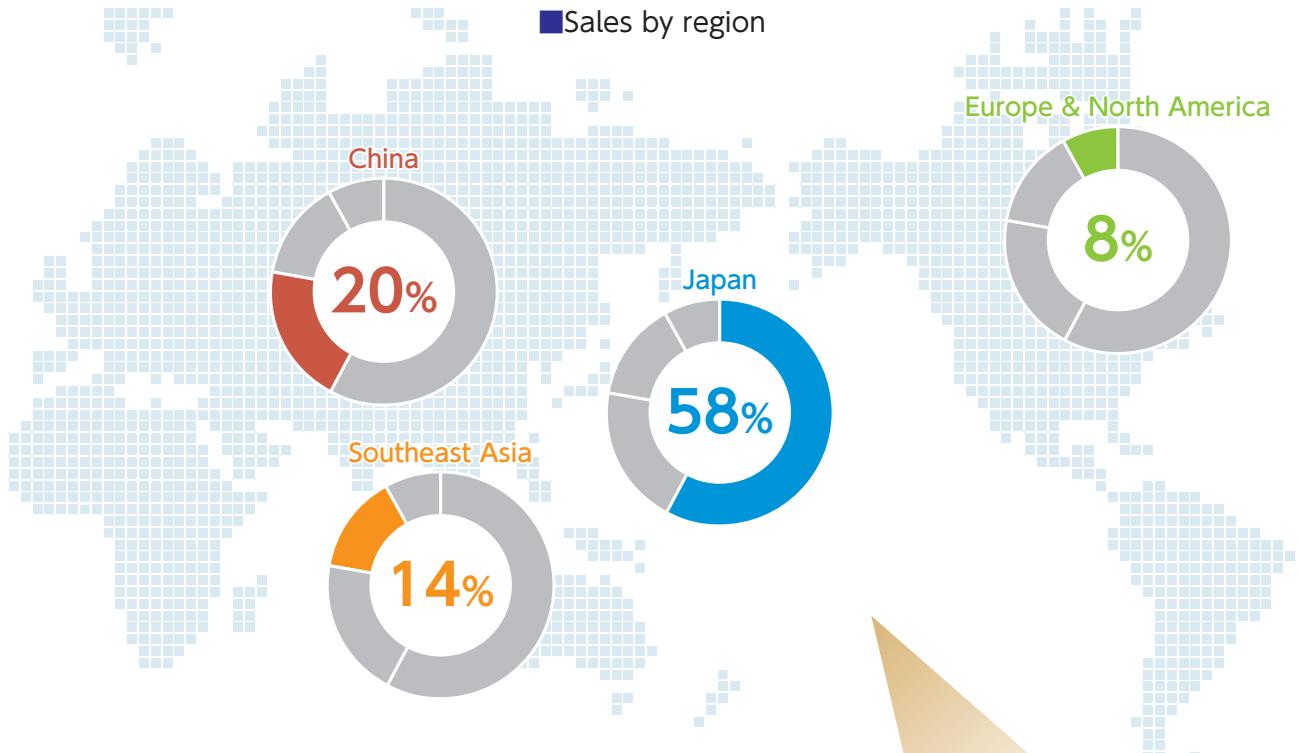
We also suggested PWBs in 3D structures that can be embedded in units, as a technology for sensors and advanced devices with higher performance, increased functions, and smaller dimensions.



PWBs in 3D structures  
(high density and small dimensions)



PWBs for millimeter wave radar  
(collision avoidance sensor compatible with 79GHz)



## Global TOPICS

### Production capacity increased at plants in China in addition to one in Thailand

#### 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, Multilayered PWBs)

- The factory manufacturing products for automotive use being operated continuously at full capacity
- Investments were made in automation, quality improvement, etc.





Japan	Sales	<b>¥50,443</b> million (Up 8.3% year on year)	<b>Overview of the fiscal year</b> Automotive production in Japan remained higher than the previous year due in part to the strong sales of new mini vehicles and other new cars and expansion of exports to North America. In addition, the growing reliance of automobiles on electronics, including the spread of ADAS, also contributed to the increase in orders received by the Company.
	Operating income	<b>¥2,694</b> million (Up 76.1% year on year)	
China	Sales	<b>¥17,136</b> million (Up 26.4% year on year)	<b>Overview of the fiscal year</b> While growth of new car sales in China has been slow due to the lasting impact of the curtailed tax breaks for small-engine cars, production by Japanese automakers in China remained strong, resulting in an increase in sales of products for automotive use.
	Operating income	<b>¥1,211</b> million (Up 21.6% year on year)	
Southeast Asia	Sales	<b>¥12,683</b> million (Up 28.2% year on year)	<b>Overview of the fiscal year</b> The Southeast Asian economy has continued to grow at a high rate due to strong exports. New car sales in Thailand and other countries have also remained strong. In this market environment, we advanced a measure to expand production capacity of our plant in Thailand to respond to the increasing orders for products for automotive use and other products.
	Operating income	<b>¥280</b> million (Down 35.4% year on year)	
Europe & North America	Sales	<b>¥6,630</b> million (Up 24.3% year on year)	<b>Overview of the fiscal year</b> The economies of Europe and the United States continued to expand, mainly reflecting the strong corporate sector performance and recovery of consumer spending. This resulted in rising sales of our products for automotive use.
	Operating income	<b>¥412</b> million (Up 70.9% year on year)	

**Name of listed company** CMK CORPORATION  
(Securities code no.: 6958)

**Date of establishment** February 25, 1961

**Capital** ¥22,306,203,140

**Number of employees** 1,189 (Group total 4,601)

## 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

## Executives (as of August 1, 2018)

### Board of Directors

Chairman and Representative Director Takeo Takai

President and Chief Executive Officer Isao Osawa

Director and Executive Managing Officers Akira Kurosawa

Director and Executive Managing Officers Eizo Shibata

Director and Executive Officers Hiroshi Hanaoka

Director Tsuyoshi Ukyo

Director Rika Sato

### Executive Officers

Executive Officers Yoshiaki Ishizaka

Executive Officers Masanori Kawashima

Executive Officers Hiroyuki Sato

Executive Officers Akiharu Nakayama

Executive Officers Masayoshi Hagiwara

Executive Officers Tomonori Matsuo

Executive Officers Naoki Matsuo

Executive Officers Tomoyoshi Wada

### Board of Corporate Auditors

Standing Corporate Auditor Takashi Ogasawara

Corporate Auditor Fumio Haraguchi

Corporate Auditor Yukio Otaka

## Our Website

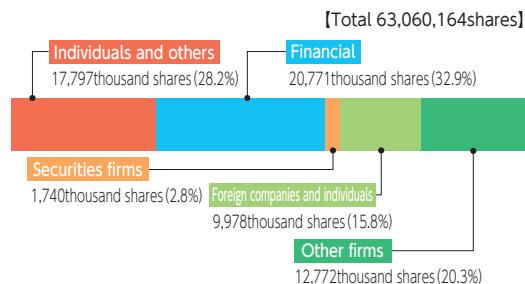
- TOPICS
- PRODUCT
- COMPANY
- IR INFO
- CSR

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	8,774
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)	3,235	5.4
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
The Dai-ichi Life Insurance Company, Limited	1,895	3.2
Akiharu Nakayama	1,886	3.1
Trust & Custody Services Bank, Ltd. as trustee for Tokyo Tomin Bank, Ltd.; retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,745	2.9
Sumitomo Mitsui Banking Corporation	1,613	2.7
Takashi Narata	1,362	2.3
Satoshoji Corporation	1,216	2.0

Note: 1. Although the Company holds 3,862,573 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.  
 3. The Tokyo Tomin Bank, Limited was renamed as Kiraboshi Bank, Ltd. as of May 1, 2018.

## Shareholders Memo

**Fiscal year:** April 1 through March 31 of the following year

**Regular general meeting of shareholders:** Held in June each year

**Date of record for end-of-year dividends:** March 31

**Date of record for mid-year dividends:** September 30

**Notification method:** Electronic notification (company website at <http://www.cmk-corp.com>).

If notification cannot be made electronically, it will be made using the Nihon Keizai Shimbun.

**Transfer agent:** Mizuho Trust & Banking Co., Ltd.  
 1-2-1, Yaesu, Chuo-ku, Tokyo, Japan  
 Stock Transfer Agency Business Planning Department

**Contact address:** Mizuho Trust & Banking Co., Ltd.  
 8-4 Izumi 2-chome, Suginami-ku,  
 Tokyo 168-8507  
 ☎ 0120-288-324



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