



CMK CORPORATION
(Stock code : 6958)

Medium-term management plan 2019

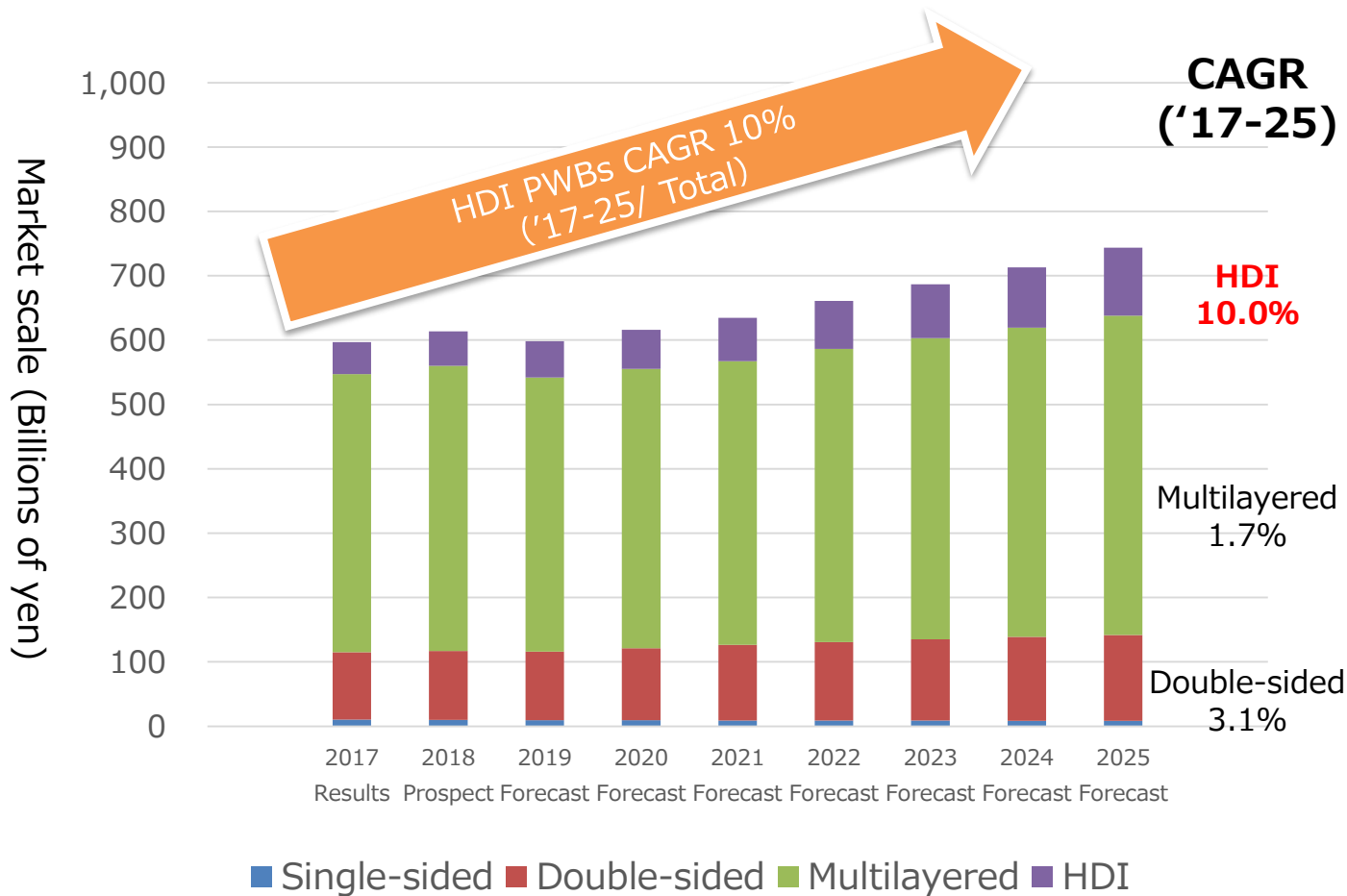
May 20, 2019
CMK CORPORATION

- 1 . Medium and long-term strategy
- 2 . Medium-term management plan 2019

1 . Medium and long-term strategy

①-1 Market environment and Our business area

Trends of Automotive PWB market :



Social environment	<ul style="list-style-type: none"> Economic growth of emerging countries Strengthening of fuel efficiency regulation Shortage of workers and Aging society Strong demand for comfortability Widespread adoption of 5G
Technology innovation etc.	
Automotive industry	<ul style="list-style-type: none"> Increase of global production volume Electric motorization (HV/PHV/EV) ADAS (Advanced Driving Assistance System) Autonomous driving Connected car
High functionality	
Semiconductor	<ul style="list-style-type: none"> High integration, Multi-core Low power Expansion of program capacity
High density	
PWB	<ul style="list-style-type: none"> Demand increasing and functionality improved Use of HDI PWBs expanding

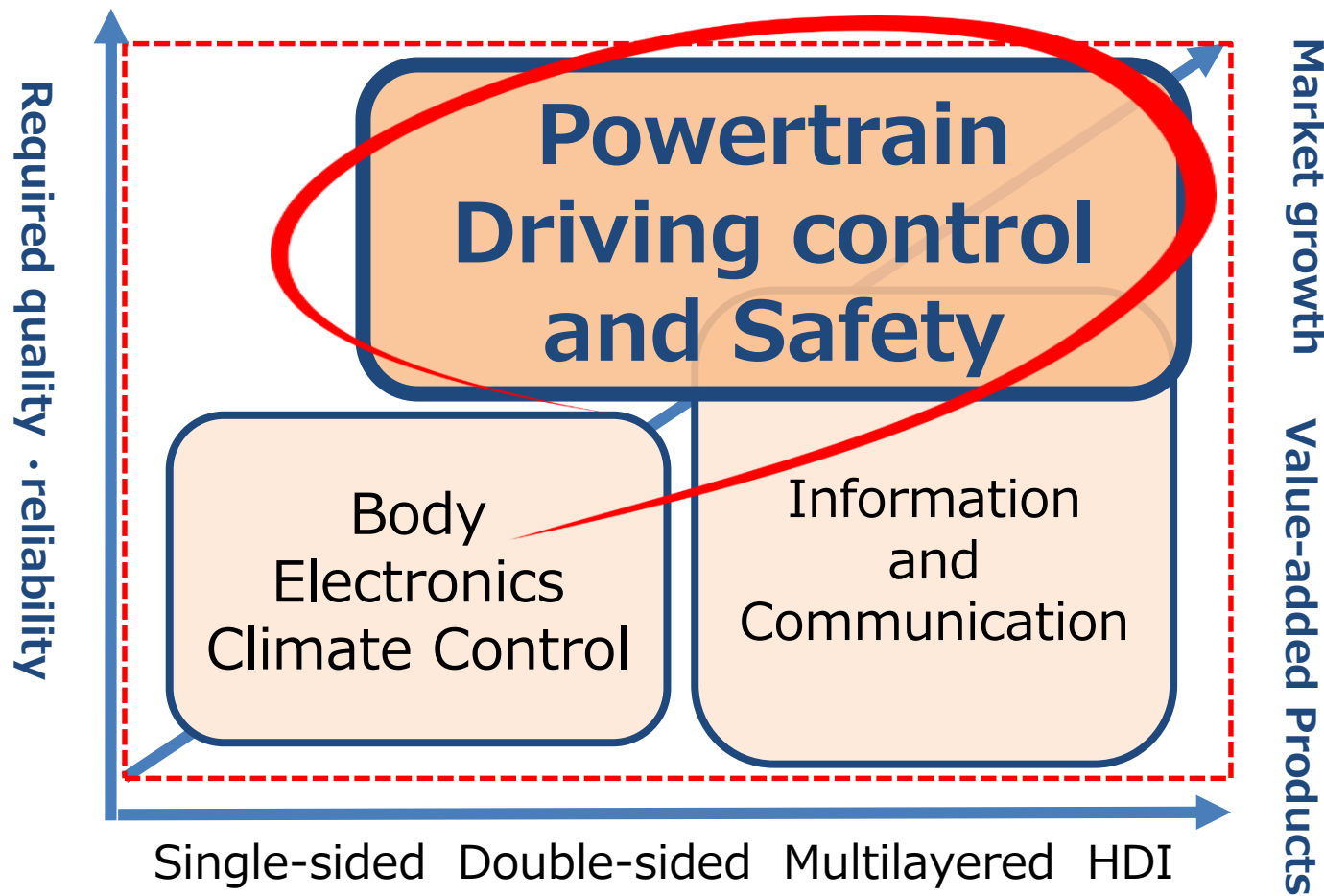
Automotive electrification

Down-sized unit

Source: prepared by CMK reference to Fuji Chimera Research [Comprehensive Study of In-Vehicle Electronics Devices and components 2019]

①-2Market environment and Our business area

Business area with competitive advantage in the application of automotive products :

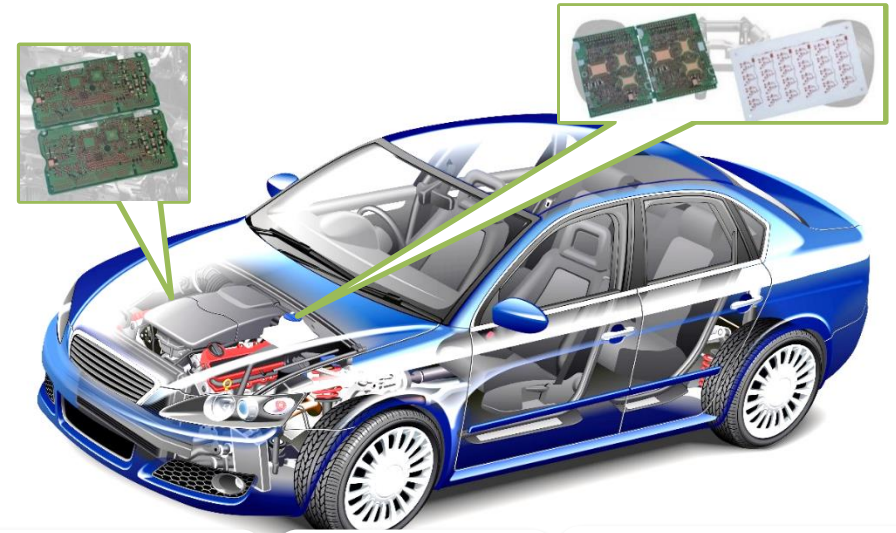


Powertrain

- ◎ Engine Management System
- ◎ HV/EV ECU
- ◎ Battery
- ◎ Power Control Unit
- ◎ Electric Variable Cam Timing etc.

Driving control and Safety

- ◎ Image sensor
- ◎ Millimeter-wave Radar
- ◎ LiDAR
- ◎ Driver Support System
- ◎ Brake etc.



Body Electronics

- ◎ Head-Up Display
- ◎ Mater panel etc.

Climate control

- ◎ Mirror Control
- ◎ Power seat etc.

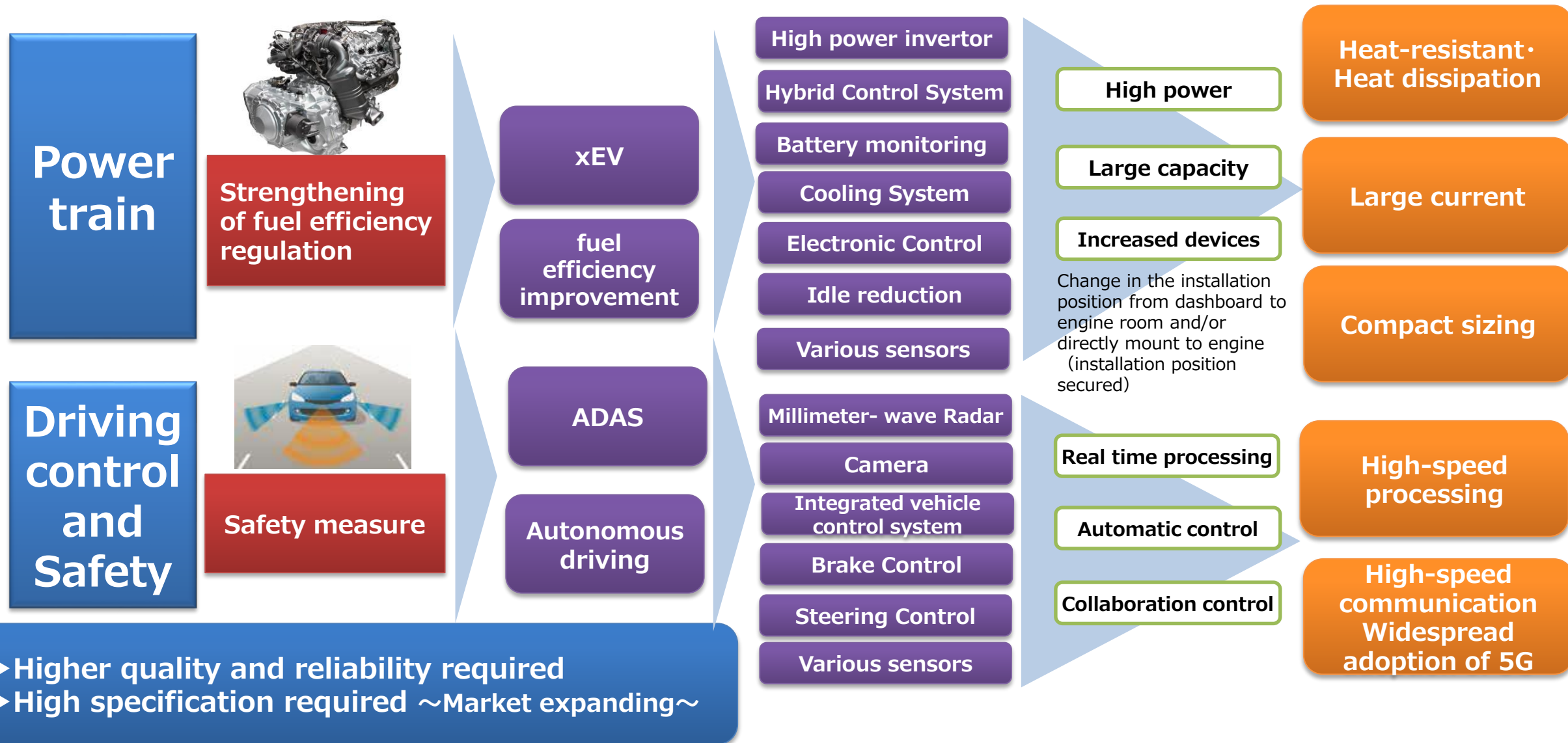
Information and Communication

- ◎ Driver Status Monitor
- ◎ Communication module for automotive use etc.

▶ Advantages in the application requiring high quality and reliability

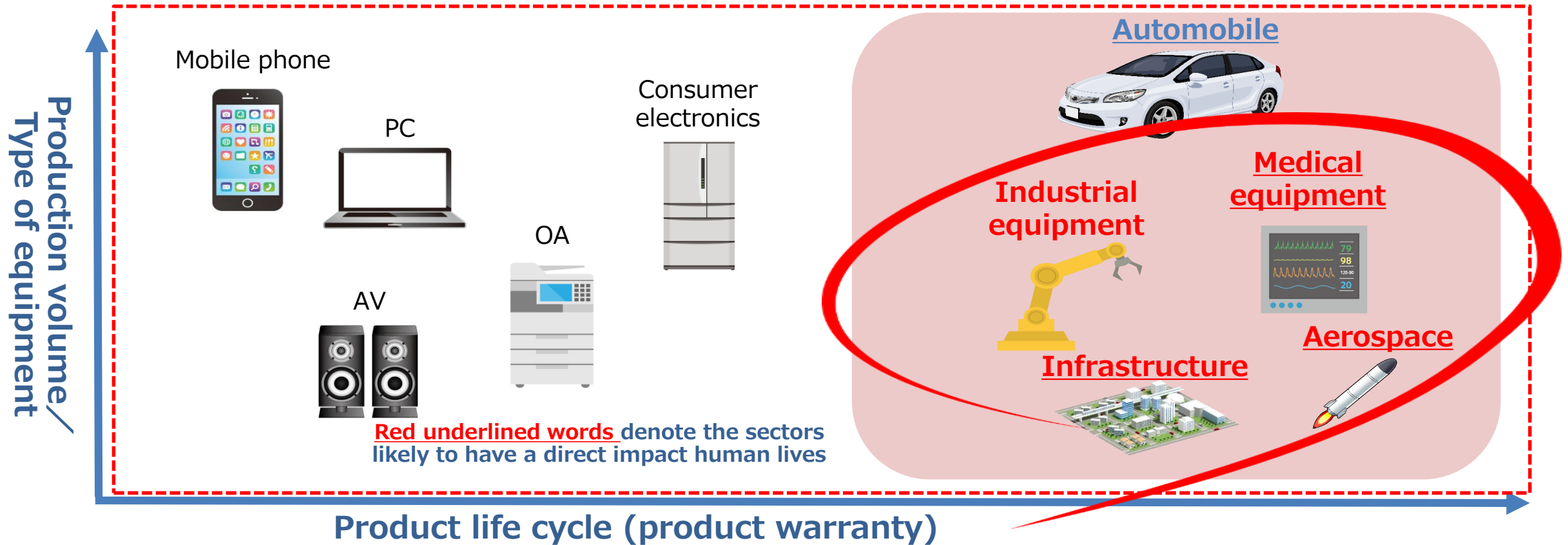
①-3 Market environment and Our business area

Trends of Powertrain and Driving control and Safety sector :



①-4 Market environment and Our business area

Our new target business sectors :



► Other business sectors, in addition to automobile sector, where our high quality and reliability with competitive advantage are required (Expand our business in a new market expected to grow by the widespread adoption of 5G in the new business sectors)

② 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

③ Vision and Strategy

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

2019~2021

2022~

Priority measures

‘Shift to highly-added value’ ‘A Smart Factory initiative’ ‘M&A and Alliance’

Medium-term management plan 2019

~Laying a solid foundation for real growth in the next medium term management plan~

‘30 billion yen capital investment’ ‘Company Restructuring’ ‘Company quality improvement’

Next·Medium-term management plan

~Stage for real growth based on our strength of total quality~

Establish the basis of our further growth, M&A and Alliance

④ Priority measures

Three key objectives to deliver our medium and long-term vision

Shift to highly-added value

Shift current orders toward products with highly-added value mainly in the automotive sector and establish a new foundation for further growth

- Review our portfolio (Productivity enhancement) to achieve the shift of orders and optimize production system
- Develop and establish market sectors other than automotive PWBs to make use of our advantages
- Enhance research and development which support our strategy related to products with highly-added value

A Smart Factory initiative

Realize a smart factory by making maximum use of IoT and AI

- Improve production efficiency
- Streamline key processes by utilizing AI (Use of AI in visual inspection equipment)
- Realize a factory where IoT foretells problems with facilities, avoiding operation shut-down

M&A and Alliance

Achieve accelerating growth through M&A and Alliance

- Departing from our self-sufficient business, aim at growing globally with a sense of speed
- Enhance cost competitiveness by making use of OEM
- Expand customer basis by adopting the related technology (Expansion of PWB mounting business)

④ Numerical Management Targets

Targeting 10% or more operating profit margin through three key objectives

■ Shift to highly-added value

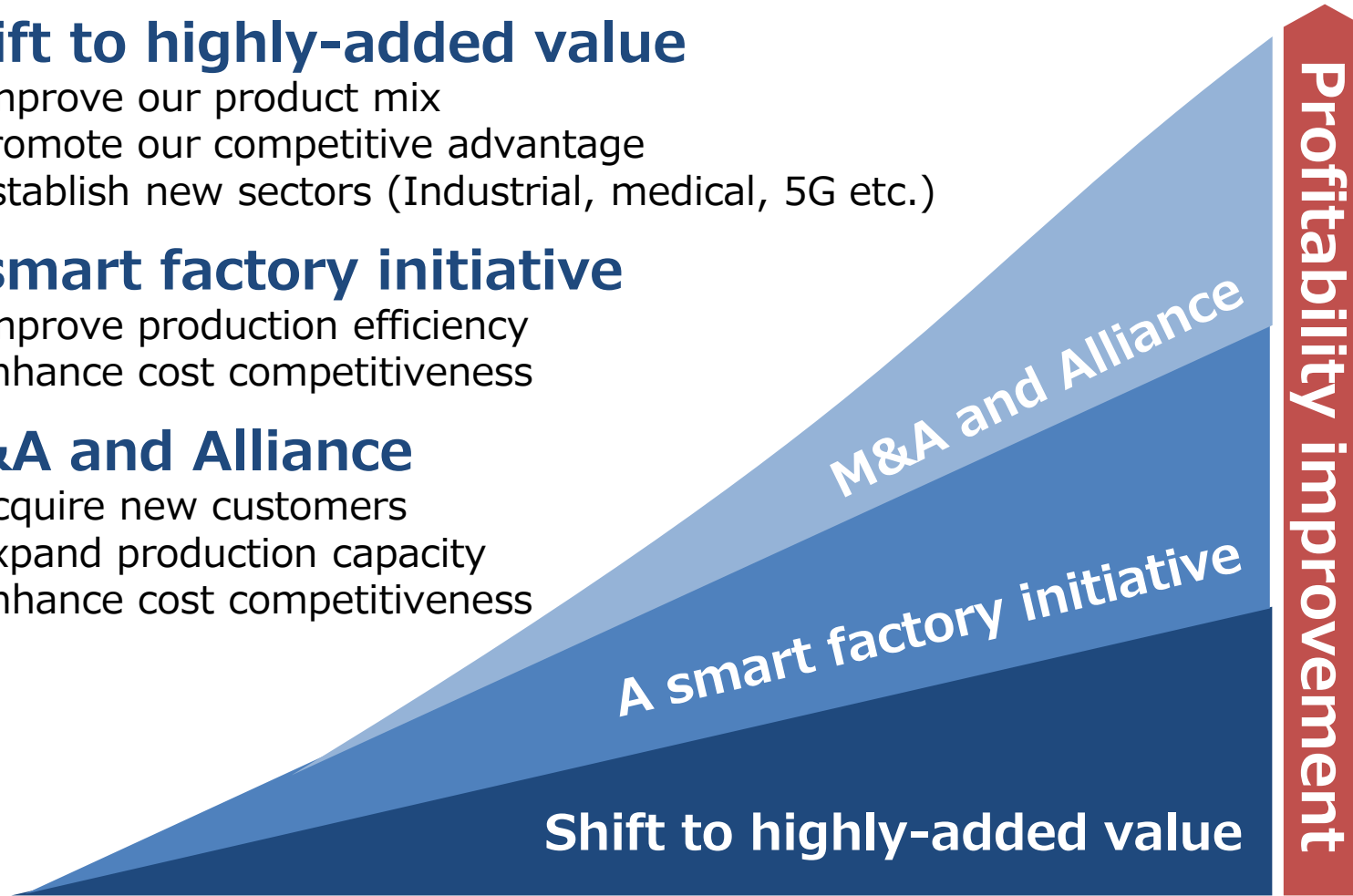
- Improve our product mix
- Promote our competitive advantage
- Establish new sectors (Industrial, medical, 5G etc.)

■ A smart factory initiative

- Improve production efficiency
- Enhance cost competitiveness

■ M&A and Alliance

- Acquire new customers
- Expand production capacity
- Enhance cost competitiveness



Operating margin (Our Target)

2021

8%

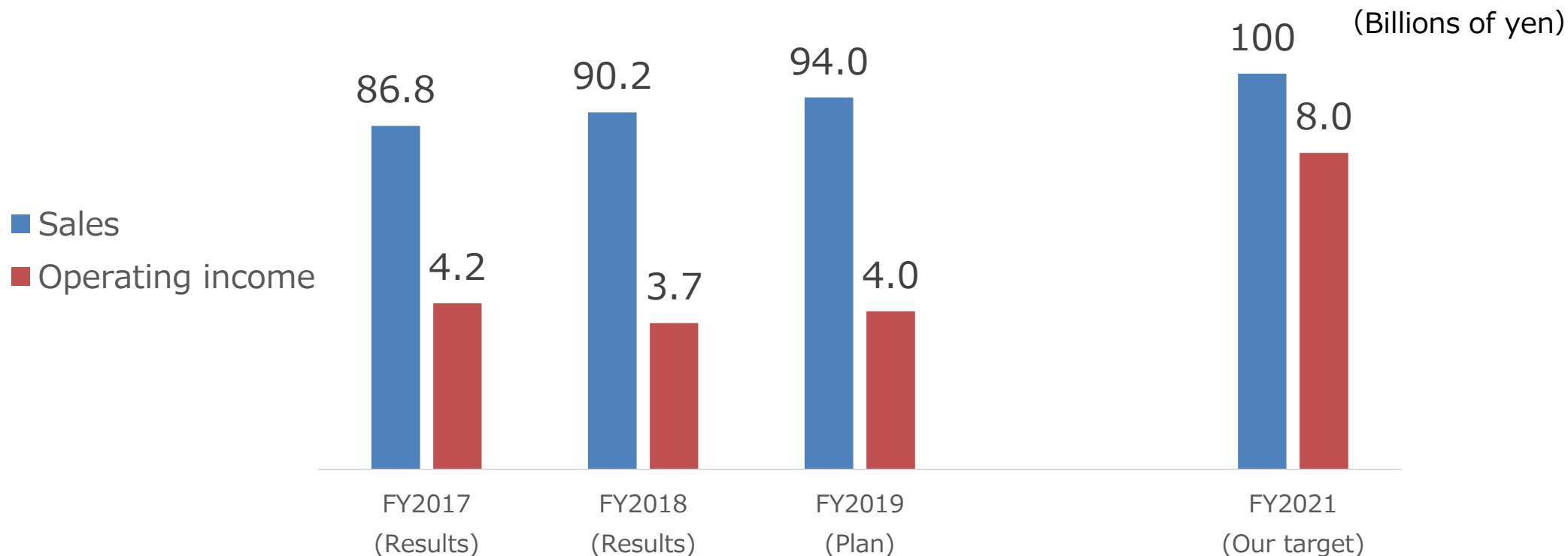
2025

Above 10%

2 . Medium-term management plan 2019

① Management policy

Enhancing profitability and capital efficiency by focusing on the area of high-value-added products mainly in the automotive product market where we can make use of our advantages



Operating margin

4.9% 4.2% 4.3% **8.0%**

ROE

7.2% 3.8% 5.1% **10.0%**

② Priority measures

Three key objectives to deliver our medium-term management plan

**30 billion
yen capital
investment**

**Product capacity enhancement and
Productivity enhancement**

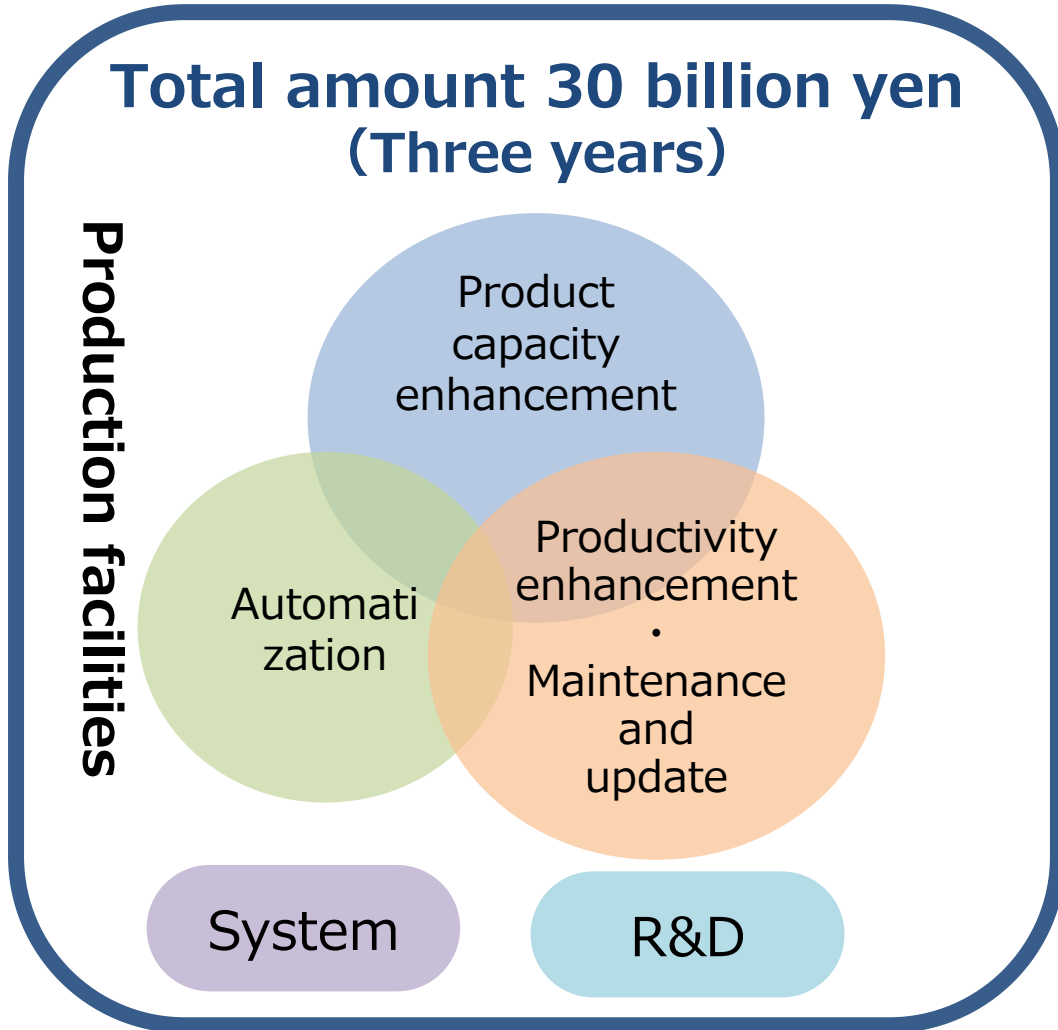
**Company
restructuring**

**Structural reform of business processes in Sales,
Manufacturing, Procurement and HR to enhance
profitability**

**Company
quality
improvement**

**Promote ESG and maintain and enhance the
financial soundness**

30 billion yen capital investment (Production facilities, System, R&D)



■ **Production facilities:**

About 27.0 billion yen

- Take orders of products with highly-added value by enhancing production capacity
- Improve product quality and guaranteed quality and reduce costs through the investment into automatization and productivity enhancement

■ **System:**

About 1.5 billion yen

- Improve guaranteed quality by the capital investment making use of IoT
- Invest into ordering/production management systems and IT infrastructure to make business process reforms

■ **R&D:**

About 1.5 billion yen

- Invest into research and development to deliver the shift toward highly-added value

④ Priority measures ~Company restructuring~

Company-wide restructuring to enhance profitability

- ◆ Sales reform : Optimally allocate marketing function globally
 - ◆ Production reform : Reform business processes from receiving orders to production and shipment
 - ◆ Procurement reform : Enhance the global procurement system
 - ◆ HR reform : Establish HR system
- 

Improving profitability and capital efficiency through effective structural and business reforms

Promoting ESG

■ Environment

- Carbon-Dioxide emission reduction
- Water consumption reduction
- Resource recycling
- Renewal with energy-saving etc.

■ Society

- Diversity and inclusion
- Promotion of work-life balance etc.

■ Governance

- Enhancement of group management
- Extend checking functions of the Board of Directors
- Improve and increase the contents of information disclosed in English etc.

■ Reporting our activity in 'CMK Report'

We have renewed the existing 'CSR report' so that we can report on our various activities related to ESG continually and in an easy-to-understand way
⇒ We will evaluate activity themes and the progress status every year

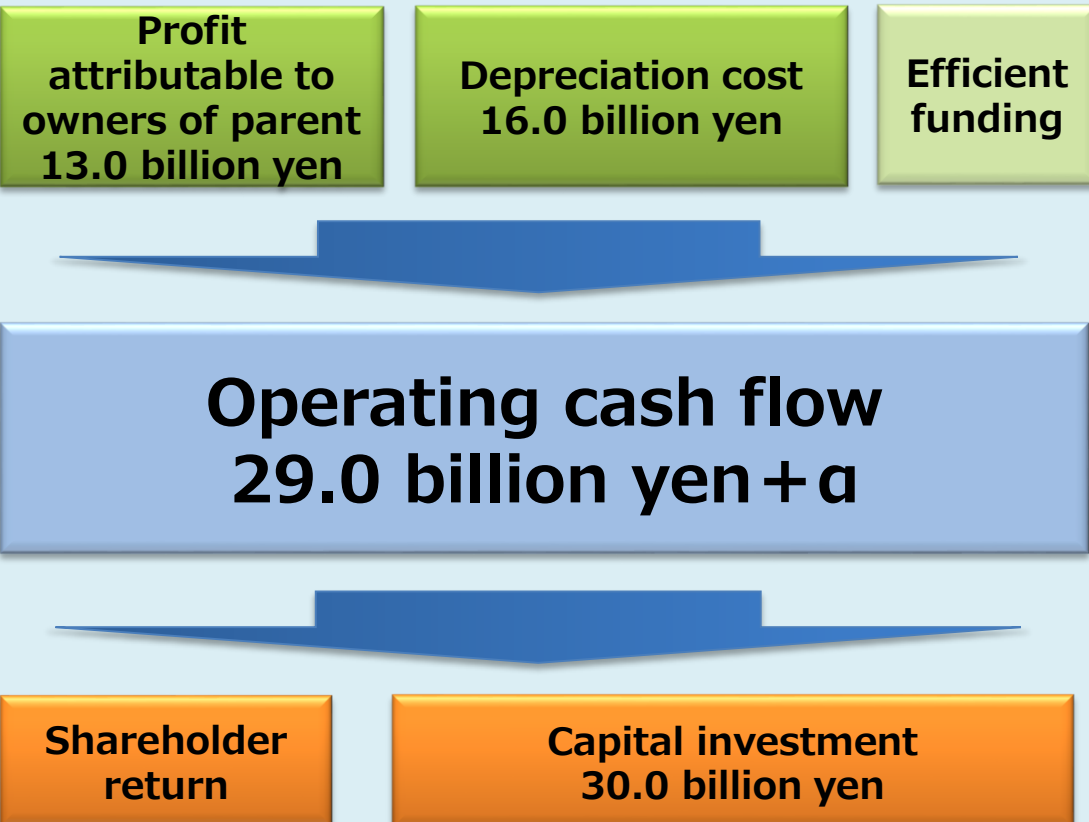
~Examples of our activities~

- Social contributions activities (Thai factory) participated in the Environmental Good Governance (organized by Department of Industrial Works, Ministry of Industry of Thailand Government) for the activities such as releasing of young fish into local rivers and donations to public facilities
- Implemented Industrial Training and Technical Internship Program (Niigata factory)

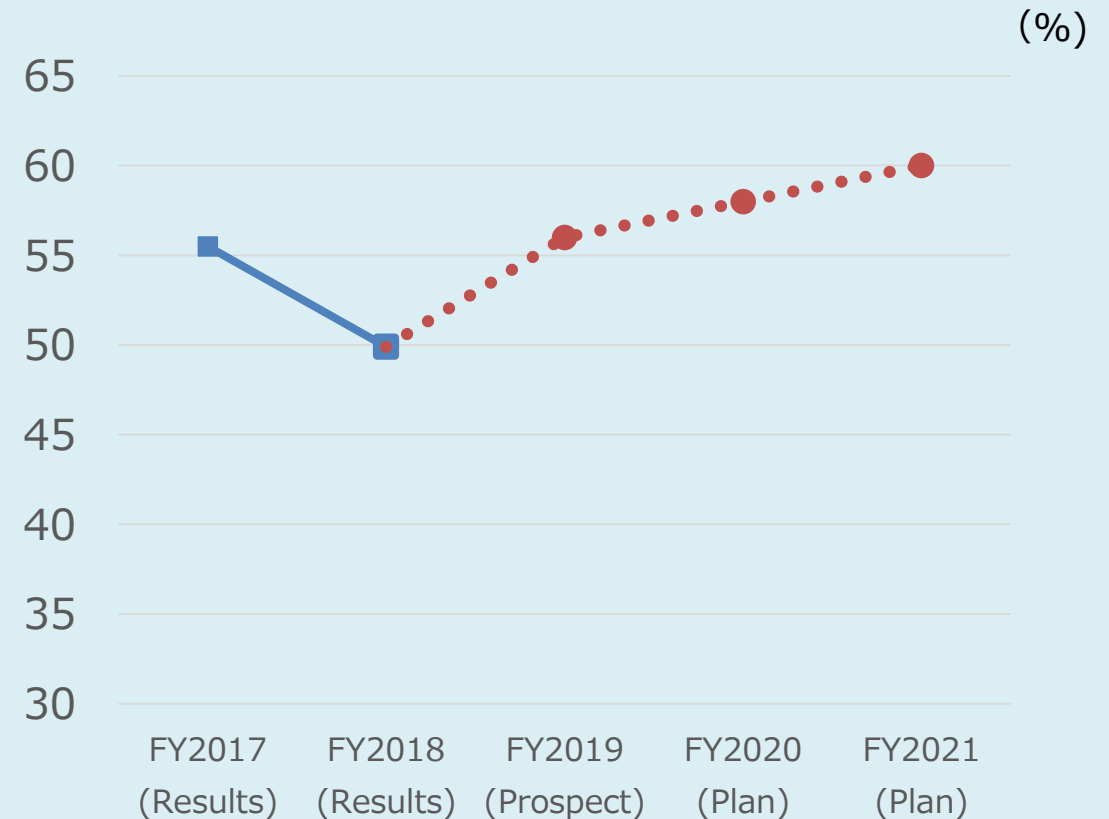
Carrying forward the management focused on ESG to enhance the value of our company over a long period

Maintaining and enhancing the financial soundness

Cash flow management in view of the capital efficiency



Enhance the financial soundness for further growth
Improve the equity ratio



⑦-1 Numerical Management Targets

Targeting operating margin at 8% in the final fiscal year

(Billions of yen)

	Results
	FY2018
Net sales	90.2
Operating income	3.7
Operating margin	4.2%
Profit attributable to owners of parent	2.0
Exchange rate (USD/JPY)	110.37

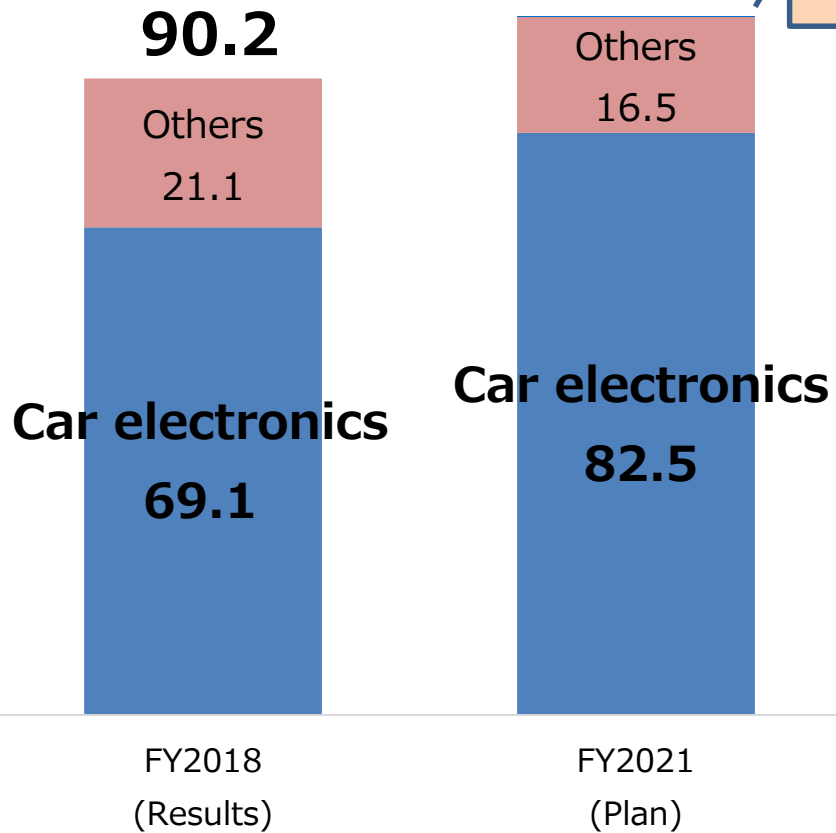
Medium-term management plan		
FY2019	FY2020	FY2021
94.0	97.0	100
4.0	5.5	8.0
4.3%	5.7%	8.0%
2.7	4.2	6.0
110.00	110.00	110.00

⑦-2 Numerical Management Targets ~Sales breakdown~

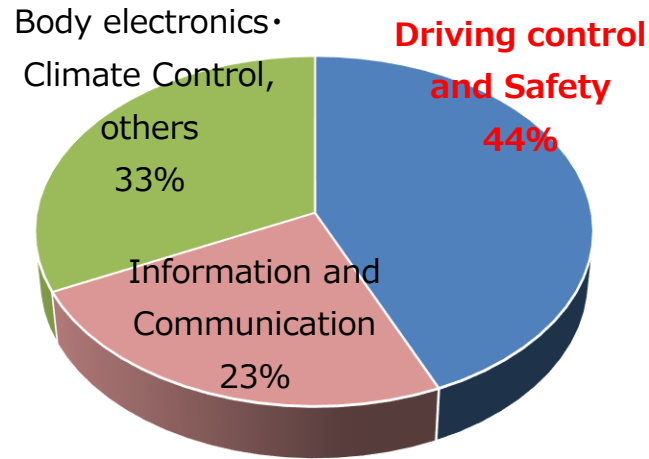
Expanding sales of products mainly for Powertrain and Driving control and safety in the automotive sector

Sales by application

(Billions of yen)

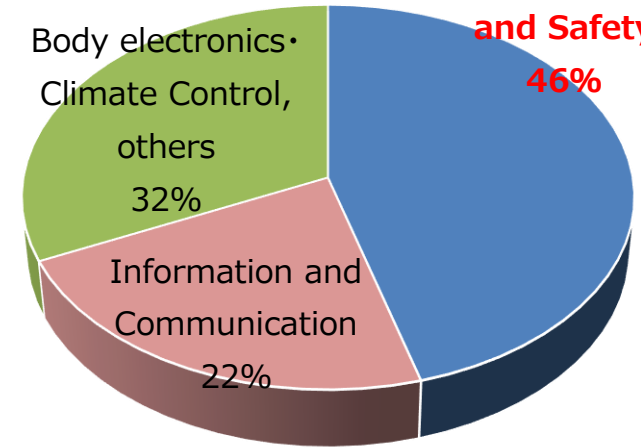


New business sector 1.0



30.4

Powertrain·Driving control and Safety



38.0

Powertrain·Driving control and Safety

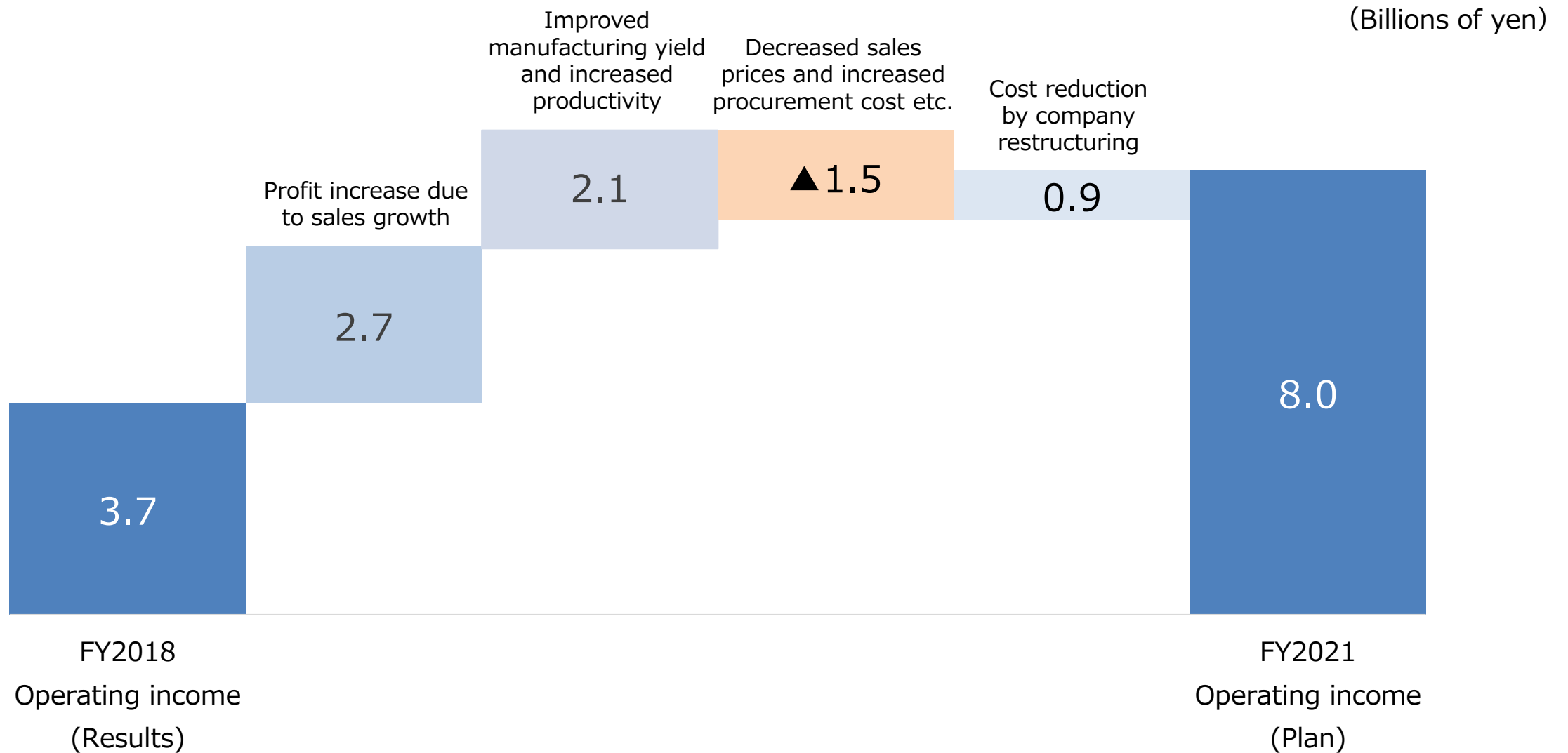
Breakdown of products for automotive use

FY2018 (Results)

FY2021 (Plan)

⑦-3 Numerical Management Targets ~Changes in operating income~

Planning 8.0 billion yen operating profit in the final fiscal year, helped by a 4.3 billion yen increase in profit from FY2018



⑧ Technology roadmaps

We will progress our developments in the fields high quality and high reliability required.

Application for automotive use	Main products	PWB requirement	2019	2020	After 2021	Market needs	
Powertrain	Inverter	Down sizing	Mass-production			<ul style="list-style-type: none"> •Down-sized unit •Reliability of high withstand voltage (EV has higher voltage than 10x voltage for gasoline vehicle) •High heat-resistance performance (More than 1.5x conductive reliabilities of consumer products) •High current PWB for PHV or EV 	
		Heavy copper		Mass-production			
Driving control and Safety ADAS	Millimeter-wave Radar	HDI	Under Mass-production				<ul style="list-style-type: none"> •Requests of more down-sizing and more accuracy improvement
		MSAP	Trial	Mass-production			
	Camera, Communication module, Other sensors	Thick RF PWB	Development		Mass-production		<ul style="list-style-type: none"> •Thick RF PWB for higher stiffness •Higher reliability of thin PWB for automotive use
		Thin PWB	Trial		Mass-production		
		Camera control	Fine pattern	Trial	Mass-production		
LED Lamp	Copper based	Under Mass-production			<ul style="list-style-type: none"> •PWB combined higher density and higher stiffness 		
Information and communication	Communication module for automotive	Fine pattern	Mass-production			<ul style="list-style-type: none"> •Requests of higher heat radiation 	
						<ul style="list-style-type: none"> •Requests of more down-sizing and more accuracy improvement 	

※RF means Rigid flexible PWB

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.)

END