



CMK CORPORATION

(Stock code: 6958)

FY 2015 Financial Results

(presentation material)

May 26, 2016

CMK CORPORATION

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Financial Results for FY 2015

(Year ended March 31, 2016)

1. Overview-①Summary



- CMK have restructured our business mainly in Japan and reduced our fixed costs.
- However, operating loss was recorded in the first half of the fiscal year, mainly due to the insufficient domestic streamlining measures and sudden changes in the situation of overseas order intake.
- We decided to take the domestic streamlining measures proposed in the Medium-Term Management Plan ahead of schedule, and carried out downsizing of production sites and a voluntary retirement program.
- We optimized the structure of our overseas production sites.
- As a result of the above efforts, we have succeeded in making profit steadily since the third quarter, securing operating profit for the full year.

1. Overview-② Consolidated Financial Results



■ Consolidated Financial Results

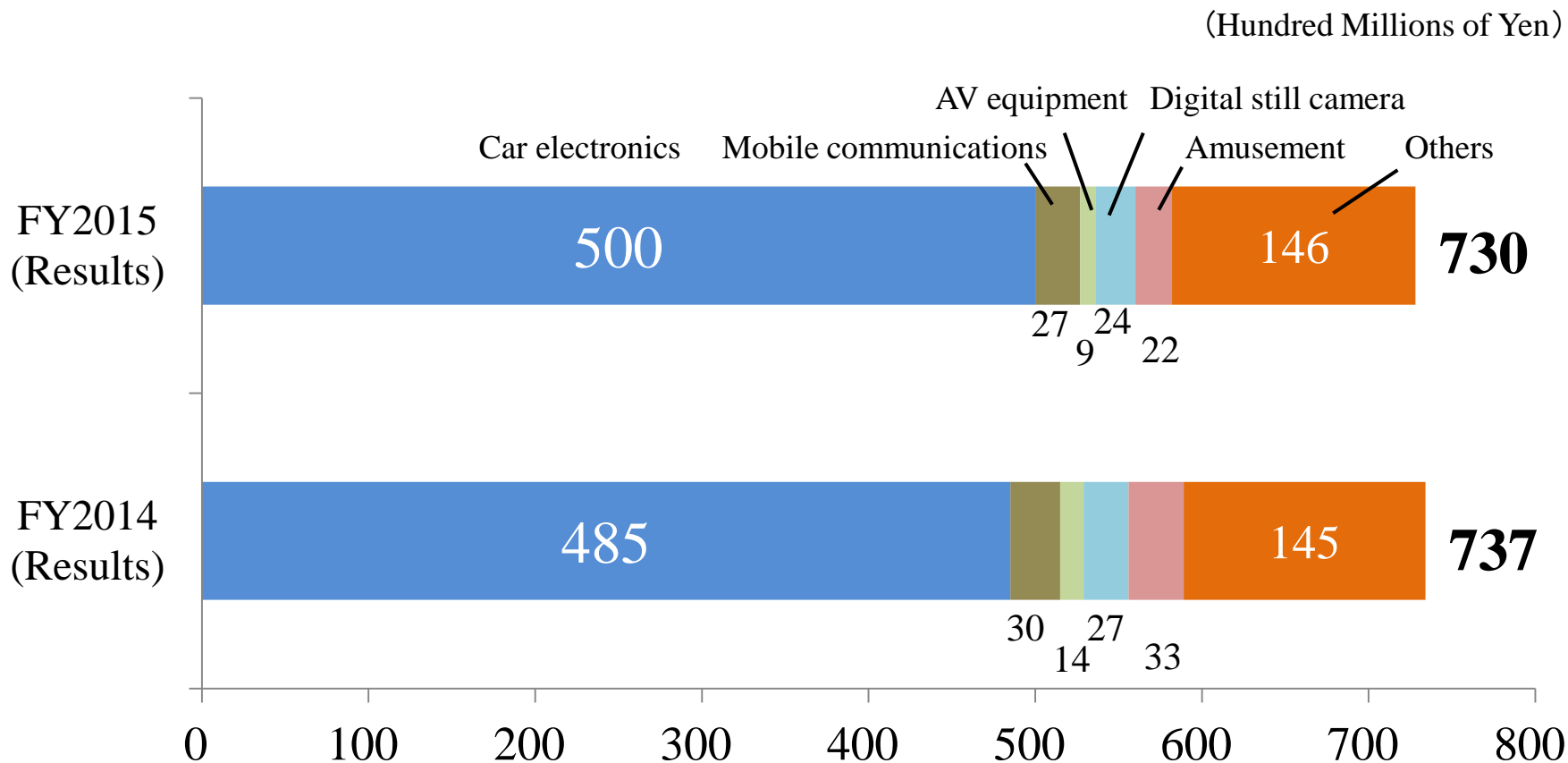
(Millions of Yen)

	FY 2014 (Results)	FY 2015 (Results)	YoY Change	YoY %
Sales	73,730	73,098	-632	-0.9%
Operating income	641	381	-260	-40.5%
Ordinary income	1,513	▲628	-2,141	—
Profit attributable to owners of parent	1,178	▲8,122	-9,300	—

Exchange rate in FY 2014:1USD=106.45 yen, 1EUR=140.31 yen

Exchange rate in FY 2015:1USD=121.04 yen, 1EUR=133.66 yen

2. Sales by application



- Sales of products for automotive use increased compared with previous fiscal year, helped by strong demand in the North American market.
- Sales of products for digital camera use decreased compared with the previous fiscal year due to the decline in demand.
- Sales of products for amusement use decreased compared with the previous fiscal year due to the decline in demand for game equipment.

3. Streamlining business operations-①

Downsizing of domestic production sites



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.

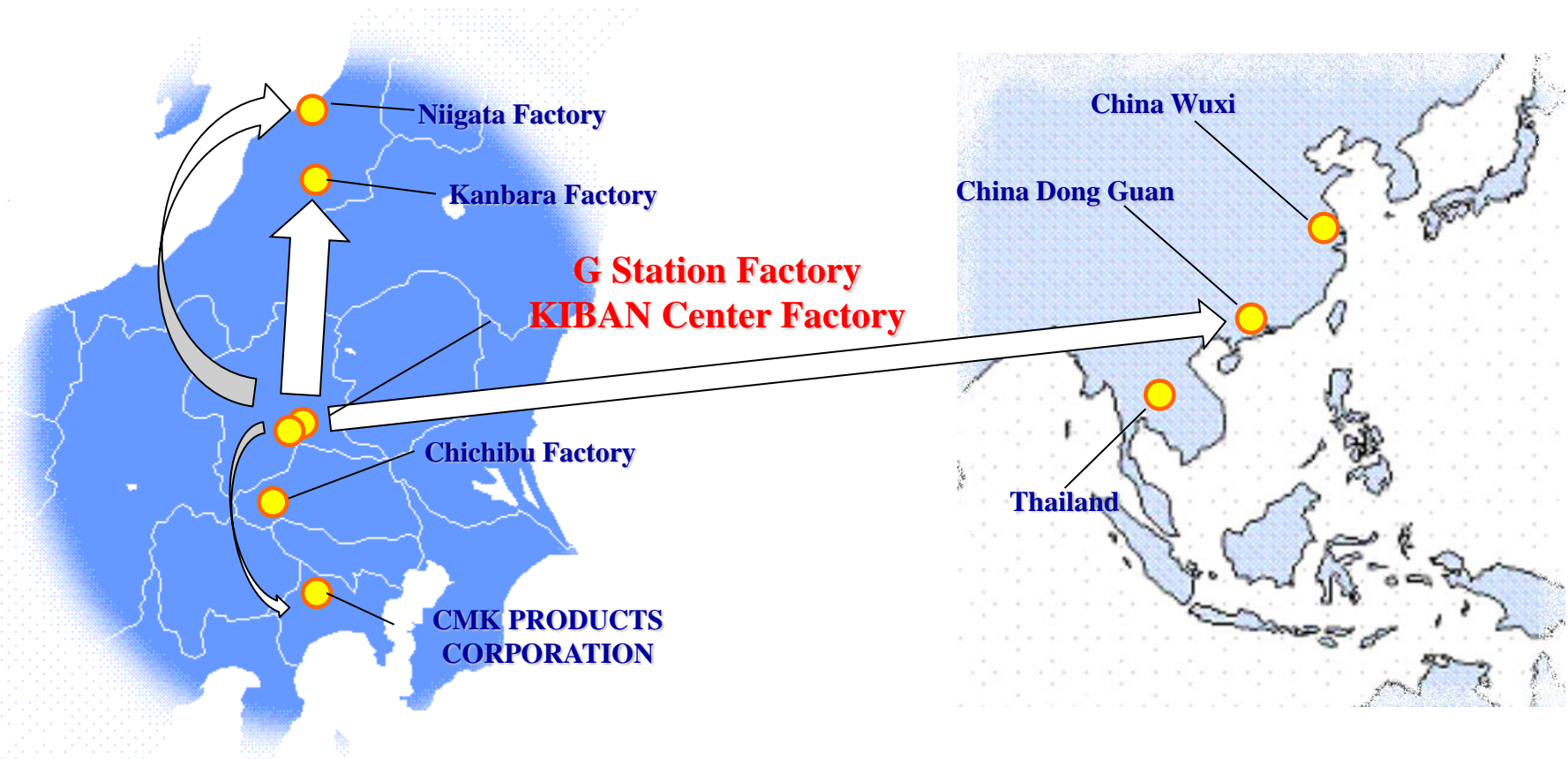
	G Station Factory	KIBAN Center Factory
Foundation	February, 1974	December, 1986
Location	Shiba-machi, Isesaki-shi Gunma	Toyazuka-machi, Isesaki-shi Gunma
Area	35,394m ²	47,348m ²
Number of employees (Year ended March, 2015)	173	371
Business contents	Build-up PWBs, RF, Multilayered PWBs, Double-sided PWBs	
Major use	Car electronics, Amusement	

3. Streamlining business operations-①

Downsizing of domestic production sites



■ Relocated main production sites



- Relocated production sites mainly to Niigata area.
- Secured sustainable profitability by enhancing factory operation efficiency.

3. Streamlining business operations-②

Voluntary retirement program



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
- Application period: November 2, 2015 - November 13, 2015
- Retirement date: December 31, 2015
- Benefits: - Special retirement fee for each applicant as in the case of involuntary retirement
- Support for re-employment



Results of the program

- Number of applicants: 247 employees
- Outcome of the labor cost reduction: 15 hundred million yen/year

3. Streamlining business operations-③



Impact of measures

■ Annual profit improvements through streamlining measures (Plan)

Reduction in labor costs	+15 hundred million yen
Reduction in depreciation expenses	+ 4 hundred million yen
<u>Additional costs</u>	<u>▲ 1 hundred million yen</u>
Total	+18 hundred million yen

⇒ Profit increased in the FY 2015: +5 hundred million yen

■ Improved profit in the FY 2015 (Results)

(Hundred Millions of Yen)

	FY2015 3Q	FY2015 4Q	FY2015 Results	FY2015 Plan
Reduction in labor costs	—	2.6	2.6	3.7
Reduction in depreciation expenses	1.4	1.4	2.8	2.8
Others (incl. additional costs)	0.0	▲0.6	▲0.7	▲ 1.3
Total	1.4	3.4	4.8	5.2

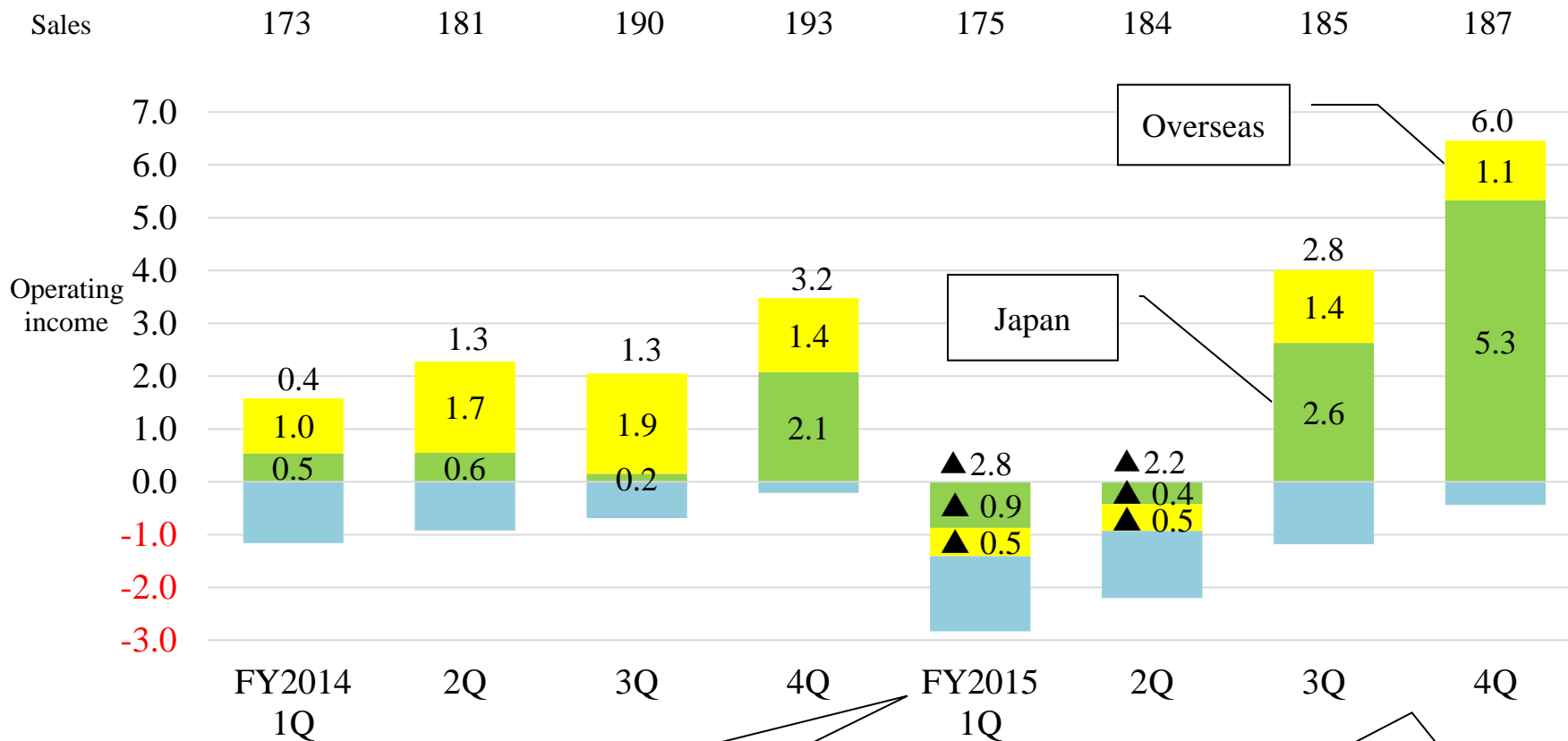
4. Profits-① Quarterly changes



Changes in quarterly consolidated profit and loss

(Hundred Millions of Yen)

■ Japan ■ Overseas ■ Adjustment



Decreased due to a sharp decline in orders in Japan and overseas

In Japan: Streamlined business operations
Overseas: Improved productivity

4. Profits-② Financial Results by region



(Hundred Millions of Yen)

	FY2014 (Results)		FY2015 (Results)		YoY Change	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Japan	477	3.3	467	6.6	-10	+3.3
China	229	5.6	225	▲ 0.9	-4	-6.5
Southeast Asia	143	▲ 1.7	160	0.0	+17	+1.7
EU & USA	49	2.1	55	2.3	+6	+0.2
Total	899	9.3	908	8.1	+9	-1.2
Adjustment	▲ 162	▲ 2.9	▲ 177	▲ 4.3	-15	-1.4
Consolidated	737	6.4	730	3.8	-7	-2.6

- In Japan, profit increased compared with the previous fiscal year, reflecting the impact of the streamlined business operations.
- China made a loss in the full year, affected by the loss due to a sharp decline in orders in the first half.
- In Southeast Asia and Europe, operating income increased compared with the previous fiscal year, helped by strong demand for products for automotive use in the North American market.

4. Profits-③

Non-operating expenses ▪ Extraordinary losses



■ Non-operating expenses

- Due to fluctuations in foreign currency exchange rate, foreign exchange losses of 733 million yen relative to receivables and payables denominated in foreign currencies are recorded.

■ Extraordinary losses

- In connection with the downsizing of domestic production sites and a voluntary retirement program, impairment loss on fixed assets of 4,182 million yen and business restructuring costs of 2,833 million yen are recorded as extraordinary losses respectively.

5. Capital investment



(Hundred Millions of Yen)

	FY 2014 (Results)	FY 2015 (Results)	YoY Change	Notes
Japan	21	12	-9	Reduced capital investment in view of the profit and loss
Overseas	24	18	-6	Invested to improve productivity and quality
Consolidated	45	31	-14	
Depreciation expenses	49	49	0	

6. Financial Position



(Hundred Millions of Yen)

	FY 2014 (Results)	FY 2015 (Results)	YoY Change
Cash and deposits	145	215	+70
Interest-bearing liabilities	187	224	+37
Shareholder's equity	559	465	-93
Total assets	991	905	-86
Equity ratio	56.4%	51.4%	-5.0%

- Shareholder's equity decreased due to extraordinary losses.
- Additional funds of 60 hundred million yen was raised to invest for growth.

Financial Forecast for FY 2016

(Year ended March 31, 2017)

1. Overview-①Summary



- CMK continues to improve profitability in Japan through streamlining measures.
- We continue our focus on quality improvement to increase profitability in the overseas market, while enhancing factory capacity in Thailand where we can expect increasing orders.
- With respect to sales, we intend to expand sales of products for Advanced Driver Assistance Systems (ADAS), which is expected to become more popular, while responding to strong overseas demand for products for automotive use.

1. Overview-② Consolidated Financial Results



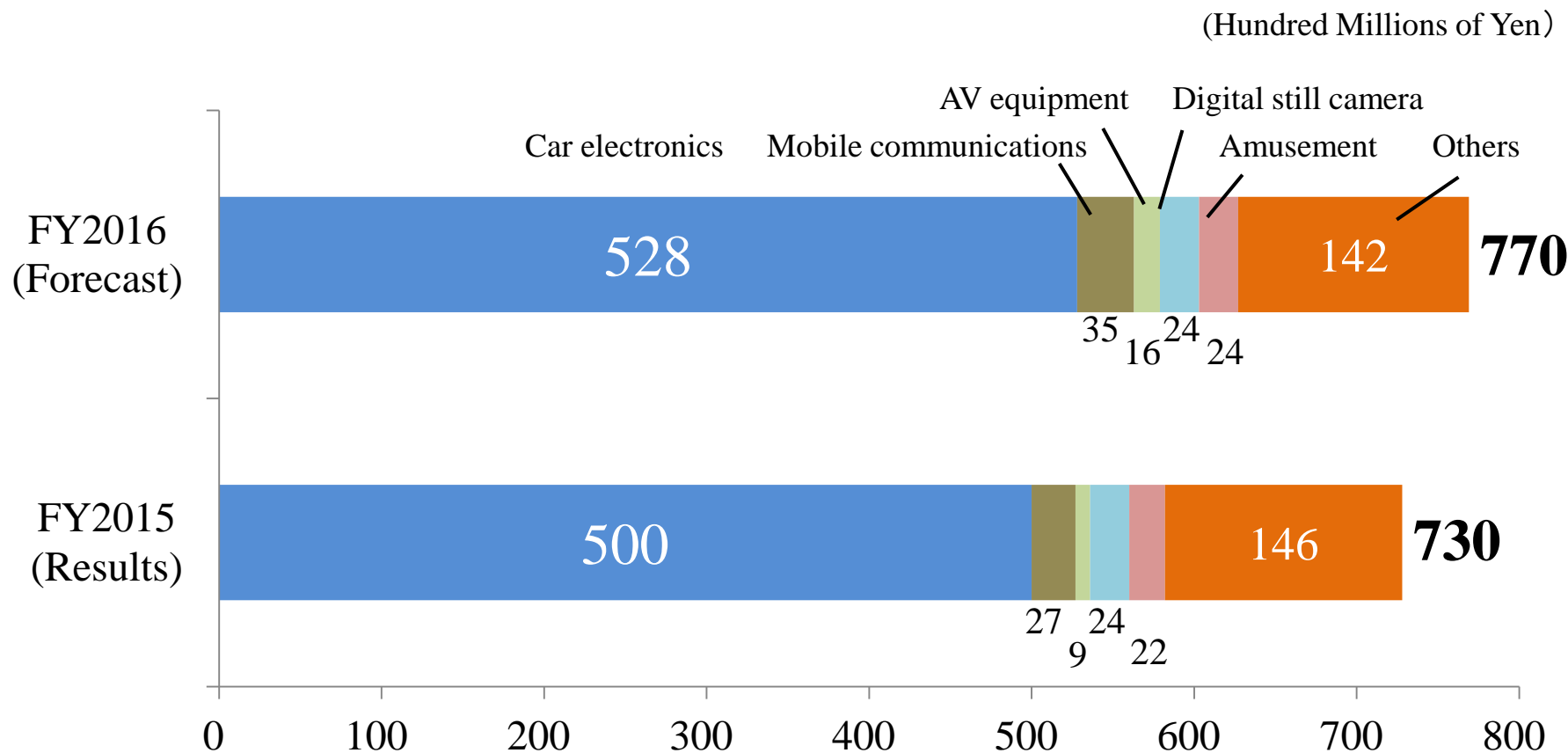
■ Consolidated Financial Results

(Millions of Yen)

	FY 2015 (Results)	FY 2016 (Forecast)	YoY Change	YoY %
Sales	73,098	77,000	+3,902	5.3%
Operating income	381	2,500	+2,119	555.1%
Ordinary income	▲628	2,100	+2,728	—
Profit attributable to owners of parent	▲8,122	1,600	+9,722	—

Assumed exchange rate in FY 2016:1USD=115 yen, 1EUR=125 yen

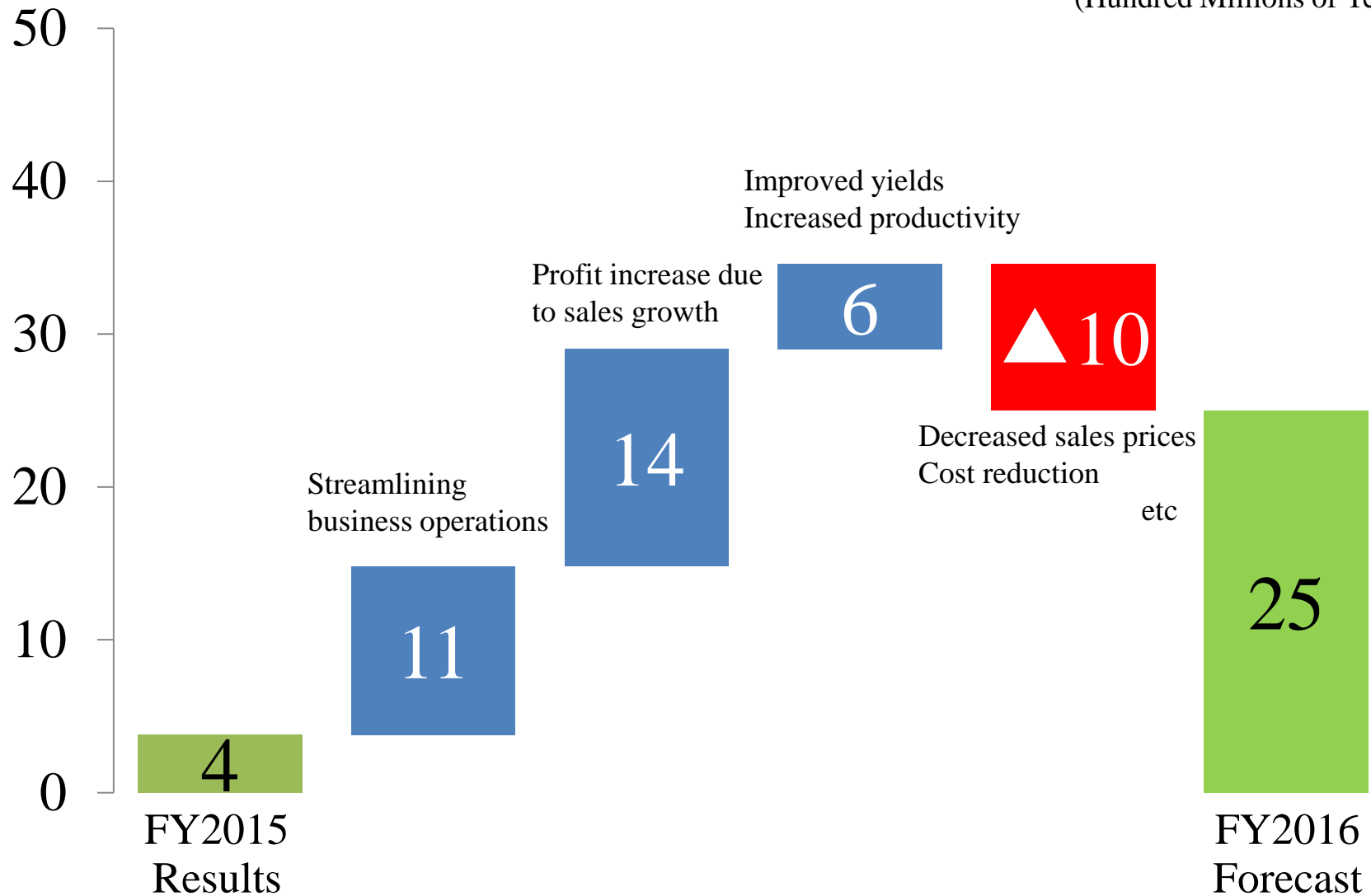
2. Sales by application



- Sales arising mainly from products for automotive use are expected to increase, as a result of the widespread use of products for ADAS and by responding globally to the demand for products for automotive use.

3. Profits-① Analysis of changes in operating income **CMK**

(Hundred Millions of Yen)



3. Profits-② Financial forecast by region



(Hundred Millions of Yen)

	FY 2015 (Results)		FY 2016 (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
EU & USA	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

- In Japan, operating income is expected to increase, although sales remains on the same level, reflecting the impact of the streamlined business operations.
- In China, sales and operating income are expected to increase, arising mainly from the products for automotive and amusement uses.
- In Southeast Asia and Europe, sales and operating income are expected to increase, arising mainly from products for automotive and AV equipment uses.

4. Capital investment



(Hundred Millions of Yen)

	FY 2015 (Results)	FY 2016 (Forecast)	YoY Change	Notes
Japan	12	22	+10	
Overseas	18	30	+12	12 hundred million yen to enhance factory capacity in Thailand
Consolidated	31	53	+22	
Depreciation expenses	49	46	-3	

- Capital investment is expected to increase by 22 hundred million yen, or 70%, to 53 hundred million yen in FY2016 compared with FY2015, focusing on the investments to enhance our production capacity and improve the quality.

Medium-Term Management Plan

1. Summary-① Our Medium-Term strategy



■ 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

■ Changes in business environment after working out the Plan (May 2015)

◆ Global economy

- Change of monetary policy by each nation (a rate increase in the US and a negative interest rate in Japan)
- Concern over the economic slowdown in Japan due to a strong yen and declining share prices
- Lingering slowdown in the economic growth in emerging countries as well as in China

◆ Market trends

- Sluggish sales of new cars in Japan and emerging countries
- More vehicles equipped with safety devices

◆ CMK's trend

- Business restructuring through downsizing of domestic production sites and a voluntary retirement program

1. Summary-③ Consolidated Income Statement



■ Consolidated Income Statement

(Hundred Millions of Yen)

	Medium-Term management (May 25, 2015 release)			Results and Forecast (As of May 26, 2016)		
	FY2015	FY2016	FY2017	FY 2015 (Results)	FY 2016 (Forecast)	FY2017 (Plan)
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%
Ordinary income	7	16	30	▲81	16	30
ROE	1.2%	2.9%	5.0%	-15.9%	3.4%	6.1%

Assumed exchange rate: 1USD=115 yen, 1EUR=125 yen

2. Progress of the objectives—① Summary



Objectives in the Medium-Term Management Plan	Progress status
Increase sales in the market for products for automotive PWB and communication devices. Growth in the overseas market.	Expanding sales of products for millimeter-wave radar and vehicle-mounted cameras with growing demand in the market Continue to expand sales to foreign corporate customers
Enhance production capacity	Started to enhance production capacity in the factory of Thailand Continue to invest in improving productivity
Strengthen cost competitiveness	Improving profitability through streamlining measures Reduce procurement costs further
Enhance quality management	Enhancing support for overseas factories Improving quality through automated production

■ Expanding sales in the market for products for automotive PWB and communication devices

- In the area of products for automotive use which requiring higher quality, expand sales to the existing customers by taking advantage of our ability to produce quality products.
- In the ADAS market which is likely to expand rapidly in the future, expand sales by staying ahead of the competition as we are now.
- As for the expansion of sales to foreign corporate customers which has progressed according to the plan, continue the integrated manufacturing and sales to achieve more sales.
- Expand sales in the communication module market for Smartphone and Wearable equipment which is expected to grow.
- Consider other opportunities such as M&A or alliances to deliver further sales expansion and growth.

2. Progress of the objectives-③

Enhance production capacity



■ Enhancing production capacity in the factory of Thailand

- In Thailand, automotive production for exports continues to be strong.
- Order intake by our factory in Thailand also remains strong, operating at full capacity.
- Launch capital investment to enhance the capacity according to the Medium-Term Management Plan, as the production capacity is likely to become insufficient.
- The capacity is expected to increase by 30% during 2016.



CMK THAILAND

Business Contents: Build-up PWBs, Multilayered PWBs, Double-sided PWBs

Major use: Car electronics, Amusement

2. Progress of the objectives-④

Enhance quality management



■ Enhancing support for overseas factories

- Yields in overseas factories must be improved to enhance profitability.
- Invest in improving quality through automated production and enhance support for overseas factories from Japan.
- Improve skills and production yields by taking actions such as horizontal deployment of various approaches being adapted in Japanese factories, dispatching Japanese staff to overseas factories, and human exchange (trainings) between Japan and overseas factories.

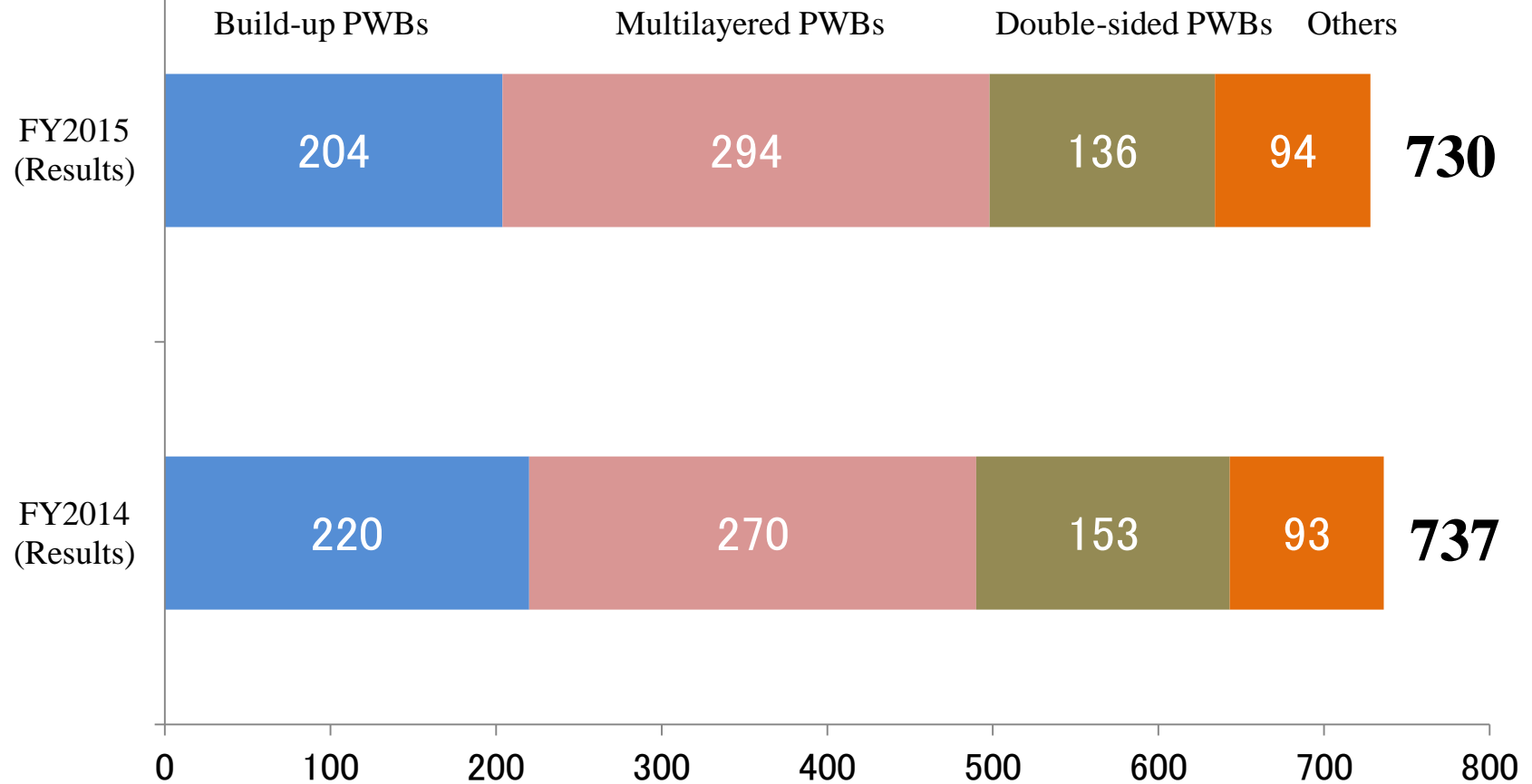
Supplementary material on financial results

Supplementary material on financial results-



① Sales by type of PWB for FY2015

(Hundred Millions of Yen)



Supplementary material on financial results-



② Sales by type of PWB for FY2016

(Hundred Millions of Yen)



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