

Investor
Relations
2017

DERKWOO

ELECTRONICS



Global No.1
Precision Components
Manufacturer

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A company that focuses on creating value for customers
A company that leads global precision components
manufacturing industry **Derkwoo Electronics** will make
this come true.



Investor Relations 2017

CONTENTS

Prologue

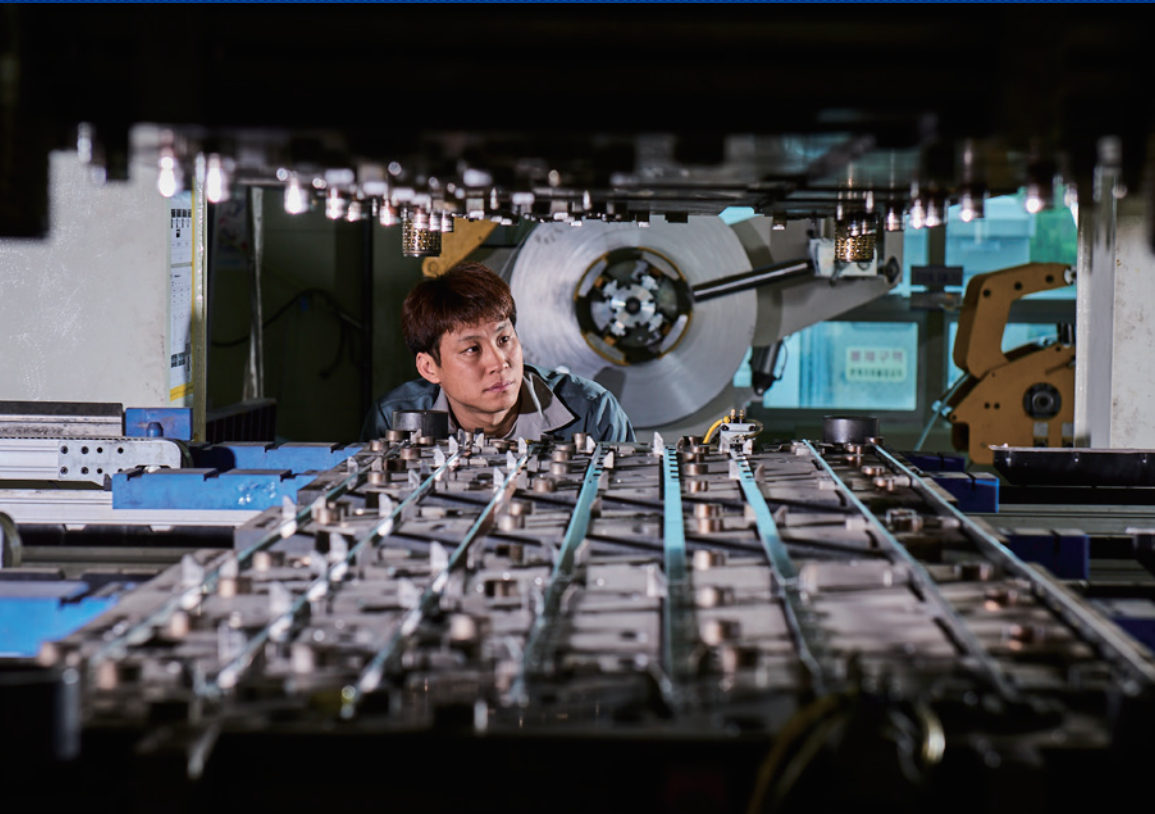
Chapter 1. **Company Overview**

Chapter 2. **Investment Highlights**

Chapter 3. **Growth Engine**

Chapter 4. **Appendix**

NO.1 Global
Leader



Prologue

1. Corporate Identity

01 Prologue Corporate Identity (1)

Do you know DERKWOOW ELECTRONICS?

**Key component
supplier to Global No. 1
smartphone company**

Designated component supplier to
Global No. 1 smartphone company

No. 1 player
within mobile camera module stiffener
segment to Global No. 1 smartphone company

Develop and propose
key technology to next generation model

**Global
sales & supply
capability**

86.5%
Overseas revenue in 2016

Three overseas manufacturing sites in
China, Mexico and Poland

Secured **10 +** global top-tier clients

**Stable
business portfolio**

Stable business portfolio within
TV, mobile and auto industries

**Business and clientele
diversification**
based on 25 years of experience

**High sales growth and
strong profitability**

21.1%
Sales CAGR over 2011-16

17.6% / 12.8%
Average OPM/ NM in 2014-16

40.9% YoY
1Q17 sales: KRW20.4bn

01 Prologue Corporate Identity (2)

Supply precision components based on industry-leading technology to Global No. 1 client

Derkwoo's Key Competitiveness

Technological Differentiation

- OEM → ODM → Propose high technology (secure market-leading high tech products)
- Self-designed facility (25 years of experience)
- High yield and productivity based on automation

Unparalleled Market Position

- Maintain dominant position through technology lock-in strategy
- Develop high-value product
- Secure diverse global top-tier clients

Global Footprints

- Global manufacturing plants
- Customized solution for clients' needs
- Flexible capability to meet new demand

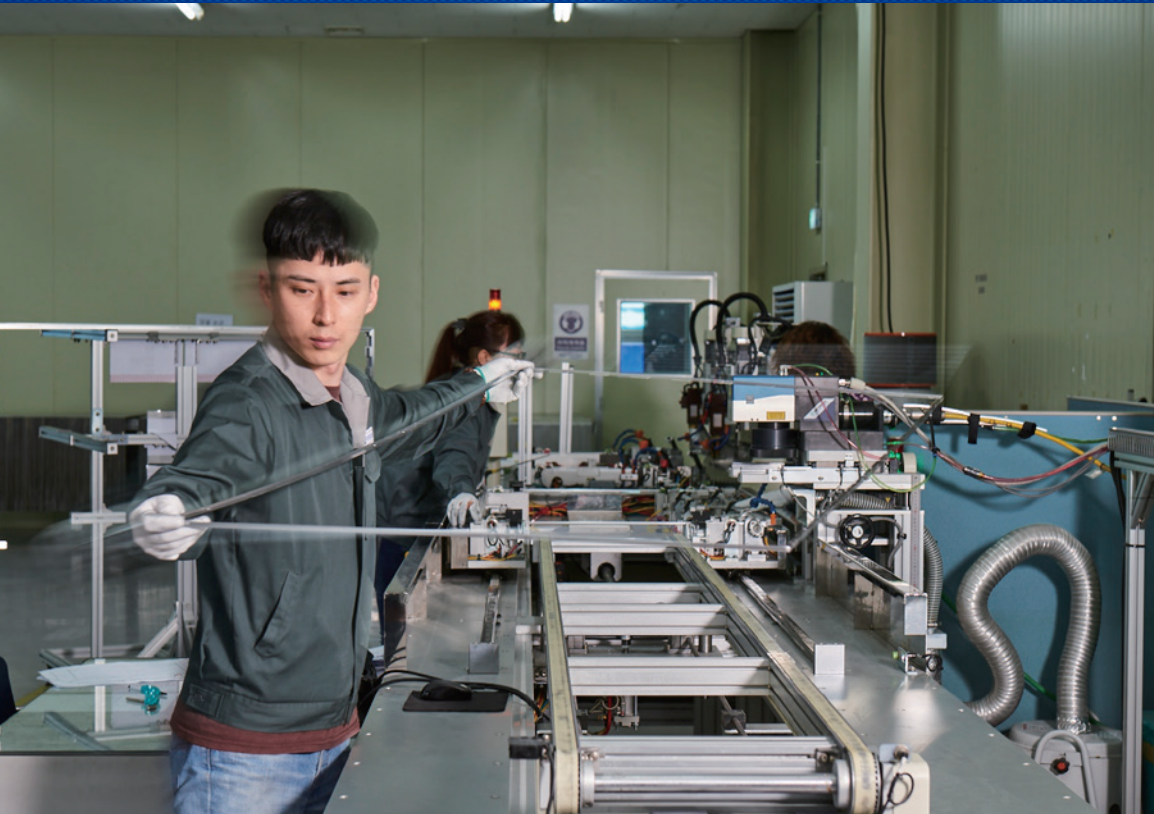


Smart Technology, Happy Life

CHAPTER 01

Company Overview

1. Introducing Derkwoo
2. Company History
3. Key Products
4. Business Performance



01 Chapter 1. Company Overview

Introducing Derkwoo

‘Hidden Champion’ leading the components industry in the Mobile, TV and Automobile Markets

General Information

Company	Derkwoo Electronics, Inc.
CEO	Jun-yong Lee
Established date	August 1, 1992
Number of Employees	140
Key Business	Key materials and parts in mobile, auto, OLED display and chemical industries
Key products	<ul style="list-style-type: none"> • Mobile: Stiffener, Bracket, Chassis Top/Bottom • TV: Middle Cabinet, equipment surface treatment products, chemical and nano products • Auto: ABS-Motor, EPS-Motor, BMS
Website	www.derkwoo.com
Address	<ul style="list-style-type: none"> • 98-23, Cheomdangjeop 7-ro, Sandong-myeon, Gumi-si, Gyeongsangbuk-do, Republic of Korea • Overseas Branches: China/ Mexico/ Poland

CEO

Jun-yong Lee

- CEO, Derkwoo Electronics
- Ernst & Young Advisory Manager
- KAIST MBA
- BS in Life Sciences at POSTECH



Business Sites and Overseas Branches



Business Site 1
(Mobile Dept.)



Business Site 2
(Fine Chem. Dept.)



Business Site 3
(Automotive Dept.)



Yantai Branch, China
(Mobile & Auto Parts)



Mexico Branch
(Auto Parts)



Poland Branch
(Auto Parts)

02 Chapter 1. Company Overview

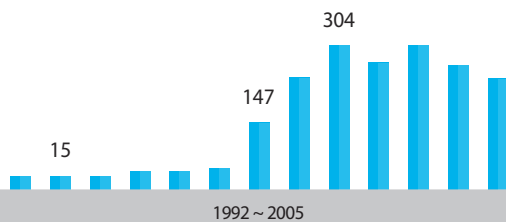
Company History

Global top company with 25 years of experience and business expansion

(Sales, 100 million KRW)



TV Equipment Business

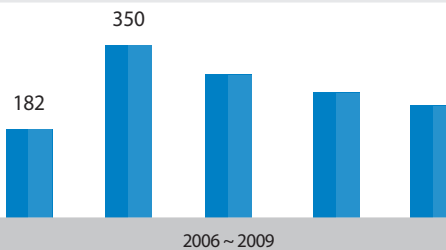


TV Parts (~2005)

- 1992** Established - Registered as LG Electronics' first tier supplier (CRT Heater)
- 1999** Factory expansion (Braun tube parts: electron gun press equipment/spot welding)
- 2005** Business Site 2 Completed - PDP frame (LG Electronics)



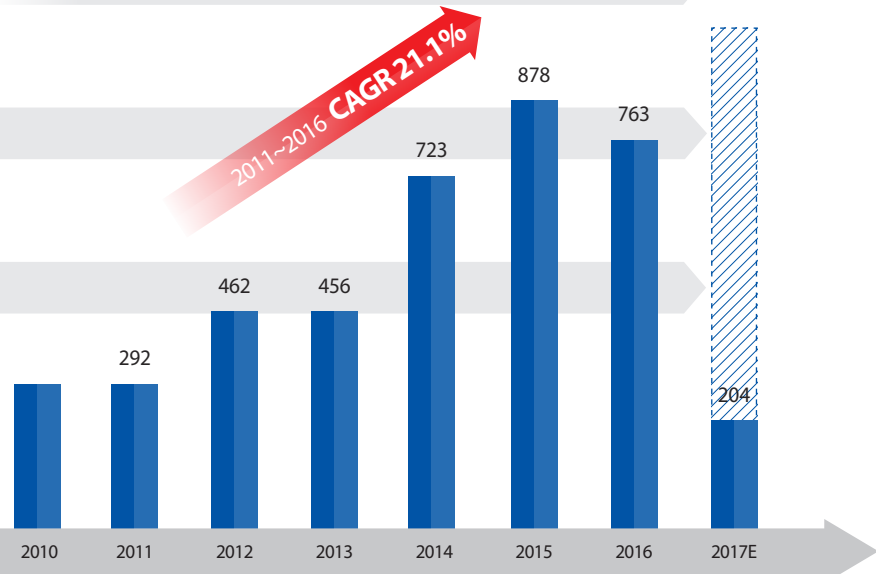
Entered mobile and auto markets



Other Industries (~2010)

- 2006** Began production of cellphone hinges/ small BLU Chassis (LG Innotek, LG Display)
- 2009** Began production of EV battery (BMS) case (LG Innotek)

Grow as global top company through parts business expansion



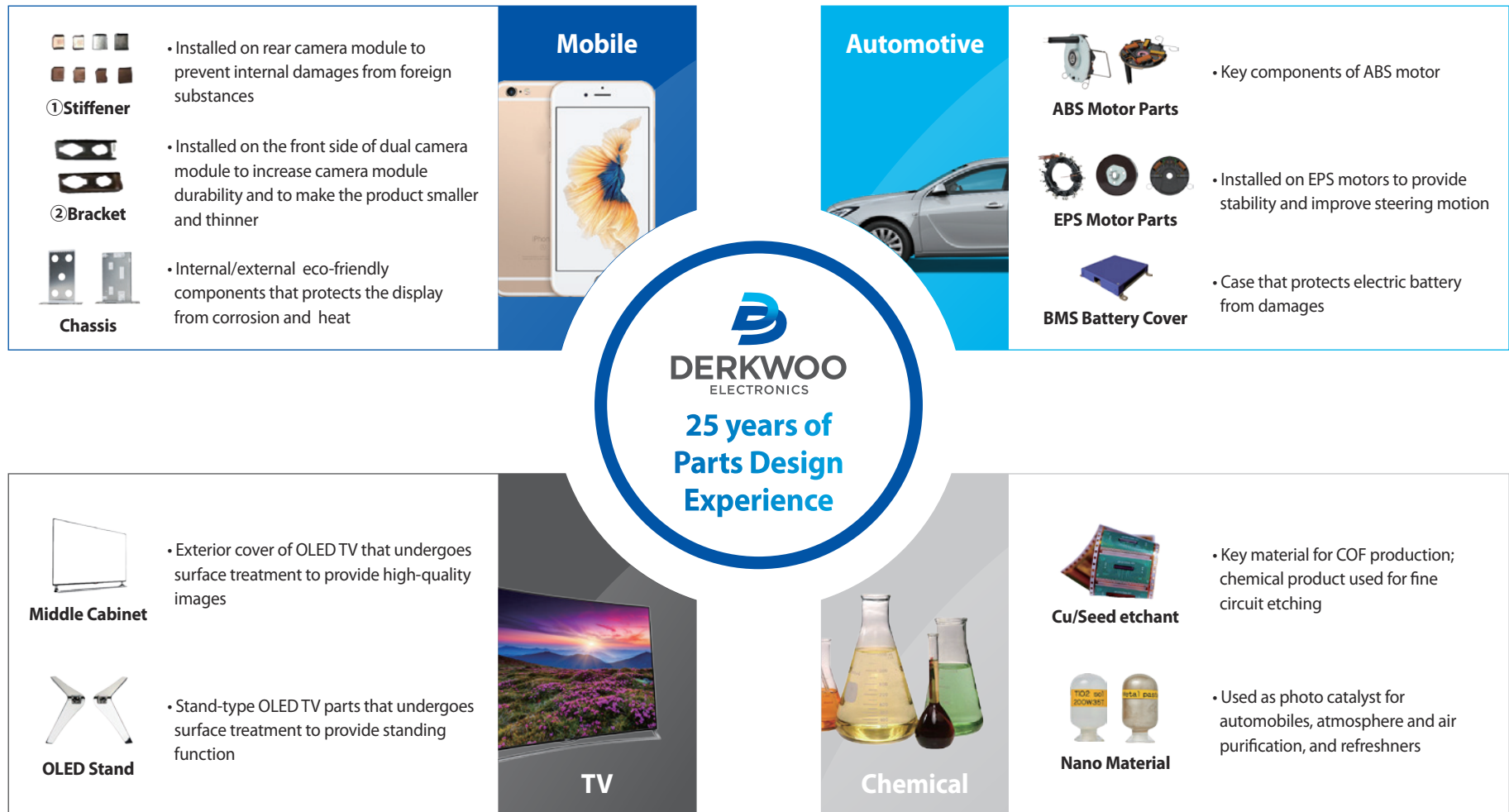
Expanded Parts Business (2010-)

- 2011** Established manufacturing plant in China (Yantai, Shandong)- small BLU Chassis (LG Display), Established in-house chemical research lab
- 2012** Signed SDPA with "I" Company (registered as "I" Company's supplier)
- 2013** Began production of ABS/EPs auto motor parts (LG Innotek)
- 2014** Began production of OLED Middle cabinet (LG Display)
- 2015** Received \$50 million Export Tower Award
- 2016** Established Mexico Branch in San Juan del Río (Auto)

03 Chapter 1. Company Overview

Key Products

Stable business portfolio across mobile, TV, auto and fine chemical industries



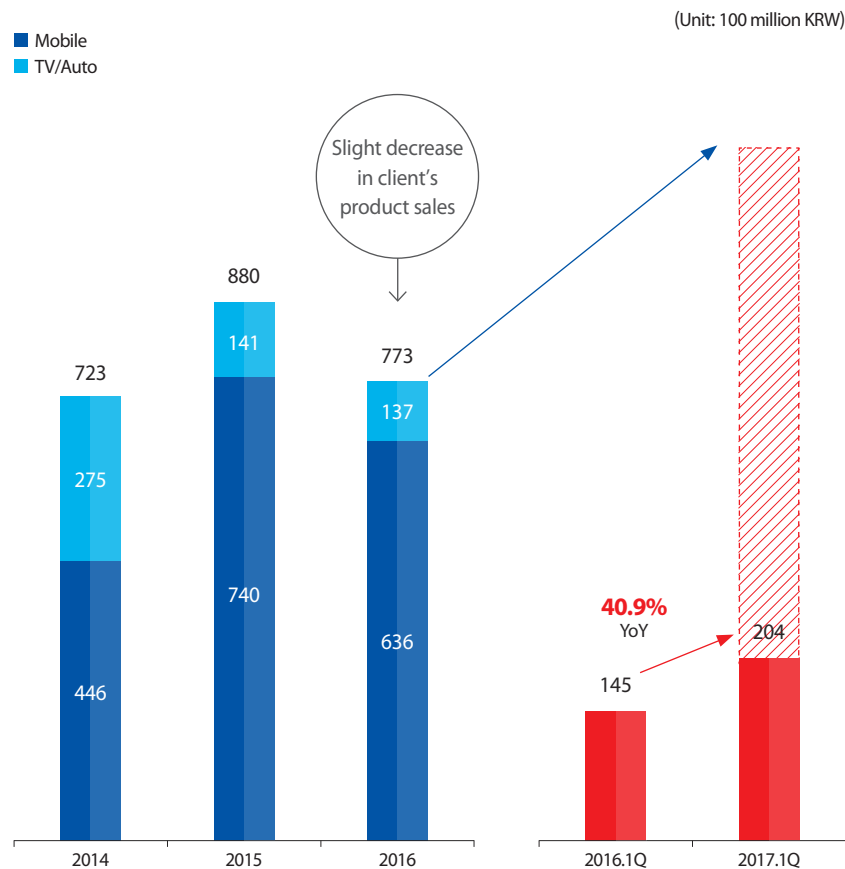
Note: ABS (anti-lock brake system), EPS (Electronic Power Steering)

COF (Chip On Flexible Printed Circuit): semiconductor assembly technology wherein the microchip or die is directly mounted on and electrically connected to a flexible circuit

04 Chapter 1. Company Overview Business Performance: Sales Analysis

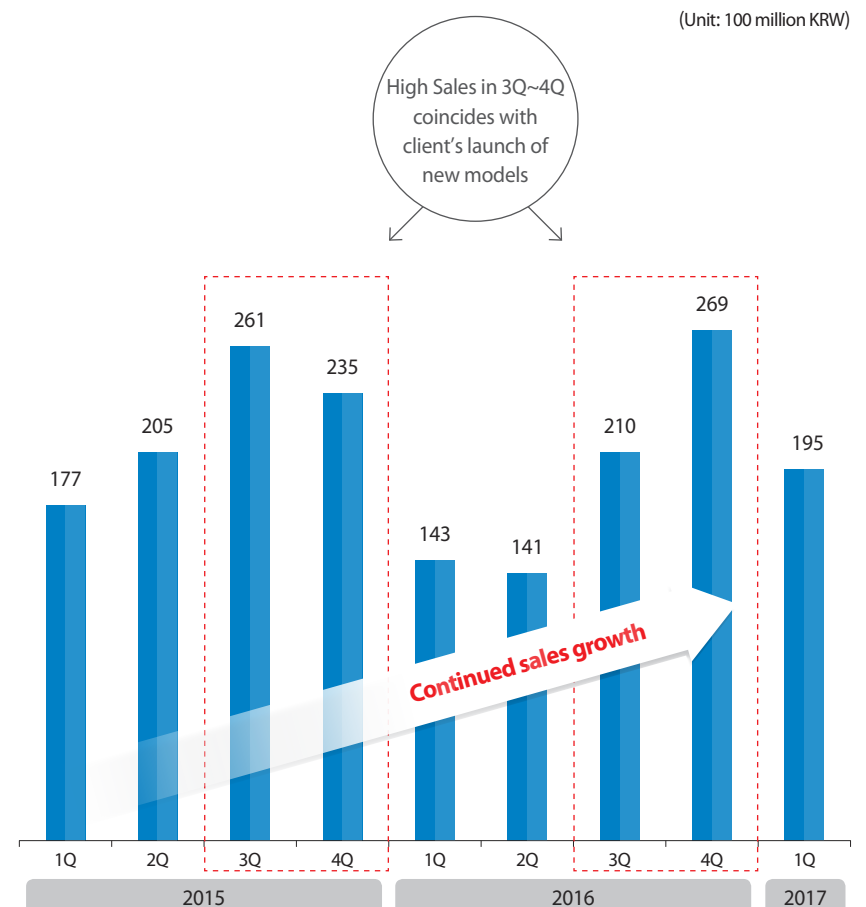
Continued sales growth in the downstream industry including camera module

Annual sales Trend



Note: Based on consolidated financial statements (2014 and 2015 figures are not audited)

Quarterly sales trend



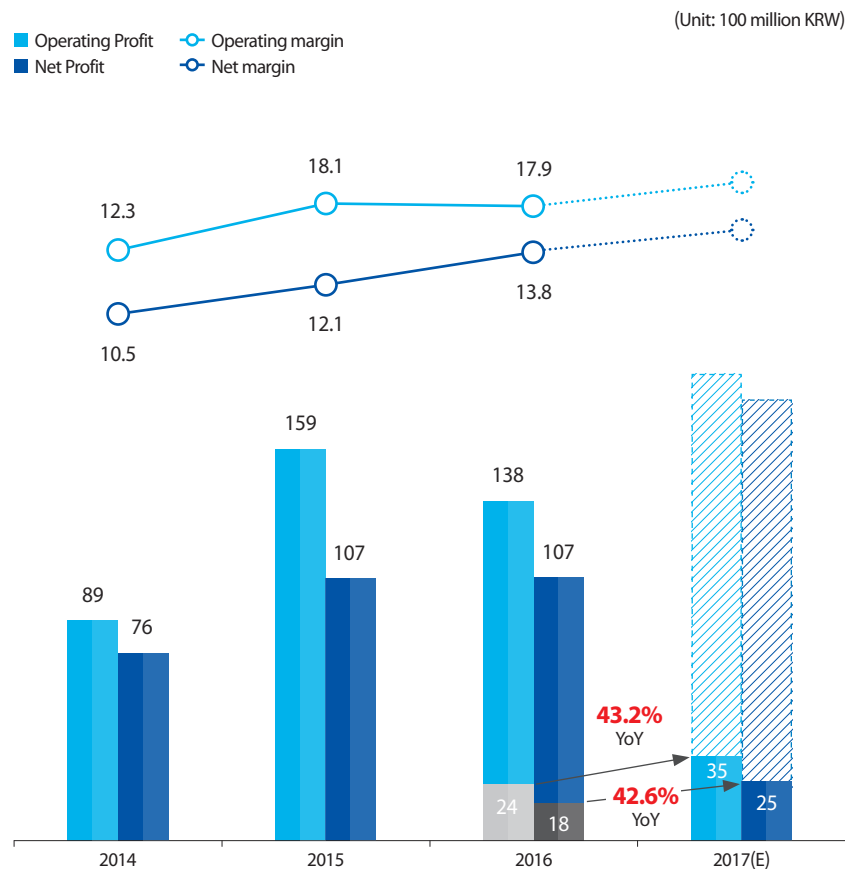
Note: Based on parent financial statements

05 Chapter 1. Company Overview

Business Performance: Profit Analysis

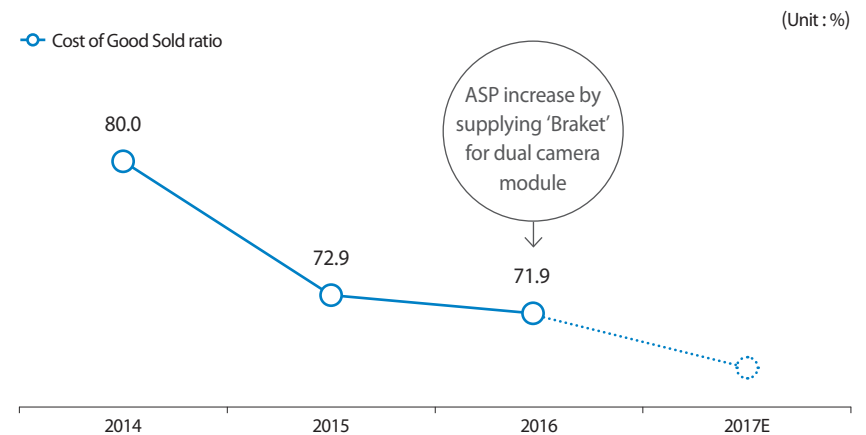
High profitability based on efforts to improve production efficiency

Operating Profit and Net Profit Trend



Note: Based on consolidated financial statements (2014 and 2015 figures are not audited)

Continued Profitability Improvement

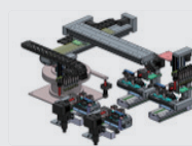


Note: Based on parent financial statements



Expect to expand high-value product sales

Increase ASP by supplying dual camera parts



Continued efforts to reduce production cost

Increased production efficiency by switching to automated facility and securing cost competitiveness

Build a better Future

CHAPTER 02

Investment Highlights

1. Market Positioning
2. Rebound in downstream industry
3. High Technology Sales Capability
4. Maintaining Dominant Market Position
5. Technology Differentiation



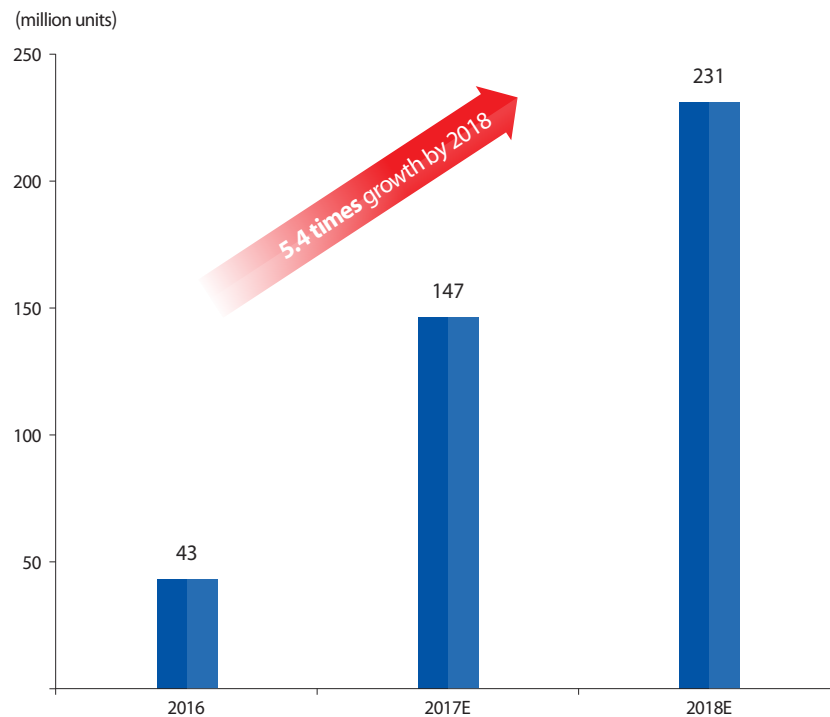
01 Chapter 2. Investment Highlights

Market Positioning

Beneficiary of dual camera module market growth

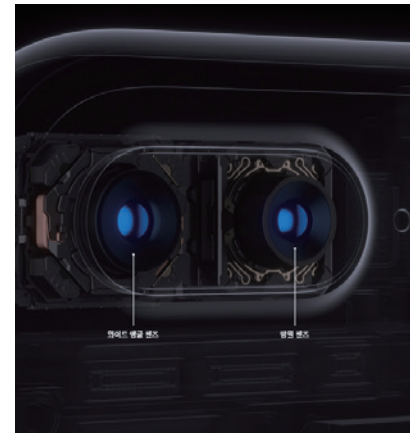
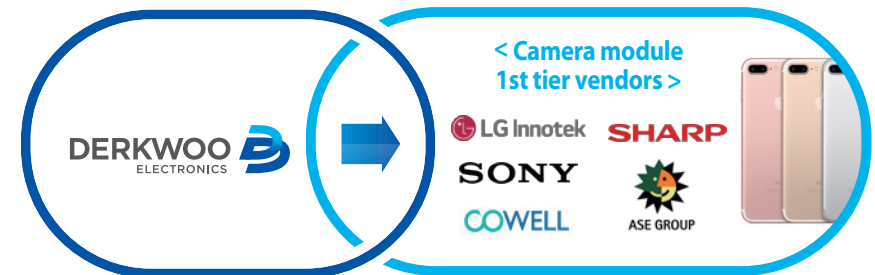
Expected Dual Camera Shipments

■ Dual camera module market size



※ Source: Hi Investment & Securities

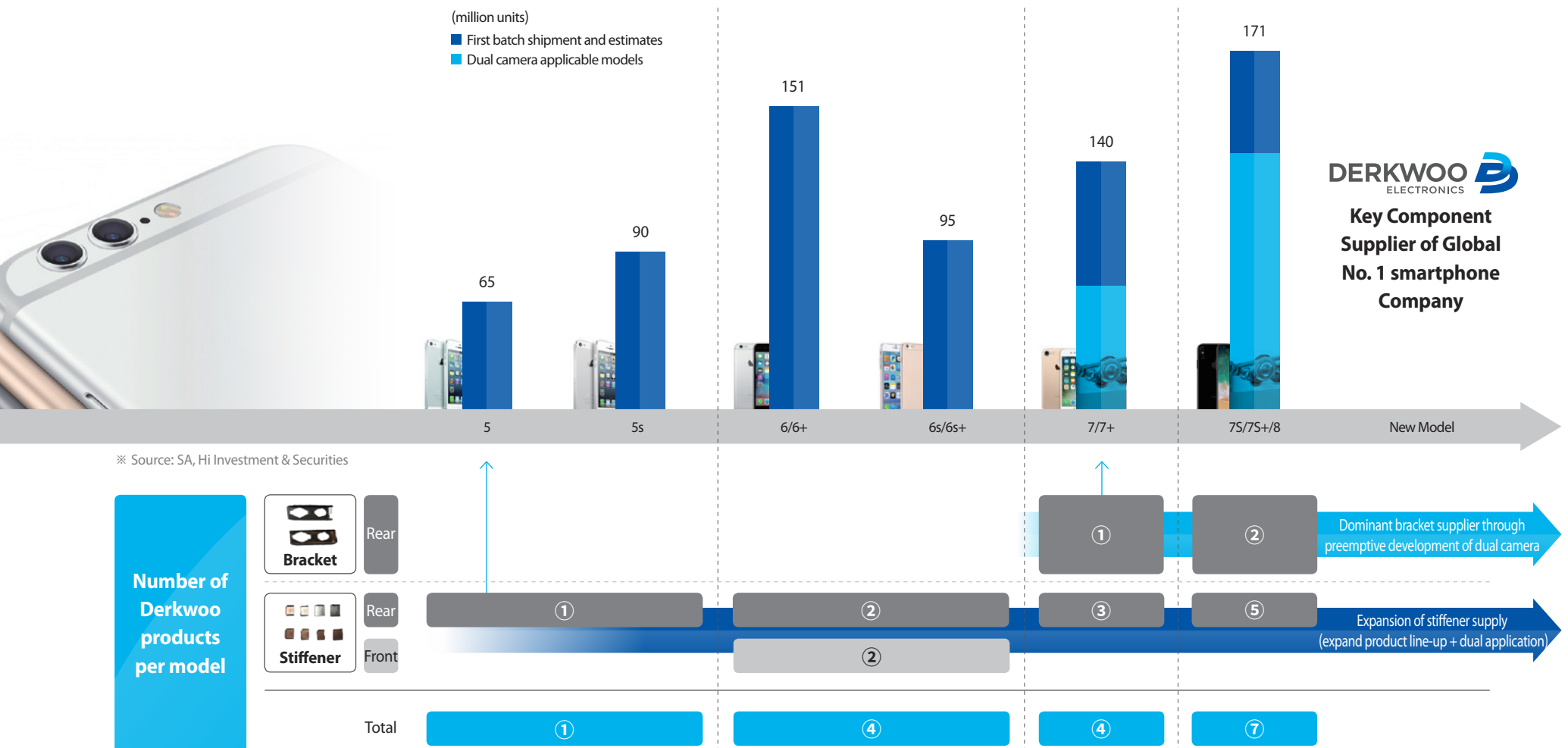
Camera Module Supply Chain Structure



02 Chapter 2. Investment Highlights

Rebound in downstream industry

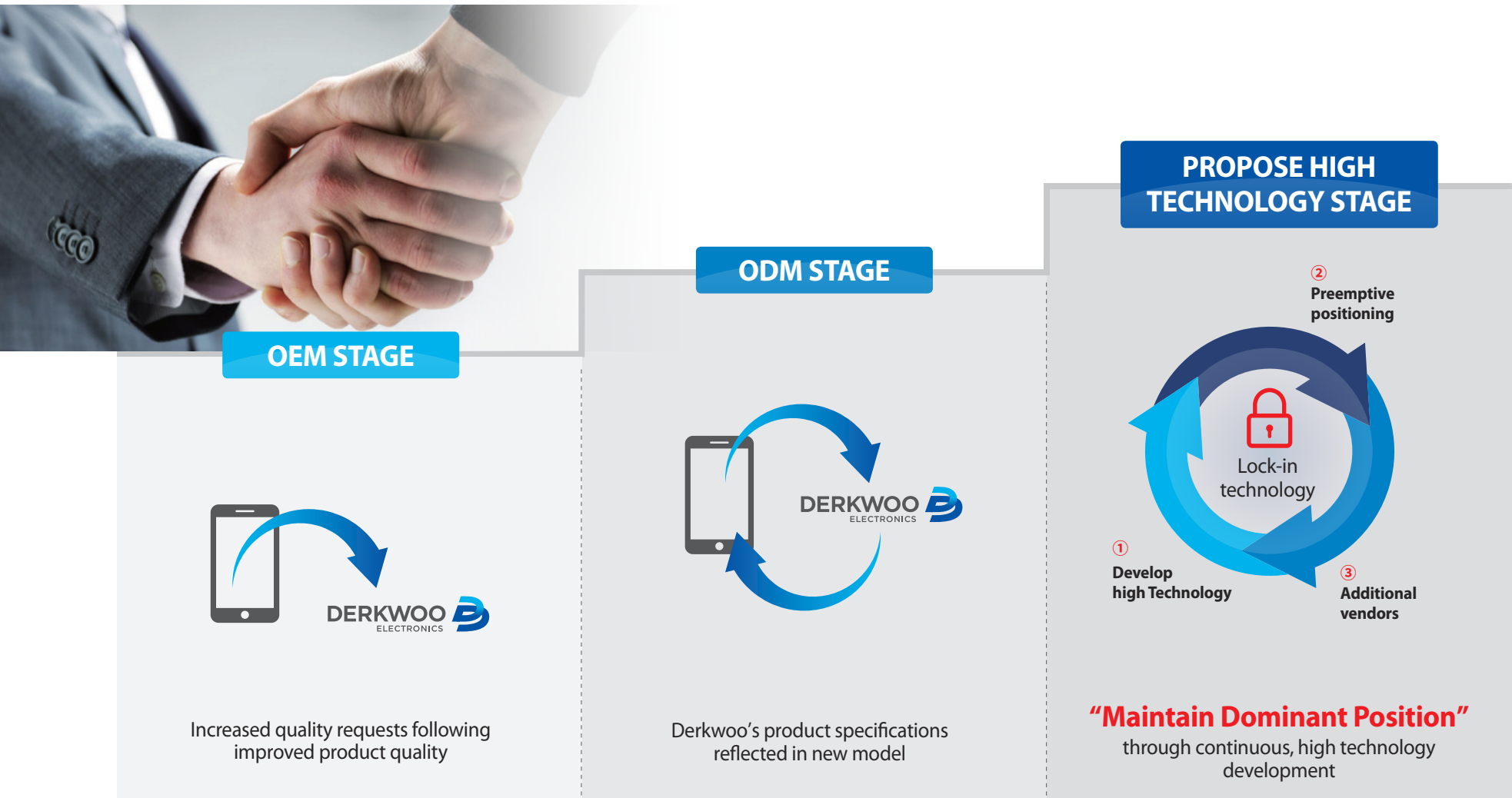
Beneficiary from new model launches in 2H with more dual camera product applications



03 Chapter 2. Investment Highlights

High Technology Sales Capability

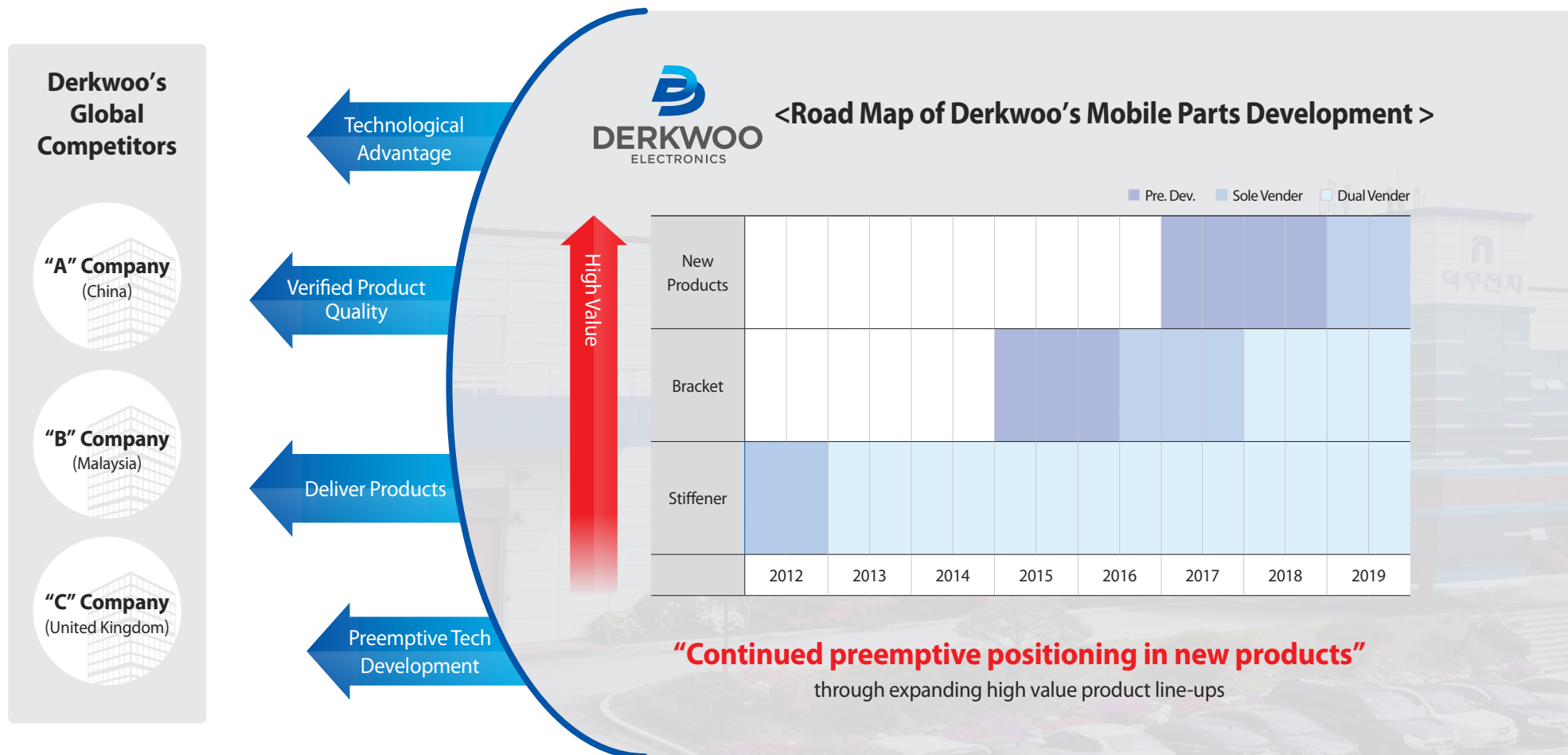
Grow together with client through the lock-in strategy



04 Chapter 2. Investment Highlights

Maintaining Dominant Market Position

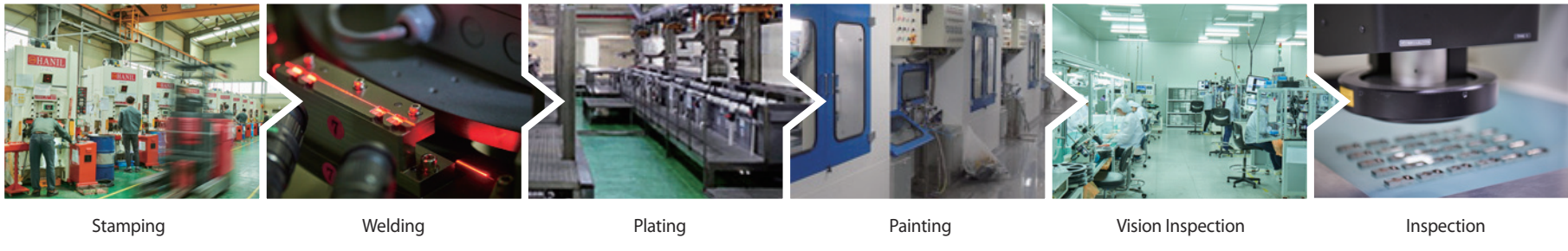
Continued preemptive market positioning with development of specialized product with competitive technology



05 Chapter 2. Investment Highlights

Technology Differentiation

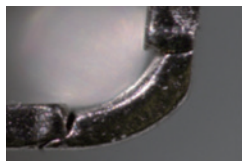
Industry-leading mold and design technology secured based on 25 years of experience



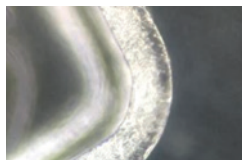
Mold Technology

Stamping Technology

- Production of small to large products
- Derkwoo's proprietary bending technology
- Mass production of light-weight products with deep drawing technology



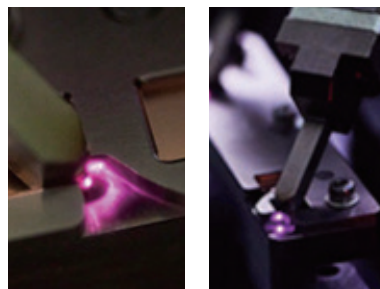
Competitor's Form
(corner blown)



Derkwoo's Form

Laser Ablation Technology

- Laser welding with 0.01% MOE
- Detect all defects with vision facility
- Real time monitoring



Laser Equipment

In-house Facility Design (Design Technology)

Automated Processing

- Automated plating and painting processes
- Other in-line processing facility (auto)



Automated Inspection



In-line Processing

Improved Processing

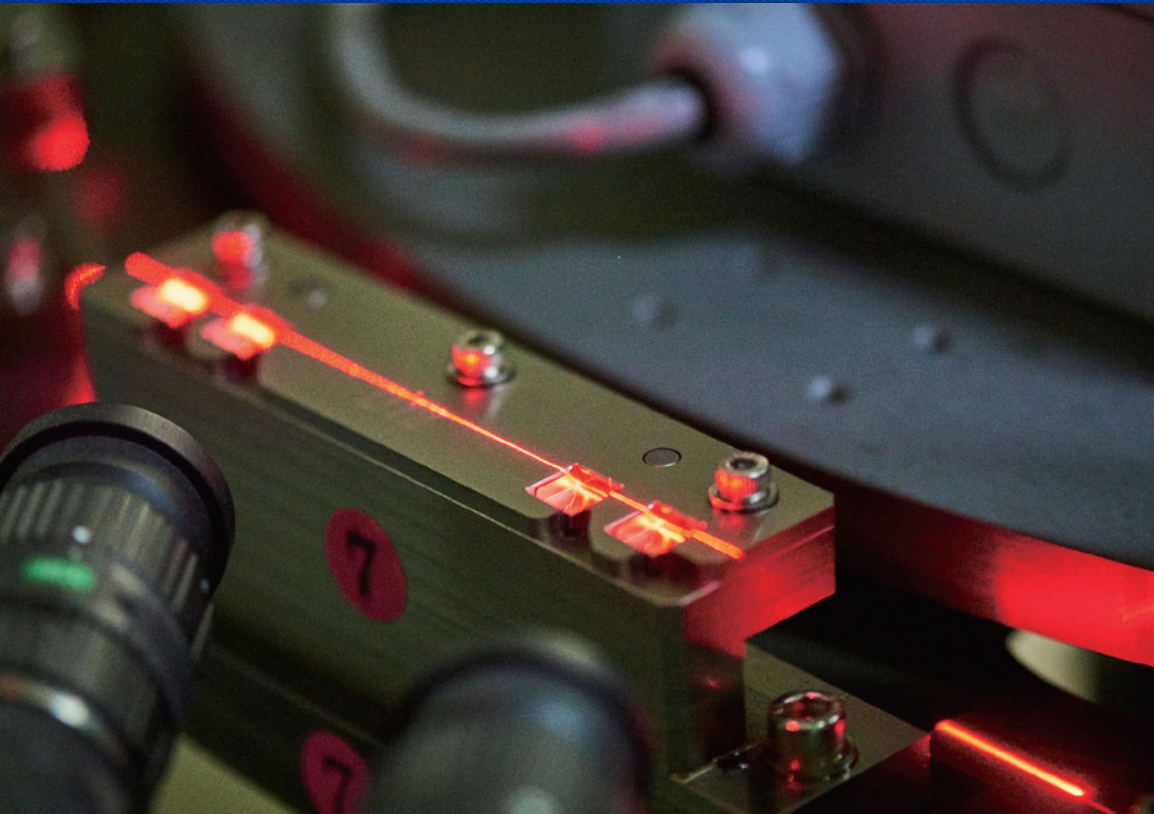
- Competitive facility through continued efficiency improvement
- Improve yield with in-house developed facility



Providing Total Solution

CHAPTER 03 Growth Engine

1. Global Parts Manufacturing Sites
2. Expansion Into Automobile Parts Business
3. Derkwoo Electronics Roadmap



01 Chapter 3. Growth Engine

Global Parts Manufacturing Sites

Enhance strategic partnership with global top tier clients through optimized customer service

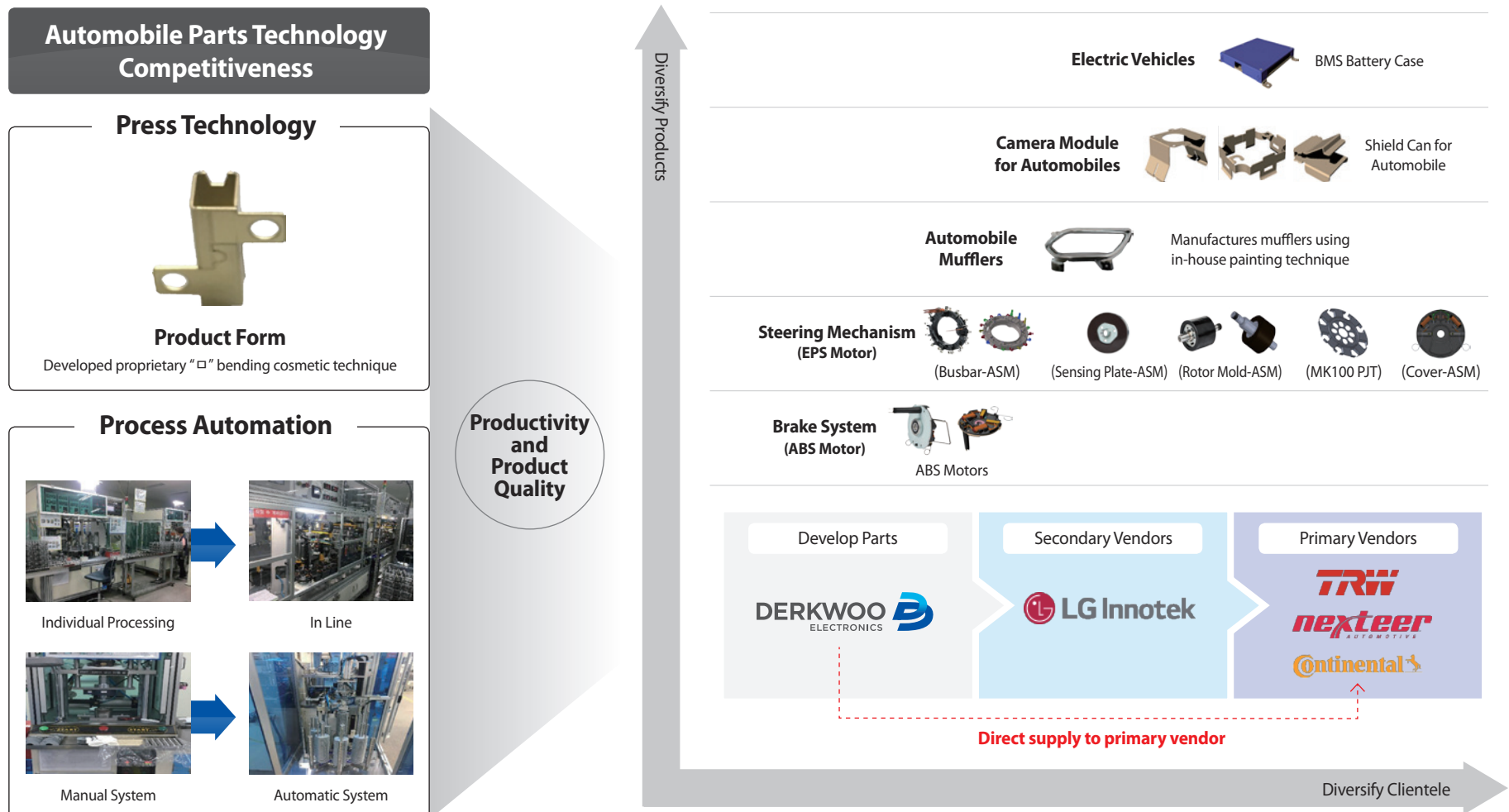
Global Production Plants and Networks



02 Chapter 3. Growth Engine

Expansion Into Automobile Parts Business

Expand automobile product line-ups and clientele based on competitive technology



03 Chapter 3. Growth Engine

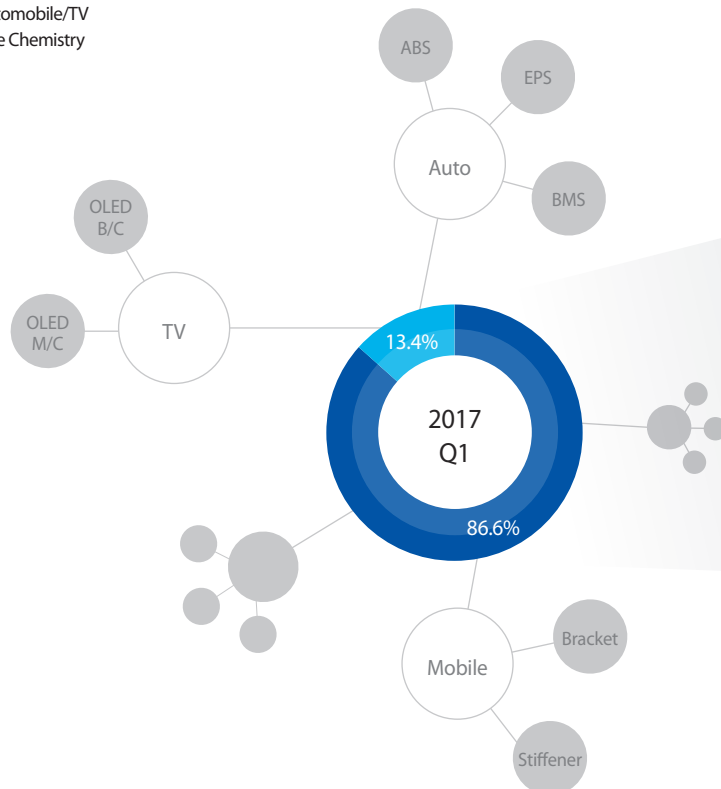
Derkwoo Electronics Roadmap

Global B2B Parts Company Pursuing Customer Values

Derkwoo Electronics in 2017

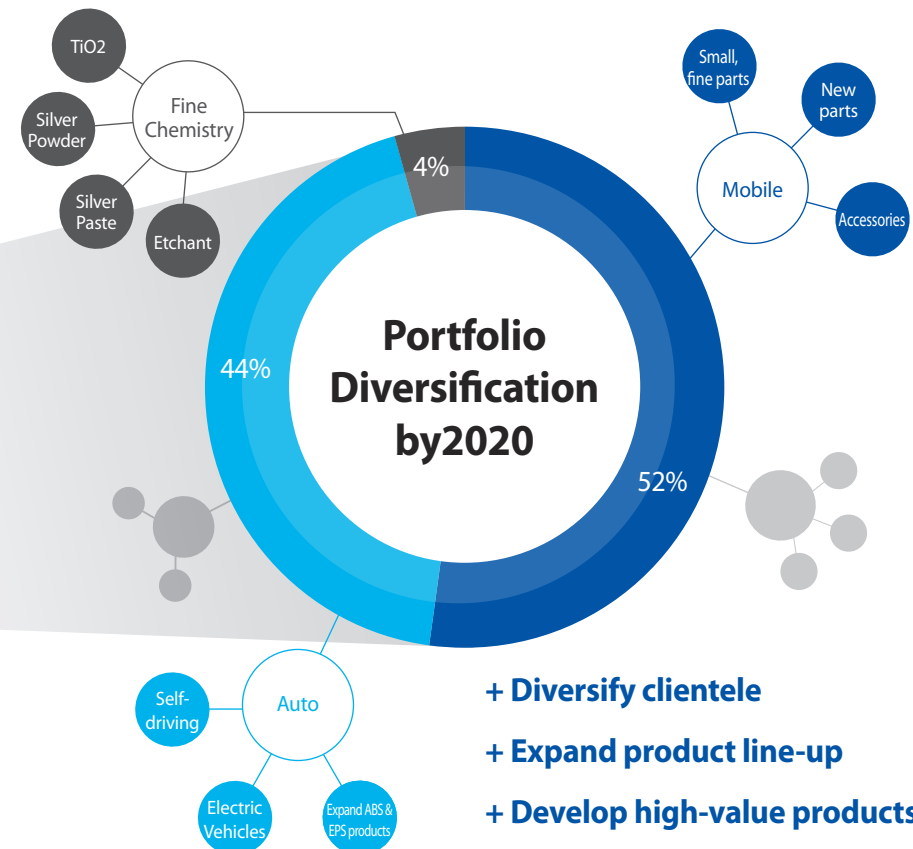
Global B2B Parts Company

- Mobile
- Automobile/TV
- Fine Chemistry



Derkwoo Electronics in 2020

B2B Company Pursuing Customer Value



- + Diversify clientele
- + Expand product line-up
- + Develop high-value products

Global NO.1 Precision Components Manufacturer

CHAPTER 04 Appendix

1. IPO Information
2. Consolidated Financial Statement
3. Parent Financial Statements

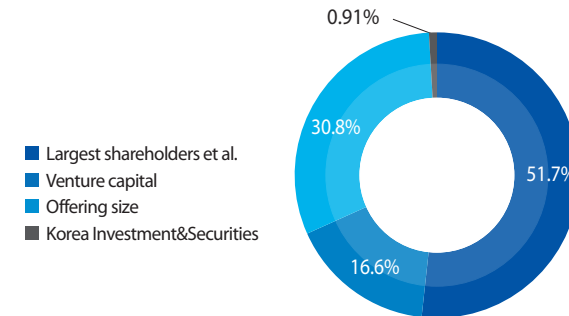


01 Chapter 4. Appendix IPO Information

IPO Information

Face value per share	KRW500
Offering size	2,500,000 shares
Expected price range	KRW13,500-15,500
Proposed public offering value	KRW33.7bn - KRW38.7bn
Projected market cap	KRW109.6bn - KRW125.8 bn
Allocation (expected)	Institution (73.6%), public (20%), employee (6.4%)
Demand estimation date	August 9 - 10, 2017
Pre-selling period	August 17 - 18, 2017
Payment date	August 22, 2017
Expected initial offering date	August 28, 2017
Underwriter	KOREA INVESTMENT & SECURITIES CO. LTD

Shareholder Status after IPO



Lock-up period

Shareholder	# of Shares	%	Duration
Jun-yong Lee et al	4,200,000	51.73%	6m after IPO
Venture capital	1,345,550	16.57%	1m/1y/6m*
Korea Investment & Securities	74,074	0.91%	3m after IPO
ESOP	160,000	1.97%	1y after IPO
Total	5,779,624	71.18%	-

* # of shares: 1 month (272,775), 6 months (800,000), 1 year (272,775)

02 Chapter 4. Appendix Consolidated Financial Statement

Balance Sheet

(Unit: KRW mn)

	'17. 1Q	'16	'15
Current Assets	24,263	22,233	20,310
Non-current Assets	39,288	39,260	24,383
Total Assets	63,552	61,493	44,693
Current Liabilities	13,474	20,317	13,790
Non-current Liabilities	1,272	1,513	2,420
Total Liabilities	14,747	21,830	16,210
Paid-in Capital	3,272	600	600
Capital Surplus	4,312	-	-
Capital Adjustment	(218)	165	(2)
Accumulated Other Comprehensive Income	(240)	(255)	(250)
Retained Earnings	41,678	39,153	28,135
Total Shareholder's Equity	48,804	39,663	28,483

Income Statement

(Unit: KRW mn)

	'17. 1Q	'16	'15
Revenue	20,380	77,312	88,032
Cost of Good Sold	14,989	56,335	64,296
Gross Profit	5,391	20,977	23,736
SG & A	1,920	7,151	7,842
Operating income	3,471	13,826	15,894
Other Profit and loss	107	404	(1,696)
Financial Profit and loss	(507)	(636)	(899)
EBT	3,071	13,594	13,299
Tax	531	2,899	2,639
Net Income	2,540	10,695	10,660

03 Chapter 4. Appendix Parent Financial Statements

Balance Sheet

(Unit: KRW mn)

	'17. 1Q	'16	'15
Current Assets	25,582	23,649	18,956
Non-current Assets	36,835	37,403	25,569
Total Assets	62,418	61,052	44,525
Current Liabilities	12,292	19,834	13,539
Non-current Liabilities	893	1,090	1,889
Total Liabilities	13,186	20,925	15,428
Paid-in Capital	3,272	600	600
Capital Surplus	4,312	-	-
Capital Adjustment	(126)	(60)	(32)
Retained Earnings	41,774	39,587	28,528
Total Shareholder's Equity	49,232	40,127	29,096

Income Statement

(Unit: KRW mn)

	'17. 1Q	'16	'15
Revenue	19,529	76,327	87,798
Cost of Good Sold	14,071	54,883	64,066
Gross Profit	5,458	21,444	23,732
SG & A	1,644	6,211	7,081
Operating Income	3,814	15,233	16,651
Other Profit and loss	400	(957)	(1,597)
Financial Profit and loss	(1,257)	621	(713)
Equity Method Loss	240	1,214	517
EBT	2,717	13,683	13,823
Tax	531	2,899	2,640
Net Income	2,186	10,784	11,183