

PUNCH INDUSTRY (6165)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2016	36,755	1,986	1,666	1,249	112.9	25.0	1,265
FY03/2017	36,648	1,990	1,874	1,375	125.0	26.0	1,293
FY03/2018CoE	38,000	2,200	2,100	1,400	127.7	27.0	-
FY03/2017	YoY (0.3%)	0.2%	12.5%	10.1%	-	-	-
FY03/2018CoE	YoY 3.7%	10.5%	12.0%	1.8%	-	-	-
Consolidated Half Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2017	17,846	841	791	549	-	-	-
Q3 to Q4 FY03/2017	18,802	1,149	1,082	826	-	-	-
Q1 to Q2 FY03/2018CoE	19,120	1,130	1,120	735	-	-	-
Q3 to Q4 FY03/2018CoE	18,880	1,070	980	665	-	-	-
Q1 to Q2 FY03/2018CoE	YoY 7.1%	34.3%	41.4%	33.7%	-	-	-
Q3 to Q4 FY03/2018CoE	YoY 0.4%	(6.9%)	(9.5%)	(19.5%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (12 July 2017)

Increasing Sales and Vietnam

PUNCH INDUSTRY, running operations of manufacturing and selling parts of molds & dies domestically and overseas, is to see steady earnings growth over the long-term. The Company suggests prospective CAGR of 6.4% or more for sales and 13.5% or more for earnings during upcoming years to FY03/2021, while ROE reaching 11.0% or more. Increasing sales and gradually improving productivity in line with progressing utilization of new capacity in Vietnam are both expected to persist going forward, accelerating growth rate of earnings as time goes by toward FY03/2021. In the results of FY03/2017, on which above-mentioned prospective growth rates of sales and earnings are based, the Company saw ROE of 9.8%, while sales increased by 8.5% over the previous year but for impacts from forex changes. Sales in yen were sluggish as yen got appreciated a lot against yuan or currency of China from where almost half of sales as a whole for the Company were derived. The market for molds & dies, of which a fixed proportion is accounted for by parts of molds & dies, has a tendency to see a stable growth, while the Company, focusing on high-end parts of molds & dies with added value and precision both high, has been seen consistent increases of own market shares as far as we could gather, while likely to continue doing so in the foreseeable future. Midterm management plan is calling for increasing sales in Japan, China and Asia, etc. across the board, while looking to China in particular as the key growth driver. In Asia, etc., the plan assumes increasing contribution from cultivations of local markets by the US sales base newly set up. By industry, meanwhile, the plan assumes the mainstay "Automobiles" to be the key driver for sales, while looking to new domains represented by foods & beverages, e.g., plastic bottles, etc. in regards to "Other" at the same time.

In FY03/2017, sales came in at ¥36,648m (down 0.3% YoY), operating profit ¥1,990m (up 0.2%) and operating profit margin 5.4% (up 0.03% points). By region, sales in Japan came in at ¥15,903m (up 1.7% and 43.4% of total), ¥17,428m (down 2.1%, 47.6%) in China and ¥3,317m (up 0.2%, 9.0%) in Asia, etc. Sales should have increased by 13.5% in China and by 13.9% in Asia, etc., if it were not for changes of forex rates. In Japan, sales on “Electronic Parts & Semiconductors” have remained firm consistently, while the Company saw recovering order intake on “Automobiles” in Q4 after one-off adjustments in Q1 due to Kumamoto earthquakes. In China, sales were driven by “Automobiles”, while sales of highly value-added “Strategic Products” were favorable. In Asia, etc., sales were buoyant in Europe, Vietnam, India, etc. throughout the year. However, sales in yen were sluggish both in China and Asia, etc., due to major yen’s appreciation. In particular, sales in yen were negatively affected by yen having been appreciated by 14% against yuan (¥19.21 per yuan to ¥16.56 per yuan). As a result, sales as a whole for the Company came down, albeit not much, while operating profit marginally increased due to improving cost rate mainly overseas where volume was favorably increasing.

FY03/2018 Company forecasts are going for prospective sales of ¥38,000m (up 3.7% YoY), operating profit of ¥2,200m (up 10.5%) and operating profit margin of 5.8% (up 0.4% points). Assuming ¥16.00 per yuan (yen to be appreciated by 3% from ¥16.56 per yuan in the previous year), prospective sales in Japan are ¥16,200m (up 2.5%), ¥17,800m (up 2.4%) in China and ¥3,800m (up 16.5%) in Asia, etc. In Japan, sales are to be driven by those on “Automobiles” to see ongoing trend of recovery, “Electronic Parts & Semiconductors” to continue acquiring new customers and “Other” to benefit from increasing demand associated with foods & beverages. In China, sales are to be driven by those on “Automobiles” as in the previous year and by those of “Highly Value-Added Products”. In Asia, etc., sales are to be driven by those of the US sales base to have just started up operations, by business enhancement in Southeast Asia and by sales channel strengthening in Europe. Meanwhile, earnings are to be driven by improving efficiency of the manufacturing operations as a whole for the Company in line with enhanced operations of new capacity in Vietnam and by increasing exposure to “Highly Value-Added Products” on top of benefiting from increasing sales.

IR Representative: Hayato Matsuda, Corporate Strategy Planning Office (info-corp@punch.co.jp)

2.0 Company Profile

Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

Company Name	PUNCH INDUSTRY CO., LTD. Website IR Information Share Price	
Established	29 March 1975	
Listing	20 December 2012: Tokyo Stock Exchange 1st Section (Ticker: 6165)	
Capital	¥2,897m (As of the end of March 2017)	
No. of Shares	11,061,200 shares, including 100,049 treasury shares (As of the end of March 2017)	
Main Features	<ul style="list-style-type: none"> ● Supplying collective 15,000 customers with diverse parts of molds & dies with an emphasis on custom products ● The largest in Japan with 6,000 customers, second only to Misumi Group Inc. ● Commanding lead market share in China with 8,000 customers 	
Business Segments	. Parts of Molds & Dies Business	
Top Management	President, Representative Director (CEO): Masaaki Takeda	
Shareholders	MT Kosan Co., Ltd. 9.9%, Yuji Morikubo 7.5% (As of the end of March 2017)	
Headquarters	Shinagawa-ku, Tokyo, JAPAN	
No. of Employees	Consolidated:3,959, Parent: 945 (As of the end of March 2017)	

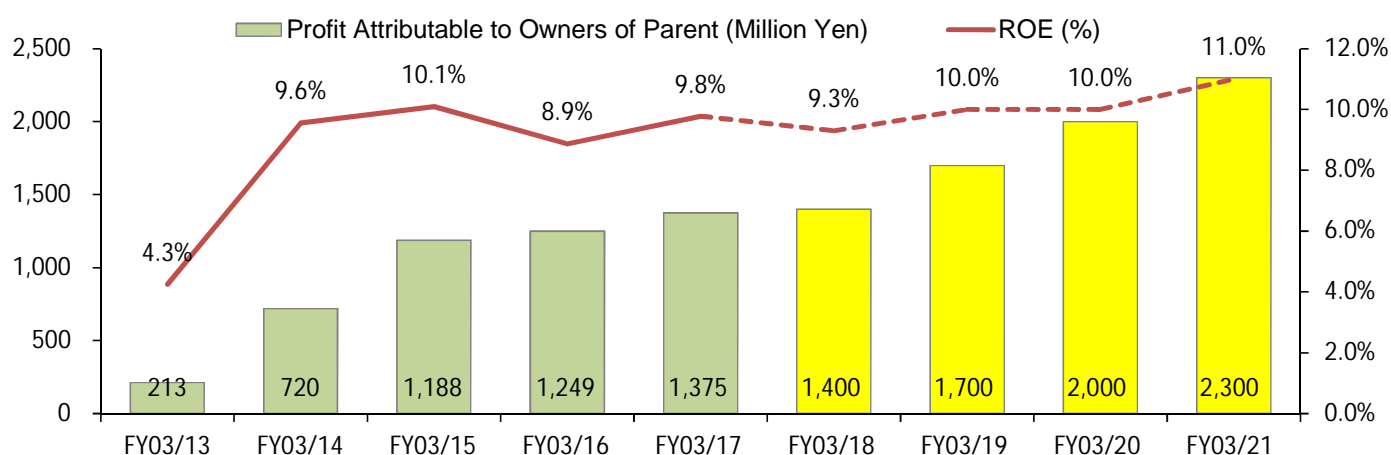
Source: Company Data

3.0 Recent Trading and Prospects

FY03/2017 Results

In FY03/2017, sales came in at ¥36,648m (down 0.3% YoY), operating profit ¥1,990m (up 0.2%), recurring profit ¥1,874m (up 12.5%) and profit attributable to owners of parent ¥1,375m (up 10.1%), while operating profit margin 5.4% (up 0.03% points). In regards to ROE, having had remained rather stable over the past three years (9.6%, 10.1% and 8.9%), has further remained stable at 9.8% in FY03/2017. Going forward, the Company is calling for favorably improving ROE to reach the target of 11.0% or more in FY03/2021.

Midterm Management Plan “Value Creation 2020”: Profit Attributable to Owners of Parent and ROE

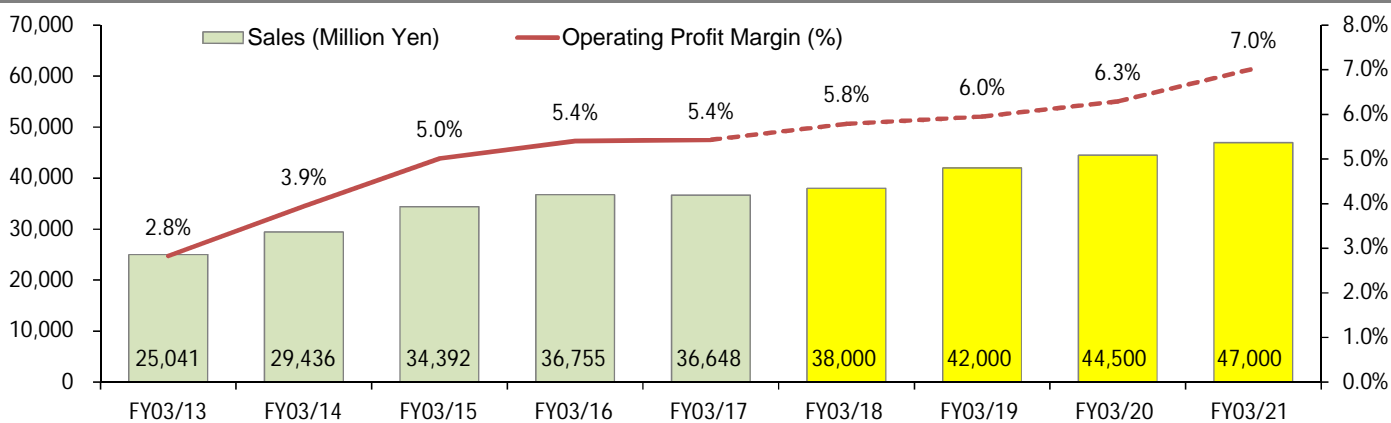


Source: Company Data, WRJ Calculation (FY03/2018: the most recent Company forecasts)

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By Industry, sales came in at ¥16,920m (down 0.8% and 46.2% of total) on “Automobiles”, ¥6,700m (up 2.3%, 18.3%) on “Electronic Parts & Semiconductors”, ¥4,590m (down 4.4%, 12.6%) on “Home Appliances & Precision Machinery” and ¥8,370m (up 0.8%, 22.9%) on “Other”. In Japan, sales on “Automobiles” started to recover in Q4, while sales on “Electronic Parts & Semiconductors” are steadily increasing. In regards to sales on “Other”, the Company saw favorably increasing demand from foods & beverages, e.g., plastic bottles, etc. on which the Company puts emphasis.

Midterm Management Plan “Value Creation 2020” : Sales and Operating Profit Margin

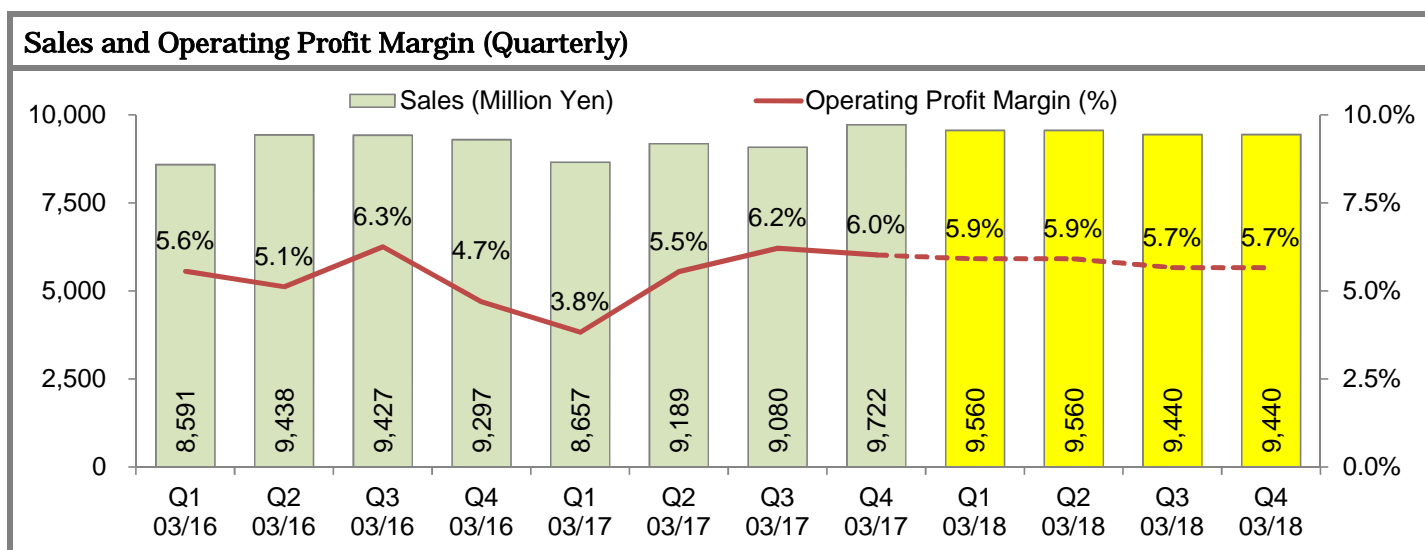


Source: Company Data, WRJ Calculation (FY03/2018: the most recent Company forecasts)

Operating profit saw net increases of ¥4m over the previous year, comprising factors as follows: a) net decreases of ¥29m due to decreasing sales, b) net increases of ¥43m due to improving cost rate mainly overseas where volume was favorably increasing and c) net decreases of ¥10m due to increasing SG&A expenses stemming from investments in human resources of reverse engineering and setup costs in new capacity in Vietnam.

When compared with initial Company forecasts, sales fell short by ¥352m (1.0%), operating profit by ¥10m (0.5%), recurring profit by ¥61m (3.2%) and profit attributable to owners of parent by ¥25m (1.8%). Effectively, the results were in line. Thus, the results were also in line with assumptions of existing midterm management plan “Value Creation 2020” whose period has started at the beginning of FY03/2017.

At the release of Q1 to Q2 results (10 November 2016), initial Company forecasts were once downgraded. Because of negative impacts stemming from Kumamoto earthquakes to have occurred on 14 April 2016, sales to major customers based in Japan slowed down, having resulted in unexpected adjustments of sales and earnings in Q1. On top of this, overseas operations were under pressure due to yen stronger than initially expected, which is mentioned as another reason. However, the Company saw favorable recovery of short-term business performance in Q4, i.e., sales of ¥9,722m (up 4.6% YoY) and operating profit of ¥585m (up 34.2%) and operating profit margin of 6.0% (up 1.3% points), having resulted in full-year results effectively in line with initial Company forecasts as mentioned above.



Source: Company Data, WRJ Calculation (quarterly forecasts in FY03/2018: half-year Company forecasts pro rata)

Meanwhile, as the Company saw improving non-operating balance by ¥203m (negative ¥320m to negative ¥116m), recurring profit came in at ¥1,874m (up 12.5%) and profit attributable to owners of parent ¥1,375m (up 10.1%) versus operating profit of ¥1,990m (up 0.2%). This was mainly due to successful startup of forex risk hedge measures to have reduced forex loss by ¥203m (¥293m to ¥89m).

The other thing to mention in regards to FY03/2017 results is that the Company increased capital expenditures. When intangible fixed assets being included, capital expenditures came in at ¥2,909m (up ¥1,617m) and depreciation ¥1,396m (down ¥36m). On top of the investments in new capacity in Vietnam, the Company was keen on investing in reverse engineering in Japan and in enhancement of custom products in China. Meanwhile, net debt as of the end of FY03/2017 stood at ¥3,526m (up ¥1,417m over the end of FY03/2016), which also had a lot to do with new capacity in Vietnam, etc. The story is also true of free cash flow of negative ¥985m versus positive ¥2,028m in FY03/2016.

FY03/2017 Company Forecasts and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2017CoE	11-May-16	Q4 Results	37,000	2,000	1,935	1,400
FY03/2017CoE	9-Aug-16	Q1 Results	37,000	2,000	1,935	1,400
FY03/2017CoE	10-Nov-16	Q2 Results	35,700	1,800	1,700	1,250
		Amount of Gap	(1,300)	(200)	(235)	(150)
		Rate of Gap	(3.5%)	(10.0%)	(12.1%)	(10.7%)
FY03/2017CoE	9-Feb-17	Q3 Results	35,700	1,800	1,700	1,250
FY03/2017Act	11-May-17	Q4 Results	36,648	1,990	1,874	1,375
		Amount of Gap	948	190	174	125
		Rate of Gap	2.7%	10.6%	10.2%	10.0%
FY03/2017CoE	11-May-16	Q4 Results	37,000	2,000	1,935	1,400
FY03/2017Act	11-May-17	Q4 Results	36,648	1,990	1,874	1,375
		Amount of Gap	(352)	(10)	(61)	(25)
		Rate of Gap	(1.0%)	(0.5%)	(3.2%)	(1.8%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2017CoE	11-May-16	Q4 Results	18,050	970	982	731
Q1 to Q2 FY03/2017CoE	9-Aug-16	Q1 Results	18,050	970	982	731
Q1 to Q2 FY03/2017Act	10-Nov-16	Q2 Results	17,846	841	791	549
		Amount of Gap	(203)	(128)	(190)	(181)
		Rate of Gap	(1.1%)	(13.3%)	(19.4%)	(24.8%)
Q1 to Q2 FY03/2017CoE	11-May-16	Q4 Results	18,050	970	982	731
Q1 to Q2 FY03/2017Act	10-Nov-16	Q2 Results	17,846	841	791	549
		Amount of Gap	(204)	(129)	(191)	(182)
		Rate of Gap	(1.1%)	(13.3%)	(19.5%)	(24.9%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2017CoE	11-May-16	Q4 Results	18,950	1,030	953	669
Q3 to Q4 FY03/2017CoE	9-Aug-16	Q1 Results	18,950	1,030	953	669
Q3 to Q4 FY03/2017CoE	10-Nov-16	Q2 Results	17,854	959	909	701
		Amount of Gap	(1,096)	(71)	(44)	32
		Rate of Gap	(5.8%)	(6.9%)	(4.6%)	4.8%
Q3 to Q4 FY03/2017CoE	9-Feb-17	Q3 Results	17,854	959	909	701
Q3 to Q4 FY03/2017Act	11-May-17	Q4 Results	18,802	1,149	1,083	826
		Amount of Gap	948	190	174	125
		Rate of Gap	5.3%	19.8%	19.1%	17.8%
Q3 to Q4 FY03/2017CoE	11-May-16	Q4 Results	18,950	1,030	953	669
Q3 to Q4 FY03/2017Act	11-May-17	Q4 Results	18,802	1,149	1,083	826
		Amount of Gap	(148)	119	130	157
		Rate of Gap	(0.8%)	11.6%	13.6%	23.5%

Source: Company Data, WRJ Calculation

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	Net Chg.	
Sales	8,591	18,030	27,458	36,755	8,658	17,846	26,926	36,648		(106)
CoGS	6,203	13,110	19,869	26,577	6,330	12,923	19,477	26,457		(120)
Gross Profit	2,388	4,919	7,588	10,178	2,327	4,922	7,449	10,191		+13
SG&A	1,910	3,959	6,037	8,191	1,996	4,081	6,044	8,201		+9
Operating Profit	477	960	1,550	1,986	331	841	1,405	1,990		+3
Non Operating Balance	(39)	(29)	(246)	(320)	0	(49)	(64)	(116)		+203
Recurring Profit	438	931	1,304	1,666	330	791	1,340	1,874		+207
Extraordinary Balance	(3)	(4)	(4)	(10)	(4)	(5)	(14)	(44)		(33)
Profit before Income Taxes	434	926	1,299	1,656	325	786	1,325	1,830		+174
Total Income Taxes	99	202	387	411	119	238	418	459		+48
NP Belonging to Non-Controlling SHs	-	-	(3)	(4)	(1)	(1)	(2)	(5)		(1)
Profit Attributable to Owners of Parent	335	723	915	1,249	207	549	909	1,375		+126
Sales YoY	-	-	-	-	+0.8%	(1.0%)	(1.9%)	(0.3%)		-
Operating Profit YoY	-	-	-	-	(30.7%)	(12.5%)	(9.4%)	+0.2%		-
Recurring Profit YoY	-	-	-	-	(24.7%)	(15.0%)	+2.8%	+12.5%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	(38.1%)	(24.1%)	(0.6%)	+10.1%		-
Gross Profit Margin	27.8%	27.3%	27.6%	27.7%	26.9%	27.6%	27.7%	27.8%		+0.1%
(SG&A / Sales)	22.2%	22.0%	22.0%	22.3%	23.1%	22.9%	22.4%	22.4%		+0.1%
Operating Profit Margin	5.6%	5.3%	5.6%	5.4%	3.8%	4.7%	5.2%	5.4%		+0.0%
Recurring Profit Margin	5.1%	5.2%	4.8%	4.5%	3.8%	4.4%	5.0%	5.1%		+0.6%
Profit Attributable to Owners of Parent Margin	3.9%	4.0%	3.3%	3.4%	2.4%	3.1%	3.4%	3.8%		+0.4%
Total Income Taxes / Profit before Income Taxes	23.0%	21.9%	29.8%	24.8%	36.6%	30.3%	31.6%	25.1%		+0.3%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	Net Chg.	
Sales	8,591	9,438	9,427	9,297	8,658	9,188	9,080	9,722		+424
CoGS	6,203	6,906	6,759	6,707	6,330	6,593	6,553	6,979		+271
Gross Profit	2,388	2,531	2,668	2,589	2,327	2,594	2,526	2,742		+152
SG&A	1,910	2,048	2,078	2,153	1,996	2,085	1,962	2,156		+3
Operating Profit	477	483	589	436	331	509	564	585		+149
Non Operating Balance	(39)	10	(217)	(73)	0	(48)	(15)	(51)		+22
Recurring Profit	438	493	372	362	330	461	548	533		+171
Extraordinary Balance	(3)	(1)	0	(5)	(4)	0	(9)	(29)		(23)
Profit before Income Taxes	434	491	372	356	325	461	539	504		+147
Total Income Taxes	99	102	184	23	119	119	180	41		+17
NP Belonging to Non-Controlling SHs	-	-	(3)	(1)	(1)	0	0	(3)		(1)
Profit Attributable to Owners of Parent	335	388	191	334	207	341	359	466		+132
Sales YoY	-	-	-	-	+0.8%	(2.6%)	(3.7%)	+4.6%		-
Operating Profit YoY	-	-	-	-	(30.7%)	+5.6%	(4.3%)	+34.2%		-
Recurring Profit YoY	-	-	-	-	(24.7%)	(6.4%)	+47.2%	+47.3%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	(38.1%)	(12.0%)	+88.2%	+39.6%		-
Gross Profit Margin	27.8%	26.8%	28.3%	27.9%	26.9%	28.2%	27.8%	28.2%		+0.4%
(SG&A / Sales)	22.2%	21.7%	22.0%	23.2%	23.1%	22.7%	21.6%	22.2%		(1.0%)
Operating Profit Margin	5.6%	5.1%	6.3%	4.7%	3.8%	5.5%	6.2%	6.0%		+1.3%
Recurring Profit Margin	5.1%	5.2%	4.0%	3.9%	3.8%	5.0%	6.0%	5.5%		+1.6%
Profit Attributable to Owners of Parent Margin	3.9%	4.1%	2.0%	3.6%	2.4%	3.7%	4.0%	4.8%		+1.2%
Total Income Taxes / Profit before Income Taxes	23.0%	20.9%	49.6%	6.6%	36.6%	25.9%	33.4%	8.1%		+1.5%

Source: Company Data, WRJ Calculation

Sales by Region : Financial Summary Data (Cumulative, Quarterly)

Sales by Region : Financial Summary Data		Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)		Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Net Chg.
		03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	
Japan		3,860	7,640	11,570	15,630	3,840	7,650	11,560	15,900	+270
China		4,000	8,790	13,410	17,800	4,040	8,570	12,890	17,420	(380)
Asia, etc.		730	1,590	2,460	3,310	770	1,610	2,450	3,310	0
(Adjustments)		1	10	18	15	8	16	26	18	+3
Sales		8,591	18,030	27,458	36,755	8,658	17,846	26,926	36,648	(106)
Japan		-	-	-	-	(0.5%)	+0.1%	(0.1%)	+1.7%	-
China		-	-	-	-	+1.0%	(2.5%)	(3.9%)	(2.1%)	-
Asia, etc.		-	-	-	-	+5.5%	+1.3%	(0.4%)	+0.2%	-
Sales (YoY)		-	-	-	-	+0.8%	(1.0%)	(1.9%)	(0.3%)	-
Japan		44.9%	42.4%	42.1%	42.5%	44.4%	42.9%	42.9%	43.4%	-
China		46.6%	48.8%	48.8%	48.4%	46.7%	48.0%	47.9%	47.5%	-
Asia, etc.		8.5%	8.8%	9.0%	9.0%	8.9%	9.0%	9.1%	9.0%	-
Sales (Composition Ratio)		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Sales by Region : Financial Summary Data		Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Net Chg.
		03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	
Japan		3,860	3,780	3,930	4,050	3,840	3,810	3,910	4,330	+280
China		4,000	4,800	4,610	4,390	4,040	4,530	4,320	4,520	+130
Asia, etc.		730	860	870	840	770	840	840	850	+10
(Adjustments)		1	(1)	17	17	8	8	10	22	+4
Sales		8,591	9,438	9,427	9,297	8,658	9,188	9,080	9,722	+424
Japan		-	-	-	-	(0.5%)	+0.8%	(0.5%)	+6.9%	-
China		-	-	-	-	+1.0%	(5.6%)	(6.3%)	+3.0%	-
Asia, etc.		-	-	-	-	+5.5%	(2.3%)	(3.4%)	+1.2%	-
Sales (YoY)		-	-	-	-	+0.8%	(2.6%)	(3.7%)	+4.6%	-
Japan		44.9%	40.0%	41.7%	43.6%	44.4%	41.5%	43.1%	44.5%	-
China		46.6%	50.9%	48.9%	47.2%	46.7%	49.3%	47.6%	46.5%	-
Asia, etc.		8.5%	9.1%	9.2%	9.0%	8.9%	9.1%	9.3%	8.7%	-
Sales (Composition Ratio)		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Sales by Industry : Financial Summary Data (Cumulative, Quarterly)

Sales by Industry : Financial Summary Data	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	03/2017	
"Automobiles"	3,990	8,390	12,670	17,060	3,960	8,190	12,400	16,920		(140)
"Electronic Parts & Semiconductors"	1,600	3,230	4,870	6,550	1,570	3,300	4,940	6,700		+150
"Home Appliances & Precision Machinery"	1,160	2,370	3,610	4,800	1,150	2,280	3,410	4,590		(210)
"Other"	1,840	4,040	6,280	8,300	1,960	4,040	6,110	8,370		+70
(Adjustments)	1	-	28	45	18	36	66	68		+23
Sales	8,591	18,030	27,458	36,755	8,658	17,846	26,926	36,648		(106)
"Automobiles"	-	-	-	-	(0.8%)	(2.4%)	(2.1%)	(0.8%)		-
"Electronic Parts & Semiconductors"	-	-	-	-	(1.9%)	+2.2%	+1.4%	+2.3%		-
"Home Appliances & Precision Machinery"	-	-	-	-	(0.9%)	(3.8%)	(5.5%)	(4.4%)		-
"Other"	-	-	-	-	+6.5%	+0.0%	(2.7%)	+0.8%		-
Sales (YoY)	-	-	-	-	+0.8%	(1.0%)	(1.9%)	(0.3%)		-
"Automobiles"	46.4%	46.5%	46.1%	46.4%	45.7%	45.9%	46.1%	46.2%		-
"Electronic Parts & Semiconductors"	18.6%	17.9%	17.7%	17.8%	18.1%	18.5%	18.3%	18.3%		-
"Home Appliances & Precision Machinery"	13.5%	13.1%	13.1%	13.1%	13.3%	12.8%	12.7%	12.6%		-
"Other"	21.4%	22.4%	22.9%	22.6%	22.6%	22.6%	22.7%	22.8%		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Sales by Industry : Financial Summary Data	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	03/2017	
"Automobiles"	3,990	4,400	4,280	4,390	3,960	4,230	4,210	4,520		+130
"Electronic Parts & Semiconductors"	1,600	1,630	1,640	1,680	1,570	1,730	1,640	1,760		+80
"Home Appliances & Precision Machinery"	1,160	1,210	1,240	1,190	1,150	1,130	1,130	1,180		(10)
"Other"	1,840	2,200	2,240	2,020	1,960	2,080	2,070	2,260		+240
(Adjustments)	1	(1)	27	17	18	18	30	2		(15)
Sales	8,591	9,438	9,427	9,297	8,658	9,188	9,080	9,722		+424
"Automobiles"	-	-	-	-	(0.8%)	(3.9%)	(1.6%)	+3.0%		-
"Electronic Parts & Semiconductors"	-	-	-	-	(1.9%)	+6.1%	+0.0%	+4.8%		-
"Home Appliances & Precision Machinery"	-	-	-	-	(0.9%)	(6.6%)	(8.9%)	(0.8%)		-
"Other"	-	-	-	-	+6.5%	(5.5%)	(7.6%)	+11.9%		-
Sales (YoY)	-	-	-	-	+0.8%	(2.6%)	(3.7%)	+4.6%		-
"Automobiles"	46.4%	46.6%	45.4%	47.2%	45.7%	46.0%	46.4%	46.5%		-
"Electronic Parts & Semiconductors"	18.6%	17.3%	17.4%	18.1%	18.1%	18.8%	18.1%	18.1%		-
"Home Appliances & Precision Machinery"	13.5%	12.8%	13.2%	12.8%	13.3%	12.3%	12.4%	12.1%		-
"Other"	21.4%	23.3%	23.8%	21.7%	22.6%	22.6%	22.8%	23.2%		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2016	Q2 03/2016	Q3 03/2016	Q4 03/2016	Q1 03/2017	Q2 03/2017	Q3 03/2017	Q4 03/2017		
Cash and Deposit	2,852	2,932	2,842	3,235	3,003	3,797	2,910	3,280	+44	
Accounts Receivables	10,555	11,406	10,725	10,614	10,672	10,025	10,250	11,468	+853	
Inventory	4,057	3,828	3,974	3,721	3,640	3,469	3,526	3,787	+66	
Other	776	610	275	303	410	585	844	613	+310	
Current Assets	18,241	18,778	17,818	17,875	17,727	17,878	17,532	19,150	+1,274	
Tangible Assets	7,944	7,983	7,792	7,696	8,073	8,165	8,210	8,669	+972	
Intangible Assets	1,620	1,558	1,292	1,322	1,380	1,240	1,171	1,242	(79)	
Investments and Other Assets	307	296	247	443	402	311	342	389	(53)	
Fixed Assets	9,872	9,838	9,331	9,462	9,856	9,717	9,723	10,301	+839	
Total Assets	28,114	28,616	27,150	27,337	27,584	27,596	27,256	29,451	+2,114	
Accounts Payables, etc.	3,995	4,044	3,970	3,860	4,305	4,874	4,667	4,287	+427	
Short Term Debt	4,216	4,641	4,076	3,550	3,913	3,519	4,004	4,346	+795	
Other	2,734	2,358	2,228	3,040	3,056	2,722	2,375	3,090	+50	
Current Liabilities	10,946	11,044	10,276	10,451	11,275	11,116	11,047	11,724	+1,273	
Long Term Debt	2,176	2,053	1,913	1,794	1,643	2,805	2,616	2,460	+666	
Other	757	764	812	1,092	1,145	1,088	1,071	1,089	(2)	
Fixed Liabilities	2,933	2,817	2,725	2,886	2,788	3,894	3,688	3,550	+663	
Total Liabilities	13,879	13,862	13,001	13,338	14,064	15,010	14,736	15,275	+1,937	
Shareholders' Equity	11,810	12,199	12,252	12,586	12,655	12,951	13,131	13,598	+1,012	
Other	2,424	2,555	1,896	1,413	864	(365)	(611)	578	(835)	
Net Assets	14,235	14,754	14,148	13,999	13,519	12,585	12,520	14,176	+176	
Total Liabilities and Net Assets	28,114	28,616	27,150	27,337	27,584	27,596	27,256	29,451	+2,114	
Equity Capital	14,230	14,748	14,142	13,988	13,509	12,575	12,509	14,167	+179	
Interest Bearing Debt	6,393	6,695	5,990	5,344	5,557	6,325	6,620	6,807	+1,462	
Net Debt	3,540	3,763	3,147	2,108	2,553	2,527	3,710	3,526	+1,417	
Equity Ratio	50.6%	51.5%	52.1%	51.2%	49.0%	45.6%	45.9%	48.1%	(3.1%)	
Net Debt Equity Ratio	24.9%	25.5%	22.3%	15.1%	18.9%	20.1%	29.7%	24.9%	+9.8%	
ROE (12 months)	-	-	-	8.9%	8.1%	7.9%	9.3%	9.8%	+0.9%	
ROA (12 months)	-	-	-	5.9%	5.6%	5.4%	6.3%	6.6%	+0.7%	
Days for Inventory Turnover	60	51	54	51	52	48	49	50	-	
Quick Ratio	122%	130%	132%	133%	121%	124%	119%	126%	-	
Current Ratio	167%	170%	173%	171%	157%	161%	159%	163%	-	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2016	Q1 to Q2 03/2016	Q1 to Q3 03/2016	Q1 to Q4 03/2016	Q1 03/2017	Q1 to Q2 03/2017	Q1 to Q3 03/2017	Q1 to Q4 03/2017	
Operating Cash Flow	-	742	-	3,187	-	858	-	1,785	(1,402)
Investing Cash Flow	-	(509)	-	(1,159)	-	(995)	-	(2,770)	(1,610)
Operating CF and Investing CF	-	233	-	2,028	-	(137)	-	(985)	(3,013)
Financing Cash Flow	-	(610)	-	(1,901)	-	1,125	-	1,199	+3,101

Source: Company Data, WRJ Calculation

FY03/2018 Company Forecasts

FY03/2018 Company forecasts are going for prospective sales of ¥38,000m (up 3.7% YoY), operating profit of ¥2,200m (up 10.5%), recurring profit of ¥2,100m (up 12.0%) and profit attributable to owners of parent of ¥1,400m (up 1.8%), while operating profit margin of 5.8% (up 0.4% points). At the end of the day, all those figures are also in line with assumptions of midterm management plan.

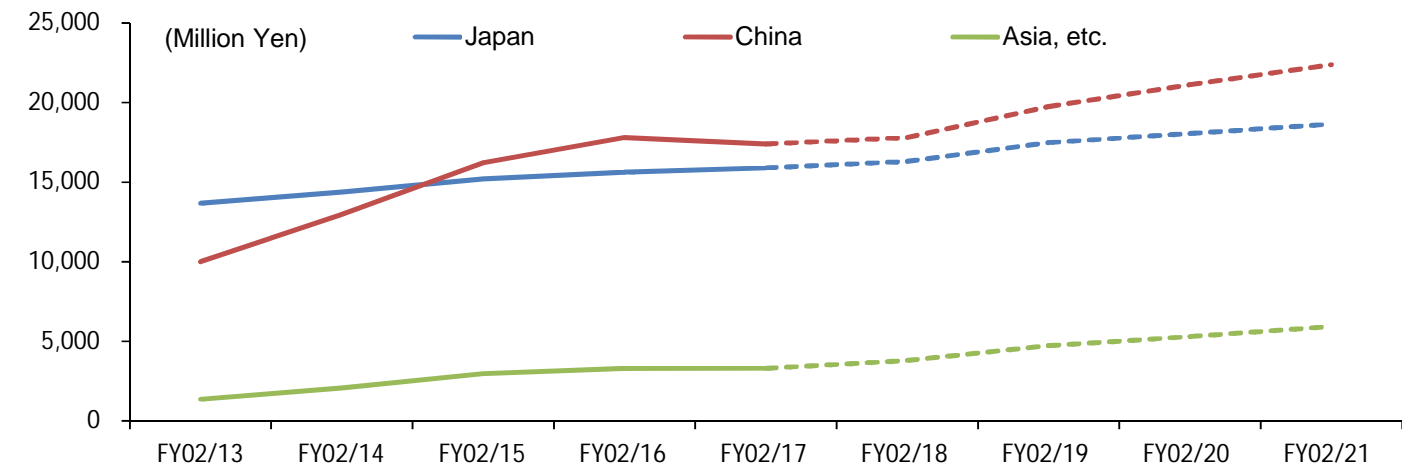
However, yen is to get appreciated more than assumed in midterm management plan, prospective sales here are rather below the assumptions in a strict sense. Midterm management plan assumes ¥18.60 per yuan versus ¥16.00 per yuan in FY03/2018 Company forecasts. Still, prospective operating profit and recurring profit are in line, while profit attributable to owners of parent being marginally below. The Company suggests this has a lot to do with capacity expansion in Dalian. This is to be completed in March 2018, while Company forecasts assume loss on retirement of fixed assets of ¥60m to be booked as extraordinary loss, associated with existing buildings.

Meanwhile, Company forecasts are going for prospective annual dividend of ¥27.0 per share, implying payout ratio of 21.1% in FY03/2018 versus ¥26.0 per share, implying payout ratio of 20.8%, in FY03/2017. Thus, dividend per share is to increase by ¥1.0 per share, while payout ratio edging up. More importantly, the Company being keen on sharing earnings with shareholders is going for prospective target of 30% for its payout ratio in the last year of midterm management plan. When based on assumptions of midterm management plan and the number of shares outstanding as of the end of FY03/2017, annual dividend of ¥62.4 per share or more is implied for FY03/2021 (¥2,300m, multiplied by 30% and divided by 11.0m shares), while annual dividend is to increase by 2.3x or more from prospective annual dividend of ¥27.0 per share, implying payout ratio of 21.1%, in FY03/2018.

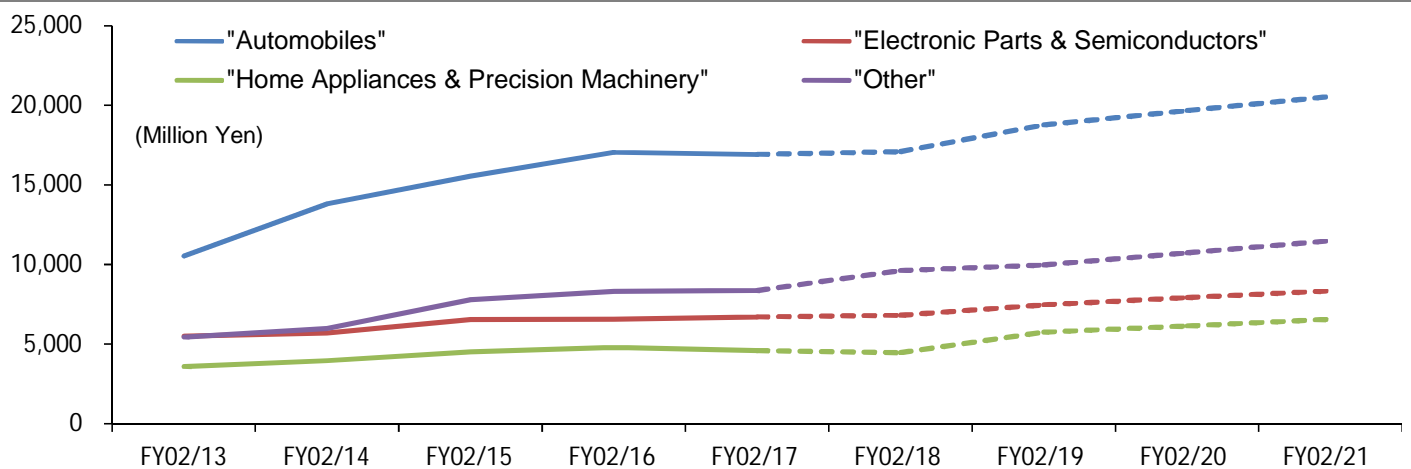
Long-Term Prospects

On 11 March 2016, the Company came up with the release of its midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). As an objective of management, the Company is calling for prospective sales of ¥47,000m or more to be achieved in the last year of FY03/2021 as well as operating profit of ¥3,300m or more and profit attributable to owners of parent of ¥2,300m or more. Based on FY03/2017 results, sales are to see CAGR of 6.4% or more and operating profit 13.5% or more.

Midterm Management Plan “Value Creation 2020” : Sales by Region



Midterm Management Plan “Value Creation 2020” : Sales by Industry



Source: Company Data, WRJ Calculation (FY03/2018: the most recent Company forecasts)

In “Value Creation 2020”, the Company mentions 4 priority initiatives, comprising a) establishment of 5-pole (Japan, China, Asia, Europe and Americas) sales system, b) improvement of customer services, c) promotion of high profitability operations with reinforcement of R&D and d) reform of working style. As far as we could gather, the Company is keen on a) establishment of 5-pole sales system in particular, i.e., trying to make a changeover to “Punch of the world” from “Punch of Asia”

To date, the Company has had a tendency to basically focus on operations in Asia. On top of operations in Japan and China, the Company has started up own operations in Southeast Asia since around 2012. Meanwhile, in regards to Europe and Americas, the Company has just started up sales with its new US sales base (near Chicago, Illinois) in April 2017 as the bridgehead for future operations on a full-fledged basis in there.

In the United States, the Company finds market for molds & dies the largest, second only to that of China, roughly equating to ¥1.3 trillion to ¥1.4 trillion. When compared with that of China, the market here is well matured and new entrance is not easy at all. Still, the Company is trying to get at beefing up sales by means of putting emphasis on highly value-added domains, i.e., those of medical care, foods & beverages, etc. in addition to “Automobiles” and “Electronic Parts & Semiconductors”. Until recently, the Company used to exclusively rely on local sales agents for sales promotions in there, implying that the Company is trying to make a changeover, indeed, as mentioned earlier. At the same time, in Europe, the Company is trying to beef up relationship with local sales agents, while planning the same measures as in the United States.

In regards to b) improvement of customer services, the Company refers to reverse engineering, representing services offered, based in Nagoya, to implement “3D-data creation based on real objects with no engineering drawings”. The Company has just started up with this, but it unexpectedly sees inquiries from the non-manufacturing sectors, while seeing high diversification of customers by business type on the manufacturing sectors.

In regards to c) promotion of high profitability operations with reinforcement of R&D, the key issue relates to new capacity in Vietnam to have started up own utilization in October 2016. Implementing “improvement of productivity as a whole for the Company” and thus “shift of the manufacturing to custom products”, the Company is trying to get at enlargement of exposure to high profitability operations.

With capacity in China, the Company used to intensively carry out the pre-processing to mass-produce semi-finished products (blanks) out of raw materials to be thrown into. However, most recently, the Company is in the process of transferring a part of said pre-processing to capacity in Vietnam. Accordingly, excess capacity is to be created in China, which will be in charge of the manufacturing of custom products or “Highly Value-Added Products”, associated with foods & beverages, etc., on which the Company currently focuses, by means of transferring of the manufacturing as a whole for the Company. This is the first step. Meanwhile, the Company believes that creation of excess capacity is to create opportunities to work on order obtaining activities more aggressively than before.

The second step is of transferring the post-processing currently carried out in Japan to capacity in Vietnam, while the use of excess capacity to be created and impacts to order obtaining activities are the same as in the first step, according to the Company. Meanwhile, the concept of capacity in Vietnam, adopting management of engineering drawings with iPad as well as taking advantage of IoT, is “high-tech capacity for customers being able to be invited to see”. Anyhow, improving productivity as a whole for the Company to be driven by the first step and the second step here is the key issue for the Company to achieve earnings target of midterm management plan “Value Creation 2020”.

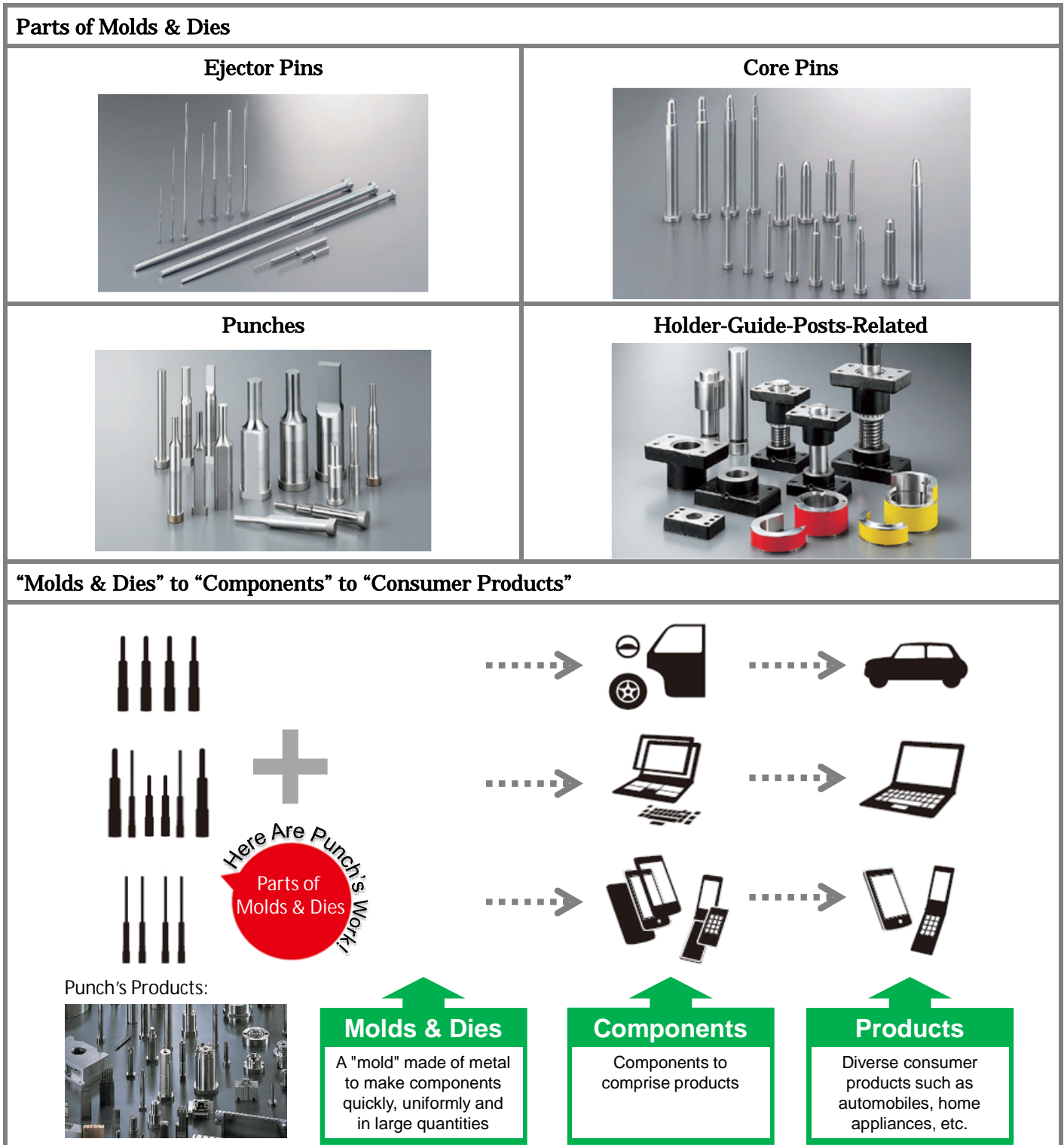
Demand remains buoyant enough in China at the moment as to make the Company suffer from capacity constraint and thus the Company started up expanding capacity in Dalian as mentioned earlier, planning for this expansion to be completed in March 2018.

Meanwhile, it is taken for granted that all of the Company's directors and employees must fulfill own tasks to have been assigned each in order to materialize all those three priority initiatives, including a), b) and c). Thus, the Company also mentions d) reform of working style. The Company, belonging to the sector of manufacturing, reviews the way of the manufacturing in the first place, whose results are expected to trigger changes for the way of the selling, while reviewing the way of administration at the same time. In other words, the Company is starting reform of productivity or operations as a whole. Specifically, the Company set up "Committee for Reform of Working Style", in October 2016, comprising collective more than 40 employees in-house to reform working style and thus reforming the Company with challenges by each director or employee based on so-called "Punch Spirit".

4.0 Business Model

Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

The Company runs operations of manufacturing and selling parts of molds & dies domestically and overseas. Parts of molds & dies are high precision parts indispensable for molds & dies to form them. Meanwhile, molds & dies are a “mold” made of metal to make components quickly, uniformly and in large quantities, which comprise diverse consumer products such as automobiles, home appliances, etc. Consumer products are so diversified and thus so are components as well as molds & dies, which is also true of needs for parts of molds & dies at the end of the day.



Molds & Dies

The Company manufactures and sells parts of molds & dies, while molds are of plastic resin processing and the latter of pressing. In our rough estimates, molds account for 40% of sales as a whole for the Company and the remaining 60% accounted for by dies, while molds carry gross profit margin higher than dies and thus each of the composition ratio between the two in terms of sales is switched over in terms of gross profit, i.e., 60% for molds and 40% for dies.

Molds are adopted in the manufacturing of diverse components made of plastic resin such as external body frames of mobile phones and digital still cameras. Specifically, being implemented by injection molding machine, molds are used to cool plastic resin heated and melted for molding plastic resin as designed. Here, the Company is involved with ejector pins to separate molded components from molds and get them protruded as well as with sprue bushes to pour melted plastic resin into molds from injection nozzles of injection molding machine.

Dies are adopted in the mass-production of components for automobiles, home appliances, precision machinery, etc. Specifically, being implemented by pressing machine, dies are in charge of pressing of metal steel sheets. Here, the Company is involved with punches to be used in punching metal steel sheets to be pressed and/or in transferring shapes as well as with die-set guide-posts to hold motions of pressing machine going up and down.

Sales of Standard Products on Catalogue, the Manufacturing and Sales of Custom Products

While the Company is involved with sales of standard products on catalogue, being involved with the manufacturing and sales of custom products at the same time. As far as we could roughly estimate, sales of standard products on catalogue account for 40% of total and the remaining 60% of sales as a whole for the Company is accounted for by the manufacturing and sales of custom products, while the latter carrying gross profit margin fairly higher than the former. Meanwhile, one of the most important management strategies by the Company is to focus on custom products in regards to parts of molds & dies, referred to as “Strategic Products” and “Highly Value-Added Products”, e.g., those on medical care and foods & beverages in regards to parts of molds, while can making in regards to parts of dies.

At the same time, the Company is heavily involved with own capacity to internally manufacture custom products, while efficiently taking advantage of outsourcing in regards to standard products as well as planning transfer of the manufacturing to new capacity in Vietnam. As far as we could roughly estimate, the ratio of internal manufacturing is 50% out of the Company as a whole in terms of sales (outsourcing ratio: 50%). Outsourcing services are provided basically by small-sized peers and each has expertise in some specific operations, while the Company efficiently takes advantage of them together with own extensive outsourcing network to have been established in regards to diverse operations. However, it is hard to fully rely on them in terms of quality and quantity at the same time, as they are basically all small-sized peers. In order to compensate for this, the Company has been running own manufacturing base in China since 27 years ago. To date, the Company has enhanced the levels of technology in there as much as being able to locally manufacture custom products, while having set up new capacity in Vietnam recently as the next manufacturing base overseas for the Company in a view of risk diversification and of costs.

The Market for Molds & Dies

According to estimates by the Company based on the most recent data from molds & dies industry associations of each country, the market for molds & dies on a global basis has been seeing stable growth, driven by growth in emerging countries represented by China, since 2009, i.e., just after the collapse triggered by the collapse of Lehman Brothers on 15 September 2008. The market equated to ¥6.4 trillion in CY2008, ¥4.8 trillion in CY2009 and then most recently ¥8.0 trillion in CY2016. When based on ¥6.4 trillion in CY2008, the market expanded by CAGR of 2.8% over the 8 years to CY2016. Meanwhile, the Company is going for the market of ¥8.4 trillion (up 5.0% YoY) in CY2017. By region, Japan and emerging countries comprising China, Korea, India and Southeast Asian countries have collectively accounted for no less than 70% of the market as a whole most recently, while the remaining 30% by Europe and Americas. Going forward, the Company estimates further shift is likely to emerging countries represented by China, while CAGR of some 3% is sustainable over the long term.

The Market for Parts of Molds & Dies

While the market for molds & dies has above-mentioned size and prospects, the market for parts of molds & dies to which the Company is directly exposed equates to some 7% of the market for molds & dies and this ratio is unlikely to see major changes in the foreseeable future. For example, the Company roughly estimates that the market for parts of molds & dies is expected to see the size of ¥580,000m (6.9% of the market for molds & dies) in CY2017 over ¥560,000m (7.0%) in CY2016, implying increases by 3.6%. Thus, as far as we could gather, the Company has an idea that both are to see stable growth going forward in regards to the market for molds & dies and the market for parts of molds & dies.

Punch Industry's Market Shares

The Company saw CAGR of 9.0% over the past 5 years in terms of sales, while the Company's market shares being 6.5% when simply comparing the Company's sales of ¥36,649m as a whole in FY03/2017 with the size of ¥560,000m in regards to the market for parts of molds & dies in CY2016. Meanwhile, as far as assuming there have been no changes for the ratio of the market for parts of molds & dies against the market for molds & dies while growth rates of the market for molds & dies taken into account, it is suggested that the Company has been seeing own market shares persistently increasing. On top of this, the Company suggests that own market shares could be doubled in regards to the market for high-end parts of molds & dies, given high exposure to them out of all kinds of parts of molds & dies from low end ones to high end ones with high precision. For example, the Company is heavily involved with extremely high precision ones to be adopted in the manufacturing of lenses for SLR cameras.

Meanwhile, the Company is trying to maintain or enhance market shares in Asia to incorporate high growth potentials going forward, i.e., in China and other emerging countries in order to take in the growth, while moving on to Europe and Americas at the same time, given fairly massive room to cultivate from now on. In the United State, the sales base newly set up appears to have started to see sales on foods & beverages represented by plastic bottles, etc., while sales are concentrated in Germany in regards to the Company's operations in Europe.

The Market in Japan

The market for molds & dies equates to ¥1.0 trillion, roughly speaking, while the market is likely to continue edging up going forward, according to the Company. In CY2016, sales on “Automobiles” saw adjustments in H1, but recovery of order intake in H2. It appears that Kumamoto earthquakes to have occurred on 14 April 2016 led to production adjustments by automobile industry, having negatively affected to order intake with the Company. However, this has turned out to be a one-off event to date. In other words, demand associated with “Automobiles” is rather firm at the moment, while this drives demand associated with “Electronic Parts & Semiconductors” to have seen buoyant sales throughout the year at the same time. The Company mentions that demand associated with in-car sensors is now nicely picking up. Meanwhile, all those trends here are likely to persist in CY2017, while the Company is trying to get at reinforcement of order intake on “Automobiles” to have started to recover as well as aggressively making corporate efforts to cultivate new domains of foods & beverages, etc.

The Market in China

The market for molds & dies equates to no less than ¥2.8 trillion, roughly speaking, while the Company is going for further growth in the future here. Consumer spending remains firm. For example, the market of “Automobiles” is likely to maintain growth going forward, albeit not so substantial, given the Government’s measures to raise the penetration of electric vehicles, offsetting negative impacts stemming from reduced tax cut on small vehicles. Meanwhile, in the first place, the penetration of automotive vehicles remains low and thus all the major automakers are keen on business developments in China, anticipating ongoing growth in the future. In China, the Company is trying to get at further growth of “Strategic Products” and “Highly Value-Added Products”, e.g., those of medical care, etc., while expanding capacity of custom products in Dalian, eventually pursuing future business developments in terms of both quality and quantity.

The Market in Southeast Asia and India

The market for molds & dies equates to ¥0.5 trillion, roughly speaking, in Southeast Asia and ¥0.3 trillion in India. In regards to Southeast Asia, the Company sees mixed sentiments in economy of each country here, while trends of recovery in Taiwan, Thailand and Indonesia. Given the fact that Southeast Asia being the hub of the manufacturing and services by multinational corporations as found in many of the Company’s customers, the Company is trying to get at further enhancement of services for customers here by means of sharing information on an intragroup basis in there. Meanwhile, in regards to India, the Company currently sees sales and sentiments recovering most recently for automobiles and motorcycles after adjustments until recently. Economy here is expected to be increasingly buoyant in the new fiscal year to have started in April 2017, given no further major impacts from shortage of new bills due to abolishment of large bills and exchanges to new bills having been introduced in November 2016. The Company is trying to get at improvement of productivity as a whole stemming from enhancing utilization of capacity in Vietnam to assure own position in the growth markets of Southeast Asia and India, while beefing up exports to Europe and Americas.

The Market in Europe and Americas

The market for molds & dies equates to ¥1.6 trillion, roughly speaking, in Europe and ¥1.4 trillion in Americas. In regards to Europe, economy is slowly recovering as a whole, although the recovery is rather delayed in some parts of the corporate sector, while consumer spending is on the rise and thus the manufacturing. Meanwhile, the current state in the United States suggests that consumer spending is on the rise in Americas, making capital expenditures recovering and positively impacting to the manufacturing. The Company is trying to get at enhancement of sales promotions in its new US sales base to have started up operations in April 2017 basically for custom products, while at sales channels by means of taking advantage of global sourcing system to allocate the manufacturing to the most appropriate capacity with the Company at the same time.

5.0 Financial Statements

Income Statement

Income Statement	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. CoE FY	YoY
(Million Yen)	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	Net Chg.
Sales	25,041	29,436	34,392	36,755	36,648	38,000	+1,351
CoGS	18,908	21,776	25,030	26,577	26,457	-	-
Gross Profit	6,132	7,660	9,361	10,178	10,191	-	-
SG&A	5,424	6,498	7,637	8,191	8,201	-	-
Operating Profit	707	1,161	1,724	1,986	1,990	2,200	+209
Non Operating Balance	114	(114)	(107)	(320)	(116)	(100)	+16
Recurring Profit	822	1,047	1,617	1,666	1,874	2,100	+225
Extraordinary Balance	(26)	(50)	(4)	(10)	(44)	-	-
Profit before Income Taxes	796	997	1,612	1,656	1,830	-	-
Total Income Taxes	583	277	428	411	459	-	-
NP Belonging to Non-Controlling SHs	0	0	(4)	(4)	(5)	-	-
Profit Attributable to Owners of Parent	213	720	1,188	1,249	1,375	1,400	+24
Sales YoY	+5.2%	+17.6%	+16.8%	+6.9%	(0.3%)	+3.7%	-
Operating Profit YoY	(25.2%)	+64.1%	+48.4%	+15.2%	+0.2%	+10.5%	-
Recurring Profit YoY	+2.1%	+27.3%	+54.4%	+3.1%	+12.5%	+12.0%	-
Profit Attributable to Owners of Parent YoY	(45.9%)	+238.0%	+64.9%	+5.1%	+10.1%	+1.8%	-
Gross Profit Margin	24.5%	26.0%	27.2%	27.7%	27.8%	-	-
(SG&A / Sales)	21.7%	22.1%	22.2%	22.3%	22.4%	-	-
Operating Profit Margin	2.8%	3.9%	5.0%	5.4%	5.4%	5.8%	+0.4%
Recurring Profit Margin	3.3%	3.6%	4.7%	4.5%	5.1%	5.5%	+0.4%
Profit Attributable to Owners of Parent Margin	0.9%	2.4%	3.5%	3.4%	3.8%	3.7%	(0.1%)
Total Income Taxes / Profit before Income Taxes	73.2%	27.8%	26.6%	24.8%	25.1%	-	-

Source: Company Data, WRJ Calculation

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Sales by Region: Financial Summary Data

Sales by Region : Financial Summary Data	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. CoE FY	YoY
(Million Yen)	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	Net Chg.
Japan	13,680	14,380	15,210	15,630	15,900	16,200	+300
China	10,000	12,990	16,210	17,800	17,420	17,800	+380
Asia, etc.	1,360	2,060	2,970	3,310	3,310	3,800	+490
(Adjustments)	1	6	2	15	18	200	+181
Sales	25,041	29,436	34,392	36,755	36,648	38,000	+1,351
Japan	+2.5%	+5.1%	+5.8%	+2.8%	+1.7%	+2.5%	-
China	+8.5%	+29.9%	+24.8%	+9.8%	(2.1%)	+2.4%	-
Asia, etc.	+12.4%	+51.5%	+44.2%	+11.4%	+0.2%	+16.5%	-
Sales (YoY)	+5.2%	+17.6%	+16.8%	+6.9%	(0.3%)	+3.7%	-
Japan	54.6%	48.9%	44.2%	42.5%	43.4%	42.6%	(0.8%)
China	39.9%	44.1%	47.1%	48.4%	47.5%	46.8%	(0.7%)
Asia, etc.	5.4%	7.0%	8.6%	9.0%	9.0%	10.0%	+1.0%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	+0.0%

Source: Company Data, WRJ Calculation

Sales by Industry : Financial Summary Data

Sales by Industry : Financial Summary Data (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	YoY Net Chg.
"Automobiles"	10,530	13,820	15,550	17,060	16,920	-	-
"Electronic Parts & Semiconductors"	5,490	5,690	6,540	6,550	6,700	-	-
"Home Appliances & Precision Machinery"	3,590	3,960	4,500	4,800	4,590	-	-
"Other"	5,450	5,970	7,800	8,300	8,370	-	-
(Adjustments)	(18)	(3)	2	45	68	-	-
Sales	25,041	29,436	34,392	36,755	36,648	38,000	+1,351
"Automobiles"	-	+31.2%	+12.5%	+9.7%	(0.8%)	-	-
"Electronic Parts & Semiconductors"	-	+3.6%	+14.9%	+0.2%	+2.3%	-	-
"Home Appliances & Precision Machinery"	-	+10.3%	+13.6%	+6.7%	(4.4%)	-	-
"Other"	-	+9.5%	+30.7%	+6.4%	+0.8%	-	-
Sales (YoY)	-	+17.6%	+16.8%	+6.9%	(0.3%)	+3.7%	-
"Automobiles"	42.1%	46.9%	45.2%	46.4%	46.2%	-	-
"Electronic Parts & Semiconductors"	21.9%	19.3%	19.0%	17.8%	18.3%	-	-
"Home Appliances & Precision Machinery"	14.3%	13.5%	13.1%	13.1%	12.6%	-	-
"Other"	21.8%	20.3%	22.7%	22.6%	22.8%	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	YoY Net Chg.
No. of Shares FY End (-000 Shares)	7,150	8,961	11,061	11,061	11,061	-	-
Net Profit / EPS (-000 Shares)	6,217	7,237	9,076	11,061	11,008	-	-
Treasury Shares FY End (-000 Shares)	-	-	-	-	100	-	-
Earnings Per Share	34.3	99.6	130.9	112.9	125.0	127.7	-
Earnings Per Share (Fully Diluted)	-	-	-	-	124.8	-	-
Book Value Per Share	800.9	1,043.8	1,283.8	1,264.6	1,292.5	-	-
Dividend Per Share	20.0	20.0	25.0	25.0	26.0	27.0	-
Payout Ratio	58.3%	20.1%	19.1%	22.1%	20.8%	21.1%	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	YoY Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	34.3	99.6	130.9	112.9	125.0	127.7	-
Book Value Per Share	800.9	1,043.8	1,283.8	1,264.6	1,292.5	-	-
Dividend Per Share	20.0	20.0	25.0	25.0	26.0	27.0	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	YoY Net Chg.
Cash and Deposit	1,741	1,527	3,302	3,235	3,280	-	-
Accounts Receivables	7,270	9,433	11,613	10,614	11,468	-	-
Inventory	2,676	3,341	3,992	3,721	3,787	-	-
Other	775	365	461	303	613	-	-
Current Assets	12,463	14,668	19,369	17,875	19,150	-	-
Tangible Assets	6,654	7,611	8,168	7,696	8,669	-	-
Intangible Assets	264	1,799	1,789	1,322	1,242	-	-
Investments and Other Assets	1,191	391	295	443	389	-	-
Fixed Assets	8,110	9,803	10,253	9,462	10,301	-	-
Total Assets	20,573	24,471	29,623	27,337	29,451	-	-
Accounts Payables, etc.	2,966	3,426	4,098	3,860	4,287	-	-
Short Term Debt	7,133	5,303	4,849	3,550	4,346	-	-
Other	1,796	2,642	3,364	3,040	3,090	-	-
Current Liabilities	11,897	11,372	12,312	10,451	11,724	-	-
Long Term Debt	1,819	2,440	2,306	1,794	2,460	-	-
Other	1,130	1,295	799	1,092	1,089	-	-
Fixed Liabilities	2,950	3,736	3,105	2,886	3,550	-	-
Total Liabilities	14,847	15,108	15,418	13,338	15,275	-	-
Shareholders' Equity	5,649	7,968	11,679	12,586	13,598	-	-
Other	76	1,394	2,525	1,413	578	-	-
Net Assets	5,726	9,362	14,205	13,999	14,176	-	-
Total Liabilities and Net Assets	20,573	24,471	29,623	27,337	29,451	-	-
Equity Capital	5,726	9,353	14,199	13,988	14,167	-	-
Interest Bearing Debt	8,953	7,743	7,155	5,344	6,807	-	-
Net Debt	7,212	6,216	3,853	2,108	3,526	-	-
Equity Ratio	27.8%	38.2%	47.9%	51.2%	48.1%	-	-
Net Debt Equity Ratio	126.0%	66.5%	27.1%	15.1%	24.9%	-	-
ROE (12 months)	4.3%	9.6%	10.1%	8.9%	9.8%	-	-
ROA (12 months)	4.2%	4.6%	6.0%	5.9%	6.6%	-	-
Days for Inventory Turnover	52	56	58	51	52	-	-
Quick Ratio	76%	96%	121%	133%	126%	-	-
Current Ratio	105%	129%	157%	171%	163%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2013	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	YoY Net Chg.
Operating Cash Flow	1,690	1,194	1,805	3,187	1,785	-	-
Investing Cash Flow	(1,773)	(1,252)	(1,180)	(1,159)	(2,770)	-	-
Operating CF and Investing CF	(82)	(57)	624	2,028	(984)	-	-
Financing Cash Flow	(41)	(370)	1,013	(1,901)	1,199	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Supporting the Manufacturing on a Global basis

The Company was founded by Yuji Morikubo, having been appointed as honorary chairman since 24 June 2015, who set up Kamba Shokai Co., Ltd. in Shinagawa-ku of Tokyo in March 1975 and started up manufacturing pins to make holes for PCB boards, then having made a change for its corporate identity to PUNCH INDUSTRY CO., LTD. in August 1977 and thus having started up the current business operations.

In August 1982, the Company succeeded in the mass-production of high-speed steel ejector pins earlier than any other peers on a global basis, having entered into the market for molds on a full-fledged basis then. Prior to this event, the Company was nothing but one of the later comers in the market for parts of molds & dies, but having started to see ongoing increases in the market shares since then. This was followed by setup of the manufacturing base in Dalian of China in October 1990. In early days, the operations here were nothing but of processing raw materials to have been imported from Japan into semi-finished products to be finished back in Japan at the end of the day. However, given increases of the manufacturing of home appliances, automobiles, etc., on a local basis, the Company has started to locally sell parts of molds & dies to have been locally manufactured since April 2002. Then, this was followed by setup of the new sales base in India, in September 2010.

In December 2012, the Company got listed onto the 2nd Section of Tokyo Stock Exchange, while having incorporated a tie-up partner based in Malaysia as fully-owned consolidated subsidiary in August 2013 to enhance own sales channels to Europe, which was followed by the listing on to the 1st Section of Tokyo Stock Exchange in March 2014.

In March 2016, the Company came up with the release of “Value Creation 2020” (FY03/2017 to FY03/2021) to further ensure growth in the future, while quickly coping with changes of environment for management. Based on the agenda of this midterm management plan, new capacity in Vietnam, having had been under construction for future enhancement of the manufacturing on a global basis as well as for future improvement of efficiency as a whole for the Company, started up its utilization in October 2016. Then, US sales company started up sales promotions in April 2017 as the preparation to establish 5-pole sales system.

Meanwhile, the Company is currently led by Masaaki Takeda having been appointed as president and representative director (CEO) since April 2013. In spite of the fact that parts of molds & dies to be manufactured and sold by the Company as the only operations are hard to get appropriately recognized by public, Takeda, dedicating himself to management of the Company, is convinced with an idea that the Company supports the manufacturing on a global basis while supporting rich life of people across the world at the same time, given the fact that parts of molds & dies supplied by the Company are just indispensable in the manufacturing of any consumer products represented by automobiles as discussed in detail earlier. Meanwhile, Takeda is trying to give increasing benefits to increasingly extensive stakeholders by means of making progress with “Value Creation 2020” or materializing “Punch of the world” versus “Punch of Asia” so far.

Company History

Date	Events
March 1975	Being founded and started the manufacturing of pins to make holes for PCB boards
August 1982	Entered into the manufacturing of molds (succeeded in mass-production of high-speed steel ejector pins)
November 1983	Set up Kitakami factory, while started nation-wide sales of parts of molds & dies in December of the same year
May 1989	Set up Miyako Punch Industry (currently, Miyako factory)
October 1990	Set up manufacturing base in Dalian of China
July 2001	Set up sales base in China, started sales of molds & dies in China in the following year of 2002
September 2010	Set up sales base in India
December 2012	Listed onto the 2nd Section of Tokyo Stock Exchange.
August 2013	Consolidated Panther Precision Tools as subsidiary (currently, Malaysia Punch)
November 2013	Released midterm management plan “Value Creation 15”
March 2014	Listed onto the 1st Section of Tokyo Stock Exchange.
March 2015	40th anniversary
December 2015	Set up manufacturing base in Vietnam
March 2016	Released midterm management plan “Value Creation 2020”
October 2016	Started utilization of capacity in Vietnam on a full-fledged basis
April 2017	Started sales through US sales base

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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