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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		19,530	1,310	1,300	830	-	-	-
Q3 to Q4 FY03/2018CoE		18,470	890	800	570	-	-	-
Q1 to Q2 FY03/2018CoE	YoY	9.4%	55.7%	64.1%	51.0%	-	-	-
Q3 to Q4 FY03/2018CoE	YoY	(1.8%)	(22.6%)	(26.1%)	(31.0%)	-	-	-
Consolidated Quarter (Million Yen)		**Sales**	**Operating Profit**	**Recurring Profit**	**Profit Attributable to Owners of Parent**	**EPS (Yen)**	**DPS (Yen)**	**BPS (Yen)**
Q1 FY03/2018		9,733	701	711	422	-	-	-
Q1 FY03/2018	YoY	12.4%	111.7%	115.4%	103.5%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (20 September 2017)

Strategic Products with High Added Value

PUNCH INDUSTRY, manufacturing and selling parts of molds & dies domestically and overseas, is seeing short-term earnings soaring. The Company's measures to focus on strategic products with high added value have turned out to be so successful, currently making own profitability rather better than target of midterm management plan. The key driver is surging sales of "Automobiles" in China, having increased by 30% over the previous year on a local currency basis in Q1 FY03/2018. The Company argues that demand for own high-precision parts of molds & dies (strategic products with high added value) is picking up sharply in line with improving quality, etc. of consumer products locally manufactured and sold. As far as we could gather, for example, the Company is starting to benefit from changeover to electric vehicles (EV) from gasoline vehicles in China's automobile industry. The Company is heavily involved with sales of standard products on catalogue as well as with sales of custom products at the same time, while concentrating own resources on the sales of custom products self-manufactured. This is because the Company can fully utilize own expertise here, making differentiations to create value. Amongst others, strategically does the Company focus on strategic products with high added value, just literally. Given prospects that demand for strategic products with high added value is to consistently pick up over the long term, the Company is now transferring pre-processing to mass-produce semi-finished products in China to new capacity in Vietnam, while consistently expanding capacity for strategic products with high added value in China by taking advantage of excess spaces in China created by said transferring.

In Q1 FY03/2018, sales came in at ¥9,733m (up 12.4% YoY), operating profit ¥701m (up 111.7%) and operating profit margin 7.2% (up 3.4% points). Sales in Japan were ¥4,230m (up 10.1%), sales in China ¥4,620m (up 14.4%) and sales in Southeast Asia, etc. ¥870m (up 13.7%). Thus, sales in all the regions increased, having driven earnings as a whole for the Company at the same time. The Company saw net increases of ¥370m in operating profit over the same period in the previous year, comprising net increases of ¥289m by increasing sales, net increases of ¥156m by improving cost rate and net decreases of ¥75m by increasing SG&A expenses, according to the Company. In regards to improving cost rate, it appears that the Company benefited from improving capacity utilization rate in domestic and overseas production bases as well as from improving sales mix stemming from increasing sales of strategic products with high added value carrying high gross profit margin. In Japan, sales of “Automobiles” favorably increased as well as those of “Electronic Parts & Semiconductors”. On top of this, the Company saw those associated with foods & beverages (plastic bottles, etc.) favorably increasing in sales of “Other”. Meanwhile, yen got appreciated by 7% against yuan (¥17.84 to ¥16.51), having negatively affected to sales in China on a Japanese currency basis. Still, sales in China increased faster than sales in Japan. On a local currency basis, sales in China increased by 23% and by 30% as far as sales of “Automobiles” were concerned as mentioned earlier, while sales of “Electronic Parts & Semiconductors” were also favorable. The Company suggests sales of strategic products with high added value, recently launched, are buoyant in particular.

FY03/2018 initial Company forecasts have remained unchanged, 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). Meanwhile, Company forecasts have been upgraded for Q1 to Q2 period at the release of Q1 results (9 August 2017). Sales have been upgraded by ¥410m (2.1%) and operating profit by ¥180m (15.9%). The reasons why full-year Company forecasts have remained unchanged to date are that it is too difficult to properly estimate the impacts from forex changes represented by that of yen against yuan and that uncertainty is appearing in Japan. Company forecasts assume ¥16.00 per yuan (yen to get appreciated by 3% from ¥16.56 per yuan in the previous year). Changes of forex rate in regards to yen against yuan give direct impacts to sales on a Japanese currency basis, but the impacts to earnings are limited being well exposed to yuan-denominated expenses at the same time, according to the Company. Thus, full-year Company forecasts are likely to be exceeded at least in earnings.

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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 June 2017)
No. of Shares	11,061,200 shares, including 100,049 treasury shares (As of the end of June 2017)
Main Features	● Supplying collective 15,000 customers: 6,000 in Japan, 8,000 in China and 1,000 in Southeast Asia, etc. ● Commanding lead market share in China, successfully focusing on strategic products with high added value ● The largest market share in Japan second only to Misumi Group Inc. running operations of sales on catalogue only
Business Segments	Ⅰ. 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

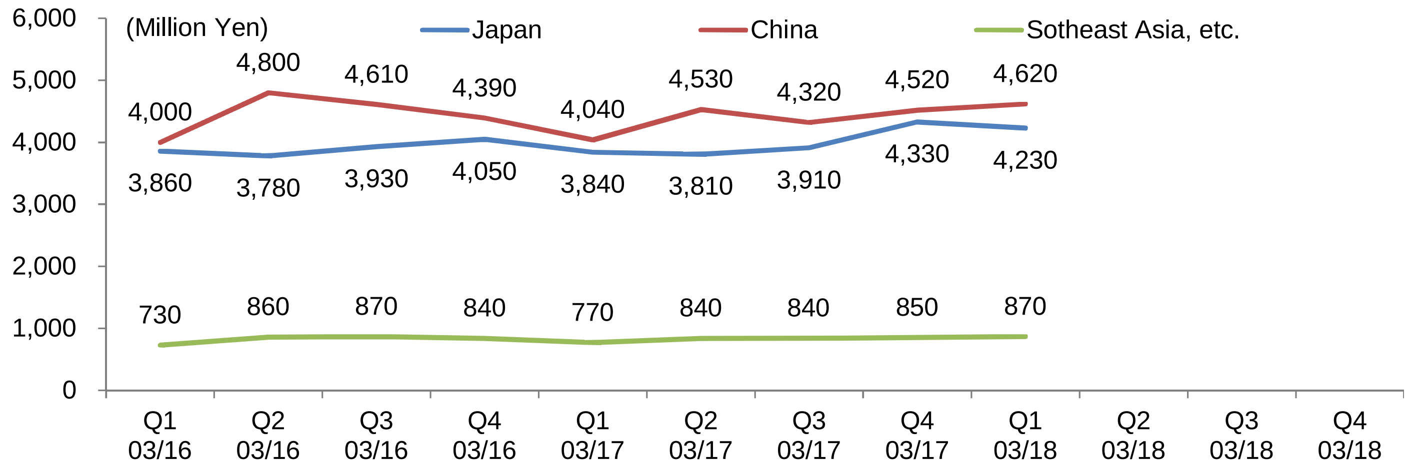
3.0 Recent Trading and Prospects

Q1 FY03/2018 Results

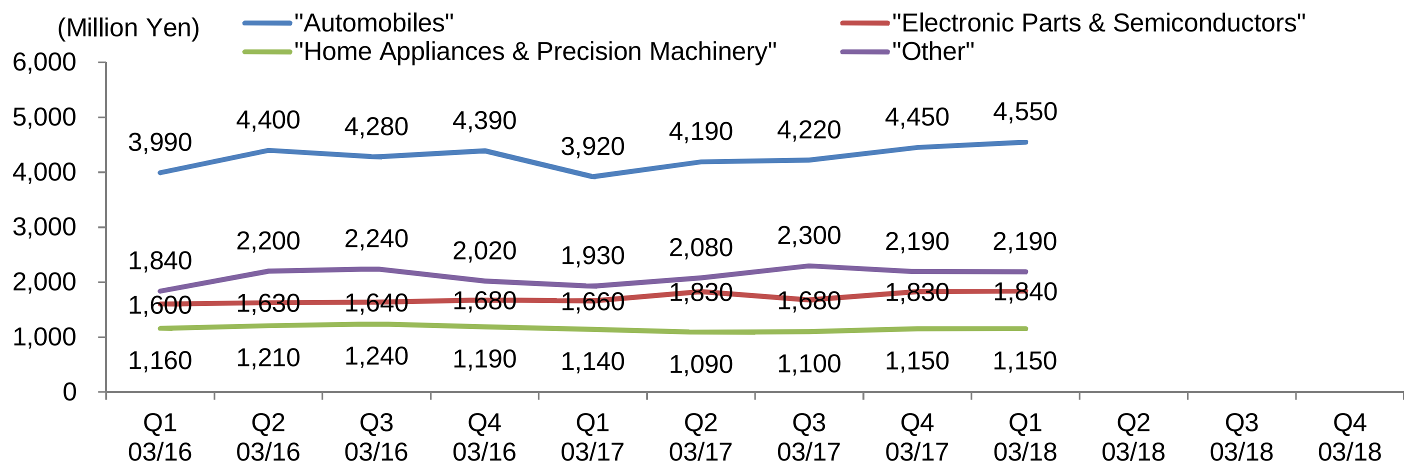
In Q1 FY03/2018, sales came in at ¥9,733m (up 12.4% YoY), operating profit ¥701m (up 111.7%), recurring profit ¥711m (up 115.4%) and profit attributable to owners of parent ¥422m (up 103.5%), while operating profit margin 7.2% (up 3.4% points).

The results appear to have been better than assumptions of initial Company forecasts and the Company has renewed record high sales and operating profit on a quarterly basis since the listing onto the stock market. Meanwhile, Q1 to Q2 Company forecasts were upgraded at the release of Q1 results (9 August 2017). Compared with assumptions in initial Company forecasts, sales appear to be running ahead and thus earnings.

Sales by Region



Sales by Application



Source: Company Data, WRJ Calculation

By region, sales in Japan were ¥4,230m (up 10.1%), sales in China ¥4,620m (up 14.4%) and sales in Southeast Asia, etc. ¥870m (up 13.7%). Meanwhile, by application, sales of “Automobiles” were ¥4,550m (up 16.1%), sales of “Electronic Parts & Semiconductors” ¥1,840m (up 10.8%), sales of "Home Appliances & Precision Machinery" ¥1,150m (up 0.9%) and sales of “Other” ¥2,190m (up 13.5%).

In Japan, sales of “Automobiles”, having started to see recovery in Q4 FY03/2017, remained buoyant, while those associated with foods & beverages (plastic bottles, etc.) in sales of “Other” were favorable, having seen sales better than expected together with the Company’s measures to focus on strategic products with high added value. On top of this, given strengths on the semiconductors side, sales of “Electronic Parts & Semiconductors” were also firm. During the same period in the previous year, sales to major customers were temporarily adjusted by the impacts stemming from Kumamoto earthquake to have occurred on 14 April 2016. Increasing sales in Japan are partly attributable to reaction to this, but still favorable even if it were not for this, according to the Company. Nevertheless, as far as sales of “Home Appliances & Precision Machinery” are concerned, the sentiments have remained sluggish.

In China, sales on a local currency basis increased by 23% over the same period in the previous year and increased by no less than 30% as far as sales of “Automobiles” were concerned. Sales of “Electronic Parts & Semiconductors” were also firm. Across the board, sales of strategic products with high added value on which the Company is newly putting emphasis are faring well as in Japan. Given yen having been appreciated by 7% against yuan (¥17.84 to ¥16.51), sales in China on a Japanese currency basis were directly reduced to this extent. However, being well exposed to yuan-denominated expenses at the same time, earnings were not affected very much by this. In Southeast Asia, etc., sales in Europe, Singapore and Indonesia were buoyant, although the sentiments as a whole were rather mixed.

Meanwhile, the Company saw net increases of ¥370m in operating profit over the same period in the previous year, comprising net increases of ¥289m by increasing sales as discussed above, net increases of ¥156m by improving cost rate and net decreases of ¥75m by increasing SG&A expenses, according to the Company. In regards to improving cost rate, it appears that the Company benefited from improving capacity utilization rate in domestic and overseas production bases as well as from improving sales mix stemming from increasing sales of strategic products with high added value carrying high gross profit margin. In exact terms by the Company, “improving cost rate by favorable business performance in overseas operations” and “Increasing order intake on self-manufactured products and increasing capacity utilization in production bases” are the main factors for improving cost rate.

In regards to increasing SG&A expenses, “increasing R&D expenses”, “investment in training of human resources associated with startup of PUNCH Academy” and “Increasing expenses of transportation in line with increasing sales” are mentioned as main factors. “PUNCH Academy” represents a new training scheme for personnel of non-manufacturing divisions, i.e., those of administration, sales, etc. The Company basically focuses on training of personnel on the manufacturing side, but is now starting to further pursue superiority as manufacturing and sales company by means of letting personnel of non-manufacturing divisions learn about the state of the manufacturing sites of own products. At the “startup”, the Company spared some initial expenses on introducing manufacturing facilities in training center.

Income Statement (Cumulative, Quarterly)

Income Statement (Million Yen)	Cons.Act Q1 03/2017	Cons.Act Q1 to Q2 03/2017	Cons.Act Q1 to Q3 03/2017	Cons.Act Q1 to Q4 03/2017	Cons.Act Q1 03/2018	Cons.Act Q1 to Q2 03/2018	Cons.Act Q1 to Q3 03/2018	Cons.Act Q1 to Q4 03/2018	YoY Net Chg.
Sales	**8,658**	**17,846**	**26,926**	**36,648**	**9,733**	**-**	**-**	**-**	**+1,075**
CoGS	6,330	12,923	19,477	26,457	6,960	-	-	-	+630
Gross Profit	2,327	4,922	7,449	10,191	2,773	-	-	-	+445
SG&A	1,996	4,081	6,044	8,201	2,072	-	-	-	+75
Operating Profit	**331**	**841**	**1,405**	**1,990**	**701**	**-**	**-**	**-**	**+370**
Non Operating Balance	0	(49)	(64)	(116)	10	-	-	-	+11
Recurring Profit	**330**	**791**	**1,340**	**1,874**	**711**	**-**	**-**	**-**	**+381**
Extraordinary Balance	(4)	(5)	(14)	(44)	(60)	-	-	-	(56)
Profit before Income Taxes	325	786	1,325	1,830	650	-	-	-	+325
Total Income Taxes	119	238	418	459	226	-	-	-	+107
NP Belonging to Non-Controlling SHs	(1)	(1)	(2)	(5)	1	-	-	-	+2
Profit Attributable to Owners of Parent	**207**	**549**	**909**	**1,375**	**422**	**-**	**-**	**-**	**+214**
Sales YoY	+0.8%	(1.0%)	(1.9%)	(0.3%)	+12.4%	-	-	-	-
Operating Profit YoY	(30.7%)	(12.5%)	(9.4%)	+0.2%	+111.7%	-	-	-	-
Recurring Profit YoY	(24.7%)	(15.0%)	+2.8%	+12.5%	+115.4%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(38.1%)	(24.1%)	(0.6%)	+10.1%	+103.5%	-	-	-	-
Gross Profit Margin	26.9%	27.6%	27.7%	27.8%	28.5%	-	-	-	+1.6%
(SG&A / Sales)	23.1%	22.9%	22.4%	22.4%	21.3%	-	-	-	(1.8%)
Operating Profit Margin	3.8%	4.7%	5.2%	5.4%	7.2%	-	-	-	+3.4%
Recurring Profit Margin	3.8%	4.4%	5.0%	5.1%	7.3%	-	-	-	+3.5%
Profit Attributable to Owners of Parent Margin	2.4%	3.1%	3.4%	3.8%	4.3%	-	-	-	+1.9%
Total Income Taxes / Profit before Income Taxes	36.6%	30.3%	31.6%	25.1%	34.8%	-	-	-	(1.8%)

Income Statement (Million Yen)	Cons.Act Q1 03/2017	Cons.Act Q2 03/2017	Cons.Act Q3 03/2017	Cons.Act Q4 03/2017	Cons.Act Q1 03/2018	Cons.Act Q2 03/2018	Cons.Act Q3 03/2018	Cons.Act Q4 03/2018	YoY Net Chg.
Sales	**8,658**	**9,188**	**9,080**	**9,722**	**9,733**	**-**	**-**	**-**	**+1,075**
CoGS	6,330	6,593	6,553	6,979	6,960	-	-	-	+630
Gross Profit	2,327	2,594	2,526	2,742	2,773	-	-	-	+445
SG&A	1,996	2,085	1,962	2,156	2,072	-	-	-	+75
Operating Profit	**331**	**509**	**564**	**585**	**701**	**-**	**-**	**-**	**+369**
Non Operating Balance	0	(48)	(15)	(51)	10	-	-	-	+11
Recurring Profit	**330**	**461**	**548**	**533**	**711**	**-**	**-**	**-**	**+381**
Extraordinary Balance	(4)	0	(9)	(29)	(60)	-	-	-	(56)
Profit before Income Taxes	325	461	539	504	650	-	-	-	+325
Total Income Taxes	119	119	180	41	226	-	-	-	+107
NP Belonging to Non-Controlling SHs	(1)	-	-	(3)	1	-	-	-	+2
Profit Attributable to Owners of Parent	**207**	**341**	**359**	**466**	**422**	**-**	**-**	**-**	**+214**
Sales YoY	+0.8%	(2.6%)	(3.7%)	+4.6%	+12.4%	-	-	-	-
Operating Profit YoY	(30.7%)	+5.6%	(4.3%)	+34.2%	+111.7%	-	-	-	-
Recurring Profit YoY	(24.7%)	(6.4%)	+47.2%	+47.3%	+115.4%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(38.1%)	(12.0%)	+88.2%	+39.6%	+103.5%	-	-	-	-
Gross Profit Margin	26.9%	28.2%	27.8%	28.2%	28.5%	-	-	-	+1.6%
(SG&A / Sales)	23.1%	22.7%	21.6%	22.2%	21.3%	-	-	-	(1.8%)
Operating Profit Margin	3.8%	5.5%	6.2%	6.0%	7.2%	-	-	-	+3.4%
Recurring Profit Margin	3.8%	5.0%	6.0%	5.5%	7.3%	-	-	-	+3.5%
Profit Attributable to Owners of Parent Margin	2.4%	3.7%	4.0%	4.8%	4.3%	-	-	-	+1.9%
Total Income Taxes / Profit before Income Taxes	36.6%	25.9%	33.4%	8.1%	34.8%	-	-	-	(1.8%)

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	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)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	Net Chg.
Cash and Deposit	3,003	3,797	2,910	3,280	2,934	-	-	-	(69)
Accounts Receivables	10,672	10,025	10,250	11,468	11,350	-	-	-	+678
Inventory	3,640	3,469	3,526	3,787	3,835	-	-	-	+194
Other	410	585	844	613	531	-	-	-	+121
Current Assets	**17,727**	**17,878**	**17,532**	**19,150**	**18,652**	**-**	**-**	**-**	**+925**
Tangible Assets	8,073	8,165	8,210	8,669	8,543	-	-	-	+469
Intangible Assets	1,380	1,240	1,171	1,242	1,202	-	-	-	(177)
Investments and Other Assets	402	311	342	389	392	-	-	-	(10)
Fixed Assets	**9,856**	**9,717**	**9,723**	**10,301**	**10,138**	**-**	**-**	**-**	**+281**
Total Assets	**27,584**	**27,596**	**27,256**	**29,451**	**28,790**	**-**	**-**	**-**	**+1,206**
Accounts Payables, etc.	4,305	4,874	4,667	4,287	4,531	-	-	-	+226
Short Term Debt	3,913	3,519	4,004	4,346	4,236	-	-	-	+322
Other	3,056	2,722	2,375	3,090	2,538	-	-	-	(518)
Current Liabilities	**11,275**	**11,116**	**11,047**	**11,724**	**11,305**	**-**	**-**	**-**	**+30**
Long Term Debt	1,643	2,805	2,616	2,460	2,273	-	-	-	+629
Other	1,145	1,088	1,071	1,089	1,099	-	-	-	(45)
Fixed Liabilities	**2,788**	**3,894**	**3,688**	**3,550**	**3,372**	**-**	**-**	**-**	**+583**
Total Liabilities	**14,064**	**15,010**	**14,736**	**15,275**	**14,678**	**-**	**-**	**-**	**+614**
Shareholders' Equity	**12,655**	**12,951**	**13,131**	**13,598**	**13,878**	**-**	**-**	**-**	**+1,222**
Other	864	(365)	(611)	578	233	-	-	-	(630)
Net Assets	**13,519**	**12,585**	**12,520**	**14,176**	**14,112**	**-**	**-**	**-**	**+592**
Total Liabilities and Net Assets	**27,584**	**27,596**	**27,256**	**29,451**	**28,790**	**-**	**-**	**-**	**+1,206**
Equity Capital	13,509	12,575	12,509	14,167	14,099	-	-	-	+590
Interest Bearing Debt	5,557	6,325	6,620	6,807	6,509	-	-	-	+951
Net Debt	2,553	2,527	3,710	3,526	3,574	-	-	-	+1,021
Equity Ratio	49.0%	45.6%	45.9%	48.1%	49.0%	-	-	-	(0.0%)
Net Debt Equity Ratio	18.9%	20.1%	29.7%	24.9%	25.4%	-	-	-	+6.5%
ROE (12 months)	8.1%	7.9%	9.3%	9.8%	11.5%	-	-	-	+3.4%
ROA (12 months)	5.6%	5.4%	6.3%	6.6%	8.0%	-	-	-	+2.4%
Days for Inventory Turnover	52	48	49	50	50	-	-	-	-
Quick Ratio	121%	124%	119%	126%	126%	-	-	-	-
Current Ratio	157%	161%	159%	163%	165%	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

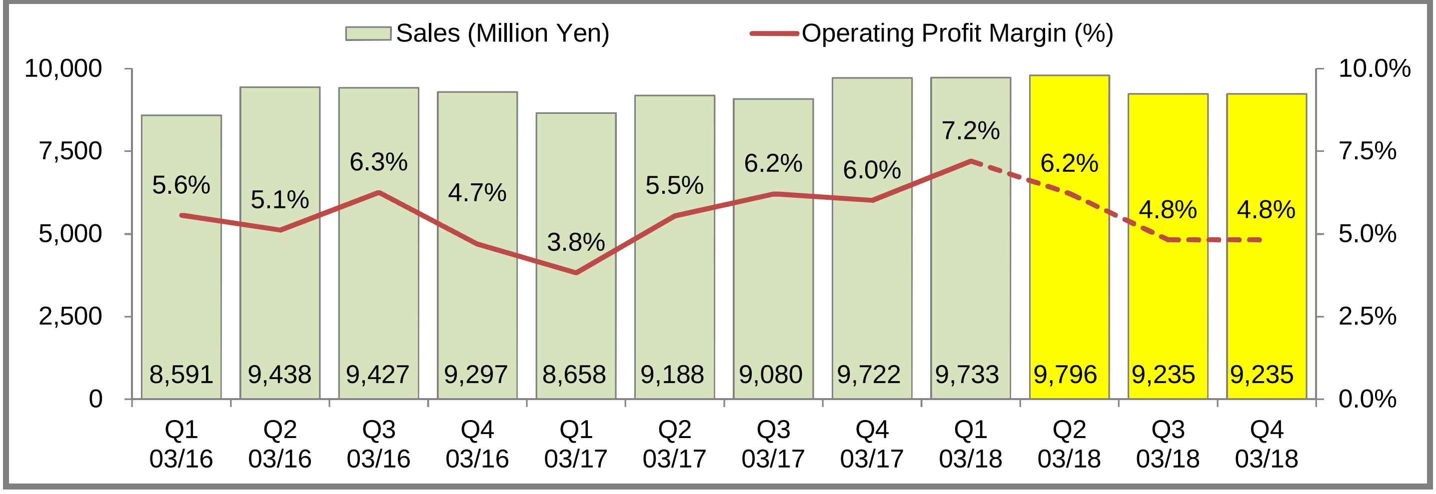
Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	Net Chg.
Operating Cash Flow	-	858	-	1,785	-	-	-	-	-
Investing Cash Flow	-	(995)	-	(2,770)	-	-	-	-	-
Operating CF and Investing CF	**-**	**(137)**	**-**	**(985)**	**-**	**-**	**-**	**-**	**-**
Financing Cash Flow	-	1,125	-	1,199	-	-	-	-	-

Source: Company Data, WRJ Calculation

FY03/2018 Company Forecasts

FY03/2018 initial Company forecasts have remained unchanged, 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 same time, Company forecasts assume forex rate of ¥16.00 per yuan.

Sales and Operating Profit Margin



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2018: H2 Company forecasts pro rata)

Although full-year Company forecasts have remained unchanged, Q1 results appear to have been better than assumptions. Thus, Q1 to Q2 Company forecasts have been upgraded at the release of Q1 results (9 August 2017), by ¥410m (2.1%) in sales, by ¥180m (15.9%) in operating profit, by ¥180m (16.0%) in recurring profit and by ¥95m (12.9%) in profit attributable to owners of parent.

As a result, H2 Company forecasts have been downgraded to the same extent, when based on a simple calculation, which does not reflect the real situations. The Company is currently in the process of scrutinizing prospects in H2. In the first place, the most recent prospects in Q2 could be too conservative.

Meanwhile, given full-year Company forecasts remaining unchanged, prospective annual dividend has also remained unchanged at ¥27.0 per share, implying payout ratio of 21.1%. Compared with ¥26.0 per share, implying payout ratio of 20.8%, in FY03/2017, the Company is to increase dividend per share by ¥1.0, while payout ratio edging up. Still, the Company being keen on sharing earnings with shareholders is calling 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 Q1 FY03/2018, annual dividend of ¥62.3 per share or more is implied for FY03/2021 (¥2,300m or more, multiplied by 30% and divided by 11.0m shares), while annual divided increasing by 2.3x or more from prospective annual dividend of ¥27.0 per share, implying payout ratio of 21.1%, in FY03/2018.

FY03/2018 Company Forecasts

Consolidated Fisal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2018CoE	11-May-17	Q4 Results	38,000	2,200	2,100	1,400
FY03/2018CoE	9-Aug-17	Q1 Results	38,000	2,200	2,100	1,400
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY03/2018CoE	11-May-17	Q4 Results	38,000	2,200	2,100	1,400
FY03/2018CoE	9-Aug-17	Q1 Results	38,000	2,200	2,100	1,400
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	**Date**	**Event**	**Sales**	**Operating Profit**	**Recurring Profit**	**Profit Attributable to Owners of Parent**
Q1 to Q2 FY03/2018CoE	11-May-17	Q4 Results	19,120	1,130	1,120	735
Q1 to Q2 FY03/2018CoE	9-Aug-17	Q1 Results	19,530	1,310	1,300	830
		Amount of Gap	410	180	180	95
		Rate of Gap	2.1%	15.9%	16.0%	12.9%
Q1 to Q2 FY03/2018CoE	11-May-17	Q4 Results	19,120	1,130	1,120	735
Q1 to Q2 FY03/2018CoE	9-Aug-17	Q1 Results	19,530	1,310	1,300	830
		Amount of Gap	410	180	180	95
		Rate of Gap	2.1%	15.9%	16.1%	12.9%
Consolidated Half Year (Million Yen)	**Date**	**Event**	**Sales**	**Operating Profit**	**Recurring Profit**	**Profit Attributable to Owners of Parent**
Q3 to Q4 FY03/2018CoE	11-May-17	Q4 Results	18,880	1,070	980	665
Q3 to Q4 FY03/2018CoE	9-Aug-17	Q1 Results	18,470	890	800	570
		Amount of Gap	(410)	(180)	(180)	(95)
		Rate of Gap	(2.2%)	(16.8%)	(18.4%)	(14.3%)
Q3 to Q4 FY03/2018CoE	11-May-17	Q4 Results	18,880	1,070	980	665
Q3 to Q4 FY03/2018CoE	9-Aug-17	Q1 Results	18,470	890	800	570
		Amount of Gap	(410)	(180)	(180)	(95)
		Rate of Gap	(2.2%)	(16.8%)	(18.4%)	(14.3%)

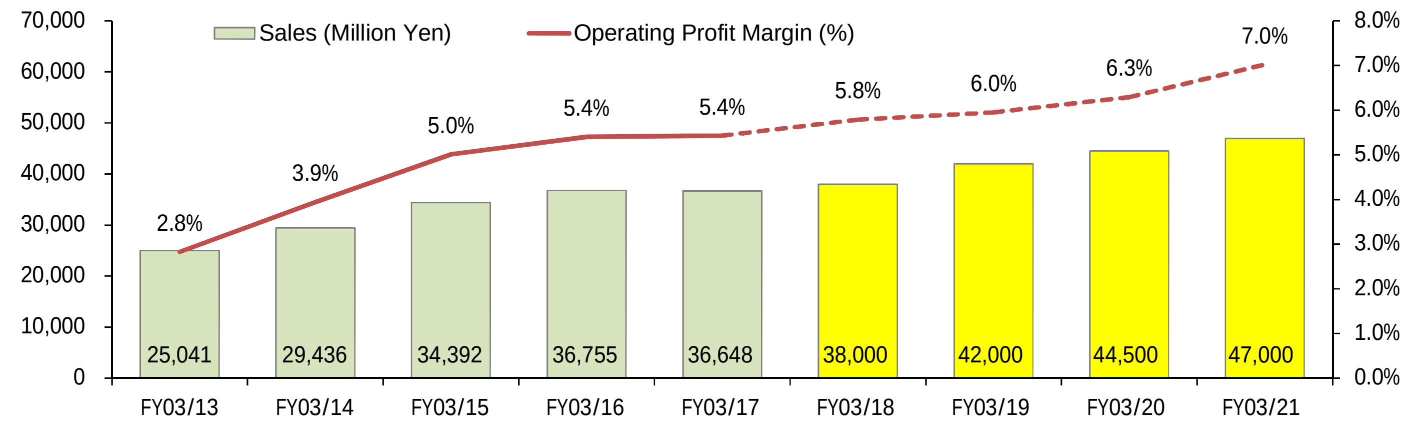
Source: Company Data, WRJ Calculation

Long-Term Prospects

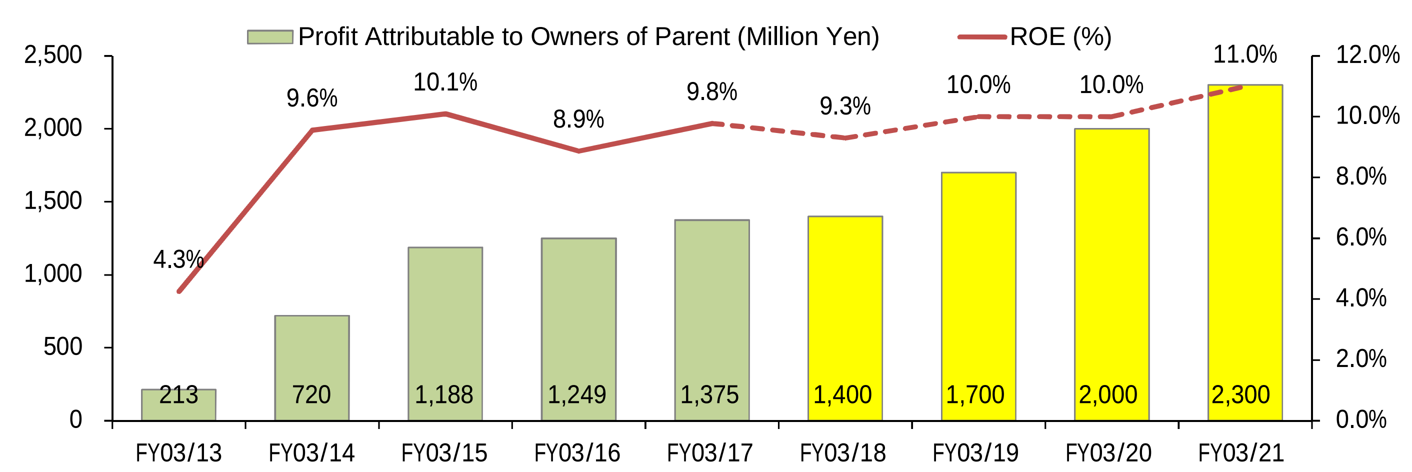
On 11 March 2016, the Company released its midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). As objectives of management, the Company is calling for prospective sales of ¥47,000m or more to be achieved in the last year of FY03/2021 as well as operating profit of ¥3,300m or more and profit attributable to owners of parent of ¥2,300m or more. Meanwhile, the plan assumes forex rate of ¥18.60 per yuan.

Based on FY03/2017 results, sales are to see CAGR of 6.4% or more and operating profit 13.5% or more toward FY03/2021, while the plan is also calling for prospective ROE of 11.0% to be achieved in the same year. Nevertheless, the Company saw ROE of no less than 11.5% over the past 12 months in Q1 FY03/2018 results, implying that the target in terms of profitability has already been achieved.

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



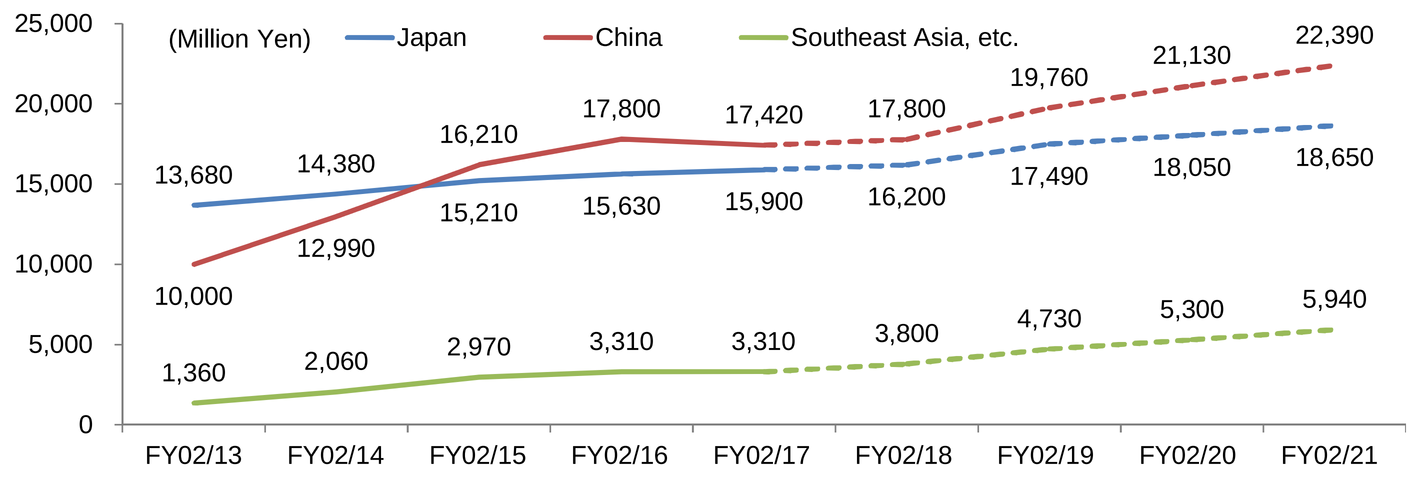
Midterm Management Plan “Value Creation 2020“ : Profit Attributable to Owners of Parent and ROE



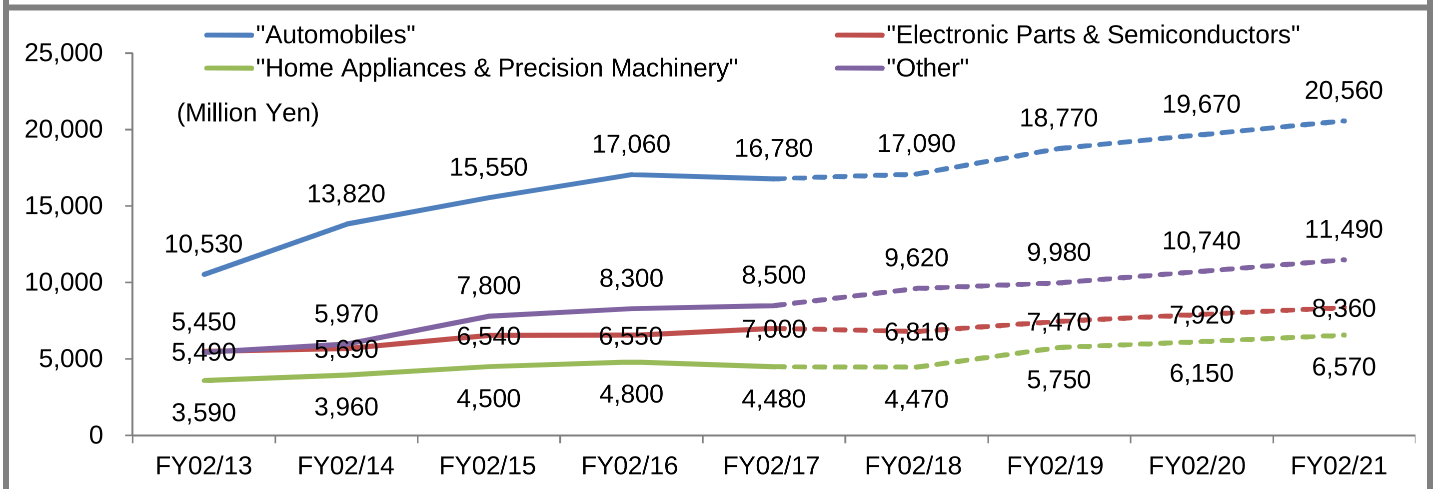
Source: Company Data, WRJ Calculation (FY03/2018: the most recent Company forecasts)

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

Midterm Management Plan "Value Creation 2020" : Sales by Region



Midterm Management Plan "Value Creation 2020" : Sales by Application



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

To date, the Company has been basically involved with operations in Japan and China, while having started up own operations in Southeast Asia since around 2012. Meanwhile, in order to enter into operations in Europe and Americas on a full-fledged basis, the Company set up its own sales base in the United States (near Chicago, Illinois) in April 2017 as the bridgehead.

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 matured and new entrance is not easy. Still, the Company is trying to get at beefing up sales by means of putting emphasis on competitive products, i.e., strategic products with high added value, e.g., associated with medical care (plastic products such as catheters and injection syringes) and with foods & beverages (plastic bottles, etc.), included in sales of "Other", on top of those included in existing sales of "Automobiles" and "Electronic Parts & Semiconductors". The Company used to exclusively rely on local sales agents for sales promotions in there, implying that it is now entering a new phase of sales promotions together with the setup of own sales base. In Europe, the Company is planning to implement the same measures going forward, while currently beefing up relationship with local sales agents.

In regards to b) improvement of services for customers, the Company refers to reverse engineering, representing services offered by its Nagoya base to implement “3D-data creation based on actual parts for molds & dies with no engineering drawings”. The Company has just started up with this, but it unexpectedly sees a series of inquiries incoming 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 combined with reinforcement of R&D, the key issue relates to new capacity in Vietnam to have started up utilization in October 2016. Implementing “improvement of productivity as a whole for the Company” and “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 said pre-processing to capacity in Vietnam. Accordingly, excess capacity is being created in China, which are used for the manufacturing of strategic products with high added value represented by those associated with foods & beverages (plastic bottles, etc.) on which the Company aggressively focuses now. This is the first step of intragroup transferring of the manufacturing, while the Company believes that creation of excess capacity is to create opportunities to work on activities to obtain order intake more aggressively than before.

The second step is of transferring the post-processing currently carried out in Japan to capacity in Vietnam and the use of excess capacity to be created and impacts to activities to obtain order intake 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 being able to attract customers”. Anyhow, improving productivity as a whole for the Company is being driven by the first step and the second step here is the key factor for the Company to achieve earnings target of midterm management plan, i.e., “Value Creation 2020”.

Meanwhile, demand in China currently remains so buoyant as to make the Company suffer from capacity constraint and thus the Company started up expanding capacity in Dalian, planning for this expansion to be completed in March 2018.

It is taken for granted that all of the Company’s directors and employees must fulfill their 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) work style reform. The Company, belonging to the sector of manufacturing, reviews the way of the manufacturing first of all, whose results are expected to trigger changes for the way of the selling, while doing the same for 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 Work Style Reform”, in October 2016, comprising more than 40 employees in-house collectively to reform working style and thus reforming the Company with challenges by each director and/or employee based on so-called “Punch Spirit”.

4.0 Business Model

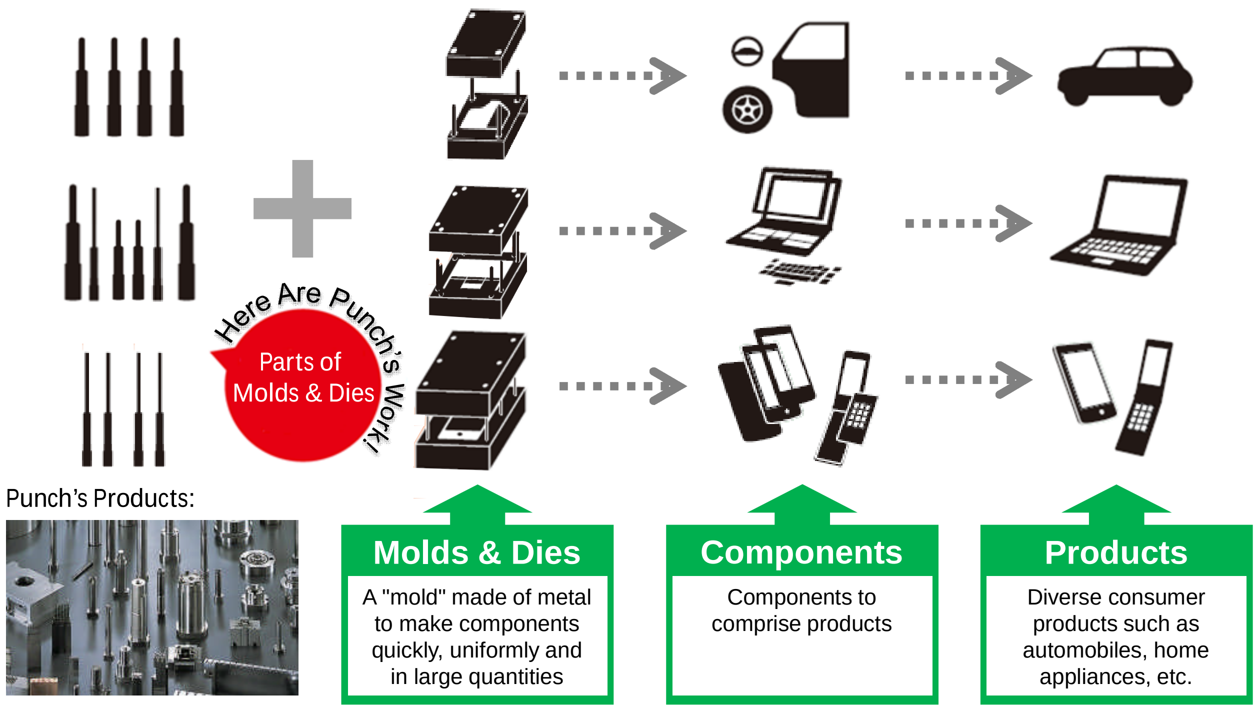
Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

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 be formed by them. Meanwhile, molds & dies are a "mold" made of metal to make components quickly, uniformly and in large quantities, which are indispensable to manufacture 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.

Parts of Molds & Dies

Ejector Pins (for molds)	Sprue Bushes (for molds)
	
Punches (for dies)	**Die-Set Guides (for dies)**
	

"Molds & Dies" → "Components" → "Consumer Products"



Source: Company Data

Molds and Dies

The Company manufactures and sells parts of molds & dies. In our rough estimates, parts of molds account for 40% of sales as a whole for the Company and the remaining 60% accounted for by parts of dies, while parts of molds carry gross profit margin higher than parts of 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 parts of molds and 40% for parts of 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 guides to hold motions of pressing machine going up and down.

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

The Company is heavily involved with sales of standard products on catalogue as well as with the manufacturing and sales of custom products at the same time. In our rough estimates, standard products on catalogue account for 40% of sales as a whole for the Company and the manufacturing and sales of custom products remaining 60%, while the latter carrying gross profit margin fairly higher than the former. In regards to standard products, the Company finds limited room for differentiations from ones of the peers, but major room to do so as far as custom products are concerned in a respect that they are designed and manufactured in line with specific needs of each customer. Amongst others, the Company can fully utilize own expertise for products with high added value and thus it is keen on selling them strategically. All those products are called strategic products with high added value.

Meanwhile, the Company is strengthening its focus on strategic products with high added value in regards to both parts of molds and parts of dies as one of the key strategies of management. As examples, the Company mentions ones associated with medical care (plastic products such as catheters and injection syringes) and ones with foods & beverages (plastic bottles, etc.) on the parts of molds side, while can making, etc. on the parts of dies side.

While the Company is heavily involved with own capacity to internally manufacture custom products including strategic products with high added value, it efficiently takes advantage of outsourcing in regards to standard products as well as planning the manufacturing in new capacity in Vietnam. In our rough estimates, 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 reply on them in terms of both quality and quantity, 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 including strategic products with high added value, while having set up new capacity in Vietnam more 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 that 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 size 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% were accounted for 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 for the market as a whole in the foreseeable future.

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, i.e., 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 of 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 being taken into account, it is suggested that the Company has been seeing own market shares consistently increasing. On top of this, the Company suggests that own market shares should be far higher (than above-mentioned 6.5%) in regards to the market for high-end parts of molds & dies, given high exposure to them out of all kinds of diverse parts of molds & dies from low end ones to high end ones with high precision. For example, the Company suggests that it has very high market shares in regards to 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 associated with medical care (plastic products such as catheters and injection syringes) starting to pick up, while sales in Europe are mainly those of Germany, according to the Company.

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 of "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 one-off event to date. In other words, sales of Automobiles" are rather firm at the moment, while this drives sales of "Electronic Parts & Semiconductors" to have seen buoyant demand throughout the year at the same time. The Company mentions that sales associated with in-car sensors is now nicely picking up. All those trends here are likely to persist in CY2017, while the Company is trying to get at reinforcement of sales of "Automobiles" to have started to recover as well as aggressively making corporate efforts to cultivate new domains represented by those of foods & beverages (plastic bottles, 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, sales of “Automobiles” are likely to maintain growth going forward, given the Government’s measures to raise the penetration of electric vehicles (EV), offsetting negative impacts stemming from reduced tax cut on small-sized vehicles. Meanwhile, in the first place, the penetration of automotive vehicles remains low and thus all the major automakers are also keen on business developments in China, anticipating ongoing growth in the future. In China, the Company is strengthening sales promotions of strategic products with high added value such as those of medical care (plastic products such as catheters and injection syringes), while expanding capacity of strategic products with high added value 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 in Southeast Asia and ¥0.3 trillion in India, roughly speaking. In regards to Southeast Asia, the Company sees mixed sentiments in economy as a whole, 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 corporates 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 the 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 in Europe and ¥1.4 trillion in Americas, roughly speaking. 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 as a whole, 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 strategic products with high added value, while at enhancement of sales channels by means of taking advantage of global souring 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 (Million Yen)	Cons.Act FY 03/2013	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.CoE FY 03/2018	YoY 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

Sales by Region

Sales by Region (Million Yen)	Cons.Act FY 03/2013	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.CoE FY 03/2018	YoY Net Chg.
Japan	13,677	14,386	15,211	15,637	15,903	16,200	+296
China	10,002	12,988	16,208	17,806	17,428	17,800	+371
Other	1,362	2,061	2,973	3,311	3,317	3,800	+482
Sales	**25,041**	**29,436**	**34,392**	**36,755**	**36,648**	**38,000**	**+1,351**
Japan	+2.4%	+5.2%	+5.7%	+2.8%	+1.7%	+2.5%	-
China	+8.4%	+29.9%	+24.8%	+9.9%	(2.1%)	+2.4%	-
Other	+11.6%	+51.3%	+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%	47.6%	46.8%	(0.7%)
Other	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

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act FY 03/2013	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.CoE 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 FY 03/2013**	**Cons.Act FY 03/2014**	**Cons.Act FY 03/2015**	**Cons.Act FY 03/2016**	**Cons.Act FY 03/2017**	**Cons.CoE 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 FY 03/2013	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.CoE 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 FY 03/2013	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.CoE 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. He 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 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 parts of molds. Prior to this, the Company used to basically run operations of trading parts of molds & dies. 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 appliances, automobiles, etc., locally manufactured, 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 released 5-year projections, i.e., “Value Creation 2020” (FY03/2017 to FY03/2021) to further ensure growth in the future, while quickly coping with changes of environment for management. As expected in the agenda of this midterm management plan, new capacity in Vietnam, having had been under construction for future enhancement and optimization of the manufacturing on a global basis, 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 structure.

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 the Company specializes in sales and the manufacturing of parts of molds & dies, whose contents are too 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 as well as 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 progresses with “Value Creation 2020” and materialize “Punch of the world” versus “Punch of Asia” so far.

Company History

Date	Events
March 1975	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

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