

## 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)
FY03/2017		36,648	1,990	1,874	1,375	62.49	13.00	646.25
FY03/2018		41,025	2,843	2,731	1,788	81.61	16.75	736.64
FY03/2019CoE		42,000	2,920	2,800	2,070	94.42	20.50	-
FY03/2018	YoY	11.9%	42.8%	45.7%	30.0%	-	-	-
FY03/2019CoE	YoY	2.4%	2.7%	2.5%	15.7%	-	-	-
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 FY03/2018		19,800	1,404	1,398	921	-	-	-
Q3 to Q4 FY03/2018		21,224	1,438	1,332	867	-	-	-
Q1 to Q2 FY03/2019CoE		21,135	1,480	1,418	1,077	-	-	-
Q3 to Q4 FY03/2019CoE		20,865	1,440	1,382	993	-	-	-
Q1 to Q2 FY03/2019CoE	YoY	6.7%	5.4%	1.4%	16.9%	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	(1.7%)	0.1%	3.7%	14.4%	-	-	-
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 FY03/2019		10,342	714	682	511	-	-	-
Q1 FY03/2019	YoY	6.3%	2.0%	(4.0%)	20.9%	-	-	-

Source: Company Data, WRJ Calculation (per share data: retroactively adjusted for 1:2 share split, effective on 1 Jan. 2018)


### 1.0 Executive Summary (14 September 2018)

#### “Five-pole Sales Structure”

PUNCH INDUSTRY, manufacturing and selling parts of molds & dies domestically and overseas, is trying to get at long-term growth by means of establishing “five-pole sales structure”, etc. While pursuing further sales promotions in Japan where the Company is the second largest as well as in China where the largest, the Company spends own resources on development of markets in Americas, Europe and Southeast Asia at the same time, which is to establish “five-pole sales structure” to drive business development on a global basis. As far as we could see, this is the gist of midterm management plan “Value Creation 2020”. For example, in Q1 FY03/2019 results, sales in Japan came in at ¥4,270m (up 0.9% YoY), sales in China ¥4,980m (up 7.8%) and sales in other countries ¥1,080m (up 24.2%), implying that the Company steadily develops markets in Americas, Europe and Southeast Asia where sales in other counties are derived from. Meanwhile, FY03/2019 Company forecasts assume sales in China fail to increase in H2 due to impacts from China-United States trade war and thus going for limited increases of sales and earnings over the previous year as a whole for the Company. Still, it is the case that the Company is competitive more than a certain extent in its operations to manufacture and sell parts of molds & dies, judging from a recent situation that it steadily develops markets in Americas, Europe and Southeast Asia. On top of this, the Company is to further enhance own competitiveness with its measures to propel “optimization of the manufacture on a group basis” and “global sourcing”.

## 2.0 Company Profile

### Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

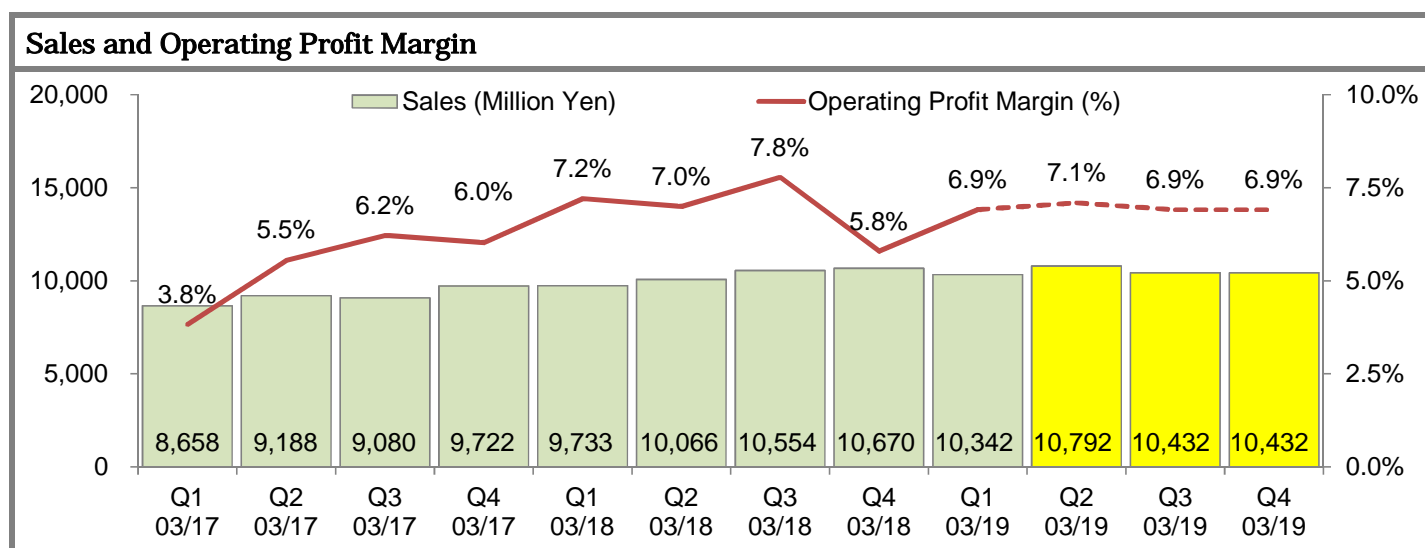
<b>Company Name</b>	PUNCH INDUSTRY CO., LTD. <a href="#">Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	
<b>Established</b>	29 March 1975	
<b>Listing</b>	14 March 2014: Tokyo Stock Exchange 1st Section (ticker: 6165) 20 December 2012: Tokyo Stock Exchange 2nd Section	
<b>Capital</b>	¥2,897m (as of the end of June 2018)	
<b>No. of Shares</b>	22,122,400 shares, including 200,134 treasury shares (as of the end of June 2018)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● By far the largest market share in China and one of the largest on a global basis</li> <li>● Collective 15,000 customers (6,000 in Japan, 8,000 in China and 1,000 in other countries)</li> <li>● Focus on “high value-added strategic products”</li> </ul>	
<b>Business Segments</b>	. Parts of Molds & Dies Business	
<b>Top Management</b>	President / representative director (CEO): Masaaki Takeda	
<b>Shareholders</b>	Japan Trustee Services 12.5%, MT Kosan 9.9% (as of the end of March 2018)	
<b>Headquarters</b>	Shinagawa-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 4,298, Parent: 979 (as of the end of March 2018)	

Source: Company Data

## 3.0 Recent Trading and Prospects

### Q1 FY03/2019 Results

In Q1 FY03/2019, sales came in at ¥10,342m (up 6.3% YoY), operating profit ¥714m (up 2.0%), recurring profit ¥682m (down 4.0%) and profit attributable to owners of parent ¥511m (up 20.9%), while operating profit margin 6.9% (down 0.3% points). When compared with Q1 to Q2 Company forecasts, the Company saw progress rate of 48.9% in sales and 48.3% in operating profit, while the Company suggests the results were in line with assumptions of initial Company forecasts.

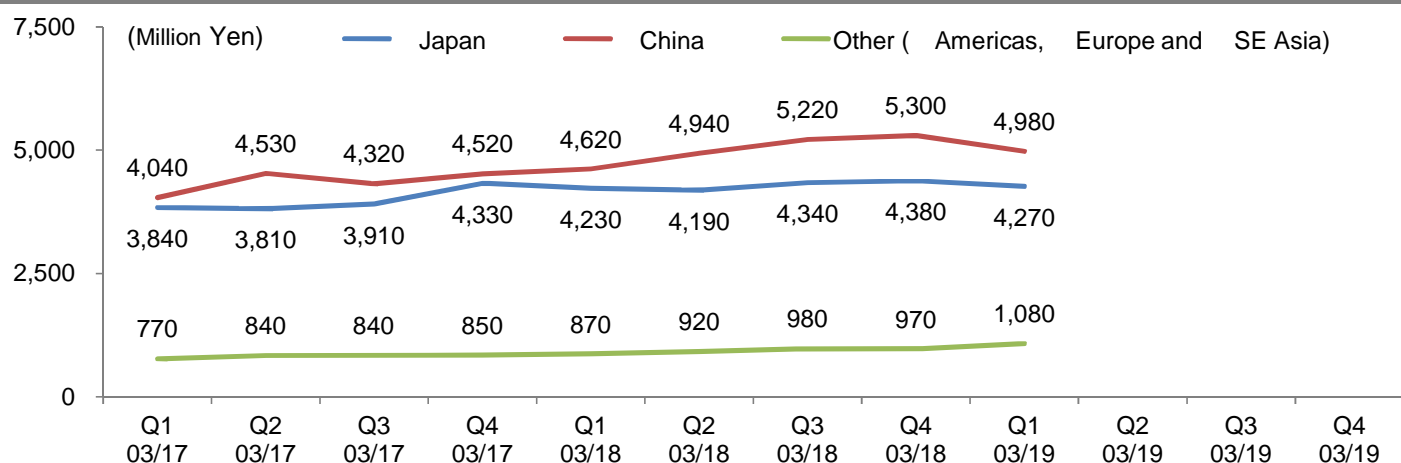


Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2019: H2 Company forecasts pro rata)

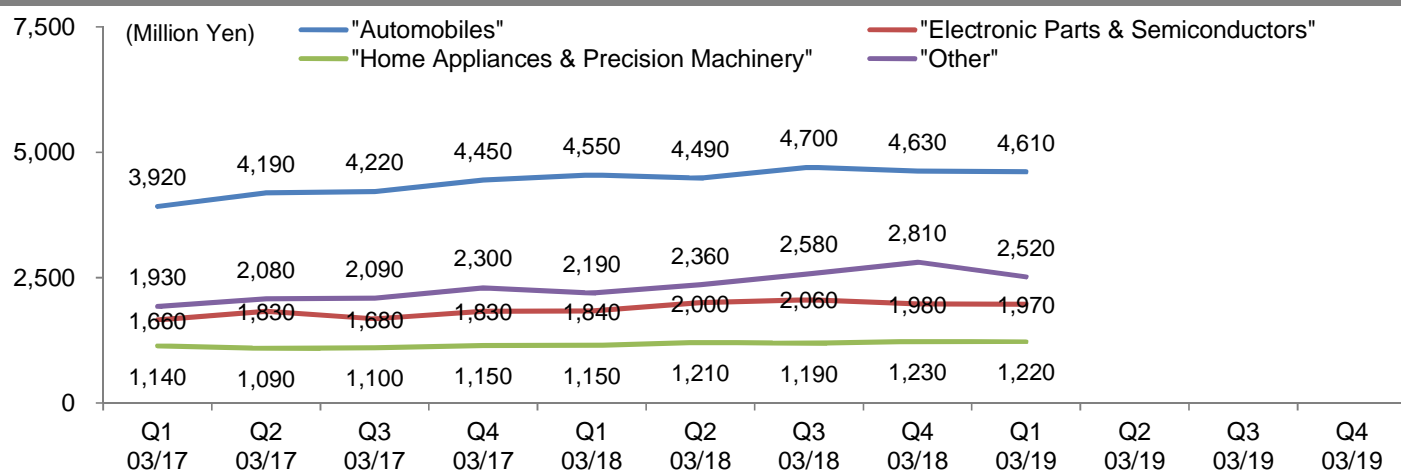
Recurring profit has failed to increase over the same period in the previous year, because of net decreases by ¥42m (¥14m to negative ¥32m) at the non-operating level versus net increases by ¥13m in operating profit. This is due mainly to net decreases by ¥45m (¥14m to negative ¥31m) with forex profit/loss. However, Chinese yuan's appreciation against US dollar to have driven this is now reversed, leading to forex profit/loss with the Company also reversed going forward, according to the Company. Meanwhile, profit attributable to owners of parent surged due mainly to net increases by ¥54m (negative ¥60m to negative ¥6m) at the extraordinary level. Loss from sale of fixed assets, booked as extraordinary loss, saw net decreases by ¥54m (¥61m to ¥6m).

Compared with sales of ¥10,342m (up 6.3%), gross profit came in at ¥2,951m (up 6.4%) and SG&A expenses ¥2,236m (up 7.9%), implying gross profit margin of 28.5% (unchanged over the same period in the previous year) and the ratio of SG&A expenses to sales of 21.6% (up 0.3% points). Thus, the Company has maintained high level of gross profit margin, while SG&A expenses increased faster than sales. In Q1 FY03/2018 over Q1 FY03/2017, gross profit margin improved by 1.6% points to 28.5% from 26.9%, implying that gross profit margin had already reached high level over the same period in the previous year. Meanwhile, the increases of SG&A expenses are basically of frontloaded investment, represented by increases of depreciation associated with expanding digital engineering business and of R&D expenses as far as we could gather. Meanwhile, the Company suffered from major adjustment of operating profit margin in Q4 FY03/2018. This was due mainly to one-off increases of expenses stemming from investments for the future intentionally frontloaded, according to the Company.

## Sales by Region



## Sales by Application



Source: Company Data, WRJ Calculation

In Q1 FY03/2019, sales in Japan came in at ¥4,270m (up 0.9%), sales in China ¥4,980m (up 7.8%) and sales in other countries ¥1,080m (24.2%), implying that the Company steadily develops markets in Americas, Europe and Southeast Asia where sales in other countries are derived from. Meanwhile, the Company saw forex rate of ¥17.10 per Chinese yuan versus ¥16.51 during the same period in the previous year, implying yen's depreciation against Chinese yuan by ¥0.59 or 4%, having resulted in additional increases of sales in China. On a local currency basis, but for impacts from here, sales in China increased by some 4% over the same period in the previous year, according to the Company. Thus, yen's depreciation against Chinese yuan increases sales in yen, but increases local expenses in yen at the same time. As a result, changes of forex rate here do not affect to operating profit very much, according to the Company.

**Forex Rate**

(Yen / Yuan)	Full-year (Initial CoE)	Q1	Q1 to Q2	Q1 to Q3	Full-year
FY03/2017	18.60	17.84	17.22	16.68	16.56
FY03/2018	16.00	16.51	16.42	16.50	16.64
FY03/2019	16.55	17.10	-	-	-
(YoY, Yen)	+0.55	+0.59	-	-	-
(YoY, %)	+3%	+4%	-	-	-

Source: Company Data, WRJ Calculation

In Japan, the Company saw increasing sales on “Electronic Parts & Semiconductors” by application as well as on food-&-beverage-related belonging to “Other”. In China, the Company mentions that sales of “high value-added strategic products” increased favorably, on which the Company has been placing emphasis for years. On top of this, sales in Americas, where the Company set up local bridgehead in April 2017, are starting to take off on a full-fledged basis, while sales in Europe are increasing favorably together with successful strategy to take advantage of local distributor based in Germany. In regards to sales in Southeast Asia, sales in Vietnam pricked up sharply in particular, according to the Company.

## 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	Q1 to Q4	YoY
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	Net Chg.
<b>Sales</b>	<b>9,733</b>	<b>19,800</b>	<b>30,354</b>	<b>41,025</b>	<b>10,342</b>	-	-	-	-	<b>+608</b>
CoGS	6,960	14,155	21,699	29,367	7,390	-	-	-	-	+430
Gross Profit	2,773	5,644	8,654	11,658	2,951	-	-	-	-	+178
SG&A Expenses	2,072	4,239	6,429	8,814	2,236	-	-	-	-	+164
<b>Operating Profit</b>	<b>701</b>	<b>1,404</b>	<b>2,225</b>	<b>2,843</b>	<b>714</b>	-	-	-	-	<b>+13</b>
Non Operating Balance	10	(5)	(42)	(111)	(32)	-	-	-	-	(42)
<b>Recurring Profit</b>	<b>711</b>	<b>1,398</b>	<b>2,182</b>	<b>2,731</b>	<b>682</b>	-	-	-	-	<b>(28)</b>
Extraordinary Balance	(60)	(65)	(67)	(215)	(6)	-	-	-	-	+54
Profit before Income Taxes	650	1,333	2,115	2,516	676	-	-	-	-	+25
Total Income Taxes	226	411	747	725	164	-	-	-	-	(62)
NP Belonging to Non-Controlling SHs	1	1	1	1	1	-	-	-	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>422</b>	<b>921</b>	<b>1,366</b>	<b>1,788</b>	<b>511</b>	-	-	-	-	<b>+88</b>
Sales YoY	+12.4%	+10.9%	+12.7%	+11.9%	+6.3%	-	-	-	-	-
Operating Profit YoY	+111.7%	+67.0%	+58.3%	+42.8%	+2.0%	-	-	-	-	-
Recurring Profit YoY	+115.4%	+76.6%	+62.8%	+45.7%	(4.0%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	+103.5%	+67.6%	+50.3%	+30.0%	+20.9%	-	-	-	-	-
Gross Profit Margin	28.5%	28.5%	28.5%	28.4%	28.5%	-	-	-	-	+0.0%
(SG&A / Sales)	21.3%	21.4%	21.2%	21.5%	21.6%	-	-	-	-	+0.3%
Operating Profit Margin	7.2%	7.1%	7.3%	6.9%	6.9%	-	-	-	-	(0.3%)
Recurring Profit Margin	7.3%	7.1%	7.2%	6.7%	6.6%	-	-	-	-	(0.7%)
Profit Attributable to Owners of Parent Margin	4.3%	4.7%	4.5%	4.4%	4.9%	-	-	-	-	+0.6%
Total Income Taxes / Profit before Income Taxes	34.8%	30.8%	35.3%	28.8%	24.3%	-	-	-	-	(10.6%)

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	Q4	YoY
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	Net Chg.
<b>Sales</b>	<b>9,733</b>	<b>10,066</b>	<b>10,554</b>	<b>10,670</b>	<b>10,342</b>	-	-	-	-	<b>+608</b>
CoGS	6,960	7,195	7,543	7,667	7,390	-	-	-	-	+430
Gross Profit	2,773	2,871	3,010	3,003	2,951	-	-	-	-	+178
SG&A Expenses	2,072	2,167	2,189	2,385	2,236	-	-	-	-	+164
<b>Operating Profit</b>	<b>701</b>	<b>703</b>	<b>820</b>	<b>618</b>	<b>714</b>	-	-	-	-	<b>+13</b>
Non Operating Balance	10	(16)	(36)	(69)	(32)	-	-	-	-	(42)
<b>Recurring Profit</b>	<b>711</b>	<b>687</b>	<b>784</b>	<b>548</b>	<b>682</b>	-	-	-	-	<b>(28)</b>
Extraordinary Balance	(60)	(4)	(2)	(147)	(6)	-	-	-	-	+54
Profit before Income Taxes	650	683	781	401	676	-	-	-	-	+25
Total Income Taxes	226	184	335	(21)	164	-	-	-	-	(62)
NP Belonging to Non-Controlling SHs	1	-	-	-	1	-	-	-	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>422</b>	<b>498</b>	<b>445</b>	<b>422</b>	<b>511</b>	-	-	-	-	<b>+88</b>
Sales YoY	+12.4%	+9.6%	+16.2%	+9.8%	+6.3%	-	-	-	-	-
Operating Profit YoY	+111.7%	+38.0%	+45.4%	+5.6%	+2.0%	-	-	-	-	-
Recurring Profit YoY	+115.4%	+48.9%	+42.9%	+2.9%	(4.0%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	+103.5%	+45.8%	+23.8%	(9.5%)	+20.9%	-	-	-	-	-
Gross Profit Margin	28.5%	28.5%	28.5%	28.1%	28.5%	-	-	-	-	+0.0%
(SG&A / Sales)	21.3%	21.5%	20.7%	22.4%	21.6%	-	-	-	-	+0.3%
Operating Profit Margin	7.2%	7.0%	7.8%	5.8%	6.9%	-	-	-	-	(0.3%)
Recurring Profit Margin	7.3%	6.8%	7.4%	5.1%	6.6%	-	-	-	-	(0.7%)
Profit Attributable to Owners of Parent Margin	4.3%	5.0%	4.2%	4.0%	4.9%	-	-	-	-	+0.6%
Total Income Taxes / Profit before Income Taxes	34.8%	27.1%	42.9%	(5.3%)	24.3%	-	-	-	-	(10.6%)

Source: Company Data, WRJ Calculation

### Sales by Region (Cumulative, Quarterly)

Sales by Region	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	
Japan	4,230	8,420	12,760	17,153	4,270	-	-	-	+40
China	4,620	9,560	14,780	20,102	4,980	-	-	-	+360
Other: Americas, Europe and SE Asia	870	1,790	2,770	3,769	1,080	-	-	-	+210
<b>Sales</b>	<b>9,733</b>	<b>19,800</b>	<b>30,354</b>	<b>41,025</b>	<b>10,342</b>	-	-	-	<b>+608</b>
Japan	+10.1%	+10.0%	+10.3%	+7.9%	+0.9%	-	-	-	-
China	+14.4%	+11.6%	+14.7%	+15.3%	+7.8%	-	-	-	-
Other: Americas, Europe and SE Asia	+13.7%	+11.9%	+13.4%	+13.6%	+24.2%	-	-	-	-
<b>Sales (YoY)</b>	<b>+12.4%</b>	<b>+10.9%</b>	<b>+12.7%</b>	<b>+11.9%</b>	<b>+6.3%</b>	-	-	-	-
Japan	43.5%	42.5%	42.0%	41.8%	41.3%	-	-	-	-
China	47.5%	48.3%	48.7%	49.0%	48.2%	-	-	-	-
Other: Americas, Europe and SE Asia	8.9%	9.0%	9.1%	9.2%	10.4%	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-
Sales by Region	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	
Japan	4,230	4,190	4,340	4,380	4,270	-	-	-	+40
China	4,620	4,940	5,220	5,300	4,980	-	-	-	+360
Other: Americas, Europe and SE Asia	870	920	980	970	1,080	-	-	-	+210
<b>Sales</b>	<b>9,733</b>	<b>10,066</b>	<b>10,554</b>	<b>10,670</b>	<b>10,342</b>	-	-	-	<b>+608</b>
Japan	+10.1%	+10.0%	+11.0%	+1.2%	+0.9%	-	-	-	-
China	+14.4%	+9.1%	+20.8%	+17.3%	+7.8%	-	-	-	-
Other: Americas, Europe and SE Asia	+13.7%	+9.5%	+16.7%	+14.1%	+24.2%	-	-	-	-
<b>Sales (YoY)</b>	<b>+12.4%</b>	<b>+9.6%</b>	<b>+16.2%</b>	<b>+9.8%</b>	<b>+6.3%</b>	-	-	-	-
Japan	43.5%	41.6%	41.1%	41.0%	41.3%	-	-	-	-
China	47.5%	49.1%	49.5%	49.7%	48.2%	-	-	-	-
Other: Americas, Europe and SE Asia	8.9%	9.1%	9.3%	9.1%	10.4%	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-

Source: Company Data, WRJ Calculation

### Sales by Application (Cumulative, Quarterly)

Sales by Application	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	
"Automobiles"	4,550	9,040	13,740	18,370	4,610	-	-	-	+60
"Electronic Parts & Semiconductors"	1,840	3,840	5,900	7,880	1,970	-	-	-	+130
"Home Appliances & Precision Machinery"	1,150	2,360	3,550	4,780	1,220	-	-	-	+70
"Other"	2,190	4,550	7,130	9,940	2,520	-	-	-	+330
<b>Sales</b>	<b>9,733</b>	<b>19,800</b>	<b>30,354</b>	<b>41,025</b>	<b>10,342</b>	-	-	-	<b>+608</b>
"Automobiles"	+16.1%	+11.5%	+11.4%	+9.5%	+1.3%	-	-	-	-
"Electronic Parts & Semiconductors"	+10.8%	+10.0%	+14.1%	+12.6%	+7.1%	-	-	-	-
"Home Appliances & Precision Machinery"	+0.9%	+5.8%	+6.6%	+6.7%	+6.1%	-	-	-	-
"Other"	+13.5%	+13.5%	+16.9%	+18.3%	+15.1%	-	-	-	-
<b>Sales (YoY)</b>	<b>+12.4%</b>	<b>+10.9%</b>	<b>+12.7%</b>	<b>+11.9%</b>	<b>+6.3%</b>	-	-	-	-
"Automobiles"	46.7%	45.7%	45.3%	44.8%	44.6%	-	-	-	-
"Electronic Parts & Semiconductors"	18.9%	19.4%	19.4%	19.2%	19.0%	-	-	-	-
"Home Appliances & Precision Machinery"	11.8%	11.9%	11.7%	11.7%	11.8%	-	-	-	-
"Other"	22.5%	23.0%	23.5%	24.2%	24.4%	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-

Sales by Application	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	
"Automobiles"	4,550	4,490	4,700	4,630	4,610	-	-	-	+60
"Electronic Parts & Semiconductors"	1,840	2,000	2,060	1,980	1,970	-	-	-	+130
"Home Appliances & Precision Machinery"	1,150	1,210	1,190	1,230	1,220	-	-	-	+70
"Other"	2,190	2,360	2,580	2,810	2,520	-	-	-	+330
<b>Sales</b>	<b>9,733</b>	<b>10,066</b>	<b>10,554</b>	<b>10,670</b>	<b>10,342</b>	-	-	-	<b>+608</b>
"Automobiles"	+16.1%	+7.2%	+11.4%	+4.0%	+1.3%	-	-	-	-
"Electronic Parts & Semiconductors"	+10.8%	+9.3%	+22.6%	+8.2%	+7.1%	-	-	-	-
"Home Appliances & Precision Machinery"	+0.9%	+11.0%	+8.2%	+7.0%	+6.1%	-	-	-	-
"Other"	+13.5%	+13.5%	+23.4%	+22.2%	+15.1%	-	-	-	-
<b>Sales (YoY)</b>	<b>+12.4%</b>	<b>+9.6%</b>	<b>+16.2%</b>	<b>+9.8%</b>	<b>+6.3%</b>	-	-	-	-
"Automobiles"	46.7%	44.6%	44.5%	43.4%	44.6%	-	-	-	-
"Electronic Parts & Semiconductors"	18.9%	19.9%	19.5%	18.6%	19.0%	-	-	-	-
"Home Appliances & Precision Machinery"	11.8%	12.0%	11.3%	11.5%	11.8%	-	-	-	-
"Other"	22.5%	23.4%	24.4%	26.3%	24.4%	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-

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	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019		Net Chg.
Cash and Deposit	2,934	3,408	3,594	3,770	3,735	-	-	-		+801
Accounts Receivables	11,350	11,442	11,423	12,095	11,816	-	-	-		+465
Inventory	3,835	4,020	4,248	4,425	4,489	-	-	-		+653
Other	531	936	866	837	561	-	-	-		+29
<b>Current Assets</b>	<b>18,652</b>	<b>19,808</b>	<b>20,134</b>	<b>21,129</b>	<b>20,602</b>	-	-	-		<b>+1,949</b>
Tangible Assets	8,543	8,966	9,444	9,939	10,112	-	-	-		+1,569
Intangible Assets	1,202	1,173	1,150	1,157	1,145	-	-	-		(57)
Investments and Other Assets	392	357	333	334	717	-	-	-		+325
<b>Fixed Assets</b>	<b>10,138</b>	<b>10,496</b>	<b>10,929</b>	<b>11,431</b>	<b>11,975</b>	-	-	-		<b>+1,836</b>
<b>Total Assets</b>	<b>28,790</b>	<b>30,304</b>	<b>31,063</b>	<b>32,560</b>	<b>32,577</b>	-	-	-		<b>+3,786</b>
Accounts Payables, etc.	4,531	4,924	4,726	4,597	4,968	-	-	-		+436
Short Term Debt	4,236	4,298	4,368	3,730	4,135	-	-	-		(100)
Other	2,538	2,973	3,145	4,322	3,338	-	-	-		+799
<b>Current Liabilities</b>	<b>11,305</b>	<b>12,197</b>	<b>12,239</b>	<b>12,649</b>	<b>12,441</b>	-	-	-		<b>+1,135</b>
Long Term Debt	2,273	2,015	1,916	2,151	2,376	-	-	-		+103
Other	1,099	1,298	1,436	1,584	1,581	-	-	-		+481
<b>Fixed Liabilities</b>	<b>3,372</b>	<b>3,313</b>	<b>3,353</b>	<b>3,736</b>	<b>3,957</b>	-	-	-		<b>+584</b>
<b>Total Liabilities</b>	<b>14,678</b>	<b>15,510</b>	<b>15,593</b>	<b>16,385</b>	<b>16,398</b>	-	-	-		<b>+1,720</b>
<b>Shareholders' Equity</b>	<b>13,878</b>	<b>14,376</b>	<b>14,674</b>	<b>15,096</b>	<b>15,388</b>	-	-	-		<b>+1,510</b>
Other	233	417	795	1,077	789	-	-	-		+556
<b>Net Assets</b>	<b>14,112</b>	<b>14,794</b>	<b>15,470</b>	<b>16,174</b>	<b>16,178</b>	-	-	-		<b>+2,066</b>
<b>Total Liabilities and Net Assets</b>	<b>28,790</b>	<b>30,304</b>	<b>31,063</b>	<b>32,560</b>	<b>32,577</b>	-	-	-		<b>+3,786</b>
Equity Capital	14,099	14,777	15,448	16,148	16,147	-	-	-		+2,048
Interest Bearing Debt	6,509	6,314	6,285	5,882	6,511	-	-	-		+2
Net Debt	3,574	2,905	2,690	2,111	2,775	-	-	-		(798)
Equity Ratio	49.0%	48.8%	49.7%	49.6%	49.6%	-	-	-		+0.6%
Net Debt Equity Ratio	25.4%	19.7%	17.4%	13.1%	17.2%	-	-	-		(8.2%)
ROE (12 months)	11.5%	12.8%	13.1%	11.8%	12.4%	-	-	-		+0.9%
ROA (12 months)	8.0%	8.6%	9.3%	8.8%	8.8%	-	-	-		+0.8%
Days for Inventory Turnover	50	51	51	53	55	-	-	-		-
Quick Ratio	126%	122%	123%	125%	125%	-	-	-		-
Current Ratio	165%	162%	164%	167%	166%	-	-	-		-

Source: Company Data, WRJ Calculation

## Cash Flow Statement (Cumulative)

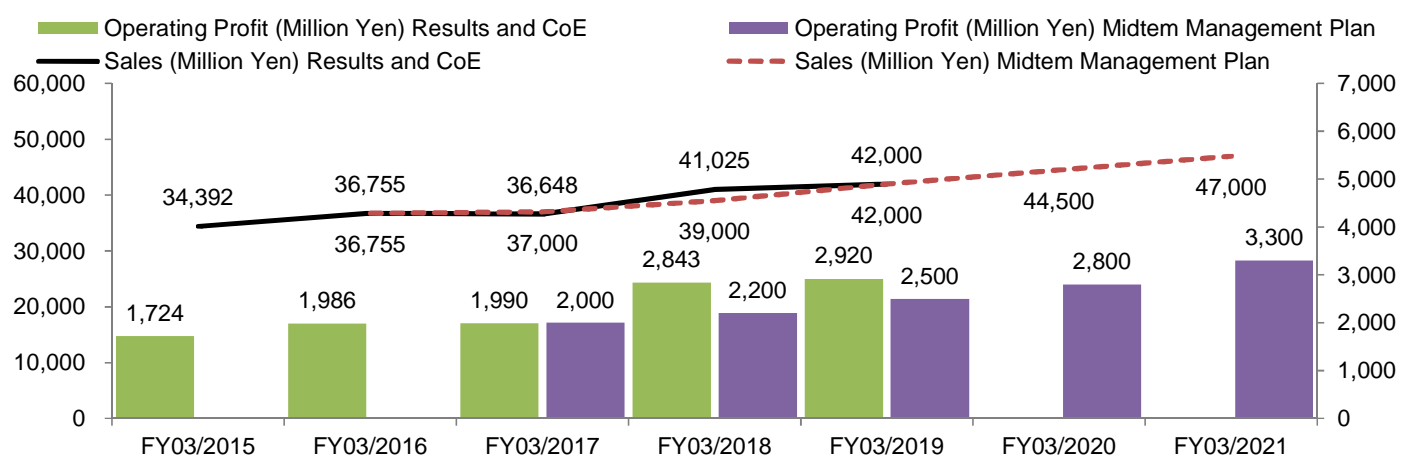
Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019		Net Chg.
Operating Cash Flow	-	1,882	-	3,393	-	-	-	-		-
Investing Cash Flow	-	(1,043)	-	(2,335)	-	-	-	-		-
<b>Operating CF and Investing CF</b>	<b>-</b>	<b>838</b>	<b>-</b>	<b>1,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Financing Cash Flow	-	(657)	-	(738)	-	-	-	-		-

Source: Company Data, WRJ Calculation

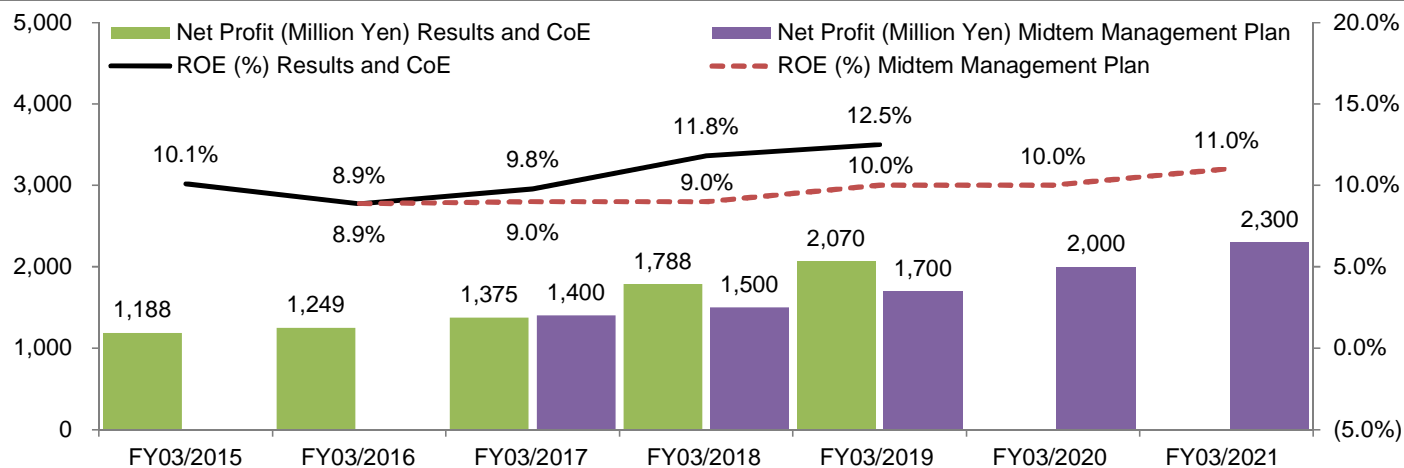
### FY03/2019 Company Forecasts

FY03/2019 initial Company forecasts have remained unchanged, going for prospective sales of ¥42,000m (up 2.4% YoY), operating profit of ¥2,920m (up 2.7%), recurring profit of ¥2,800m (up 2.5%) and profit attributable to owners of parent of ¥2,070m (up 15.7%), while operating profit margin of 7.0% (up 0.1% point). At the same time, Company forecasts have remained unchanged also for annual dividend of ¥20.50, implying payout ratio of 21.7%, versus ¥16.75, implying payout ratio of 20.5%, in FY03/2018. Thus, annual dividend is to be raised by ¥3.75 and payout ratio edging up. Meanwhile, Company forecasts are going for earnings better than assumed in midterm management plan “Value Creation 2020”.

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



#### Midterm Management Plan “Value Creation 2020”: Net Profit and ROE

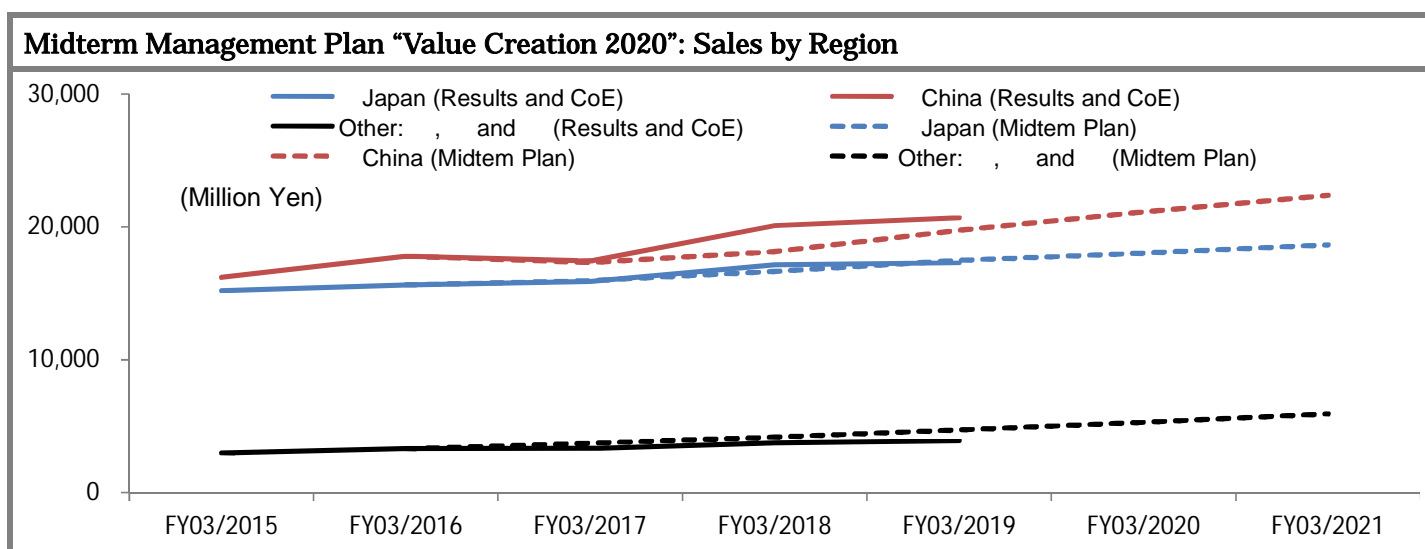


Source: Company Data, WRJ Calculation

FY03/2019 initial Company forecasts are going for SG&A expenses increasing rather faster than sales, but this is expected to be more than compensated for by lowering ratio of cost of sales to sales or improving gross profit margin due to effect on increased productivity and improving sales mix, resulting in marginal increases of operating profit margin and thus operating profit. By region, Company forecasts assume sales in Japan of ¥17,300m (up 1.0%), sales in China of ¥20,700m (up 3.0%) and sales in other countries of ¥3,900m (up 5.5%), comprising those in Americas, Europe and Southeast Asia. In regards to Japan, Company forecast assume one-off increases of sales stemming from 2016 Kumamoto earthquakes not to reappear, while also assuming a probability for economic growth to slow down as well as for China-United States trade war to generate negative impacts in H2 in regards to China.

With respect to FY03/2018, i.e., the last year, initial Company forecasts (released on 11 May 2017) were upgraded at the release of Q2 results (10 November 2017) and once again at the release of Q3 results (9 February 2018). Then, given sales in Japan eventually even better, the full-year results were also even better. When compared with initial Company forecasts, sales were better by ¥3,025m (8.0%), operating profit by ¥643m (29.2%), recurring profit by ¥631m (30.0%) and profit attributable to owners of parent by ¥388m (27.7%). At the same time, the results were also better than FY03/2018 assumptions of midterm management plan “Value Creation 2020”, i.e., sales of ¥39,000m and operating profit of ¥2,200m by 5.2% and 29.3%, respectively. Given profit attributable to owner of parent (net profit) also better than expected, the Company saw ROE better than expected too.

Meanwhile, in the Company’s results meeting held on 25 May 2018, did Masaaki Takeda, president and representative director (CEO), mention that the Company was to release revision as soon as possible, when recent trading in reality starts to suggest overshoots in regards to FY03/2019 Company forecasts.



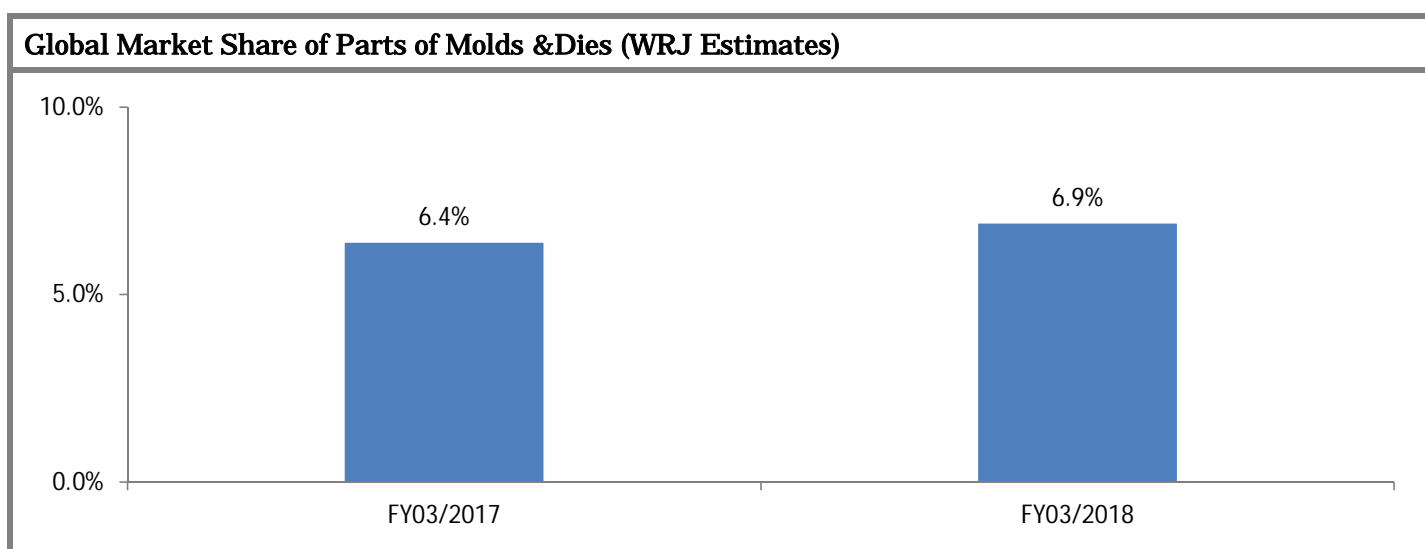
Source: Company Data, WRJ Calculation: Americas, Europe and Southeast Asia

In FY03/2018, sales in Japan came in at ¥17,153m (up 7.9%) and sales in China ¥20,102m (up 15.3%). Thus, sales were firm in both of the mainstay markets for the Company as a whole. Meanwhile, sales in other countries came in at ¥3,769m (up 13.6%), comprising those of Americas, Europe and Southeast Asia.

Sales in FY03/2018 as a whole for the Company were better than assumptions of midterm management plan “Value Creation 2020” by 5.2% as mentioned earlier, which was due basically to sales better than expected in China by region. Given yen higher than expected, sales on a local currency basis must have been even better. Midterm management plan “Value Creation 2020” assumes ¥18.60 per Chinese yuan versus ¥16.64 in the FY03/2018 results.

It is suggested in China that there has been changeover of order placement for the Company on the expense of local peers in line with increasing needs to cope with high specifications increasingly adopted in consumer products, automobiles, etc. across the board. Having set up capacity in Dalian in October 1990, the Company started up its operations in China on a full-fledged basis. To date, the Company has got by far the largest local market share after its persistent efforts to cultivate the market since then. Now, the Company is one of the largest players on a global basis together with this as the key factor.

Based on data disclosed by the Company, we estimate that the Company accounted for 6.9% of the market for parts of molds & dies on a global basis in FY03/2018, up 0.5% points over 6.4% in FY03/2017. According to the Company, the market for molds & dies on a global basis equated to some ¥8.2 trillion and ¥8.5 trillion, respectively, in CY2016 and CY2017, while the market of parts of molds & dies some 7% of the market for molds & dies. When taking sales as a whole for the Company in FY03/2017 and FY03/2018 as numerators, while 7% of the market for molds & dies in CY2016 and CY2017 as denominators, above-mentioned market shares are deduced.



Source: Company Data, WRJ Calculation

Meanwhile, the Company directly suggests that it has some 7% market share on a global basis, while suggesting that the Company is one of the largest on a global basis with this at the same time. In Japan, the Company is the second largest with market share of some 20% and some 10% in China as by far the largest. The Company has market shares far smaller in Americas, Europe and Southeast Asia at the moment.

In regards to the market for molds & dies on a global basis in CY2019 and onward, the Company suggests that a trend persists, i.e., that emerging counties and regions (China and Southeast Asia, including Korea, India, etc.) account for increasing proportion out of the market as a whole. Thus, the markets in Japan, Americas and Europe are not supposed to see increases as much as the market as a whole, which is true of the markets for parts of molds & dies too.

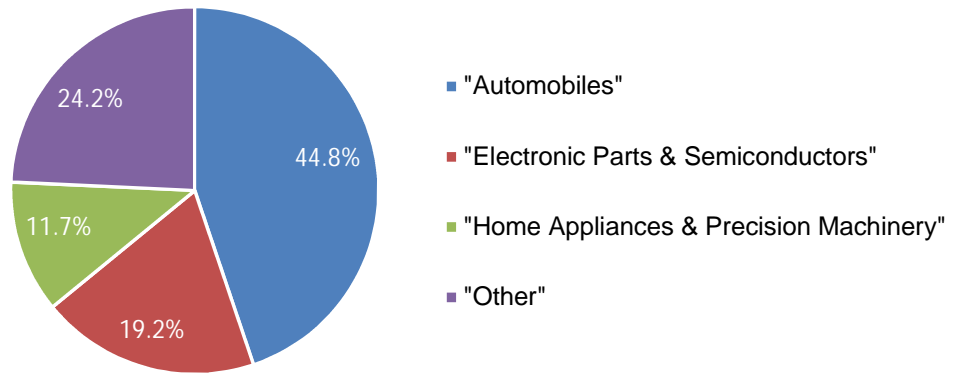
In Japan, the Company is the second largest, but the largest as far as custom products are concerned, according to the Company. Parts of molds & dies are classified into standard products sold on catalogue and custom products to cope with specifications of each mold or die of each customer. The largest competitor has a clear tendency to focus on standard products sold on catalogue to create added value relatively lower, while the Company is heavily involved with custom products to create added value relatively higher. On top of this, the Company is to further propel “optimization of the manufacture on a group basis” to be detailed later so that it should be able to further beef up capacity for custom products in Japan, making further progress for differentiation of own operations.

In China, the Company has some 10% market share in the market so fragmented as by far the largest player, while benefiting from changeover of order placement for the Company on the expense of local peers in line with increasing needs to cope with high specifications increasingly adopted in consumer products, automobiles, etc. across the board. As far as we could see, the Company’s technology to differentiate own operations drives this changeover.

Market being fragmented means there are many market participants while none of them holding market share overwhelming. The Company holds the market share roughly double of the second largest competitor in China where the market is so fragmented. As far as assuming that consolidation is to go on based on technology to make differences for products, the Company has good chances to see increasing market share over the long term, given no overwhelming market share yet, in China where the growth potential is high going forward.

The Company has been holding market shares far smaller in Americas, Europe and Southeast Asia across the board to date, implying high upside potential in the future when simply thinking. As far as based on above-mentioned prospects by the Company, the markets in Americas and Europe are unlikely to see steady growth going forward, but it is still true high upside potential for market shares remaining. For example, in Europe, the Company is seeing favorable sales increases through its successful measures to take advantage of local distributor backed by “global sourcing” in bridgehead of Malaysia. Meanwhile, in order to enter the market in Americas on a full-fledge basis, the Company set up own bridgehead near Chicago, Illinois, having started up its sales operations in April 2017. Now, in Q1 FY03/2019 results, the Company sees a tendency that sales in there are starting to pick up on a full-fledged basis in fact.

## Sales by Application (FY03/2018)



Source: Company Data, WRJ Calculation

Meanwhile, sales by application disclosed by the Company suggest its exposure to the manufacture of diverse consumer products, automobiles, etc. In FY03/2018, sales on "Automobiles" came in at ¥18,370m (up 9.5%), ¥7,880 m (up 12.6%) on "Electronic Parts & Semiconductors", ¥4,780m (up 6.7%) on "Home Appliances & Precision Machinery" and ¥9,940m (up 18.3%) on "Other".

Exposure to "Electronic Parts & Semiconductors", indispensable for diverse consumer products means that the Company is heavily involved with the manufacture of all those consumer products, although indirectly. Meanwhile, exposure to "Home Appliances & Precision Machinery" means that it is involved with the manufacture of all those products rather directly. At the end of the day, the highest exposure to "Automobiles" implies that the Company is most heavily involved with the manufacture of automobiles.

More importantly, however, sales on "Other" saw the highest rate of increases for sales, including those of "high value-added strategic products", represented by those of food-&-beverage-related and medical-related as well as those of fairly diverse products, e.g., information-&-telecom-related, industrial-machinery-related, etc.

Both food-&-beverage-related mainly applied in beverage containers represented by pet bottles and medical-related mainly applied in medical-use plastic products represented by catheters and injectors refer to parts of molds & dies with high added value with own differentiation technology well adopted, according to the Company. Because of this, the Company is strategically keen on sales promotions for them. As far as food-&-beverage-related is concerned, sales have been increasing by no less than some 35% over the previous year. Meanwhile, the Company is looking to all those "high value-added strategic products" as the explosives to drive sales in Americas, etc.

## FY03/2019 Company Forecasts

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2019CoE	11-May-18	Q4 Results	42,000	2,920	2,800	2,070
FY03/2019CoE	9-Aug-18	Q1 Results	42,000	2,920	2,800	2,070
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY03/2019CoE	11-May-18	Q4 Results	42,000	2,920	2,800	2,070
FY03/2019CoE	9-Aug-18	Q1 Results	42,000	2,920	2,800	2,070
		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 FY03/2019CoE	11-May-18	Q4 Results	21,135	1,480	1,418	1,077
Q1 to Q2 FY03/2019CoE	9-Aug-18	Q1 Results	21,135	1,480	1,418	1,077
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Q1 to Q2 FY03/2019CoE	11-May-18	Q4 Results	21,135	1,480	1,418	1,077
Q1 to Q2 FY03/2019CoE	9-Aug-18	Q1 Results	21,135	1,480	1,418	1,077
		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
Q3 to Q4 FY03/2019CoE	11-May-18	Q4 Results	20,865	1,440	1,382	993
Q3 to Q4 FY03/2019CoE	9-Aug-18	Q1 Results	20,865	1,440	1,382	993
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Q3 to Q4 FY03/2019CoE	11-May-18	Q4 Results	20,865	1,440	1,382	993
Q3 to Q4 FY03/2019CoE	9-Aug-18	Q1 Results	20,865	1,440	1,382	993
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%

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 prospective business performance target, the Company is calling for 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 Chinese yuan. When based on FY03/2016 results, sales are to see CAGR of 5.0% or more and operating profit 10.7% or more towards FY03/2021. On top of this, the plan is calling for prospective ROE of 11.0% to be achieved in FY03/2021.

“Value Creation 2020” is going for four priority management strategies comprising . establishment of “five-pole sales structure”, . improvement of services for customers, . promotion of high profitability operations combined with reinforcement of R&D and . work style reform. It appears that . establishment of “five-pole sales structure” is primarily emphasized, while it is suggested that the Company is trying to get at “Punch of the World” versus “Punch of Asia” now.

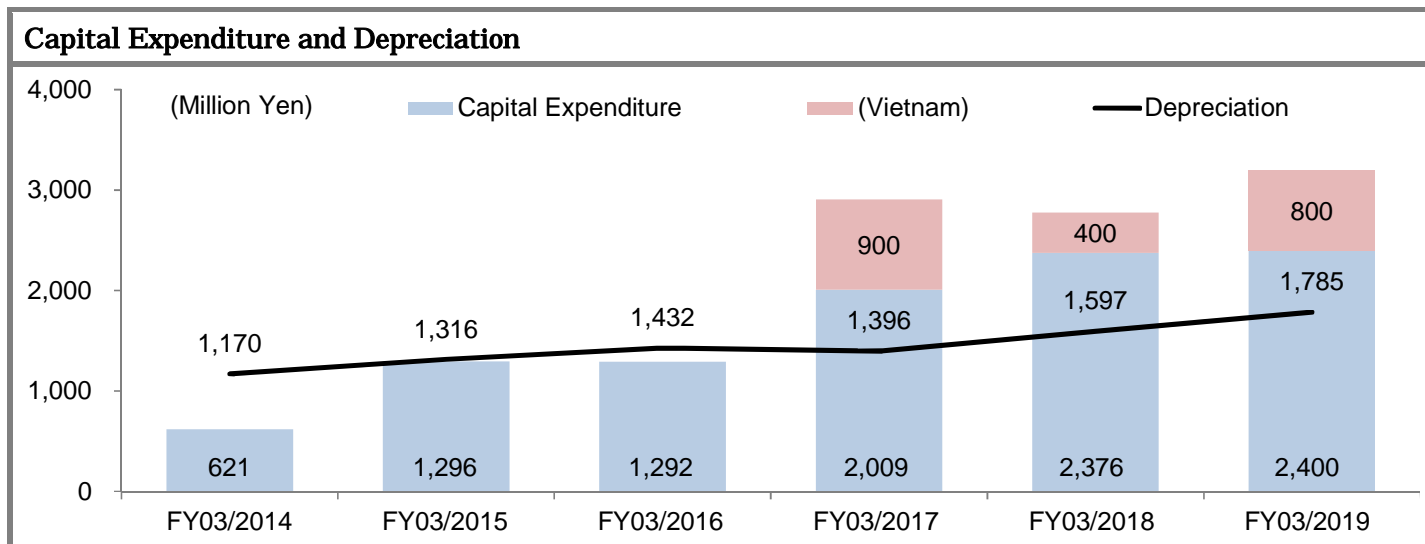
To date, the Company has been running own operations basically in Japan and China, while having started up doing so in Americas, Europe and Southeast Asia. Meanwhile, in order to propel the operations of the latter, the Company set up division of “global sourcing” in its bridgehead in Malaysia. With respect to order intake on own parts for molds & dies in Americas, Europe and Southeast Asia where great room to cultivate remains, the said division optimally allocates the manufacture to capacity in Japan, China and/or to subcontractors so that the Company supplies customers most efficiently.

In Americas, mainly the United States, the Company finds market for molds & dies almost as large as China and Europe, roughly equating to ¥1.3 trillion to ¥1.4 trillion. When compared with China, the market here is matured and new entrance is not easy. Still, the Company is trying to enhance own position in Americas, mainly the United States, by means of launching competitive products, i.e., “high value-added strategic products”.

With respect to . improvement of services for customers, the Company refers to digital engineering services, offered by its bridgehead of Nagoya where Japan’s largest manufacturer of automobiles is based nearby, representing those of implementing “3D-data creation based on existent parts of molds & dies with no engineering drawings”, enabling the manufacture of parts for molds & dies incorporating exactly the same specifications as said existent ones. So far, the business has remained insignificant as it has started up just recently, but the Company sees frequent inquiries from fairly diverse manufacturers.

With respect to . promotion of high profitability operations combined with reinforcement of R&D, the Company advocates “optimization of the manufacture on a group basis”, having started investments in new capacity of Vietnam on a full-fledged basis early in FY03/2017, which was followed by startup of operations in October 2016. The capacity of Vietnam is of cutting-edge equipment to well cope with automation and/or labor-saving for the manufacture of semifinished goods or blanks. Prior to this, the Company used to intensively manufacture them in China, while currently shifting the manufacture to the capacity of Vietnam from China.





Source: Company Data, WRJ estimates

Now, given the shift of the manufacture, excess capacity is created in China. As the stage one for “optimization of the manufacture on a group basis”, the Company takes advantage of this for the manufacture of finished goods carrying added value higher represented by custom products.

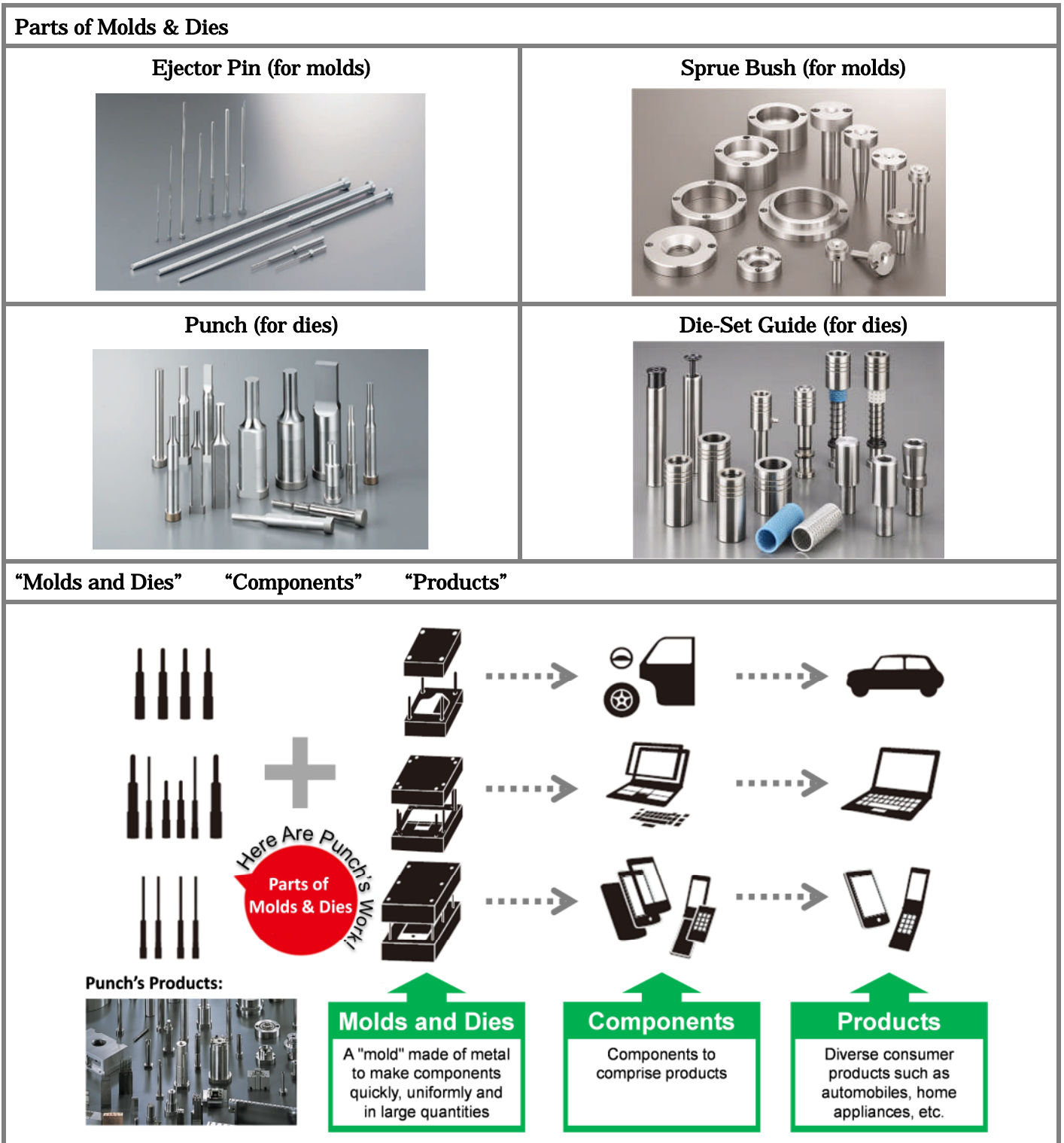
Then, the stage two is driven by phase- investments in capacity of Vietnam to be completed towards the end of FY03/2019. With this completed, the Company is to be able to manufacture finished goods represented by standard products with capacity of Vietnam on top of the manufacture of semifinished goods with high efficiency. Thus, the Company plans to make shift of the manufacture to capacity of Vietnam from that of Japan in regards to standard products. That is to say, the Company is getting at improving cost competitiveness taking advantage of capacity overseas on semifinished goods or blanks as well as for standard products both carrying added value relatively lower, while enabling capacity of Japan increasingly exposed to the manufacture of custom products carrying added value relatively higher.

Meanwhile, 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 management strategies comprising ., . and . Thus, . work style reform is indispensable. In the results meeting held on 25 May 2018, the Company disclosed that the rate of taking annual paid leave has been increasing and overtime hour cut back, implying now the Company provides environment to work better than before.

## 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 to configure molds and dies and thus are indispensable for them. Meanwhile, molds and dies are a “mold” made of metal to make components to configure diverse consumer products, automobiles, etc., manufactured uniformly in large quantities. Given all those final products so diverse, so are components as well as molds and dies, resulting high variety for parts of molds & dies at the end of the day.



Source: Company Data

### **Parts of Molds & 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 parts of dies for the remaining 60%, while parts of molds are superior to parts of dies in terms of added value and thus gross profit margin higher for the former and lower for the latter. Thus, the composition ratio here for the two 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 manufacture 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 down plastic resin heated and melted for molding plastic resin as designed. Here, the Company is involved with ejector pin to separate molded components from molds and get them protruded as well as with sprue bush to pour melted plastic resin into molds from injection nozzle of injection molding machine.

Meanwhile, 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 punch to be used in punching metal steel sheets to be pressed and/or in transferring shapes as well as with die-set guide to hold motions of pressing machine going up and down.

### **Sales of Standard Products on Catalogue, the Manufacture and Sales of Custom Products**

The Company is involved with sales of standard products on catalogue as well as with the manufacture and sales of custom products at the same time. In our rough estimates, standard products sold on catalogue account for 40% of sales as a whole for the Company and the manufacture and sales of custom products for the remaining 60%. Meanwhile, the manufacture and sales of custom products are far superior to sales of standard products on catalogue in terms of added value and thus gross profit margin. While it is too hard to make any distinguished features in regards to standard products sold on catalogue, there are good chances to do so in regards to custom products to be designed and manufactured in line with specifications of each mold or die of each customer. Amongst others, the Company strategically focuses on high value-added products where the Company's technology of differentiation is fully utilized and all those products are called "high value-added strategic products".

The Company is heavily involved with the manufacture of custom products, including "high value-added strategic products", while efficiently taking advantage of subcontractors for the manufacture of standard products on the other hand. In regards to the latter, the Company suggests that further efficiency will be pursued with the use of aforementioned capacity in China and Vietnam in some respects going forward. Meanwhile, all those subcontractors are small-sized operators, while each has expertise in some specific processes of the manufacture. The Company holds extensive network of subcontractors in this respect of expertise, which is well taken advantage of. For example, some specific processes of the manufacture of custom products have been consigned to some specific subcontractors.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
<b>Sales</b>	<b>29,436</b>	<b>34,392</b>	<b>36,755</b>	<b>36,648</b>	<b>41,025</b>	<b>42,000</b>	<b>+974</b>
CoGS	21,776	25,030	26,577	26,457	29,367	-	-
Gross Profit	7,660	9,361	10,178	10,191	11,658	-	-
SG&A Expenses	6,498	7,637	8,191	8,201	8,814	-	-
<b>Operating Profit</b>	<b>1,161</b>	<b>1,724</b>	<b>1,986</b>	<b>1,990</b>	<b>2,843</b>	<b>2,920</b>	<b>+76</b>
Non Operating Balance	(114)	(107)	(320)	(116)	(111)	(120)	(8)
<b>Recurring Profit</b>	<b>1,047</b>	<b>1,617</b>	<b>1,666</b>	<b>1,874</b>	<b>2,731</b>	<b>2,800</b>	<b>+68</b>
Extraordinary Balance	(50)	(4)	(10)	(44)	(215)	-	-
Profit before Income Taxes	997	1,612	1,656	1,830	2,516	-	-
Total Income Taxes	277	428	411	459	725	-	-
NP Belonging to Non-Controlling SHs	0	(4)	(4)	(5)	1	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>720</b>	<b>1,188</b>	<b>1,249</b>	<b>1,375</b>	<b>1,788</b>	<b>2,070</b>	<b>+281</b>
Sales YoY	+17.6%	+16.8%	+6.9%	(0.3%)	+11.9%	+2.4%	-
Operating Profit YoY	+64.1%	+48.4%	+15.2%	+0.2%	+42.8%	+2.7%	-
Recurring Profit YoY	+27.3%	+54.4%	+3.1%	+12.5%	+45.7%	+2.5%	-
Profit Attributable to Owners of Parent YoY	+238.0%	+64.9%	+5.1%	+10.1%	+30.0%	+15.7%	-
Gross Profit Margin	26.0%	27.2%	27.7%	27.8%	28.4%	-	-
(SG&A / Sales)	22.1%	22.2%	22.3%	22.4%	21.5%	-	-
Operating Profit Margin	3.9%	5.0%	5.4%	5.4%	6.9%	7.0%	+0.1%
Recurring Profit Margin	3.6%	4.7%	4.5%	5.1%	6.7%	6.7%	+0.0%
Profit Attributable to Owners of Parent Margin	2.4%	3.5%	3.4%	3.8%	4.4%	4.9%	+0.6%
Total Income Taxes / Profit before Income Taxes	27.8%	26.6%	24.8%	25.1%	28.8%	-	-

Source: Company Data, WRJ Calculation

### Sales by Region

Sales by Region (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Japan	14,386	15,211	15,637	15,903	17,153	17,300	+146
China	12,988	16,208	17,806	17,428	20,102	20,700	+597
Other: Americas, Europe and SE Asia	2,061	2,973	3,311	3,317	3,769	3,900	+130
<b>Sales</b>	<b>29,436</b>	<b>34,392</b>	<b>36,755</b>	<b>36,648</b>	<b>41,025</b>	<b>42,000</b>	<b>+974</b>
Japan	+5.2%	+5.7%	+2.8%	+1.7%	+7.9%	+1.0%	-
China	+29.9%	+24.8%	+9.9%	(2.1%)	+15.3%	+3.0%	-
Other: Americas, Europe and SE Asia	+51.3%	+44.2%	+11.4%	+0.2%	+13.6%	+5.5%	-
<b>Sales (YoY)</b>	<b>+17.6%</b>	<b>+16.8%</b>	<b>+6.9%</b>	<b>(0.3%)</b>	<b>+11.9%</b>	<b>+2.4%</b>	<b>-</b>
Japan	48.9%	44.2%	42.5%	43.4%	41.8%	41.2%	(0.6%)
China	44.1%	47.1%	48.4%	47.6%	49.0%	49.3%	+0.3%
Other: Americas, Europe and SE Asia	7.0%	8.6%	9.0%	9.1%	9.2%	9.3%	+0.1%
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>+0.0%</b>

Source: Company Data, WRJ Calculation

## Sales by Application

Sales by Application (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
"Automobiles"	13,820	15,550	17,060	16,780	18,370	-	-
"Electronic Parts & Semiconductors"	5,690	6,540	6,550	7,000	7,880	-	-
"Home Appliances & Precision Machinery"	3,960	4,500	4,800	4,480	4,780	-	-
"Other"	5,970	7,800	8,300	8,400	9,940	-	-
<b>Sales</b>	<b>29,436</b>	<b>34,392</b>	<b>36,755</b>	<b>36,648</b>	<b>41,025</b>	<b>42,000</b>	<b>+974</b>
"Automobiles"	+31.2%	+12.5%	+9.7%	(1.6%)	+9.5%	-	-
"Electronic Parts & Semiconductors"	+3.6%	+14.9%	+0.2%	+6.9%	+12.6%	-	-
"Home Appliances & Precision Machinery"	+10.3%	+13.6%	+6.7%	(6.7%)	+6.7%	-	-
"Other"	+9.5%	+30.7%	+6.4%	+1.2%	+18.3%	-	-
<b>Sales (YoY)</b>	<b>+17.6%</b>	<b>+16.8%</b>	<b>+6.9%</b>	<b>(0.3%)</b>	<b>+11.9%</b>	<b>+2.4%</b>	<b>-</b>
"Automobiles"	46.9%	45.2%	46.4%	45.8%	44.8%	-	-
"Electronic Parts & Semiconductors"	19.3%	19.0%	17.8%	19.1%	19.2%	-	-
"Home Appliances & Precision Machinery"	13.5%	13.1%	13.1%	12.6%	11.7%	-	-
"Other"	20.3%	22.7%	22.6%	22.9%	24.2%	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

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	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
No. of Shares FY End (-000 Shares)	8,961	11,061	11,061	11,061	22,122	-	-
Net Profit / EPS (-000 Shares)	7,237	9,076	11,061	11,008	21,921	-	-
Treasury Shares FY End (-000 Shares)	-	-	-	100	200	-	-
Earnings Per Share	99.58	130.91	112.94	124.99	81.61	94.42	-
Earnings Per Share (Fully Diluted)	-	-	-	124.84	81.35	-	-
Book Value Per Share	1,043.83	1,283.75	1,264.64	1,292.50	736.64	-	-
Dividend Per Share	20.00	25.00	25.00	26.00	16.75	20.50	-
Per Share Data (After Adjustments for Split) (Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Share Split Factor	2	2	2	2	1	1	-
Earnings Per Share	49.79	65.46	56.47	62.50	81.61	94.42	-
Book Value Per Share	521.92	641.88	632.32	646.25	736.64	-	-
Dividend Per Share	10.00	12.50	12.50	13.00	16.75	20.50	-
Payout Ratio	20.1%	19.1%	22.1%	20.8%	20.5%	21.7%	-

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Cash and Deposit	1,527	3,302	3,235	3,280	3,770	-	-
Accounts Receivables	9,433	11,613	10,614	11,468	12,095	-	-
Inventory	3,341	3,992	3,721	3,787	4,425	-	-
Other	365	461	303	613	837	-	-
<b>Current Assets</b>	<b>14,668</b>	<b>19,369</b>	<b>17,875</b>	<b>19,150</b>	<b>21,129</b>	-	-
Tangible Assets	7,611	8,168	7,696	8,669	9,939	-	-
Intangible Assets	1,799	1,789	1,322	1,242	1,157	-	-
Investments and Other Assets	391	295	443	389	334	-	-
<b>Fixed Assets</b>	<b>9,803</b>	<b>10,253</b>	<b>9,462</b>	<b>10,301</b>	<b>11,431</b>	-	-
<b>Total Assets</b>	<b>24,471</b>	<b>29,623</b>	<b>27,337</b>	<b>29,451</b>	<b>32,560</b>	-	-
Accounts Payables, etc.	3,426	4,098	3,860	4,287	4,597	-	-
Short Term Debt	5,303	4,849	3,550	4,346	3,730	-	-
Other	2,642	3,364	3,040	3,090	4,322	-	-
<b>Current Liabilities</b>	<b>11,372</b>	<b>12,312</b>	<b>10,451</b>	<b>11,724</b>	<b>12,649</b>	-	-
Long Term Debt	2,440	2,306	1,794	2,460	2,151	-	-
Other	1,295	799	1,092	1,089	1,584	-	-
<b>Fixed Liabilities</b>	<b>3,736</b>	<b>3,105</b>	<b>2,886</b>	<b>3,550</b>	<b>3,736</b>	-	-
<b>Total Liabilities</b>	<b>15,108</b>	<b>15,418</b>	<b>13,338</b>	<b>15,275</b>	<b>16,385</b>	-	-
<b>Shareholders' Equity</b>	<b>7,968</b>	<b>11,679</b>	<b>12,586</b>	<b>13,598</b>	<b>15,096</b>	-	-
Other	1,394	2,525	1,413	578	1,077	-	-
<b>Net Assets</b>	<b>9,362</b>	<b>14,205</b>	<b>13,999</b>	<b>14,176</b>	<b>16,174</b>	-	-
<b>Total Liabilities and Net Assets</b>	<b>24,471</b>	<b>29,623</b>	<b>27,337</b>	<b>29,451</b>	<b>32,560</b>	-	-
Equity Capital	9,353	14,199	13,988	14,167	16,148	-	-
Interest Bearing Debt	7,743	7,155	5,344	6,807	5,882	-	-
Net Debt	6,216	3,853	2,108	3,526	2,111	-	-
Equity Ratio	38.2%	47.9%	51.2%	48.1%	49.6%	-	-
Net Debt Equity Ratio	66.5%	27.1%	15.1%	24.9%	13.1%	-	-
ROE (12 months)	9.6%	10.1%	8.9%	9.8%	11.8%	-	-
ROA (12 months)	4.6%	6.0%	5.9%	6.6%	8.8%	-	-
Days for Inventory Turnover	56	58	51	52	55	-	-
Quick Ratio	96%	121%	133%	126%	125%	-	-
Current Ratio	129%	157%	171%	163%	167%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Operating Cash Flow	1,194	1,805	3,187	1,785	3,393	-	-
Investing Cash Flow	(1,252)	(1,180)	(1,159)	(2,770)	(2,335)	-	-
<b>Operating CF and Investing CF</b>	<b>(57)</b>	<b>624</b>	<b>2,028</b>	<b>(985)</b>	<b>1,058</b>	-	-
Financing Cash Flow	(370)	1,013	(1,901)	1,199	(738)	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### Supporting the Manufacture 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 the manufacture of pins to make holes for PCB boards, then having made a change for its corporate identity to PUNCH INDUSTRY CO., LTD. in August 1977, to start 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 the market for parts of molds. Prior to this, the Company used to basically run operations of stocking and selling for 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 semifinished goods or blanks 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 locally manufactured since April 2002. Then, this was followed by setup of own bridgehead of 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 projection, 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 of Vietnam, having had been under construction for future enhancement and optimization of the manufacture on a global basis, started up its utilization in October 2016. Then, the Company set up own bridgehead in the United States, having started up sales promotions in April 2017 as the preparation to establish “five-pole sales structure”.

Meanwhile, the Company is currently led by Masaaki Takeda having been appointed as president and representative director (CEO) in April 2013. In spite of the fact that the Company specializes in sales and the manufacture of parts of molds & dies, whose real pictures 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 manufacture 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 manufacture of diverse consumer products, automobiles, etc. On top of this, Takeda is trying to give increasing benefits to increasingly extensive stakeholders by means of making progress with management strategies of “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 manufacture of pins to make holes for PCB boards
August 1982	Entered the manufacture of parts 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 office in China, started selling parts of molds & dies in China in the following year of 2002
September 2010	Set up sales office in India
December 2012	Listed onto the 2nd Section of Tokyo Stock Exchange.
August 2013	Consolidated Panther Precision Tools as subsidiary (currently, Punch Malaysia)
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 utilizing capacity of Vietnam on a full-fledged basis
April 2017	Started sales through own bridgehead in the United States



## 7.0 Our Reports on the Company in the Past

Fiscal Year	Results Update	Company Report
Q4 FY03/2019	-	-
Q3 FY03/2019	-	-
Q2 FY03/2019	-	-
Q1 FY03/2019	<a href="#">As Expected</a>	-
Q4 FY03/2018	<a href="#">Midterm Plan Exceeded</a>	<a href="#">“Punch of the World”</a>
Q3 FY03/2018	<a href="#">New Business Domains Taking off</a>	<a href="#">Still Great Room for Development</a>
Q2 FY03/2018	<a href="#">Exceeding in China</a>	<a href="#">Critical Point</a>
Q1 FY03/2018	<a href="#">Punchy PUNCH</a>	<a href="#">Strategic Products with High Added Value</a>
Q4 FY03/2017	<a href="#">In Line with Midterm Management Plan</a>	<a href="#">Increasing Sales and Vietnam</a>
Q3 FY03/2017	-	-
Q2 FY03/2017	-	-
Q1 FY03/2017	-	-

### 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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