

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%	-	-

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

1.0 Executive Summary (29 June 2018)

“Punch of the World”

PUNCH INDUSTRY, manufacturing and selling parts of molds & dies domestically and overseas, is heavily involved with the manufacture of diverse consumer products, automobiles, etc., while being expected to see long-term consistent growth by means of beefing up sales region-wise, etc. In other words, the Company being one of the largest players in the market is expected to see own market shares increasing further going forward. The Company is to continue beefing up sales in its current mainstay markets, i.e., a) Japan and b) China, while cultivating markets in c) Americas, d) Europe and e) Southeast Asia & India, where it finds great room to do so, as advocated by “establishment of five-pole sales structure”, which is the key management strategy with the Company’s midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). The Company is trying to eventually get at “Punch of the World” by means of aggressively promoting sales in c) Americas, d) Europe and e) Southeast Asia & India. Division of “global sourcing” has been set up in the bridgehead of Malaysia to facilitate the Company to propel this. As far as order intake gained in c) Americas, d) Europe and e) Southeast Asia & India, where it finds great room to cultivate, is concerned, the Company optimally allocates the manufacture to capacity of Japan, China, Malaysia and/or subcontractors so that it should be able to supply customers with parts of molds & dies most efficiently. On top of this, the Company is currently implementing phase- capex in capacity of Vietnam having been dedicated to semifinished goods or blanks so far, which is expected to further drive “optimization of the manufacture on a group basis”, also helping the Company to get at “Punch of the World”.

In FY03/2018, sales came in at ¥41,025m (up 11.9% YoY), operating profit ¥2,843m (up 42.8%) and operating profit margin 6.9% (up 1.5% points). SG&A expenses increased by 7.5% to ¥8,814m versus 11.9% for sales, suggesting suppressed increases for the former, while gross profit margin increased by 0.6% points to 24.8% due to effect on increased productivity and improving sales mix, having resulted in improving operating profit margin and thus steady increases of operating profit. By region, sales in a) Japan came in at ¥17,153m (up 7.9%) and sales in b) 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 regions came in at ¥3,769m (up 13.6%), comprising those of c) Americas, d) Europe and e) Southeast Asia & India, implying that the Company's measure of "global sourcing" making steady progress. Meanwhile, by application, sales of "Automobiles" came in at ¥18,370m (up 9.5%), ¥7,880m (up 12.6%) for "Electronic Parts & Semiconductors", ¥4,780m (up 6.7%) for "Home Appliances & Precision Machinery" and ¥9,940m (up 18.3%) for "Other", implying that the Company is heavily involved with the manufacture of diverse consumer products, automobiles, etc. as well as sales having increased across the board at the same time. Meanwhile, sales of "Other" includes those of "high value-added strategic products", represented by those of food-&-beverage-related and medical-related, both having seen sales increasing by no less than 35% over the previous year, roughly speaking.

FY03/2019 Company forecasts are going for prospective sales of ¥42,000m (up 2.4% YoY), operating profit of ¥2,920m (up 2.7%) and operating profit margin of 7.0% (up 0.1% point). As far as we could gather, the increases of SG&A expenses are to be relatively larger than those of sales, but improving gross profit margin due to effect on increased productivity and improving sales mix is to be more than compensating, resulting in improving operating profit margin and thus increasing operating profit. By region, Company forecasts assume sales of ¥17,300m (up 1.0%) in a) Japan, sales of ¥20,700m (up 3.0%) in b) China and sales of ¥3,900m (up 5.5%) in other regions comprising c) Americas, d) Europe and e) Southeast Asia & India. In regards to a) Japan, Company forecasts assume one-off increases of sales stemming from 2016 Kumamoto earthquakes not to appear two years in a row, while probability for economic growth to slow down as well as for trade frictions with the United States to generate negative impacts in H2 for b) China. Nevertheless, above-mentioned FY03/2018 results were better than initial Company forecasts and assumptions of midterm management plan "Value Creation 2020", implying all those assumptions here could be too conservative again.

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

2.0 Company Profile

Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

Company Name	PUNCH INDUSTRY CO., LTD. Website IR Information Share Price (Japanese)	
Established	29 March 1975	
Listing	14 March 2014: Tokyo Stock Exchange 1st Section (ticker: 6165) 20 December 2012: Tokyo Stock Exchange 2nd Section	
Capital	¥2,897m (as of the end of March 2018)	
No. of Shares	22,122,400 shares, including 200,098 treasury shares (as of the end of March 2018)	
Main Features	<ul style="list-style-type: none">● By far the largest market share in China and one of the largest on a global basis● Collective 15,000 customers (6,000 in Japan, 8,000 in China and 1,000 in other)● Focus on high value-added strategic products	
Business Segments	. Parts of Molds & Dies Business	
Top Management	President, Representative Director (CEO): Masaaki Takeda	
Shareholders	Japan Trustee Services 12.5%, MT Kosan 9.9% (as of the end of March 2018)	
Headquarters	Shinagawa-ku, Tokyo, JAPAN	
No. of Employees	Consolidated:4,298, Parent: 979 (as of the end of March 2018)	

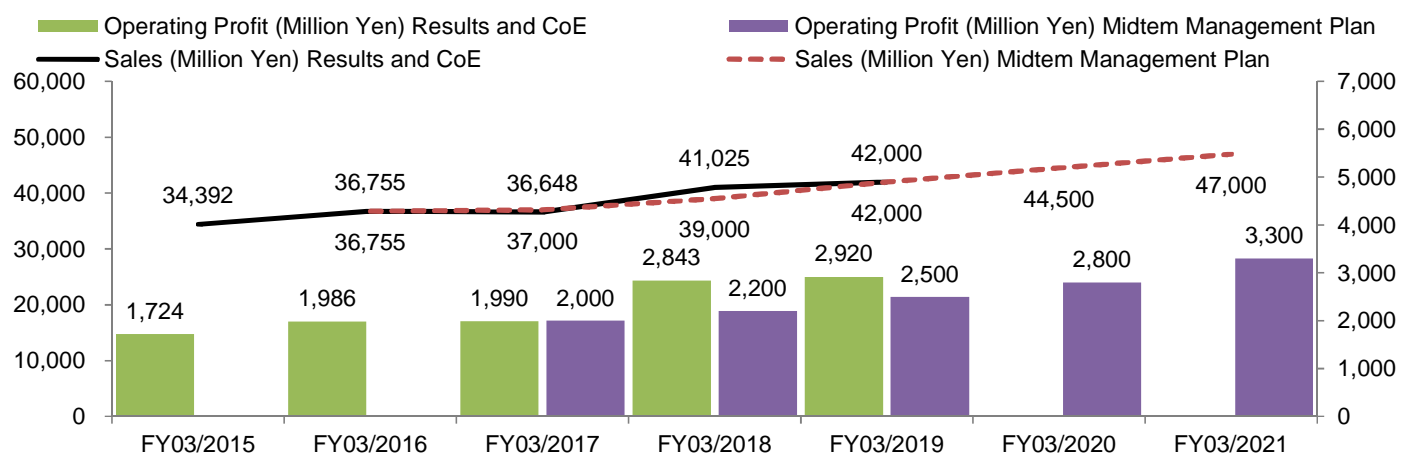
Source: Company Data

3.0 Recent Trading and Prospects

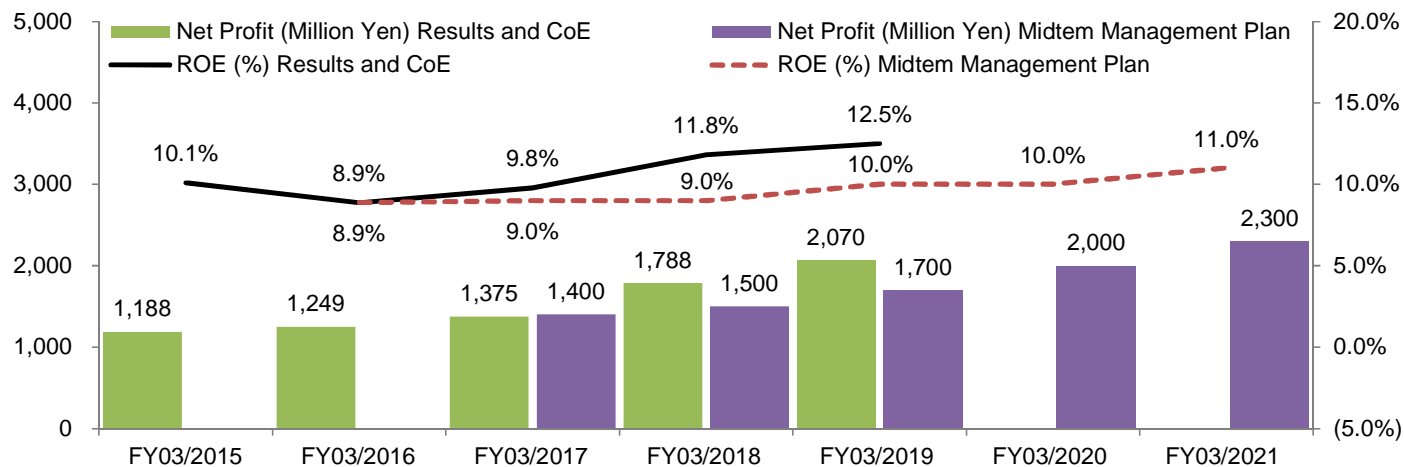
FY03/2018 Results

In FY03/2018, sales came in at ¥41,025m (up 11.9% YoY), operating profit ¥2,843m (up 42.8%), recurring profit ¥2,731m (up 45.7%) and profit attributable to owners of parent ¥1,788m (up 30.0%), while operating profit margin 6.9% (up 1.5% points).

Sales and Operating Profit (versus Midterm Management Plan "Value Creation 2020")



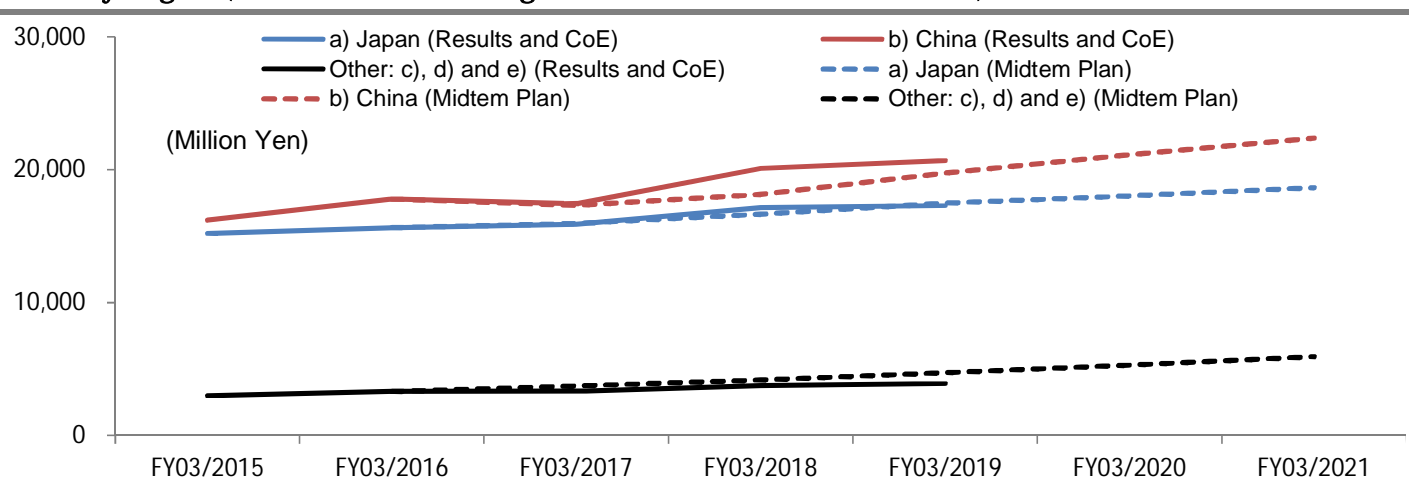
Net Profit and ROE (versus Midterm Management Plan "Value Creation 2020")



Source: Company Data, WRJ Calculation

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 than expected, the full-year results were 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.

Sales by Region (versus Midterm Management Plan “Value Creation 2020”)



Source: Company Data, WRJ Calculation: c) Americas, d) Europe and e) Southeast Asia & India

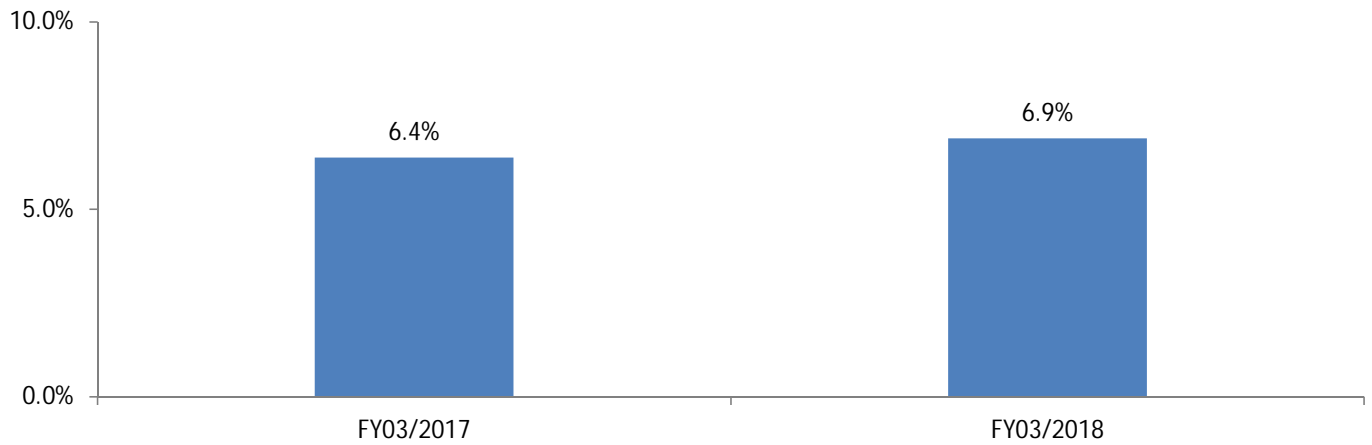
By region, sales in a) Japan came in at ¥17,153m (up 7.9%) and sales in b) China ¥20,102m (up 15.3%). Thus, sales were firm in both of the mainstay markets for the Company as a whole. Meanwhile, sales in other regions came in at ¥3,769m (up 13.6%), comprising those of c) Americas, d) Europe and e) Southeast Asia & India.

Sales 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 b) 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 results.

It is suggested in b) 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 b) 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 denominator, above-mentioned market shares are deduced.

Global Market Share of Parts of Molds & Dies (WRJ Estimates)



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 a) 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 c) Americas, d) Europe and e) Southeast Asia & India at the moment.

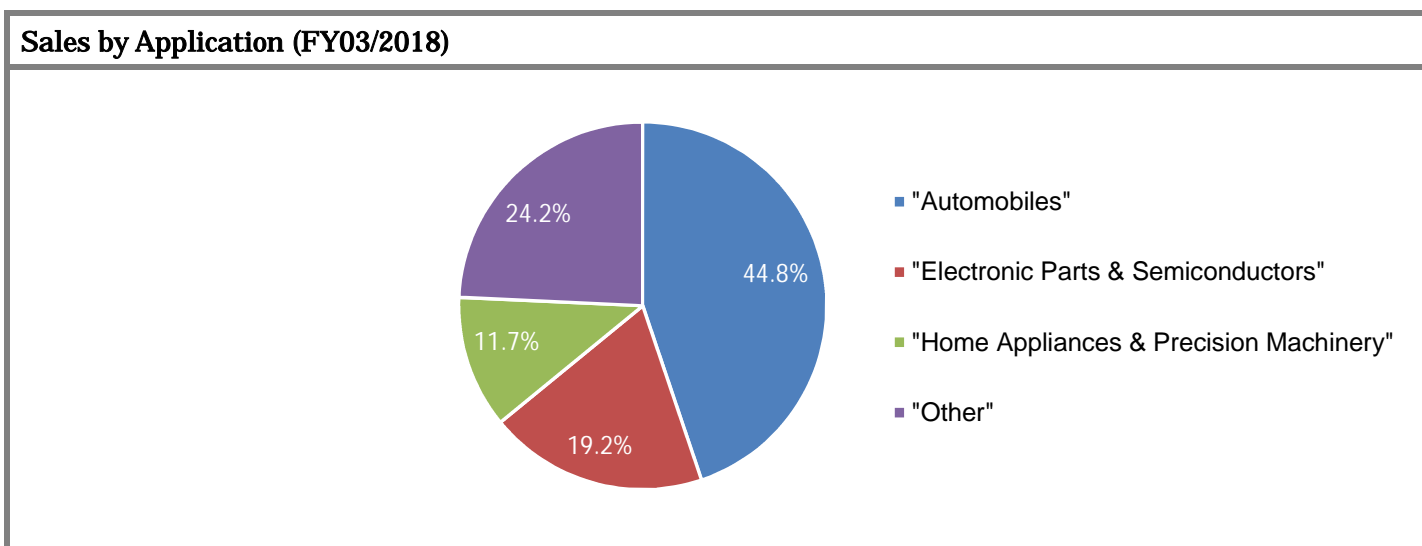
In regards to the market for molds & dies on a global basis in CY2019 and onward, the Company suggests that a trend persists, i.e., that emerging counties and regions (China, Korean, India and Southeast Asia) account for increasing proportion out of the market as a whole. Thus, the markets in a) Japan, c) Americas and d) 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 a) 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 low, while the Company is heavily involved with custom products to create added value relatively high. Meanwhile, the Company is to further propel aforementioned “optimization of the manufacture on a group basis” so that it should be able to further beef up capacity for custom products in Japan, making further progress for differentiating own operations.

In b) 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 mentioned earlier. As far as we could see, the Company’s technology to differentiate own operations drives this changeover.

In the market so fragmented, there are many market participants, while none of them holding market share overwhelming. The Company holds the market share roughly doubled of the second largest competitor in b) 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 b) China where the growth potential is high going forward.

The Company has been holding market shares far smaller across the board in c) Americas, d) Europe and e) Southeast Asia & India 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 c) Americas and d) Europe are unlikely to see steady growth going forward, but it is still true high upside potential for market shares remaining. For example, in d) Europe, the Company is seeing favorable sales increases through its successful measures to take advantage of local distributors backed by aforementioned “global sourcing” in bridgehead of Malaysia. Meanwhile, in order to enter the market in c) Americas on a full-fledge basis, the Company set up a new bridgehead near Chicago, Illinois, having started up its sales operations in April 2017, while looking to major positive impacts stemming from here in the foreseeable future.



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 of “Automobiles” came in at ¥18,370m (up 9.5%), ¥7,880 m (up 12.6%) for "Electronic Parts & Semiconductors", ¥4,780m (up 6.7%) for "Home Appliances & Precision Machinery" and ¥9,940m (up 18.3%) for "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 them 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 of “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 in medical-use plastic products represented by catheters and injectors refer to products 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 all those products, having seen sales increasing by no less than some 35% over the previous year for both. Meanwhile, the Company is looking to all those “high value-added strategic products” as the explosives to drive sales in c) Americas, etc.

Thus, the Company is heavily involved with the manufacture of diverse consumer products, automobiles, etc. in fact, while application of the Company’s parts of molds & dies is still in the process of diversification. On top of this, the Company is trying to get at diversification by region for sales, leading to consistent long-term growth in the foreseeable future.

FY03/2018 Company Forecasts and Results

Consolidated Fiscal 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	10-Nov-17	Q2 Results	40,600	2,560	2,440	1,580
		Amount of Gap	2,600	360	340	180
		Rate of Gap	6.8%	16.4%	16.2%	12.9%
FY03/2018CoE	9-Feb-18	Q3 Results	40,900	2,720	2,620	1,710
		Amount of Gap	300	160	180	130
		Rate of Gap	0.7%	6.3%	7.4%	8.2%
FY03/2018Act	11-May-18	Q4 Results	41,025	2,843	2,731	1,788
		Amount of Gap	125	123	111	78
		Rate of Gap	0.3%	4.5%	4.2%	4.6%
FY03/2018CoE	11-May-17	Q4 Results	38,000	2,200	2,100	1,400
FY03/2018Act	11-May-18	Q4 Results	41,025	2,843	2,731	1,788
		Amount of Gap	3,025	643	631	388
		Rate of Gap	8.0%	29.2%	30.0%	27.7%
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 FY03/2018Act	10-Nov-17	Q2 Results	19,800	1,404	1,398	921
		Amount of Gap	270	94	98	91
		Rate of Gap	1.4%	7.2%	7.5%	11.0%
Q1 to Q2 FY03/2018CoE	11-May-17	Q4 Results	19,120	1,130	1,120	735
Q1 to Q2 FY03/2018Act	10-Nov-17	Q2 Results	19,800	1,404	1,398	921
		Amount of Gap	680	274	278	186
		Rate of Gap	3.6%	24.2%	24.8%	25.3%
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	10-Nov-17	Q2 Results	20,800	1,156	1,042	659
		Amount of Gap	2,330	266	242	89
		Rate of Gap	12.6%	29.9%	30.3%	15.6%
Q3 to Q4 FY03/2018CoE	9-Feb-18	Q3 Results	21,100	1,316	1,222	789
		Amount of Gap	300	160	180	130
		Rate of Gap	1.4%	13.8%	17.3%	19.7%
Q3 to Q4 FY03/2018Act	11-May-18	Q4 Results	21,225	1,439	1,333	867
		Amount of Gap	125	123	111	78
		Rate of Gap	0.6%	9.3%	9.1%	9.9%
Q3 to Q4 FY03/2018CoE	11-May-17	Q4 Results	18,880	1,070	980	665
Q3 to Q4 FY03/2018Act	11-May-18	Q4 Results	21,225	1,439	1,333	867
		Amount of Gap	2,345	369	353	202
		Rate of Gap	12.4%	34.5%	36.0%	30.4%

Source: Company Data, WRJ Calculation

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	Net Chg.	
Sales	8,658	17,846	26,926	36,648	9,733	19,800	30,354	41,025	+4,376	
CoGS	6,330	12,923	19,477	26,457	6,960	14,155	21,699	29,367	+2,910	
Gross Profit	2,327	4,922	7,449	10,191	2,773	5,644	8,654	11,658	+1,466	
SG&A Expnses	1,996	4,081	6,044	8,201	2,072	4,239	6,429	8,814	+613	
Operating Profit	331	841	1,405	1,990	701	1,404	2,225	2,843	+852	
Non Operating Balance	0	(49)	(64)	(116)	10	(5)	(42)	(111)	+4	
Recurring Profit	330	791	1,340	1,874	711	1,398	2,182	2,731	+857	
Extraordinary Balance	(4)	(5)	(14)	(44)	(60)	(65)	(67)	(215)	(171)	
Profit before Income Taxes	325	786	1,325	1,830	650	1,333	2,115	2,516	+686	
Total Income Taxes	119	238	418	459	226	411	747	725	+265	
NP Belonging to Non-Controlling SHs	(1)	(1)	(2)	(5)	1	1	1	1	+7	
Profit Attributable to Owners of Parent	207	549	909	1,375	422	921	1,366	1,788	+413	
Sales YoY	+0.8%	(1.0%)	(1.9%)	(0.3%)	+12.4%	+10.9%	+12.7%	+11.9%	-	
Operating Profit YoY	(30.7%)	(12.5%)	(9.4%)	+0.2%	+111.7%	+67.0%	+58.3%	+42.8%	-	
Recurring Profit YoY	(24.7%)	(15.0%)	+2.8%	+12.5%	+115.4%	+76.6%	+62.8%	+45.7%	-	
Profit Attributable to Owners of Parent YoY	(38.1%)	(24.1%)	(0.6%)	+10.1%	+103.5%	+67.6%	+50.3%	+30.0%	-	
Gross Profit Margin	26.9%	27.6%	27.7%	27.8%	28.5%	28.5%	28.5%	28.4%	+0.6%	
(SG&A / Sales)	23.1%	22.9%	22.4%	22.4%	21.3%	21.4%	21.2%	21.5%	(0.9%)	
Operating Profit Margin	3.8%	4.7%	5.2%	5.4%	7.2%	7.1%	7.3%	6.9%	+1.5%	
Recurring Profit Margin	3.8%	4.4%	5.0%	5.1%	7.3%	7.1%	7.2%	6.7%	+1.5%	
Profit Attributable to Owners of Parent Margin	2.4%	3.1%	3.4%	3.8%	4.3%	4.7%	4.5%	4.4%	+0.6%	
Total Income Taxes / Profit before Income Taxes	36.6%	30.3%	31.6%	25.1%	34.8%	30.8%	35.3%	28.8%	+3.7%	
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	Net Chg.	
Sales	8,658	9,188	9,080	9,722	9,733	10,066	10,554	10,670	+948	
CoGS	6,330	6,593	6,553	6,979	6,960	7,195	7,543	7,667	+687	
Gross Profit	2,327	2,594	2,526	2,742	2,773	2,871	3,010	3,003	+261	
SG&A Expnses	1,996	2,085	1,962	2,156	2,072	2,167	2,189	2,385	+228	
Operating Profit	331	509	564	585	701	703	820	618	+32	
Non Operating Balance	0	(48)	(15)	(51)	10	(16)	(36)	(69)	(17)	
Recurring Profit	330	461	548	533	711	687	784	548	+15	
Extraordinary Balance	(4)	0	(9)	(29)	(60)	(4)	(2)	(147)	(118)	
Profit before Income Taxes	325	461	539	504	650	683	781	401	(103)	
Total Income Taxes	119	119	180	41	226	184	335	(21)	(62)	
NP Belonging to Non-Controlling SHs	(1)	-	-	(3)	1	-	-	-	+3	
Profit Attributable to Owners of Parent	207	341	359	466	422	498	445	422	(44)	
Sales YoY	+0.8%	(2.6%)	(3.7%)	+4.6%	+12.4%	+9.6%	+16.2%	+9.8%	-	
Operating Profit YoY	(30.7%)	+5.6%	(4.3%)	+34.2%	+111.7%	+38.0%	+45.4%	+5.6%	-	
Recurring Profit YoY	(24.7%)	(6.4%)	+47.2%	+47.3%	+115.4%	+48.9%	+42.9%	+2.9%	-	
Profit Attributable to Owners of Parent YoY	(38.1%)	(12.0%)	+88.2%	+39.6%	+103.5%	+45.8%	+23.8%	(9.5%)	-	
Gross Profit Margin	26.9%	28.2%	27.8%	28.2%	28.5%	28.5%	28.5%	28.1%	(0.1%)	
(SG&A / Sales)	23.1%	22.7%	21.6%	22.2%	21.3%	21.5%	20.7%	22.4%	+0.2%	
Operating Profit Margin	3.8%	5.5%	6.2%	6.0%	7.2%	7.0%	7.8%	5.8%	(0.2%)	
Recurring Profit Margin	3.8%	5.0%	6.0%	5.5%	7.3%	6.8%	7.4%	5.1%	(0.3%)	
Profit Attributable to Owners of Parent Margin	2.4%	3.7%	4.0%	4.8%	4.3%	5.0%	4.2%	4.0%	(0.8%)	
Total Income Taxes / Profit before Income Taxes	36.6%	25.9%	33.4%	8.1%	34.8%	27.1%	42.9%	(5.3%)	(13.5%)	

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)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	
a) Japan	3,840	7,650	11,560	15,903	4,230	8,420	12,760	17,153	+1,250
b) China	4,040	8,570	12,890	17,428	4,620	9,560	14,780	20,102	+2,674
Other: c) Americas, d) Europe and e) SEA & India	770	1,610	2,450	3,317	870	1,790	2,770	3,769	+451
Sales	8,658	17,846	26,926	36,648	9,733	19,800	30,354	41,025	+4,376
a) Japan	(0.5%)	+0.1%	(0.1%)	+1.7%	+10.1%	+10.0%	+10.3%	+7.9%	-
b) China	+1.0%	(2.5%)	(3.9%)	(2.1%)	+14.4%	+11.6%	+14.7%	+15.3%	-
Other: c) Americas, d) Europe and e) SEA & India	+5.5%	+1.3%	(0.4%)	+0.2%	+13.7%	+11.9%	+13.4%	+13.6%	-
Sales (YoY)	+0.8%	(1.0%)	(1.9%)	(0.3%)	+12.4%	+10.9%	+12.7%	+11.9%	-
a) Japan	44.4%	42.9%	42.9%	43.4%	43.5%	42.5%	42.0%	41.8%	-
b) China	46.7%	48.0%	47.9%	47.6%	47.5%	48.3%	48.7%	49.0%	-
Other: c) Americas, d) Europe and e) SEA & India	8.9%	9.0%	9.1%	9.1%	8.9%	9.0%	9.1%	9.2%	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
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)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	
a) Japan	3,840	3,810	3,910	4,330	4,230	4,190	4,340	4,380	+50
b) China	4,040	4,530	4,320	4,520	4,620	4,940	5,220	5,300	+780
Other: c) Americas, d) Europe and e) SEA & India	770	840	840	850	870	920	980	970	+120
Sales	8,658	9,188	9,080	9,722	9,733	10,066	10,554	10,670	+948
a) Japan	(0.5%)	+0.8%	(0.5%)	+6.9%	+10.1%	+10.0%	+11.0%	+1.2%	-
b) China	+1.0%	(5.6%)	(6.3%)	+3.0%	+14.4%	+9.1%	+20.8%	+17.3%	-
Other: c) Americas, d) Europe and e) SEA & India	+5.5%	(2.3%)	(3.4%)	+1.2%	+13.7%	+9.5%	+16.7%	+14.1%	-
Sales (YoY)	+0.8%	(2.6%)	(3.7%)	+4.6%	+12.4%	+9.6%	+16.2%	+9.8%	-
a) Japan	44.4%	41.5%	43.1%	44.5%	43.5%	41.6%	41.1%	41.0%	-
b) China	46.7%	49.3%	47.6%	46.5%	47.5%	49.1%	49.5%	49.7%	-
Other: c) Americas, d) Europe and e) SEA & India	8.9%	9.1%	9.3%	8.7%	8.9%	9.1%	9.3%	9.1%	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Sales by Application (Cumulative, Quarterly)

Sales by Application	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.
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	
"Automobiles"	3,920	8,110	12,330	16,780	4,550	9,040	13,740	18,370		+1,590
"Electronic Parts & Semiconductors"	1,660	3,490	5,170	7,000	1,840	3,840	5,900	7,880		+880
"Home Appliances & Precision Machinery"	1,140	2,230	3,330	4,480	1,150	2,360	3,550	4,780		+300
"Other"	1,930	4,010	6,100	8,400	2,190	4,550	7,130	9,940		+1,540
Sales	8,658	17,846	26,926	36,648	9,733	19,800	30,354	41,025		+4,376
"Automobiles"	(1.8%)	(3.3%)	(2.7%)	(1.6%)	+16.1%	+11.5%	+11.4%	+9.5%		-
"Electronic Parts & Semiconductors"	+3.8%	+8.0%	+6.2%	+6.9%	+10.8%	+10.0%	+14.1%	+12.6%		-
"Home Appliances & Precision Machinery"	(1.7%)	(5.9%)	(7.8%)	(6.7%)	+0.9%	+5.8%	+6.6%	+6.7%		-
"Other"	+4.9%	(0.7%)	(2.9%)	+1.2%	+13.5%	+13.5%	+16.9%	+18.3%		-
Sales (YoY)	+0.8%	(1.0%)	(1.9%)	(0.3%)	+12.4%	+10.9%	+12.7%	+11.9%		-
"Automobiles"	45.3%	45.4%	45.8%	45.8%	46.7%	45.7%	45.3%	44.8%		-
"Electronic Parts & Semiconductors"	19.2%	19.6%	19.2%	19.1%	18.9%	19.4%	19.4%	19.2%		-
"Home Appliances & Precision Machinery"	13.2%	12.5%	12.4%	12.2%	11.8%	11.9%	11.7%	11.7%		-
"Other"	22.3%	22.5%	22.7%	22.9%	22.5%	23.0%	23.5%	24.2%		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Sales by Application	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.
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	
"Automobiles"	3,920	4,190	4,220	4,450	4,550	4,490	4,700	4,630		+180
"Electronic Parts & Semiconductors"	1,660	1,830	1,680	1,830	1,840	2,000	2,060	1,980		+150
"Home Appliances & Precision Machinery"	1,140	1,090	1,100	1,150	1,150	1,210	1,190	1,230		+80
"Other"	1,930	2,080	2,090	2,300	2,190	2,360	2,580	2,810		+510
Sales	8,658	9,188	9,080	9,722	9,733	10,066	10,554	10,670		+948
"Automobiles"	(1.8%)	(4.8%)	(1.4%)	+1.4%	+16.1%	+7.2%	+11.4%	+4.0%		-
"Electronic Parts & Semiconductors"	+3.8%	+12.3%	+2.4%	+8.9%	+10.8%	+9.3%	+22.6%	+8.2%		-
"Home Appliances & Precision Machinery"	(1.7%)	(9.9%)	(11.3%)	(3.4%)	+0.9%	+11.0%	+8.2%	+7.0%		-
"Other"	+4.9%	(5.5%)	(6.7%)	+13.9%	+13.5%	+13.5%	+23.4%	+22.2%		-
Sales (YoY)	+0.8%	(2.6%)	(3.7%)	+4.6%	+12.4%	+9.6%	+16.2%	+9.8%		-
"Automobiles"	45.3%	45.6%	46.5%	45.8%	46.7%	44.6%	44.5%	43.4%		-
"Electronic Parts & Semiconductors"	19.2%	19.9%	18.5%	18.8%	18.9%	19.9%	19.5%	18.6%		-
"Home Appliances & Precision Machinery"	13.2%	11.9%	12.1%	11.8%	11.8%	12.0%	11.3%	11.5%		-
"Other"	22.3%	22.6%	23.0%	23.7%	22.5%	23.4%	24.4%	26.3%		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	
Cash and Deposit	3,003	3,797	2,910	3,280	2,934	3,408	3,594	3,770		+490
Accounts Receivables	10,672	10,025	10,250	11,468	11,350	11,442	11,423	12,095		+627
Inventory	3,640	3,469	3,526	3,787	3,835	4,020	4,248	4,425		+638
Other	410	585	844	613	531	936	866	837		+223
Current Assets	17,727	17,878	17,532	19,150	18,652	19,808	20,134	21,129		+1,979
Tangible Assets	8,073	8,165	8,210	8,669	8,543	8,966	9,444	9,939		+1,270
Intangible Assets	1,380	1,240	1,171	1,242	1,202	1,173	1,150	1,157		(85)
Investments and Other Assets	402	311	342	389	392	357	333	334		(55)
Fixed Assets	9,856	9,717	9,723	10,301	10,138	10,496	10,929	11,431		+1,129
Total Assets	27,584	27,596	27,256	29,451	28,790	30,304	31,063	32,560		+3,108
Accounts Payables, etc.	4,305	4,874	4,667	4,287	4,531	4,924	4,726	4,597		+309
Short Term Debt	3,913	3,519	4,004	4,346	4,236	4,298	4,368	3,730		(615)
Other	3,056	2,722	2,375	3,090	2,538	2,973	3,145	4,322		+1,231
Current Liabilities	11,275	11,116	11,047	11,724	11,305	12,197	12,239	12,649		+924
Long Term Debt	1,643	2,805	2,616	2,460	2,273	2,015	1,916	2,151		(309)
Other	1,145	1,088	1,071	1,089	1,099	1,298	1,436	1,584		+494
Fixed Liabilities	2,788	3,894	3,688	3,550	3,372	3,313	3,353	3,736		+185
Total Liabilities	14,064	15,010	14,736	15,275	14,678	15,510	15,593	16,385		+1,110
Shareholders' Equity	12,655	12,951	13,131	13,598	13,878	14,376	14,674	15,096		+1,498
Other	864	(365)	(611)	578	233	417	795	1,077		+499
Net Assets	13,519	12,585	12,520	14,176	14,112	14,794	15,470	16,174		+1,998
Total Liabilities and Net Assets	27,584	27,596	27,256	29,451	28,790	30,304	31,063	32,560		+3,108
Equity Capital	13,509	12,575	12,509	14,167	14,099	14,777	15,448	16,148		+1,981
Interest Bearing Debt	5,557	6,325	6,620	6,807	6,509	6,314	6,285	5,882		(925)
Net Debt	2,553	2,527	3,710	3,526	3,574	2,905	2,690	2,111		(1,415)
Equity Ratio	49.0%	45.6%	45.9%	48.1%	49.0%	48.8%	49.7%	49.6%		+1.5%
Net Debt Equity Ratio	18.9%	20.1%	29.7%	24.9%	25.4%	19.7%	17.4%	13.1%		(11.8%)
ROE (12 months)	8.1%	7.9%	9.3%	9.8%	11.5%	12.8%	13.1%	11.8%		+2.0%
ROA (12 months)	5.6%	5.4%	6.3%	6.6%	8.0%	8.6%	9.3%	8.8%		+2.2%
Days for Inventory Turnover	52	48	49	50	50	51	51	53		-
Quick Ratio	121%	124%	119%	126%	126%	122%	123%	125%		-
Current Ratio	157%	161%	159%	163%	165%	162%	164%	167%		-

Source: Company Data, WRJ Calculation

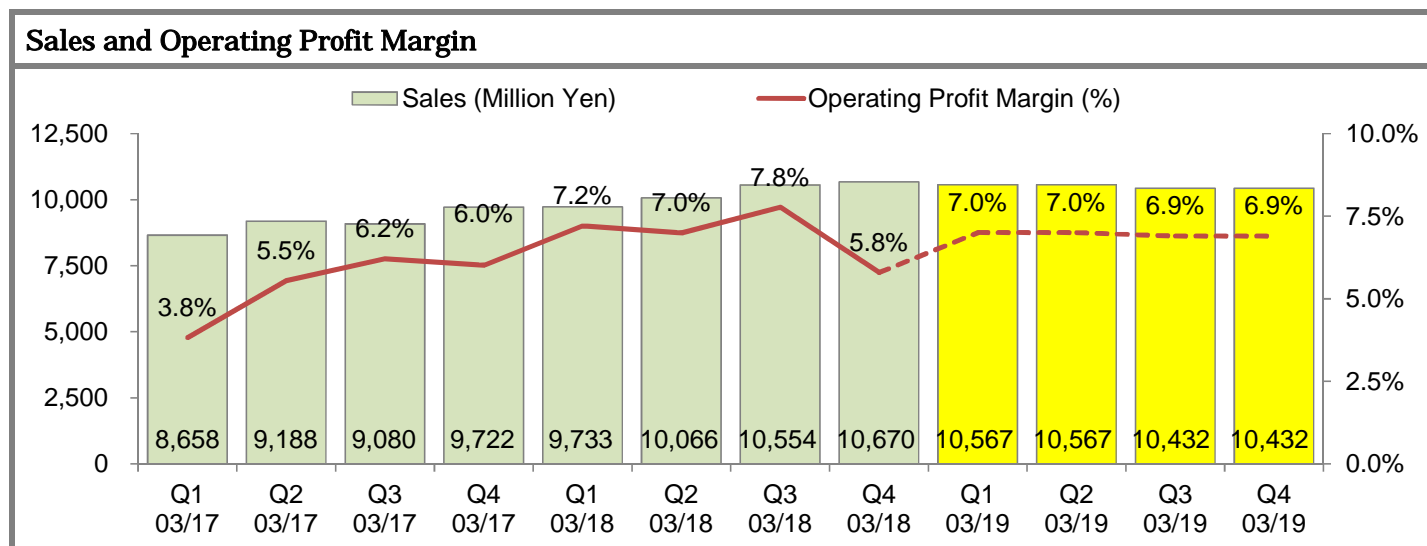
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018		
Operating Cash Flow	-	858	-	1,785	-	1,882	-	3,393		+1,608
Investing Cash Flow	-	(995)	-	(2,770)	-	(1,043)	-	(2,335)		+434
Operating CF and Investing CF	-	(137)	-	(985)	-	838	-	1,058		+2,043
Financing Cash Flow	-	1,125	-	1,199	-	(657)	-	(738)		(1,938)

Source: Company Data, WRJ Calculation

FY03/2019 Company Forecasts

FY03/2019 Company forecasts are 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 are going 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, while payout ratio edging up.



Source: Company Data, WRJ Calculation (quarters of FY03/2019: half-year Company forecasts pro rata)

By region, Company forecasts assume sales of ¥17,300m (up 1.0%) in a) Japan, sales of ¥20,700m (up 3.0%) in b) China and sales of ¥3,900m (up 5.5%) in other regions comprising c) Americas, d) Europe and e) Southeast Asia & India. In regards to a) Japan, Company forecasts assume one-off increases of sales stemming from 2016 Kumamoto earthquakes not to appear two years in a row. Said earthquakes having occurred on 14 April 2016 negatively affected to sales in FY03/2017, while having given positive impacts to sales in FY03/2018 over FY03/2017. Then, impacts stemming from here are not to reappear in FY03/2019. Meanwhile, in regards to c) China, Company forecasts assume probability for economic growth to slow down as well as for trade frictions with the United States to generate negative impacts in H2.

Nevertheless, in the Company's results meeting held on 25 May 2018, Masaaki Takeda, president and representative director (CEO), mentioned that FY03/2019 Company forecasts were of the minimal target to be achieved with very high probability, while having also mentioned that the Company was to release revisions as soon as possible, when recent trading in reality started to suggested overshoots.

Meanwhile, the Company suffered from major adjustments 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. Thus, if it were not for this, Company forecasts and assumptions of midterm management plan "Value Creation 2020" should have exceeded even more than mentioned earlier in regards to earnings.

Long-Term Prospects

On 11 March 2016, the Company released its midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). As prospective earnings 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 toward FY03/2021. On top of this, the plan is calling for prospective ROE of 11.0% to be achieved in FY03/2021. Meanwhile, the results so far have been “more” than assumed in fact as mentioned earlier.

“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. While it appears that . establishment of five-pole sales structure is primarily emphasized, suggesting that the Company is trying to get at “Punch of the World” versus “Punch of Asia” now.

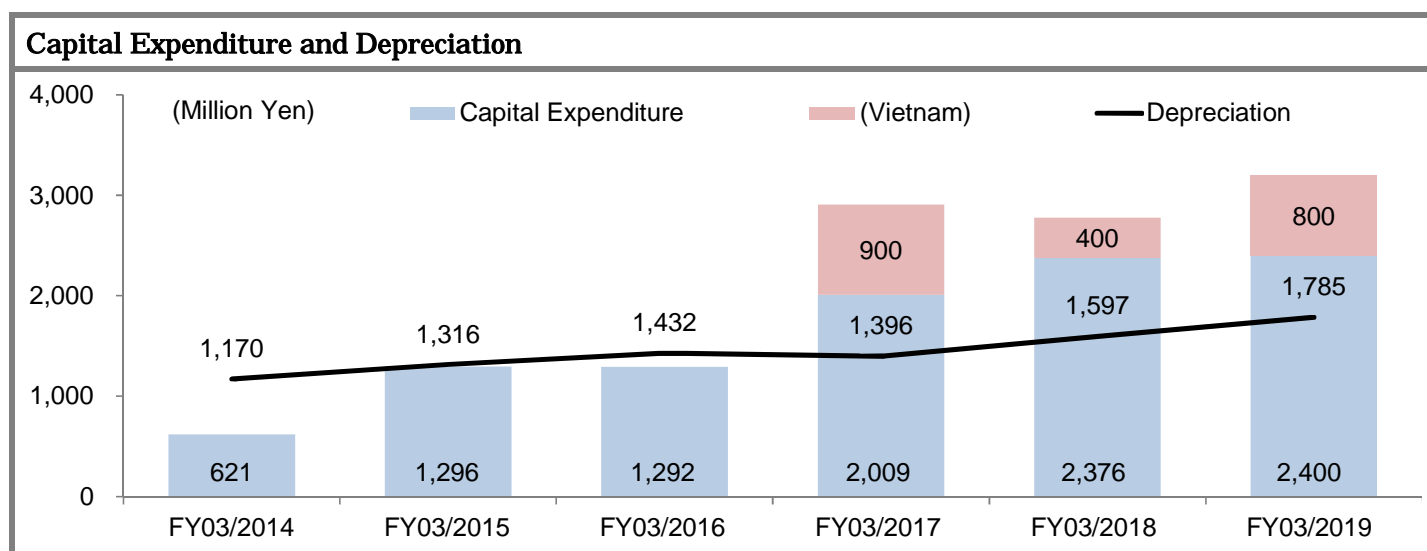
To date, the Company has been running own operations basically in a) Japan and b) China, while having started up doing so in c) Americas, d) Europe and e) Southeast Asia & India, which are the five poles of . establishment of five-pole sales structure. Startup of own operations of India in 2010 was followed by that of Southeast Asia on a full-fledged basis in around 2012, as far as we could gather. Meanwhile, sales in d) Europe are currently as large as those of Southeast Asia, given successful sales promotions taking advantage of local distributors in Germany and the Company set up a new bridgehead near Chicago, Illinois, having started up its sales operations in April 2017 to enter the market of c) Americas. With respect to sales promotions in c) Americas, d) Europe and e) Southeast Asia & India, aforementioned “global sourcing” is a great help.

Punch Malaysia, running division of “global sourcing”, succeeds operations of Panther Precision Tools having been consolidated in August 2013, including its sales channels through local distributors in Germany mentioned above, well driving sales in d) Europe.

In c) Americas, mainly the United States., the Company finds market for molds & dies almost as large as b) China and d) Europe, roughly equating to ¥1.3 trillion to ¥1.4 trillion. When compared with b) China, the market here is matured and new entrance is not easy. Still, the Company is trying to enhance own position in c) 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 toward 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 another 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 low, while enabling capacity of Japan increasingly exposed to the manufacture of custom products carrying added value relatively high.

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., uniformly and in large quantities. Given all those final products so diverse, so are components as well as molds and dies, which is also true of parts of molds & dies at the end of the day.

Parts of Molds & Dies

Ejector Pin (for molds)



Sprue Bush (for molds)



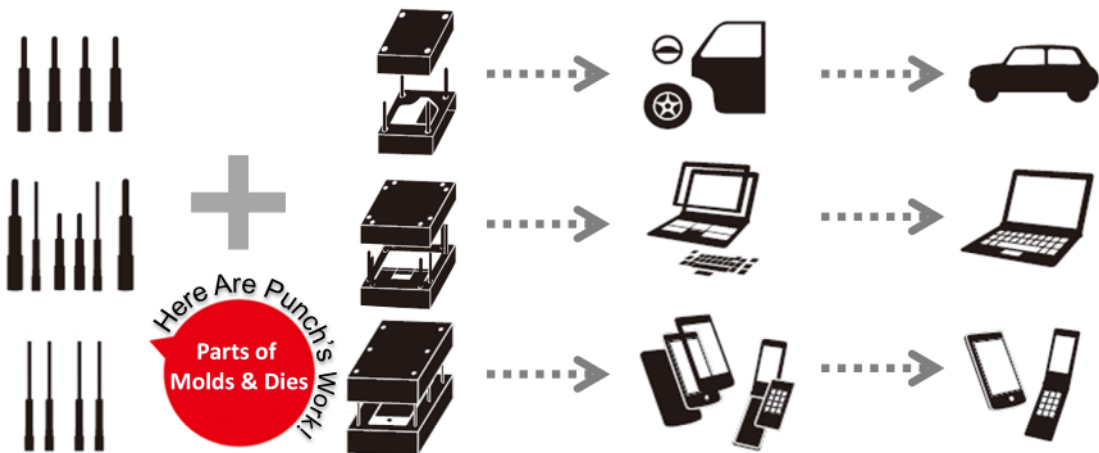
Punch (for dies)



Die-Set Guide (for dies)



“Molds and Dies” “Components” “Products”



Punch's Products:



Molds and Dies

A "mold" made of metal to make components quickly, uniformly and in large quantities

Components

Components to comprise products

Products

Diverse consumer products such as automobiles, home appliances, etc.

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 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 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 nozzles 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 in some respects. In regards to the latter, the Company suggests that further efficiency will be further pursued with aforementioned capacity in China and Vietnam 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 currently 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.
Sales	29,436	34,392	36,755	36,648	41,025	42,000	+974
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	6,498	7,637	8,191	8,201	8,814	-	-
Operating Profit	1,161	1,724	1,986	1,990	2,843	2,920	+76
Non Operating Balance	(114)	(107)	(320)	(116)	(111)	(120)	(8)
Recurring Profit	1,047	1,617	1,666	1,874	2,731	2,800	+68
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	-	-
Profit Attributable to Owners of Parent	720	1,188	1,249	1,375	1,788	2,070	+281
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.
a) Japan	14,386	15,211	15,637	15,903	17,153	17,300	+146
b) China	12,988	16,208	17,806	17,428	20,102	20,700	+597
Other: c) Americas, d) Europe and e) SEA & India	2,061	2,973	3,311	3,317	3,769	3,900	+130
Sales	29,436	34,392	36,755	36,648	41,025	42,000	+974
a) Japan	+5.2%	+5.7%	+2.8%	+1.7%	+7.9%	+1.0%	-
b) China	+29.9%	+24.8%	+9.9%	(2.1%)	+15.3%	+3.0%	-
Other: c) Americas, d) Europe and e) SEA & India	+51.3%	+44.2%	+11.4%	+0.2%	+13.6%	+5.5%	-
Sales (YoY)	+17.6%	+16.8%	+6.9%	(0.3%)	+11.9%	+2.4%	-
a) Japan	48.9%	44.2%	42.5%	43.4%	41.8%	41.2%	(0.6%)
b) China	44.1%	47.1%	48.4%	47.6%	49.0%	49.3%	+0.3%
Other: c) Americas, d) Europe and e) SEA & India	7.0%	8.6%	9.0%	9.0%	9.2%	9.3%	+0.1%
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	+0.0%

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	-	-
Sales	29,436	34,392	36,755	36,648	41,025	42,000	+974
"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%	-	-
Sales (YoY)	+17.6%	+16.8%	+6.9%	(0.3%)	+11.9%	+2.4%	-
"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%	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	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	-	-
Current Assets	14,668	19,369	17,875	19,150	21,129	-	-
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	-	-
Fixed Assets	9,803	10,253	9,462	10,301	11,431	-	-
Total Assets	24,471	29,623	27,337	29,451	32,560	-	-
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	-	-
Current Liabilities	11,372	12,312	10,451	11,724	12,649	-	-
Long Term Debt	2,440	2,306	1,794	2,460	2,151	-	-
Other	1,295	799	1,092	1,089	1,584	-	-
Fixed Liabilities	3,736	3,105	2,886	3,550	3,736	-	-
Total Liabilities	15,108	15,418	13,338	15,275	16,385	-	-
Shareholders' Equity	7,968	11,679	12,586	13,598	15,096	-	-
Other	1,394	2,525	1,413	578	1,077	-	-
Net Assets	9,362	14,205	13,999	14,176	16,174	-	-
Total Liabilities and Net Assets	24,471	29,623	27,337	29,451	32,560	-	-
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%	12.5%	-
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)	-	-
Operating CF and Investing CF	(57)	624	2,028	(985)	1,058	-	-
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 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 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 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 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 sales office in the United States

7.0 Our Reports on the Company in the Past

Fiscal Year	Results Update	Company Report
Q4 FY03/2018	Midterm Plan Exceeded	-
Q3 FY03/2018	New Business Domains Taking off	Still Great Room for Development
Q2 FY03/2018	Exceeding in China	Critical Point
Q1 FY03/2018	Punchy PUNCH	Strategic Products with High Added Value
Q4 FY03/2017	In Line with Midterm Management Plan	Increasing Sales and Vietnam
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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