

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)
FY03/2020		35,348	835	712	(3,485)	(160.01)	2.00	536.64
FY03/2021		32,462	1,613	1,676	477	21.90	2.00	568.26
FY03/2022CoE		36,500	2,200	2,150	1,450	66.46	8.00	-
FY03/2021	YoY	(8.2%)	93.0%	135.1%	-	-	-	-
FY03/2022CoE	YoY	12.4%	36.4%	28.2%	203.5%	-	-	-
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 FY03/2021		15,412	313	372	(544)	-	-	-
Q3 to Q4 FY03/2021		17,049	1,300	1,303	1,021	-	-	-
Q1 to Q2 FY03/2022CoE		18,800	1,200	1,180	770	-	-	-
Q3 to Q4 FY03/2022CoE		17,700	1,000	970	680	-	-	-
Q1 to Q2 FY03/2022CoE	YoY	22.0%	283.2%	216.6%	-	-	-	-
Q3 to Q4 FY03/2022CoE	YoY	3.8%	(23.1%)	(25.6%)	(33.5%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (5 July 2021)

Entering Growth Phase

PUNCH INDUSTRY, manufacturing and selling parts of molds & dies in Japan and overseas, appears to be entering growth phase. Demand is now recovering as the impacts stemming from COVID-19 are beginning to wane, while depreciation is being reduced due to impairment during the past three years. In terms of FY03/2021 results, sales in China (52.0% of the total) began to increase over the same period of the previous in Q2 and increased by no less than 10.9% in Q4. Meanwhile, sales in Japan (38.0% of the total) are said to have bottomed out in Q2, which was followed by a trend of recovery for Q3 and Q4. FY03/2022 Company forecasts (announced on 13 May 2021), taking into account above-mentioned trends, are going for full-year growth rate in sales of 12.4%, although assuming some risks for H2. It appears that sales growth rate in China is assumed to further accelerate and that sales in Japan are assumed to steadily increase. At the same time, the Company has been rebuilding its sales and manufacturing strategies in order to set up a robust management structure that will not lose out to changes in external environment. Rather than benefiting from balanced contraction by short-term cuts in fixed costs, the Company is now trying to get at long-term improvement in its corporate value by creating a mechanism to be able to persistently generate earnings in which all the personnel work in a unified manner under the direction of management led by representative director Tetsuji Morikubo.

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

2.0 Company Profile

Manufacturing and Selling Parts of Molds & Dies in Japan and Overseas

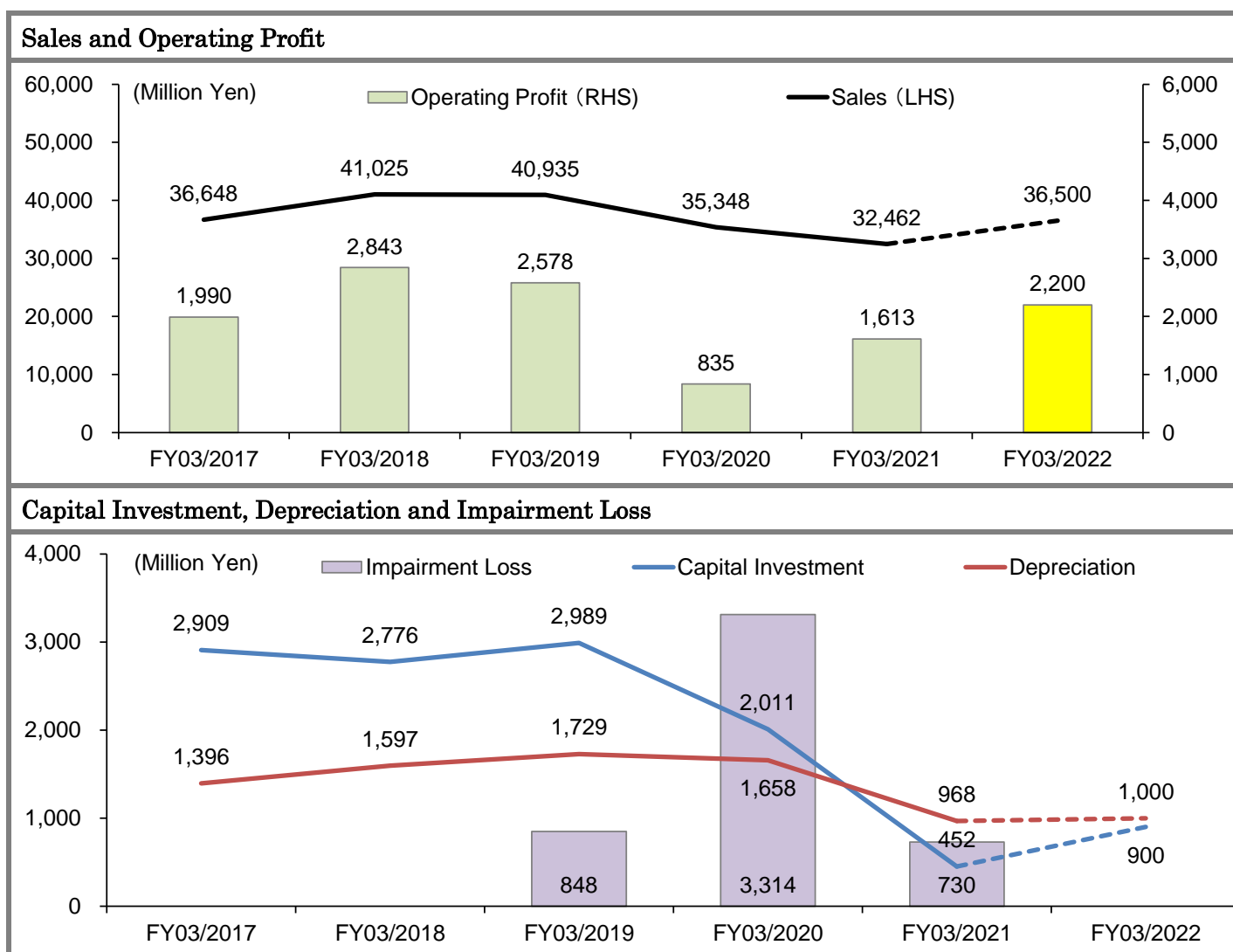
Company Name	PUNCH INDUSTRY CO., LTD. Company Website IR Information Share price (Japanese)	
Established	29 March 1975	
Listing	14 March 2014: Tokyo Stock Exchange 1st section (ticker: 6165) 20 December 2012: Tokyo Stock Exchange 2nd section	
Capital	¥2,897m (as of the end of March 2021)	
No. of Shares	22,122,400 shares, including 303,406 treasury shares (as of the end of March 2021)	
Main Features	<ul style="list-style-type: none"> ● By far the largest 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 strategical products” 	
Segment	I . Parts of Molds & Dies Business	
Representative	Representative Director, President and CEO: Tetsuji Morikubo	
Shareholders	MT Kosan 17.44%、 Caceis Bank Germany Customer Acc. 11.06% (as of the end of March 2021, but for treasury shares)	
Head Office	Shinagawa-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 4,006, Parent: 954 (as of the end of March 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2021

In FY03/2021, sales came in at ¥32,462m (down 8.2% YoY), operating profit ¥1,613m (up 93.0%), recurring profit ¥1,676m (up 135.1%) and profit attributable to owners of parent ¥477m (versus minus ¥3,485m in the previous year), while operating profit margin 5.0% (up 2.6% points). At the same time, gross profit came in at ¥9,086m (down 1.1%) and SG&A expenses ¥7,473m (down 10.5%), implying gross profit margin of 28.0% (up 2.0% points) and sales to SG&A expenses ratio of 23.0% (down 0.6% points).

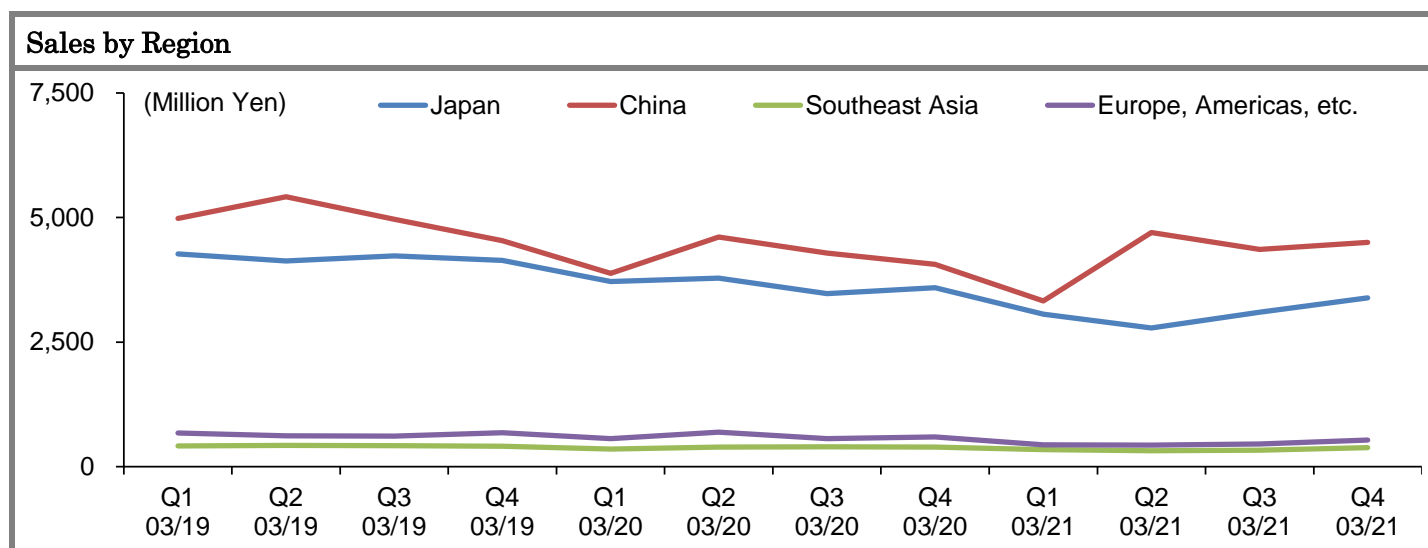


Source: Company Data, WRJ Calculation

The Company suffered from decreased sales but significantly improved earnings, which is mainly attributable to decreased depreciation in line with impairment. For Vietnam plant to have begun its operations on a full-fledged basis in October 2016, the Company booked impairment loss of ¥848m for FY03/2019 due to delayed improvement in productivity in terms of comparison with original expectations. This was followed by collective impairment loss of ¥3,314m for FY03/2020. On top of further impairment associated with Vietnam plant as a result of enhanced impacts stemming from trade conflicts between the United States and China, the Company implemented impairment also on goodwill, etc. of Southeast Asian operations as well as on Kitakami plant and Miyako plant in Japan.

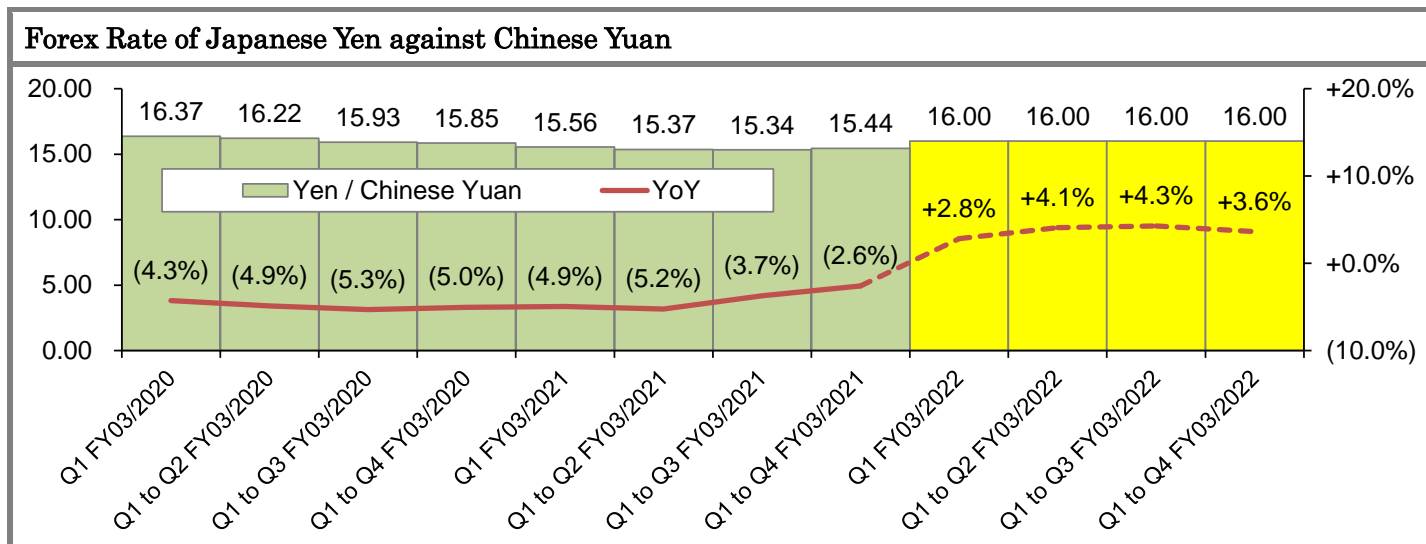
Meanwhile, the Company further implemented impairment as of the end of Q2 FY03/2021 on fixed assets in Japan, given slowing demand for special order products as a result of the impacts stemming from COVID-19, having seen impairment loss of collective ¥217m on manufacturing facilities in Japan, mainly of Hyogo plant, the key production facilities in West Japan, as well as of ¥471m on facilities of R&D division, etc. at the same time. All in all, the Company saw impairment loss of ¥689m and ¥730m on a full-year basis.

With respect to changes in above-mentioned gross profit (cost of sales) and SG&A expenses, the Company suggests that there were major impacts stemming from a factor for depreciation to have cut back on to an extent corresponding to all those impairment, for gross profit (cost of sales) in particular. On top of this, the Company has started to benefit from the measures of Management Innovation Project to have been focused on for some time, which also cut back on cost of sales to a certain extent. Meanwhile, the Company suggests that its efforts to curb any spending on a group basis contributed to decrease in SG&A expenses, to which the key driver is said to have been a cut in personnel expenses. At the same time, the Company also spots that SG&A expenses declined also in line with decreased business trip expenses due to the impacts stemming from COVID-19.



Source: Company Data, WRJ Calculation

Sales in Japan came in at ¥12,338m (down 15.3%), sales in China ¥16,888m (up 0.3% and/or up 3.1% on a local currency basis), sales in Southeast Asia ¥1,376m (down 10.3%) and sales in Europe, Americas, etc. ¥1,858m (down 22.9%). Meanwhile, sales in Japan accounted for 38.0% of total and sales in China 52.0%, implying that sales as a whole for the Company hinge on sales in Japan and China, collectively accounting for 90.0% of total.

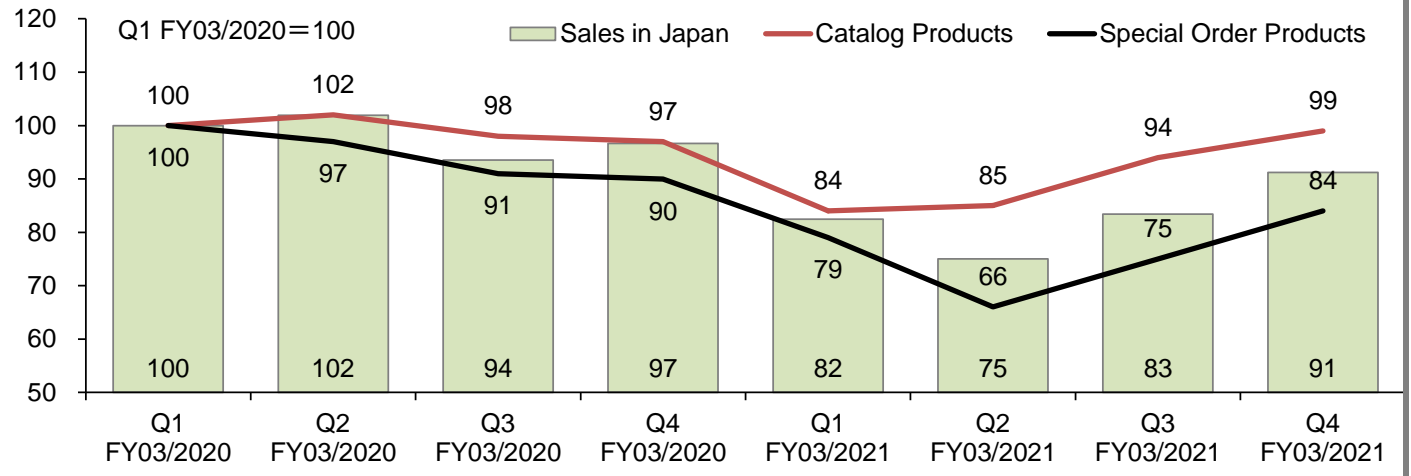


Source: Company Data, WRJ Calculation

Sales as a whole for the Company slowed down due mainly to the impacts stemming from COVID-19, according to the Company. Meanwhile, sales in China, where resuming of economic activity was quick off the mark, sales marginally increased, having more than compensated for yen's appreciation against Chinese Yuan by 2.6%. For Q1, sales declined by 14.3% over the same period of the previous year due to the enhanced impacts stemming from COVID-19, but sales for Q2 increased by 2.0%, sales for Q3 increased by 1.7% and sales for Q4 increased by 10.9%, having more than compensated for decrease for Q1 toward the end of the fiscal year.

In terms of trends in sales by application for China, Electronic Parts & Semiconductors saw strengths in particular, having driven sales in China, according to the Company. On top of this, the Company also suggests that Consumer Electronics & Precision Equipment was also contributing. By the way, given a factor that local subsidiaries see their fiscal yearend in December, sales in China are reflected in the Company's income statement with a three-month delay. The Company suggests that it saw strengths persisting for sales in China in the period of January to March 2021, which is to be reflected in its performance for Q1 FY03/2022. Meanwhile, FY03/2022 Company forecasts (announced on 13 May 2021) assume yen's depreciation against Chinese Yuan by 3.6%, which is to boost sales in China to a corresponding extent on top of increase on a local currency basis. All in all, it appears that Company forecasts assume that prospective sales as a whole for the Company will be driven by those of China most substantially.

Sales in Japan / Catalog Products and Special Order Products



Source: Company Data, WRJ Calculation

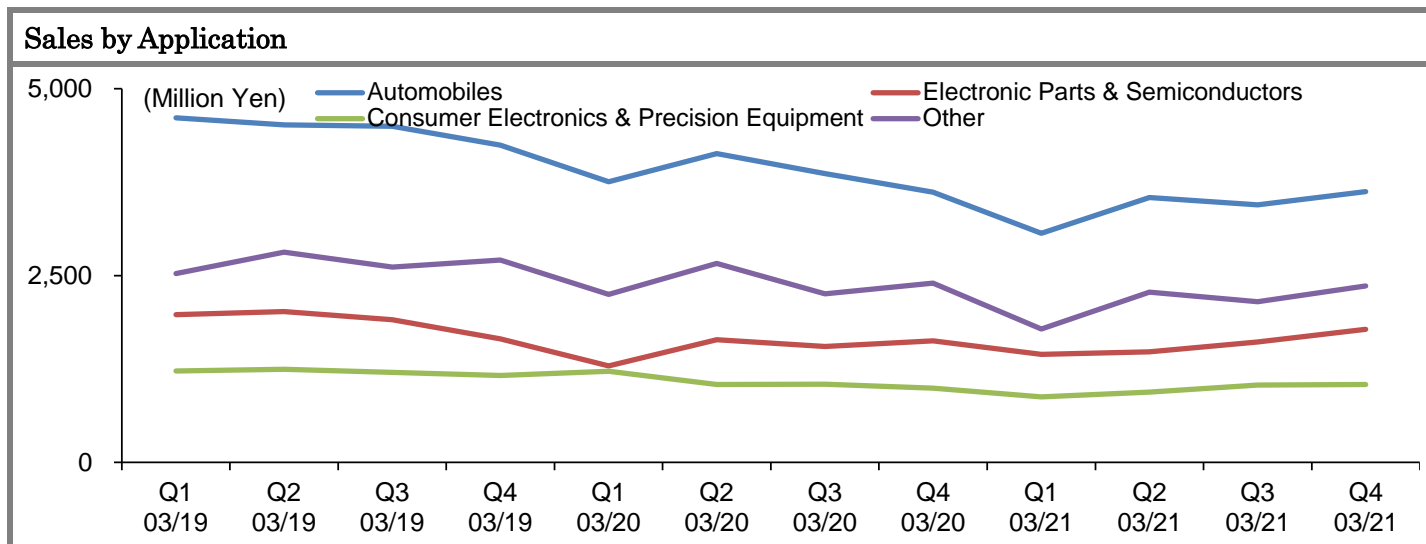
In Japan, sales on a full-year basis were forced to decline significantly, but the Company spots that sales have been seeing a trend of recovery since having had hit the bottom for Q2, although the momentum may not be good enough. In terms of trends in sales by application for Japan, Automobile saw weakness in particular, having become the key negative factor for sales to have declined on a full-year basis.

For Q2, sales of special order products (custom-made products designed and manufactured in response to specification of each mold & die of each customer) declined significantly. When the levels of sales in Q1 FY03/2020 are indexed as 100, sales in Japan in Q2 FY03/2021 came in at 75 in terms of the index and sales of catalog products (standardized products sold mainly via Internet) came in at 85 in terms of the index, while sales of special order products came down to as low as 66 in terms of the index. Meanwhile, as special order products carry gross profit margin far higher than that of catalog products, the Company suggests that the impacts were even larger for earnings. That is to say, gross profit as a whole for the Company was under pressure to a large extent and thus this led to the impairment implemented as of the end of Q2 as above-mentioned. More importantly, however, sales of special order products have consistently recovered for Q3 and Q4, having reached 84 in terms of the index for Q4. According to the Company, as demand for "monozukuri (manufacturing)" has recovered, the environments for order placement on special order products for the Company have nicely improved.

It is the case both in Japan and overseas that parts of molds & dies manufactured and sold by the Company are delivered to manufacturers of molds & dies literally as their parts, while they are in charge of providing manufacturers to manufacture all kind of final products belonging to Automobiles, Electronic Parts & Semiconductor, Consumer Electronics & Precision Equipment and Other by application. Thus, demand for parts of molds & dies manufactured and sold by the Company heavily hinges on production volume and/or development status for new products in all those final products. Now, given the fact that the Company is one of the largest in the market for parts of molds and dies, it appears that demand inevitably hinges on the trends in the market across the board to more than a certain extent. Still, as the Company is heavily involved with parts of molds & dies requiring high precision, demand basically hinges on the trends of market in the said domain in particular. For molds & dies, there are wide range of products from high end to low end, which is also true of parts for molds & dies at the same time, according to the Company.

In Japan where the impacts stemming from COVID-19 were extended for a long period of time, the Company suffered from decreased sales due to a market factor as above-mentioned as well as a structural factor in a sense at the same time, although the latter has turned out to be one off. That is to say, there used to be a phase where some manufacturers of molds & dies supplied by the Company suspended order placement on special order products for the Company, having had moved forward with in-house manufacturing. Even to date, no change has been made for the fact that it is the best way to place order with the Company holding proprietary expertise for the sake of pursuing the best cost efficiency as far as special order products which often require high precision are concerned in a view of manufactures of molds & dies supplied by the Company. However, some of them, having had suffered from consistently low capacity utilization rate in own facilities due to the extended impacts stemming from COVID-19, have once made a shift from order placement for the Company to manufacturing in own facilities with respect to special order products.

In an aspect, the shift from the former to the latter is nothing but that of the pursuit of inefficiency for manufacturers of molds & dies supplied by the Company, but the latter has an advantage to raise capacity utilization rate of own facilities, which appears to have had been more important. So, after a recovery of capacity utilization rate in own facilities in line with a recovery in the market trends, there was another shift back to placing order for the Company, which is efficient in the first place. Now, given a background like this, FY03/2022 Company forecasts appear to assume sales in Japan are to contribute to sales as a whole for the Company to more than a certain extent.



Source: Company Data, WRJ Calculation

By application, Automobiles saw sales of ¥13,682m (down 11.0%) for FY03/2021, Electronic Parts & Semiconductors sales of ¥6,315m (up 3.3%), Consumer Electronics & Precision Equipment sales of ¥3,888m (down 9.5%) and Other sales of ¥8,574m (down 10.4%). Consumer Electronics & Precision Equipment saw sales increased over the previous year as sales increased in the mainstay regions, i.e., Japan and China. In Japan, demand associated with notebook PCs picked up sharply, while demand in China was driven by that of 5G (fifth generation mobile communications system), according to the Company. Still, Automobiles, having accounted for 41.2% of total, i.e., the largest out of all the applications, saw sluggish sales, which was the key negative factor for sales as a whole for the Company. The Company suggests that production volume of automobiles was faltering both in Japan and China.

Meanwhile, the Company has maintained its financial stability even after impairment over the past three years in a row. As of the end of FY03/2021, total assets stood at ¥24,702m versus equity capital of ¥12,398m, implying equity ratio of 50.2%, while net funds stood at minus ¥905m, which improved by no less than ¥2,159m from the end of FY03/2020 due to the Company's successful strategy to cut back on working capital through aggressive recovery of accounts receivable and other means as well as curbing capital investment.

FY03/2021 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2021CoE	22-May-20	Q4 Results	33,100	1,200	1,100	620
FY03/2021CoE	7-Aug-20	Q1 Results	33,100	1,200	1,100	620
FY03/2021CoE	11-Nov-20	Q2 Results	31,400	860	850	(380)
		Amount of Gap	(1,700)	(340)	(250)	(1,000)
		Rate of Gap	(5.1%)	(28.3%)	(22.7%)	-
FY03/2021CoE	10-Feb-21	Q3 Results	32,000	1,380	1,430	170
		Amount of Gap	600	520	580	550
		Rate of Gap	1.9%	60.5%	68.2%	-
FY03/2021CoE	24-Mar-21	Revision	32,450	1,550	1,600	400
		Amount of Gap	450	170	170	230
		Rate of Gap	1.4%	12.3%	11.9%	135.3%
FY03/2021Act	13-May-21	Q4 Results	32,462	1,613	1,676	477
		Amount of Gap	12	63	76	77
		Rate of Gap	0.0%	4.1%	4.8%	19.3%
FY03/2021CoE	22-May-20	Q4 Results	33,100	1,200	1,100	620
FY03/2021Act	13-May-21	Q4 Results	32,462	1,613	1,676	477
		Amount of Gap	(638)	413	576	(143)
		Rate of Gap	(1.9%)	34.4%	52.4%	(23.1%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2021CoE	22-May-20	Q4 Results	15,830	330	300	50
Q1 to Q2 FY03/2021CoE	7-Aug-20	Q1 Results	15,830	330	300	50
Q1 to Q2 FY03/2021Act	11-Nov-20	Q2 Results	15,412	313	372	(544)
		Amount of Gap	(418)	(17)	72	(594)
		Rate of Gap	(2.6%)	(5.2%)	24.0%	-
Q1 to Q2 FY03/2021CoE	22-May-20	Q4 Results	15,830	330	300	50
Q1 to Q2 FY03/2021Act	11-Nov-20	Q2 Results	15,412	313	372	(544)
		Amount of Gap	(418)	(17)	72	(594)
		Rate of Gap	(2.6%)	(5.2%)	24.0%	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2021CoE	22-May-20	Q4 Results	17,270	870	800	570
Q3 to Q4 FY03/2021CoE	7-Aug-20	Q1 Results	17,270	870	800	570
Q3 to Q4 FY03/2021CoE	11-Nov-20	Q2 Results	15,988	547	478	164
		Amount of Gap	(1,282)	(323)	(322)	(406)
		Rate of Gap	(7.4%)	(37.1%)	(40.3%)	(71.2%)
Q3 to Q4 FY03/2021CoE	10-Feb-21	Q3 Results	16,588	1,067	1,058	714
		Amount of Gap	600	520	580	550
		Rate of Gap	3.8%	95.1%	121.3%	335.4%
Q3 to Q4 FY03/2021CoE	24-Mar-21	Revision	17,038	1,237	1,228	944
		Amount of Gap	450	170	170	230
		Rate of Gap	2.7%	15.9%	16.1%	32.2%
Q3 to Q4 FY03/2021Act	13-May-21	Q4 Results	17,050	1,300	1,304	1,021
		Amount of Gap	12	63	76	77
		Rate of Gap	0.1%	5.1%	6.2%	8.2%
Q3 to Q4 FY03/2021CoE	22-May-20	Q4 Results	17,270	870	800	570
Q3 to Q4 FY03/2021Act	13-May-21	Q4 Results	17,050	1,300	1,304	1,021
		Amount of Gap	(220)	430	504	451
		Rate of Gap	(1.3%)	49.4%	63.0%	79.1%

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	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
(Million Yen)	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	03/2021	Net Chg.
Sales	8,511	17,991	26,711	35,348	7,169	15,412	23,658	32,462	32,462	(2,886)
Cost of Sales	6,363	13,577	20,067	26,161	5,315	11,413	17,206	23,375	23,375	(2,785)
Gross Profit	2,148	4,413	6,644	9,187	1,853	3,999	6,452	9,086	9,086	(100)
SG&A Expenses	2,177	4,333	6,402	8,351	1,828	3,685	5,519	7,473	7,473	(878)
Operating Profit	(29)	80	241	835	24	313	932	1,613	1,613	+777
Non Operating Balance	(60)	(77)	(56)	(122)	(18)	59	72	63	63	+186
Recurring Profit	(90)	2	184	712	6	372	1,005	1,676	1,676	+963
Extraordinary Balance	(5)	(6)	(2,121)	(3,332)	(13)	(703)	(719)	(662)	(662)	+2,670
Profit before Income Taxes	(95)	(3)	(1,936)	(2,619)	(7)	(331)	285	1,014	1,014	+3,633
Total Income Taxes	30	117	776	866	67	212	365	535	535	(330)
Profit Attributable to Non-Controlling Interests	0	0	0	0	0	1	0	1	1	+0
Profit Attributable to Owners of Parent	(126)	(121)	(2,713)	(3,485)	(76)	(544)	(80)	477	477	+3,963
Sales YoY	(17.7%)	(14.1%)	(14.3%)	(13.6%)	(15.8%)	(14.3%)	(11.4%)	(8.2%)	(8.2%)	-
Operating Profit YoY	-	(94.2%)	(88.9%)	(67.6%)	-	+290.5%	+286.0%	+93.0%	+93.0%	-
Recurring Profit YoY	-	(99.8%)	(91.4%)	(72.0%)	-	-	+443.5%	+135.1%	+135.1%	-
Profit Attributable to Owners of Parent YoY	-	-	-	-	-	-	-	-	-	-
Gross Profit Margin	25.2%	24.5%	24.9%	26.0%	25.9%	25.9%	27.3%	28.0%	28.0%	+2.0%
Sales to SG&A Expenses Ratio	25.6%	24.1%	24.0%	23.6%	25.5%	23.9%	23.3%	23.0%	23.0%	(0.6%)
Operating Profit Margin	(0.3%)	0.4%	0.9%	2.4%	0.3%	2.0%	3.9%	5.0%	5.0%	+2.6%
Recurring Profit Margin	(1.1%)	0.0%	0.7%	2.0%	0.1%	2.4%	4.2%	5.2%	5.2%	+3.1%
Profit Attributable to Owners of Parent Margin	(1.5%)	(0.7%)	(10.2%)	(9.9%)	(1.1%)	(3.5%)	(0.3%)	1.5%	1.5%	+11.3%
Total Income Taxes / Profit before Income Taxes	-	-	-	-	-	-	128.0%	52.8%	52.8%	-
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
(Million Yen)	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	03/2021	Net Chg.
Sales	8,511	9,480	8,720	8,636	7,169	8,243	8,245	8,803	8,803	+166
Cost of Sales	6,363	7,214	6,489	6,093	5,315	6,097	5,792	6,168	6,168	+75
Gross Profit	2,148	2,265	2,230	2,543	1,853	2,145	2,453	2,634	2,634	+91
SG&A Expenses	2,177	2,156	2,068	1,949	1,828	1,857	1,833	1,954	1,954	+5
Operating Profit	(29)	109	161	593	24	288	619	680	680	+86
Non Operating Balance	(60)	(16)	20	(65)	(18)	78	12	(9)	(9)	+56
Recurring Profit	(90)	93	182	527	6	366	632	671	671	+143
Extraordinary Balance	(5)	(0)	(2,115)	(1,211)	(13)	(690)	(16)	57	57	+1,268
Profit before Income Taxes	(95)	92	(1,932)	(683)	(7)	(323)	616	728	728	+1,411
Total Income Taxes	30	87	658	89	67	144	153	170	170	+80
Profit Attributable to Non-Controlling Interests	0	(0)	0	(0)	0	0	(0)	0	0	+0
Profit Attributable to Owners of Parent	(126)	5	(2,592)	(772)	(76)	(468)	463	558	558	+1,330
Sales YoY	(17.7%)	(10.5%)	(14.7%)	(11.6%)	(15.8%)	(13.1%)	(5.4%)	+1.9%	+1.9%	-
Operating Profit YoY	-	(83.4%)	(80.0%)	+49.6%	-	+163.1%	+283.8%	+14.5%	+14.5%	-
Recurring Profit YoY	-	(85.8%)	(77.7%)	+35.9%	-	+293.8%	+247.3%	+27.1%	+27.1%	-
Profit Attributable to Owners of Parent YoY	-	(99.0%)	-	-	-	-	-	-	-	-
Gross Profit Margin	25.2%	23.9%	25.6%	29.4%	25.9%	26.0%	29.7%	29.9%	29.9%	+0.5%
Sales to SG&A Expenses Ratio	25.6%	22.7%	23.7%	22.6%	25.5%	22.5%	22.2%	22.2%	22.2%	(0.4%)
Operating Profit Margin	(0.3%)	1.2%	1.9%	6.9%	0.3%	3.5%	7.5%	7.7%	7.7%	+0.8%
Recurring Profit Margin	(1.1%)	1.0%	2.1%	6.1%	0.1%	4.4%	7.7%	7.6%	7.6%	+1.5%
Profit Attributable to Owners of Parent Margin	(1.5%)	0.1%	(29.7%)	(8.9%)	(1.1%)	(5.7%)	5.6%	6.3%	6.3%	+15.3%
Total Income Taxes / Profit before Income Taxes	-	94.5%	-	-	-	-	24.9%	23.4%	23.4%	-

Source: Company Data, WRJ Calculation

Sales by Region (Cumulative / Quarterly)

Sales by Region (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
Japan	3,715	7,501	10,975	14,565	3,063	5,850	8,950	12,338	(2,227)	
China	3,879	8,490	12,777	16,836	3,325	8,025	12,385	16,888	+52	
Southeast Asia	352	744	1,142	1,535	344	665	997	1,376	(159)	
Europe, Americas, etc.	563	1,255	1,816	2,410	436	871	1,325	1,858	(552)	
Sales	8,511	17,991	26,711	35,348	7,169	15,412	23,658	32,462	(2,886)	
Japan	(13.0%)	(10.7%)	(13.1%)	(13.2%)	(17.6%)	(22.0%)	(18.5%)	(15.3%)	-	
China	(22.1%)	(18.4%)	(16.8%)	(15.4%)	(14.3%)	(5.5%)	(3.1%)	+0.3%	-	
Southeast Asia	(14.7%)	(11.5%)	(9.4%)	(8.1%)	(2.4%)	(10.6%)	(12.7%)	(10.3%)	-	
Europe, Americas, etc.	(16.4%)	(3.0%)	(4.7%)	(6.9%)	(22.6%)	(30.7%)	(27.0%)	(22.9%)	-	
Sales (YoY)	(17.7%)	(14.1%)	(14.3%)	(13.6%)	(15.8%)	(14.3%)	(11.4%)	(8.2%)	-	
Japan	43.6%	41.7%	41.1%	41.2%	42.7%	38.0%	37.8%	38.0%	-	
China	45.6%	47.2%	47.8%	47.6%	46.4%	52.1%	52.3%	52.0%	-	
Southeast Asia	4.1%	4.1%	4.3%	4.3%	4.8%	4.3%	4.2%	4.2%	-	
Europe, Americas, etc.	6.6%	7.0%	6.8%	6.8%	6.1%	5.7%	5.6%	5.7%	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	

Sales by Region (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
Japan	3,715	3,786	3,474	3,590	3,063	2,786	3,099	3,388	(202)	
China	3,879	4,610	4,287	4,059	3,325	4,700	4,360	4,503	+444	
Southeast Asia	352	391	397	393	344	321	331	379	(14)	
Europe, Americas, etc.	563	692	560	594	436	434	454	532	(62)	
Sales	8,511	9,480	8,720	8,636	7,169	8,243	8,245	8,803	+166	
Japan	(13.0%)	(8.3%)	(17.9%)	(13.3%)	(17.6%)	(26.4%)	(10.8%)	(5.6%)	-	
China	(22.1%)	(14.9%)	(13.6%)	(10.5%)	(14.3%)	+2.0%	+1.7%	+10.9%	-	
Southeast Asia	(14.7%)	(8.2%)	(5.5%)	(3.9%)	(2.4%)	(17.9%)	(16.6%)	(3.6%)	-	
Europe, Americas, etc.	(16.4%)	+11.4%	(8.2%)	(13.0%)	(22.6%)	(37.3%)	(18.9%)	(10.4%)	-	
Sales (YoY)	(17.7%)	(10.5%)	(14.7%)	(11.6%)	(15.8%)	(13.1%)	(5.4%)	+1.9%	-	
Japan	43.6%	39.9%	39.8%	41.6%	42.7%	33.8%	37.6%	38.5%	-	
China	45.6%	48.6%	49.2%	47.0%	46.4%	57.0%	52.9%	51.1%	-	
Southeast Asia	4.1%	4.1%	4.6%	4.6%	4.8%	3.9%	4.0%	4.3%	-	
Europe, Americas, etc.	6.6%	7.3%	6.4%	6.9%	6.1%	5.3%	5.5%	6.0%	-	
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.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Automobiles	3,755	7,888	11,753	15,370	3,065	6,610	10,059	13,682		(1,688)
Electronic Parts & Semiconductors	1,290	2,932	4,485	6,113	1,444	2,924	4,536	6,315		+202
Consumer Electronics & Precision Equipment	1,217	2,259	3,304	4,298	874	1,814	2,848	3,888		(410)
Other	2,248	4,911	7,169	9,566	1,785	4,063	6,213	8,574		(992)
Sales	8,511	17,991	26,711	35,348	7,169	15,412	23,658	32,462		(2,886)
Automobiles	(18.6%)	(13.6%)	(13.8%)	(14.0%)	(18.4%)	(16.2%)	(14.4%)	(11.0%)		-
Electronic Parts & Semiconductors	(34.8%)	(26.6%)	(24.1%)	(19.1%)	+11.9%	(0.3%)	+1.1%	+3.3%		-
Consumer Electronics & Precision Equipment	(0.6%)	(8.5%)	(10.1%)	(11.1%)	(28.2%)	(19.7%)	(13.8%)	(9.5%)		-
Other	(11.0%)	(8.0%)	(9.9%)	(10.3%)	(20.6%)	(17.3%)	(13.3%)	(10.4%)		-
Sales (YoY)	(17.7%)	(14.1%)	(14.3%)	(13.6%)	(15.8%)	(14.3%)	(11.4%)	(8.2%)		-
Automobiles	44.1%	43.8%	44.0%	43.5%	42.8%	42.9%	42.5%	42.1%		-
Electronic Parts & Semiconductors	15.2%	16.3%	16.8%	17.3%	20.1%	19.0%	19.2%	19.5%		-
Consumer Electronics & Precision Equipment	14.3%	12.6%	12.4%	12.2%	12.2%	11.8%	12.0%	12.0%		-
Other	26.4%	27.3%	26.8%	27.1%	24.9%	26.4%	26.3%	26.4%		-
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	YoY	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Net Chg.	
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Automobiles	3,755	4,132	3,864	3,617	3,065	3,544	3,448	3,623		+6
Electronic Parts & Semiconductors	1,290	1,642	1,552	1,627	1,444	1,480	1,612	1,779		+152
Consumer Electronics & Precision Equipment	1,217	1,042	1,045	994	874	939	1,034	1,040		+46
Other	2,248	2,662	2,257	2,397	1,785	2,277	2,150	2,361		(36)
Sales	8,511	9,480	8,720	8,636	7,169	8,243	8,245	8,803		+166
Automobiles	(18.6%)	(8.5%)	(14.1%)	(14.8%)	(18.4%)	(14.2%)	(10.8%)	+0.2%		-
Electronic Parts & Semiconductors	(34.8%)	(18.6%)	(18.7%)	(1.5%)	+11.9%	(9.9%)	+3.9%	+9.3%		-
Consumer Electronics & Precision Equipment	(0.6%)	(16.4%)	(13.2%)	(14.5%)	(28.2%)	(9.9%)	(1.1%)	+4.6%		-
Other	(11.0%)	(5.3%)	(13.7%)	(11.4%)	(20.6%)	(14.5%)	(4.7%)	(1.5%)		-
Sales (YoY)	(17.7%)	(10.5%)	(14.7%)	(11.6%)	(15.8%)	(13.1%)	(5.4%)	+1.9%		-
Automobiles	44.1%	43.6%	44.3%	41.9%	42.8%	43.0%	41.8%	41.2%		-
Electronic Parts & Semiconductors	15.2%	17.3%	17.8%	18.8%	20.1%	18.0%	19.5%	20.2%		-
Consumer Electronics & Precision Equipment	14.3%	11.0%	12.0%	11.5%	12.2%	11.4%	12.5%	11.8%		-
Other	26.4%	28.1%	25.9%	27.8%	24.9%	27.6%	26.1%	26.8%		-
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		
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	03/2021	
Cash and Deposit	2,704	2,310	3,327	3,389	3,702	3,796	3,976	4,092		+702
Accounts Receivables	10,104	10,065	9,713	9,942	8,682	9,053	9,454	9,629		(312)
Inventory	4,892	4,383	4,262	4,229	4,024	3,833	3,925	3,965		(264)
Other	268	308	403	230	223	267	292	373		+143
Current Assets	17,969	17,068	17,707	17,792	16,632	16,950	17,648	18,060		+268
Tangible Assets	10,105	9,910	7,819	7,134	6,846	6,090	6,210	6,194		(940)
Intangible Assets	955	869	791	344	326	183	173	175		(169)
Investments and Other Assets	763	774	226	304	292	264	266	272		(32)
Fixed Assets	11,824	11,554	8,837	7,784	7,465	6,538	6,651	6,641		(1,142)
Total Assets	29,793	28,622	26,545	25,576	24,098	23,488	24,299	24,702		(874)
Accounts Payables, etc.	3,692	3,837	3,837	3,660	3,059	3,227	3,058	3,297		(362)
Short Term Debt	3,844	3,235	3,304	3,148	3,422	3,146	3,248	3,324		+175
Other	2,734	2,782	2,563	2,471	1,995	2,171	2,322	2,832		+361
Current Liabilities	10,271	9,855	9,705	9,280	8,477	8,545	8,629	9,454		+174
Long Term Debt	2,187	2,064	3,132	2,927	2,739	2,582	2,413	1,251		(1,675)
Other	1,588	1,579	1,616	1,621	1,593	1,571	1,702	1,559		(61)
Fixed Liabilities	3,775	3,644	4,749	4,548	4,332	4,154	4,116	2,811		(1,737)
Total Liabilities	14,046	13,499	14,454	13,829	12,810	12,699	12,745	12,266		(1,563)
Shareholders' Equity	15,232	15,275	12,683	11,913	11,794	11,330	11,795	12,355		+441
Other	514	(153)	(592)	(166)	(506)	(541)	(241)	80		+247
Net Assets	15,747	15,122	12,090	11,747	11,287	10,788	11,553	12,436		+688
Total Liabilities and Net Assets	29,793	28,622	26,545	25,576	24,098	23,488	24,299	24,702		(874)
Equity Capital	15,692	15,079	12,045	11,703	11,243	10,748	11,515	12,398		+695
Interest Bearing Debt	6,031	5,300	6,437	6,075	6,161	5,729	5,661	4,576		(1,499)
Net Debt	3,327	2,989	3,109	2,686	2,459	1,933	1,685	484		(2,201)
Equity Ratio	52.7%	52.7%	45.4%	45.8%	46.7%	45.8%	47.4%	50.2%		-
Net Debt Equity Ratio	21.2%	19.8%	25.8%	23.0%	21.9%	18.0%	14.6%	3.9%		-
ROE (12 months)	2.0%	(1.1%)	(23.3%)	(25.5%)	(25.5%)	(30.3%)	(7.2%)	4.0%		-
ROA (12 months)	5.7%	4.0%	1.9%	2.5%	3.0%	4.2%	6.0%	6.7%		-
Days for Inventory Turnover	70	55	60	63	69	57	62	59		-
Quick Ratio	125%	126%	134%	144%	146%	150%	156%	145%		-
Current Ratio	175%	173%	182%	192%	196%	198%	205%	191%		-

Source: Company Data, WRJ Calculation

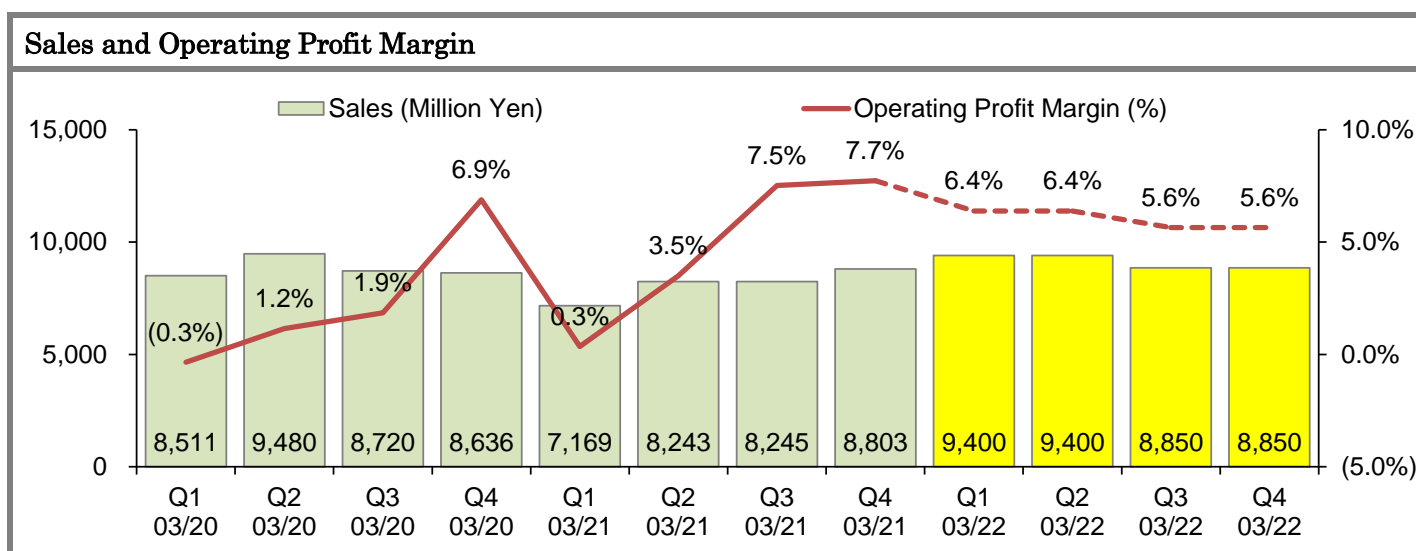
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	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		
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021	03/2021	
Operating Cash Flow	-	1,009	-	2,490	-	1,215	-	2,942		+452
Investing Cash Flow	-	(730)	-	(1,788)	-	(437)	-	(670)		+1,118
Operating Cash Flow and Investing Cash Flow	-	278	-	701	-	778	-	2,272		+1,570
Financing Cash Flow	-	(1,381)	-	(772)	-	(363)	-	(1,684)		(912)

Source: Company Data, WRJ Calculation

FY03/2022 Company Forecasts

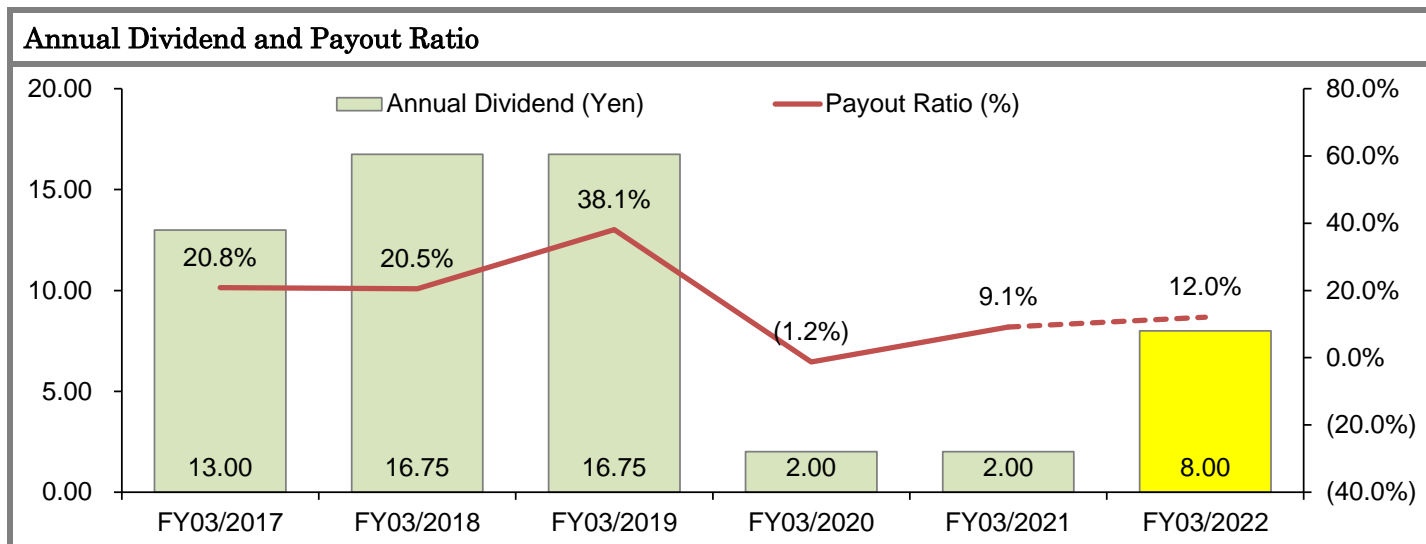
FY03/2022 Company forecasts (announced on 13 May 2021) are going for prospective sales of ¥36,500m (up 12.4% YoY), operating profit of ¥2,200m (up 36.4%), recurring profit of ¥2,150m (up 28.2%) and profit attributable to owners of parent of ¥1,450m (up 203.5%), while operating profit margin of 6.0% (up 1.1% points). For Q1 to Q2, Company forecasts are going for prospective sales of ¥18,800m (up 22.0%), operating profit of ¥1,200m (up 283.2%) and operating profit margin of 6.4% (up 4.4% points), while sales of ¥17,700m (up 3.8%), operating profit of ¥1,000m (down 23.1%) and operating profit margin of 5.6% (down 2.0% points) for H2.



Source: Company Data, WRJ Calculation (quarters in FY03/2022: half-year Company forecasts, pro rata)

Company forecasts assume that economy on a global basis is likely to continue seeing a recovery, but it is considered to be unpredictable in a sense at the same time. For the former, the Company raises a background that the benefits are beginning to appear with respect to various policies exercised in line with the spread of COVID-19. For the latter, meanwhile, the Company raises a background that it recognizes risks stemming from the occurrence of a wave of intermittent contagion most recently and geopolitical risks stemming from the resurgence of trade friction between the United States and China. As a consequence, it appears Company forecasts assume that the recent trends of recovery for its trading will persist for Q1 to Q2, while assuming that above-mentioned risks may emerge to more than a certain extent for H2.

In other words, the Company suggests that sales and earnings on a full-year basis are likely to increase favorably for FY03/2022, even when being based on conservative assumptions, as far as we could see. For prospective gross profit margin, Company forecasts appear assuming some improvement due to effect of increased sales, while the rate of increase in SG&A expenses being curbed up to the rate of increase in sales. For FY03/2021, the Company saw SG&A expenses having come down sharply, principally by means of cutting back on personnel expenses, while it appears that the Company is now going for a gradual normalization in the levels of personnel expenses for FY03/2022.



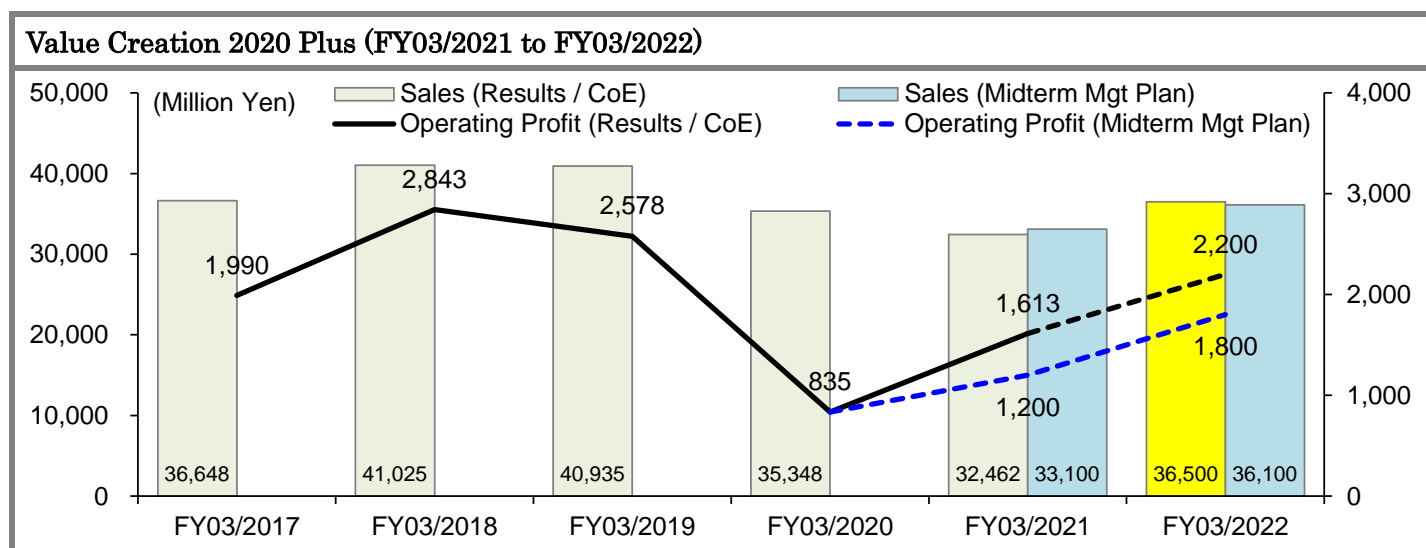
Source: Company Data, WRJ Calculation

Meanwhile, having paid annual dividend of ¥2.00 (nil as of the end of Q2 and ¥2.00 as of the end of Q4) for FY03/2021, the Company is now going for increase in annual dividend by ¥6.00, i.e., ¥8.00 per share (¥4.00 as of the end of Q2 and ¥4.00 as of the end of Q4) for FY03/2022.

As stakeholders, the Company focuses on domains such as “client companies”, “own personnel”, “local community”, “the earth’s environment” and “shareholders & investors”, while advocating that it is quite important to improve satisfaction levels in all the domains by means of actively implementing initiatives to contribute to each domain using a variety of methods. For FY03/2022, it appears that the Company places the utmost emphasis to realize the expected steady increase in sales and earnings, albeit being based on conservative assumptions, for the sake of returning a part of obtained earnings to “own personnel” and “shareholders & investors” to the maximum extent in particular.

Long-Term Prospects

On 29 May 2020, the Company has announced its midterm management plan Value Creation 2020 Plus (FY03/2021 to FY03/2022). The Company was going for prospective sales of ¥36,100m or more, operating profit of ¥1,800m or more and profit attributable to owners of parent of ¥1,130m or more as the performance target for FY03/2022. In the first place, this two-year midterm management plan was formulated to rebuild management in light of earnings correction due to the prolonged trade conflicts between the United States and China as well as the expansion of the impacts stemming from COVID-19.

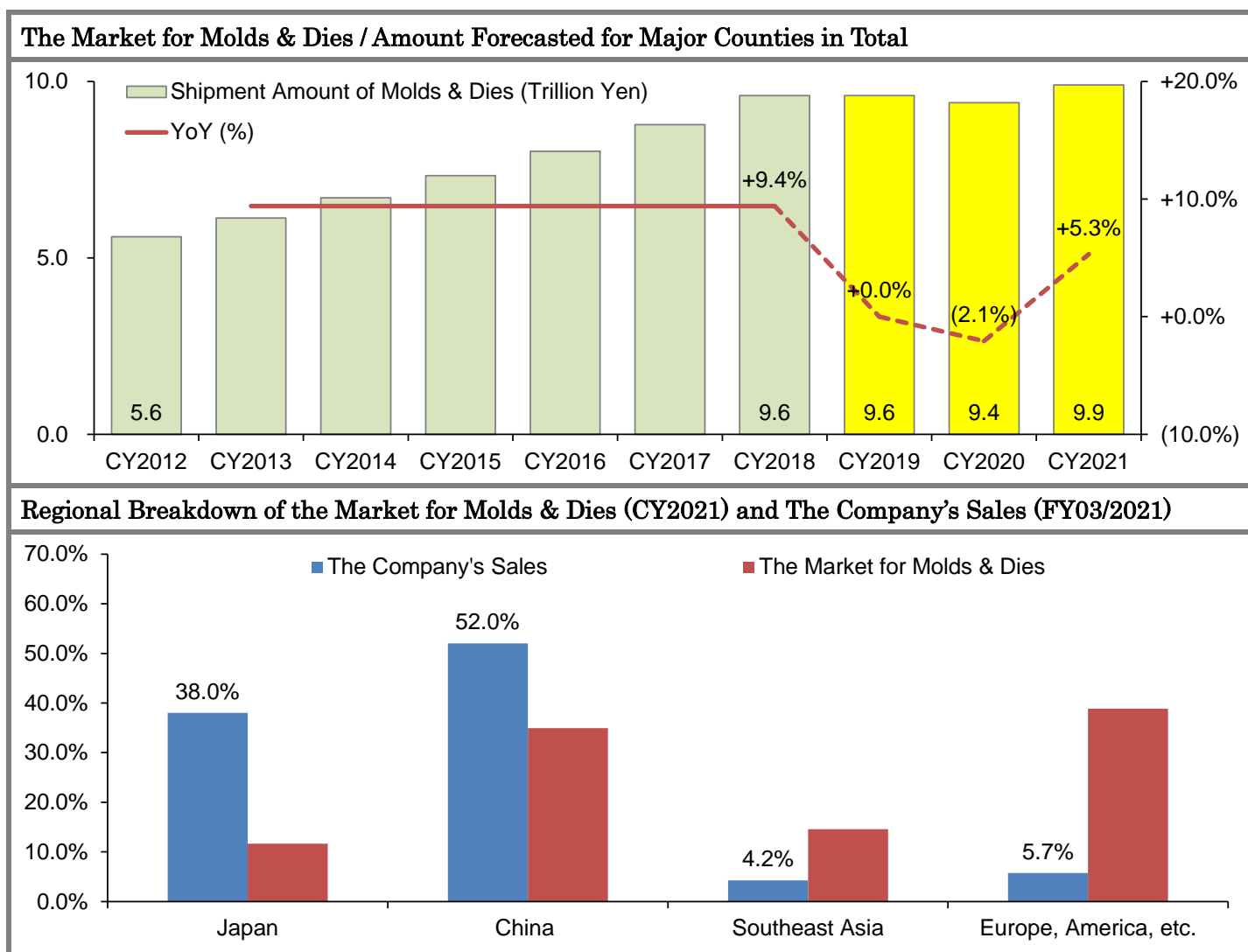


Source: Company Data, WRJ Calculation

As mentioned earlier, FY03/2022 Company forecasts (announced on 13 May 2021) are going for prospective sales of ¥36,500m (up 12.4% YoY), operating profit of ¥2,200m (up 36.4%) and profit attributable to owners of parent of ¥1,450m (up 203.5%). Now, it has become the case that the prospective range of “or more” in the performance target of midterm management Plan Value Creation 2020 Plus will be ¥400m (1.1%) in sales, ¥400m (up 22.2%) in operating profit and ¥320m (28.3%) in profit attributable to owners of parent. The upside range is rather limited in sales, but not insignificant in earnings. According to the Company, this has a lot to do with a factor that prospective depreciation is now rather smaller due to impairment not assumed in midterm management plan Value Creation 2020 Plus. As mentioned earlier, the Company has implemented impairment on fixed assets in Japan as of the end of Q2 FY03/2021 due to slowing demand for special order products as a result of the impacts stemming from COVID-19.

According to the Company, the market for parts of molds & dies to which it is confronted has a scale of some ¥700,000m on a global basis, while prospects for growth in the future are bright from a long-term perspective. Parts of molds & dies are literally used for molds & dies and thus demand for the former hinges on demand for the latter. Meanwhile, the Company estimates the market for parts of molds & dies equates to some 7% of the market for molds & dies in scale.

The Company says that the market for molds & dies on a global basis saw CAGR of almost 10% through CY2012 to CY2018, which was followed by roughly flat growth for CY2019, when compared with the level in CY2018. The background to this is the stagnation in the market for molds & dies in the United States and China due to the impacts of trade conflicts between the two countries. For the Company being deeply involved with the market for molds & dies in China, it appears that the impacts must have been quite large. Then, for CY2020, a situation has had taken off that the market for molds and dies across the board was forced to shrink in response to the impacts stemming from COVID-19. More importantly, however, the Company says that it ended up being one off and the market has been showing a trend of recovery from the beginning of CY2021 and thus the market for parts of molds & dies likewise.



Source: Company Data (page 11 of [FY03/2021 Results Briefing Materials \(in Japanese\)](#)): data displayed retroactively adjusted based on the most recent information of Mold & Die Industry Associations of each country for CY2019 / CY2019 to CY2021: the Company's Estimates), WRJ Calculation / Estimates

The impacts stemming from COVID-19 are currently on the decline with respect to the market for molds & dies and thus the market for parts of molds & dies, but it is too early for the Company to resume door-to-door sales as before. In particular, the Company has been continuously suffering from a situation that it is too hard to cultivate new customers as it is effectively impossible to go to see any prospects. Still, even in such circumstances, the Company is laying the groundwork for long-term growth by steadily tackling the priority management issues of midterm management plan Value Creation 2020 Plus, while promoting the progress of Management Innovation Project.

Currently, the Company is tackling the priority management issues of midterm management plan Value Creation 2020 Plus as follows: With respect to “establishment of 5-region sales structure”, the Company is strengthening its sales policies in Europe and the United States, where there is particularly plenty of room for further development. In Europe, the Company is enhancing ties with local sales agents, while beefing up sales promotions via Internet in the United States. Sales as a whole for the Company by region are concentrated in a) China and b) Japan where own manufacturing facilities are concentrated, while there is plenty of room for further development in c) Southeast Asia, d) Europe and e) the United States, collectively comprising the 5 regions in “establishment of 5-region sales structure”.

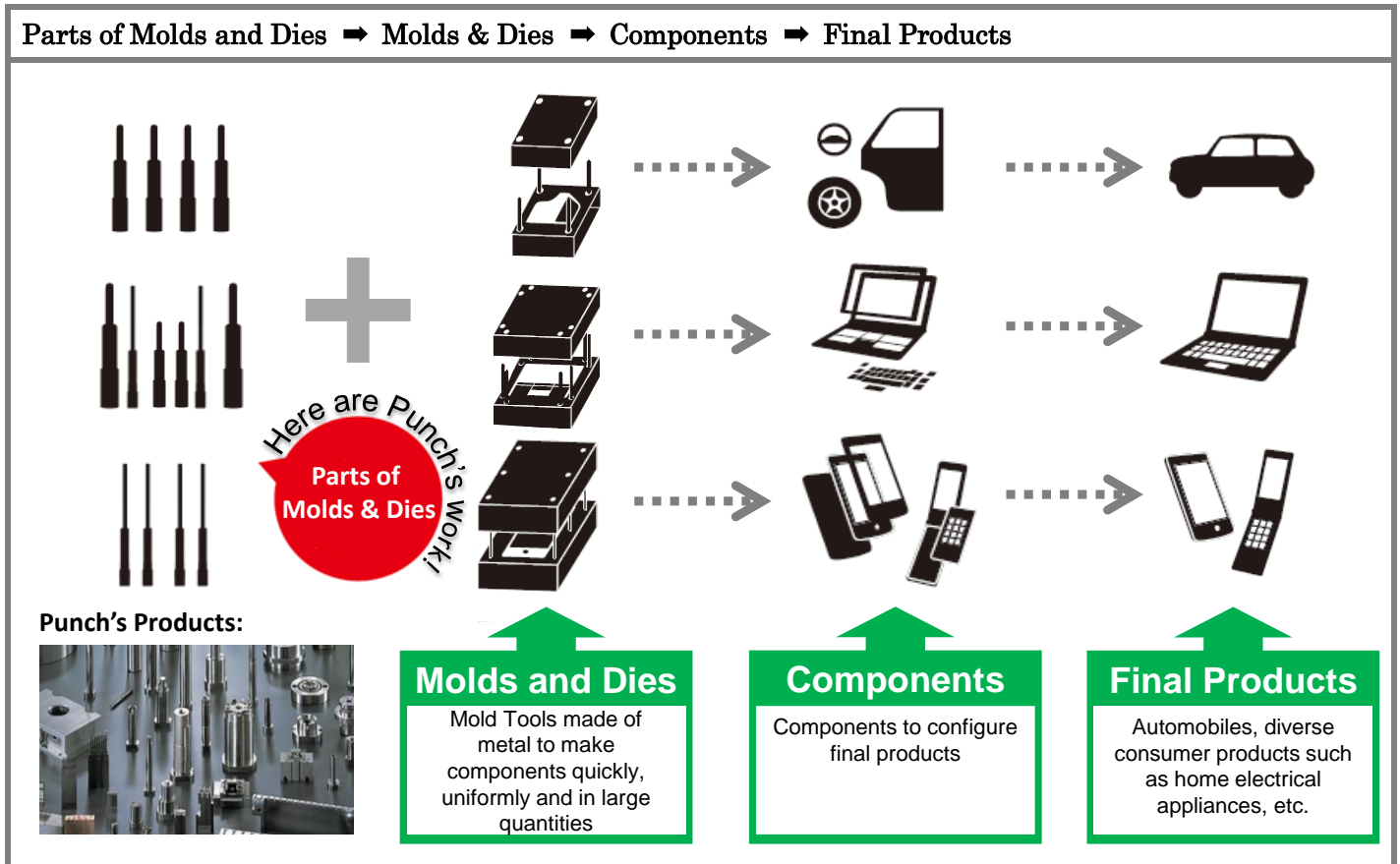
With respect to “enhancement of sales capabilities with an emphasis on the customer's perspective”, the Company is focusing on prevention to fail to receive an order and development of new customers, while also on sales expansion of catalog products via Internet and verification of web quotation system at the same time. With respect to “optimization of manufacturing system on a global basis and reinforcement of R&D”, the Company is making progress in the pursuit of productivity improvement (optimization of manufacturing) as a whole for the Company through intragroup manufacturing transfers, while continuously focusing on reductions of spoilage costs, improvements in crafting techniques and expansion of processing capacity at the same time. With respect to “work style reform and human resources development”, the Company has formulated a corporate policy aimed at promoting women's good showing, while propelling the creation of system to promote the rotation of human resources and that of human resources education at the same time.

Meanwhile, with respect to Management Innovation Project being developed in Japan where the Company has significantly suffered from the impacts stemming from COVID-19, "cost reduction" and "elimination of failure costs" are listed as the main issues. At the same time, the Company has been rebuilding its sales and manufacturing strategies in order to set up a robust management structure that will not lose out to changes in external environment. Rather than benefiting from balanced contraction by short-term cuts in fixed costs, the Company is now trying to get at long-term improvement in its corporate value by creating a mechanism to be able to persistently generate earnings in which all the personnel work in a unified manner under the direction of management led by representative director Tetsuji Morikubo. Basically, this is a project from a long-term perspective, but this has created a thing even short-term in some cases, which has contributed to improvement in earnings for FY03/2021 as mentioned earlier.

4.0 Business Model

Manufacturing and Selling Parts of Molds & Dies in Japan and Overseas

The Company runs operations of manufacturing and selling parts of molds & dies in Japan and overseas. Parts of molds & dies are high precision parts to configure molds & dies and thus are indispensable for them. Meanwhile, molds & dies are “mold tools” made of metal to make components to configure diverse consumer-use final products, automobiles, etc., manufactured uniformly in large quantities. Given all those final products being diverse, so are components as well as molds & dies, resulting in high variety also for parts of molds & dies at the end of the day.



Source: Company Data

Parts of Molds & Dies

Parts of molds & dies manufactured by the Company are used for molds and 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 is exchanged for gross profit, i.e., 60% for parts of molds and 40% for parts of dies.

Parts of Molds

Ejector Pins



Sprue Bushes, Locating Rings



Source: Company Data

Molds are mold tools of diverse components such as external body frames of smartphones, digital cameras and other final products, being manufactured by means of cooling down and solidifying plastic resins heated and melted, which are poured in for mold tools mounted in injection molding machines. The Company is involved with manufacturing and selling of parts of molds, represented by ejector pins to comprise mold tools of injection molding for diverse components (parts to separate molded components from mold tools and get them protruded) and sprue bushes (parts to pour melted plastic resins into mold tools from injection nozzles of injection molding machines).

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Parts of Dies

Punches



Die-Set Guides



Source: Company Data

Meanwhile, dies are mold tools indispensable to mass-produce components for automobiles, home electrical appliances, precision mechanical equipment and other final products, being manufactured by means of utilizing pressing machines (to make an up-and-down movement) in which materials of mold tools (metal sheets) are mounted and/or inserted between mold tools separated up-and-down. The Company is involved with manufacturing and selling of parts of dies, represented by punches for press working (to make holes for materials and/or transfer shapes) and die-set guides (to hold the right relation between the upside and the downside).

Catalog Products and Special Order Products

Meanwhile, for parts of molds & dies manufactured and sold by the Company, there is another aspect to be classified by whether they are catalog products (standardized products sold mainly via Internet) or special order products (custom-made products designed and manufactured in response to specification of each mold & die of each customer). In our rough estimates, catalog products account for 45% of sales as a whole for the Company and special order products 55%. Special order products are far superior to catalog products in terms of added value and thus gross profit margin. For catalog products, the Company suggests that there is limited room for differentiation in terms of surviving competition with trades, while there is plenty room to do so for special order products with own expertise. Amongst others, the Company strategically focuses on those of utilizing own expertise so well, which are called “high-value added strategical products”.

The Company is heavily involved with the manufacture of special order products, including high-value added strategical products, while efficiently taking advantage of outsourcing for the manufacture of catalog products in some cases. The subcontractors in charge of outsourcing are all basically smaller business, but each has expertise in some specific processes of the manufacture. The Company has set up extensive network to have packed them into a bundle. For example, some specific processes of the manufacture for special order products are consigned to some specific subcontractors who have the specific expertise appropriate in some cases.

5.0 Financial Statements

Income Statement

Income Statement	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. CoE FY	YoY
(Million Yen)	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Sales	36,648	41,025	40,935	35,348	32,462	36,500	+4,037
Cost of Sales	26,457	29,367	29,463	26,161	23,375	-	-
Gross Profit	10,191	11,658	11,472	9,187	9,086	-	-
SG&A Expenses	8,201	8,814	8,893	8,351	7,473	-	-
Operating Profit	1,990	2,843	2,578	835	1,613	2,200	+586
Non Operating Balance	(116)	(111)	(31)	(122)	63	(50)	(113)
Recurring Profit	1,874	2,731	2,547	712	1,676	2,150	+473
Extraordinary Balance	(44)	(215)	(897)	(3,332)	(662)	-	-
Profit before Income Taxes	1,830	2,516	1,650	(2,619)	1,014	-	-
Total Income Taxes	459	725	686	866	535	-	-
Profit Attributable to Non-Controlling Interests	(5)	1	3	0	1	-	-
Profit Attributable to Owners of Parent	1,375	1,788	960	(3,485)	477	1,450	+972
Sales YoY	(0.3%)	+11.9%	(0.2%)	(13.6%)	(8.2%)	+12.4%	-
Operating Profit YoY	+0.2%	+42.8%	(9.3%)	(67.6%)	+93.0%	+36.4%	-
Recurring Profit YoY	+12.5%	+45.7%	(6.8%)	(72.0%)	+135.1%	+28.2%	-
Profit Attributable to Owners of Parent YoY	+10.1%	+30.0%	(46.3%)	-	-	+203.5%	-
Gross Profit Margin	27.8%	28.4%	28.0%	26.0%	28.0%	-	-
Sales to SG&A Expenses Ratio	22.4%	21.5%	21.7%	23.6%	23.0%	-	-
Operating Profit Margin	5.4%	6.9%	6.3%	2.4%	5.0%	6.0%	+1.1%
Recurring Profit Margin	5.1%	6.7%	6.2%	2.0%	5.2%	5.9%	+0.7%
Profit Attributable to Owners of Parent Margin	3.8%	4.4%	2.3%	(9.9%)	1.5%	4.0%	+2.5%
Total Income Taxes/Profit before Income Taxes	25.1%	28.8%	41.6%	-	52.8%	-	-

Source: Company Data, WRJ Calculation

Sales by Region

Sales by Region	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. CoE FY	YoY
(Million Yen)	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Japan	15,903	17,153	16,776	14,565	12,338	-	-
China	17,428	20,100	19,898	16,836	16,888	-	-
Southeast Asia	-	1,652	1,669	1,535	1,376	-	-
Europe, Americas, etc.	-	2,112	2,588	2,410	1,858	-	-
Sales	36,648	41,025	40,935	35,348	32,462	36,500	+4,037
Japan	+1.7%	+7.9%	(2.2%)	(13.2%)	(15.3%)	-	-
China	(2.1%)	+15.3%	(1.0%)	(15.4%)	+0.3%	-	-
Southeast Asia	-	-	+1.0%	(8.1%)	(10.3%)	-	-
Europe, Americas, etc.	-	-	+22.5%	(6.9%)	(22.9%)	-	-
Sales (YoY)	(0.3%)	+11.9%	(0.2%)	(13.6%)	(8.2%)	+12.4%	-
Japan	43.4%	41.8%	41.0%	41.2%	38.0%	-	-
China	47.6%	49.0%	48.6%	47.6%	52.0%	-	-
Southeast Asia	-	4.0%	4.1%	4.3%	4.2%	-	-
Europe, Americas, etc.	-	5.1%	6.3%	6.8%	5.7%	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

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 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
Automobiles	16,780	18,390	17,877	15,370	13,682	-	-
Electronic Parts & Semiconductors	7,000	7,890	7,558	6,113	6,315	-	-
Consumer Electronics & Precision Equipment	4,480	4,790	4,837	4,298	3,888	-	-
Other	8,400	9,946	10,662	9,566	8,574	-	-
Sales	36,648	41,025	40,935	35,348	32,462	36,500	+4,037
Automobiles	(1.6%)	+9.7%	(2.8%)	(14.0%)	(11.0%)	-	-
Electronic Parts & Semiconductors	+6.9%	+13.0%	(4.3%)	(19.1%)	+3.3%	-	-
Consumer Electronics & Precision Equipment	(6.7%)	+7.1%	+1.0%	(11.1%)	(9.5%)	-	-
Other	+1.2%	+18.4%	+7.2%	(10.3%)	(10.4%)	-	-
Sales (YoY)	(0.3%)	+11.9%	(0.2%)	(13.6%)	(8.2%)	+12.4%	-
Automobiles	45.8%	44.9%	43.7%	43.5%	42.1%	-	-
Electronic Parts & Semiconductors	19.1%	19.3%	18.5%	17.3%	19.5%	-	-
Consumer Electronics & Precision Equipment	12.6%	11.7%	11.8%	12.2%	12.0%	-	-
Other	22.9%	24.2%	26.0%	27.1%	26.4%	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
No. of Shares FY End (thousand shares)	11,061	22,122	22,122	22,122	22,122	-	-
Net Profit / EPS (thousand shares)	11,008	21,921	21,864	21,786	21,813	-	-
Treasury Shares FY End (thousand shares)	100	200	380	313	303	-	-
Earnings Per Share	124.99	81.61	43.92	(160.01)	21.90	66.46	-
Earnings Per Share (Fully Diluted)	124.84	81.35	43.74	-	21.78	-	-
Book Value Per Share	1,292.50	736.64	721.49	536.64	568.26	-	-
Dividend Per Share	26.00	16.75	16.75	2.00	2.00	8.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
Share Split Factor	2	1	1	1	1	1	-
Earnings Per Share	62.50	81.61	43.92	(160.01)	21.90	66.46	-
Book Value Per Share	646.25	736.64	721.49	536.64	568.26	-	-
Dividend Per Share	13.00	16.75	16.75	2.00	2.00	8.00	-
Payout Ratio	20.8%	20.5%	38.1%	(1.2%)	9.1%	12.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
Cash and Deposit	3,280	3,770	3,579	3,389	4,092	-	-
Accounts Receivables	11,468	12,095	10,988	9,942	9,629	-	-
Inventory	3,787	4,425	4,663	4,229	3,965	-	-
Other	613	549	327	230	373	-	-
Current Assets	19,150	20,842	19,559	17,792	18,060	-	-
Tangible Assets	8,669	9,939	9,972	7,134	6,194	-	-
Intangible Assets	1,242	1,157	1,001	344	175	-	-
Investments and Other Assets	389	621	621	304	272	-	-
Fixed Assets	10,301	11,718	11,595	7,784	6,641	-	-
Total Assets	29,451	32,560	31,155	25,576	24,702	-	-
Accounts Payables, etc.	4,287	4,597	4,148	3,660	3,297	-	-
Short Term Debt	4,346	3,730	4,326	3,148	3,324	-	-
Other	3,090	4,322	3,056	2,471	2,832	-	-
Current Liabilities	11,724	12,649	11,531	9,280	9,454	-	-
Long Term Debt	2,460	2,151	2,341	2,927	1,251	-	-
Other	1,089	1,584	1,547	1,621	1,559	-	-
Fixed Liabilities	3,550	3,736	3,889	4,548	2,811	-	-
Total Liabilities	15,275	16,385	15,420	13,829	12,266	-	-
Shareholders' Equity	13,598	15,096	15,500	11,913	12,355	-	-
Other	578	1,077	234	(166)	80	-	-
Net Assets	14,176	16,174	15,734	11,747	12,436	-	-
Total Liabilities and Net Assets	29,451	32,560	31,155	25,576	24,702	-	-
Equity Capital	14,167	16,148	15,686	11,703	12,398	-	-
Interest Bearing Debt	6,807	5,882	6,668	6,075	4,576	-	-
Net Debt	3,526	2,111	3,088	2,686	484	-	-
Equity Ratio	48.1%	49.6%	50.4%	45.8%	50.2%	-	-
Net Debt Equity Ratio	24.9%	13.1%	19.7%	23.0%	3.9%	-	-
ROE (12 months)	9.8%	11.8%	6.0%	(25.5%)	4.0%	11.1%	-
ROA (12 months)	6.6%	8.8%	8.0%	2.5%	6.7%	-	-
Days for Inventory Turnover	52	55	58	59	62	-	-
Quick Ratio	126%	125%	126%	144%	145%	-	-
Current Ratio	163%	165%	170%	192%	191%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
Operating Cash Flow	1,785	3,393	3,185	2,490	2,942	-	-
Investing Cash Flow	(2,770)	(2,335)	(3,253)	(1,788)	(670)	-	-
Operating Cash Flow and Investing Cash Flow	(985)	1,058	(68)	701	2,272	-	-
Financing Cash Flow	1,199	(738)	74	(772)	(1,684)	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Establishing the Leading Brand of Parts of Molds & Dies

The Company, founded by Yuji Morikubo (appointed as honorary chairperson on 24 June 2015), goes “establishing the leading brand of parts of molds & dies, while targeting to see high profitability by means of leveraging own advantages as an entity in charge of both manufacturing and selling” for its corporate vision. In March 1975, he set up Kamba Shokai Co., Ltd. in Shinagawa-ku, Tokyo and started up the manufacture of pins to make holes for printed circuit boards, which was followed by change for the corporate identification to PUNCH INDUSTRY CO., LTD. in August 1977 and the current operations with the Company has started.

In August 1982, the Company succeeded in the mass-production of high-speed steel ejector pins earlier than any other trades on a global basis, having entered into the operations to manufacture and sell parts of molds in earnest. Prior to this, the Company used to run operations basically of stocking and selling for parts of molds & dies. Then, this was followed by setup of manufacturing base in Dalian, China in October 1990. In early days, the operations in there were nothing but of processing raw materials imported from Japan into semi-finished products to be finished back in Japan. However, given increased volume of home electrical appliances, automobiles, etc., locally manufactured in those days, the Company has started up locally selling parts of molds & dies locally manufactured since April 2002. In December 2012, the Company was listed on Tokyo Stock Exchange 2nd section, which was followed by listing change to Tokyo Stock Exchange 1st section in March 2014.

Meanwhile, on 1 November 2019, Tetsuji Morikubo was appointed as representative director, president and CEO. According to his conviction, what the Company should do at the present time is not to "get order intake from what we can do" but to "change ourselves to meet the needs of our customers". In other words, it has been clarified that the Company intends to proactively address each of its customers' problems by leveraging “own advantages as an entity in charge of both manufacturing and selling”, while "the leading brand of parts of molds & dies” is of always being the primary candidate for customers. Indeed, he advocates this is the key management issue for himself.

Company History

Date	Events
March 1975	Founded and started the manufacture of pins to make holes for printed circuit boards
August 1982	Entered into the manufacture of parts of molds (succeeded in mass-production of high-speed steel ejector pins)
November 1983	Set up Kitakami plant, while started nation-wide sale of parts of molds & dies in December of the same year
May 1989	Set up Miyako Punch Industry (currently, Miyako plant)
October 1990	Set up manufacturing base in Dalian, China
July 2001	Set up sales office in China, started sale of parts of molds & dies in China in 2002, i.e., the following year
September 2010	Set up sales office in India
December 2012	Listed on Tokyo Stock Exchange 2nd section
August 2013	Consolidated Panther Precision Tools as subsidiary (currently, Malaysia plant)
November 2013	Announced Midterm Management Plan Value Creation 15
March 2014	Listing change to Tokyo Stock Exchange 1st section
March 2015	40th anniversary
December 2015	Set up manufacturing base in Vietnam (Vietnam plant)
March 2016	Announced Midterm Management Plan Value Creation 2020
October 2016	Started utilizing Vietnam plant on a full-fledged basis
April 2017	Started sales through distribution subsidiary based in the United States
May 2018	Expanded capacity for manufacturing base in Dalian, China
March 2019	Started up the second phase in Vietnam plant
May 2020	Announced Midterm Management Plan Value Creation 2020 Plus
November 2020	Started Management Innovation Project

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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