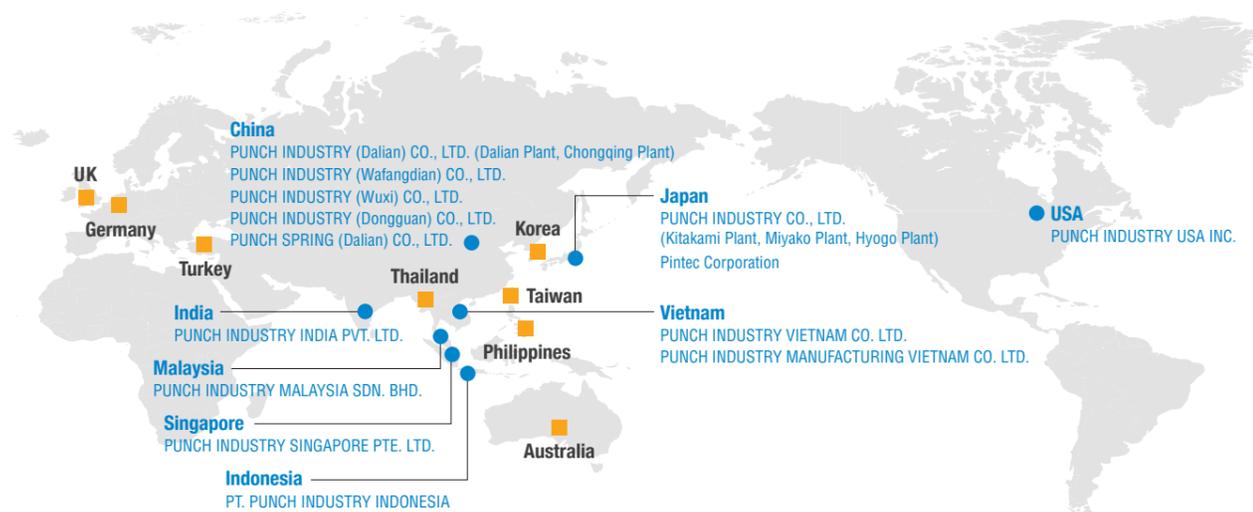


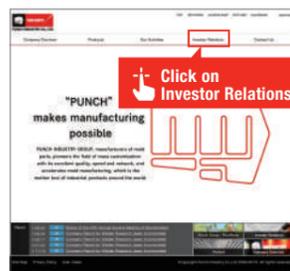
## The Punch Industry Group's Network

● Group companies ■ Sales offices



## Introduction to Company Website and IR e-Magazine

### ■ Company Website



Top page



Investor Relations

The Punch Industry website contains various information, including Company Overview, Business Overview, and Investor Relations information.

<https://www.punch.co.jp/english/>

### ■ Inquiries

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#### Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements regarding Punch Industry's future plans, strategies, and forecasts. Such statements are not based on historical fact, but are expectations, estimates, and forecasts based on information currently available. These expectations, estimates, and forecasts involve many potential risks and uncertainties, including changes to the economy, exchange rate variations, changes in the competitive environment, the outcome of current or future litigation, or the continued usefulness of capital procurement. As a result, actual business results may differ materially from these statements. Accordingly, investors are cautioned not to place undue reliance on forward-looking statements. Punch Industry is not obliged to amend these forward-looking statements based on new information or future events.

### ■ IR e-Magazine



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 (Japanese language only)

# 2021 ANNUAL REPORT

SUPPORTING PRODUCT MANUFACTURING  
 AROUND THE WORLD

PUNCH INDUSTRY



PUNCH INDUSTRY CO., LTD.

# Supporting Product Manufacturing around the World

## Punch Industry Group's Strengths

### High customer satisfaction

#### Standard products

Abundant lineup of versatile standard products



### Timely and precise solutions

#### Integrated production structure

Broad responsiveness with 2,000 machines

#### Customer-oriented sales structure

Finely tailored response and proposal capabilities

#### Special-order products

Flexible response to customized needs



#### Sophisticated technological prowess

Know-how accumulated since founding and unceasing R&D efforts

#### Management Principles

Driven by the spirit of innovation, we will continue to develop and propose advanced technologies in response to customer needs, for the benefit of society.

We will create a vibrant corporate culture that fulfills people's dreams, by placing high value on vigorous energy and flexible ideas.

We will contribute to social development by embracing the spirit of environmental consideration and compliance and promoting sound corporate activities that are appreciated by society.

#### Corporate Vision

We aim to become the leading brand in the mold and die components industry and achieve high profitability by leveraging our competitive advantage as a comprehensive manufacturing and sales company.

#### Business Fields

Molds and dies are necessary for making automobiles, electronic equipment, and consumer electronics—essential items in our daily lives—swiftly, uniformly, and in mass quantities. The Punch Industry Group makes the components that constitute such molds and dies. Deploying strengths amassed over the years—advanced technological capabilities, product quality, and meticulous services—we support global manufacturing and people's comfortable lives.

#### Components for Plastic Molds

Plastic molds are used in the manufacture of many plastic products, such as the outercasings of smartphones and digital cameras. Each product is made by heating resin until it melts, injecting the melted resin into a die mounted on an injection molding machine, and then allowing it to cool and solidify. The Punch Industry Group manufactures and sells components used in these molds.

#### These are what the Punch Industry Group makes!



##### Key product

#### Ejector pins

Ejector pins are used to eject and release the molded body from a mold.



##### Key product

#### Core pins

Core pins are used to mold parts. Core pins shape and engrave the portions of the part which they penetrate.

#### Components for Press Dies

Upper and lower press dies are fitted to a press machine, which moves up and down. Sheet metal is inserted between the two dies, which are then pressed together to form a product that takes the same shape as the upper and lower dies. The Punch Industry Group manufactures and sells components used in these press dies.

#### These are what the Punch Industry Group makes!



##### Key product

#### Punches

As key components for press dies, punches are used to make holes in and/or engrave designs on sheet metal. Punch Industry derives its name from these products.



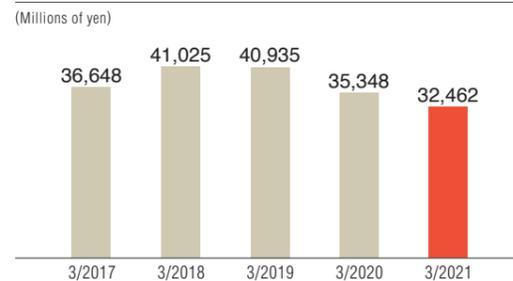
##### Key product

#### Holder guide posts

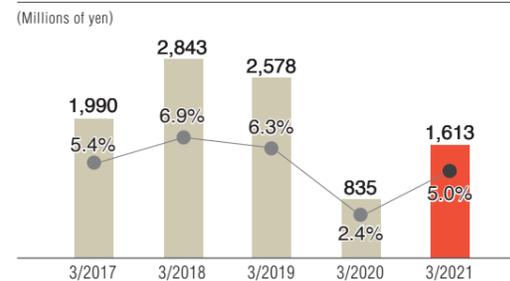
Holder guide posts are used to correctly align the upper and lower press dies.

## Performance Highlights

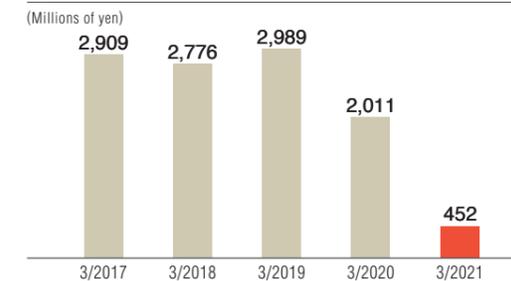
### Net sales



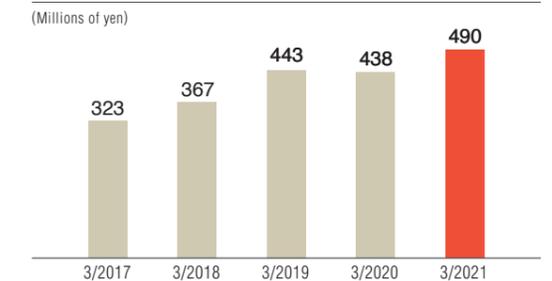
### Operating profit/Operating profit ratio



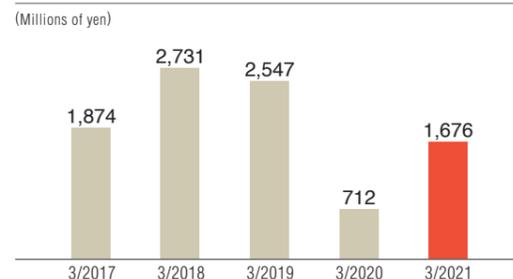
### Capital investments



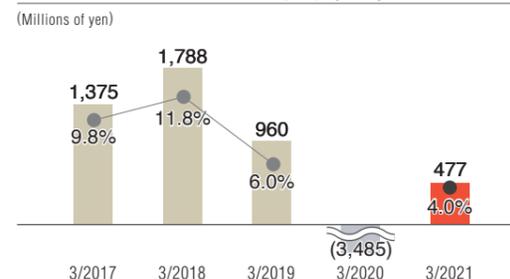
### R&D expenditure



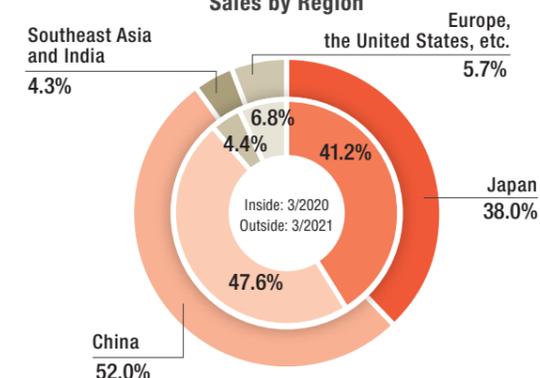
### Ordinary profit



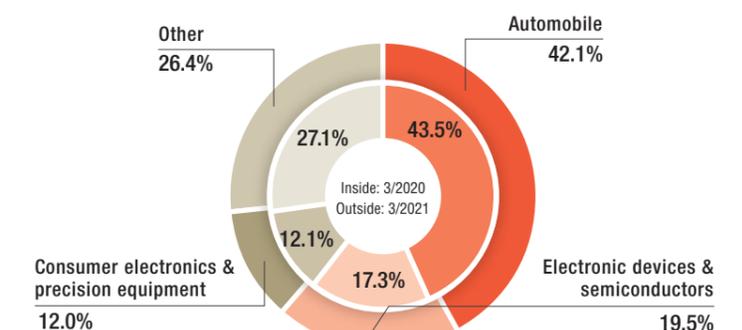
### Profit (loss) attributable to owners of parent/Return on equity (ROE)



### Sales by Region



### Sales by Industry



# We are seeing definite progress and signs of a turnaround in our management as we prepare for our next stage of growth.

The progress of Value Creation 2020 Plus, our plan to rebuild our business, which had deteriorated amid trade friction between the United States and China, was greatly affected by the spread of COVID-19. Accordingly, orders were sluggish in the first half of the fiscal year, and as in fiscal 2019, we struggled in the second quarter, recording impairment losses on our domestic operations. Subsequently, orders began to turn around even as the outlook remained uncertain. For the year, net sales recovered to just 8.2% below the previous year's level, and operating income jumped significantly, up 93.0% year on year.

**Tetsuji Morikubo**  
Representative Director, President, Chief Executive Officer



## Review of fiscal 2020 performance

At the beginning of the period, when we expected conditions to be severe, we first reduced the annual remuneration of executive directors by half of the previous year's level, and we also cut unnecessary and non-urgent costs to reduce overall expenses. Meanwhile, we benefited from declines in depreciation and travel expenses. However, we attribute the year-on-year increase in income to the creative and ingenious efforts of employees to reduce expenses and eliminate failure costs, and we are grateful for their efforts.

Our company is a manufacturing company, and we accumulate significant technical capabilities across all aspects of operations—sales, manufacturing, and management. Accordingly, we were able to get through this difficult time without cutting personnel, which was a great relief. Thanks to a corporate culture and mindset passed down over the years, we have impressive technical capabilities, and these invisible aspects will ultimately be reflected in enhanced productivity.

By segment, we reported a year-on-year decline in sales of automobile-related products due to decreases in automobile production volume in both Japan and China. However, we posted a slight increase in sales related to electronic devices and semiconductors. In Japan, we saw healthy demand for PCs due to widespread adoption of teleworking, and in China we enjoyed solid demand for 5G-related products. Meanwhile, sales of consumer electronics-related products were strong, buoyed by global stay-at-home demand. Moreover, we achieved a nearly 30% jump in sales of medical-related products thanks to increased orders for masks in China, syringe containers in Japan, and inspection pipettes in Europe.

By region, sales in Japan declined due to sluggish automotive

sector, although we began to see signs of recovery in the second half. Sales in China, which fell sharply in the first quarter, were mostly unchanged year on year thanks to strong demand in the electronic device and semiconductor sectors. In Southeast Asia, the market began to recover in the fourth quarter, but sales in all countries fell below previous-year levels, except for Malaysia, where we posted a slight increase in sales. In Europe, the Americas, and other regions, we continued facing difficult conditions amid a sharp decline in exports to Europe, especially of automobile-related products. Despite differences in the timing of recovery depending on region, China is recovering first, followed by the Americas, Europe, and Southeast Asia, with Japan being the slowest.

In terms of factory operations, in Japan we continued facing difficulties, with temporary suspensions implemented from May 2020 to January 2021, while in China we did not experience any significant fall in operations. Operations in Malaysia were suspended frequently due to lockdowns, but we shifted to alternative production in China and Japan. In Vietnam, we continued facing restricted shipments due to a decrease in international air traffic, but we were able to minimize delays in customer deliveries through flexible collaboration among Group companies.

## Outlook and progress of VC2020 Plus

In fiscal 2021, we expect to surpass the performance targets we set when we formulated VC2020 Plus, thanks to the current strong performances of our medical- and semiconductor-related products and recovery of the manufacturing industry. While there are concerns about the impact of the shortage of semiconductors on the automobile industry, we expect production to recover in the medium and long terms, and we will

solidify the foundation for our next growth by making progress in the four priority initiatives (see below).

In terms of sales, we are focusing on China, where factories of the world's leading manufacturers are concentrated, new products and other development projects for customers are emerging, there are many business opportunities, and we are enjoying solid growth. We will target steady increases in orders by continuing our focus on R&D, expanding our processing range, and taking on the challenge of new processing methods. To prepare for geopolitical risks, however, we will not place excessive expectations on China alone; rather, we will continue strengthening our presence in Europe and the Americas and establish a 5-pole sales system.

In Japan, we have found it difficult to recover from the declines in fiscal 2018 and 2019, and in response we launched our Business Planning Project to quickly rebuild our operations (see page 10). In Southeast Asia, we will target increased sales, especially in the fast-growing markets of Vietnam and Indonesia. In Europe, we will focus on the automobile- and medical-related sectors, which have been recovering. In the Americas, we will step up sales to the medical-related sector, where we have a competitive edge.

On the manufacturing side, we will continue improving our QCD (quality, cost, delivery time) capabilities. We have improved the skills and awareness of workers in our pre-shipment inspection system, while the rate of complaints is decreasing and our processing range is expanding. As a result, we have received good evaluations from customers for our quality. With regard to cost and delivery time, it is even more important than ever to modify our manufacturing methods to accurately reflect customers' manufacturing needs as competition intensifies year by year. Because our made-to-order production system entails making

one-of-a-kind products, our daily challenges and ingenuity are integral to our competitiveness. Our strength lies in our integrated sales and manufacturing system, where sales means carefully collecting important processing criteria, price ranges, and delivery date information from customers, while manufacturing means responding with the best technologies. Leveraging this strength, we will continue meeting the demands and expectations of our customers to become their company of choice.

Improving employee engagement will provide our greatest contribution to society. With this in mind, we are promoting working-style reforms to help employees achieve a good work-life balance by encouraging them to take paid leave and encouraging male employees to take parental leave, and empower women. We are also deploying Punch Academy, our in-house educational institution to enhance our education systems.

## Fostering sustainable growth

We transitioned into a company with audit and supervisory committee to strengthen our supervisory function and speed up decision-making. Because some directors still have concurrent business execution roles, we will take the next step of separating the business execution and supervisory functions. We believe that broadening our horizons through the supervisory function—rather than business execution, which can easily lead to narrow horizons—and engaging in management based on various risk assumptions, will lead to sustainable growth and enhanced corporate value over the medium and long terms.

From the perspectives of ESG and the SDGs, we have clarified issues to be addressed to tackle such global challenges as climate change and decarbonization. Our transition into a new company system will broaden our perspectives in promoting these activities.

VC2020 Plus: Priority initiatives	Specific measures
Establishment of 5-pole sales system	Expand sales channels in Southeast Asia, Europe, and the Americas
Enhance customer-focused marketing capabilities	Promote reassignment and human resource development to foster salespeople with rich processing knowledge
Optimize the global production system and strengthen R&D	Deploy production system that highlights the attributes of each factory; leverage R&D to reduce man-hours and establish new construction methods
Working-style reforms and human resource development	Promote the advancement of women, good work-life balance, and global human resource development

## To our stakeholders

Since our founding, we have managed to keep abreast of the detailed requests of individual customers and challenged ourselves to do things that other companies cannot or will not do. I believe this has enabled us to become a company that our customers need.

Now, we need to transform ourselves into a company that anticipates and responds to customers' needs rather than simply accepting orders because we can fill them.

The mission of Punch Industry Group, as the top brand in the mold and die components business, is to deploy our integrated manufacturing and sales system, which is our key strength, to consider and propose solutions to customers' problems. We aim to always be the first choice of our customers and contribute to the realization of a better society.

We look forward to your continued support.



**We will strive to be the first choice of our customers and contribute to manufacturing around the world.**



**Yasuhiro Sanada**  
Director, Managing Executive Officer,  
Chief Operating Officer (Sales)

## Sales Division

### Establishment of 5-pole sales system

Although we have not made enough progress to affect our sales composition ratio, our efforts in each area are progressing steadily.

#### Japan

There are improvements in automobile-related products, which account for 40% of net sales, in August 2020, followed by semiconductor-related products and electronic device-related products. Subsequently, we benefited from demand for medical-related products associated with COVID-19 vaccinations and were able to secure solid results in the fourth quarter. Meanwhile, we strengthened our marketing capabilities by increasing the accuracy of our fiscal 2021 targets. In addition to analyzing lost orders from fiscal 2019, we conducted rigorous analyses to recapture inactive customers, develop new customers, and increase the number of Web-based orders. We also established a system that allows all analysis data to be transferred to sales offices, visualized on sales tools, and managed. We also identified priority customers and strengthened efforts to increase order responsiveness.

#### China

Following the receipt of large orders for mask-related die components in March, demand rebounded for our medical-related products, including for mass production of core pins. We greatly improved our technology, as we had never worked on such products before. Since December, our monthly production volume of plating pins for encapsulation molds, one of our key products, increased two to three times over the previous fiscal year due to increasing demand for semiconductors. We arranged to manufacture them at our Kitakami Plant as well. Projects related to semiconductors, electronic devices, factory automation (FA), and automobiles are moving forward according to our annual plans, with equipment-related FA products growing significantly. We will continue developing technologies to increase orders for new products and mass-produced items.

#### The Americas

Under complete lockdown, we have been working from home for more than one year. To increase our name recognition, we strengthened our Internet advertising sales promotions, launched a website, and attracted new customers by responding to inquiries via the Internet. Sales have been gradually

increasing since October 2020, with medical-related sales surging in the second half and beverage-related sales remaining strong. In March 2021, we achieved the highest monthly sales since our establishment. We will step up use of social media to expand our sales channels.

#### Europe

We continued receiving large orders from multiple medical device manufacturers, which we handle at our three plants in Malaysia, Japan, and China. These are very difficult products to make, which underscores our need to transform ourselves into a company that anticipates and responds to customers' needs rather than simply accepting orders because we can fill them. Since then, orders for automobile-related products have gradually recovered. We also further strengthened our good relationships with agents with our COVID-19-related customer support. We will further reinforce these relationships and focus on electric vehicle-related products, which are earmarked for increased demand.

#### Southeast Asia and India

In the second half, our automobile-related businesses in Vietnam, Singapore, Indonesia, and India all began to turn around, while in Singapore orders from semiconductor users are increasing. Our Vietnamese sales company, which previously relied on standard products, as well as our office in India, steadily increased the ratio of special-order products. Despite a year of turbulence caused by COVID-19, we are starting to see signs of recovery.

### Enhance customer-focused marketing capabilities

We are improving customer service, especially in Japan. We are modifying our new ordering system with the aim of reducing man-hours until order placement. We plan to update the system in January 2022 to reflect customer feedback on its user-friendliness. We have also made progress in developing a quotation tool for customers. The tool is being field-tested at our sales offices and is earmarked for release in fiscal 2022. We have also established a system to promote Web-based billing.

We established an enterprise sales unit to expand our business not only with mold and die makers but also with major manufacturers. We will work to win orders for transfer jigs and other precision jigs and tools for factory automation. To this end, we will attract new customers and approach the offices and factories of existing customers with whom we have no current business relationship.

**We will improve both productivity and operational efficiency to optimize our global production system.**



**Akira Takanashi**  
Director, Senior Executive Officer,  
Chief Operating Officer (Manufacturing)

## Manufacturing Division

### Optimizing our global production system

Our production system consists of 12 manufacturing bases in four countries. To optimize this system, it is important to ask ourselves questions from medium- to long-term perspectives. These questions include “where to manufacture?” (market, country, region, and customer base), “what to manufacture?” (semi-finished products, standard products, special-order products, components for plastic molds, components for press dies, and jig and tool-related products), and “how to manufacture?” (distributed production, centralized production, combined production, unmanned/labor-saving production, and general-purpose/multi-skilled production, etc.). Various other factors also need to be considered, such as production costs (securing personnel, rising labor costs, procurement of raw/auxiliary materials), transportation costs, product quality (differences in skills and equipment), and supply chain risks. It is important to achieve 100% supply without excesses or shortages vis-à-vis market demand and our own objectives, while anticipating various changes in demand. Therefore, “optimizing our production system” does not mean increasing productivity alone, but rather carefully examining and improving both productivity and operational efficiency.

In Japan, we are transferring some product manufacturing from the Kitakami Plant to the Hyogo Plant and consolidating production processes (through multi-skilled labor) at some plants. At the Kitakami Plant, we have also started to automate some final inspection processes (3D measurement of multiple objects), and we are moving ahead with the automation of inspection processes that require a large number of repetitive tasks.

In China, production and inspection of some products at the plant in Wafangdian are fully automated and labor-saving, and we are making progress with automation at the spring plant in Dalian. We have also introduced automation and labor-saving processes at our distribution center in Dalian, while at the Dalian Plant we have built a rapid production line specializing in quick delivery products, a line capable of ultrashort delivery processes, and a precision line. As we aim to further increase market share, our immediate issue is how to offset soaring labor costs, so we recognize the need to accelerate automation and labor-saving even more.

In Malaysia, we are beginning to face challenges with respect to attracting talent and rising labor costs. Taking advantage of our plant's location, however, we hope to establish a system for expanding sales of special-order carbide products to Southeast Asia in addition to Europe.

In Vietnam, we stopped production of semi-finished products in January 2020 and restarted to specialize in finished standard products for sale in Japan. We will strive to further reduce production costs while considering production of special-order products for sale in Southeast Asia.

### Raising awareness through human resource development and small-group activities

Our most important roles as a manufacturer are to pursue ongoing improvement activities and human resource development, generate profit through cost reductions, and create added value through enhanced technical capabilities. Without individual growth, there can be no corporate growth, and employees who continue to learn are the driving force behind a company's sustainable growth. Accordingly, our most important task is to align human resource development with the vectors (directions) of all employees to harness their combined strengths.

In addition, we have started small-group activities aimed at creating joy in work (through self-realization and a sense of accomplishment), with the aim of fostering a culture in which frontline employees can recognize their own challenges, identify issues, and work on improvements. To date, we have engaged in process-oriented activities to learn improvement methods, but from fiscal 2021 we will pursue specific initiatives to tackle the two tasks of “reducing costs” and “eliminating failure costs.” We are also working with Punch Academy to further strengthen education on quality control and improvement methods. It is important to not stop trying due to fear of failure, but to keep trying. Even if we fail, we must face our failure, learn from it, and apply it to our next challenge. We will continue our small-group activities to help employees embrace this mindset.

Growth will stop if we become complacent. For this reason, I will not always be complacent about the current situation as a head of manufacturing. By maintaining our vitality and continuing to prosper, we aim to achieve 100 years of longevity.

By delivering sustainable growth and medium- to long-term improvements in corporate value, we aim to please all our stakeholders.



**Takao Murata**  
Director, Senior Executive Officer,  
Chief Financial Officer

Finance & Human Resources Strategies

**Fiscal 2020: Lower sales and higher profit**

Although net sales were down due to the strong impact of COVID-19, we were able to secure a significant increase in profits. Our performance benefited from a decline in depreciation—stemming from impairment losses of fixed assets in fiscal 2019 and 2020—as well as from the inevitable decrease in travel expenses due to COVID-19 and social insurance premium reductions and exemptions by the Chinese and Malaysian governments. Groupwide efforts to reduce costs and expenses were also successful, leading to an increase in profits. In particular, our Business Planning Project, implemented at domestic plants, began to show positive results, such as a significant reduction in failure costs associated with defects and customer complaints. At our domestic plants, we did not cut any salaries during the period of declining capacity utilization, but instead asked employees to take temporary leave supplemented by employment adjustment subsidies. As a result, we overcame the difficult situation.

**Impairment loss in Japan again in fiscal 2020**

In the second quarter, when sales were at their lowest, we determined that we could not expect sufficient future cash flow and recorded an impairment loss on the Hyogo Plant and company-wide shared assets. In the end, the COVID-19 pandemic was the deciding factor, but we now recognize that the root cause, as in fiscal 2019, was the aggressive capital investments we made in the past. By contrast, China quickly recovered from the effects of COVID-19 and has been performing well since the second quarter. Our facilities there are now operating at close to full capacity, so the aggressive investments we have made to increase production capacity have been successful.

In Vietnam, where we recorded an impairment loss in fiscal 2019 resulting in a fixed asset book value of zero, our operations have been stable, and profitability has improved significantly. However, we were unable to greatly increase sales due to a decline in orders from Japan. Nevertheless, our plant there has a lot of room for growth, and we will make it more profitable.

**Financial position and shareholder returns**

Thanks to the success of our efforts to curtail investments, we generated free cash flow in excess of ¥2.2 billion in fiscal 2020. As our business performance recovers, we plan to allocate these funds in a well-balanced manner between dividends to shareholders, investments in growth, and reinforcement of our financial base.

In recent years, we have been unable to maintain our previous dividend policy due to a significant drop in profits caused by impairment losses. We will first target a dividend payout ratio of 20% through recovery in earnings, then raise that ratio to 30% to normalize dividend levels. In fiscal 2019 and 2020, we were unable to pay dividends from retained earnings—instead paying from our capital surplus—and we regret the discomfort caused to shareholders. Our goal is to begin paying dividends from retained earnings as soon as possible.

**Future impact of reduced investments**

Our capital investments in recent years have fluctuated dramatically, from ¥3 billion in fiscal 2018 to ¥2 billion in fiscal 2019 and ¥450 million in fiscal 2020. Particularly in Japan, where even the slightest investment may result in an immediate impairment loss, we must limit our investments to the minimum necessary level. As a result, depreciation in fiscal 2020 totaled ¥970 million, down ¥700 million year on year. In fiscal 2021, we expect to make around ¥900 million in capital investments, mainly for replacement of aging facilities in China, and depreciation to be around ¥1 billion.

Although investment reductions have not had a significant negative impact on business continuity at this stage, the fact is that we have not been able to plant seeds for the future. Our top priority is to recover our business performance as soon as possible so we can establish a solid growth strategy and make increased proactive investments to implement that strategy.

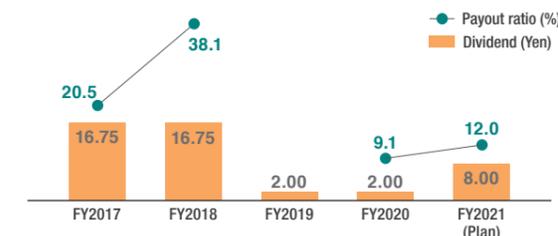
**Improving asset turnover**

Despite the decline in net sales, the fixed asset turnover ratio improved significantly to 4.50 times, from 3.64 times in fiscal 2019. Due to the significant decrease in the balance of fixed

**Capital Investments/Depreciation**

(Millions of yen)	FY2017	FY2018	FY2019	FY2020	FY2021 (Plan)
Capital investments	2,776	2,989	2,011	452	900
Depreciation	1,597	1,729	1,674	968	1,000

**Dividend per Share and Payout Ratio**



On January 1, 2018, we implemented a 2-for-1 stock split. Dividend calculations for each fiscal year assume that the stock split was implemented at the beginning of fiscal 2017. Due to the loss recorded in fiscal 2019, a figure for payout ratio is not provided for that year.

assets caused by past impairment losses, however, the situation is not normal. When making new investments in the future, we need to determine how to balance sales and investments while monitoring figures in the next mid-term business plan.

In fiscal 2020, the accounts receivable turnover ratio worsened slightly to 3.32 times, from 3.38 times in fiscal 2019. This was due to lower sales in Japan, where collections are faster, and higher sales in China, where collections take longer, so we need to continue to focus on collections, especially in China. The total asset turnover ratio improved slightly to 1.29 times, from 1.24 times in fiscal 2019, due to contraction of total assets stemming from the decrease in fixed assets. In Japan, moreover, we use cash conversion cycle (CCC) as a performance indicator to maximize capital efficiency.

**Management issues and future approach**

We have been closely monitoring the Group's net cash since its listing in 2012. At the end of fiscal 2012, our net cash totaled -¥7.2 billion, prompting external parties to draw attention to our weak financial base. For this reason, we have been working to improve and strengthen our financial position as our top priority. As a result, our net cash improved significantly to -¥900 million at the end of fiscal 2020, and we are on track to be virtually debt-free by fiscal 2021.

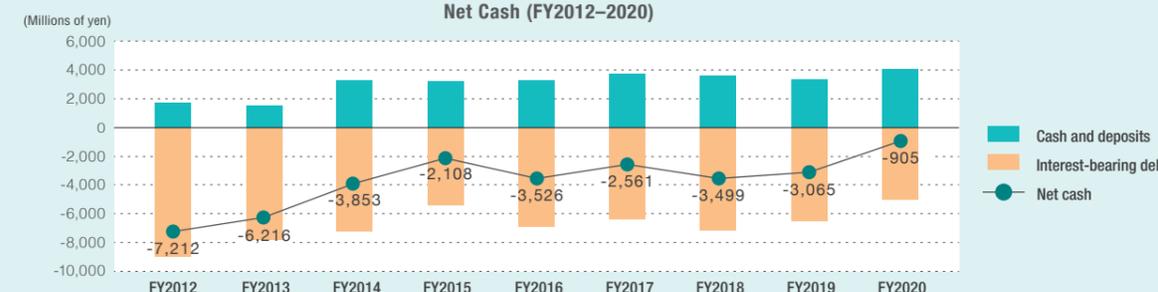
However, this improvement is simply a by-product of our unfortunate inability to make sufficient forward-looking steps as our sales declined. In the past, strengthening our financial base has been our most important management priority. Now, however, we are more concerned with finding the "next step" for growth to improve our corporate value in the future. We

recognize that aggressively taking on this challenge is our biggest management priority. To implement this strategy, we plan to move to the investment execution phase in our next mid-term business plan. To avoid repeating the mistakes we made in 2016 and 2017, however, we need to meticulously examine the effectiveness, future prospects, and risks of each investment, and make appropriate decisions before making aggressive investments, rather than blindly pursuing investments alone.

Although we are currently engaged in cost reduction activities under our Business Planning Project, it is crucial that we shift to high-value-added products at the same time, instead of simply reducing costs to generate profits. We aim to generate high levels of profit by combining efficiency and cost reductions with high added value, including by introducing robotic process automation in indirect operations, while refining our technical capabilities.

As more people emphasize the importance of a sustainable society, evidenced by the SDGs and various ESG activities, companies must adopt a management approach that prioritizes the happiness of all stakeholders. The Company engages in various efforts to benefit the environment and society. These include energy saving measures, going paperless, work style reforms, human resource development, and promoting active roles of women. So far, however, these have been individual, disconnected activities. Our next task is to organize these activities under the objective of "sustainability" and link them to the enhancement of corporate value. Due to the increasing importance of disclosing such non-financial information, in addition to financial information, creating a system for such disclosure is my key task.

**Net Cash (FY2012–2020)**



# Progress of VC2020 Plus

## Priority Initiatives

The Punch Industry Group has completed the first year of Value Creation 2020 Plus (VC2020 Plus), its mid-term business plan covering the two-year period from April 2020 to March 2022. Under the plan, the Group is united in an effort to rebuild its business, which has deteriorated with the growing impact of trade friction between the United States and China. Although the start of the plan coincided with the worldwide outbreak of COVID-19, in fiscal 2020 we made new inroads and good progress in all four priority initiatives outlined in the plan: “Establishment of 5-pole sales system,” “Enhance customer-focused marketing capabilities,” “Optimize the global production system and strengthen R&D,” and “Working-style reforms and human resource development.” We look forward to making further progress in fiscal 2021.

Measures by Region		Japan	China	Southeast Asia, India	Europe	The Americas
Establishment of 5-pole sales system				Strengthen regional strategy	Establish sales structure	Expand customer base
		Increase business with global companies; step up medical- and beverage-related sales				
Enhance customer-focused marketing capabilities	Product development based on customer needs		Partnerships with customers in new fields			
	Improvement of ordering system					
Optimize the global production system and strengthen R&D		Optimization of global production systems for standard and special-order products ● Promote labor-saving and automated production in Japan and China ● Increase medical- and beverage-related production capacity ● Increase stabilization and profitability of Vietnam Plant operations				
		Development of new fields and markets Looking into business tie-ups and M&As with other companies Improvement of processing technology for difficult-to-process materials Continue development in the aerospace field				
Working-style reforms and human resource development		Promotion of active roles of women and work-life balance/Development of human resources who can be active overseas				

### ■ Establishment of 5-pole sales system

During the year, we dissolved the Marketing Office for Europe and the Americas, which had been supporting our U.S. sales companies and European distributors, based on the recognition that we have established a solid sales framework in Europe and the Americas and have moved to the next stage of development. In the United States, we are striving to attract increased orders for medical and beverage-related products by stepping up developmental collaboration with the Kitakami Plant. We are also working to increase our profile by opening a new website and using social networking platforms to attract new customers. In Europe, we won new large orders from multiple medical-related manufacturers and built strong relationships with distributors. Our next challenge is to establish the capacity to fill these orders within our current production system.

### ■ Enhance customer-focused marketing capabilities

Through the know-how and technological prowess we have cultivated since our founding, as well as our integrated production structure and customer-oriented sales structure, we have a wide range of offerings, from standard to special-order products, together with meticulous support and consulting capabilities, which together represent our strengths. We got off to a good start with reassigning our manufacturing department personnel to the sales office, which was aimed at reinforcing our proposals to include technical details. This has enabled such personnel to discuss process-related matters on the spot. In addition to our branch offices, we have assigned sales representatives to Niigata

and Kumamoto in order to increase the volume of activities and implement a community-based approach. These efforts have been well received.

We will continue emphasizing QCD (quality, cost, delivery). (Here, “quality” means improving the quality of both sales and products as part of customer service; “cost” means realizing optimal prices that meet customer needs; and “delivery” means deploying logistics effectively to deliver products quickly.) In addition to further developing new products based on customer needs and actively proposing process improvements, we are stepping up efforts to become the first choice for customers by pursuing simplicity through web-based ordering.

### ■ Optimize the global production system and strengthen R&D

At the Punch Industry Group, we broadly divide R&D into “research and development” and “technology development.” In “research and development,” we are working with industry, academia, and government to create new value, differentiate ourselves from our competitors, and solve our customers’ problems, and we are also developing new materials with new levels of performance. In “technology development,” we are pushing the boundaries to make previously impossible processing methods possible, embracing creativity to make existing processing methods more efficient, and pursuing ways to further reduce costs that will help us increase sales and generate profits.

In China, meanwhile, we are actively cooperating with users on new product development through joint resolution of technical issues.

### ■ Working-style reforms and human resource development

As part of our working-style reforms, we are striving to shorten total working hours, including by encouraging all employees to take paid leave and encouraging male employees to take parental leave. In fiscal 2020, working hours naturally decreased due to temporary suspensions at domestic plants. As sales increase, however, it will become more and more important for employees to maintain a healthy work-life balance.

In human resource development, we aim to build a system that can constantly produce “human resources who can formulate strategies” and “human resources who can execute strategies.” In addition to the

efforts of Punch Academy, our in-house educational development organization, we will clarify the image of the human resources we seek and start education on manufacturing and quality for all employees. Our aim is to build a systematic human resource development program. We will also accelerate diversity in various ways. These include eliminating the perception of gender roles in the workplace, raising awareness by providing various opportunities irrespective of gender, engaging in our “Iku Boss campaign” to foster managers who care about their subordinates’ private lives, and promoting the advancement of women in the workplace. At the same time, we will make systematic efforts to develop global human resources and next-generation managers in preparation for further globalization of the Group.

## PICK UP

## Business Planning Project: Japan

In Japan, which has been greatly affected by COVID-19, we launched our “Business Planning Project” in 2021 to build a strong management structure that can withstand changes in the external environment. The aim of this initiative is to increase corporate value over the medium and long terms by creating a system that can sustainably generate profits, rather than downsizing based on short-term reductions in fixed costs. Core elements of the project include restructuring sales strategies, reducing costs, and eliminating failure costs. Some of these efforts have already been effective in the short term, evidenced by the Company’s recent improvement in performance.

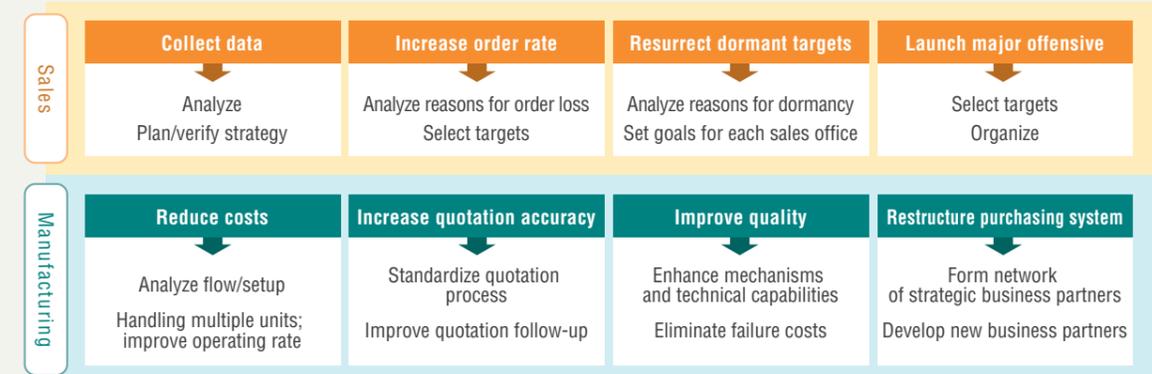
Upon reflection, we realized that market prices have deviated from our initial assumptions since fiscal 2019, resulting in more intense price competition, and our delayed responses have led to a decline in our domestic performance. For this reason, we are going back to basics by reviewing our data collection methods to grasp current realities and implementing a high-speed PDCA (plan-do-check-act) cycle on a monthly basis to develop strategies based on that data. We believe we now have a strategy in place that is highly achievable, and in fiscal 2021 we will clarify the roles and responsibilities of internal and external employees within each sales office and work to increase the volume of our activities.

We will also expand our product analysis guidance service at each sales office. This will enable us to visualize individual cost reduction issues and help us optimize our production facilities. In addition to

increasing sales of standard products, we have been successful in attracting orders for special-order products, and we believe there is large potential for growth in a wide range of areas. Always emphasizing customer convenience, we believe our mission is to create a new ordering system that our customers can use with minimal effort.

We are pursuing initiatives to reduce manufacturing and procurement costs and eliminate failure costs—key factors in maintaining price competitiveness. For example, we have unified our feedback system for defective products identified when semi-finished products manufactured in our Chinese plants are processed into finished products in Japan. In this way, we are improving quality throughout the Group and eliminating failure costs. Semi-finished products are used in large quantities and are expected to be highly effective. In the field of manufacturing, however, there are many things to learn from our challenges and failures. Our goal is to eliminate the cost of failures while making the most of our challenges. Although we still have room for improvement, we are making good progress in reducing our defect rate.

We are also looking to develop services that utilize 3D scanners. Here, we are considering a service that will help customers solve their problems by measuring molded plastic and metal products produced by the dies and quantifying any differences between those products and the design specifications.



# Technology Development and R&D

The Punch Industry Group proactively engages in technology development and R&D, the source of value creation for a manufacturing company.

## R&D and Marketing Creating New Value

The Punch Industry Group's R&D bases in Japan and China work with each other to develop new construction methods and products. Our business environment is undergoing remarkable changes due to advances in digitalization and electrification, as well as business model innovations. In this context, our aim is to stay close to the market in order to understand new needs and create new value, as well as new businesses and products for the next generation.

## Obtained Patent for Coating Selection Process

A coating is a film that is applied to the surfaces of punches and other mold and die components to improve their durability and releasability. The complexity and sophistication of products processed by molds and dies have grown in recent years, and molds and dies are being subjected to increasingly high loads when processed, pushing up demand for coatings. Meanwhile, many coating manufacturers have developed and released many kinds of coating films, making customers confused due to lack of materials and comparative data to help them select the best coatings for their machining requirements.

In response, we have developed a program to select the most suitable coating from our offerings, which cover more than 150 types, according to press speed, material to be punched, and other processing conditions of customers. The program has made it possible to quantify the selection of coatings, which was previously based on experience. In January 2021, we obtained a patent for this technology.



Title of invention: Diagram information generator, assisting device for selecting coating agent for mold and die components, diagram information generation method, and assisting method and program of selecting coating agent for mold and die components

## 3D Service Initiatives

3D services are those that utilize the measurement technology of 3D scanners. Such technologies are effective for measuring shapes and are particularly effective in measuring the complex shapes of molds and dies, which are indispensable for manufacturing. The Company utilizes these measurement technologies to connect the measured data with technology to verify the shape, theory, conditions, and other aspects of the manufacturing process. In this way, we are working to develop services that will help shorten development lead times and improve the quality of manufacturing for customers who use our mold and die components.

We aim to further contribute to Japan's manufacturing by combining the experience and measurement technologies we have cultivated over many years in the mold and die industry.



Measures complex-shaped parts and calculates the optimal dimensions for customers' production needs

## ESG

The Punch Group considers ESG (environmental, social, and governance) and the SDGs to be important management priorities and is working to address them. Of the 17 SDGs, the entire Group is working on seven goals that are particularly relevant to our business, including those already being implemented by individual Group companies.



## Environment

### Going Paperless

In addition to digitizing internal applications, reports, and other paper documents, some departments have introduced wireless LANs and laptop computers to enable mobile work on the floor. We have also stopped distributing meeting documents and other materials in paper form. Since 2019, moreover, we have introduced a tool for linking fax machines and multifunction devices at our domestic branches, to digitize and streamline order forms received from customers by fax. This has enabled us to reduce the number of printed documents by more than 30% across all domestic branches.



### Solar Panels Installed

In 2018, our Malaysia Plant installed around 450 solar panels on the roof of its facility, with an annual CO<sub>2</sub> reduction effect of 142 tons. Solar energy generated from the panels covers part of the electricity used in the plant, and surplus electricity is sold to local power companies.



## Social

### Skills Contest

Every year, we hold a skills contest to improve the technical abilities of our employees. In 2020, the fifth year of the competition, a record-high 400 contestants from Japan and China competed in two categories—technology and creativity—demonstrating their high levels of skill and originality.



Gold Prize (Technology Category)



Gold Prize (Creativity Category)

### Punch Family Salon

Since 2020, we have been holding a web-based social event called Punch Family Salon for employees (both men and women) on maternity or childcare leave. The aim of the program is to ease employees' anxiety they feel during leave of absence through chats and consultation, allowing a smoother return to work. It provides a meaningful forum in which experienced mothers and fathers give advice on balancing work and childcare, and participants exchange information on utilizing the Company's regulations on childcare.



### Groupwide No Tobacco Day

The World Health Organization (WHO) has set aside May 31 each year as "World No Tobacco Day." On that day, Group companies engage in their own independent activities to help people quit smoking with the aim of building a tobacco-free society.



### Providing Opportunities to Learn

The Company offers workplace tours and internships to students attending local schools to provide them with opportunities to learn about the community and to consider their own career paths through learning.



### Promoting the Advancement of Women—Message from the President

We believe that the active participation of women has a significant impact on corporate culture and is essential for the sustainable development of the Company. Promoting the advancement of women will inevitably lead to institutional reforms and business improvements related to employment, which in turn will bring about major changes in work styles for both women and men. It will also help us develop a corporate culture that embraces diversity.

Under Value Creation 2020 Plus, our mid-term business plan, we have cited "Work-style reforms and human resource development" as a priority initiative. One of our most important challenges here is to accelerate efforts to promote the advancement of women, support the diversification of women's career and life plans, and proactively develop environments that emphasize a good work-life balance.

So far, we have introduced a self-reporting system for career planning called "My Job Plan" and revised our regulations on childcare and nursing care. As a result, the number of male employees taking childcare leave jumped to 20 in 2020, up from three in the previous year. We feel that awareness of work-life balance is gradually improving.



# Corporate Governance



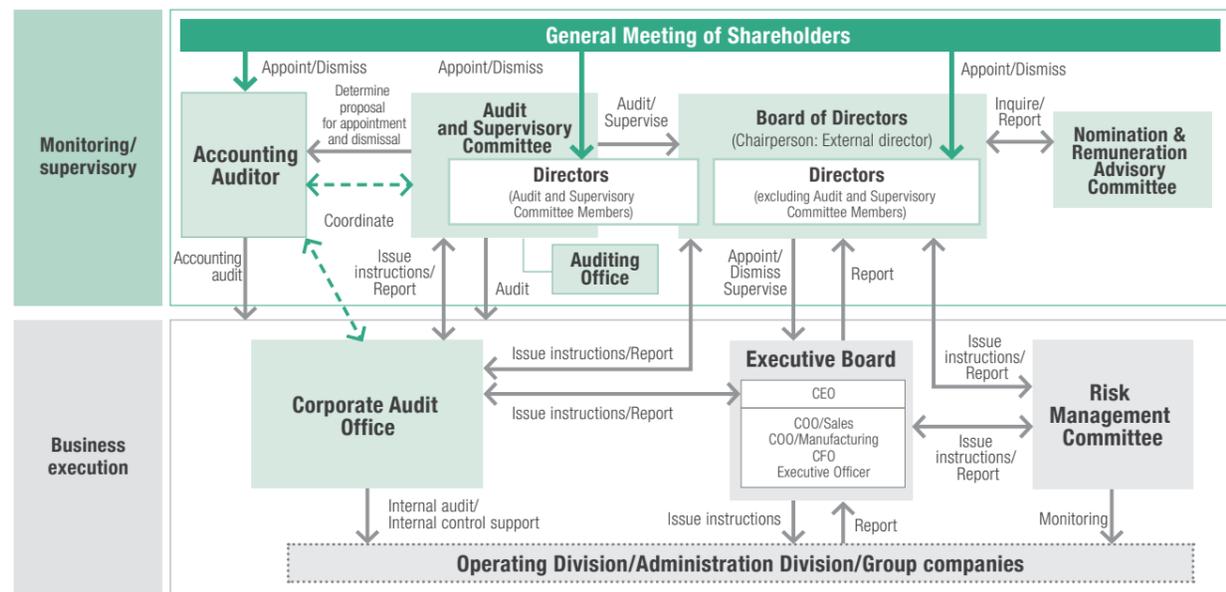
The Company made a transition from a company with audit & supervisory board to a company with audit and supervisory committee, by resolution of the Annual General Meeting of Shareholders held on June 23, 2021, for the purpose of further enhancing the supervisory function of the Board of Directors and speeding up managerial decision-making.

Initiatives to Strengthen Corporate Governance										
	3/2013	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022
President	2013- Masaaki Takeda				2019- Tetsuji Morikubo					
Chairperson of the Board of Directors	President serves concurrently as Chairperson				2016- External director serves as Chairperson					
Independent External Director(s)	2013- 1 person				2016- 2 persons				2021- 4 persons	
Advisory Committee, etc.					2015- Nomination & Remuneration Advisory Committee * Formulation of policy for nomination and dismissal of management executives * Planning for and monitoring of successor					
Risk Management	Since public listing: Risk and Compliance Committee				2015- Name changed to the Risk Management Committee					
Management Organization, etc.	2012- Company with audit & supervisory board				2021- Company with audit and supervisory committee					

## Basic Policy

The Punch Industry Group makes dedicated efforts to enhance corporate governance practices to comply with laws and sincerely fulfill the corporate social responsibility, to ensure the soundness and transparency of management, to protect the interests of all shareholders, customers, and other stakeholders, and to continuously increase the corporate value, under the following concepts:

1. Securing shareholders' rights and equality
2. Appropriately cooperating with all the stakeholders including shareholders
3. Ensuring transparency by appropriate information disclosure
4. Supervising business execution by the Board of Directors
5. Engaging in constructive dialogue with shareholders



## 1. Board of Directors & Business Execution Structure

The Board of Directors is composed of 10 Directors (including three Directors who are Audit and Supervisory Committee Members), four of whom are External Directors (including two External Directors who are Audit and Supervisory Committee Members). An independent External Director serves as the Chairperson of the Board of Directors, and more than one-third of the Directors are independent External Directors, to enhance the supervisory function. The Board of Directors makes decisions on basic management policies, matters stipulated by laws and

regulations, and other important matters related to management. The Board of Directors holds regular meetings monthly, as well as extraordinary meetings and meetings for exchange of opinions by the members of the Board of Directors when necessary. As the decision-making body for business execution, the Executive Board, composed of all Executive Officers, engages in deliberation and makes decisions related to execution of business, including matters legitimately delegated by the Board of Directors.

## 2. Audit and Supervisory Committee /Audit and Supervisory Committee Members

The Audit and Supervisory Committee is composed of three Directors (including two External Directors) who attend meetings of the Board of Directors and other important meetings and express their opinions, as necessary, on the status of business execution by Directors (excluding Directors who are Audit and Supervisory Committee Members) and important decisions. In addition, the Audit and Supervisory Committee conducts rigorous audits through hearings and reports from Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and others.

## 3. Nomination & Remuneration Advisory Committee

The Nomination & Remuneration Advisory Committee, composed of all External Directors and Directors in charge of management, has been established as an advisory body of the Board of Directors to clarify basic policies and standards and enhance fairness and transparency of the decision-making process when nominating and dismissing Directors and Executive Officers, and when determining remuneration for Directors

(excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers.

## 4. Risk Management Committee

The Risk Management Committee, consisting of Executive Officers, the General Manager of the Business Administration Department, persons in charge of major affiliates, and the General Manager of the Corporate Audit Office, works to prevent the occurrence of risks and minimize damage by establishing a risk management system.

## 5. Remuneration of Board Members, etc.

The total amount of the remuneration of Directors is approved by the General Meeting of Shareholders. The Board of Directors decides the specific amount of remuneration for each Director (excluding Directors who are Audit and Supervisory Committee Members) upon the examination of appropriateness at the Nomination & Remuneration Advisory Committee. The Audit and Supervisory Committee decides the specific amount of remuneration for each Director who is an Audit and Supervisory Committee Member.

## Compliance/Risk Management

The Company recognizes that thorough compliance is essential for improving corporate value, and has established the Punch Industry's code of corporate ethics, according to which all officers and employees are required to act in compliance with laws and regulations, and to act with high ethical standards. The Company has also set up the Punch Hotline, an internal reporting system for reporting and consultations if compliance-related issues are discovered. We strive to uphold internal controls and improve the system of in-house checks and balances.

Compliance education is carried out via new employee and rank-based training to ensure that all employees engage in appropriate and fair business activities. Compliance education and training is also regularly provided to all officers and employees. Furthermore, the Company has established internal regulations regarding risk management and a risk management system, and has developed a system to comprehensively recognize and evaluate management and business risks that may affect management, to prevent the occurrence of risks and minimize damage.

## Messages from External Directors

**Yukiko Mitsuhashi**  
External Director



After several years of discussions and study sessions at the Board of Directors, we have made the transition to a company with audit and supervisory committee. This will strengthen the character of the Board of Directors as a monitoring board rather than a management board, and will enable it to take a more objective view of management. We have already had an External Director chairing our Board of Directors since 2016, and believe that this will have a similar effect. We will continue to make every effort to improve our corporate value by leaving behind the precedents and ties of the executive department, and actively evaluating measures that are the most desirable at the current time.

**Naruhiko Takatsuji**  
External Director



The external environment surrounding the machinery industry has been difficult over the past three years, with U.S.-China trade friction starting from the summer of 2018 and the COVID-19 pandemic from the beginning of 2020. However, since the summer of 2020, demand in the machinery industry has started to expand, mainly in China, and has entered a stage of renewed growth. As an analyst, I have been involved from an outside perspective. I will continue to reflect on the needs of the outside world, and make every effort to make Punch Industry a better company that can improve corporate value for everyone, both inside and outside the Company.

Punch Industry's corporate governance website ▶ <https://www.punch.co.jp/english/companyinfo/governance.html>

Reasons for Appointment of Directors and Meeting Attendance

Name	Reason for appointment	Independent director	Attendance at Board of Directors and Audit & Supervisory Board meetings in FY2020
<b>Tetsuji Morikubo</b>	Since becoming a director of the Company in June 2018, Mr. Morikubo has overseen the entire business of the Punch Industry Group, with a focus on management and business development strategies. He became president and CEO in November 2019. As a top executive of the Punch Industry Group, Mr. Morikubo has worked hard to improve corporate value, utilizing his business experience in the Company and the Punch Industry Group's operations in China and Southeast Asia. We have therefore deemed it suitable to appoint him as the chief executive officer to accelerate rebuilding management and drive the further growth of the Group, in light of its deteriorating performance due to sluggish market conditions since the middle of fiscal 2018, as well as the recent COVID-19 pandemic.		Attended 18 of 18 Board of Directors meetings
<b>Yasuhiro Sanada</b>	After becoming a director of the Company in June 2012, Mr. Sanada has led the Punch Industry Group's global expansion as a top executive, utilizing his business experience in the Company and the Punch Industry Group's operations in China. Since 2019, he has overseen the Group's operations with a focus on cultivating new demand and attracting business orders amid ongoing sluggish market conditions. In light of his experience and track record, we have deemed it suitable to appoint him as a director to "Enhance customer-focused marketing capabilities," a priority initiative defined in VC2020 Plus, the Group's mid-term business plan.		Attended 18 of 18 Board of Directors meetings
<b>Akira Takanashi</b>	Since becoming a director of the Company in June 2018, Mr. Takanashi has been a powerful force in improving the Group's manufacturing capabilities and product quality as head of manufacturing, utilizing his business experience in the Company and the Punch Industry Group's operations in China. We have therefore deemed it suitable to appoint him as a director to take charge of cost reductions and quality reforms at our domestic and overseas production bases.		Attended 17 of 18 Board of Directors meetings
<b>Takao Murata</b>	Mr. Murata has served as a director since June 2012. Utilizing many years of experience and insights in finance and accounting, he has overseen the Group's administration department. In addition to centrally managing the Group's human, material, financial, and information resources, he has promoted working-style and corporate governance reforms. We have therefore deemed it suitable to appoint him as a director to take charge of maintaining a sound financial structure while promoting further working-style reforms, governance reforms, and human resource development.		Attended 18 of 18 Board of Directors meetings
<b>Susumu Sugita</b>	After overseeing the sales, manufacturing, and product development divisions of the Company as a director for six years from June 2010, Mr. Sugita has been a full-time Audit & Supervisory Board member for six years since June 2015. During this time, he has utilized his deep knowledge of the Group's business to perform auditing duties. Due to our transition to a company with audit and supervisory committee, we have deemed it suitable to appoint him as a director to take charge of the president's special mission of strengthening cooperation between the Audit and Supervisory Committee and the internal audit division.		Attended 17 of 18 Board of Directors meetings
<b>Yukiko Mitsuhashi (External)</b>	In addition to work experience at a business corporation, Ms. Mitsuhashi has extensive knowledge in general legal affairs as a lawyer, as well as experience as an external director at another company. She has also provided appropriate advice regarding our efforts to promote diversity management from her perspective as a woman, and we have deemed it suitable to appoint her as an external director who will realize "proactive" governance. As the chairperson of the Board of Directors, we expect Ms. Mitsuhashi to foster stimulated discussions at Board of Directors meetings, and as a member of the Nomination & Remuneration Advisory Committee, we expect her to provide objective and highly transparent opinions on the selection of officer candidates and their remuneration levels.	<input checked="" type="checkbox"/>	Attended 18 of 18 Board of Directors meetings
<b>Naruhiko Takatsuji (External)</b>	Mr. Takatsuji has a high level of insight into corporate finance and corporate governance, extensive experience in corporate IR and as an analyst at securities companies, and broad knowledge of external conditions, including trends in the Company's industry. We have therefore deemed it suitable to appoint him as an external director who can improve the corporate value of the Company. In addition to providing appropriate advice on the Company's management strategies, we expect Mr. Takatsuji, as a member of the Nomination & Remuneration Advisory Committee, to provide objective and highly transparent opinions on the selection of officer candidates and their remuneration levels.	<input checked="" type="checkbox"/>	—
<b>Minoru Kawano</b>	Mr. Kawano has many years of experience in finance and accounting at his previous job and at the Company, as well as four years of experience as the head of the internal audit division. He therefore has a deep knowledge of finance and accounting, internal auditing, internal control, risk management, and the like, in addition to a solid understanding of the Company's business. Accordingly, we have deemed it suitable to appoint him as an Audit and Supervisory Committee member to perform the Committee's duties.		—
<b>Yoriatsu Matsue (External)</b>	Mr. Matsue has served as an external Audit & Supervisory Board member for nine years since his appointment in June 2012. Based on his many years of experience and knowledge as a lawyer, he has made fair judgments and thus contributed to the objectivity and neutrality of the Company's management. We have therefore deemed it suitable to appoint him as an external Audit and Supervisory Committee member. In addition to performing his duties as an Audit and Supervisory Committee member, we expect Mr. Matsue, as a member of the Nomination & Remuneration Advisory Committee, to provide objective and highly transparent opinions on the selection of officer candidates and their remuneration levels.	<input checked="" type="checkbox"/>	Attended 18 of 18 Board of Directors meetings and 16 of 16 Audit & Supervisory Board meetings
<b>Tomoo Suzuki (External)</b>	Mr. Suzuki has been involved in financial and accounting operations for many years at a business company, and has also served as an auditor for eight years at another company. Based on his extensive knowledge of finance and accounting and his auditing experience, we have deemed it suitable to appoint him as an external Audit and Supervisory Committee member to perform the Committee's duties. In addition to performing his duties as an Audit and Supervisory Committee member, we expect Mr. Suzuki, as a member of the Nomination & Remuneration Advisory Committee, to provide objective and highly transparent opinions on the selection of officer candidates and their remuneration levels.	<input checked="" type="checkbox"/>	—

Honorary Chairman



**Yuji Morikubo**  
Founder, Honorary Chairman

Directors



**Tetsuji Morikubo**  
Chief Executive Officer



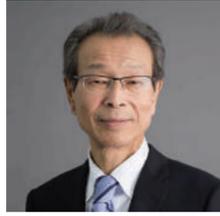
**Yasuhiro Sanada**  
Chief Operating Officer (Sales)



**Akira Takanashi**  
Chief Operating Officer (Manufacturing)



**Takao Murata**  
Chief Financial Officer



**Susumu Sugita**  
Director



**Yukiko Mitsuhashi**  
External Director



**Naruhiko Takatsuji**  
External Director



**Minoru Kawano**  
Director (Audit and Supervisory Committee Member)



**Yoriatsu Matsue**  
External Director (Audit and Supervisory Committee Member)



**Tomoo Suzuki**  
External Director (Audit and Supervisory Committee Member)

Executive Officers



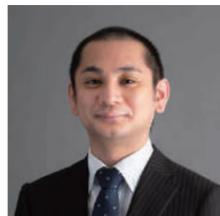
**Hirohisa Morikubo**



**Hideki Kinumatsu**



**Joji Kawasaki**



**Tomoki Katamura**

## 5-Year Financial and Non-Financial Highlights

Financial information	3/2017	3/2018	3/2019	3/2020	3/2021
<b>Fiscal Year</b> (Millions of yen)					
Net sales	36,648	41,025	40,935	35,348	32,462
Gross profit	10,191	11,658	11,472	9,187	9,086
Selling, general and administrative expenses	8,201	8,814	8,893	8,351	7,473
R&D expenditure	323	367	443	438	490
Operating profit	1,990	2,843	2,578	835	1,613
Ordinary profit	1,874	2,731	2,547	712	1,676
Capital investments	2,909	2,776	2,989	2,011	452
Depreciation	1,396	1,597	1,729	1,674	968
Profit (loss) attributable to owners of parent	1,375	1,788	960	(3,485)	477

<b>Cash flows</b> (Millions of yen)					
Net cash provided by operating activities	1,785	3,393	3,185	2,490	2,942
Net cash used in investing activities	(2,770)	(2,335)	(3,253)	(1,788)	(670)
Free cash flow	(985)	1,058	(68)	701	2,272
Net cash provided by (used in) financing activities	1,199	(738)	74	(772)	(1,684)

<b>At year-end</b> (Millions of yen)					
Total assets	29,451	32,560	31,155	25,576	24,702
Net assets	14,176	16,174	15,734	11,747	12,436
Cash and cash equivalents	3,269	3,689	3,516	3,366	3,962
Interest-bearing debt	6,857	6,332	7,079	6,455	4,997
Shareholders' equity	13,598	15,096	15,500	11,913	12,355

<b>Per share information</b> (Yen)					
Net income (loss)*	62.49	81.61	43.92	(160.01)	21.90
Net assets*	646.25	736.64	721.49	536.64	568.26
Cash dividends*	13.0	16.75	16.75	2.00	2.00
Dividend payout ratio (%)	20.8	20.5	38.1	—	9.1

<b>Key indices</b>					
Gross profit margin (%)	27.8	28.4	28.0	26.0	28.0
Operating profit margin (%)	5.4	6.9	6.3	2.4	5.0
Return on equity (ROE) (%)	9.8	11.8	6.0	—	4.0
Return on assets (ROA) (%)	4.8	5.8	3.0	—	1.9
Net worth ratio (%)	48.1	49.6	50.4	45.8	50.2
Price-to-earnings ratio (times)	9.26	14.09	12.93	—	27.76
Overseas sales ratio (%)	56.6	58.2	59.0	58.8	62.0

Non-financial information	3/2017	3/2018	3/2019	3/2020	3/2021
Number of employees (persons)	3,959	4,298	4,282	4,020	4,006
Overseas employee ratio (%)	74.1	75.6	75.2	73.6	74.3
Ratio of females among new graduates hired (non-consolidated) (%)	52.6	42.1	47.8	44.0	26.3

\* On January 1, 2018, the Company implemented a 2-for-1 split of shares of common stock. Figures in the above table are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 2017.

## Company Profile (As of March 31, 2021)

<b>Company name</b>	PUNCH INDUSTRY CO., LTD.	<b>Business</b>	Manufacture and sale of mold and die components
<b>Established</b>	1975	<b>Main banks</b>	MUFG Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Trust Bank, Limited Resona Bank, Limited
<b>Capital</b>	2,897.73 million yen		
<b>Number of employees</b>	4,006 (consolidated)		
<b>Head office</b>	Omori Bellport E-5F, 6-22-7 Minami-oi, Shinagawa-ku, Tokyo		

## Investor Information (As of March 31, 2021)

### Stock Information

Total number of shares authorized	80,000,000
Total number of shares issued	22,122,400
Number of shareholders	4,947
Stock exchange listing	First Section, Tokyo Stock Exchange
Security code	6165
Number of shares per trading unit	100
Transfer agent	Sumitomo Mitsui Trust Bank, Limited
Accounting auditor	PricewaterhouseCoopers Aarata LLC



Individuals and others	10,332,262	46.70%
Financial institutions	2,939,400	13.29%
Other domestic companies	3,996,400	18.06%
Foreign companies	4,522,972	20.45%
Securities companies	331,366	1.50%

Note: "Individuals and others" includes treasury stock.

### Major Shareholders (Top 10)

Name	Number of shares held	Percentage of shares held (%)
MT Kosan Co., Ltd.	3,804,900	17.44
CACEIS BANK S. A., GERMANY BRANCH - CUSTOMER ACCOUNT	2,412,400	11.06
Master Trust Bank of Japan, Ltd. (trust account)	1,103,700	5.06
Punch Industry Employees' Stock Ownership Scheme	915,924	4.20
Yuji Morikubo	663,000	3.04
Tetsuji Morikubo	663,000	3.04
Custody Bank of Japan, Ltd. (trust account)	524,900	2.41
Michiko Kamba	431,000	1.98
THE BANK OF NEW YORK 134088	420,000	1.92
Custody Bank of Japan, Ltd. (trust account 5)	270,300	1.24

Note: Treasury stock (303,406 shares) is excluded from calculations of "Percentage of shares held."

### Stock Prices and Trading Volumes

