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PUNCH INDUSTRY (6165)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2017		36,648	1,990	1,874	1,375	62.49	13.00	646.25
FY03/2018		41,025	2,843	2,731	1,788	81.61	16.75	736.64
FY03/2019CoE		41,000	2,500	2,400	1,750	79.80	16.75	-
FY03/2018	YoY	11.9%	42.8%	45.7%	30.0%	-	-	-
FY03/2019CoE	YoY	(0.1%)	(12.1%)	(12.1%)	(2.2%)	-	-	-
Consolidated Half Year (Million Yen)		**Sales**	**Operating Profit**	**Recurring Profit**	**Profit Attributable to Owners of Parent**	**EPS (Yen)**	**DPS (Yen)**	**BPS (Yen)**
Q1 to Q2 FY03/2018		19,800	1,404	1,398	921	-	-	-
Q3 to Q4 FY03/2018		21,224	1,438	1,332	867	-	-	-
Q1 to Q2 FY03/2019		20,937	1,374	1,340	1,005	-	-	-
Q3 to Q4 FY03/2019CoE		20,062	1,125	1,059	744	-	-	-
Q1 to Q2 FY03/2019	YoY	5.7%	(2.2%)	(4.2%)	9.1%	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	(5.5%)	(21.8%)	(20.5%)	(14.2%)	-	-	-

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

1.0 Executive Summary (4 January 2019)

Cruising Speed

PUNCH INDUSTRY, manufacturing and selling parts of molds & dies domestically and overseas, is to see a period of correction for its short-term earnings. The key external factor behind this is US-China trade friction. As far as we could see, increasing volume of automobile production in China substantially drove sales and earnings with the Company in FY03/2018, while the said volume is now coming down. However, more importantly, FY03/2019 Company forecasts (revised on 9 November 2018) after assuming this recent trend are going for prospective operating profit in line with assumptions of midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). Thus, it could be said that midterm earnings are increasing at a cruising speed as has been expected. Meanwhile, the Company is seeing strengths on sales of Europe, Asia and Americas or all those markets for the Company to aggressively cultivate going forward, after having done so in Japan and China to date. In other words, the Company is making a move to materialize “establishment of 5-pole sales structure” as has been advocated and thus “Punch of the World” is gradually realizing. By application, sales on “Other” are buoyant, driven by high value-added strategic product where own expertise is well adopted and the Company has a good growth potential going forward, e.g., food & beverage related mainly applied for plastic bottles. The Company believes that slowdown of sales in H2 is temporary and keen on investing in expanding capacity to eventually materialize “optimization of the manufacture on a group basis”.

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

2.0 Company Profile

Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

Company Name	PUNCH INDUSTRY CO., LTD. Website IR Information Share Price (Japanese)
Established	29 March 1975
Listing	14 March 2014: Tokyo Stock Exchange 1st Section (ticker: 6165) 20 December 2012: Tokyo Stock Exchange 2nd Section
Capital	¥2,897m (as of the end of September 2018)
No. of Shares	22,122,400 shares, including 180,134 treasury shares (as of the end of Sep. 2018)
Main Features	● 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 strategic product
Business Segments	Ⅰ. Parts of Molds & Dies Business
Top Management	Representative Director President, CEO: Masaaki Takeda
Shareholders	MT Kosan 12.85%, Yuji Morikubo 7.49% (as of the end of September 2018)
Headquarters	Shinagawa-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 4,298, Parent: 979 (as of the end of March 2018)

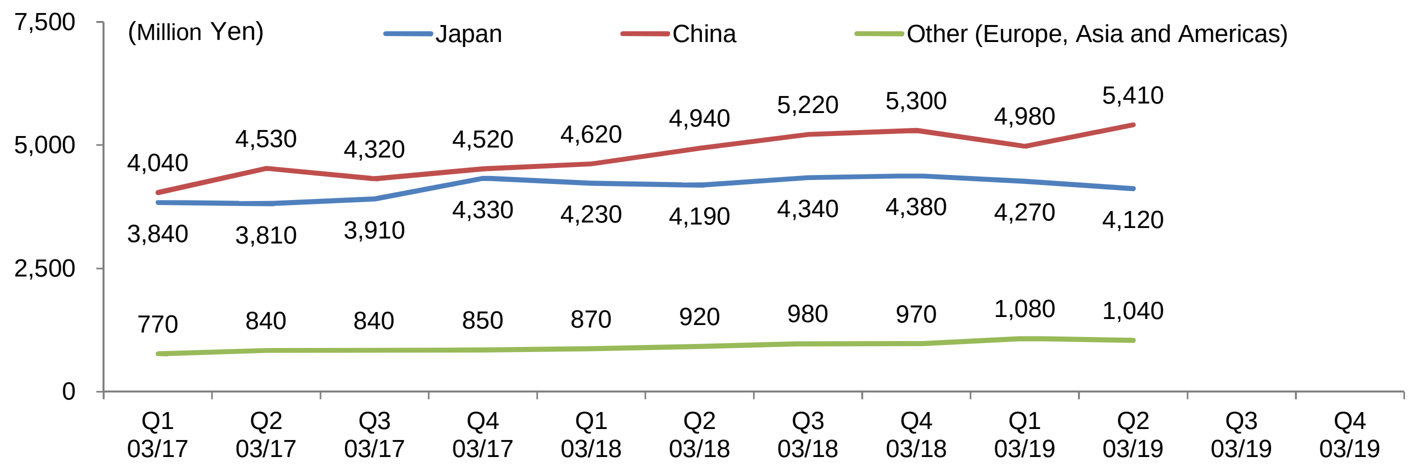
Source: Company Data

3.0 Recent Trading and Prospects

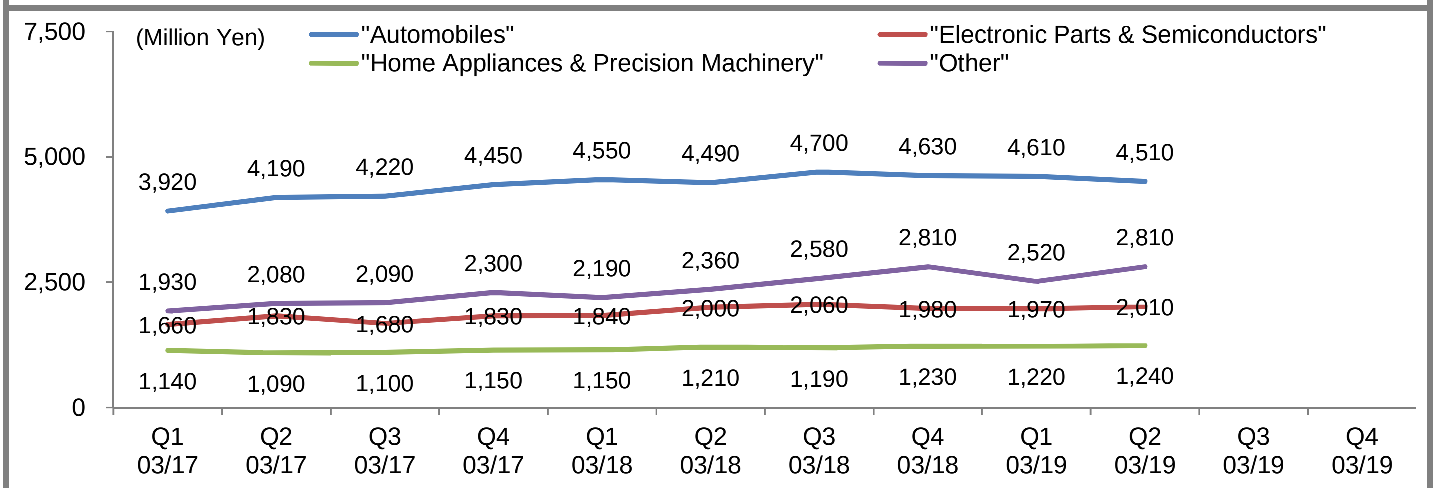
Q1 to Q2 FY03/2019 Results

In Q1 to Q2 FY03/2019, sales came in at ¥20,937m (up 5.7% YoY), operating profit ¥1,374m (down 2.2%), recurring profit ¥1,340m (down 4.2%) and profit attributable to owners of parent ¥1,005m (up 9.1%), while operating profit margin 6.6% (down 0.5% points). The Company saw sales of ¥10,342m (up 6.3%) in Q1 and ¥10,594m (up 5.2%) in Q2, having renewed record high in both Q1 and Q2.

Sales by Region



Sales by Application



Source: Company Data, WRJ Calculation

However, Q1 to Q2 results fell short of assumptions of initial Company forecasts by ¥198m (0.9%) in sales and by ¥106m (7.2%) in operating profit. According to the Company, sales of China and Other (Europe, Asia and Americas) were favorable, but sales of Japan have failed to meet assumptions negatively affected by natural disasters, etc. Meanwhile, sales are to slow down starting in Q3, those on “Automobiles” in particular due to impacts stemming from US-China trade friction, having resulted in downgrade for Company forecasts in H2.

Prospective sales in H2 have been downgraded by ¥802m (3.8%) and by ¥314m (21.8%) for operating profit. As in Q1 to Q2, shortfall of sales is to make capacity utilization of own facilities lower than initially expected and thus sales cost ratio higher. By region, sales of China are to fall short of most substantially. On top of this, smartphone production volume is now coming down on a global basis, negatively affecting to sales on “Home Appliances & Precision Machinery” and those of “Electronic Parts & Semiconductors”.

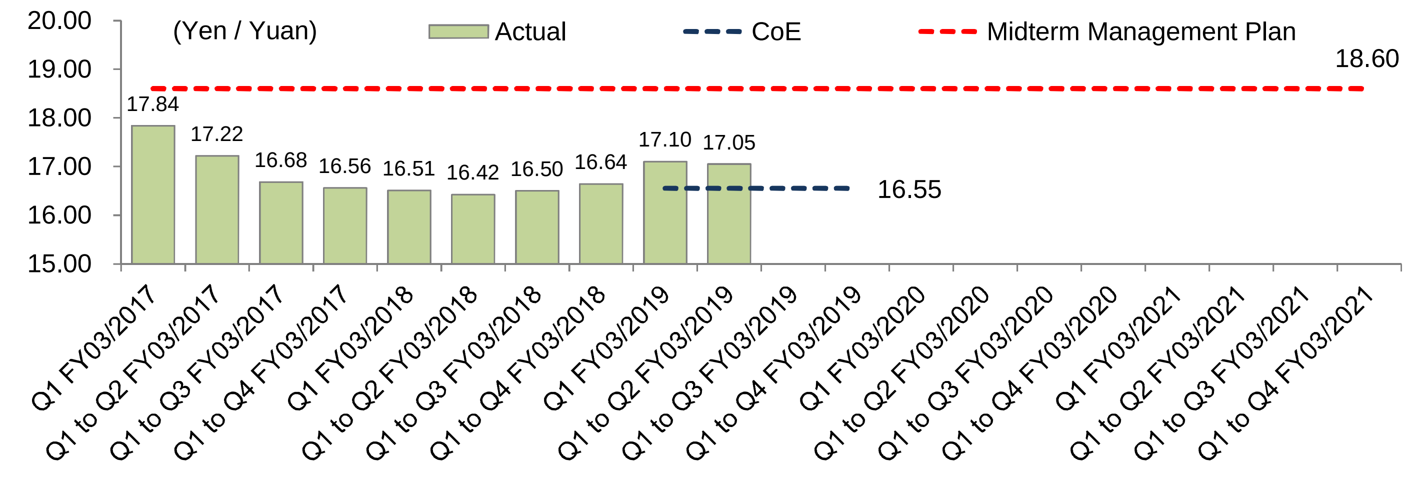
In Q1 to Q2, sales of Japan came in at ¥8,390m (down 0.3%), sales of China ¥10,390m (up 8.7%) and sales of Other (Europe, Asia and Americas) ¥2,120m (up 18.5%) by region. Meanwhile, by application, sales on “Automobiles” came in at ¥9,120m (up 0.9%), those of "Electronic Parts & Semiconductors" ¥3,980m (up 3.6%), those of "Home Appliances & Precision Machinery" ¥2,460m (up 4.2%) and those of “Other” ¥5,330m (up 17.1%). As far as we could gather, the Company suffered from shortfall of sales on “Automobiles” and “Electronic Parts & Semiconductors”, the former in particular, when compared with assumptions of initial Company forecasts. On the other hand, sales on “Other” were better than expected by far.

In Japan, sales on “Automobiles” and “Electronic Parts & Semiconductors” slowed down, given occurrence of natural disasters mainly in western Japan. Sales on “Automobiles” slowed down in particular because of this. Still, sales of eastern Japan (sales bases: Kitakami, Sendai, Utsunomiya, Kitakanto, Kanto, Nagano and Kanazawa) increased by 2% over the same period in the previous year, having hardly been exposed to the natural disasters. Meanwhile, sales of western Japan (Nagoya, Kyoto, Osaka, Hiroshima and Fukuoka) decreased by 6%, negatively affected by Osaka earthquake (18 June 2018) and western Japan torrential rain (28 June to 8 July in 2018). By application, sales on “Other”, including those of food & beverage related to have seen steady increases of sales, increased favorably, but not enough to fully compensate for sluggishness associated with the natural disasters.

Sales of food & beverage related are of the manufacture of plastic bottles by application. Almost all the plastic bottles, including molds for them, used to be internally manufactured by beverage manufactures and/or by subcontracting manufacturers. Most recently, however, they have started to accelerate the procurement from the Company in regards to parts of the molds, while there is a room for further acceleration in the future as this move is still in its infancy. On top of this, food & beverage related are of one of the domains of high value-added strategic product, where the Company’s expertise is well adopted and thus generating high gross profit margin. The Company, looking to increasing demand for promising domains like this going forward, is planning to start up investment in new capacity of Kitakami factory, the mainstay in Japan, on a full-fledged basis at the beginning of FY03/2020.

In China, the Company saw steady increases of sales in Q1 as well as in Q2, driven by increasing sales of high value-added strategic product, belonging to “Electronic parts & Semiconductors”, etc. by application for example, on which the Company has been consistently placing emphasis. At the same time, the Company benefited from yen’s depreciation over the same period in the previous year to ¥17.05 per Chinese yuan from ¥16.42, but sales of China increased by 4.6% on a local currency basis, still suggesting strengths. Thus, changes of forex rate between Japanese yen and Chinese yuan are giving direct impacts to sales, but not much in terms of operating profit due to high exposure to Chinese yuan also on the expenses side, according to the Company.

Forex Rate for Japanese Yen against Chinese Yuan



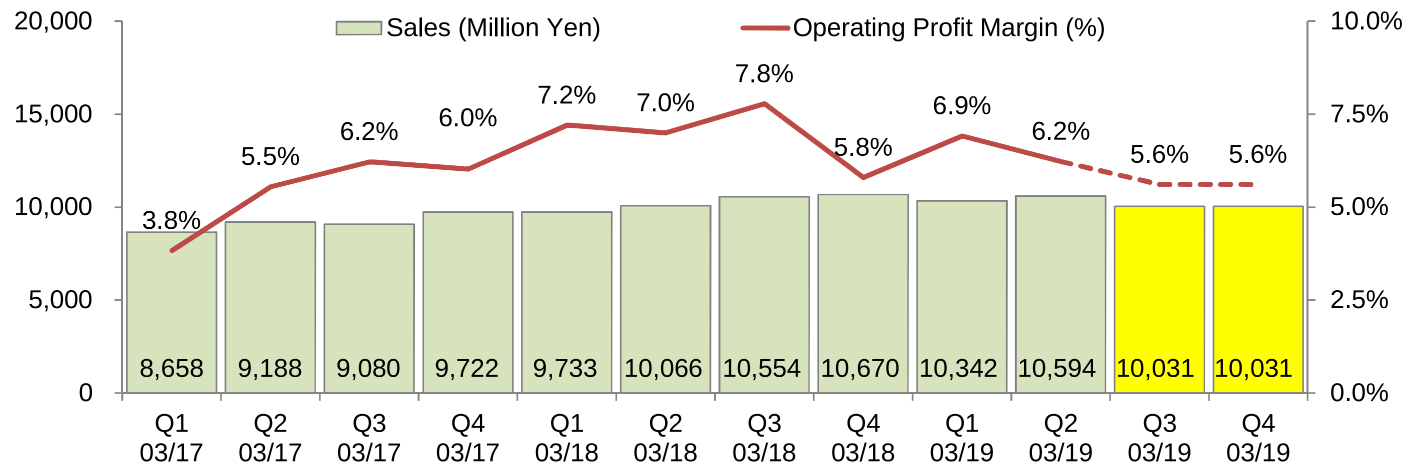
Source: Company Data, WRJ Calculation

Initial Company forecasts assumed ¥16.55 per Chinese yuan. Although H2 Company forecasts have been revised as above-mentioned, forex assumptions here have remained unchanged. Meanwhile, midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021) assumes ¥18.60 per Chinese yuan. Compared with this, yen has been appreciated, implying a probability for sales of China in FY03/2021 to fall short of expectations because of this, when simply thinking. However, it does not affect prospective operating profit very much as above-mentioned.

Given the fact that the parent company’s fiscal yearend is March versus December for subsidiaries in China, the Company’s Q1 to Q2 results (April to September) reflect sales and earnings in China during January to June. Thus, the Company hardly suffered from US-China trade friction in Q1 to Q2 FY03/2019. Now, the impacts from here has started to appear in July, having taking off on a full-fledged basis since August to September. For example, this trend has been remarkable for “Automobiles” being estimated to account for half of sales of China. According to data disclosed by the Company, automobile production volume in China used to continue increasing in April to June over the same period in the previous year, then having come in at down 0.7% in July, down 4.4% in August and down 11.7% in September. In October, it is suggested that the volume came down as much as in September, while the situations in November do not imply any firm recovery at all, according to the Company. As a result of this, the Company is currently trying to get at sales promotions in applications other than “Automobiles”. Still, to date, it has not been successful enough to fully compensate for sluggishness associated with “Automobiles”.

In Other (Europe, Asia and Americas), sales have continued increasing favorably due mainly to successful sales promotions in Europe, where the Company well takes advantage of local distributors. Meanwhile, sales of Asia were driven by those of Indonesia in particular and sales of Americas are picking up nicely, albeit not much in value, having entered the market on a full-fledged basis with own sales bridgehead locally set up.

Sales and Operating Profit Margin



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

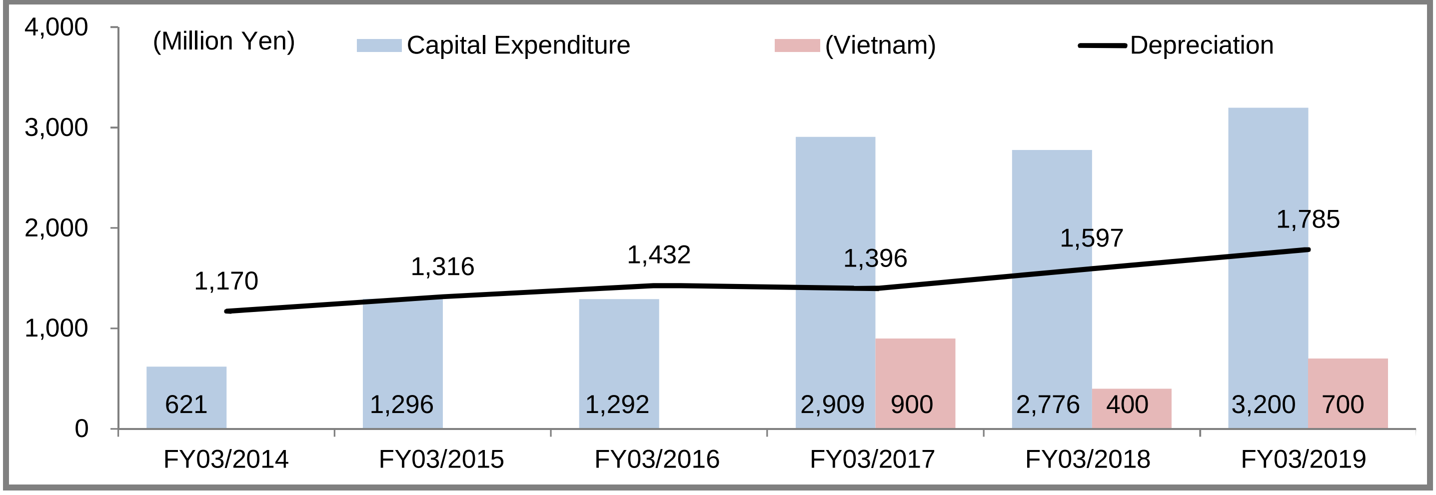
Meanwhile, operating profit of ¥1,374m (down 2.2%) came from gross profit of ¥5,900m (up 4.5%) and SG&A expenses of ¥4,526m (up 6.8%), while operating profit margin of 6.6% (down 0.5% points) from gross profit margin of 28.2% (down 0.3% points) and the ratio of SG&A expenses to sales of 21.6% (up 0.2% points).

Gross profit saw net increases by ¥255m, SG&A expenses net increases by ¥286m and operating profit net decreases by ¥30m. Net increases by ¥255m for gross profit comprised net increases by ¥324m from increasing sales driven by aforementioned food & beverage related, etc. and net decreases by ¥68m from increasing sales cost ratio in line with burden from frontloaded investment represented by that of capacity in Vietnam, i.e., increases of depreciation and personnel cost in line with phase-two investment.

In regards to net increases by ¥286m for SG&A expenses, the Company mentions that this is mainly attributable to increases of depreciation stemming from investment to cope with increasing digital engineering business and to propel R&D activities. Sales of digital engineering business are picking up by more than 30% over the same period in the previous year, but it is suggested that sales here should accelerate even further in order to more than compensate for increasing depreciation, etc. Meanwhile, in Q2 over Q1, burden from frontloaded investment in capacity of Vietnam increased and thus operating profit margin adjusted, i.e. to 6.2% in Q2 from 6.9% in Q1.

The Company, having completed phase-one investment of ¥900m in capacity of Vietnam in FY03/2017, is planning to complete phase-two investment of ¥1,100m through FY03/2018 and FY03/2019. Combined with that of existing facilities, FY03/2019 Company forecasts are going for prospective capex of ¥3,200m as initially expected. In Q1 to Q2, the Company has implemented capex of ¥1,352m, implying progress rate of 42.3% against full-year plan. Meanwhile, the objective of aggressive capex like this is to materialize “optimization of the manufacture on a group basis” to be mentioned later in detail. Anyhow, this leads to gross profit margin higher than before at the end of the day.

Capital Expenditure and Depreciation



Source: Company Data, WRJ Calculation

Meanwhile, operating profit came in at ¥1,374m (down 2.2%) versus recurring profit of ¥1,340m (down 4.2%) and profit attributable to owners of parent of ¥1,005m (up 9.1%). At the non-operating level, interest expenses increased in line with increases of US-dollar-denominated debt, while loss on fixed assets sold came down at the extraordinary level. On top of this, profit attributable to owners of parent was driven by a factor that preferential tax treatment associated with overseas subsidiaries has restarted after suspension in the previous year. As of the end of Q2, total assets stood at ¥31,524m and equity capital ¥16,471m, implying equity capital ratio of 52.2%, while net debt ¥3,465m (after installment payable added). Compared with net debt of ¥2,561m as of the beginning of the fiscal year, the Company saw net increases by ¥904m here in net debt due mainly to phase-two investment in capacity of Vietnam.

Income Statement (Cumulative, Quarterly)

Income Statement (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q1 to Q2 03/2018	Cons.Act Q1 to Q3 03/2018	Cons.Act Q1 to Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q1 to Q2 03/2019	Cons.Act Q1 to Q3 03/2019	Cons.Act Q1 to Q4 03/2019	YoY Net Chg.
Sales	**9,733**	**19,800**	**30,354**	**41,025**	**10,342**	**20,937**	**-**	**-**	**+1,136**
CoGS	6,960	14,155	21,699	29,367	7,390	15,036	-	-	+880
Gross Profit	2,773	5,644	8,654	11,658	2,951	5,900	-	-	+255
SG&A Expenses	2,072	4,239	6,429	8,814	2,236	4,526	-	-	+286
Operating Profit	**701**	**1,404**	**2,225**	**2,843**	**714**	**1,374**	**-**	**-**	**(30)**
Non Operating Balance	10	(5)	(42)	(111)	(32)	(34)	-	-	(28)
Recurring Profit	**711**	**1,398**	**2,182**	**2,731**	**682**	**1,340**	**-**	**-**	**(58)**
Extraordinary Balance	(60)	(65)	(67)	(215)	(6)	(7)	-	-	+57
Profit before Income Taxes	650	1,333	2,115	2,516	676	1,332	-	-	(1)
Total Income Taxes	226	411	747	725	164	325	-	-	(85)
NP Belonging to Non-Controlling SHs	1	1	1	1	1	1	-	-	-
Profit Attributable to Owners of Parent	**422**	**921**	**1,366**	**1,788**	**511**	**1,005**	**-**	**-**	**+83**
Sales YoY	+12.4%	+10.9%	+12.7%	+11.9%	+6.3%	+5.7%	-	-	-
Operating Profit YoY	+111.7%	+67.0%	+58.3%	+42.8%	+2.0%	(2.2%)	-	-	-
Recurring Profit YoY	+115.4%	+76.6%	+62.8%	+45.7%	(4.0%)	(4.2%)	-	-	-
Profit Attributable to Owners of Parent YoY	+103.5%	+67.6%	+50.3%	+30.0%	+20.9%	+9.1%	-	-	-
Gross Profit Margin	28.5%	28.5%	28.5%	28.4%	28.5%	28.2%	-	-	(0.3%)
(SG&A / Sales)	21.3%	21.4%	21.2%	21.5%	21.6%	21.6%	-	-	+0.2%
Operating Profit Margin	7.2%	7.1%	7.3%	6.9%	6.9%	6.6%	-	-	(0.5%)
Recurring Profit Margin	7.3%	7.1%	7.2%	6.7%	6.6%	6.4%	-	-	(0.7%)
Profit Attributable to Owners of Parent Margin	4.3%	4.7%	4.5%	4.4%	4.9%	4.8%	-	-	+0.1%
Total Income Taxes / Profit before Income Taxes	34.8%	30.8%	35.3%	28.8%	24.3%	24.5%	-	-	(6.4%)

Income Statement (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q2 03/2018	Cons.Act Q3 03/2018	Cons.Act Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q2 03/2019	Cons.Act Q3 03/2019	Cons.Act Q4 03/2019	YoY Net Chg.
Sales	**9,733**	**10,066**	**10,554**	**10,670**	**10,342**	**10,594**	**-**	**-**	**+528**
CoGS	6,960	7,195	7,543	7,667	7,390	7,646	-	-	+450
Gross Profit	2,773	2,871	3,010	3,003	2,951	2,948	-	-	+77
SG&A Expenses	2,072	2,167	2,189	2,385	2,236	2,289	-	-	+121
Operating Profit	**701**	**703**	**820**	**618**	**714**	**659**	**-**	**-**	**(44)**
Non Operating Balance	10	(16)	(36)	(69)	(32)	(2)	-	-	+14
Recurring Profit	**711**	**687**	**784**	**548**	**682**	**657**	**-**	**-**	**(29)**
Extraordinary Balance	(60)	(4)	(2)	(147)	(6)	(1)	-	-	+2
Profit before Income Taxes	650	683	781	401	676	655	-	-	(27)
Total Income Taxes	226	184	335	(21)	164	161	-	-	(23)
NP Belonging to Non-Controlling SHs	1	-	-	-	1	-	-	-	-
Profit Attributable to Owners of Parent	**422**	**498**	**445**	**422**	**511**	**494**	**-**	**-**	**(4)**
Sales YoY	+12.4%	+9.6%	+16.2%	+9.8%	+6.3%	+5.2%	-	-	-
Operating Profit YoY	+111.7%	+38.0%	+45.4%	+5.6%	+2.0%	(6.3%)	-	-	-
Recurring Profit YoY	+115.4%	+48.9%	+42.9%	+2.9%	(4.0%)	(4.4%)	-	-	-
Profit Attributable to Owners of Parent YoY	+103.5%	+45.8%	+23.8%	(9.5%)	+20.9%	(0.9%)	-	-	-
Gross Profit Margin	28.5%	28.5%	28.5%	28.1%	28.5%	27.8%	-	-	(0.7%)
(SG&A / Sales)	21.3%	21.5%	20.7%	22.4%	21.6%	21.6%	-	-	+0.1%
Operating Profit Margin	7.2%	7.0%	7.8%	5.8%	6.9%	6.2%	-	-	(0.8%)
Recurring Profit Margin	7.3%	6.8%	7.4%	5.1%	6.6%	6.2%	-	-	(0.6%)
Profit Attributable to Owners of Parent Margin	4.3%	5.0%	4.2%	4.0%	4.9%	4.7%	-	-	(0.3%)
Total Income Taxes / Profit before Income Taxes	34.8%	27.1%	42.9%	(5.3%)	24.3%	24.7%	-	-	(2.4%)

Source: Company Data, WRJ Calculation

Sales by Region (Cumulative, Quarterly)

Sales by Region (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q1 to Q2 03/2018	Cons.Act Q1 to Q3 03/2018	Cons.Act Q1 to Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q1 to Q2 03/2019	Cons.Act Q1 to Q3 03/2019	Cons.Act Q1 to Q4 03/2019	YoY Net Chg.
Japan	4,230	8,420	12,760	17,153	4,270	8,390	-	-	(30)
China	4,620	9,560	14,780	20,102	4,980	10,390	-	-	+830
Other (Europe, Asia and Americas)	870	1,790	2,770	3,769	1,080	2,120	-	-	+330
Sales	**9,733**	**19,800**	**30,354**	**41,025**	**10,342**	**20,937**	**-**	**-**	**+1,136**
Japan	+10.1%	+10.0%	+10.3%	+7.9%	+0.9%	(0.3%)	-	-	-
China	+14.4%	+11.6%	+14.7%	+15.3%	+7.8%	+8.7%	-	-	-
Other (Europe, Asia and Americas)	+13.7%	+11.9%	+13.4%	+13.6%	+24.2%	+18.5%	-	-	-
Sales (YoY)	**+12.4%**	**+10.9%**	**+12.7%**	**+11.9%**	**+6.3%**	**+5.7%**	**-**	**-**	**-**
Japan	43.5%	42.5%	42.0%	41.8%	41.3%	40.1%	-	-	-
China	47.5%	48.3%	48.7%	49.0%	48.2%	49.6%	-	-	-
Other (Europe, Asia and Americas)	8.9%	9.0%	9.1%	9.2%	10.4%	10.1%	-	-	-
Sales (Composition Ratio)	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Sales by Region (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q2 03/2018	Cons.Act Q3 03/2018	Cons.Act Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q2 03/2019	Cons.Act Q3 03/2019	Cons.Act Q4 03/2019	YoY Net Chg.
Japan	4,230	4,190	4,340	4,380	4,270	4,120	-	-	(70)
China	4,620	4,940	5,220	5,300	4,980	5,410	-	-	+470
Other (Europe, Asia and Americas)	870	920	980	970	1,080	1,040	-	-	+120
Sales	**9,733**	**10,066**	**10,554**	**10,670**	**10,342**	**10,594**	**-**	**-**	**+528**
Japan	+10.1%	+10.0%	+11.0%	+1.2%	+0.9%	(1.7%)	-	-	-
China	+14.4%	+9.1%	+20.8%	+17.3%	+7.8%	+9.5%	-	-	-
Other (Europe, Asia and Americas)	+13.7%	+9.5%	+16.7%	+14.1%	+24.2%	+13.0%	-	-	-
Sales (YoY)	**+12.4%**	**+9.6%**	**+16.2%**	**+9.8%**	**+6.3%**	**+5.2%**	**-**	**-**	**-**
Japan	43.5%	41.6%	41.1%	41.0%	41.3%	38.9%	-	-	-
China	47.5%	49.1%	49.5%	49.7%	48.2%	51.1%	-	-	-
Other (Europe, Asia and Americas)	8.9%	9.1%	9.3%	9.1%	10.4%	9.8%	-	-	-
Sales (Composition Ratio)	**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 (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q1 to Q2 03/2018	Cons.Act Q1 to Q3 03/2018	Cons.Act Q1 to Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q1 to Q2 03/2019	Cons.Act Q1 to Q3 03/2019	Cons.Act Q1 to Q4 03/2019	YoY Net Chg.
"Automobiles"	4,550	9,040	13,740	18,370	4,610	9,120	-	-	+80
"Electronic Parts & Semiconductors"	1,840	3,840	5,900	7,880	1,970	3,980	-	-	+140
"Home Appliances & Precision Machinery"	1,150	2,360	3,550	4,780	1,220	2,460	-	-	+100
"Other"	2,190	4,550	7,130	9,940	2,520	5,330	-	-	+780
Sales	**9,733**	**19,800**	**30,354**	**41,025**	**10,342**	**20,937**	**-**	**-**	**+1,136**
"Automobiles"	+16.1%	+11.5%	+11.4%	+9.5%	+1.3%	+0.9%	-	-	-
"Electronic Parts & Semiconductors"	+10.8%	+10.0%	+14.1%	+12.6%	+7.1%	+3.6%	-	-	-
"Home Appliances & Precision Machinery"	+0.9%	+5.8%	+6.6%	+6.7%	+6.1%	+4.2%	-	-	-
"Other"	+13.5%	+13.5%	+16.9%	+18.3%	+15.1%	+17.1%	-	-	-
Sales (YoY)	**+12.4%**	**+10.9%**	**+12.7%**	**+11.9%**	**+6.3%**	**+5.7%**	**-**	**-**	**-**
"Automobiles"	46.7%	45.7%	45.3%	44.8%	44.6%	43.6%	-	-	-
"Electronic Parts & Semiconductors"	18.9%	19.4%	19.4%	19.2%	19.0%	19.0%	-	-	-
"Home Appliances & Precision Machinery"	11.8%	11.9%	11.7%	11.7%	11.8%	11.7%	-	-	-
"Other"	22.5%	23.0%	23.5%	24.2%	24.4%	25.5%	-	-	-
Sales (Composition Ratio)	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Sales by Application (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q2 03/2018	Cons.Act Q3 03/2018	Cons.Act Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q2 03/2019	Cons.Act Q3 03/2019	Cons.Act Q4 03/2019	YoY Net Chg.
"Automobiles"	4,550	4,490	4,700	4,630	4,610	4,510	-	-	+20
"Electronic Parts & Semiconductors"	1,840	2,000	2,060	1,980	1,970	2,010	-	-	+10
"Home Appliances & Precision Machinery"	1,150	1,210	1,190	1,230	1,220	1,240	-	-	+30
"Other"	2,190	2,360	2,580	2,810	2,520	2,810	-	-	+450
Sales	**9,733**	**10,066**	**10,554**	**10,670**	**10,342**	**10,594**	**-**	**-**	**+528**
"Automobiles"	+16.1%	+7.2%	+11.4%	+4.0%	+1.3%	+0.4%	-	-	-
"Electronic Parts & Semiconductors"	+10.8%	+9.3%	+22.6%	+8.2%	+7.1%	+0.5%	-	-	-
"Home Appliances & Precision Machinery"	+0.9%	+11.0%	+8.2%	+7.0%	+6.1%	+2.5%	-	-	-
"Other"	+13.5%	+13.5%	+23.4%	+22.2%	+15.1%	+19.1%	-	-	-
Sales (YoY)	**+12.4%**	**+9.6%**	**+16.2%**	**+9.8%**	**+6.3%**	**+5.2%**	**-**	**-**	**-**
"Automobiles"	46.7%	44.6%	44.5%	43.4%	44.6%	42.6%	-	-	-
"Electronic Parts & Semiconductors"	18.9%	19.9%	19.5%	18.6%	19.0%	19.0%	-	-	-
"Home Appliances & Precision Machinery"	11.8%	12.0%	11.3%	11.5%	11.8%	11.7%	-	-	-
"Other"	22.5%	23.4%	24.4%	26.3%	24.4%	26.5%	-	-	-
Sales (Composition Ratio)	**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 Q1 03/2018	Cons.Act Q2 03/2018	Cons.Act Q3 03/2018	Cons.Act Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q2 03/2019	Cons.Act Q3 03/2019	Cons.Act Q4 03/2019	YoY Net Chg.
Cash and Deposit	2,934	3,408	3,594	3,770	3,735	2,456	-	-	(952)
Accounts Receivables	11,350	11,442	11,423	12,095	11,816	11,654	-	-	+211
Inventory	3,835	4,020	4,248	4,425	4,489	4,649	-	-	+629
Other	531	936	866	837	561	685	-	-	(250)
Current Assets	**18,652**	**19,808**	**20,134**	**21,129**	**20,602**	**19,445**	**-**	**-**	**(362)**
Tangible Assets	8,543	8,966	9,444	9,939	10,112	10,228	-	-	+1,262
Intangible Assets	1,202	1,173	1,150	1,157	1,145	1,136	-	-	(36)
Investments and Other Assets	392	357	333	334	717	713	-	-	+356
Fixed Assets	**10,138**	**10,496**	**10,929**	**11,431**	**11,975**	**12,079**	**-**	**-**	**+1,582**
Total Assets	**28,790**	**30,304**	**31,063**	**32,560**	**32,577**	**31,524**	**-**	**-**	**+1,219**
Accounts Payables, etc.	4,531	4,924	4,726	4,597	4,968	4,937	-	-	+13
Short Term Debt	4,236	4,298	4,368	3,730	4,135	3,240	-	-	(1,057)
Other	2,538	2,973	3,145	4,322	3,338	3,013	-	-	+40
Current Liabilities	**11,305**	**12,197**	**12,239**	**12,649**	**12,441**	**11,192**	**-**	**-**	**(1,004)**
Long Term Debt	2,273	2,015	1,916	2,151	2,376	2,273	-	-	+257
Other	1,099	1,298	1,436	1,584	1,581	1,556	-	-	+258
Fixed Liabilities	**3,372**	**3,313**	**3,353**	**3,736**	**3,957**	**3,829**	**-**	**-**	**+516**
Total Liabilities	**14,678**	**15,510**	**15,593**	**16,385**	**16,398**	**15,022**	**-**	**-**	**(488)**
Shareholders' Equity	**13,878**	**14,376**	**14,674**	**15,096**	**15,388**	**15,887**	**-**	**-**	**+1,510**
Other	233	417	795	1,077	789	615	-	-	+197
Net Assets	**14,112**	**14,794**	**15,470**	**16,174**	**16,178**	**16,502**	**-**	**-**	**+1,708**
Total Liabilities and Net Assets	**28,790**	**30,304**	**31,063**	**32,560**	**32,577**	**31,524**	**-**	**-**	**+1,219**
Equity Capital	14,099	14,777	15,448	16,148	16,147	16,471	-	-	+1,694
Interest Bearing Debt	6,509	6,314	6,285	5,882	6,511	5,514	-	-	(800)
Net Debt	3,574	2,905	2,690	2,111	2,775	3,057	-	-	+152
Equity Ratio	49.0%	48.8%	49.7%	49.6%	49.6%	52.2%	-	-	+3.5%
Net Debt Equity Ratio	25.4%	19.7%	17.4%	13.1%	17.2%	18.6%	-	-	(1.1%)
ROE (12 months)	11.5%	12.8%	13.1%	11.8%	12.4%	12.0%	-	-	(0.8%)
ROA (12 months)	8.0%	8.6%	9.3%	8.8%	8.8%	8.6%	-	-	+0.1%
Days for Inventory Turnover	50	51	51	53	55	55	-	-	-
Quick Ratio	126%	122%	123%	125%	125%	126%	-	-	-
Current Ratio	165%	162%	164%	167%	166%	174%	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act Q1 03/2018	Cons.Act Q1 to Q2 03/2018	Cons.Act Q1 to Q3 03/2018	Cons.Act Q1 to Q4 03/2018	Cons.Act Q1 03/2019	Cons.Act Q1 to Q2 03/2019	Cons.Act Q1 to Q3 03/2019	Cons.Act Q1 to Q4 03/2019	YoY Net Chg.
Operating Cash Flow	-	1,882	-	3,393	-	949	-	-	(932)
Investing Cash Flow	-	(1,043)	-	(2,335)	-	(1,373)	-	-	(329)
Operating CF and Investing CF	**-**	**838**	**-**	**1,058**	**-**	**(423)**	**-**	**-**	**(1,262)**
Financing Cash Flow	-	(657)	-	(738)	-	(761)	-	-	(103)

Source: Company Data, WRJ Calculation

FY03/2019 Company Forecasts

FY03/2019 Company forecasts (revised on 9 November 2018) are going for prospective sales of ¥41,000m (down 0.1% YoY), operating profit of ¥2,500m (down 12.1%), recurring profit of ¥2,400m (down 12.1%) and profit attributable to owners of parent of ¥1,750m (down 2.2%), while operating profit margin of 6.1% (down 0.8% points). All those figures are after downgrade from initial Company forecasts, by ¥1,000m (2.4%) in sales, by ¥420m (14.4%) in operating profit, by ¥400m (14.3%) in recurring profit and by ¥320m (15.5%) in profit attributable to owners of parent.

In Japan, the Company has not been convinced yet with a prospect that sales are to recover till now, while sales are to slow down in China starting in Q3 due to impacts stemming from US-China trade friction. Thus, prospective sales have been downgraded. As a result of this, the Company is going for capacity utilization with its own facilities for the manufacture lower than initially assumed and thus higher sales cost ratio, which is the key reason for rather large downgrade for earnings. However, going for prospective operating profit of ¥2,500m is in line with assumptions of midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). In other words, it has turned out to be very difficult to see ongoing increases of sales and earnings on top of FY03/2018 results which were much better than assumed with the plan, but it will be eventually true that sales and earnings are to increase at a cruising speed over three-year period through FY03/2017 to FY03/2019 in line with assumptions of midterm management plan “Value Creation 2020”. Representative Director President (CEO) Masaaki Takeda says that he is doing his best to meet above-mentioned Company forecasts after revision at least, while trying to rather overshoot.

Given shortfall of profit attributable to owners of parent or dividend resource, prospective dividend has been downgraded. Compared with ¥16.75 (¥6.75 as of the end of Q2 and ¥10.0 as of the end of Q4) after retroactive adjustment for share split, implying payout ratio of 20.5%, in FY03/2018, initial Company forecasts were going for ¥20.50 (¥10.25 as of the end of Q2 and ¥10.25 as of the end of Q4), implying payout ratio of 21.7%. As of the end of Q2, dividend is paid as planned, but prospective dividend as of the end of Q4 has been downgraded to ¥6.50 per share from ¥10.25 per share, currently implying ¥16.75 per share and payout ratio of 21.0% on a full-year basis. Compared with FY03/2018 results, dividend per share remains unchanged, while payout ratio up 0.5% points.

The Company is going for “on top of maintaining dividend with stability and consistency, we set target payout ratio of 20% or higher to reflect levels of earnings, while making efforts to realize a trend of dividend increases or those in a stepwise fashion” with its dividend policy. Due to a fall of profit attributable to owners of parent in FY03/2019, dividend increases are shelved, but target payout ratio achievable.

Meanwhile, the Company disclosed that it completed planned buyback of own shares on 27 November 2018. Through 12 November to 26 November, the Company acquired 200,000 common shares (equating to 0.91% of shares outstanding but for treasury shares), settled with ¥117m (¥586 per share on a simple average basis). All those transactions are based on resolution of board of directors meeting held on 9 November, which was going for upper limit of common shares up to 200,000 in the number and ¥200m in transaction value, implying ¥1,000 per share on a simple average basis, while also going for "accomplishment of capital policy to flexibly cope with changes of management environment and preparation for exercise of share option allocated to the Company's directors, etc. as share-based compensation" as objective. Thus, flexible "accomplishment of capital policy" was clearly raised as objective, while upper limit of transaction value was rather high, implying that the Company could have been expecting signaling effect.

FY03/2019 Company Forecasts and Results

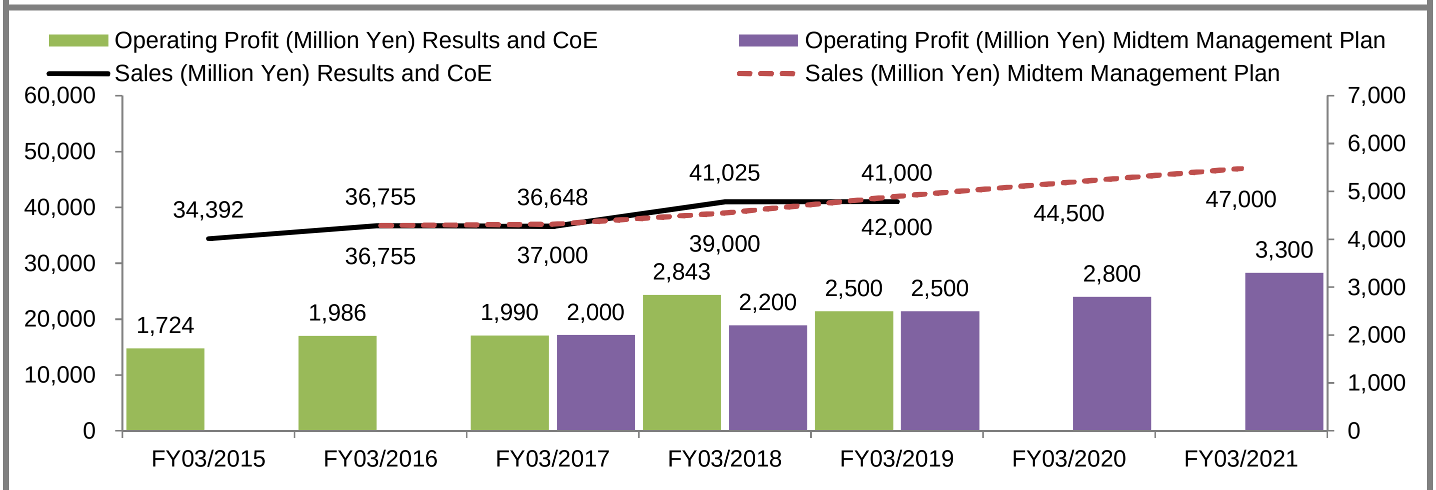
Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2019CoE	11-May-18	Q4 Results	42,000	2,920	2,800	2,070
FY03/2019CoE	9-Aug-18	Q1 Results	42,000	2,920	2,800	2,070
FY03/2019CoE	9-Nov-18	Q2 Results	41,000	2,500	2,400	1,750
		Amount of Gap	(1,000)	(420)	(400)	(320)
		Rate of Gap	(2.4%)	(14.4%)	(14.3%)	(15.5%)
FY03/2019CoE	11-May-18	Q4 Results	42,000	2,920	2,800	2,070
FY03/2019CoE	9-Nov-18	Q2 Results	41,000	2,500	2,400	1,750
		Amount of Gap	(1,000)	(420)	(400)	(320)
		Rate of Gap	(2.4%)	(14.4%)	(14.3%)	(15.5%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2019CoE	11-May-18	Q4 Results	21,135	1,480	1,418	1,077
Q1 to Q2 FY03/2019CoE	9-Aug-18	Q1 Results	21,135	1,480	1,418	1,077
Q1 to Q2 FY03/2019Act	9-Nov-18	Q2 Results	20,937	1,374	1,340	1,005
		Amount of Gap	(198)	(106)	(78)	(72)
		Rate of Gap	(0.9%)	(7.2%)	(5.5%)	(6.7%)
Q1 to Q2 FY03/2019CoE	11-May-18	Q4 Results	21,135	1,480	1,418	1,077
Q1 to Q2 FY03/2019Act	9-Nov-18	Q2 Results	20,937	1,374	1,340	1,005
		Amount of Gap	(198)	(106)	(78)	(72)
		Rate of Gap	(0.9%)	(7.2%)	(5.5%)	(6.7%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2019CoE	11-May-18	Q4 Results	20,865	1,440	1,382	993
Q3 to Q4 FY03/2019CoE	9-Aug-18	Q1 Results	20,865	1,440	1,382	993
Q3 to Q4 FY03/2019CoE	9-Nov-18	Q2 Results	20,063	1,126	1,060	745
		Amount of Gap	(802)	(314)	(322)	(248)
		Rate of Gap	(3.8%)	(21.8%)	(23.3%)	(25.0%)
Q3 to Q4 FY03/2019CoE	11-May-18	Q4 Results	20,865	1,440	1,382	993
Q3 to Q4 FY03/2019CoE	9-Nov-18	Q2 Results	20,063	1,126	1,060	745
		Amount of Gap	(802)	(314)	(322)	(248)
		Rate of Gap	(3.8%)	(21.8%)	(23.3%)	(25.0%)

Source: Company Data, WRJ Calculation

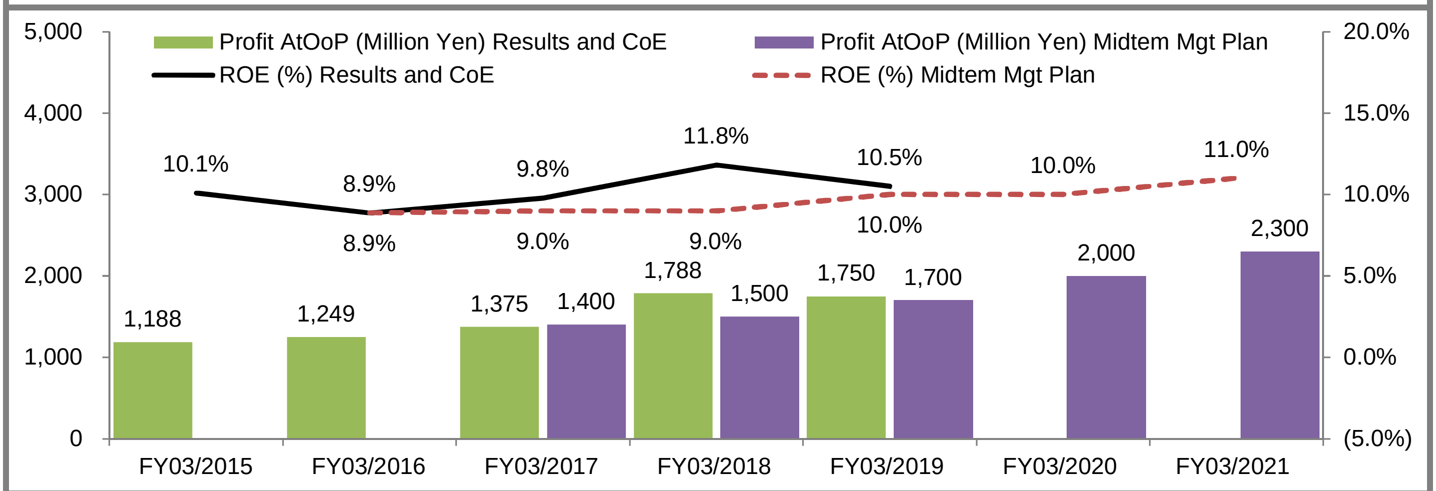
Long-Term Prospects

On 11 March 2016, the Company released its midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). As prospective business performance target, the Company is calling for sales of more than ¥47,000m to be achieved in the last year of FY03/2021 as well as operating profit of more than ¥3,300m and profit attributable to owners of parent of more than ¥2,300m. Meanwhile, the plan assumes forex rate of ¥18.60 per Chinese yuan. When based on FY03/2016 results, sales are to see CAGR of more than 5.0% and operating profit more than 10.7% towards FY03/2021. On top of this, the plan is calling for prospective ROE of 11.0% to be achieved in FY03/2021.

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



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



Source: Company Data, WRJ Calculation

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

Having had entered China where sales have become even larger than those of Japan to date, the Company has entered Asia, which was followed by entrance to Europe and then Americas. Thus, Japan, China, Asia, Europe and Americas are the “5 poles” of “establishment of 5-pole sales structure” In 2010, the Company entered India, while having entered Southeast Asia on a full-fledged basis since around 2012. Triggered by changeover to wholly owned subsidiary from business partnership for Panther Precision Tools based in Malaysia implemented in August 2013, the Company has started to enter Europe on a full-fledged basis. With this changeover, the Company also succeeded distribution network held by Panther, which was of local distributors based in Germany. As far as we could gather, this distribution network has been doing so well. Meanwhile, in April 2017, the Company set up own bridgehead near Chicago, Illinois in order to enter Americas on a full-fledged basis.

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

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

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

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

Meanwhile, it is taken for granted that all of the Company's directors and employees must fulfill their own tasks to have been assigned each in order to materialize all those aforementioned priority management strategies and thus "work style reform" is indispensable.

4.0 Business Model

Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

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

Parts of Molds & Dies

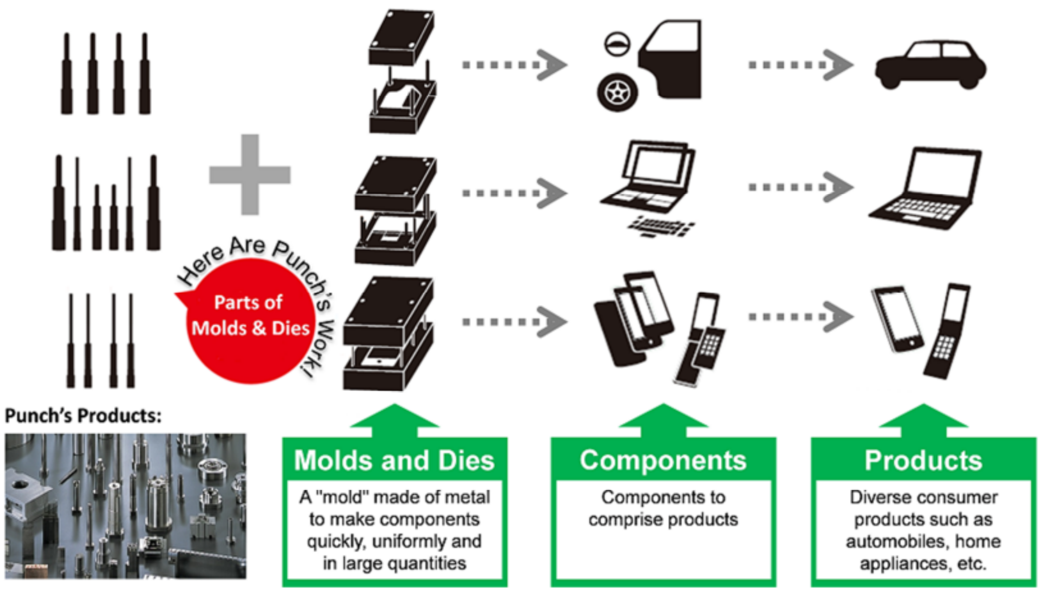
Ejector Pin (for molds)

Sprue Bush (for molds)

Punch (for dies)

Die-Set Guide (for dies)

"Molds and Dies" → "Components" → "Products"



Source: Company Data

Parts of Molds & Dies

The Company manufactures and sells parts of molds & dies. In our rough estimates, parts of molds account for 40% of sales as a whole for the Company and parts of dies for the remaining 60%, while parts of molds are superior to parts of dies in terms of added value and thus gross profit margin higher for the former and lower for the latter. Thus, the composition ratio here for the two is switched over in terms of gross profit, i.e., 60% for parts of molds and 40% for parts of dies.

Molds are adopted in the manufacture of diverse components made of plastic resin such as external body frames of smartphones and digital still cameras. Specifically, being implemented by injection molding machine, molds are used to cool down plastic resin heated and melted for molding plastic resin as designed. Here, the Company is involved with ejector pin to separate molded components from molds and get them protruded as well as with sprue bush to pour melted plastic resin into molds from injection nozzle of injection molding machine.

Meanwhile, dies are adopted in the mass-production of components for automobiles, home appliances, precision machinery, etc. Specifically, being implemented by pressing machine, dies are in charge of pressing of metal steel sheets. Here, the Company is involved with punch to be used in punching metal steel sheets to be pressed and/or in transferring shapes as well as with die-set guide to hold motions of pressing machine going up and down.

Sales of Standard Product on Catalogue, the Manufacture and Sales of Custom Product

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

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

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.CoE FY 03/2019	YoY Net Chg.
Sales	**29,436**	**34,392**	**36,755**	**36,648**	**41,025**	**41,000**	**(25)**
CoGS	21,776	25,030	26,577	26,457	29,367	-	-
Gross Profit	7,660	9,361	10,178	10,191	11,658	-	-
SG&A Expenses	6,498	7,637	8,191	8,201	8,814	-	-
Operating Profit	**1,161**	**1,724**	**1,986**	**1,990**	**2,843**	**2,500**	**(343)**
Non Operating Balance	(114)	(107)	(320)	(116)	(111)	(100)	+11
Recurring Profit	**1,047**	**1,617**	**1,666**	**1,874**	**2,731**	**2,400**	**(331)**
Extraordinary Balance	(50)	(4)	(10)	(44)	(215)	-	-
Profit before Income Taxes	997	1,612	1,656	1,830	2,516	-	-
Total Income Taxes	277	428	411	459	725	-	-
NP Belonging to Non-Controlling SHs	0	(4)	(4)	(5)	1	-	-
Profit Attributable to Owners of Parent	**720**	**1,188**	**1,249**	**1,375**	**1,788**	**1,750**	**(38)**
Sales YoY	+17.6%	+16.8%	+6.9%	(0.3%)	+11.9%	(0.1%)	-
Operating Profit YoY	+64.1%	+48.4%	+15.2%	+0.2%	+42.8%	(12.1%)	-
Recurring Profit YoY	+27.3%	+54.4%	+3.1%	+12.5%	+45.7%	(12.1%)	-
Profit Attributable to Owners of Parent YoY	+238.0%	+64.9%	+5.1%	+10.1%	+30.0%	(2.2%)	-
Gross Profit Margin	26.0%	27.2%	27.7%	27.8%	28.4%	-	-
(SG&A / Sales)	22.1%	22.2%	22.3%	22.4%	21.5%	-	-
Operating Profit Margin	3.9%	5.0%	5.4%	5.4%	6.9%	6.1%	(0.8%)
Recurring Profit Margin	3.6%	4.7%	4.5%	5.1%	6.7%	5.9%	(0.8%)
Profit Attributable to Owners of Parent Margin	2.4%	3.5%	3.4%	3.8%	4.4%	4.3%	(0.1%)
Total Income Taxes / Profit before Income Taxes	27.8%	26.6%	24.8%	25.1%	28.8%	-	-

Source: Company Data, WRJ Calculation

Sales by Region

Sales by Region (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.CoE FY 03/2019	YoY Net Chg.
Japan	14,386	15,211	15,637	15,903	17,153	-	-
China	12,988	16,208	17,806	17,428	20,102	-	-
Other (Europe, Asia and Americas)	2,061	2,973	3,311	3,317	3,769	-	-
Sales	**29,436**	**34,392**	**36,755**	**36,648**	**41,025**	**41,000**	**(25)**
Japan	+5.2%	+5.7%	+2.8%	+1.7%	+7.9%	-	-
China	+29.9%	+24.8%	+9.9%	(2.1%)	+15.3%	-	-
Other (Europe, Asia and Americas)	+51.3%	+44.2%	+11.4%	+0.2%	+13.6%	-	-
Sales (YoY)	**+17.6%**	**+16.8%**	**+6.9%**	**(0.3%)**	**+11.9%**	**(0.1%)**	**-**
Japan	48.9%	44.2%	42.5%	43.4%	41.8%	-	-
China	44.1%	47.1%	48.4%	47.6%	49.0%	-	-
Other (Europe, Asia and Americas)	7.0%	8.6%	9.0%	9.1%	9.2%	-	-
Sales (Composition Ratio)	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**+0.0%**

Source: Company Data, WRJ Calculation

Sales by Application

Sales by Application (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.CoE FY 03/2019	YoY Net Chg.
"Automobiles"	13,820	15,550	17,060	16,780	18,370	-	-
"Electronic Parts & Semiconductors"	5,690	6,540	6,550	7,000	7,880	-	-
"Home Appliances & Precision Machinery"	3,960	4,500	4,800	4,480	4,780	-	-
"Other"	5,970	7,800	8,300	8,400	9,940	-	-
Sales	**29,436**	**34,392**	**36,755**	**36,648**	**41,025**	**41,000**	**(25)**
"Automobiles"	+31.2%	+12.5%	+9.7%	(1.6%)	+9.5%	-	-
"Electronic Parts & Semiconductors"	+3.6%	+14.9%	+0.2%	+6.9%	+12.6%	-	-
"Home Appliances & Precision Machinery"	+10.3%	+13.6%	+6.7%	(6.7%)	+6.7%	-	-
"Other"	+9.5%	+30.7%	+6.4%	+1.2%	+18.3%	-	-
Sales (YoY)	**+17.6%**	**+16.8%**	**+6.9%**	**(0.3%)**	**+11.9%**	**(0.1%)**	**-**
"Automobiles"	46.9%	45.2%	46.4%	45.8%	44.8%	-	-
"Electronic Parts & Semiconductors"	19.3%	19.0%	17.8%	19.1%	19.2%	-	-
"Home Appliances & Precision Machinery"	13.5%	13.1%	13.1%	12.6%	11.7%	-	-
"Other"	20.3%	22.7%	22.6%	22.9%	24.2%	-	-
Sales (Composition Ratio)	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**-**

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.CoE FY 03/2019	YoY Net Chg.
No. of Shares FY End (-000 Shares)	8,961	11,061	11,061	11,061	22,122	-	-
Net Profit / EPS (-000 Shares)	7,237	9,076	11,061	11,008	21,921	-	-
Treasury Shares FY End (-000 Shares)	-	-	-	100	200	-	-
Earnings Per Share	99.58	130.91	112.94	124.99	81.61	79.80	-
Earnings Per Share (Fully Diluted)	-	-	-	124.84	81.35	-	-
Book Value Per Share	1,043.83	1,283.75	1,264.64	1,292.50	736.64	-	-
Dividend Per Share	20.00	25.00	25.00	26.00	16.75	16.75	-
Per Share Data (After Adjustments for Split) (Yen)	**Cons.Act FY 03/2014**	**Cons.Act FY 03/2015**	**Cons.Act FY 03/2016**	**Cons.Act FY 03/2017**	**Cons.Act FY 03/2018**	**Cons.CoE FY 03/2019**	**YoY Net Chg.**
Share Split Factor	2	2	2	2	1	1	-
Earnings Per Share	49.79	65.46	56.47	62.50	81.61	79.80	-
Book Value Per Share	521.92	641.88	632.32	646.25	736.64	-	-
Dividend Per Share	10.00	12.50	12.50	13.00	16.75	16.75	-
Payout Ratio	20.1%	19.1%	22.1%	20.8%	20.5%	21.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act FY 03/2014	Cons.Act FY 03/2015	Cons.Act FY 03/2016	Cons.Act FY 03/2017	Cons.Act FY 03/2018	Cons.CoE FY 03/2019	YoY Net Chg.
Cash and Deposit	1,527	3,302	3,235	3,280	3,770	-	-
Accounts Receivables	9,433	11,613	10,614	11,468	12,095	-	-
Inventory	3,341	3,992	3,721	3,787	4,425	-	-
Other	365	461	303	613	837	-	-
Current Assets	**14,668**	**19,369**	**17,875**	**19,150**	**21,129**	**-**	**-**
Tangible Assets	7,611	8,168	7,696	8,669	9,939	-	-
Intangible Assets	1,799	1,789	1,322	1,242	1,157	-	-
Investments and Other Assets	391	295	443	389	334	-	-
Fixed Assets	**9,803**	**10,253**	**9,462**	**10,301**	**11,431**	**-**	**-**
Total Assets	**24,471**	**29,623**	**27,337**	**29,451**	**32,560**	**-**	**-**
Accounts Payables, etc.	3,426	4,098	3,860	4,287	4,597	-	-
Short Term Debt	5,303	4,849	3,550	4,346	3,730	-	-
Other	2,642	3,364	3,040	3,090	4,322	-	-
Current Liabilities	**11,372**	**12,312**	**10,451**	**11,724**	**12,649**	**-**	**-**
Long Term Debt	2,440	2,306	1,794	2,460	2,151	-	-
Other	1,295	799	1,092	1,089	1,584	-	-
Fixed Liabilities	**3,736**	**3,105**	**2,886**	**3,550**	**3,736**	**-**	**-**
Total Liabilities	**15,108**	**15,418**	**13,338**	**15,275**	**16,385**	**-**	**-**
Shareholders' Equity	**7,968**	**11,679**	**12,586**	**13,598**	**15,096**	**-**	**-**
Other	1,394	2,525	1,413	578	1,077	-	-
Net Assets	**9,362**	**14,205**	**13,999**	**14,176**	**16,174**	**-**	**-**
Total Liabilities and Net Assets	**24,471**	**29,623**	**27,337**	**29,451**	**32,560**	**-**	**-**
Equity Capital	9,353	14,199	13,988	14,167	16,148	-	-
Interest Bearing Debt	7,743	7,155	5,344	6,807	5,882	-	-
Net Debt	6,216	3,853	2,108	3,526	2,111	-	-
Equity Ratio	38.2%	47.9%	51.2%	48.1%	49.6%	-	-
Net Debt Equity Ratio	66.5%	27.1%	15.1%	24.9%	13.1%	-	-
ROE (12 months)	9.6%	10.1%	8.9%	9.8%	11.8%	10.5%	-
ROA (12 months)	4.6%	6.0%	5.9%	6.6%	8.8%	-	-
Days for Inventory Turnover	56	58	51	52	55	-	-
Quick Ratio	96%	121%	133%	126%	125%	-	-
Current Ratio	129%	157%	171%	163%	167%	-	-

Source: Company Data, WRJ Calculation

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Cash Flow Statement

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

Source: Company Data, WRJ Calculation

6.0 Other Information

Supporting the Manufacture on a Global basis

The Company was founded by Yuji Morikubo, having been appointed as honorary chairman since 24 June 2015. He set up Kamba Shokai Co., Ltd. in Shinagawa-ku of Tokyo in March 1975 and started up the manufacture of pins to make holes for printed circuit boards, then having made a change for its corporate identity to PUNCH INDUSTRY CO., LTD. in August 1977 to start up the current business operations.

In August 1982, the Company succeeded in the mass-production of high-speed steel ejector pins earlier than any other peers on a global basis, having entered the market for parts of molds. Prior to this, the Company used to basically run operations of stocking and selling for parts of molds & dies. This was followed by setup of the manufacturing base in Dalian, China in October 1990. In early days, the operations here were nothing but of processing raw materials to have been imported from Japan into half-finished goods or blanks to be finished back in Japan at the end of the day. However, given increases of appliances, automobiles, etc., locally manufactured, the Company has started to locally sell parts of molds & dies manufactured locally since April 2002. Then, this was followed by setup of own bridgehead of India in September 2010.

In December 2012, the Company got listed onto the 2nd Section of Tokyo Stock Exchange and incorporated a business partnership based in Malaysia as fully-owned consolidated subsidiary in August 2013 to enhance own sales channels to Europe, which was followed by the listing on to the 1st Section of Tokyo Stock Exchange in March 2014.

In March 2016, the Company released 5-year projection, i.e., “Value Creation 2020” (FY03/2017 to FY03/2021) to further ensure growth in the future, while quickly coping with changes of environment for management. As expected in the agenda of this midterm management plan, new capacity of Vietnam, having had been under construction for future enhancement and optimization of the manufacture on a global basis, started up its utilization in October 2016. Then, the Company set up own bridgehead in the United States, having started up sales promotions in April 2017 as the preparation for “establishment of five-pole sales structure”.

Meanwhile, the Company is currently led by Masaaki Takeda having been appointed as Representative Director President (CEO) in April 2013. In spite of the fact that the Company specializes in sales and the manufacture of parts of molds & dies, whose real pictures are too hard to get appropriately recognized by public, Takeda, dedicating himself to management of the Company, is convinced with an idea that the Company supports the manufacture on a global basis as well as rich life of people across the world at the same time, given the fact that parts of molds & dies supplied by the Company are just indispensable in the manufacture of diverse consumer products, automobiles, etc. On top of this, Takeda is trying to offer increasing benefits to increasingly extensive stakeholders by means of making progress with management strategies of “Value Creation 2020” and realizing “Punch of the world”.

Company History

Date	Events
March 1975	Founded and started the manufacture of pins to make holes for printed circuit boards
August 1982	Entered the manufacture of parts of molds (succeeded in mass-production of high-speed steel ejector pins)
November 1983	Set up Kitakami factory, while started nation-wide sales of parts of molds & dies in December of the same year
May 1989	Set up Miyako Punch Industry (currently, Miyako factory)
October 1990	Set up manufacturing base in Dalian, China
July 2001	Set up sales office in China, started selling parts of molds & dies in China in the following year of 2002
September 2010	Set up sales office in India
December 2012	Listed onto the 2nd Section of Tokyo Stock Exchange
August 2013	Consolidated Panther Precision Tools as subsidiary (currently, Punch Malaysia)
November 2013	Released midterm management plan “Value Creation 15“
March 2014	Listed onto the 1st Section of Tokyo Stock Exchange
March 2015	40th anniversary
December 2015	Set up manufacturing base in Vietnam
March 2016	Released midterm management plan “Value Creation 2020“
October 2016	Started utilizing capacity of Vietnam on a full-fledged basis
April 2017	Started sales through own sales office in the United States

7.0 Our Reports on the Company in the Past

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

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