

PUNCH INDUSTRY CO., LTD.

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Annual Report
2014

Supporting product manufacturing around the world

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.

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Executive Message

Aim to become the leading brand in the mold and die components industry

To Our Stakeholders

Founded in 1975, Punch Industry Co., Ltd. manufactures and sells mold and die components, mainly in Japan and China.

We have been improving the business by pursuing our corporate vision, "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." We have made steady progress through uncompromising manufacturing since our foundation and by building a total manufacturing system from material procurement to final product delivery.

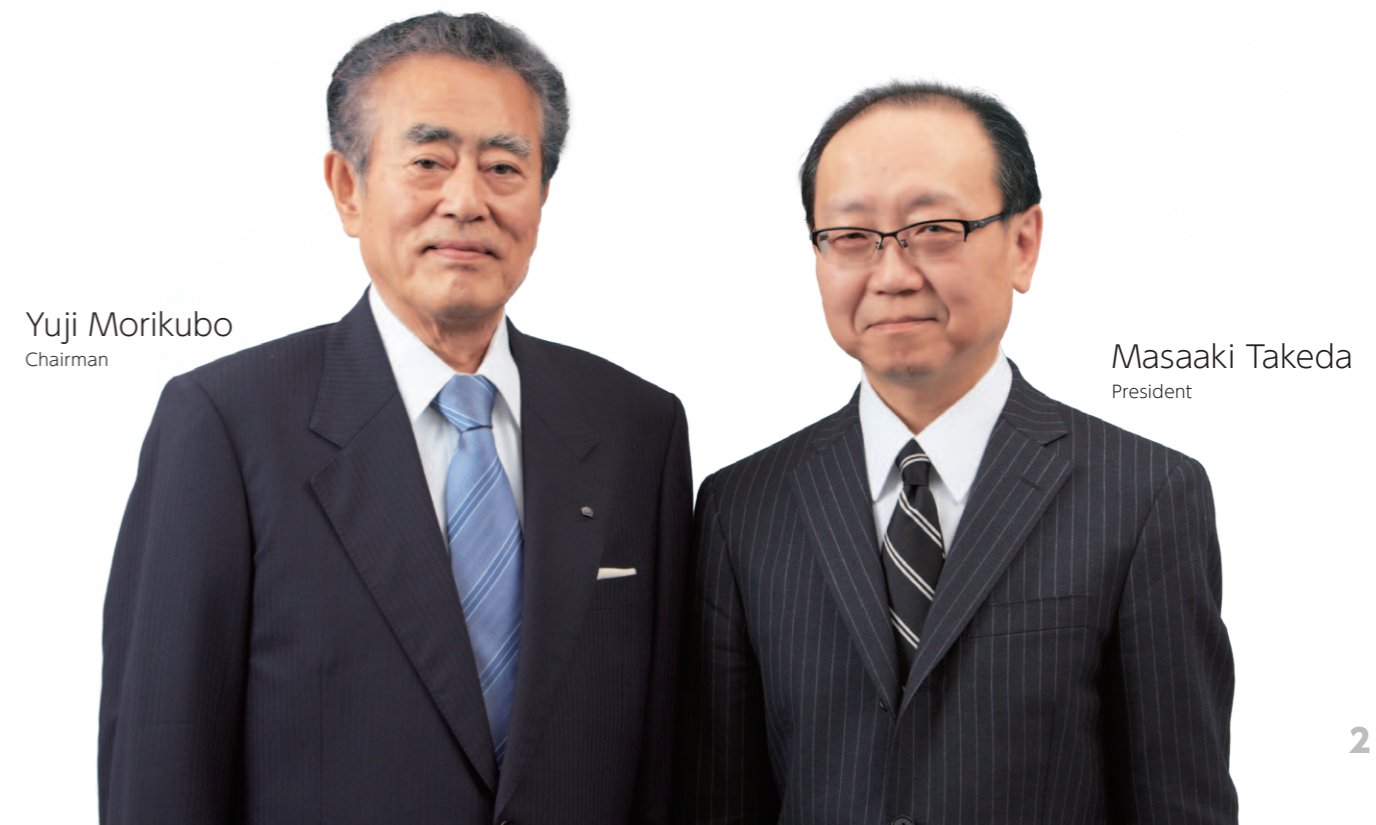
We made a new start when the Company was assigned to the First Section of the Tokyo Stock Exchange (TSE) on March 14, 2014—some 15 months since the Company was listed on the Second Section of the TSE on December 20, 2012.

Today, the global socioeconomic environment is undergoing major changes at a frenetic pace. These structural changes to the global economy, especially

in emerging markets, are also significantly impacting the business activities of the Punch Group.

The Punch Group positions "globalization," "expansion of new markets," and "conversion to a high profitability business model" as three priority business challenges, and it is working as one to expand sales in Southeast Asia, India, Europe, and the United States and attract more orders from new businesses in Japan and China. At the same time, we will reevaluate our manufacturing processes in our efforts to reduce costs.

In the fiscal year ending March 2015, we will celebrate the 40th anniversary of our founding. We look forward to the continued support of all stakeholders in this milestone year.



Yuji Morikubo
Chairman

Masaaki Takeda
President

Since its founding in 1975 as a company that manufactures and sells mold and die components, Punch Industry has consistently supported manufacturing activities both in Japan and overseas. Below is a summary of our history through to the fiscal year ending March 2015, when we celebrate the 40th anniversary of our founding.

1975~ Foundation to Business Expansion

1975
Commenced operations as KAMBA SHOKAI CO., LTD. in Shinagawa Ward, Tokyo, by founder Yuji Morikubo to manufacture punching pins for printed boards



1977
Changed company name to PUNCH INDUSTRY CO., LTD.

1982
Succeeded in mass production of high-speed steel ejector pins for plastic molds

1983
Established Kitakami Plant in Kitakami City, Iwate Prefecture, and began nationwide sales of mold components



1989
Established subsidiary MIYAKO PUNCH INDUSTRY CO., LTD. (now Miyako Plant) in Miyako City, Iwate Prefecture, and commenced production of press die components



1990~ Business Operations Established in China

1990
Established PUNCH INDUSTRY (Dalian) CO., LTD. in Dalian, Liaoning Province, China



1995
Established a plant in Dalian Wafangdian, Liaoning Province, China

2001
Established sales office in China

2002
Commenced sales of mold components in China

2003
• Spun off plant in Dalian Wafangdian, Liaoning Province, and established PUNCH INDUSTRY (Wafangdian) CO., LTD.
• Established PUNCH INDUSTRY (Wuxi) CO., LTD. in Wuxi, Jiangsu Province, China

2004
Established PUNCH INDUSTRY (Dongguan) CO., LTD. in Dongguan, Guangdong Province, China

2006
Established PUNCH INDUSTRY DALIAN TAMA SPRING CO., LTD. in Dalian, Liaoning Province, China (now PUNCH SPRING (Dalian) CO., LTD.)

2010~ TSE Listings and Global Expansion

2010
Established PUNCH INDUSTRY INDIA PVT. LTD. in Chennai, Tamil Nadu, India

2011
Commenced sales of mold components in India

2012
• Formed capital and business alliance with PANTHER PRECISION TOOLS SDN. BHD. in Malaysia
• Listed stocks on the Second Section of Tokyo Stock Exchange (TSE)

2013
• Established production and logistics operations in Chongqing, China
• PANTHER PRECISION TOOLS SDN. BHD. (now PUNCH INDUSTRY MALAYSIA SDN. BHD.) became a wholly owned subsidiary of Punch Industry
• Established PT. PUNCH INDUSTRY INDONESIA in Jakarta, Indonesia

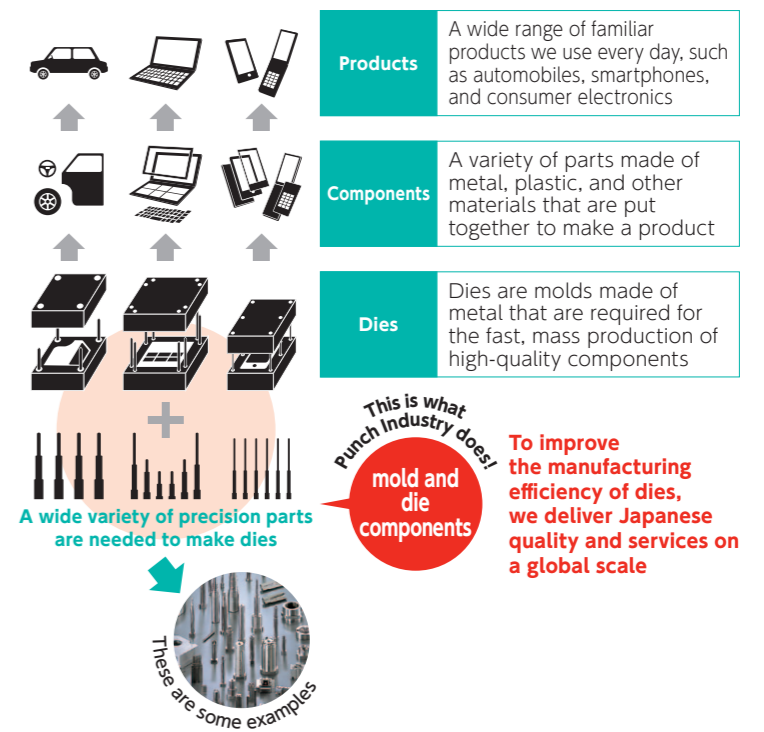
2014
Assigned to the First Section of TSE



Automobiles, electronic devices (such as smartphones and tablets), and consumer electronics (such as refrigerators and washing machines) fulfill indispensable functions in our daily lives. Dies are tools that are essential in the manufacture of these items. A die is a metal mold that enables the fast, uniform, and high-volume manufacture of products.

Punch Industry makes high-quality components that are needed to make molds and dies, which play an important supporting role in the activities of manufacturers worldwide.

Leveraging our technological capabilities, quality, and high level of services built up in Japan, we have continued providing mold and die components to manufacturing sites around the world. Thanks to these strengths, we work behind the scenes to support not only manufacturing, but also the comfortable lifestyles that people enjoy today.



Our Products

Components for Plastic Molds

Plastic molds are used in the manufacture of many plastic products, such as the outer casings of mobile phones 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 Group manufactures and sells components used in these molds.



**Key product
Ejector pins**
Ejector pins are used to eject and release the molded body from a mold

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 Group manufactures and sells components used in these press dies.



**Key product
Punches**
As components used in press dies, punches are used to make holes in sheet metal

Standard Products

Punch Industry's catalogs feature products with standardized specifications, including such dimensions as length and depth. "The Components for Plastic Molds" features approximately 26,000 items, and the "Components for Press Dies" features around 24,000 items—a total of some 50,000 products listed.



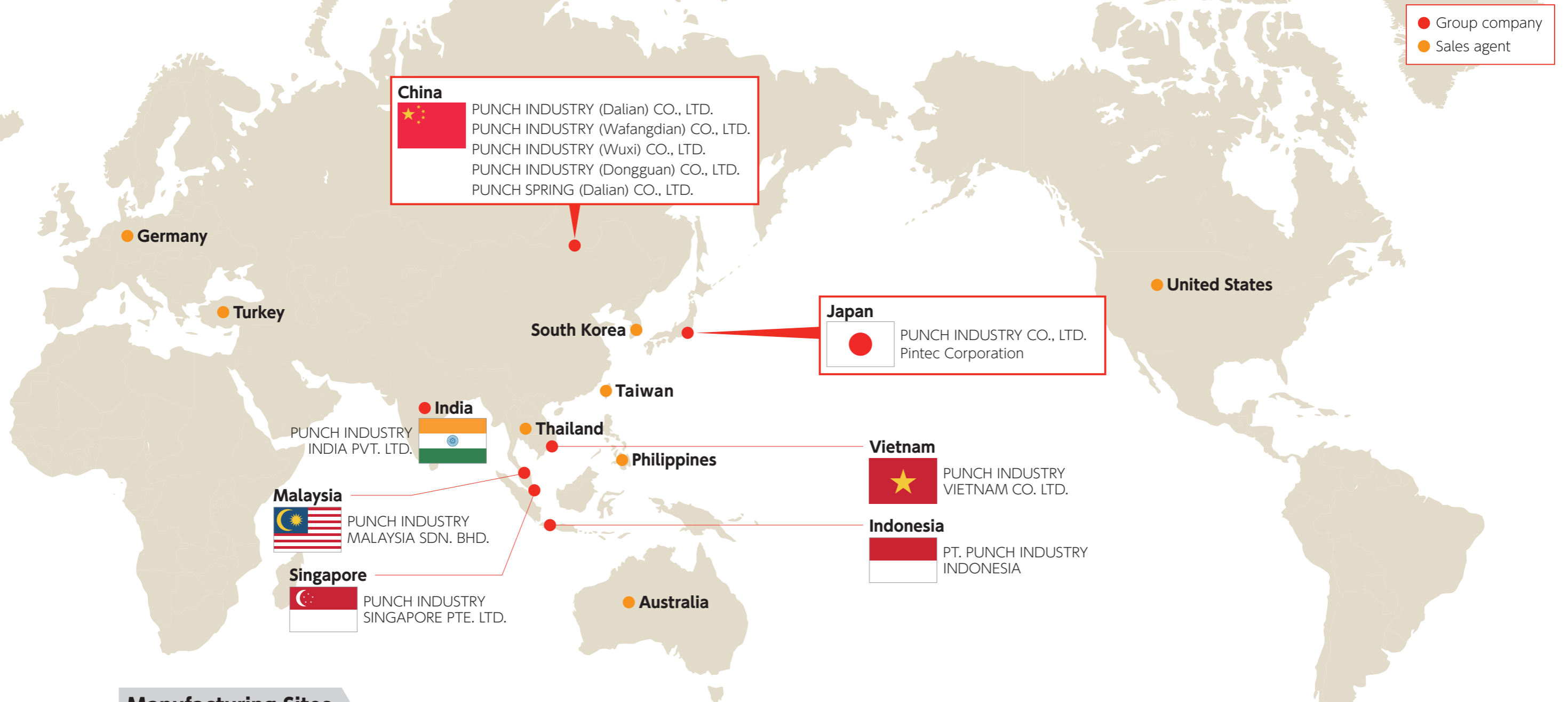
Note: Both catalogs are Japanese-language editions, published in 2012.

Special-Order Products

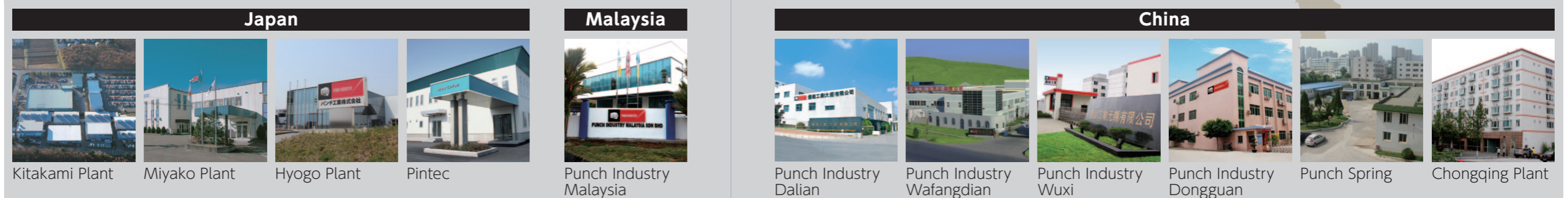
Punch Industry also makes components customized to individual orders, not listed in the product catalogs, on the basis of its technological capabilities, through fully leveraging an integrated production system and customer-oriented sales system to make parts that meet customers' particular specifications.



The Punch Group's network of sales and manufacturing sites in Japan and overseas provides solid support to customers worldwide.



Manufacturing Sites



Financial Highlights

Net sales reached a record high amid strong automotive sectors and recovery in the consumer electronics, precision equipment, electronic devices, and semiconductor industries. Both revenue and earnings surged, with operating profit up ¥454 million compared with the previous fiscal year.

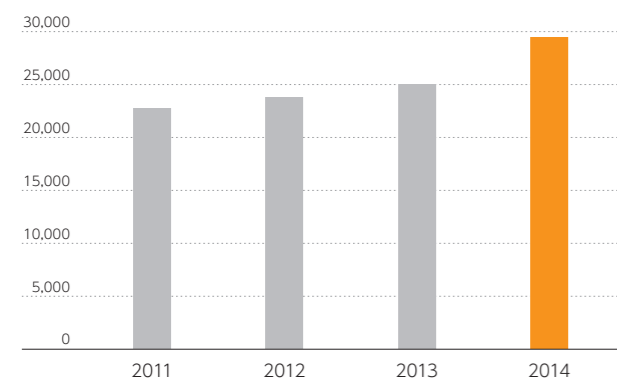
Years ended March 31

(millions of yen)

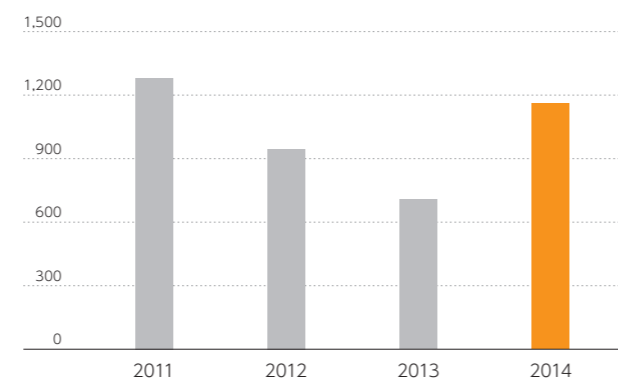
	2011	2012	2013	2014
Net Sales	22,750	23,801	25,041	29,436
Operating Income	1,281	946	707	1,161
Ordinary Income	995	805	822	1,047
Net Income	116	394	213	720
Earnings Per Share (Yen)	19.96	67.36	34.30	99.58
Total Assets	20,797	18,895	20,573	24,471
Total Net Assets	3,973	4,296	5,726	9,362
Net Assets Per Share (Yen)	679.24	734.40	800.87	1,043.83
Return on Equity (ROE) (%)	2.8	9.5	4.3	9.6
Net Worth Ratio (%)	19.1	22.7	27.8	38.2

Note: We conducted a 10-for-1 stock split in the year ended March 2013; however, the above figures are based on the assumption that the split occurred at the beginning of the year ended March 2011, and net income per share and net assets per share have been calculated accordingly for each period.

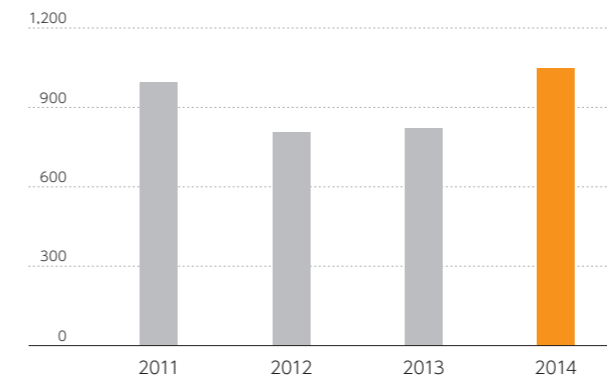
Net Sales (millions of yen)



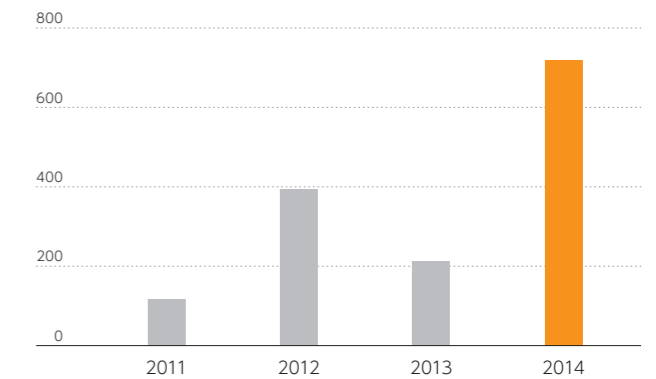
Operating Income (millions of yen)



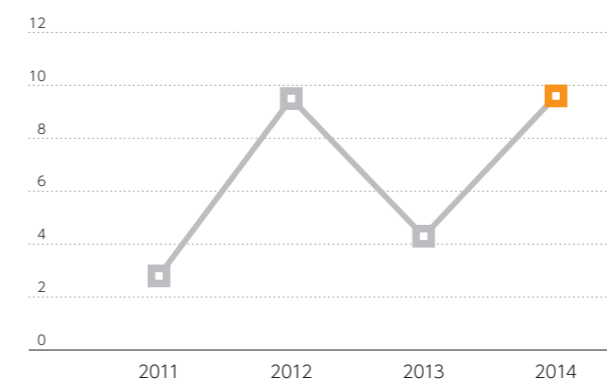
Ordinary Income (millions of yen)



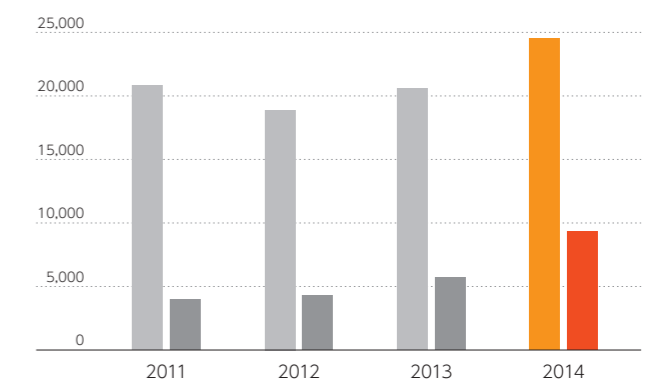
Net Income (millions of yen)



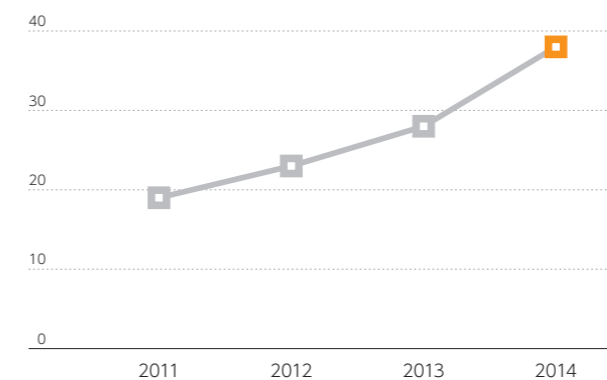
Return on Equity (ROE) (%)



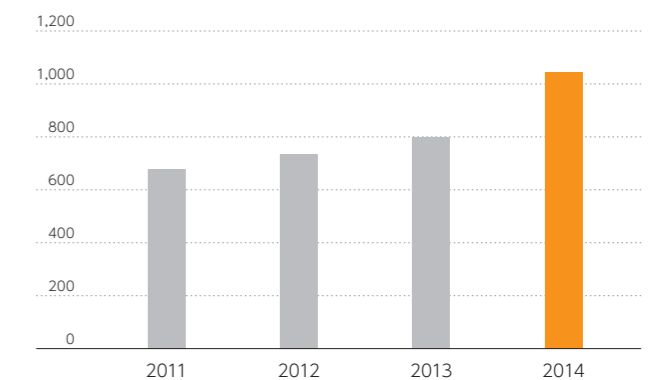
Total Assets Total Net Assets (millions of yen)



Net Worth Ratio (%)



Net Assets Per Share (yen)



Note: We conducted a 10-for-1 stock split in the year ended March 2013; however, the above figures are based on the assumption that the split occurred at the beginning of the year ended March 2011, and net assets per share have been calculated accordingly for each period.

The mold and die components market is constantly growing as a cornerstone of the manufacturing sector.

Punch Industry has consistently supported manufacturing since its founding. Going forward, we will aggressively develop new fields and markets while continuing to make and sell mold and die components. Our aim is to be a company whose presence is indispensable to world manufacturing.



Masaaki Takeda
President & Representative Director

Q Please tell us about Punch Industry's business results for the year ended March 2014 and your assessment of its performance.

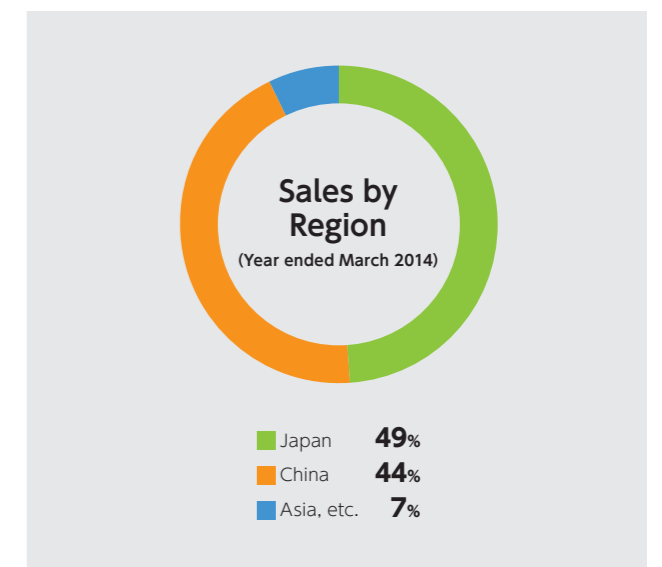
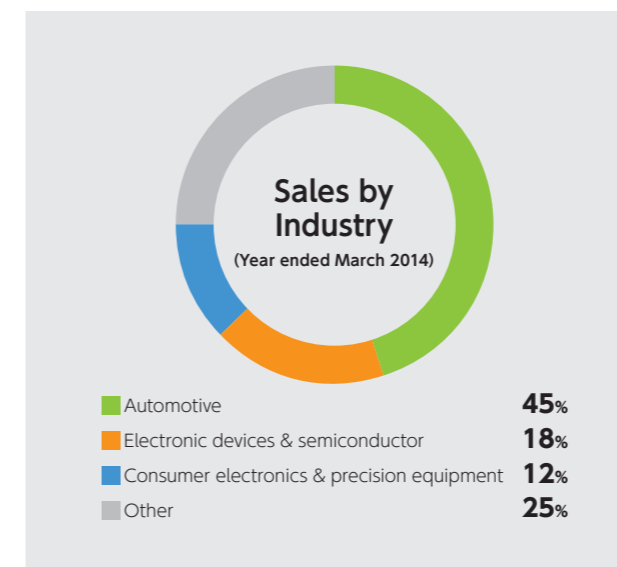
A Our performance benefited from future-oriented investment in new fields, such as the food and beverage and medical sectors.

Viewed on a global scale, the mold and die market is making a steady recovery after reaching rock bottom immediately after the collapse of Lehman Brothers, which triggered the global financial crisis. With regard to our results for the year ended March 2014, in addition to a strong automotive industry, signs of recovery were also evident in the consumer electronics, precision equipment, electronic devices, and semiconductor industries. Our two main sources of demand are manufacturers that supply the automotive and electrical/electronics industries. We supply around 6,000 customers in Japan and around 8,000 in China, covering a wide spectrum of sectors. In recent years, the Company has worked hard to develop and expand sales in new fields outside these two key markets, such as the food and beverage and medical sectors.

In the year under review, we began to see the positive effect of these efforts in new fields and

markets. This, coupled with an increase in the production of new cars, resulted in higher-than-expected revenue. We recorded domestic sales of ¥14,386 million and overseas sales of ¥15,050 million, for total consolidated net sales of ¥29,436 million, up 17.6% from the previous year. We were particularly pleased with domestic sales, which surpassed ¥14.0 billion, a benchmark we tried to reach for some years. If we had not made future-oriented investments in new fields, perhaps sales would have increased only on a par with the market upturn. While it will take time to develop new markets, I genuinely believe that the Company's solid performance is attributable to the initial results of steady progress made in new markets.

Several factors made significant contributions to the Punch Group's performance. One is the recovery of business in China, which had struggled over the past two years, particularly on the earnings side. Another is higher production at the Hyogo Plant in Japan owing to an improvement in domestic orders received. Since starting production in January 2011, the plant had fallen behind schedule, due in part to the impact of the Great East Japan Earthquake. During the year, cost structure "renovation activities" by the Company—referred to as "value creation activities"—began to bear fruit. Operating income increased ¥453 million year on year, to ¥1,161 million,



and ordinary income and net income also rose considerably.

Merger and acquisition activities in Southeast Asia had a limited effect on our performance for the year, due to consolidation in the third quarter and the burden of investments made early in the year. Nonetheless, we recognize that M&A activities marked a quantum leap in the Punch Group's pursuit of business expansion.

Q Please tell us about the Punch Group's progress under the medium-term business plan, entitled "Value Creation 15."

A We are stepping up initiatives by leveraging our competitive edge as an integrated manufacturing and sales company.

All aspects of the world economy and the social environment relevant to Punch Industry's business are changing at a very fast rate. As a result, the shift of manufacturing from Japan to China and newly emerging countries is gaining pace. Against this backdrop, the Punch Group has devised a medium-term business plan entitled "Value Creation 15," covering the three-year period from April 2013 to



The Punch Group's Southeast Asian headquarters

Value Creation: 15 Key Points of the Strategy

We will embrace both offensive measures (growth strategies) and defensive measures (system reforms) to implement the three priority initiatives

	Japan	China	Southeast Asia, etc.
1 Globalization	<ul style="list-style-type: none"> ■ Establishment of global business headquarters ■ Americas strategy ■ Europe strategy 		
2 Expansion of new markets	<ul style="list-style-type: none"> ■ Marketing <ul style="list-style-type: none"> ● Medical-related products ● Food and beverage-related products ● 3D metal printing 	<ul style="list-style-type: none"> ■ Further development of Midwest market 	<ul style="list-style-type: none"> ■ Southeast Asia new structure in full-swing <ul style="list-style-type: none"> ● Establish a business base using Malaysia as the core headquarters for production and sales ● Quick startup of a joint venture in Indonesia ■ India <ul style="list-style-type: none"> ● Deep cultivation of automotive business ● Consumer electronics strategy
3 Conversion to high profitability business model	<ul style="list-style-type: none"> ■ R&D <ul style="list-style-type: none"> ● R&D headquarters 	<ul style="list-style-type: none"> ■ Promote sales of strategic products 	<ul style="list-style-type: none"> ■ Expand carbide product business

March 2016. Under the plan, we are working on three key measures: "globalization," "developing new markets," and "transformation to a highly profitable business model." The Punch Group is responding to the frenetic pace of change in the operating environment by laying a solid foundation for global business expansion, while continuing its steadfast support of manufacturing in Japan.

(1) Globalization

Customer-centric marketing structure

Until recently, Punch Industry had tended to view things in terms of domestic sales, with export sales as a bonus. However, we have altered the Punch Group's structure to encourage a new mindset that considers business from a global perspective by linking our activities in Japan, China, Southeast Asia, India, the United States, and Europe. Under this model, we are actively expanding into Southeast Asia and India from key bases in Japan and China, while opening up sales channels in the United States and Europe. We have been able to achieve substantive progress on both fronts.

Our acquisition in August 2013 of Malaysian company Panther Precision Tools Sdn. Bhd. had a

major impact on this shift in thinking. Renamed PUNCH INDUSTRY MALAYSIA SDN. BHD., that company has operations in Malaysia, Vietnam, and Singapore. It is now a member of the Punch Group and will serve as its Southeast Asian headquarters. The acquisition marks an important first step toward building the Punch Group's direct sales structure, based on integrated manufacturing and distribution—a key strength—in the Southeast Asian market. The result is a new framework enabling the Punch Group to provide ongoing support to existing customers in Japan who have transferred operations offshore. Being able to offer local support in this way is generating a new shift in thinking that has begun permeating Groupwide.

In November 2013, PUNCH INDUSTRY MALAYSIA formed a joint venture company with PT. Somagede Indonesia. The new company began full-scale operations in April 2014. In Vietnam, we complemented our existing office in Ho Chi Minh City by establishing a sales office in an industrial park for Japanese companies in Hanoi. As a result of these activities, we have already made good progress in expanding our business base.

In November 2013, we established a Global Business Headquarters, which has begun implementing a global business strategy. PUNCH INDUSTRY MALAYSIA

has been delegated responsibility for marketing strategies covering Southeast Asia, and is in charge of affiliated sales companies in Singapore, Vietnam, and Indonesia. At the same time, the Global Business Headquarters manages the coordination and allocation of duties for marketing in Japan, China, and Southeast Asia. This new structure is beginning to function, though at a measured pace. The Global Business Headquarters has overall control of the management of each Group company.

The Punch Group is also working to establish a special-order business centering on automotive customers in the United States and Europe. Here, we are widening and strengthening existing export sales channels of Group members in China and PUNCH INDUSTRY MALAYSIA. In 2013, Ford Motor Company in the United States designated Punch Industry as a supplier of a standard component for an automobile mold. We are using this opportunity as a foothold to obtain more business from Ford in the U.S. and elsewhere overseas. We have identified the mold market, centering on automotive parts, as a growth area, and we will adopt an aggressive approach in the U.S. market with its huge potential. We plan to establish our own business model under which we gain market entry through standard products, which we then will expand to include special-order products.

(2) Developing New Markets

Leveraging advanced technological capabilities to open up new fields and markets

The mold and die components business will remain the Punch Group's central focus. At the same time, we plan to develop business in new fields by leveraging our strengths in technical development and manufacturing. We will also tap new markets through expansion of business segments.

These new markets are not on the same scale as the automotive and electrical/electronics markets, which are the largest among the diverse range of industries we supply. Nonetheless, we have made inroads by narrowing our focus on fields in which we can leverage our strengths to provide high-value-added products. Adhering to this strategy, we have established a presence in the domestic food and beverage and medical sectors. Both sectors use high-



Machining work

precision microfabrication technology and surface treatment technology, and both demand meticulous cutting-edge processes. In addition, they require a manufacturing capability that can handle mass production. The needs of these sectors and the strengths of the Punch Group are therefore quite compatible, which bodes well for future success. In the food sector, our customer base continues to expand, centering on the huge beverage market. In the medical sector, we are receiving increased orders for high-value-added products from both new and existing customers. Going forward, we plan to enhance cooperation with operations in China spearheaded by our recently established R&D Headquarters in Japan. Raising the current level of technology even higher in this way will enable us to capture new demand.

Since 2010, we have been developing technology applying metal powder for metal photofabrication, so-called "3D metal printing" technology, with a partner outside the Punch Group as part of a commercial development project. Thanks partly to the popularity of 3D printers, this technology is earning growing recognition, and we have been receiving more inquiries as a result. Although metal powder for metal photofabrication is still in its infancy, it can form shapes, which is not possible using conventional metal processing. We are working harder than ever to seize the opportunities we believe will emerge for applying metal photofabrication technology in completely new areas.

We are seeking to open up new markets by expanding the geographical reach of our business activities. In May 2013, we launched operations in Chongqing, China in response to our customers' business expansion. The new operation, with a production and sales base and a logistics center, has made a solid start, with orders surpassing expectations. We will use the Chongqing operation as a strategic base for market entry, targeting the rapidly growing interior region of China. With sales already increasing at double-digit levels, we are developing a framework to capture this growth market. Going forward, we will continue focusing on this promising area.

In India, the Punch Group is doing business with an increasing number of local automotive companies. In addition to cultivating the automotive sector, we have begun working to attract orders from makers of consumer electronics and electronic devices as well. Until recently, we had concentrated on the automotive sector with a view to swiftly launching new businesses. We have now reached the next stage, which enables us to advance business expansion while broadening our horizons.

(3) Transformation to a Highly Profitable Business Model

Drawing on an integrated production system and advanced technological capabilities to expand sales of high-value-added products

The Punch Group is employing two strategies as it endeavors to make the transformation to a highly profitable business. One is to build an optimal cost structure through value chain activities, which are measures targeting ongoing "value creation activities." The other is to increase sales of highly profitable products by leveraging the competitive edge we have as an integrated manufacturing and sales company to develop and manufacture high-value-added products and develop new markets.

In the year ended March 2014, we implemented full-scale value creation activities with the aim of enhancing our responses at the grassroots level. At present, 15 task forces, consisting mainly of young members, are tackling specific themes from the three perspectives of manufacturing, marketing, and business management. While some themes require a considerable amount of time, others are already beginning to show concrete results. Growing

Our Strengths

While the Punch Group's basic style is reflected in its integrated manufacturing and sales system, it is its "technological capabilities" that underpin this style.

We constantly strive to reinforce the manufacturing skills and know-how we have amassed over the 40 years since our founding. We are also advancing the Punch Group's technological capabilities through collaboration between Japan and China, spearheaded by the R&D Headquarters. These capabilities form the cornerstone of our integrated production system and customer-centric sales and marketing system. Handling a wide array of both standard and special-order products, our greatest strength is our ability to respond meticulously to the diverse needs of customers.

Delivering a high level of customer satisfaction



Standard Products

Abundant lineup of versatile standard products

Quick solutions



Special-Order Products

Responding flexibly to customers' needs

Integrated production

Extensive capabilities using 1,700 pieces of equipment

Customer-centric sales and marketing system

Meticulous solutions

Advanced technological capabilities

Four decades of amassed know-how plus tireless research and development

awareness concerning business management, mainly among task force members, illustrates the effectiveness of these activities. Of particular note is the progress being made since we created a research and development structure that cuts across the Punch Group. In April 2014, we began developing products under a cooperative arrangement between Japan and China spearheaded by our R&D Headquarters.

In China, the Punch Group has spent the past three or four years undertaking research and development with a focus on manufacturing that requires a high level of sophistication. In the year ended March 2014, sales growth in strategic products with high added value outstripped projections. Growth in this area was very strong, contributing to sales of over ¥1.0 billion in China.

There are numerous makers of mold and die components worldwide. However, only very few, such as Punch Industry, offer a wide variety of both standard and special-order products. Increasing our lineup of such strategic products is yet another strength we can leverage that is directly linked to improving profitability. Going forward, we plan to ramp up collaboration between Japan and China to raise our technological expertise. At the same time, we will expand our range of high-value-added products while skillfully marrying our offerings with customers' needs.

In Southeast Asia, we are working to expand highly profitable carbide items made at our Malaysian production operations. This product group requires specialist processing machinery and a great deal of effort. For these reasons alone, the market is not very large, but it demands a high level of added value. We will expand our product range by enhancing our processing technologies for carbide products. No longer bound by existing limitations, we will increase sales to encompass Japan, China, Southeast Asia, the United States, and Europe. We will also boost sales volumes so that both revenues and earnings will contribute to our consolidated business results.

Through these three initiatives, the Punch Group will become the leading brand in the mold and die component industry. Moreover, by leveraging our advantages as an integrated manufacturing and sales company, we will make the transformation to a highly profitable model.

Q What is your business outlook for the year ending March 2015, and what priority initiatives will you pursue?

A In light of our strong performance, we have made upward revisions of targets set under the medium-term business plan.

In the year under review, our performance benefited significantly from solid growth in the automotive sector and new fields, as well as higher levels of operation at domestic plants and the recovery of our business in China. Taking these factors into account, we have revised upward our original targets for the year ending March 2015—the second year of the plan (Value Creation 15). The new targets are net sales of ¥31.5 billion and operating income of ¥1.4 billion.

With regard to the year ending March 2016, we have decided to wait a little longer to monitor the progress of economies in China and emerging countries, as well as domestic manufacturing.

As for key initiatives, we will adhere steadfastly to "globalization," "developing new markets," and "transformation to a highly profitable business model" as we strive to attain continuous growth.

On a regional basis, we recognize the shift that is taking place from domestic to offshore production. Nevertheless, in Japan we will work to attract new customers by approaching those we have previously overlooked. We will also pursue further sales growth in new fields. In China, we will focus on increasing profitability through a sales offensive targeting interior regional markets and increasing sales of strategic products. Steady management of the R&D Headquarters, established in Japan in April 2014, will be a decisive factor in achieving these goals. Another priority is to further bolster the Punch Group's business platforms in Japan and China. In Southeast Asia, meanwhile, there are markets with huge potential despite the risks inherent in some emerging countries. Accordingly, we will act quickly to establish a stable business foundation in the region so that we do not miss opportunities. At the same time, we will target expansion into the United States and Europe. As for India, in light of the increasing stability of our

Earnings Forecast for the Year Ending March 31, 2015

	(millions of yen)			
	Year ended March 31, 2014 (Results)	Year ending March 31, 2015 (Forecast)	Difference	Year-on-year
Net Sales	29,436	31,500	2,063	107.0%
Operating Income	1,161	1,405	243	120.9%
Operating Income to Sales	3.9%	4.5%		
Ordinary Income	1,047	1,256	208	119.9%
Ordinary Income to Sales	3.6%	4.0%		
Net Income	720	848	127	117.7%
Net Income to Sales	2.4%	2.7%		

Dividend Trends

	(yen)
	Annual dividends (per share)
Year ended March 31, 2014 (Results)	20
Year ending March 31, 2015 (Forecast)	20

business base, we will seek to boost business activities in fields other than the automotive sector.

We realize that fostering human resources is important from the perspective of supporting these initiatives. A key management priority is to create a framework that enhances motivation of employees and enables them to show their full potential. Accordingly, we will bolster activities in this area in the year ending March 2015.

Shareholder Return

At Punch Industry, we believe that earning trust and support from all shareholders forms the basis for continuous growth of corporate value, and that meeting their expectations is a key management priority. Under our dividend policy, we link dividends to performance by targeting a consolidated payout ratio of at least 20% while also emphasizing stable and continuous dividend payments.



Punch Industry booth at Stock World 13, a Nikkei IR fair



Business results briefing

Q Please outline the Company's CSR policy.

A Punch Industry pursues CSR-oriented management that continually supports manufacturing worldwide.

The Company's corporate vision is to "become the leading brand in the mold and die components industry and achieve high profitability by leveraging our competitive edge as an integrated manufacturing and sales company." In the nearly four decades since its founding in 1975, Punch Industry has worked steadily with integrated manufacturing as its linchpin. To continue meeting people's expectations, we maintain a strong focus on the manufacture and sale of mold and die components. To prevent this focus from restricting our activities, we also seek challenges in new fields and markets. Through global expansion, our aim is to become a beacon of light that supports manufacturing worldwide.

The Company's most important social responsibility is to underpin global manufacturing. In addition, we implement green procurement as a means of avoiding the use of chemical substances that are harmful to our health and the global environment. As a company we believe we must be accountable to all stakeholders, including employees, and as a corporate citizen we must contribute proactively to the sustainable development of society. Since our public listing, we have introduced various measures to promote accountability, including holding company and business results briefings, exhibiting at investor relations events, and improving our website. Going forward, we plan to intensify these activities. As a corporate citizen, each office and plant takes part in community-based activities, such as neighborhood cleanups, as well as collecting plastic bottle caps as part of the Ecocap Campaign. In 2016, we will support a national sports event that will take place in Iwate Prefecture, the home of two of the Company's plants.

Q Do you have a concluding message for stakeholders?

A We will strive to achieve further business expansion and improve corporate value.

Mold and die components are absolutely essential for manufacturing. Indeed, there is not one mold or die that does not use such components. Punch Industry takes pride in fulfilling this most basic role in manufacturing.

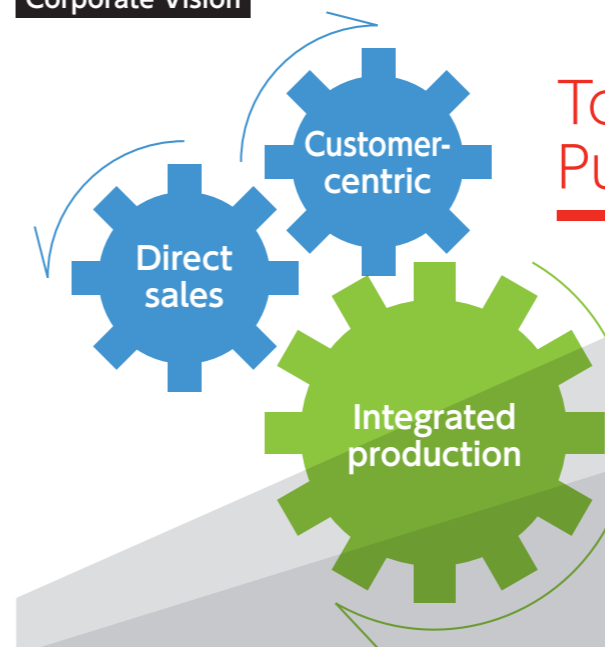
We are seeing changes in automobiles as they evolve from being powered by gasoline engines, to hybrid systems, and on to electric systems. However, automobiles themselves will always exist. For consumer electronics as well, though the major producing nations have changed, the products themselves have not. Viewed from a global perspective, therefore, manufacturing will not disappear, which means that molds and dies will continue being necessary. At present, the mold and die market is growing from strength to strength. It is essential that we become part of this growth and

create a structure that makes this possible. We are building a framework that provides solid support for customers wherever they may be, in our quest to become a company that is indispensable to global manufacturing.

Punch Industry's stocks were listed on the Second Section of the Tokyo Stock Exchange (TSE) in December 2012. In March 2014, the Company was assigned to the First Section of the TSE. This realizes the wish of Punch Industry's founder Yuji Morikubo and coincides with the 40th anniversary of the Company's founding. We have reached these two milestones thanks to the support of all stakeholders, including shareholders and other investors. I would like to take this opportunity to express my sincere gratitude to you all.

Going forward, we will work tirelessly to realize our corporate vision and meet everyone's expectations. We look forward to your ongoing support.

Corporate Vision



Toward a global Punch Industry

As the leading brand in the mold and die component industry, the Punch Group will leverage its competitive edge as an integrated manufacturing and sales enterprise to become a highly profitable business.

Environmental Principle

Punch Industry plays a significant part in social development by protecting the Earth's natural resources and developing eco-friendly products.

Environmental Policy

Environmental Action Guidelines

It is imperative that environmental issues be addressed by the entire world, and corporate entities have a social responsibility to undertake environmental initiatives. Based on this awareness, we engage in the following environmental conservation activities on a continuing basis with the cooperation of all employees, to minimize environmental burdens in all of our business activities, from the development and production to the sale of mold components, and thereby contribute to the sustainable development of society.

1. We establish organizational and operational frameworks to ensure steady implementation of eco-friendly business activities and enforce an environmental management system for their continuous maintenance and improvement.
2. We comply with laws, regulations, and ordinances concerning the environment, and strictly adhere to agreements with customers. Furthermore, we make every effort to prevent pollution to the greatest extent possible in accordance with standards we have established, and to promote harmony with the local community.
3. We engage in green procurement practices and maintain a strong commitment to eco-friendly product designs and product development (non-use of environmental chemical substances).
4. We strive to reduce environmental burdens that arise from our business activities in various regions and to promote the effective utilization of resources by setting forth and working toward environmental targets and goals that emphasize the following perspectives. We also conduct a regular review of these targets and goals.
 1. Promotion of resource savings and energy conservation
 2. Reduction and recycling of waste materials
5. We thoroughly convey these environmental policies to all of our business partners to promote environmental awareness and understanding among their personnel. We also disclose these guidelines to the public upon request.

An Eco-Friendly Product According to Punch Industry

Punch Industry considers an eco-friendly product as something that requires special attention and takes the lead in the mold and die components industry in the pursuit of such products.

We place top priority on reducing chemical substances that harm the environment. We continue marketing eco-friendly products with minimal environmental impact based on our own standards, which are even stricter than the RoHS Directive.

Manufacturing eco-friendly products has led to increased costs, but we do not plan to pass this increase on to our customers. We adopt an environmentally responsible approach across diverse aspects of our business, which include the adoption of eco-friendly packaging materials and the use of recycled paper and vegetable-based inks for our catalogs.

Green Procurement

Punch Industry believes that by striving to live in harmony with the Earth through the management of environmental chemical substances and the effective utilization of resources and other initiatives, it is possible to change the global environment for the better. Adhering to our environmental principle, we have actively switched to the use of "green products" that pose minimal risk to the environment.

We also comply with the China RoHS.



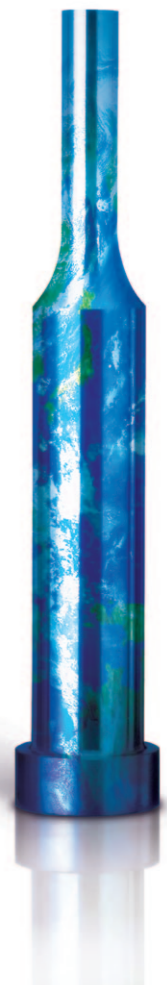
Eco-Friendly Mark

Punch Industry has established its own eco-friendly mark as a means of informing customers that products meet the Company's own environmental standards. The mark is used in our product catalogs and other materials.

■ RoHS

RoHS refers to the EU directive "Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment," which came into force in July 2006 and restricts the use of certain hazardous materials in the manufacturer of various types of electrical and electronic equipment.

Accordingly, products containing any of the following six chemicals cannot be marketed within the EU member states: cadmium, chromium (hexavalent chromium), lead, mercury, PBB (polybrominated biphenyls), and PBDE (polybrominated diphenyl ethers)



Basic Principles on Quality

The Punch Group shall enhance a basic policy that puts customers first and deliver high-quality products and services that can be used with confidence, in fulfilling its responsibilities as a listed company. At the same time, we shall pursue quality assurance to further increase customer satisfaction, achieved through such efforts as employee training, technical innovation, and new product development.

Policies on Quality

Basic Policies

1. Customer-Centric

To enhance customer satisfaction, we shall endeavor to provide products and services that meet the expectations of customers by valuing their opinions and our communication with them.

2. Quality Assurance System

To provide high-quality products and services, we shall continuously strive to improve our quality assurance system based on our own quality standards by verifying and assessing the effectiveness of the system.

3. Technological Improvements

To meet the needs of the market, we shall work constantly to improve innovative technologies and skills while making ongoing improvements to quality, delivery, cost, and safety (QDCS).

4. Risk Management

To become a company that is trusted, we shall strive to promote risk management by complying with the various laws, regulations, treaties, and standards required of products and services supplied to the market.

5. Full Participation in Quality Assurance

To provide high-quality products and services that customers can use with confidence, we shall ensure that each individual employee fulfills our quality targets.

Social Initiatives

The Punch Group takes its social responsibility very seriously as a member of society, and contributes to the development of society and local communities through social contribution activities.

Community Activities

■ Cleanup and Beautification Campaigns

The Punch Group regularly performs cleanup activities on the premises of its head office and plants and their surrounding areas as part of its social contribution activities. As members of our local communities, we all undertake the activities together to contribute to the beautification of the environment and our communities.



■ Marathon Volunteers

Kitakami Plant employees and their families supported the Iwate Kitakami Marathon in 2012 and 2013 by volunteering at water stations along the marathon route.



■ Cosponsor of 2016 National Sports Festival

Punch Industry is an official supporter of the 2016 National Sports Festival in Iwate Prefecture. With two of our main production plants located in the same prefecture, we decided to provide assistance for this upcoming national sports event.



Eco-Cap Campaign

Punch Industry has taken part in the Eco-Cap Campaign run by the non-profit organization (NPO) Ecocap Movement since 2012. The aim of the campaign is to collect and sell plastic bottle caps that would normally be thrown out, and use the proceeds to purchase vaccines. Participation in this activity not only raises employee awareness concerning the environment and recycling, but also helps save the lives of children around the world. As of March 2014, we had sent around 23,000 bottle caps to Ecocap Movement, equivalent to providing vaccines for about 27 children.



Collection of Bell Marks and Used Postage Stamps

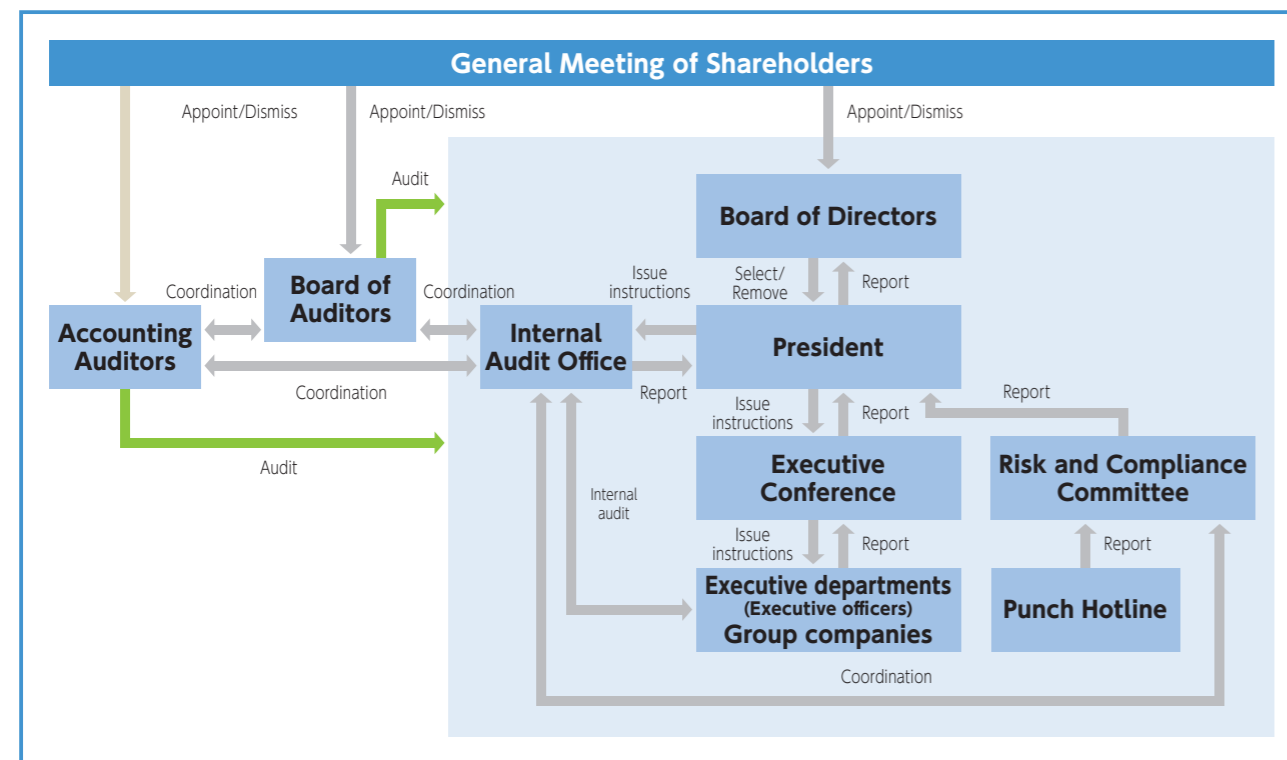
Since 2012, we have put collection boxes in several of our offices for employees to contribute "Bell Marks" found on product packaging, as well as used postage stamps. The Bell Marks are sent to the Bell Mark Foundation, which uses the proceeds to help schools buy textbooks and equipment, and to provide support to schools in remote areas, special schools, and education programs in developing countries. The used postage stamps are sent to a foundation that provides medical assistance overseas. The foundation funds health programs mainly in Asia and Africa to improve the health of people living in areas with inadequate healthcare.



To continue being an entity that is highly regarded by society, the Punch Group will further improve the transparency and soundness of management by reinforcing corporate governance and maintaining rigorous compliance.

Basic Policy

As a corporate entity that is active on a global scale, the Punch Group strives to reinforce corporate governance, which it regards as its most important management priority. We recognize that complying with laws and regulations, faithfully fulfilling social responsibilities, and improving the transparency and soundness of management help protect earnings for shareholders, customers, and other stakeholders, and underpin the continuous enhancement of corporate value.



Internal Audits and Auditing by Corporate Auditors

The Internal Audit Office, under the direct control of the Company's president, consists of three internal auditors, and the Office cooperates with corporate auditors through the exchange of audit information and other activities.

The Board of Auditors consists of four corporate auditors, two of whom are external auditors. The corporate auditors conduct audits in accordance with the audit policy established by the Board of Auditors. Corporate auditors carry out a comprehensive range of audit activities, including attending Board of Directors' meetings and executive conferences and holding direct hearings with directors and executive officers regarding the execution of duties.

The establishment, maintenance and management, and assessment of the Company's internal control system are largely the responsibility of the Internal Audit Office.

Compliance

Recognizing that rigorous compliance is absolutely essential for improving corporate value, the Punch Group has established a code of corporate ethics. Through extensive dissemination of the code, all officers and employees are aware that their conduct must comply with laws and regulations and meet the highest ethical standards.

The Company develops internal regulations governing risk management, as well as a risk management system. The system comprehensively identifies and assesses management and business risks that may affect our operations.

We have established a Risk and Compliance Committee, which is chaired by the president. The Committee identifies and assesses risks, while serving as a framework that ensures the thorough dissemination of compliance information throughout the entire Group through the implementation of ongoing employee education programs and training. The Company's Risk Management Guidelines contain provisions to be implemented in the event of an unforeseen occurrence that could impact our operations.

Message from an External Director

I have an extensive background in the financial industry. My fields of expertise are corporate finance based on financial and securities analysis, as well as audits of business operations, which include management audits.

I believe that the key duty of an external director is to improve corporate value through supervision over management. Additionally, I can draw on my previous experience and expertise to give advice on areas not related directly to the execution of business, such as global strategies, internal control systems, and risk management. I hope to make even a small contribution to the continuous growth and development of Punch Industry.

At Board of Directors' meetings, I adopt an independent, neutral, and objective stance that is always conscious of the diversity of stakeholders associated with the Company and is not influenced by internal undercurrents. I strive to make judgments on whether the current management team should continue managing the Company by determining their managerial effectiveness and the appropriateness of outcomes.

When considering items on the agenda of Board of Directors' meetings, I try to ask questions and make comments from core perspectives: if there is a conflict of interest between management and the Company, if there is a compliance-related issue, or if a decision made by the internal directors is biased or unreasonable.



Shigeru Yokoyama
External Director

Hotline

We have set up the "Punch Hotline" as an internal reporting system that enables officers, employees and their families, business partners, and anyone and everyone who has some involvement with the Company's businesses to report problems, such as the discovery of a compliance-related matter. Adhering to a set of rules on whistleblowing, we strive to uphold internal controls and improve the system of in-house checks and balances. Reports are lodged anonymously to ensure the whistle-blower is not placed at a disadvantage.

Directors and Corporate Auditors

(As of June 24, 2014)



Yuji Morikubo
Chairman &
Representative Director



Masaaki Takeda
President &
Representative Director



Susumu Sugita
Senior Managing Director,
General Manager of R&D
Headquarters



Yasuhiro Sanada
Director,
General Manager of Global
Business Headquarters



Takao Murata
Director,
General Manager of Finance
Headquarters



Hiroyuki Yagi
Director,
General Manager of
Administration Headquarters



Shigeru Yokoyama
Director (External)



Norio Kitsui
Corporate Auditor (Full-time)



Shinya Sasaki
Corporate Auditor



Ryoichi Ando
Corporate Auditor (External)



Yoriatsu Matsue
Corporate Auditor (External)

Management's Discussion and Analysis

Performance Overview

In the fiscal year ended March 31, 2014, the U.S. economy was flat despite favorable conditions in the automotive industry. Consumption was sluggish due to a severe winter and growth in the housing market was weak, stemming from rising interest rates. In Europe, economic recovery was weakened by fiscal enhancement measures and reductions in liabilities of banks. In China, meanwhile, the economy tended to slow down. It appears, therefore, that full-scale recovery of the world economy will take some time.

In Japan, the economy showed a recovery trend, buoyed by favorable conditions for exporters as the yen remained weak, as well as a spur in demand ahead of a consumption tax hike on April 1, 2014.

In the molds and dies industry, demand turned around after a slowdown in the summer months, thus remaining mostly unchanged from the previous fiscal year.

Under these circumstances, the Punch Group worked actively to further penetrate the automotive market while tapping new markets and sectors. We also strove to bolster our results by pursuing ongoing cost reductions. In August 2013, we acquired a company in Malaysia, renaming it PUNCH INDUSTRY MALAYSIA SDN. BHD. as a wholly owned subsidiary. With this acquisition, the Punch Group now has a solid footing in Southeast Asia to complement its operations in Japan, China, and India, providing impetus to its globalization plans.

Owing to the above factors, our financial results for the fiscal year ended March 31, 2014, are discussed below.

Revenue

Consolidated net sales increased 17.6% year on year, to ¥29,436 million. Sales in Japan rose 5.2%, to ¥14,386 million, due to healthy conditions in the automotive market and growth in new businesses on which the Punch Group has been focusing.

Overseas sales jumped 32.4%, to ¥15,050 million. In China, favorable conditions in the automotive and consumer electronics markets, together with an increase in the value of the Chinese yuan, led to a significant year-on-year performance improvement. Sales in Southeast Asia increased, buoyed by the consolidation of PUNCH INDUSTRY MALAYSIA, and sales in Europe were also up. In India, as well, we enjoyed growth in demand, as we tapped new customers, particularly in the automotive market.

Earnings

Operating income jumped 64.1% year on year, to ¥1,161 million. This was mainly due to an increase in sales and partly to a reduction in manufacturing costs stemming from improved factory operations as well as cost structure "renovation activities" by the Company.

Net income surged 238.0%, to ¥720 million, owing to the absence of a reversal of deferred tax assets, which affected net income in the previous fiscal year.

Financial Position

At March 31, 2014, total assets amounted to ¥24,471 million, up ¥3,897 million from a year earlier. This stemmed mainly from an increase in notes and accounts receivable and the inclusion of a new consolidated subsidiary.

Total liabilities stood at ¥15,108 million, up ¥261 million from a year earlier. This was mainly due to an increase in notes and accounts payable.

Total net assets jumped ¥3,636 million year on year, to ¥9,362 million. Major factors were an increase in capital stock and capital surplus due to a public offering and private placement, an increase in retained earnings stemming from higher net income, and a rise in foreign currency translation adjustments.

Cash Flows

Cash and cash equivalents at fiscal year-end totaled ¥1,506 million, down ¥234 million from a year earlier.

For the fiscal year under review, net cash provided by operating activities amounted to ¥1,194 million, compared with ¥1,690 million in the previous fiscal year. Factors boosting cash flows included ¥997 million in income before income taxes and minority interests and ¥1,170 million in depreciation and amortization. By contrast, there was a ¥312 million increase in notes and accounts receivable and ¥339 million in income taxes paid.

Net cash used in investing activities totaled ¥1,252 million, compared with ¥1,773 million in the previous fiscal year. Main factors included ¥460 million in purchase of property, plant and equipment and ¥1,155 million in purchase of shares in PUNCH INDUSTRY MALAYSIA.

Net cash used in financing activities was ¥370 million, compared with ¥41 million in the previous fiscal year. This was mainly due to ¥1,846 million in repayment of short-term debt, which outweighed ¥1,783 million in proceeds from issuance of common stock.

The following statements contain important issues with regard to the outlook of the Punch Group's business and operations, and may have a material effect on the decisions of investors. Please note that such forward-looking statements in this report are based on the judgments made by the Punch Group as of June 24, 2014. Undue reliance should not be placed on these or any other projections made by the Group.

(1) Trends in customers' industries

The Punch Group does business with more than 10,000 customers at home and abroad, and we believe that our customer structure, which does not depend on any specific customer group, is well-balanced. The major customer industries encompass a wide range of products including automobiles, electronic devices and semiconductors, consumer electronics, and precision equipment. It is therefore probable that the market trends, price structures, and intensifying competition in these industries will determine trends in production and capital expenditure, and will impact the Punch Group's business performance.

It is also anticipated that Japanese manufacturers will continue to relocate their production facilities overseas (a so-called "hollowing-out"). To address this phenomenon, the Punch Group has been actively developing its business overseas, including in China, but if such relocation increases to a level greater than we anticipated, this could affect the Group's business performance.

(2) Competition

The components for molds and dies that the Punch Group manufactures face competition in terms of technology, price, delivery, etc. For standard products, we are concentrating our efforts in reducing manufacturing costs to enhance our competitive edge, while focusing on special-order products manufactured at a wide range of production facilities using advanced technological skills to differentiate us from our competitors. However, if these business strategies do not work according to plan, or we encounter unexpected developments from our competitors, or to a greater degree than we anticipated, this could impact the Punch Group's business performance.

(3) Purchase of principal raw materials

The Punch Group depends on a specific trading company for massive purchases of steel, its principal raw material. While we have maintained a good business relationship with this trading company for many years with a stable supply system, any change in the management strategies, significant revisions to trade terms and conditions, or performance fluctuations in the relevant supplier could impact the Punch Group's business performance. A similar impact can be expected from our supplier of materials for our carbide products, which are handled by PUNCH INDUSTRY MALAYSIA SDN. BHD. (hereinafter, "PUNCH MALAYSIA"), a subsidiary.

Any factors that cause problems for the production processes at these special steel manufacturers could have an impact on the Punch Group's business performance.

(4) Undeveloped and new business fields

In addition to its existing business supplying components for plastic molds and press dies, the Punch Group has set its future growth strategies focusing on undeveloped businesses in fields where it can leverage its core strengths. However, if these efforts do not progress as planned due to changes in the economic situation, trends in related technological innovations and developments by our competitors, the Punch Group's business performance may be affected.

(5) Business risks in China

The Punch Group has been engaged in business activities in China since 1990, and to date has never faced a withdrawal or major employment adjustment in an environment that is different from Japan's in terms of business practices and employment systems. Our business in China now represents an important foundation of the Punch Group's consolidated operating income. Although we anticipate stable business expansion in the future in line with economic growth and amicable labor-management relationships, any major changes to this business environment, including political unrest, mounting anti-Japanese sentiment, removal orders due to urban development policies, higher labor costs, among others, could affect the Punch Group's business performance.

(6) Business risks in Southeast Asia

The Punch Group converted PUNCH MALAYSIA to a wholly owned subsidiary in August 2013, and established PT. Punch Industry Indonesia in November 2013. While stable business expansion is anticipated on the back of projected growth in Southeast Asian markets and sound management, the Group's performance could be affected if there are any major changes in the business environment due to political unrest, a tightening of regulations, changes in economic conditions, or uncertainty over currencies, among other factors.

While we believe that the goodwill generated in the wake of the consolidation of our new subsidiary appropriately reflects its future earnings capacity, any deterioration in the profitability of this subsidiary caused

by substantial changes in management or the business environment could impact the Punch Group's business performance due to a loss from goodwill impairment.

(7) Overseas business development outside of China and Southeast Asia

In addition to China and Southeast Asia, the Punch Group has been engaged in developing businesses in India, Europe, and the United States. If these businesses fail to progress as planned due to changes in the local political and economic situations or trends in customers' industries, the Punch Group's business performance could be affected.

(8) Domestic logistics system

For domestic distribution, the Company operates a centralized control system from its Tokyo Logistics Center (hereinafter, "TLC"), outsourced to external logistics companies, and an overnight shipping system has been implemented except for deliveries to some regions. However, if any problems occur at TLC, or if the delivery service is interrupted by a natural disaster or some other calamity, this could have an impact on the Punch Group's business performance.

If logistic volumes in western Japan, including any increases in production at our Hyogo Plant, exceed the current assumptions and cause problems for the logistics system, additional investment would likely be needed to establish a new logistics base in the region.

(9) Information systems

The Punch Group's sales management system and production management system form the basis of its business, and we believe that these systems operate with adequate stability and security. However, unpredictable events including natural disasters, failures in system hardware and communications, or computer viruses causing system failures could affect the Punch Group's business performance.

(10) Management of customer information

The Punch Group conducts transactions with more than 10,000 customers in Japan and overseas, and manages large volumes of customer information through electronic media and print media. If information leaks were to occur due to a failure of management or problems with the information system, etc., the Punch Group would face a serious loss of credibility, which would impact its business performance.

(11) Noncurrent assets

The Punch Group holds a number of noncurrent assets, including production facilities, to meet a wide variety of customer needs. By applying the "Accounting Standards for Impairment of Fixed Assets" to these noncurrent assets, we endeavor to ensure that these assets remain sound by testing for impairment. However, depending on the profit and loss or cash flow situation of the Company's plants and offices and Group companies, these assets could have an impact on the Punch Group's operating results and financial position.

(12) Fluctuations in foreign exchange rates

In preparing its consolidated financial statements, the Company faces systemic risks from foreign currency fluctuations in the Chinese yuan, Indian rupee, Malaysian ringgit, and others, when converting the currencies, used by overseas Group companies, into Japanese yen.

An increase in the number of transactions in foreign currencies is expected in line with the Company's accelerated global business development. The Company will protect its financial structure against foreign currency fluctuations by managing the risk associated with foreign exchange, including marrying exchange credits and debts, forward contracts, etc.

Chinese subsidiaries have foreign exchange risks for loans payable as some debts are in foreign currencies. The Company monitors the medium- to long-term trends in this currency, and reduces the risk by diversifying currencies when borrowing.

However, significant foreign exchange fluctuations exceeding the Company's assumptions could impact the Punch Group's performance.

(13) Interest-bearing debt

The Punch Group has procured the funds necessary for business expansion by borrowing mainly from financial institutions. The ratios of interest-bearing debt to total assets are shown below.

(Consolidated)		
	At previous fiscal year-end (March 31, 2013)	At fiscal year-end under review (March 31, 2014)
Balance of interest-bearing debt (thousands of yen)	8,953,285	7,743,960
Total assets (thousands of yen)	20,573,648	24,471,415
Dependence on interest-bearing debt (%)	43.5	31.6

Notes: 1. Balance of interest-bearing debt is the total of short-term loans payable, current portion of long-term loans payable, and long-term loans payable.
2. Dependence on interest-bearing debt is the balance of interest-bearing debt divided by total assets x 100.

The Punch Group will continue to aggressively invest in the future and will secure profits by bolstering its earnings capacity and generate its own funds by reducing its working capital. We expect the dependence on interest-bearing debt to hover at a relatively high level for a while.

Under these circumstances, if we find it impossible to procure funds due to changes in the financial environment, and therefore difficult to execute our investment plans, and if the fund procurement costs increase amid the rising trend in market interest rates, the Punch Group's performance and financial position could be affected.

The Company's commitment-line contracts and syndicated loan agreements with major financial institutions contain financial covenants, and in the event of any infringement of these covenants, the Company could be required to repay the relevant loans, which could affect the Punch Group's financial position.

(14) Human resources

The Punch Group has placed its emphasis on securing and developing capable human resources, and has implemented a range of personnel measures based on its personnel system with the aim of bolstering employee motivation and morale towards improving business performance. The Punch Group also recruits highly capable, talented personnel when necessary.

However, if these measures fail to function effectively, or the required personnel cannot be secured in time due to the situation in the human resources market, the Punch Group's performance could be affected.

(15) Lawsuits and other actions

While the Punch Group exerts its utmost efforts to maintain and protect its intellectual property rights, it is conceivable that the Group, through the course of conducting business overseas, become embroiled in a lawsuit concerning intellectual property rights due to differences in legal systems between countries.

Although the Punch Group has taken all possible precautions to ensure the quality of its products, if a lawsuit were brought to claim damage from a serious accident due to product failure or complaints, the Group may incur huge costs involving heavy compensation payments.

In addition to the above, if a material lawsuit were brought against its business operations, the Punch Group's performance could be affected.

(16) Environmental measures

The Punch Group has established its "Environment Principles" and "Environmental Actions Guideline" to actively address environmental issues. However, if unexpected environmental problems occur, or changes in production facilities and waste treatment methods are required due to amendments to the relevant laws and regulations, the Punch Group's performance could be affected.

The Company has been tackling the problem of soil contamination by volatile organic compounds at the site of the former Kanegasaki Plant in consultation with specialized advisors, in an effort to fulfill its corporate social responsibility. However, if an unexpected situation arises, or the amount allocated as a provision for such an event proves to be insufficient, or the relevant amount is anticipated to increase due to significant changes in the laws and regulations associated with environmental policies, the Punch Group's performance could be affected.

(17) Disasters

The Punch Group has 4 manufacturing sites and 14 sales offices in Japan, 6 manufacturing sites and 30 sales offices in China, one manufacturing site and 6 sales offices in Southeast Asia, and one sales office in India. If natural disasters such as earthquakes and typhoons, or accidents including fires occur, or if serious failures in the supply of electricity or the telecommunications infrastructure occur due to unexpected problems at power generating facilities, etc., or if wars or acts of terrorism, etc., take place in the areas where these business operations are located, the Group's operations in these regions and, as a result, its business performance could be affected.

Consolidated Balance Sheets

PUNCH INDUSTRY CO., LTD. and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
ASSETS			
Current assets:			
Cash and deposits	¥ 1,741	¥ 1,527	\$ 14,846
Notes and accounts receivable—trade	7,270	9,433	91,655
Merchandise and finished goods	1,336	1,820	17,687
Work in process	271	395	3,838
Raw materials and supplies	1,068	1,125	10,938
Deferred tax assets	160	308	2,997
Others	680	172	1,679
Allowance for doubtful accounts	(65)	(115)	(1,121)
Total current assets	12,463	14,668	142,519
Property, plant and equipment:			
Buildings and structures	4,543	4,933	47,937
Machinery, equipment and vehicles	10,154	11,695	113,635
Tools, furniture and fixtures	1,429	1,695	16,472
Land	817	831	8,081
Lease assets	—	529	5,143
Construction in progress	0	32	319
	16,946	19,718	191,588
Accumulated depreciation	(10,292)	(12,106)	(117,627)
Property, plant and equipment, net	6,654	7,611	73,960
Investments and other assets:			
Goodwill	—	913	8,878
Deferred tax assets	273	209	2,036
Others	1,282	1,163	11,304
Allowance for doubtful accounts	(99)	(95)	(925)
Total investments and other assets	1,456	2,191	21,292
Total assets	¥20,573	¥24,471	\$237,771

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable—trade	¥ 2,966	¥ 3,426	\$ 33,291
Short-term loans payable	5,762	4,331	42,082
Current portion of long-term loans payable	1,371	972	9,448
Income taxes payable	177	145	1,409
Provision for bonuses	302	359	3,496
Provision for soil contamination	—	260	2,527
Others	1,316	1,877	18,243
Total current liabilities	11,897	11,372	110,497
Long-term liabilities:			
Long-term loans payable	1,819	2,440	23,712
Provision for retirement benefits	657	—	—
Net defined benefit liability	—	737	7,167
Provision for soil contamination	255	—	—
Others	217	558	5,422
Total long-term liabilities	2,950	3,736	36,301
Net assets:			
Shareholders' equity:			
Capital stock	674	1,571	15,270
Capital surplus	403	1,300	12,636
Retained earnings	4,572	5,096	49,516
Total shareholders' equity	5,649	7,968	77,422
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	20	1	13
Foreign currency translation adjustments	55	1,432	13,914
Remeasurements of defined benefit plans	—	(47)	(464)
Total accumulated other comprehensive income	76	1,385	13,463
Minority interests	—	9	88
Total net assets	5,726	9,362	90,973
Total liabilities and net assets	¥20,573	¥24,471	\$237,771

Consolidated Statements of Income

PUNCH INDUSTRY CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net sales	¥25,041	¥29,436	\$286,016
Cost of sales	18,908	21,776	211,584
Gross profit	6,132	7,660	74,432
Selling, general and administrative expenses	5,424	6,498	63,145
Operating income	707	1,161	11,288
Non-operating income (expenses):			
Interest income	13	13	133
Dividend income	36	7	74
Foreign exchange gains	62	47	459
Gain on sales of scrap	20	22	220
Insurance premiums refunded cancellation	77	—	—
Reversal of provision for soil contamination expenses	61	—	—
Interest expenses	(137)	(140)	(1,365)
Listing-related expenses	(30)	—	—
Provision for soil contamination expenses	—	(30)	(291)
Gain on sales of noncurrent assets	0	12	123
Loss on sales and retirement of noncurrent assets	(22)	(24)	(240)
Impairment loss	(3)	—	—
Loss on step acquisitions	—	(38)	(369)
Other, net	9	(35)	(343)
Total	88	(164)	(1,600)
Income before income taxes	796	997	9,688
Income taxes:			
Current	279	310	3,013
Deferred	303	(32)	(319)
Total	583	277	2,694
Income before minority interests	213	719	6,994
Minority interests	—	(0)	(8)
Net income	¥ 213	¥ 720	\$ 7,002

Consolidated Statements of Comprehensive Income

PUNCH INDUSTRY CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Income before minority interests	¥213	¥ 719	\$ 6,994
Other comprehensive income:			
Valuation difference on available-for-sale securities	21	(19)	(190)
Foreign currency translation adjustments	580	1,376	13,371
Total other comprehensive income	601	1,356	13,182
Comprehensive income	¥815	¥2,076	\$20,176
Comprehensive income attributable to:			
Owners of the parent	¥815	¥2,077	\$20,184
Minority interests	—	(0)	(8)

Consolidated Statements of Changes in Net Assets

PUNCH INDUSTRY CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2012	¥ 382	¥ 111	¥4,417	¥(90)	¥4,821	¥ (0)	¥ (524)	¥ —	¥ (525)	¥—	¥4,296
Issuance of new shares	291	291	—	—	583	—	—	—	—	—	583
Dividends from surplus	—	—	(58)	—	(58)	—	—	—	—	—	(58)
Net income	—	—	213	—	213	—	—	—	—	—	213
Disposal of treasury stock	—	—	—	90	90	—	—	—	—	—	90
Net other changes of items during the period	—	—	—	—	—	21	580	—	601	—	601
Balance at March 31, 2013	674	403	4,572	—	5,649	20	55	—	76	—	5,726
Issuance of new shares	897	897	—	—	1,794	—	—	—	—	—	1,794
Dividends from surplus	—	—	(196)	—	(196)	—	—	—	—	—	(196)
Net income	—	—	720	—	720	—	—	—	—	—	720
Net other changes of items during the period	—	—	—	—	—	(19)	1,376	(47)	1,308	9	1,317
Balance at March 31, 2014	¥1,571	¥1,300	¥5,096	¥ —	¥7,968	¥ 1	¥1,432	¥(47)	¥1,385	¥9	¥9,362

	Thousands of U.S. dollars										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	\$ 6,551	\$ 3,918	\$44,424	\$—	\$54,892	\$ 203	\$ 542	\$ —	\$ 745	\$ —	\$55,638
Issuance of new shares	8,719	8,719	—	—	17,438	—	—	—	—	—	17,438
Dividends from surplus	—	—	(1,910)	—	(1,910)	—	—	—	—	—	(1,910)
Net income	—	—	7,002	—	7,002	—	—	—	—	—	7,002
Net other changes of items during the period	—	—	—	—	—	(190)	13,371	(464)	12,718	88	12,806
Balance at March 31, 2014	\$15,270	\$12,636	\$49,516	\$—	\$77,422	\$ 13	\$13,914	\$(464)	\$13,463	\$88	\$90,973

Consolidated Statements of Cash Flows

PUNCH INDUSTRY CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 796	¥ 997	\$ 9,688
Adjustments for:			
Depreciation and amortization	1,072	1,170	11,369
Impairment loss	3	—	—
Amortization of goodwill	—	46	450
Increase in provision for retirement benefits	13	—	—
Increase in net defined benefit liability	—	6	60
Increase (decrease) in provision for bonuses	(243)	52	508
Increase (decrease) in allowance for doubtful accounts	(50)	21	213
Increase (decrease) in provision for soil contamination expenses	(83)	5	49
Interest and dividend income	(49)	(21)	(207)
Insurance premium refunded cancellation	(77)	—	—
Interest expenses	137	140	1,365
Foreign exchange losses (gains)	304	(45)	(440)
Loss on sales and retirement of noncurrent assets	21	12	117
Loss on step acquisitions	—	38	369
Increase in notes and accounts receivable—trade	(155)	(312)	(3,038)
Decrease (increase) in inventories	85	(149)	(1,454)
Increase (decrease) in notes and accounts payable—trade	24	(167)	(1,627)
Others, net	113	(127)	(1,235)
Subtotal	1,912	1,666	16,188
Interest and dividend income received	42	28	281
Interest expenses paid	(137)	(160)	(1,562)
Insurance premium refunded cancellation received	77	—	—
Income taxes paid	(204)	(339)	(3,298)
Net cash provided by operating activities	1,690	1,194	11,609
Cash flows from investing activities:			
Purchase of property, plant and equipment	(967)	(460)	(4,478)
Net decrease (increase) in time deposits	—	(16)	(162)
Proceeds from sales of property, plant and equipment	28	359	3,497
Purchase of intangible assets	(64)	(113)	(1,103)
Purchase of investment securities	(276)	—	—
Collection of long-term loans receivable	122	174	1,697
Payments of long-term loans receivable	(618)	(46)	(453)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	—	(1,155)	(11,225)
Others, net	3	5	58
Net cash used in investing activities	(1,773)	(1,252)	(12,169)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	1,084	(1,846)	(17,938)
Proceeds from long-term loans payable	—	1,500	14,574
Repayment of long-term loans payable	(1,695)	(1,550)	(15,061)
Proceeds from issuance of common stock	585	1,783	17,333
Proceeds from disposal of treasury stock	77	—	—
Proceeds from stock issuance to minority shareholders	—	10	99
Cash dividends paid	(58)	(196)	(1,910)
Others, net	(35)	(71)	(695)
Net cash used in financing activities	(41)	(370)	(3,598)
Effect of exchange rate change on cash and cash equivalents	119	193	1,882
Net increase (decrease) in cash and cash equivalents	(5)	(234)	(2,276)
Cash and cash equivalents at beginning of period	1,746	1,741	16,917
Cash and cash equivalents at end of period	¥ 1,741	¥ 1,506	\$14,642

Company Profile

(As of March 31, 2014)

Company name	PUNCH INDUSTRY CO., LTD.
Established	1975
Capital	1,571.54 million yen
Number of employees	3,761 (consolidated)
Head office	Meisan Takahama Bldg. 8F, 2-12-23 Konan, Minato Ward, Tokyo 108-0075, Japan
Business	Manufacture and sale of mold and die components
Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Sumitomo Mitsui Banking Corporation; Resona Bank, Limited; Sumitomo Mitsui Trust Bank, Limited

Company Home Page



Top page

Investor Relations

Click on Investor Relations

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

<http://www.punch.co.jp/English/>

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Punch Industry and Group Companies

(As of March 31, 2014)

PUNCH INDUSTRY CO., LTD.

PUNCH INDUSTRY CO., LTD.

Meisan Takahama Bldg. 8F, 2-12-23 Konan, Minato Ward, Tokyo

Phone: 03-3474-8007

Kitakami Plant

21-26-17 Murasakino, Kitakami City, Iwate Prefecture

Phone: 0197-68-3087

Miyako Plant

29-1 Daiichi-chiwari, Matsuyama, Miyako City, Iwate Prefecture

Phone: 0193-62-8007

Hyogo Plant

922-202, Aza-Higashihata, Tsuneyoshi-cho, Kasai City, Hyogo Prefecture

Phone: 0790-47-8077

Group Companies

Pintec Corporation

2-2-26, Zao-Matsugaoka, Yamagata City,
Yamagata Prefecture
Phone: 023-688-1770

PUNCH INDUSTRY (Dalian) CO., LTD.

No. 5 Jinzhou Street, Dalian Economy
and Technology Development Zone,
Liaoning Province, People's Republic of China
Phone: +86-411-8761-3087

PUNCH INDUSTRY (Wafangdian) CO., LTD.

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Liaoning Province, People's Republic of China
Phone: +86-411-8550-8785

PUNCH INDUSTRY (Wuxi) CO., LTD.

No. 11 Chunhui West Road,
Xishan Economic Development Zone, Wuxi
Jiangsu Province, People's Republic of China
Phone: +86-510-8826-6287

PUNCH INDUSTRY (Dongguan) CO., LTD.

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Yongtou Village, Chang'an Town, Dongguan,
Guangdong Province, People's Republic of China
Phone: +86-769-8507-0387

PUNCH SPRING (Dalian) CO., LTD.

No. 3 Xingcheng Road, Dalian Economy
and Technology Development Zone,
Liaoning Province, People's Republic of China

PUNCH INDUSTRY INDIA PVT. LTD.

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Phone: +91-44-42699644

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PUNCH INDUSTRY SINGAPORE PTE. LTD.

33 Ubi Avenue 3 #06-10
Vertex Lobby B 408868 Singapore
Phone: +65-6533-4151

PUNCH INDUSTRY VIETNAM CO. LTD.

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PT. PUNCH INDUSTRY INDONESIA

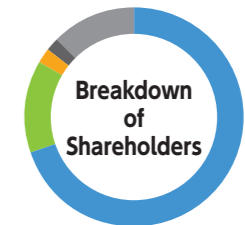
Komplek Griya Inti Sentosa Jl.
Griya Agung No. 3,
Sunter Agung Jakarta 14350 Indonesia
Phone: +62-21-641-0730

Investor Information

(As of March 31, 2014)

Stock Information

Total number of authorized shares	20,000,000
Total number of shares issued	8,961,200
Number of shareholders	3,391
Stock exchange listing	First Section, Tokyo Stock Exchange
Security code	6165
Number of shares per trading unit	100
Transfer agent	Sumitomo Mitsui Trust Bank
Accounting auditors	Deloitte Touche Tohmatsu LLC



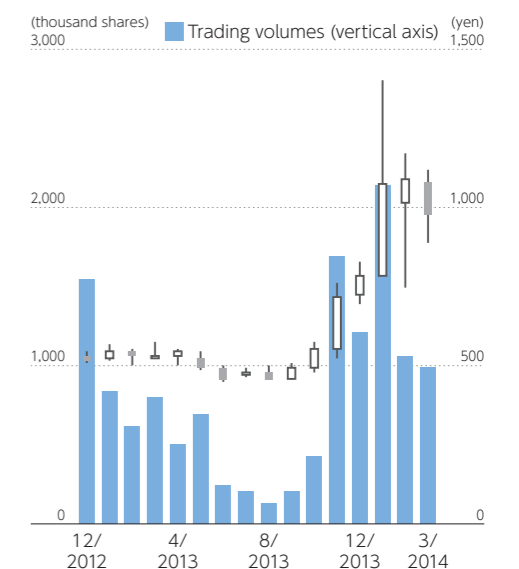
Individuals and others	6,268,483	69.95%
Other domestic companies	1,220,700	13.62%
Foreign companies	202,500	2.26%
Securities companies	170,017	1.90%
Financial institutions	1,099,500	12.27%

Major Shareholders (Top 10)

Name	Number of shares held	Percentage of shares held (%)
MT Kosan Co., Ltd.	1,090,000	12.16
Yuji Morikubo	972,000	10.84
Punch Industry Employees' Stock Ownership Scheme	656,700	7.32
Tetsuji Morikubo	650,000	7.25
Master Trust Bank of Japan, Ltd. (trust account)	443,700	4.95
Michiko Kamba	298,000	3.32
Nomura Trust and Banking Co., Ltd. (trust account)	205,000	2.28
Hirohisa Morikubo	128,000	1.42
Japan Securities Finance Co., Ltd.	116,400	1.29
Japan Trustee Services Bank, Ltd. (trust account)		1.10

* In the percentage of shares held, figures have been rounded to the nearest hundredth of a percent.

Stock Prices and Trading Volumes



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.