

FY2020–2021 Mid-term Business Plan “Value Creation 2020 Plus”



PUNCH INDUSTRY CO., LTD.

May 29, 2020
(Security code:6165)

Firstly

“Value Creation 2020 Plus” is the plan for FY21.3 – FY22.3

(Unit: Billion JPY)

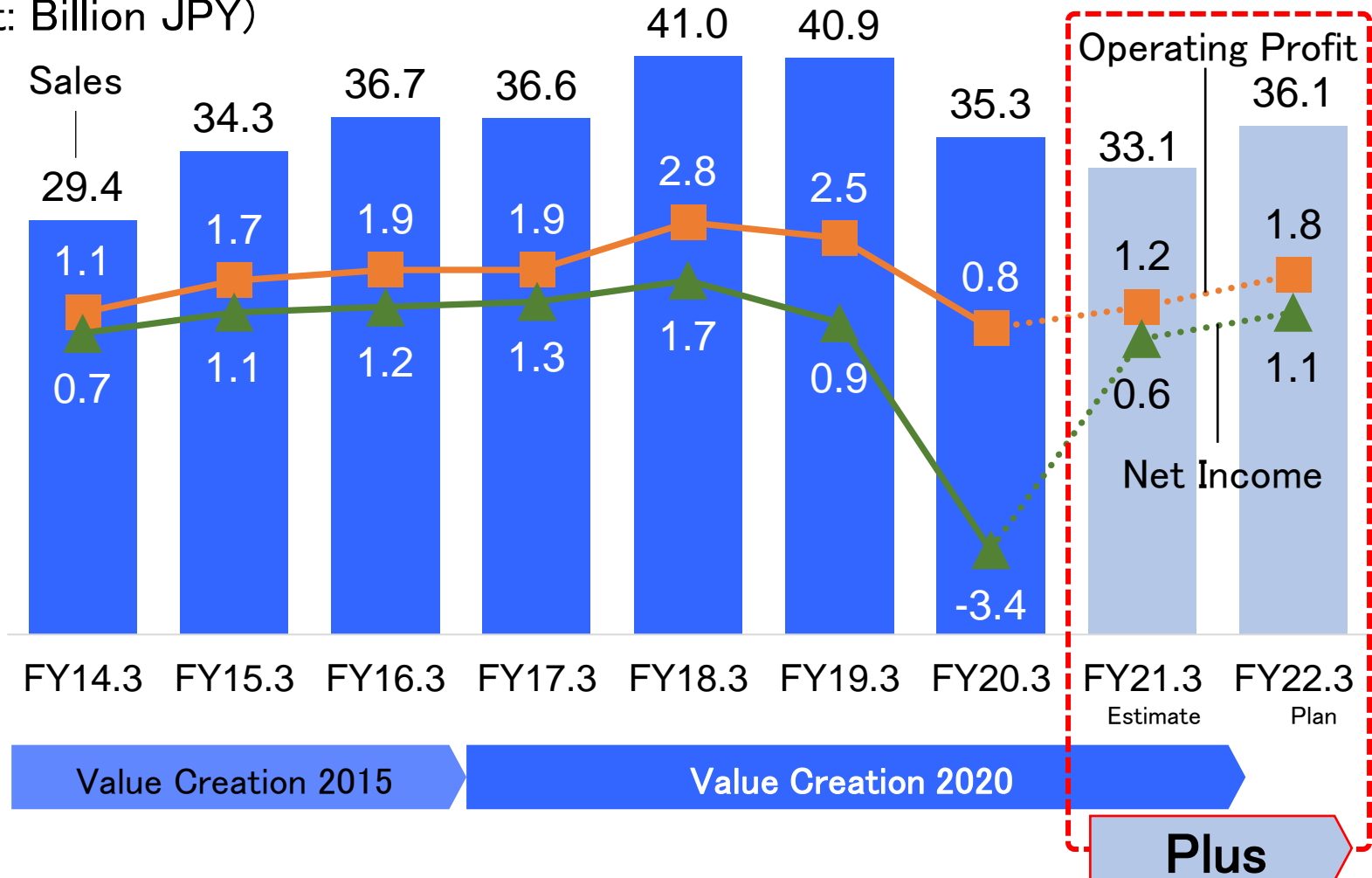


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Note) In this document,

- Value Creation is referred to as “VC”.
- “Net income” refers to the “current term net income attributable to the parent company shareholder”.

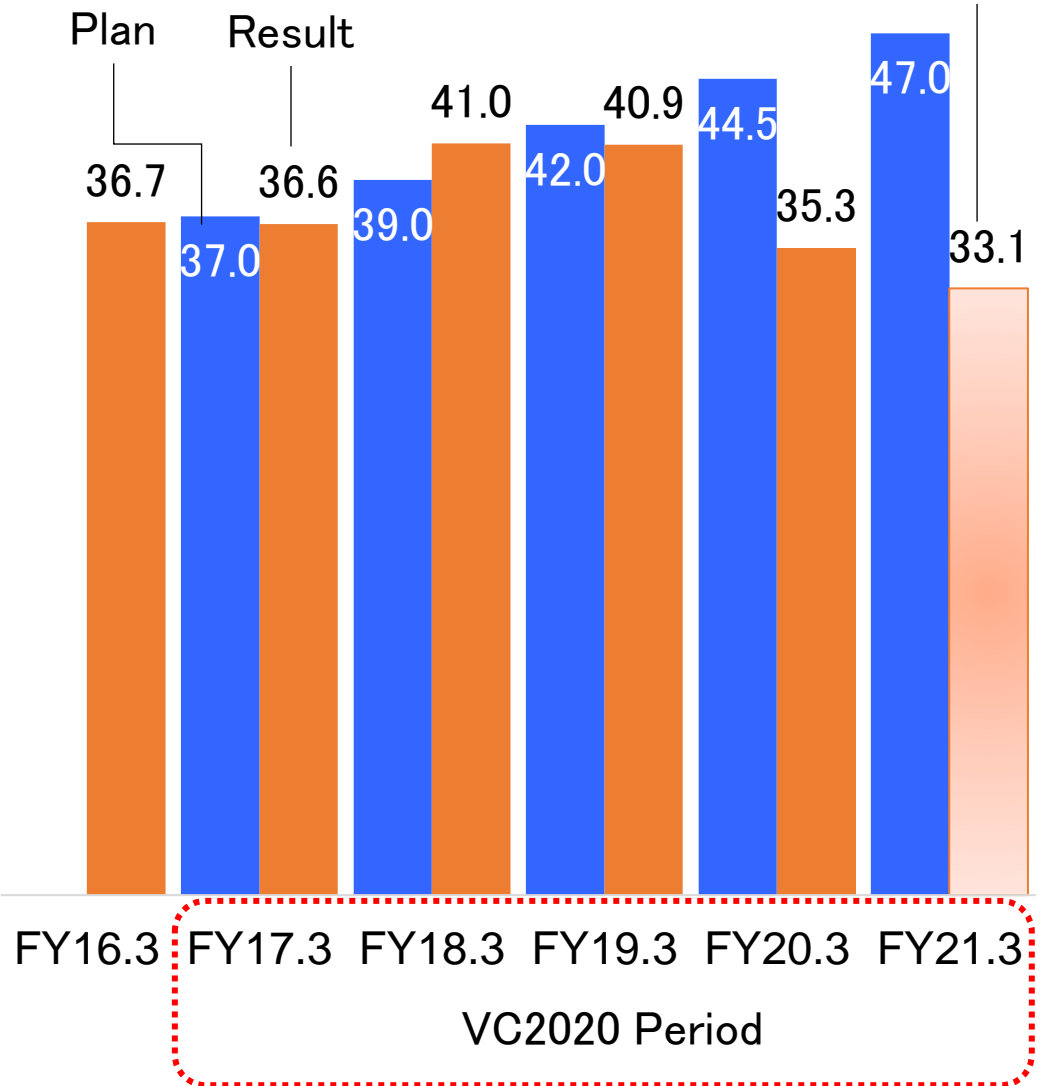




Summary of Value Creation 2020 (FY17.3 – FY21.3)

Sales Trend

(Unit: Billion JPY)



3.6 Billion JPY Revenue Decrease

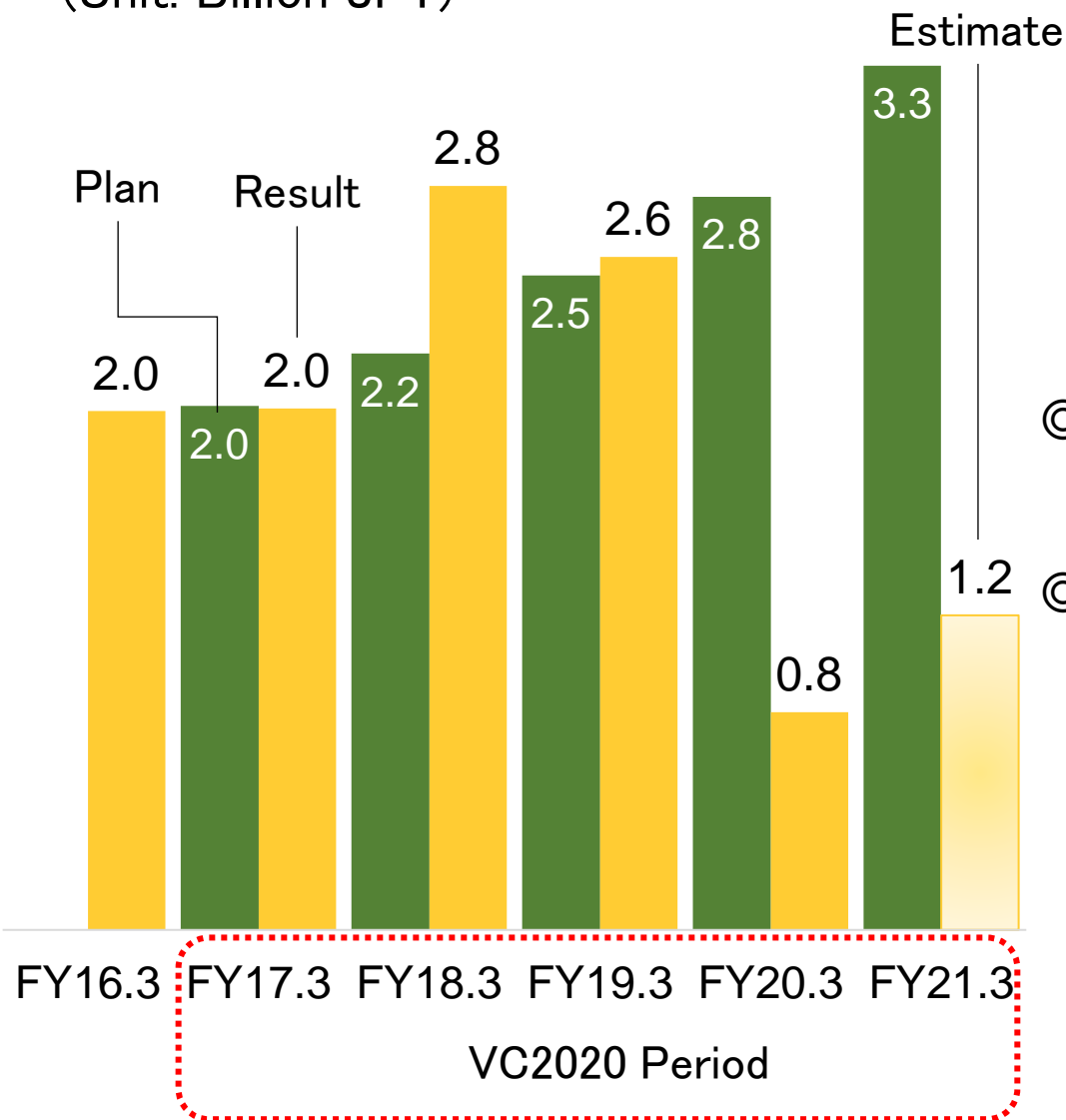
(FY16.3 vs FY21.3)

- ◎ Slowed down due to US–China trade friction in FY19.3 and coronavirus in FY21.3
- ◎ Sales expansion in Southeast Asia, Europe and America, which were focused in VC2020.
 - Acquiring orders in Southeast Asia
⇒ Expanded special-order products in Vietnam and Indonesia
 - Establish a subsidiary in the Americas
⇒ Established in 2016, but expansion pace slowed down due to the US–China trade friction
 - Tighten relationship with agents besides direct sales in Europe
⇒ Sales fairly grew, yet slowed down due to economic downturn



Operating Profit Trend

(Unit: Billion JPY)



0.8 Billion JPY Revenue Decrease

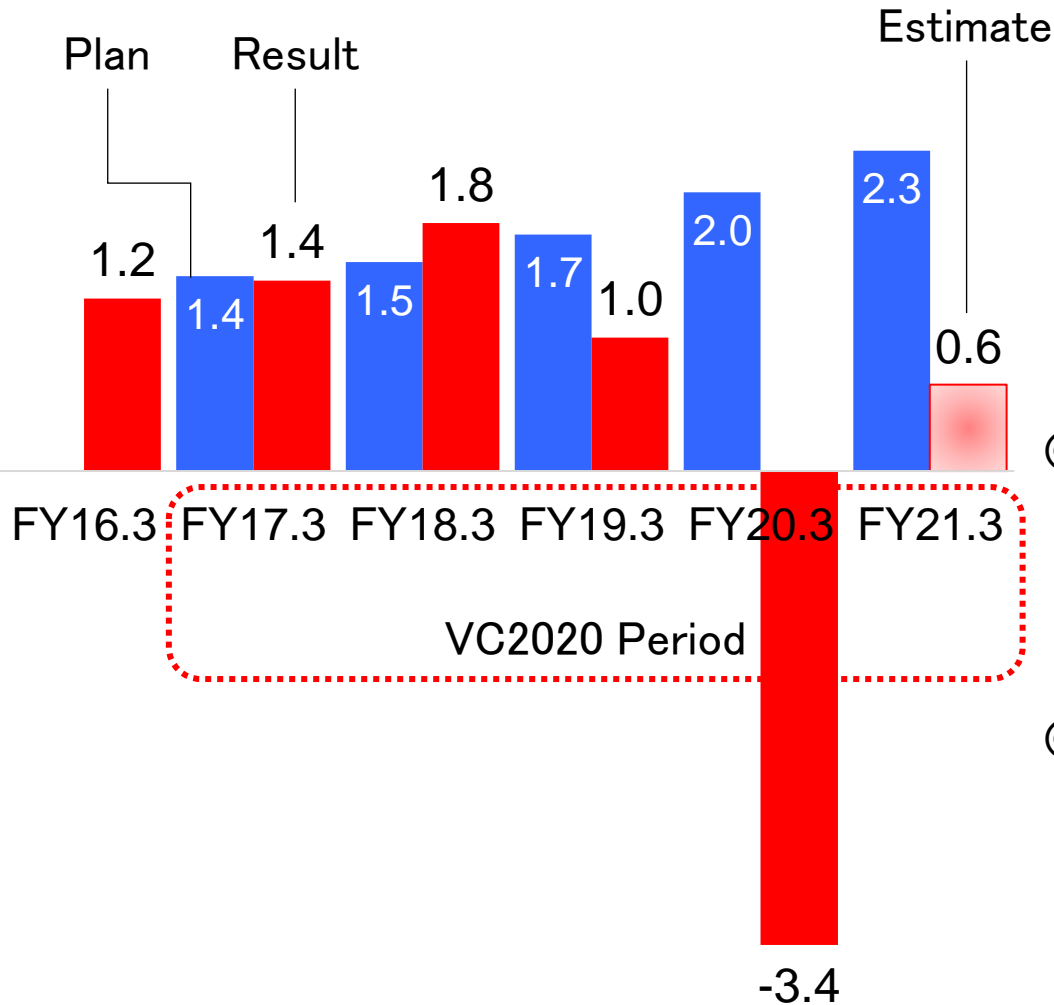
(FY16.3 vs FY21.3)

- ◎ Progress made beyond initial plan until FY19.3
- ◎ Plan greatly underachieved in FY20.3, main causes were
 - Decrease in sales due to worsening market conditions
 - Higher cost ratio due to lower capacity utilization of factories
 - Exchange rate (JPY appreciation)



Net Income Trend

(Unit: Billion JPY)



0.6 Billion JPY Revenue Decrease

(FY16.3 vs FY21.3)

◎ In FY19.3, recorded impairment loss at Vietnam factory
In FY20.3, recorded impairment loss at domestic factories in Japan, etc.

◎ FY20.3 was first final deficit since listed in 2012



Evaluation of Priority Initiatives

Establishment of 5-pole sales system

- ◎ 2016: Established a subsidiary in the Americas
Sales expanded, however then slowed down due to trade friction
- ◎ Expanded into Europe based on the utilization of existing agents
Though cooperation with agents strengthened, sales slowed due to economic slowdown

Improvement of Customer service

- ◎ Reduced digital engineering business due to sluggish orders
- ◎ Realized an optimal product supply system through global sourcing
- ◎ In focused areas of medical and food/beverage industry, transactions expanded with core customers

Promotion of high profitability business with reinforcement of R&D

- ◎ 2016: Established a new factory in Vietnam
Due to the delay in the establishment of the production system and the decline of market conditions, profits did not grow and impairment loss was recorded
- ◎ Established R&D headquarters in Japan, which developed a Japan-China 2 region structure

Reform of working style

- ◎ Promoted a variety of working-style, assisting from institutional system and operation
- ◎ Introduced a new personnel system with transparency and fairness
- ◎ Established a human resources development department “Punch Academy”, which introduced various training programs





Policy of Value Creation 2020 Plus

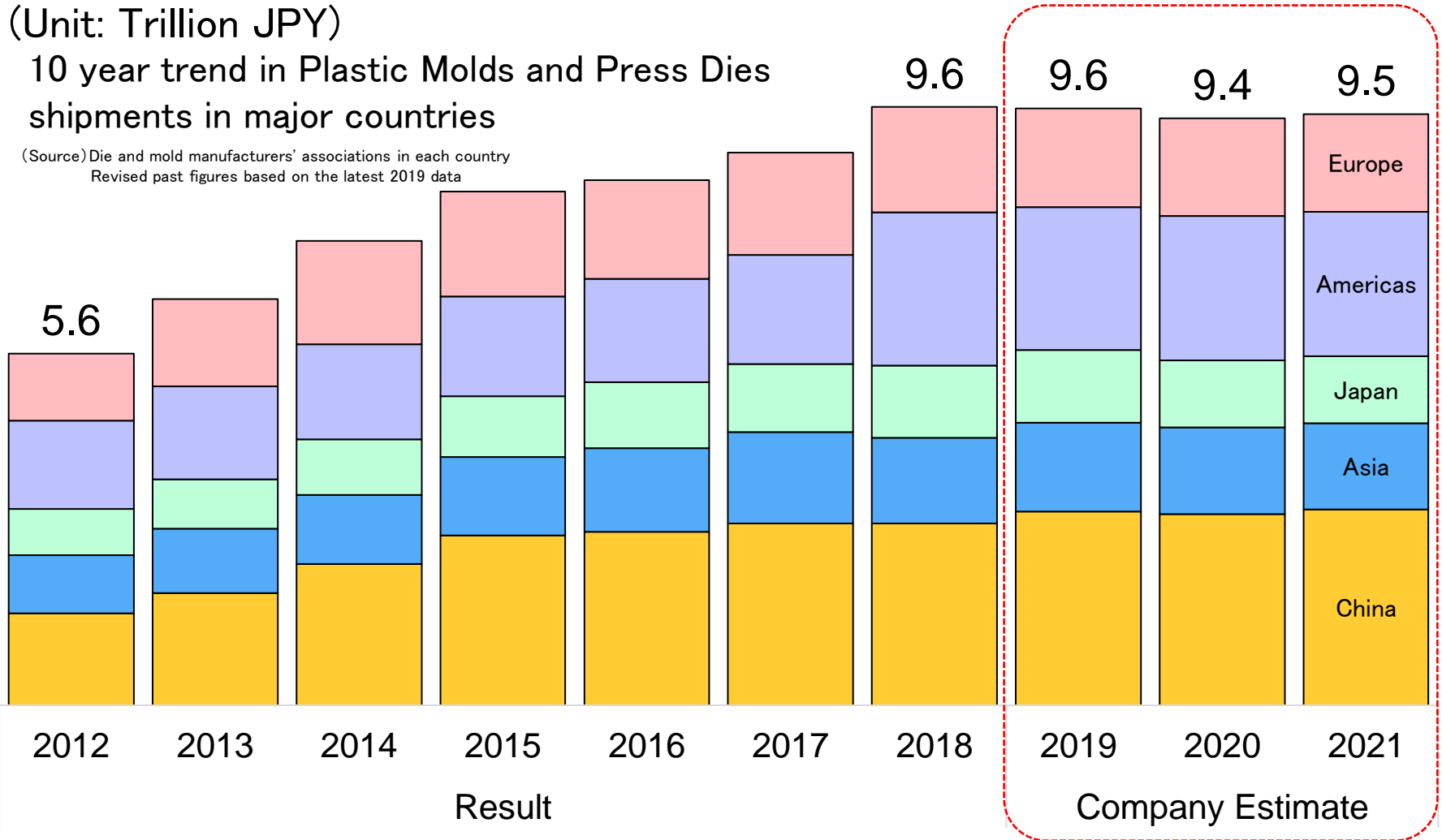
Plastic Molds and Press Dies Market Forecast (Monetary Amount)

US-China trade friction and new coronavirus may cause the temporarily investment curbs in 2020 .

(Unit: Trillion JPY)

10 year trend in Plastic Molds and Press Dies shipments in major countries

(Source) Die and mold manufacturers' associations in each country
Revised past figures based on the latest 2019 data



Priority Initiatives

Establishment of
5-pole sales system

Furtherly expanding sales channels in Southeast Asia, Europe and Americas

Enhance customer-
focused marketing
capabilities

Deploying salespersons with rich processing knowledge through transferring from manufacturing division and human resource development

Optimize the global
production system
and strengthen R&D

Rearrange production items among the factories, focusing on their characteristics
Curtailment of man-hours and establishment of new construction method through R&D

Working-style reforms
and human resource
development

Promotion of active roles of women, work-life balance, and development of global human resources

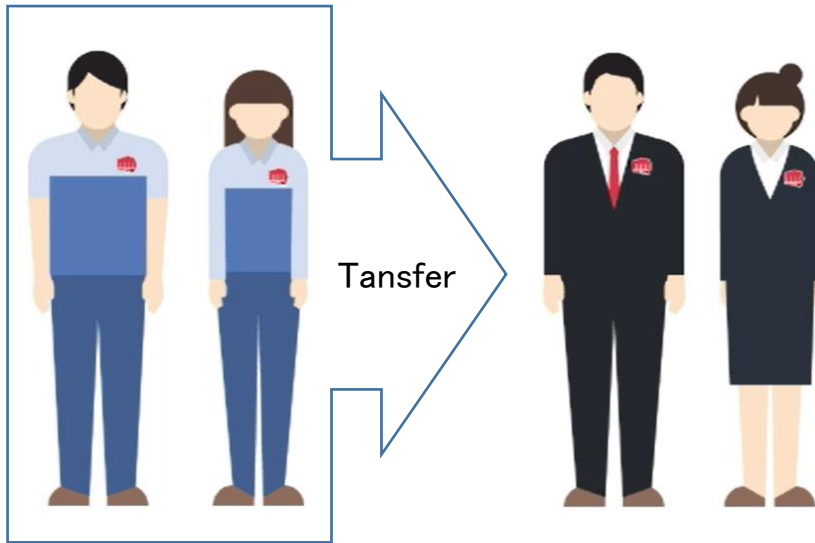


Major Policies by Region

	Japan	China	Southeast Asia, India	Europe	Americas
Establishment 5-pole sales system			Strengthen regional strategy	Establish Sales Structure	Expand customer base
Expand business with multi-national companies					
Strengthen Marketing Capabilities	Product development based on customer needs Improvement of ordering system	Partnerships with customers in new fields			
Optimize Global Production System and Strengthen R&D	Optimization of global production systems for standard and special-order products <ul style="list-style-type: none"> • Promote labor-saving and automated production in Japan and China • Strengthen transactions in medical and beverage fields • Increase stabilization and profitability of Vietnam factory operations 				
	<ul style="list-style-type: none"> • Development of new fields and markets • Looking into Business tie-ups and M&As with other companies • Improvement of processing technology for difficult-to-process materials • Continue development in the aerospace field 				
Work style Reforms HR Development	Promotion of active roles of women and work-life balance Development of human resources who can be active overseas				



Strengthen Marketing Capabilities



- Acquiring orders for special-order products
⇒ Transfer manufacturing department staff who have a high understanding of drawing and can propose processing methods to sales department

- Promotion of personnel training
⇒ Conducting molds and dies study sessions, manufacturing training, more for sales department staff

- Improvement of ordering system for customers
⇒ Convenient ordering of standard items

- Promotion of satellite office
⇒ Strengthen community-based sales style



Optimization of Global Production System

Japan

- Rearrange production items among the factories, focusing on their characteristics
- Improvement of producing process and cost reduction
- Technical exchange with customers
- Development of new business

China

- Expanding sales of non-automotive-related products
- Setting new production line for short-time delivery
- Sales expansion of strategic products



Technical
Cooperation

Vietnam

- Stable production of standard products
- Improvement of production efficiency and cost
- Turn into profit from startup

Malaysia

- Acquiring more orders in Southeast Asia
- Cooperation between Japan-China Research & Development Headquarters
- Expanding sales of special-order products



Reform of Working style



Promoting
active roles of
women



Optimal work-life
balance



Development of
human
resources who
can be active
overseas

PUNCH SPIRIT × Reform of Working style

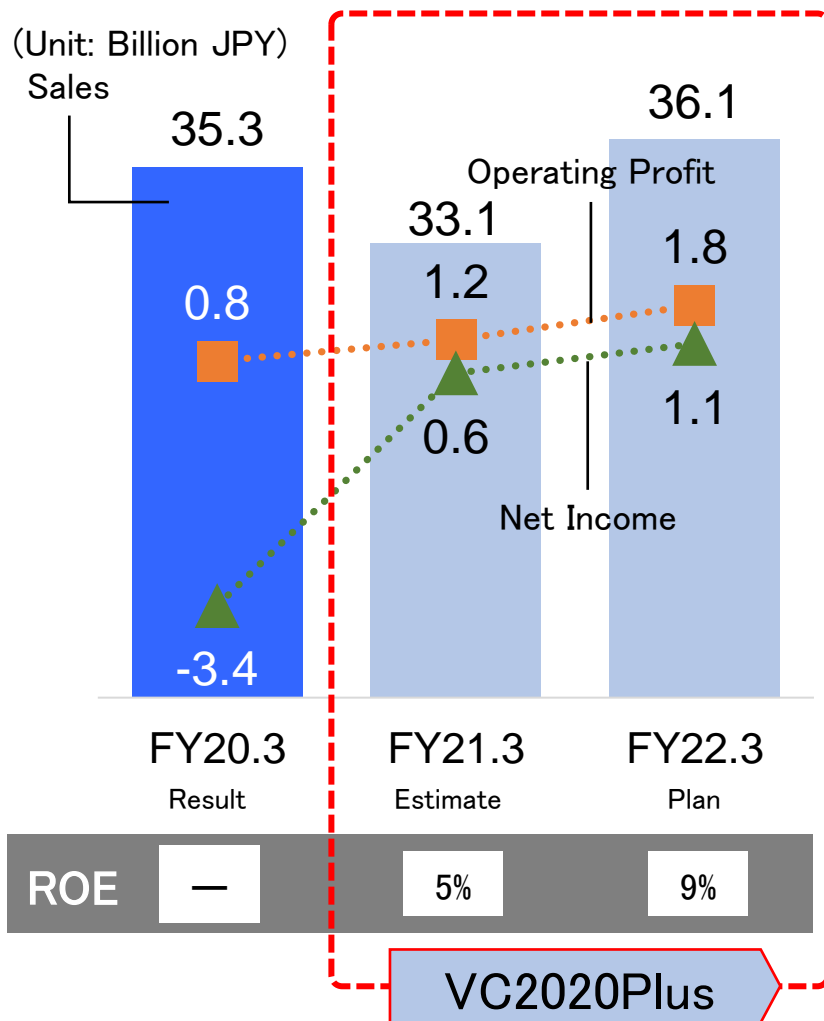


A large, stylized graphic in the background. It features a grey hand with white outlines, holding a grey gear with white outlines. The hand is positioned as if grasping the gear from the right side. The overall style is clean and modern, using a limited color palette of grey and white.

Management Goals of Value Creation 2020 Plus

Sales/Profit Trends

FY22.3 : Sales **Over 36.1 Billion JPY** , Operating profit **Over 1.8 Billion JPY**



WHAT TO DO:

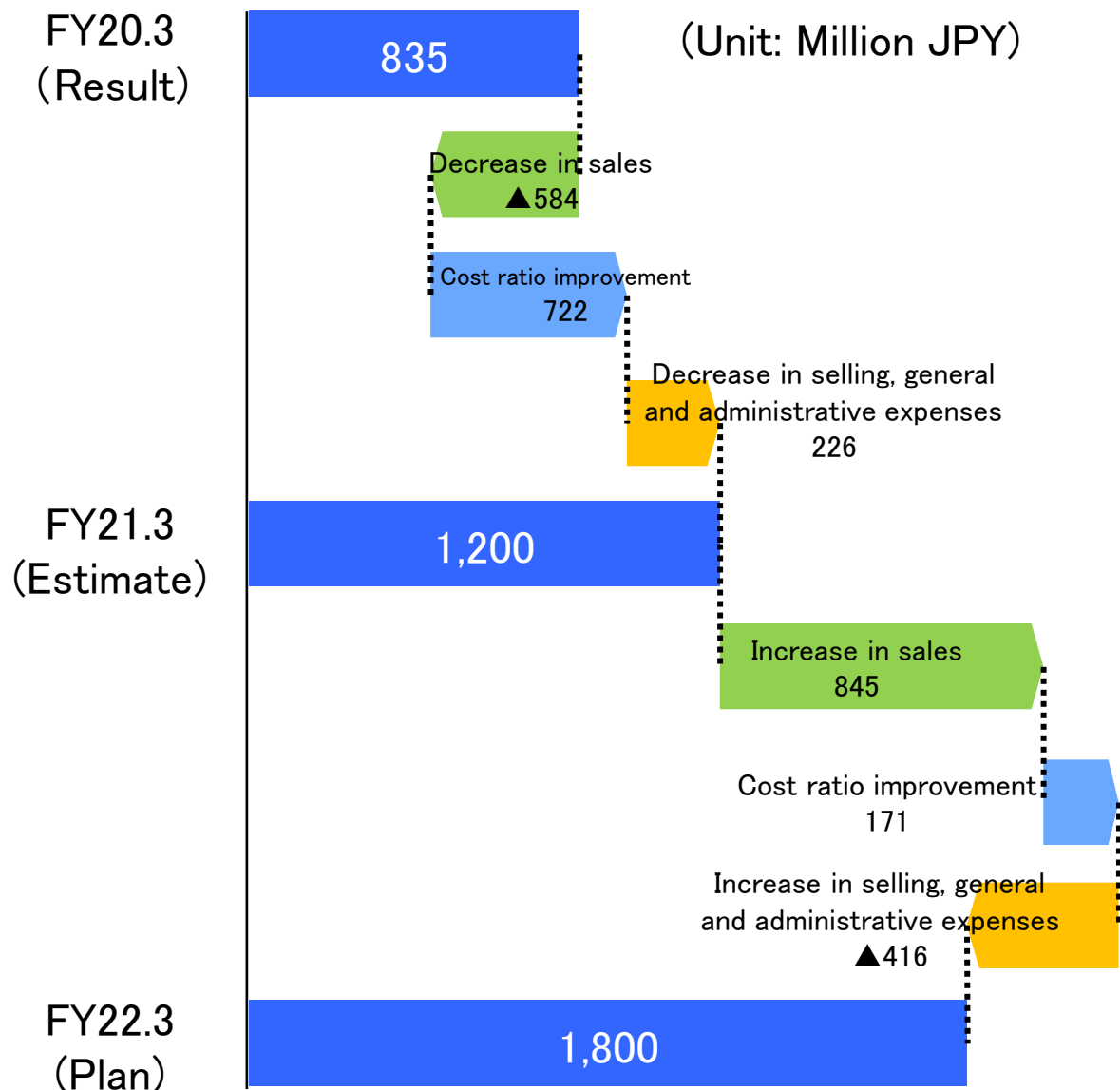
- ◎ Shift from final deficit to surplus
- ◎ Recovery to the top-line growth trend
- ◎ Preparation for the next mid-term business plan



Rebuilding period until the mid-term business plan starting in FY23.3

Changes in Operating Profit

(Unit: Million JPY)



[Main factors for changes in sales from FY20.3 to FY21.3]

- Under the assumption that the impact of the spread of new coronavirus infection will continue until September 2020

[Main factors of change in cost ratio from FY20.3 to FY21.3]

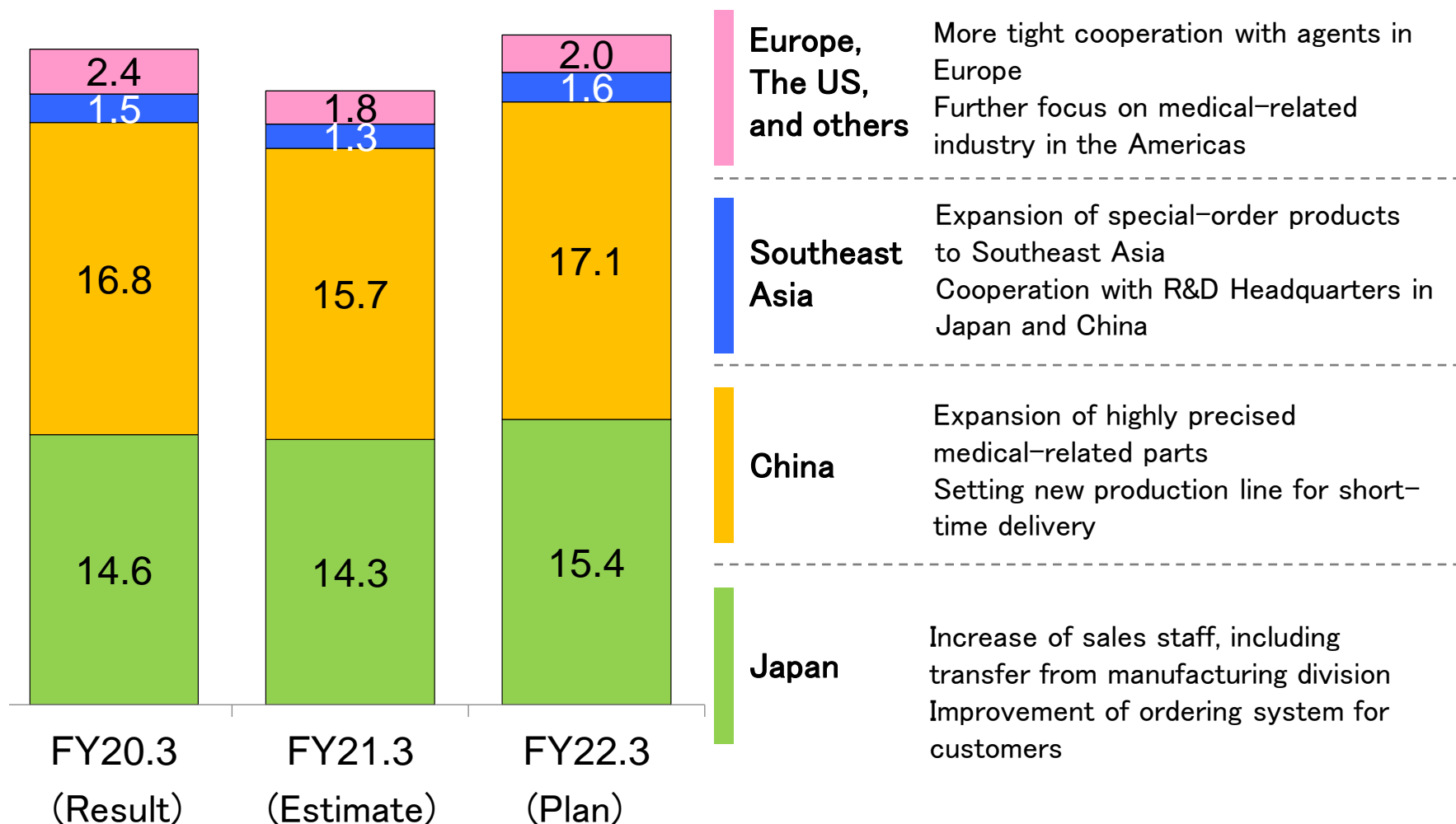
- Relief in depreciation after impairment losses made in FY20.3
- Suppression of investment and recruitment

[Main factors for changes in SG & A from FY20.3 to FY21.3]

- Relief in depreciation after impairment losses made in FY20.3
- Decrease in packing and transportation costs

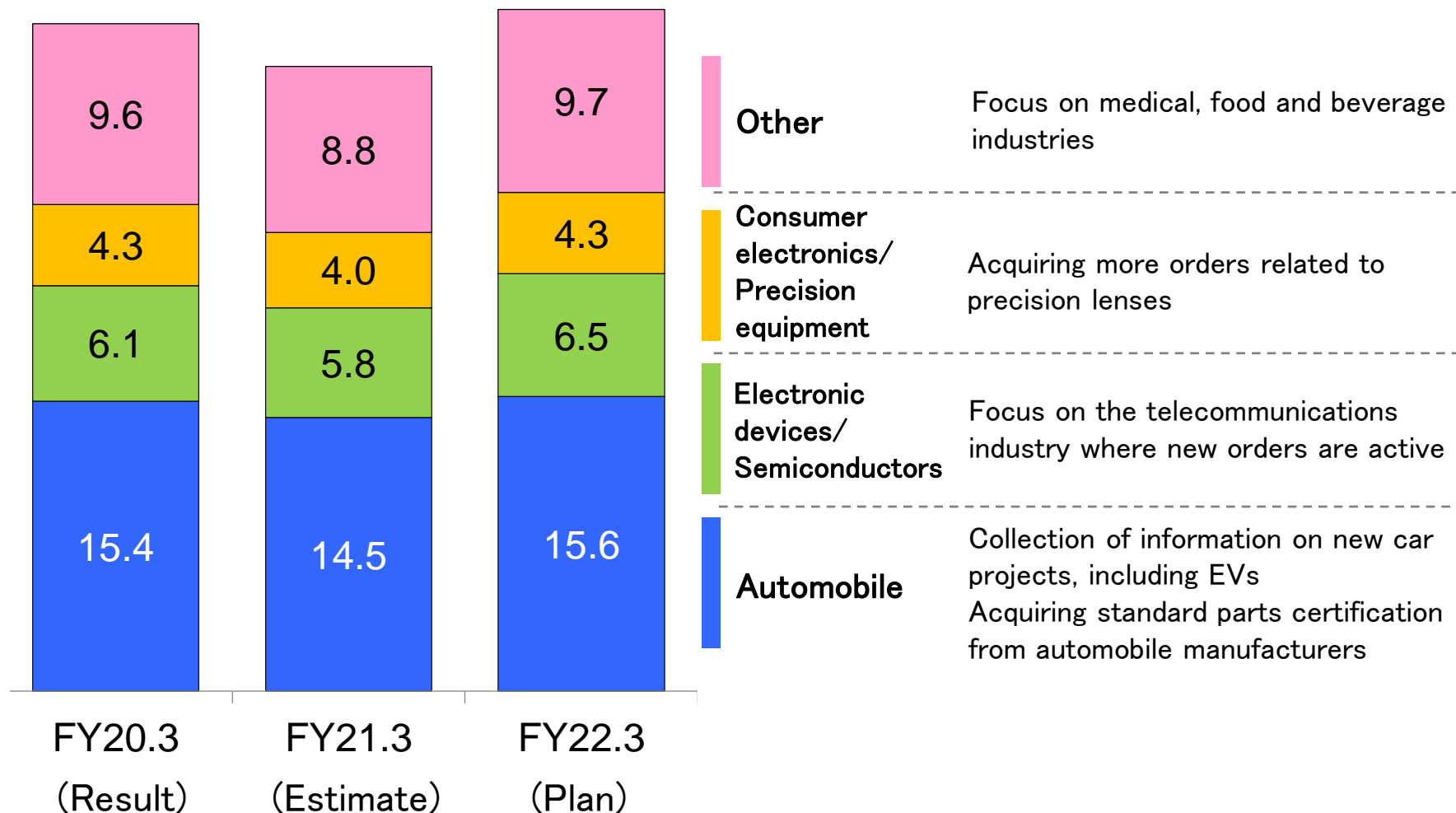
Sales transition by regions

(Unit: Billion JPY)



Sales transition by industries

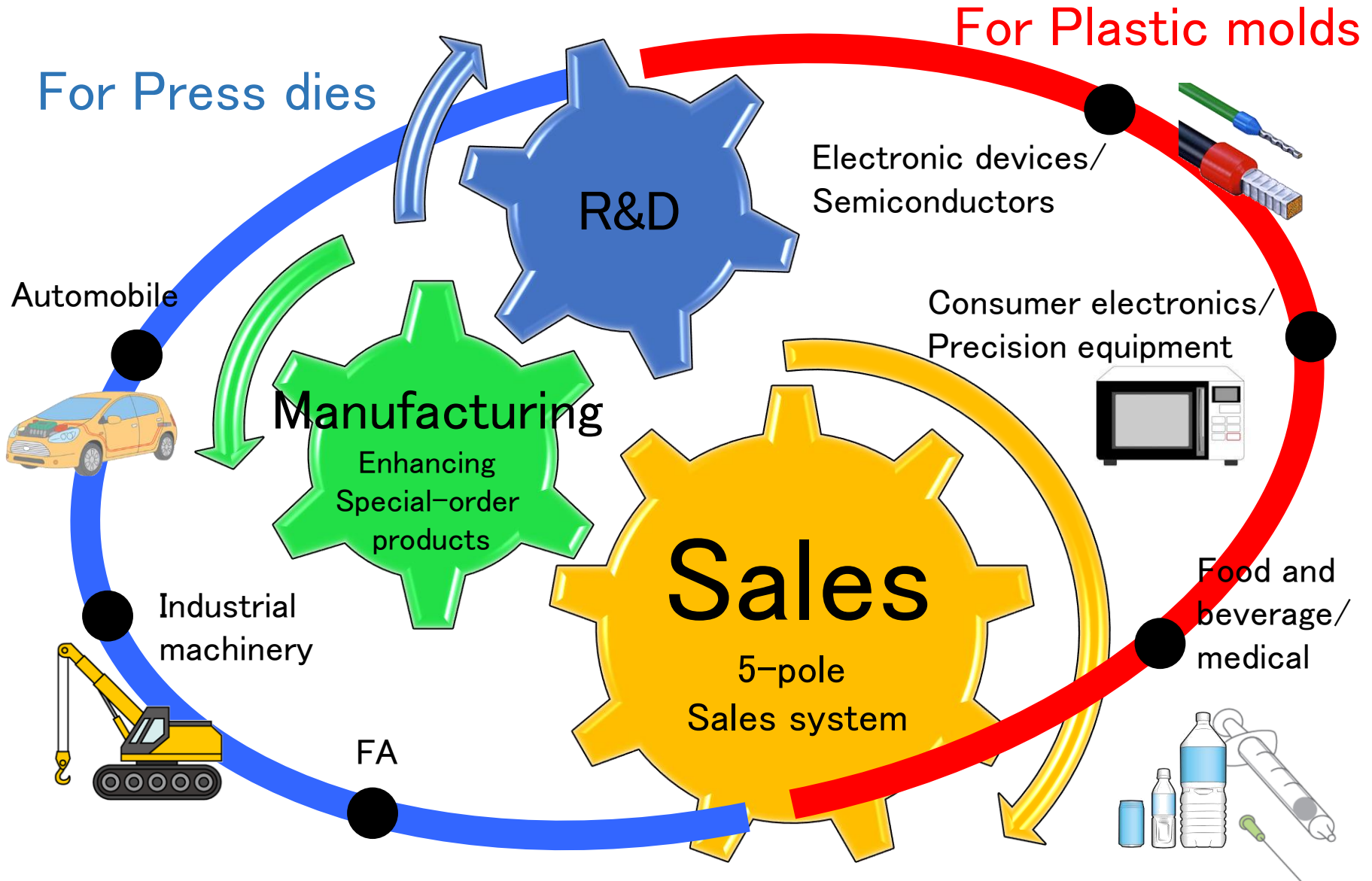
(Unit: Billion JPY)



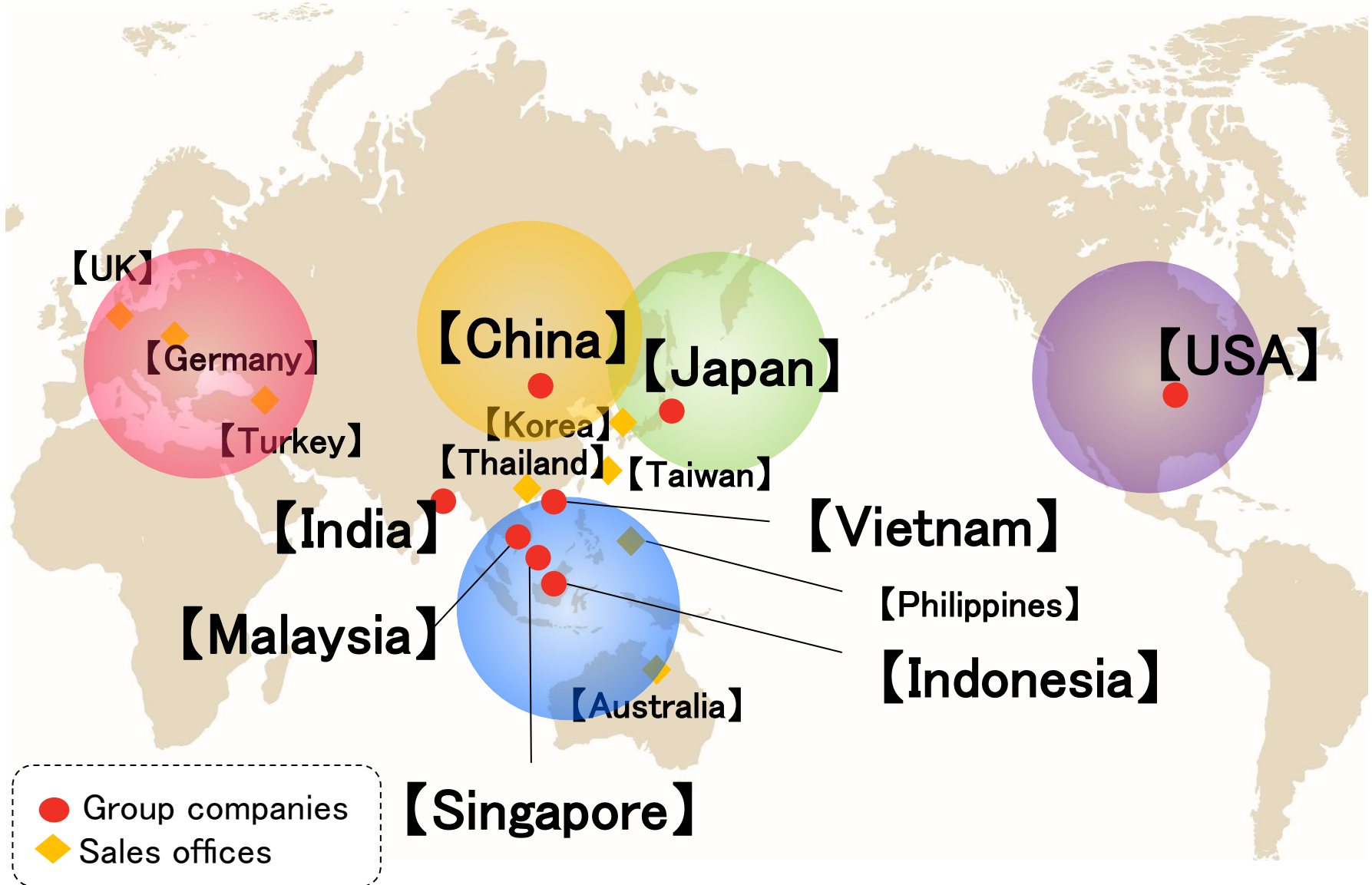


Top Message

To support "Manufacturing" in a wide range of industries



For “The World’s PUNCH” with 5-pole sales system



Summary

BREAK IT!!



PUNCH SPIRIT

= Return to the founder's spirit =

■ Strengthen Marketing Capabilities
⇒ Acquiring more orders for special-order products

■ Optimization of Global Production System
⇒ Strengthen production efficiency of domestic and overseas plants

■ Promoting “manufacturing highly value-added products”

■ Meeting the expectations of stakeholders

