

FY2022–2024 Mid-term Business Plan “Value Creation 2024”

March 28, 2022



PUNCH INDUSTRY CO., LTD.

(Security Code: 6165)

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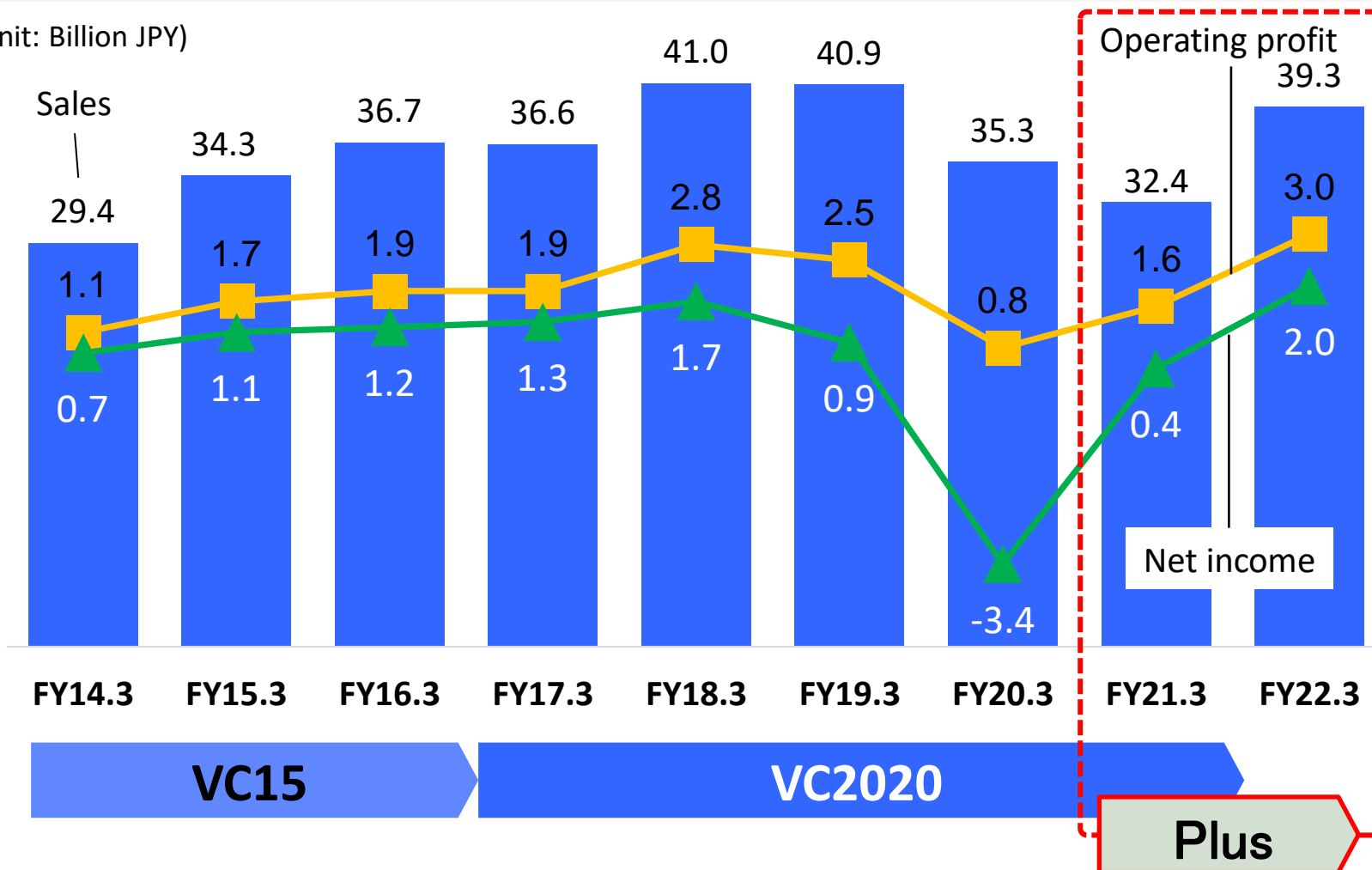
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- ◆ In this document, Value Creation is referred to as "VC."
 - ◆ "Net income" refers to "net income attributable to owners of parent."
 - ◆ All figures for the fiscal year ended March 31, 2022 are forecasts, as they are prior to the announcement of the financial results.



VC2020 Plus Management Figures

“VC2020 Plus” covers FY2020 and FY2021 (fiscal years ended March 31, 2021 and March 31, 2022)

(Unit: Billion JPY)



VC2020 Plus Summary

In “VC2020 Plus” the Company recorded its highest profit since listing and achieved its management targets.

Establishment of 5-pole sales system

- ◎ Sales growth with the recovery from COVID-19, across China, Southeast Asia, U.S.A, Europe and Other regions
- ◎ Japan continues to struggle but shows signs of recovery

Enhance customer-focused marketing capabilities

- ◎ Implemented the transition of employees from manufacturing to sales, although securing customer visits has been an issue due to COVID-19
- ◎ Expansion of sales for medical and mask-related items

Optimize the global production system and strengthen R&D

- ◎ Undertook the transfer of finished products to the Vietnam factory to stabilize production
- ◎ Steady progress on R&D projects to be undertaken in the next Mid-term Business Plan (VC2024)

Working-style reforms and human resource development

- ◎ Achieved promotion of diverse working styles through the promotion of working from home, etc.
- ◎ Promoting women’s empowerment and improving employee engagement, etc.



Top Message “Our Ideal State”

Automation and labor-saving demand as the new growth engine
~ Always be the “customer’s first choice” ~

BREAK IT!!



PUNCH SPIRIT
= Return to the founder's spirit =

Responding to the growing demand for automation and labor saving at manufacturing sites with
“**special order products**’ in the **FA** field”

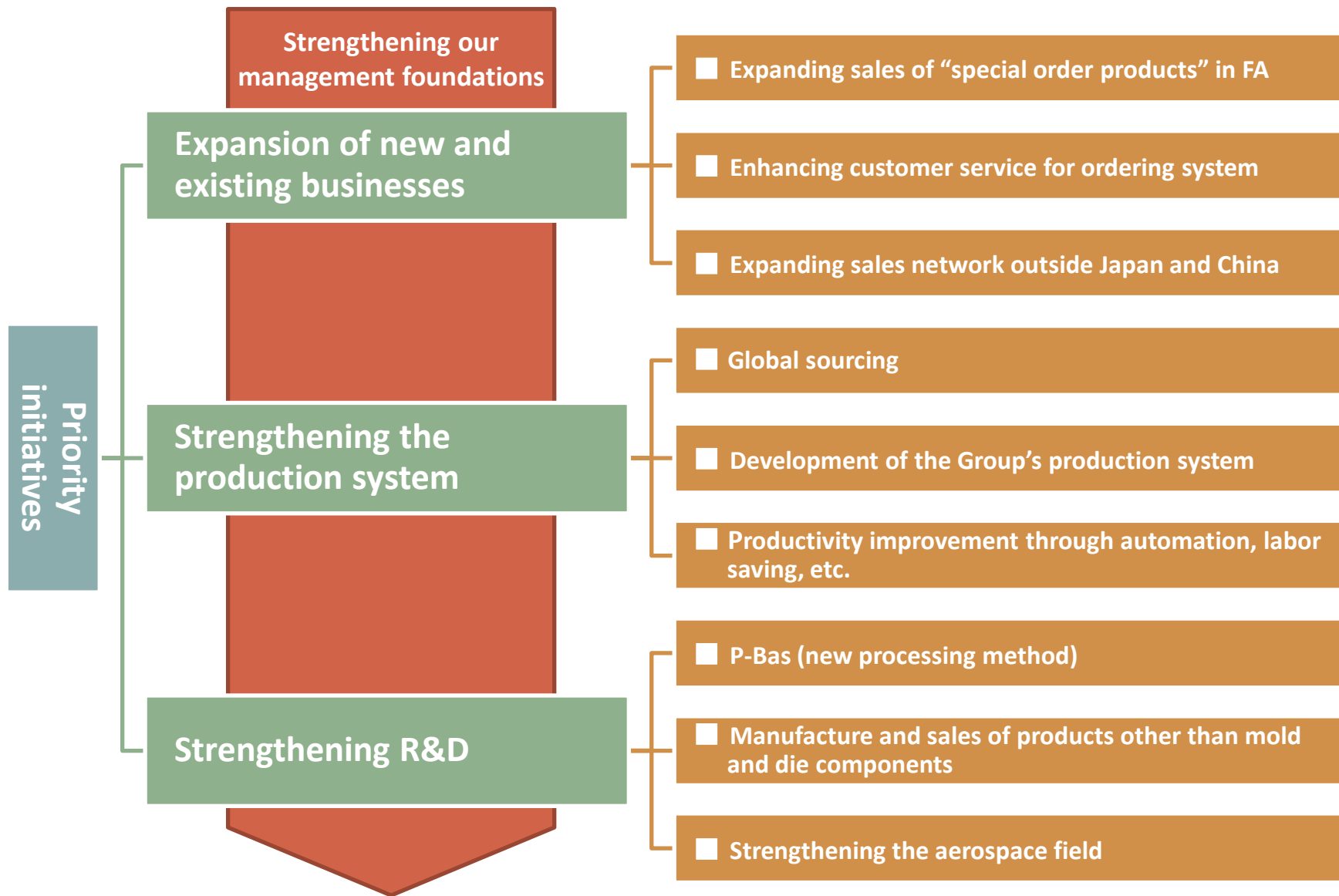
*FA refers to Factory Automation.

Through the continuous development of **new technologies and services**, we will establish a firm position in the mold and die components business

Enhancing corporate value through **SDGs** and **ESG** solutions to social issues



Priority Initiatives for VC2024

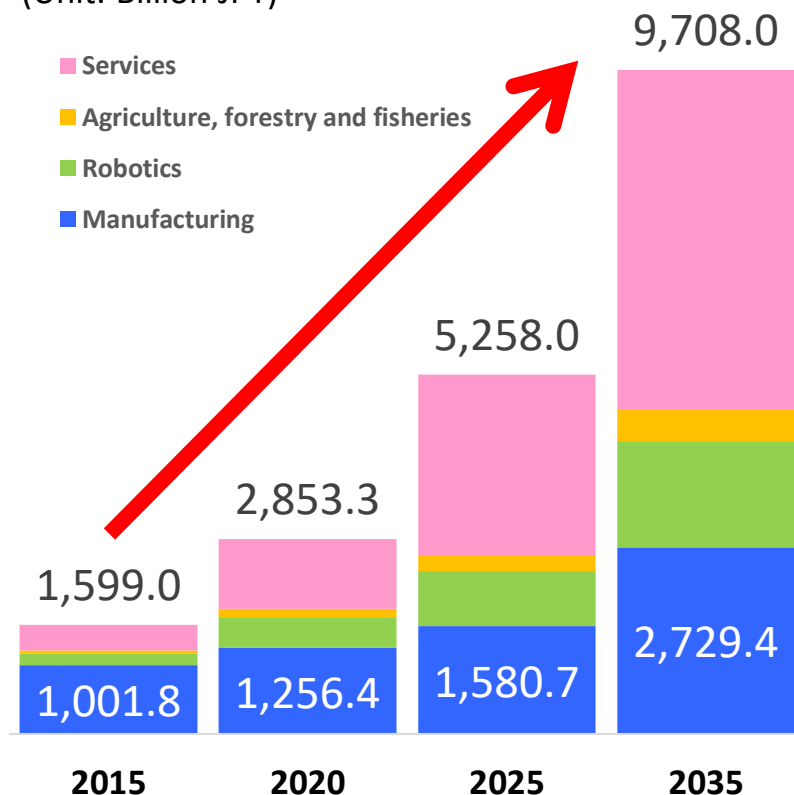


Expand Sales of “Special Order Products” in the FA Field

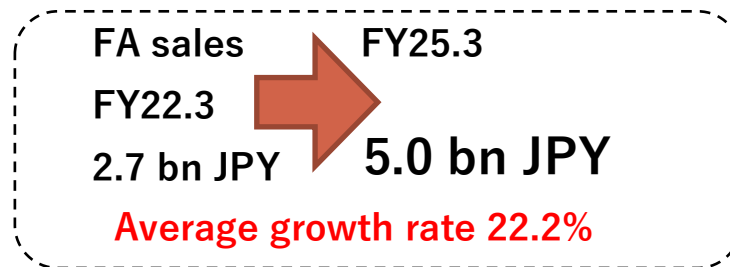
Expanding sales of “special order products” in the FA field by utilizing our expertise in the expanding FA market.

Market size of the domestic robotics industry

(Unit: Billion JPY)



- The future market for the robotics industry is predicted to grow to 9.7 trillion yen by 2035
- In the manufacturing sector, which is the fundamental market for us, Punch Group’s Japan and China operations are strengthening sales of “special order products” in the FA field
- Awareness of external resources such as business alliances



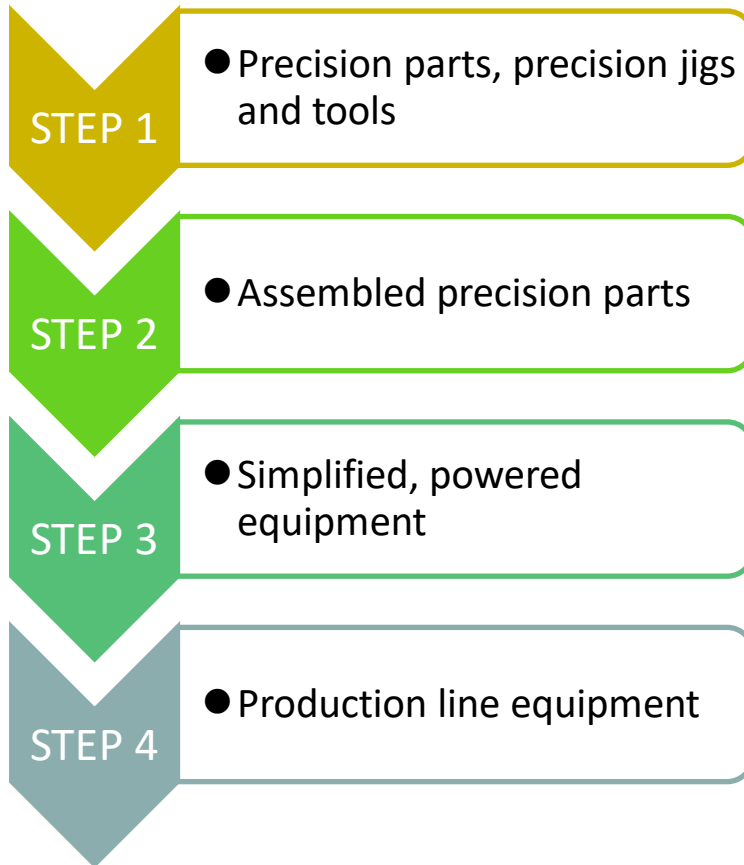
Source: New Energy and Industrial Technology Development Organization (NEDO)



Steps to Expand the FA Field

Applying technological capabilities cultivated through custom-made mold and die components to “special order products” in the new business FA field

- Progress to “STEP 2”
Business expansion in 4 steps



- The Punch Group operates globally ⇒ Many of our customers’ factories are located all over the world.
- In the ever-expanding FA market, in the future, expand sales of “special order products” in the FA field for manufacturing industries other than the plastic molds and press dies market.
- The Punch Group, with demonstrated strength in custom-made mold and die components, has more than 2,000 processing facilities, which can also be used for “special order products” processing in the FA field.



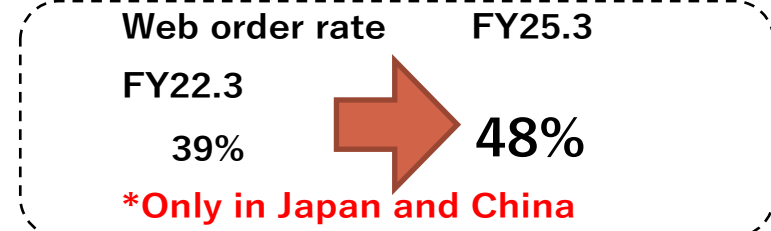
Enhancing Customer Service for Ordering System

“Improving customer convenience” and enhancing “the customer follow-up system” through refining ordering system, etc.



*Services launched from January 2022

- Refining the current Web ordering system “Punch Net”.
- Considering a system that can accept some special order products.



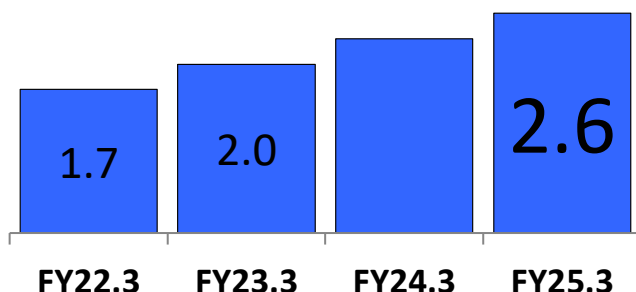
- New service “3D Measurement Partners” measures product forms, processes and analyzes the data, investigates the causes of defects, and proposes improvement measures.
- Combining expertise cultivated over many years in the manufacture of mold and die components, we are now offering this service to customers who have not yet installed a 3D scanner or who wish to outsource problem solving.

Expansion of Sales Network Outside Japan and China

Further “strengthen the 5-pole sales system” implemented in the previous Mid-term Business Plan VC2020 Plus

Southeast Asia

(Unit: Billion JPY)

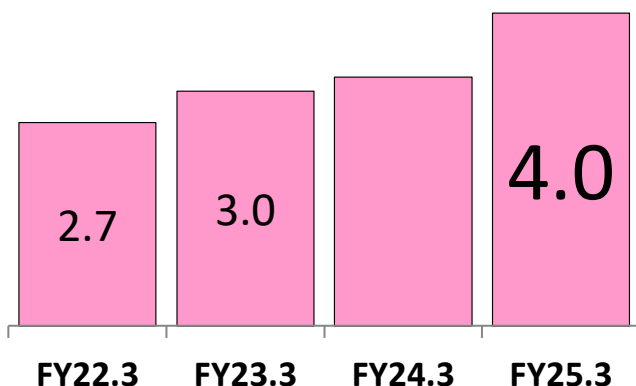


- Strengthen sales of electronic devices and semiconductors
- Assumes local production for local consumption utilizing the Vietnam factory

Southeast Asia
FY22.3 1.7 bn JPY → FY25.3 2.6 bn JPY
Average growth rate 14.3%

Europe/U.S./Others

(Unit: Billion JPY)



- Strengthen sales of medical and other products in the U.S.
- Strengthening relationships with sales agents in Europe

Europe/U.S./Others
FY22.3 2.6 bn JPY → FY25.3 4.0 bn JPY
Average growth rate 14.8%



Global Sourcing

Full utilization of overseas production resources at our own and partner factories



- Further expansion of production items at the Vietnam factory
- Aiming for sustainable growth of Vietnam factory

Vietnam factory sales
FY22.3 → FY25.3
+ 35%



- Effective use of external production resources overseas
- Improve the amount of overseas purchases by the Japan procurement division

Overseas procurement amount
FY22.3 → FY25.3
+ 35%



Development of the Group's Production System

Improvement of production capacity, technology, and quality at overseas factories and increased production at domestic factories



Malaysia factory



Dalian factory

- Capital investment in overseas factories to increase production
- Further enhancement of quality improvement and skill improvement

Overseas factory investment FY25.3
 FY22.3 0.9 bn JPY → 3.0 bn JPY
 *Cummulative total over 3 years

- Implement transfer of production items and capital investment at 4 domestic factories (including group company factories)
- Increase sales from in-house products to improve production efficiency.

Japan in-house sales FY25.3
 FY22.3 → +25%



Kitakami factory



Miyako factory



Hyogo factory



Pintec



Productivity Improvement through Automation, Labor Saving, etc.

Improved production efficiency at all 12 Punch Group factories using IT tools



- Automation and labor saving of in-factory operations
- Reduction of failure costs (spoilage expenses)
- Expansion of production capacity through capital investment
- Strengthening order acquisition by improving quality and technical capabilities
- Early response to quotations to secure orders

Production efficiency rate FY22.3 → FY25.3 + 10%

- * Production efficiency is calculated by dividing sales from in-house products by headcount of each factory and converting into yen.
- * Using the number of personnel involved in production as the population, differs from consolidated sales divided by consolidated headcount

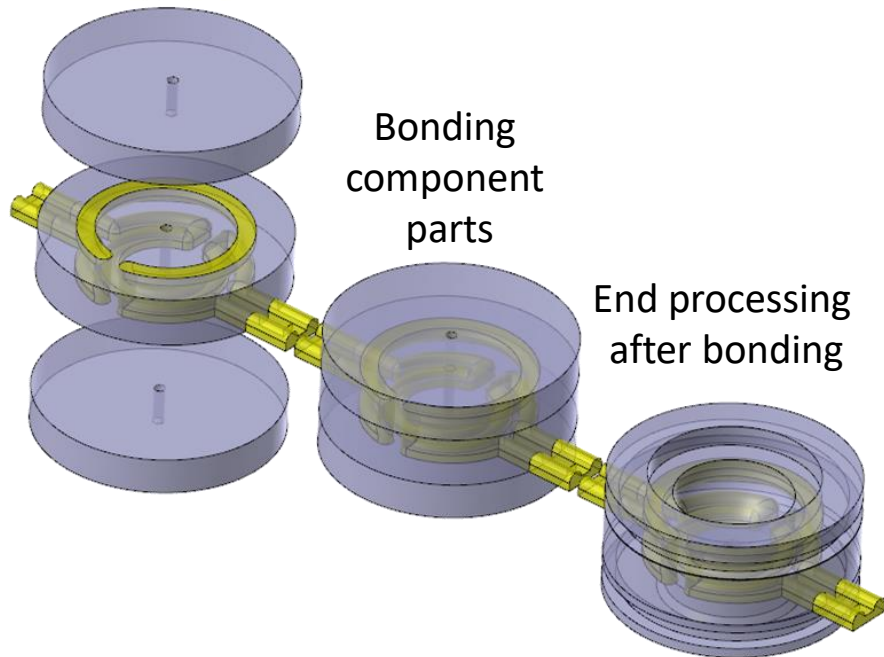


Strengthening R&D

Continued development of new technologies for the further growth of the Punch Group

➤ Overview of P-Bas (trademark pending)

Component
manufacturing
in three parts



➤ Strengthening efforts to develop new bonding techniques and materials. P-Bas (**P**unch, **B**onding and **s**intering): Technology to produce an ideal cooling circuit by bonding multiple components machined in sections

➤ Outside of P-Bas

- Started manufacturing and sales of “special order products” in the FA field other than mold and die components, and continued marketing in the future.
- Improve the Group’s technological capabilities by focusing on the aerospace field, which requires ultra-precision machining.

Strengthening our Management Foundations

DX promotion

- Building new services using IT tools
- Business reform through renewal of internal IT infrastructure
- Development of DX personnel

Financial strategy

- Strengthen “earning power” through ROIC management
- Strengthening of the financial health
- Pursuit of optimal capital structure with a focus on capital cost

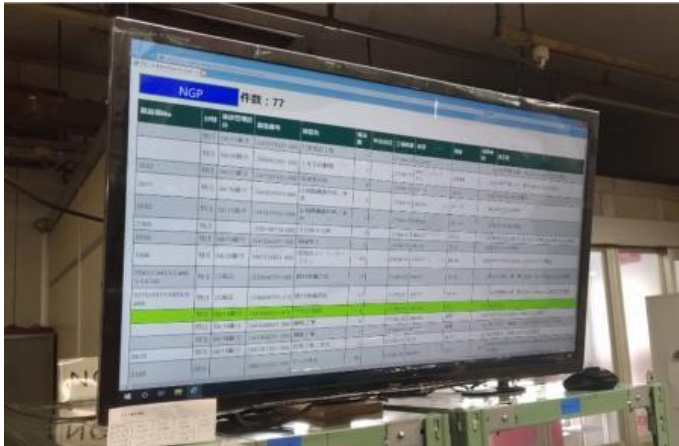
Sustainability

- Reducing CO2 emissions for decarbonization
- Respect for human rights
- Strengthening corporate governance
- Human capital management (human capital development and working style reform)

Sustainable growth

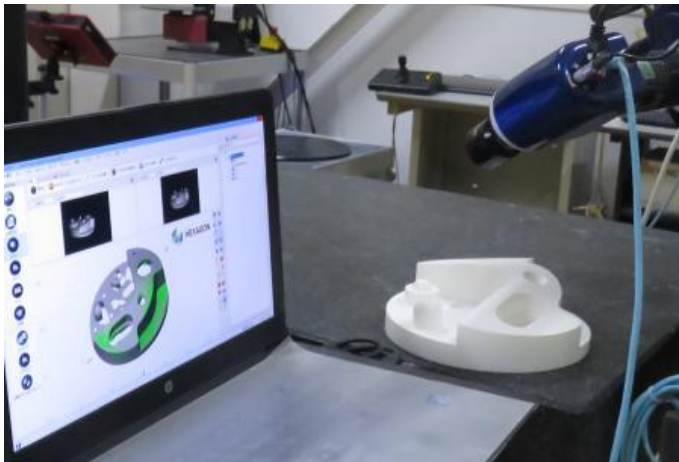


Use of digital technology to address priority initiatives



Centralized production status monitoring process at each factory

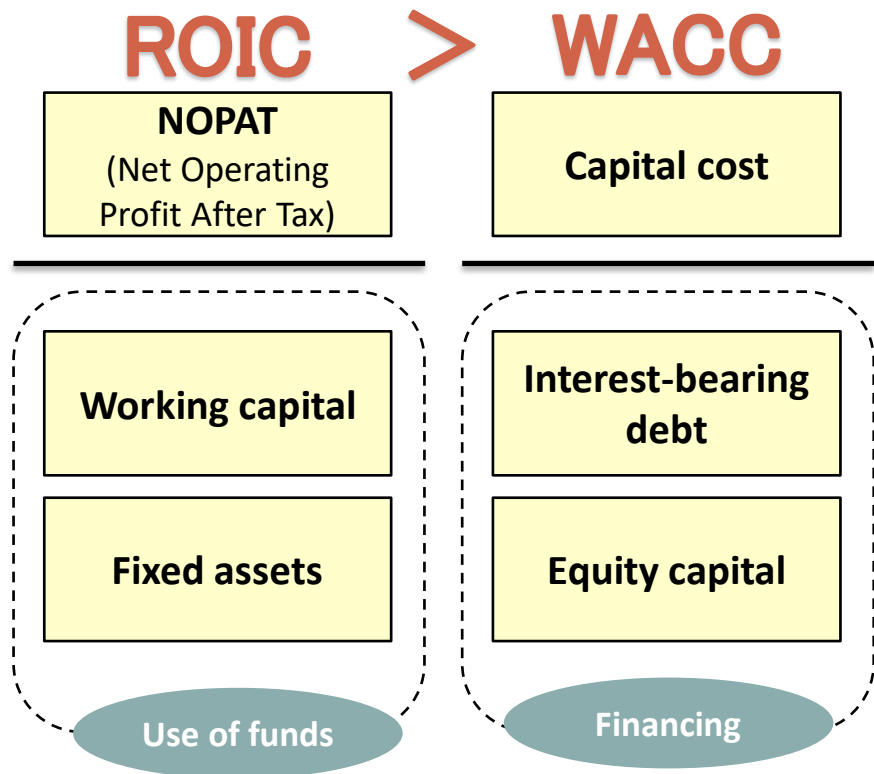
Quality improvement through 3D measurement data analysis



- Building new services using IT tools
- Renewal of internal IT infrastructure
- Strengthening data maintenance and analysis
- Business operation reforms
Fundamental reform of business operations through automation and labor-saving work time reductions and the use of IT tools
- Developing DX personnel to create a common language for analyzing data items
Securing time for training of DX personnel

Financial Strategy

Strengthen “earning power” through ROIC management, and through growth investment deliver increased corporate value and stable dividends



- Aim to increase corporate value by ensuring ROIC above cost of capital (WACC) and maximizing free cash flow.
 - ROIC **10%** and above
- Achieve medium- to long-term growth by improving ROE and enhancing shareholders' equity, while maintaining a sound financial health and striking an optimal balance between strategic investments for growth and stable dividends.

ROIC Improvement

* Support for management innovation projects

Improvement in profitability [after-tax profit improvement]

Increase in net operating profit after tax

Sales expansion

Cost reduction

Strengthening order acquisition

New customer development

Overseas sales expansion

Global sourcing

Production efficiency improvement

Failure cost reduction

Operational efficiency improvement

Timely trade receivable collection

Inventory reduction

Appropriate payment due dates

Pre-investment checks
Strengthening post-investment monitoring

Business reform through IT promotion

Improvement in asset efficiency [Improvement of asset turnover ratio]

Improvement in working capital turnover

CCC improvement

Improvement in fixed asset turnover

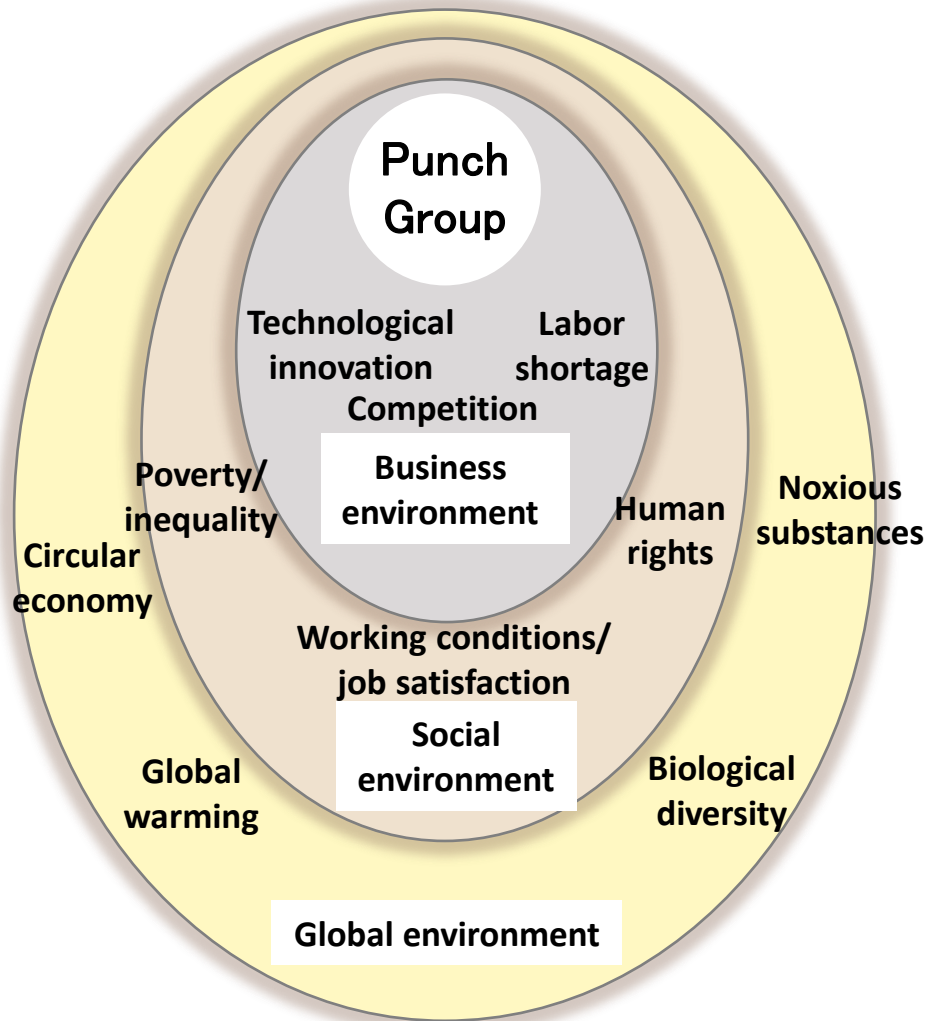
Improvement in tangible fixed asset turnover

Increase in intangible fixed asset turnover



Sustainability

Enhancing corporate value through solutions to global environmental and social issues



- Recognizing that the Punch Group continues to be affected not only by the business environment but also by the social and global environment, as shown in the diagram on the left, and working to enhance corporate value through the resolution of these issues
- Protecting the global environment through decarbonization, waste reduction, reuse, and recycling
- Respect the human rights of everyone involved in the Punch Group and its supply chain
- Aiming for fair and transparent management through further strengthening of governance

Numerical targets: under consideration
(to be disclosed as soon as formulated)



Sustainability (Human Capital Management)

Developing the next generation of core personnel, reforming work styles, and improving employee engagement



- Covering new hires through to top management, systematization of next generation core personnel development system
- Reduce working hours by improving productivity, and encourage employees to take paid leave
- Raise the ratio of women in management positions through training for women leaders, etc.

Total actual work hours FY25.3
FY22.3 → Reduction of **100**
hours or more

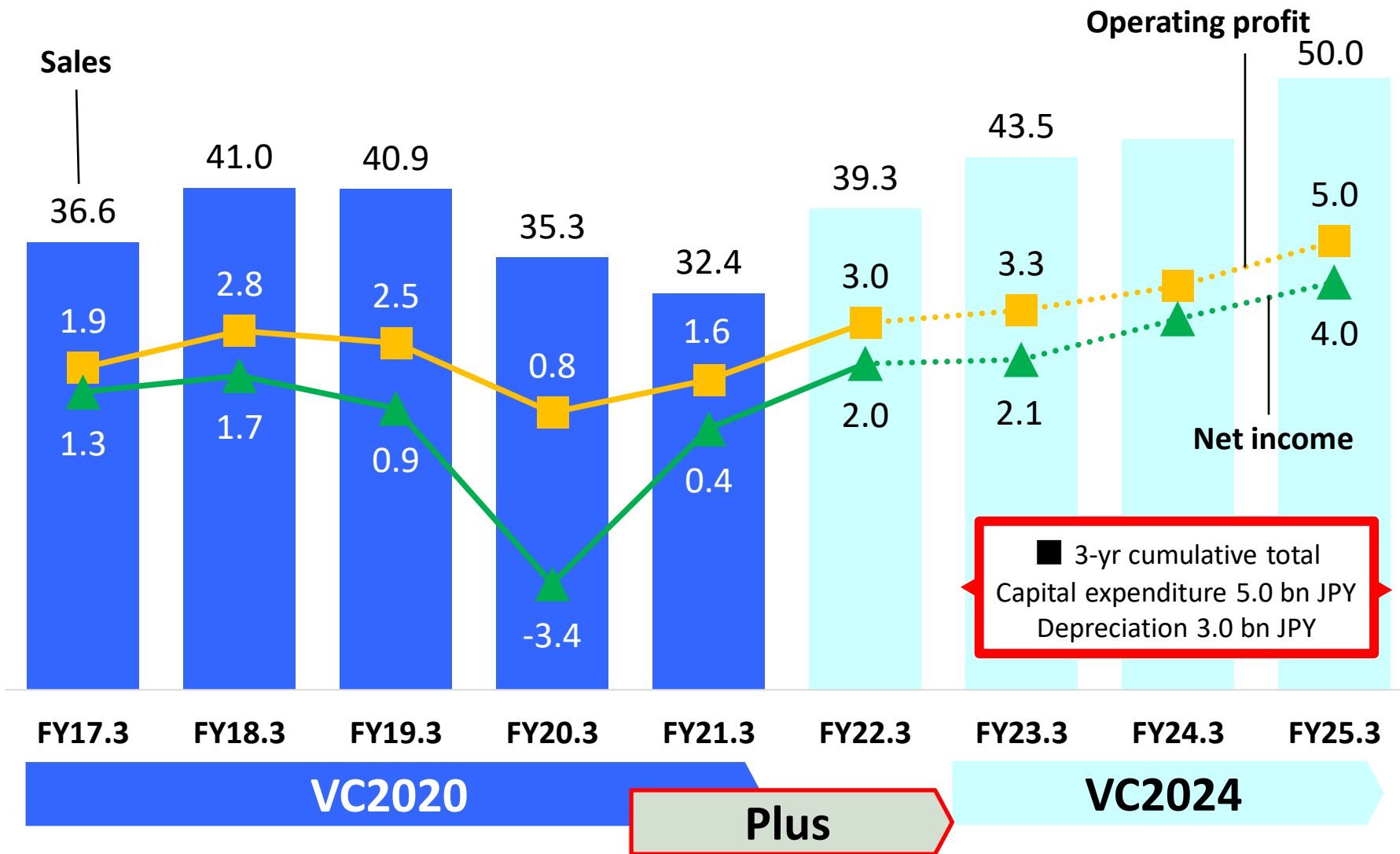
Percentage of paid leave taken FY25.3
FY22.3 67% → **70%**

Ratio of female executives FY25.3
FY22.3 11% → **15%**



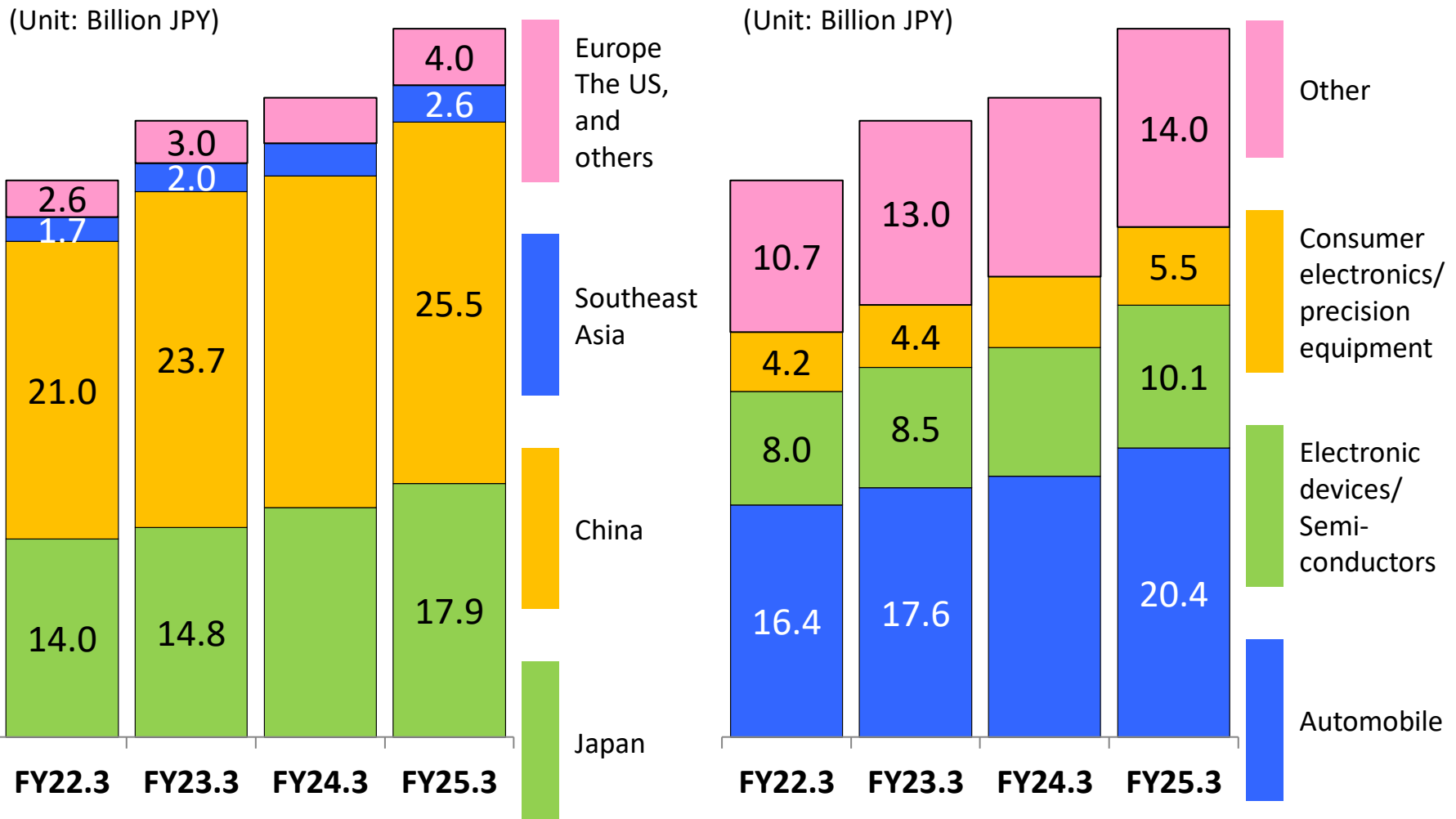
Management Targets for VC2024

(Unit: Billion JPY)



Numerical Targets for Sales by Region and Industry

“VC2024” covers FY2022 through FY2024 (fiscal year ending March 31, 2023 through fiscal year ending March 31, 2025)



Timeline for Priority Initiatives (in Order of Slide Presentation)

Policy items	FY22.3	FY23.3	FY24.3	FY25.3	Policy Items	FY22.3	FY23.3	FY24.3	FY25.3
FA sales		3.2	—	5.0	Japan in-house sales		+13	—	+25
Results (Billion JPY)	2.7				Results (Increase/decrease %)	—			
Web order rate (Japan/China)		4.1	—	48	Production efficiency		+3	—	+10
Results (%)	3.9				Results (Increase/decrease %)	—			
Southeast Asia sales		2.0	—	2.6	ROIC		10 and above		
Results (Billion JPY)	1.7				Results (%)	11			
Europe/U.S.A./Other sales		3.0	—	4.0	Reduction in total actual work hours		▲30	—	▲100
Results (Billion JPY)	2.6				Results (hour)	±0			
Vietnam factory sales		+20	—	+35	Percentage of paid leave taken		68	—	70
Results (Increase/decrease %)	—				Results (%)	67			
Overseas procurement		+14	—	+35	Ratio of female executives		13	—	15
Results (Increase/decrease %)	—				Results (%)	11			
Overseas factory investment		3.0 (3-year cumulative total)			Capital investment (inc. overseas)		5.0 (3-year cumulative total)		
Results (Billion JPY)	0.9				Results (Billion JPY)	1.1			

* “Overseas factory investment” and “Capital investment (inc. overseas)” are cumulative figures over three years.

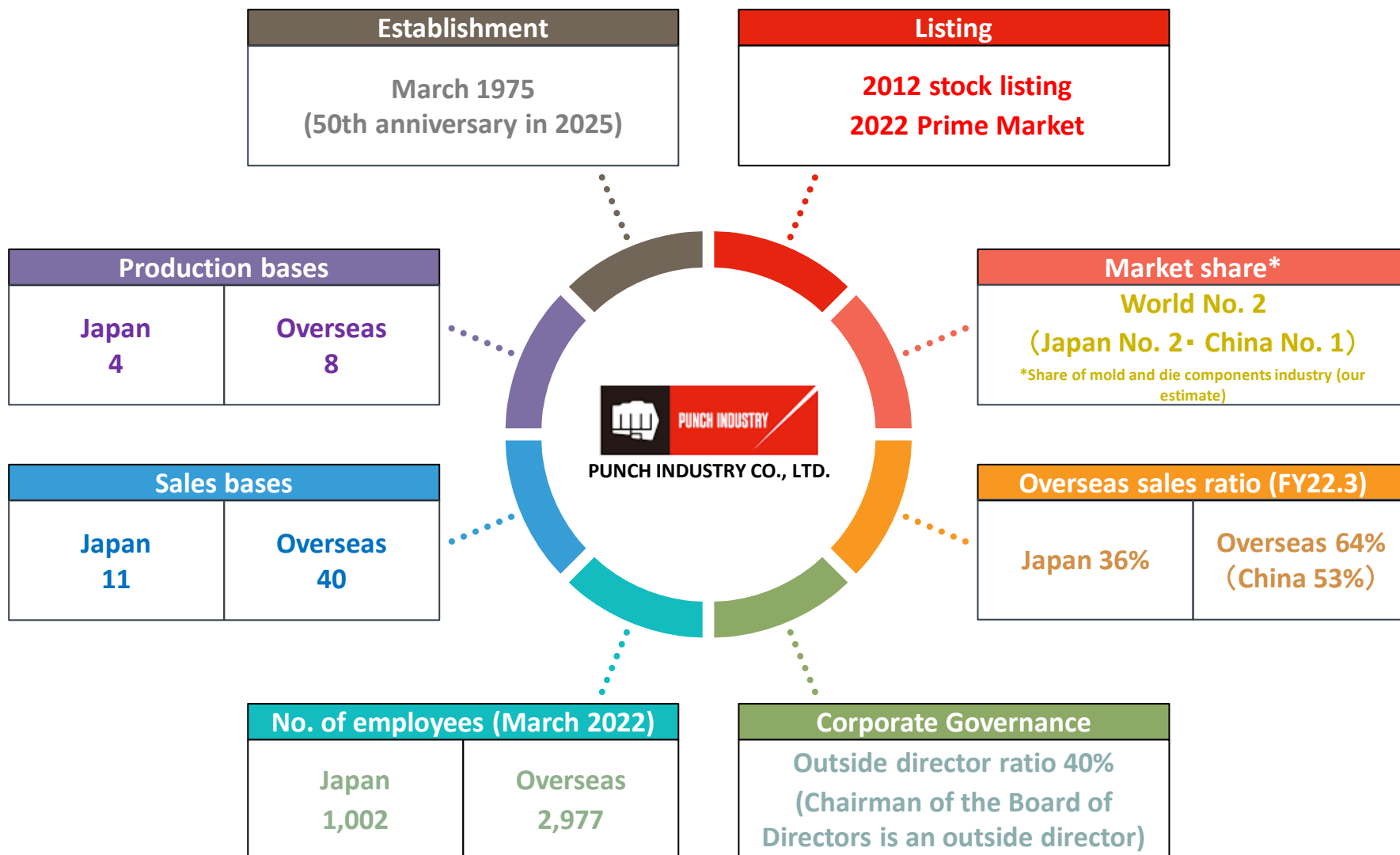
* Figures for FY24.3 are scheduled to be announced on May 2023 after the release of these financial results.





Reference Materials

Punch Group at a Glance



Management Structure

Profile of President and Representative Director

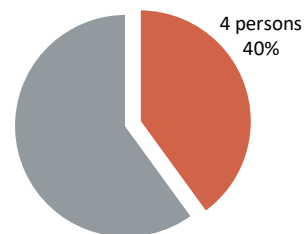
Name and date of birth	Career	
Tetsuji Morikubo (January 22, 1977)	May 2003	Joined the Company
	Feb. 2005	PUNCH INDUSTRY (DALIAN) Co.
	Nov. 2012	General Manager, Value Creation Promotion Office
	Apr. 2013	General Manager, Corporate Planning Office
	Apr. 2015	PUNCH INDUSTRY MALAYSIA SDN. BHD.
	May 2016	Executive Officer
	Jun. 2018	Director, Senior Executive Officer, Corporate Strategy
	Apr. 2019	Chief Strategy Officer Group Business Management
	Jun. 2019	Representative Director (incumbent) Executive Vice President
	Nov. 2019	President and Chief Executive Officer in charge of the Punch Industry Group (incumbent)



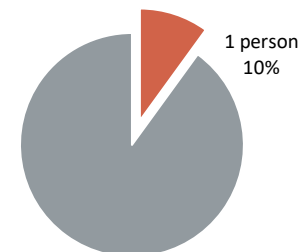
Board of Directors

Directors	Representative Director, President and Chief Executive Officer Chief Executive Officer (CEO)	Tetsuji Morikubo
	Director, Managing Executive Officer Chief Operating Officer (COO/Sales)	Yasuhiro Sanada
	Director and Senior Executive Officer Chief Financial Officer (CFO)	Takao Murata
	Director and Senior Executive Officer Chief Operating Officer (COO/Manufacturing)	Akira Takanashi
	Director	Susumu Sugita
	Outside Director Chairman of the Board	Yukiko Mitsuhashi
	Outside Director	Naruhiko Takatsuji
Directors (Audit & Supervisory Board Member)	Director (Audit & Supervisory Board Member)	Minoru Kawano
	Outside Director (Audit & Supervisory Board Member)	Yoriatsu Matsue
	Outside Director (Audit & Supervisory Board Member)	Tomoo Suzuki

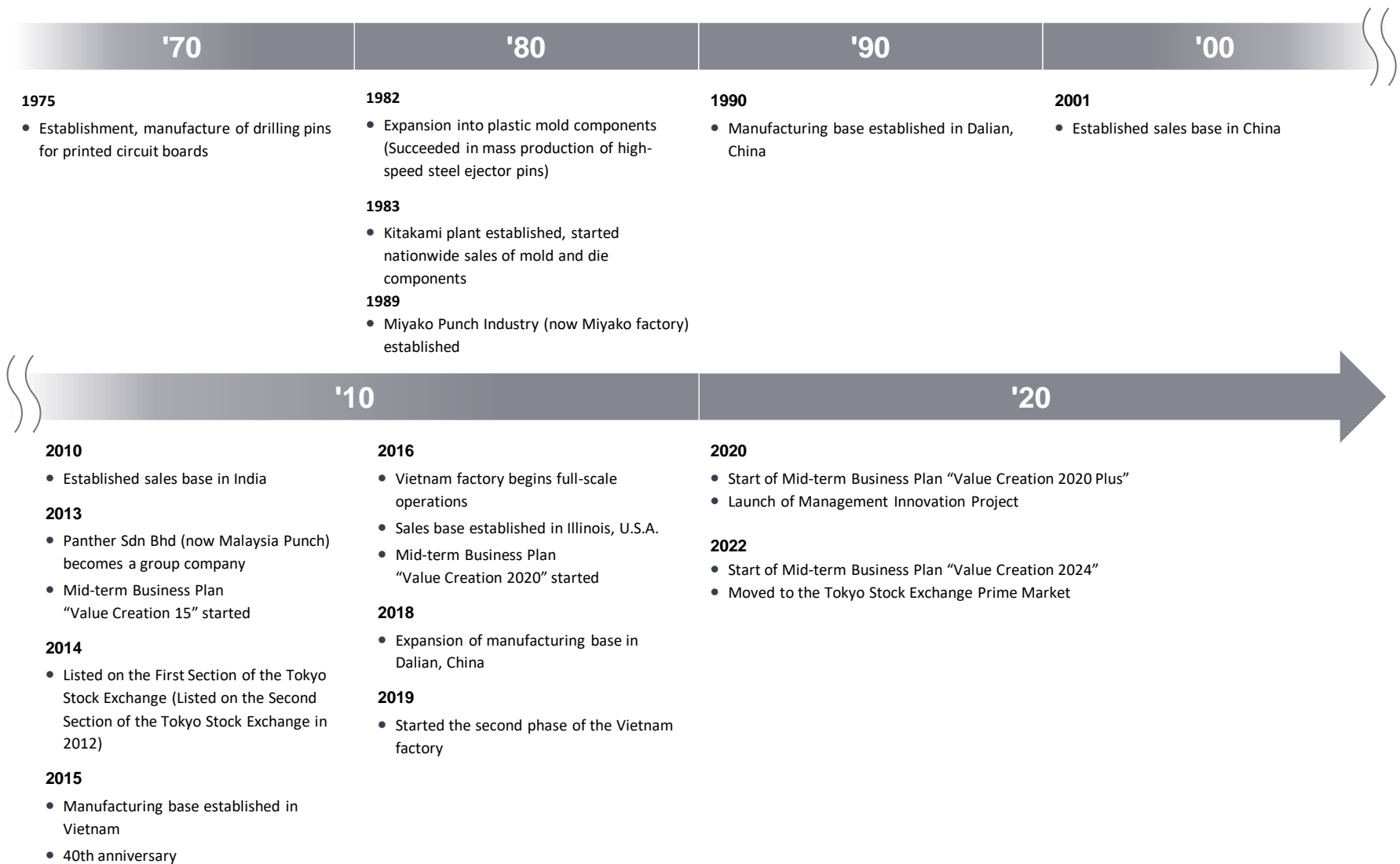
Ratio of Outside Directors



Ratio of Female Directors

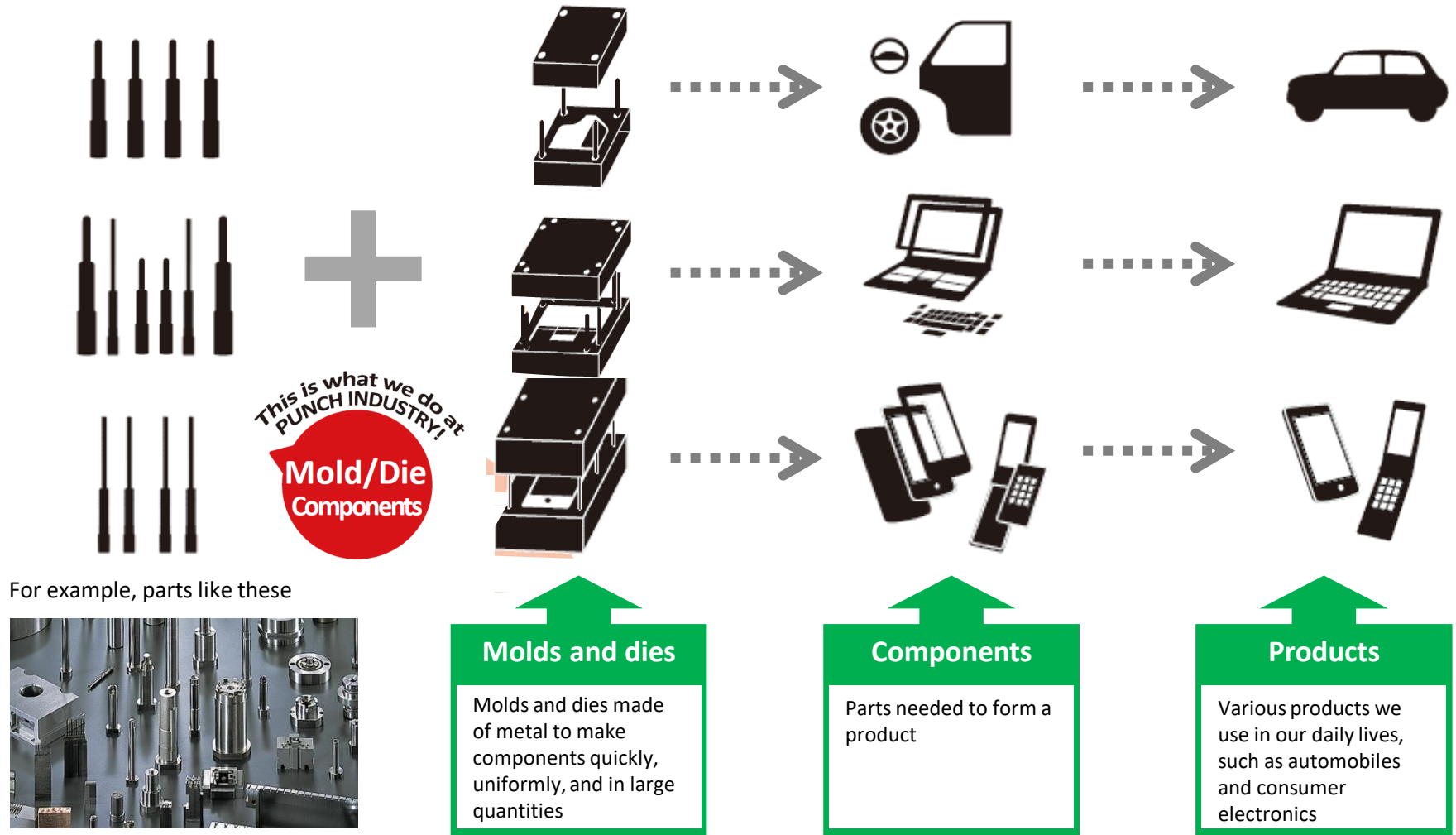


Punch Group History



Description of the Business

Manufacture and sale of a wide variety of precision mold and die components that are indispensable to the construction of molds. The “behind-the-scenes expertise” that enriches your life.



Punch Group's Core Products

Plastic mold and die components such as injection molding dies and press die components such as stamping dies, for a wide range of customers spanning upstream to downstream manufacturing

Plastic mold and die components

Plastic molds are used in the manufacture of many plastic products, including the exteriors of smartphones and digital cameras. Products are made by injecting heated, molten plastic resin into a mold mounted on an injection molding machine, cooling, and solidifying. The Punch Group manufactures and sells the components that make up these molds and dies.



Core product

Ejector pin

This part (extrusion pin) is used to separate the injection-molded product from the mold itself and eject it.



Core product

Core pin

Used to form the product section, the shape of the core pin is transferred. The core pin forms a void in the product section or engraving on the product section.

Press die components

A die is mounted on a press machine (a machine that moves up and down), a metal sheet is placed between the upper and lower dies, and the press machine is operated to produce a product molded by the die. The Punch Group manufactures and sells the components that make up these molds and dies.



Core product

Punch

Typical parts incorporated in press dies, these parts are used to make holes in metal plates and transfer shapes. Our company name comes from this punch.



Core product

Holder guide posts

These parts are used to maintain the correct relationship between the upper and lower molds.



Punch Group Strengths and Network

Extensive lineup of versatile catalog products and special order products to meet custom needs supporting manufacturing across the world

Strengths of the Punch Group

Providing high customer satisfaction

Catalog products

Extensive lineup of highly versatile standard products



Timely, precise solutions

Special order products

Capable of responding flexibly to custom needs



A one-stop production system
with 2,000 units of equipment and wide-ranging support

A customer-oriented business structure
meticulous, responsive and capable

High technical capabilities

Expertise cultivated since the Company's founding, and untiring research and development

Punch Group Network

● Group companies ■ Sales offices



Toward Increasing the Market Capitalization of Tradable Shares

Through increases in the share price and market capitalization, measures to enhance corporate value, we aim to achieve and further increase market capitalization of tradable shares of 10 bn JPY, which is the standard for maintaining a Prime Market listing.

Challenges to increasing the market capitalization of tradable shares

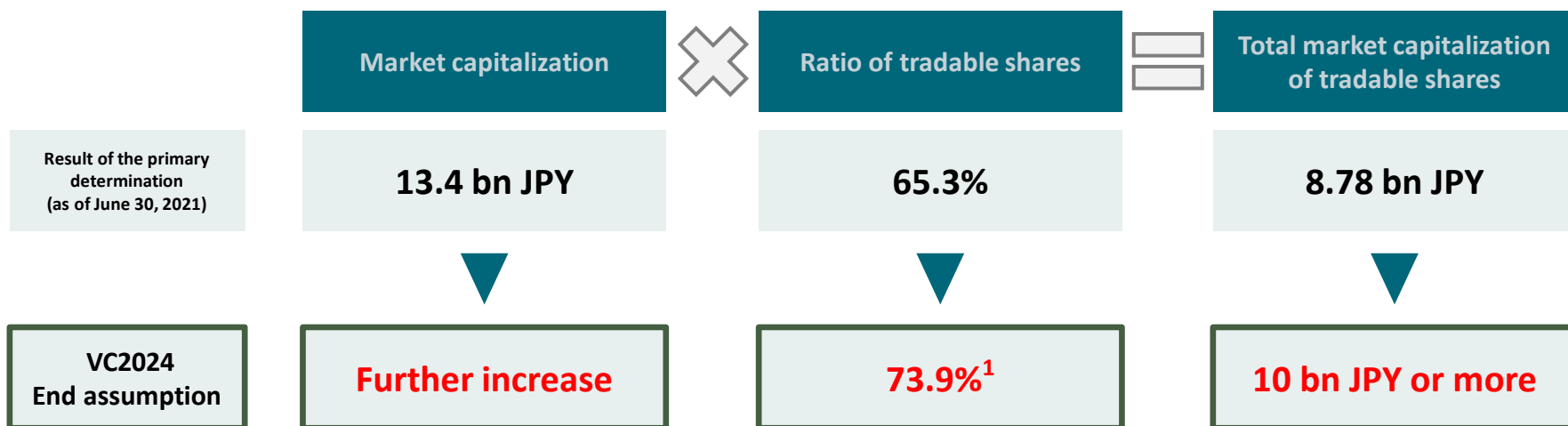
Increase in share price through measures to enhance corporate value

Strengthen “earning power” through ROIC management
Optimal balance between growth investments and stable dividends

Basic policy for addressing the challenges

Implement capital investment for growth

Improving business performance and changing work styles through DX promotion
Sustained development of new technologies and products



1. Assuming that 2,500,000 new shares were issued through the issuance of the 4th series of share acquisition rights with an exercise price amendment clause by way of third-party allotment and that all of them were tradable shares





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Disclaimer Regarding Forward-Looking Statements

This 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.