

## PUNCH INDUSTRY (6165)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2016	36,755	1,986	1,666	1,249	112.9	25.0	1,265
FY03/2017	36,648	1,990	1,874	1,375	125.0	26.0	1,293
FY03/2018CoE	38,000	2,200	2,100	1,400	127.7	27.0	-
FY03/2017	YoY (0.3%)	0.2%	12.5%	10.1%	-	-	-
FY03/2018CoE	YoY 3.7%	10.5%	12.0%	1.8%	-	-	-
Consolidated Half Year (Million Yen)	Sales 0-Jan-00	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2017	17,846	841	791	549	-	-	-
Q3 to Q4 FY03/2017	18,802	1,149	1,082	826	-	-	-
Q1 to Q2 FY03/2018CoE	19,120	1,130	1,120	735	-	-	-
Q3 to Q4 FY03/2018CoE	18,880	1,070	980	665	-	-	-
Q1 to Q2 FY03/2018CoE	YoY 7.1%	34.3%	41.4%	33.7%	-	-	-
Q3 to Q4 FY03/2018CoE	YoY 0.4%	(6.9%)	(9.5%)	(19.5%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Results Update (16 May 2017)

#### In Line with Midterm Management Plan

On 11 May 2017, PUNCH INDUSTRY to run operations to manufacture and sell mold parts domestically and overseas released its FY03/2017 results. It has been revealed that sales came down marginally over the previous year, but this had a lot to do with yen's appreciation. When forex impacts are removed, sales were up 8.5% over the previous year. Meanwhile, the results were in line with assumptions of existing midterm management plan (FY03/2017 to FY03/2021). Gross profit margin improved in China where sales should have steadily increased if it were not for yen's appreciation, while increasing order intake on the internally-manufactured products side carrying high added value drove capacity utilization rate. As a result, operating profit marginally increased in spite of marginal decreases of sales.

Meanwhile, the Company is making nice progresses in its measures to beef up productivity by means of starting up full-fledged capacity utilization in Vietnam and those to enhance sales by means of setting up sales base in the United States. All those issues, including both of them here, are expected to fully contribute to earnings through FY03/2019 to FY03/2021, while the Company is calling for CAGR of 6.4% for sales and 14.5% for earnings during the same period. We are to attend the Company's results meeting to be held on 23 May as well as interviewing with management afterwards, while planning to initiate our coverage of the Company based on the contents here.

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

## 2.0 Company Profile

### Manufacturing and Selling Mold Parts Domestically and Overseas

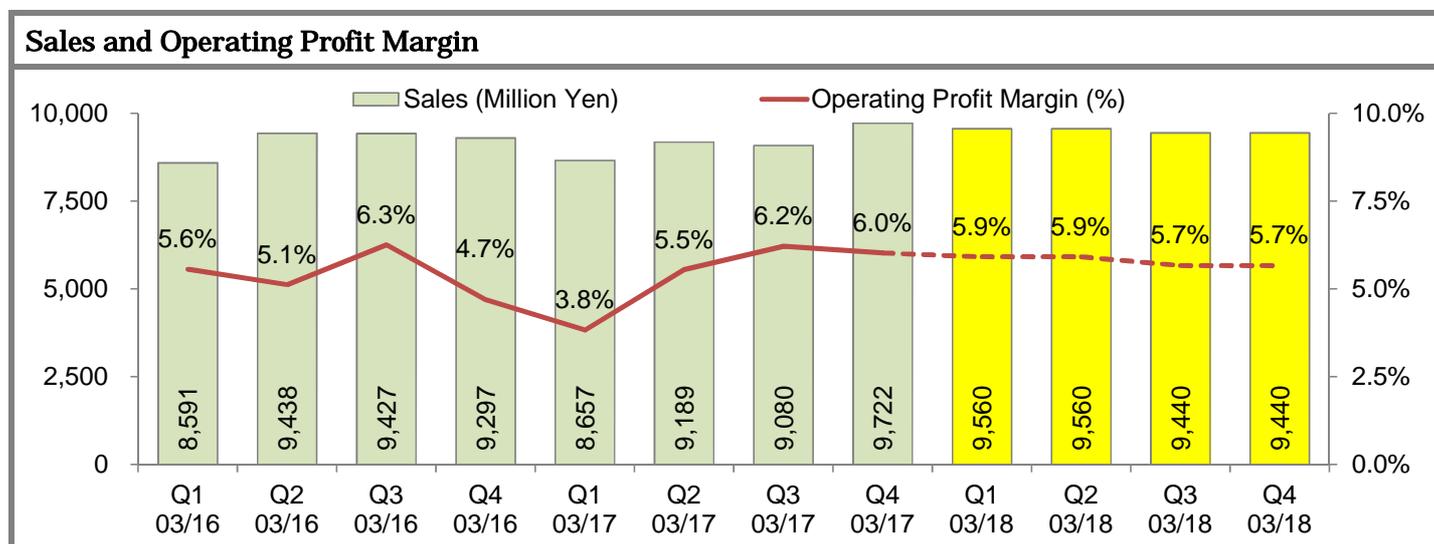
<b>Company Name</b>	PUNCH INDUSTRY CO., LTD. <a href="#">Website</a> <a href="#">IR Information</a> <a href="#">Share Price</a>	
<b>Established</b>	29 March 1975	
<b>Listing</b>	20 December 2012: Tokyo Stock Exchange 1st Section (Ticker: 6165)	
<b>Capital</b>	¥2,897m (As of the end of March 2017)	
<b>No. of Shares</b>	11,061,200 shares, including 100,049 treasury shares (As of the end of March 2017)	
<b>Main Features</b>	<ul style="list-style-type: none"><li>● The second largest player of mold parts in Japan</li><li>● One of the largest in the mainland China with 8,000 customers</li><li>● Strengths on the manufacture of custom order products, etc.</li></ul>	
<b>Business Segments</b>	. Mold Parts Business	
<b>Top Management</b>	President, Representative Director (CEO): Masaaki Takeda	
<b>Shareholders</b>	MT Kosan Co., Ltd. 9.8%, Yuji Morikubo 7.5% (As of the end of March 2017)	
<b>Headquarters</b>	Shinagawa-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated:4,097, Parent: 968 (As of the end of March 2017)	

Source: Company Data

## 3.0 Recent Trading and Prospects

### FY03/2017 Results

In FY03/2017, sales came in at ¥36,648m (down 0.3% YoY), operating profit ¥1,990m (up 0.2%), recurring profit ¥1,874m (up 12.5%) and profit attributable to owners of parent ¥1,375m (up 10.1%), while operating profit margin 5.4% (up 0.03% points).



Source: Company Data, WRJ Calculation (quarterly forecasts in FY03/2018: half-year Company forecasts pro rata)

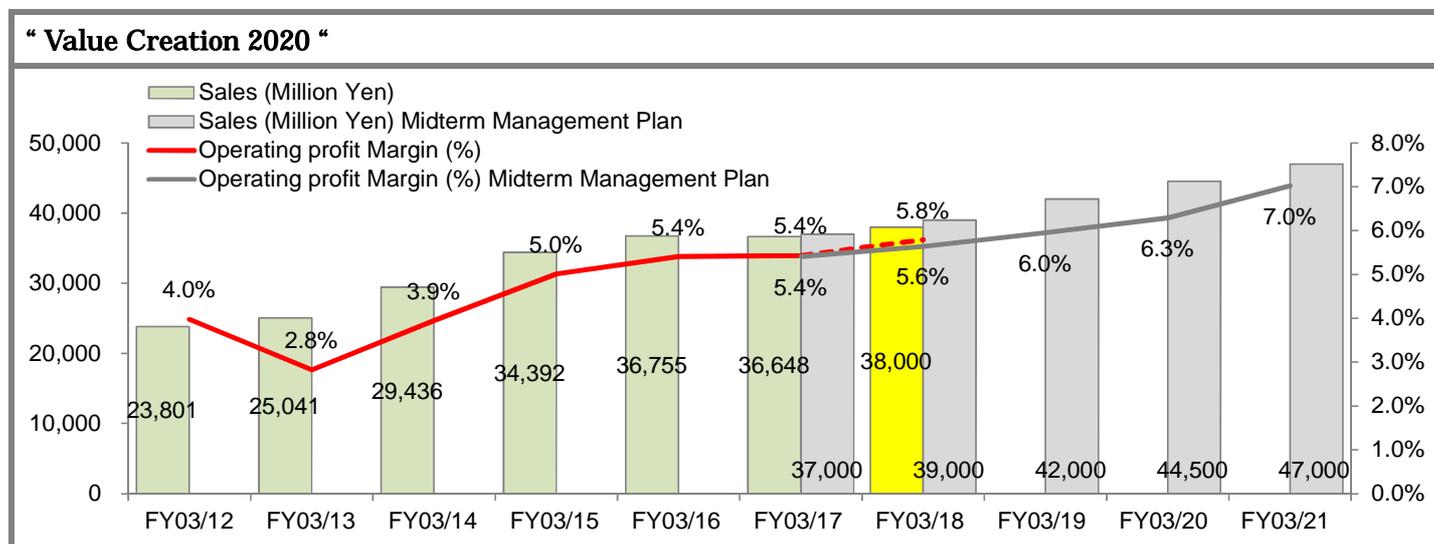
Compared with initial Company forecasts, sales fell short by ¥352m (1.0%), operating profit by ¥10m (0.5%), recurring profit by ¥61m (3.2%) and profit attributable to owners of parent by ¥25m (1.8%). Effectively, the results were in line. Thus, the results were also in line with existing midterm management plan to have started in FY03/2017.

At the release of Q1 to Q2 results (10 November 2016), initial Company forecasts were once downgraded. Presumably because of negative impacts stemming from 2016 Kumamoto earthquakes (14 April), sales to major customers based in Japan slowed down, having fallen short of initial assumptions and thus having resulted in unexpected adjustments of sales and earnings in Q1. On top of this, overseas operations were under pressure due to yen stronger than initially expected, which is mentioned as another reason. However, the Company saw favorable business performance, i.e., sales of ¥9,722m (up 4.6% YoY) and operating profit of ¥585m (up 34.2%) and operating profit margin of 6.0% (up 1.3% points) in Q4, having resulted in full-year results roughly in line with initial Company forecasts.

By region, sales came in at ¥15,903m (up 1.7% YoY) in Japan on a full-year basis, ¥17,428m (down 2.1%) in China and ¥3,317m (up 0.2%) in other regions. In Japan where 43.4% of sales as a whole for the Company were derived, sales associated with home electric appliances have stagnated even to date, but sales associated with semiconductors were firm. Meanwhile, the Company suggests order intake on the automotive side is currently in the process of recovery. In China where 47.6% of sales as a whole for the Company were derived, yen got appreciated by 14% against Chinese Yuan (¥19.21 to ¥16.56 per Chinese Yuan), having generated major negative impacts. If it were not for yen's appreciation, sales in China should have increased by 13.5% over the previous year. Sales on the automotive side were firm, while so were sales of strategic products to carry high added value. Meanwhile, FY03/2018 Company forecasts assume yen to get appreciated by 3% against Chinese Yuan (¥16.56 to ¥16.00 per Chinese Yuan).

### FY03/2018 Company Forecasts

FY03/2018 Company forecasts are going for prospective sales of ¥38,000m (up 3.7% YoY), operating profit of ¥2,200m (up 10.5%), recurring profit of ¥2,100m (up 12.0%) and profit attributable to owners of parent of ¥1,400m (up 1.8%), while operating profit margin of 5.8% (up 0.4% points). All those figures are also in line with assumptions of midterm management plan.



Source: Company Data, WRJ Calculation

On 11 March 2016, the Company released its midterm management plan “Value Creation 2020” (FY03/2017 to FY03/2021). As an objective of management, the Company is calling for prospective sales of ¥47,000m or more in the last year of FY03/2021 as well as operating profit of ¥3,300m (operating profit margin of 7.0%) or more and profit attributable to owners of parent of ¥2,300m or more. Based on FY03/2016 results, while assuming prospective sales of ¥47,000m and operating profit of ¥3,300m are to be met, sales are to see CAGR of 5.0% and operating profit 10.7%. Meanwhile, the Company is calling for 3.0% and 5.2%, respectively, over the first two years and 6.4% and 14.5%, respectively, over the last three years.

In the first year of FY03/2017, the Company started up utilization of capacity in Vietnam on a full-fledged basis (October 2016), which was followed by setup of sales base in the United States (December 2016), implying that the Company implementing plural numbers of measures to propel profitable operations in a long-term view. Meanwhile, the Company started up sales activities in the United States in April 2017, while making steady progresses of strategy in Vietnam to optimize production structure on a group basis. Then, in FY03/2019, all those measures are expected to start giving positive impacts to earnings in an accounting period on a full-fledged basis. This is the reason why midterm management plan assumes sales and earnings to accelerate as time goes by during the period.

Meanwhile, the Company being keen on sharing earnings with shareholders is going for prospective target of 30% for its payout ratio. When based on assumptions of midterm management plan and the number of shares outstanding as of the end of FY03/2017, annual dividend of ¥62.4 per share or more is implied for FY03/2021 (¥2,300m, multiplied by 30% and divided by 11.0m shares), while annual dividend is to increase by 2.3x or more from prospective annual dividend of ¥27.0 per share, implying payout ratio of 21.1%, in FY03/2018.

## 4.0 Financial Statements

### Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	03/2017	
<b>Sales</b>	<b>8,591</b>	<b>18,030</b>	<b>27,458</b>	<b>36,755</b>	<b>8,658</b>	<b>17,846</b>	<b>26,926</b>	<b>36,648</b>		<b>(106)</b>
CoGS	6,203	13,110	19,869	26,577	6,330	12,923	19,477	26,457		(120)
Gross Profit	2,388	4,919	7,588	10,178	2,327	4,922	7,449	10,191		+13
SG&A	1,910	3,959	6,037	8,191	1,996	4,081	6,044	8,201		+9
<b>Operating Profit</b>	<b>477</b>	<b>960</b>	<b>1,550</b>	<b>1,986</b>	<b>331</b>	<b>841</b>	<b>1,405</b>	<b>1,990</b>		<b>+3</b>
Non Operating Balance	(39)	(29)	(246)	(320)	0	(49)	(64)	(116)		+203
<b>Recurring Profit</b>	<b>438</b>	<b>931</b>	<b>1,304</b>	<b>1,666</b>	<b>330</b>	<b>791</b>	<b>1,340</b>	<b>1,874</b>		<b>+207</b>
Extraordinary Balance	(3)	(4)	(4)	(10)	(4)	(5)	(14)	(44)		(33)
Profit before Income Taxes	434	926	1,299	1,656	325	786	1,325	1,830		+174
Total Income Taxes	99	202	387	411	119	238	418	459		+48
NP Belonging to Non-Controlling SHs	-	-	(3)	(4)	(1)	(1)	(2)	(5)		(1)
<b>Profit Attributable to Owners of Parent</b>	<b>335</b>	<b>723</b>	<b>915</b>	<b>1,249</b>	<b>207</b>	<b>549</b>	<b>909</b>	<b>1,375</b>		<b>+126</b>
Sales YoY	-	-	-	-	+0.8%	(1.0%)	(1.9%)	(0.3%)		-
Operating Profit YoY	-	-	-	-	(30.7%)	(12.5%)	(9.4%)	+0.2%		-
Recurring Profit YoY	-	-	-	-	(24.7%)	(15.0%)	+2.8%	+12.5%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	(38.1%)	(24.1%)	(0.6%)	+10.1%		-
Gross Profit Margin	27.8%	27.3%	27.6%	27.7%	26.9%	27.6%	27.7%	27.8%		+0.1%
(SG&A / Sales)	22.2%	22.0%	22.0%	22.3%	23.1%	22.9%	22.4%	22.4%		+0.1%
Operating Profit Margin	5.6%	5.3%	5.6%	5.4%	3.8%	4.7%	5.2%	5.4%		+0.0%
Recurring Profit Margin	5.1%	5.2%	4.8%	4.5%	3.8%	4.4%	5.0%	5.1%		+0.6%
Profit Attributable to Owners of Parent Margin	3.9%	4.0%	3.3%	3.4%	2.4%	3.1%	3.4%	3.8%		+0.4%
Total Income Taxes / Profit before Income Taxes	23.0%	21.9%	29.8%	24.8%	36.6%	30.3%	31.6%	25.1%		+0.3%

Income Statement	Cons.Act	Cons.Act	YoY							
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2016	03/2016	03/2016	03/2016	03/2017	03/2017	03/2017	03/2017	03/2017	
<b>Sales</b>	<b>8,591</b>	<b>9,438</b>	<b>9,427</b>	<b>9,297</b>	<b>8,658</b>	<b>9,188</b>	<b>9,080</b>	<b>9,722</b>		<b>+424</b>
CoGS	6,203	6,906	6,759	6,707	6,330	6,593	6,553	6,979		+271
Gross Profit	2,388	2,531	2,668	2,589	2,327	2,594	2,526	2,742		+152
SG&A	1,910	2,048	2,078	2,153	1,996	2,085	1,962	2,156		+3
<b>Operating Profit</b>	<b>477</b>	<b>483</b>	<b>589</b>	<b>436</b>	<b>331</b>	<b>509</b>	<b>564</b>	<b>585</b>		<b>+149</b>
Non Operating Balance	(39)	10	(217)	(73)	0	(48)	(15)	(51)		+22
<b>Recurring Profit</b>	<b>438</b>	<b>493</b>	<b>372</b>	<b>362</b>	<b>330</b>	<b>461</b>	<b>548</b>	<b>533</b>		<b>+171</b>
Extraordinary Balance	(3)	(1)	0	(5)	(4)	0	(9)	(29)		(23)
Profit before Income Taxes	434	491	372	356	325	461	539	504		+147
Total Income Taxes	99	102	184	23	119	119	180	41		+17
NP Belonging to Non-Controlling SHs	-	-	(3)	(1)	(1)	0	0	(3)		(1)
<b>Profit Attributable to Owners of Parent</b>	<b>335</b>	<b>388</b>	<b>191</b>	<b>334</b>	<b>207</b>	<b>341</b>	<b>359</b>	<b>466</b>		<b>+132</b>
Sales YoY	-	-	-	-	+0.8%	(2.6%)	(3.7%)	+4.6%		-
Operating Profit YoY	-	-	-	-	(30.7%)	+5.6%	(4.3%)	+34.2%		-
Recurring Profit YoY	-	-	-	-	(24.7%)	(6.4%)	+47.2%	+47.3%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	(38.1%)	(12.0%)	+88.2%	+39.6%		-
Gross Profit Margin	27.8%	26.8%	28.3%	27.9%	26.9%	28.2%	27.8%	28.2%		+0.4%
(SG&A / Sales)	22.2%	21.7%	22.0%	23.2%	23.1%	22.7%	21.6%	22.2%		(1.0%)
Operating Profit Margin	5.6%	5.1%	6.3%	4.7%	3.8%	5.5%	6.2%	6.0%		+1.3%
Recurring Profit Margin	5.1%	5.2%	4.0%	3.9%	3.8%	5.0%	6.0%	5.5%		+1.6%
Profit Attributable to Owners of Parent Margin	3.9%	4.1%	2.0%	3.6%	2.4%	3.7%	4.0%	4.8%		+1.2%
Total Income Taxes / Profit before Income Taxes	23.0%	20.9%	49.6%	6.6%	36.6%	25.9%	33.4%	8.1%		+1.5%

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	YoY Net Chg.								
	Q1 03/2016	Q2 03/2016	Q3 03/2016	Q4 03/2016	Q1 03/2017	Q2 03/2017	Q3 03/2017	Q4 03/2017		
Cash & Deposit	2,852	2,932	2,842	3,235	3,003	3,797	2,910	3,280	+44	
Accounts Receivables	10,555	11,406	10,725	10,614	10,672	10,025	10,250	11,468	+853	
Loans Receivable	4,057	3,828	3,974	3,721	3,640	3,469	3,526	3,787	+66	
Other	776	610	275	303	410	585	844	613	+310	
<b>Current Assets</b>	<b>18,241</b>	<b>18,778</b>	<b>17,818</b>	<b>17,875</b>	<b>17,727</b>	<b>17,878</b>	<b>17,532</b>	<b>19,150</b>	<b>+1,274</b>	
Tangible Assets	7,944	7,983	7,792	7,696	8,073	8,165	8,210	8,669	+972	
Intangible Assets	1,620	1,558	1,292	1,322	1,380	1,240	1,171	1,242	(79)	
Investments & Other Assets	307	296	247	443	402	311	342	389	(53)	
<b>Fixed Assets</b>	<b>9,872</b>	<b>9,838</b>	<b>9,331</b>	<b>9,462</b>	<b>9,856</b>	<b>9,717</b>	<b>9,723</b>	<b>10,301</b>	<b>+839</b>	
<b>Total Assets</b>	<b>28,114</b>	<b>28,616</b>	<b>27,150</b>	<b>27,337</b>	<b>27,584</b>	<b>27,596</b>	<b>27,256</b>	<b>29,451</b>	<b>+2,114</b>	
Accounts Payables, etc.	3,995	4,044	3,970	3,860	4,305	4,874	4,667	4,287	+427	
Short Term Debt	3,995	4,641	4,076	3,550	3,913	3,519	4,004	4,346	+795	
Other	2,956	2,358	2,228	3,040	3,056	2,722	2,375	3,090	+50	
<b>Current Liabilities</b>	<b>10,946</b>	<b>11,044</b>	<b>10,276</b>	<b>10,451</b>	<b>11,275</b>	<b>11,116</b>	<b>11,047</b>	<b>11,724</b>	<b>+1,273</b>	
Long Term Debt	2,176	2,053	1,913	1,794	1,643	2,805	2,616	2,460	+666	
Other	757	764	812	1,092	1,145	1,088	1,071	1,089	(2)	
<b>Fixed Liabilities</b>	<b>2,933</b>	<b>2,817</b>	<b>2,725</b>	<b>2,886</b>	<b>2,788</b>	<b>3,894</b>	<b>3,688</b>	<b>3,550</b>	<b>+663</b>	
<b>Total Liabilities</b>	<b>13,879</b>	<b>13,862</b>	<b>13,001</b>	<b>13,338</b>	<b>14,064</b>	<b>15,010</b>	<b>14,736</b>	<b>15,275</b>	<b>+1,937</b>	
<b>Shareholders' Equity</b>	<b>11,810</b>	<b>12,199</b>	<b>12,252</b>	<b>12,586</b>	<b>12,655</b>	<b>12,951</b>	<b>13,131</b>	<b>13,598</b>	<b>+1,012</b>	
Other	2,424	2,555	1,896	1,413	864	(365)	(611)	578	(835)	
<b>Net Assets</b>	<b>14,235</b>	<b>14,754</b>	<b>14,148</b>	<b>13,999</b>	<b>13,519</b>	<b>12,585</b>	<b>12,520</b>	<b>14,176</b>	<b>+176</b>	
<b>Total Liabilities &amp; Net Assets</b>	<b>28,114</b>	<b>28,616</b>	<b>27,150</b>	<b>27,337</b>	<b>27,584</b>	<b>27,596</b>	<b>27,256</b>	<b>29,451</b>	<b>+2,114</b>	
Equity Capital	14,230	14,748	14,142	13,988	13,509	12,575	12,509	14,167	+179	
Interest Bearing Debt	6,171	6,695	5,990	5,344	5,557	6,325	6,620	6,807	+1,462	
Net Debt	3,318	3,763	3,147	2,108	2,553	2,527	3,710	3,526	+1,417	
Equity Ratio	50.6%	51.5%	52.1%	51.2%	49.0%	45.6%	45.9%	48.1%	(3.1%)	
Net Debt Equity Ratio	23.3%	25.5%	22.3%	15.1%	18.9%	20.1%	29.7%	24.9%	+9.8%	
ROE (12 months)	-	-	-	8.9%	8.1%	7.9%	9.3%	9.8%	+0.9%	
ROA (12 months)	-	-	-	5.9%	5.6%	5.4%	6.3%	6.6%	+0.7%	
Days for Inventory Turnover	239	107	73	51	210	98	66	52	-	
Quick Ratio	122%	130%	132%	133%	121%	124%	119%	126%	-	
Current Ratio	167%	170%	173%	171%	157%	161%	159%	163%	-	

Source: Company Data, WRJ Calculation

## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2016	Q1 to Q2 03/2016	Q1 to Q3 03/2016	Q1 to Q4 03/2016	Q1 03/2017	Q1 to Q2 03/2017	Q1 to Q3 03/2017	Q1 to Q4 03/2017		
Operating Cash Flow	-	(742)	-	3,187	-	858	-	1,785	(1,402)	
Investing Cash Flow	-	(509)	-	(1,159)	-	(995)	-	(2,770)	(1,610)	
<b>Operating CF &amp; Investing CF</b>	<b>-</b>	<b>(1,252)</b>	<b>-</b>	<b>2,028</b>	<b>-</b>	<b>(137)</b>	<b>-</b>	<b>(984)</b>	<b>(3,013)</b>	
Financing Cash Flow	-	(610)	-	(1,901)	-	1,125	-	1,199	+3,101	

Source: Company Data, WRJ Calculation

**Disclaimer**

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Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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