

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	56.5	12.5	632
FY03/2017	36,648	1,990	1,874	1,375	62.5	13.0	646
FY03/2018CoE	40,600	2,560	2,440	1,580	72.1	15.5	-
FY03/2017	YoY (0.3%)	0.2%	12.5%	10.1%	-	-	-
FY03/2018CoE	YoY 10.8%	28.6%	30.2%	14.8%	-	-	-

Consolidated Half Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2017	17,846	841	791	549	-	-	-
Q3 to Q4 FY03/2017	18,802	1,149	1,082	826	-	-	-
Q1 to Q2 FY03/2018	19,800	1,404	1,398	921	-	-	-
Q3 to Q4 FY03/2018CoE	20,799	1,155	1,041	658	-	-	-
Q1 to Q2 FY03/2018	YoY 10.9%	67.0%	76.6%	67.6%	-	-	-
Q3 to Q4 FY03/2018CoE	YoY 10.6%	0.5%	(3.8%)	(20.3%)	-	-	-

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

1.0 Results Update (14 November 2017)

Exceeding in China

On 10 November 2017, PUNCH INDUSTRY to run operations of manufacturing and selling parts of molds & dies domestically and overseas released its Q1 to Q2 FY03/2018 results. It has been revealed that sales and earnings renewed record highs, while having achieved ROE of 12.8% over the past 12 months, suggesting high profitability beyond 11.0% in FY3/2021, i.e., the target of its midterm management plan. Company forecasts are exceeded particularly in regards to sales in China. Prospective sales in China have been upgraded roughly by no less than ¥2,000m, having accounted for the bulk of upgrade of prospective sales as a whole for the Company, i.e., ¥2,600m. Meanwhile, in Q1 to Q2 results, sales in China came in at ¥9,560m (up 11.6%). Sales in China were driven by “Automobiles” and “Electronic Parts & Semiconductors” in terms of sales by industry. As far as we could gather, the Company saw strengths on the “Automobiles” side in particular. The Company argues that it is seeing surging frequency for own parts of molds & dies adopted by local customers based in China due to their needs increasingly sophisticated.

Meanwhile, FY03/2018 Company forecasts assume adjustments of operating profit margin in H2 due to increases of expenses. We are to attend the Company’s results meeting to be held on 22 November as well as interviewing with management afterwards to discuss further details, while planning to update [PUNCH INDUSTRY \(6165\) Strategic Products with High Added Value \(20 September 2017\)](#) and release anew.

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

2.0 Company Profile

Manufacturing and Selling Parts of Molds & Dies Domestically and Overseas

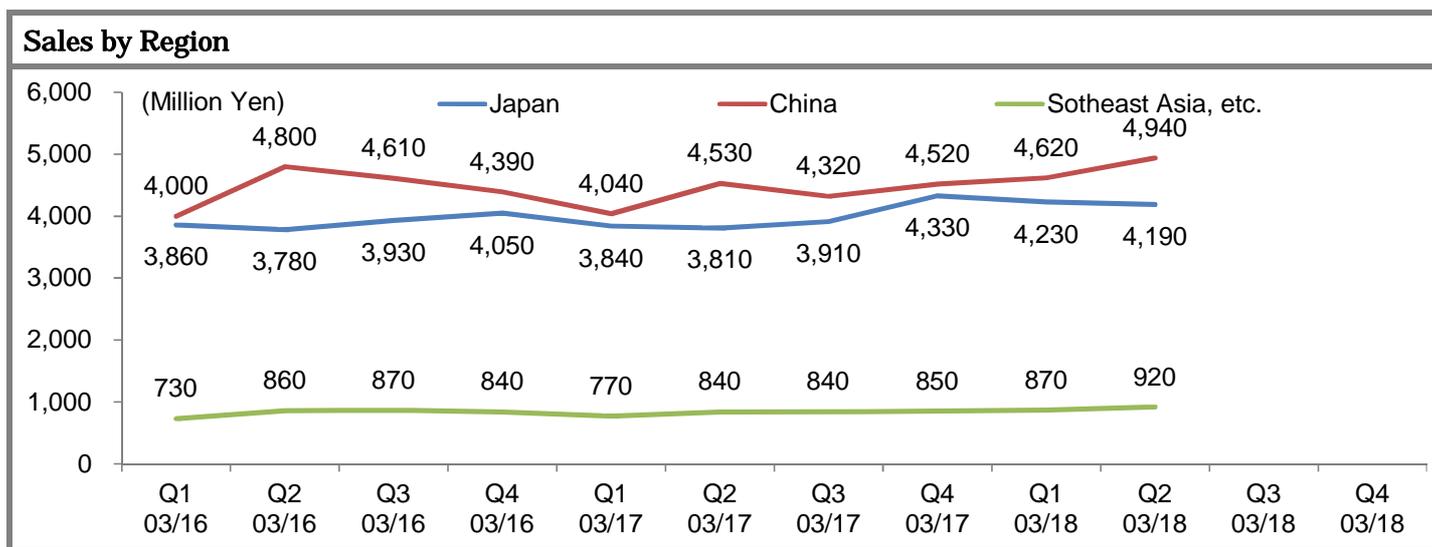
Company Name	PUNCH INDUSTRY CO., LTD. Website IR Information Share Price	
Established	29 March 1975	
Listing	20 December 2012: Tokyo Stock Exchange 1st Section (Ticker: 6165)	
Capital	¥2,897m (As of the end of September 2017)	
No. of Shares	11,061,200 shares, including 100,049 treasury shares (As of the end of Sep. 2017)	
Main Features	<ul style="list-style-type: none"> ● Supplying collective 15,000 customers: 6,000 in Japan, 8,000 in China and 1,000 in Southeast Asia, etc. ● Commanding lead market share in China, successfully focusing on strategic products with high added value ● The largest market share in Japan second only to Misumi Group Inc. running operations of sales on catalogue only 	
Business Segments	. Parts of Molds & Dies Business	
Top Management	President, Representative Director (CEO): Masaaki Takeda	
Shareholders	MT Kosan Co., Ltd. 9.9%, Yuji Morikubo 7.5% (As of the end of March 2017)	
Headquarters	Shinagawa-ku, Tokyo, JAPAN	
No. of Employees	Consolidated:3,959, Parent: 945 (As of the end of March 2017)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2018 Results

In Q1 to Q2 FY03/2018, sales came in at ¥19,800m (up 10.9% YoY), operating profit ¥1,404m (up 67.0%), recurring profit ¥1,398m (up 76.6%) and profit attributable to owners of parent ¥921m (up 67.6%), while operating profit margin 7.1% (up 2.4% points). The results were better than expected, having exceeded initial Company forecasts by ¥680m (3.6%) in sales, by ¥274m (24.2%) in operating profit, by ¥278m (24.8%) in recurring profit and by ¥186m (25.3%) in profit attributable owners of parent.



Source: Company Data, WRJ Calculation

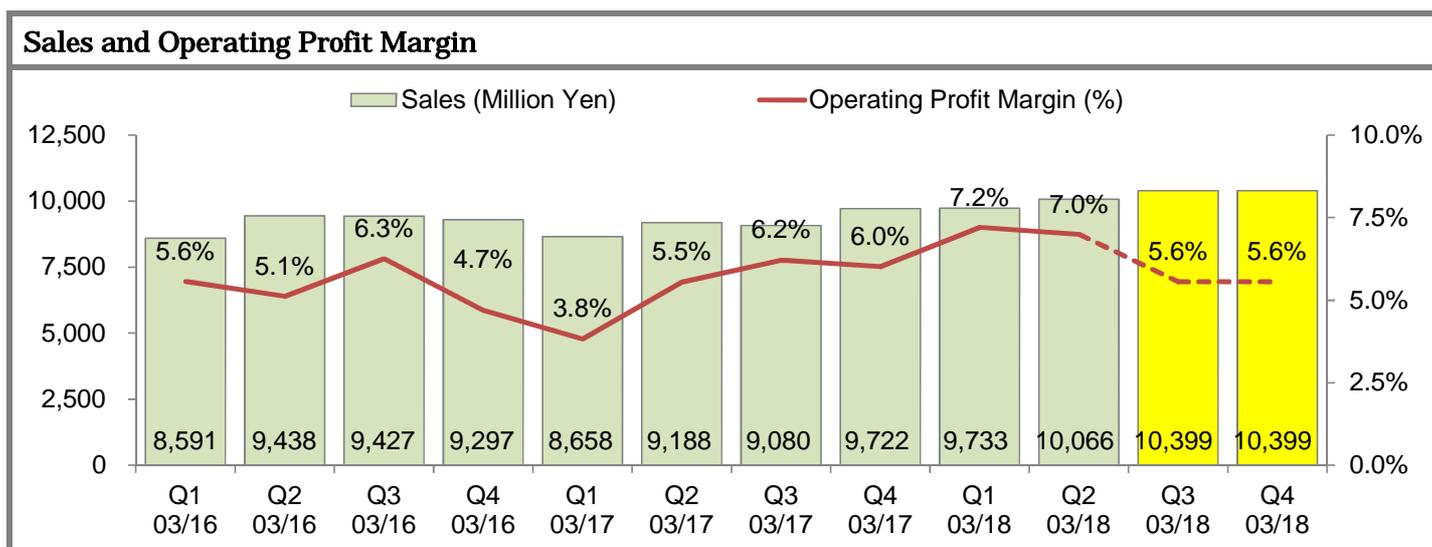
Sales in Japan came in at ¥8,420m (up 10.0%), ¥9,560m (up 11.6%) in China and ¥1,790m (up 11.9%) in Southeast Asia, etc. Sales in China increased by no less than 17% over the same period in the previous on a local currency basis, prior to impacts from yen's appreciation against Chinese yuan.

By industry, sales came in at ¥9,040m (up 11.5%) in "Automobiles", ¥3,840m (up 10.0%) in "Electronic Parts & Semiconductors", ¥2,360m (up 5.8%) in "Home Appliances & Precision Machinery" and ¥4,550m (up 13.5%) in "Other". In regards to "Other", the Company is seeing favorable take-off mainly in Japan on new domains, i.e., foods & beverages (plastic bottles, etc.) and medical care (plastic products such as catheters and injection syringes) and each having grown as much as accounting for almost 10% of sales in "Other". Sales are increasing so fast in regards to foods & beverages (plastic bottles, etc.), in particular, as the Company succeeds in steadily taking in demand being generated by increasing volume of plastic bottles in line with plan by beverage manufacturers to do so.

Given favorably increasing sales, the Company sees increasing earnings at the same time. While the Company saw net increases of ¥563m in operating profit over the same period in the previous year, it is estimated that said increases are accounted for by increasing sales (net increases of ¥538m), improving cost rate (net increases of ¥182m) and increasing SG&A expenses (net decreases of ¥157m). In regards to improving cost rate, major impacts came from increasing exposure to parts of molds & dies to carry gross profit margin relatively high and increasing active utilization of own capacity for manufacturing. In other words, the former relates to the fact that sales of parts of molds & dies to carry gross profit margin relatively high are increasing in particular, while the latter relates to the fact to sales as a whole for the Company are steadily increasing, having driven earnings with the Company. In the light of this, it could be said just simply increasing sales are the key driver for the Company to see increasing earnings.

FY03/2018 Company Forecasts

FY03/2018 Company forecasts (revised on 10 November) are going for prospective sales of ¥40,600m (up 10.8% YoY), operating profit of ¥2,560m (up 28.6%), recurring profit of ¥2,440m (up 30.2%) and profit attributable to owners of parent of ¥1,580m (up 14.8%), while operating profit margin of 6.3% (up 0.9% points). In regards to prospective annual dividend per share, Company forecasts are going for ¥15.5 (after retroactive adjustments for 1:2 split, effective on 1 January 2018), implying payout ratio of 21.5%.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2018: H2 Company forecasts pro rata)

Compared with initial Company forecasts, prospective sales have been upgraded by ¥2,600m (6.8%), operating profit by ¥360m (16.4%), recurring profit by ¥340m (16.2%) and profit attributable to owners of parent by ¥180m (12.9%). Meanwhile, the Company has decided to increase prospective annual dividend per share by ¥2.0 to ¥15.5 from ¥13.5, initially expected.

When based on Q1 to Q2 results and full-year Company forecasts, it is suggested that Company forecasts assume prospective sales of ¥20,799m (up 10.6% YoY), operating profit of ¥1,155m (up 0.5%) and operating profit margin of 5.6% (down 0.5% points) in H2. Meanwhile, Company forecasts have been upgraded by ¥1,920m (10.2%) in sales and by ¥86m (8.0%) in operating profit, when compared with initial assumptions. In the light of Company forecasts having been exceeded by ¥680m (3.6%) and by ¥274m (24.2%) in operating profit in Q1 to Q2 results, it should be suggested that the upgrade in H2 is limited in regards to earnings. However, Company forecasts assume increasing expenses in H2, which is expected to give some negative impacts to earnings.

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		Net Chg.
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018		
Sales	8,658	17,846	26,926	36,648	9,733	19,800	-	-	-	+1,953
CoGS	6,330	12,923	19,477	26,457	6,960	14,155	-	-	-	+1,232
Gross Profit	2,327	4,922	7,449	10,191	2,773	5,644	-	-	-	+721
SG&A	1,996	4,081	6,044	8,201	2,072	4,239	-	-	-	+157
Operating Profit	331	841	1,405	1,990	701	1,404	-	-	-	+563
Non Operating Balance	0	(49)	(64)	(116)	10	(5)	-	-	-	+43
Recurring Profit	330	791	1,340	1,874	711	1,398	-	-	-	+606
Extraordinary Balance	(4)	(5)	(14)	(44)	(60)	(65)	-	-	-	(59)
Profit before Income Taxes	325	786	1,325	1,830	650	1,333	-	-	-	+547
Total Income Taxes	119	238	418	459	226	411	-	-	-	+172
NP Belonging to Non-Controlling SHs	(1)	(1)	(2)	(5)	1	1	-	-	-	+3
Profit Attributable to Owners of Parent	207	549	909	1,375	422	921	-	-	-	+371
Sales YoY	+0.8%	(1.0%)	(1.9%)	(0.3%)	+12.4%	+10.9%	-	-	-	-
Operating Profit YoY	(30.7%)	(12.5%)	(9.4%)	+0.2%	+111.7%	+67.0%	-	-	-	-
Recurring Profit YoY	(24.7%)	(15.0%)	+2.8%	+12.5%	+115.4%	+76.6%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(38.1%)	(24.1%)	(0.6%)	+10.1%	+103.5%	+67.6%	-	-	-	-
Gross Profit Margin	26.9%	27.6%	27.7%	27.8%	28.5%	28.5%	-	-	-	+0.9%
(SG&A / Sales)	23.1%	22.9%	22.4%	22.4%	21.3%	21.4%	-	-	-	(1.5%)
Operating Profit Margin	3.8%	4.7%	5.2%	5.4%	7.2%	7.1%	-	-	-	+2.4%
Recurring Profit Margin	3.8%	4.4%	5.0%	5.1%	7.3%	7.1%	-	-	-	+2.6%
Profit Attributable to Owners of Parent Margin	2.4%	3.1%	3.4%	3.8%	4.3%	4.7%	-	-	-	+1.6%
Total Income Taxes / Profit before Income Taxes	36.6%	30.3%	31.6%	25.1%	34.8%	30.8%	-	-	-	+0.5%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	
Sales	8,658	9,188	9,080	9,722	9,733	10,066	-	-	-	+877
CoGS	6,330	6,593	6,553	6,979	6,960	7,195	-	-	-	+601
Gross Profit	2,327	2,594	2,526	2,742	2,773	2,871	-	-	-	+276
SG&A	1,996	2,085	1,962	2,156	2,072	2,167	-	-	-	+82
Operating Profit	331	509	564	585	701	703	-	-	-	+193
Non Operating Balance	0	(48)	(15)	(51)	10	(16)	-	-	-	+31
Recurring Profit	330	461	548	533	711	687	-	-	-	+225
Extraordinary Balance	(4)	0	(9)	(29)	(60)	(4)	-	-	-	(3)
Profit before Income Taxes	325	461	539	504	650	683	-	-	-	+222
Total Income Taxes	119	119	180	41	226	184	-	-	-	+65
NP Belonging to Non-Controlling SHs	(1)	-	-	(3)	1	0	-	-	-	-
Profit Attributable to Owners of Parent	207	341	359	466	422	498	-	-	-	+156
Sales YoY	+0.8%	(2.6%)	(3.7%)	+4.6%	+12.4%	+9.6%	-	-	-	-
Operating Profit YoY	(30.7%)	+5.6%	(4.3%)	+34.2%	+111.7%	+38.0%	-	-	-	-
Recurring Profit YoY	(24.7%)	(6.4%)	+47.2%	+47.3%	+115.4%	+48.9%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(38.1%)	(12.0%)	+88.2%	+39.6%	+103.5%	+45.8%	-	-	-	-
Gross Profit Margin	26.9%	28.2%	27.8%	28.2%	28.5%	28.5%	-	-	-	+0.3%
(SG&A / Sales)	23.1%	22.7%	21.6%	22.2%	21.3%	21.5%	-	-	-	(1.2%)
Operating Profit Margin	3.8%	5.5%	6.2%	6.0%	7.2%	7.0%	-	-	-	+1.4%
Recurring Profit Margin	3.8%	5.0%	6.0%	5.5%	7.3%	6.8%	-	-	-	+1.8%
Profit Attributable to Owners of Parent Margin	2.4%	3.7%	4.0%	4.8%	4.3%	5.0%	-	-	-	+1.2%
Total Income Taxes / Profit before Income Taxes	36.6%	25.9%	33.4%	8.1%	34.8%	27.1%	-	-	-	+1.1%

Source: Company Data, WRJ Calculation

Sales by Industry : Financial Summary Data (Cumulative, Quarterly)

Sales by Industry : Financial Summary Data	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		Net Chg.
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018		
"Automobiles"	3,920	8,110	12,330	16,780	4,550	9,040	-	-		+930
"Electronic Parts & Semiconductors"	1,660	3,490	5,170	7,000	1,840	3,840	-	-		+350
"Home Appliances & Precision Machinery"	1,140	2,230	3,330	4,480	1,150	2,360	-	-		+130
"Other"	1,930	4,010	6,100	8,400	2,190	4,550	-	-		+540
(Adjustments)	8	6	(3)	(11)	3	10	-	-		+3
Sales	8,658	17,846	26,926	36,648	9,733	19,800	-	-		+1,953
"Automobiles"	(1.8%)	(3.3%)	(2.7%)	(1.6%)	+16.1%	+11.5%	-	-		-
"Electronic Parts & Semiconductors"	+3.8%	+8.0%	+6.2%	+6.9%	+10.8%	+10.0%	-	-		-
"Home Appliances & Precision Machinery"	(1.7%)	(5.9%)	(7.8%)	(6.7%)	+0.9%	+5.8%	-	-		-
"Other"	+4.9%	(0.7%)	(2.9%)	+1.2%	+13.5%	+13.5%	-	-		-
Sales (YoY)	+0.8%	(1.0%)	(1.9%)	(0.3%)	+12.4%	+10.9%	-	-		-
"Automobiles"	45.3%	45.4%	45.8%	45.8%	46.7%	45.7%	-	-		-
"Electronic Parts & Semiconductors"	19.2%	19.6%	19.2%	19.1%	18.9%	19.4%	-	-		-
"Home Appliances & Precision Machinery"	13.2%	12.5%	12.4%	12.2%	11.8%	11.9%	-	-		-
"Other"	22.3%	22.5%	22.7%	22.9%	22.5%	23.0%	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-

Sales by Industry : Financial Summary Data	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018		
"Automobiles"	3,920	4,190	4,220	4,450	4,550	4,490	-	-		+300
"Electronic Parts & Semiconductors"	1,660	1,830	1,680	1,830	1,840	2,000	-	-		+170
"Home Appliances & Precision Machinery"	1,140	1,090	1,100	1,150	1,150	1,210	-	-		+120
"Other"	1,930	2,080	2,090	2,300	2,190	2,360	-	-		+280
(Adjustments)	8	(1)	(9)	(7)	3	6	-	-		+7
Sales	8,658	9,188	9,080	9,722	9,733	10,066	-	-		+877
"Automobiles"	(1.8%)	(4.8%)	(1.4%)	+1.4%	+16.1%	+7.2%	-	-		-
"Electronic Parts & Semiconductors"	+3.8%	+12.3%	+2.4%	+8.9%	+10.8%	+9.3%	-	-		-
"Home Appliances & Precision Machinery"	(1.7%)	(9.9%)	(11.3%)	(3.4%)	+0.9%	+11.0%	-	-		-
"Other"	+4.9%	(5.5%)	(6.7%)	+13.9%	+13.5%	+13.5%	-	-		-
Sales (YoY)	+0.8%	(2.6%)	(3.7%)	+4.6%	+12.4%	+9.6%	-	-		-
"Automobiles"	45.3%	45.6%	46.5%	45.8%	46.7%	44.6%	-	-		-
"Electronic Parts & Semiconductors"	19.2%	19.9%	18.5%	18.8%	18.9%	19.9%	-	-		-
"Home Appliances & Precision Machinery"	13.2%	11.9%	12.1%	11.8%	11.8%	12.0%	-	-		-
"Other"	22.3%	22.6%	23.0%	23.7%	22.5%	23.4%	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	YoY Net Chg.								
	Q1 03/2017	Q2 03/2017	Q3 03/2017	Q4 03/2017	Q1 03/2018	Q2 03/2018	Q3 03/2018	Q4 03/2018		
Cash and Deposit	3,003	3,797	2,910	3,280	2,934	3,408	-	-	(389)	
Accounts Receivables	10,672	10,025	10,250	11,468	11,350	11,442	-	-	+1,417	
Inventory	3,640	3,469	3,526	3,787	3,835	4,020	-	-	+550	
Other	410	585	844	613	531	936	-	-	+350	
Current Assets	17,727	17,878	17,532	19,150	18,652	19,808	-	-	+1,929	
Tangible Assets	8,073	8,165	8,210	8,669	8,543	8,966	-	-	+800	
Intangible Assets	1,380	1,240	1,171	1,242	1,202	1,173	-	-	(67)	
Investments and Other Assets	402	311	342	389	392	357	-	-	+46	
Fixed Assets	9,856	9,717	9,723	10,301	10,138	10,496	-	-	+779	
Total Assets	27,584	27,596	27,256	29,451	28,790	30,304	-	-	+2,708	
Accounts Payables, etc.	4,305	4,874	4,667	4,287	4,531	4,421	-	-	(452)	
Short Term Debt	3,913	3,519	4,004	4,346	4,236	4,298	-	-	+778	
Other	3,056	2,722	2,375	3,090	2,538	3,477	-	-	+754	
Current Liabilities	11,275	11,116	11,047	11,724	11,305	12,197	-	-	+1,080	
Long Term Debt	1,643	2,805	2,616	2,460	2,273	2,015	-	-	(790)	
Other	1,145	1,088	1,071	1,089	1,099	1,298	-	-	+209	
Fixed Liabilities	2,788	3,894	3,688	3,550	3,372	3,313	-	-	(580)	
Total Liabilities	14,064	15,010	14,736	15,275	14,678	15,510	-	-	+500	
Shareholders' Equity	12,655	12,951	13,131	13,598	13,878	14,376	-	-	+1,425	
Other	864	(365)	(611)	578	233	417	-	-	+783	
Net Assets	13,519	12,585	12,520	14,176	14,112	14,794	-	-	+2,208	
Total Liabilities and Net Assets	27,584	27,596	27,256	29,451	28,790	30,304	-	-	+2,708	
Equity Capital	13,509	12,575	12,509	14,167	14,099	14,777	-	-	+2,202	
Interest Bearing Debt	5,557	6,325	6,620	6,807	6,509	6,314	-	-	(11)	
Net Debt	2,553	2,527	3,710	3,526	3,574	2,905	-	-	+377	
Equity Ratio	49.0%	45.6%	45.9%	48.1%	49.0%	48.8%	-	-	+3.2%	
Net Debt Equity Ratio	18.9%	20.1%	29.7%	24.9%	25.4%	19.7%	-	-	(0.4%)	
ROE (12 months)	8.1%	7.9%	9.3%	9.8%	11.5%	12.8%	-	-	+4.9%	
ROA (12 months)	5.6%	5.4%	6.3%	6.6%	8.0%	8.6%	-	-	+3.1%	
Days for Inventory Turnover	52	48	49	50	50	51	-	-	-	
Quick Ratio	121%	124%	119%	126%	126%	122%	-	-	-	
Current Ratio	157%	161%	159%	163%	165%	162%	-	-	-	

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 03/2017	Q1 to Q2 03/2017	Q1 to Q3 03/2017	Q1 to Q4 03/2017	Q1 03/2018	Q1 to Q2 03/2018	Q1 to Q3 03/2018	Q1 to Q4 03/2018		
Operating Cash Flow	-	858	-	1,785	-	1,882	-	-	+1,023	
Investing Cash Flow	-	(995)	-	(2,770)	-	(1,043)	-	-	(47)	
Operating CF and Investing CF	-	(137)	-	(985)	-	838	-	-	+975	
Financing Cash Flow	-	1,125	-	1,199	-	(657)	-	-	(1,782)	

Source: Company Data, WRJ Calculation

Disclaimer

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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