

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)
FY03/2019		40,935	2,578	2,547	960	43.92	16.75	721.49
FY03/2020		35,348	835	712	(3,485)	(160.01)	2.00	536.64
FY03/2021CoE		33,100	1,200	1,100	620	28.43	2.00	-
FY03/2020	YoY	(13.6%)	(67.6%)	(72.0%)	-	-	-	-
FY03/2021CoE	YoY	(6.4%)	43.6%	54.3%	-	-	-	-
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 FY03/2020		17,991	80	2	(121)	-	-	-
Q3 to Q4 FY03/2020		17,356	755	710	(3,364)	-	-	-
Q1 to Q2 FY03/2021CoE		15,830	330	300	50	-	-	-
Q3 to Q4 FY03/2021CoE		17,270	870	800	570	-	-	-
Q1 to Q2 FY03/2021CoE	YoY	(12.0%)	311.5%	-	-	-	-	-
Q3 to Q4 FY03/2021CoE	YoY	(0.5%)	15.2%	12.7%	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (20 July 2020)


Impairment

PUNCH INDUSTRY, manufacturing and selling parts of molds & dies in Japan and overseas, is to see significant increase of earnings for FY03/2021. On top of the existing impacts stemming from China-United States trade war, the Company has suffered also from those of COVID-19 for some time, which was total unexpected, resulting in consistent decrease in sales as a whole for the Company. More importantly, however, the Company has implemented major impairment in light of this, cutting back on depreciation charges to a corresponding extent. FY03/2021 Company forecasts assume net increase by as much as ¥600m in operating profit on the occasion of this impairment. Meanwhile, Company forecasts assume that the impacts stemming from COVID-19 will converge in a large sense towards the end of September 2020, which is expected to lead to sales in H2 to see levels almost as high as those during the same period of the previous year. At the same time, midterm management plan Value Creation 2020 Plus (FY03/2021 to FY03/2022), announced on 29 May 2020, is calling for increased sales and earnings for FY03/2022. That is to say, it remains as a risk that prospects are unclear for both China-United States trade war and COVID-19, but the Company has been steadily cutting back on expenses, including the impacts of impairment, for the sake of pursuing a long-term growth, as far as we could see.

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

2.0 Company Profile

Manufacturing and Selling Parts of Molds & Dies in Japan and Overseas

Company Name	PUNCH INDUSTRY CO., LTD. Website IR Information Share Price (Japanese)	
Established	29 March 1975	
Listing	14 March 2014: Tokyo Stock Exchange 1st section (ticker: 6165) 20 December 2012: Tokyo Stock Exchange 2nd section	
Capital	¥2,897m (as of the end of March 2020)	
No. of Shares	22,122,400 shares, including 312,806 treasury shares (as of the end of March 2020)	
Main Features	<ul style="list-style-type: none"> ● By far the largest in China and one of the largest on a global basis ● Collective 15,000 customers (6,000 in Japan, 8,000 in China and 1,000 in other) ● Focus on high-value-added strategic products 	
Business Segment	I . Parts of Molds & Dies Business	
Top Management	President and CEO: Tetsuji Morikubo	
Shareholders	MT Kosan 17.45%、Caceis Bank Germany Customer Acc. 11.08% (as of the end of March 2020, but for treasury shares)	
Headquarters	Shinagawa-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 4,020, Parent: 985 (as of the end of March 2020)	

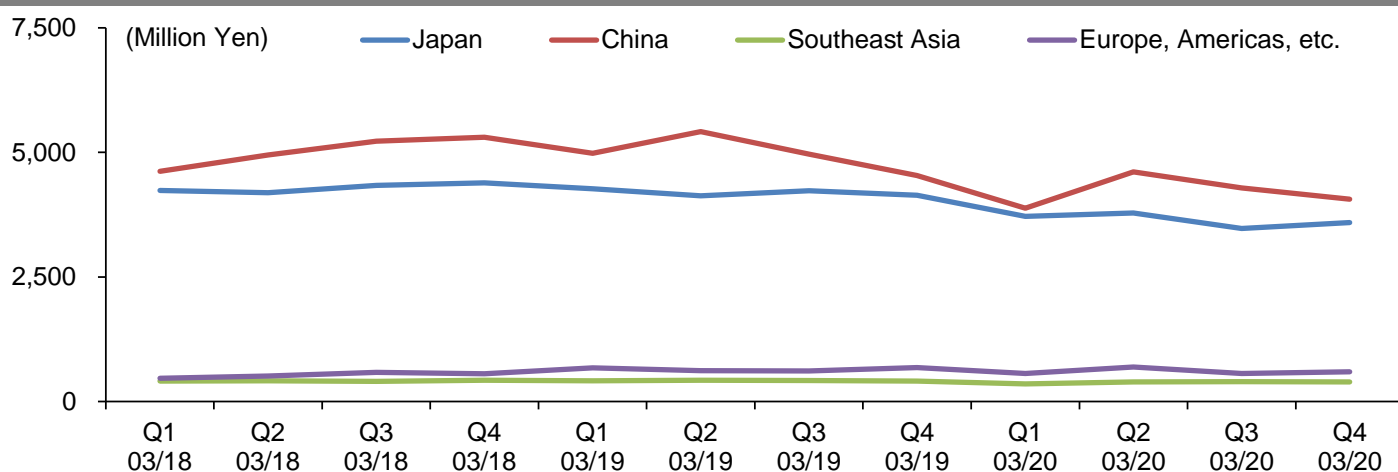
Source: Company Data

3.0 Recent Trading and Prospects

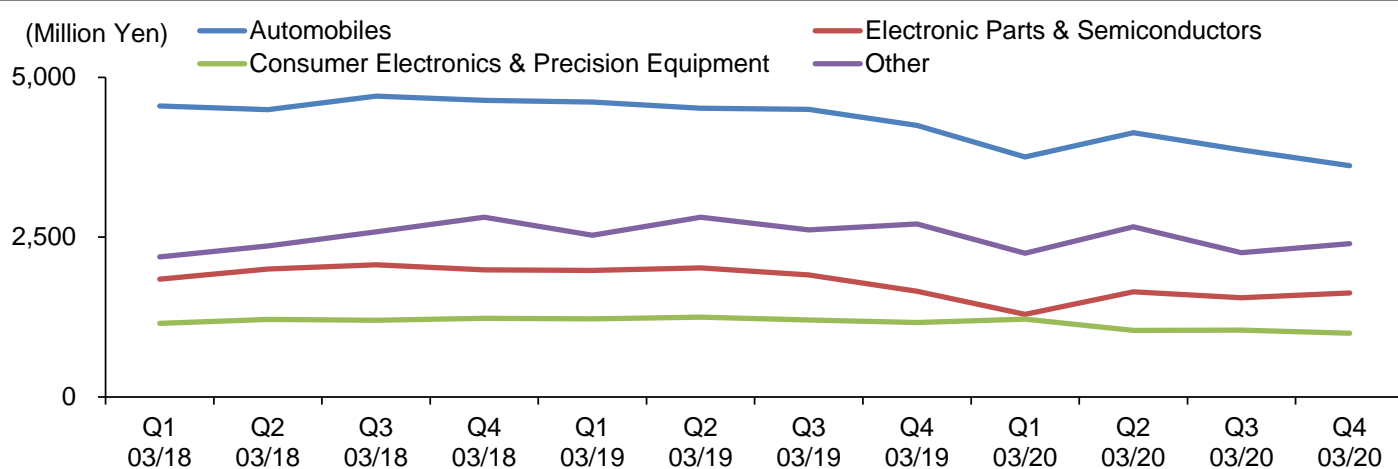
FY03/2020 Results

In FY03/2020, sales came in at ¥35,348m (down 13.6% YoY), operating profit ¥835m (down 67.6%), recurring profit ¥712m (down 72.0%) and profit attributable to owners of parent minus ¥3,485m (versus ¥960m in the previous year), while operating profit margin 2.4% (down 3.9% points). The Company booked impairment loss of ¥3,314m as extraordinary loss.

Sales by Region



Sales by Application

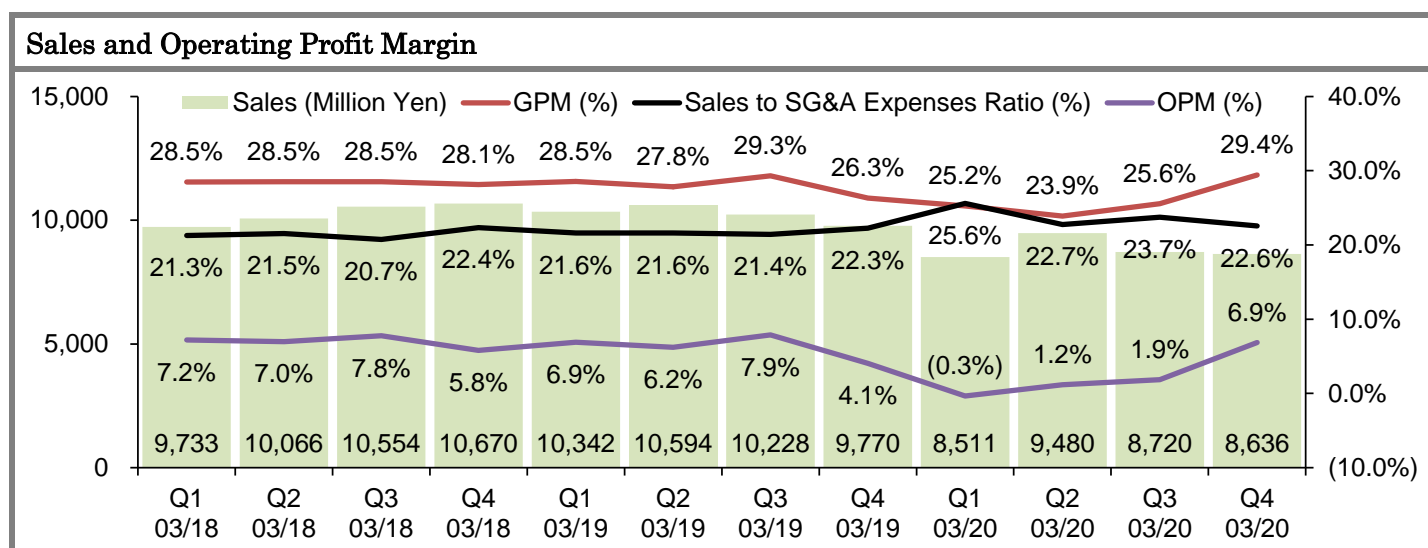


Source: Company Data, WRJ Calculation

Demand is coming down for parts of molds & dies, manufactured and sold by the Company. By region, sales in Japan came in at ¥14,565m (down 13.2%), sales in China ¥16,836m (down 15.4%), sales in Southeast Asia ¥1,535m (down 8.1%) and sales in Europe, Americas, etc. ¥2,410m (down 6.9%), implying weakness over the previous year across the board. With respect to China, sales on a local currency basis declined by 12.1%, according to the Company. Meanwhile the business performance overseas but for India is reflected in the Company's consolidated accounts on a three-month delay, including that of China, as each local subsidiary has fiscal yearend in December. Just like sales by region, sales by application are coming down across the board. Sales associated with Automobiles came in at ¥15,370m (down 14.0%), sales associated with Electronic Parts & Semiconductors ¥6,113m (down 19.1%), sales associated with Consumer Electronics & Precision Equipment ¥4,298m (down 11.1%) and sales associated with Other ¥9,566m (down 10.3%).

The background is the prolonged and aggravated China-United States trade war, whose impacts have started to become apparent since around H2 in FY03/2019 for the Company's business performance, while the Company suggests the impacts have been increasing over time so far. On top of this, the impacts stemming from COVID-19 have also started to become apparent in Q4 (January to March 2020),

In both of China and Japan or the mainstay two regions collectively accounting for 88.8% of sales as a whole for the Company (47.6% in China and 41.2% in Japan), sales associated with Automobiles and those of Electronic Parts & Semiconductors were sluggish, according to the Company. Sales associated with Automobiles, accounting for the core part of sales as a whole for the Company, i.e., 43.5%, have been negatively affected by the delays in new car projects amongst customers in both China and Japan. Meanwhile, sales associated with Electronic Parts & Semiconductors have fallen by almost 20% over the previous year and the rate of decline here was the largest by application. The Company suggests that demand associated with Smartphones is coming down sharply. In Southeast Asia, sales have remained flat in Vietnam and Indonesia, but sales in all those countries but for them have remained sluggish across the board. Elsewhere, the Company has ensured increased sales in Americas, but it was more than offset by decreased sales in Europe, having resulted in decreased sales for Americas, Europe, etc. as a whole.



Source: Company Data, WRJ Calculation

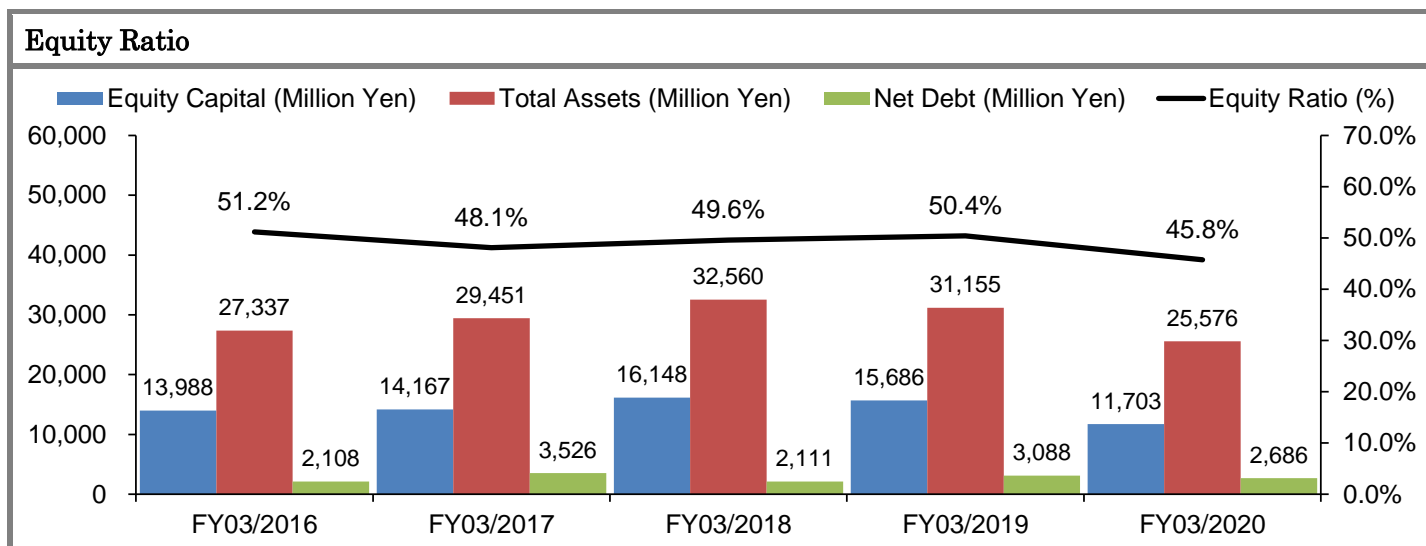
On the other hand, gross profit came in at ¥9,187m (down 19.9%) and SG&A expenses ¥8,351m (down 6.1%), implying gross profit margin of 26.0% (down 2.0% points) and sales to SG&A expenses ratio of 23.6% (up 1.9% points). As a consequence, operating profit margin has fallen sharply. A rise in cost rate has occurred due to a deterioration in the operating status of the manufacturing facilities, while SG&A expenses have declined as a result of group-wide cost reductions. Still, the latter increased as the ratio to sales. More importantly, it appears that the Company has cut back on expenses in Q4 due to implementation of impairment, having resulted in net increase by some ¥120m in operating profit. The Company suggests depreciation charges and amortization costs, related to fixed assets (buildings, tangible fixed assets and intangible fixed assets) subject to the impairment as of the end of Q3, have been eliminated as much as this amount. When the impacts of impairment as of the end of Q4 are included, this amount is expected to be as much as some ¥600m towards FY03/2021, cutting back on expenses to the same extent.

Impairment Breakdown					
(Million Yen)	Kitakami Factory	Miyako Factory	Malaysia Factory	Vietnam Factory	Total
Goodwill	0	0	263	0	263
Buildings	13	275	0	100	389
Tangible Fixed Assets	1,043	795	0	630	2,470
Intangible Fixed Assets	10	15	149	15	191
Total	1,067	1,087	413	747	3,314

Source: Company Data, WRJ Calculation

Given the most recent trends that prospective cash flow is likely to be worse than originally expected, the Company has implemented impairment on fixed assets of three strongholds in Japan and overseas as well as on goodwill to be written off on a consolidated basis and intangible assets in one stronghold overseas, having resulted in collective impairment loss of ¥3,314m in FY03/2020. As of the end of Q3, the Company has implemented impairment on Kitakami Factory and Miyako Factory, i.e., the two mainstay ones in Japan. In both cases, tangible fixed assets or manufacturing facilities were basically subject to impairment. Meanwhile, as of the end of Q4, the Company has implemented impairment on Malaysia Factory and Vietnam Factory. With respect to Malaysia Factory, remaining amount of goodwill to have been generated at the time of acquisition in August 2013 and intangible assets were subject to impairment, while mainly manufacturing facilities with respect to Vietnam Factory just like the two in Japan.

In addition to the ongoing deterioration in operating status due to the recent deterioration in market conditions, the Company has also suffered from the expanded impacts stemming from COVID-19, having suspended business operations of Malaysia Factory for a while. On the other hand, in Vietnam Factory, it has been turned out to be a case that manufacturing volume will inevitably come down further in the near future, while the expanded impacts stemming from COVID-19 are cutting back on the flights for logistics. Thus, the Company has decided and implemented additional impairment on top of having had suffered from impairment loss of ¥848m in FY03/2019.



Source: Company Data, WRJ Calculation

Although the Company was forced to suffer from large loss for FY03/2020, its financial stability has remained above a certain level as of the end of the fiscal year with equity ratio of 45.8%. Having booked the large loss at profit attributable to owners of the parent, the Company saw a significant decline in equity capital. However, the impairment loss resulted in a significant decline in total assets at the same time. Meanwhile, net debt has been on a declining trend.

As is taken for granted, impairment does not affect cash flow, while the Company has been successful in actively reducing the working capital. In addition to a decline in accounts receivables accompanying a decline in sales in the first place, the Company seems to have made progress in collecting them early. Meanwhile, the Company has reduced its inventory levels as well as restrained capital investment, having resulted in a turnaround in free cash flow to ¥701m in FY03/2020 from minus ¥68m in FY03/2019. Despite the harsh short-term results for business performance, the Company argues that it has made its funding conditions improved over FY03/2019.

FY03/2020 Company Forecasts and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2020CoE	13-May-19	Q4 Results	40,000	2,000	1,900	1,400
FY03/2020CoE	8-Aug-19	Q1 Results	38,000	1,200	1,100	700
		Amount of Gap	(2,000)	(800)	(800)	(700)
		Rate of Gap	(5.0%)	(40.0%)	(42.1%)	(50.0%)
FY03/2020CoE	8-Nov-19	Q2 Results	35,400	450	350	50
		Amount of Gap	(2,600)	(750)	(750)	(650)
		Rate of Gap	(6.8%)	(62.5%)	(68.2%)	(92.9%)
FY03/2020CoE	13-Feb-20	Q3 Results	35,400	570	470	(2,630)
		Amount of Gap	0	120	120	(2,680)
		Rate of Gap	0.0%	26.7%	34.3%	-
FY03/2020Act	22-May-20	Q4 Results	35,348	835	712	(3,485)
		Amount of Gap	(52)	265	242	(855)
		Rate of Gap	(0.1%)	46.7%	51.7%	-
FY03/2020CoE	13-May-19	Q4 Results	40,000	2,000	1,900	1,400
FY03/2020Act	22-May-20	Q4 Results	35,348	835	712	(3,485)
		Amount of Gap	(4,652)	(1,165)	(1,188)	(4,885)
		Rate of Gap	(11.6%)	(58.3%)	(62.5%)	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2020CoE	13-May-19	Q4 Results	18,400	630	560	400
Q1 to Q2 FY03/2020CoE	8-Aug-19	Q1 Results	17,900	50	(10)	(70)
		Amount of Gap	(500)	(580)	(570)	(470)
		Rate of Gap	(2.7%)	(92.1%)	-	-
Q1 to Q2 FY03/2020Act	8-Nov-19	Q2 Results	17,991	80	2	(121)
		Amount of Gap	91	30	12	(51)
		Rate of Gap	0.5%	60.0%	-	-
Q1 to Q2 FY03/2020CoE	13-May-19	Q4 Results	18,400	630	560	400
Q1 to Q2 FY03/2020Act	8-Nov-19	Q2 Results	17,991	80	2	(121)
		Amount of Gap	(409)	(550)	(558)	(521)
		Rate of Gap	(2.2%)	(87.3%)	(99.6%)	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2020CoE	13-May-19	Q4 Results	21,600	1,370	1,340	1,000
Q3 to Q4 FY03/2020CoE	8-Aug-19	Q1 Results	20,100	1,150	1,110	770
		Amount of Gap	(1,500)	(220)	(230)	(230)
		Rate of Gap	(6.9%)	(16.1%)	(17.2%)	(23.0%)
Q3 to Q4 FY03/2020CoE	8-Nov-19	Q2 Results	17,409	370	348	171
		Amount of Gap	(2,691)	(780)	(762)	(599)
		Rate of Gap	(13.4%)	(67.8%)	(68.6%)	(77.8%)
Q3 to Q4 FY03/2020CoE	13-Feb-20	Q3 Results	17,409	490	468	(2,509)
		Amount of Gap	0	120	120	(2,680)
		Rate of Gap	0.0%	32.4%	34.5%	-
Q3 to Q4 FY03/2020Act	22-May-20	Q4 Results	17,356	755	710	(3,364)
		Amount of Gap	(53)	265	242	(855)
		Rate of Gap	(0.3%)	54.1%	51.7%	-
Q3 to Q4 FY03/2020CoE	13-May-19	Q4 Results	21,600	1,370	1,340	1,000
Q3 to Q4 FY03/2020Act	22-May-20	Q4 Results	17,356	755	710	(3,364)
		Amount of Gap	(4,244)	(615)	(630)	(4,364)
		Rate of Gap	(19.6%)	(44.9%)	(47.0%)	-

Source: Company Data, WRJ Calculation

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.
(Million Yen)	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	Net Chg.
Sales	10,342	20,937	31,165	40,935	8,511	17,991	26,711	35,348	35,348	(5,587)
Cost of Sales	7,390	15,036	22,264	29,463	6,363	13,577	20,067	26,161	26,161	(3,302)
Gross Profit	2,951	5,900	8,900	11,472	2,148	4,413	6,644	9,187	9,187	(2,284)
SG&A Expenses	2,236	4,526	6,719	8,893	2,177	4,333	6,402	8,351	8,351	(541)
Operating Profit	714	1,374	2,181	2,578	(29)	80	241	835	835	(1,742)
Non Operating Balance	(32)	(34)	(22)	(31)	(60)	(77)	(56)	(122)	(122)	(91)
Recurring Profit	682	1,340	2,158	2,547	(90)	2	184	712	712	(1,834)
Extraordinary Balance	(6)	(7)	(11)	(897)	(5)	(6)	(2,121)	(3,332)	(3,332)	(2,435)
Profit before Income Taxes	676	1,332	2,147	1,650	(95)	(3)	(1,936)	(2,619)	(2,619)	(4,269)
Total Income Taxes	164	325	560	686	30	117	776	866	866	+179
Profit Attributable to Non-Controlling Interests	1	1	2	3	0	0	0	0	0	(2)
Profit Attributable to Owners of Parent	511	1,005	1,583	960	(126)	(121)	(2,713)	(3,485)	(3,485)	(4,446)
Sales YoY	+6.3%	+5.7%	+2.7%	(0.2%)	(17.7%)	(14.1%)	(14.3%)	(13.6%)	(13.6%)	-
Operating Profit YoY	+2.0%	(2.2%)	(2.0%)	(9.3%)	-	(94.2%)	(88.9%)	(67.6%)	(67.6%)	-
Recurring Profit YoY	(4.0%)	(4.2%)	(1.1%)	(6.8%)	-	(99.8%)	(91.4%)	(72.0%)	(72.0%)	-
Profit Attributable to Owners of Parent YoY	+20.9%	+9.1%	+15.9%	(46.3%)	-	-	-	-	-	-
Gross Profit Margin	28.5%	28.2%	28.6%	28.0%	25.2%	24.5%	24.9%	26.0%	26.0%	(2.0%)
Sales to SG&A Expenses Ratio	21.6%	21.6%	21.6%	21.7%	25.6%	24.1%	24.0%	23.6%	23.6%	+1.9%
Operating Profit Margin	6.9%	6.6%	7.0%	6.3%	(0.3%)	0.4%	0.9%	2.4%	2.4%	(3.9%)
Recurring Profit Margin	6.6%	6.4%	6.9%	6.2%	(1.1%)	0.0%	0.7%	2.0%	2.0%	(4.2%)
Profit Attributable to Owners of Parent Margin	4.9%	4.8%	5.1%	2.3%	(1.5%)	(0.7%)	(10.2%)	(9.9%)	(9.9%)	(12.2%)
Total Income Taxes/Profit before Income Taxes	24.3%	24.5%	26.1%	41.6%	-	-	-	-	-	-
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	Q4	Net Chg.
(Million Yen)	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	Net Chg.
Sales	10,342	10,594	10,228	9,770	8,511	9,480	8,720	8,636	8,636	(1,133)
Cost of Sales	7,390	7,646	7,227	7,199	6,363	7,214	6,489	6,093	6,093	(1,105)
Gross Profit	2,951	2,948	3,000	2,571	2,148	2,265	2,230	2,543	2,543	(27)
SG&A Expenses	2,236	2,289	2,193	2,174	2,177	2,156	2,068	1,949	1,949	(224)
Operating Profit	714	659	807	397	(29)	109	161	593	593	+196
Non Operating Balance	(32)	(2)	11	(8)	(60)	(16)	20	(65)	(65)	(57)
Recurring Profit	682	657	818	388	(90)	93	182	527	527	+139
Extraordinary Balance	(6)	(1)	(3)	(885)	(5)	(0)	(2,115)	(1,211)	(1,211)	(325)
Profit before Income Taxes	676	655	814	(497)	(95)	92	(1,932)	(683)	(683)	(185)
Total Income Taxes	164	161	234	125	30	87	658	89	89	(36)
Profit Attributable to Non-Controlling Interests	1	0	1	0	0	(0)	0	(0)	(0)	(1)
Profit Attributable to Owners of Parent	511	494	578	(623)	(126)	5	(2,592)	(772)	(772)	(148)
Sales YoY	+6.3%	+5.2%	(3.1%)	(8.4%)	(17.7%)	(10.5%)	(14.7%)	(11.6%)	(11.6%)	-
Operating Profit YoY	+2.0%	(6.3%)	(1.6%)	(35.8%)	-	(83.4%)	(80.0%)	+49.6%	+49.6%	-
Recurring Profit YoY	(4.0%)	(4.4%)	+4.4%	(29.2%)	-	(85.8%)	(77.7%)	+35.9%	+35.9%	-
Profit Attributable to Owners of Parent YoY	+20.9%	(0.9%)	+29.9%	-	-	(99.0%)	-	-	-	-
Gross Profit Margin	28.5%	27.8%	29.3%	26.3%	25.2%	23.9%	25.6%	29.4%	29.4%	+3.1%
Sales to SG&A Expenses Ratio	21.6%	21.6%	21.4%	22.3%	25.6%	22.7%	23.7%	22.6%	22.6%	+0.3%
Operating Profit Margin	6.9%	6.2%	7.9%	4.1%	(0.3%)	1.2%	1.9%	6.9%	6.9%	+2.8%
Recurring Profit Margin	6.6%	6.2%	8.0%	4.0%	(1.1%)	1.0%	2.1%	6.1%	6.1%	+2.1%
Profit Attributable to Owners of Parent Margin	4.9%	4.7%	5.7%	(6.4%)	(1.5%)	0.1%	(29.7%)	(8.9%)	(8.9%)	(2.6%)
Total Income Taxes/Profit before Income Taxes	24.3%	24.7%	28.8%	-	-	94.5%	-	-	-	-

Source: Company Data, WRJ Calculation

Sales by Region (Cumulative/Quarterly)

Sales by Region (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
Japan	4,270	8,400	12,633	16,776	3,715	7,501	10,975	14,565	(2,211)	
China	4,983	10,401	15,364	19,898	3,879	8,490	12,777	16,836	(3,062)	
Southeast Asia	413	840	1,260	1,669	352	744	1,142	1,535	(134)	
Europe, Americas, etc.	674	1,295	1,905	2,588	563	1,255	1,816	2,410	(178)	
Sales	10,342	20,937	31,165	40,935	8,511	17,991	26,711	35,348	(5,587)	
Japan	+0.9%	(0.3%)	(1.0%)	(2.2%)	(13.0%)	(10.7%)	(13.1%)	(13.2%)	-	
China	+7.8%	+8.7%	+3.8%	(1.0%)	(22.1%)	(18.4%)	(16.8%)	(15.4%)	-	
Southeast Asia	+0.7%	+1.7%	+2.6%	+1.0%	(14.7%)	(11.5%)	(9.4%)	(8.1%)	-	
Europe, Americas, etc.	+44.9%	+33.0%	+22.3%	+22.5%	(16.4%)	(3.0%)	(4.7%)	(6.9%)	-	
Sales (YoY)	+6.3%	+5.7%	+2.7%	(0.2%)	(17.7%)	(14.1%)	(14.3%)	(13.6%)	-	
Japan	41.3%	40.1%	40.5%	41.0%	43.6%	41.7%	41.1%	41.2%	-	
China	48.2%	49.7%	49.3%	48.6%	45.6%	47.2%	47.8%	47.6%	-	
Southeast Asia	4.0%	4.0%	4.0%	4.1%	4.1%	4.1%	4.3%	4.3%	-	
Europe, Americas, etc.	6.5%	6.2%	6.1%	6.3%	6.6%	7.0%	6.8%	6.8%	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	

Sales by Region (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
Japan	4,270	4,129	4,233	4,143	3,715	3,786	3,474	3,590	(553)	
China	4,983	5,417	4,963	4,534	3,879	4,610	4,287	4,059	(475)	
Southeast Asia	413	426	420	409	352	391	397	393	(16)	
Europe, Americas, etc.	674	621	610	683	563	692	560	594	(89)	
Sales	10,342	10,594	10,228	9,770	8,511	9,480	8,720	8,636	(1,133)	
Japan	+0.9%	(1.5%)	(2.5%)	(5.6%)	(13.0%)	(8.3%)	(17.9%)	(13.3%)	-	
China	+7.8%	+9.5%	(5.0%)	(14.5%)	(22.1%)	(14.9%)	(13.6%)	(10.5%)	-	
Southeast Asia	+0.7%	+2.4%	+4.5%	(3.5%)	(14.7%)	(8.2%)	(5.5%)	(3.9%)	-	
Europe, Americas, etc.	+44.9%	+22.0%	+4.5%	+23.3%	(16.4%)	+11.4%	(8.2%)	(13.0%)	-	
Sales (YoY)	+6.3%	+5.2%	(3.1%)	(8.4%)	(17.7%)	(10.5%)	(14.7%)	(11.6%)	-	
Japan	41.3%	39.0%	41.4%	42.4%	43.6%	39.9%	39.8%	41.6%	-	
China	48.2%	51.1%	48.5%	46.4%	45.6%	48.6%	49.2%	47.0%	-	
Southeast Asia	4.0%	4.0%	4.1%	4.2%	4.1%	4.1%	4.6%	4.6%	-	
Europe, Americas, etc.	6.5%	5.9%	6.0%	7.0%	6.6%	7.3%	6.4%	6.9%	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	

Source: Company Data, WRJ Calculation

Sales by Application (Cumulative/Quarterly)

Sales by Application (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
Automobiles	4,612	9,129	13,628	17,877	3,755	7,888	11,753	15,370	(2,507)	
Electronic Parts & Semiconductors	1,978	3,996	5,905	7,558	1,290	2,932	4,485	6,113	(1,445)	
Consumer Electronics & Precision Equipment	1,223	2,470	3,674	4,837	1,217	2,259	3,304	4,298	(539)	
Other	2,527	5,340	7,955	10,662	2,248	4,911	7,169	9,566	(1,096)	
Sales	10,342	20,937	31,165	40,935	8,511	17,991	26,711	35,348	(5,587)	
Automobiles	+1.3%	+0.9%	(0.9%)	(2.8%)	(18.6%)	(13.6%)	(13.8%)	(14.0%)	-	
Electronic Parts & Semiconductors	+7.5%	+4.0%	(0.1%)	(4.3%)	(34.8%)	(26.6%)	(24.1%)	(19.1%)	-	
Consumer Electronics & Precision Equipment	+6.3%	+4.7%	+3.3%	+1.0%	(0.6%)	(8.5%)	(10.1%)	(11.1%)	-	
Other	+15.4%	+17.3%	+11.5%	+7.2%	(11.0%)	(8.0%)	(9.9%)	(10.3%)	-	
Sales (YoY)	+6.3%	+5.7%	+2.7%	(0.2%)	(17.7%)	(14.1%)	(14.3%)	(13.6%)	-	
Automobiles	44.6%	43.6%	43.7%	43.7%	44.1%	43.8%	44.0%	43.5%	-	
Electronic Parts & Semiconductors	19.1%	19.1%	18.9%	18.5%	15.2%	16.3%	16.8%	17.3%	-	
Consumer Electronics & Precision Equipment	11.8%	11.8%	11.8%	11.8%	14.3%	12.6%	12.4%	12.2%	-	
Other	24.4%	25.5%	25.5%	26.0%	26.4%	27.3%	26.8%	27.1%	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	

Sales by Application (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
Automobiles	4,612	4,517	4,499	4,247	3,755	4,132	3,864	3,617	(630)	
Electronic Parts & Semiconductors	1,978	2,018	1,909	1,652	1,290	1,642	1,552	1,627	(25)	
Consumer Electronics & Precision Equipment	1,223	1,246	1,204	1,163	1,217	1,042	1,045	994	(169)	
Other	2,527	2,812	2,615	2,706	2,248	2,662	2,257	2,397	(309)	
Sales	10,342	10,594	10,228	9,770	8,511	9,480	8,720	8,636	(1,133)	
Automobiles	+1.3%	+0.6%	(4.4%)	(8.4%)	(18.6%)	(8.5%)	(14.1%)	(14.8%)	-	
Electronic Parts & Semiconductors	+7.5%	+0.8%	(7.7%)	(16.9%)	(34.8%)	(18.6%)	(18.7%)	(1.5%)	-	
Consumer Electronics & Precision Equipment	+6.3%	+3.0%	+0.6%	(5.4%)	(0.6%)	(16.4%)	(13.2%)	(14.5%)	-	
Other	+15.4%	+19.1%	+1.3%	(3.8%)	(11.0%)	(5.3%)	(13.7%)	(11.4%)	-	
Sales (YoY)	+6.3%	+5.2%	(3.1%)	(8.4%)	(17.7%)	(10.5%)	(14.7%)	(11.6%)	-	
Automobiles	44.6%	42.6%	44.0%	43.5%	44.1%	43.6%	44.3%	41.9%	-	
Electronic Parts & Semiconductors	19.1%	19.0%	18.7%	16.9%	15.2%	17.3%	17.8%	18.8%	-	
Consumer Electronics & Precision Equipment	11.8%	11.8%	11.8%	11.9%	14.3%	11.0%	12.0%	11.5%	-	
Other	24.4%	26.5%	25.6%	27.7%	26.4%	28.1%	25.9%	27.8%	-	
Sales (Composition Ratio)	100.0%	100.0%	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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
Cash and Deposit	3,735	2,456	3,618	3,579	2,704	2,310	3,327	3,389	(189)	
Accounts Receivables	11,816	11,654	11,065	10,988	10,104	10,065	9,713	9,942	(1,045)	
Inventory	4,489	4,649	4,938	4,663	4,892	4,383	4,262	4,229	(434)	
Other	561	685	435	327	268	308	403	230	(96)	
Current Assets	20,602	19,445	20,057	19,559	17,969	17,068	17,707	17,792	(1,766)	
Tangible Assets	10,112	10,228	10,884	9,972	10,105	9,910	7,819	7,134	(2,837)	
Intangible Assets	1,145	1,136	1,084	1,001	955	869	791	344	(657)	
Investments and Other Assets	717	713	604	621	763	774	226	304	(317)	
Fixed Assets	11,975	12,079	12,572	11,595	11,824	11,554	8,837	7,784	(3,811)	
Total Assets	32,577	31,524	32,630	31,155	29,793	28,622	26,545	25,576	(5,578)	
Accounts Payables, etc.	4,968	4,937	4,352	4,148	3,692	3,837	3,837	3,660	(488)	
Short Term Debt	4,135	3,240	4,266	4,326	3,844	3,235	3,304	3,148	(1,177)	
Other	3,338	3,013	3,312	3,056	2,734	2,782	2,563	2,471	(584)	
Current Liabilities	12,441	11,192	11,932	11,531	10,271	9,855	9,705	9,280	(2,250)	
Long Term Debt	2,376	2,273	2,465	2,341	2,187	2,064	3,132	2,927	+585	
Other	1,581	1,556	1,597	1,547	1,588	1,579	1,616	1,621	+73	
Fixed Liabilities	3,957	3,829	4,062	3,889	3,775	3,644	4,749	4,548	+659	
Total Liabilities	16,398	15,022	15,994	15,420	14,046	13,499	14,454	13,829	(1,591)	
Shareholders' Equity	15,388	15,887	16,124	15,500	15,232	15,275	12,683	11,913	(3,586)	
Other	789	615	510	234	514	(153)	(592)	(166)	(400)	
Net Assets	16,178	16,502	16,635	15,734	15,747	15,122	12,090	11,747	(3,986)	
Total Liabilities and Net Assets	32,577	31,524	32,630	31,155	29,793	28,622	26,545	25,576	(5,578)	
Equity Capital	16,147	16,471	16,595	15,686	15,692	15,079	12,045	11,703	(3,983)	
Interest Bearing Debt	6,511	5,514	6,731	6,668	6,031	5,300	6,437	6,075	(592)	
Net Debt	2,775	3,057	3,113	3,088	3,327	2,989	3,109	2,686	(402)	
Equity Ratio	49.6%	52.2%	50.9%	50.4%	52.7%	52.7%	45.4%	45.8%	-	
Net Debt Equity Ratio	17.2%	18.6%	18.8%	19.7%	21.2%	19.8%	25.8%	23.0%	-	
ROE (12 months)	12.4%	12.0%	12.5%	6.0%	2.0%	(1.1%)	(23.3%)	(25.5%)	-	
ROA (12 months)	8.8%	8.6%	8.5%	8.0%	5.7%	4.0%	1.9%	2.5%	-	
Days for Inventory Turnover	55	55	62	59	70	55	60	63	-	
Quick Ratio	125%	126%	123%	126%	125%	126%	134%	144%	-	
Current Ratio	166%	174%	168%	170%	175%	173%	182%	192%	-	

Source: Company Data, WRJ Calculation

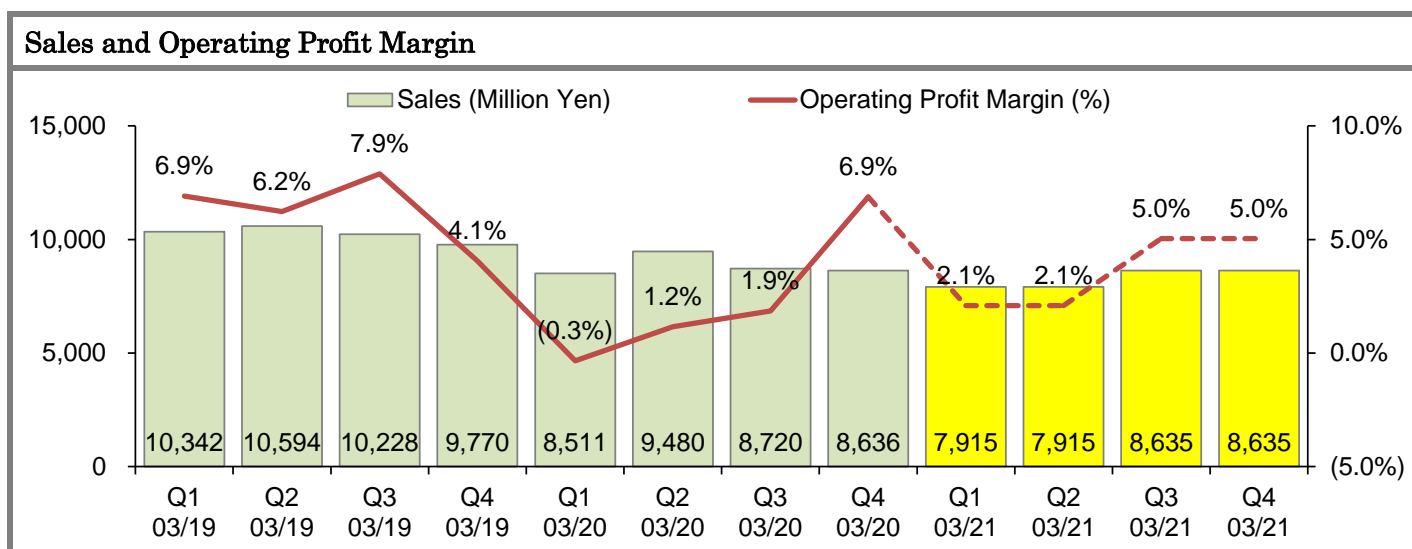
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	
Operating Cash Flow	-	949	-	3,185	-	1,009	-	2,490	(695)
Investing Cash Flow	-	(1,373)	-	(3,253)	-	(730)	-	(1,788)	+1,464
Operating Cash Flow and Investing Cash Flow	-	(423)	-	(68)	-	278	-	701	+769
Financing Cash Flow	-	(761)	-	74	-	(1,381)	-	(772)	(846)

Source: Company Data, WRJ Calculation

FY03/2021 Company Forecasts

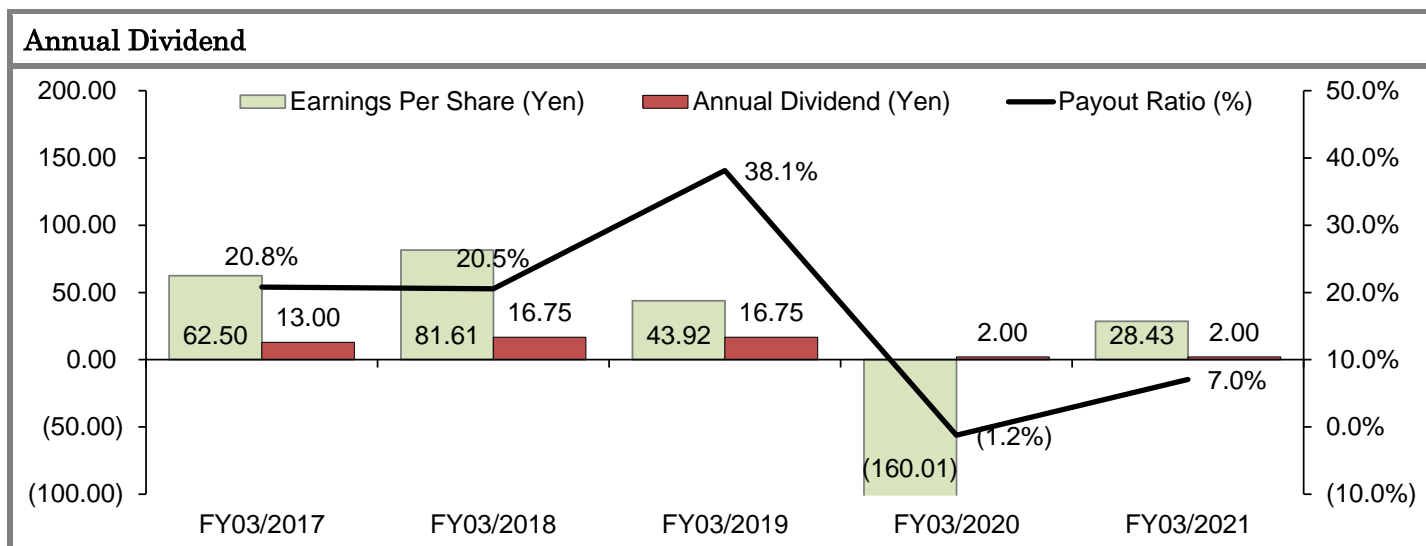
FY03/2021 Company forecasts are going for prospective sales of ¥33,100m (down 6.4%), operating profit of ¥1,200m (up 43.6%), recurring profit of ¥1,100m (up 54.3%) and profit attributable to owners of parent of ¥620m (versus minus ¥3,485m in the previous year), while operating profit margin of 3.6% (up 1.3% points) and ROE of 5.0%. Thus, Company forecasts are going for prospective operating profit to see net increase by ¥364m on an absolute value basis over the previous year versus suggested impacts of net increase by some ¥600m in line with reduced depreciation charges and amortization costs stemming from the impairment. On top of this, Company forecasts are also going for significant cost reductions, which will be another factor to drive earnings, according to the Company.



Source: Company Data, WRJ Calculation (quarters in FY03/2021: half-year Company forecasts, pro rata)

Company forecasts assume that the impacts stemming from COVID-19 will gradually converge towards the end of September 2020 in a large sense, i.e., with some differences in timing from region to region, leading to a recovery up to the levels prior to the impacts, starting in October. For China and Japan or the mainstay two regions, having collectively accounted for 88.8% of sales as a whole for the Company (47.6% in China and 41.2% in Japan), Company forecasts assume as follows: In China, the impacts (first wave) stemming from COVID-19 have converged ahead of other countries and the economy is expected to gradually recover going forward. Considering that the Company's consolidated accounts reflect the business performance in China on a three-month delay, it appears that the recovery is assumed to come out as early as in Q2 (July to September). Meanwhile, in Japan, it appears that the recovery is assumed to come out in Q3 (October to December).

Therefore, it appears that Company forecasts assume as a direction that the impacts stemming from COVID-19 will persist in Q1 to Q2 as well as that the impacts will gradually converge towards H2. For Q1 to Q2, Company forecasts assume prospective sales of ¥15,830m (down 12.0% YoY), operating profit of ¥330m (up 311.5% YoY) and operating profit margin of 2.1% (up 1.6% points), while sales of ¥17,270m (down 0.5%), operating profit of ¥870m (up 15.2%) and operating profit margin of 5.0% (up 0.7% points) for H2, implying that Company forecasts are going for sales to increase by 9.1% and operating profit margin by 3.0% points in H2 over Q1 to Q2.

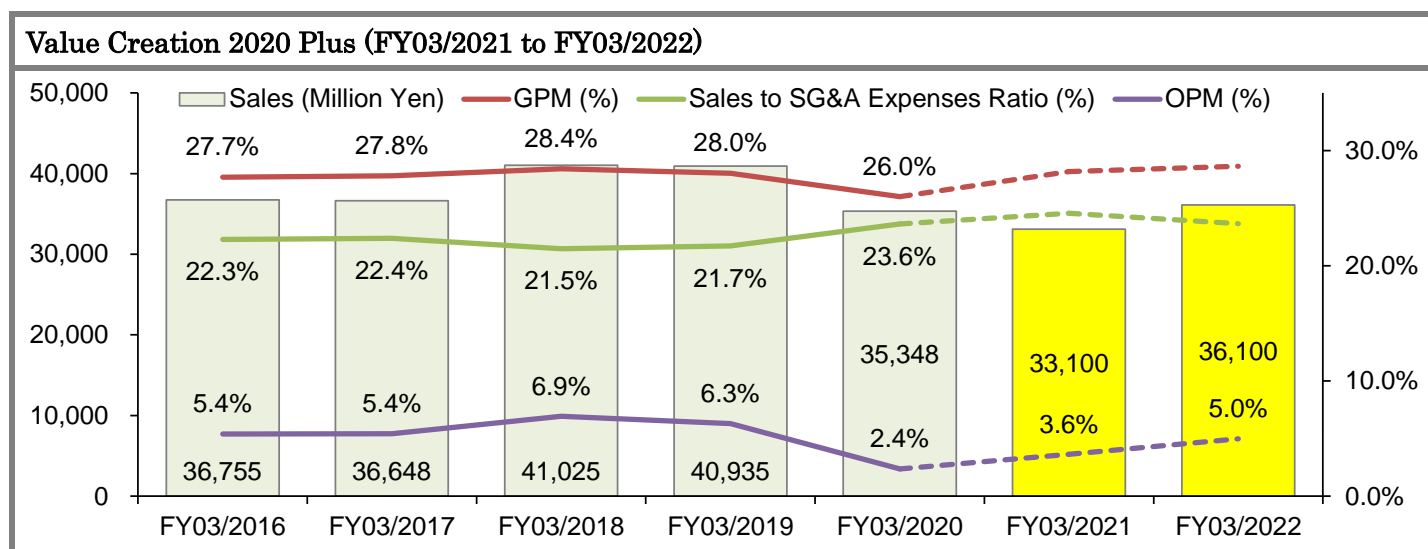


Source: Company Data, WRJ Calculation

Meanwhile, the Company has booked extraordinary loss of ¥1,399m in FY03/2020 as provision for doubtful accounts against loans to Vietnam Factory on a parent basis, despite having been eliminated on a consolidated basis. Due mainly to this, retained earnings on a parent basis stood at minus ¥1,844m as of the end of the fiscal year, resulting in a deficit for amount available for distribution of retained earnings. Nevertheless, the Company has transferred ¥2,200m out of capital reserve of ¥2,626m to other capital surplus, having funded dividend of ¥2.00 per share for FY03/2020 with this. Following FY03/2020, the Company plans to pay dividend of ¥2.00 per share also for FY03/2021. The Company, having had maintained a stability of dividend for the sake of returning earnings to shareholders even in FY03/2019, when earnings came down sharply due to impairment on Vietnam Factory, etc., does deeply regret that it was forced to massively cut back on dividend for FY03/2020, but inevitably going for the same for FY03/2021. More importantly, however, the Company reveals its intention to strive to make earnings recovered as soon as possible to the extent to realize increased levels for dividend.

Long-Term Prospects

On 29 May 2020, the Company has announced its midterm management plan Value Creation 2020 Plus (FY03/2021 to FY03/2022). The Company is calling for prospective sales of ¥36,100m, operating profit of ¥1,800m and profit attributable to owners of parent of ¥1,130m as business performance target in FY03/2022, while operating profit margin of 5.0% and ROE of 9.0%. When compared with FY03/2021 Company forecasts going for prospective sales of ¥33,100m (down 6.4% YoY), operating profit of ¥1,200m (up 43.6%), operating profit margin of 3.6% (up 1.3% points) and ROE of 5.0%, sales are to increase by 9.1%, operating profit by 50.0%, operating profit margin by 1.4% points and ROE by 4.0% points. Meanwhile, profit attributable to owners of parent of ¥1,130m is up 82.3% over FY03/2021.



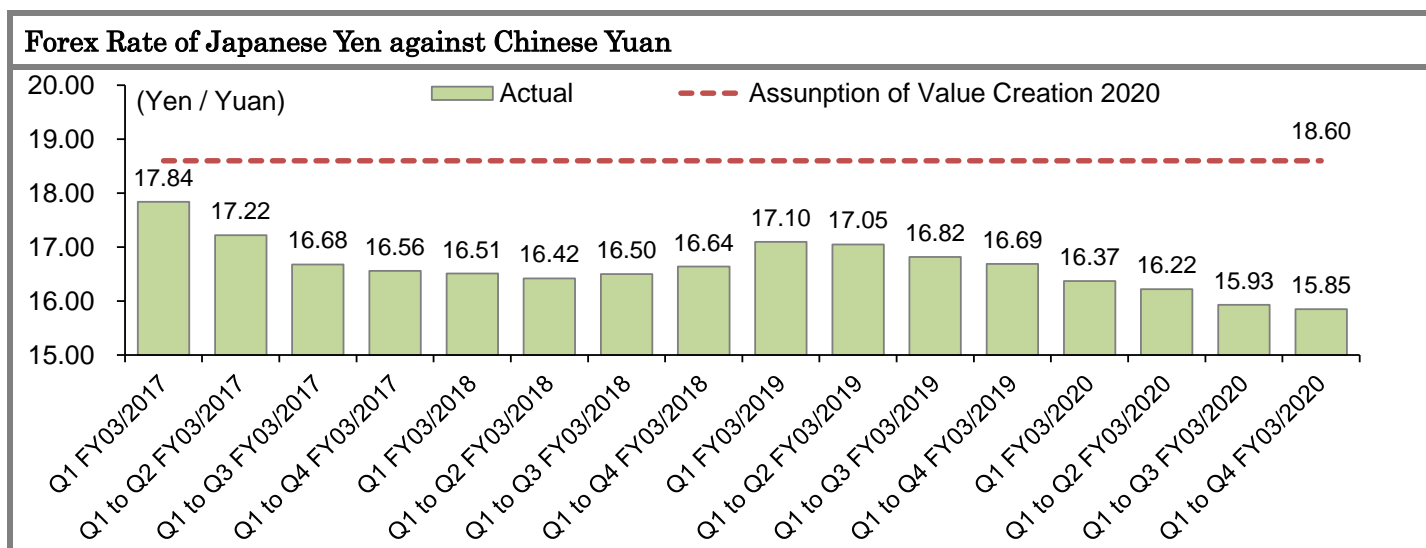
Source: Company Data, WRJ Calculation

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The guidelines for Value Creation 2020 Plus are as follows: a) return to profitability at profit attributable to owners of parent, b) return to topline growth and c) prepare for the next midterm management plan. The Company is planning to formulate a new midterm management plan starting with FY03/2023 and the period through FY03/2021 and FY03/2022 covered by Value Creation 2020 Plus corresponds to that of a turnaround towards this.

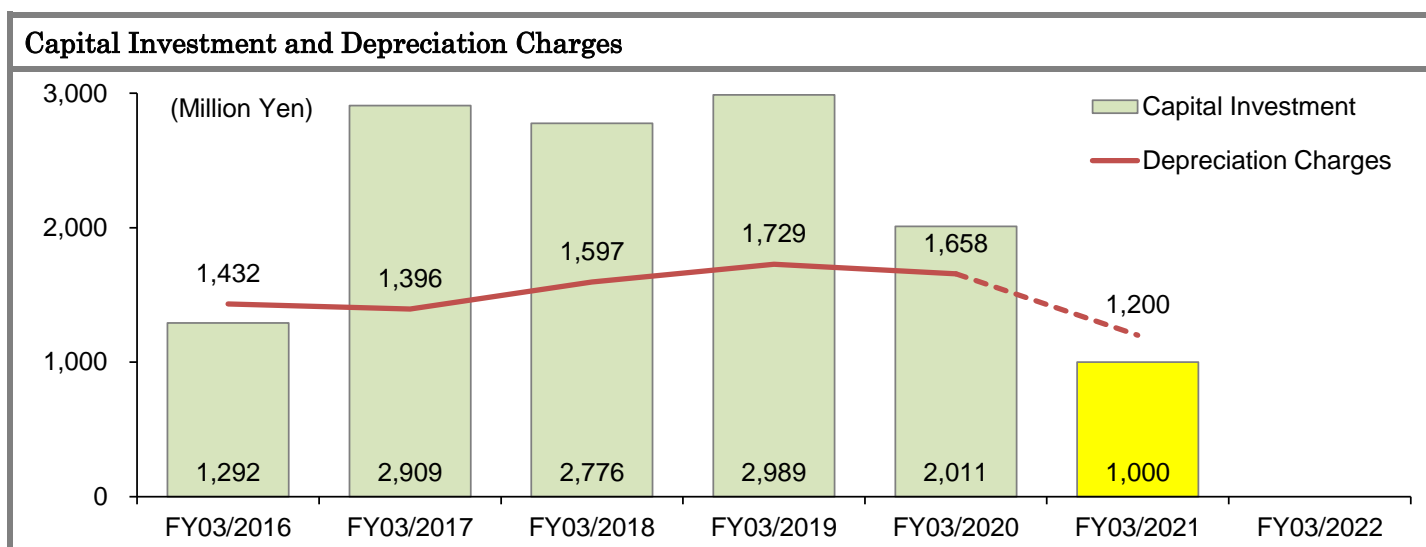
To date, the Company has been suffering from the impacts stemming from the prolonged and aggravated China-United States trade war, while economy around the world has been seriously damaged by the impacts stemming from COVID-19, to which the Company can never be immune. Most recently, the Company perceives some sign of recovery for economy, but it has remained just unclear how much and how long it will continue in the future, given that prospects for the impacts stemming from COVID-19 has remained just unclear in view of concerns about the occurrence of the second wave. On the other hand, as mentioned above, FY03/2021 Company forecasts assume gradual convergence for the impacts stemming from COVID-19 to take place towards the end of September 2020 in a large sense. The same applies to Value Creation 2020 Plus. That is to say, the risk for FY03/2021 Company forecasts and this midterm management plan depends on whether the timing for the impacts stemming from COVID-19 to converge meets or not.

On 11 March 2016, the Company has announced its midterm management plan Value Creation 2020 (FY03/2017 to FY03/2021), calling for prospective sales of ¥47,000m, operating profit of ¥3,300m, operating margin of 7.0% and profit attributable to owners of parent of ¥2,300m for FY03/2021 or the last year of the plan. Currently, FY03/2021 Company forecasts are going for business performance much lower than this, i.e., by ¥13,900m (29.6%) in sales and by ¥2,100m (63.6%) in operating profit. One of the factors for this downturn is significant progress made in appreciation of yen against yuan.



Source: Company Data, WRJ Calculation

Value Creation 2020 assumed ¥18.60 per yuan, whereas FY03/2021 Company forecasts assume ¥15.00 per yuan, implying that yen is higher than originally expected by almost 20%. When converting sales and earnings of subsidiaries in China into yen, the Company cannot avoid reductions to this extent in terms of comparison with original assumptions. Given sales in China accounting for almost half, the Company must suffer from this as a whole to a large extent.



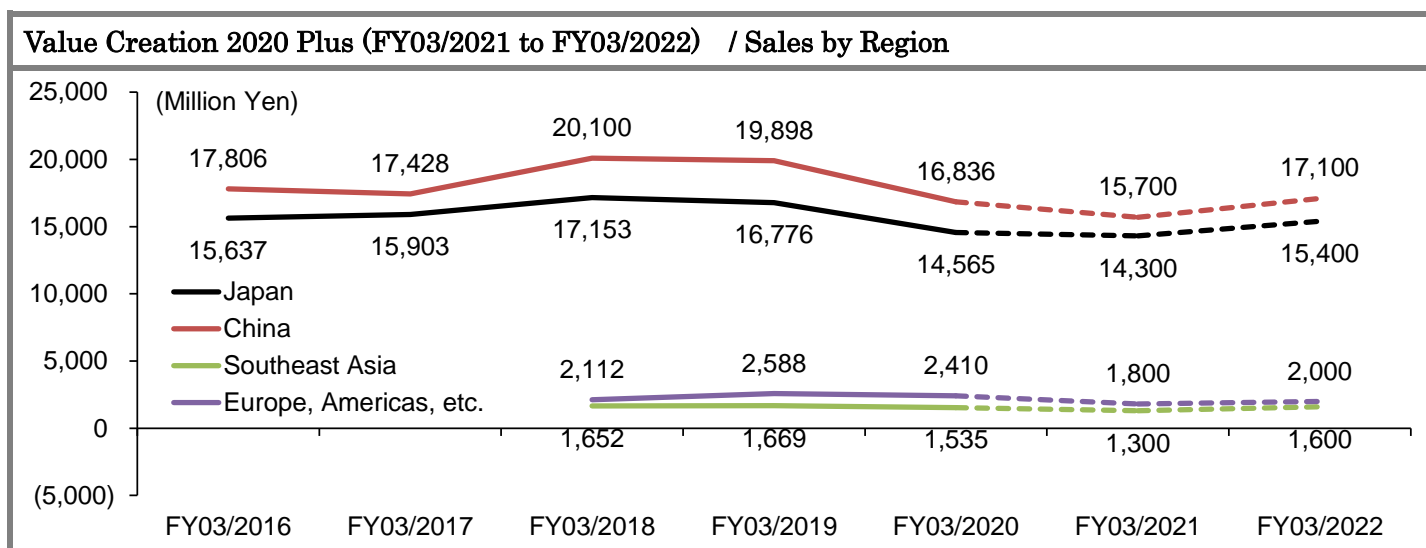
Source: Company Data, WRJ Calculation

Meanwhile, although yen's appreciation against yuan has started up from the beginning, sales and earnings in the first year, i.e., FY03/2017 were rather better than assumptions as well as in the following year, i.e., FY03/2018. This should be attributable to steady progress made as a general trend in the measures identified as the priority business challenges, comprising "establishing 5-pole sales system", "promoting highly profitable business and strengthening R&D", "improving customer services" and "implementing work style reform". Then, demand has started to come down in H2 of FY03/2019, while capital investment had continued at high levels for a while, having resulted in the above-mentioned significant impairment.

The Company saw collective capital investment of ¥10,685m and depreciation charges of ¥6,380m over the period by FY03/2020, i.e., the fourth year. On top of this, the Company implemented impairment as much as ¥3,314m on the above-mentioned four factories in Japan and overseas, suggesting that excess capacity to generate depreciation charges has been effectively all eliminated. Even more so, when it is considered that Company separately implemented impairment worth ¥848m in Vietnam Factory in FY03/2019.

When the above-mentioned directions became clear, the Company considered revision on Value Creation 2020 and initially planned to announce it in March 2020. Prior to this, however, an unexpected outbreak of COVID-19 occurred and it became necessary to determine the degree of the impacts from here and thus the announcement of Value Creation 2020 Plus was made on 29 May.

Value Creation 2020 Plus is formulated and announced for the purpose of responding to major changes in the external environment and pursue recovery of aggravated earnings. Here, it is revealed that the Company will continue the priority business challenges set forth in Value Creation 2020 in a deeper manner.



Source: Company Data, WRJ Calculation

With respect to "establishing 5-pole sales system", while the name as a priority business challenge has been taken over, it is reiterated that the Company will focus on expanding its sales channels for Southeast Asia and Europe & Americas. For both of the former and the latter, sales are expected to come down for FY03/2021 due to the impacts stemming from COVID-19, but to see a turnaround to the trend of picking up for FY03/2022. As in the case of FY03/2020, mentioned earlier, collective sales in China and Japan accounted for 88.8% (47.6% in China and 41.2% in Japan) of sales as a whole for the Company, suggesting that sales are concentrated in a) China and b) Japan, where manufacturing facilities are concentrated, while there remains a large room to increase own penetrations in c) Southeast Asia, d) Europe and e) Americas. Thus, a) to e) are the 5 poles of "5-pole sales system".

In Southeast Asia, the Company plans to expand sales through local vendors in Malaysia, Singapore, Vietnam and Indonesia, with a particular focus on sales promotions in Vietnam and Indonesia. In Europe, the Company intends to use its strong relations with existing sales agents, increasing opportunities to go along with them for local marketing on a business trip basis and beefing up the sales system. However, the Company suggests that the market share in Europe is currently declining. Given the impacts stemming from China-United States trade war, Chinese competitors have been working hard to expand sales in Europe through large-scale discounts, according to the Company. Meanwhile, the Company has maintained a strategy of keeping a certain distance from price-oriented competition. In Americas, the Company is to place ads on the web for local users and to actively participate in exhibitions so that the issue of improvement for own name recognition, raised as the priority strategy for sales promotions in developed countries, will be achievable. Still, in light of situations that there is a possibility for China-United States trade war to be reheated, that the flights on aircraft continue declining, etc., the Company is concerned that sales promotions in Europe and Americas may become difficult, given no local manufacturing facilities at all.

Priority Business Challenges and Measures 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				

Source: Company Data

With respect to "improving customer services", while the name as a priority business challenge has been changed to "strengthening marketing capabilities (prioritizing views from customers)", this is now the key issue out of all the priority business challenges, although this basically relates to operations in Japan. Here, the Company promotes reallocation of personnel and cultivate lots of human resources with abundant processing knowledge and make them being in charge of expanding sales. At the beginning of FY03/2020, the Company has increased the number of sales representatives by some 10% due to the reallocation. For the sake of order to be placed for so-called custom products that the Company is focusing on, sales representatives in charge must have high understanding on drawings as well as knowledge and knowhows to propose the optimal way of processing. In light of this, the Company intends to cultivate human resources belonging to the manufacturing division, who possess such knowledge and knowhows as sales representatives and to make them promote sales expansion.

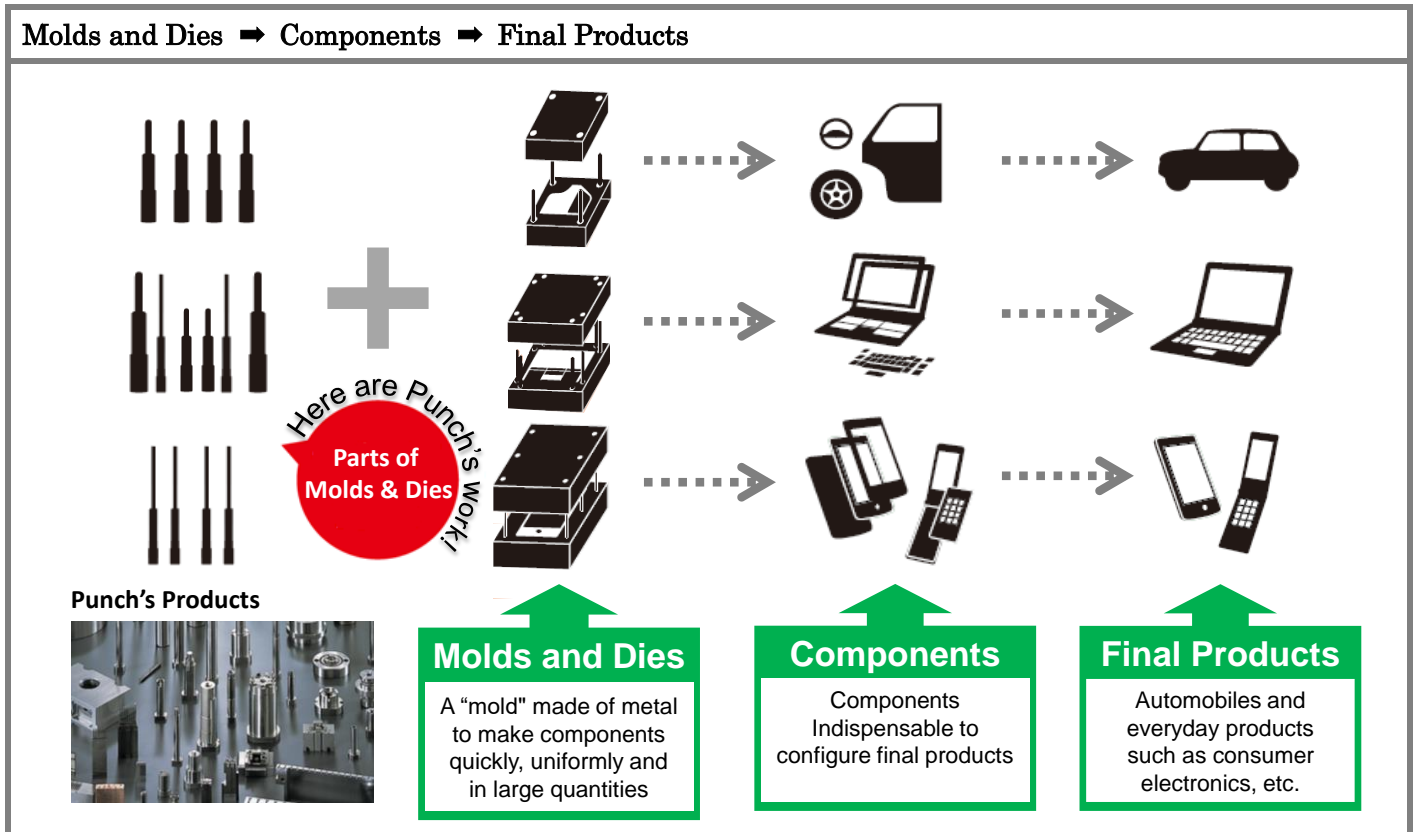
With respect to "promoting highly profitable business and strengthening R&D", while the name as a priority business challenge has been changed to "optimizing global production system and strengthening R&D", the Company has come to recognize new issues related to "optimizing production system". Given the significant impairment in FY03/2020, the Company says it will keep capital investment to the minimal levels in the near future. While adopting stricter criteria for recovery of capital investment, the Company plans to aggressively invest in facilities to develop new technologies and pursue an optimal balance between the two. As for the latter, the Company intends to establish manufacturing system that takes advantage of the specific features of each factory, reduces man-hours through R&D and creates new processing methods. Meanwhile, the Company spots that the key issue to be settled as soon as possible is to see a turnaround for surplus with respect to Vietnam Factory which suffered from impairment two years in a row.

With respect to “implementing work style reform”, while the name as a priority business challenge has been changed to “work style reform and HR development”, the Company intends to enlarge exposure to female executives (promoting active roles of females) by design. In terms of promoting work-life balance, the Company is considering to permanently adopt teleworking as one of the new work styles. When an emergency declaration was issued to deal with the impacts stemming from COVID-19, the Company introduced teleworking and recognized several issues in the operations, while the Company says that it is currently trying to solve all those problems in the near future. In terms of developing global human resources, the Company reveals that it has introduced an overseas training scheme for Japanese employees for 6 months.

4.0 Business Model

Manufacturing and Selling Parts of Molds & Dies in Japan and Overseas

The Company runs operations of manufacturing and selling parts of molds & dies in Japan and overseas. Parts of molds & dies are high precision parts to configure molds and dies and thus are indispensable for them. Meanwhile, molds and dies are a “mold” made of metal to make components to configure diverse consumer-use final products, automobiles, etc., manufactured uniformly in large quantities. Given all those final products being diverse, so are components as well as molds and dies, resulting in high variety also for parts of molds & dies at the end of the day.



Source: Company Data

Parts of Molds & Dies

Parts of molds & dies manufactured by the Company are used for molds and dies. In our rough estimates, parts of molds account for 40% of sales as a whole for the Company and parts of dies for the remaining 60%, while parts of molds are superior to parts of dies in terms of added value and thus gross profit margin higher for the former and lower for the latter. Thus, the composition ratio is switched over in terms of gross profit, i.e., 60% for parts of molds and 40% for parts of dies.

Parts of Molds

Ejector Pins



Sprue Bushes, Locating Rings



Source: Company Data

Molds are adopted in the manufacture of diverse components made of plastic resins such as external body frames of Smartphones and digital cameras. Specifically, being implemented by injection molding machines, molds are used to cool down plastic resins heated and melted for molding plastic resins as designed. Here, the Company is involved with parts to separate molded components from molds and get them protruded (ejector pins), parts to pour melted plastic resins into molds from injection nozzles of injection molding machines (sprue bushes), parts ring-shaped to convexly bulge out from molds to be used for fixing positionings between molds and molding machines (locating rings), etc.

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Parts of Dies

Punches



Die-Set Guides



Source: Company Data

Meanwhile, dies are adopted in the mass-production of components for automobiles, home appliances, precision equipment, etc. Specifically, being implemented by pressing machines, dies are in charge of pressing of metal steel sheets. Here, the Company is involved with parts used for punching metal steel sheets to be pressed and/or for transferring shapes (punches), parts to hold motions of pressing machines going up and down (die-set guides), etc.

Catalog Products and Custom Products

The Company manufactures and sells catalog products (standard products sold on catalog) and custom products. In our rough estimates, catalog products account for 40% of sales as a whole for the Company and custom products for the remaining 60%. Meanwhile, when compared with catalog products, custom products are far superior in terms of added value and thus gross profit margin far higher at the same time. While it is hard to make any distinguished features in regards to catalog products, there are good chances to do so in regards to custom products designed and manufactured in line with specific needs of specific molds or dies with specific customers. Amongst others, the Company strategically focuses on high-value-added products where the Company's technology of differentiation is fully utilized, which are called high-value-added strategic products.

The Company is heavily involved with the manufacture of custom products, including high-value-added strategic products, while efficiently taking advantage of subcontractors for the manufacture of catalog products to a large extent. All those subcontractors are basically small in size, but each has expertise in some specific processes of the manufacture. The Company has set up extensive network to pack them into a bundle. For example, some specific processes of the manufacture for custom products have been consigned to some specific subcontractors who have the specific expertise.

5.0 Financial Statements

Income Statement

Income Statement	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. CoE FY	YoY
(Million Yen)	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Sales	36,755	36,648	41,025	40,935	35,348	33,100	(2,248)
Cost of Sales	26,577	26,457	29,367	29,463	26,161	-	-
Gross Profit	10,178	10,191	11,658	11,472	9,187	-	-
SG&A Expenses	8,191	8,201	8,814	8,893	8,351	-	-
Operating Profit	1,986	1,990	2,843	2,578	835	1,200	+364
Non Operating Balance	(320)	(116)	(111)	(31)	(122)	(100)	+22
Recurring Profit	1,666	1,874	2,731	2,547	712	1,100	+387
Extraordinary Balance	(10)	(44)	(215)	(897)	(3,332)	-	-
Profit before Income Taxes	1,656	1,830	2,516	1,650	(2,619)	-	-
Total Income Taxes	411	459	725	686	866	-	-
Profit Attributable to Non-Controlling Interests	(4)	(5)	1	3	0	-	-
Profit Attributable to Owners of Parent	1,249	1,375	1,788	960	(3,485)	620	+4,105
Sales YoY	+6.9%	(0.3%)	+11.9%	(0.2%)	(13.6%)	(6.4%)	-
Operating Profit YoY	+15.2%	+0.2%	+42.8%	(9.3%)	(67.6%)	+43.6%	-
Recurring Profit YoY	+3.1%	+12.5%	+45.7%	(6.8%)	(72.0%)	+54.3%	-
Profit Attributable to Owners of Parent YoY	+5.1%	+10.1%	+30.0%	(46.3%)	-	-	-
Gross Profit Margin	27.7%	27.8%	28.4%	28.0%	26.0%	-	-
Sales to SG&A Expenses Ratio	22.3%	22.4%	21.5%	21.7%	23.6%	-	-
Operating Profit Margin	5.4%	5.4%	6.9%	6.3%	2.4%	3.6%	+1.3%
Recurring Profit Margin	4.5%	5.1%	6.7%	6.2%	2.0%	3.3%	+1.3%
Profit Attributable to Owners of Parent Margin	3.4%	3.8%	4.4%	2.3%	(9.9%)	1.9%	+11.7%
Total Income Taxes/Profit before Income Taxes	24.8%	25.1%	28.8%	41.6%	-	-	-

Source: Company Data, WRJ Calculation

Sales by Region

Sales by Region	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. Act FY	Cons. CoE FY	YoY
(Million Yen)	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Japan	15,637	15,903	17,153	16,776	14,565	-	-
China	17,806	17,428	20,100	19,898	16,836	-	-
Southeast Asia	-	-	1,652	1,669	1,535	-	-
Europe, Americas, etc.	-	-	2,112	2,588	2,410	-	-
Sales	36,755	36,648	41,025	40,935	35,348	33,100	(2,248)
Japan	+2.8%	+1.7%	+7.9%	(2.2%)	(13.2%)	-	-
China	+9.9%	(2.1%)	+15.3%	(1.0%)	(15.4%)	-	-
Southeast Asia	-	-	-	+1.0%	(8.1%)	-	-
Europe, Americas, etc.	-	-	-	+22.5%	(6.9%)	-	-
Sales (YoY)	+6.9%	(0.3%)	+11.9%	(0.2%)	(13.6%)	(6.4%)	-
Japan	42.5%	43.4%	41.8%	41.0%	41.2%	-	-
China	48.4%	47.6%	49.0%	48.6%	47.6%	-	-
Southeast Asia	-	-	4.0%	4.1%	4.3%	-	-
Europe, Americas, etc.	-	-	5.1%	6.3%	6.8%	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Sales by Application

Sales by Application (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Automobiles	17,060	16,780	18,390	17,877	15,370	-	-
Electronic Parts & Semiconductors	6,550	7,000	7,890	7,558	6,113	-	-
Consumer Electronics & Precision Equipment	4,800	4,480	4,790	4,837	4,298	-	-
Other	8,300	8,400	9,946	10,662	9,566	-	-
Sales	36,755	36,648	41,025	40,935	35,348	33,100	(2,248)
Automobiles	+9.7%	(1.6%)	+9.7%	(2.8%)	(14.0%)	-	-
Electronic Parts & Semiconductors	+0.2%	+6.9%	+13.0%	(4.3%)	(19.1%)	-	-
Consumer Electronics & Precision Equipment	+6.7%	(6.7%)	+7.1%	+1.0%	(11.1%)	-	-
Other	+6.4%	+1.2%	+18.4%	+7.2%	(10.3%)	-	-
Sales (YoY)	+6.9%	(0.3%)	+11.9%	(0.2%)	(13.6%)	(6.4%)	-
Automobiles	46.4%	45.8%	44.9%	43.7%	43.5%	-	-
Electronic Parts & Semiconductors	17.8%	19.1%	19.3%	18.5%	17.3%	-	-
Consumer Electronics & Precision Equipment	13.1%	12.6%	11.7%	11.8%	12.2%	-	-
Other	22.6%	22.9%	24.2%	26.0%	27.1%	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
No. of Shares FY End (thousand shares)	11,061	11,061	22,122	22,122	22,122	-	-
Net Profit / EPS (thousand shares)	11,061	11,008	21,921	21,864	21,786	-	-
Treasury Shares FY End (thousand shares)	-	100	200	380	313	-	-
Earnings Per Share	112.94	124.99	81.61	43.92	(160.01)	28.43	-
Earnings Per Share (Fully Diluted)	-	124.84	81.35	43.74	-	-	-
Book Value Per Share	1,264.64	1,292.50	736.64	721.49	536.64	-	-
Dividend Per Share	25.00	26.00	16.75	16.75	2.00	2.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Share Split Factor	2	2	1	1	1	1	-
Earnings Per Share	56.47	62.50	81.61	43.92	(160.01)	28.43	-
Book Value Per Share	632.32	646.25	736.64	721.49	536.64	-	-
Dividend Per Share	12.50	13.00	16.75	16.75	2.00	2.00	-
Payout Ratio	22.1%	20.8%	20.5%	38.1%	(1.2%)	7.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Cash and Deposit	3,235	3,280	3,770	3,579	3,389	-	-
Accounts Receivables	10,614	11,468	12,095	10,988	9,942	-	-
Inventory	3,721	3,787	4,425	4,663	4,229	-	-
Other	303	613	549	327	230	-	-
Current Assets	17,875	19,150	20,842	19,559	17,792	-	-
Tangible Assets	7,696	8,669	9,939	9,972	7,134	-	-
Intangible Assets	1,322	1,242	1,157	1,001	344	-	-
Investments and Other Assets	443	389	621	621	304	-	-
Fixed Assets	9,462	10,301	11,718	11,595	7,784	-	-
Total Assets	27,337	29,451	32,560	31,155	25,576	-	-
Accounts Payables, etc.	3,860	4,287	4,597	4,148	3,660	-	-
Short Term Debt	3,550	4,346	3,730	4,326	3,148	-	-
Other	3,040	3,090	4,322	3,056	2,471	-	-
Current Liabilities	10,451	11,724	12,649	11,531	9,280	-	-
Long Term Debt	1,794	2,460	2,151	2,341	2,927	-	-
Other	1,092	1,089	1,584	1,547	1,621	-	-
Fixed Liabilities	2,886	3,550	3,736	3,889	4,548	-	-
Total Liabilities	13,338	15,275	16,385	15,420	13,829	-	-
Shareholders' Equity	12,586	13,598	15,096	15,500	11,913	-	-
Other	1,413	578	1,077	234	(166)	-	-
Net Assets	13,999	14,176	16,174	15,734	11,747	-	-
Total Liabilities and Net Assets	27,337	29,451	32,560	31,155	25,576	-	-
Equity Capital	13,988	14,167	16,148	15,686	11,703	-	-
Interest Bearing Debt	5,344	6,807	5,882	6,668	6,075	-	-
Net Debt	2,108	3,526	2,111	3,088	2,686	-	-
Equity Ratio	51.2%	48.1%	49.6%	50.4%	45.8%	-	-
Net Debt Equity Ratio	15.1%	24.9%	13.1%	19.7%	23.0%	-	-
ROE (12 months)	8.9%	9.8%	11.8%	6.0%	(25.5%)	5.0%	-
ROA (12 months)	5.9%	6.6%	8.8%	8.0%	2.5%	-	-
Days for Inventory Turnover	51	52	55	58	59	-	-
Quick Ratio	133%	126%	125%	126%	144%	-	-
Current Ratio	171%	163%	165%	170%	192%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2016	03/2017	03/2018	03/2019	03/2020	03/2021	Net Chg.
Operating Cash Flow	3,187	1,785	3,393	3,185	2,490	-	-
Investing Cash Flow	(1,159)	(2,770)	(2,335)	(3,253)	(1,788)	-	-
Operating Cash Flow and Investing Cash Flow	2,028	(985)	1,058	(68)	701	-	-
Financing Cash Flow	(1,901)	1,199	(738)	74	(772)	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Towards “Punch of the World”

The Company, founded by Yuji Morikubo (appointed as Honorary Chairman on 24 June 2015), goes “establishing the leading brand in the market for parts of molds & dies, while targeting to see high profitability by means of utilizing own superiority as an entity in charge of both manufacture and sales” for its corporate vision. In March 1975, he set up Kamba Shokai Co., Ltd. in Shinagawa-ku, Tokyo and started up the manufacture of pins to make holes for printed circuit boards, then having made a change for the corporate identity to PUNCH INDUSTRY CO., LTD. in August 1977 and started up the current operations with the Company.

In August 1982, the Company succeeded in the mass-production of high-speed steel ejector pins earlier than any other peers on a global basis, having entered into the operations to manufacture and sell parts of molds on a full-fledged basis. Prior to this, the Company used to basically run operations of stocking and selling for parts of molds & dies. Then, this was followed by setup of manufacturing base in Dalian, China in October 1990. In early days, the operations in there were nothing but of processing raw materials imported from Japan into semi-finished products to be finished back in Japan. However, given increased volume of home appliances, automobiles, etc., locally manufactured in those days, the Company has started up locally selling parts of molds & dies locally manufactured since April 2002. In December 2012, the Company got listed on Tokyo Stock Exchange 2nd section, which was followed by listing change to Tokyo Stock Exchange 1st section in March 2014.

Meanwhile, on 1 November 2019, Tetsuji Morikubo was appointed as President and CEO (representative director). He says the Company is an entity with strong presence to support affluent life of people around the world by means of supporting "the manufacture around the world" as the power behind the scenes. He also says that he will lead the Company's move to become a truly global company that fulfills its social responsibilities, i.e., “Punch of the World”. Further, he says, that the Company will remain being always the first choice for customers, that all the employees think and act proactively to autonomously restructure and improve themselves” and that it remains as an entity that is trusted by stakeholders.

Company History

Date	Events
March 1975	Founded and started the manufacture of pins to make holes for printed circuit boards
August 1982	Entered into the manufacture of parts of molds (succeeded in mass-production of high-speed steel ejector pins)
November 1983	Set up Kitakami Factory, while started nation-wide sales of parts of molds & dies in December of the same year
May 1989	Set up Miyako Punch Industry (currently, Miyako Factory)
October 1990	Set up manufacturing base in Dalian, China
July 2001	Set up sales office in China, started selling parts of molds & dies in China in 2002, i.e., the following year
September 2010	Set up sales office in India
December 2012	Listed on Tokyo Stock Exchange 2nd section
August 2013	Consolidated Panther Precision Tools as subsidiary (currently, Malaysia Factory)
November 2013	Announced Midterm Management Plan Value Creation 15
March 2014	Listing change to Tokyo Stock Exchange 1st section
March 2015	40th anniversary
December 2015	Set up manufacturing base in Vietnam (Vietnam Factory)
March 2016	Announced Midterm Management Plan Value Creation 2020
October 2016	Started utilizing Vietnam Factory on a full-fledged basis
April 2017	Started sales through distribution firm based in the United States
May 2018	Expanded capacity for manufacturing base in Dalian, China
March 2019	Started up the second phase in Vietnam Factory
May 2020	Announced Midterm Management Plan Value Creation 2020 Plus

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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