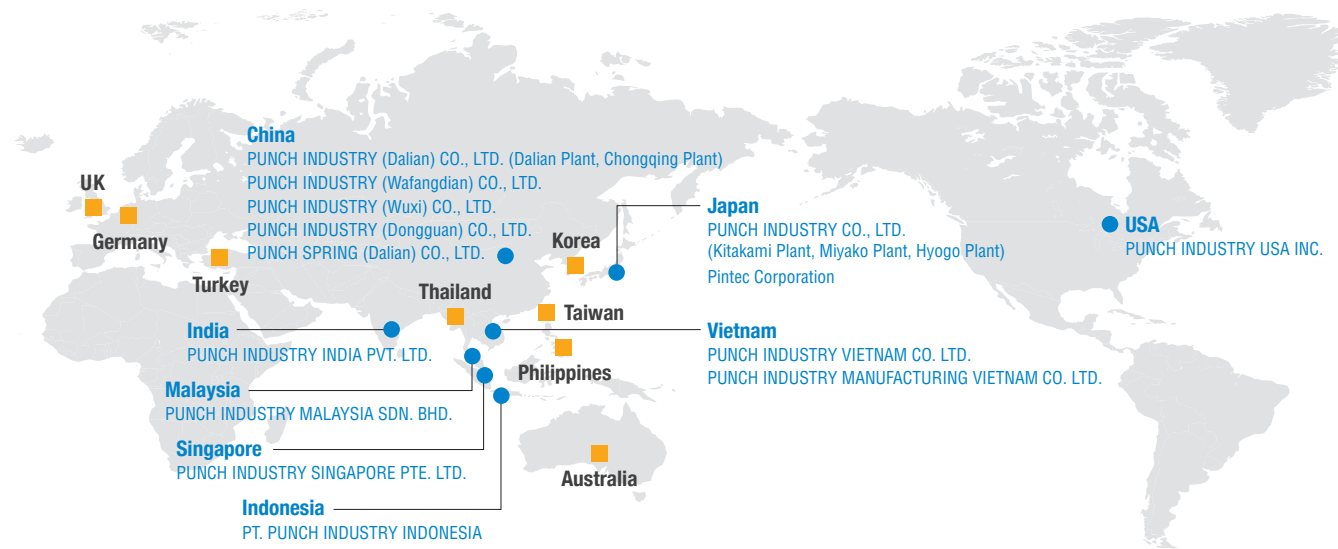


The Punch Group's Network

● Group companies ■ Sales offices



Introduction to Company Website and IR e-Magazine

■ Company Website



Top page

Investor Relations

The Punch Industry website contains various information, including Company Overview, Business Overview, and Investor Relations information.

<http://www.punch.co.jp/english/>

■ Inquiries

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Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements regarding Punch Industry's future plans, strategies, and forecasts. Such statements are not based on historical fact, but are expectations, estimates, and forecasts based on information currently available. These expectations, estimates, and forecasts involve many potential risks and uncertainties, including changes to the economy, exchange rate variations, changes in the competitive environment, the outcome of current or future litigation, or the continued usefulness of capital procurement. As a result, actual business results may differ materially from these statements. Accordingly, investors are cautioned not to place undue reliance on forward-looking statements. Punch Industry is not obliged to amend these forward-looking statements based on new information or future events.

■ IR e-Magazine



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(Japanese language only)

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ANNUAL REPORT 2018

SUPPORTING PRODUCT MANUFACTURING AROUND THE WORLD



Supporting Product Manufacturing around the World



Management Principles

Driven by the spirit of innovation, we will continue to develop and propose advanced technologies in response to customer needs, for the benefit of society.

We will create a vibrant corporate culture that fulfills people's dreams, by placing high value on vigorous energy and flexible ideas.

We will contribute to social development by embracing the spirit of environmental consideration and compliance and promoting sound corporate activities that are appreciated by society.

Corporate Vision

We aim to become the leading brand in the mold and die components industry and achieve high profitability by leveraging our competitive advantage as a comprehensive manufacturing and sales company.

Business Fields

Molds and dies are necessary for making automobiles, electronic equipment, and consumer electronics—essential items in our daily lives—swiftly, uniformly, and in mass quantities. The Punch Group makes the components that constitute such molds and dies. Deploying strengths amassed over 40 years—advanced technological capabilities, product quality, and meticulous services—we support global manufacturing and people's comfortable lives.

Components for Plastic Molds

Plastic molds are used in the manufacture of many plastic products, such as the outercasings of smartphones and digital cameras. Each product is made by heating resin until it melts, injecting the melted resin into a die mounted on an injection molding machine, and then allowing it to cool and solidify. The Punch Group manufactures and sells components used in these molds.

These are what the Punch Group makes!



Key product : Ejector pins

Ejector pins are used to eject and release the molded body from a mold.



Key product : Core pins

Core pins are used to mold parts. Core pins shape and engrave the portions of the part which they penetrate.

Components for Press Dies

Upper and lower press dies are fitted to a press machine, which moves up and down. Sheet metal is inserted between the two dies, which are then pressed together to form a product that takes the same shape as the upper and lower dies. The Punch Group manufactures and sells components used in these press dies.

These are what the Punch Group makes!



Key product : Punches

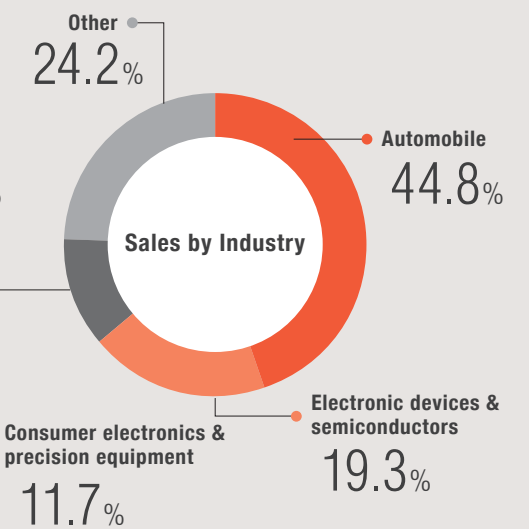
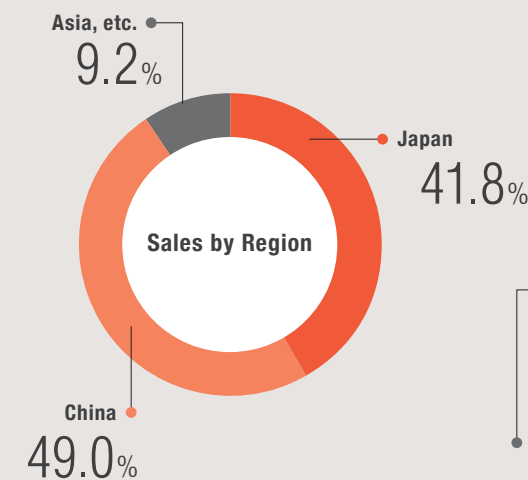
As key components for press dies, punches are used to make holes in and/or engrave designs on sheet metal. Punch Industry derives its name from these products.



Key product : Holder guide posts

Holder guide posts are used to correctly align the upper and lower press dies.

Performance Highlights



Net sales

¥ 41.0 billion
+11.9%

Operating profit

¥ 2.8 billion
+42.8%

Ordinary profit

¥ 2.7 billion
+45.7%

Profit attributable to owners of parent

¥ 1.7 billion
+30.0%

Financial Information

(Millions of yen)

	3/2015	3/2016	3/2017	3/2018
Net sales	34,392	36,755	36,648	41,025
Operating profit	1,724	1,986	1,990	2,843
Ordinary profit	1,617	1,666	1,874	2,731
Profit attributable to owners of parent ^{*1}	1,188	1,249	1,375	1,788
Earnings per share (yen) ^{*2}	130.91	112.94	62.49	81.61
Total assets	29,623	27,337	29,451	32,560
Net assets	14,205	13,999	14,176	16,174
Net assets per share (yen) ^{*2}	1,283.75	1,264.64	646.25	736.64
Return on equity (ROE) (%)	10.1	8.9	9.8	11.8
Net worth ratio (%)	47.9	51.2	48.1	49.6
Net cash provided by operating activities	1,805	3,187	1,785	3,393
Net cash used in investing activities	(1,180)	(1,159)	(2,770)	(2,335)
Net cash provided by (used in) financing activities	1,013	(1,901)	1,199	(738)
Free cash flow	624	2,028	(985)	1,058

^{*1} Fiscal year ended March 31, 2015: Net income

^{*2} On January 1, 2018, the Company implemented a 2-for-1 split of shares of common stock. Figures in the above table are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 2017.

Establishing a mass production system for high value-added products, and moving to the next stage for our growth

Fiscal 2017 was the second year of our mid-term business plan, “Value Creation 2020,” designed to help the Punch Group respond swiftly to changing business conditions and deliver steady growth. Over the year, our results greatly exceeded the plan. I feel that specific measures promoted by the Group as a whole are steadily taking shape, and am very satisfied with our performance.

Masaaki Takeda
 Representative Director
 President
 Chief Executive Officer



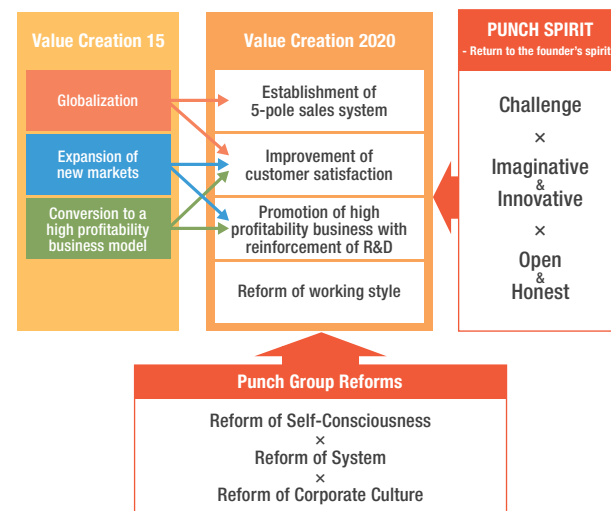
Fiscal 2017 in review

During the year, we made steady progress with various measures establishing mass production systems for high value-added products in new fields, which we have been advancing in both Japan and China. As a result, we posted a significant year-on-year increase in revenue.

Regarding income, the increase in net sales contributed greatly to earnings growth thanks to our business structure featuring a high marginal profit ratio. Our shift towards high value-added field also led to improvement in the cost to sales ratio, leading to a dramatic jump in income despite an increase in expenses stemming from forward-looking investments. Consequently, we greatly exceeded our targets for the second year of our mid-term business plan, “Value Creation 2020 (VC2020).”

The launch of the Vietnam Plant, a major management priority under VC2020, is taking more time than expected owing to our ambitious approach to embracing new challenges. However, we are making steady progress and feel that fiscal 2017 was a year to underscore good results.

Linkage of Priority Initiatives of “Value Creation”



VC2020: Establishment of 5-pole sales system

In Japan, we benefited from recovery in automobile-related sectors and good results in sectors related to electronic devices and semiconductors. We also made steady progress in strengthening our production system for food-, beverage-, and

medical-related products, on which we are focusing as high value-added domains. This helped stabilize our ordering and production systems, which helped underpin significant growth in net sales.

In China, automobile-related products were once again the main performance driver. We also enjoyed healthy sales of electronic devices and semiconductors, and our high value-added products achieved growth on a par with Japan. Responding to healthy orders, we expanded the Dalian Plant to solve physical issues related to production capacity. Having started full-scale operations in May 2018, we will accelerate the development and production of high value-added products.

In other regions, our global sourcing (optimum procurement) system, which we set up in Malaysia to allocate procurement to suitable production bases, had a positive impact. Deploying this system, we have been successful in strengthening collaboration with sales distributors and the like, leading to double-digit sales growth in Europe for consecutive two years. In conjunction with these activities, the business scale of PUNCH INDUSTRY MALAYSIA SDN. BHD. has been steadily expanding. In addition, our joint venture sales company in Indonesia achieved profitability and gradually grew. In the United States, where we established a sales company in April 2017, the number of orders has steadily increased. We aim to continue

expanding the breadth of our business by deploying our customer-focused sales and marketing system, a key strength of the Punch Group, while meticulously deepening ties with existing customers and cultivating new ones.

VC2020: Improvement of customer satisfaction

In addition to improving customer satisfaction in quality, cost, and delivery, we will expedite new initiatives aimed at achieving our ideal business future five to ten years down the road.

One initiative is our digital engineering services. Pursuing various initiatives over the past two years, we have expanded from reverse engineering—which here means restoring an object to its originally envisaged form—into business fields that use shape-measurement data in multiple ways. Accordingly, we changed the name of these offerings to “digital engineering services.” Many customers need these services, and orders are increasing as a result. We are making upfront investments, as we expect this business to play a very important role in our plan to establish a targeted solutions business in the future. Consequently, we will continue working to enhance our order-response capabilities and increase reputation in the market.

VC2020: Promotion of high-profitability business with reinforcement of R&D

With respect to food- and beverage-related products, which we are emphasizing as highly profitable businesses, we have done well in Japan especially with plastic bottle manufacturing products, and in China with can manufacturing products. We will step up these initiatives while deepening ties with our customers. In the medical-related field, we are working to reinforce R&D due to the increasingly sophisticated levels of technology required in recent years.

Establishing the Vietnam Plant will be pivotal to making progress with these initiatives in Japan and China.

In Phase 1, at the Vietnam Plant, we started manufacturing semi-finished products that had previously been manufactured in China, representing a major step toward optimizing Group production and reducing costs. In Phase 2 which will be starting later, we will transfer the manufacture of some finished standard products, currently made in Japan, to the Vietnam Plant. Then, we will allocate vacant space at each of our plants in Japan and China to reinforce R&D on high value-added products and strengthen production capacity to bolster orders.

Our greatest challenge in getting the Vietnam Plant operation is “people.” This means “people” who work at the production site and “people” who provide education and guidance and aim to establish a system free of inadequacies and omissions from both of those perspectives. In fiscal 2018, we will focus on human resource development while strengthening support systems from the Japan side to achieve a successful completion of Phase 1. This will lead us into the smooth start of Phase 2, during which

we will make finished products and reinforce production capacity at the Vietnam Plant.

We will also promote measures in aerospace-related sectors to expand business in industries less susceptible to economic fluctuations, and expected to grow in the future.

As one catalyst for the next stage of our evolution, we have obtained certification under the JIS Q 9100:2016, the quality management standard for the aerospace industry. This will strengthen our negotiating position. Most importantly, embracing challenges in these areas will increase opportunities to work with new materials and raise interest in novel development themes, which will potentially lead to broader business opportunities. Going forward, we will continue our strategic offensive with the Punch Group’s accumulated and developing technologies, narrowing our areas of focus.

VC2020: Reform of working style

We have been implementing initiatives to enhance awareness about the need for working-style reforms while adopting a bottom-up approach of helping employees realize their aspirations. Some themes have proven effective and are moving in a positive direction. However, there are limitations to the bottom-up approach. As society undergoes changes at an accelerated pace, we need to reaffirm the significance of the reforms and present a clear vision while pursuing top-down initiatives to further stimulate transformation.

Outlook for fiscal 2018

We have not changed our targets for year-on-year increases in revenue and earnings despite the viewpoint in some circles that business growth is slowing down compared with fiscal 2017.

Although the Japanese market is not on a growth trajectory, we plan to improve performance by stepping up efforts to promote new high value-added products. In China, we look forward to business growth somewhat larger than economic growth. We are taking a slightly restrained approach in light of various factors, including U.S.-China trade relations and foreign exchange risk, as well as geopolitical issues such as the situation with North Korea.

As for other regions, our business volumes remain small in Europe and the United States. Nevertheless, we will cultivate new businesses and continue making investments with an emphasis on marketing tailored to individual markets. In addition, we will carry out upfront investments in establishing a production system for Phase 2 of the Vietnam Plant, which will start in fiscal 2019. Through these aggressive investments, together with the associated depreciation expenses, the year-on-year increase in profits will be slight.

Fiscal 2018 is a year of important preparations during which we will act aiming at achieving the targets for fiscal 2020 set under VC2020, and making greater strides thereafter.

Beyond VC2020

Under VC2020, we aim to establish a new production system for the entire Group, starting with the Vietnam Plant. However, our

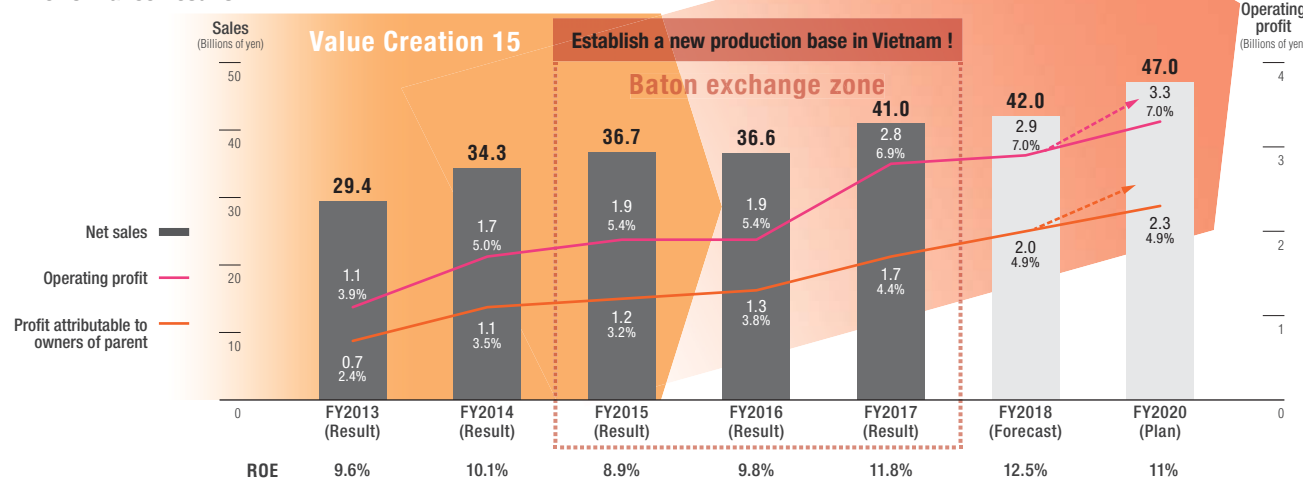
goal of sustainable growth does not end there. We need to make renewed capital investments and strengthen R&D at our other production bases, including in Japan, China, and Malaysia.

At the same time as the full-scale operation of the Vietnam Plant, we will initiate a comprehensive discussion from fiscal 2018 through fiscal 2019 to decide the best direction for optimizing our production system. Here, we will adopt a global approach based on a 10-year time frame, taking into account measures we will take in each region. In the lead-up to 2025, when we celebrate our 50th anniversary, we will continue discussions for formulating our next mid-term business plan, while considering how to further energize our in-house systems.

Punch-style governance system

For nearly 10 years since we started preparing for public listing, we have been promoting the improvement of governance mechanisms and systems, striving to raise the level of the systems. As part of this, we are reaffirming and entrenching the “Punch Spirit”—with the key words “Challenge,” “Imaginative & Innovative,” and “Open & Honest”—which embodies the aspirations of our founder and illustrates our proactive governance approach that actively supports challenges and encourages innovation. It is important that we combine defensive and offensive governance approaches to achieve sustainable growth. By defensive governance, we mean fulfilling our social responsibilities and ensuring legal compliance, with the perspectives of all stakeholders in mind.

Performance Results



Concluding message to stakeholders

Five years have passed since we publicly listed our shares in December 2012, in order to realize “The World’s Punch.” We attribute the progress we have made so far to all of our stakeholders, and we are very thankful. Although the mold and die components industry is inconspicuous, we aim to be a group with a global presence—a highly profitable one that shines brightly from the sidelines and promotes prosperous lives for people around the world.

We look forward to the continued support of all stakeholders.



We will swiftly optimize the Group's production system with the aim of increasing our capacity to supply high value-added products.

Yasuhiro Sanada

Director
Managing Executive Officer
Chief Operating Officer



Production system creating added value (Japan)



Dalian Plant (China) where expansion was completed



Purposes of plant expansion

- Establish a line of strategic products
- Increase space for R&D
- Secure space for further expansion of facilities in the future

Installation status of new equipment

- Food- and beverage-related equipment installed

Content of R&D

- EV-related, aerospace-related, etc.

Establishing a five-pole sales system

Japan

In addition to posting increased orders for electronic devices and semiconductors, we focused on initiatives in new fields, including those related to food and beverages. Since fiscal 2016, we have established a production system to manufacture multi-cavity products at the Kitakami Plant and Miyako Plant.

We are also taking steps for the in-house production of molds and dies previously made by our customers who are dedicated manufacturers. To achieve this, we introduced equipment designated by them into our plants, and receive direct technical guidance from those manufacturers in production. Such outsourcing projects are steadily increasing, and we are receiving positive feedback from customers, whom we are targeting as partners. We also believe that acquiring such new technologies will play a positive role in accessing new opportunities.

China

We completed relocation of equipment to the new Dalian Plant to expand orders for can manufacturing products and other high value-added products, and strengthen our production system for special-order products. In the former plant, we will bring together manufacturing lines, which previously were dispersed, and expand production lines for special-order products. These efforts towards layout changes and production increase are expected to deliver maximum operational benefit in October 2018 onwards.

To increase the number of orders of high value-added products, we are advancing initiatives based on our strengths. Specifically, our R&D Department has started making prototype samples for evaluation by customers, leading to an increase in the number of cases earmarked for production.

Southeast Asia and India

In Vietnam, where we have started supplying semi-finished products, we are proceeding with preparations to manufacture finished products. Manufactures of appliances, like air conditioners and refrigerators, are making successive inroads into Vietnam in line with that nation's economic growth, and the market is growing as a result. Following an increase of production capacity targeted under VC2020, we will draw on our experience in mass production of mold and die components for appliances in Japan and China, and move to the next phase to capture demand for such items.

In Malaysia, where the benefits of global sourcing are increasing, we are dramatically improving productivity as the corporate culture of the Punch Group resonates.

The United States

In the year since we established our U.S. sales company, orders from new customers have steadily increased, underscoring good progress. Although it is difficult to predict the future due to current trade issues between the United States and China, we will further strengthen cooperation with Japan and China, and aim for steady growth.

Europe

In Europe, sales are growing faster than planned, thanks to friendly relationships we have with multiple sales agents in Germany. We believe that sales activities with close customer ties are more necessary than ever for obtaining opinions from local customers, and reflecting them in our plants. For this reason, we will continue strengthening relationships with sales agents while considering the establishment of a local subsidiary.

Increasing supply capacity through optimization of the production system

Our customers are increasing at an accelerated pace alongside worldwide growth in demand for molds and dies. Currently, the Punch Group has a world-leading production capacity in terms of scale, enabling it to supply a comprehensive range of items, from standard mold and die components to special-order products and multi-cavity products. While we have strengthened our production systems to date, we continue to operate at full capacity. As the number of production plants increases, we can earn the trust of customers, but not properly meet their needs. Through global sourcing, we are expanding sales channels in the United States and Europe, but the main sources of supply are still Japan and China, so we need to increase our supply capacity. With the Vietnam Plant as a starting point, we are optimizing our Groupwide production system. In addition, we will consider capacity upgrades at each production base as a priority of our next mid-term business plan.

The smooth launch of the Vietnam Plant is essential to increasing capacity, and fostering human resources is key. We are undertaking rigorous, in-depth educational activities—from training new people, to education on production and product quality—in a Punch style. These activities have been well-received in the field, leading to good outcomes. We will send instructors from Japan to the site to complete relocating the semi-finished manufacture of products in the second half of fiscal 2018. In the meantime, we will prepare to start manufacturing finished standard products in fiscal 2019.

Focus on high value-added products and highly profitable businesses

While we have a corporate vision of becoming a highly profitable company, I believe that a company that can post a gross margin in excess of 40% is definitely highly profitable. For this, we need to quickly relocate production of standard items currently made

in Japan to the Vietnam Plant and focus on high value-added products. In light of the declining workforce, we must build a production system that makes full use of people without being overly dependent on them. To this end, we hope to actively introduce automated equipment, as well as IoT and AI technologies.

R&D and new technology development

As we speed up product development as a matter of course, we will launch initiatives in the ultra-precision field as new challenges. In addition, we have uncovered new R&D themes through our expansion into aerospace-related fields, and we will accelerate efforts to deliver further high added value.

Our future-oriented digital engineering services have gradually increased in popularity, and large projects began in fiscal 2018. Our customers have very high expectations, and success in this will greatly impact our future performance, so we aim to build a solid track record.

Importance of quality control to support product manufacturing

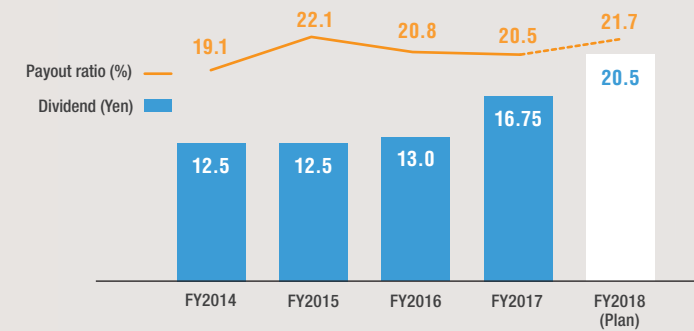
It is our obligation and responsibility as a manufacturer to supply high-quality products that customers can use with peace of mind. The Punch Group rescinded its ISO 9001 certification for quality management systems in 2010 and switched to its own Punch Quality Management System (PQMS). However, we have started activities aimed at obtaining the fiscal 2015 version of ISO 9001 certification. This is because a revision of ISO 9001 in fiscal 2015 brought that standard to a higher level of quality management, and we wanted to increase awareness about the importance of quality.

While implementing large-scale strategic investments, we will maintain our upward income trend. Our aim is a double-digit operating profit ratio in the near future.

Takao Murata
 Director
 Senior Executive Officer
 Chief Financial Officer



Dividend Per Share and Payout Ratio



Fiscal 2018 dividends

Interim and year-end dividends of ¥10.25/share each
 = Annual dividends of ¥20.50/share
 (up ¥3.75 from FY2017)

On January 1, 2018, we implemented a 2-for-1 stock split. Dividend calculations for each fiscal year assume that the stock split was implemented at the beginning of fiscal 2014.

Revenue and earnings increases greatly exceeding our plan

In fiscal 2017, consolidated net sales increased approximately ¥4,400 million year on year, while gross profit rose ¥1,217 million, and enhanced capacity utilization of plants in Japan and overseas had a ¥249 million positive effect on cost of sales. However, a rise in selling, general, and administrative (SG&A) expenses had a ¥613 million downward impact on profit. As a result, overall earnings increased ¥852 million year on year. The main driver of our revenue growth was China, where our sales increased in excess of the local economic growth rate. At our production bases in Japan and China, we emphasized the manufacture of high value-added special-order products while making capital investments, which helped improve the cost of sales ratio. The increase in SG&A expenses stemmed mainly from R&D expenses, as well as capital investments and personnel increases in the new field of digital engineering services. Despite significant increases in revenue and earnings, we have not achieved our ultimate target for profit ratio.

The increase in earnings pushed return on equity (ROE) to 11.8%, ahead of our target under VC2020. For our next step, we are targeting a double-digit figure for return on assets (ROA), which was 6.6% in fiscal 2016 and 8.8% in fiscal 2017. To achieve this, we need to raise our operating profit ratio to double digits from the current 6.9%. Accordingly, we will implement our high value-added strategies and reduce costs, while forging ahead with efforts to improve the productivity of the sales and control departments to maintain earnings growth to achieve double-digit operating profit ratio in the near future.

Financial position

Our achievement of record-high operating profit considerably contributed to our financial position. Although we made capital investments of ¥2.8 billion, which greatly exceeded annual

depreciation of ¥1.6 billion, we were able to reduce interest-bearing debt by ¥0.5 billion. Net funds also declined to minus ¥2.5 billion, bringing us a step closer to becoming a debt-free company, despite various investments. Compared with when our interest-bearing debt was over ¥10 billion and our financial base was evaluated as weak, our current financial base has truly stabilized. However, there is room for further streamlining in areas such as inventories and accounts receivable. We will forge ahead with these efforts while also further improving capital investment efficiency to maintain a stable financial position.

Capital investments and depreciation

In fiscal 2018, we plan to make capital investments of around ¥3.2 billion, including in Phase 2 of the Vietnam Plant, with about ¥1.8 billion in depreciation expense. Combined with ¥2.9 billion in fiscal 2016 and ¥2.8 billion in fiscal 2017, this will bring total capital investments under VC2020 to around ¥8.9 billion. Given total planned capital investments of ¥14 billion under VC2020, ¥5.1 billion is available for further investment.

By region, ¥2 billion of the ¥14 billion was earmarked for Vietnam and several hundred million to Malaysia, with the remainder going to Japan and China. Our plan is to upgrade production facilities in China in the first half of fiscal 2018, and Japan in the second half.

Since we plan to make ongoing growth-oriented investments, the trend of capital investments greatly exceeding depreciation will continue for the time being. It is extremely important that increases in earnings continue to exceed rises in depreciation despite making these investments. For this reason, we will advance with a firm emphasis on investment efficiency and recoverability of investments.

Efforts to improve assets turnover

We are steadily improving the turnover rate of non-current assets and accounts receivable. The non-current assets turnover rate has improved year by year, from 3.23 times five years ago to 3.78 times in fiscal 2017. This is the result of widespread in-house efforts related to recovery of investments.

However, the turnover rate for accounts receivable has improved slightly. The main factor here is growth in sales to the automobile industry, known for its long recovery period, particularly in China. We are confident that awareness about debt collection is proliferating at our sales bases, not only in Japan but also in China, Southeast Asia, India, and elsewhere. Now is the time to consider our next move.

Fiscal 2017 cash flows and intended uses

In fiscal 2017, net cash provided by operating activities amounted to ¥3.4 billion, boosted greatly by record-high profit, as well as depreciation. Net cash used in investment activities totaled ¥2.3 billion, bringing the net free cash inflow to ¥1.1 billion. Net cash used in financing activities was ¥0.7 billion, mainly reflecting the repayment of interest-bearing debt. As a result, cash and cash equivalents at fiscal year-end were ¥0.4 billion higher than the year prior.

Going forward, we will use cash to enhance shareholder return through growth investments and dividend payments. We believe that growing the Company and earning a positive evaluation from the stock market will satisfy our shareholders more than cash dividends, so we will continue making proactive investments in growth.

As for dividends, we aim to gradually raise the payout ratio from the current 20% level while maintaining annual increases accompanying profit growth. In fiscal 2017, the profit exceeded our forecast, so the payout ratio was lower than expected.

Nevertheless, we will continue targeting increases in revenue, earnings, dividends, and the payout ratio to establish a foundation for maintaining a robust financial position. Having achieved that, we will consider other measures to increase the value of our shares, including share buybacks.

Attracting, fostering, and energizing human resources and reforming working styles

In addition to financial matters, I have a bird's-eye view of administration. I recognize that our most important management priority is to attract, foster, and energize human resources. To this end, we established the Punch Academy last year. In addition to training new employees, the Academy has achieved positive results in other areas, such as stratified training for employees and manufacturing-related training for sales employees. Veteran employees set to leave the front lines serve as instructors. We will continue using the Punch Academy to implement various measures to expand the range of training activities.

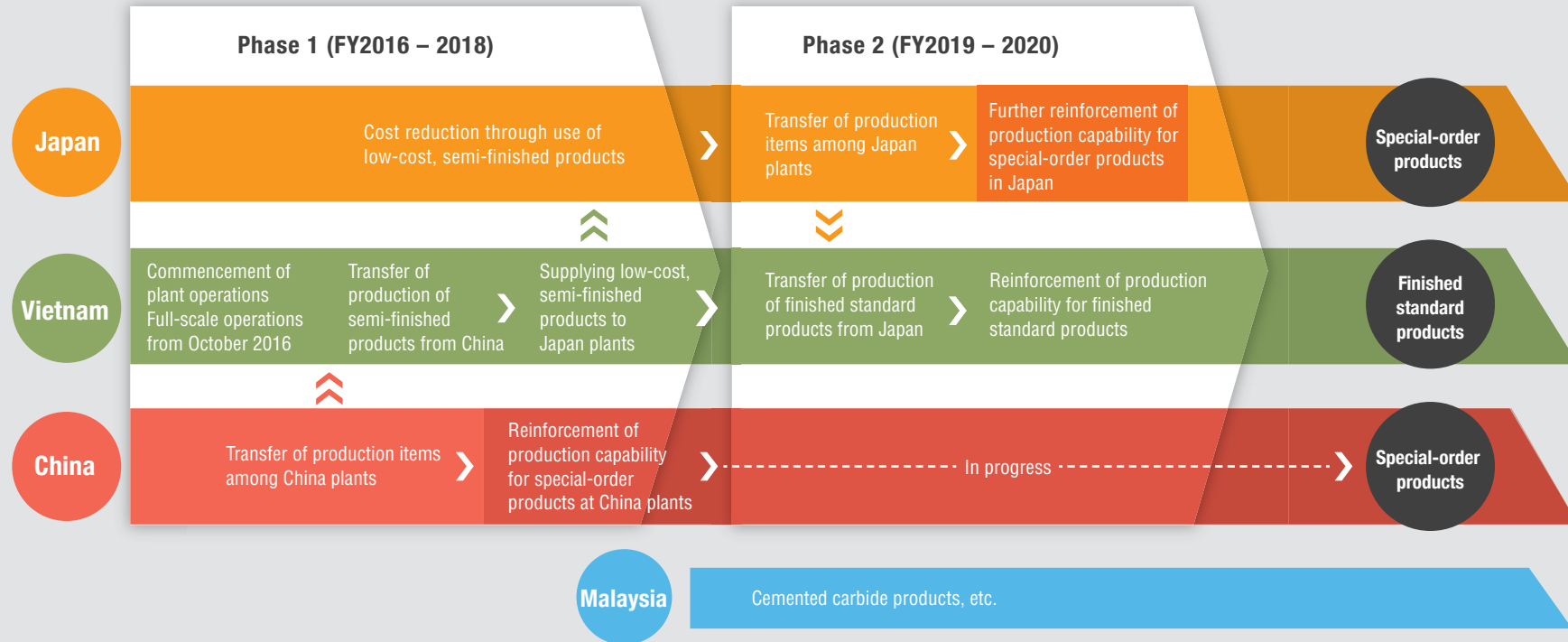
We strive to energize our human resources through working-style reforms. Thanks to the grassroots activities of our Working-Style Reform Committee set up in 2016, we have seen progress in modifying employees' awareness about making changes for self-improvement, and I feel that communications between layers of the Company have opened up. For the next step, we will elevate these initiatives by one level, and consider how to incorporate them in Groupwide activities. In fiscal 2018, we introduced a new personnel evaluation system, as well as a new work-at-home system. We also added internal regulations that require employees to take five days of paid vacation annually—one year ahead of the passing of Japan's "Work Style Reform Bill." In these and other ways, we are making good progress to reform working styles.

Special Feature

Moving toward a foundation of high profitability while establishing a five-pole sales system by accelerating growth through reinforcement of special-order products, with the Group's new production system as the cornerstone

Under VC2020, we strive to strengthen production of special-order products that leverage the competitive advantages of the Punch Group's integrated manufacturing system. We aim for high profitability and sustainable growth by strengthening our overseas sales structure through the establishment of our five-pole sales system while balancing the production system with sales and marketing activities.

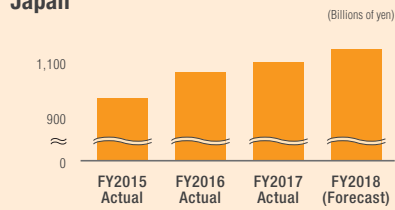
Optimization of production system



Establishment of a five-pole sales system

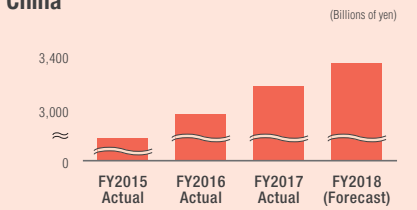
Mold and die market trends and initiatives in each country

Japan



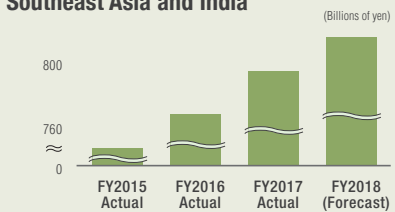
- Strengthen orders in the robust electronic device and semiconductor sectors
- Proactive efforts in new fields, such as the food and beverage sector

China



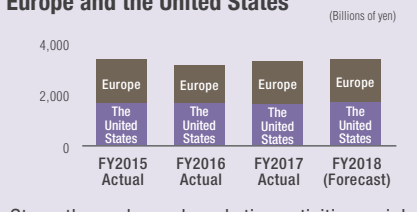
- Work on high value-added products and reinforce production of special-order products at Dalian Plant, which began full-scale operations in May 2018 after expansion was completed

Southeast Asia and India



- Carry out optimization of the Punch Group production system starting at the Vietnam Plant, expand export business to Europe and the United States, and establish our position in growth markets

Europe and the United States



- Strengthen sales and marketing activities mainly for special-order products in sectors including electronic devices and medical in the United States
- Further expand sales channels in Europe and the United States utilizing the Global Sourcing Department that allots procurement to the most suitable production facilities

Initiatives in each region

Japan

Japan accounts for over 40% of our sales. In addition to strengthening orders in the robust electronic device and semiconductor sectors, we are stepping up efforts in new, high value-added fields, such as the medical sector and the food and beverage sector, which is diversifying with plastic bottles. Punch Industry's strength in proposal-based sales that capture customer needs, along with a flexible and stable production system, are essential to our business. We have therefore created a system capable of efficiently producing multi-cavity products at the Kitakami Plant and Miyako Plant.

Southeast Asia and India

Optimization of the entire Group production system is necessary to accelerate the development and production of special-order products in Japan and China. The Vietnam Plant will play a significant role in this process. It has already started supplying to Japan semi-finished items previously manufactured in China. The transfer of production is scheduled to complete on time, in the second half of fiscal 2018. We are also preparing to transfer production of some of the finished products currently manufactured in Japan, starting in fiscal 2019.

China

China accounts for approximately 49% of our sales. This is an enormous market with ever-growing demand, even though it already represents more than 30% of the world's mold and die market. Orders for the Punch Group are growing amid expanding demand for more advanced, high-precision mold and die components. In the medical sector, where demand is increasing, we are steadily providing products and seeing the effects of mass production. The new Dalian Plant began full-scale operations in May 2018. We will accelerate efforts at the facility for high value-added products such as can manufacturing products and step up reinforcement of special-order products to expand our market share and raise profitability.

The business in Malaysia is expanding steadily owing to growth in locally manufactured cemented carbide products and the addition of products manufactured in Japan and China through the establishment of the Global Sourcing Department.

In India, we are capturing demand for mold and die components in the growing automotive field. The second pillar of business involves efforts to establish cemented carbide components and plastic mold and die components in non-automotive fields.

The United States

Since the sales company started business in 2017, the amount of orders has accumulated steadily, including ones from existing customers combined with solid growth from new customers.

In Japan, we are bolstering efforts in high value-added fields such as the food and beverage and medical sectors, in addition to strengthening orders in the robust electronic device and semiconductor sectors. Following the transfer of production of finished standard products to the Vietnam Plant in 2019, we aim to reorganize the production system at each plant, while improving productivity and expanding production capabilities for special-order products through automation, etc.

We will actively embrace the challenge of creating value for new corporate growth over the next 10 years, as Japan's rapidly decreasing population, declining birthrate and aging society become a reality.

Akira Takanashi
Director
Senior Executive Officer
In charge of Domestic Businesses



Europe

Sales are expanding faster than planned based on our friendly relationships with German agents. Sales in Europe increased significantly, with double-digit growth for two consecutive years, via the Global Sourcing Department established in Malaysia.

Markets in Southeast Asia, particularly Indonesia and the Philippines, have seen double-digit growth year on year. We seek to cultivate new fields and further expand our market share through customer-focused sales and marketing activities, as we leverage our broad network that includes local subsidiaries and agents.

Customers in Europe place a high value on relationships based on trust. Long partnerships are expected once that trust has been won after providing high quality and precision. We will maintain good relationships with local agents and others, while continuing our efforts focused on maintaining and improving quality and delivery timelines.

Tetsuji Morikubo
Director
Senior Executive Officer
In charge of Corporate Strategy/
In charge of Southeast Asia



Technology

R&D and technology: the source of value creation for manufacturing companies

Kitakami Plant acquires JIS Q 9100:2016 certification

The Punch Group is pursuing efforts in the aerospace-related industry in line with reducing its exposure to changing economic conditions and expanding its dealings with companies in other sectors earmarked for future growth.

The Kitakami Plant obtained JIS Q 9100:2016 certification in May 2018 for the "Manufacture of compression pin of mold for aspherical lens." The certification is the international standard for quality management systems specific to the aerospace and defense industries.



Nurturing new businesses for future growth that creates new value

Digital Engineering Service MxM combining the latest 3D technology with Punch Industry's manufacturing capabilities

The reverse engineering business launched in 2016 was remade into the Digital Engineering Service MxM (Measuring x Multipurpose) in April 2018, as its field of business expanded, with a higher level of recognition and an increase in the number of orders.

MxM is a new engineering service centered on digital measurement. Punch Industry is promoting the service with its in-depth experience and extensive expertise in the manufacture of a wide range of mold and die components. Taking advantage of various precision-measuring techniques and data recording technology from contact methods to non-contact scanning, the service creates objects according to various specifications requested by customers and utilizes form measurement data in multiple applications, such as creating 3D CAD data, manufacturing components through reverse engineering, and as inspection data for quality assurance. These new manufacturing support services have been well received by customers.

Furthermore, we are making efforts to expand service facilities and consider overseas rollouts, due to the large number of customers requiring these services.



The website was also updated.

COLUMN

Received FY2017 Minister of Health, Labour and Welfare's Award for Excellent Human Resources Development at a Business Establishment

The Kitakami Plant received the Minister of Health, Labour and Welfare's Award for Excellent Human Resources Development at a Business Establishment.

The award is presented each year to promote human resources development by recognizing individuals who have made great contributions and business establishments that serve as a model to others with respect to implementing accredited vocational training or holding national trade skills tests.



Human Resources Development and Diversity

Fostering human resources to be the source of value creation

The Punch Group considers employees' development to be the strongest force driving the Group forward. We strive to provide meticulous, rank-specific training and development initiatives to encourage employees to embrace challenges as professionals, with the aim of ensuring that every employee can work enthusiastically, fully utilize their talents, and have a real sense of growth.

Fostering human resources and active roles for senior employees at Punch Academy

The Punch Academy was established in April 2017 with the primary aim of fostering human resources who are filled with the "Punch Spirit" and passing on to young employees the skills cultivated by the Group over the years. During fiscal 2017, 39 courses were held with 347 employees attending. Content included training for new employees, rank-specific training, improving skills, and manufacturing training for sales employees.

Veteran employees who are nearing retirement age serve as instructors who hand down techniques to the next generation. They move from the front lines of manufacturing to the front lines of education to take on the challenge of fostering human resources as a new mission.



Fostering human resources through Groupwide collaboration

The Punch Group as a whole is dedicating efforts to nurturing human resources. In particular, the China Group set up "Punch Classes" at vocational schools and supports the education of outstanding students.

We also share information about training methods and curriculum content among Group companies to make improvements.

Diversity initiatives

We, the Punch Group, believe we can further invigorate our corporate activities by bringing together human resources with various backgrounds and values, and ensuring that all employees can fully utilize their capabilities. Accordingly, we are actively striving to create a workplace where diverse human resources can work together, through measures such as promoting wider roles for female employees, recruiting foreign nationals, and hiring people with disabilities.

Punch Women's Forum (PWF)

The Group launched the PWF to consider the working styles of female employees and how to promote women's participation in the workplace. We held the first session in April 2018 with female managers from Japan and China in attendance. They exchanged opinions on topics including current issues and policies for future activities.



Supporting sports for people with disabilities

The 17th National Sports Festival for People with Disabilities: Smiling Faces of Love in Ehime was held in October 2017, following the National Sports Festival in Ehime. A Punch Industry employee participated in the 100-meter and 200-meter track and field events, winning the silver medal in both. He also gives talks at elementary schools and other venues to deepen understanding of people with disabilities and to raise interest in sports for the disabled.



Environmental initiatives

The Punch Group exhaustively considers the definition of "eco-friendly products" and rigorously examines them, under its environmental principle that plays a significant part in social development by protecting Earth's irreplaceable nature and developing eco-friendly products. We have acquired the Environmental Management System certification to promote continual improvement, as well as carrying out regular training and education to enhance employees' awareness of the environment.



Punch Industry has established its own eco-friendly mark for products that meet the RoHS Directive and other environmental laws and regulations. The mark appears in our product catalogs.

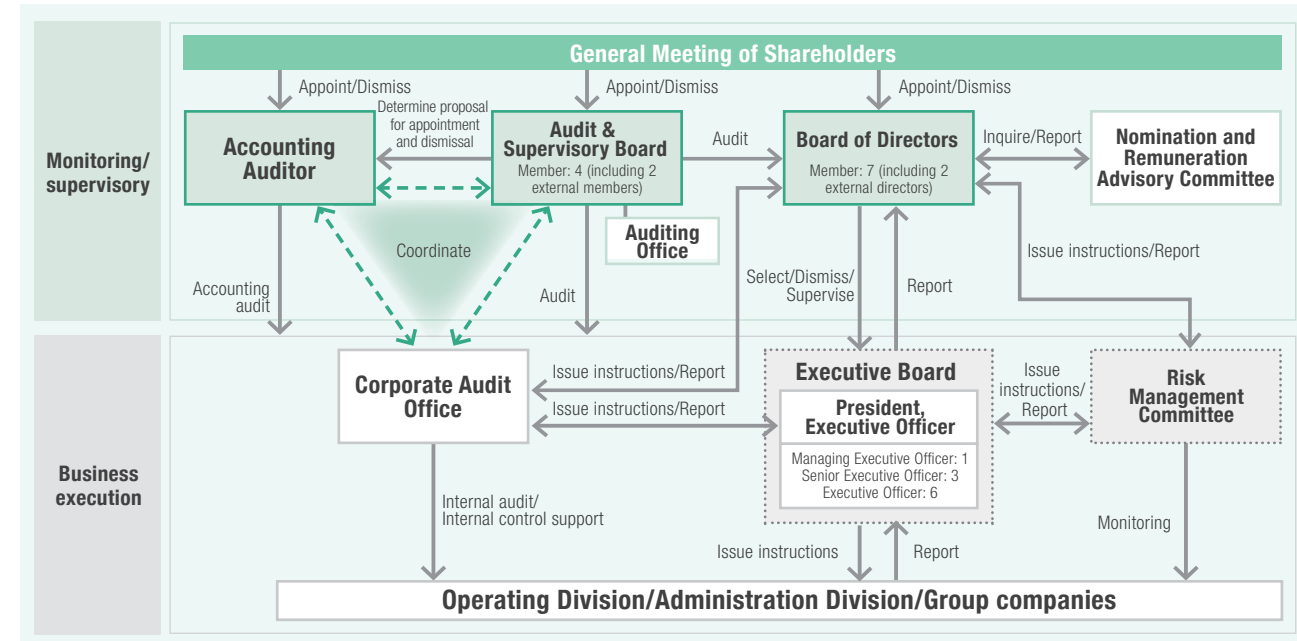
Corporate Governance

To continue being an entity that is highly regarded by society, the Punch Group will further improve the transparency and soundness of management by reinforcing corporate governance and maintaining rigorous compliance.

Basic Policy

The Punch Group makes dedicated efforts to enhance corporate governance practices to comply with laws and sincerely fulfill the corporate social responsibility, to ensure the soundness and transparency of management, to protect the interests of all shareholders, customers and other stakeholders, and to continuously increase the corporate value, under the following concepts:

1. Securing shareholders' rights and equality
2. Appropriately cooperating with all the stakeholders including shareholders
3. Ensuring transparency by appropriate information disclosure
4. Supervising business execution by the Board of Directors
5. Engaging in constructive dialogue with shareholders



1. Board of Directors & Business Execution Structure

Punch Industry has strengthened its executive officer system to separate the monitoring/supervision of management by the Board of Directors and executive functions of management and to enable prompt decision-making by management. We abolished titled positions for directors except for the chairman, and have adopted a system of selecting the president and titled executive officers from among the executive officers.

The Board of Directors is composed of seven directors (including two external directors), with five executive directors concurrently serving as executive officers. The Company has also established the Executive Board, composed of all its executive officers. This is the decision-making body for business execution, which engages in deliberation and makes decisions related to execution of business, including matters legitimately delegated by the Board of Directors.

2. Audit & Supervisory Board and its members

The Audit & Supervisory Board is composed of four members (including two external members). The Audit & Supervisory Board monitors the Company's governance practices and implementation status, and conducts an audit of daily activities, including the execution of duties by the directors. The external members are attorneys, and are responsible for monitoring management practices from the perspective of compliance. In addition, Punch Industry has established the Auditing Office and allocates dedicated staff to ensure smooth audit engagement.

3. Nomination & Remuneration Advisory Committee

Punch Industry sets the non-statutory Nomination and Remuneration Advisory Committee as an advisory body of the Board of Directors centering on external directors and external audit & supervisory board members to clarify basic policies and standards, and enhance fairness and transparency of decision-making process, for determining on the nomination and remuneration of directors and executive officers, and for determining the nomination of audit & supervisory board members.

4. Risk Management Committee

The Risk Management Committee, consisting of directors, full-time audit & supervisory board members, executive officers, and the chief of the Corporate Audit Office, works to establish, maintain, and improve the Company's risk management and legal compliance systems.

5. Remuneration of Board Members, etc.

The total amount of the remuneration of directors and audit & supervisory board members is approved by the General Meeting of Shareholders. The Board of Directors decides the specific amount of remuneration for each director upon the examination of appropriateness at the Nomination and Remuneration Advisory Committee, and the Audit & Supervisory Board decides the specific amount of remuneration for each audit & supervisory board member.

Compliance/Risk Management

The Company has established the internal audit divisions, that reports directly to the president and chief executive officer, which conducts regular audits regarding the state of compliance with laws and regulations, the Articles of Incorporation, and internal rules and regulations. The Company has also set up the Punch Hotline, an internal reporting system for reporting and consultations if compliance-related issues are discovered. Adhering to a set of rules on whistleblowing, we strive to uphold internal controls and improve the system of in-house checks and balances. Compliance education is also carried out via e-learning to ensure that all employees engage in appropriate and fair business activities.

Furthermore, the Company stipulates its basic policy and system for managing risks involved in operations in the Risk Management Guidelines and strives to deal appropriately with risk by enhancing this system. The Risk Management Committee, chaired by the executive officer in charge of risk management, met every quarter during fiscal 2017 to confirm the status of internal reporting and deliberate on issues and measures related to promotion of risk management across the Group, accurately understanding and evaluating risks and implementing appropriate control. The Board of Directors regularly receive reports about the results of the Committee's activities.

Establishment of Corporate Governance Office and Corporate Audit Office

We recognize that improving corporate governance will lead to an increase in corporate value. To date, we have appointed numerous external directors, taken initiatives to energize the Board of Directors, and sought to reform the executive remuneration system. Reflecting our belief that corporate governance will become increasingly important in the future, we established a dedicated Corporate Governance Office.

We also integrated the Risk Management Office, responsible for wide-ranging overall risk management, into the Internal Audit Office in fiscal 2018 and renamed it the Corporate Audit Office. By combining the resources of both organizations, we intend to strengthen the corporate governance system for internal audits and risk management in line with the globalization and diversification of our business.

Messages from External Directors

Aiming to enhance corporate value



Yukiko Mitsuhashi
External Director

The Corporate Governance Code seems to be making considerable inroads into Japanese companies. The Group does not follow the Code as a mere formality. We actively incorporate its intentions as well. For example, the Code places emphasis on the nomination and remuneration processes for officers. Accordingly, the Nomination and Remuneration Advisory Committee, centered on the external officers, engages in lively debate on this matter. To strengthen the monitoring function of the Board of Directors, a non-executive director serves as chairman of the Committee, and I have been elected chairman at this time. I will continue working to improve our governance structure to enhance corporate value.

Expanding operations while conducting business which prioritizes the front line



Kazuyoshi Tsunoda
External Director (New appointment)

I have experience in manufacturing, control, and management at a materials and components manufacturing company serving the electronics market. Using this experience, I aim to monitor management effectiveness to increase compliance, appropriateness, and efficiency. Aiming to help the Group expand its operations as a components company that supports consumers' lives through world-leading precision of processing technologies and services that customers love, as an external director, I plan to engage in compelling discussions while conducting business which prioritizes the front lines.

Honorary Chairman, Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 26, 2018)

Honorary Chairman



Yuji Morikubo
Founder, Honorary Chairman

Directors



Masaaki Takeda
Chief Executive Officer



Yasuhiro Sanada
Chief Operating Officer



Takao Murata
Chief Financial Officer



Akira Takanashi
Senior Executive Officer



Tetsuji Morikubo
Senior Executive Officer



Yukiko Mitsuhashi
External Director



Kazuyoshi Tsunoda
External Director

Audit & Supervisory Board Members



Norio Kitsui
Full-time Audit & Supervisory Board Member



Susumu Sugita
Full-time Audit & Supervisory Board Member



Ryoichi Ando
External Audit & Supervisory Board Member



Yoriatsu Matsue
External Audit & Supervisory Board Member

Executive Officers



Makoto Kume



Hiroshi Fujisawa



Hirohisa Morikubo



Hideki Kinumatsu



Minoru Kawano



Joji Kawasaki

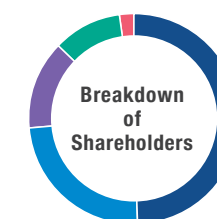
Company Profile (As of March 31, 2018)

Company name	PUNCH INDUSTRY CO., LTD.	Business	Manufacture and sale of mold and die components
Established	1975	Main banks	MUFG Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Trust Bank, Limited Resona Bank, Limited
Capital	2,897.73 million yen		
Number of employees	4,298 (consolidated)		
Head office	Omori Bellport E-5F, 6-22-7 Minami-oi, Shinagawa-ku, Tokyo		

Investor Information (As of March 31, 2018)

Stock Information

Total number of authorized shares	80,000,000
Total number of shares issued	22,122,400
Number of shareholders	5,321
Stock exchange listing	First Section, Tokyo Stock Exchange
Security code	6165
Number of shares per trading unit	100
Transfer agent	Sumitomo Mitsui Trust Bank, Limited
Accounting auditor	PricewaterhouseCoopers Aarata LLC



■ Individuals and others	10,978,258	49.62%
■ Financial institutions	5,326,100	24.08%
■ Foreign companies	3,004,997	13.58%
■ Other domestic companies	2,363,900	10.69%
■ Securities companies	449,145	2.03%

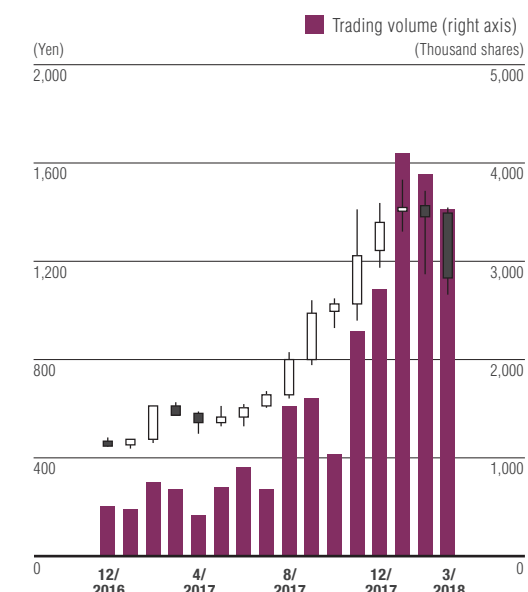
Note: "Individuals and others" includes treasury stock.

Major Shareholders (Top 10)

Name	Number of shares held	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,753,000	12.56
MT Kosan Co., Ltd.	2,180,000	9.94
Yuji Morikubo	1,644,000	7.50
Tetsuji Morikubo	1,300,000	5.93
Master Trust Bank of Japan, Ltd. (trust account)	1,035,700	4.72
Punch Industry Employees' Stock Ownership Scheme	978,000	4.46
BNYMSANV RE BNYMSANVDUB RE YUKI ASIA	747,500	3.41
Michiko Kamba	436,000	1.99
Japan Trustee Services Bank, Ltd. (trust account 5)	315,100	1.44
Mitsuo Nomura	300,000	1.37

Note: Treasury stock (200,098 shares) is excluded from calculations of "Percentage of shares held."

Stock Prices and Trading Volumes



* On January 1, 2018, the Company implemented a 2-for-1 split of shares of common stock. Stock prices and trading volumes have been adjusted retroactively, considering the stock split.