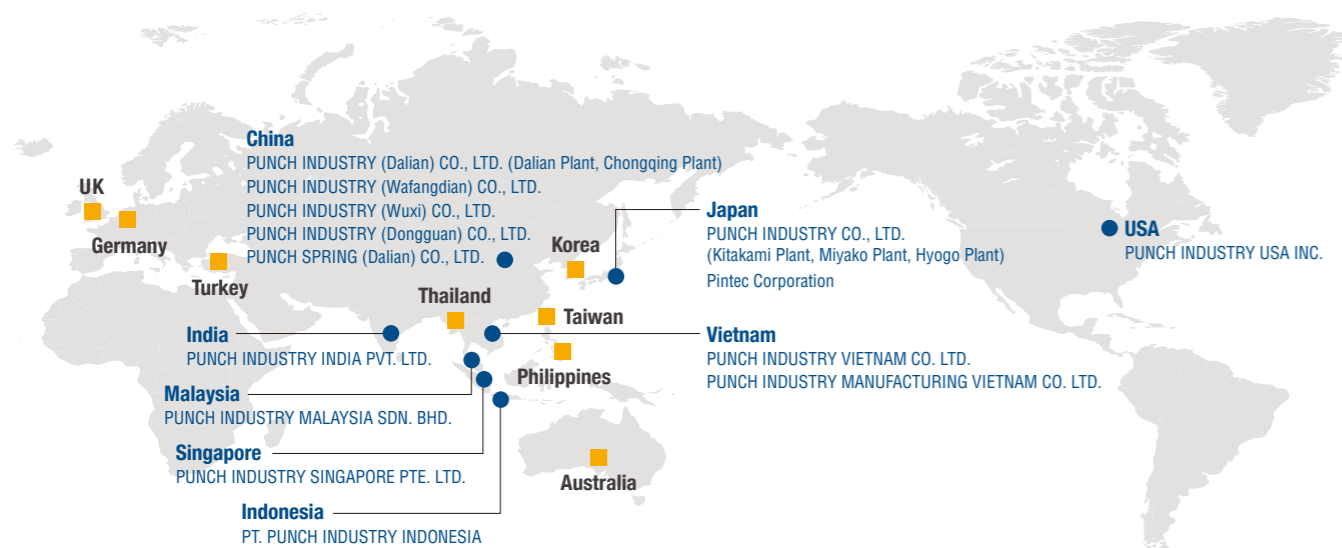


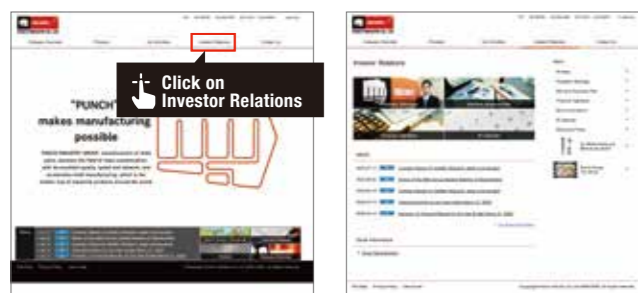
## The Punch Industry Group's Network

● 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.

<https://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.

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PUNCH INDUSTRY CO., LTD.

# ANNUAL REPORT

## 2022

### SUPPORTING PRODUCT MANUFACTURING AROUND THE WORLD

# PUNCH INDUSTRY



# 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 Industry Group makes the components that constitute such molds and dies. Deploying strengths amassed over the years—advanced technological capabilities, product quality, and meticulous services—we support global manufacturing and people's comfortable lives.

## Punch Industry Group's Strengths

### High customer satisfaction

#### Standard products

Abundant lineup of versatile standard products



#### Timely and precise solutions

#### Integrated production structure

Broad responsiveness with 2,000 machines

#### Customer-oriented sales structure

Finely tailored response and proposal capabilities

#### Special-order products

Flexible response to customized needs



#### Sophisticated technological prowess

Know-how accumulated since founding and unceasing R&D efforts

### 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 Industry Group manufactures and sells components used in these molds.

#### These are what the Punch Industry 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 Industry Group manufactures and sells components used in these press dies.

#### These are what the Punch Industry 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.



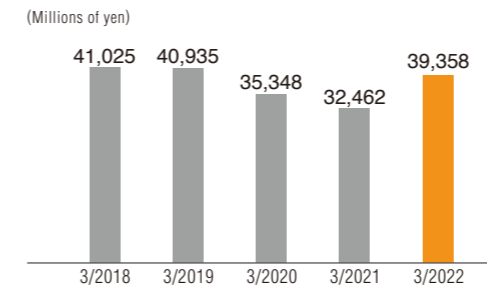
Key product

#### Holder guide posts

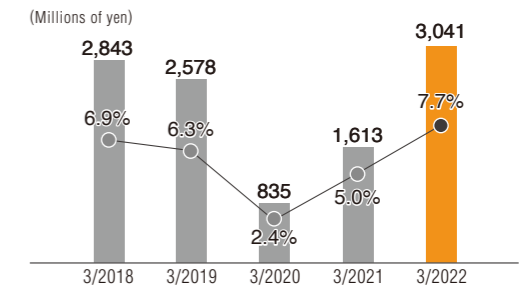
Holder guide posts are used to correctly align the upper and lower press dies.

## Performance Highlights

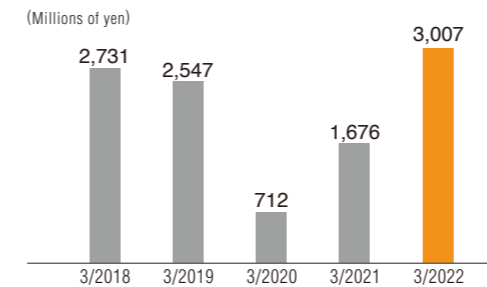
### Net sales



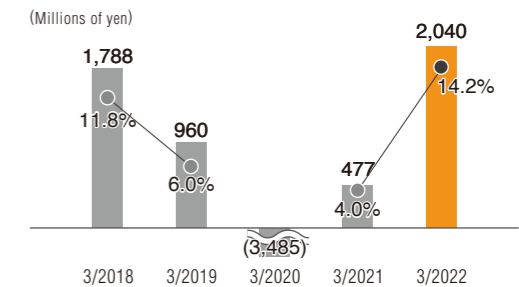
### Operating profit/Operating profit ratio



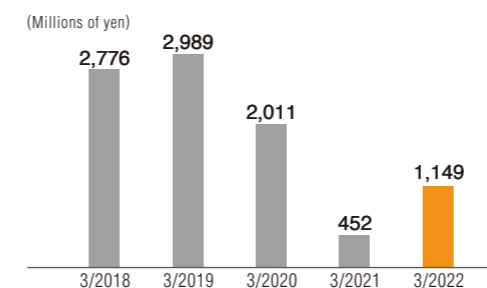
### Ordinary profit



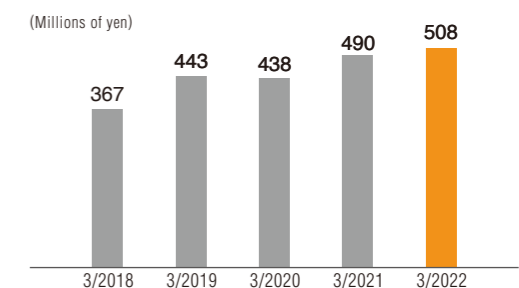
### Profit (loss) attributable to owners of parent/Return on equity (ROE)



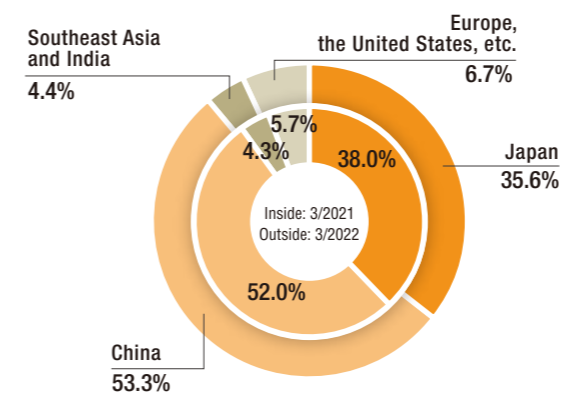
### Capital investments



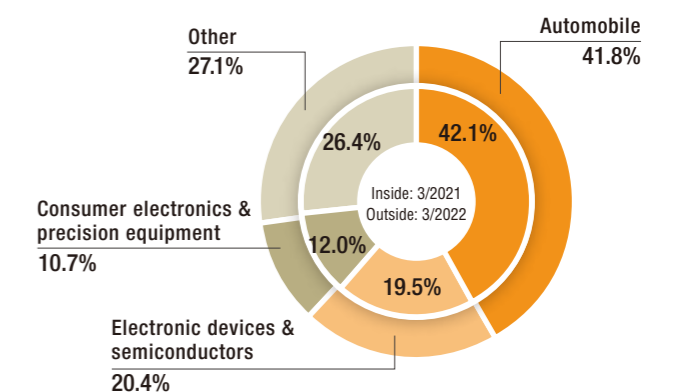
### R&D expenditure



### Sales by Region



### Sales by Industry



# Mid-Term Business Plans, Value Creation (VC): Transition from VC2020 Plus to VC2024

Our previous mid-term business plan, Value Creation 2020 Plus (VC2020 Plus) covering a two-year period, was designed to rebuild our business, which had deteriorated with the growing impact of trade friction between the United States and China. Although the plan got off to a difficult start amid the global COVID-19 pandemic, we achieved good outcomes in all four priority initiatives outlined in the plan: “Establishment of 5-pole sales system,” “Enhance customer-focused marketing capabilities,” “Optimize the global production system and strengthen R&D,” and “Working-style reforms and human resource development.” Under our new plan, Value Creation 2024 (VC2024) covering a three-year period, we will further deepen our efforts toward growth.

## Review of VC2020 Plus (April 2020–March 2022)

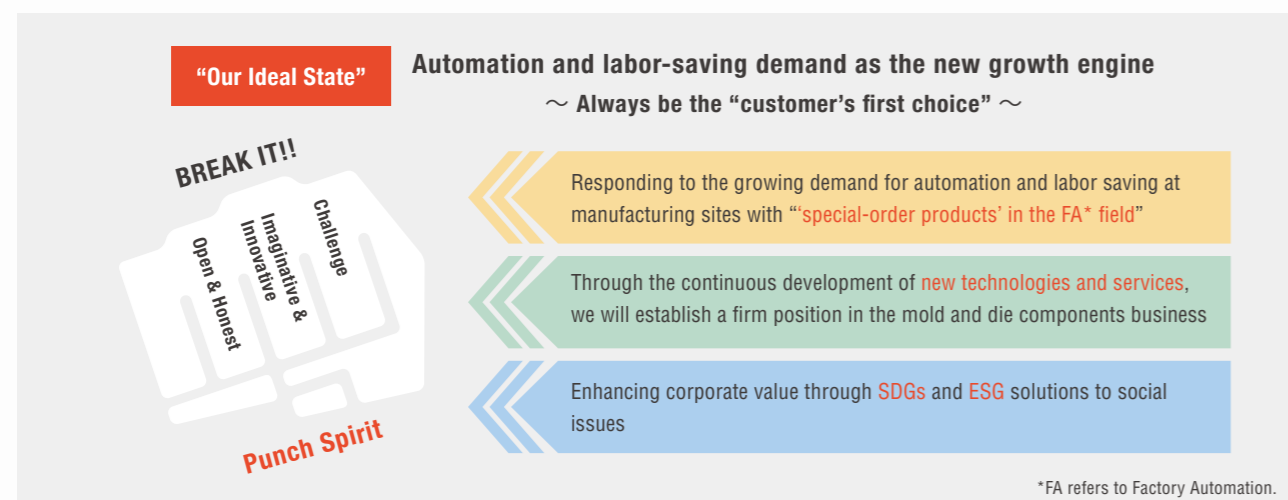
- Establishment of 5-pole sales system: We made steady progress in strengthening our presence in the Southeast Asian market, establishing a European sales structure, and expanding business partners in the Americas. As the world recovered from the COVID-19 pandemic, we reported sales growth in China, Southeast Asia, Europe, the United States, and other regions, while Japan also followed a recovery trajectory.
- Enhance customer-focused marketing capabilities: We worked to strengthen our sales proposal capabilities, including technical aspects, by relocating manufacturing department staff to sales offices in Japan. Due to COVID-19, however, we faced challenges with respect to visiting customers’ business sites. Nevertheless, we made good progress in improving our ordering system, which we expect will become operational in 2022.
- Optimize the global production system and strengthen R&D: Regarding optimization of our domestic production system for standard and special-order products, we transferred production of finished products to the Vietnam Plant, achieved the stabilizing production and turned a profit. Our focus on expanding medical-related sales also had very positive results. In addition, we made steady progress in strengthening R&D, especially for projects involving proprietary technologies.
- Working-style reforms and human resource development: We successfully introduced diverse working styles, including telecommuting, and made continuous efforts to promote women’s empowerment, develop global human resources, and improve employee engagement.

## Toward the Realization of VC2024 (April 2022–March 2025)

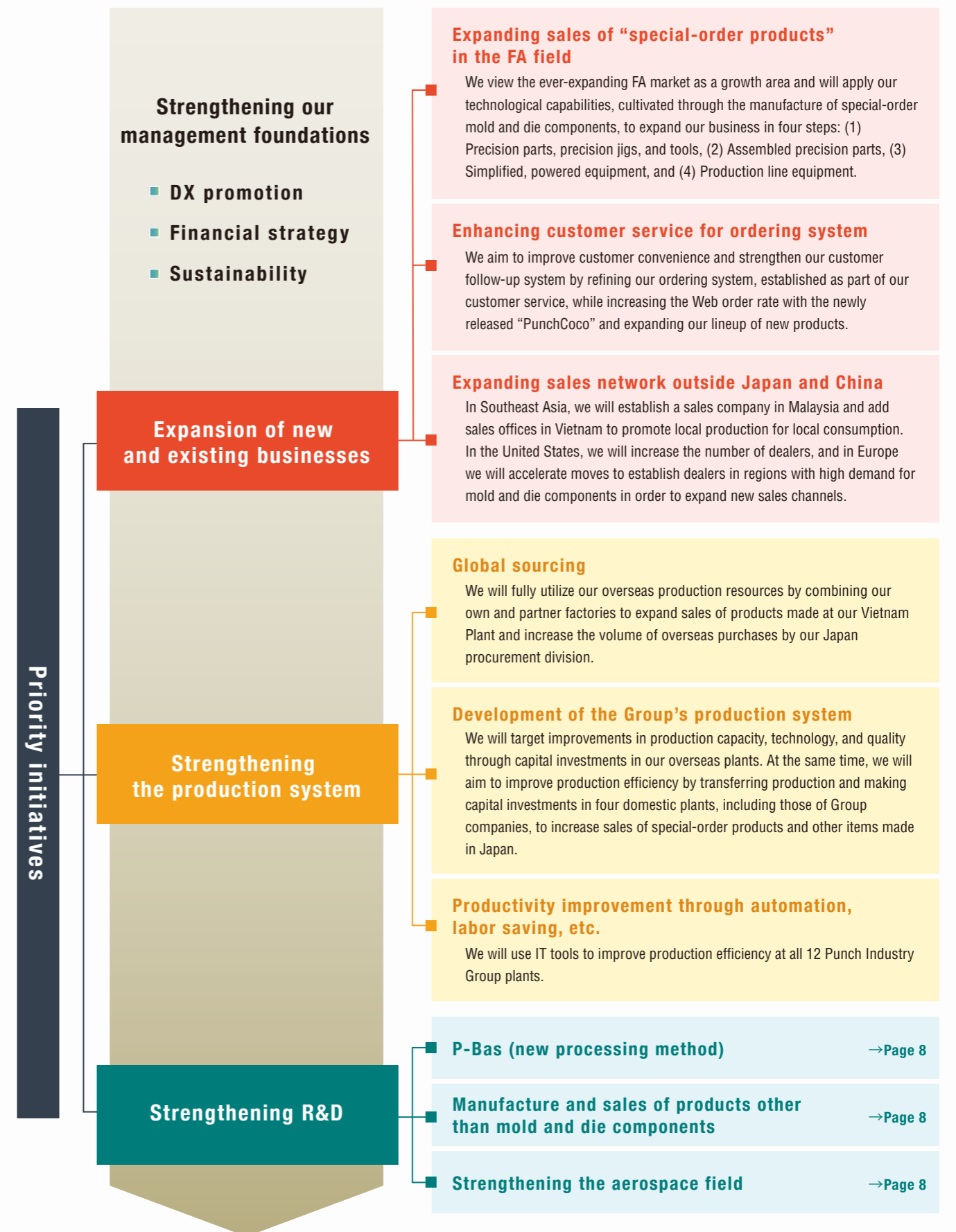
Beyond a V-shaped recovery, our path to sustainable growth lies in our ability to formulate a growth strategy for the Punch Industry Group, build a track record of successes, and move forward with firm commitment.

VC2024 sets forth our “ideal state,” which is to always be the “customer’s first choice.” We will achieve this by positioning automation and labor-saving demand in manufacturing as our new growth engine. We have identified “Expansion of new and existing businesses,” “Strengthening the production system,” and

“Strengthening R&D” as our three priority initiatives. To strengthen our management foundation that supports these initiatives, we will work to promote digital transformation (DX), implement sound financial strategy, and emphasize sustainability. As we work to achieve our ideal state, we will engage in ongoing upward-spiraling activities while constantly aiming higher and changing tactics as necessary. In the process, we will demonstrate our presence as a behind-the-scenes supporter of global manufacturing and chart a new growth trajectory.



## Priority Initiatives and Details





**We will strengthen initiatives in the factory automation (FA) field, which has great growth potential, while continuously developing new technologies and services and resuming growth investments aimed at strengthening our supply capabilities.**

**Tetsuji Morikubo**  
Representative Director, President, Chief Executive Officer

In fiscal 2019, we formulated a management restructuring plan called Value Creation 2020 Plus (VC2020 Plus) in response to the impact of the U.S.–China trade friction. Since fiscal 2020, the plan has steadily produced results despite very difficult conditions due to the COVID-19 pandemic. In fiscal 2021, we achieved increased year-on-year sales in all five sales regions and posted the highest profits since the Company was listed on the stock exchange. I appreciate the hard work of all our employees in delivering these results.

**Review of fiscal 2021 performance**

The world mold and die industry is on a recovery trend after bottoming out in fiscal 2020, and we expect China to continue leading the global manufacturing sector in the future. In Japan, however, the number of establishments in the industry has visibly declined year by year, especially those with nine employees or less, despite no significant change in the nation’s total mold and die production value. This indicates that the amount of production per business establishment is increasing, so we assume that major consolidation is under way due to industry restructuring. Accordingly, we recognize the need to put even more effort into developing major customers.

In fiscal 2021, we posted a ¥6.9 billion year-on-year increase in consolidated net sales. Of this amount, ¥4.0 billion was generated in China (up 24% year on year), where sales of both standard and special-order products grew more than 20%, and ¥1.7 billion was generated in Japan (up 14%). In other regions, sales rose 60% year on year in Europe, 39% in the Americas, and 29% in Southeast Asia.

By segment, sales of automobile-related products, which account for around 40% of total net sales, increased 20% year on year, while sales of semiconductor-related products jumped 27% thanks to the global increase in semiconductor production. Growth rates for other industrial machinery and equipment and medical-related products also remained high.

We also reported improved profitability due to sales growth in

all regions. This is because, in our case, an increase in sales translates directly to higher factory utilization. In Japan, while orders remained below pre-COVID-19 pandemic levels, operating conditions improved from the previous year, and the growth rate for special-order products was higher than that of standard products. In addition, our efforts to reduce costs and eliminate failure costs were successful, contributing significantly to profit improvement.

Another factor in our better-than-expected results was the yen’s depreciation, which had a positive impact on net sales of around ¥2.3 billion compared with the conversion rate of the previous year.

**From VC2020 Plus to VC2024**

Of the four priority initiatives set forth in VC2020 Plus, we made particularly good progress in “optimizing the global production system and strengthening R&D,” evidenced by the transfer of production to the Vietnam Plant. With regard to “working-style reforms and human resource development,” we promoted diverse work styles in response to COVID-19 with the introduction of telecommuting. We also earned external recognition for actively promoting the women’s empowerment, and we received financing due to excellent promotion of the SDGs. We regard these as major steps forward.

We also achieved a certain degree of success with respect to “establishment of 5-pole sales system” and “enhancing customer-focused marketing capabilities.” As for the respective

targets, however, we reflect that we had no clear criteria for judging whether we have successfully achieved these two priority initiatives. In our new mid-term business plan, Value Creation 2024 (VC2024), we have set specific numerical targets for each priority initiative. These were announced both internally and externally to enable visualization of the targets and the progress status of each initiative.

When formulating VC2024, we envisaged significant growth of the FA field along with the increasing need for automation in the manufacturing industry. We have been offering FA products for 20 years and still sell such items, mainly standard products, in China. In Japan, however, in 2011, we closed our Chiba Plant, which made FA standard products, and stopped selling standard products domestically altogether. This time, we decided to step up development of special-order products by cross-laterally applying the know-how we have cultivated in the mold and die components business to the FA field. Over the next three years, we will expand our presence in Japan and China with the aim of growing this business to around ¥5 billion, or 10% of consolidated net sales.

In the future, we intend to energize the manufacturing

industry by supporting manufacturing in Japan and around the world while considering the manufacture and sale of equipment used in production lines. To share this intention, we have set “automation and labor-saving demand as the new growth engine—always being the customer’s first choice” as our ideal state. Here, we will implement three growth strategies: (1) Responding to the growing demand for automation and labor saving at manufacturing sites with special-order products in the FA field, (2) Through the continuous development of new technologies and services, we will establish a firm position in the mold and die components business, and (3) Enhancing corporate value through SDGs and ESG solutions to social issues.

Although we have narrowed down our strategic investments for new growth over the past two years, we believe we need to strengthen our supply capabilities, including by expanding the machining range of our machine tools and building a higher-capacity production system to ensure stable supplies. Our aim is to increase the angle of our growth curve by returning Groupwide capital investment to its previous level of ¥5 billion over three years.

**To our stakeholders**

In light of geopolitical risks, such as the Ukraine issue and China’s zero-COVID-19 policy, combined with soaring raw material and resource prices, we feel we may need to review our current sales prices. Despite such challenges, it is essential that we meet customer expectations and do not lose competitiveness through price increases. While we are more aware of our competitors than before, we believe we must continue striving to change the way we make and think.

In terms of performance, we have achieved a V-shaped recovery, with profits having bottomed in fiscal 2019 and sales in fiscal 2020, but the real challenges lie ahead. Over the medium and long terms, we assume that the manufacturing industry, including the mold and die industry, is on a recovery trend. With this in mind, we will steadily implement VC2024, which revolves around our growth strategies. Here, we will start with initiatives in the FA field, which has particularly high growth potential. Our aim is to achieve consolidated net sales of ¥50

billion and operating income of ¥5 billion by the year ending March 2025, which is the final year of VC2024 and includes the 50th anniversary of our founding.

The global surge in raw material prices has driven up all kinds of prices, putting pressure on people’s livelihoods. To raise salaries and bonuses, we will focus not only on business growth, but also on improving our corporate value by solving global environmental and social issues on the premise of securing solid profits. As a behind-the-scenes force behind the world’s manufacturing industry, we remain committed to being a company that meets customers’ expectations and is their first choice.



**Strengthening governance to ensure fair and transparent management**

Following our transition to a company with audit and supervisory committee in June 2021, we increased the combined number of External Directors, Directors who are Audit and Supervisory Committee Members, and Non-executive Directors in the Board of Directors to six, representing a majority, compared with four Executive Directors. This has created a greater sense of tension in our Board meetings. To

evaluate the effectiveness of the Board, previously the secretariat of the Board of Directors prepared and administered questionnaires, compiled and analyzed the responses, and reported the results to the Board. For the fiscal 2021 evaluation, however, we contracted these tasks to a third-party organization and initiated discussions for improvement. Going forward, we will continue striving for even stronger levels of governance.

## Sales Division

## Yasuhiro Sanada

Director, Managing Executive Officer,  
Chief Operating Officer (Sales)



## Manufacturing Division

## Akira Takanashi

Director, Senior Executive Officer,  
Chief Operating Officer (Manufacturing)



## We will contribute to manufacturing around the world, aiming to always be the customer's first choice.

### Review of VC2020 Plus

In Japan, sales of EV batteries, semiconductors, and medical-related products grew significantly, and our expanded satellite office was well received by customers. We also posted increased sales to the automobile industry. This was despite being unable to increase the composition ratio within Groupwide net sales due to customers' procurement difficulties caused by lockdowns in various countries, as well as an increase in remote business negotiations that led to delays in new customer development and inactive customer recapturing.

In China, we enjoyed brisk demand for automobile-related products, as well as significant growth in demand for battery- and semiconductor-related products. Demand for products for medical test kits and toys was also firm, leading to strong overall sales.

In the United States, we were successful in attracting new customers through social media and other means and developing dealers through participation in trade shows. In fiscal 2021, we added more dealers and posted increased sales.

In Europe, sales of medical test kit-related products grew substantially, to the extent that we enlisted the support of our Kitakami Plant in Japan and Dalian Plant in China to complement the efforts of our Malaysia Plant. In Eastern Europe and elsewhere, there are indications that the suspension of operations of European automakers' electrical component suppliers will begin to have an impact. Nevertheless, we will consider establishing a European agent outside of Germany in order to further expand sales channels.

In Southeast Asia, our business in Malaysia had been struggling due to lockdowns. In response, we began engaging in local sales to address potential demand in addition to meeting firm demand from Europe. Going forward, we will reorganize our sales expansion system. In Vietnam, the activities of our sales company were also severely affected by lockdowns, but we plan to add sales offices in anticipation of future market growth. Despite harsh operating restrictions, our Vietnam Plant continued shipping products and posted increases in sales and profits. In Singapore, we reported strong sales driven by demand for products for semiconductor equipment, and in Indonesia sales of special-order products for Japanese manufacturers made a significant contribution. Although we continued facing challenges

in India due to stagnant economic activity, we made good progress with respect to "Establishment of 5-pole sales system."

Regarding efforts to "Enhance customer-focused marketing capabilities," we made our Web ordering system even more user-friendly with plans to launch a new service in 2022 called "PunchCoco."

### Priority initiative of VC2024: "Expansion of new and existing businesses"

In the growing battery-related business for EVs, we aim to increase orders in China for products developed in Japan while expanding beverage, medical-related, and other existing businesses. In a new business initiative, we will broaden our product lineup to include sub-materials, for which we have received many inquiries. We will also establish a system enabling us to accept orders for products other than mold and die components, thereby improving customer convenience. We plan to start selling some of these products in Japan in 2022 with a view to an overseas rollout in the future.

We will also embrace the great challenge of "Expanding sales of special-order products in the FA field" targeting the robotics industry.

To enhance customer service for our ordering system, we will increase the number of Web-based orders and shorten the time required to address quotations for special-order products. We have also started a new service, called "3D Measurement Partners" (see page 11), which utilizes 3D scanners. This is for customers who have products that, despite being made according to design drawings, are not demonstrating satisfactory functionality and performance, leading to significant time lags between prototyping and mass production.

### To our stakeholders

Our company will change in the future. While our manufacturing and sales structures focusing on mold and die components will remain the same, we will develop frameworks enabling special-order products to be purchased via the Web ordering system, in our quest to always be the customer's first choice. We value the opinions of our customers and will make Groupwide efforts to meet their needs while placing the utmost importance on customer convenience.

## We are committed to creating new value and targeting growth by providing products that are truly valuable to our customers.

### Establishing a global production system

Amid a series of lockdowns and restricted operations at various production bases, we focused on fulfilling our responsibility to supply our customers and established an emergency production support system. While this caused a slight delay in the development of our production system, we revised our plans and took other measures to achieve good progress and outcomes. For example, we improved the capabilities of the Vietnam Plant, which since March 2019 has been making Punch-brand punches and dies for Japanese customers. In June 2022, that plant also started making some of our new standard products. We also relocated some equipment between our plants in China, which is starting to produce results with respect to improved processing of special-order products, shorter delivery times for local customers, and increased sales. Under VC2024, we will continue reviewing and considering the best products for each of our production bases.

For in-house production in Japan, we will shift our emphasis from high-mix, low-volume production to small-mix, high-volume production in order to improve productivity while promoting automation and labor saving throughout the Group. We also plan to make capital investments totaling ¥5 billion (including ¥3 billion overseas) over the next three years to improve quality and expand production capacity.

Going forward, we will strengthen global procurement by fully utilizing our overseas production resources, including both our own and partner factories. Over the next three years, we plan to increase sales of the Vietnam Plant by 35% from the current level, while also raising overseas purchases by 35% for the Japan procurement division as a whole. However, we will take a flexible approach, taking into account exchange rate fluctuations that are currently weakening the yen. Looking further ahead, we will seek to diversify geopolitical risks by developing partner factories in Southeast Asia under our next mid-term business plan.

### Strengthening R&D

Our R&D and technology development activities have generally proceeded according to plan. Of particular note, we applied for a patent for our new P-Bas (Punch Bonding and sintering) process (see page 11) that we have been developing for the past

several years, and are now able to disclose it to the public.

P-Bas is targeted at technology development using bonding as opposed to mold components with cooling water pipes manufactured by metal 3D printers. With various advantages, it promises to benefit the productivity improvement and cost reduction efforts of customers. Since fiscal 2021, we have been using sintering technology to develop original new materials by a powder metallurgy process, and we will accelerate this development through joint research with external organizations.

With a view to making and selling products other than mold and die components, we started working with the Japan Aerospace Exploration Agency (JAXA) in Japan in fiscal 2021. Through our efforts in the aerospace field in Japan and China, we aim to further improve our skills and expand the range of products we support.

### To our stakeholders

We believe that continuous R&D is extremely important for the long-term enhancement of a company's corporate value, and active entry into new businesses is also crucial. With this in mind, we disclosed externally our initiative of "Expanding sales of special-order products in the FA field," based on demand for automation and labor saving, which is a challenge for design development and technology development. We consider this a major step forward. Our aim is to provide new value by combining the precision parts processing technology and sales network we have developed over the years with business alliances and M&As with FA equipment manufacturers. We believe that our commitment to continuously providing products of value to our customers is what differentiates us from our competitors. My role is to spearhead the pursuit of this goal in order to be recognized as a company that remains indispensable to customers and society.

A company's mission is to grow sustainably, and within that mission the primary role of the manufacturing division is to generate profits. Accordingly, we will continue focusing on improving quality and productivity while developing human resources to underpin these efforts.

Takao Murata

Director, Senior Executive Officer,  
Chief Financial Officer



## We will systematize and visualize the value creation process through ROIC management and human capital management in order to enhance corporate value.

### Increased sales and profits in all regions in fiscal 2021; highest profits since our public listing

In the previous fiscal year, the COVID-19 pandemic led to significant declines in sales and profits and a low level of product launches, so we regard our performance in fiscal 2021, when we posted year-on-year rises in sales and profits in all regions, as a natural outcome. In Japan, however, market recovery was somewhat delayed, and we were unable to deliver pre-COVID-19 results. Nevertheless, we noted solid market recovery in all regions, especially China where we posted record-high sales. Overall, therefore, we made very good progress.

Our sales recovery in all regions, together with increased factory utilization rates, led to an improvement in the cost of sales ratio, which fully offset the increase in personnel and other expenses and led to substantial year-on-year increases in all profit categories. Thanks also to lower depreciation stemming from impairment losses recorded over the past two years, we achieved our highest profits since our listing. While this does not reflect 100% of actual performance, we recognize that recovery toward a new growth trajectory is well underway.

### Financial position

In fiscal 2021, we continued our policy of rigorous investment restraint, with capital investments of ¥1.1 billion and depreciation of ¥1.0 billion. In fiscal 2022, we will once again step up growth investments, with forecasts of ¥1.6 billion and ¥1.0 billion, respectively. Although the benefit of lower depreciation due to impairment losses in previous fiscal years will gradually disappear, we will compensate for this by making effective investments that contribute to increased profits.

Regarding our financial position, we posted net cash provided by operating activities of ¥2.9 billion, of which we used around ¥1.1 billion for capital investments, ¥1.5 billion for loan repayments, and ¥100 million for dividend payments. By fiscal year-end, therefore, we had a positive net cash position for the first time and virtually debt-free operations. In the future, we

believe we will need to allocate more resources to shareholder returns and growth investments.

Our asset turnover ratios, traditionally an area of focus, all improved significantly due to the sales recovery, with a fixed asset turnover ratio of 5.57 times (from 4.50 times in fiscal 2020), accounts receivable turnover ratio of 3.78 times (from 3.32 times), and total asset turnover ratio of 1.47 times (from 1.29 times). Going forward, we intend to further improve our asset efficiency not only by improving our asset turnover ratios, but also by increasing our return on invested capital (ROIC) through improvements in our cash conversion cycle (CCC).

At the end of 2021, we issued share acquisition rights with the aim of raising around ¥1.2 billion over the next three years. Of this amount, we plan to use ¥700 million for production facilities in Japan and overseas, ¥300 million to promote digital transformation, and ¥200 million to develop new products and technologies. By issuing share acquisition rights, we intend to maintain the Company's financial strength and increase the number of tradable shares, thereby raising our total market capitalization.

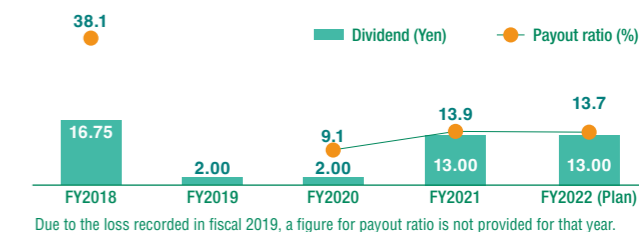
### Review of VC2020 Plus

With regard to “working-style reforms and human resource development,” a priority initiative, we introduced telecommuting to address the COVID-19 pandemic. Telecommuting is now fully established at our head office, contributing to improved work-life balance for employees. We will continue deploying its advantages as we move forward. In human resource development, we reviewed our overall training system as part of a Business Planning Project that began last year. Although we are still halfway through the process, it is gradually beginning to take shape. We have also achieved some successes in promoting the women's empowerment. For example, we received “Eruboshi” certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace (see page 13), and we were selected as a “Women's Advancement Certified Company of Iwate” by Iwate Prefecture. However, the ratio of women in executive and managerial positions remains low, and we believe that further efforts are needed.

### Capital Investments/Depreciation

(Millions of yen)	FY2018	FY2019	FY2020	FY2021	FY2022 (Plan)
Capital investments	2,989	2,011	452	1,149	1,600
Depreciation	1,729	1,674	968	971	1,000

### Dividend per Share and Payout Ratio



### Strengthening our management foundation under VC2024

While our top priority has been to improve the soundness of our financial base, we are now virtually debt-free, so it is time to move to the next important phase and consider how to allocate the funds we have generated. The value of a company lies in how much money it can create, that is, whether it can generate cash flow beyond the amount of funds raised and the cost of capital it incurs.

With this in mind, we decided to introduce ROIC, a performance indicator that measures earning power and capital efficiency, in order to increase corporate value through growth investments and ensure stable dividend payments, and aim for ROIC management that enhances corporate value by increasing profits that exceed funding costs from capital markets and financial institutions. Our goal is to maintain ROIC of at least 10%, which is above the Group's WACC (a weighted average cost of capital) of approximately 6%. Our actual ROIC in fiscal 2021 was 11%, and we considered setting a higher future target. However, given the risk that overemphasizing this point might lead to curtailed investment in growth, we decided to maintain a certain ROIC level to place the highest priority on growth. We will use the ROIC tree as a performance indicator of each department and achieve them through departmental activities.

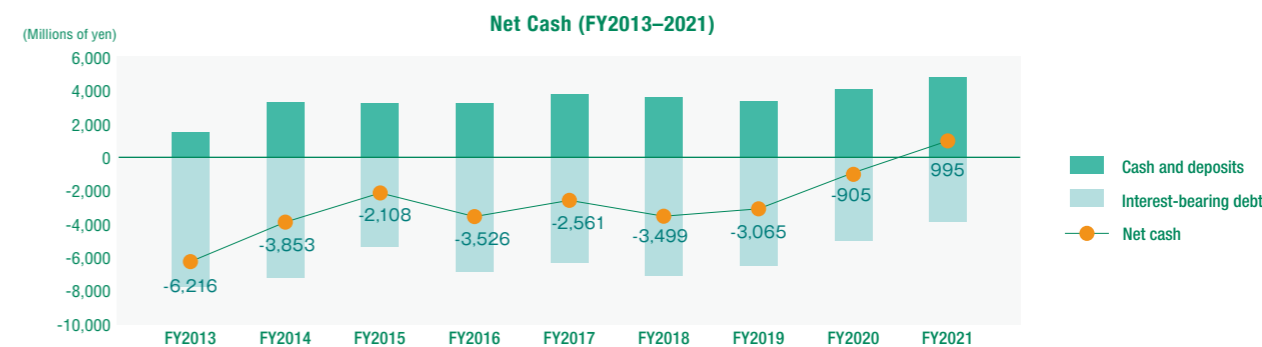
Meanwhile, “sustainability” has never been more important in corporate activities. From now on, companies will be required to distance themselves from a profit-driven mindset. More than ever, they will need to balance their business activities with efforts to address global environmental and social issues, and to view solutions to these issues as business opportunities to

further enhance corporate value. In July 2022, we established our Sustainability Committee (see page 12), which will spearhead efforts to address the material issues we have identified and disclose the status of our activities to the outside world. As part of this effort, we will also engage in “human capital management,” which is a continuation of the “working-style reforms and human resource development” activities we have pursued to date. Here, we will reaffirm our belief that employees are not a cost but “human capital” that forms a source of corporate value, and we will set targets for time and money spent on human resource training and examine methods to measure performance.

### Management issues and shareholder returns

While Japan's economic recovery was slow in fiscal 2021, we achieved a significant overall recovery in our business performance, but we understand that our cash dividend level is not adequate. Even in the face of multiple challenges, such as the situation in Ukraine and other geopolitical risks as well as soaring raw material costs, we will aim to normalize dividends as soon as possible by charting a solid growth trajectory and securing profits.

Under our mid-term business plan, VC2024, we will work on ROIC management and human capital management. Our goal is to establish internal mechanisms to increase corporate value by first focusing on cash flow, then increasing the value of intangible assets other than cash, especially our valuable human capital, which will lead to increased corporate value. I believe that my role as CFO is to systematize and visualize the value creation process and firmly entrench it within the Company.



# Technology Development and R&D

The Punch Industry Group proactively engages in technology development and R&D, the source of value creation for a manufacturing company.

## R&D and Marketing Creating New Value

The Punch Industry Group's R&D bases in Japan and China work with each other to develop new construction methods and products. Our business environment is undergoing remarkable changes due to advances in digitalization and electrification, as well as business model innovations. In this context, our aim is to stay close to the market in order to understand new needs and create new value, as well as new businesses and products for the next generation.

### “P-Bas” Metal Integration Technology

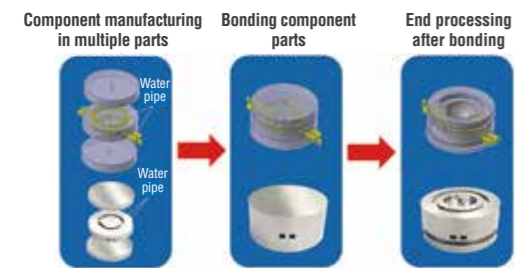
P-Bas (Punch Bonding and sintering) is a term coined by the Punch Industry Group that combines bonding and sintering. It is a technology used to integrate multiple metal parts and/or materials initially processed in sections by pressurizing and heating them with special equipment. Currently, we are using sintering to develop new materials and using bonding to develop a technology to manufacture mold and die components (trademark registration pending).

#### Development of Bonding Technology

Parts with complex shapes, such as cooling water pipes, are difficult to machine and previously had to be fabricated using metal 3D printers. With this in mind, we are developing a technology that enables such parts to be machined by first separating and bonding them. Compared with metal 3D printer fabrication, using bonding to make parts has several advantages. These include fewer manufacturing man-hours, lower material costs, more material options, and higher product strength, which together help improve productivity and reduce costs for customers.

In addition, we have applied for a patent for a technology that uses a bonding process to prevent rust and impurities from accumulating on the cooling water pipe sections of mold components.

#### Technology to bond multiple components machined in sections



#### Using Sintering to Develop New Materials

Materials frequently used in mold and die components are alloy-designed by specialty steel manufacturers with mass production in mind, so the optimal material for the customer's desired application is not always available in the lineup. Compared with components for press dies, for example, materials used in components for plastic molds require a combination of characteristics depending on the product to be fabricated. These include abrasion resistance, high thermal conductivity, polishability, non-magnetic properties, anti-rust properties, and surface treatment compatibility. In addressing these requirements, we identified many areas that are not covered by

existing materials and decided to develop a new material specifically for use in components for plastic molds. In this regard, we signed a joint research agreement with the Hakodate Regional Industry Promotion Organization (Hokkaido Industrial Technology Center) in June 2022.

The new material developed will be used in the Company's mold components, and we also plan to sell it to customers upon request.

### “3D Measurement Partners”: New Service Using 3D scanners

In January 2022, we launched “3D Measurement Partners,” a new service that utilizes measurement technology based on 3D scanners, on a full-scale basis. It involves measuring object “shapes” that conventional dimensional measurements cannot accurately determine or requires time to accomplish, then makes proposals to help customers “establish manufacturing perfection” in their product development and production processes.

Since 2016, we have provided a “reverse engineering” service that reconstructs parts and the like by converting actual products into 3D data, even if there are no drawings available. This service has been well received by customers who have problems with discrepancies between drawings and actual products, caused by loss of drawings due to corporate restructuring or refinements stemming from onsite manual finishing.

“3D Measurement Partners” is a further development of our reverse engineering technology. In addition to measuring actual molds and dies and formed products, it includes analysis of data acquired from 3D scans and proposals for solutions to customer issues. Through this service, we aim to further reduce development lead times and improve manufacturing quality.



Measures shapes and acquires 3D scan data



Analyzes 3D scan data (Example) Data processing with CAD

# Sustainability and ESG

The Punch Industry Group considers ESG (environmental, social, and governance) and the SDGs to be important management priorities and is working to address them.



Of the 17 SDGs, the entire Group is working on seven goals that are particularly relevant to our business, including those already being implemented by individual Group companies.



## Establishment of Sustainability Committee

Outside of the Punch Industry Group's operating domain, the social environment and the broader global environment are facing various challenges, including global warming.

The Punch Industry Group will work actively to resolve these issues and fulfill its corporate social responsibility while at the same time generating self-growth and increasing corporate value. In July 2022, we established the Sustainability Committee, chaired by the Representative Director, President, Chief Executive Officer to promote cross-divisional efforts toward sustainability, identified as a key measure to strengthen our management foundation under Value Creation 2024, our mid-term business plan. We have also specified five material issues that we will tackle on a Groupwide basis going forward: Consider the global environment, respect human rights, enhance human capital, pursue quality and value in products and services, and strengthen corporate governance.

## Environment



### Introduction of EVs

For company vehicles used at our sales offices in Japan, we are gradually switching to hybrid vehicles with low environmental impact.



### Using Digital Tools

We are reducing CO<sub>2</sub> emissions from business trips by introducing web conferencing systems at all domestic and overseas bases. We are also digitizing paper documents, such as internal application forms, and some departments have introduced wireless LAN and laptop computers for mobile work on-site. In these ways, we are eliminating paper-based materials for meetings and the like.

# Social



## Skills Contest

Every year, we hold a skills contest for the purpose of improving employees' technical skills and interacting with other departments. In fiscal 2021, around 70 participants from various plants in Japan competed in seven categories, including grinding, wire EDM, and packaging, in skills that transcended boundaries among divisions. We will continue with this initiative while considering changes in categories and the participation of Group companies.



## Punch Family Salon

Since 2020, we have held Punch Family Salon, a web-based social event for employees (both male and female) on maternity or paternity leave. The purpose of this event is to alleviate employees' anxiety during leave of absence through chats and consultation, allowing a smoother return to work. It provides an opportunity for experienced mothers and fathers to provide advice on balancing work and childcare and exchange information on using the Company's systems. An active childcare teacher is also invited to address questions and concerns raised by employees. In these ways, we help employees balance their work and childcare commitments.



## Creating Environmentally Friendly Products

The Punch Industry Group's environmental philosophy is to foster the advancement of society through the manufacture of environmentally friendly products. As part of this effort, we display the "Environmentally Friendly" mark on products in our catalog that comply with the RoHS Directive and other environmental laws and regulations. We also promote continuous improvement through the acquisition of environmental management systems and conduct periodic training to raise employee awareness of environmental issues.



## "Eruboshi" Certification Received Based on the Act on Promotion of Women's Participation and Advancement in the Workplace

In July 2021, the Company was awarded 3-star "Eruboshi" certification, the highest grade, by Japan's Minister of Health, Labour and Welfare. The award recognizes our efforts to empower female employees under the Act on Promotion of Women's Participation and Advancement in the Workplace. "Eruboshi" is a three-level rating system that gives points to companies according to how well they satisfy criteria in five evaluation categories: Recruitment, continued employment, working hours, proportion of women in managerial positions, and diversity of career courses. We will continue promoting women's empowerment by strengthening career support and other measures while striving to create a workplace that is rewarding for all employees regardless of gender. Our aim is to become a company where diverse human resources can play even more active roles.



## Providing Opportunities to Learn

The Company offers workplace tours and internships to students attending local schools to provide them with opportunities to learn about the community and to consider their own career paths through learning. As part of our efforts to contribute to communities and foster our future local leaders, we provide guidance to nearby high schools to help them acquire national manufacturing-related qualifications.



## Groupwide No Tobacco Day

Seeking to build a tobacco-free society and promote the health of our employees, we participate in anti-smoking activities set by each Group company on World No Tobacco Day. In Japan, as well, we engage in regular anti-smoking activities, having designated the 22nd of every month as "Groupwide No Tobacco Day."



# Governance



## Corporate Governance

The Company has adopted the system of a company with audit and supervisory committee to enhance the supervisory function of the Board of Directors and to speed up managerial decision-making. In addition, in order to separate the monitoring and supervision of management by the Board of Directors from business execution by the management team, and to enable prompt decision-making by the management team, we have enhanced the Executive Officer system, abolished Directors with executive titles except for the Chairman of the Board, and established a system to select the President and Executive Officers with executive titles from among Executive Officers.

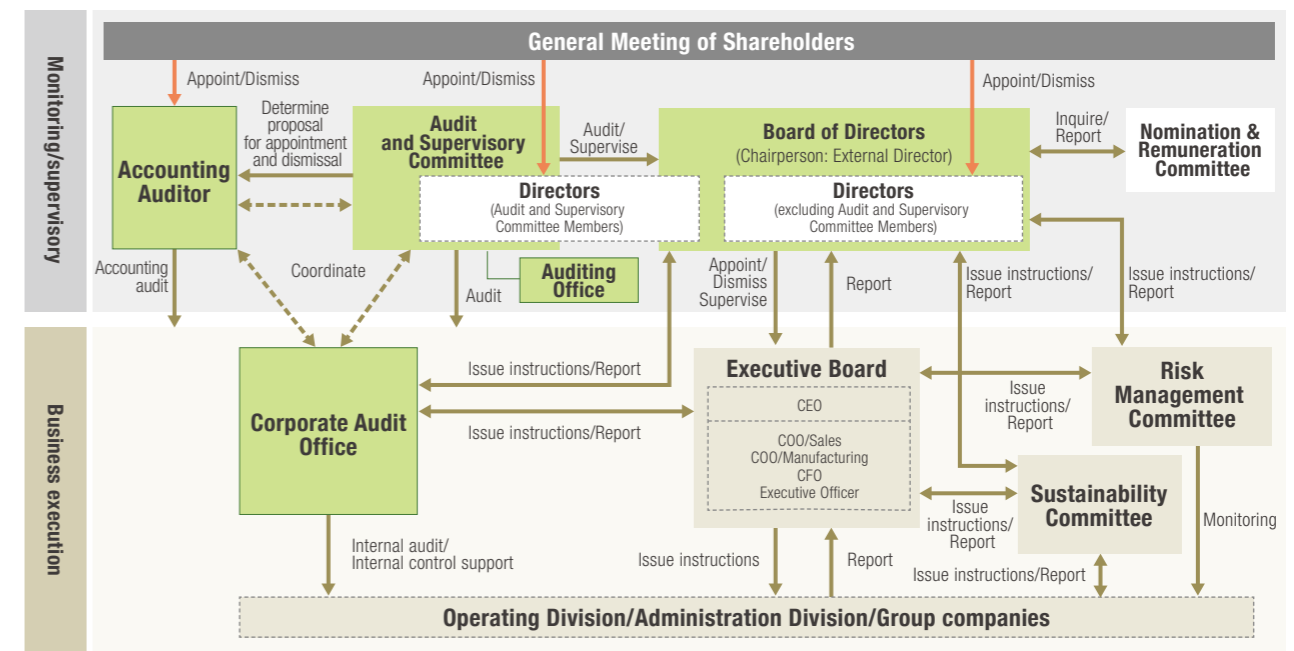
### Initiatives to Strengthen Corporate Governance

	3/2013	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023
President	2013- Masaaki Takeda					2019- Tetsuji Morikubo					
Chairperson of the Board of Directors	President serves concurrently as Chairperson					2016- External Director serves as Chairperson					
Independent External Director(s)	2013- 1 person					2016- 2 persons					2021- 4 persons
Advisory Committee, etc.	2015- Nomination & Remuneration Advisory Committee <ul style="list-style-type: none"> <li>Formulation of policy for nomination of Directors and Executive Officers</li> <li>Review of Board members' remuneration system</li> <li>Formulation of policies, standards and procedures for nomination and dismissal of Board members, etc.</li> </ul>										2021- Nomination & Remuneration Committee
Risk Management Organization, etc.	2012- Company with audit & supervisory board					2017- Enhanced the Executive Officer system					2021- Company with audit and supervisory committee
Basic Policy on Corporate Governance											Established in 2021

### Basic Policy

The Punch Industry 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**

The Board of Directors is composed of 10 Directors (including four External Directors), and more than one-third of the Directors are independent External Directors. An independent External Director serves as the Chairperson of the Board of Directors to enhance the supervisory function.

The Board of Directors makes decisions on basic management policies, matters stipulated by laws and regulations, and other important matters related to management. The Board of Directors holds regular meetings monthly, as well as extraordinary meetings and meetings for exchange of opinions by the members of the Board of Directors when necessary.

**2. Audit and Supervisory Committee**

The Audit and Supervisory Committee of the Company is composed of three Directors (including two External Directors) and has one full-time Audit and Supervisory Committee Member. The Audit and Supervisory Committee meets once a month in principle, and holds extraordinary meetings when necessary, for the purpose of conducting fair and objective audits.

Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings to express their opinions, as necessary, on the status of business execution by Directors (excluding Directors who are Audit and Supervisory Committee Members) and important decision-making. In addition, they conduct rigorous audits through hearings and reports from Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and others.

In addition, to conduct audits utilizing the Company's internal control system, the Audit and Supervisory Committee works closely with the internal audit division, and regularly receives reports on the status and results of internal audits and requests reports from the business execution divisions as necessary. In order to assist the Audit and Supervisory Committee in the smooth execution of its duties, the Company has established the Auditing Office and assigned specialized staff to assist the Committee in its duties.

**3. Executive Board**

As a decision-making body for business execution, the Executive Board, composed of all Executive Officers, meets once a month to deliberate and make decisions on business execution, including matters delegated by the Board of Directors, to the extent legally allowed.

**4. Nomination & Remuneration Committee**

The Nomination & Remuneration Committee has been established as an advisory body to the Board of Directors to clarify basic policies and standards and enhance fairness and transparency of the decision-making process when nominating, dismissing, and when determining remuneration for Directors and Executive Officers.

The Committee is composed of members nominated by the Board of Directors. A majority of such members are selected among independent External Directors to ensure the independence of the Committee. The authority of the Committee includes the nomination and dismissal of Directors and Executive Officers in consultation with the Board of Directors; the remuneration proposal for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers; the commission and remuneration proposal for the Honorary Chairman, Advisors and Counselors; and other related basic policies and regulations. The Committee deliberates on the above matters and reports to the Board of Directors.

**5. Internal Audits**

Internal audits are conducted by the Corporate Audit Office (six internal audit staff), an organization under the direct control of the President and Chief Executive Officer, in accordance with the annual internal audit plan approved by the Board of Directors. In conducting audits, the Office cooperates with the Audit and Supervisory Committee, including the exchange of audit information. The Office regularly reports the status of activities, including audit reports, to the President, the Board of Directors, and the Audit and Supervisory Committee.

**6. Risk Management Committee**

The Risk Management Committee, consisting of Executive Officers, the chief of the Corporate Strategy Planning Office, persons in charge of major affiliates, and the General Manager of the Corporate Audit Office, works to prevent the occurrence of risks and minimize damage by establishing a risk management system.

**7. Remuneration of Board Members, etc.**

The total amount of the remuneration of Directors is approved by the General Meeting of Shareholders. The Board of Directors decides the specific amount of remuneration for each Director (excluding Directors who are Audit and Supervisory Committee Members) upon the examination of appropriateness at the Nomination & Remuneration Committee. The Audit and Supervisory Committee decides the specific amount of remuneration for each Director who is an Audit and Supervisory Committee Member.

**Messages from External Directors**

The introduction of ROIC management and the enhancement of special-order products in the FA field were included in the Value Creation 2024 mid-term business plan. As a member of the Board of Directors, I am committed to enhancing corporate value to realize the Company's unique niche growth story in the future, where we will develop our advanced technological capabilities in our special-order products according to customer needs, as well as their technological applications.

In May 2022, I attended a financial results briefing for analysts and institutional investors as an External Director. Although there are few instances of External Directors attending financial results briefings, we will continue our efforts to encourage better dialogue with our stakeholders to make the Company's appeal widely known both inside and outside the Company.

**Naruhiko Takatsuji**  
External Director



In order to increase corporate value, I believe that corporate governance should strike a balance between offensive and defensive measures. How much risk should we take at this point in time? Should we hold back this time to ensure sustainable growth? It is precisely in situations where difficult decisions must be made that we need to bring together the strengths of diverse people—no matter gender or race. To thrive in the global competition and fulfill our social responsibility, I will make every effort to use my experience and knowledge to push the Company in the right direction.

**Mariko Ohsato**  
External Director



**Skill Matrix of the Board of Directors**

	Name	Position	Experience and knowledge beneficial for management and business operations				Experience and knowledge for the foundation of management		
			Corporate management /Business strategy	Global	Manufacturing /Technology /Quality	Sales /Marketing	Financial accounting	Legal /Compliance /Risk management	Personnel /Labor/Human resources development
	<b>Tetsuji Morikubo</b>	Chief Executive Officer	◎	●	●				
	<b>Yasuhiro Sanada</b>	Chief Operating Officer (Sales)	◎	●		●			
	<b>Takao Murata</b>	Chief Financial Officer		●			●	●	
	<b>Akira Takanashi</b>	Chief Operating Officer (Manufacturing)	◎	●	●				
	<b>Susumu Sugita</b>	Director			●	●	●		
	<b>Naruhiko Takatsuji</b>	External Director	●				●	●	
	<b>Mariko Ohsato</b>	External Director	◎	●				●	
	<b>Minoru Kawano</b>	Director (Audit and Supervisory Committee Member)		●			●	●	
	<b>Yoriatsu Matsue</b>	External Director (Audit and Supervisory Committee Member)						●	
	<b>Tomoo Suzuki</b>	External Director (Audit and Supervisory Committee Member)	●	●			●		

1. ◎ indicates an individual with top management experience at a company (including a subsidiary). 2. The descriptions include the main experience, knowledge, and expertise of each Director, and are not a comprehensive list.

**Honorary Chairman**



**Yuji Morikubo**

**Executive Officers**



**Hirohisa Morikubo**



**Hideki Kinumatsu**



**Joji Kawasaki**



**Tomoki Katamura**



**Makoto Kume**



**Fumio Tsuruma**

## 5-Year Financial and Non-Financial Highlights

Financial information	3/2018	3/2019	3/2020	3/2021	3/2022
<b>Fiscal Year</b> (Millions of yen)					
Net sales	41,025	40,935	35,348	32,462	39,358
Gross profit	11,658	11,472	9,187	9,086	11,444
Selling, general and administrative expenses	8,814	8,893	8,351	7,473	8,403
R&D expenditure	367	443	438	490	508
Operating profit	2,843	2,578	835	1,613	3,041
Ordinary profit	2,731	2,547	712	1,676	3,007
Capital investments	2,776	2,989	2,011	452	1,149
Depreciation	1,597	1,729	1,674	968	971
Profit (loss) attributable to owners of parent	1,788	960	(3,485)	477	2,040

<b>Cash flows</b> (Millions of yen)					
Net cash provided by operating activities	3,393	3,185	2,490	2,942	2,941
Net cash used in investing activities	(2,335)	(3,253)	(1,788)	(670)	(1,099)
Free cash flow	1,058	(68)	701	2,272	1,841
Net cash provided by (used in) financing activities	(738)	74	(772)	(1,684)	(1,600)

<b>At year-end</b> (Millions of yen)					
Total assets	32,560	31,155	25,576	24,702	28,774
Net assets	16,174	15,734	11,747	12,436	16,307
Cash and cash equivalents	3,689	3,516	3,366	3,962	4,669
Interest-bearing debt	6,332	7,079	6,455	4,997	3,820
Shareholders' equity	15,096	15,500	11,913	12,355	14,378

<b>Per share information</b> (Yen)					
Net income (loss)*	81.61	43.92	(160.01)	21.90	93.36
Net assets*	736.64	721.49	536.64	568.26	737.40
Cash dividends*	16.75	16.75	2.00	2.00	13.00
Dividend payout ratio (%)	20.5	38.1	—	9.1	13.9

<b>Key indices</b>					
Gross profit margin (%)	28.4	28.0	26.0	28.0	29.1
Operating profit margin (%)	6.9	6.3	2.4	5.0	7.7
Return on equity (ROE) (%)	11.8	6.0	—	4.0	14.2
Return on assets (ROA) (%)	5.8	3.0	—	1.9	7.6
Net worth ratio (%)	49.6	50.4	45.8	50.2	56.5
Price-to-earnings ratio (times)	14.09	12.93	—	27.76	5.34
Overseas sales ratio (%)	58.2	59.0	58.8	62.0	64.4

<b>Non-financial information</b>					
Number of employees (persons)	4,298	4,282	4,020	4,006	3,979
Overseas employee ratio (%)	75.6	75.2	73.6	74.3	74.8
Ratio of females among new graduates hired (non-consolidated) (%)	42.1	47.8	44.0	26.3	14.2

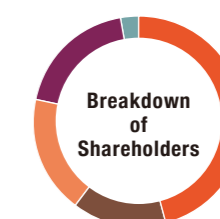
## Company Profile (As of March 31, 2022)

<b>Company name</b>	PUNCH INDUSTRY CO., LTD.	<b>Business</b>	Manufacture and sale of mold and die components
<b>Established</b>	1975	<b>Main banks</b>	MUFG Bank, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited
<b>Capital</b>	2,944.77 million yen		
<b>Number of employees</b>	3,979 (consolidated)		
<b>Head office</b>	Omori Bellport E-5F., 6-22-7 Minami-oi, Shinagawa-ku, Tokyo		

## Investor Information (As of March 31, 2022)

### Stock Information

Total number of shares authorized	80,000,000
Total number of shares issued	22,332,400
Number of shareholders	5,161
Stock exchange listing	Prime Market, Tokyo Stock Exchange (From April 2022)
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	10,238,403	45.85%
Financial institutions	3,251,400	14.56%
Other domestic companies	4,042,000	18.10%
Foreign companies	4,208,886	18.85%
Securities companies	591,608	2.65%

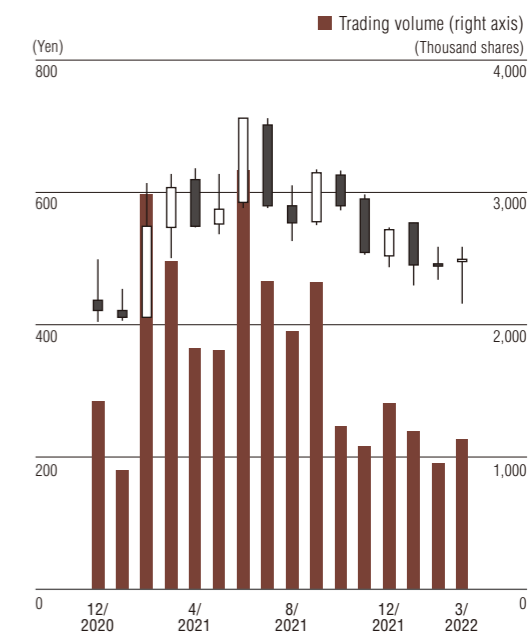
Note: "Individuals and others" includes treasury stock.

### Major Shareholders (Top 10)

Name	Number of shares held	Percentage of shares held (%)
MT Kosan Co., Ltd.	3,804,900	17.25
CACEIS BANK S. A., GERMANY BRANCH - CUSTOMER ACCOUNT	2,422,900	10.98
Master Trust Bank of Japan, Ltd. (trust account)	2,130,900	9.66
Punch Industry Employees' Stock Ownership Scheme	849,191	3.85
Custody Bank of Japan, Ltd. (trust account)	811,500	3.68
Yuji Morikubo	663,000	3.01
Tetsuji Morikubo	663,000	3.01
Michiko Kamba	431,000	1.95
Hirohisa Morikubo	264,764	1.20
Shinji Kamba	249,000	1.13

Note: Treasury stock (275,868 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. 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 2018.