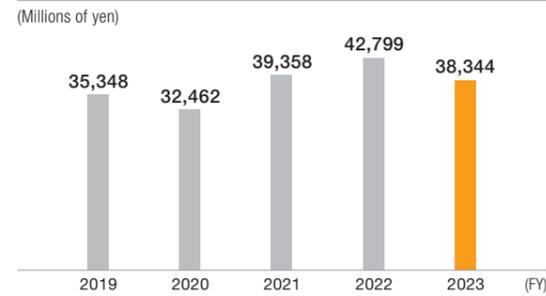
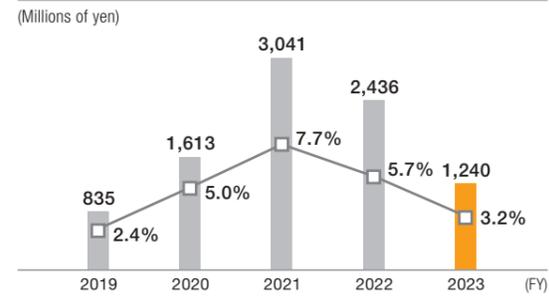


Performance Highlights

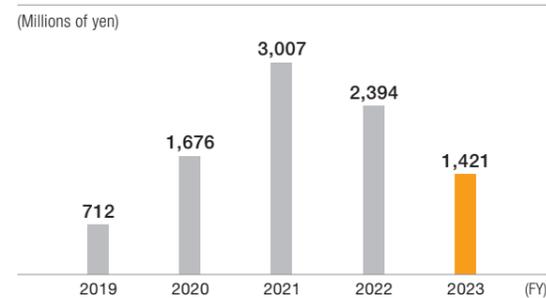
Net sales



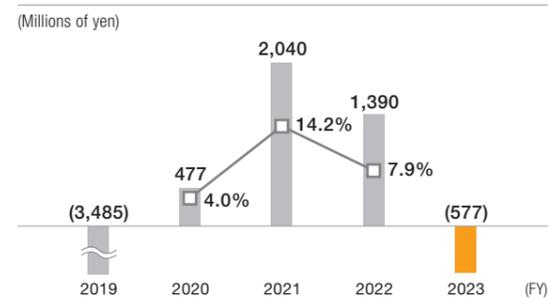
Operating profit/Operating profit ratio



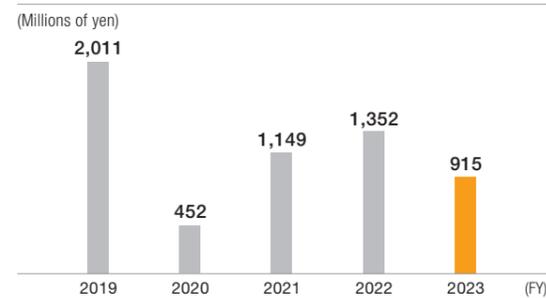
Ordinary profit



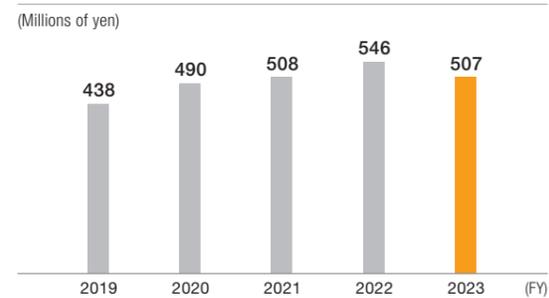
Profit (loss) attributable to owners of parent/ Return on equity (ROE)



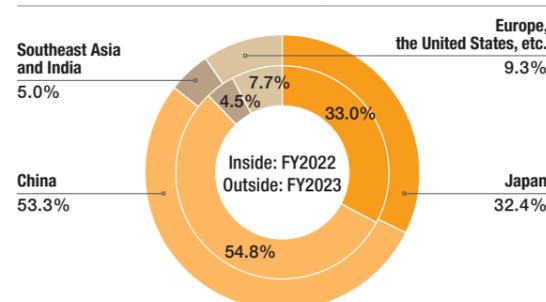
Capital investments



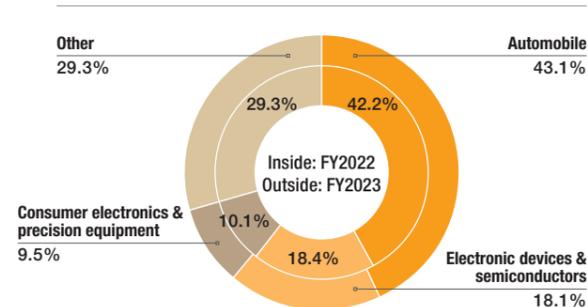
R&D expenditure



Sales by Region



Sales by Industry



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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.



PUNCH INDUSTRY CO., LTD.



● Countries where Group companies are located

2024 ANNUAL REPORT

SUPPORTING PRODUCT MANUFACTURING
AROUND THE WORLD





We decisively implemented management rationalization in our domestic business to establish a foundation for sustainable growth and will stabilize our production and sales systems during the mid-term business plan VC2024 Revival period.

Tetsuji Morikubo
Representative Director, President, Chief Executive Officer

In fiscal 2023, attracting orders remained difficult due to the delayed recovery of domestic market conditions, in contrast to those of the previous fiscal year, when we posted record-high net sales after the Company was listed on the Tokyo Stock Exchange. In addition, sales in China, which had previously been strong, declined significantly, leading to substantial decreases in revenue and earnings and a disappointing overall performance. To deliver stable results and achieve sustainable growth in the future, we will engage in completion of management rationalization to strengthen our earning power in Japan through redevelopment of our production and sales systems. At the same time, we will accelerate the growth of our overseas business by becoming a comprehensive machine parts company in China and by expanding sales in Southeast Asia, Europe, and the United States.

Management rationalization to redevelop our domestic business

In response to major changes in the business environment, we reviewed our mid-term business plan and in July 2023 announced a new two-year plan, Value Creation 2024 Revival (VC2024 Revival), which significantly rearranges our priority initiatives. We also decisively committed to management rationalization with the aim of greatly redeveloping our domestic business, which has been unprofitable for many years.

By September 30, 2023, we had closed the consolidated subsidiary Pintec Corporation, consolidated our sales bases, and implemented a voluntary retirement campaign that reduced our domestic workforce from 900 to 700 people. The transfer of production necessitated a reallocation of personnel, a structural change that caused disruptions, considerably confused our customers, and inconvenienced them. Between October and December 2023, in particular, we had to ask customers to adjust delivery dates more frequently. In addition, we experienced delays in quotations, order arrangements, and the delivery of ordered products, another cause of the decline in sales. At the same time, average employee workloads increased.

Since January 2024, we have adjusted production across our domestic and overseas plants. These efforts are progressing well, and issues are gradually being settled. Due to delivery restrictions and other factors, however, we are still inconveniencing customers. In response, we will strive to normalize production as soon as possible.

Redevelopment of production and sales systems in Japan

First, regarding redevelopment of the production system, we recognize that one factor that drove us to management rationalization was the fact that we were continuing to manufacture at our factories in Japan standard products that were difficult to outsource to partner factories due to both delivery time and price. As a result, we have accelerated the shift of such production to Vietnam and other overseas factories and have worked to gain the understanding of customers for increases in sales prices. The transfer of production of standard components for press dies, which had been planned for some time, could be completed almost on schedule. The next step in our effort to consolidate production bases is to transfer production of standard components for plastic molds to overseas locations. This will enable our domestic plants to allocate manpower to special-order products that showcase our technological capabilities. We aim to enhance our earning power by specializing in such production.

With respect to redeveloping our sales system, we have considered "what Punch Industry can do" as the working population continues to decrease and the manufacturing industry demands more automation and labor saving. Accordingly, we are stepping up efforts to expand our special-order products business in the factory automation (FA) field, leveraging the technology and expertise we have developed in mold and die components. In fiscal 2023, increased revenue from ASCe,

a newly consolidated subsidiary, as well as enhanced collaboration with ASCe through exhibitions and associated sales activities, led to increased sales of FA components in Japan. In addition, we are checking actual manufacturing processes for ideas about automation that use FA to make our own factories smarter. Being a Group company enables us to engage in substantive and unlimited discussions. We will produce success stories through these efforts.

Accelerating growth in overseas business

In China, as in Japan, since the image of Punch Industry is strongly associated with mold and die components, orders tend to be limited to such items. Nevertheless, we are expanding the scope of our sales activities to evolve from a mold and die component company to a comprehensive machine parts company. For example, we believe we are strong enough to compete in the market for high-precision, high-quality components that are directly incorporated into machinery and equipment, machine tools, inspection equipment, and automatic conveyor systems. To achieve that goal, we will focus on expanding into the machine parts field and target value-added growth in new areas while strengthening our relationships with existing mold and die component customers.

In Asia, we have started production of standard components for press dies in Vietnam and are currently transferring production of standard components for plastic molds to that nation. After that, we aim to also make special-order products in Vietnam and will upgrade our plants there. In addition to Japan, we are considering selling our products in Vietnam and elsewhere in Southeast Asia. In India, meanwhile, in addition to the press market, we will focus on the plastics market, which we have not deeply penetrated. We will also actively develop suppliers in that nation.

In the Americas, where sales are relatively favorable, particularly for products for manufacturing beverage bottles and electronic components, we will initiate a review of our main supply factory while maintaining our current trajectory. In Europe, we will continue developing new customers via our distributor network and through direct transactions at exhibitions. In fiscal 2024, we established the new Overseas Business Department at our head office with the aims of sharing information, collaborating, and unifying our strategies. To date, each production base has been working on its own sales strategy. When we are targeting the same region, however, we need to share roles and work together under a common goal. In addition, the European Sales Expansion Project, established as a cross-lateral initiative with team members from relevant divisions in China, Malaysia, and Japan, has started developing specific strategies for future sales growth.

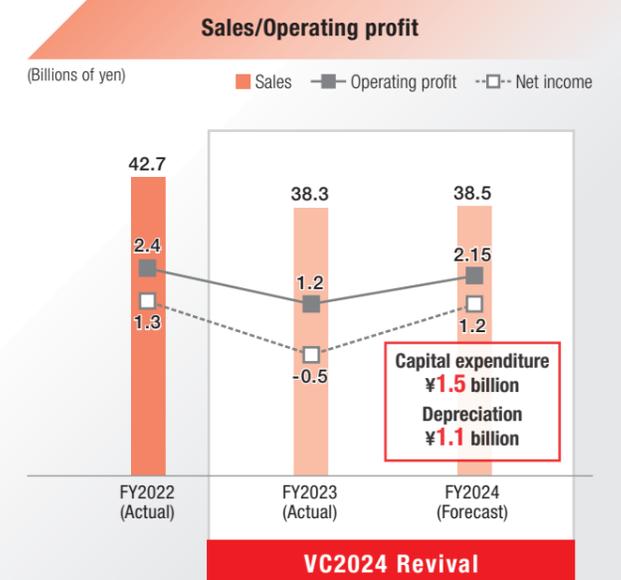
To our stakeholders

In fiscal 2023, we engaged in major management rationalization, which caused concern among our stakeholders. However, with a new organization in place since October 2023, I believe that the collective efforts of all employees, including those of overseas Group companies, have been instrumental in driving us toward normalization.

After becoming President in 2019, I was not able to visit customers very often. However, with the recent management rationalization, I am now taking the opportunity to visit more customers and branches in Japan and China. Because our branch offices have few staff members and are often isolated, we are aiming to establish a system that allows them to independently engage in order-winning activities while taking the time to communicate. We also need to engage in dialogue with customers to gain their understanding of our sales price revisions, which has been difficult in the past, while maintaining our competitiveness. These are the most important issues for business continuity into the future.

In fiscal 2024, the final year of VC2024 Revival, we forecast a slight year-on-year increase in net sales. We also plan to make capital expenditures of ¥1.5 billion as scheduled, focusing on improved profitability. Our most important task is to rebuild the sales system and the production system after completing management rationalization under the strategy of redeveloping our domestic business. We are only halfway through management rationalization efforts. The next task is to redevelop and renew our business structure and connect it to our next mid-term business plan, which will return us to a trajectory of sustainable growth. These are our most important priorities. Since the beginning of fiscal 2024, three of the eight executive officers who are not concurrently Directors have come from outside the Company. They will breathe new life into operations, enabling us to sow seeds for the future and begin crafting our next mid-term business plan.

From a sustainability standpoint, we are working to reduce our environmental footprint through efforts to lower CO₂ emissions and waste. Meanwhile, starting in fiscal 2024, we will enhance our focus on human rights and promote initiatives involving our partner factories. We look forward to the continued support of shareholders and all other stakeholders.



We will continue pursuing dreams and creativity to enhance our social and corporate value.

Akira Takanashi Director, Senior Executive Officer, and Chief Operating Officer



As we approach our 50th anniversary in March 2025, our goal is not just to be a long-standing company that endures but a dynamic and thriving organization that achieves new growth and vitality. To this end, the Group will focus on generating profits through the growth of every employee and engaging in a Groupwide effort to rebuild a foundation for sustainable growth. These are the goals of VC2024 Revival.

Although management rationalization efforts implemented in 2023 are still only halfway complete, we believe it is crucial to accelerate and promote the PDCA (plan-do-check-act) cycle for priority measures from this point onward. In addition, we may need to add and revise measures based on specific circumstances.

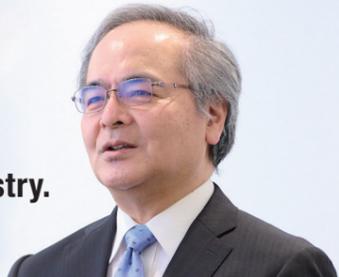
We succeeded in reducing fixed costs in our domestic business through the 2023 management rationalization. However, production volume declined due to significant personnel reallocation following the closure of Pintec Corporation and cutbacks in domestic plant personnel, as well as inadequate preparation for outsourcing to partner factories. Especially from October through December 2023, our requests to adjust delivery dates inconvenienced customers. We still need to take temporary measures, such as changing delivery dates and suspending orders for

products with short delivery times. Nevertheless, we aim to promptly restore normalcy to fulfill our original responsibilities to suppliers. To secure man-hours to make special-order mold and die components in Japan, we are transferring production of standard products from domestic factories to overseas bases. We are also expanding sales of special-order products in the FA field and are advancing into the aerospace field by combining Punch Industry's new P-Bas® metal-bonding technology and 3D measurement technology. We believe it is essential to take concrete actions to expand into new areas and businesses.

We are committed to pursuing new functional value, paving the way for practical applications through continuous R&D, and consistently delivering products of genuine value to customers. We will also enhance our social and corporate value by shifting the focus from merely achieving customer satisfaction to creating customer excitement. These are our responsibilities, and we are determined to fulfill them. In addition, we will continue pursuing dreams and creativity while valuing the comfort and job satisfaction of each and every employee. Working in unison, we will also continue embracing a "triple-win" principle and steadily advance, step by step, to become a company indispensable to society.

We will invest more aggressively in human capital to build a business model for establishing a unique position in the industry.

Takao Murata Director, Senior Executive Officer, and Chief Financial Officer



In fiscal 2023, we posted disappointing results, with large year-on-year declines in revenue and earnings. In addition to external factors, this was partly due to operational disruptions in manufacturing and at sales sites, stemming from our management rationalization efforts. The aim of these efforts is to fundamentally rebuild our domestic business, which has run a deficit for many years. Regarding profitability, management rationalization is having a significant effect, with fixed costs declining ¥800 million in the second half of fiscal 2023 and expected to fall ¥1.2 billion per year in fiscal 2024 and thereafter. However, the previously mentioned disruptions led to a temporary increase in employee workload and a decrease in employee engagement. In light of this, we recognize the urgent need to implement measures that offer a more promising future.

The aim is not to achieve results in a single year but to realize sustainable growth. Rather than generating revenue from accumulated overtime and weekend work, we have to change the composition of the revenue by creating a business model that leverages our technological capabilities to their fullest and places higher-value-added, special-order products at the core of our business to establish a unique position in the

industry. To this end, we aim to further enhance our technological capabilities and increase our investment in human capital to cultivate talent adept at transforming such capabilities into new innovative business formats. Along with taking a fresh look at our company, we started formulating a "Purpose" that redefines our corporate goals and social reason for existence. Once this Purpose is finalized and disseminated throughout the Company, we expect to grow while we address social issues. We are also enhancing our internal environment to support the advancement of women and foster diversity.

In our previous mid-term business plan, VC2024, we positioned ROIC management as a key measure for improving corporate value. In addition to the asset turnover ratio, therefore, we have sought to improve the cash conversion cycle (CCC). Over the past few years, the CCC fell below 110 days as our accounts receivable turnover ratio improved in fiscal 2021 and fiscal 2022, reflecting a trend of improvement. In fiscal 2023, however, the CCC exceeded 120 days due to a significant decrease in sales and the concurrent worsening accounts receivable turnover ratio, while our ROIC, at 3.9%, was well below the WACC, which is a major challenge for the future.

Japan

Redevelop sales system

■ **Expand sales of special-order products in the FA field**

Viewing the FA market as a growth field, we will focus on expanding our business in high-value-added, special-order products by applying technological capabilities cultivated through our business in special-order mold and die components.

→ Despite challenging results in fiscal 2023, our FA business achieved revenue growth, expanding its share of consolidated net sales to approximately 7%. In fiscal 2024, we established the new FA Business Division, which was elevated from the FA Business Promotion Project. The new division will enhance its efforts by clearly defining the roles of the Operations Department, Sales Department, and Strategy Department. We also launched a sales skill development program aimed at producing talent in each branch capable of conducting technical sales (solution-oriented sales) related to FA.

■ **Establish customer center**

By shortening the time required to address quotations and give production instructions after order receipt, we plan to speed up our order responses and increase orders while improving customer service.

→ While we launched specific activities such as business operation reform and deployment of IT tools, we faced delays in the initial phase. We will start reviewing our plans in light of the emerging challenges.

Redevelop production system

■ **Consolidate production bases**

We will transfer production of standard products to our factories in China and Vietnam. This move will strengthen our price competitiveness for such products and enhance the earning power of the Japan parent company business centered on special-order products.

→ The transfer of production of standard components for press dies has been nearly completed as planned. Next, we are transferring production of standard components for plastic molds. In line with management rationalization of our domestic operations, we have temporarily moved some production to our Malaysia Plant. During the VC2024 Revival period, we will work to normalize our production system.

■ **Use FA to make factories smarter**

We will automate transportation between processes and in-process inspections within our factories while improving overall transportation efficiency. We will also use IoT technologies to visualize production and enhance shipping operations, while promoting the expansion of efficient labor-saving equipment.

→ At the Kitakami Plant, our manufacturing team and our subsidiary ASCe collaborated to share challenges and generate implementation ideas, with the aim of creating successful cases.

Continue strengthening R&D

■ **P-Bas® (new processing method)** → Please refer to the section on technology development and R&D on page 05.

■ **Strengthen our aerospace-related business** → Please refer to the section on technology development and R&D on page 05.

Overseas

China

■ **Enhance FA**

→ We plan to evolve from a mold and die component company to a comprehensive machine parts company. The main theme of this change is to leverage resources and technologies cultivated in mold and die component manufacturing to strengthen R&D on components used in FA, aerospace, industrial machinery, and medical devices.

Southeast Asia

■ **Refocus on the Indian market, establish sales bases**

→ We will focus on expanding sales of both press dies and plastic mold components. By partnering with our factories in Dalian and Malaysia, we aim to boost sales of special-order products. In the medium to long term, we will also consider building a local system in India for order reception, manufacturing, and sales in line with that nation's "Make in India" policy.

Europe, the United States, and others

■ **Acquire new customers**

→ We established the Overseas Business Department at our Japanese head office and launched the cross-lateral European Sales Expansion Project. By clarifying roles and aligning goals, we will move from our existing new customer development system in China and Malaysia to a strategy focused on expanding sales in Europe.

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

Aerospace-related initiatives

YAOKI lunar rover successfully tests integration with lunar lander

Punch Industry is participating in Project YAOKI 1 (PY-1), a lunar exploration initiative led by Dymon Co., Ltd. In April 2024, Dymon successfully completed a test integration of its YAOKI lunar rover with the Nova-C lunar lander, made by Intuitive Machines, LLC.

In the design and development of YAOKI, Punch Industry utilized 3D scanning technology for precise 3D shape measurement. This helped optimize the clearance between the YAOKI flight model and the deployer (YAOKI transport case).

YAOKI is scheduled for launch during fiscal 2024, with a target landing site near the South Pole of the Moon. The plan for PY-1 is to transport YAOKI to the Moon to demonstrate the technology for driving around the lunar surface and acquiring image data via remote control from Earth.

Punch Industry joined Project YAOKI in May 2023 when it signed a technical partnership agreement with Dymon.



P-Bas® metal-bonding technology

Developed by the Company, P-Bas® (Punch Bonding and sintering) is a technology that uses pressure and heat to bond two or more metal components. Since its launch in fiscal 2021, P-Bas® has won high praise from numerous customers.

P-Bas® enables the production of parts with complex shapes similar to those made with metal 3D printers. It offers a wide range of material options and advantages of strength and cost. To expand its sales, we also participate in online seminars and exhibitions targeting mold and die professionals.



Lecture at CHINAPLAS 2024 (China)

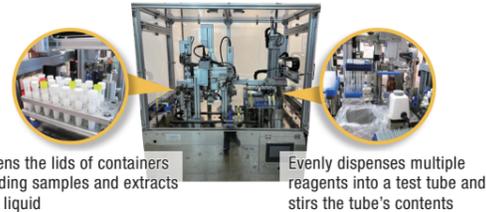
Expanding sales of factory automation (FA) equipment and using it in our own factories

Design and manufacture of FA equipment at ASCe

ASCe, which joined the Group in October 2022, engages in the design of power-driven devices and production line equipment. In addition to collaborating with Punch Industry's FA Business Division to participate jointly in exhibitions, ASCe formulates sales strategies and establishes ties with FA partner factories.

Automated dispensing system

This system, which automates the process of dispensing liquids, powders, or both into different containers, is commonly used in medical and scientific research and testing. While many devices require manual lid operation, ASCe's system is designed to automatically open and close lids by recognizing various lid shapes with a sensor camera.



Making our own factories smarter

One key measure of VC2024 Revival has us moving forward with a view toward ASCe participating in our design and development.

In addition to using automated guided vehicles (AGVs) and robots to enhance the efficiency of processing, transportation, and inspection, we will leverage IoT technology to visualize production and improve shipping efficiency.

Labor-saving equipment

Since August 2023, we have been installing labor-saving equipment at the Kitakami Plant. By attaching such equipment to a processing machine, we have automated the previously manual tasks of changing workpieces (items being processed) and chucks (fixtures used to secure the workpieces). Automating these processes enables machinists to perform other tasks, leading to increased efficiency. We are also exploring ways to expand the range of tasks and movements that such labor-saving equipment can perform.



Automated guided vehicles (AGVs)

Since December 2023, we have been using automated guided vehicles (AGVs) that can transport items between buildings and navigate through automatic doors, thereby automating and reducing manual efforts required for transportation—a significant burden in factory environments—and enhancing productivity.



Sustainability Committee established

In July 2022, we established the Sustainability Committee to strengthen our efforts to create a sustainable society. Under the committee, we have established three cross-functional domestic and international task forces, focusing on CO₂ reduction, waste reduction, and respect for human rights, respectively. These task forces oversee the progress of their missions and handle the practical implementation of the five material issues identified by the Company.

CO₂ Reduction Task Force

Installation of energy-saving and high-efficiency equipment

We are progressively introducing energy-efficient equipment such as motion-sensor lighting, LED lighting, and heat pump air conditioners. In the future, we will also consider using power-monitoring systems for air conditioners and machining equipment.



LED lighting in factories

Solar panels

We have installed solar panels on the roofs of our plants in China (Dalian and Wafangdian), Vietnam, and Malaysia. In addition to using the panels as a power source within the plants, we sell surplus electricity to local power companies.



Wafangdian Plant (China)

Waste Reduction Task Force

Alkaline wastewater minimization system

The machining process for the Group's mold and die components generates alkaline wastewater.

To reduce such discharge, we installed a waste minimization system at the Miyako Plant in 2022. This system concentrates the wastewater to lower its volume, enabling us to cut annual discharge 83%, from 29 tons to just 6 tons. In addition, the recycled water produced during the waste minimization process is used for cleaning within the plant, further enhancing our recycling efforts.



Recycled water used for cleaning

Human Rights Task Force

We established the Group Human Rights Policy in December 2022 and the Group Sustainable Procurement Policy and Guidelines in April 2023. We are conducting internal training on the theme of business and human rights. Moving forward, we plan to conduct human rights due diligence at both Group factories and at our partner factories.

Health Management Declaration

In February 2024, we announced our Health Management Declaration. In today's context of diversifying lifestyles, including dietary habits, and an increasingly uncertain social environment, alongside the need to develop corporate strategies that empower women, we have identified lifestyle-related diseases, mental health, and women's health as key points in advancing our health management initiatives. Keeping this in mind, we are practicing health management aimed at realizing an environment where employees can work in good health and in high spirits.

Support program for quitting smoking

In fiscal 2024, we introduced a program to subsidize part of the cost of employees' treatment to quit smoking. The goals of the program are to reduce the incidence of cancer, as well as health problems caused by secondhand smoke, and thus help employees and their families stay healthy.

Since 2020, we have designated May 31 of every year "Group No Smoking Day." On this day, all locations prohibit smoking and engage in health-related activities such as stretching and cleaning to encourage physical activity.



Commendation for employees who quit smoking

Subsidy for purchasing low-dose oral contraceptives

In fiscal 2024, we introduced a program to partially subsidize the cost of low-dose oral contraceptives, which are recommended for managing menstruation-related health issues. This initiative is intended to help women maintain their health.

Health seminars for employees

We regularly hold seminars with public health nurses serving as lecturers. In fiscal 2024, we are focusing on various topics, such as understanding male and female menopause and premenstrual syndrome (PMS) under the theme "understanding your colleagues at work," as well as self-checks for breast cancer under the theme "promoting women's health and vitality."

