

May 31, 2006

To whom it may concern

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Announcement Regarding Transfer of Shares of the Subsidiary

Asahi Diamond Industrial Co., Ltd. ("Asahi Diamond Industrial") announces that Asahi Diamond Industrial and Sandvik AB, a Swedish company, have reached an understanding whereas Asahi Diamond Industrial will transfer all the shares of Hagby Asahi AB, its wholly-owned consolidated subsidiary, to Sandvik AB.

The details are as follows:

1. The reason for transfer of shares of Hagby Asahi AB, the subsidiary;

Asahi Diamond Industrial will transfer all the shares of Hagby Asahi AB, 80,000 shares, which Asahi Diamond Industrial owns, to Sandvik AB.

Hagby-Asahi AB is one of the market' s leading manufacturers and suppliers of diamond tools and equipments for the mining, construction and metal working industries, as well as a supplier of diamond drill rigs for mineral exploration.

This transfer strongly complements Sandvik AB' s operations in its businesses, including but not limited, to the mining and construction business.

In addition, the business opportunities of Asahi Diamond Group will increase substantially, through closer cooperation with Sandvik AB' s global resources.

2. Outline of Hagby Asahi AB

- (1) Trade name : Hagby Asahi AB
- (2) Representative : Representative director Jan Kallenback
- (3) Address of the head office : Nora, Sweden
- (4) Year of foundation : 1960
- (5) Major business : Primarily, business of manufacturing and selling diamond tools for mining, construction and engineering
- (6) Number of employee : 108
- (7) Capital stock : One hundred and twenty million (120,000,000) yen
- (8) Number of shares outstanding : 80,000 share
- (9) The business performance of Hagby Asahi AB

	2004 fiscal year (ended December 31, 2004)	2005 fiscal year (ended December 31, 2005)
Sales	2,200,000,000 yen	2,400,000,000 yen
Operating income	260,000,000 yen	220,000,000 yen
Ordinary profit	260,000,000 yen	240,000,000 yen
Net income	190,000,000 yen	170,000,000 yen
Total asset	1,870,000,000 yen	2,090,000,000 yen
Shareholder's equity	1,360,000,000 yen	1,530,000,000 yen

3. Outline of the transferee:

- (1) Trade name : Sandvik AB
- (2) Representative : President and CEO Lars Pettersson
- (3) Address of the head office : Sandviken, Sweden
- (4) Year of foundation : 1862
- (5) Major business : Primarily, business of manufacturing and selling tools for metal working industries, machines and tools for rock excavation, stainless steels, and special alloys
- (6) Number of employee : 39,600
- (7) Capital stock : Twenty-three billion and seven million (23,700,000,000) yen
- (8) Number of shares outstanding : 237,000,000 shares
- (9) The business performance of Sandvik AB

	2004 fiscal year (ended December 31, 2004)	2005 fiscal year (ended December 31, 2005)
Sales	820,000,000,000 yen	950,000,000,000 yen
Operating income	114,000,000,000 yen	143,000,000,000 yen
Net income	77,000,000,000 yen	96,000,000,000 yen
Total asset	770,000,000,000 yen	900,000,000,000 yen

(SEK = ¥15.00)

4. The total purchase price of all the shares of Hagby Asahi AB

Final price currently under negotiation.

Asahi Diamond Industrial will announce the final price, as soon as the final price is decided by and between Asahi Diamond Industrial and Sandvik AB.

5. Date for transfer of shares

July 1, 2006 (Planned)

6. Future prospects;

Asahi Diamond Industrial is currently negotiating to supply diamond bits exclusively to the mining and construction business division of Sandvik AB, which supplies the worldwide mineral exploration business.

Because of the current growth of the market of mineral resource business, Sandvik AB prospects that the size of this business in the world will exceed 10 billion yen in near future. Accordingly, the size of Asahi Diamond Industrial's diamond bits business is expected to expand.

Asahi Diamond Industrial will continuously expand the supply of diamond tools in Nordic area based on the Distributor Agreement between Asahi Diamond Industrial and Sandvik AB.

Asahi Diamond Industrial now supplies diamond tools to Sandvik Group, and will strengthen cooperative relations with Sandvik AB to expand the use of diamond tools in Sandvik Group.

Asahi Diamond Industrial believes that the transfer of the shares of Hagby Asahi AB to Sandvik AB will cause Asahi Diamond Industrial to contribute to increase productivity of Sandvik Group, and will lead to the great benefits for both parties in the future.