

Annual Securities Report

The 104th From April 1, 2022
fiscal year to March 31, 2023



Asahi Diamond Industrial Co., Ltd.

Cover

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Company name	Asahi Daiyamondo Kogyo Kabushiki Kaisha
Company name in English	Asahi Diamond Industrial Co., Ltd.
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Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Osaka Branch, Asahi Diamond Industrial Co., Ltd. (3-4-30, Miyahara, Yodogawa-ku, Osaka-shi, Osaka) Nagoya Branch, Asahi Diamond Industrial Co., Ltd. (1-16-34, Aoi, Higashi-ku, Nagoya-shi, Aichi) North Kanto Branch, Asahi Diamond Industrial Co., Ltd. (1-20-1, Azuma, Kitamoto-shi, Saitama)

Section 1 Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated financial data

Fiscal year	100th	101st	102nd	103rd	104th
Year ended	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales (millions of yen)	41,046	35,304	30,143	37,161	39,320
Ordinary profit (loss) (millions of yen)	3,108	591	(337)	3,650	3,275
Profit (loss) attributable to owners of parent (millions of yen)	2,321	(340)	(331)	3,288	2,765
Comprehensive income (millions of yen)	168	(1,497)	992	4,187	5,063
Net assets (millions of yen)	59,028	56,833	57,297	60,869	62,882
Total assets (millions of yen)	73,047	70,007	68,144	72,241	74,177
Net assets per share (yen)	1,040.37	1,000.06	1,008.33	1,067.79	1,142.25
Basic earnings (loss) per share (yen)	41.76	(6.13)	(5.97)	59.23	50.88
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	79.0	79.3	82.1	82.1	82.5
Return on equity (ROE) (%)	4.0	(0.6)	(0.6)	5.7	4.6
Price earnings ratio (times)	18.3	(75.5)	(89.0)	10.0	18.4
Cash flows from operating activities (millions of yen)	4,449	4,805	(90)	5,948	4,979
Cash flows from investing activities (millions of yen)	(5,144)	(4,990)	(4,289)	(356)	(1,260)
Cash flows from financing activities (millions of yen)	(914)	(732)	(604)	(1,077)	(3,145)
Cash and cash equivalents at end of period (millions of yen)	16,548	15,685	10,649	15,548	16,389
Number of employees [separately, average number of temporary employees]	2,208 [333]	2,139 [331]	2,050 [301]	2,057 [393]	2,037 [416]

- Notes:
- The information related to diluted earnings per share is omitted because there are no residual shares.
 - The Company introduced a stock compensation plan in the 100th fiscal year. For calculating net assets per share, the Company includes its shares remaining in the stock compensation plan, which are recorded as treasury shares, into the treasury shares to be deducted in calculation of issued shares at end of period. For calculating basic earnings (loss) per share, the Company includes such shares into the treasury shares to be deducted in calculation of the average number of shares of common stock during the period.
 - Since the beginning of the 103rd fiscal year, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020) and other standards. Key financial data for the 103rd fiscal year and beyond are figures after the application of such standards.

(2) Financial data of the reporting company (Non-consolidated)

Fiscal year	100th	101st	102nd	103rd	104th
Year ended	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales (millions of yen)	31,964	27,740	24,549	29,186	30,691
Ordinary profit (millions of yen)	2,059	596	76	2,103	3,292
Profit (millions of yen)	1,684	332	201	1,899	3,165
Share capital (millions of yen)	4,102	4,102	4,102	4,102	4,102
Total number of issued shares	55,700,000	55,700,000	55,700,000	55,700,000	53,888,600
Net assets (millions of yen)	46,272	44,905	45,851	46,993	48,265
Total assets (millions of yen)	57,446	55,336	54,636	56,027	57,437
Net assets per share (yen)	833.71	808.97	826.04	846.30	901.24
Dividend paid per share (of which, the amount of interim dividend paid per share) (yen)	14.00 (6.00)	10.00 (4.00)	6.00 (3.00)	24.00 (8.00)	26.00 (11.00)
Basic earnings per share (yen)	30.31	5.99	3.64	34.21	58.23
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	80.5	81.1	83.9	83.9	84.0
Return on equity (ROE) (%)	3.6	0.7	0.4	4.1	6.6
Price earnings ratio (times)	25.2	77.3	146.0	17.3	16.1
Payout ratio (%)	46.2	167.0	165.0	70.2	44.7
Number of employees [separately, average number of temporary employees]	1,037 [302]	1,019 [318]	1,010 [286]	998 [378]	983 [407]
Total shareholder return (%) [Benchmark: TOPIX Total Return Index]	80.0 (126.2)	51.1 (114.2)	58.5 (162.3)	80.6 (144.3)	90.7 (131.8)
Highest share price (yen)	1,147	823	584	743	979
Lowest share price (yen)	537	403	413	498	546

- Notes:
- 1 The information related to diluted earnings per share is omitted because there are no residual shares.
 - 2 The highest and lowest share prices are quoted prices on the First Section of the Tokyo Stock Exchange on or before April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange on or after April 4, 2022.
 - 3 The Company introduced a stock compensation plan in the 100th fiscal year. For calculating net assets per share, the Company includes its shares remaining in the stock compensation plan, which are recorded as treasury shares, into the treasury shares to be deducted in calculation of the total number of issued shares at end of period. For calculating basic earnings per share, the Company includes such shares into the treasury shares to be deducted in calculation of the average number of shares of common stock during the period.
 - 4 Since the beginning of the 103rd fiscal year, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020) and other standards. Key financial data for the 103rd fiscal year and beyond are figures after the application of such standards.

2. History

October 1937	Asahi Diamond Industrial Co., Ltd. established in Ota-ku, Tokyo for manufacturing and marketing diamond tools.
January 1944	Ueno Factory (formerly Mie Factory) completed in Ueno-shi (currently Iga-shi), Mie.
December 1945	Corporate name changed to Asahi Kogei Co., Ltd. Production of Shippo (cloisonne enamel) crafts started.
May 1950	Head office moved to Chuo-ku, Tokyo.
May 1952	Corporate name changed to Asahi Diamond Industrial Co., Ltd. Full-scale production of diamond tools started.
July 1959	Asahi Electric Wire Co., Ltd. merged by absorption.
March 1963	Asahi Diamond Trading Co., Ltd. merged by absorption.
September 1965	Tamagawa Factory completed in Takatsu-ku, Kawasaki-shi.
April 1966	Asahi Trading Co., Ltd. merged by absorption.
September 1972	Participated in the management of Sun Diamond Kogyo Co., Ltd. (currently Yamanashi Asahi Diamond Industrial Co., Ltd., a consolidated subsidiary).
October 1972	Listed on the Second Section of the Tokyo Stock Exchange.
May 1978	Shinhan Diamond Industrial Co., Ltd., a joint venture (currently an equity-method associate), established in South Korea.
September 1978	Listed on the First Section of the Tokyo Stock Exchange.
August 1984	Mie No. 2 Factory completed in Ueno-shi (currently Iga-shi), Mie.
March 1989	Chiba Tsurumai Factory and Research and Development Center completed in Ichihara-shi, Chiba. (Shut down in February 2021.)
July 1991	Head office moved to the current location.
December 1993	Acquired all shares of Triefus France (currently Asahi Diamond Industrial Europe SAS, a consolidated subsidiary) and Triefus Australia (currently Asahi Diamond Industrial Australia Pty., Ltd., a consolidated subsidiary).
November 1995	Acquired additional shares of Taiwan Asahi Diamond Industrial Co., Ltd. (established as a joint venture in May 1968; currently a consolidated subsidiary).
March 1999	Chiba No. 2 Factory completed in Chonan-machi, Chosei-gun, Chiba.
July 2002	Acquired all shares of P.T. Asahi Diamond Industrial Indonesia (currently a consolidated subsidiary).
July 2002	Asahi Diamond America, Inc. established in the United States (currently a consolidated subsidiary).
July 2002	Shanghai Xu Hui Diamond Industrial Co., Ltd. established in China (currently a consolidated subsidiary).
June 2006	Mie and Mie No. 2 Factories integrated to launch the current Mie Factory in Iga-shi, Mie.
December 2011	Acquired additional shares of Asahi Diamond (Thailand) Co., Ltd.(currently a consolidated subsidiary).
July 2013	Acquired all shares of Koremura Co., Ltd., a company manufacturing and selling whetstones (currently Koremura Asahi Diamond Industrial Co., Ltd., a consolidated subsidiary).
January 2015	Asahi Diamond Industrial Germany GmbH established in Germany (currently a consolidated subsidiary).
July 2015	Asahi Diamond Industrial Scandinavia AB established in Sweden (currently a consolidated subsidiary).
July 2015	Asahi Diamond Industrial Malaysia Sdn. Bhd. established in Malaysia (currently a consolidated subsidiary).
August 2015	Asahi Diamond de Mexico, S.A. de C.V. established in Mexico (currently a consolidated subsidiary).
July 2020	Chiba Factory completed in Sodegaura-shi, Chiba.
February 2021	Engineering & Development Center established in Takatsu-ku, Kawasaki-shi.
August 2021	North Kanto Branch opened in Kitamoto-shi, Saitama.
April 2022	Moved from the First Section to the Prime Market of the Tokyo Stock Exchange due to the restructuring of the market segments.

3. Description of Business

The Asahi Diamond Group (Asahi Diamond Industrial Co., Ltd. and its subsidiaries and associates; the “Group”) operates a single segment of manufacturing and sale of diamond tools (including CBN tools and whetstones), mainly for the industries such as electronics and semiconductor, transportation equipment, machinery, and stone and construction.

The scope of business of the Company and its group companies in the diamond tool business are as follows.

The Group supplies products to Koremura Asahi Diamond Industrial Co., Ltd., overseas manufacturing and sales subsidiaries, overseas sales subsidiaries, and overseas associates.

Domestic Companies

Asahi Diamond Industrial Co., Ltd. (the “Company”) sells products mainly in Japan, Asia, Oceania, Europe, and North America regions.

Yamanashi Asahi Diamond Industrial Co., Ltd. supplies products to the Company.

Koremura Asahi Diamond Industrial Co., Ltd. sells products mainly in Japan and Asia and Oceania regions.

Overseas manufacturing and sales subsidiaries

Asahi Diamond Industrial Europe SAS sells products mainly in Europe region.

Taiwan Asahi Diamond Industrial Co., Ltd. sells products mainly in Asia and Oceania regions.

Shanghai Xu Hui Diamond Industrial Co., Ltd. sells products mainly in Asia and Oceania regions.

P.T. Asahi Diamond Industrial Indonesia sells products mainly in Asia and Oceania regions.

Asahi Diamond (Thailand) Co., Ltd. sells products mainly in Asia and Oceania regions.

Overseas sales subsidiaries

Asahi Diamond America, Inc. sells products mainly in North America region.

Asahi Diamond de Mexico, S.A. de C.V. sells products mainly in Central America region.

Asahi Diamond Industrial Germany GmbH sells products mainly in Europe region.

Asahi Diamond Industrial Scandinavia AB sells products mainly in Europe region.

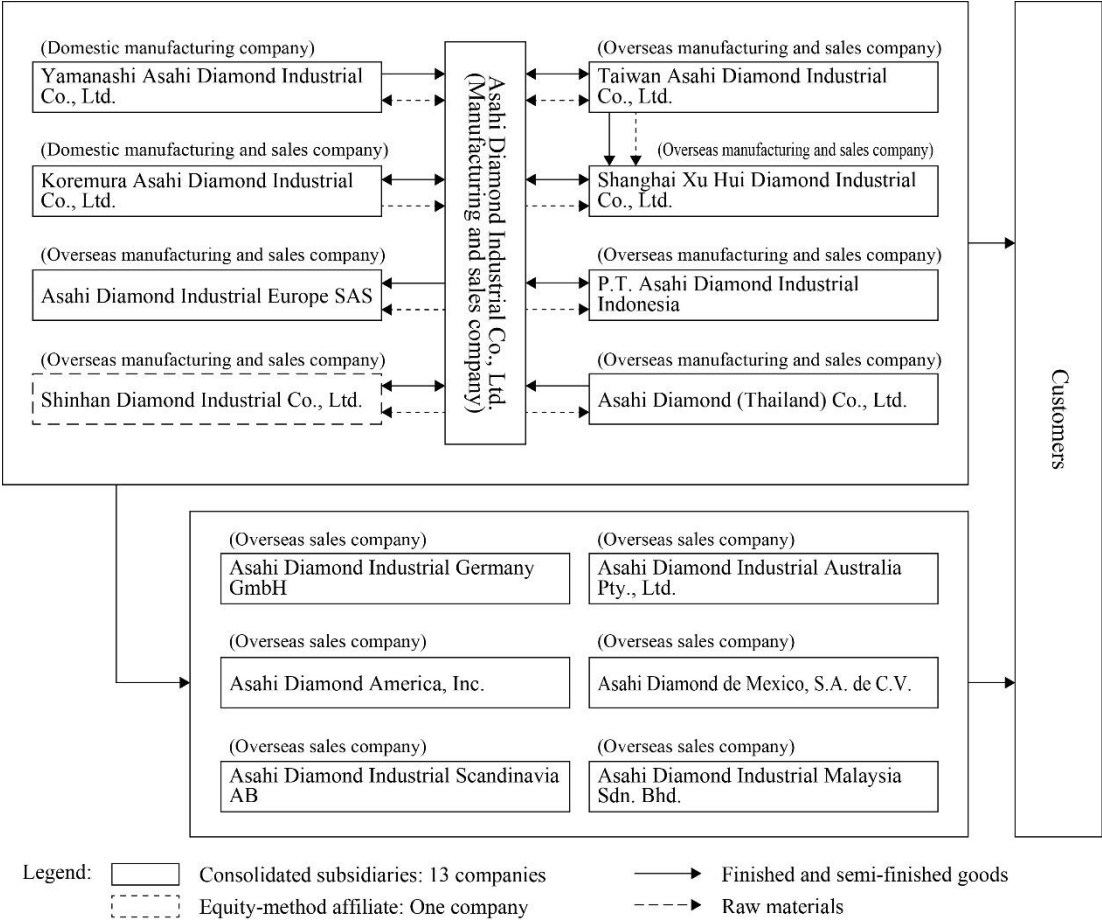
Asahi Diamond Industrial Australia Pty., Ltd. sells products mainly in Asia and Oceania regions.

Asahi Diamond Industrial Malaysia Sdn. Bhd. is engaged in sales support business for our customers in Asia and Oceania regions.

Overseas Associates

Shinhan Diamond Industrial Co., Ltd., an associate, sells products mainly in Asia and Oceania regions.

The chart below summarizes the structure of the Group’s businesses.



4. Subsidiaries and Associates

Company name	Location	Share capital	Ratio of voting rights held (%)	Description of relationship					
				Number of officers concurrently serving for the Company and subsidiaries/associates			Business transactions	Financial assistance	Leasing of facilities
				Officer	Executive Officer	Employee			
<i>Consolidated subsidiaries</i>									
Yamanashi Asahi Diamond Industrial Co., Ltd. (Note 2)	Nirasaki-shi, Yamanashi	¥48,000 thousand	100.0	—	—	—	Purchase of products / purchase and sale of materials	—	Land leasing
Koremura Asahi Diamond Industrial Co., Ltd.	Kamakura-shi, Kanagawa	¥13,000 thousand	100.0	—	—	1	Sale and purchase of products / purchase of materials	—	No
Asahi Diamond Industrial Europe SAS	Eure-et-Loir, France	EUR 830 thousand	100.0	1	—	1	Sale and purchase of products / sale of materials	Fund lending and loan guarantee	No
Asahi Diamond Industrial Germany GmbH	Dortmund, Germany	EUR 25 thousand	100.0	—	—	1	Sale of products	Fund lending	No
Taiwan Asahi Diamond Industrial Co., Ltd. (Note 2)	Taoyuan, Taiwan	NT\$155,221 thousand	69.1	3	1	—	Sale and purchase of products and materials	—	No
Shanghai Xu Hui Diamond Industrial Co., Ltd.	Shanghai, China	US\$3,330 thousand	100.0 (21.6)	2	2	—	Sale and purchase of products / sale of materials	—	No
P.T. Asahi Diamond Industrial Indonesia	Bekasi Regency, Indonesia	IDR 28,962 million	100.0	1	1	—	Sale and purchase of products / sale of materials	—	No
Asahi Diamond (Thailand) Co., Ltd.	Bangkok, Thailand	THB 106,000 thousand	90.0	—	—	3	Sale and purchase of products / sale of materials	—	No
Asahi Diamond America, Inc.	Ohio, U.S.A.	US\$100 thousand	100.0	1	—	2	Sale of products	—	No
Asahi Diamond Industrial Scandinavia AB	Orebro, Sweden	SEK 50 thousand	100.0	1	—	1	Sale of products	—	No
Asahi Diamond Industrial Australia Pty., Ltd.	Mona Vale, Australia	AUS\$2,500 thousand	100.0	1	1	—	Sale of products	—	No
Asahi Diamond de México, S.A. de C.V.	Leon, Mexico	MXN 4,000 thousand	100.0	—	—	1	Sale of products	—	No
Asahi Diamond Industrial Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR 1,000 thousand	100.0	—	—	2	Sale of products	—	No
<i>Equity-method associate</i>									
Shinhan Diamond Industrial Co., Ltd.	Incheon, South Korea	KRW 6,500 million	28.5	3	—	—	Sale and purchase of products / sale of materials	—	No

Notes: 1 All of the subsidiaries and associates are mainly engaged in diamond tool businesses.

2 The Companies with Note 2 are specified subsidiaries.

3 The figure in parentheses in the ratio of voting rights held (%) shows the ratio of the voting rights the Company holds indirectly, which is included in the figure without parentheses.

5. Employees

(1) Information about consolidated companies

As of March 31, 2023

Business Division	Number of employees
Diamond tools business division	2,037 [416]

- Notes: 1 The number of employees excludes eight Executive Officers and includes those seconded from outside to the Group.
 2 The number of temporary employees, including part-time employees and agency workers, for the current fiscal year is shown separately in square brackets. Note that the number of part-time employees is the average number employed (converted at eight hours a day), and the number of agency workers is the number at the end of the current fiscal year.

(2) Information about the reporting company

As of March 31, 2023

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousands of yen)
983 [407]	44.42	21.21	6,814

- Notes: 1 The number of employees excludes eight Executive Officers and 34 employees that have been seconded to outside companies.
 2 The number of temporary employees, including part-time employees and agency workers, for the current fiscal year is shown separately in square brackets. Note that the number of part-time employees is the average number (converted at eight hours a day), and the number of agency workers is the number at the end of the current fiscal year.
 3 Average annual salary includes bonuses and extra wages.
 4 All employees of the Company are engaged in diamond tool businesses.

(3) Labor union

The labor union of the Company and Yamanashi Asahi Diamond Industrial Co., Ltd. (505 union members) belongs to an industrial union JAM (Japanese Association of Metal, Machinery, and Manufacturing Workers).

There are no special matters to be noted as to the labor-management relations.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and difference in wages between male and female workers

i. Reporting company

Current fiscal year				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Difference in wages between male and female workers (%) (Note 1)		
		All workers	Regularly employed workers	Part-time and fixed-term workers
1.0	50.0	72.4	78.5	60.4

- Notes: 1 The percentages are calculated in accordance with the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).
 2 The percentage of workers taking childcare leave stipulated in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

II. Overview of Business

1. Management Policy, Business Environment, and Issues to Address

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the filing date of this Annual Securities Report.

(1) Management Policy

The Group holds "Manufacturing excitement through innovation" as its corporate philosophy. In the world of manufacturing, where the pace of technological progress is ever accelerating, tackling complex problems is a daily challenge. Together with our customers, the Group strives to enhance manufacturing processes, contributing to the development of society.

Under such corporate philosophy, the Group holds as its vision One and Only, Eternal Growth, and Job Satisfaction. In addition, Challenge, Customer, Cooperation, Character, and Speed are held as its Values.

(2) Management strategies over the medium- to long-term

The Group set forth the Medium-term Management Plan 2025 at the Board of Directors meeting held on May 12, 2023. The main items and progress of the plan are stated below in (4) Business environment and operational and financial issues to be addressed.

(3) Target key management metrics

The Group regards the following targets as key management metrics for achieving sustainable growth and increasing the interests of all stakeholders: consolidated net sales, consolidated operating profit, consolidated operating profit ratio, profit attributable to owners of parent, and return on equity (ROE).

(4) Business environment and operational and financial issues to be addressed

The Group has formulated the Medium-term Management Plan 2025, with the year 2025 set for its final year, and set forth the VISION 2030 as our vision for 2030. The Group has visualized how it should be after seven years as "a global niche top manufacturer supporting manufacturing around the world," and is driving reforms under the three priority themes to achieve sustainable growth and high profitability on global perspective.

Priority themes of Medium-term Management Plan 2025

i. Focus on tools for the electronics and semiconductor industry

The Group will strive to expand sales by concentrating its management resources into the electronics and semiconductor segment and constructing a production system for profitable products, thereby aiming to build a highly profitable structure. In particular, against the backdrop of the trend toward a decarbonized society, the Group will move ahead with the development of SiC processed products for power semiconductors and a next-generation ultrafine wheel for Si wafer, for which the demand has been rapidly increasing. In addition, the Group will work on increasing the efficiency of sales departments and other initiatives.

Through the above-mentioned initiatives, the Group expects sales of five focused products (surface grinding wheels, electroplated wires, CMP conditioners, chamfering wheels, and dicing blades) to increase by ¥5.0 billion from fiscal 2022 levels.

ii. Strengthening of business foundation

The Group will strengthen its business foundation by investing in, among other things, systems that contribute to increasing operating efficiency and personnel who will lead the next generation and drive forward the introduction of core and other systems to "visualize management indicators" and "increase operating efficiency." In doing so, we will realize management in line with the Group's medium- to long-term management policy and aim to enhance our organizational capabilities by recruiting and developing employees who will lead the next generation and creating a workplace that provides them with job satisfaction. The Group also aims to establish a high-quality, trusted brand image for the Asahi brand.

iii. Optimization of resources

We will pursue optimal cooperation within and outside the Group by utilizing external resources by such means as external procurement of products and sales consignment, while pushing forward with the streamlining of business domains and the reorganization of manufacturing and sales bases within the Group as well as optimizing internal resources.

2. Corporate Sustainability Policy and Initiatives

The Group's sustainability policy and initiatives are as follows.

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the filing date of this Annual Securities Report.

Basic sustainability policy

The Group holds as its basic sustainability policy "With the corporate philosophy 'Manufacturing excitement through innovation' set forth as the foundation for all business activities, the Group will continue to advance together with society as a company that develops human resources, cultivates skills, and continues making the impossible possible in society." The Group has established this sustainability policy as basic matters that every individual officer and employee must follow from 10 perspectives in order for them to implement the corporate philosophy and contribute to society through our businesses so that we can achieve sustainable growth together with our stakeholders. For more information about the sustainability policy, please visit the Company's website.

Initiatives related to climate change

(1) Governance

The Company has obtained ISO 14001 certification and established an environment management system. The Company has also started examining climate change-related risks and opportunities. Important matters are reported to the Board of Directors after preliminary examination at the Company's Environment System Review Conference and by personnel responsible for reducing greenhouse gas emissions.

(2) Strategy

The Company has started examining risks and opportunities that climate change poses to the Group's business activities.

Going forward, we intend to first identify risks and opportunities that could have a significant impact on the Company's business activities and then take actions to address the identified risks and opportunities. Meanwhile, the Company has already started initiatives to reduce CO₂ emissions from factories in Japan because CO₂ emissions from manufacturing bases are of particular importance for companies in the manufacturing industry.

The Company will further examine risks and opportunities, aiming to mitigate risks other than CO₂ emissions and create more opportunities.

(3) Risk management

The Environment System Review Conference and personnel responsible for reducing greenhouse gas emissions examine measures to address the reduction of CO₂ emissions, one of the Company's priority issues. The Environment System Review Conference is attended by the heads of factories in Japan and assesses risks and other factors and examine measures from the practical perspective. The details of reports after the examination are as stated in (1) Governance.

(4) Metrics and targets

We intend to formally calculate greenhouse gas emissions in accordance with the GHG Protocol going forward. According to the Company's own calculation, the total CO₂ emissions from its domestic factories for the fiscal year ended March 31, 2013 amounted to 16,542□-CO₂. The Company has set a target to reduce the emissions by 38% from fiscal 2013 levels by 2030. We have already achieved the reduction by 25% in the fiscal year ended March 31, 2022 and will continue this effort to achieve the target by fiscal 2030.

We will review the target if necessary according to the progress of initiatives to be taken for the Task Force on Climate-Related Financial Disclosures (TCFD) in the future.

Initiatives related to human capital

The Company has revised the personnel system in April 2023. Meanwhile, with the human resources development policy and the internal environment development policy described below, the Company has been working on the medium- to long-term development of human resources.

Human resources development policy and internal environment development policy

We believe that the basis of human resources development is to make employees going through successes and failures through diverse work experience at their workplaces and helping them find their jobs rewarding and realize their own growth, which will lead to a cycle of self-sustaining growth. To this end, we believe that it is important for superiors to understand the characteristics of their subordinates and provide them with opportunities to take on challenges by assigning tasks that they can leverage their individual strengths. Based on this belief, the Company places an emphasis on superiors building relationships of trust and having good communications with their subordinates. The Company also strives to secure safety and health in the workplace environment and establish a comfortable working environment.

i. Personnel system structure

The Company's personnel system is aimed at ensuring that employees receive treatment commensurate with their responsibilities, regardless of years of service, by linking grades and job positions. To motivate individual employees and facilitate their growth, the Company also places an emphasis on superiors exchanging frank opinions with their subordinates on a routine basis and having an interview on a semi-annual basis to reflect on individuals' accomplishments and actions and set their own challenges to take on.

ii. Self-declaration system

Under the self-declaration system, the Company's employees express their individual preferences for career development at the time of a semi-annual assessment and share the direction they are heading through an interview with their superiors. The system provides individual employees with opportunities to take on more challenging tasks to facilitate their growth by aligning the direction of their careers with the direction the Company is heading. We also aim to place the right people in the right roles across the Company by utilizing the self-declaration information in personnel relocation.

iii. Education and training system

In addition to rank-based training for employees at each career milestone, the Company also provides employees with education and training to intensively learn knowledge and skills to be required. In recent years, the Company has provided a select group of employees with one-year training to develop human resources capable of dealing with a wide range of customers in the semiconductor industry, and has produced talents who can play a leading role on the global stage. Entry-level engineers are assigned to respective workplaces after receiving one-year training to learn the Company's basic skills.

Based on the human resources development policy and the internal environment development policy, the Company will strive to create a workplace that provides employees with job satisfaction through the operation of the new personnel system and the self-declaration system as well as education and training. The Company's metrics and targets to check the results of such efforts are described below.

● Metrics and targets

Metrics	Results (fiscal 2022)	Targets (fiscal 2025)
Turnover rate	3.5%	3.0% or less
Percentage of male employees taking childcare leave	50%	60% or more
Difference in wages between male and female workers	78.5%	80% or more

3. Business Risks

Of the matters related to an overview of business and the financial information stated in this Annual Securities Report, the items listed below constitute major risk factors that may have a material impact on investors' decisions.

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the end of the fiscal year ended March 31, 2023.

(1) Continuity of product trading

The Group has not entered into long-term contracts with major customers regarding quantity and price. In the future, if orders are not sufficiently secured, the Group's financial position and operating results may be adversely affected.

(2) Procurement of raw materials

The Group uses natural and artificial diamonds and many kinds of metals and resins as main raw materials for production. In the future, the Group may be unable to procure these raw materials owing to the suspension of operations or reduced supply capacity on the part of suppliers, or we may experience boost in production cost due to higher raw material prices, and the Group's financial position and operating results may be adversely affected.

(3) Economic trends

The Group supplies diamond tools to a wide range of industries such as electronics and semiconductor, transportation equipment, machinery, and stone and construction. If changes in economic conditions affect our customers in those industries, demand for diamond tools may also be affected. If orders are not sufficiently secured in the future, the Group's financial position and operating results may be adversely affected.

(4) Competition with other companies

The Group strives to enhance product quality, shorten delivery times, and upgrade its technical service capabilities while always competing with other companies in terms of technology, delivery times, price, etc. In the future, the Group may be unable to secure sufficient profitability if it does not keep pace with competitors and the Group's financial position and operating results may be adversely affected.

(5) Quality problems

Although the Group adheres to quality control standards in manufacturing, the Group cannot guarantee that all products will be free of defects or that product-related claims will not be incurred. In the future, the advent of large claims may impose major costs on the Group and the Group's financial position and operating results may be adversely affected.

(6) Overseas business

The Group has manufacturing sites in Japan, Taiwan and China, and conducts overseas operations mainly in other parts of Asia, Oceania, Europe, and North America regions. Overseas sales account for approximately 50% of consolidated sales by geographic region. In the future, unexpected problems may arise, including but not limited to political instability, changes in regulations, exchange rate volatility, financial instability, rise in wages, trade wars, and acts of terror or war, in regions where the Group operates and the Group's financial position and operating results may be adversely affected.

(7) Risks relating to business alliances and corporate acquisitions

The Group recognizes that business alliances with other companies and corporate acquisitions are indispensable for securing future growth potential and profitability. The Group will give careful consideration to the implementation of such activities but if it is unable to achieve the synergies anticipated in the initial business plan, the Group's financial position and operating results may be adversely affected.

(8) Natural disasters

The Group strives to mitigate damages to manufacturing sites in Japan and overseas as a result of natural disaster, including but not limited to an earthquake, a storm, or flooding. However, direct damages to the Group's production facilities and information systems, shortages of electricity owing to destruction of infrastructure or shortages of materials from suppliers may adversely affect the Group's financial position and operating results.

(9) Environmental issues

The Group has established an environmental management system. All factories and subsidiaries in Japan, as well as some overseas subsidiaries have acquired ISO 14001 certification. Its efforts to protect the environment include reducing CO₂ emissions, and conserving and making effective use of resources. If an environmental problem occurs in the future under unforeseen circumstance, it may cause damage compensation, administrative sanctions, declining social evaluation and production suspension, which may impose additional expenses on the Group. In that case, the Group's financial position and operating results may be adversely affected.

(10) COVID-19

In response to the global COVID-19 pandemic, the Group is implementing measures that place the health and safety of employees first, including comprehensive hygiene management and flextime operations, in efforts to prevent the occurrence and spread of infection. If the production and sales activities of the Group are restricted for reasons such as the re-expansion of infected areas or a rebound increase in the number of infected persons, the Group's financial position and operating results may be adversely affected.

(11) Information security

The Group can collect personal and classified information on customers and business partners through its business activities. Furthermore, the Group also has its own classified information regarding marketing and technology. Although the Group strives for stringent management of such information, unexpected problems such as computer viruses and unauthorized access may arise, resulting in the leak or loss of information, as well as the destruction or tampering of significant data, which may adversely affect the Group's financial position and operating results.

4. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

(1) Summary of Operating Results, etc.

Financial position, operating results, and cash flows ("Operating Results, etc.") of the Group for the current fiscal year were as follows.

i. Financial position and operating results

During the fiscal year ended March 31, 2023, the Japanese economy saw a recovery thanks to progress in measures against COVID-19, but business confidence came to a standstill in the second half because of soaring raw material prices due to the prolonged Ukraine conflict and the inflation caused by the rapid depreciation of the yen. The world economy also experienced a slowdown due to supply chain disruptions brought about by the lockdown in Shanghai, China and the inflation caused by the hikes in resource prices. Accordingly, concerns remain over a potential further slowdown in economic activity.

Under these circumstance, the Group increased its net sales from the previous fiscal year owing to product development and production system improvement to meet customer demand. In the electronics and semiconductor industry, which makes up a large portion of the Group's sales, sales of tools for processing silicon wafers and compound semiconductors increased. Furthermore, the transportation equipment industry saw a recovery in production in aircraft-related businesses while the machinery industry experienced growth in sales of special tools for machine tools businesses. Because of this, sales for the current fiscal year exceeded sales for the previous fiscal year.

As a result of above, financial position and operating results for the current fiscal year were as follows.

a. Financial position

Total assets as of March 31, 2023 was ¥74,177 million, an increase of ¥1,935 million from the end of the previous fiscal year (up 2.7% YoY).

Total liabilities as of March 31, 2023 was ¥11,295 million, a decrease of ¥77 million from the end of the previous fiscal year (down 0.7% YoY).

Total net assets as of March 31, 2023 was ¥62,882 million, an increase of ¥2,013 million from the end of the previous fiscal year (up 3.3% YoY).

b. Operating results

Net sales for the current fiscal year amounted to ¥39,320 million, an increase of ¥2,159 million from the previous fiscal year (up 5.8% YoY).

Operating profit for the current fiscal year amounted to ¥2,506 million, a decrease of ¥305 million from the previous fiscal year (down 10.9% YoY).

Ordinary profit for the current fiscal year amounted to ¥3,275 million, a decrease of ¥375 million from the previous fiscal year (down 10.3% YoY).

Profit attributable to owners of parent for the current fiscal year amounted to ¥2,765 million, a decrease of ¥523 million from the previous fiscal year (down 15.9% YoY).

Operating results by industry were as follows.

(a) Electronics and semiconductor

Net sales in the electronics and semiconductor industry amounted to ¥14,757 million, an increase of ¥1,004 million from the previous fiscal year (up 7.3% YoY).

(b) Transportation equipment

Net sales in the transportation equipment industry amounted to ¥8,282 million, an increase of ¥167 million from the previous fiscal year (up 2.1% YoY).

(c) Machinery

Net sales in the machinery industry amounted to ¥10,640 million, an increase of ¥807 million from the previous fiscal year (up 8.2% YoY).

(d) Stone and construction

Net sales in the stone and construction industry amounted to ¥4,239 million, an increase of ¥114 million from the previous fiscal year (up 2.8% YoY).

(e) Other (universities, research institutes, ceramic and jewelry industries, etc.)

Net sales in other industries amounted to ¥1,401 million, an increase of ¥65 million from the previous fiscal year (up 4.9% YoY).

ii. Cash flows

Cash and cash equivalents (“funds”) as of March 31, 2023 was ¥16,389 million, an increase of ¥840 million from the end of the previous fiscal year.

Cash flows from operating activities

Funds provided by operating activities amounted to ¥4,979 million (compared with ¥5,948 million provided in the previous fiscal year). The main factors were profit before income taxes of ¥3,830 million, depreciation of ¥2,882 million, share of loss (profit) of entities accounted for using equity method of ¥(250) million, loss (gain) on sale of investment securities of ¥(555) million, and income taxes paid of ¥748 million.

Cash flows from investing activities

Funds used in investing activities amounted to ¥1,260 million (compared with ¥356 million used in the previous fiscal year). The main factor was purchase of property, plant and equipment of ¥1,898 million.

Cash flows from financing activities

Funds used in financing activities amounted to ¥3,145 million (compared with ¥1,077 million used in the previous fiscal year). The main factors were purchase of treasury shares of ¥1,540 million and dividends paid of ¥1,479 million.

iii. Actual amount of production and orders received

Although the Group operates a single segment of diamond tools business, it produces and sells a wide variety of items. Products of the same type may have different shapes and some products are not made-to-order products. For these reasons, the Group does not report the amount of production and orders by segment.

(2) Analysis and discussion of the operating results, etc. from the management’s perspective

Views and analysis and discussion of the Group’s operating results, etc. from the management’s perspective are as follows. Forward-looking statements are based on the estimates and assumptions made as of March 31, 2023.

i. Significant accounting estimates and assumptions thereof

The Group’s consolidated financial statements are prepared based on accounting principles generally accepted in Japan. The information on significant accounting policies adopted by the Group for preparing consolidated financial statements is stated in V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, *Significant accounting policies for preparation of consolidated financial statements*. Of the significant policies, we consider the following items have significant impact on the estimates and judgements for preparing consolidated financial statements. When making important decisions and formulating estimates and plans for preparing the consolidated financial statements, the Company’s management makes decisions based on reasonable consideration of past results and present circumstances. However, because of their inherent uncertainties, they may differ significantly from actual results.

Inventories

The Group evaluates the book value of inventories using a method in which book value is written down based on any decline in profitability. Valuation losses are recorded mainly on inventories that exceed a certain holding period, assuming that they are stagnant or obsolete. If the market environment deteriorates and the inventory becomes stagnant or obsolete in the future, it may be necessary to record an additional valuation loss.

Allowance for doubtful accounts

In order to properly evaluate receivables such as accounts receivable - trade and accounts receivable - other, the Group records the uncollectible amount based on the historical rate of credit loss for general receivables and based on individual recoverability for doubtful accounts and certain other receivables. If the financial condition of the debtor of the receivables deteriorates further and its ability to make payment declined, an additional allowance may be recorded or bad debt expenses may be incurred.

Securities

The Group holds securities that are judged, based on consideration on the rationality of holding, to contribute to the sustainable growth of the Group and the improvement of its corporate value over the medium to long term. Those securities include highly volatile securities with market prices and securities without market prices. If real value of the securities held drops significantly, the Group recognizes an impairment loss for the securities unless there is a possibility of recovery. If the market price of securities with market prices at the end of the period falls by 50% or more compared to the acquisition prices, it is considered to be unrecoverable and an impairment loss will be recognized. If the market price falls by 30% or more and less than 50%, the recoverability will be assessed before recognizing an impairment loss. As for securities without market prices, an impairment loss will be recognized if net assets per share of the issuing company falls by 50% or more compared to the acquisition prices, except when judged recoverable in the light of future prospect. Other cases that may cause impairment loss recognition include an occurrence of loss due to future market deterioration or poor performance of the investee, which is not reflected in the current book value, or a situation in which the book value becomes unrecoverable.

Deferred tax assets

The Group records deferred tax assets after assessing their recoverability based on future taxable income derived from the “medium- to long-term profit and loss forecasts.” For recognized deferred tax assets, we reassess their recoverability and make adjustment every fiscal year. The Group has made accounting estimates based on the assumption that the impact of COVID-19 on its operating results and financial position would be minor, as the simultaneous pursuit of suppression of infections and economic activity has advanced.

Impairment of non-current assets

When determining impairment of non-current assets, the Group divides the assets in the minimal unit that generates largely independent cash flows based on the classification of managerial accounting. For asset groups with declined profitability, if the recoverable amount in the future is lower than the book value, the book value is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss. Since the recoverable amount is calculated using assumptions such as future cash flows or net realizable value, changes in those assumptions due to a change in business plan or deterioration in market environment may cause an impairment loss recognition.

Retirement benefits

The Group calculates retirement benefit obligations and retirement benefit expenses for employees based on actuarial assumptions. These assumptions include discount rates, rates of increases in salary, employee turnover rates, long-term expected rates of return on assets and rates of mortality based on the latest statistics. If the actual results differ from the assumptions or if the assumptions are revised, it may affect actuarial gains and losses, resulting in affecting retirement benefit obligations and retirement benefit expenses of the Group.

Business restructuring

Business restructuring is underway in order to stabilize the earnings structure of Asahi Diamond Industrial Europe SAS, a consolidated subsidiary. The amount of estimated costs for integrating manufacturing bases is recorded as provision for business restructuring. If there is a change in the plan in response to changes in the market environment, it may incur additional business restructuring costs.

ii. Views and analysis and discussion of the financial position and the operating results

a. Analysis of financial position

Assets

Total assets as of March 31, 2023 was ¥74,177 million, an increase of ¥1,935 million from the end of the previous fiscal year (up 2.7% YoY). The increase in assets was mainly due to an increase in investment securities of ¥2,146 million, offsetting a decrease in deferred tax assets of ¥743 million.

Liabilities

Total liabilities as of March 31, 2023 was ¥11,295 million, a decrease of ¥77 million from the end of the previous fiscal year (down 0.7% YoY). The decrease in liabilities was mainly due to a decrease in retirement benefit liability of ¥208 million.

Net assets

Net assets as of March 31, 2023 was ¥62,882 million, an increase of ¥2,013 million from the end of the previous fiscal year (up 3.3% YoY). The increase in net assets was mainly due to an increase of ¥2,765 million in profit attributable to owners of parent and an increase of ¥1,103 million in valuation difference on available-for-sale securities, offsetting a decrease of ¥1,483 million due to dividends of surplus.

As a result, shareholders' equity ratio was 82.5%, and net assets per share was ¥1,142.25.

b. Analysis of operating results

Net sales

Net sales for the current fiscal year amounted to ¥39,320 million, an increase of ¥2,159 million from the previous fiscal year (up 5.8% YoY).

Operating profit

Operating profit for the current fiscal year amounted to ¥2,506 million, a decrease of ¥305 million from the previous fiscal year (down 10.9% YoY).

Ordinary profit

Ordinary profit for the current fiscal year amounted to ¥3,275 million, a decrease of ¥375 million from the previous fiscal year (down 10.3% YoY).

Profit attributable to owners of parent

Profit attributable to owners of parent for the current fiscal year amounted to ¥2,765 million, a decrease of ¥523 million from the previous fiscal year (down 15.9% YoY).

c. Factors that have a material impact on the Group's operating results

Factors that have material impact on the Group's operating results are as stated in II. Overview of Business, 3. Business Risks.

Views and analysis and discussion of the operating results by industry are as follows.

Electronics and semiconductor

In the electronics and semiconductor industry, demand for electronics equipment decreased due to the review of teleworking and remote working undertaken as countermeasures against COVID-19. In the meantime, the production of electronic components declined because of a decrease in sales of mobile phones and other communications equipment due to the economic downturn. As a result, sales of related tools decreased. On the other hand, strong demand for compound semiconductors used for automotive electrification and power saving resulted in an increase in sales of related tools.

Transportation equipment

In automotive-related businesses, recovery in sales of related tools remained frustrated by the continued adverse effect of production fluctuations due to the shortage of components. However, recovery in the production of trucks and other commercial vehicles, especially in overseas countries, contributed to an increase in sales of related tools in the second half of the current fiscal year. The Group also strengthened sales by developing new sales channels and launching new products. As a result, the Group has been increasing the market share of automotive related tools. On the other hand, sales of related tools increased in aircraft-related businesses due to a recovery in the demand for aircraft thanks to the relaxation of movement restrictions in the countries.

Machinery

In bearings and tools businesses, sales of related tools increased only slightly due to the sluggish production of automobiles and other transportation equipment and general machinery components. On the other hand, in machine tools businesses, orders increased in recognition of the improved quality of special tools attached to machine tools, resulting in an increase in sales of related tools.

Stone and construction

In construction businesses in Japan, both public and private construction volumes performed steadily owing to measures for improving national land resilience including repair work of expressways. On the other hand, sales in stone businesses continued to decline due to a prolonged slump in demand for headstones, construction materials, etc. As a result, in overall, sales in stone and construction businesses slightly increased from the previous fiscal year.

iii. Analysis and discussion of cash flows, and information on capital sources and the liquidity of funds

Cash and cash equivalents (“funds”) as of March 31, 2023 were ¥16,389 million, an increase of ¥840 million from the end of the previous fiscal year (up 5.4% YoY).

Status of cash flows is stated in (1) Summary of Operating Results, etc., ii. Cash flows.

The Group can self-finance almost all of the working capital and capital investment funds.

5. Material Contracts, etc.

Not applicable.

6. Research and Development Activities

The Group's R&D is led by the Engineering & Development Center, consisting of our research department, the production technology departments at factories, and technology-related departments. We conduct a wide range of activities from basic research for securing the foundation of future businesses to application development reflecting environmental considerations and the need to use resources efficiently, in close collaboration with sales departments.

The Group's research and development expenses for the current fiscal year was ¥1,985 million and the research results by industry are as follows.

(1) Electronics and semiconductor

The Group is focusing on the development of grinding whetstones for power semiconductors, for which the demand has been significantly increasing driven by customers' vigorous investments. M-cloud, a metal bond wheel for grinding the surface of semiconductor wafers, which has a super-porous structure, has obtained far better results from customers than conventional models. We thus expect the demand to pick up going forward.

(2) Transportation equipment

The use of hard-coated brake discs that reduce fine dust emissions has been increasing from the perspective of reducing environmental burden. To grind such difficult-to-machine materials, demand for AERO METAL, a sharpness-oriented metal bond wheel, has been increasing. We will continue to focus on the development of sustainability-conscious tools with the aim of realizing a sustainable society.

(3) Machinery

Sales of AG Wheel, an electroplated tool with abrasive grains arrayed using our proprietary technique, for the machinery industry have been robust. It is superior than conventional models in terms of sharpness, surface accuracy, and product lifetime and used for grooving, etc. for reduction gears. The use of AG Wheel has been expanded to machine processing in the transportation equipment industry, obtaining a positive result in grooving for CVTs.

(4) Stone and construction

The Group has developed a concrete-cutting blade used for renovation work of expressways. The blade has a unique edge structure and high impact strength and is highly regarded for excellent sharpness it offers even when cutting difficult-to-cut reinforced concrete with high reinforcement ratio. We will seek to expand the adoption of the product in the renovation work of expressways that is currently underway at a fast pace.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group is emphasizing development of diamond tool products capable of keeping abreast of rapid technological innovations in the Group's strategic fields, namely, the electronics and semiconductor industry and the transportation equipment industry. The Group is also executing capital investment aimed at labor saving and enhancing product reliability.

The Group's total capital investment in the current fiscal year amounted to ¥2,276 million (book value of property, plant and equipment received).

The Group solely used its own funds to finance the above capital investment.

2. Major Facilities

The Group's major facilities related to the diamond tools business division are as follows.

(1) Reporting company

As of March 31, 2023

Office (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m ²)	Other	Total	
Mie Factory (Iga-shi, Mie)	Production facility and test facility	2,353	1,049	1,945 (128)	112	5,460	333 [91]
Chiba Factory (Sodegaura-shi, Chiba)	Production facility	5,630	1,397	1,826 (79)	91	8,945	187 [152]
Chiba No. 2 Factory (Chonan-machi, Chosei- gun, Chiba)	Production facility	406	316	116 (16)	50	890	70 [92]
Tamagawa Factory (Takatsu-ku, Kawasaki-shi, Kanagawa)	Production facility	772	439	825 (6)	62	2,099	118 [59]
Engineering & Development Center (Takatsu-ku, Kawasaki-shi, Kanagawa)	Research and development facility	1,139	336	241 (2)	35	1,753	38 [0]
Head Office, etc. (Chiyoda-ku, Tokyo and other locations)	Facilities for head office, etc.	122	29	953 (39)	105	1,210	239 [13]

- Notes:
- 1 The book values stated under Other are the total amount of tools, equipment, fixtures and leased assets, and they do not include construction in progress.
 - 2 There are no major facilities that are currently out of operation.
 - 3 The book value is the amount after the impairment loss is recorded.
 - 4 The number of temporary employees is shown separately in square brackets.
 - 5 Head office, etc. includes ¥874 million for the land (22 thousand m²) lent to Yamanashi Asahi Diamond Industrial Co., Ltd. (a consolidated subsidiary in Japan). The facilities of head office, branches and sales offices are leased and the annual rent expenses totals ¥231 million.

(2) Domestic subsidiary

As of March 31, 2023

Company name (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m ²)	Other	Total	
Yamanashi Asahi Diamond Industrial Co., Ltd. (Nirasaki-shi, Yamanashi)	Production facility	272	218	— (—)	53	544	136 [3]

- Notes: 1 The book values stated under Other are the total amount of tools, equipment, fixtures and leased assets, and they do not include construction in progress.
- 2 There are no major facilities that are currently out of operation.
- 3 The book value is the amount after the impairment loss is recorded.
- 4 The number of temporary employees is shown separately in square brackets.

(3) Foreign subsidiaries

As of March 31, 2023

Company name (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m ²)	Other	Total	
Taiwan Asahi Diamond Industrial Co., Ltd. (Taoyuan, Taiwan)	Production facility	581	536	373 (12)	121	1,612	342 [1]
Asahi Diamond Industrial Europe SAS (Eure-et-Loir, France)	Production facility	99	381	15 (22)	60	556	120 [—]
P.T. Asahi Diamond Industrial Indonesia (Bekasi Regency, Indonesia)	Production facility	125	348	88 (15)	3	565	162 [—]

- Notes: 1 The book values stated under Other are the total amount of tools, equipment, fixtures and leased assets, and they do not include construction in progress.
- 2 There are no major facilities that are currently out of operation.
- 3 The number of temporary employees is shown separately in square brackets.

3. Planned Additions, Disposals and Other Changes of Facilities

The Group formulates a capital investment plan every year by comprehensively considering production plans, demand forecasts, capital investment efficiency, etc. In principle, companies in the Group formulate their plans individually and then the Company's Board of Directors makes adjustment to avoid overlapping investment within the Group.

As of March 31, 2023, the investment planned for the additions, etc. of important facilities totaled ¥8.1 billion, and all of that is for the diamond tools business division. The Group is planning to self-finance most of the necessary funds.

Planned additions, etc. of important facilities are as follows.

(1) Additions, etc. of important facilities

Company name	Description of facilities	Planned investment amount		Funding methods	Schedule		Purpose of capital investment
		Total (millions of yen)	Amount already paid (millions of yen)		Commencement	Completion	
Reporting company Mie Factory and 3 other factories	Production facility	4,600	—	Self-financing	April 2023	March 2024	Renewal of production facilities
13 subsidiaries	Production facility	1,400	—	Self-financing and borrowings	April 2023	March 2024	Renewal of production facilities
Asahi Diamond Industrial Europe SAS	Production facility	2,000	—	Borrowings from the parent company	June 2023	December 2024	Addition of production facilities
Reporting company	Other	100	—	Self-financing	April 2023	March 2024	—
Total	—	8,100	—	—	—	—	—

(2) Disposals and sale, etc. of important facilities

The Company has no plans to dispose of or sell important facilities.

IV. Information on the Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

i. Total number of shares

Class	Total number of shares authorized to be issued
Common stock	190,300,000
Total	190,300,000

ii. Issued shares

Class	Number of issued shares as of fiscal year end (March 31, 2023)	Number of issued shares as of filing date (June 28, 2023)	Name of the financial instruments exchange where the Company is listed or registered financial instruments dealers association	Description
Common stock	53,888,600	53,888,600	Prime Market of the Tokyo Stock Exchange	Number of shares per unit: 100
Total	53,888,600	53,888,600	—	—

(2) Share acquisition rights

i. Stock option plans

Not applicable.

ii. Rights plans

Not applicable.

iii. Other share acquisition rights

Not applicable.

(3) Execution status of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Increase (decrease) in total number of issued shares	Balance of total number of issued shares	Increase (decrease) in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase (decrease) in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
November 22, 2022 (Note)	(1,811,400)	53,888,600	—	4,102	—	7,129

Note: The decrease was due to the cancellation of treasury shares.

(5) Shareholding by shareholder category

As of March 31, 2023

As of March 31, 2025

Category	Shares (one unit = 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	18	36	166	113	28	12,258	12,619	—
Number of shares held (units)	—	144,055	9,443	42,527	88,852	320	252,363	537,560	132,600
Percentage of shareholdings (%)	—	26.80	1.76	7.91	16.53	0.06	46.94	100.00	—

- Notes:
- 1 Of the 12,479 treasury shares, 124 units are included in individuals and others and 79 shares are included in shares less than one unit.
 - 2 Figures of other corporations and shares less than one unit include 3 units and 85 shares, respectively, in the name of Japan Securities Depository Center, Incorporated.
 - 3 Figures of financial institutions and shares less than one unit respectively include 3,212 units and 65 shares of the Company held by the trust account relating to stock compensation plan. The said shares are categorized as treasury shares in the consolidated and non-consolidated financial statements.

(6) Major shareholders

As of March 31, 2023

Name	Location	Number of shares held (thousand shares)	Shareholding ratio (excl. treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	7,312	13.57
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	2,915	5.41
Takateru Murakami (Standing proxy: Mita Securities Co., Ltd.)	The Laurels Singapore (3-11, Nihombashi Kabutocho, Chuo-ku, Tokyo)	2,535	4.71
Asahi Diamond Employee Stock Ownership Association	4-1, Kioi-cho, Chiyoda-ku, Tokyo	1,974	3.66
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	1,384	2.57
Asahi Diamond Partner Company Stock Ownership Association	4-1, Kioi-cho, Chiyoda-ku, Tokyo	1,347	2.50
Union Tool Co.	6-17-1, Minamioi, Shinagawa-ku, Tokyo	1,310	2.43
DFA International Small Cap Value Portfolio (Standing proxy: Citibank, N.A., Tokyo Branch)	Palisades West, 6300 Beecave Road, Building One Austin TX 78746 US (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,048	1.95
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo Securities Operations Department, Nippon Life Insurance Company (2-11-3, Hamamatsucho, Minato-ku, Tokyo)	1,039	1.93
CEPLUX - The Independent UCITS Platform 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	31, Z.A. Bourmicht, L-8070, Bertrange, Luxembourg (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	959	1.78
Total	—	21,826	40.51

Notes: 1 Of the above number of shares held, the number of shares related to trust business is as follows.

The shares held by Custody Bank of Japan, Ltd. (Trust Account) include 321 thousand shares of the Company related to stock compensation plan.

The Master Trust Bank of Japan, Ltd. (Trust Account): 7,312 thousand shares

Custody Bank of Japan, Ltd. (Trust Account): 2,915 thousand shares

- 2 According to the Statement of Large-Volume Holdings, which was made available for public inspection on February 22, 2023, shares of the Company were held by MI2 Co., Ltd. and its joint holder, Mr. Takateru Murakami, as of February 15, 2023 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by them as of March 31, 2023.

The detail of the Statement of Large-Volume Holdings is as follows:

Name	Location	Number of share certificates held (thousand shares)	Shareholding ratio (%)
Takateru Murakami	The Laurels Singapore	2,621	4.86
MI2 Co., Ltd.	Hero Building 6F, 1-15-6, Hiroo, Shibuya-ku, Tokyo	96	0.18
Total	—	2,717	5.04

- 3 According to the Statement of Large-Volume Holdings, which was made available for public inspection on March 7, 2023, shares of the Company were held by Nomura Asset Management Co., Ltd. and its joint holder, Nomura International plc, as of February 28, 2023 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by these companies as of March 31, 2023.

The detail of the Statement of Large-Volume Holdings is as follows:

Name	Location	Number of share certificates held (thousand shares)	Shareholding ratio (%)
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	2,538	4.71
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	214	0.40
Total	—	2,752	5.11

- 4 According to the Statement of Changes to a Statement of Large-Volume Holdings, which was made available for public inspection on April 6, 2023, shares of the Company were held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder, Nikko Asset Management Co., Ltd., as of March 31, 2023 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by these companies as of March 31, 2023.

The detail of the Statement of Changes to a Statement of Large-Volume Holdings is as follows:

Name	Location	Number of share certificates held (thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo	1,603	2.98
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	1,014	1.88
Total	—	2,617	4.86

(7) Voting rights

i. Issued shares

As of March 31, 2023

Category	Number of shares	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common stock 12,400	—	—
Shares with full voting rights (other)	Common stock 53,743,600	537,436	—
Shares less than one unit	Common stock 132,600	—	Shares less than one unit (100 shares)
Total number of issued shares	53,888,600	—	—
Voting rights held by all shareholders	—	537,436	—

- Notes:
- 1 Shares with full voting rights (other) of common stock includes 300 shares (3 voting rights) in the name of Japan Securities Depository Center, Incorporated and 321,200 shares (3,212 voting rights) held by the trust relating to stock compensation plan.
 - 2 Share less than one unit of common shares include 85 shares in the name of Japan Securities Depository Center, Incorporated, 79 treasury shares held by the Company and 65 shares held by the trust relating to stock compensation plan.
 - 3 The table above does not include 321,200 shares of the Company held by the trust account relating to stock compensation plan as of March 31, 2023, which are included in treasury shares in the non-consolidated financial statements.

ii. Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding ratio (%)
(Treasury shares) Asahi Diamond Industrial Co., Ltd.	4-1, Kioi-cho, Chiyoda-ku, Tokyo	12,400	—	12,400	0.02
Total	—	12,400	—	12,400	0.02

Note: In addition to the above, 321,200 shares of the Company (3,212 voting rights) held by the trust relating to stock compensation plan are included in treasury shares on the balance sheet.

(8) Share ownership plan for Directors and other officers and employees

i. Overview of the stock compensation plan for Directors and other officers

The Company resolved at the 99th Annual General Meeting of Shareholders held on June 26, 2018 to introduce a stock compensation plan (the “Plan”) for Directors, etc.

The Plan was introduced to motivate Directors, etc. in contributing to the improvement of the Company’s business performance and the enhancement of corporate value over the medium- to long-term by further clarifying the link between the compensation of Directors, etc. and the Company’s stock value, and make them share with the shareholders the profit and risk from stock price fluctuations.

Under the Plan, the Company contributes funds, and the established trust (the “Trust”) acquires shares of the Company. Through the Trust, the number of shares of the Company corresponding to the number of points that the Company grants to Directors, etc. shall be delivered to Directors, etc.

Outline of the trust agreement

• Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party benefit trust)
• Purpose of trust	To introduce stock compensation plan for Directors, etc.
• Entruster	The Company
• Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustees: Custody Bank of Japan, Ltd.)
• Beneficiary	Directors and Executive Officers who meet the beneficiary requirements
• Trust administrator	A third party with no interests in the Company and its Directors and other officers
• Date of agreement	August 2018
• Trust period	August 2018 to August 2025
• Commencement date	August 2018
• Exercise of voting rights	Voting rights will not be exercised.
• Class of shares to be acquired	Shares of common stock of the Company
• Amount of trust	Up to ¥255 million, the amount resolved at the 99th Annual General Meeting of Shareholders (excluding trust fees and expenses)
• Time of share acquisition	August 2018
• Method of share acquisition	Disposal of treasury shares or acquisition from exchange markets (including off-auction transactions)

ii. Number of shares to be delivered to Directors, etc.

321,265 shares

iii. Persons eligible to receive beneficiary rights and other rights assigned to Directors, etc.

Directors (excluding External Directors) and Executive Officers of the Company, residing in Japan

iv. Extension of the trust period

An extension of the trust agreement was resolved at the Board of Directors’ meeting held on June 24, 2022. The extended trust period is from August 2018 to August 2025.

2. Acquisition and Disposal of Treasury Shares

Class of shares: Shares of common stock acquired pursuant to Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors

Category	Number of shares	Total value (yen)
Resolution adopted at the Board of Directors' meeting held on August 5, 2022 (Acquisition period: August 9, 2022 to August 26, 2022)	2,000,000	1,400,000,000
Treasury shares acquired before the fiscal year ended March 31, 2023	—	—
Treasury shares acquired during the fiscal year ended March 31, 2023	1,811,400	1,399,961,000
Total number and value of remaining resolved shares	188,600	39,000
Unexercised ratio as of March 31, 2023 (%)	9.43	0.00
Treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report	—	—
Unexercised ratio as of the filing date (%)	9.43	0.00

Category	Number of shares	Total value (yen)
Resolution adopted at the Board of Directors' meeting held on May 12, 2023 (Acquisition period: May 15, 2023 to July 31, 2023)	2,000,000	2,200,000,000
Treasury shares acquired before the fiscal year ended March 31, 2023	—	—
Treasury shares acquired during the fiscal year ended March 31, 2023	—	—
Total number and value of remaining resolved shares	—	—
Unexercised ratio as of March 31, 2023 (%)	—	—
Treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report	520,000	463,219,600
Unexercised ratio as of the filing date (%)	74.00	78.94

Note: The number of treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report does not include shares acquired during the period from June 1, 2023 to the filing date of this Annual Securities Report (June 28, 2023).

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors

Category	Number of shares	Total value (yen)
Treasury shares acquired during the fiscal year ended March 31, 2023	1,442	997,783
Treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report	66	58,834

Note: The number of treasury shares acquired during the period from April 1, 2023 to the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from June 1, 2023 to the filing date of this Annual Securities Report (June 28, 2023).

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended March 31, 2023		From April 1, 2023 to the filing date of this Annual Securities Report	
	Number of shares	Total amount of disposal (yen)	Number of shares	Total amount of disposal (yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were cancelled	1,811,400	1,399,961,000	—	—
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	—	—	—	—
Other (transfer of shares less than one unit in response to purchase requests)	—	—	—	—
Treasury shares held	12,479	—	532,545	—

Note: The number of treasury shares held during the period from April 1, 2023 to the filing date of this Annual Securities Report does not include shares less than one unit purchased or requested for additional purchase during the period from June 1, 2023 to the filing date of this Annual Securities Report (June 28, 2023).

3. Dividend Policy

The Company intends to achieve future business development and improve corporate value by aiming to increase capital efficiency while securing financial stability.

The Company pays dividends of surplus twice a year as an interim dividend and a year-end dividend. The decision-making bodies of these dividends of surplus are the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend.

The Company pays dividends with the focus on distributing profits according to consolidated performance and maintaining a stable dividend. Specifically, we will determine the dividend amount based on a dividend payout ratio of 40%, but the annual dividend per share will not be less than ¥6 (an interim dividend of ¥3 and a year-end dividend of ¥3). This policy may be revised if profit attributable to owners of parent in the consolidated financial statements is in deficit for three fiscal years in a row or if there is a significant impact on the Company due to a disaster or the like.

During the period covered by the Medium-term Management Plan (from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026), we will pay dividends based on a dividend payout ratio of 50% or more, with a total average payout ratio of 120% or more for the three years. However, this policy may be revised if there is a significant impact on the Company due to a disaster, economic crisis, or the like during the period.

According to this policy, for the fiscal year ended March 31, 2023, we pay an annual dividend of ¥26 per share, including the interim dividend of ¥11.

For the fiscal year ending March 31, 2024, we plan to pay an annual dividend of ¥30 per share (an interim dividend of ¥15 per share and a year-end dividend of ¥15 per share).

The Company's Articles of Incorporation stipulate that the Company may pay interim dividends based on the reference date of September 30 of each year by resolution of the Board of Directors.

Note: Dividends of surplus whose reference date falls within the current fiscal year are as follows:

Resolution date	Total amount of dividends (millions of yen)	Dividend paid per share (yen)
Resolution at the Board of Directors' meeting held on November 8, 2022	592	11
Resolution at the Annual General Meeting of Shareholders held on June 27, 2023	808	15

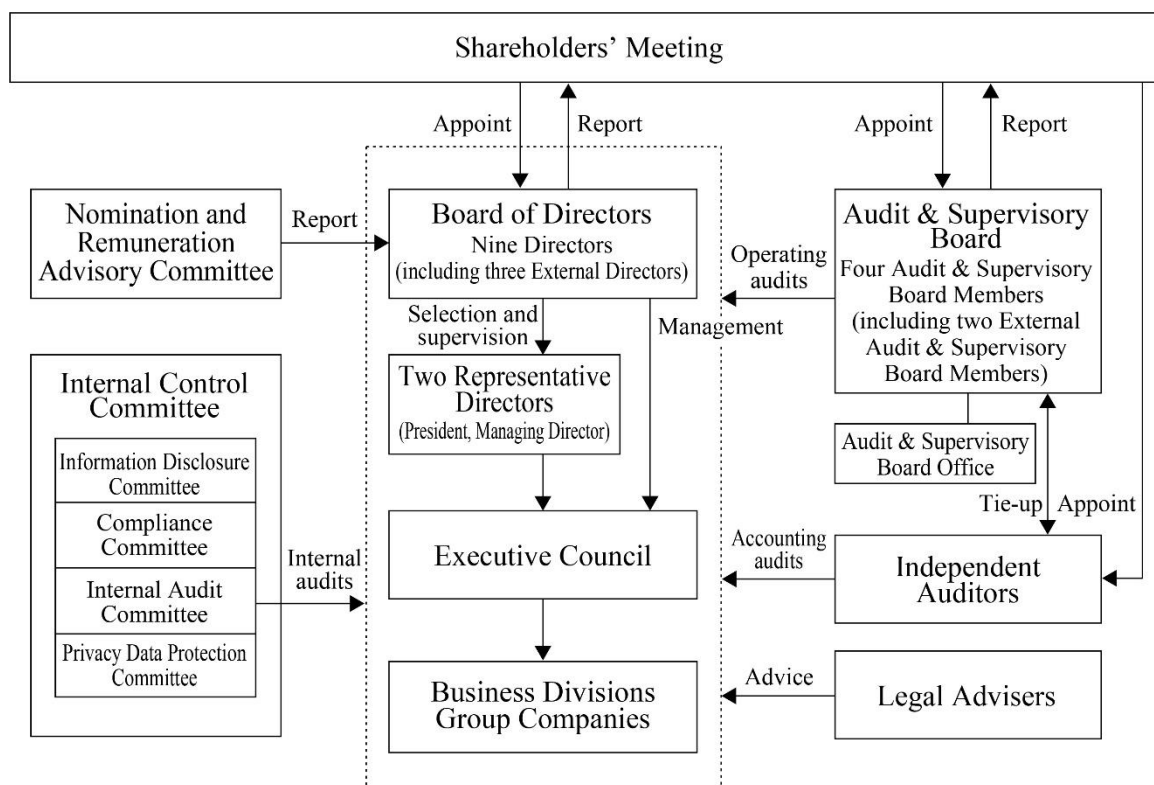
4. Corporate Governance

(1) Overview of corporate governance

i. Basic view on corporate governance

The Asahi Diamond Group's basic approach to corporate governance is that we consider enhancing corporate value and upgrading corporate governance to be important management responsibilities. We recognize that we must work hard to earn the trust of all stakeholders, achieve swift and accurate decision-making group-wide, ensure management transparency, clearly define management responsibilities, strengthen oversight functions, and raise the efficiency of business execution.

Illustrated below is the structure of our business execution and management supervision.



ii. Overview of the corporate governance system and reasons for adopting such system

The Company's corporate governance system is as follows:

(A) Board of Directors

As of June 28, 2023, the Company's Board of Directors is chaired by President and Representative Director Kazuki Kataoka, and consists of nine Directors (three of whom are External Directors), with other members being Directors Tomohiko Hara, Ming-Shong Lan, Toshimasa Hagiwara, Hideo Abe, and Junichi Matsuda, and External Directors Osamu Koyama, Yuko Ichikawa, and Eriko Kawajiri.

The Company's Board of Directors meets regularly, and also holds ad hoc meetings when necessary. The Board makes important management decisions and supervises business execution. During the fiscal year ended March 31, 2023, the Board of Directors met 10 times.

(B) Audit & Supervisory Board

The Company adopts an Audit & Supervisory Board Member system. As of June 28, 2023, the Audit & Supervisory Board consists of four Audit & Supervisory Board Members (two of whom are External Audit & Supervisory Board Members), with members being full-time Audit & Supervisory Board Member Takemi Matsuzaki; Audit & Supervisory Board Member Morio Kayama; and External Audit & Supervisory Board Members Yukio Otaka and Masahito Kawashima. The Company's Audit & Supervisory Board meets regularly, and Audit & Supervisory Board Members also attend meetings of the Board of Directors and the Executive Council, where they monitor decision-making and the execution of duties by Directors. During the fiscal year ended March 31, 2023, the Audit & Supervisory Board met eight times. The Company has elected one substitute Audit & Supervisory Board Member as prescribed in Article 329, Paragraph 3 of the Companies Act in preparation for the possibility of

the number of Audit & Supervisory Board Members falling below the number prescribed in laws and regulations.

(C) Audit & Supervisory Board Office

The Company has established an Audit & Supervisory Board Office with four concurrently assigned members which operates independently of management under the Audit & Supervisory Board. In addition to ensuring legal compliance, the Audit & Supervisory Board Office is responsible for assisting the Audit & Supervisory Board in its duties, which include auditing of the design and operation of the Company's internal control, corporate governance, and risk management system.

(D) Executive Officer System

The Company adopts an executive officer system. The system speeds up business processes by clarifying the separation of roles between management and business execution, and ensuring the appropriate execution of business. As of June 28, 2023, the Company is served by eight Executive Officers.

(E) Executive Council

The Company holds a meeting of the Executive Council, which is attended by six Directors (excluding External Directors) and eight executive officers, two president directors of domestic subsidiaries, and two internal Audit & Supervisory Board Members after each Board of Directors' meeting to ensure that decision-making matters are extensively communicated throughout the Company.

(F) Nomination and Remuneration Advisory Committee

The Company has established a Nomination and Remuneration Advisory Committee as an advisory organ to the Board of Directors, with the aim of ensuring transparency and objectivity of the standards for appointment of candidates for Directors and Audit & Supervisory Board Members and of the procedures pertaining to remuneration of the candidates, etc.

The Committee deliberates the appropriateness of candidates for Directors and Audit & Supervisory Board Members, the adequacy of remuneration, and others, and the Board of Directors makes decisions based on the results of the deliberations.

As of June 28, 2023, the Committee consists of External Director Yuko Ichikawa (chairperson), President and Representative Director Kazuki Kataoka (member), External Directors Osamu Koyama (member) and Eriko Kawajiri (member), and External Audit & Supervisory Board Members Yukio Otaka (member) and Masahito Kawashima (member).

(G) Overview of liability limitation agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded agreements with Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members to limit their liability for damage under Article 423, Paragraph 1 of the same act. The limit of liability for damage under the agreement is the minimum liability amount provided for in Article 425, Paragraph 1 of the Companies Act.

However, this limit will be applicable only if the relevant Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members have acted in good faith and without gross negligence in performing the duties that caused the liability.

(H) Term of office and number of Directors

In order to clarify the mission and management responsibilities of Directors, a Director's term of office is set at one year. The Company's Articles of Incorporation stipulates that the Company shall have no more than 10 Directors.

(I) Appointment of Directors

The Company's Articles of Incorporation stipulate that resolution for election of Directors shall require a majority of the voting rights of shareholders present at a general meeting of shareholders, where the shareholders holding at least one third of the voting rights of shareholders who are entitled to exercise their voting rights are present, and that such election shall not be conducted by cumulative voting.

(J) Matters to be resolved at a general meeting of shareholders that the Board of Directors can resolve

- Acquisition of treasury shares

Pursuant to Article 165, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company may acquire treasury shares by resolution of the Board of Directors in order to enable timely execution of the management measures such as financial measures in response to changes in economic situation.

- Interim dividends

In order to return profit to shareholders in a flexible manner, the Company's Articles of Incorporation stipulate that the Company may, pursuant to Article 454, Paragraph 5 of the Companies Act, by resolution of the Board of Directors, pay interim dividends based on the reference date of September 30 of each year.

(K) Requirements for special resolution at a general meeting of shareholders

The Company's Articles of Incorporation stipulate that the special resolutions, prescribed in Article 309, Paragraph 2 of the Companies Act, shall require at least two thirds of the voting rights of attending shareholders with attendance of the shareholders holding at least one third of the voting rights of shareholders who are entitled to exercise their voting rights. The purpose is to smoothly manage general meetings of shareholders by relaxing the quorum for special resolutions.

(L) Reasons for adopting the system

The Company believes that the system enhances the Board of Directors' function of decision making and business execution supervision, fully securing the structure that enables appropriate managerial decision making.

iii. Other matters regarding corporate governance

At the Board of Directors meeting held on May 13, 2015, the Company partially revised its basic policy on building internal control systems as follows.

1. System to ensure that Directors and employees of the Company perform their duties in accordance with laws, regulations, and Articles of Incorporation

- (1) The Company ensures that all Directors and employees comply with laws and regulations by formulating the Asahi Diamond Code of Conduct, which summarizes our management philosophy, behavioral guidelines, and specific examples of compliance.
- (2) The Company has an Internal Control Committee, which is chaired by President and Representative Director, to oversee the internal control system as a whole. Under this committee, four subcommittees have been established; the Information Disclosure Committee, the Compliance Committee, the Internal Audit Committee, and the Privacy Data Protection Committee, in order to ensure a system in conformity with laws and regulations and the Company's Articles of Incorporation.
- (3) The Company has a helpline for inside and outside the Company as a whistleblowing system concerning compliance, with the aim of strengthening our compliance system.

2. System for the preservation and management of information concerning Directors' execution of their duties

- (1) Information concerning Directors' execution of their duties is recorded in documents and electromagnetically based on the rules of the Board of Directors, regulations for internal decision request, etc. and stored appropriately for a determined storage period.
- (2) These records can be viewed by Directors and Audit & Supervisory Board Members at any time.

3. Regulations and other systems concerning the management of the risk of losses of the Company

- (1) The Compliance Committee and the Internal Audit Committee conduct audits of risk management, and regularly report the results to the Internal Control Committee.
- (2) The Information Disclosure Committee and the Privacy Data Protection Committee shall work on preventing information leaks. Other risks related to environment, quality, safety, brand, etc. shall be managed by relevant sections.
- (3) The Company shall formulate business continuity management (BCM) scheme for the purpose of speedily resuming or continuing operation in the event of unforeseen situations such as disaster or accidents.
- (4) The Company shall consult its legal advisers regarding important legal decisions and compliance matters to make necessary consideration.

4. System to ensure that Directors of the Company perform their duties effectively

- (1) The Company shall hold a Board of Directors meeting regularly to make decisions on important business execution matters as well as to supervise the execution of duties by each Director.
- (2) After a Board of Directors meeting, the Company shall hold an Executive Council meeting that includes executive officers and president directors of domestic subsidiaries in addition to Directors to thoroughly disseminate decisions.
- (3) The Company holds company-wide meetings regularly to set sales targets, based on which strategies for achieving the targets are formulated and measures are decided at production meetings.
- (4) The Company adopts an executive officer system to speed up business processes, clarify the separation of roles between management and business execution, and ensure the appropriate execution of business.

5. System to ensure the corporate group, consisting of the Company and its subsidiaries, conducts business properly

- (1) System concerning the reports to the Company on the execution of duties by directors, etc. of subsidiaries

In principle, subsidiaries' independent management is the Company's basic policy. However, with regard to significant matters, based on the Subsidiary Management Rules, the Company requires directors and corporate auditors, etc. of subsidiaries either to make a prior report or to receive approval from the Board of Directors or by the approval form through the department in charge of the Company.

(2) Regulations and other systems concerning the management of the risk of losses of subsidiaries

Pursuant to the Subsidiary Management Rules, the Company supports its subsidiaries in risk management through appointing its Directors or employees as directors or corporate auditors, etc. of subsidiaries. In addition, the Internal Audit Committee of the Company audits the risk management of each subsidiary through its internal audits.

(3) System to ensure that Directors, etc. of subsidiaries perform their duties effectively

Directors or employees of the Company who assume office of director or corporate auditor, etc. of a subsidiary shall work on effective business operation of the subsidiary.

(4) System to ensure directors, etc. and employees of subsidiaries perform their duties in accordance with laws, regulations, and articles of incorporation

Pursuant to the Subsidiary Management Rules, the Company encourages its subsidiaries to conduct business in accordance with laws, regulations, and articles of incorporation through appointing its Directors or employees as directors or corporate auditors, etc. of subsidiaries.

6. System concerning employees who are requested by Audit & Supervisory Board Members to assist their duties

The Company supports operations of the Audit & Supervisory Board and Audit & Supervisory Board Members by setting the Audit & Supervisory Board Office under the Audit & Supervisory Board and appointing employees to assist their duties.

7. Matters concerning independence from Directors of employees who assist Audit & Supervisory Board Members with their duties, and ensuring the effectiveness of the instructions of the Audit & Supervisory Board Members to such employees.

(1) The employees who assist Audit & Supervisory Board Members with their duties shall not be supervised or instructed by Directors.

(2) Audit & Supervisory Board Members of the Company shall comply with laws, regulations, Articles of Incorporation, etc. to ensure the effectiveness of the instructions to the employees who assist them with their duties. Audit & Supervisory Board Members shall direct and supervise the employees, while the employees shall follow the directions and supervision.

8. System for Directors and employees of the Company and its subsidiaries to report to Audit & Supervisory Board Members of the Company, system concerning such reporting, and system to ensure they are not treated unfavorably because of the reporting

(1) Directors and employees of the Company and its subsidiaries shall report and provide information to Audit & Supervisory Board Members of the Company not only on statutory matters but also on matters including material matters that affect the entire company, matters related to the status of internal auditing and the status of the whistleblowing system (helpline), and other matters that Audit & Supervisory Board Members determine to be reported in accordance with performing their duties.

(2) In accordance with the above (1) statement, the Company prohibits unfavorable treatment of directors and employees of the Company and its subsidiaries who have made a report to Audit & Supervisory Board Members because of the report they made.

9. Policy on procedures for requesting advances or reimbursements for expenses or handling of other expenses or financial obligations incurred as a result of execution of duties by Audit & Supervisory Board Members of the Company

The Company promptly makes payments of expenses, etc. incurred as a result of execution of duties by Audit & Supervisory Board Members unless such expenses or financial obligations are considered unnecessary for their duties.

10. Other systems to ensure that Audit & Supervisory Board Members perform audits effectively

Audit & Supervisory Board Members endeavor to establish an effective auditing system. Their activities include attending important meetings such as Board of Directors meetings and Executive Council meetings, regularly meeting and exchanging information and opinions with Directors and the Independent Auditor, and requesting report from the Independent Auditor when necessary.

(2) Directors and officers

i. Directors and Audit & Supervisory Board Members

11 male officers and 2 female officers (Ratio of female Directors and officers: 15.3%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
President and Representative Director	Kazuki Kataoka	March 5, 1952	Apr. 1976 Jul. 2005 Jun. 2008 Jun. 2011 Jun. 2013 Jun. 2015 Jul. 2019	Joined the Company General Manager, Engineering Department, Marketing Division Director; Marketing Division Deputy Director Managing Director; Business Planning Division Director and Marketing Division Deputy Director Representative Executive Managing Director; Marketing Division Director President and Representative Director (present) Member of Nomination and Remuneration Advisory Committee (present)	Note 3	157
Representative Managing Director; Production Director and Mie Factory General Manager	Tomohiko Hara	January 10, 1958	Apr. 1980 Feb. 2013 Jun. 2013 Jul. 2017 Jun. 2019 Jun. 2021 Jun. 2022	Joined the Company International Department General Manager (temporarily transferred to P.T. Asahi Diamond Industrial Indonesia) Executive Officer; President, P.T. Asahi Diamond Industrial Indonesia Executive Officer; International Division; Chief Officer for Regional Operations (ASEAN and Australia) (President, P.T. Asahi Diamond Industrial Indonesia) Director; Mie Factory General Manager Director; Production Director and Mie Factory General Manager Representative Managing Director; Production Director and Mie Factory General Manager (present)	Note 3	31
Managing Director	Ming-Shong Lan	March 4, 1953	Sep. 1994 Jul. 1996 Aug. 1996 Jun. 2005 Jul. 2017 Jun. 2019 Nov. 2019 Jan. 2021 Jun. 2022	Joined the Company; Deputy General Manager Reporting to Marketing Division Director Left the Company President, Taiwan Asahi Diamond Industrial Co., Ltd. (present) Director, International Department, the Company Director; International Division Director Managing Director; International Division Director Managing Director; Global Business Management Division Director Managing Director; Group Companies Management Division Director Managing Director (present)	Note 3	56
Director; Marketing Division Director and East Japan Regional General Manager	Toshimasa Hagiwara	November 10, 1959	Apr. 1982 Jun. 2009 Jun. 2014 Apr. 2015 Jul. 2017 Nov. 2019 Jan. 2021 Jun. 2021 Jun. 2022	Joined the Company Executive Officer; Nagoya Branch General Manager Director; Nagoya Branch General Manager Director; Representative of China Division (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; International Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; Global Business Management Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; Marketing Division Deputy Director and East Japan Regional General Manager Director; Marketing Division Director and East Japan Regional General Manager (present)	Note 3	50

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
Director; Engineering Director and Chiba Factory General Manager	Hideo Abe	July 15, 1957	Apr. 1980 Jul. 2010 Jun. 2013 Jun. 2019 Jan. 2021 Jun. 2021	Joined the Company General Manager, Manufacturing Department No. 1, Tamagawa Factory Executive Officer; Tamagawa Factory General Manager Director; Tamagawa Factory General Manager Director; Tamagawa Factory General Manager; Engineering & Development Center Director Director; Engineering Director and Chiba Factory General Manager (present)	Note 3	24
Director; Group Companies Management Division Director	Junichi Matsuda	April 11, 1961	Apr. 1986 Jul. 2009 Jun. 2013 Jun. 2015 Oct. 2018 Nov. 2019 Jan. 2021 Jun. 2022	Joined the Company Research and Development Center Director Executive Officer; Research and Development Center Director Executive Officer; Business Planning Division Director Executive Officer; Management Strategy Division Director and International Department General Manager Executive Officer; Management Strategy Division Director Executive Officer; Management Strategy Division Director and Group Companies Management Division Overseas Dept. Director Director; Group Companies Management Division Director (present)	Note 3	12
Director	Osamu Koyama	August 8, 1948	Apr. 2005 Apr. 2009 Jan. 2013 Jun. 2014 Apr. 2017 Jul. 2019	Executive Officer, Mitsui & Co., Ltd. and Executive Vice President, Mitsui & Co. (U.S.A.), Inc. Executive Managing Officer, Mitsui & Co., Ltd. and President & CEO, Mitsui Global Strategic Studies Institute Director, Keimei Gakuen Director of the Company (present) Auditor, International University of Japan (present) Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 3	—
Director	Yuko Ichikawa	December 26, 1970	Jun. 2016 Mar. 2018 May 2019 Mar. 2020 Jun. 2021 Jun. 2021	General Manager, Investor Relations Department, Rakuten, Inc. (current Rakuten Group, Inc.) External Director, Allied Architects, Inc. Founded Market River Corporation; Representative Director, Market River Corporation (present) External Director (Audit & Supervisory Board Member), Allied Architects, Inc. Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 3	—
Director	Eriko Kawajiri	August 18, 1975	Oct. 2003 Apr. 2008 Jul. 2011 Apr. 2012 Oct. 2013 May 2015 Jul. 2019 Jun. 2020 Jun. 2023 Jun. 2023	Assistant Judge, Tokyo District Court Public Prosecutor Assistant Judge, Tokyo District Court; Judge, Tokyo Summary Court Assistant Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court Registered as lawyer and joined HARRO Law Office (present) External Director, GiG Works AddValue Inc. (present) External Director, HCS HOLDINGS CO., LTD. (present) Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 3	—

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
Full-time Audit & Supervisory Board Member	Takemi Matsuzaki	July 7, 1961	Apr. 1985 Jul. 2016 Jul. 2017 Jul. 2021 Jun. 2022	Joined the Company Deputy General Manager, Accounting Department, Administration Division Deputy General Manager, Finance Section, Accounting Department, Administration Division Senior Expert, Accounting Department, Administration Division Full-time Audit & Supervisory Board Member (present)	Note 4	18
Audit & Supervisory Board Member	Morio Kayama	April 6, 1955	Apr. 1985 May 2009 Apr. 2010 Apr. 2015 Jun. 2016 Jun. 2022	General Manager, Machida Branch, The Chuo Mitsui Trust and Banking Co., Ltd. (current Sumitomo Mitsui Trust Bank, Limited) Director; General Manager, Planning Division; General Manager, Administration Division, Chuo Mitsui Guarantee Company, Limited (current Sumitomo Mitsui Trust Guarantee Co., Ltd.) Joined the Company; Deputy General Manager, Planning Department, Business Planning Division Junior Counsellor, General Affairs Department, Administration Division Full-time Audit & Supervisory Board Member Audit & Supervisory Board Member (present)	Note 5	17
Audit & Supervisory Board Member	Yukio Otaka	October 23, 1955	May 2004 Jun. 2007 Jun. 2008 Oct. 2010 Jun. 2015 Jun. 2015 Jun. 2017 Jun. 2023	Chief Representative, Bahrain Representative Office, Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.) General Manager, Dubai Branch; Chief Representative, Bahrain Representative Office, Europe Structured Finance Department, Mizuho Corporate Bank, Ltd. General Manager, Treasury Division, Daiwa Can Company Executive General Manager, Overseas Business Division, Zebra Co., Ltd. Director (External Director), Kinugawa Rubber Industrial Co., Ltd. Audit & Supervisory Board Member of the Company (present) External Audit and Supervisory Board Member, CMK Corporation Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 5	—
Audit & Supervisory Board Member	Masahito Kawashima	August 5, 1953	May 2004 Feb. 2006 Jun. 2006 Jun. 2009 Apr. 2011 Jun. 2011 Jun. 2017 Jun. 2023	Deputy General Manager, Osaka Office, The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.) Managing Executive Officer, Mitsubishi UFJ Capital Co., Ltd. Representative Director, Managing Director, Mitsubishi UFJ Capital Co., Ltd. Representative Director, Executive Vice President, MU Frontier Servicer Co., Ltd. Executive Vice President, CFO, Chiyoda Corporation Representative Director and Executive Vice President, CFO, Chiyoda Corporation Audit & Supervisory Board Member of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 5	—
Total						369

- Notes: 1 Directors Osamu Koyama, Yuko Ichikawa and Eriko Kawajiri are External Directors.
2 Audit & Supervisory Board Members Yukio Otaka and Masahito Kawashima are External Audit & Supervisory Board Members.
3 The term of office of Directors and Audit & Supervisory Board Members with Note 3 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2023 to the conclusion of the

- Annual General Meeting of Shareholders for the fiscal year ending March 31, 2024.
- 4 The term of office of Directors and Audit & Supervisory Board Members with Note 4 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2026.
 - 5 The term of office of Directors and Audit & Supervisory Board Members with Note 5 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2020 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2024.
 - 6 The Company adopts an executive officer system to clarify the separation of roles between management and business execution, and to ensure the appropriate execution of business. The Company had eight Executive Officers as of the filing date of this Annual Securities Report (June 28, 2023): Masashi Mochizuki, Chiba No. 2 Factory General Manager; Hideki Matsukawa, President, Shanghai Xu Hui Diamond Industrial Co., Ltd.; Masami Koura, Administration Division Director; Kimikazu Sato, West Japan Regional General Manager and Osaka Branch General Manager; Minoru Sawada, President, P.T. Asahi Diamond Industrial Indonesia; Hitoshi Kusakabe, Tamagawa Factory General Manager And Group Companies Management Division Domestic Dept. Director; Hiroaki Kawai, Central Japan Regional General Manager and Nagoya Branch General Manager; and Tomoki Takahashi, Management Strategy Division Director.
 - 7 To prepare for the event that the number of Audit & Supervisory Board Members falls below the number required by laws and regulations, the Company has elected one substitute Audit & Supervisory Board Member as prescribed in Article 329, Paragraph 3 of the Companies Act. A career summary of the substitute Audit & Supervisory Board Member is as follows.

Name	Date of birth	Career summary		Number of shares of the Company held (thousand shares)
Hideki Tsukada	June 5, 1972	Apr. 1996 Apr. 1999 Oct. 1999 Oct. 2004 Oct. 2007 Oct. 2015 Nov. 2020 Mar. 2022	Joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC) Registered as Certified Public Accountant Joined PricewaterhouseCoopers Tax Department (current PwC Tax Japan) Stationed at PricewaterhouseCoopers (current PwC) Guangzhou Office Established Tsukada Accounting Office, Director (present) Outside Audit & Supervisory Board Member, Link-U Inc. (present) External Audit & Supervisory Board Member, Yayoi Co., Ltd. (present) Established Crea Audit Corporation, Partner (present)	—

ii. External Directors and Audit & Supervisory Board Members

1. Number of External Directors and External Audit & Supervisory Board Members

The Company has three External Directors and two External Audit & Supervisory Board Members.

2. Personal, capital or business relationships or any other conflicts of interests between External Directors and External Audit & Supervisory Board Members and the Company

The Company has appointed five External Directors and External Audit & Supervisory Board Members in total. The External Directors are Osamu Koyama, Yuko Ichikawa and Eriko Kawajiri, and the External Audit & Supervisory Board Members are Yukio Otaka and Masahito Kawashima.

External Director Osamu Koyama is from Mitsui & Co., Ltd. and is currently an auditor at the International University of Japan. He has no special interests in the Group, since the purchase of materials worth ¥346 million from the Mitsui & Co., Ltd. group only accounts for 0.9% of the consolidated net sales of the Company, or less than 0.01% of the consolidated net sales of Mitsui & Co., Ltd.

External Audit & Supervisory Board Member Yukio Otaka is from Mizuho Bank, Ltd. He has no special interests in the Group, since the borrowings of ¥141 million from the bank only accounts for 0.19% of the consolidated total assets of the Company.

External Audit & Supervisory Board Member Masahito Kawashima is from MUFG Bank, Ltd. He has no special interests in the Group, since the borrowings of ¥38 million from the bank only accounts for 0.05% of the consolidated total assets of the Company.

External Director Yuko Ichikawa is Representative Director of Market River Corporation, which has no special interests in the Group.

External Director Eriko Kawajiri is a lawyer at HARRO Law Office, External Director of GiG Works AddValue Inc. and External Director of HCS HOLDINGS CO., LTD., which have no special interests in the Group.

3. Functions and roles of External Directors and External Audit & Supervisory Board Members in corporate governance

External Director Osamu Koyama has great experience and profound insight as a manager and is expected to fulfill the role and responsibilities of External Director, including management oversight and provision of advice on overall management. In addition, he is a member of the Nomination and Remuneration Advisory Committee, exerting a management oversight function.

External Director Yuko Ichikawa has extensive knowledge about investor relations and corporate governance and is expected to fulfill the role and responsibilities of External Director, including management oversight and provision of advice on overall management. In addition, she chairs the Nomination and Remuneration Advisory Committee, expected to exert a management oversight function.

External Director Eriko Kawajiri has profound legal insight as a lawyer and is expected to fulfill the role and responsibilities of External Director, including management oversight and provision of advice on overall management. In addition, she is a member of the Nomination and Remuneration Advisory Committee, expected to exert a management oversight function.

External Audit & Supervisory Board Member Yukio Otaka has abundant business experience, profound insight, and extensive knowledge of finance and accounting gained through his career as a banker. Therefore, the Company expects him to fulfill the role and responsibilities of External Audit & Supervisory Board Member. In addition, he is a member of the Nomination and Remuneration Advisory Committee, expected to exert a management oversight function.

External Audit & Supervisory Board Member Masahito Kawashima has abundant business experience, profound insight and extensive knowledge about finance and accounting gained through his career as a manager and at financial institutions. Therefore, the Company expects him to fulfill the role and responsibilities of External Audit & Supervisory Board Member. In addition, he is a member of the Nomination and Remuneration Advisory Committee, expected to exert a management oversight function.

4. Criteria and policy on independence from the Company for appointing External Director/Audit & Supervisory Board Member

The Company has clarified the criteria for independence for appointing External Director/Audit & Supervisory Board Member (“External Officer”), and has set forth it as follows.

Based on the criteria, the Company shall appoint a person as Independent Officer who meets the requirements for outside officers prescribed by the Companies Act, the requirements for independent officers prescribed by the Tokyo Stock Exchange and the independence criteria of the Company below, and has experience and knowledge required for fulfilling the role and responsibilities expected of an Independent Officer.

The Company has notified Tokyo Stock Exchange of its appointment of Osamu Koyama, Yuko Ichikawa, Eriko Kawajiri,

Yukio Otake and Masahito Kawashima as independent officers.

Independence Criteria for External Directors and External Audit & Supervisory Board Members

If none of the following attributes applies to an External Director or External Audit & Supervisory Board Member, the Company judges that such a person is independent from the Company.

- (1) A person affiliated with a major shareholder that substantially holds 10% or more of the voting rights of the Company
- (2) A person affiliated with an entity that substantially holds 10% or more of the voting rights of the Company
- (3) A person affiliated with a business partner whose purchases from the Company accounted for 3% or more of the Company's consolidated net sales for the previous year
- (4) A person affiliated with a business partner whose annual sales to the Company accounted for 3% or more of the business partner's consolidated net sales for the previous year
- (5) A person affiliated with a financial institution that is indispensable for the Company's financing and on whom the Company is dependent to the extent that it is irreplaceable
- (6) A consultant, an accounting professional or a legal professional who received money or other assets amounting to 10 million yen or more from the Company in the previous year other than the Director's or Audit & Supervisory Board Member's remuneration (If the person receiving money, etc. is an organization such as a legal entity, a person affiliated with such an organization)
- (7) A person affiliated with a legal entity that received donations amounting to 10 million yen or more from the Company in the previous year
- (8) A person to whom any of (1) to (7) above applied in the past three years
- (9) The spouse or relative in the second degree of kinship of a person to whom any of (1) to (8) above apply

- iii. Mutual cooperation among supervision or audits by External Directors and External Audit & Supervisory Board Members, internal audits, audits by Audit & Supervisory Board Members and audits by the Independent Auditor, and relationship with the internal control division

The Company has a system where External Directors are provided with enough explanation for prior consideration on matters to be addressed at Board of Directors meetings, and able to smoothly supervise management and sufficiently fulfill their duties in enhancing the Company's corporate governance.

The Company has a system where External Audit & Supervisory Board Members regularly receive reports from full-time Audit & Supervisory Board Member concerning auditing, or reports from the Internal Audit Committee concerning the development and operational status of internal audit and internal control.

In addition, at meetings consisting of External Directors and External Audit & Supervisory Board Members, they exchange information and share awareness from the standpoint of External Officers, and also exchange information with the Independent Auditor and Internal Audit Committee members.

(3) Audits

i. Audits by Audit & Supervisory Board Members

The Company's Audit & Supervisory Board consists of one full-time Audit & Supervisory Board Member and three part-time Audit & Supervisory Board Members (two of whom are External Audit & Supervisory Board Members). Full-time Audit & Supervisory Board Member Takemi Matsuzaki has considerable knowledge of finance and accounting gained through his long career in internal control at the Accounting Dept. of the Company. All of the part-time Audit & Supervisory Board Members have abundant work experience and profound insight gained through their careers at financial institutions and considerable knowledge of finance and accounting. They attend important meetings, including Board of Directors meetings and management meetings, perform audits on decision making and execution of duties at regular meetings with Representative Directors, and hold External Officers meetings with External Directors (External Officers meetings were held eight times during the fiscal year ended March 31, 2023). In addition, the full-time Audit & Supervisory Board Member conducts inspections of important approval documents, attends various meetings, conducts interviews with each department, visits factories, sales offices and subsidiaries, witnesses physical inventory taking, and is in attendance during internal audits and audits conducted by the Independent Auditor.

During the fiscal year ended March 31, 2023, the Audit & Supervisory Board meetings were held eight times. While Audit & Supervisory Board Member Takemi Matsuzaki (appointed on June 24, 2022) attended the Audit & Supervisory Board meetings six times, Audit & Supervisory Board Members Morio Kayama, Yukio Otaka and Masahito Kawashima attended the meetings eight times. Specific items discussed at the Audit & Supervisory Board meetings include matters related to the formulation of audit policies and audit plans, the preparation of audit reports, items included in the Key Audit Matters (KAM), agenda items at the General Meeting of Shareholders, evaluation of the Independent Auditor and decisions on its reappointment, check of the execution of duties by Directors, the development and operational status of internal control system, the status of audits by full-time Audit & Supervisory Board Member, the evaluation and appointment/dismissal of the Independent Auditor, consent to the fees for the Independent Auditor, and audits and quarterly reviews by the Independent Auditor.

ii. Internal audits

The Internal Audit Committee comprising 29 concurrently assigned members evaluates the internal control of each department and subsidiaries of the Company, and conducts internal audits, etc. based on an annual plan. Close interaction is sought by thoroughly sharing information with the Independent Auditor and full-time Audit & Supervisory Board Member, and also through methods such as exchanging opinions on issues and being in attendance when audits are taking place. The results of internal audits are reported to the Internal Control Committee, which is chaired by President and Representative Director. The Committee members attend the Audit & Supervisory Board meetings, which are held on a quarterly basis, to share information with Audit & Supervisory Board Members and the Independent Auditor through reports and opinion exchanges. Besides, the Committee has a system in place to ensure information sharing with the Board of Directors as appropriate.

iii. Accounting audits

a. Name of audit firm

ALT Tsukiji Audit LLC

b. Continuous period of auditing

Since 1975

The above period of continuous auditing is within the range that can be investigated by the Company, and the actual continuous period may have exceeded the above.

c. Certified public accountants who executed the audit duties

Masataka Asano

Toshizo Kamiyama

Kiyoshi Arai

d. Composition of assistants involved in the accounting audit

Five certified public accountants were involved in the accounting audit of the Company.

e. Policy and reasons for appointing audit firm

The Company's Audit & Supervisory Board has established a Policy for Determining the Appointment of Independent Auditor in order to appropriately select a successor to the Independent Auditor in the event that the Audit & Supervisory Board dismisses or fails to reappoint the Independent Auditor, or in the event that the Independent Auditor resigns.

f. Evaluation of the audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

Audit & Supervisory Board Members and the Audit & Supervisory Board make evaluation of audit firm based on the Standard

for Independent Auditor Evaluation set forth by the Audit & Supervisory Board. Based on the evaluation for the fiscal year ended March 31, 2023, it is deemed appropriate to reappoint ALT Tsukiji Audit LLC as Independent Auditor.

iv. Details of audit fees, etc.

a. Audit fees paid to certified public accountants and others who conduct audits

(Millions of yen)

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Audit fees	Non-audit fees	Audit fees	Non-audit fees
Reporting company	46	—	46	—
Consolidated subsidiaries	—	—	—	—
Total	46	—	46	—

b. Fees for organizations that belong to the same network as the certified public accountants and others

Not applicable.

c. Other significant matters related to audit fees

Not applicable.

d. Policy for determining audit fees

The Company does not have a policy for determining audit fees for the certified public accountants and others.

e. Reasons for the Audit & Supervisory Board's consent to the fees for the Independent Auditor

The Audit & Supervisory Board has examined the time and man-hours required for the duties outlined in the presented auditing plan. As a result of careful review on the appropriateness of the estimated amount of audit fees, the Audit & Supervisory Board has consented to the audit fees for the Independent Auditor, pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act.

(4) Remuneration for Directors and other officers

i. Policy for determining remuneration amount for Directors and other officers and the calculation method thereof

The Company's policy for determining remuneration amount for Directors and other officers and the calculation method are as follows.

(1) Basic policies

The basic policy for remuneration for Directors is to motivate Directors in contributing to the enhancement of business performance and corporate value over the medium- to long-term and share the value with the shareholders. It is also designed to set the remuneration level appropriate for the duties and positions of officers of the Company.

The basic policy for remuneration for Audit & Supervisory Board Members is to set appropriate remuneration level to reward them for their fulfilling responsibilities and conducting rigorous audits, as well as to gain understanding of shareholders.

Remuneration for Directors (excluding External Directors) consists of fixed remuneration, performance-based remuneration, and stock remuneration (non-monetary remuneration), while remuneration for External Directors, in consideration to their duties and independence, consists of fixed remuneration only.

Regarding the individual remuneration for Directors, in order to ensure the transparent decision process, the Nomination and Remuneration Advisory Committee present a report on examination of the initial plan including its consistency with the determination policy, and the Board of Directors determines based on the report. The members of the Nomination and Remuneration Advisory Committee are stated in (2) Directors and officers.

Regarding the individual remuneration for Audit & Supervisory Board Members, it is determined through discussions by all Audit & Supervisory Board Members over the initial plan proposed by the Nomination and Remuneration Advisory Committee.

(2) Date of resolution at the General Meeting of Shareholders regarding remuneration for Directors, etc.

Remuneration for Directors, etc. was resolved at the Annual General Meeting of Shareholders held on June 28, 2007 to be ¥450 million or less per year (excluding the employee salary portion). The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was nine.

Remuneration for Audit & Supervisory Board Members was resolved at the Annual General Meeting of Shareholders held on June 28, 2007 to be ¥45 million or less per year. The number of Audit & Supervisory Board Members at the conclusion of the said Annual General Meeting of Shareholders was four.

In addition to these remuneration limits, the introduction of stock compensation plan was resolved at the Annual General Meeting of Shareholders held on June 26, 2018. The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was nine. The retirement benefits for Directors and other officers was discontinued in June 2007.

(3) Policy for determining remuneration amount

The remuneration for Directors is monthly fixed remuneration with the amount determined after objective and comprehensive consideration of positions, full-time or part-time status, and other companies' remuneration levels provided by external research institutions.

The remuneration for Audit & Supervisory Board Members is monthly fixed remuneration paid regardless of the performance with the amount determined based on comprehensive consideration of full-time or part-time status, sharing status of audit work and the like.

As for the performance-based remuneration for Directors (excluding External Directors), it is determined using profit attributable to owners of parent and KPIs set for each Director for the previous fiscal year as indices, aiming to expand business and increase profitability. The amount to be paid is determined according to the certain rate of achievement to the target profit, and is paid from July after the end of the relevant fiscal year adding to the monthly fixed remuneration. If the certain rate of achievement is not reached, the performance-based remuneration will not be paid.

A stock compensation plan is introduced for Directors (excluding External Directors and non-residents of Japan) to further clarify the link between the remuneration for Directors and the Company's stock value. Under the plan, Directors are granted with points of certain percentage of the remuneration amounts for their positions, and shares of the Company equivalent to the accumulated points (one point is equivalent to one share) is paid as compensation at their retirements. For Directors who are non-residents of Japan, the amount corresponding to the points to be granted is paid as monetary remuneration adding to monthly fixed remuneration.

The policy is to set the ratio of fixed, performance-based, and stock remuneration for Directors at 6 : 3 : 1 if the targets are achieved.

Concerning individual Directors' remuneration for the fiscal year ended March 31, 2023, the Company has determined that the initial plan, which was made by the Nomination and Remuneration Advisory Committee in consideration of consistency with the determination policy, is in line with the Company policies.

(4) Activities of the Board of Directors and Nomination and Remuneration Advisory Committee to determine remuneration amount for Directors and other officers

The Nomination and Remuneration Advisory Committee met eight times during the fiscal year ended March 31, 2023 for determining remuneration amount for Directors and other officers. The amounts of fixed, performance-based, and stock remuneration for Directors were determined by the Board of Directors after consulting with the Nomination and Remuneration Advisory Committee.

(5) Targets and results of the indices relating to performance-based remuneration for the fiscal year ended March 31, 2023

The performance-based remuneration is indexed by profit attributable to owners of parent for the previous fiscal year.

The actual result of the index against the target of ¥5,000 million for the fiscal year ended March 31, 2023 was ¥3,288 million, and ¥5 million was paid to six Directors (excluding External Directors).

ii. Total amount of remuneration by position, type of remuneration and number of recipients

Position	Total amount of remuneration (millions of yen)	Amount of remuneration by type (millions of yen)			Number of recipients
		Fixed	Performance-based	Stock	
Director (excluding External Director)	149	120	5	23	7
Audit & Supervisory Board Member (excluding External Audit & Supervisory Board Member)	20	20	—	—	2
External Officer	34	34	—	—	5
Total	204	175	5	23	14

Note: The amount of remuneration for Directors does not include the salary portion to Directors who serve concurrently as employees.

iii. Total amount of consolidated remuneration by Director/officer

This information is omitted because there is no Director or other officers whose total remuneration was ¥100 million or more.

iv. Important salary portion to directors who serve concurrently as employees

Not applicable.

(5) Shareholdings

i. Standards for and views on classification of investment shares

Investment shares held for pure investment

Investment shares held for pure investment refers to shares held for the purpose of purely generating capital gains through changes in stock prices or income through dividends related to the shares.

Investment shares held for purposes other than pure investment

Investment shares held for purposes other than pure investment refers to investment shares held as cross-shareholdings or for the purpose of business strategy.

ii. Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of holding rationale, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual stocks

In principle, the Company does not newly purchase shares. However, this does not apply if it is determined to contribute to the sustainable growth of the Group and the enhancement of corporate value over the medium to long term. In addition, the number of shares held as cross-shareholdings may increase every year if we are a member of the stock ownership association of the partner company. Also, the Company will dispose of, as appropriate, the shares held as cross-shareholdings that are judged to have no holding rationale as a result of the annual individual verification after negotiating with the relevant partner company and obtaining their agreement on the sales method, time and so forth.

As to the method of verification of holding rationale, we regularly verify the holding rationale of individual stocks from both qualitative and quantitative perspectives. Concerning verification from qualitative perspective, we verify matters from a business strategy perspective such as whether a smooth and good relationship with the partner company is maintained. Concerning the quantitative verification, we verify matters such as whether the profit from shareholding, including related transaction profits and dividends, exceeds the cost of capital.

The Board of Directors verifies the appropriateness of holding individual stocks at a Board of Directors meeting held in May every year; it comprehensively discusses the continuation of holding or disposal and the reduction plan of individual stocks based on the results of the above verification conducted in line with the shareholding policy. Then, shares will be actually disposed of and the Board of Directors will confirm the result of sale.

b. Number of stocks and balance sheet amount

	Number of stocks	Total balance sheet amount (millions of yen)
Unlisted shares	2	0
Shares other than unlisted shares	22	7,008

Stocks whose shares held by the Company increased during the fiscal year ended March 31, 2023

	Number of stocks	Total amount of acquisition price corresponding to the increased number of shares (millions of yen)	Reasons for the increase in the number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	6	24	Shares purchased through stock ownership associations of business partners

Stocks whose shares held by the Company decreased during the fiscal year ended March 31, 2023

	Number of stocks	Total amount of selling price corresponding to the decrease in the number of shares (millions of yen)
Unlisted shares	—	—
Shares other than unlisted shares	5	687

c. Number and balance sheet amount of specified investment shares and deemed holding shares by issue

Specified investment shares

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative contribution, and reasons for increase in the number of shares (Note)	Reciprocal shareholdings
	Number of shares	Number of shares		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
EDP Corporation	145,000	—	It is a supplier from which the Company procures raw materials for diamond tools. We hold these shares to facilitate smooth transactions with the company.	No
	2,069	—		
Union Tool Co.	290,000	290,000	It is a customer of the Company in the cemented carbide tools industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	955	1,104		
DAIICHI CUTTER KOGYO K.K.	600,000	600,000	It is a customer of the Company in the construction industry. We hold these shares to strengthen and maintain business relationship with the company.	No
	705	811		
Tokyo Seimitsu Co., Ltd.	135,000	135,000	It is a customer of the Company in the electronics and semiconductor industry. We hold these shares so that we will be able to provide goods and services of their needs by maintaining good relationship and exchanging information in a timely and appropriate manner.	Yes
	691	658		
OSG Corporation	275,000	275,000	It is a customer of the Company in the cemented carbide tools industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	546	516		
Mitsubishi UFJ Financial Group, Inc.	500,000	500,000	It is our bank. We hold these shares to facilitate smooth transactions with the bank.	Yes
	423	380		
Okamoto Machine Tool Works, Ltd.	56,500	56,500	It is a customer of the Company in the electronics and semiconductor industry. We hold these shares so that we will be able to provide goods and services of their needs by maintaining good relationship and exchanging information in a timely and appropriate manner.	No
	298	255		
Tenryu Saw Mfg. Co., Ltd.	73,000	73,000	It is a customer of the Company in the cemented carbide tools industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	230	221		
AGC Inc.	46,778	44,183	It is a customer of the Company in the electronics and semiconductor glass industry, and we hold these shares to strengthen and maintain business relationship with the company. The shares have been purchased through its stock ownership association.	No
	230	216		
AIDA ENGINEERING, LTD.	200,000	400,000	It is a customer of the Company in the machinery industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	163	422		
YASUNAGA CORPORATION	140,000	140,000	It is a customer of the Company in the machinery industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	143	116		
MinebeaMitsumi Inc.	41,601	40,768	It is a customer of the Group in the bearings industry, and we hold these shares to strengthen and maintain business relationship with the company. The shares have been purchased through its stock ownership association.	No
	104	109		

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative contribution, and reasons for increase in the number of shares (Note)	Reciprocal shareholdings
	Number of shares	Number of shares		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
NACHI-FUJIKOSHI CORP.	21,410	20,261	It is a customer of the Group in the cemented carbide tools industry, and we hold these shares to strengthen and maintain business relationship with the company. The shares have been purchased through its stock ownership association.	No
	84	84		
Mitsubishi Electric Corporation	50,000	71,200	It is a customer of the Company in the machinery industry. We hold these shares to strengthen and maintain business relationship with the company. The shares have been purchased through its stock ownership association.	No
	78	100		
SUMCO Corporation	34,668	33,153	It is a customer of the Company in the semiconductor silicon industry, and we hold these shares to strengthen and maintain business relationship with the company. The shares have been purchased through its stock ownership association.	No
	68	67		
TOKYO ROPE MFG. CO., LTD.	50,000	50,000	We mainly purchase parts used in manufacturing products for the electronic components industry. We hold these shares to maintain good relationship with the company.	Yes
	58	45		
MICRON MACHINERY CO., LTD.	30,000	30,000	It is a customer of the Company in the machinery industry. We hold these shares to strengthen and maintain business relationship with the company.	No
	39	35		
Dijet Industrial Co., Ltd.	46,147	46,147	It is a customer of the Company in the cemented carbide tools industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	38	49		
Fuji Bellows Co., Ltd.	21,800	21,800	It is a customer of the Company in the automotive industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	28	28		
KOKEN BORING MACHINE CO., LTD.	50,000	100,000	It is a customer of the Company in the civil engineering industry. We hold these shares to strengthen and maintain business relationship with the company.	No
	22	46		
Nippon Electric Glass Co., Ltd.	7,316	6,593	It is a customer of the Company in the electronics and semiconductor glass industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to purchase through its stock ownership association.	No
	18	17		
Makita Corporation	2,452	2,052	It is a customer of the Group in the stone and construction industry, and we hold these shares to strengthen and maintain business relationship with the company. The shares have been purchased through its stock ownership association.	No
	8	8		
Kubota Corporation	—	50,000	We have disposed these shares in the current fiscal year.	No
	—	115		

Note: Though quantitative contribution of shareholdings is difficult to determine, we verify the rationale for shareholdings individually as described in a. Shareholding policy, method of verification of holding rationale, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual stocks.

Deemed shareholding

Not applicable.

iii. Investment shares held for pure investment

Not applicable.

V. Financial Information

1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements

(1) The consolidated financial statements of Asahi Diamond Industrial Co., Ltd. (the “Company”) are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; the “Regulation on Consolidated Financial Statements”).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; the “Regulation on Financial Statements”).

The Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

2. Audit Certification

The Company’s consolidated and non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 were audited by ALT Tsukiji Audit LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has taken special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation and participated in events such as seminars with the aim to establish a system that allows the Company to properly understand accounting standards and appropriately adapt to changes in accounting standards.

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

i. Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	14,771	16,375
Notes and accounts receivable - trade	10,642	10,059
Securities	776	13
Merchandise and finished goods	2,847	3,169
Work in process	1,611	1,427
Raw materials and supplies	2,284	2,624
Other	527	738
Allowance for doubtful accounts	(101)	(106)
Total current assets	33,361	34,301
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 27,913	*2 27,293
Accumulated depreciation	(15,741)	(15,624)
Buildings and structures, net	12,171	11,668
Machinery, equipment and vehicles	*2 31,623	*2 31,870
Accumulated depreciation	(25,918)	(26,402)
Machinery, equipment and vehicles, net	5,704	5,467
Land	*2, *3 6,655	*2, *3 6,674
Construction in progress	81	515
Other	6,638	6,372
Accumulated depreciation	(5,816)	(5,636)
Other, net	821	736
Total property, plant and equipment	25,434	25,061
Intangible assets	240	190
Investments and other assets		
Investment securities	*1 10,715	*1 12,861
Long-term loans receivable	—	4
Deferred tax assets	1,839	1,095
Other	1,158	1,138
Allowance for doubtful accounts	(507)	(477)
Total investments and other assets	13,205	14,623
Total non-current assets	38,880	39,876
Total assets	72,241	74,177

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,489	1,477
Short-term borrowings	210	179
Income taxes payable	532	503
Provision for bonuses	914	910
Other	1,934	2,183
Total current liabilities	5,081	5,255
Non-current liabilities		
Retirement benefit liability	5,360	5,151
Deferred tax liabilities for land revaluation	*3 350	*3 350
Asset retirement obligations	59	61
Provision for business restructuring	259	217
Provision for share awards	116	125
Other	144	132
Total non-current liabilities	6,290	6,039
Total liabilities	11,372	11,295
Net assets		
Shareholders' equity		
Share capital	4,102	4,102
Capital surplus	7,129	7,129
Retained earnings	45,166	45,048
Treasury shares	(134)	(247)
Total shareholders' equity	56,263	56,032
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,541	3,645
Revaluation reserve for land	*3 196	*3 196
Foreign currency translation adjustment	292	1,283
Remeasurements of defined benefit plans	(2)	15
Total accumulated other comprehensive income	3,028	5,140
Non-controlling interests	1,577	1,709
Total net assets	60,869	62,882
Total liabilities and net assets	72,241	74,177

ii. Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Net sales	37,161	39,320
Cost of sales	*1, *3 26,811	*1, *3 28,790
Gross profit	10,350	10,530
Selling, general and administrative expenses		
Selling expenses	4,819	5,208
General and administrative expenses	2,719	2,816
Total selling, general and administrative expenses	*2, *3 7,539	*2, *3 8,024
Operating profit	2,811	2,506
Non-operating income		
Interest income	44	49
Dividend income	135	165
Foreign exchange gains	122	214
Share of profit of entities accounted for using equity method	359	250
Subsidy income	137	49
Miscellaneous income	57	67
Total non-operating income	857	797
Non-operating expenses		
Interest expenses	4	20
Miscellaneous losses	13	7
Total non-operating expenses	17	27
Ordinary profit	3,650	3,275
Extraordinary income		
Gain on sale of non-current assets	*4 64	—
Gain on sale of investment securities	228	555
Reversal of provision for business restructuring	*5 208	—
Refund of customs duty	*6 255	—
Total extraordinary income	757	555
Profit before income taxes	4,408	3,830
Income taxes - current	713	732
Income taxes - deferred	308	240
Total income taxes	1,021	973
Profit	3,387	2,856
Profit attributable to non-controlling interests	98	91
Profit attributable to owners of parent	3,288	2,765

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Profit	3,387	2,856
Other comprehensive income		
Valuation difference on available-for-sale securities	(178)	1,103
Foreign currency translation adjustment	904	613
Remeasurements of defined benefit plans, net of tax	(124)	48
Share of other comprehensive income of entities accounted for using equity method	198	441
Total other comprehensive income	*1 799	*1 2,206
Comprehensive income	4,187	5,063
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	4,115	5,060
Comprehensive income attributable to non-controlling interests	71	3

iii. Consolidated statement of changes in equity

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,102	7,129	42,490	(150)	53,571
Changes during period					
Dividends of surplus			(612)		(612)
Profit attributable to owners of parent			3,288		3,288
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	16	16
Cancellation of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,675	16	2,692
Balance at end of period	4,102	7,129	45,166	(134)	56,263

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,719	196	(637)	119	2,398	1,327	57,297
Changes during period							
Dividends of surplus							(612)
Profit attributable to owners of parent							3,288
Purchase of treasury shares							(0)
Disposal of treasury shares							16
Cancellation of treasury shares							—
Net changes in items other than shareholders' equity	(178)	—	929	(121)	629	250	879
Total changes during period	(178)	—	929	(121)	629	250	3,572
Balance at end of period	2,541	196	292	(2)	3,028	1,577	60,869

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,102	7,129	45,166	(134)	56,263
Changes during period					
Dividends of surplus			(1,483)		(1,483)
Profit attributable to owners of parent			2,765		2,765
Purchase of treasury shares				(1,540)	(1,540)
Disposal of treasury shares			(0)	28	28
Cancellation of treasury shares			(1,399)	1,399	—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(117)	(112)	(230)
Balance at end of period	4,102	7,129	45,048	(247)	56,032

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,541	196	292	(2)	3,028	1,577	60,869
Changes during period							
Dividends of surplus							(1,483)
Profit attributable to owners of parent							2,765
Purchase of treasury shares							(1,540)
Disposal of treasury shares							28
Cancellation of treasury shares							—
Net changes in items other than shareholders' equity	1,103	—	990	18	2,111	131	2,243
Total changes during period	1,103	—	990	18	2,111	131	2,013
Balance at end of period	3,645	196	1,283	15	5,140	1,709	62,882

iv. Consolidated statement of cash flows

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	4,408	3,830
Depreciation	2,961	2,882
Increase (decrease) in allowance for doubtful accounts	(26)	(48)
Increase (decrease) in provision for bonuses	231	(14)
Increase (decrease) in retirement benefit liability	(221)	(162)
Increase (decrease) in provision for share awards	22	9
Increase (decrease) in provision for business restructuring	(210)	(63)
Interest and dividend income	(179)	(215)
Interest expenses	4	20
Share of loss (profit) of entities accounted for using equity method	(359)	(250)
Loss on retirement of property, plant and equipment	9	39
Loss (gain) on sale of property, plant and equipment	(71)	(5)
Loss (gain) on sale of investment securities	(228)	(555)
Decrease (increase) in trade receivables	(1,287)	774
Decrease (increase) in inventories	(253)	(337)
Increase (decrease) in trade payables	93	(145)
Other, net	1,231	(225)
Subtotal	6,123	5,533
Interest and dividends received	179	215
Interest paid	(4)	(20)
Income taxes paid	(350)	(748)
Net cash provided by (used in) operating activities	5,948	4,979
Cash flows from investing activities		
Proceeds from sale of securities	1,000	—
Purchase of property, plant and equipment	(1,701)	(1,898)
Proceeds from sale of property, plant and equipment	151	21
Purchase of investment securities	(30)	(25)
Proceeds from sale of investment securities	401	687
Other, net	(178)	(45)
Net cash provided by (used in) investing activities	(356)	(1,260)

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(380)	(43)
Purchase of treasury shares	(0)	(1,540)
Proceeds from sale of treasury shares	16	28
Dividends paid	(612)	(1,479)
Dividends paid to non-controlling interests	(18)	(53)
Repayments of lease liabilities	(83)	(55)
Net cash provided by (used in) financing activities	(1,077)	(3,145)
Effect of exchange rate change on cash and cash equivalents	385	266
Net increase (decrease) in cash and cash equivalents	4,898	840
Cash and cash equivalents at beginning of period	10,649	15,548
Cash and cash equivalents at end of period	*1 15,548	*1 16,389

Notes to Consolidated Financial Statements

Significant accounting policies for preparation of consolidated financial statements

1. Disclosure of scope of consolidation

(A) Consolidated subsidiaries

Number of consolidated subsidiaries: 13

Names of consolidated subsidiaries:

The information is disclosed in I. Overview of Company, 4. Subsidiaries and Associates.

2. Disclosure about application of equity method

(A) Number of associates accounted for using equity method: 1

Name of associate:

Shinhan Diamond Industrial Co., Ltd.

(B) As the above stated associate accounted for using equity method has a closing date which is different from the closing date of the consolidated financial statements, we use its financial statements that are based on the business year of the associate.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Out of 13 consolidated subsidiaries, 11 overseas subsidiaries have closing date on December 31. Financial statements as of that date are used in preparing consolidated financial statements, and necessary adjustments are made to reflect significant transactions that occurred between that date and the closing date of the consolidated financial statements.

4. Disclosure of accounting policies

(A) Valuation standards and methods for significant assets

i. Securities

a Held-to-maturity debt securities

Stated at amortized cost (straight-line method).

b Available-for-sale securities

Other than equity or marketable securities without market price:

Stated at fair value using the market value method (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

Equity or marketable securities without market price:

Stated at cost using the moving-average method.

ii. Inventories

Stated at cost (with book value written down for balance sheet, based on any decline in profitability).

Merchandise and finished goods: Primarily stated at cost using the specific identification method.

Work in process: Primarily stated at cost using the specific identification method.

Raw materials and supplies: Primarily stated at cost using the moving-average method.

(B) Method for depreciation/amortization of significant depreciable assets

i. Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, buildings (except for facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis. The overseas consolidated subsidiaries primarily use the straight-line method.

The principal useful lives are as follows:

Buildings and structures: 5 to 50 years

Machinery, equipment and vehicles: 4 to 10 years

ii. Intangible assets (excluding leased assets)

Amortized primarily on a straight line basis.

iii. Leased assets

The Company and its consolidated subsidiaries depreciate leased assets in finance lease transactions that do not transfer ownership on a straight-line basis with the useful life being the lease term and the residual value being zero.

(C) Accounting standards for significant provisions

i. Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectibility of individual receivables for doubtful accounts and certain other receivables.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, the Company and some consolidated subsidiaries record provision for bonuses based on the estimated amount to be paid.

iii. Provision for business restructuring

To prepare for the future losses related to reconstruction plans of consolidated subsidiaries, provision for business restructuring is recorded at the amount estimated in the current fiscal year.

iv. Provision for share awards

To provide for delivery of shares of the Company to Directors and Executive Officers who meet the beneficiary requirements of stock compensation plan (the “Directors, etc.”), provision for share awards is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

(D) Accounting treatment for retirement benefits

i. Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

ii. Method of accounting for actuarial gains and losses

Actuarial gains and losses are collectively recorded as expense in the following fiscal year.

iii. Application of the simplified method in small subsidiaries

In calculating retirement benefit liability and retirement benefit expenses, some consolidated subsidiaries apply the simplified method where retirement benefit liability is estimated at an amount to be required at the year-end for voluntary termination.

(E) Accounting standards for recording significant revenue and expenses

The Company and its consolidated subsidiaries manufacture and sell diamond tools, etc., and have performance obligations of delivering merchandise and finished goods based on sales contracts with customers. The performance obligations are considered to be satisfied at the point when control over assets is transferred to the customer, and the revenue is recognized at such point.

For domestic sales, revenue is recognized mainly at the time of shipment because the control over merchandise and finished goods is transferred to the customer in usual period of time from the shipment to the transfer. It is recognized at an amount that the Company expects to be entitled to receive in exchange for the merchandise and finished goods.

If the Company and its consolidated subsidiaries are involved in sales as agents, revenue is recorded as a net amount obtained by deducting the amount paid to the supplier from the total amount of consideration received from the customer.

(F) Accounting standards for translating significant foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and translation adjustments are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rates on the balance sheet dates of such subsidiary whereas their revenue and expenses are translated into Japanese yen at average exchange rates during the period, and translation adjustments are included in foreign currency translation adjustment and non-controlling interests under net assets.

(G) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and exposed to only an insignificant risk of fluctuation in value.

Significant accounting estimates

Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements of the current fiscal year

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	1,839	1,095

(2) Information on the significant accounting estimates of the identified items

The Company and its consolidated subsidiaries recognize deferred tax assets for deductible temporary differences and tax loss carried forward in consideration of projections of future taxable income and tax-planning.

The Company's estimates for future taxable income are based on "medium- to long-term profit and loss forecasts," which are predicated on significant assumptions such as sales estimates and operating expense forecasts. These significant assumptions are uncertain and may underestimate future taxable income. In that case, the deferred tax assets may be reduced and tax expenses may be recorded.

Accounting estimates have been made based on the assumption that the impact of COVID-19 on operating results and financial positions of the Company and its consolidated subsidiaries would be minor, as the simultaneous pursuit of suppression of infections and economic activity has advanced.

New accounting standards not yet applied

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 of October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 of October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 of October 28, 2022)

(1) Overview

These accounting standards and guidance establish the accounting classification of corporate and other taxes imposed on other comprehensive income, as well as the treatment of tax effects accounting for the sale of shares of subsidiaries when the group taxation system is applied.

(2) Scheduled date of application

These accounting standards and guidance will be adopted from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the application of the accounting standards, etc.

The impact of the application of the Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements is currently under assessment.

Additional information

Stock compensation plan

The Company has introduced a stock compensation plan for the purpose of clarifying the link between the compensation of Directors, etc. and the stock value of the Company, and raising awareness of Directors, etc. to contribute to the improvement of medium- to long-term business performance and the corporate value by sharing the profits and risks attributable to stock price fluctuation with shareholders.

(1) Overview of transaction

In this stock compensation plan, the Company contributes the funds, and the established trust (the "Trust") acquires the shares of the Company. Through the Trust, the number of shares of the Company corresponding to the number of points that the Company grants to each Directors, etc. shall be delivered to each of them.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at the book value in the trust (excluding the amount of incidental expenses). The book value and number of such treasury shares as of March 31, 2023 were ¥237 million and 321,265 shares.

Consolidated balance sheet

*1. Investment securities related to associates are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Investment securities (equity securities)	5,118	5,788

*2. Book value reduction of property, plant and equipment

The items and deducted amounts of acquisition cost of property, plant and equipment covered by the government subsidy are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Machinery, equipment and vehicles	11	11
Land	640	640
Buildings and structures	0	0
Total	652	652

*3. Revaluation of land

Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Company revaluated land for business use and recorded revaluation reserve for land under net assets.

Revaluation method:

Calculation using assessed value of fixed assets stipulated in Article 2, Item 3 of the Order for Enforcement of the Act on Revaluation of Land (Government Ordinance No. 119, March 31, 1998)

Date of revaluation

March 31, 2002

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Fair value of the revaluated land at end of period less its revaluated book value	(635)	(639)

4. The Company and its two consolidated subsidiaries have signed overdraft agreements with six banks to procure working capital efficiently.

The balances of undrawn facilities under the overdraft agreements at the end of the current fiscal year are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Total overdraft limits	8,082	8,315
Drawn facilities	122	141
Net	7,960	8,173

Consolidated statement of income

- *1. The amount of year-end inventory is after the book value is devalued due to the decline in profitability. The following loss on valuation of inventories is included in the cost of sales.

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
	(18)	(43)

- *2. Major accounts included in selling, general and administrative expenses and their amounts are as follows:

(1) Selling expenses

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Salaries and allowances	2,170	2,340
Provision for bonuses	131	127
Retirement benefit expenses	137	133
Commission expenses	155	146
Provision of allowance for doubtful accounts	(23)	0

(2) General and administrative expenses

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Salaries and allowances	964	1,001
Provision for bonuses	41	49
Retirement benefit expenses	56	13
Commission expenses	392	390
Research and development expenses	384	381

- *3. Total amount of research and development expenses that are included in general and administrative expenses and manufacturing costs during the period is as follows:

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
	1,811	1,985

- *4. Gain on sale of non-current assets

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

Gain on sale of non-current assets is ¥64 million from sale of land.

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

- *5. Reversal of provision for business restructuring

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

This is due to a change in the reconstruction plan of a consolidated subsidiary, Asahi Diamond Industrial Europe SAS.

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

*6. Refund of customs duty

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

This is the refund of customs duty received by winning the lawsuit filed by Asahi Diamond America, Inc., a consolidated subsidiary, in the court for the refund of the customs duty surcharge.

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

Consolidated statement of comprehensive income

*1. Reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Amount arising during period	167	1,841
Reclassification adjustments	(427)	(258)
Before tax effect adjustment	(260)	1,583
Tax effect	81	(480)
Valuation difference on available-for-sale securities	(178)	1,103
Foreign currency translation adjustment		
Amount arising during period	904	613
Reclassification adjustments	—	—
Before tax effect adjustment	904	613
Tax effect	—	—
Foreign currency translation adjustment	904	613
Remeasurements of defined benefit plans		
Amount arising during period	(14)	50
Reclassification adjustments	(159)	14
Before tax effect adjustment	(174)	64
Tax effect	49	(16)
Remeasurements of defined benefit plans, net of tax	(124)	48
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during period	198	441
Total other comprehensive income	799	2,206

Consolidated statement of changes in equity

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

1. Class and total number of issued shares and treasury shares

(Thousand shares)

	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common stock	55,700	—	—	55,700
Total	55,700	—	—	55,700
Treasury shares				
Common stock (Notes)	192	1	21	172
Total	192	1	21	172

- Notes: 1. The increase of 1 thousand shares in treasury shares of common stock is due to the purchase of shares less than one unit.
2. The decrease of 21 thousand shares in treasury shares of common stock is 15 thousand shares of the Company delivered and 6 thousand shares of the Company sold, which were held in the trust account of the benefit trust plan for Directors, etc.
3. The treasury shares of common stock includes shares of the Company held in the trust account of the benefit trust plan for Directors, etc. of 182 thousand shares at beginning of period and 161 thousand shares at end of period.

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 25, 2021	Common stock	167	3	March 31, 2021	June 28, 2021
Board of Directors' meeting held on November 9, 2021	Common stock	445	8	September 30, 2021	December 1, 2021

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 25, 2021 includes dividends of ¥0 million paid to the Company's shares held by trusts related to stock compensation plan. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on November 9, 2021 includes dividends of ¥1 million paid to the Company's shares held by trusts related to stock compensation plan.

(2) Dividends with the reference date in the current fiscal year, but the effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 24, 2022	Common stock	891	Retained earnings	16	March 31, 2022	June 27, 2022

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 24, 2022 includes dividends of ¥2 million paid to the Company's shares held by trusts related to stock compensation plan.

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

1. Class and total number of issued shares and treasury shares

(Thousand shares)

	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common stock (Notes)	55,700	—	1,811	53,888
Total	55,700	—	1,811	53,888
Treasury shares				
Common stock (Notes)	172	2,009	1,847	333
Total	172	2,009	1,847	333

Notes: 1. The decrease of 1,811 thousand shares in issued shares of common stock is a decrease due to the cancellation of treasury shares based on the resolution of the Board of Directors.

2. The increase of 2,009 thousand shares in treasury shares of common stock is an increase of 1,811 thousand shares due to the purchase of treasury shares based on the resolution of the Board of Directors, 196 thousand shares acquired by the trust account of the benefit trust plan for Directors, etc., and an increase of 1 thousand shares due to the purchase of shares less than one unit.

3. The decrease of 1,847 thousand shares in treasury shares of common stock is a decrease of 1,811 thousand shares due to the cancellation of treasury shares based on the resolution of the Board of Directors, 25 thousand shares of the Company delivered and 11 thousand shares of the Company sold, which were held in the trust account of the benefit trust plan for Directors, etc.

4. The treasury shares of common stock includes shares of the Company held in the trust account of the benefit trust plan for Directors, etc. of 161 thousand shares at beginning of period and 321 thousand shares at end of period.

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 24, 2022	Common stock	891	16	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 8, 2022	Common stock	592	11	September 30, 2022	December 1, 2022

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 24, 2022 includes dividends of ¥2 million paid to the Company's shares held by trusts related to stock compensation plan. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on November 8, 2022 includes dividends of ¥1 million paid to the Company's shares held by trusts related to stock compensation plan.

(2) Dividends with the reference date in the current fiscal year, but the effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 27, 2023	Common stock	808	Retained earnings	15	March 31, 2023	June 28, 2023

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 27, 2023 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan.

Consolidated statement of cash flows

*1. The reconciliation of ending balance of cash and cash equivalents with account balances per consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Cash and deposits	14,771	16,375
Short-term investments with a maturity of three (3) months or less from the date of acquisition (Securities)	776	13
Cash and cash equivalents	15,548	16,389

Leases

1. Finance leases

Finance lease transactions that do not transfer ownership

(1) Leased assets

Property, plant and equipment:

Mainly includes vehicles (machinery, equipment and vehicles) and OA equipment (tools, furniture and fixtures).

(2) Depreciation of leased assets

Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

2. Operating lease transactions

Future lease payments under non-cancellable operating leases

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Due within 1 year	50	58
Due after 1 year	75	97
Total	126	156

Financial instruments

1. Status of financial instruments

(1) Policies on financial instruments

The Group invests temporary surpluses in highly secure financial assets, and finances necessary funds by bank loans in light of the capital expenditure plan.

(2) Nature and risks of financial instruments

Trade receivables such as notes and accounts receivable - trade are exposed to customers' credit risk. In addition, trade receivables denominated in foreign currencies arising from our global business are exposed to the risk of exchange rate fluctuations. Marketable securities and investment securities mainly comprise stocks of companies with which we have business relationships. Of these, listed stocks are exposed to the risk of market price fluctuations.

Most trade payables such as notes and accounts payable - trade are due within four months. Certain notes and accounts payable - trade are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. However, the amounts of such payables are constantly kept within those of the balances of accounts receivable denominated in the same foreign currencies. Borrowings are mainly for the purpose of financing working capital, and their repayment dates are within 1 year after the settlement dates.

(3) Risk management system for financial instruments

i. Management of credit risk (risk of non-performance by counterparties)

The Company manages trade receivables on a regular basis, with each sales department and accounting department checking the status such as the due dates and balances for each major customer in order to quickly grasp and reduce the collection concerns due to deterioration of financial conditions. Our consolidated subsidiaries manage trade receivables in the same way as the Company.

The maximum credit risk amount as of the consolidated balance sheet date for the current period is the balance sheet amount of financial assets with credit risk.

ii. Management of market risk (risk of exchange rate and interest rate fluctuations)

The Company regularly assesses the market value and financial conditions of the issuers (business partners) of marketable securities and investment securities, and continuously reviews the holding status of securities in consideration of relationship with business partners.

iii. Management of liquidity risk in financing (risk of being unable to make payments on due dates)

The Company manages liquidity risk in a way that the accounting department, based on reports from each department, prepares and updates cash flow plans in a timely manner to ensure the necessary liquidity on hand.

(4) Supplementary explanation on fair value of financial instruments

Because certain assumptions on fluctuations are used in the calculation of the fair value of financial instruments, the value may vary if different assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount and fair value of financial instruments and their differences are as follows:

As of March 31, 2022

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Marketable securities and investment securities			
i. Available-for-sale securities	6,252	6,252	—
Total assets	6,252	6,252	—

*1 Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and income taxes payable are omitted because they are cash and are settled within a short period of time, that is, their fair value approximates their book value.

*2 Equity securities without market price, etc. are not included in “(1) Marketable securities and investment securities.”

The consolidated balance sheet amount of those securities is as follows:

Classification	Consolidated balance sheet amount (millions of yen)
Unlisted shares	5,238

As of March 31, 2023

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Marketable securities and investment securities			
i. Available-for-sale securities	7,086	7,086	—
Total assets	7,086	7,086	—

*1 Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and income taxes payable are omitted because they are cash and are settled within a short period of time, that is, their fair value approximates their book value.

*2 Equity securities without market price, etc. are not included in “(1) Marketable securities and investment securities.”

The consolidated balance sheet amount of those securities is as follows:

Classification	Consolidated balance sheet amount (millions of yen)
Unlisted shares	5,788

Note 1: Redemption schedule of monetary receivables and securities with maturity dates after the consolidated balance sheet date
As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	14,771	—	—	—
Notes and accounts receivable - trade	10,642	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (bonds)	—	—	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Total	25,414	—	—	—

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	16,375	—	—	—
Notes and accounts receivable - trade	10,059	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (bonds)	—	—	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Total	26,434	—	—	—

Note 2: Repayment schedule of long-term borrowings, lease obligations, and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Short-term borrowings	210	—	—	—	—	—
Long-term borrowings	—	—	—	—	—	—
Lease obligations	52	35	23	12	2	—
Total	263	35	23	12	2	—

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Short-term borrowings	179	—	—	—	—	—
Long-term borrowings	—	—	—	—	—	—
Lease obligations	42	30	20	10	4	—
Total	222	30	20	10	4	—

3. Breakdown of financial instruments by level of fair value

Financial instruments measured at fair value are categorized into the following three levels according to observability and significance of input used in measurement.

Level 1: Fair value measured using observable inputs of the assets or liabilities subject to calculation at quoted prices in active markets

Level 2: Fair value determined using observable inputs other than Level 1

Level 3: Fair value determined using valuation techniques based on unobservable inputs

When multiple inputs are used to measure fair value, fair value levels are determined based on the lowest level input that is significant to the entire fair value measurement.

(1) Financial assets and financial liabilities that are recorded on the consolidated balance sheet at fair value

As of March 31, 2022

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities	5,476	776	—	6,252
Total assets	5,476	776	—	6,252

As of March 31, 2023

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities	7,072	13	—	7,086
Total assets	7,072	13	—	7,086

Note: Valuation techniques and inputs used to calculate fair value

Marketable securities and investment securities:

The fair values of listed stocks for which active markets exist are categorized into Level 1 as they are determined based on market prices. Certificates of deposit are categorized into Level 2 as they are rarely traded in the market and are not recognized as measured at quoted prices in active markets.

Securities

1. Available-for-sale securities

As of March 31, 2022

(Millions of yen)

Classification	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds the acquisition cost	i. Equity securities	5,418	1,745	3,673
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	5,418	1,745	3,673
Securities whose consolidated balance sheet amount does not exceed the acquisition cost	i. Equity securities	57	72	(15)
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	57	72	(15)
Total		5,476	1,818	3,658

Note: Above available-for-sale securities do not include unlisted shares (consolidated balance sheet amount of ¥5,238 million), commercial paper (consolidated balance sheet amount of ¥708 million) and certificates of deposit (consolidated balance sheet amount of ¥67 million) because unlisted shares do not have market price and the other two are comparable to deposits.

As of March 31, 2023

(Millions of yen)

Classification	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds the acquisition cost	i. Equity securities	7,025	1,756	5,268
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	7,025	1,756	5,268
Securities whose consolidated balance sheet amount does not exceed the acquisition cost	i. Equity securities	47	73	(26)
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	47	73	(26)
Total		7,072	1,830	5,241

Note: Above available-for-sale securities do not include unlisted shares (consolidated balance sheet amount of ¥5,788 million) and certificates of deposit (consolidated balance sheet amount of ¥13 million) because unlisted shares do not have market price and certificates of deposit are comparable to deposits.

2. Available-for-sale securities sold

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
i. Equity securities	408	228	—
ii. Debt securities	—	—	—
iii. Other	—	—	—
Total	408	228	—

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
i. Equity securities	687	555	—
ii. Debt securities	—	—	—
iii. Other	—	—	—
Total	687	555	—

Retirement benefits

1. Overview of adopted retirement benefit plans

The Company and some of its consolidated subsidiaries operate defined benefit corporate pension plans and retirement lump-sum payment plans as defined benefit plans. Some domestic consolidated subsidiaries have set retirement lump-sum payment plans combining small and medium-sized enterprise retirement allowance cooperative system, and apply the simplified method to calculate retirement benefit liability and retirement benefit expenses where retirement benefit liability is estimated at an amount to be required at the year-end for voluntary termination. Retirement benefits trusts are set up for some defined benefit corporate pension plans. Some overseas consolidated subsidiaries have defined contribution pension plans in addition to defined benefit plans.

In addition, when an employee retires, the Company may provide an extra retirement payment that is not covered by the retirement benefit obligation by actuarial calculation based on the retirement benefit accounting.

2. Defined benefit plan

(1) Reconciliation of opening and closing balances of retirement benefit obligation (excluding plans using the simplified method)

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Retirement benefit obligations at beginning of period	14,319	14,471
Service cost	618	490
Interest cost	102	96
Actuarial gains and losses incurred	19	(200)
Retirement benefits paid	(715)	(755)
Other	127	56
Retirement benefit obligations at end of period	14,471	14,158

(2) Reconciliation of opening and closing balances of plan assets (excluding plans using the simplified method)

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Plan assets at beginning of period	8,950	9,117
Expected return on plan assets	89	90
Actuarial gains and losses incurred	4	(150)
Contributions from employer	362	334
Retirement benefits paid	(379)	(412)
Other	90	34
Plan assets at end of period	9,117	9,015

Note: The Company has set up a retirement benefit trust.

(3) Reconciliation of opening and closing balances of retirement benefit liability under the plans using the simplified method

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Retirement benefit liability at beginning of period	6	7
Retirement benefit expenses	9	9
Retirement benefits paid	(0)	—
Contribution to plan	(8)	(8)
Other	(0)	0
Retirement benefit liability at end of period	7	8

(4) Reconciliation of the ending balances of retirement benefit obligations and plan assets, and the net retirement benefit liability recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Funded retirement benefit obligations	14,601	14,292
Plan assets	(9,240)	(9,140)
Net retirement benefit liability recorded in consolidated balance sheet	5,360	5,151
Retirement benefit liability	5,360	5,151
Net retirement benefit liability recorded in consolidated balance sheet	5,360	5,151

Note: The above includes the plans using the simplified method.

(5) Retirement benefit expenses and components thereof

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Service cost	618	490
Interest cost	102	96
Expected return on plan assets	(89)	(90)
Amortization of actuarial gains and losses	(156)	12
Retirement benefit expenses calculated using the simplified method	9	9
Retirement benefit expenses related to the defined benefit plan	484	518

(6) Remeasurements of defined benefit plans

The components reported under remeasurements of defined benefit plans (before tax effect) are as follows:

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Actuarial gains and losses	(174)	64

(7) Accumulated remeasurements of defined benefit plans

The components reported under accumulated remeasurements of defined benefit plans (before tax effect) are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Unrecognized actuarial gains and losses	(14)	50

(8) Plan assets

i. Major components of plan assets

The percentages of the major asset categories accounting for the total plan assets were as follows:

	As of March 31, 2022	As of March 31, 2023
Debt securities	40.2	44.9
Equity securities	13.8	15.9
General account	30.5	30.4
Cash and deposits	4.4	4.7
Other	11.1	4.1
Total	100.0	100.0

Note: Of the total plan assets, retirement benefit trusts established for the corporate pension plan accounts for 21% in the previous fiscal year and 21% in the current fiscal year.

ii. Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, we take into account the current and projected distribution of plan assets and the current and anticipated long-term yield rates of the various assets that constitute the plan assets.

(9) Assumptions for actuarial calculations

Key assumptions for major actuarial calculations (representing weighted averages) at end of period

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Discount rate	0.7	0.7
Long-term expected rate of return on plan assets	1.0	1.0
Expected salary growth	Mainly 2.4	Mainly 2.4

3. Defined contribution plans

The amounts of required contributions to the defined contribution plans of some consolidated subsidiaries for the fiscal years ended March 31, 2022 and 2023 were ¥37 million and ¥43 million, respectively.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	201	196
Allowance for doubtful accounts	120	118
Provision for business restructuring	68	54
Retirement benefit liability	1,585	1,527
Retirement benefit trust	606	606
Loss on valuation of inventories	201	189
Deferred profits on inventories	64	82
Non-deductible accrued enterprise tax	49	40
Impairment loss on non-current assets	374	288
Tax loss carried forward (Note)	367	282
Other	189	189
Subtotal of deferred tax assets	3,828	3,577
Valuation allowance for tax loss carried forward (Note)	(258)	(282)
Valuation allowance for future deductible temporary differences	(333)	(297)
Subtotal of valuation allowance	(592)	(580)
Total deferred tax assets	3,236	2,997
Deferred tax liabilities		
Retained earnings of foreign subsidiaries	(287)	(310)
Valuation difference on available-for-sale securities	(1,101)	(1,581)
Other	(8)	(9)
Total deferred tax liabilities	(1,397)	(1,901)
Deferred tax assets, net	1,839	1,095

In addition to those above, major components of deferred tax liabilities related to land revaluation recorded as deferred tax liabilities for land revaluation are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deferred tax assets:		
Deferred tax assets related to land revaluation	184	184
Valuation allowance	(184)	(184)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(350)	(350)
Total deferred tax liabilities	(350)	(350)
Deferred tax liabilities, net	(350)	(350)

Note: Expiration of tax loss carried forward, the related valuation allowances and the resulting net deferred tax assets

As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carried forward * ¹	—	—	—	—	—	367	367
Valuation allowance	—	—	—	—	—	(258)	(258)
Deferred tax assets	—	—	—	—	—	108	* ² 108

*1. Tax loss carried forward were calculated by applying the effective statutory tax rate.

*2. Deferred tax assets of ¥108 million were recognized for tax loss carried forward of ¥367 million (calculated by applying the effective statutory tax rate). The deferred tax assets of ¥108 million were recognized for a part of tax loss carried forward of ¥367 million (calculated by applying the effective statutory tax rate) of the Company and its consolidated subsidiaries, which the Company expects collectible considering the prospect of future taxable income.

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carried forward *	—	—	—	—	—	282	282
Valuation allowance	—	—	—	—	—	(282)	(282)
Deferred tax assets	—	—	—	—	—	—	—

* Tax loss carried forward were calculated by applying the effective statutory tax rate.

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

(%)

	As of March 31, 2022	As of March 31, 2023
Effective statutory tax rate	30.3	30.3
Adjustments:		
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.1	0.3
Non-taxable dividends received	(0.2)	(0.3)
Share of profit of entities accounted for using equity method	(2.5)	(2.0)
Inhabitant tax-per capita	1.0	1.1
Tax rate differences with foreign subsidiaries	(2.0)	(1.7)
Tax credits on experimentation and research expenses, etc.	(1.5)	(3.1)
Foreign tax	0.9	0.6
Valuation allowance	(3.8)	(0.2)
Other	0.9	0.4
Actual effective tax rate after applying tax effect accounting	23.2	25.4

Asset retirement obligations

Asset retirement obligations included in consolidated balance sheet

(1) Overview of asset retirement obligations

Among the asset retirement obligations are the obligation to restore the leased office and factory building to the original state according to the real estate lease agreement.

(2) Calculation method for asset retirement obligations

The expected usage period of 4 to 56 years from the start of the contract, and the discount rate of 0.97 to 4.00% are used to calculate the amount of asset retirement obligations.

(3) Increase (decrease) in the total amount of asset retirement obligations

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Balance at beginning of period	109	59
Reconciliation associated with passage of time	1	1
Reduction associated with fulfillment of asset retirement obligations	(51)	—
Balance at end of period	59	61

Revenue recognition

1. The breakdown of revenue from contracts with customers is as follows:

The Company and its consolidated subsidiaries are engaged in manufacturing and sales of diamond tools. The breakdown of revenue from contracts with customers by industry is as follows:

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

	Industry					(Millions of yen)
	Electronics and Semiconductor	Transportation	Machinery	Stone and Construction	Other	Total
Net sales	13,752	8,115	9,832	4,124	1,335	37,161

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

	Industry					(Millions of yen)
	Electronics and Semiconductor	Transportation	Machinery	Stone and Construction	Other	Total
Net sales	14,757	8,282	10,640	4,239	1,401	39,320

2. Basic information for understanding revenue

The Company and its consolidated subsidiaries manufacture and sell diamond tools, etc., and have performance obligations of delivering merchandise and finished goods based on sales contracts with customers. The performance obligations are considered to be satisfied at the point when control over assets is transferred to the customer, and the revenue is recognized at such point.

For domestic sales, revenue is recognized mainly at the time of shipment because the control over merchandise and finished goods is transferred to the customer in usual period of time from the shipment to the transfer. It is recognized at an amount that the Company expects to be entitled to receive in exchange for the merchandise and finished goods.

If the Company and its consolidated subsidiaries are involved in sales as agents, revenue is recorded at a net amount obtained by deducting the amount paid to the supplier from the total amount of consideration received from the customer.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the following fiscal years from contracts with customers that existed at the end of the current fiscal year

(1) Balance of contract liabilities, etc.

There is no relevant information on contract assets arising from contracts with customers. The information is omitted because the consolidated balance sheet amount of contract liabilities is immaterial.

(2) Transaction price allocated to remaining performance obligations

The information on transaction prices allocated to remaining performance obligations is omitted because the Company and its consolidated subsidiaries do not have material contracts with an initially expected contract period of more than one year.

Segment information, etc.

Segment information

The information is omitted because the Group operates a single segment of manufacturing and sales of diamond tools, and ancillary business to it.

Information on reportable segments

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

The information is omitted because revenue from external customers for a single product or service category accounts for more than 90% of net sales in the consolidated statement of income.

2. Information by region

(1) Revenue from external customers

(Millions of yen)

Japan	Asia and Oceania			Europe	North America	Other	Total
	Taiwan	China	Other				
19,150	3,388	3,647	4,964	3,399	1,841	768	37,161

Note: Revenue is classified by country or region based on the location of customers.

Change in Presentation

The revenue in North America, which was included in the Other regions for the fiscal year ended March 31, 2021, has been separately presented since the fiscal year ended March 31, 2022 as its significance increased.

(2) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Other	Total
21,975	1,743	1,715	25,434

3. Information for main customers

The information is omitted because no external customer accounts for 10% or more of revenue in the consolidated statement of income.

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

The information is omitted because revenue from external customers for a single product or service category accounts for more than 90% of net sales in the consolidated statement of income.

2. Information by region

(1) Revenue from external customers

(Millions of yen)

Japan	Asia and Oceania			Europe	North America	Other	Total
	Taiwan	China	Other				
19,179	3,454	4,320	5,676	3,605	2,244	838	39,320

Note: Revenue is classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Other	Total
21,775	1,636	1,649	25,061

3. Information for main customers

The information is omitted because no external customer accounts for 10% or more of revenue in the consolidated statement of income.

Impairment loss on non-current assets for each reportable segment

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Gain on bargain purchase for each reportable segment

Not applicable.

Related parties

Not applicable.

Per share information

Net assets per share and basic earnings per share and their calculation basis are as follows:

Item	As of March 31, 2022	As of March 31, 2023
(1) Net assets per share	1,067.79 yen	1,142.25 yen
Calculation basis:		
Total net assets (millions of yen)	60,869	62,882
Deductions from total net assets (millions of yen)	1,577	1,709
[of which, non-controlling interests (millions of yen)]	[1,577]	[1,709]
Net assets applicable to common stock at end of period (millions of yen)	59,291	61,173
Number of shares of common stock at end of period used for the calculation of net assets per share (thousands shares)	55,527	53,554

Item	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
(2) Basic earnings per share	59.23 yen	50.88 yen
Calculation basis:		
Profit attributable to owners of parent (millions of yen)	3,288	2,765
Profit not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent applicable to common stock (millions of yen)	3,288	2,765
Average number of shares of common stock during the period (thousand shares)	55,520	54,358

- Notes: 1. The information related to diluted earnings per share is omitted because there are no residual shares.
2. The Company has introduced a stock compensation plan and recorded the shares held by the trust under the plan as treasury shares in the consolidated financial statements. Shares of the Company held by the said trust are included in the treasury shares, which are to be deducted from issued shares at end of period for calculating net assets per share or from average number of shares of common stock during the period for calculating basic earnings per share. The number of treasury shares held by the trust at the end of the period and the average number of such shares during the period were 321 thousand and 208 thousand shares, respectively, for the current fiscal year, and 161 thousand and 168 thousand shares, respectively, for the previous year.

Significant subsequent events

Repurchase of own shares

The Company resolved at the Board of Directors' meeting held on May 12, 2023 to repurchase its own shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act, and repurchased its own shares as follows.

1. Reason for repurchase of own shares

To aim to enhance corporate value by improving capital efficiency as part of the capital policy and shareholder returns set forth in the Medium-term Management Plan

2. Details of the resolution of the Board of Directors regarding the repurchase

- | | |
|---|---|
| (1) Class of shares to be repurchased: | Common stock |
| (2) Number of shares to be repurchased: | 2,000,000 shares (maximum) |
| (3) Total amount of shares to be repurchased: | 2,200,000,000 yen (maximum) |
| (4) Repurchase period of own shares: | May 15, 2023 to July 31, 2023 |
| (5) Repurchase method: | Market purchases on the Tokyo Stock Exchange
(Market purchases based on a discretionary dealing contract regarding repurchase of own shares) |

3. Results of repurchase of own shares

- | | |
|---|---|
| (1) Class of shares repurchased: | Common stock |
| (2) Number of shares repurchased: | 520,000 shares |
| (3) Total amount of shares repurchased: | 463,219,600 yen |
| (4) Repurchase period of own shares: | May 15, 2023 to May 31, 2023 |
| (5) Repurchase method: | Market purchases on the Tokyo Stock Exchange
(Market purchases based on a discretionary dealing contract regarding repurchase of own shares) |

Changes in retirement benefit plan

The Company has changed its retirement benefit plan from a final salary proportional system to a point system as of April 1, 2023. As a result of this change in the plan, past service cost (reduction in retirement benefit obligations) of ¥1,813 million has been incurred for the fiscal year ending March 31, 2024, which is scheduled to be recorded as expenses (reduction of cost) on a straight-line basis over a certain period of years (10 years) within the average remaining years of service of employees.

v. Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable.

Annexed consolidated detailed schedule of borrowings

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	210	179	2.76	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease obligations	52	42	—	—
Long-term borrowings (excluding current portion)	—	—	—	—
Lease obligations (excluding current portion)	74	65	—	2024–2028
Total	337	288	—	—

- Notes: 1. The average interest rate is the weighted-average rate applicable to the ending balances of borrowings. The average interest rate of lease obligations is omitted because lease obligations are recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest which is included in the total lease payments.
2. The repayment schedule of lease obligations within 5 years after the consolidated balance sheet date (excluding the current portion) is as follows:

	(Millions of yen)			
	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Lease obligations	30	20	10	4

Annexed consolidated schedule of asset retirement obligations

In accordance with Article 92-2 of the Regulation on Consolidated Financial Statements, the information is omitted, as the beginning and ending balances of asset retirement obligations for the fiscal year ended March 31, 2023 were 1% or less of the total amount of liabilities and net assets at the beginning and end of the fiscal year.

(2) Other information

Quarterly results for the fiscal year ended March 31, 2023

	First three months	First six months	First nine months	Full year
Net sales (millions of yen)	9,601	19,656	29,717	39,320
Profit before income taxes (millions of yen)	1,127	2,133	3,089	3,830
Profit attributable to owners of parent (millions of yen)	804	1,549	2,197	2,765
Basic earnings per share (yen)	14.49	28.13	40.22	50.88

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	14.49	13.63	12.06	10.62

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

i. Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	9,080	9,115
Notes receivable - trade	2,419	2,236
Accounts receivable - trade	*1 6,337	*1 6,180
Merchandise and finished goods	1,936	2,159
Work in process	1,086	1,008
Raw materials and supplies	1,402	1,542
Accounts receivable - other	*1 239	*1 1,089
Other	94	186
Allowance for doubtful accounts	(7)	(21)
Total current assets	22,591	23,499
Non-current assets		
Property, plant and equipment		
Buildings	*3 10,458	*3 9,964
Structures	509	460
Machinery and equipment	3,623	3,567
Vehicles	1	1
Tools, furniture and fixtures	412	359
Land	*3 5,907	*3 5,907
Leased assets	114	98
Construction in progress	26	465
Total property, plant and equipment	21,054	20,823
Intangible assets		
Software	127	91
Other	28	28
Total intangible assets	156	119
Investments and other assets		
Investment securities	5,532	7,008
Shares of subsidiaries and associates	4,313	4,313
Long-term loans receivable	*1 98	*1 74
Deferred tax assets	1,794	1,077
Guarantee deposits	367	364
Other	128	165
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	12,225	12,994
Total non-current assets	33,436	33,937
Total assets	56,027	57,437

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	*1 1,237	*1 1,173
Accounts payable - other	*1 644	*1 1,025
Accrued expenses	262	279
Income taxes payable	262	387
Deposits received	117	150
Provision for bonuses	553	555
Other	281	42
Total current liabilities	3,358	3,614
Non-current liabilities		
Provision for retirement benefits	5,057	4,937
Deferred tax liabilities for land revaluation	350	350
Asset retirement obligations	44	44
Provision for share awards	116	125
Other	107	98
Total non-current liabilities	5,675	5,557
Total liabilities	9,034	9,171
Net assets		
Shareholders' equity		
Share capital	4,102	4,102
Capital surplus		
Legal capital surplus	7,129	7,129
Total capital surplus	7,129	7,129
Retained earnings		
Legal retained earnings	1,025	1,025
Other retained earnings		
Reserve for technical research	350	350
General reserve	25,000	25,000
Retained earnings brought forward	6,773	7,055
Total retained earnings	33,149	33,431
Treasury shares	(134)	(247)
Total shareholders' equity	44,246	44,415
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,550	3,654
Revaluation reserve for land	196	196
Total valuation and translation adjustments	2,746	3,850
Total net assets	46,993	48,265
Total liabilities and net assets	56,027	57,437

ii. Non-consolidated statement of income

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Net sales	*1 29,186	*1 30,691
Cost of sales	*1 22,618	*1 23,667
Gross profit	6,568	7,023
Selling, general and administrative expenses	*1, *2 5,332	*1, *2 5,425
Operating profit	1,236	1,598
Non-operating income		
Interest income	*1 2	*1 2
Dividend income	*1 567	*1 1,539
Foreign exchange gains	141	64
Interest on securities	0	—
Subsidy income	108	34
Miscellaneous income	*1 49	*1 58
Total non-operating income	869	1,698
Non-operating expenses		
Commission expenses	—	1
Miscellaneous losses	2	2
Total non-operating expenses	2	4
Ordinary profit	2,103	3,292
Extraordinary income		
Gain on sale of non-current assets	*3 64	—
Gain on sale of investment securities	228	555
Total extraordinary income	292	555
Profit before income taxes	2,396	3,848
Income taxes - current	277	445
Income taxes - deferred	219	237
Total income taxes	497	682
Profit	1,899	3,165

Schedule of cost of goods manufactured

		Fiscal 2021 (from April 1, 2021 to March 31, 2022)		Fiscal 2022 (from April 1, 2022 to March 31, 2023)	
Classification	Note	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
I. Materials cost		5,991	32.9	6,350	32.7
II. Labor cost	*1	7,296	40.1	7,650	39.5
III. Manufacturing overhead cost	*2	4,924	27.0	5,400	27.8
Total manufacturing costs		18,211	100.0	19,401	100.0
Beginning work in process inventory		1,006		1,086	
Purchase of semi-finished goods		520		573	
Total		19,738		21,060	
Ending work in process inventory		1,086		1,008	
Cost of goods manufactured	*3	18,651		20,052	

*1 Major components of labor cost are as follows.

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Salaries and allowances	5,574	5,907
Provision for bonuses	384	383
Retirement benefit expenses	302	290
Other	1,035	1,069
Total	7,296	7,650

*2 Major components of manufacturing overhead cost are as follows.

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Outsourced processing expenses	1,103	1,220
Depreciation	1,965	1,887
Other	1,856	2,292
Total	4,924	5,400

*3 Reconciliation of cost of goods manufactured and cost of sales

(Millions of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Cost of goods manufactured	18,651	20,052
Beginning finished goods inventory	1,600	1,726
Beginning merchandise inventory	198	210
Purchase of finished goods	3,220	3,118
Cost of purchased goods	1,124	1,029
Transfer from other account	19	9
Total	24,815	26,147
Transfer to other accounts	260	319
Ending finished goods inventory	1,726	1,949
Ending merchandise inventory	210	210
Cost of sales	22,618	23,667

Cost accounting method

The Company uses a job costing system to track production costs. During the period, finished goods were evaluated based on the planned price, and the cost difference was adjusted by allocating to the cost of sales, finished goods and work in process at the end of the period.

iii. Non-consolidated statement of changes in equity

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
					Reserve for technical research	General reserve	Retained earnings brought forward	
Balance at beginning of period	4,102	7,129	7,129	1,025	350	25,000	5,487	31,862
Changes during period								
Dividends of surplus							(612)	(612)
Profit							1,899	1,899
Purchase of treasury shares								
Disposal of treasury shares							(0)	(0)
Cancellation of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	1,286	1,286
Balance at end of period	4,102	7,129	7,129	1,025	350	25,000	6,773	33,149

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(150)	42,943	2,711	196	2,908	45,851
Changes during period						
Dividends of surplus		(612)				(612)
Profit		1,899				1,899
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	16	16				16
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity			(161)	—	(161)	(161)
Total changes during period	16	1,302	(161)	—	(161)	1,141
Balance at end of period	(134)	44,246	2,550	196	2,746	46,993

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for technical research	General reserve	Retained earnings brought forward	
Balance at beginning of period	4,102	7,129	7,129	1,025	350	25,000	6,773	33,149
Changes during period								
Dividends of surplus							(1,483)	(1,483)
Profit							3,165	3,165
Purchase of treasury shares								
Disposal of treasury shares							(0)	(0)
Cancellation of treasury shares							(1,399)	(1,399)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	281	281
Balance at end of period	4,102	7,129	7,129	1,025	350	25,000	7,055	33,431

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(134)	44,246	2,550	196	2,746	46,993
Changes during period						
Dividends of surplus		(1,483)				(1,483)
Profit		3,165				3,165
Purchase of treasury shares	(1,540)	(1,540)				(1,540)
Disposal of treasury shares	28	28				28
Cancellation of treasury shares	1,399	—				—
Net changes in items other than shareholders' equity			1,103	—	1,103	1,103
Total changes during period	(112)	169	1,103	—	1,103	1,272
Balance at end of period	(247)	44,415	3,654	196	3,850	48,265

Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Valuation standards and methods for securities

i. Held-to-maturity debt securities:

Stated at amortized cost (straight-line method).

ii. Shares of subsidiaries and associates:

Stated at cost using the moving-average method.

iii. Available-for-sale securities:

a Other than equity or marketable securities without market price:

Stated at fair value using the market value method (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

b Equity or marketable securities without market price:

Stated at cost using the moving-average method.

2. Valuation standards and methods for inventories

Stated at cost (with book value written down for balance sheet, based on any decline in profitability).

Merchandise and finished goods: Stated at cost using the specific identification method.

Work in process: Stated at cost using the specific identification method.

Raw materials and supplies: Stated at cost using the moving-average method.

3. Method of depreciation of non-current assets

i. Property, plant and equipment (excluding leased assets)

Stated at cost using the declining-balance method. However, buildings (except for facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis. The principal useful lives are as follows:

Buildings and structures: 5 to 50 years

Machinery, equipment and vehicles: 4 to 9 years

ii. Intangible assets (excluding leased assets)

Amortized on a straight-line basis. The internal use software is depreciated using the straight-line method based on the predetermined useful life (5 years).

iii. Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

4. Accounting standards for provisions

i. Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectibility of individual receivables for doubtful accounts and certain other receivables.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, provision for bonuses is recorded based on the estimated amount to be paid.

iii. Provision for retirement benefits

To provide for the payment of retirement benefits to employees, provision for retirement benefits is recorded at an amount accrued at the end of the current fiscal year, based on the estimated amounts of retirement benefit obligations and plan assets as of that date.

- Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

- Method of accounting for actuarial gains and losses

Actuarial gains and losses are collectively recorded as expense in the following fiscal year.

iv. Provision for share awards

To provide for delivery of shares of the Company to Directors and Executive Officers who meet the beneficiary requirements of stock compensation plan, provision for share awards is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

5. Accounting standards for recording revenue and expenses

The Company is engaged in manufacturing and sales of diamond tools, etc., and has performance obligations of delivering merchandise and finished goods based on sales contracts with customers. The performance obligations are considered to be satisfied at the point when control over assets is transferred to the customer, and the revenue is recognized at such point.

For domestic sales, revenue is recognized mainly at the time of shipment because the control over merchandise and finished goods is transferred to the customer in usual period of time from the shipment to the transfer. It is recognized at an amount that the Company expects to be entitled to receive in exchange for the merchandise and finished goods.

If the Company is involved in sales as an agent, revenue is recorded as a net amount obtained by deducting the amount paid to the supplier from the total amount of consideration received from the customer.

6. Other significant information for preparation of financial statements

Accounting policy for retirement benefits

The accounting policy for unrecognized actuarial gains and losses related to retirement benefits differs from that of consolidated financial statements.

Significant accounting estimates

Recoverability of deferred tax assets

(1) Amount recorded in the non-consolidated financial statements of the current fiscal year

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	1,794	1,077

(2) Information on the significant accounting estimates of the identified items

The Company recognizes deferred tax assets for deductible temporary differences in consideration of projections of future taxable income and tax-planning.

Estimates for future taxable income are based on “medium- to long-term profit and loss forecasts,” which are predicated on significant assumptions such as sales estimates and operating expense forecasts. These significant assumptions are uncertain and may underestimate future taxable income. In that case, the deferred tax assets may be reduced and tax expenses may be recorded.

Accounting estimates have been made based on the assumption that the impact of COVID-19 on operating results and financial position of the Company would be minor, as the simultaneous pursuit of suppression of infections and economic activity has advanced.

Additional information

Stock compensation plan

The information on the stock compensation plan is omitted as the content is identical to that in “Notes to Consolidated Financial Statements, Additional information.”

Non-consolidated balance sheet***1. Monetary receivables from and payables to subsidiaries and associates**

The amounts of monetary receivables from and payables to subsidiaries and associates, other than those presented as separate lines are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Short-term monetary receivables	1,223	2,134
Long-term monetary receivables	98	69
Short-term monetary payables	385	379

2. Guarantee obligations

We provide debt guarantees for borrowings of foreign subsidiaries from financial institutions.

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Asahi Diamond Industrial Europe SAS	41	174

***3. Book value reduction of property, plant and equipment**

Subsidy income related a factory invitation ordinance is deducted from the land acquisition cost.

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Land	640	640
Buildings	0	0
Total	641	641

4. The Company has signed overdraft agreements with four banks to procure working capital efficiently.

The balances of undrawn facilities under the overdraft agreements at the end of the period are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Total overdraft limits	6,000	6,000
Drawn facilities	—	—
Net	6,000	6,000

Non-consolidated statements of income

*1. Total amounts of operating transactions and non-operating transactions with subsidiaries and associates are as follows:

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Net sales	4,526	5,820
Purchases	4,040	4,041
Selling, general and administrative expenses	313	294
Non-operating transactions (revenue)	461	1,403

*2. Major items of selling, general and administrative expenses and their amounts and approximate composition are as follows:

	(Millions of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Salaries and allowances	1,891	1,900
Provision for bonuses	169	172
Retirement benefit expenses	140	141
Commission expenses	358	385
Provision of allowance for doubtful accounts	1	14
Depreciation	98	76
Ratio of selling expenses in expenses (%)	64.2	63.9
Ratio of general and administrative expenses in expenses (%)	35.8	36.1

*3. Gain on sale of non-current assets

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

Gain on sale of non-current assets is ¥64 million from sale of land.

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

Securities

As of March 31, 2022

The fair value of shares of subsidiaries and associates is not shown because their market prices are not available.

The non-consolidated balance sheet amounts of shares of subsidiaries and associates whose market prices are not available are as follows:

(Millions of yen)	
Classification	As of March 31, 2022
Shares of subsidiaries	3,705
Shares of associates	607
Total	4,313

As of March 31, 2023

The fair value of shares of subsidiaries and associates is not shown because their market prices are not available.

The non-consolidated balance sheet amounts of shares of subsidiaries and associates whose market prices are not available are as follows:

(Millions of yen)	
Classification	As of March 31, 2023
Shares of subsidiaries	3,705
Shares of associates	607
Total	4,313

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets:		
Provision for bonuses	167	168
Provision for retirement benefits	1,535	1,495
Retirement benefit trust	606	606
Loss on valuation of inventories	149	140
Impairment loss on non-current assets	354	270
Tax loss carried forward	108	—
Other	223	205
Subtotal of deferred tax assets	3,145	2,886
Valuation allowance for future deductible temporary differences	(252)	(231)
Subtotal of valuation allowance	(252)	(231)
Total deferred tax assets	2,893	2,655
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,098)	(1,578)
Total deferred tax liabilities	(1,098)	(1,578)
Deferred tax assets, net	1,794	1,077

In addition to those above, major components of deferred tax liabilities related to land revaluation recorded as deferred tax liabilities for land revaluation are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets:		
Deferred tax assets related to land revaluation	184	184
Valuation allowance	(184)	(184)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(350)	(350)
Total deferred tax liabilities	(350)	(350)
Deferred tax liabilities, net	(350)	(350)

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

(%)

	As of March 31, 2022	As of March 31, 2023
Effective statutory tax rate	30.3	30.3
Adjustments:		
Inhabitant tax per-capita, etc.	1.7	1.1
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.2	0.2
Income not taxable for income tax purposes (e.g., dividend income)	(5.8)	(10.7)
Tax credits on experimentation and research expenses, etc.	(2.6)	(2.8)
Foreign tax	1.7	0.6
Valuation allowance	(4.4)	(0.6)
Other	(0.4)	(0.4)
Actual effective tax rate after applying tax effect accounting	20.8	17.7

Revenue recognition

Basic information for understanding revenue from contracts with customers is omitted because the content is identical to that in “Notes to Consolidated Financial Statements, *Revenue recognition*.”

Significant subsequent events***Repurchase of own shares***

The information is omitted as the content is identical to that in “Notes to Consolidated Financial Statements, *Significant subsequent events*.”

Changes in retirement benefit plan

The information is omitted as the content is identical to that in “Notes to Consolidated Financial Statements, *Significant subsequent events*.”

iv. Annexed non-consolidated detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Depreciation and amortization for the period	Balance at end of period	Accumulated depreciation	Acquisition cost at end of period
Property, plant and equipment							
Buildings	10,458	176	2	668	9,964	11,493	21,458
Structures	509	3	—	52	460	1,330	1,791
Machinery and equipment	3,623	1,022	32	1,046	3,567	19,927	23,495
Vehicles	1	0	—	0	1	18	19
Tools, furniture and fixtures	412	164	2	214	359	3,727	4,087
Land	5,907 [546]	—	—	—	5,907 [546]	—	5,907 [546]
Leased assets	114	34	—	50	98	127	225
Construction in progress	26	576	137	—	465	—	465
Total property, plant and equipment	21,054	1,977	175	2,032	20,823	36,625	57,449
Intangible assets							
Software	127	10	—	46	91		
Other	28	—	0	0	28		
Total intangible assets	156	10	0	46	119		

Notes: 1 The increase during period is mainly attributable to the following:

Construction in progress	Chiba Tsurumai Factory	¥434 million
Machinery and equipment	Mie Factory	¥399 million
Machinery and equipment	Chiba Factory	¥341 million

- 2 The figures shown in square brackets of land balances at the beginning and end of the current period represent differences with the book value before the revaluation of land for business use performed pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998).

Annexed schedule of provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	16	23	9	30
Provision for bonuses	553	555	553	555
Provision for share awards	116	38	28	125

Note: The decrease in allowance for doubtful accounts during the period is due to reversal entries of ¥1 million based on the historical rate of credit loss for general receivables, and of ¥7 million due to collection.

(2) Components of major assets and liabilities

The information is omitted because the Group has prepared the consolidated financial statements.

(3) Other information

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
General Meeting of Shareholders	June
Reference date	March 31
Reference date of dividends of surplus	September 30 and March 31
Number of shares per trading unit	100 shares
Purchase or sale of shares of less than one unit	
Handling office	(Special account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Transfer Agent	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	—
Trade commissions	Separately specified amount corresponding to share trading brokerage fees
Public notification method	The Company uses electronic methods for public notification. However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notification will be made through the Nikkei newspaper. The URL for public notification by the Company is as follows: https://www.asahidia.co.jp/eng/
Special benefits for shareholders	Not applicable.

Note: Based on the provisions of the Company's Articles of Incorporation, shareholders holding shares less than one unit cannot exercise their rights except the rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act, the rights to receive allotment of shares for subscription and allotment of share acquisition rights for subscription based on the number of shares held by the shareholder, and the rights to request sale of shares less than one unit.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents:

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|---|--|---|---|
| (1) Annual Securities Report, attached document thereof and Confirmation Letter | For the 103rd fiscal year | (from April 1, 2021 to March 31, 2022) | Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2022. |
| (2) Internal Control Report | For the 103rd fiscal year | (from April 1, 2021 to March 31, 2022) | Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2022. |
| (3) Quarterly Securities Reports and Confirmation Letter | For the 1st quarter of the 104th fiscal year | (from April 1, 2022 to June 30, 2022) | Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2022. |
| | For the 2nd quarter of the 104th fiscal year | (from July 1, 2022 to September 30, 2022) | Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2022. |
| | For the 3rd quarter of the 104th fiscal year | (from October 1, 2022 to December 31, 2022) | Submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2023. |
| (4) Extraordinary Report | An Extraordinary Report prepared pursuant to the provisions of Article 19, Paragraph 2, (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (result of the resolution made at the General Meeting of Shareholders) | | |
| | Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2022. | | |
| (5) Share Buyback Report | Submitted to the Director-General of the Kanto Local Finance Bureau on September 9, 2022, October 12, 2022, and June 9, 2023. | | |

Section 2 Information about Reporting Company's Guarantors, etc.

Not applicable.