



**Mid-Term Business Plan 2017
- Polish Up Asahi -
(2015-2017)**

May 22, 2015

Asahi Diamond Industrial Co., Ltd.



Goals of the Mid-term Business Plan

Since its founding in October 1937, Asahi Diamond Industrial Co., Ltd. has established its position as a leading company in Japan, using as a foundation the development capabilities cultivated through its practice as a specialized manufacturer of diamond and cubic boron nitride (CBN) tools. We have set “GLOBAL 510” as our long-term performance target, and aim to become a leading global diamond tool manufacturer through striving to obtain consolidated net sales amounting to ¥50.0 billion and to secure 10% of the estimated demand for diamond tools in the worldwide market.

The Company has formulated a new three-year business plan, “Mid-Term Business Plan 2017—Polish Up Asahi,” with FY2017, the 80th anniversary of Asahi Diamond, as the final year. Through the implementation of the three basic principles of said plan, we aim for the early achievement of “GLOBAL 510,” the security of a solid position as a global brand, as well as sustainable corporate growth and the increase of our corporate value.

“Mid-Term Business Plan 2017—Polish Up Asahi” Basic Policy

① To achieve numerical targets for net sales and operating income.

To strive for the realization of “GLOBAL 510” and the enhancement of operating income ratio.

② To enhance capital efficiency and asset efficiency.

To strive for the suppression of equity increase and review on assets, while maintaining a sound and stable financial structure.

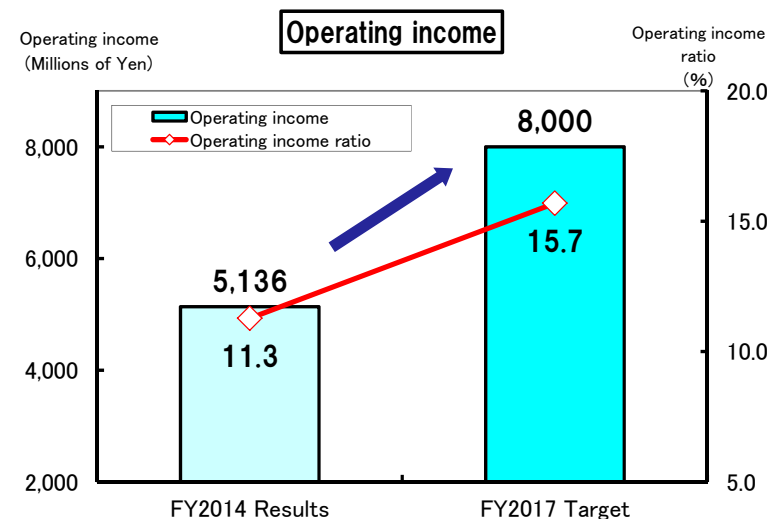
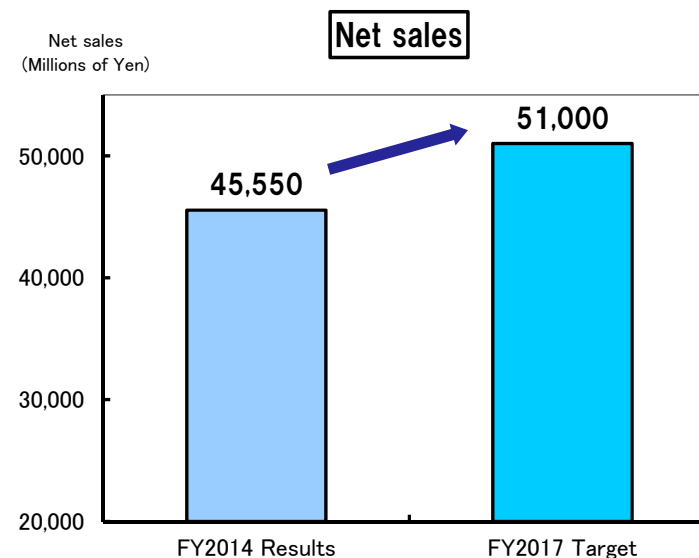
③ To realize effective corporate governance.

To realize effective corporate governance in accordance with the aim of each principle set in the Corporate Governance Code.

Numerical Target

	FY2014 Results	FY2017 Target	Compared with FY2014
Consolidated net sales (Millions of Yen)	45,550	51,000	112.0%
Consolidated operating income (Millions of Yen)	5,136	8,000	155.8%
Consolidated operating income ratio (%)	11.3	15.7	+4.4pt
ROE (%)	6.5	10.0	+3.5pt

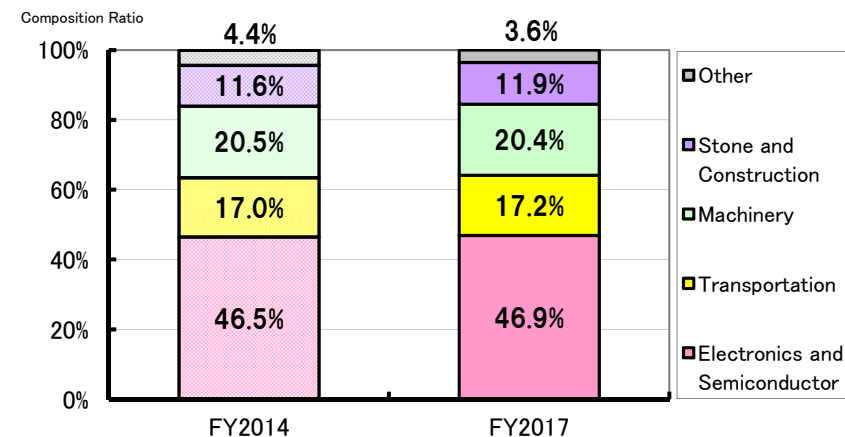
*Exchange rate 1USD=118yen, 1EUR=130yen



Reference Data (1) Net Sales by Industry and Composition Ratio

(Millions of Yen)

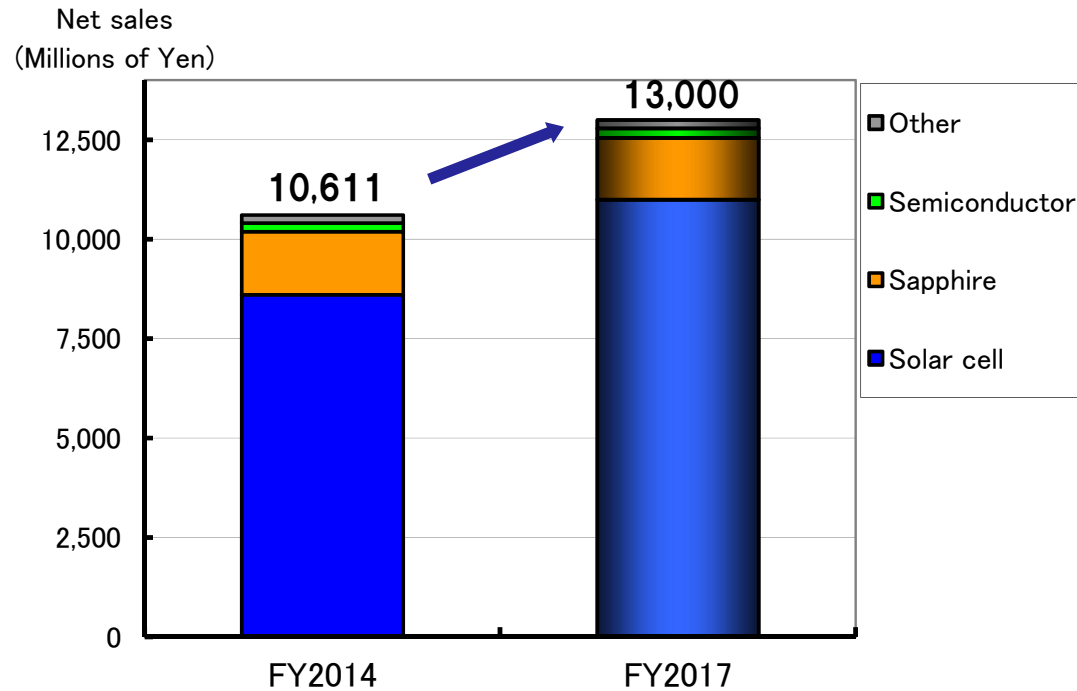
	FY2014		FY2017		
	Net sales	Composition Ratio (%)	Net sales	Composition Ratio (%)	Compared with FY2014 (%)
Electronics and Semiconductor	21,170	46.5	23,900	46.9	112.9
Transportation	7,753	17.0	8,800	17.2	113.5
Machinery	9,350	20.5	10,400	20.4	111.2
Stone and Construction	5,296	11.6	6,070	11.9	114.6
Other	1,978	4.4	1,830	3.6	92.5
Total	45,550	100.0	51,000	100.0	112.0



- Promotion of overseas sales of EcoMEP (electroplated diamond wire) for the solar PV.
- Promotion of sales of tools for semiconductors and sapphire, with large potential for sales growth, in Japan and overseas.
- Promotion of sales of tools for automobile, cemented carbide tools, and bearing products, all of which have steadily increasing demand in Japan and overseas.
- Promotion of sales of tools for construction in Japan the demand of which is expanding due to infrastructure renewal.

	FY2014	FY2017
Overseas sales ratio	57.2%	Over 60%

- Measures in response to increasing overseas production of Japanese companies.
- Promotion of sales to non-Japanese companies overseas.
- Focus on domestic sales through efforts including adopting tools at the mother factory in Japan.
- Increase in sales of tools for construction in Japan.



Net sales forecast for FY2017: ¥13.0 billion (122.5% of net sales in FY2014)

- Promotion of sales of tools for solar PV with a focus on overseas sales.
- Sales of sapphire-related tools expected to remain at the same level as that in FY2014.

Development of top-quality products in the global market

- Strengthening measures for new materials (SiC, GaN, etc.) through EcoMEP.
- Developing new products which cater to the various needs of customers.

Delivering services with high customer satisfaction in the global market

- Strengthening solution sales activities which cater to the various needs of customers.
- Enhancing customer satisfaction by shortening delivery times and achieving “zero complaints”.

Development of human resources leading Asahi Diamond's growth and enhancing corporate value in response to globalization

- Nurturing and employing talented personnel who possess expertise in specific fields and are capable of playing an active role in the global market.
- Utilizing human resources from overseas subsidiaries effectively.

R&D expense: ¥5.0 billion

- Reinforcing the R&D team and strengthening the R&D system of the Asahi Diamond Group.

Capital expenditure: ¥11.0 billion

- Investing with the aims of product development, labor-saving in production and enhancement in product reliability.
- To be implemented without delay and in conformity with the mid-term business plan's basic policy, "Enhance capital efficiency and asset efficiency," when a large-scale capital investment is required.

Expansion and enhancement of overseas bases

- New establishment of overseas sales subsidiaries, implementation of business expansion and rationalization of existing overseas subsidiaries.

Suppression of equity increase and review on assets

- Consolidated payout ratio: Basic policy of maintaining continuous stable dividend payments with a payout ratio of 40% or above.
- Purchase of treasury stock: Flexibly implementing purchases, with a policy of canceling purchased shares.
- Review on assets: Reviewing the purposes of cross-shareholdings and reducing the balance.

Realization of effective corporate governance

- Further promotion of constructive dialogues with shareholders within a reasonable extent.
- Appointment of multiple Independent External Directors.
- Strengthening of the risk management system.

 **Asahi Diamond Industrial Co., Ltd.**

This presentation contains forward-looking statements and plans, which based on current available information and assumptions we believe to be reasonable. These forward-looking statements involve various factors, and Asahi Diamond's actual results could be materially different from those mentioned on these forward-looking statements.