



FY2016 Financial Results and FY2017 Forecasts

May 26, 2017

Asahi Diamond Industrial Co., Ltd.



1. About Asahi Diamond

2. FY2016 Financial Results

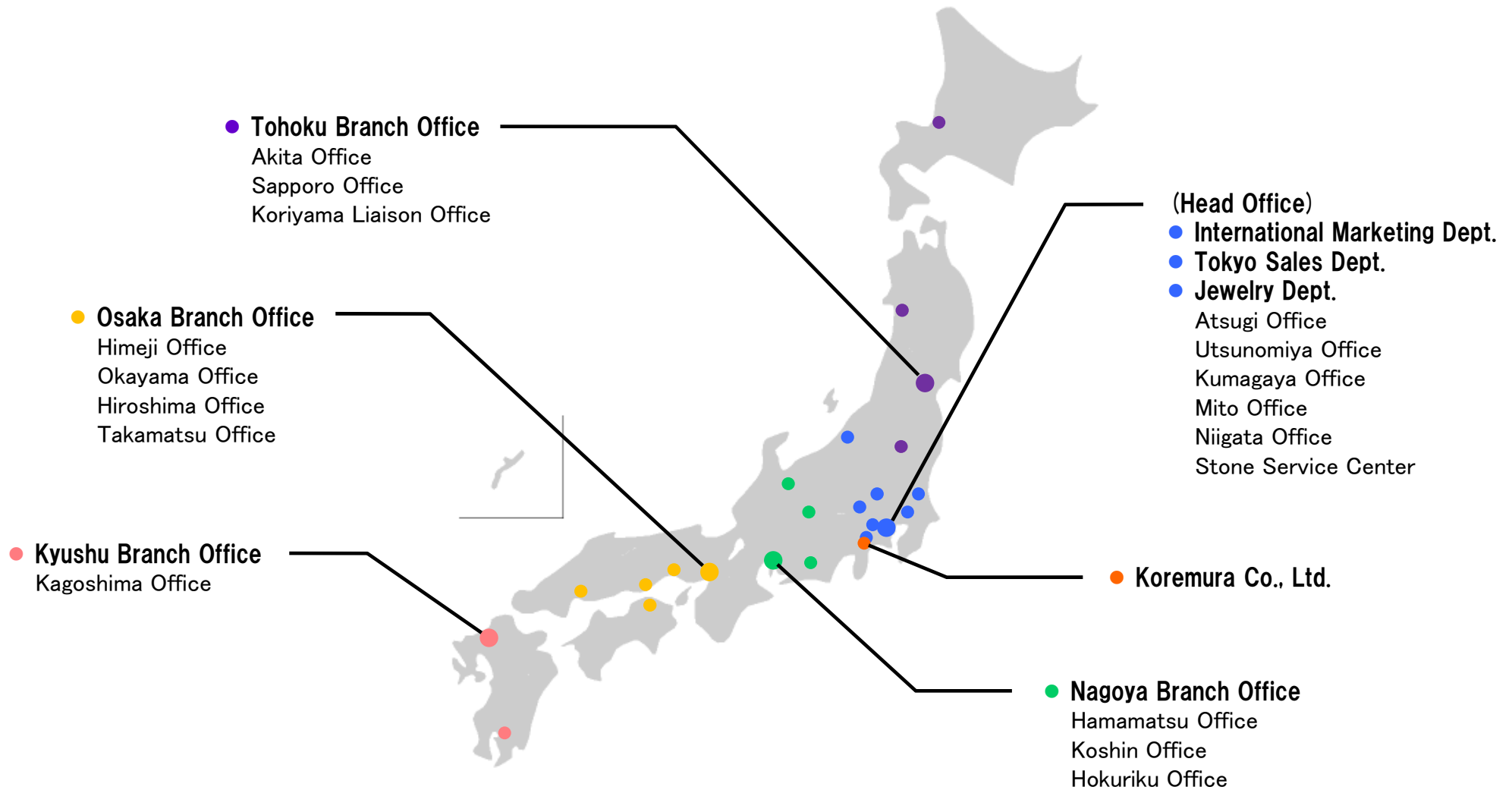
3. FY2017 Forecasts

4. Progress of Mid-Term Business Plan and Business Strategy

- ◆ **Company Name:** Asahi Diamond Industrial Co., Ltd.
- ◆ **Establishment:** October 9th, 1937
- ◆ **Paid-in Capital:** 4,102 million yen
- ◆ **Head Office:** The New Otani Garden Court, 11th Floor 4-1, Kioi-cho Chiyoda-ku, Tokyo 102-0094 Japan
- ◆ **Number of Employees (Consolidated) :** 2,146 (March 31, 2017)
- ◆ **Business Over View:** To produces, sell, export and import various tools, instruments and precision machines applicable for diamond and other high-hardness objects; To lap, works, analyze, buy and sell various jewels, and to buy and sell precious metals and its products; To sell, import and export rough and powder diamond for industrial use
- ◆ **Directory** 2 Domestic Subsidiaries and 13 Overseas Companies (12 Subsidiaries / 1 Affiliated Company)
- ◆ **Net Sales (Consolidated) :** 42,024 million yen (FY2016)

Domestic Network (Sales Offices)

◆ Location of Sales office: 25 offices in Japan



Domestic Network (Factories)

◆ Location of Factories : 6 factories in Japan

● Factory *Main Industries*

Yamanashi Asahi Diamond Industrial Co., Ltd.



*For Electronic,
Semiconductor &
Transportation*

Mie Factory



*For Electronic,
Semiconductor, Machinery
Stone & Construction*

Chiba No.2 Factory



For Electronic & Semiconductor

**R & D Center
Chiba Tsurumai Factory**



*For Electronic, Semiconductor,
Machinery & Transportation*

Koremura Co., Ltd.

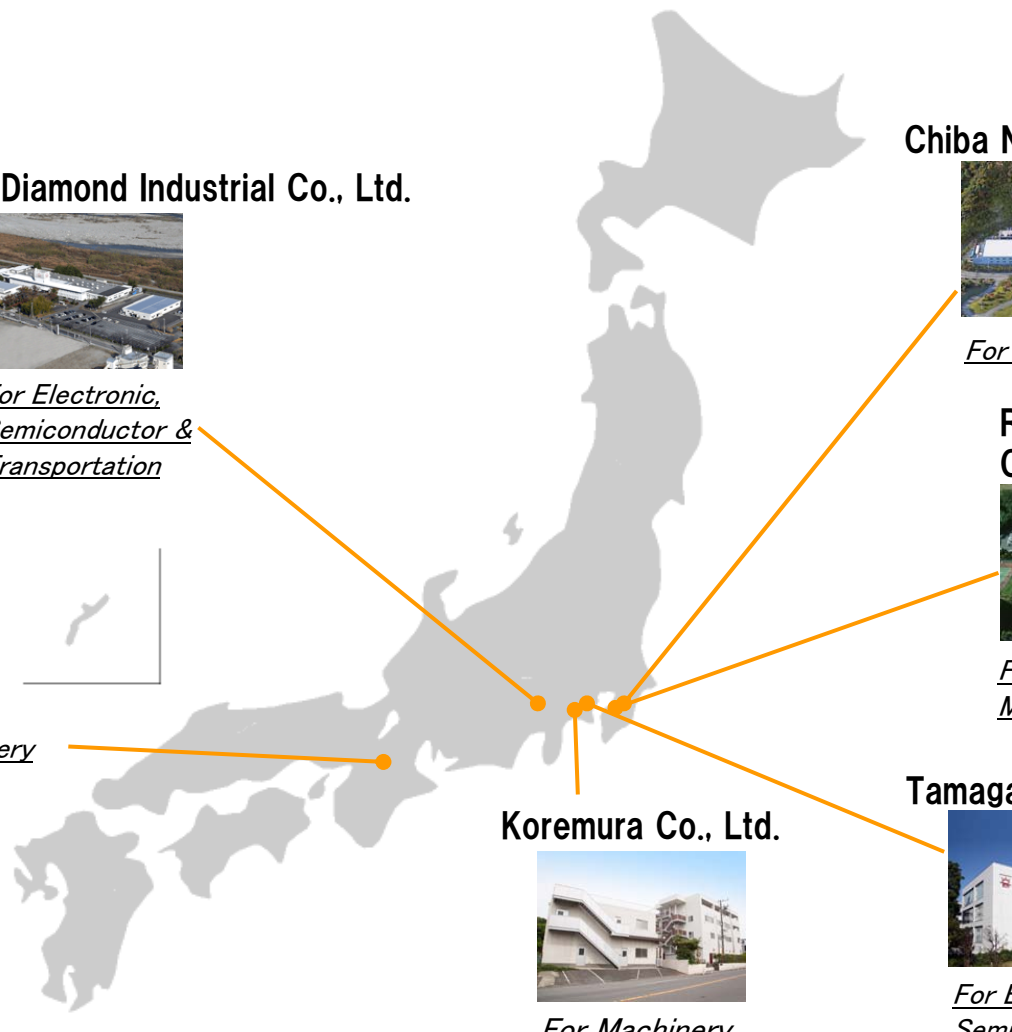


*For Machinery
& Transportation*

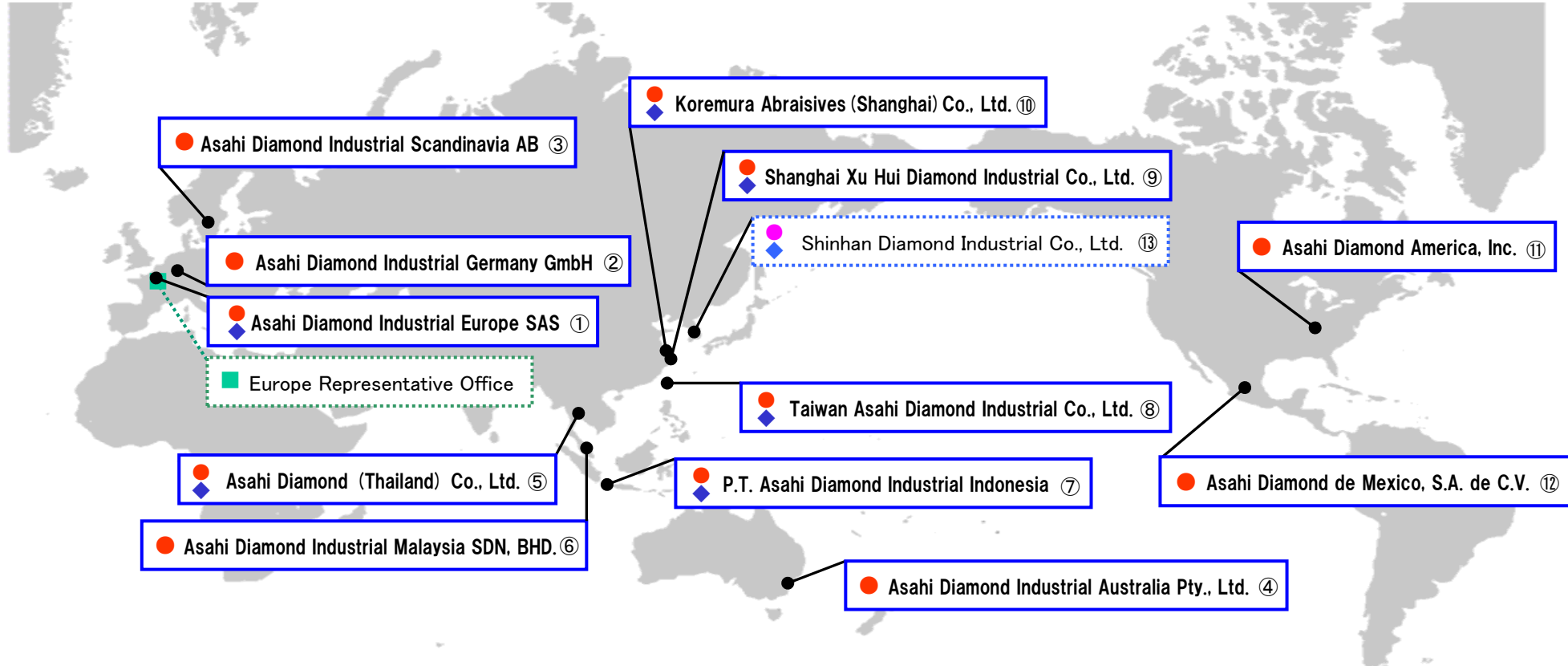
Tamagawa Factory



*For Electronic,
Semiconductor, Machinery
& Transportation*

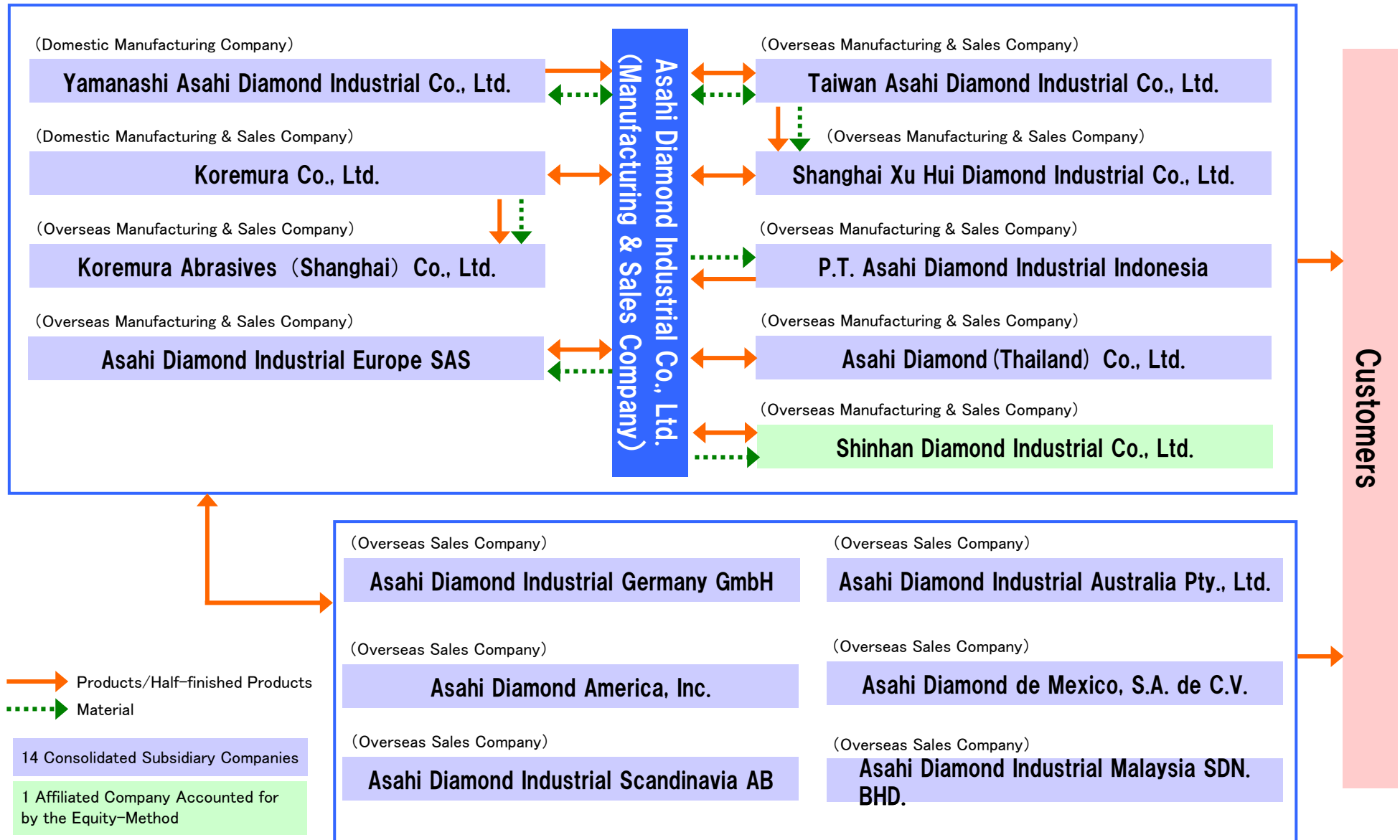


Global Network



Subsidiaries		Affiliate	
●	Sales Office	●	Sales Office
◆	Manufacturing Site	◆	Manufacturing Site
		■	
		Representative Office	

Business Relation Chart



Sales by Industry and Markets

Industry	Financial Year 2016		Classification	Application	Market
	(Millions of Yen)	%			
Electronics and Semiconductor	18,323	43.6%	Polycrystalline and Monocrystalline Silicon Cells	○Cutting ingots ○Slicing wafers ○Grinding wafers	Solar cells Semiconductor
			Electronic Materials	○Cutting/Grinding Sapphire (for LED)	LED
			Semiconductor	○CMP ○Wafer thinning process (Back grinding) ○Dicing (Cutting)	Semiconductor
			FPD glass	○For pencil edging FPD glass	FPD
			Wire	○Drawing copper wire and gold wire ○Drawing steel wire	Electric wire/Bonding wire Wire harness for automobile
Transportation	8,481	20.2%	Automobiles Motorcycles	○Processing automobile parts ○For pencil edging automobile window glass ○Processing for ceramic filters of DPF	Automobiles Motorcycles
			Aircraft	○Grinding for turbine blade of engine ○Processing for CFRP of airplanes	Airplanes
Machinery	8,805	21.0%	Bearings	○Processing for bearing/superfinish	Bearing
			Cemented Carbide Tools	○Processing for cemented Carbide Tools	Cemented carbide tools
			Machine Tools	○Processing for parts	Machine tools
Stone and Construction	4,818	11.4%	Stone (Gravestone/ Construction)	○Cutting/grinding gravestone ○Cutting/grinding building stone	Gravestone Construction
			Construction	○Cutting/grinding concrete road ○Demolishing concrete structures	Construction Public works
			Public works (Exploration)	○Grouting for dams/boring for hot spring ○Research metal/Exploration drilling	Dam Mine, Resource survey
Others	1,595	3.8%		○University, research institution, ceramic industry, jewel, etc.	
Total	42,024	100.0%			



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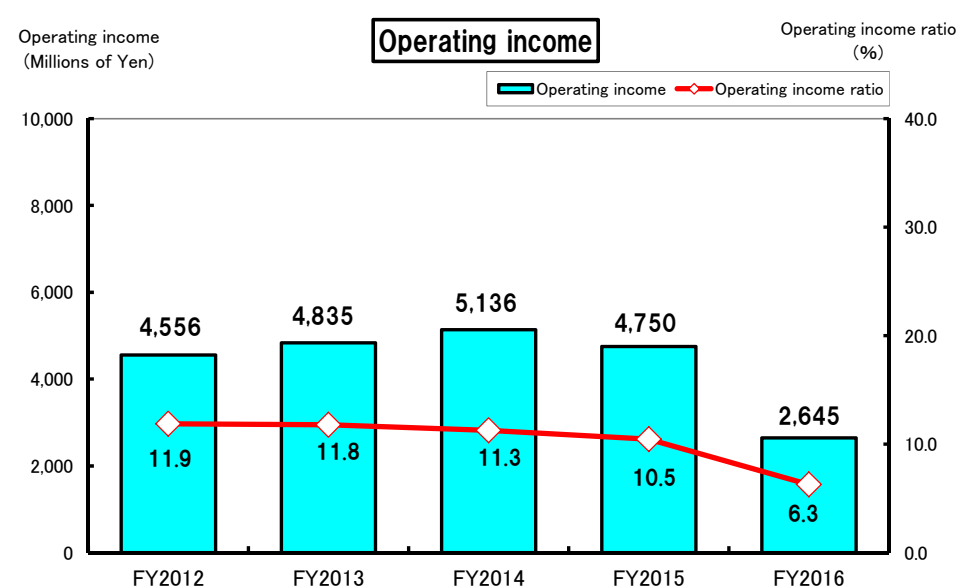
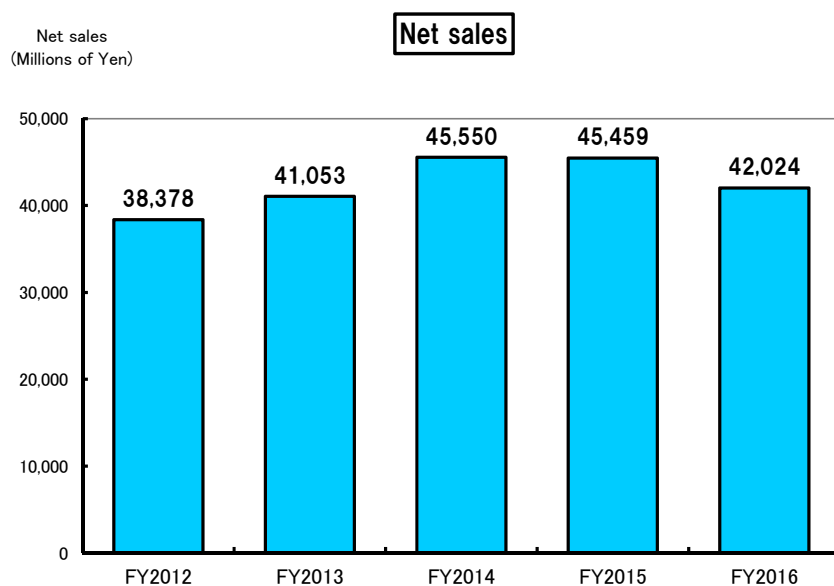
4. Progress of Mid-Term Business Plan and Business Strategy

Financial Results (Consolidated)

(Millions of Yen)

	FY2015		FY2016					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Net sales	45,459	100.0	41,500	100.0	42,024	100.0	-3,434	-7.6
Operating income	4,750	10.5	2,140	5.2	2,645	6.3	-2,105	-44.3
Ordinary income	5,092	11.2	2,320	5.6	2,945	7.0	-2,146	-42.2
Profit attributable to owners of parent	3,338	7.3	1,920	4.6	2,487	5.9	-851	-25.5
Earning per share (Yen)	58.26	-	34.26	-	44.34	-	-13.92	-23.9

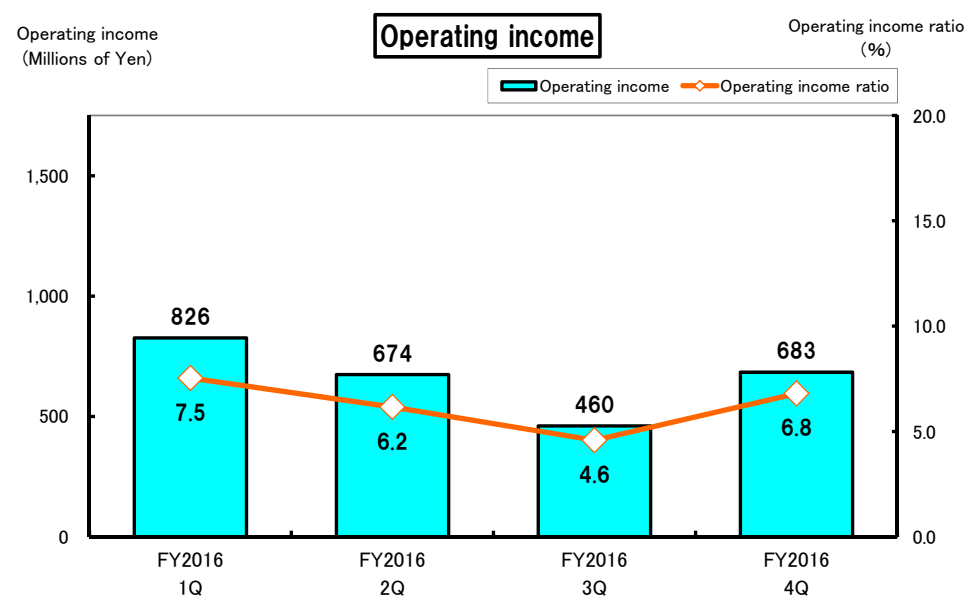
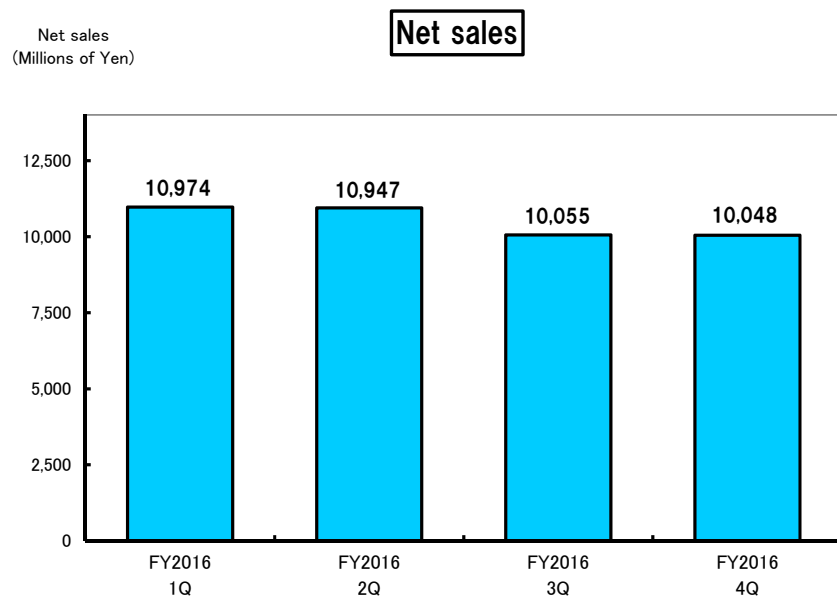
Note) Revised forecast figures were announced on February 10, 2017.



Quarterly Results of Operation (Consolidated)

(Millions of Yen)

	FY2016							
	First quarter		Second quarter		Third quarter		Fourth quarter	
	Results	%	Results	%	Results	%	Results	%
Net sales	10,974	100.0	10,947	100.0	10,055	100.0	10,048	100.0
Operating income	826	7.5	674	6.2	460	4.6	683	6.8
Ordinary income	637	5.8	723	6.6	731	7.3	852	8.5
Profit attributable to owners of parent	486	4.4	580	5.3	591	5.9	829	8.3



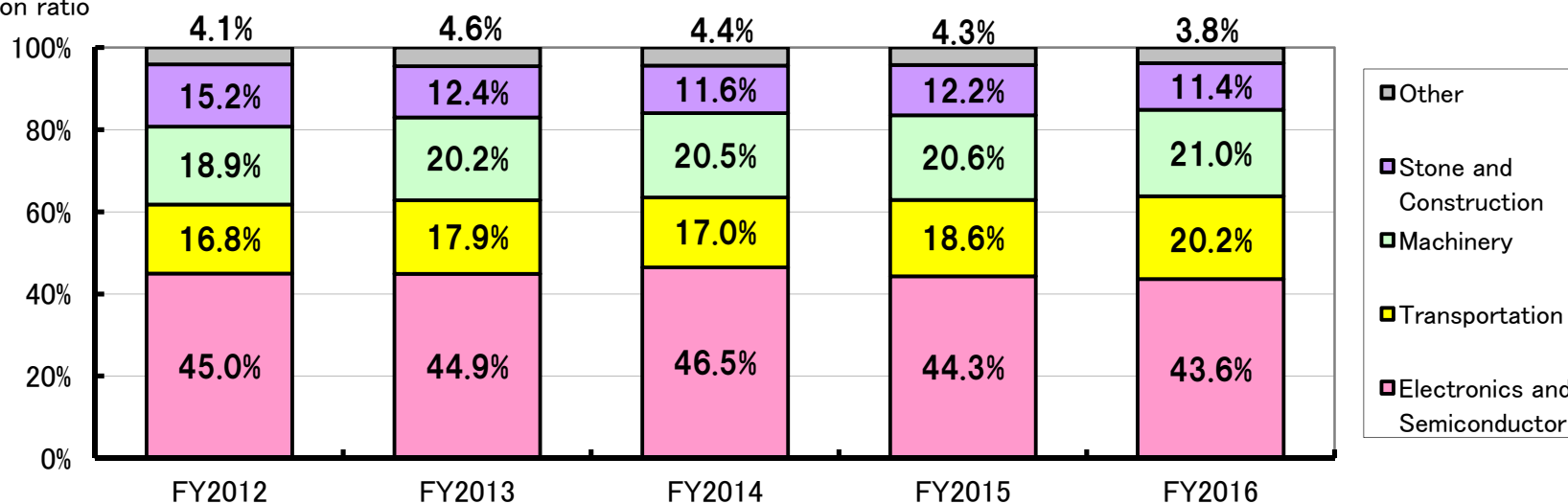
Net Sales Breakdown by Industry (Consolidated)

(Millions of Yen)

	FY2015		FY2016					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Electronics and Semiconductor	20,133	44.3	17,900	43.1	18,323	43.6	-1,810	-9.0
Transportation	8,439	18.6	8,330	20.1	8,481	20.2	+42	+0.5
Machinery	9,368	20.6	8,900	21.5	8,805	21.0	-563	-6.0
Stone and Construction	5,541	12.2	4,860	11.7	4,818	11.4	-722	-13.0
Other	1,977	4.3	1,510	3.6	1,595	3.8	-381	-19.3
Total	45,459	100.0	41,500	100.0	42,024	100.0	-3,434	-7.6

Note) Revised forecast figures were announced on October 20, 2016.

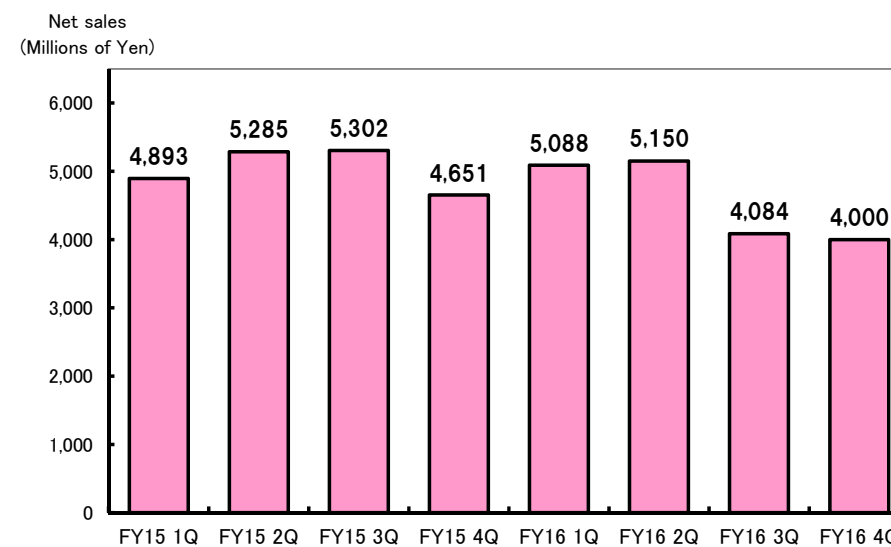
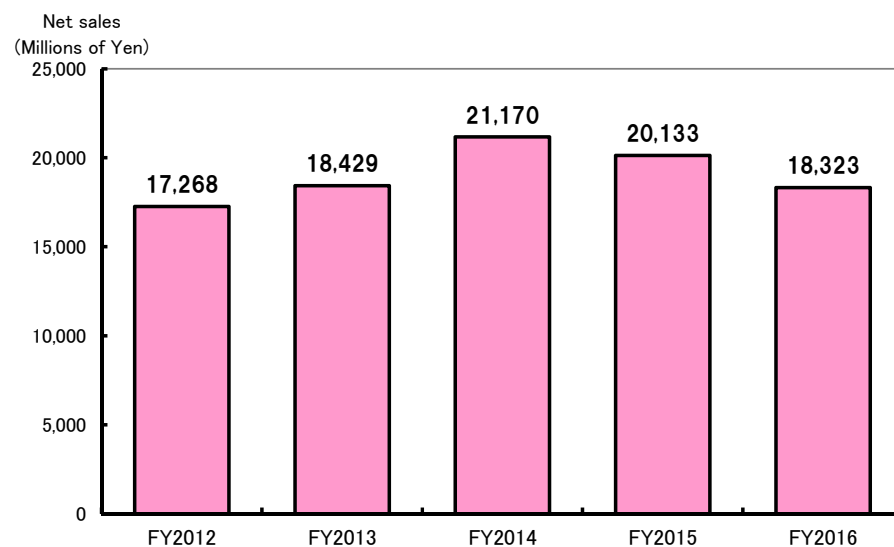
Composition ratio



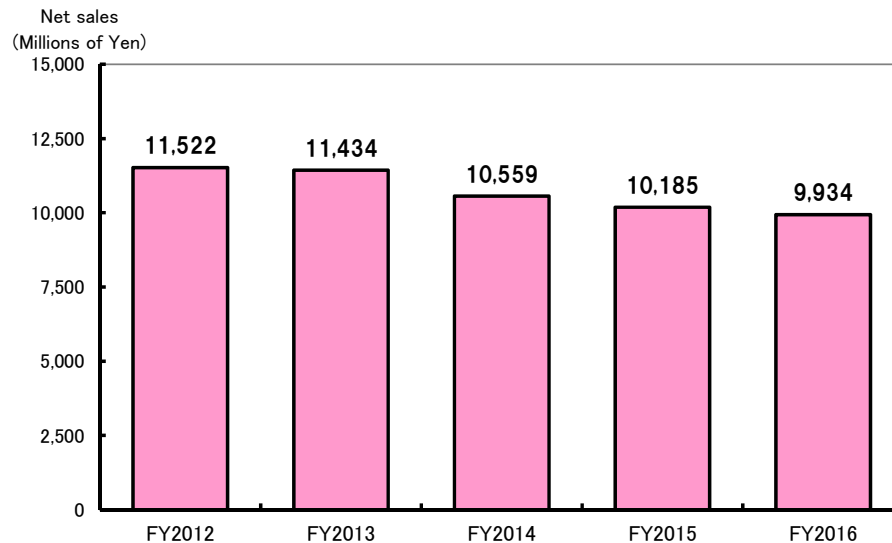
Net Sales Breakdown by Industry : 1. Electronics and Semiconductor

【Full-year】

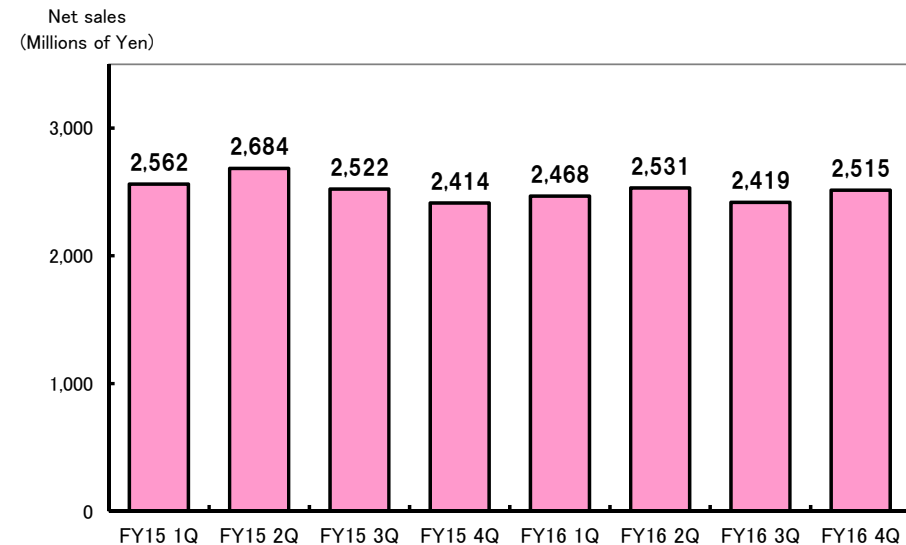
【Quarter】



【Full-year】



【Quarter】



◆ Semiconductor & Electronic Component

Sales of the related tools increased due to favorable growth in the whole industry.

◆ FPD

Sales of the related tools decreased by production efficiency improvement at major customers.

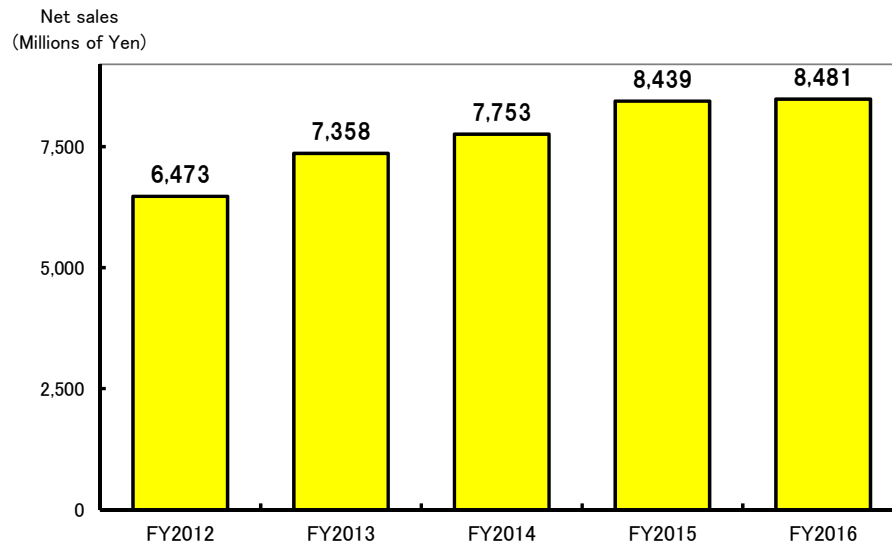
◆ Wire Drawing Die

Sales of dies for saw wire and for bonding wire both decreased.

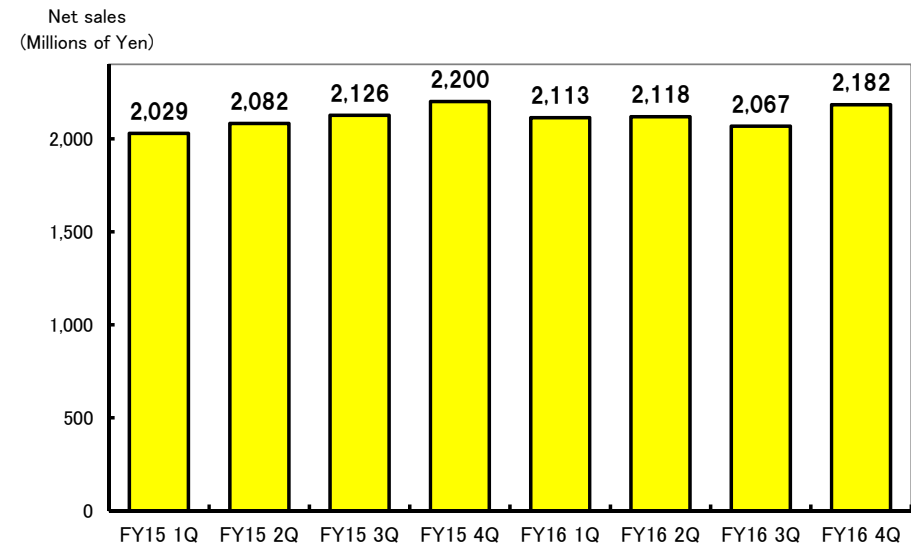


Net Sales Breakdown by Industry : 2. Transportation

【Full-year】



【Quarter】



◆ Automobile

Sales of the related tools increased as its production remained firm.

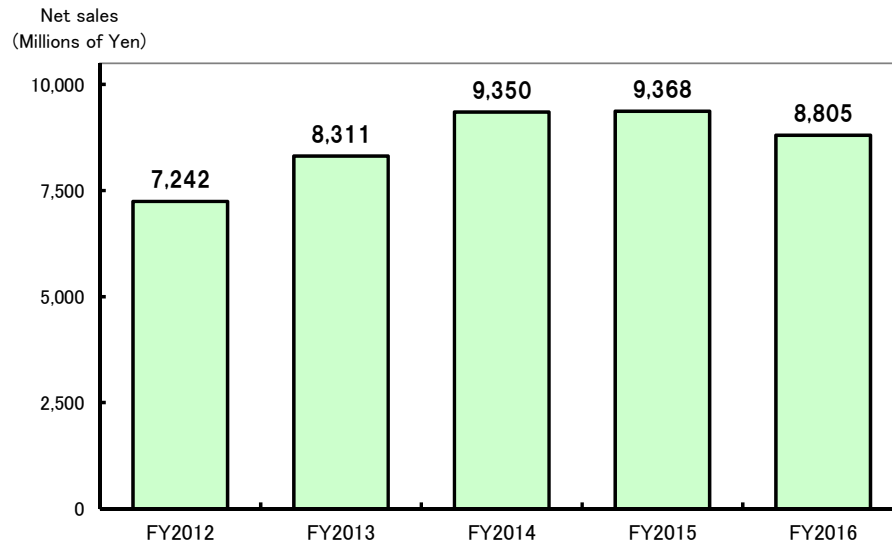
◆ Aircraft

Sales of the related tools decreased by tool performance improvement at major customers.

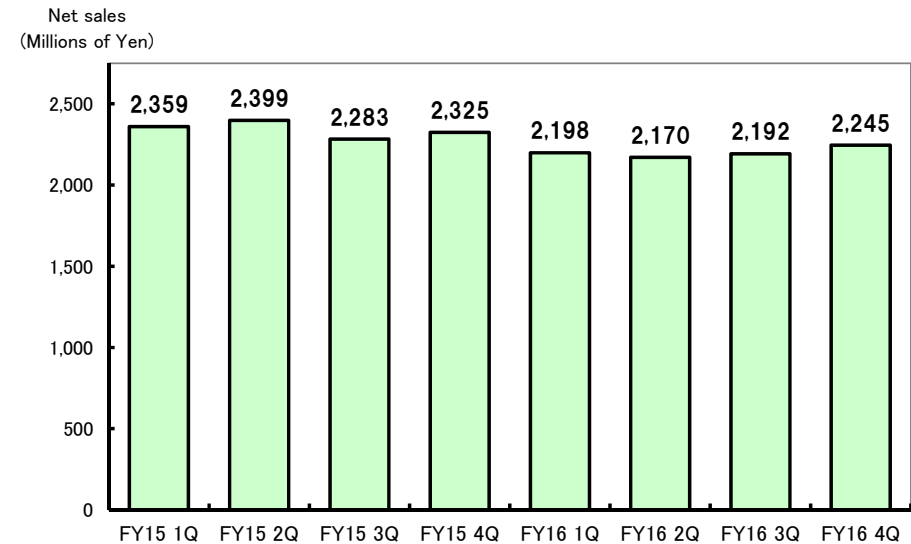


Net Sales Breakdown by Industry : 3. Machinery

【Full-year】



【Quarter】



◆ Bearing

Sales of the related tools decreased, resulting from a production reduction in bearing for industrial machinery.

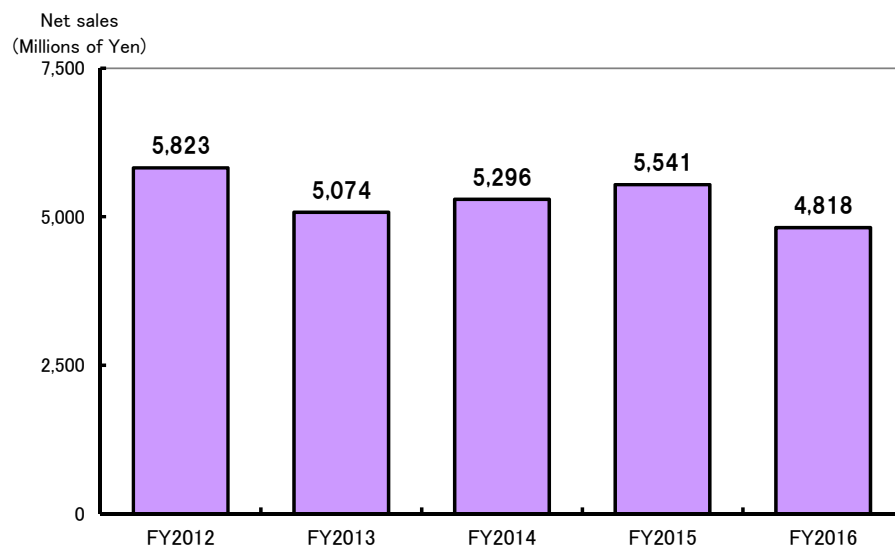
◆ Cemented Carbide Tool

Sales of the related tools decreased, resulting from a production reduction in cemented carbide tools.

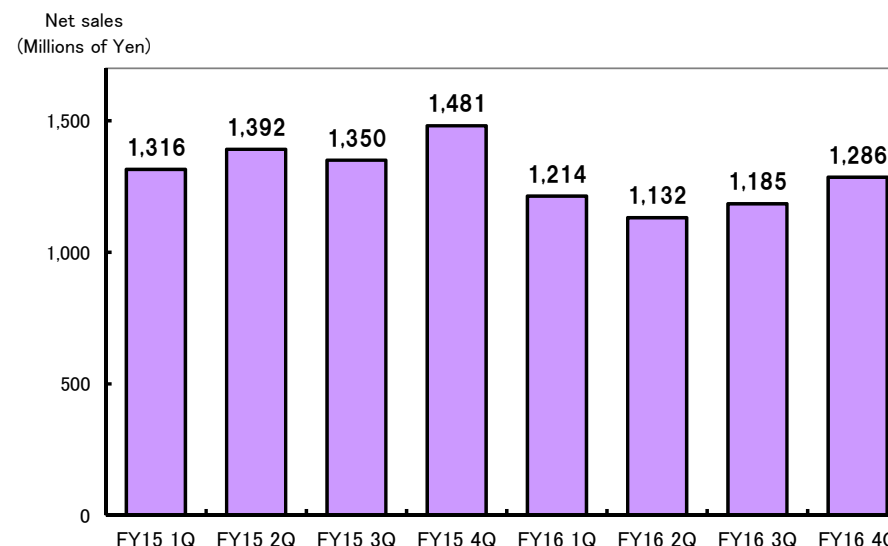


Net Sales Breakdown by Industry : 4. Stone and Construction

【Full-year】



【Quarter】



◆ Mining

Sales of the related tools decreased due to sluggish growth in the whole industry.

◆ Construction in Japan

Sales of the related tools decreased with fewer public works of road constructions.

◆ Commercial Product (Portable Cutter)

Sales of the related tools significantly decreased due to inventory adjustments at major overseas customers.



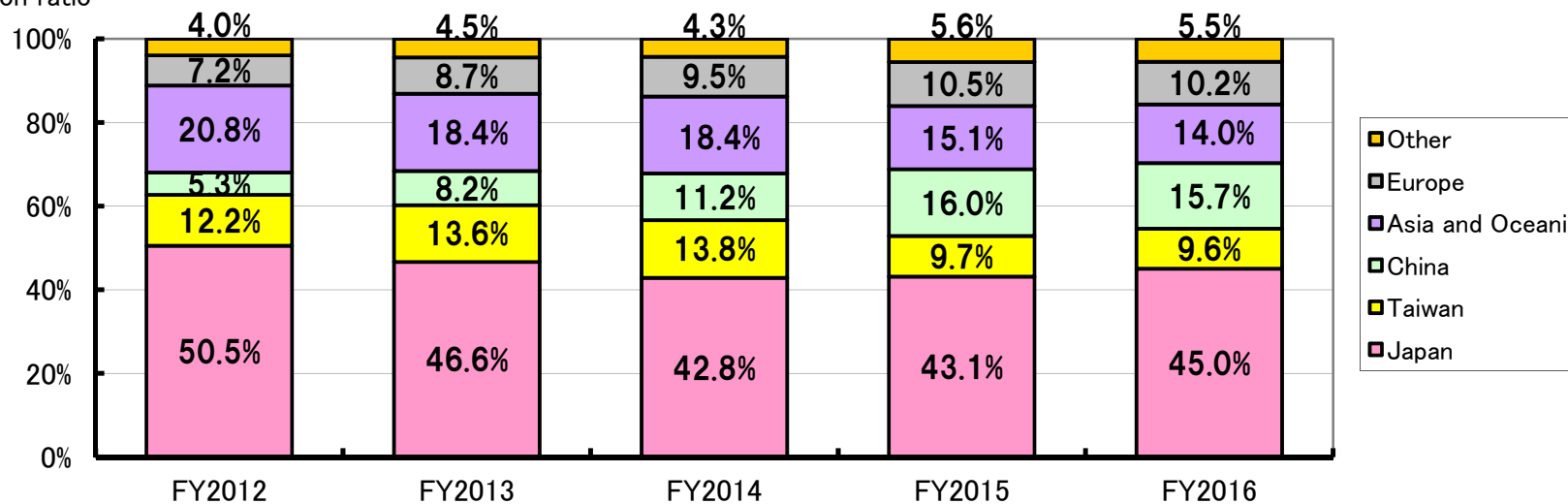
Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

	FY2015		FY2016					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Japan	19,567	43.1	18,600	44.8	18,919	45.0	-648	-3.3
Taiwan	4,424	9.7	3,900	9.4	4,043	9.6	-380	-8.6
China	7,293	16.0	6,600	15.9	6,605	15.7	-687	-9.4
Other Asia and Oceania	6,867	15.1	5,800	14.0	5,858	14.0	-1,008	-14.7
Europe	4,785	10.5	4,200	10.1	4,280	10.2	-504	-10.5
Other	2,521	5.6	2,400	5.8	2,316	5.5	-204	-8.1
Overseas total	25,891	56.9	22,900	55.2	23,105	55.0	-2,786	-10.8
Total	45,459	100.0	41,500	100.0	42,024	100.0	-3,434	-7.6

Note) Revised forecast figures were announced on October 20, 2016.

Composition ratio



Consolidated Balance Sheets

(Millions of Yen)

	2016/3	2017/3	Change		2016/3	2017/3	Change
Assets				Liabilities			
Cash and deposits	12,598	14,916	+2,317	Notes and accounts payable-trade	1,505	1,632	+126
Notes and accounts receivable-trade	11,528	10,846	-682	Loans payable	747	490	-256
Inventories	6,510	6,234	-275	Income taxes payable	540	208	-332
Allowance for doubtful accounts	-1,352	-1,265	+86	Provision for business structure improvement	193	40	-152
Property, plant and equipment	24,556	23,133	-1,422	Net defined benefit liability	7,644	7,672	+27
Intangible assets	120	123	+3	Other	3,563	3,349	-213
Investment securities	12,861	12,930	+68	Total liabilities	14,195	13,394	-801
Other	4,315	3,764	-551	Net assets			
				Shareholders' equity	52,832	53,065	+233
				Accumulated other comprehensive income	2,910	3,044	+134
				Non-controlling interests	1,201	1,178	-22
				Total net assets	56,943	57,288	+344
Total assets	71,139	70,682	-456	Total liabilities and net assets	71,139	70,682	-456

Consolidated Statements of Cash Flows

(Millions of Yen)

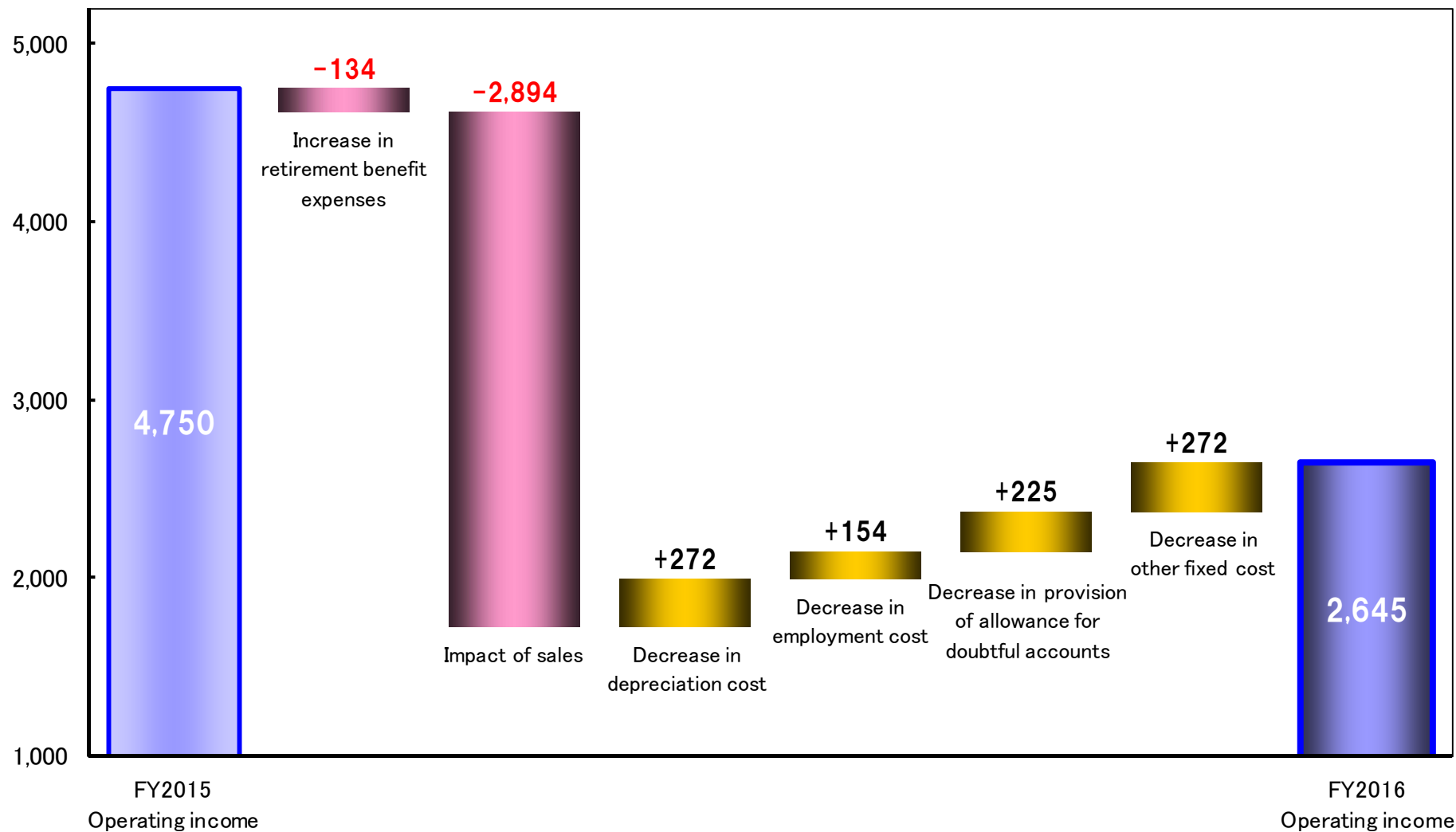
	FY2015	FY2016	Change
Profit before income taxes	5,031	3,241	-1,789
Depreciation	3,627	3,353	-274
Increase (decrease) in allowance for doubtful accounts	148	-72	-220
Decrease (increase) in notes and accounts receivable - trade	1,571	569	-1,001
Decrease (increase) in inventories	-85	212	+298
Income taxes paid	-2,099	-1,165	+934
Other	-903	64	+968
Net cash provided by (used in) operating activities	7,290	6,205	-1,084
Decrease (increase) in time deposits	26	-	-26
Purchase or sales of property, plant and equipment	-3,164	-2,190	+974
Purchase or sales or redemption of investment securities	-132	1,019	+1,152
Other	42	-23	-66
Net cash provided by (used in) investing activities	-3,228	-1,194	+2,033
Increase (decrease) in loans payable	-286	-228	+57
Purchase or sales of treasury shares	-1,248	-846	+401
Cash dividends paid	-1,903	-1,409	+494
Other	-151	-147	+4
Net cash provided by (used in) financing activities	-3,590	-2,631	+958
Cash and cash equivalents at end of period	12,966	15,276	+2,310

Consolidated Operating Income 「Analysis of Factors Affecting Increase and Decrease」

ASAHI DIAMOND



(Millions of Yen)



Asahi Diamond Industrial Co., Ltd.

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2. FY2016 Financial Results

3. FY2017 Forecasts

4. Progress of Mid-Term Business Plan
and Business Strategy

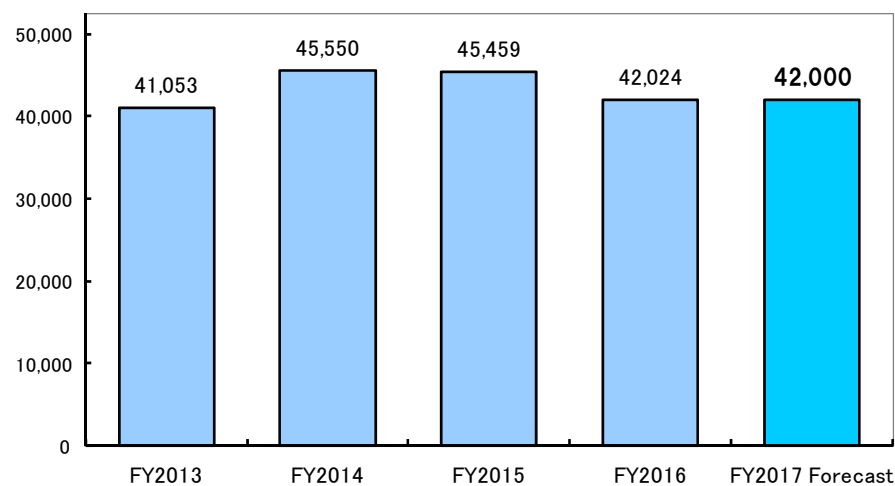
Outline of Forecasts (Consolidated)

(Millions of Yen)

	FY2016 First half results	%	FY2017 First half forecasts	%	Change year-on-year	Change year- on-year (%)	FY2016 Full-year results	%	FY2017 Full-year forecasts	%	Change year-on-year	Change year- on-year (%)
Net sales	21,921	100.0	20,200	100.0	-1,721	-7.9	42,024	100.0	42,000	100.0	-24	-0.1
Operating income	1,500	6.8	110	0.5	-1,390	-92.7	2,645	6.3	1,660	4.0	-985	-37.2
Ordinary income	1,361	6.2	200	1.0	-1,161	-85.3	2,945	7.0	1,910	4.5	-1,035	-35.2
Profit attributable to owners of parent	1,066	4.9	90	0.4	-976	-91.6	2,487	5.9	1,360	3.2	-1,127	-45.3
Exchange rate	JPY/USD						110.3	-	110.0			
	JPY/EUR						121.4	-	120.0			
	JPY/CNY						16.6	-	16.0			

Net sales
(Millions of Yen)

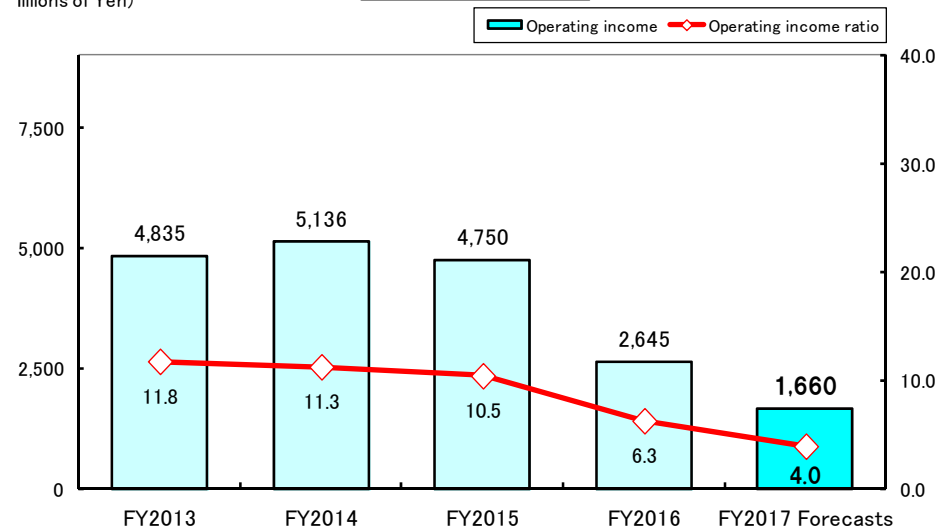
Net sales



Operating income
(Millions of Yen)

Operating income

Operating income ratio
(%)

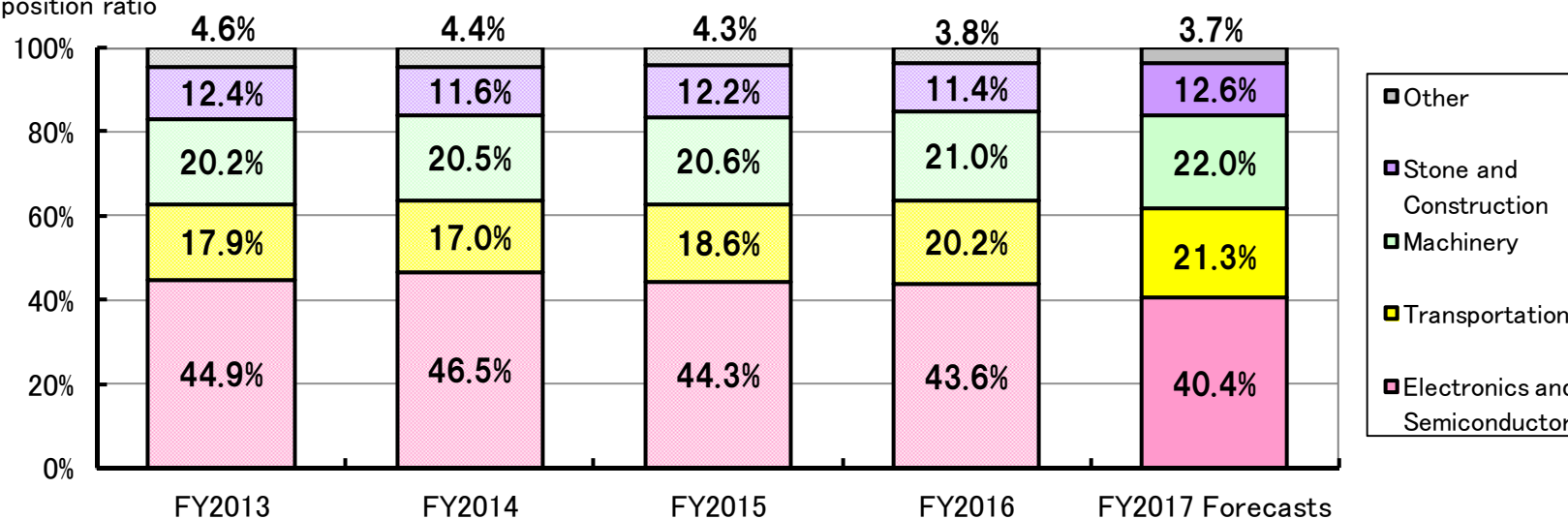


Forecasts of Net Sales Breakdown by Industry (Consolidated)

(Millions of Yen)

	FY2016 First half results	%	FY2017 First half forecasts	%	Change year-on-year	Change year- on-year (%)	FY2016 Full-year results	%	FY2017 Full-year forecasts	%	Change year-on-year	Change year- on-year (%)
Electronics and Semiconductor	10,238	46.7	8,000	39.6	-2,238	-21.9	18,323	43.6	16,950	40.4	-1,373	-7.5
Transportation	4,232	19.3	4,340	21.5	+107	+2.5	8,481	20.2	8,960	21.3	+478	+5.6
Machinery	4,368	19.9	4,520	22.4	+151	+3.5	8,805	21.0	9,250	22.0	+444	+5.0
Stone and Construction	2,347	10.7	2,560	12.7	+212	+9.1	4,818	11.4	5,300	12.6	+481	+10.0
Other	734	3.4	780	3.8	+45	+6.1	1,595	3.8	1,540	3.7	-55	-3.5
Total	21,921	100.0	20,200	100.0	-1,721	-7.9	42,024	100.0	42,000	100.0	-24	-0.1

Composition ratio

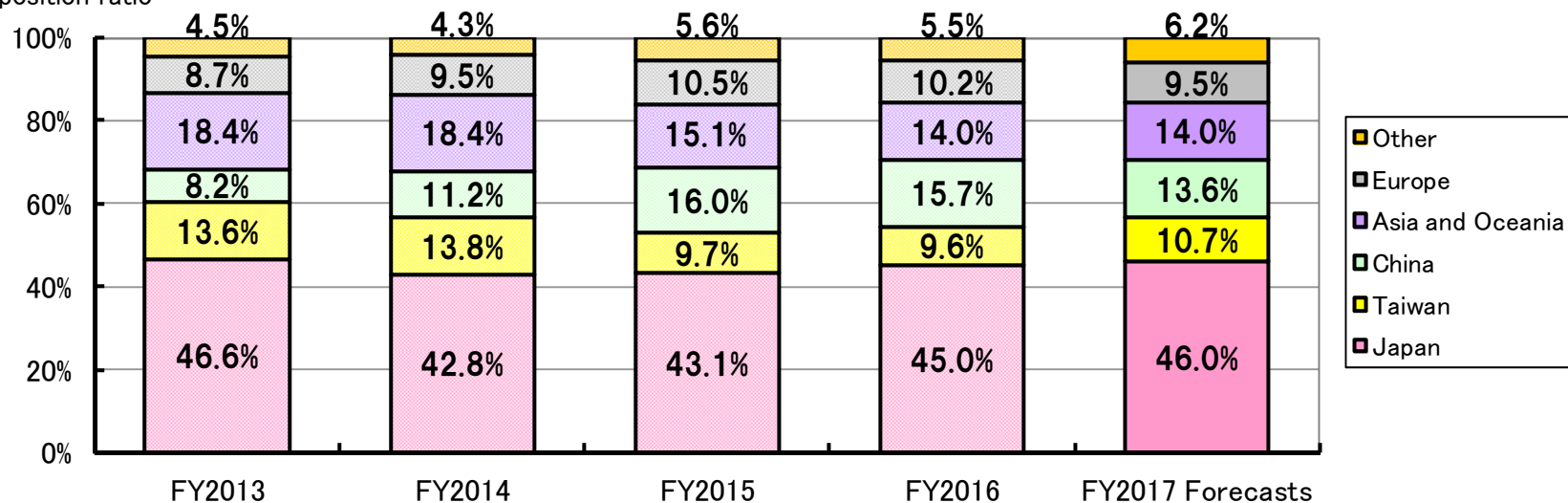


Forecasts of Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

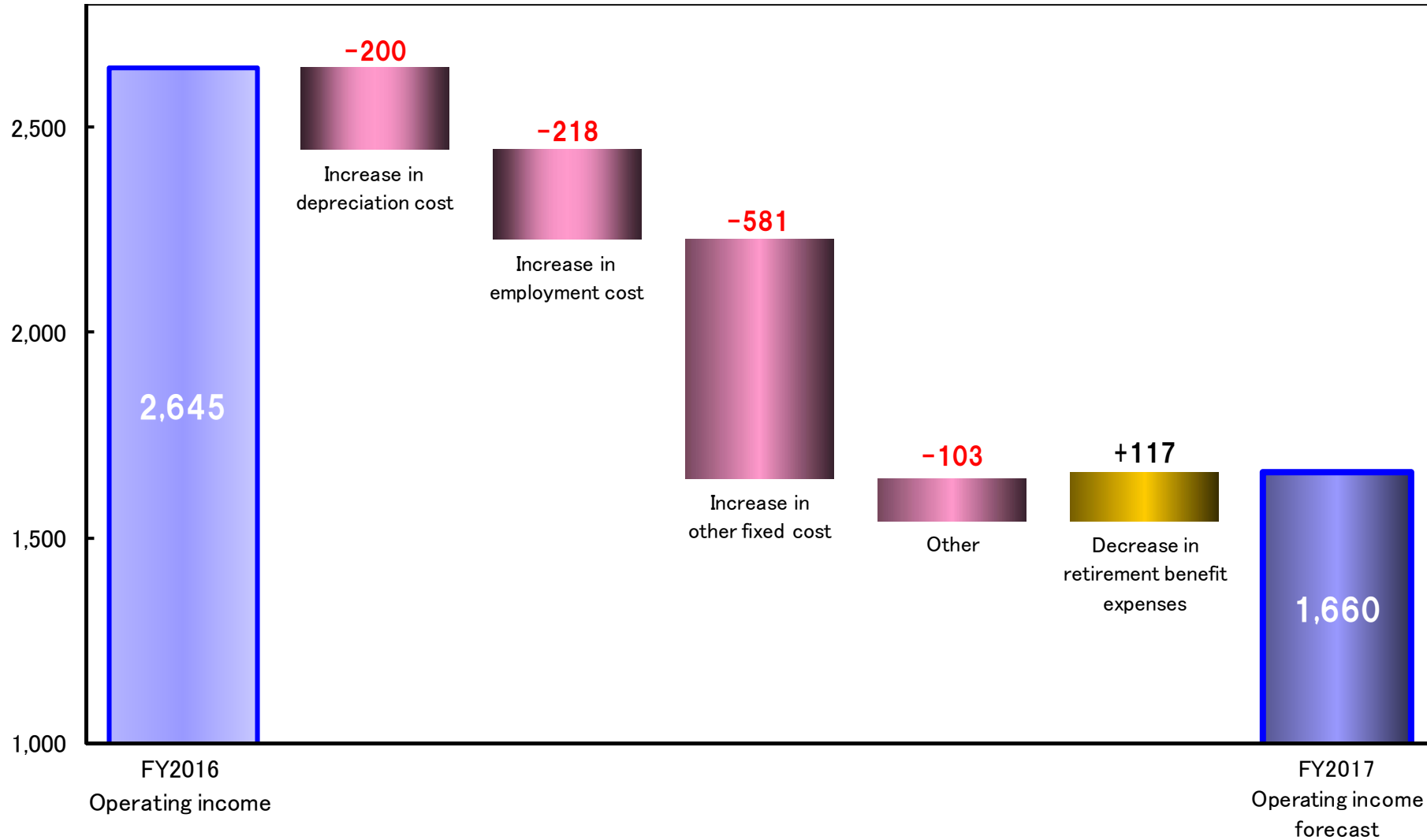
	FY2016 First half results	%	FY2017 First half forecasts	%	Change year-on-year	Change year- on-year (%)	FY2016 Full-year results	%	FY2017 Full-year forecasts	%	Change year-on-year	Change year- on-year (%)
Japan	9,273	42.3	9,400	46.5	+126	+1.4	18,919	45.0	19,300	46.0	+380	+2.0
Taiwan	2,103	9.6	2,200	10.9	+96	+4.6	4,043	9.6	4,500	10.7	+456	+11.3
China	3,884	17.7	2,600	12.9	-1,284	-33.1	6,605	15.7	5,700	13.6	-905	-13.7
Other Asia and Oceania	3,107	14.2	2,800	13.9	-307	-9.9	5,858	14.0	5,900	14.0	+41	+0.7
Europe	2,445	11.1	2,000	9.9	-445	-18.2	4,280	10.2	4,000	9.5	-280	-6.6
Other	1,107	5.1	1,200	5.9	+92	+8.4	2,316	5.5	2,600	6.2	+283	+12.2
Overseas total	12,648	57.7	10,800	53.5	-1,848	-14.6	23,105	55.0	22,700	54.0	-405	-1.8
Total	21,921	100.0	20,200	100.0	-1,721	-7.9	42,024	100.0	42,000	100.0	-24	-0.1

Composition ratio

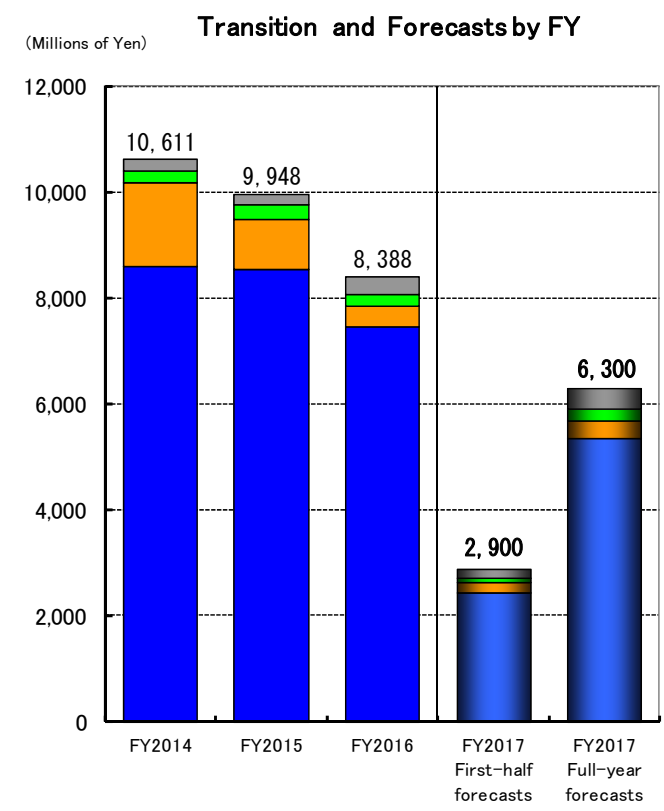
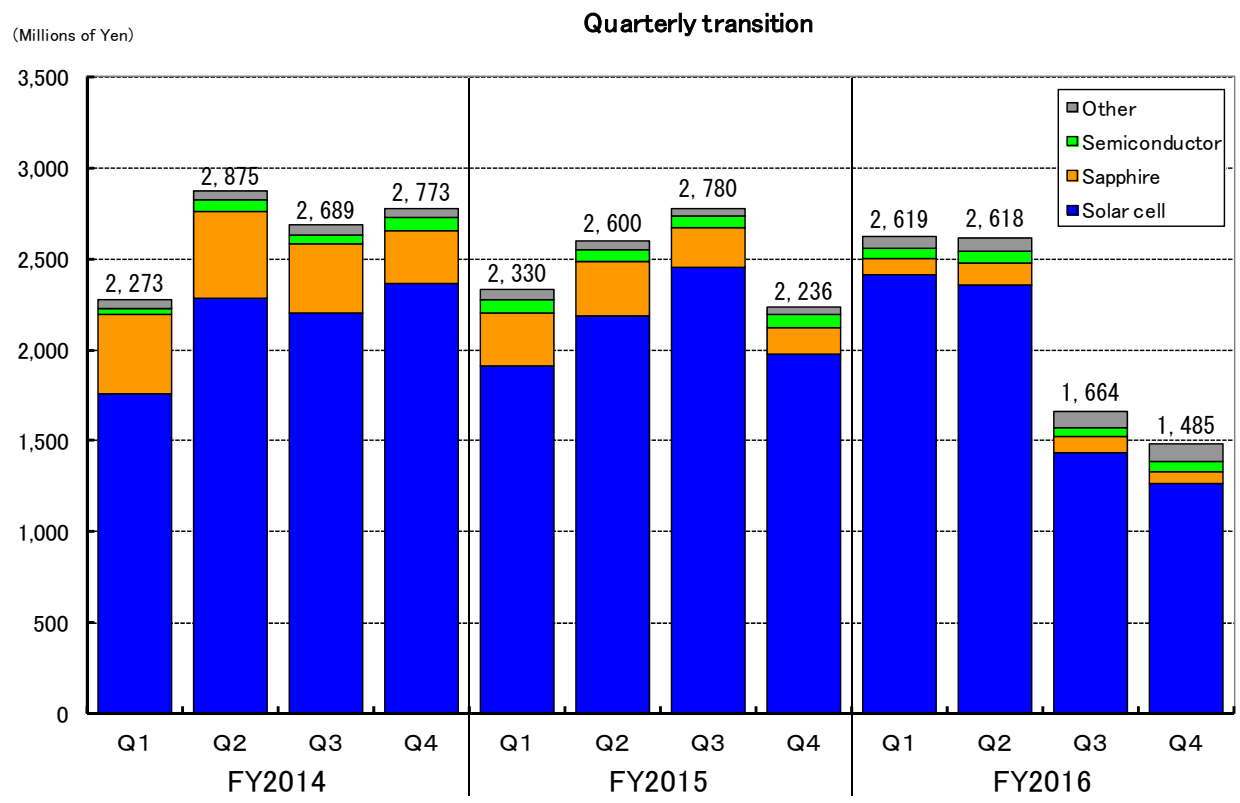


Forecast of Consolidated Operating Income 「Analysis of Factors Affecting Increase and Decrease」

(Millions of Yen)



「EcoMEP」 Sales Trend and Forecasts (Consolidated)

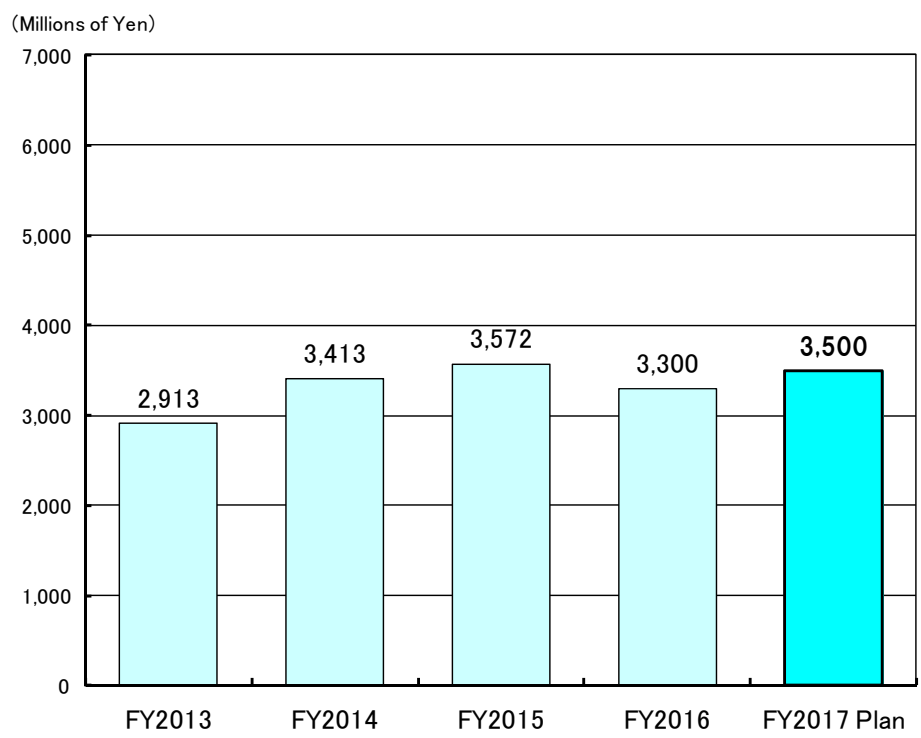
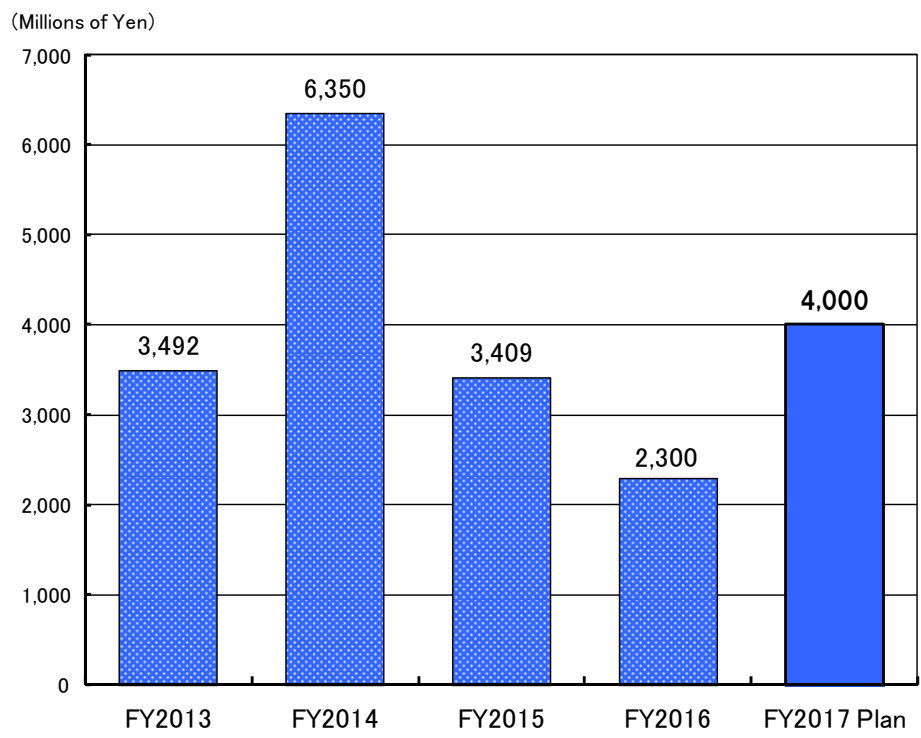


- ◆ **Total sales of EcoMEP was ¥8,388 million in FY2016. (-16% vs. FY2015)**
 - For PV production : -12% vs. FY2015
 - Except PV production : -35% vs. FY2015
- ◆ **Forecast of EcoMEP sales for FY2017 is ¥6,300 million. (-25% vs. FY2016)**
 - For PV production : -28% vs. FY2016
 - Except PV production : + 4% vs. FY2016

Capital Expenditures 「Results and Plan」

Capital expenditure

Depreciation



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***4. Progress of Mid-Term Business Plan
and Business Strategy***

Progress of Mid-Term Business Plan

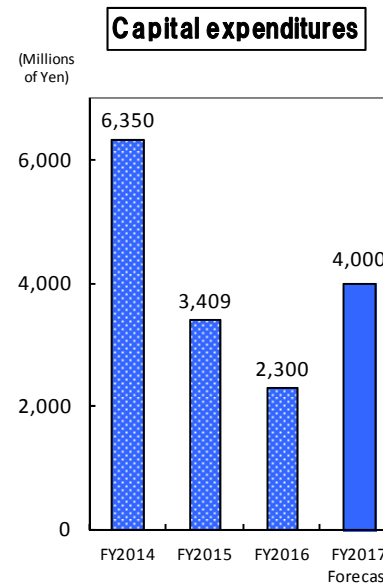
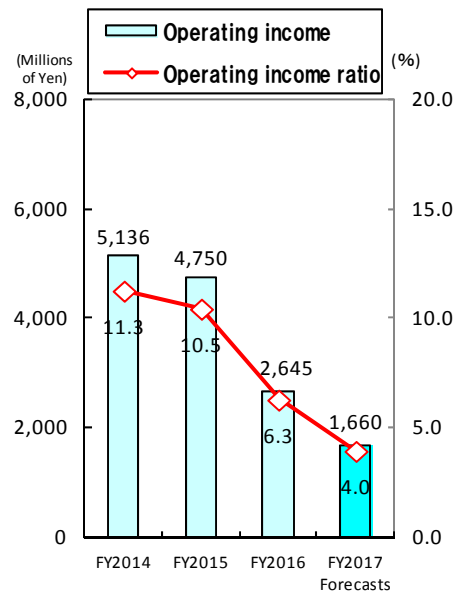
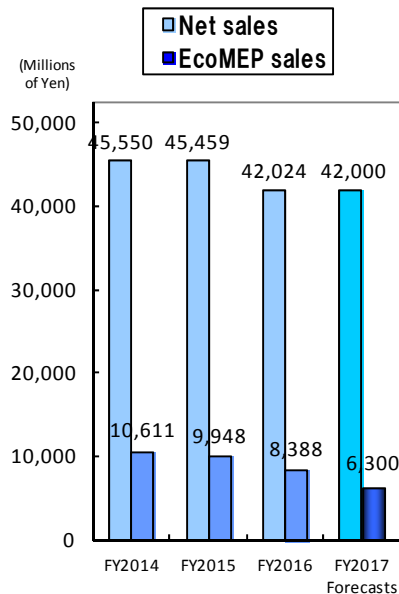
Products

Service

People

	FY2017 Targets
Consolidated net sales (Millions of Yen)	51,000
EcoMEP sales (Millions of Yen)	13,000
Consolidated operating income (Millions of Yen)	8,000
Consolidated operating income ratio (%)	15.7

	FY2017 Targets
ROE (%)	10.0
Consolidated payout ratio	Over 40%
Purchase of treasury shares	Flexible
Capital expenditures (Millions of Yen)	11,000 ※FY2015-FY2017



	FY2014 Results	FY2015 Results	FY2016 Results
ROE (%)	6.5	5.9	4.4
Consolidated payout ratio (%)	48.3	51.5	36.1
Total return ratio (%)	48.3	88.7	69.8
Purchase of treasury shares (Millions of Yen)	-	1,245	846



① EcoMEP

- Responding to request for thinner wire
- Expanding sales in new use
- Emphasizing highly value added products to stay away from price competition

② General Tool

- Automobile industry
- Electronic component industry
- Bearing industry

③ Cost Reduction in Manufacturing

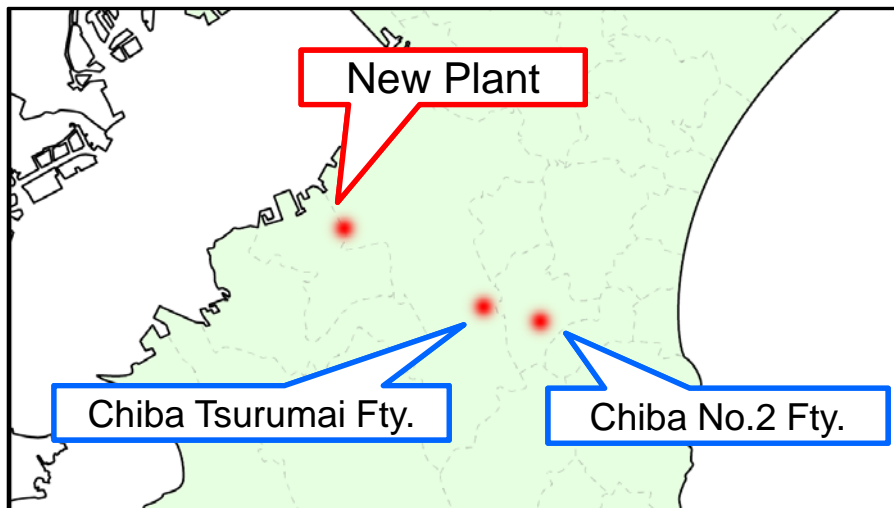
④ Cost Reduction in Business Operation

⑤ Overseas Business Expansion

⑥ Successful Biting in Land Auction for New Plant

⑥ Successful Biting in Land Auction New Plant

Name	Chiba No.3 Factory (Tentative) Land
Location	Sodegaura, Chiba Prefecture, Japan
Site Area	80,000m ²
Estimated Cost	About ¥ 1.8 Billion
Acquisition Contract and Title Transfer	After March, 2018 (as planning)



 **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.