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(Stock Exchange Code 6140)
June 7, 2017

To Shareholders with Voting Rights:

Kazuki Kataoka
President and Representative Director
Asahi Diamond Industrial Co., Ltd.
4-1, Kioi-cho, Chiyoda-ku, Tokyo

**NOTICE OF
THE 98TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 98th Annual General Meeting of Shareholders of Asahi Diamond Industrial Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc.

Please review the attached Reference Documents for the General Meeting of Shareholders, follow the instructions on the next page, and exercise your voting rights by 6:00 p.m. on Monday, June 26, 2017, Japan time.

- 1. Date and Time:** Tuesday, June 27, 2017 at 10:00 a.m. Japan time
(Reception desk opens at 9:00 a.m.)
- 2. Place:** Conference room Orizuru Rei, The Main Bldg. Arcade Floor, Hotel New Otani
at 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company’s 98th Fiscal Year (April 1, 2016 - March 31, 2017) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 98th Fiscal Year (April 1, 2016 - March 31, 2017)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Nine (9) Directors
- Proposal 3:** Election of One (1) Audit & Supervisory Board Member

- ◎ Of the documents required to be provided with this Notice of Convocation, the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements are, in accordance with laws and regulations as well as Article 19 of the Articles of Incorporation of the Company, posted on the Company’s website (<http://www.asahidia.co.jp/>) and are therefore not included with the Attached Document. Furthermore, the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements have been audited by the Accounting Auditor and Audit & Supervisory Board Members as part of the Non-consolidated Financial Statements and the Consolidated Financial Statements when preparing the Independent Auditor’s Report and the Audit Report, respectively.
- ◎ Any updates to the Reference Documents for the General Meeting of Shareholders, the Business Report,

the Non-consolidated Financial Statements and the Consolidated Financial Statements will be posted on the Company's website (<http://www.asahidia.co.jp/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

Matters concerning year-end dividends

The Company positions returning profits to shareholders as an important issue. The Company's basic policy is to maintain a stable dividend while conducting R&D and capital investment, retaining appropriate internal reserve for future business development and enhancement of corporate value and as such, the Company intends to distribute profits according to consolidated performance.

In light of the performance of the Company in the second half of the fiscal year, it is proposed that a year-end dividend of ¥6 per share be paid out. As a result, the annual dividends for the year, including the interim dividend of ¥10, will amount to ¥16 per share.

1. Type of dividend property
Cash
2. Allocation of dividend property to shareholders and total amount thereof
¥6 per share of common stock of the Company
Total amount of dividends: ¥334,180,182
3. Effective date of dividends from surplus
June 28, 2017

Proposal 2: Election of Nine (9) Directors

The term of office of a Director of the Company is stipulated to be one (1) year. The terms of office of all nine (9) Directors will expire at the conclusion of this Annual General Meeting of Shareholders.

In order to ensure management transparency and strengthen corporate governance, the election of nine (9) Directors (of whom two (2) are External Directors) is proposed.

The candidates for Director are as follows:

No.		Name	Current positions and responsibilities	Attendance at Board of Directors' meetings
1	Reelection	Kazuki Kataoka	President and Representative Director	10/10
2	Reelection	Kazuo Kogawa	Representative Managing Director; Marketing Division Director	10/10
3	Reelection	Takeo Okui	Managing Director; Production and Engineering Division Director and Mie Factory General Manager	10/10
4	Reelection	Ming-Shong Lan	Director; International Department	10/10
5	Reelection	Kazuaki Taniguchi	Director; Chiba Tsurumai Factory General Manager	10/10
6	Reelection	Toru Suzuki	Director; Administration Division Director	10/10
7	Reelection	Toshimasa Hagiwara	Director; Representative of China Division	10/10
8	Reelection Candidate for External Director Independent Director	Osamu Koyama	Director (External Director)	10/10
9	Reelection Candidate for External Director Independent Director	Shinichi Nagata	Director (External Director)	10/10

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
1	Kazuki Kataoka (March 5, 1952) Reelection No. of years served as Director: 9 years Attendance at Board of Directors' meetings: 10/10	April 1976 July 2005 June 2008 June 2011 June 2013 June 2015	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)	50,084
	<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Kazuki Kataoka was involved in marketing, business planning, R&D, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As the President and Representative Director since June 2015, Mr. Kataoka has been responsible for the Company's management and has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			
2	Kazuo Kogawa (January 2, 1957) Reelection No. of years served as Director: 6 years Attendance at Board of Directors' meetings: 10/10	April 1979 July 2008 June 2009 June 2011 June 2013 June 2015	Joined the Company General Manager, Planning Department, Business Planning Division Executive Officer; Business Planning Division Director Managing Director; Tamagawa Factory General Manager Managing Director; Business Planning Division Director Representative Managing Director; Marketing Division Director (present)	27,292
	<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Kazuo Kogawa was involved in business planning, marketing, production and engineering, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a Director of the Company since June 2011, Mr. Kogawa has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			
3	Takeo Okui (April 19, 1950) Reelection No. of years served as Director: 9 years Attendance at Board of Directors' meetings: 10/10	December 1984 July 2001 July 2006 June 2008 June 2013	Joined the Company Mie Factory Deputy General Manager Executive Officer; Mie Factory Deputy General Manager Director; Mie Factory General Manager Managing Director; Production and Engineering Division Director and Mie Factory General Manager (present)	36,142
	<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Takeo Okui was involved in production and engineering administration, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a Director of the Company since June 2008, Mr. Okui has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
4	Ming-Shong Lan (March 4, 1953) Reelection No. of years served as Director: 12 years Attendance at Board of Directors' meetings: 10/10	September 1994 August 1996 June 2005	Joined the Company; Deputy General Manager Reporting to Managing Division Director (Left the Company in July 1996) President, Taiwan Asahi Diamond Industrial Co., Ltd. (present) Director; International Department, the Company (present) [Significant concurrent positions] President, Taiwan Asahi Diamond Industrial Co., Ltd.	21,694
	<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Ming-Shong Lan was involved in business planning and serves as the President of an overseas subsidiary. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a non-Japanese Director of the Company since June 2005, Mr. Lan has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			
5	Kazuaki Taniguchi (April 23, 1950) Reelection No. of years served as Director: 6 years Attendance at Board of Directors' meetings: 10/10	April 1973 July 2005 July 2008 June 2011 June 2013	Joined the Company General Manager, Production and Engineering Department, Chiba Tsurumai Factory Executive Officer; Chiba Tsurumai Factory Deputy General Manager Director; Chiba Tsurumai Factory Deputy General Manager Director; Chiba Tsurumai Factory General Manager (present)	13,771
	<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Kazuaki Taniguchi was involved in production and engineering administration, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a Director of the Company since June 2011, Mr. Taniguchi has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			
6	Toru Suzuki (October 2, 1952) Reelection No. of years served as Director: 4 years Attendance at Board of Directors' meetings: 10/10	April 1978 October 2008 June 2011 June 2013	Joined the Company General Manager, General Affairs Department, Administration Division Executive Officer; Administration Division Deputy Director Director; Administration Division Director (present)	16,112
	<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Toru Suzuki was involved in administration, production and engineering, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a Director of the Company since June 2013, Mr. Suzuki has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
7	Toshimasa Hagiwara (November 10, 1959) Reelection No. of years served as Director: 3 years Attendance at Board of Directors' meetings: 10/10	<p>April 1982 Joined the Company</p> <p>December 2004 Nagoya Branch Deputy General Manager</p> <p>June 2009 Executive Officer; Nagoya Branch General Manager</p> <p>June 2014 Director; Nagoya Branch General Manager</p> <p>April 2015 President, Shanghai XuHui Diamond Industrial Co., Ltd. (present)</p> <p>April 2015 Director; Representative of China Division (present)</p> <p>[Significant concurrent positions] President, Shanghai XuHui Diamond Industrial Co., Ltd.</p>	11,882
<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Toshimasa Hagiwara was involved in marketing. He currently serves as the President of an overseas subsidiary. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a Director of the Company since June 2014, Mr. Hagiwara has been performing his duties appropriately. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
8	Osamu Koyama (August 8, 1948) Reelection Candidate for External Director Independent Director No. of years served as Director: 3 years Attendance at Board of Directors' meetings: 10/10	April 2005 April 2009 January 2013 June 2014 April 2017	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 (Retired from these two companies in March 2012) Director, Keimei Gakuen (present) Director of the Company (External Director) (present) Auditor, International University of Japan (present)	0
	<p>[Reasons for nomination as a candidate for External Director] Having served as Executive Managing Officer, Mitsui & Co., Ltd. and President & CEO, Mitsui Global Strategic Studies Institute, Mr. Osamu Koyama has great experience and profound insight as a manager and is expected to fulfill the role and responsibilities of an External Director, including management oversight and provision of advice on overall management. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.</p>			
<p>[Matters concerning independence] Mr. Osamu Koyama has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Mr. Koyama and the Company other than Director remuneration. While Mr. Komiya previously served as Executive Managing Officer, Mitsui & Co., Ltd. and President & CEO, Mitsui Global Strategic Studies Institute, the Company and the Mitsui Group have no cross-shareholding, and although the Company procures raw materials from the Mitsui Group, the amount of such transactions was equal to approximately 0.01% of consolidated net sales of Mitsui & Co., Ltd. Mr. Koyama serves as a Director of Keimei Gakuen and an Auditor of the International University of Japan. However, no special interest exists between these educational corporations and the Company. Therefore, Mr. Koyama satisfies the Company's criteria for independence in accordance with the Basic Policy for Appointment of External Directors and External Audit & Supervisory Board Members (see Page 11) and is judged to be independent.</p>				
<p>[Liability limitation agreement] The Company has entered into an agreement with Mr. Osamu Koyama to limit his liability pursuant to Article 423, Paragraph 1 of the Company Law so that he can fulfill his expected role. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If his reelection is approved, the Company intends to renew the liability limitation agreement with him.</p>				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
9	Shinichi Nagata (January 31, 1948)	July 1998	Associate Director-General, Loan Planning Department, The Fuji Bank, Ltd. (current Mizuho Bank, Ltd.) (Left the company in June 1999)	1,000
	Reelection Candidate for External Director	June 1999	Director, Fine Credit Co., Ltd. (current Yamato Credit & Finance Co., Ltd.)	
	Independent Director	July 2000	Managing Director; Fine Credit Co., Ltd.	
		July 2006	Managing Executive Officer; Fine Credit Co., Ltd. (retired in June 2008)	
	No. of years served as Director: 2 years	June 2008	Audit & Supervisory Board Member (External Audit & Supervisory Board Member) of the Company (retired in June 2015)	
Attendance at Board of Directors' meetings: 10/10	June 2015	Director of the Company (External Director) (present)		
[Reasons for nomination as a candidate for External Director] Mr. Shinichi Nagata has great experience and profound insight gained through his career at financial institutions and is expected to fulfill the role and responsibilities of an External Director, including management oversight and provision of advice on overall management. Thus, the Company judges that he is a suitable person to serve as a Director of the Company and has nominated him for reelection as a candidate for Director.				
[Matters concerning independence] Mr. Shinichi Nagata has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Mr. Nagata and the Company other than Director remuneration. Mr. Nagata previously worked for Mizuho Bank, Ltd., which is one of the financial institutions the Company has transactions with, but 18 years have passed since he left the bank. The Company and the Mizuho Financial Group have no cross-shareholding. Loans payable to the said bank amount to only ¥204 million pertaining to an overseas subsidiary of the Company, and the said bank is not a major financial institution for the Company. While Mr. Nagata previously served as a Managing Executive Officer of Yamato Credit & Finance Co., Ltd., no special interest exists between Yamato Credit & Finance Co., Ltd. and the Company. Therefore, Mr. Nagata satisfies the Company's criteria for independence in accordance with the Basic Policy for Appointment of External Directors and External Audit & Supervisory Board Members (see Page 11) and is judged to be independent.				
[Liability limitation agreement] The Company has entered into an agreement with Mr. Shinichi Nagata to limit his liability pursuant to Article 423, Paragraph 1 of the Company Law so that he can fulfill his expected role. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If his reelection is approved, the Company intends to renew the liability limitation agreement with him.				

(Notes)

1. Special interest between candidates for Director and the Company
 - 1) Mr. Ming-Shong Lan, a candidate for Director, also serves as the president of Taiwan Asahi Diamond Industrial Co., Ltd., a subsidiary of the Company, with which the Company has a business relationship, including sales of products.
 - 2) No special interest exists between other candidates for Director and the Company.
2. The number of years served as a Director is the number of years that will have been served at the conclusion of this Annual General Meeting of Shareholders.
3. The number of shares of the Company held by each candidate for Director is the number held as of March 31, 2017, and includes the number of shares held through the Executive Shareholding Association.

Proposal 3: Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Mr. Moritoshi Hattori will retire by resignation at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of one (1) Audit & Supervisory Board Member as a substitute is proposed.

The candidate for Audit & Supervisory Board Member will be elected as a substitute for Audit & Supervisory Board Member Mr. Moritoshi Hattori. Thus, the term of office shall be until the expiration of the remaining term of office of the retiring Audit & Supervisory Board Member (until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2020) in accordance with the provisions of the Company's Articles of Incorporation.

The consent of the Audit & Supervisory Board has been obtained for the submission of this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Past experience, positions and significant concurrent positions		Number of shares of the Company held
Masahito Kawashima (August 5, 1953)	May 2004	Deputy General Manager, Osaka Office, The Bank of Tokyo-Mitsubishi, Ltd. (current The Bank of Mitsubishi-Tokyo UFJ, Ltd.) (Left the Company in January 2006)	0
New election	February 2006	Managing Executive Officer, Mitsubishi UFJ Capital Co., Ltd.	
Candidate for External	June 2006	Representative Director, Managing Director, Mitsubishi UFJ Capital Co., Ltd. (retired in June 2009)	
Audit & Supervisory	June 2009	Representative Director, Executive Vice President, MU Frontier Servicer Co., Ltd. (retired in October 2010)	
Board Member	April 2011	Executive Vice President, CFO, Chiyoda Corporation	
Independent Auditor	June 2011	Representative Director and Executive Vice President, CFO, Chiyoda Corporation (present) (scheduled to retire in June 2017)	
[Reasons for nomination as a candidate for External Audit & Supervisory Board Member] Mr. Masahito Kawashima has abundant business experience, profound insight, and extensive knowledge about finance and accounting gained through his career at financial institutions. He currently serves as Representative Director and Executive Vice President, CFO, Chiyoda Corporation and is responsible for risk management. He is expected to fulfill the role and responsibilities of an External Audit & Supervisory Board Member. Thus, the Company judges that he is a suitable person to serve as an Audit & Supervisory Board Member of the Company and has nominated him for election as a new candidate for Audit & Supervisory Board Member.			
[Matters concerning independence] Mr. Masahito Kawashima has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Mr. Kawashima and the Company. Mr. Kawashima previously worked for The Bank of Mitsubishi-Tokyo UFJ, Ltd., which is one of the financial institutions the Company has transactions with, but 11 years have passed since he left the bank. The Bank of Mitsubishi-Tokyo UFJ, Ltd., which holds 2.49% of the voting rights of the Company, is not a major shareholder of the Company. The Company's holding of the voting rights of Mitsubishi UFJ Financial Group, Inc. is less than 0.1%. Loans payable to the said bank amount to only ¥17 million pertaining to an overseas subsidiary of the Company, and the said bank is not a major financial institution for the Company. While Mr. Kawashima previously served as a Representative Director, Managing Director of Mitsubishi UFJ Capital Co., Ltd. and Representative Director, Executive Vice President, MU Frontier Servicer Co., Ltd., no special interest exists between these two companies and the Company. While Mr. Kawashima currently serves as Representative Director and Executive Vice President, CFO, Chiyoda Corporation, no special interest exists between Chiyoda Corporation and the Company. Therefore, Mr. Kawashima satisfies the Company's criteria for independence in accordance with the Basic Policy for Appointment of External Directors and External Audit & Supervisory Board Members (see Page 11) and is judged to be independent.			
[Liability limitation agreement] If election of Mr. Masahito Kawashima is approved, the Company intends to enter into an agreement with him to limit his liability pursuant to Article 423, Paragraph 1 of the Company Law so that he can fulfill his expected role. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations.			

(Note) No special interest exists between Mr. Masahito Kawashima and the Company.

(Reference)

Policies and Procedures for Nominating Candidates for Director and Audit & Supervisory Board Member

The Company nominates persons capable of appropriately playing the role and duties of Director from a comprehensive viewpoint from among persons with specialized knowledge, experience and capabilities in various fields, taking into consideration the diversity and the balance of the Board of Directors as a whole.

The Company nominates persons capable of appropriately fulfilling the role and duties of Audit & Supervisory Board Member from a comprehensive viewpoint from among persons with insight into finance and accounting and other persons with specialized knowledge, experience and capabilities in various fields.

Nomination of candidates for Director and Audit & Supervisory Board Member is proposed by the President and Representative Director to the Board of Directors and determined by the Board of Directors. The President and Representative Director confirms opinions of independent External Directors prior to submitting a proposal regarding candidates to the Board of Directors.

Nomination of candidates for Audit & Supervisory Board Members is proposed to the Board of Directors after obtaining consent of the Audit & Supervisory Board.

Basic Policy for Appointment of External Directors and External Audit & Supervisory Board Members

The Company shall appoint a person as an Independent External Director/Audit & Supervisory Board Member (“External Officers”) who meets the requirements for outside directors/auditors prescribed by the Company Law, the requirements for independent directors/auditors prescribed by the Tokyo Stock Exchange, and the independence criteria of the Company described below and has experience and knowledge required for fulfilling the role and responsibilities expected of an Independent External Officer.

If none of the following attributes applies to an External Officer, the Company judges that such External Officer 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 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