



# FY2017 Financial Results and FY2018 Forecasts

**May 25, 2018**

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



## *1. About Asahi Diamond*

## 2. FY2017 Financial Results

## 3. FY2018 Forecasts

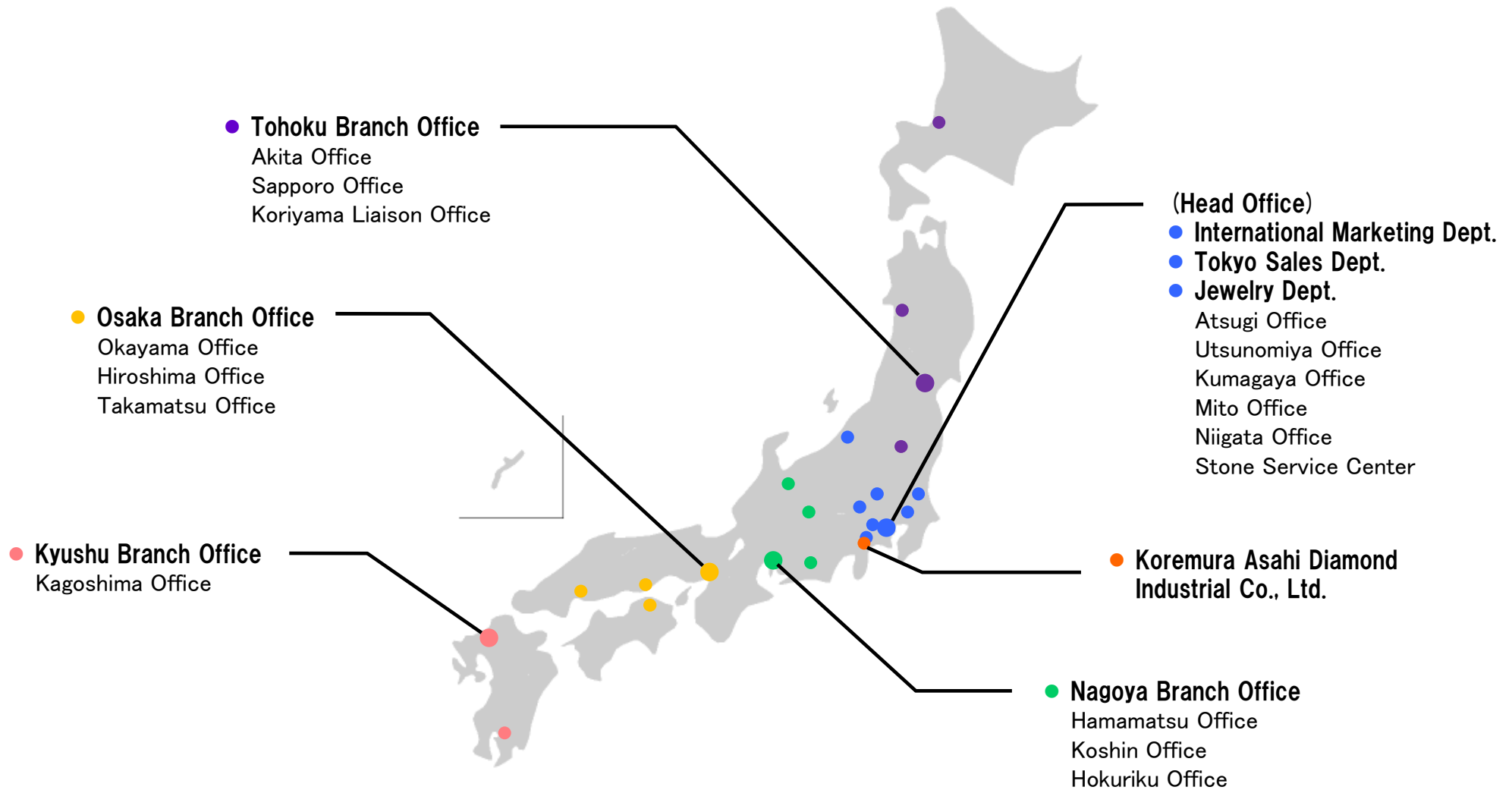
## 4. Review of Mid-Term Business Plan

## 5. Future Strategy

- ◆ **Company Name:** Asahi Diamond Industrial Co., Ltd.
- ◆ **Establishment:** October 9<sup>th</sup>, 1937
- ◆ **Paid-in Capital:** 4,102 million yen
- ◆ **Head Office:** The New Otani Garden Court 11F, 4-1 Kioi-cho Chiyoda-ku, Tokyo 102-0094 Japan
- ◆ **Number of Employees (Consolidated) :** 2,157 (March 31, 2018)
- ◆ **Business Overview:** To produce, sell, export and import various tools, instruments and precision machines applicable for diamond and other high-hardness objects; To lap, work, 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) :** 45,458 million yen (FY2017)

# Domestic Network (Sales Offices)

◆ Location of Sales office: 24 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 Asahi Diamond Industrial Co., Ltd.**

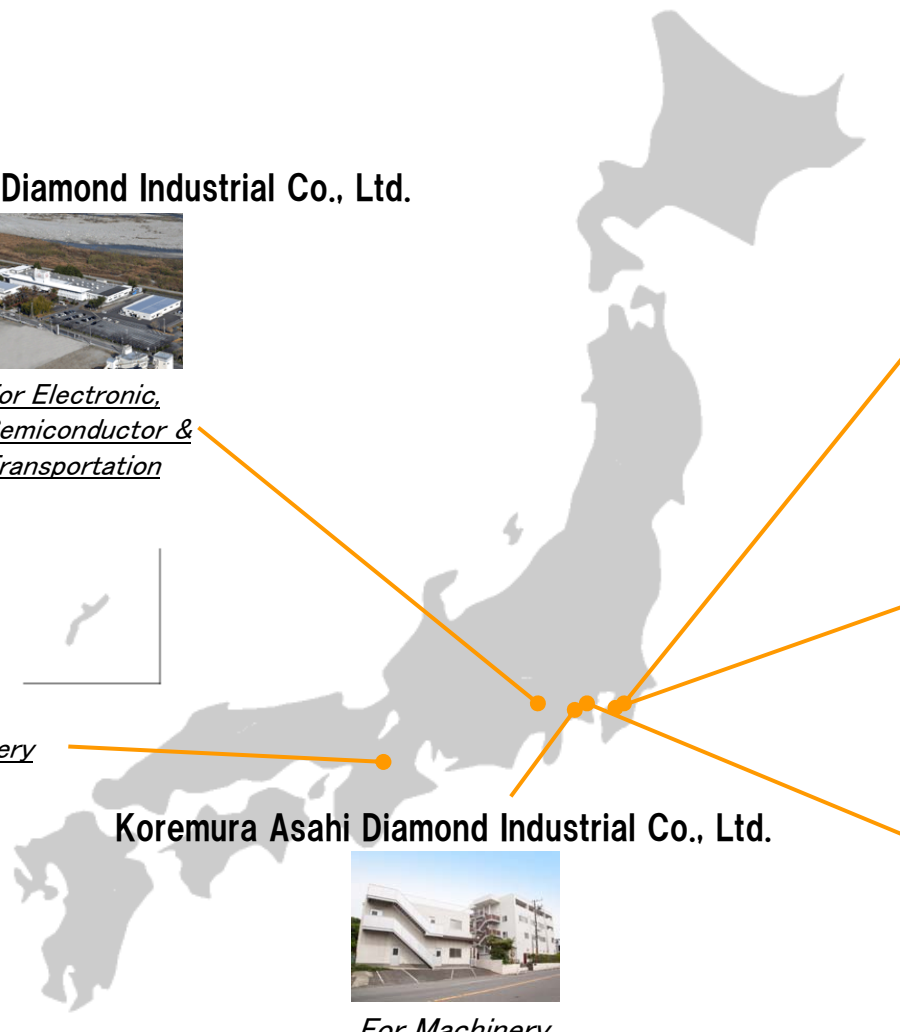


*For Machinery  
& Transportation*

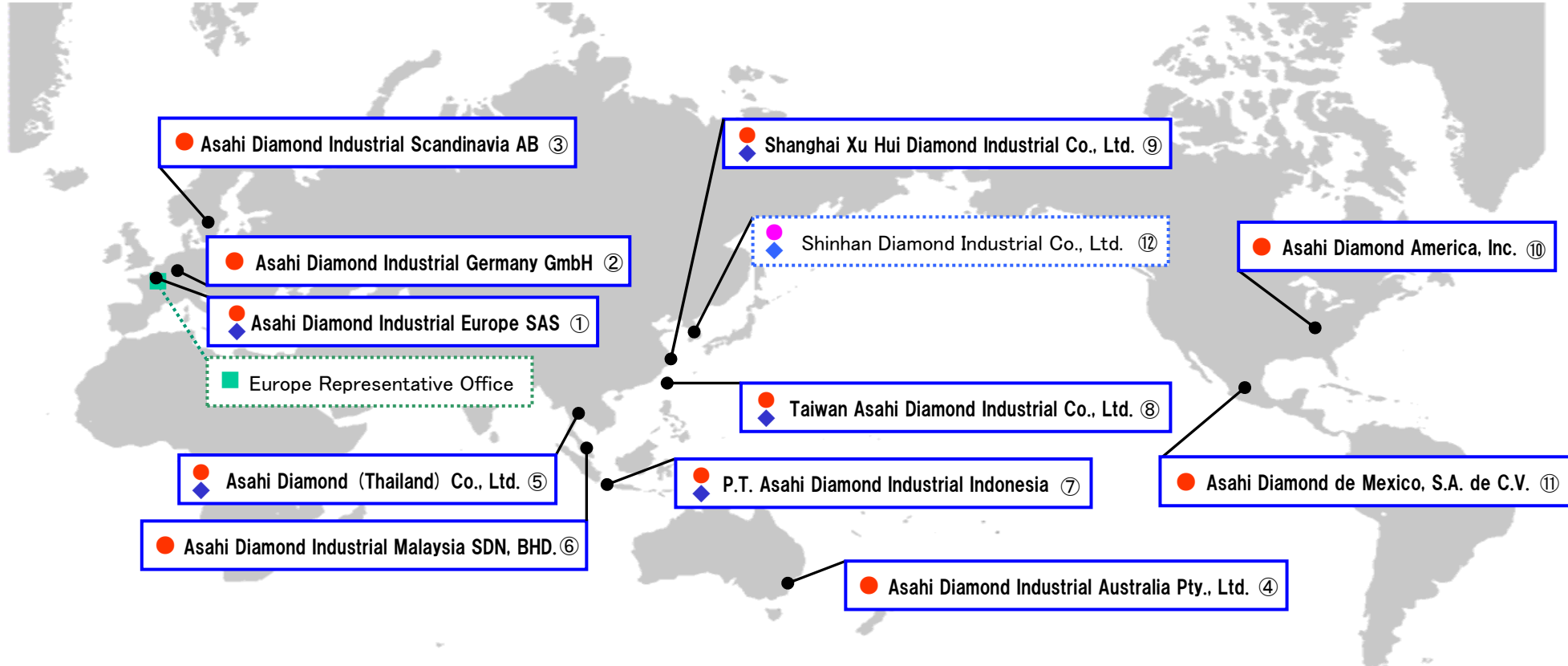
**Tamagawa Factory**



*For Electronic,  
Semiconductor, Machinery  
& Transportation*

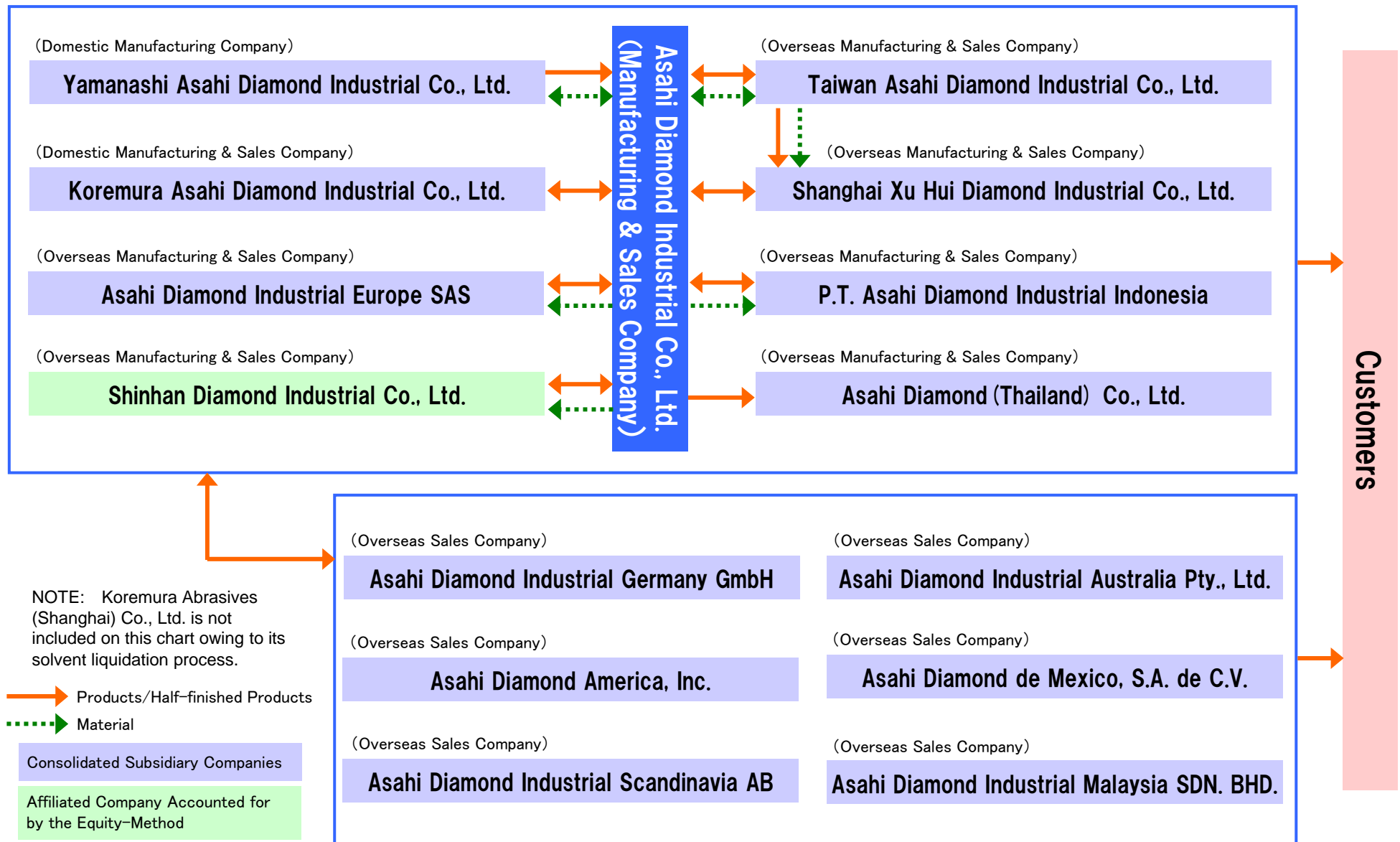


# Global Network



Subsidiaries		Affiliate	
<span style="color: red;">●</span>	Sales Office	<span style="color: magenta;">◆</span>	Sales Office
<span style="color: blue;">◆</span>	Manufacturing Site	<span style="color: blue;">◆</span>	Manufacturing Site
		<span style="border: 1px dashed green; padding: 2px;"> </span>	
		Representative Office	

# Business Relation Chart



# Sales by Industry and Markets

Industry	Financial Year 2017		Classification	Application	Market
	(Millions of Yen)	%			
Electronics and Semiconductor	19,257	42.4%	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	9,300	20.5%	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	9,884	21.7%	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	5,353	11.8%	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	1,662	3.6%		○University, research institution, ceramic industry, jewel, etc.	
<b>Total</b>	<b>45,458</b>	<b>100.0%</b>			



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4. Review of Mid-Term Business Plan

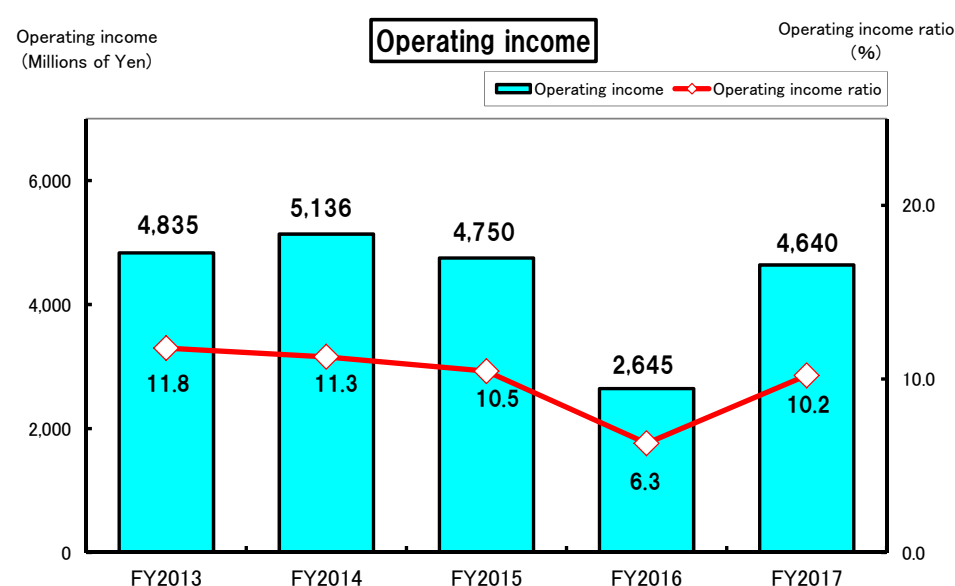
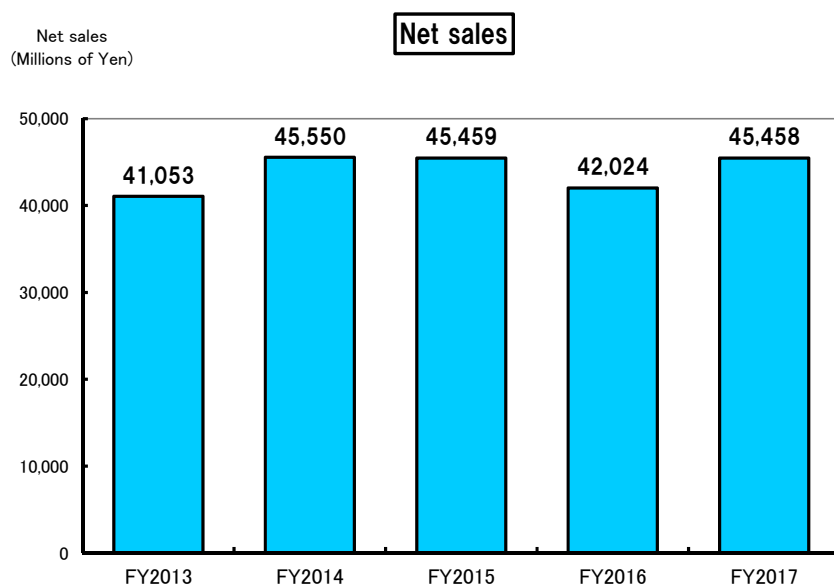
5. Future Strategy

# Financial Results (Consolidated)

(Millions of Yen)

	FY2016		FY2017					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
<b>Net sales</b>	42,024	100.0	45,600	100.0	<b>45,458</b>	100.0	+3,433	+8.2
<b>Operating income</b>	2,645	6.3	4,300	9.4	<b>4,640</b>	10.2	+1,995	+75.5
<b>Ordinary income</b>	2,945	7.0	4,740	10.4	<b>5,074</b>	11.2	+2,129	+72.3
Profit attributable to owners of parent	2,487	5.9	3,170	7.0	<b>1,614</b>	3.6	-872	-35.1
Earning per share (Yen)	44.34	-	56.92	-	<b>29.00</b>	-	-15.34	-34.6

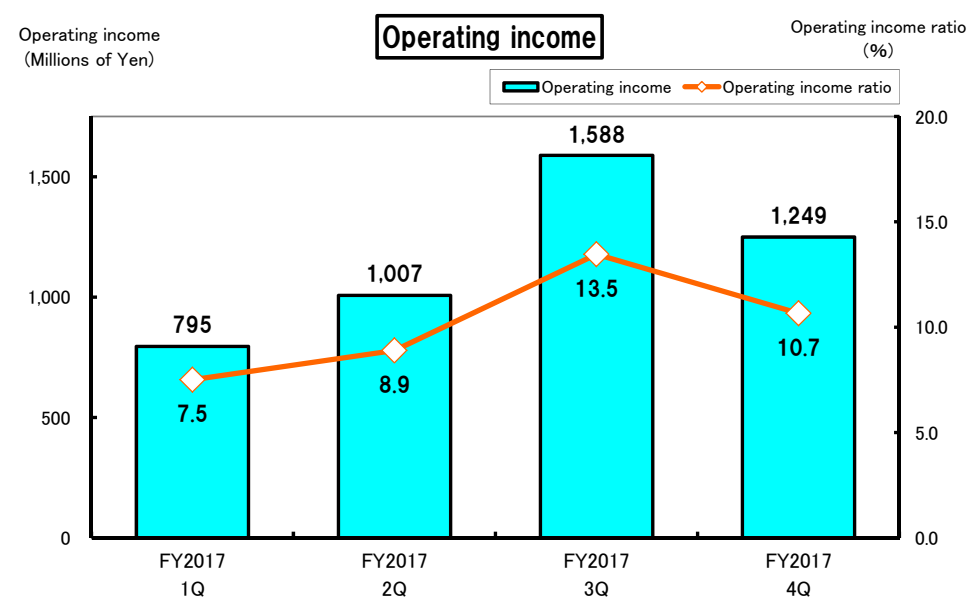
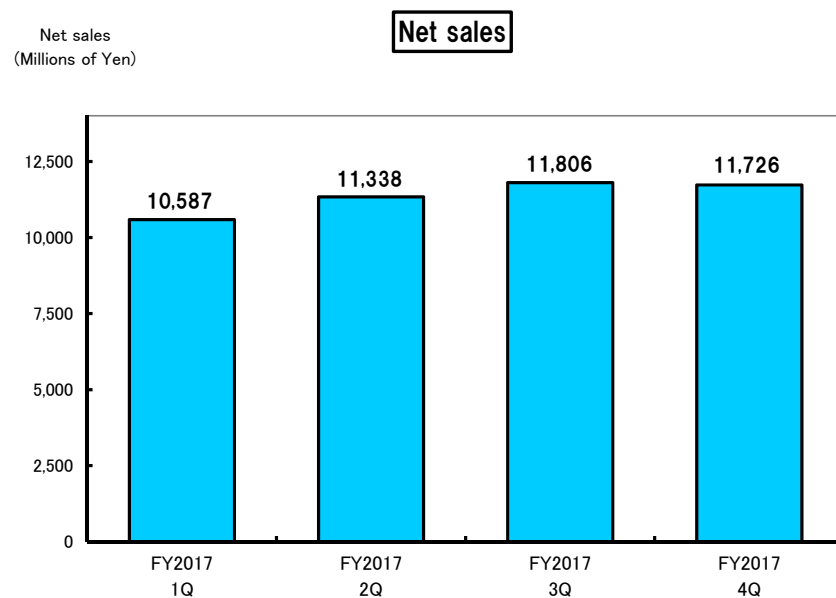
Note) Revised forecast figures were announced on February 9, 2018.



# Quarterly Results of Operation (Consolidated)

(Millions of Yen)

	FY2017							
	First quarter		Second quarter		Third quarter		Fourth quarter	
	Results	%	Results	%	Results	%	Results	%
Net sales	10,587	100.0	11,338	100.0	11,806	100.0	11,726	100.0
Operating income	795	7.5	1,007	8.9	1,588	13.5	1,249	10.7
Ordinary income	887	8.4	1,155	10.2	1,700	14.4	1,330	11.3
Profit attributable to owners of parent	688	6.5	800	7.1	1,202	10.2	-1,076	-9.2



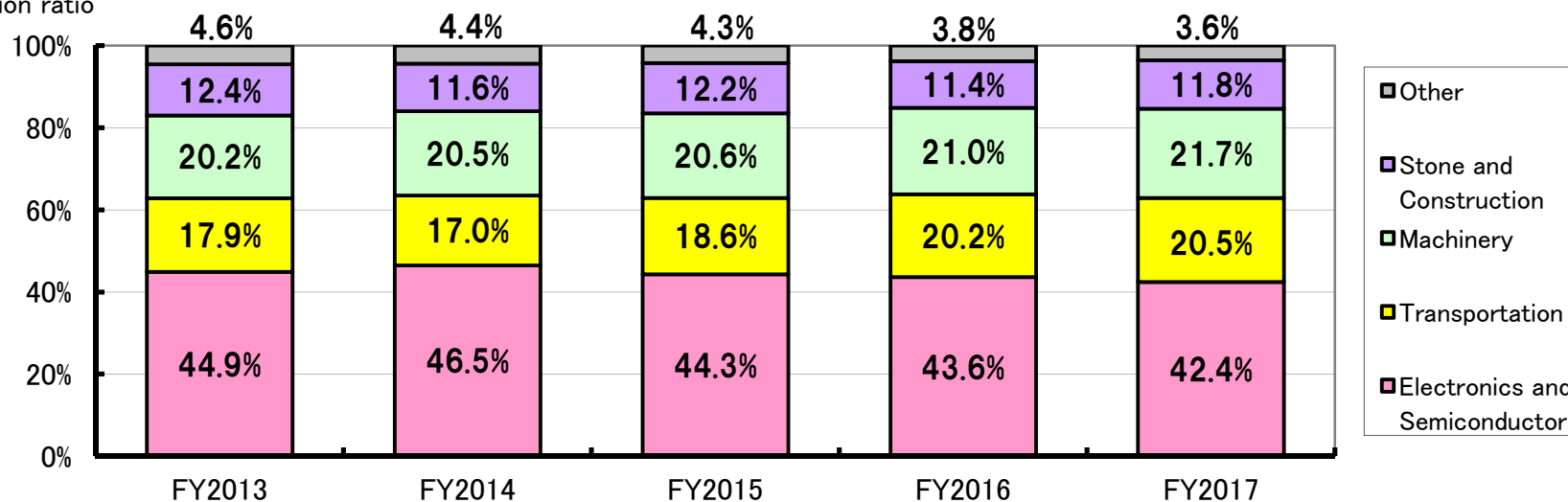
# Net Sales Breakdown by Industry (Consolidated)

(Millions of Yen)

	FY2016		FY2017					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Electronics and Semiconductor	18,323	43.6	19,320	42.4	<b>19,257</b>	42.4	+933	+5.1
<b>Transportation</b>	8,481	20.2	9,300	20.4	<b>9,300</b>	20.5	+818	+9.7
<b>Machinery</b>	8,805	21.0	9,900	21.7	<b>9,884</b>	21.7	+1,079	+12.3
Stone and Construction	4,818	11.4	5,380	11.8	<b>5,353</b>	11.8	+534	+11.1
<b>Other</b>	1,595	3.8	1,700	3.7	<b>1,662</b>	3.6	+67	+4.2
<b>Total</b>	<b>42,024</b>	<b>100.0</b>	<b>45,600</b>	<b>100.0</b>	<b>45,458</b>	<b>100.0</b>	<b>+3,433</b>	<b>+8.2</b>

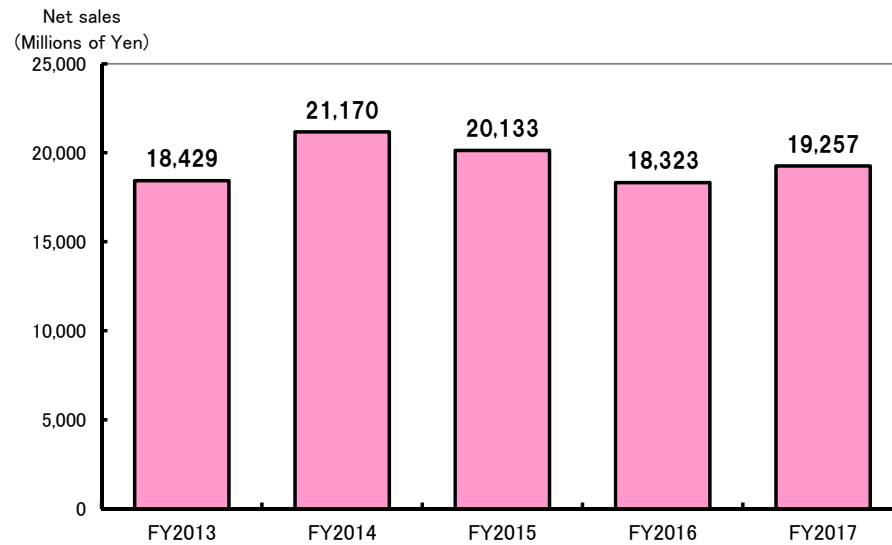
Note) Revised forecast figures were announced on February 9, 2018.

Composition ratio

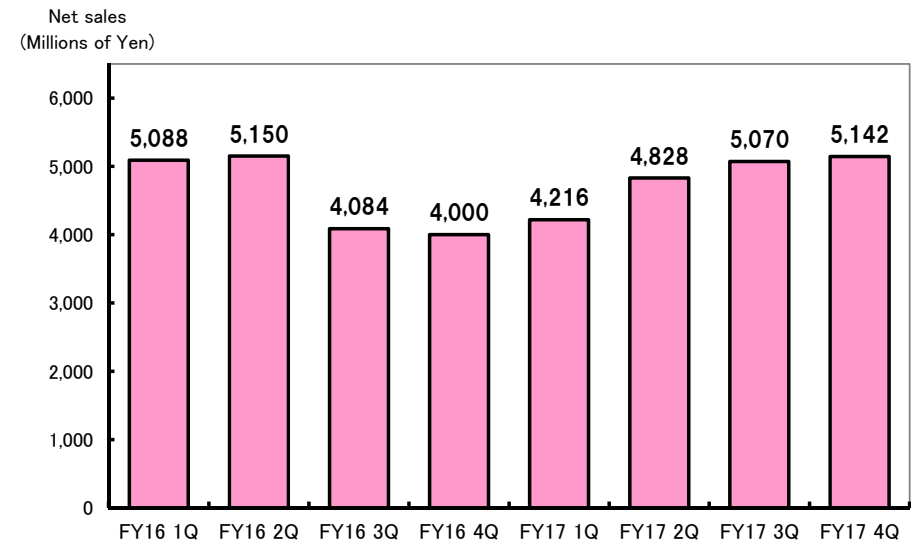


# Net Sales Breakdown by Industry : 1. Electronics and Semiconductor

【Full-year】

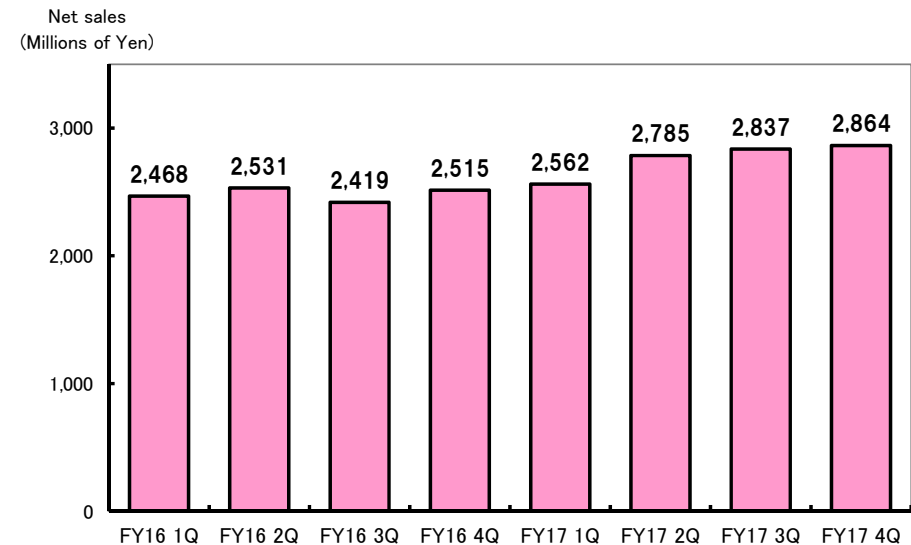
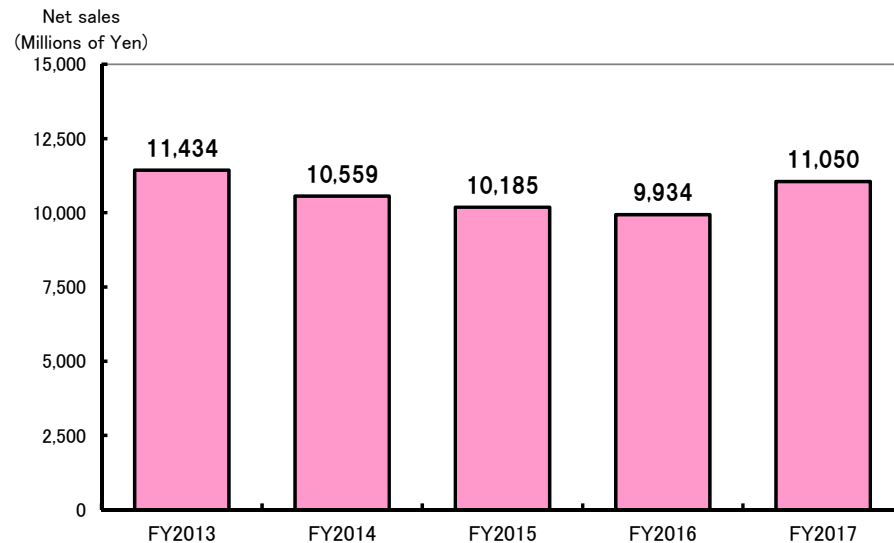


【Quarter】



## 【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 increased due to favorable growth in TV and touchscreen productions.

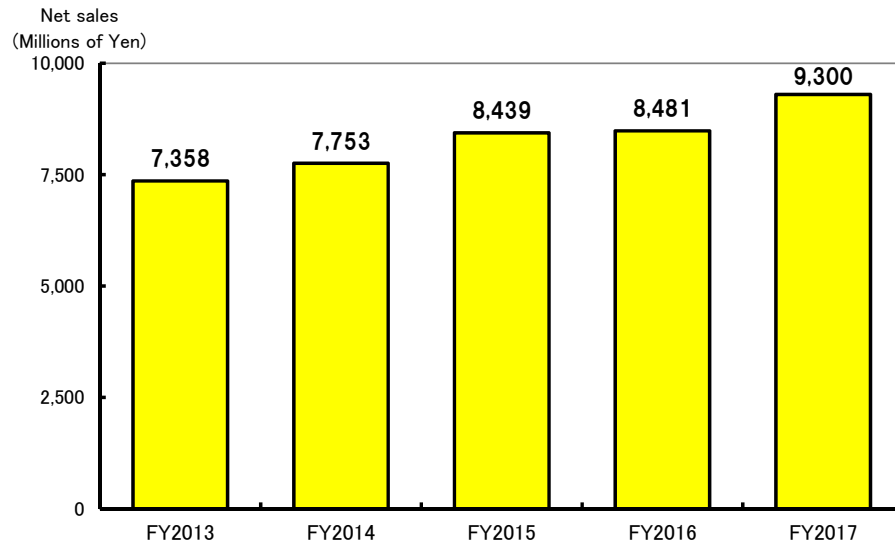
### ◆ Wire Drawing Die

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

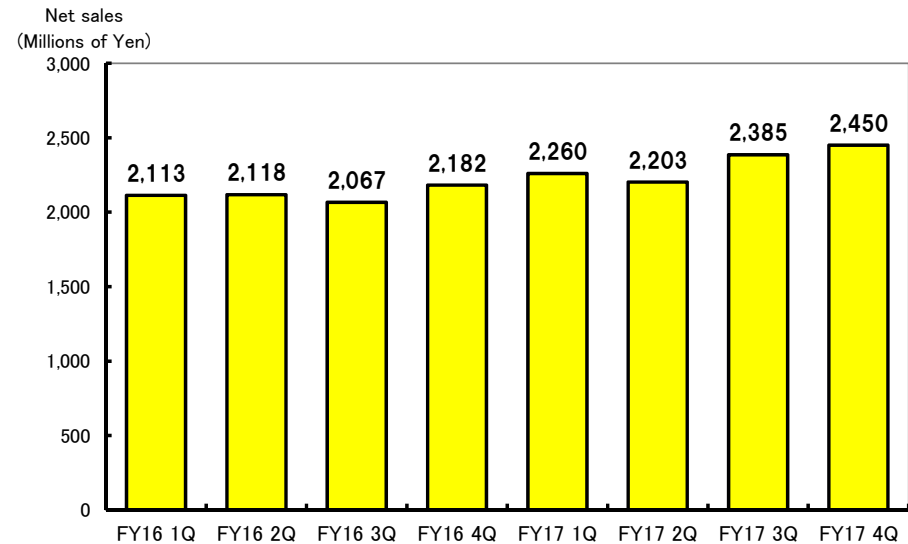


# Net Sales Breakdown by Industry : 2. Transportation

【Full-year】



【Quarter】



◆ **Automobile**

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

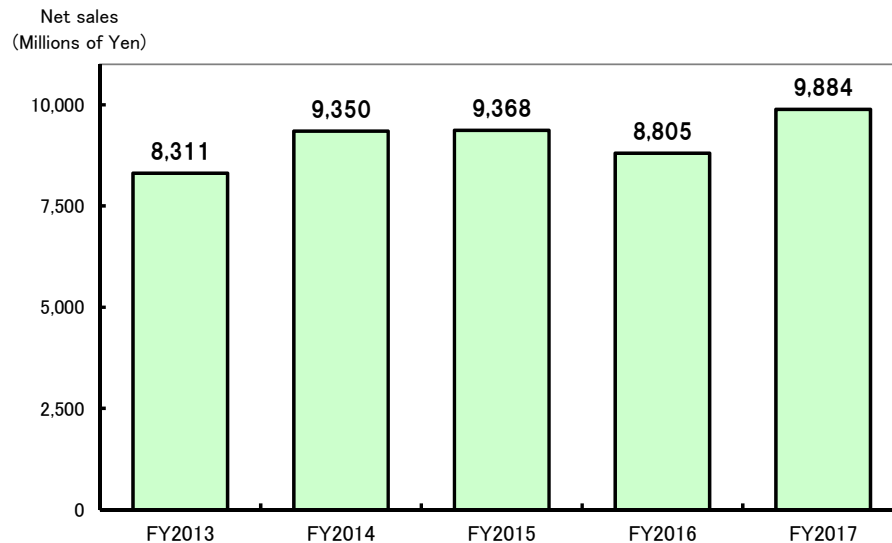
◆ **Aircraft**

Sales of the related tools increased due to favorable growth in its production.

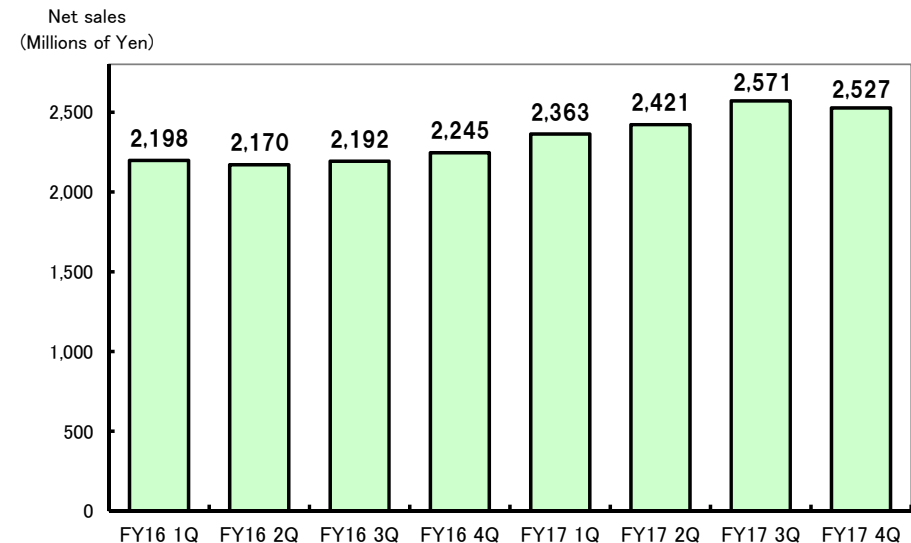


# Net Sales Breakdown by Industry : 3. Machinery

【Full-year】



【Quarter】



## ◆ Bearing

Sales of the related tools was increased by production growth in bearings for automotive and industrial machinery.

## ◆ Cemented Carbide Tool

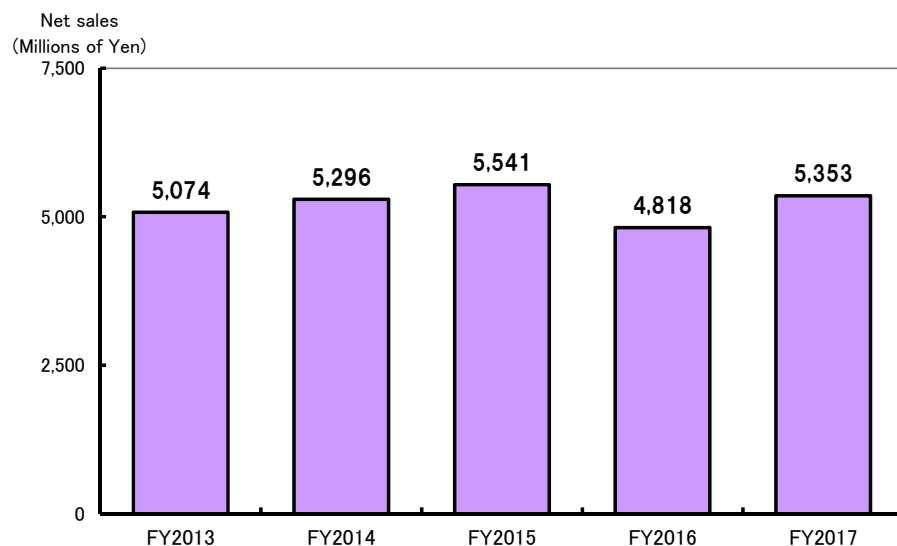
Sales of the related tools was increased by its production growth in Japan.



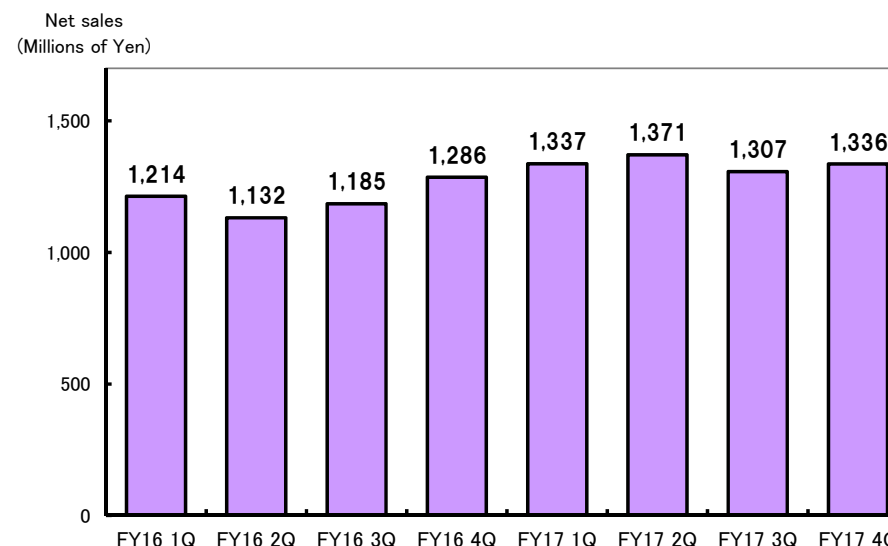


# Net Sales Breakdown by Industry : 4. Stone and Construction

【Full-year】



【Quarter】



## ◆ Mining

Sale of the related tools increased in recovering market trend for geological survey in Japan and mineral exploration in other geographical regions.

## ◆ Construction in Japan

Sales of the related tools was increased by launching new products and sales growth in demolition tools despite fewer public works of road constructions.

## ◆ Commercial Product (Portable Cutter)

Sales of the related tools was increased mainly by launching new products for overseas markets.



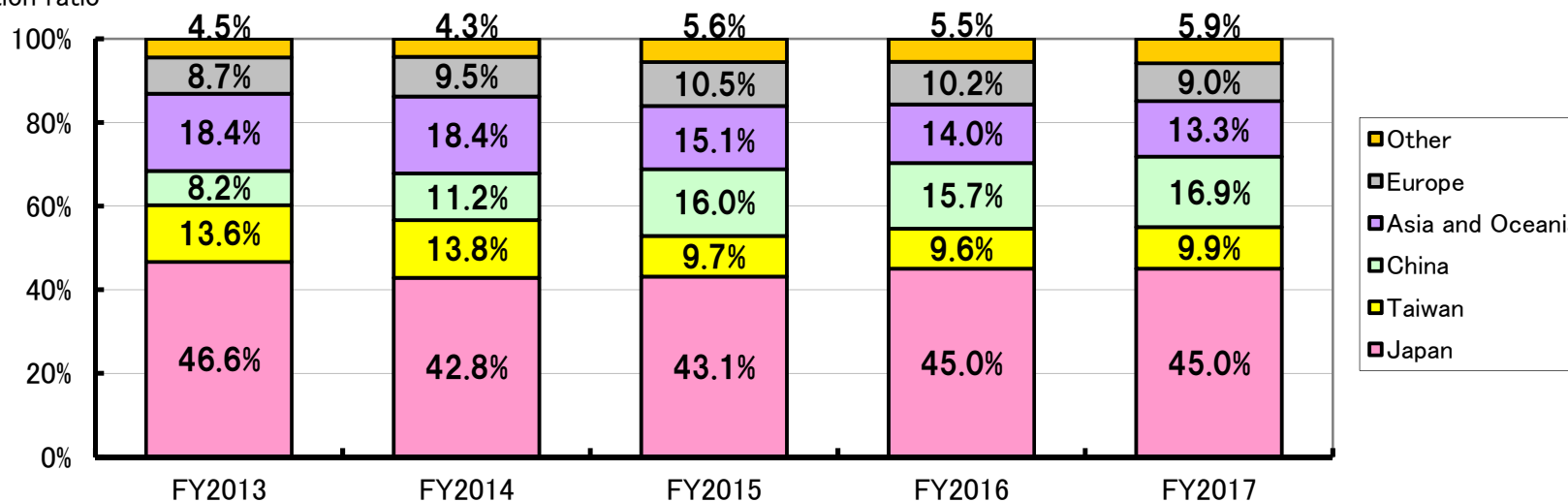
# Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

	FY2016		FY2017					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Japan	18,919	45.0	20,770	45.6	<b>20,480</b>	45.0	+1,560	+8.2
Taiwan	4,043	9.6	4,490	9.8	<b>4,487</b>	9.9	+443	+11.0
China	6,605	15.7	7,740	17.0	<b>7,668</b>	16.9	+1,062	+16.1
Other Asia and Oceania	5,858	14.0	5,980	13.1	<b>6,042</b>	13.3	+184	+3.1
Europe	4,280	10.2	3,970	8.7	<b>4,079</b>	9.0	-201	-4.7
Other	2,316	5.5	2,650	5.8	<b>2,700</b>	5.9	+384	+16.6
Overseas total	23,105	55.0	24,830	54.4	<b>24,978</b>	55.0	+1,873	+8.1
Total	42,024	100.0	45,600	100.0	<b>45,458</b>	100.0	+3,433	+8.2

Note) Revised forecast figures were announced on February 9, 2018.

Composition ratio



# Consolidated Balance Sheets

(Millions of Yen)

	2017/3	2018/3	Change		2017/3	2018/3	Change
<b>Assets</b>				<b>Liabilities</b>			
Cash and deposits	14,916	18,202	+3,286	Notes and accounts payable-trade	1,632	1,865	+233
Notes and accounts receivable-trade	10,846	12,782	+1,936	Income taxes payable	208	1,087	+879
Inventories	6,234	6,693	+459	Net defined benefit liability	7,672	7,801	+128
Property, plant and equipment	23,133	19,919	-3,213	Other	3,880	4,215	+334
Intangible assets	123	107	-15	<b>Total liabilities</b>	13,394	14,969	+1,575
Investment securities	12,930	14,502	+1,572	<b>Net assets</b>			
Other	2,498	2,469	-28	<b>Total net assets</b>	57,288	59,708	+2,420
<b>Total assets</b>	70,682	74,678	+3,996	<b>Total liabilities and net assets</b>	70,682	74,678	+3,996

# Consolidated Statements of Cash Flows

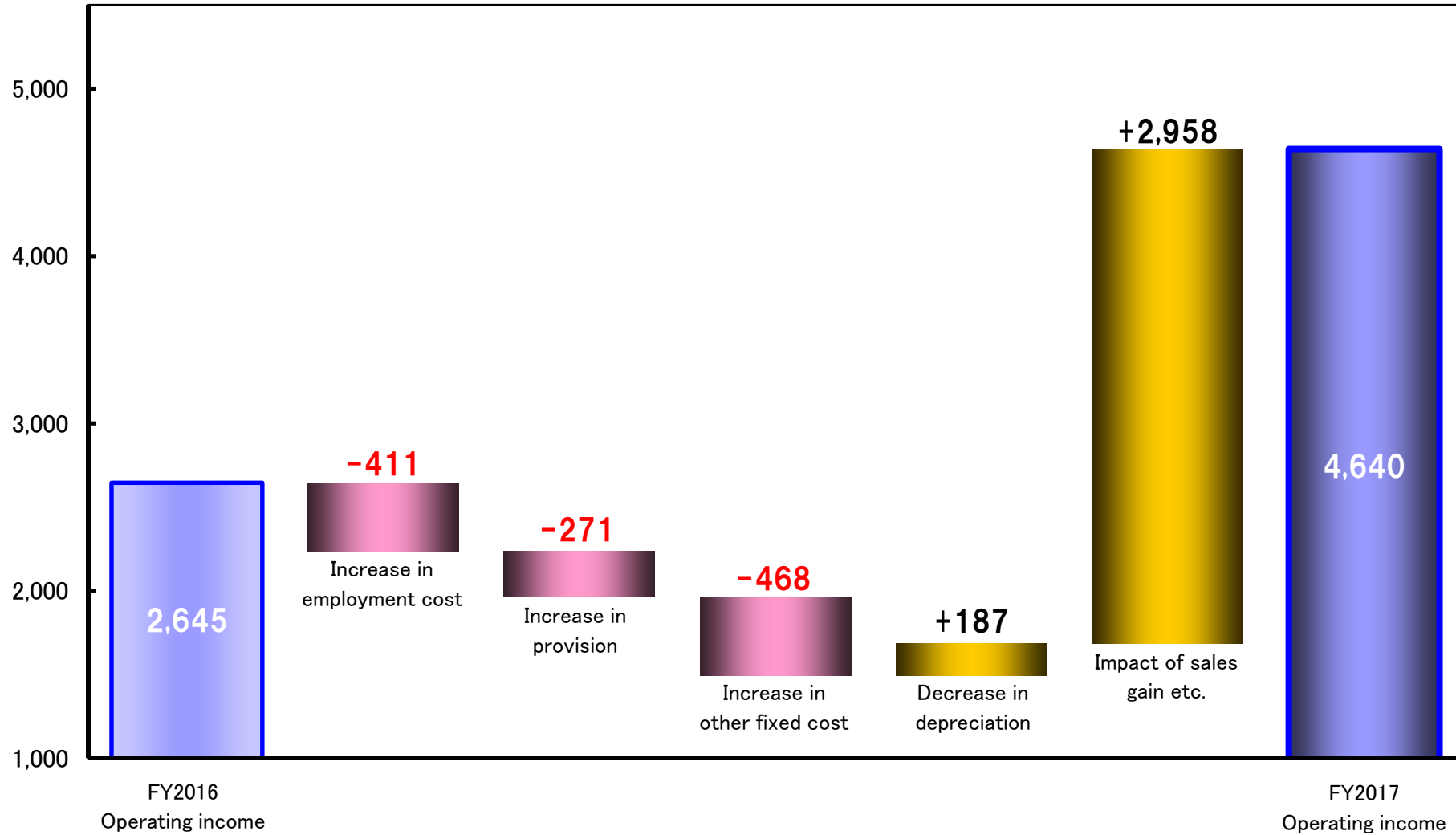
(Millions of Yen)

	FY2016	FY2017	Change
Profit before income taxes	3,241	2,649	-591
Depreciation	3,353	3,165	-187
Impairment loss	93	2,451	+2,357
Decrease (increase) in notes and accounts receivable - trade	569	-1,817	-2,387
Decrease (increase) in inventories	212	-394	-607
Income taxes paid	-1,165	-547	+617
Other	-101	931	+1,032
<b>Net cash provided by (used in) operating activities</b>	<b>6,205</b>	<b>6,439</b>	<b>+234</b>
Purchase or sales of property, plant and equipment	-2,190	-2,294	-104
Purchase or sales or redemption of investment securities	1,019	22	-997
Other	-23	-121	-97
<b>Net cash provided by (used in) investing activities</b>	<b>-1,194</b>	<b>-2,393</b>	<b>-1,199</b>
Purchase or sales of treasury shares	-846	-2	+844
Cash dividends paid	-1,409	-782	+626
Other	-147	-137	+10
<b>Net cash provided by (used in) financing activities</b>	<b>-2,631</b>	<b>-939</b>	<b>+1,692</b>
<b>Cash and cash equivalents at end of period</b>	<b>15,276</b>	<b>18,468</b>	<b>+3,192</b>

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



(Millions of Yen)



1. About Asahi Diamond

2. FY2017 Financial Results

***3. FY2018 Forecasts***

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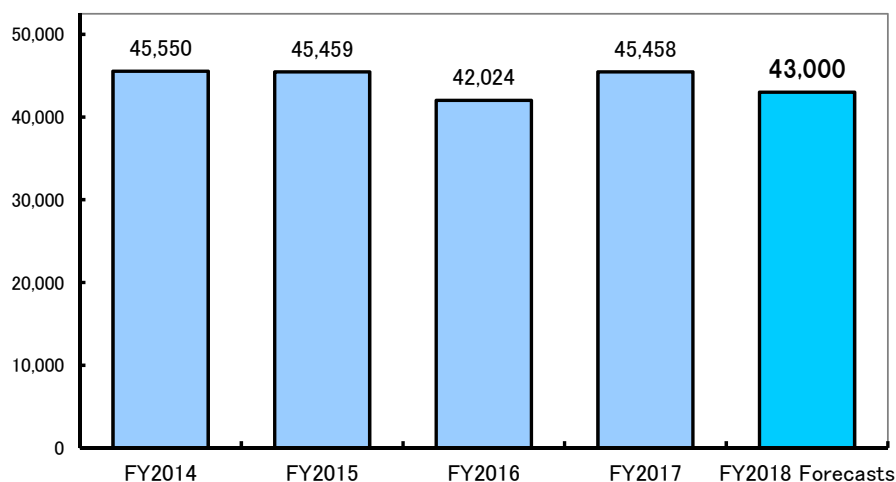
# Outline of Forecasts (Consolidated)

(Millions of Yen)

	FY2017 First half results	%	FY2018 First half forecasts	%	Change year-on-year	Change year- on-year (%)	FY2017 Full-year results	%	FY2018 Full-year forecasts	%	Change year-on-year	Change year- on-year (%)
<b>Net sales</b>	21,926	100.0	<b>21,000</b>	100.0	-926	-4.2	45,458	100.0	<b>43,000</b>	100.0	-2,458	-5.4
<b>Operating income</b>	1,802	8.2	<b>1,140</b>	5.4	-662	-36.8	4,640	10.2	<b>2,700</b>	6.3	-1,940	-41.8
<b>Ordinary income</b>	2,043	9.3	<b>1,580</b>	7.5	-463	-22.7	5,074	11.2	<b>3,350</b>	7.8	-1,724	-34.0
Profit attributable to owners of parent	1,489	6.8	<b>1,080</b>	5.1	-409	-27.5	1,614	3.6	<b>2,250</b>	5.2	+635	+39.3
Exchange rate	JPY/USD						112.5	-	<b>105.0</b>			
	JPY/EUR						126.9	-	<b>130.0</b>			
	JPY/CNY						16.7	-	<b>16.5</b>			

Net sales  
(Millions of Yen)

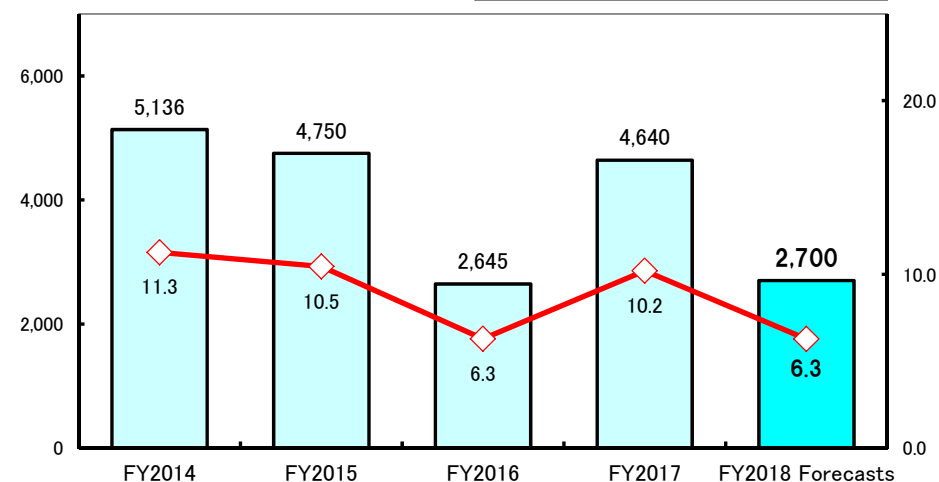
**Net sales**



Operating income  
(Millions of Yen)

**Operating income**

Operating income ratio  
(%)

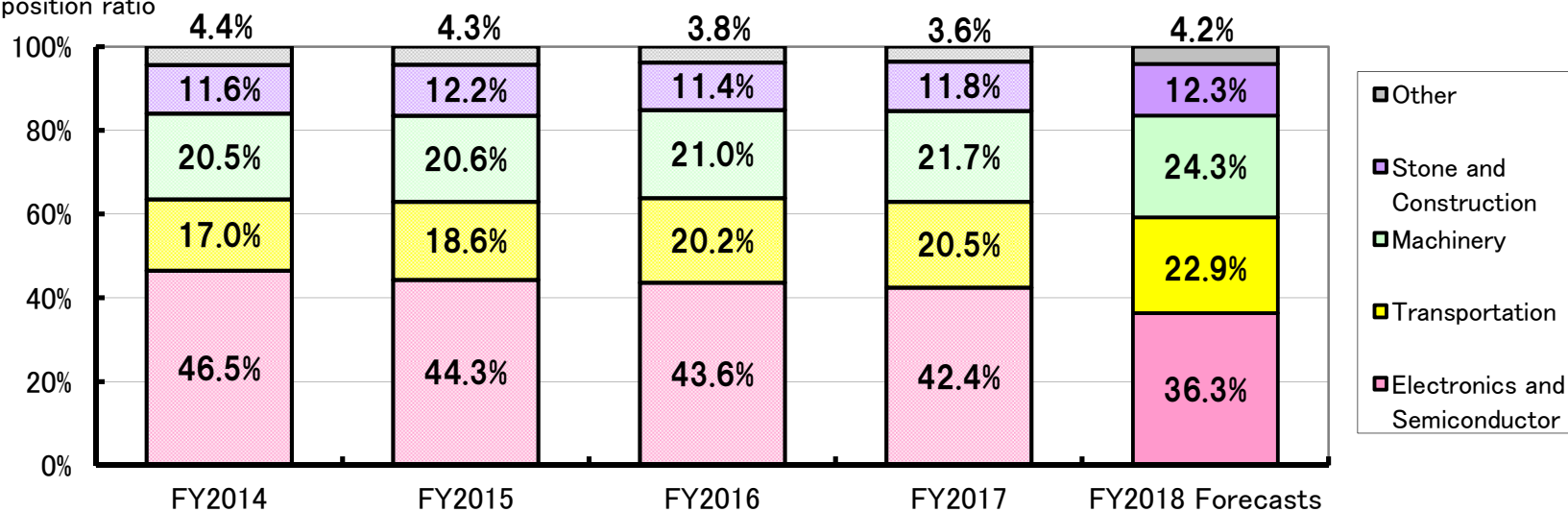


# Forecasts of Net Sales Breakdown by Industry (Consolidated)

(Millions of Yen)

	FY2017 First Half Results	%	FY2018 First Half Forecasts	%	Change year-on-year	Change year- on-year (%)	FY2017 Full-Year Results	%	FY2018 Full-Year Forecasts	%	Change year-on-year	Change year- on-year (%)
Electronics and Semiconductor	9,044	41.2	7,600	36.2	-1,444	-16.0	19,257	42.4	15,600	36.3	-3,657	-19.0
Transportation	4,464	20.4	4,740	22.6	+275	+6.2	9,300	20.5	9,830	22.9	+529	+5.7
Machinery	4,785	21.8	5,100	24.3	+314	+6.6	9,884	21.7	10,450	24.3	+565	+5.7
Stone and Construction	2,709	12.4	2,590	12.3	-119	-4.4	5,353	11.7	5,300	12.3	-53	-1.0
Other	922	4.2	970	4.6	+47	+5.2	1,662	3.7	1,820	4.2	+157	+9.5
<b>Total</b>	<b>21,926</b>	<b>100.0</b>	<b>21,000</b>	<b>100.0</b>	<b>-926</b>	<b>-4.2</b>	<b>45,458</b>	<b>100.0</b>	<b>43,000</b>	<b>100.0</b>	<b>-2,458</b>	<b>-5.4</b>

Composition ratio



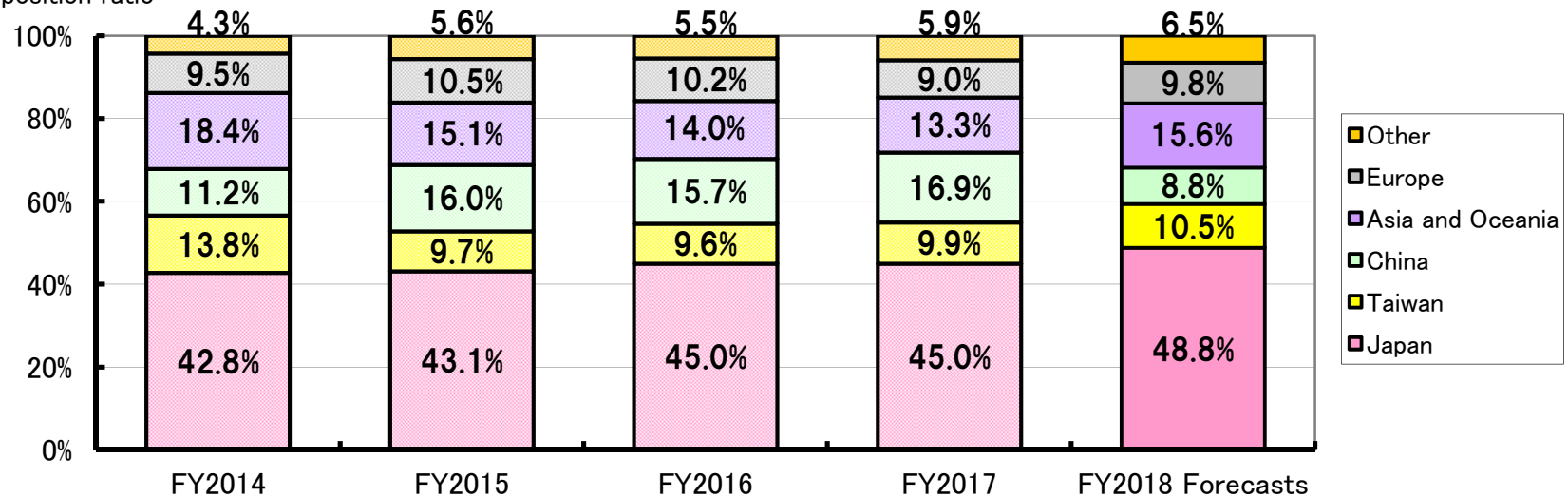


# Forecasts of Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

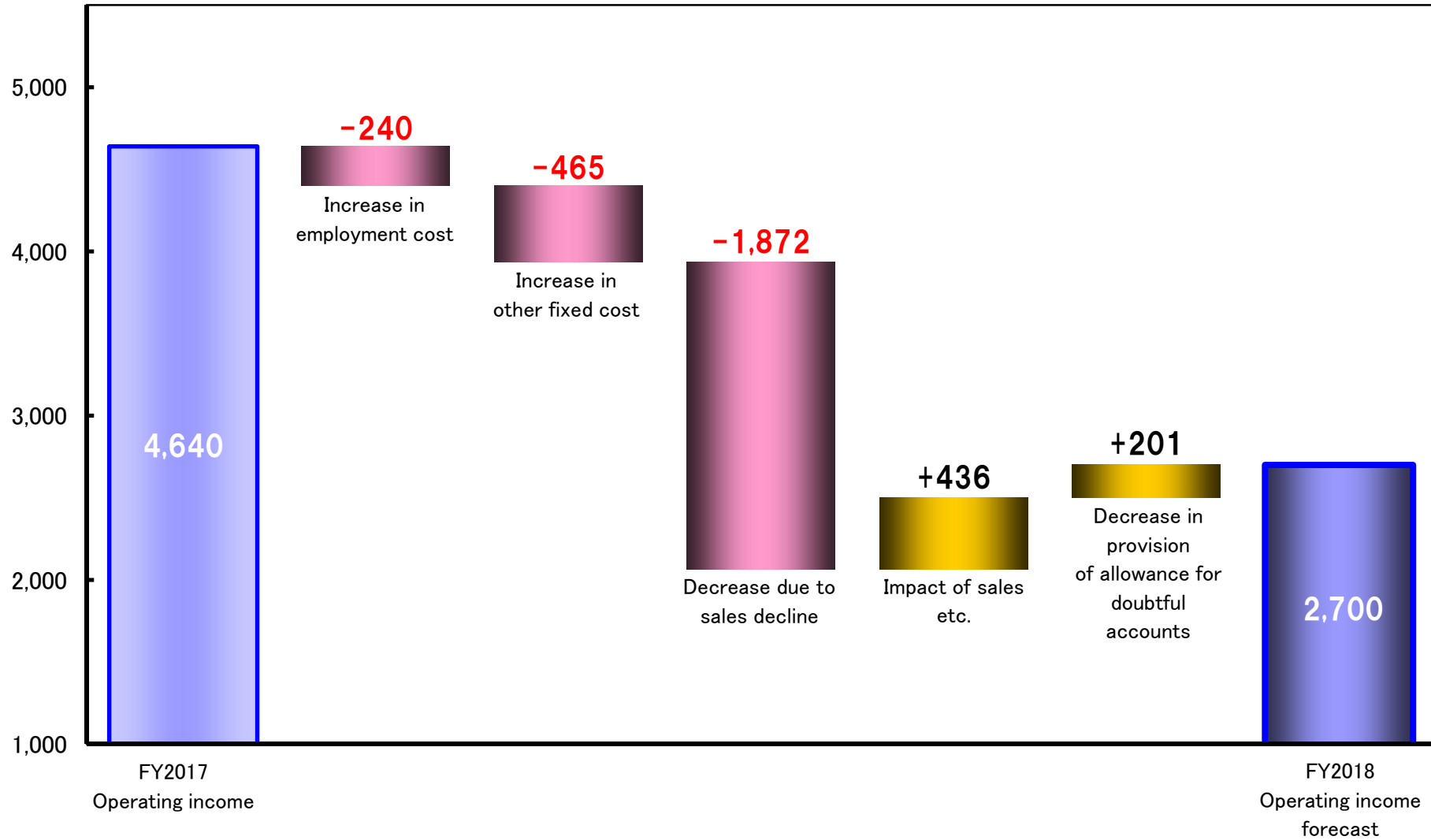
	FY2017 First Half Results	%	FY2018 First Half Forecasts	%	Change year-on-year	Change year- on-year (%)	FY2017 Full-Year Results	%	FY2018 Full-Year Forecasts	%	Change year-on-year	Change year- on-year (%)
<b>Japan</b>	10,013	45.7	<b>10,300</b>	49.0	+286	+2.9	20,480	45.0	<b>21,000</b>	48.8	+519	+2.5
<b>Taiwan</b>	2,286	10.4	<b>2,300</b>	11.0	+13	+0.6	4,487	9.9	<b>4,500</b>	10.5	+12	+0.3
<b>China</b>	3,264	14.9	<b>2,000</b>	9.5	-1,264	-38.7	7,668	16.9	<b>3,800</b>	8.8	-3,868	-50.4
<b>Other Asia and Oceania</b>	2,960	13.5	<b>2,900</b>	13.8	-60	-2.0	6,042	13.3	<b>6,700</b>	15.6	+657	+10.9
<b>Europe</b>	2,018	9.2	<b>2,200</b>	10.5	+181	+9.0	4,079	9.0	<b>4,200</b>	9.8	+120	+3.0
<b>Other</b>	1,382	6.3	<b>1,300</b>	6.2	-82	-6	2,700	5.9	<b>2,800</b>	6.5	+99	+3.7
<b>Overseas total</b>	11,912	54.3	<b>10,700</b>	51.0	-1,212	-10.2	24,978	55.0	<b>22,000</b>	51.2	-2,978	-11.9
<b>Total</b>	21,926	100.0	<b>21,000</b>	100.0	-926	-4.2	45,458	100.0	<b>43,000</b>	100.0	-2,458	-5.4

Composition ratio

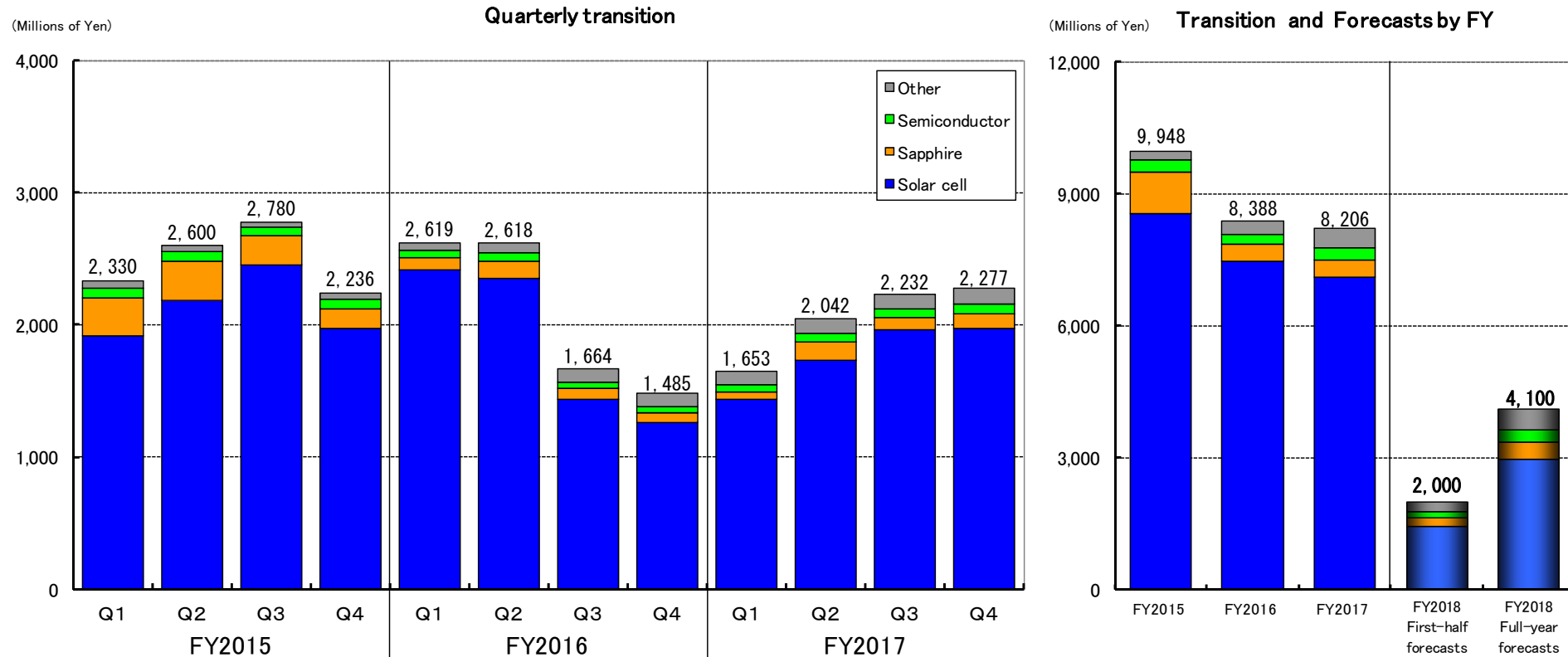


Forecast of Consolidated Operating Income 「Analysis of Factors Affecting Increase and Decrease」

(Millions of Yen)



# 「Electroplated Diamond Wire」 Sales Trend and Forecasts (Consolidated)



◆ Total sales was ¥8,206 million in FY2017. (-2% vs. FY2016)

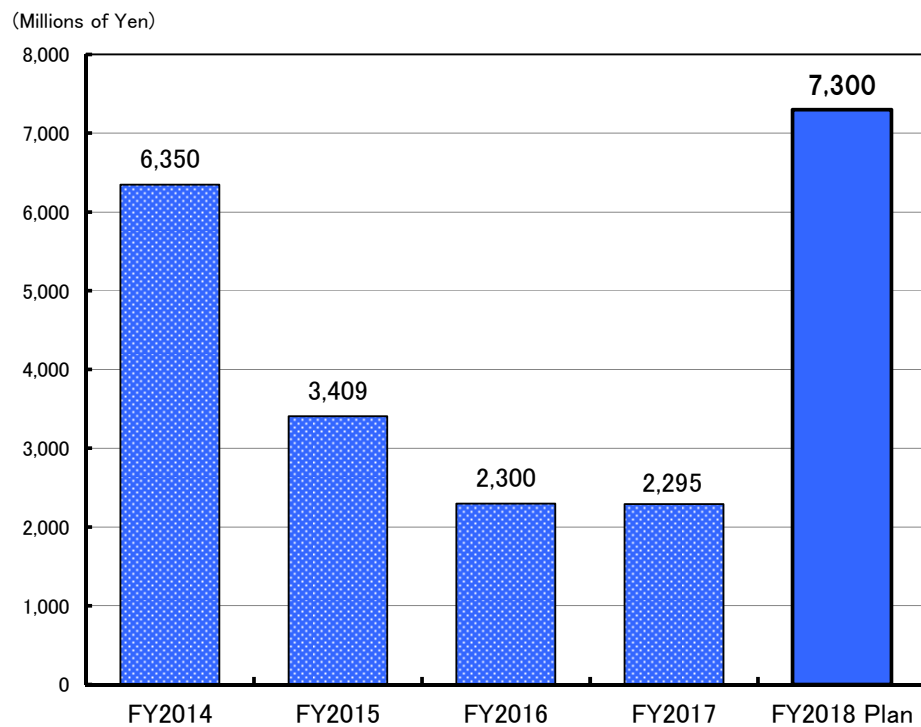
- For PV production : - 5% vs. FY2016
- Except PV production : +21% vs. FY2016

◆ Forecast sales for FY2018 is ¥4,100 million. (-50% vs. FY2017)

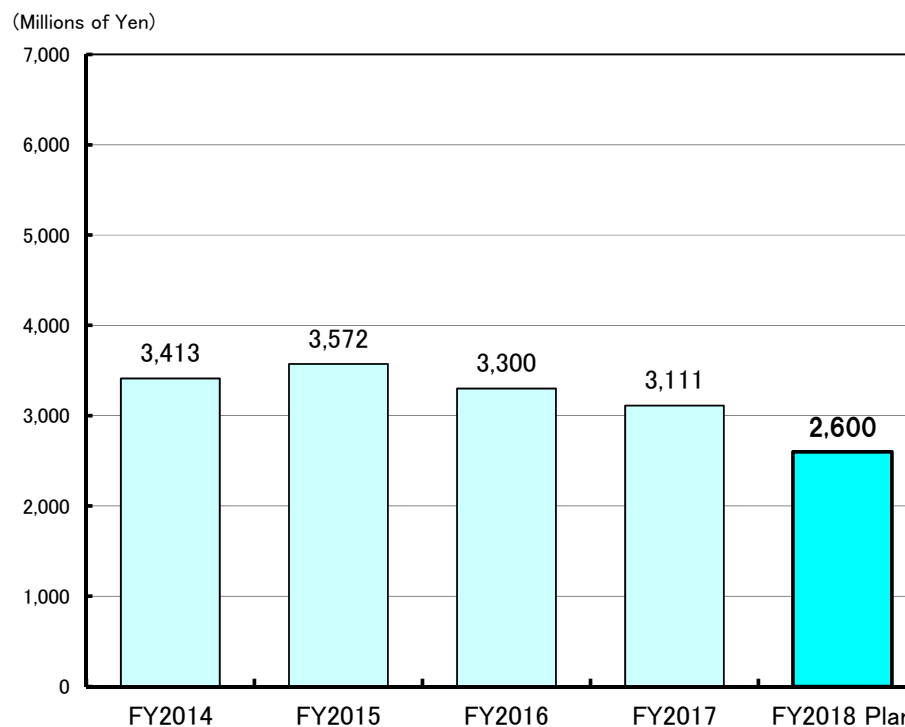
- For PV production : -58% vs. FY2017
- Except PV production : + 2% vs. FY2017

# Capital Expenditures 「Results and Plan」

## Capital expenditure



## Depreciation



1. About Asahi Diamond
2. FY2017 Financial Results
3. FY2018 Forecasts
- 4. Review of Mid-Term Business Plan***
5. Future Strategy

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

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

② To enhance capital efficiency and asset efficiency.

③ To realize effective corporate governance.

	FY2017 Targets	FY2017 Results
Consolidated net sales (Millions of Yen)	51,000	45,458
Electroplated diamond wire (Millions of Yen)	13,000	8,206
Other (Millions of Yen)	38,000	37,252
Consolidated operating income (Millions of Yen)	8,000	4,640
Consolidated operating income ratio (%)	15.7	10.2

	FY2017 Targets	FY2017 Results
ROE (%)	10.0	2.8
Consolidated payout ratio	Over 40%	44.8% ※FY2015-FY2017
Purchase of treasury shares (Millions of Yen)	Flexible	2,092 ※FY2015-FY2017
Capital expenditures (Millions of Yen)	11,000 ※FY2015-FY2017	8,005 ※FY2015-FY2017

### Themes of Implementation

Products

Service

People



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## ① Electroplated Diamond Wire

- Responding to request for thinner wire
- Expanding sales in new use
- Avoiding price competition

## ② Representative Tools

- Automobile industry
- Electronic component industry
- Bearing industry

## ③ Reorganization of Product Lines

## ④ Cost Reduction in Manufacturing

## ⑤ Enhancement of Overseas Business

## ⑥ M&A or Business Alliances





## Manufacturing excitement through innovation

### Stand Alone

We are at the vanguard of world change, and shall use our groundbreaking technology and global organizational strength to continue providing products and solutions that only we can make possible.

### Eternal Growth

In order to make growth sustainable we establish ourselves as the most trustworthy choice for customers engaged in manufacturing across the globe.

### Job Satisfaction

We strive to be an efficient company, by linking job satisfaction with individual growth while fostering character.



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.