

October 18, 2018

To whom it may concern

Company name: Asahi Diamond Industrial Co., Ltd.
Representative: Kazuki Kataoka
President and Representative Director
(Stock Exchange Code 6140,
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Director
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Notice of Business Alliance with the TYROLIT GROUP

Asahi Diamond Industrial Co., Ltd. (the “Company”) hereby announces that it resolved to enter into a business alliance with TYROLIT-SCHLEIFMITTELWERKE SWAROVSKI K.G (“TYROLIT”) at its Board of Directors’ meeting held today, as follows:

1. Reasons for the business alliance

The Company and its subsidiaries (collectively, the “Asahi Diamond Group” or the “Group”) is engaged in the manufacturing and selling, etc., of various tools applying diamond and other high-hardness materials in Japan and overseas.

TYROLIT and its subsidiaries (collectively, the “TYROLIT Group”) is one of the world’s leading manufacturers of grinding and dressing tools as well as a system provider in the construction industry. Since 1919, TYROLIT stands for products of the highest quality, innovation and service strength. The family-owned business – a part of the Swarovski Group – headquartered in Schwaz (Austria), has more than 4,300 employees at 26 production sites in 11 countries and manufactures around 80,000 different products in its four business divisions. In 2017, the TYROLIT Group generated consolidated 670 million Euros in revenue.

In light of such circumstances, the Company resolved to enter into a business alliance with TYROLIT in pursuit of synergistic effects.

2. Details of the business alliance

As stipulated in the basic business alliance agreement, the parties will take advantage of each other’s strengths by mutually supplying products and aim to enhance customer service. Furthermore, through the mutual expansion of the product lineup, the parties will reinforce their capabilities to better respond to current and future market needs.

Deliberation on the details and specific method of the business alliance is ongoing, excluding the option of a capital alliance.

3. Outline of the counterparty

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|-----------------------------------|---|
| (1) Company name | TYROLIT-SCHLEIFMITTELWERKE SWAROVSKI K.G (Contracting party at the TYROLIT Group) |
| (2) Location | Swarovskistraße 33 6130 Schwaz Austria |
| (3) Establishment | 1919 |
| (4) Business overview | Manufacturing and selling of grinding and dressing tools and related products |
| (5) Relationship with the Company | Not applicable |
| (6) Consolidated net sales | €70 million (2017) |

4. Schedule

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| (1) Date of resolution of the Board of Directors | October 18, 2018 |
| (2) Date of execution of the agreement | End of October 2018 (planned) |

5. Future outlook

The Company expects the business alliance to contribute to the enhancement of corporate value and shareholder value, and its impact on the consolidated business results for the fiscal year ending March 31, 2019 is immaterial.

TYROLIT products will be displayed at the Company’s exhibit at the “JIMTOF2018: The 29th JAPAN INTERNATIONAL MACHINE TOOL FAIR” from November 1, 2018 at the Tokyo Big Sight.

End

(Reference) Consolidated business results forecast for the current fiscal year (announced on May 15, 2018)
and consolidated business results for the previous fiscal year

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecast for the current fiscal year (Fiscal year ending March 31, 2019)	43,000	2,700	3,350	2,250
Results for the previous fiscal year (Fiscal year ended March 31, 2018)	45,458	4,640	5,074	1,614

The Asahi Diamond Group

The Asahi Diamond Group is a global manufacturer of diamond and cubic boron nitride (CBN) tools. Since 1937, the Group has leveraged its technological capabilities acquired over the years to consistently supply tools that meet the needs of the times, including greater speed and greater precision. The Group, together with its over 2,100 employees, produces and sells tools in 13 countries around the world, and offers diamond and CBN tools to (1) the electronics and semiconductor, (2) transportation, (3) machinery, (4) stone and construction and (5) other industries.

- (1) Company name Asahi Diamond Industrial Co., Ltd.
- (2) Location 4-1, Kioi-cho, Chiyoda-ku, Tokyo 102-0094, Japan
- (3) Establishment 1937
- (4) Business overview Manufacturing and selling of diamond and CBN tools
- (5) Relationship with the counterparty Not applicable
- (6) Consolidated net sales ¥45,458 million (2017)