



FY2018 2Q Financial Results and FY2018 Forecasts

November 13, 2018

Asahi Diamond Industrial Co., Ltd.



1. FY2018 2Q Financial Results

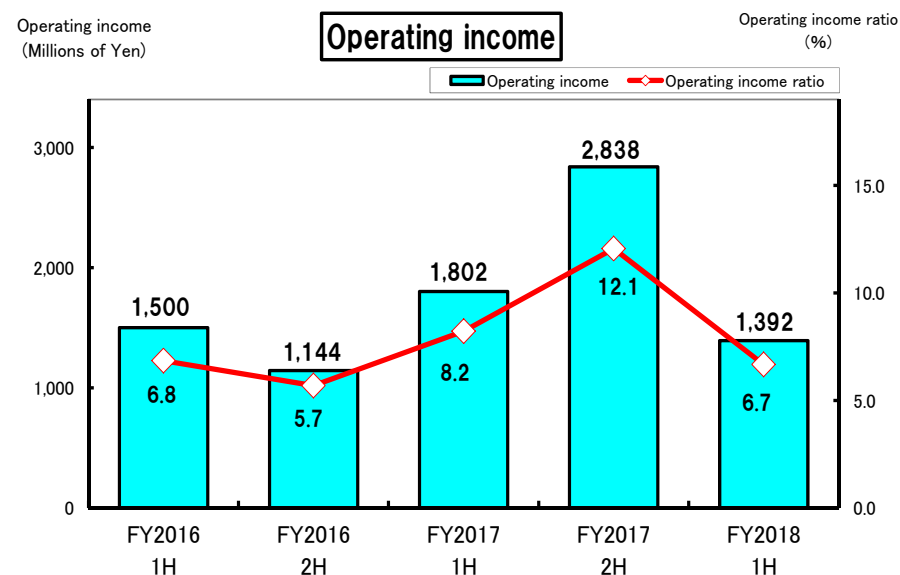
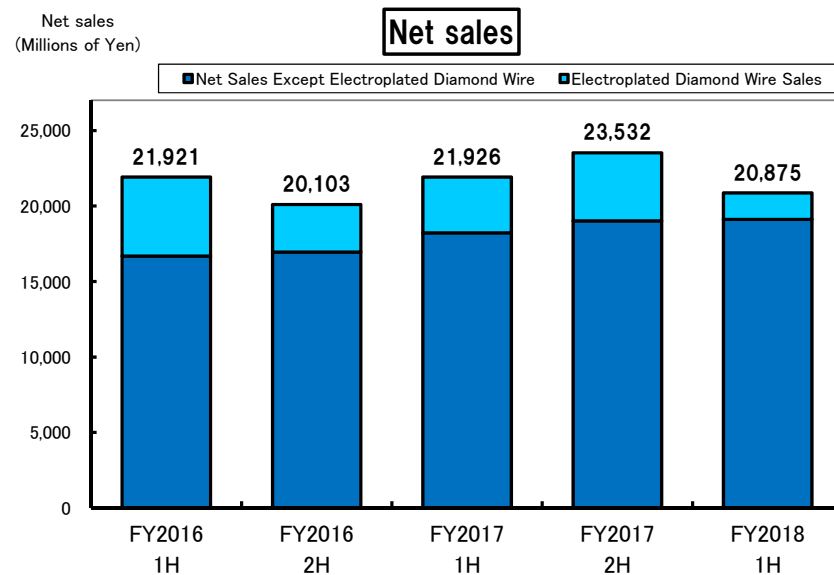
2. FY2018 Forecasts

3. Mid-Long Term Business Challenges

Financial Results (Consolidated)

(Millions of Yen)

	FY2017				FY2018					
	1H Results '17/4-9	%	2H Results '17/10-'18/3	%	1H Forecasts '18/4-9	%	1H Results '18/4-9	%	YoY Change	YoY Change (%)
Net sales	21,926	100.0	23,532	100.0	21,000	100.0	20,875	100.0	-1,051	-4.8
Operating income	1,802	8.2	2,838	12.1	1,140	5.4	1,392	6.7	-409	-22.7
Ordinary income	2,043	9.3	3,031	12.9	1,580	7.5	1,678	8.0	-365	-17.9
Profit attributable to owners of parent	1,489	6.8	125	0.5	1,080	5.1	1,240	5.9	-248	-16.7
Earning per share (Yen)	26.74	-	2.26	-	19.39	-	22.29	-	-4	-16.6



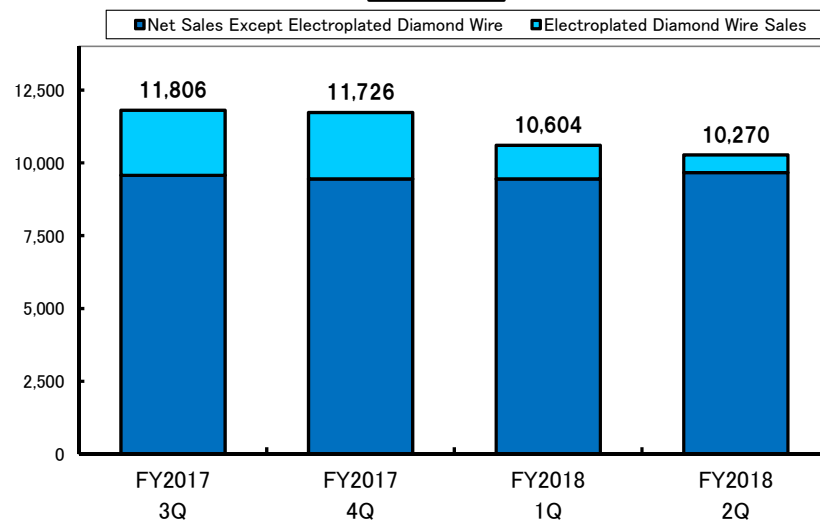
Quarterly Results of Operation (Consolidated)

(Millions of Yen)

	FY2017				FY2018			
	3Q		4Q		1Q		2Q	
	Results	%	Results	%	Results	%	Results	%
Net sales	11,806	100.0	11,726	100.0	10,604	100.0	10,270	100.0
Operating income	1,588	13.5	1,249	10.7	838	7.9	554	5.4
Ordinary income	1,700	14.4	1,330	11.3	947	8.9	730	7.1
Profit attributable to owners of parent	1,202	10.2	-1,076	-9.2	748	7.1	492	4.8

Net sales
(Millions of Yen)

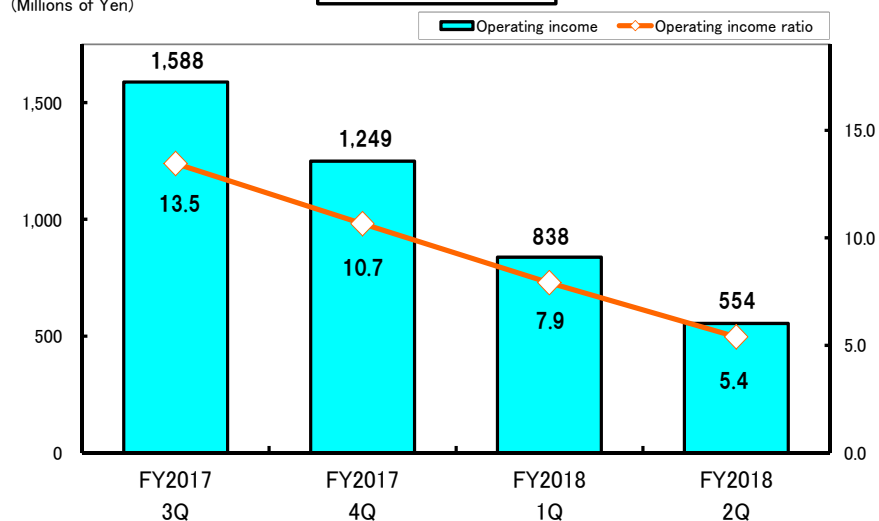
Net sales



Operating income
(Millions of Yen)

Operating income

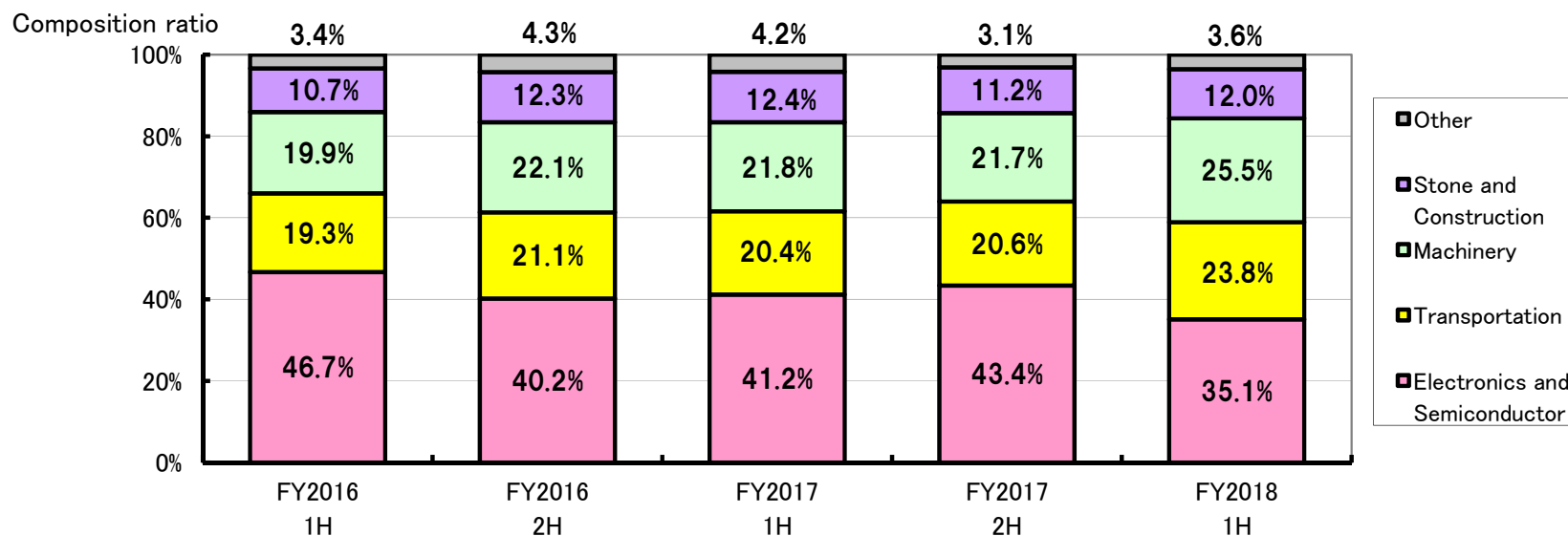
Operating income ratio
(%)



Net Sales Breakdown by Industry (Consolidated)

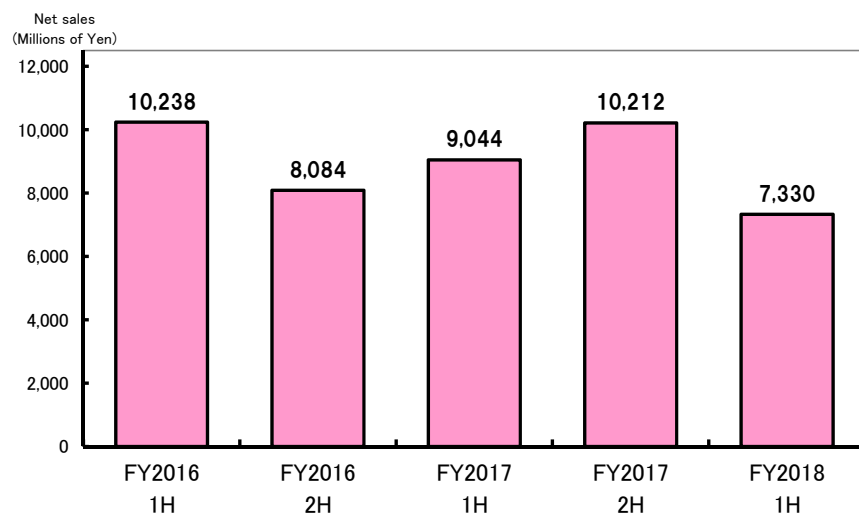
(Millions of Yen)

	FY2017				FY2018			
	1H Results '17/4-9	%	2H Results '17/10-'18/3	%	1H Results '18/4-9	%	YoY Change	YoY Change (%)
Electronics and Semiconductor	9,044	41.2	10,212	43.4	7,330	35.1	-1,713	-18.9
Transportation	4,464	20.4	4,835	20.6	4,962	23.8	+497	+11.1
Machinery	4,785	21.8	5,098	21.7	5,314	25.5	+528	+11.0
Stone and Construction	2,709	12.4	2,644	11.2	2,509	12.0	-200	-7.4
Other	922	4.2	740	3.1	758	3.6	-163	-17.7
Total	21,926	100.0	23,532	100.0	20,875	100.0	-1,051	-4.8

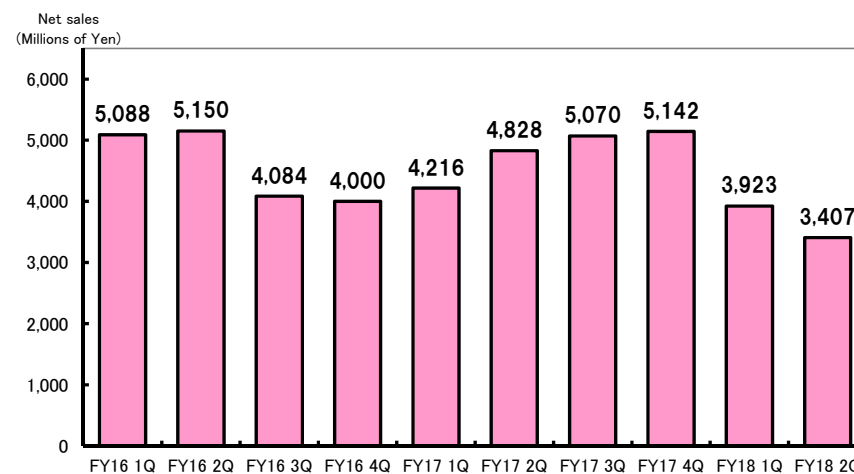


Net Sales Breakdown by Industry : 1. Electronics and Semiconductor

【Half-year】

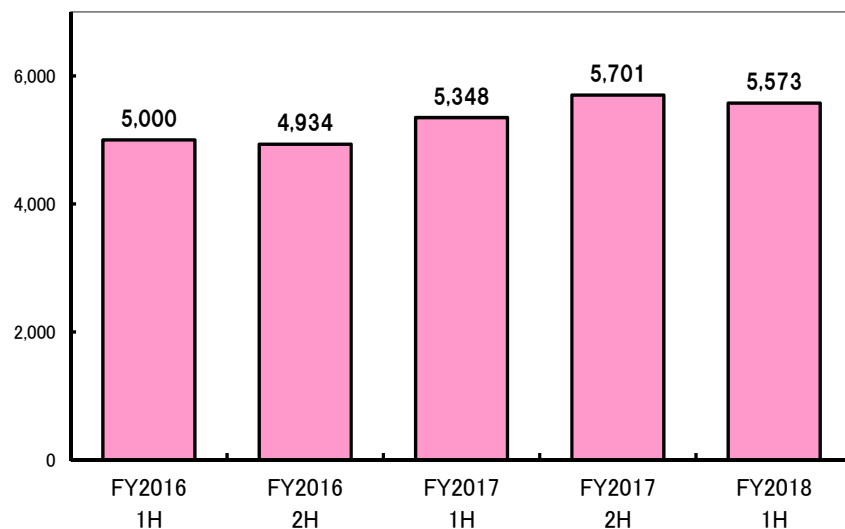


【Quarter】



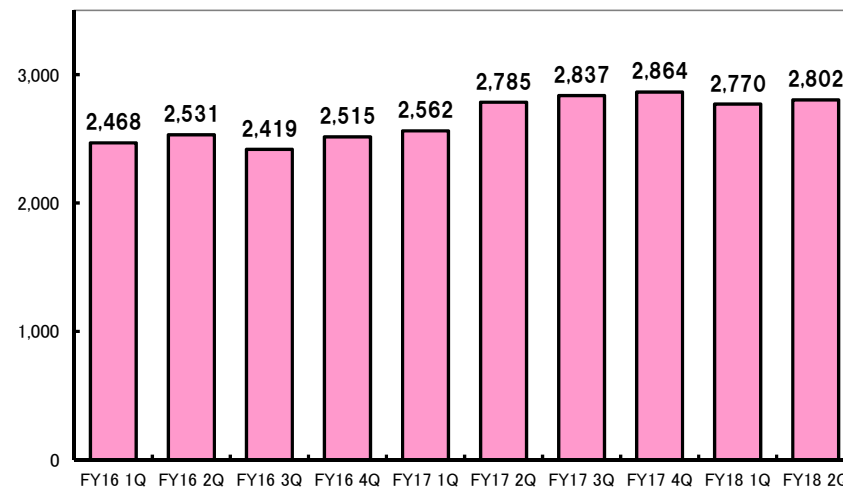
【Half-year】

Net sales
(Millions of Yen)



【Quarter】

Net sales
(Millions of Yen)



◆ Semiconductor & Electronic Component

Sales of the related tools increased compared to the same period last year due to increased production of memory and sensors.

◆ F P D

Due to the launch of the new factory at the main customer, we could receive package order. Therefore, sales of the related tools increased compared to the same period last year.

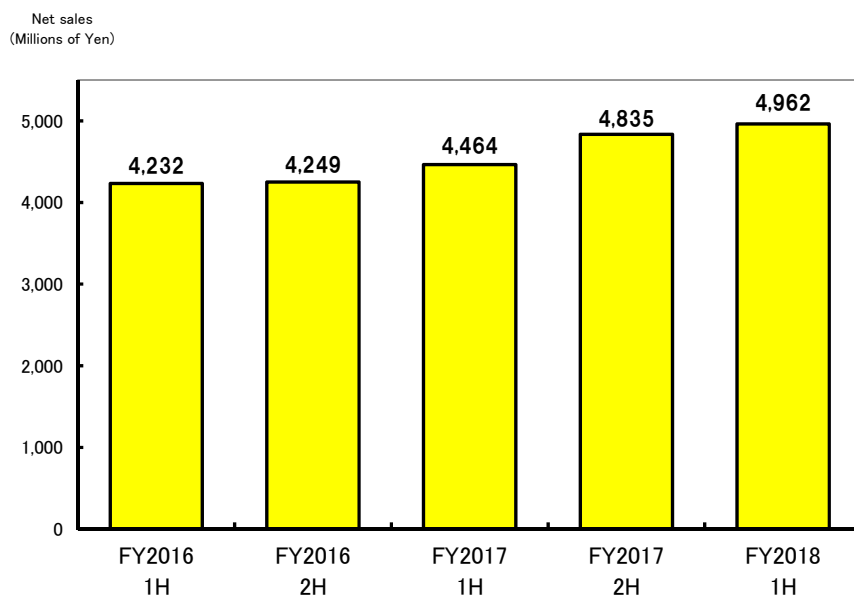
◆ Wire Drawing Die

Sales of the bonding wire dies decreased compared to the same period of the previous year. On the other hand, Sales of the saw wires increased.

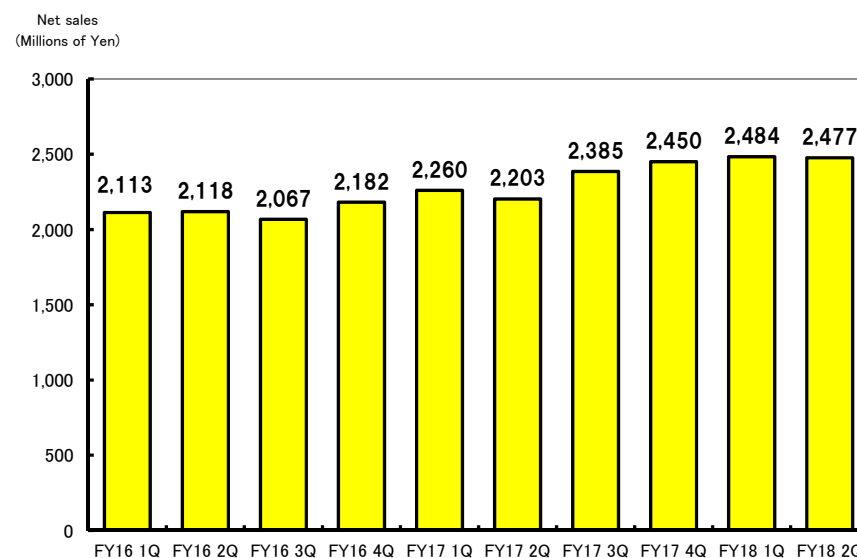


Net Sales Breakdown by Industry : 2. Transportation

【Half-year】



【Quarter】



◆ **Automobile**

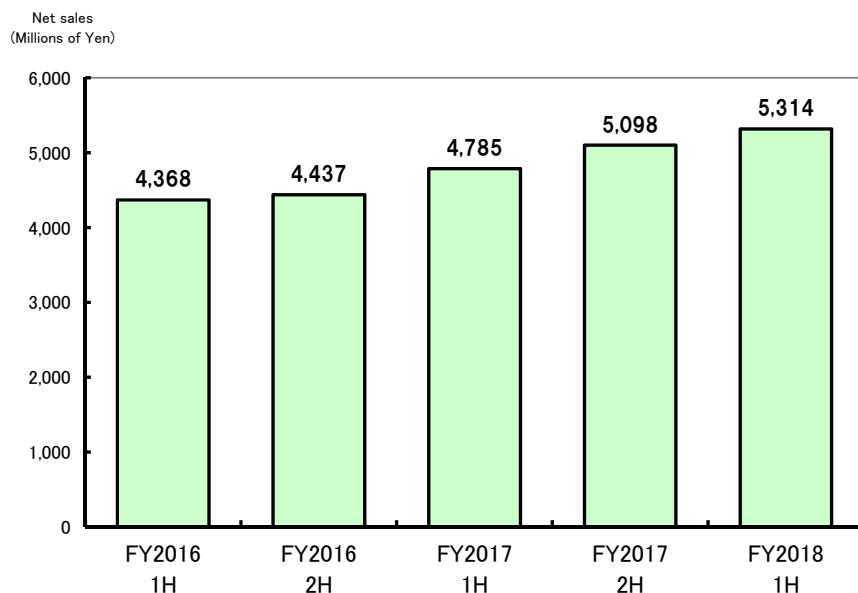
Sales of the related tools increased due to strong automobile production.

◆ **Aircraft**

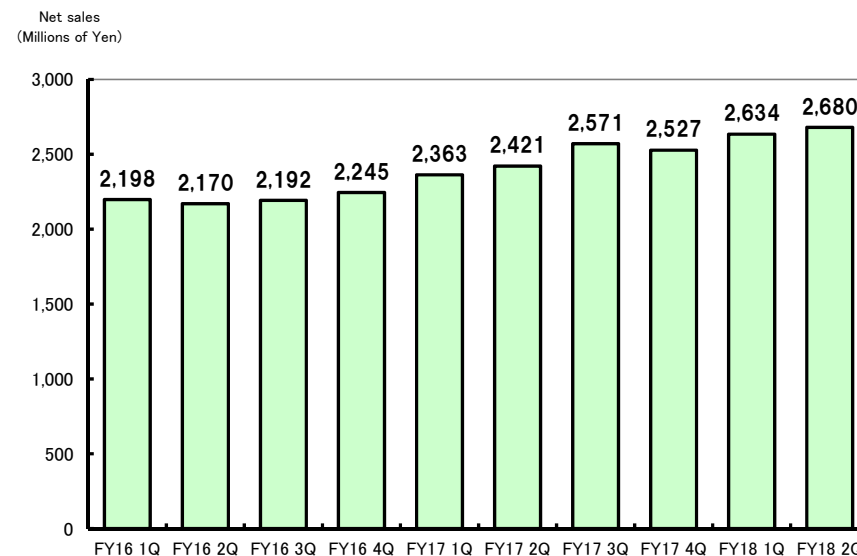
Sales of the related tools increased due to increased production of aircraft.



【Half-year】



【Quarter】



◆ **Bearing**

Sales of the related tools for domestic market remained steady due to favorably production perform.

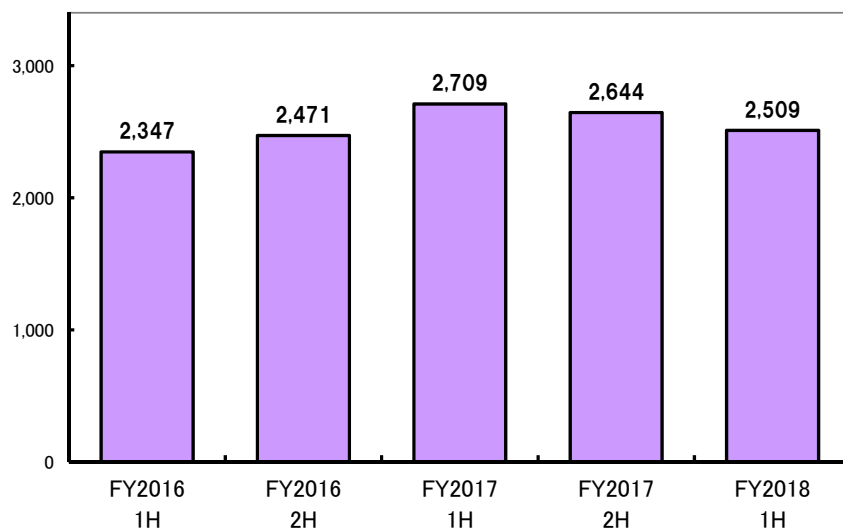
◆ **Cemented Carbide Tool**

Sales of the related tools increased due to increased production of domestic cemented carbide tools.

Net Sales Breakdown by Industry : 4. Stone and Construction

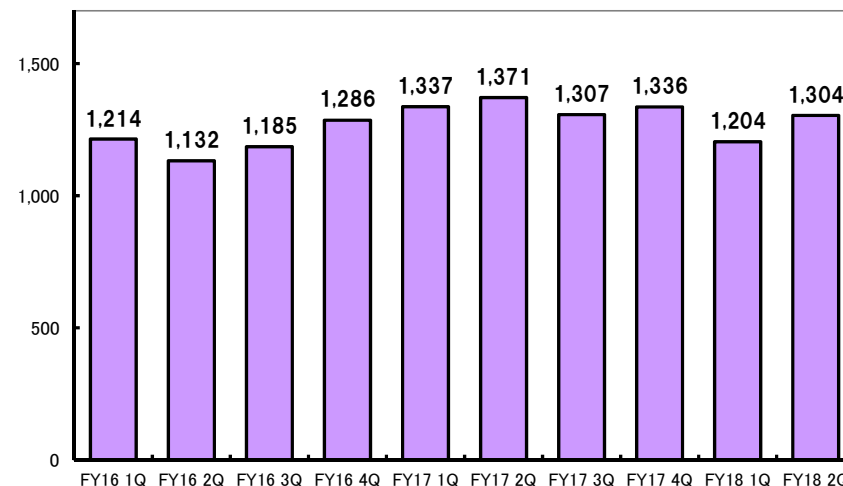
【Half-year】

Net sales
(Millions of Yen)



【Quarter】

Net sales
(Millions of Yen)



◆ Mining

Sales of the related tools increased due to overseas sales remained steady.

◆ Construction in Japan

Sales of the related tools decreased due to slow road-related public works.

◆ Commercial Product (Portable Cutter)

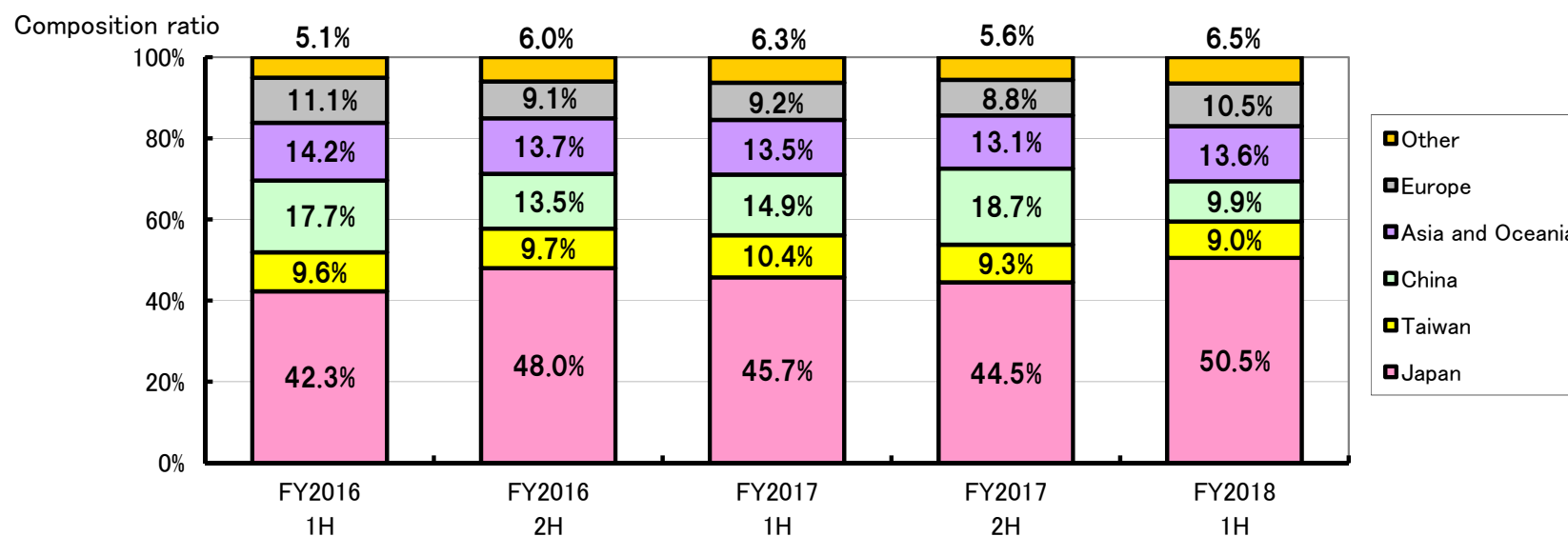
Sales of the major overseas customers decreased.



Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

	FY2017				FY2018			
	1H Results '17/4-9	%	2H Results '17/10-'18/3	%	1H Results '17/4-9	%	YoY Change	YoY Change (%)
Japan	10,013	45.7	10,466	44.5	10,552	50.5	+538	+5.4
Taiwan	2,286	10.4	2,200	9.3	1,883	9.0	-403	-17.6
China	3,264	14.9	4,403	18.7	2,069	9.9	-1,195	-36.6
Other Asia and Oceania	2,960	13.5	3,082	13.1	2,829	13.6	-130	-4.4
Europe	2,018	9.2	2,060	8.8	2,185	10.5	+166	+8.2
Other	1,382	6.3	1,318	5.6	1,355	6.5	-27	-2.0
Overseas total	11,912	54.3	13,065	55.5	10,322	49.5	-1,590	-13.3
Total	21,926	100.0	23,532	100.0	20,875	100.0	-1,051	-4.8



Consolidated Balance Sheets

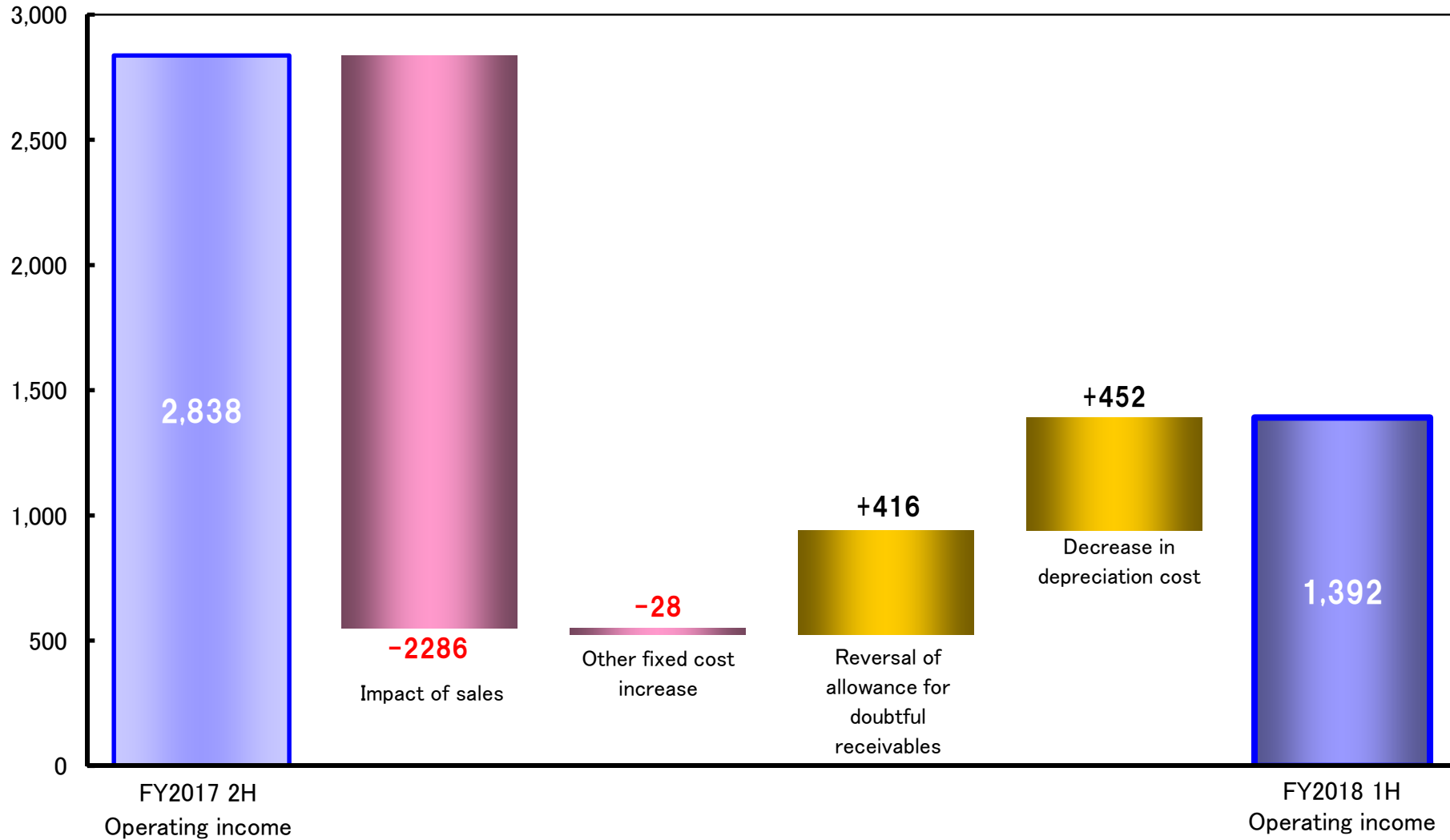
(Millions of Yen)

	2018/3	2018/9	Change		2018/3	2018/9	Change
Assets				Liabilities			
Cash and deposits	18,202	18,891	+688	Notes and accounts payable-trade	1,865	1,756	-109
Notes and accounts receivable-trade	12,782	11,819	-963	Income taxes payable	1,087	438	-649
Inventories	6,693	6,457	-236	Net defined benefit liability	7,801	7,767	-33
Property, plant and equipment	19,919	19,686	-232	Other	4,215	4,404	+189
Intangible assets	107	97	-9	Total liabilities	14,969	14,366	-603
Investment securities	14,502	14,114	-388	Net assets			
Other	2,469	2,853	+383	Total net assets	59,708	59,553	-154
Total assets	74,678	73,920	-758	Total liabilities and net assets	74,678	73,920	-758



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

(Millions of Yen)



1. FY2018 2Q Financial Results

2. FY2018 Forecasts

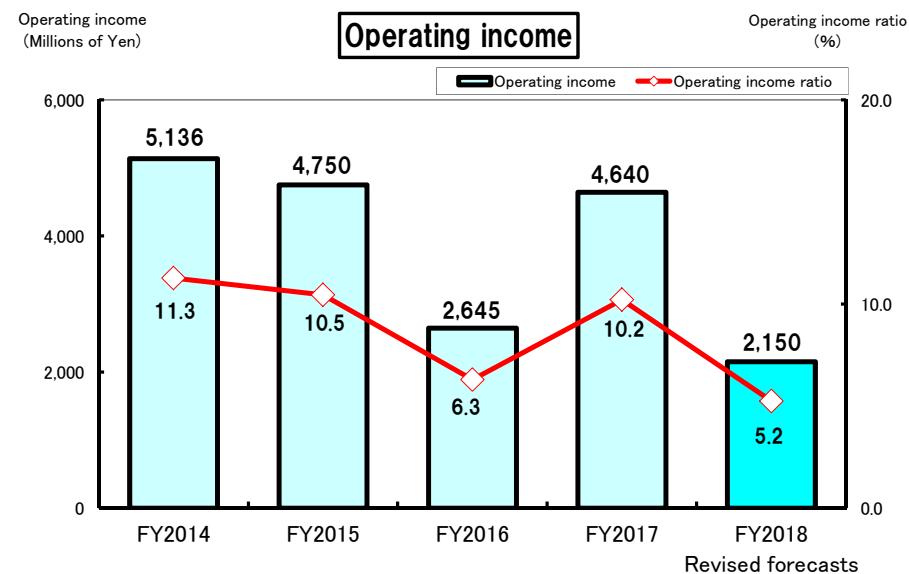
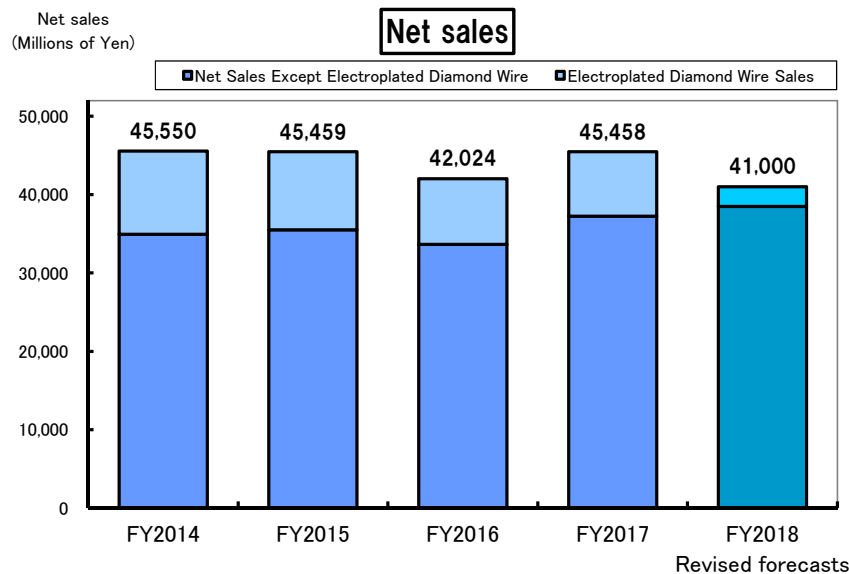
3. Mid-Long Term Business Challenges

Outline of Forecasts (Consolidated)

(Millions of Yen)

	FY2017 Full-Yr Results	%	FY2018 Full-Yr Pre. Forecasts	%	FY2018 1H Results	%	FY2018 2H Rev'd Forecasts	%	Change from 1H	FY2018 Full-Yr Rev'd Forecasts	%	Change from Pre. Forecasts	YoY Change (%)
Net sales	45,458	100.0	43,000	100.0	20,875	100.0	20,124	100.0	-750	41,000	100.0	-2,000	-9.8
Operating income	4,640	10.2	2,700	6.3	1,392	6.7	757	3.8	-635	2,150	5.2	-550	-53.7
Ordinary income	5,074	11.2	3,350	7.8	1,678	8.0	921	4.6	-756	2,600	6.3	-750	-48.8
Profit attributable to owners of parent	1,614	3.6	2,250	5.2	1,240	5.9	509	2.5	-731	1,750	4.3	-500	+8.4

Note) Revised forecast figures were announced on November 1, 2018.

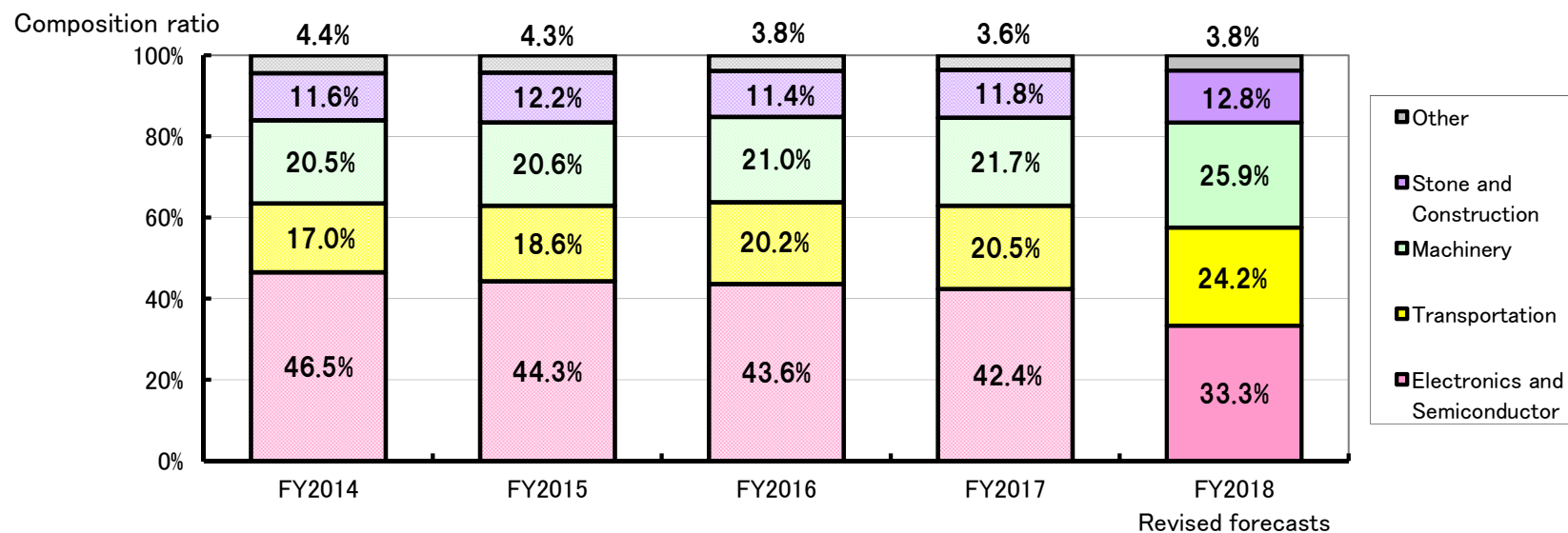


Forecasts of Net Sales Breakdown by Industry (Consolidated)

(Millions of Yen)

	FY2017 Full-Yr Results	%	FY2018 Full-Yr Pre. Forecasts	%	FY2018 1H Results	%	FY2018 2H Rev'd Forecasts	%	Change from 1H	FY2018 Full-Yr Rev'd Forecasts	%	Change from Pre. Forecasts	YoY Change (%)
Electronics and Semiconductor	19,257	42.4	15,600	36.3	7,330	35.1	6,319	31.4	-1,011	13,650	33.3	-1,950	-29.1
Transportation	9,300	20.5	9,830	22.9	4,962	23.8	4,987	24.8	+25	9,950	24.2	+120	+7.0
Machinery	9,884	21.7	10,450	24.3	5,314	25.5	5,285	26.3	-28	10,600	25.9	+150	+7.2
Stone and Construction	5,353	11.8	5,300	12.3	2,509	12.0	2,740	13.6	+231	5,250	12.8	-50	-1.9
Other	1,662	3.6	1,820	4.2	758	3.6	791	3.9	+32	1,550	3.8	-270	-6.8
Total	45,458	100.0	43,000	100.0	20,875	100.0	20,124	100.0	-750	41,000	100.0	-2,000	-9.8

Note) Revised forecast figures were announced on November 1, 2018.

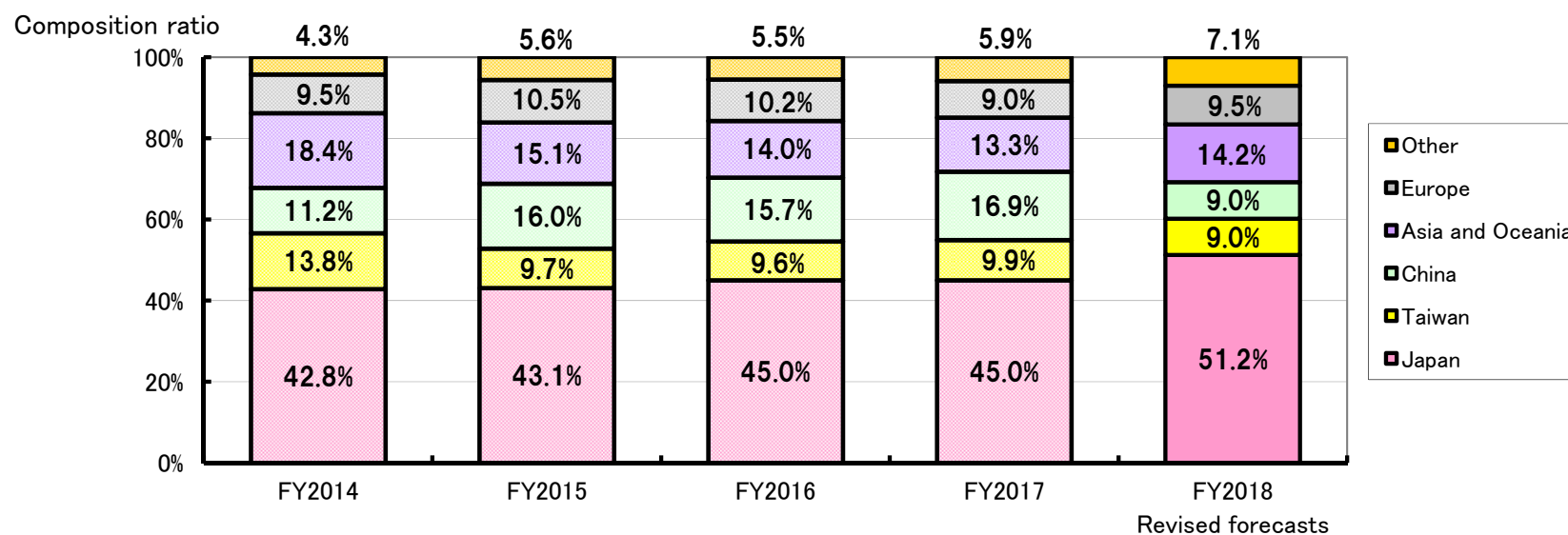


Forecasts of Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

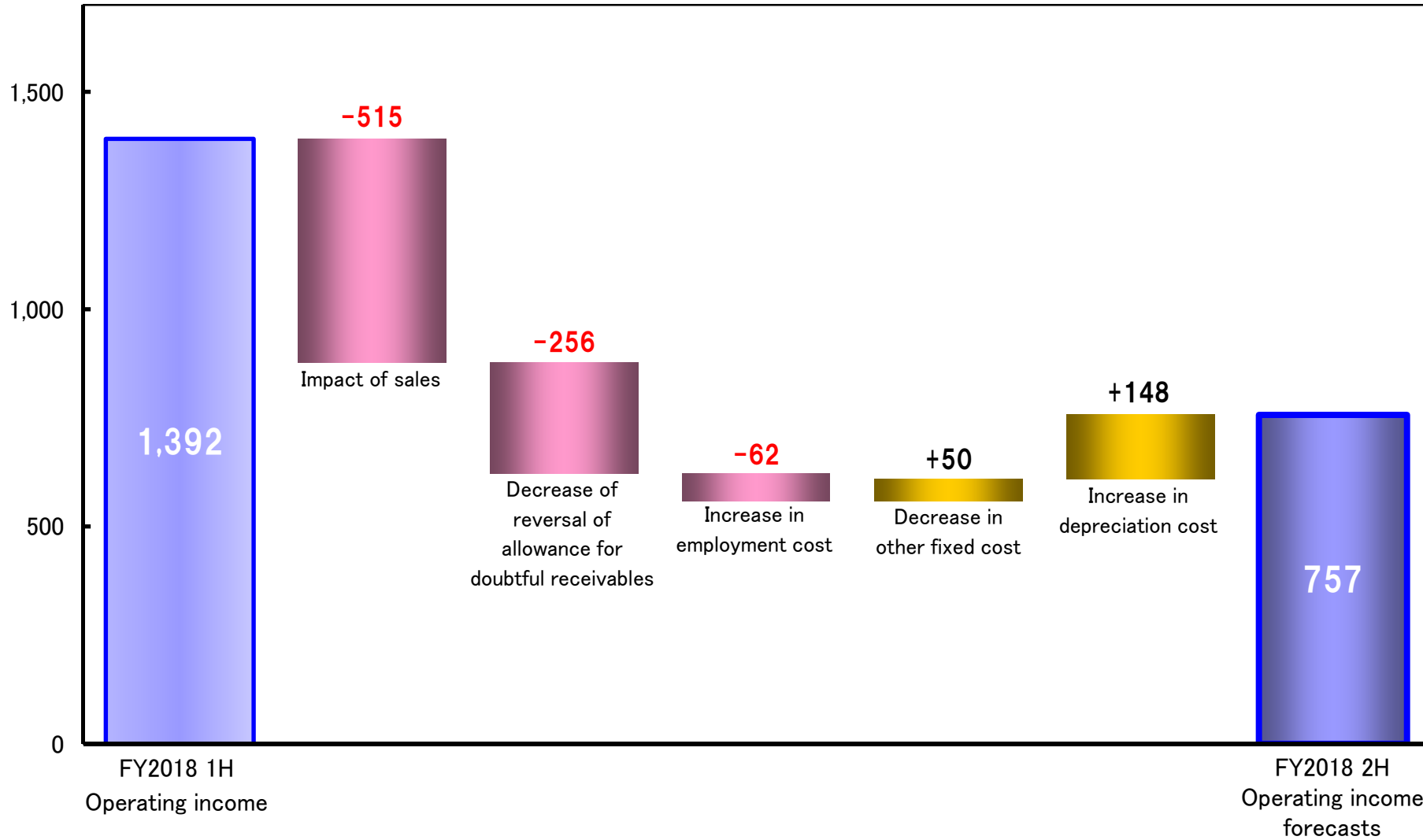
	FY2017 Full-Yr Results	%	FY2018 Full-Yr Pre. Forecasts	%	FY2018 1H Results	%	FY2018 2H Rev'd Forecasts	%	Change from 1H	FY2018 Full-Yr Rev'd Forecasts	%	Change from Pre. Forecasts	YoY Change (%)
Japan	20,480	45.0	21,000	48.8	10,552	50.5	10,447	51.9	-105	21,000	51.2	-	+2.5
Taiwan	4,487	9.9	4,500	10.5	1,883	9.0	1,816	9.0	-66	3,700	9.0	-800	-17.5
China	7,668	16.9	3,800	8.8	2,069	9.9	1,630	8.1	-439	3,700	9.0	-100	-51.8
Other Asia and Oceania	6,042	13.3	6,700	15.6	2,829	13.6	2,970	14.8	+141	5,800	14.2	-900	-4.0
Europe	4,079	9.0	4,200	9.8	2,185	10.5	1,714	8.5	-470	3,900	9.5	-300	-4.4
Other	2,700	5.9	2,800	6.5	1,355	6.5	1,544	7.7	+189	2,900	7.1	+100	+7.4
Overseas total	24,978	55.0	22,000	51.2	10,322	49.5	9,677	48.1	-644	20,000	48.8	-2,000	-19.9
Total	45,458	100.0	43,000	100.0	20,875	100.0	20,124	100.0	-750	41,000	100.0	-2,000	-9.8

Note) Revised forecast figures were announced on November 1, 2018.





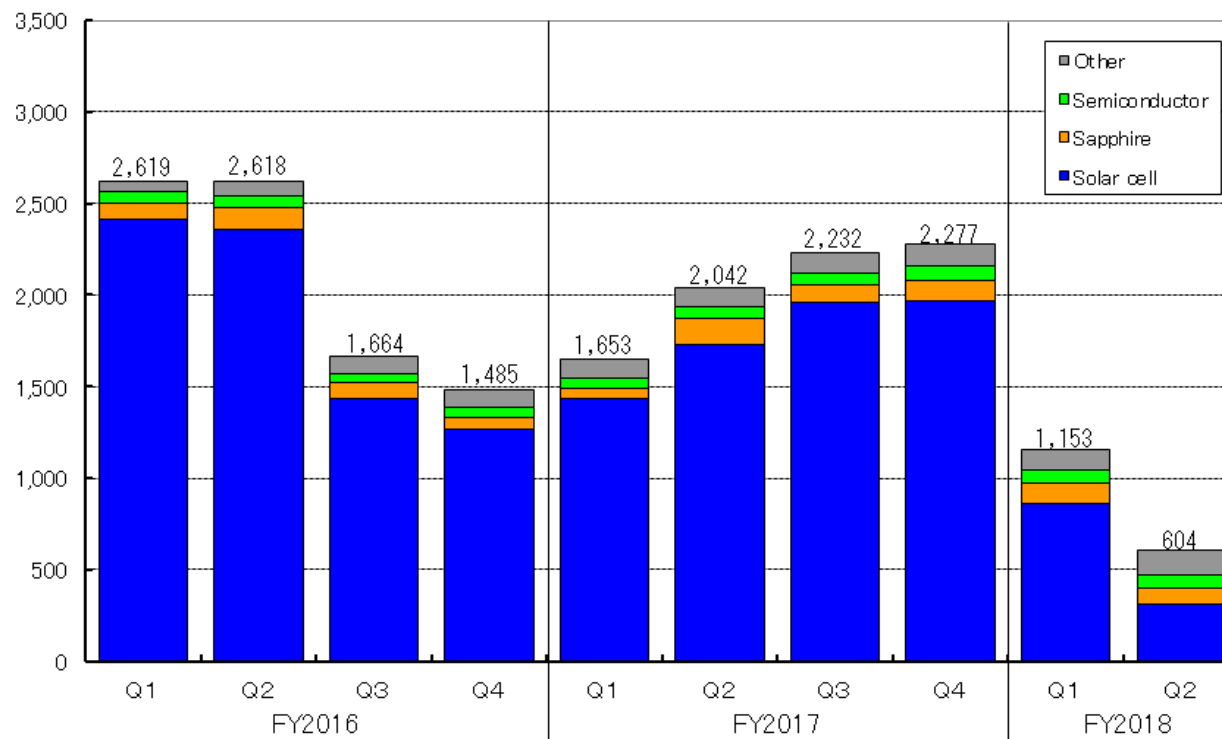
(Millions of Yen)



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

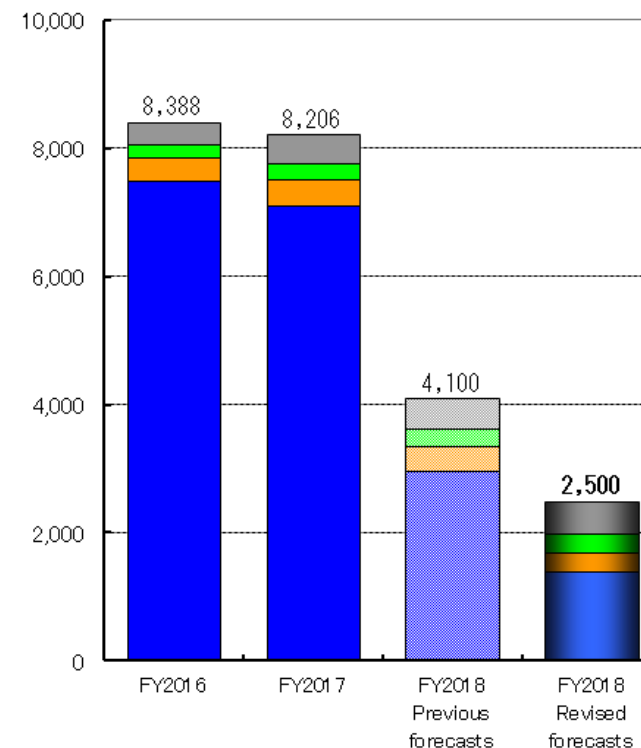
Quarterly transition

(Millions of Yen)



Transition and Forecasts by FY

(Millions of Yen)



◆ Total sales was ¥1,757 million in FY2018 first half. (-52% vs. 1st Half FY2017 and -61% vs. 2nd Half FY2017)

- For PV production : -63% vs. 1H FY2017 and -70% vs. 2H FY2017
- For other : +10% vs. 1H FY2017 and ±0% vs. 2H FY2017

◆ Forecasts sales for FY2018 is ¥250 million. (-70% vs. FY2017 and -39% vs. previous forecasts FY2018)

- For PV production : -80% vs. FY2017 and -53% vs. previous forecasts FY2018
- For other : -1% vs. FY2017 and -3% vs. previous forecasts FY2018



1. FY2018 2Q Financial Results

2. FY2018 Forecasts

3. Mid-Long Term Business Challenges

Mid-Long Term Business Challenges

1. Structure of a new manufacturing and development system

2. Strategic overseas expansion

3. Strengthening management for internal control

4. Development of human resources



1. Structure of a new manufacturing and development system

Name	Chiba Factory
Address	Shiinomori Industrial Park Sodegaura–City Chiba
Site area	79,800m ²
Architectural area	Approximately 18,000m ²
Construction cost	Approximately 7 billion yen (factory building etc.)
Completion	Spring 2020 (Planned)



Partly relocated from Chiba Tsurumai factory and Tamagawa factory

2. Strategic overseas expansion

Business alliance with Tyrolit

Headquartered in Austria, the Swarovski group manufactures and sells general wheels and diamonds, CBN tools and related products. Approximately 87 billion yen in sales in 2017, 26 production bases in 11 countries abroad.

Purpose of business alliance

We intended to increase sales and profits by mutual complement of products with strengths by both companies, and develop new markets.
(customers).



2. Strategic overseas expansion

Subsidiary acquisition of Indian sales agency "Solway"

"Solway International" established in 2007 has been doing business in Indian market as a sales agency of Asahi Diamond, and has been steadily increasing the volume of business and good confidence from end users.

Purpose of Subsidiary acquisition

By this acquisition, we expect to expand business in Indian market which expects its growth.



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.

