



# FY2018 Financial Results and FY2019 Forecasts

**May 27, 2019**

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



## *1. FY2018 Financial Results*

## 2. FY2019 Forecasts

## 3. Mid-term management issues and its recent approach situations

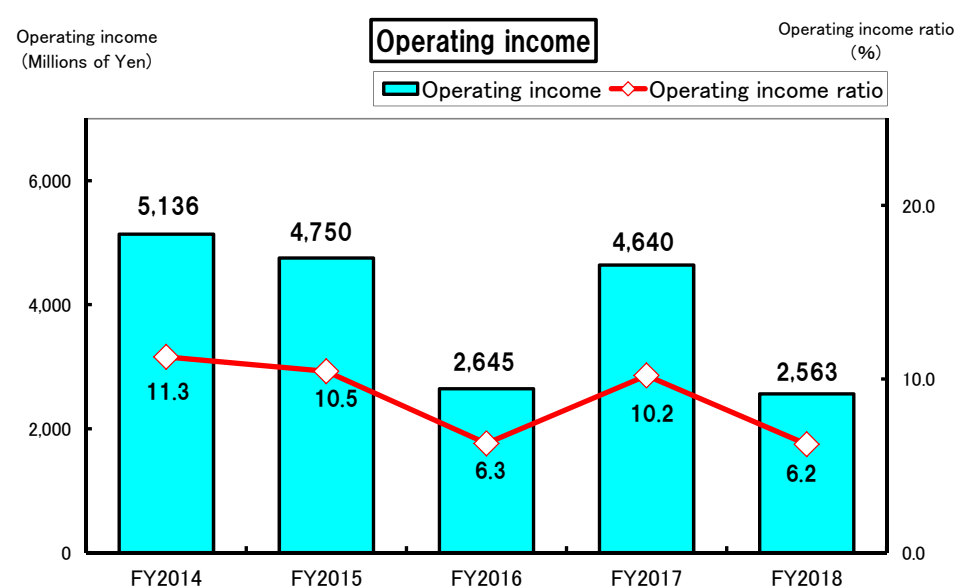
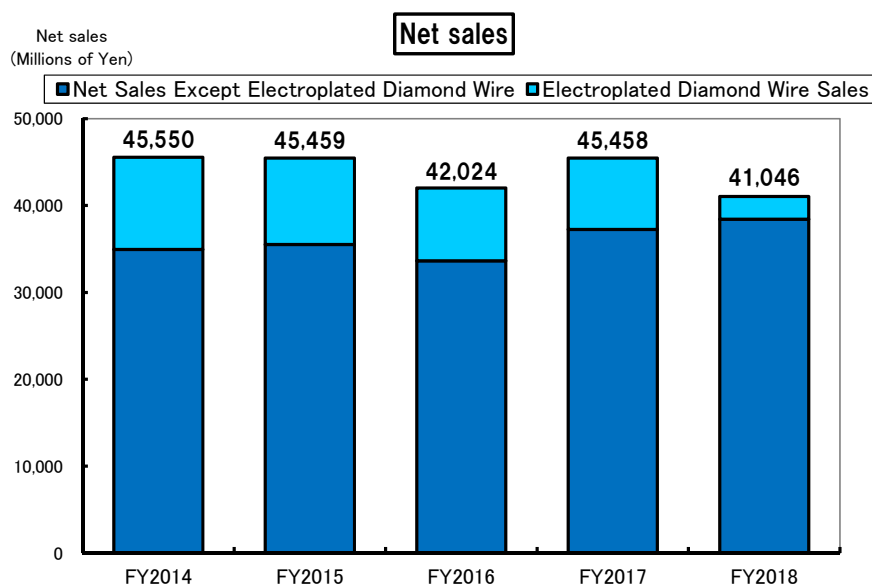
# Financial Results (Consolidated)

(Millions of Yen)

	FY2017		FY2018					
	Results	%	Revised forecasts *1	%	Results	%	Change year-on-year	Change year-on-year (%)
<b>Net sales</b>	45,458	100.0	41,000	100.0	<b>41,046</b>	100.0	-4,412	-9.7
<b>Operating income</b>	4,640	10.2	2,300	5.6	<b>2,563</b>	6.2	-2,077	-44.8
<b>Ordinary income</b>	5,074	11.2	2,750	6.7	<b>3,108</b>	7.6	-1,966	-38.7
Profit attributable to owners of parent	*2 1,614	3.6	1,950	4.8	<b>2,321</b>	5.7	+706	+43.7
Earning per share (Yen)	29.00	-	35.13	-	<b>41.76</b>	-	+12.76	+44.0

\*1) Revised forecast figures were announced on February 8, 2019.

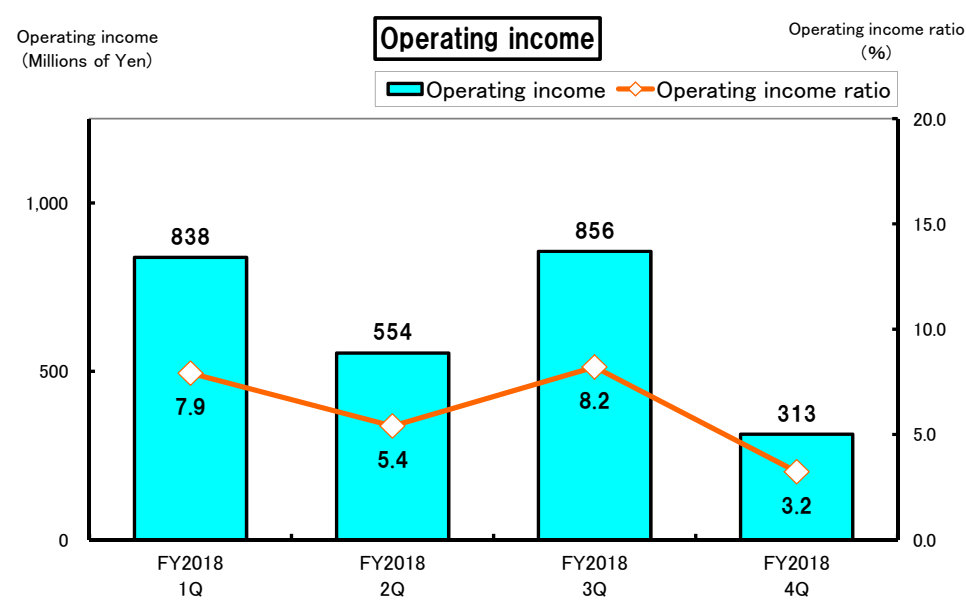
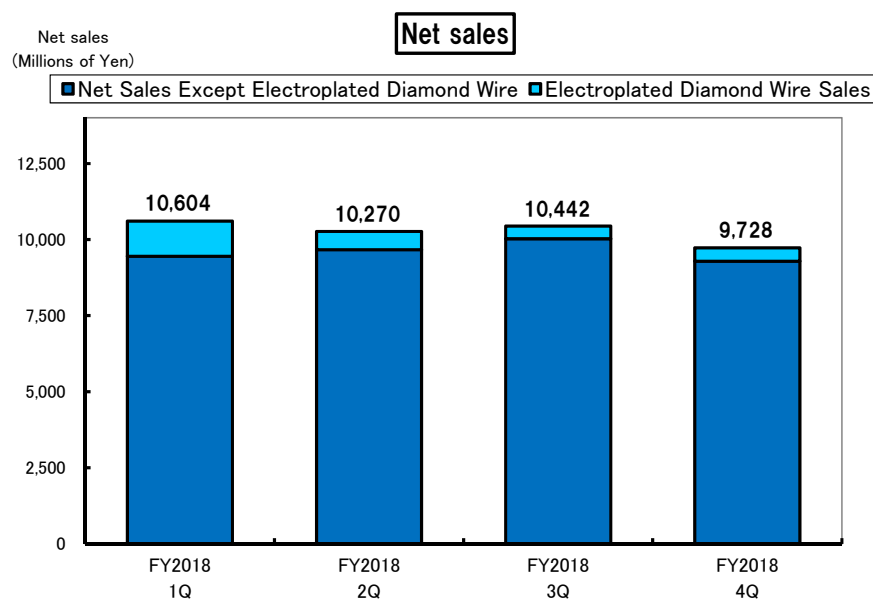
\*2) Impairment loss recorded as extraordinary loss in the Fiscal Year Ended March 31, 2018



# Quarterly Results of Operation (Consolidated)

(Millions of Yen)

	FY2018							
	First quarter		Second quarter		Third quarter		Fourth quarter	
	Results	%	Results	%	Results	%	Results	%
<b>Net sales</b>	<b>10,604</b>	100.0	<b>10,270</b>	100.0	<b>10,442</b>	100.0	<b>9,728</b>	100.0
<b>Operating income</b>	<b>838</b>	7.9	<b>554</b>	5.4	<b>856</b>	8.2	<b>313</b>	3.2
<b>Ordinary income</b>	<b>947</b>	8.9	<b>730</b>	7.1	<b>907</b>	8.7	<b>522</b>	5.4
Profit attributable to owners of parent	<b>748</b>	7.1	<b>492</b>	4.8	<b>586</b>	5.6	<b>494</b>	5.1



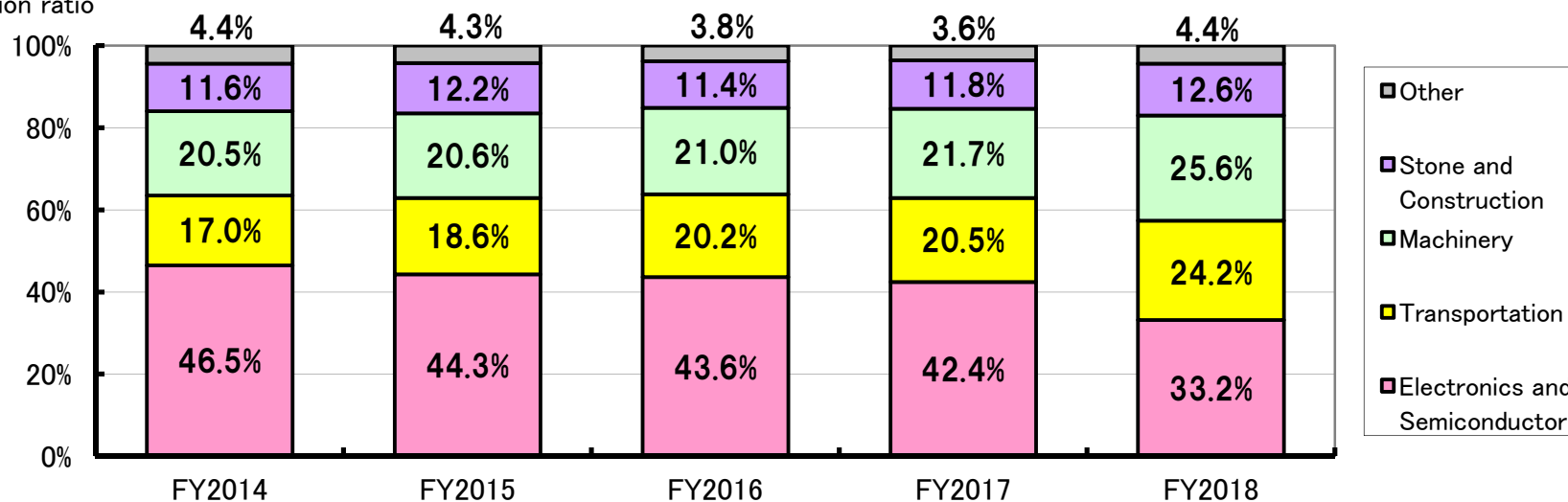
# Net Sales Breakdown by Industry (Consolidated)

(Millions of Yen)

	FY2017		FY2018					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Electronics and Semiconductor	19,257	42.4	13,650	33.3	<b>13,626</b>	33.2	-5,630	-29.2
<b>Transportation</b>	9,300	20.5	9,950	24.2	<b>9,955</b>	24.2	+655	+7.0
<b>Machinery</b>	9,884	21.7	10,600	25.9	<b>10,508</b>	25.6	+623	+6.3
Stone and Construction	5,353	11.8	5,250	12.8	<b>5,158</b>	12.6	-194	-3.6
<b>Other</b>	1,662	3.6	1,550	3.8	<b>1,796</b>	4.4	+133	+8.0
<b>Total</b>	<b>45,458</b>	<b>100.0</b>	<b>41,000</b>	<b>100.0</b>	<b>41,046</b>	<b>100.0</b>	<b>-4,412</b>	<b>-9.7</b>

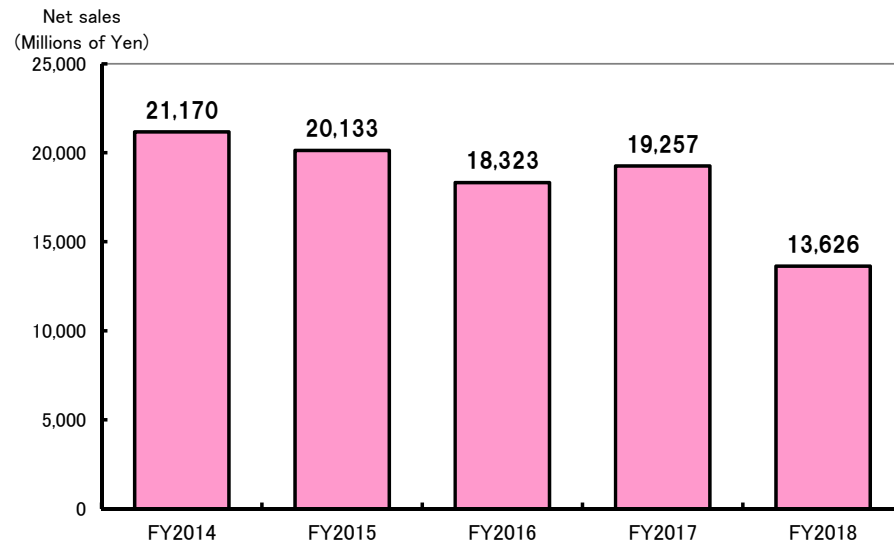
Note) Revised forecast figures were announced on February 8, 2019.

Composition ratio

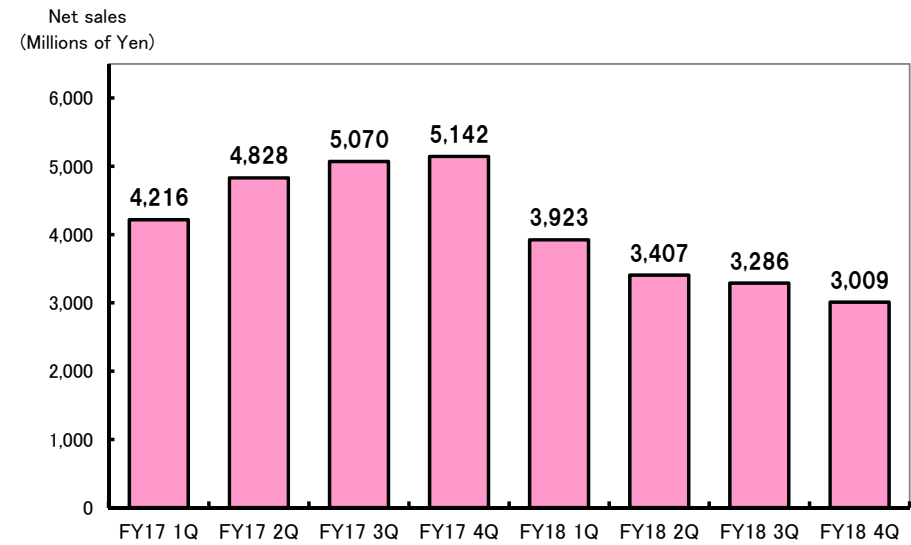


# Net Sales Breakdown by Industry : 1. Electronics and Semiconductor

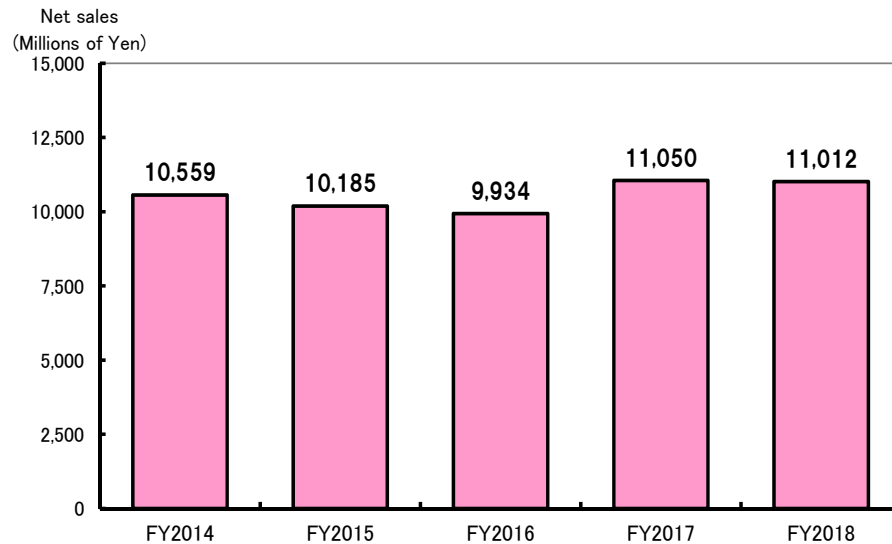
【Full-year】



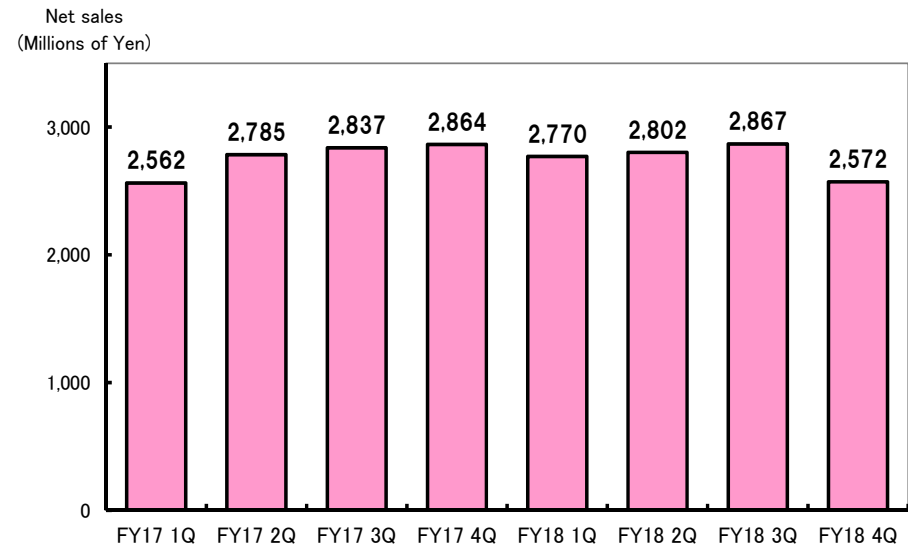
【Quarter】



【Full-year】



【Quarter】



## ◆ Semiconductor & Electronic Component

The Industry was rather active until 2<sup>nd</sup> Q, but from 3<sup>rd</sup> Q retreated.

So that in total the sales of this year remained unchanged compared with last year.

## ◆ FPD

Sales was very steady partly due to TV and touchscreen productions and to the collective sales for a new factory of our main customer.

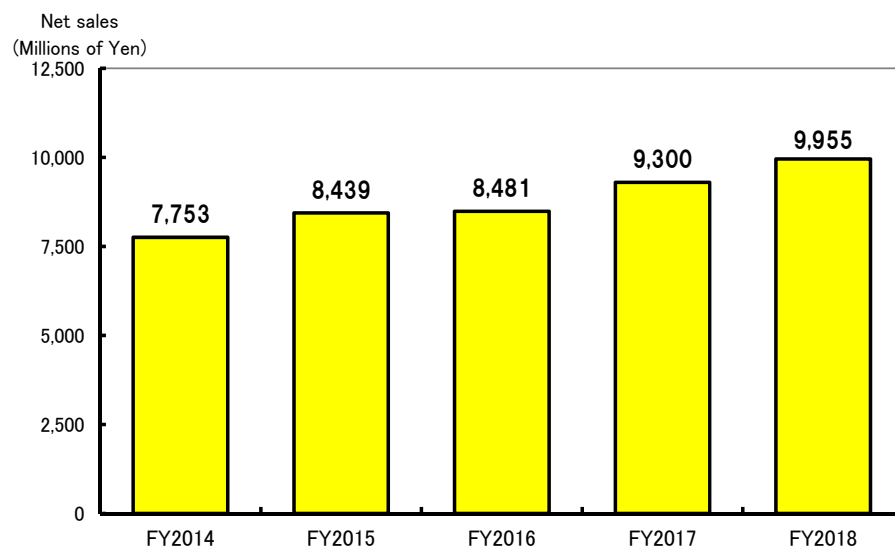
## ◆ Wire Drawing Die

Sales of dies for bonding wire decreased but for saw wire increased.

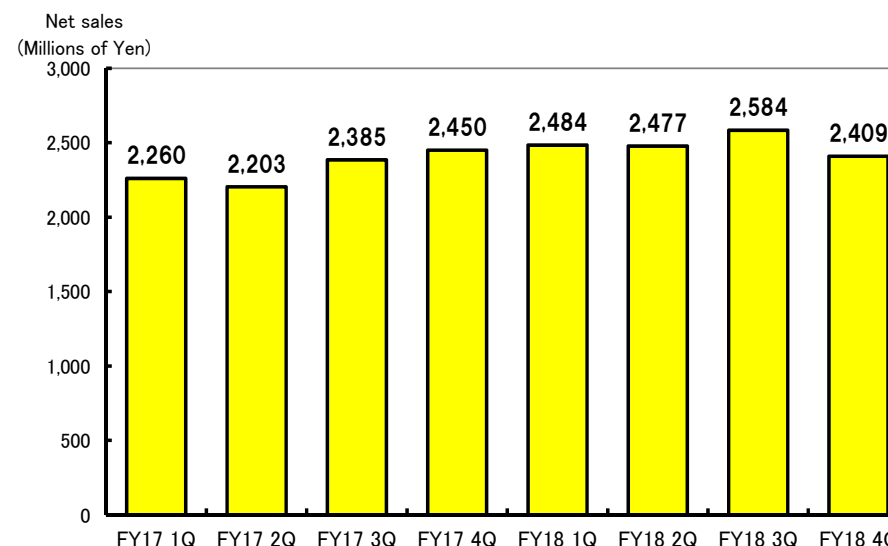


# Net Sales Breakdown by Industry : 2. Transportation

【Full-year】



【Quarter】



## ◆ Automobile

Sales of the related tools increased specially in the field of precise tools, while the production of the automobile declined slightly.

## ◆ Aircraft

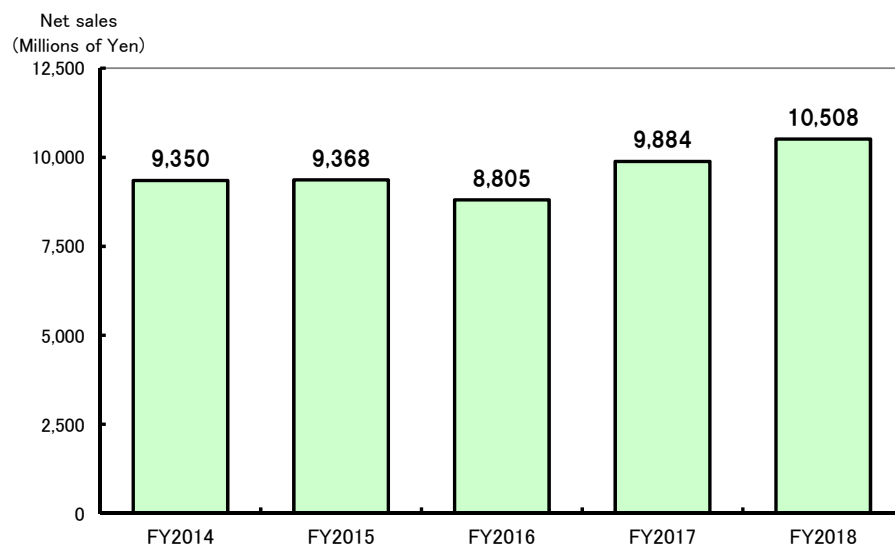
Sales of the related tools increased due to favorable growth in its production.



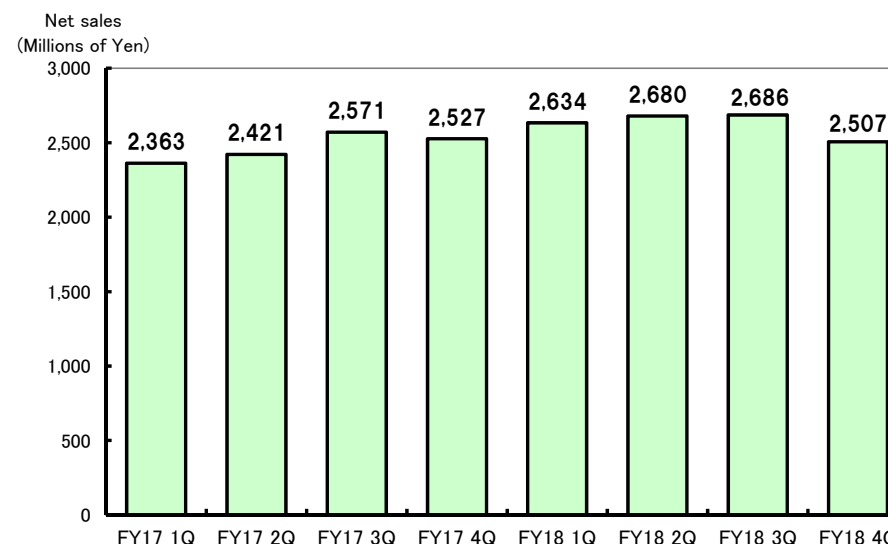


# Net Sales Breakdown by Industry : 3. Machinery

【Full-year】



【Quarter】



## ◆ Bearing

Sales of the related tools was increased by production growth in bearings for automotive and industrial machinery until 2<sup>nd</sup> Q, from 3<sup>rd</sup> Q declined due to the decrease of the production.

## ◆ Cemented Carbide Tool

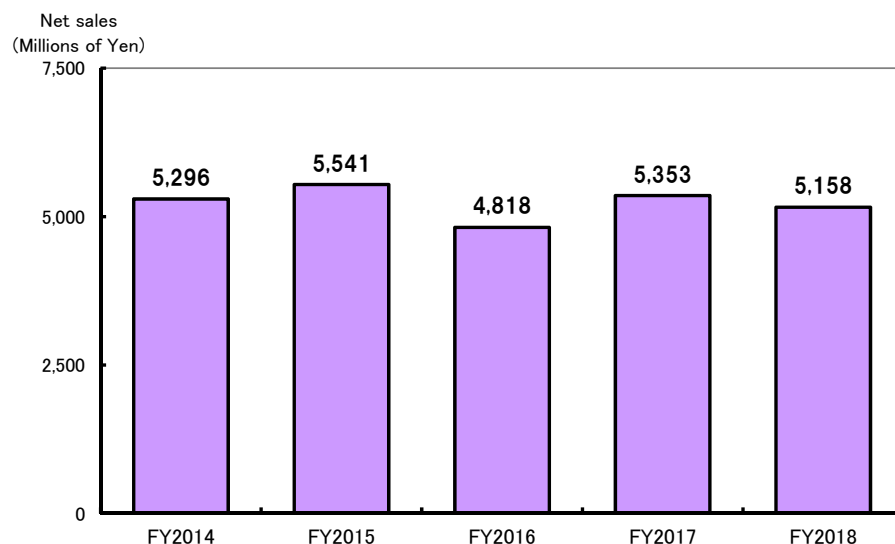
Sales of the related tools was increased by its production growth in Japan.



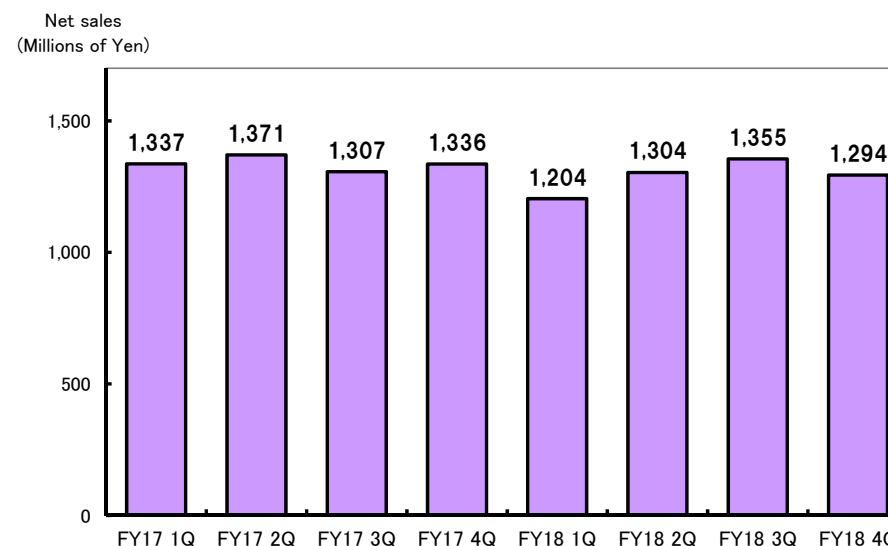
# Net Sales Breakdown by Industry : 4. Stone and Construction



【Full-year】



【Quarter】



## ◆ Mining

Sale of the related tools increased specially due to the stead increase in the market of overseas.

## ◆ Construction in Japan

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

## ◆ Commercial Product (Portable Cutter)

Sales of the related tools slightly decreased mainly in the the main customers of overseas.



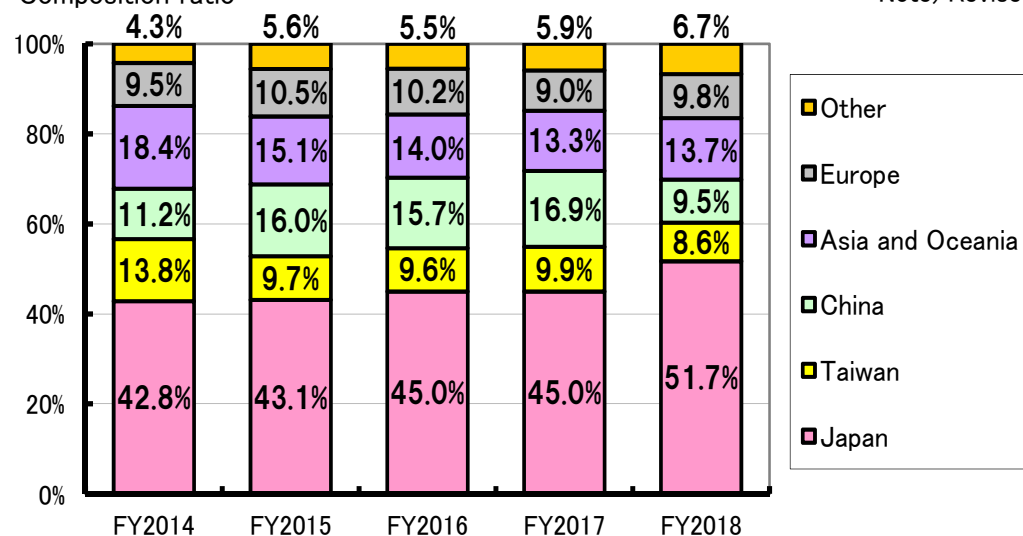
# Net Sales Breakdown by Geographical Region (Consolidated)



(Millions of Yen)

	FY2017		FY2018					
	Results	%	Revised forecasts	%	Results	%	Change year-on-year	Change year-on-year (%)
Japan	20,480	45.0	21,000	51.2	<b>21,220</b>	51.7	+740	+3.6
Taiwan	4,487	9.9	3,700	9.0	<b>3,519</b>	8.6	-967	-21.6
China	7,668	16.9	3,700	9.0	<b>3,897</b>	9.5	-3,771	-49.2
Other Asia and Oceania	6,042	13.3	5,800	14.2	<b>5,641</b>	13.7	-401	-6.6
Europe	4,079	9.0	3,900	9.5	<b>4,006</b>	9.8	-73	-1.8
Other	2,700	5.9	2,900	7.1	<b>2,760</b>	6.7	+59	+2.2
Overseas total	24,978	55.0	20,000	48.8	<b>19,825</b>	48.3	-5,153	-20.6
Total	45,458	100.0	41,000	100.0	<b>41,046</b>	100.0	-4,412	-9.7

Composition ratio



Note) Revised forecast figures were announced on February 8, 2019.

- ◆ **Japan**  
The sales for machinery and transportation has increased.
- ◆ **Taiwan**  
The sales for machinery has increased  
But the sales of electroplated wire decreased.
- ◆ **China**  
The sales of electroplated wire decreased.

# Consolidated Balance Sheets

(Millions of Yen)

	2018/3	2019/3	Change		2018/3	2019/3	Change
<b>Assets</b>				<b>Liabilities</b>			
Cash and deposits	18,202	14,886	-3,316	Notes and accounts payable-trade	1,865	1,563	-302
Notes and accounts receivable-trade	12,782	11,255	-1,527	Income taxes payable	1,087	93	-994
Inventories	6,693	6,621	-71	Net defined benefit liability	7,801	7,779	-22
Property, plant and equipment	19,919	21,576	+1,656	Other	4,215	4,583	+368
Intangible assets	107	143	+36	<b>Total liabilities</b>	14,969	14,019	-949
Investment securities	14,502	15,188	+685	<b>Net assets</b>			
Other	2,469	3,376	+906	<b>Total net assets</b>	59,708	59,028	-680
<b>Total assets</b>	74,678	73,047	-1,630	<b>Total liabilities and net assets</b>	74,678	73,047	-1,630

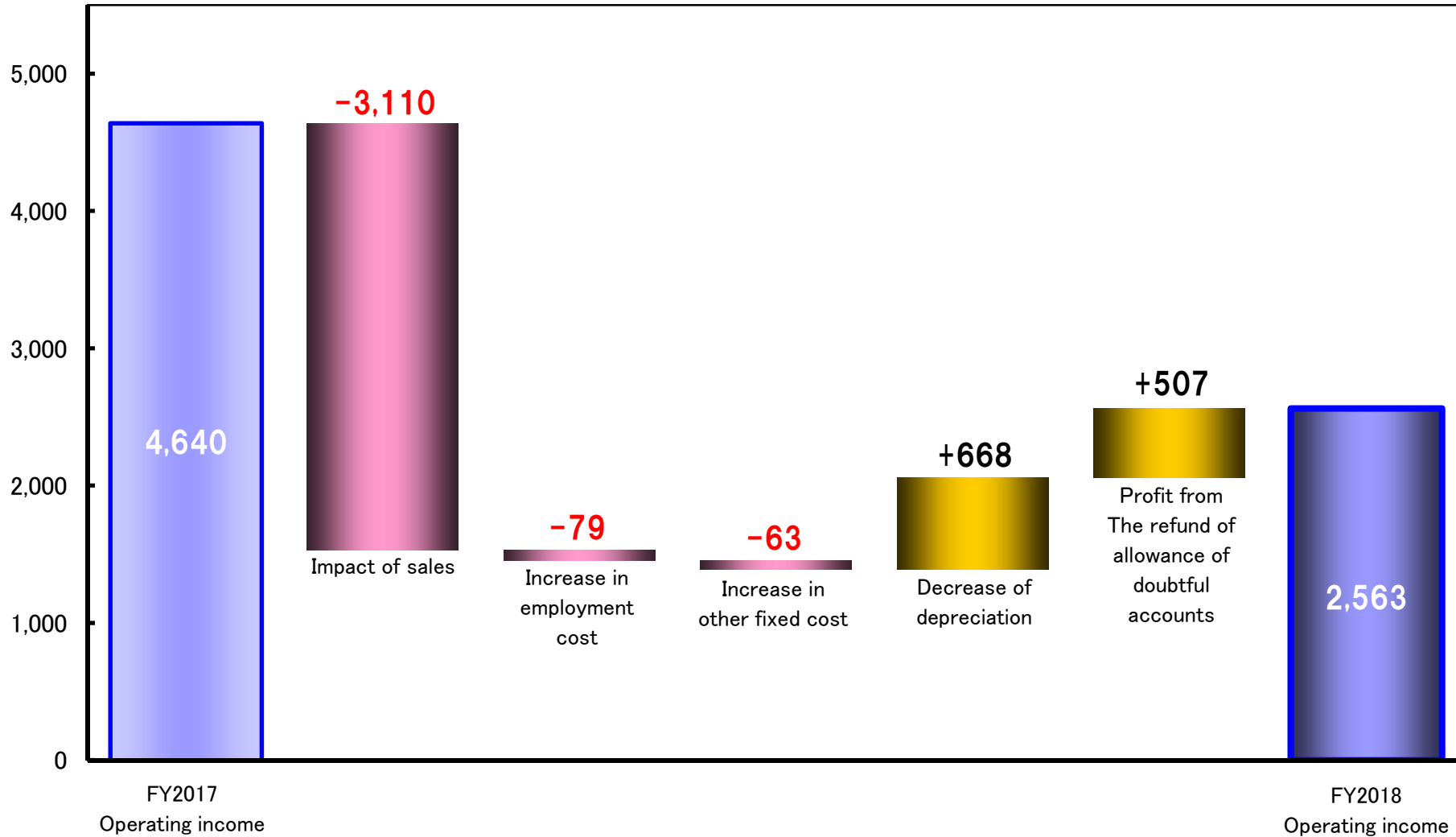
# Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2017	FY2018	Change
Profit before income taxes	2,649	3,303	+653
Depreciation	3,165	2,497	-667
Impairment loss	2,451	-	-2,451
Decrease (increase) in notes and accounts receivable - trade	-1,817	1,345	+3,162
Decrease (increase) in inventories	-394	-38	+355
Income taxes paid	-547	-1,517	-969
Other	931	-1,141	-2,073
<b>Net cash provided by (used in) operating activities</b>	<b>6,439</b>	<b>4,449</b>	<b>-1,990</b>
Purchase or sales of property, plant and equipment	-2,294	-3,839	-1,544
Purchase or sales or redemption of investment securities	22	-1,134	-1,157
Other	-121	-170	-48
<b>Net cash provided by (used in) investing activities</b>	<b>-2,393</b>	<b>-5,144</b>	<b>-2,750</b>
Purchase or sales of treasury shares	-2	-150	-148
Cash dividends paid	-782	-613	+168
Other	-155	-149	+5
<b>Net cash provided by (used in) financing activities</b>	<b>-939</b>	<b>-914</b>	<b>+25</b>
<b>Cash and cash equivalents at end of period</b>	<b>18,468</b>	<b>16,548</b>	<b>-1,920</b>

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

(Millions of Yen)



## 1. FY2018 Financial Results

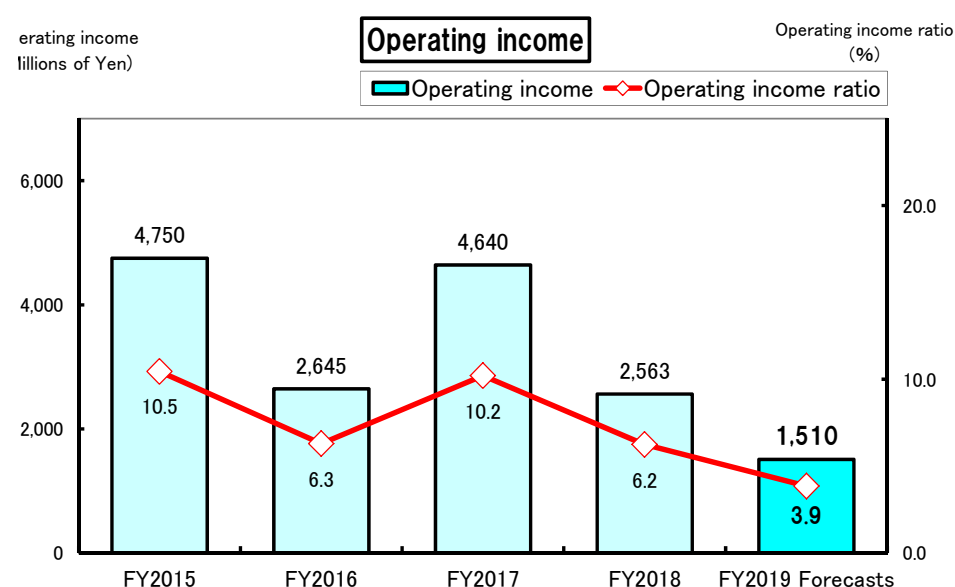
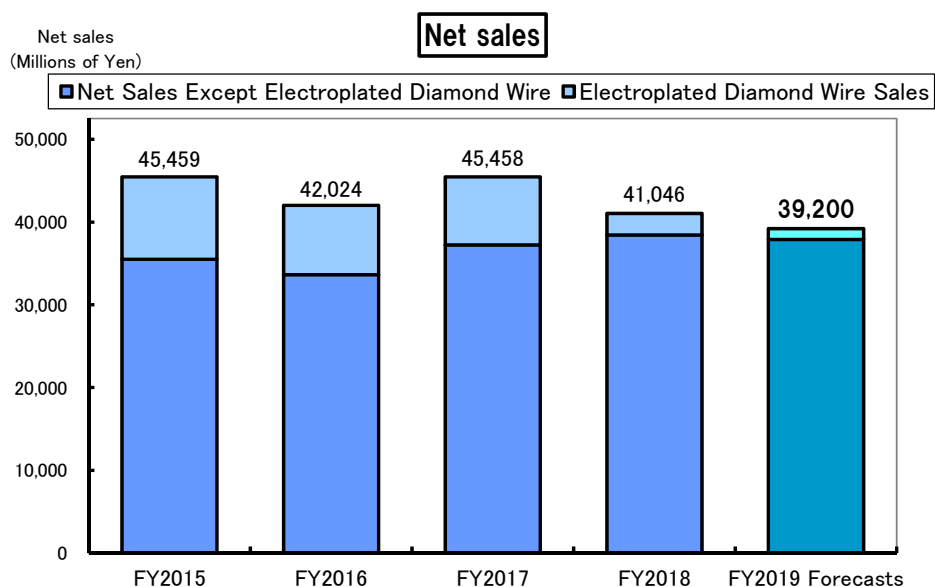
## *2. FY2019 Forecasts*

## 3. Mid-term management issues and its recent approach situations

# Outline of Forecasts (Consolidated)

(Millions of Yen)

	FY2018 First half results	%	FY2019 First half forecasts	%	Change year-on-year	Change year- on-year (%)	FY2018 Full-year results	%	FY2019 Full-year forecasts	%	Change year-on-year	Change year- on-year (%)
<b>Net sales</b>	20,875	100.0	<b>19,200</b>	100.0	-1,675	-8.0	41,046	100.0	<b>39,200</b>	100.0	-1,846	-4.5
<b>Operating income</b>	1,392	6.7	<b>270</b>	1.4	-1,122	-80.6	2,563	6.2	<b>1,510</b>	3.9	-1,053	-41.1
<b>Ordinary income</b>	1,678	8.0	<b>470</b>	2.4	-1,208	-72.0	3,108	7.6	<b>1,950</b>	5.0	-1,158	-37.3
Profit attributable to owners of parent	1,240	5.9	<b>300</b>	1.6	-940	-75.8	2,321	5.7	<b>1,200</b>	3.1	-1,121	-48.3
<b>Exchange rate</b>	JPY/USD						110.6	-	<b>110.0</b>			
	JPY/EUR						130.4	-	<b>123.0</b>			
	JPY/CNY						16.7	-	<b>16.4</b>			





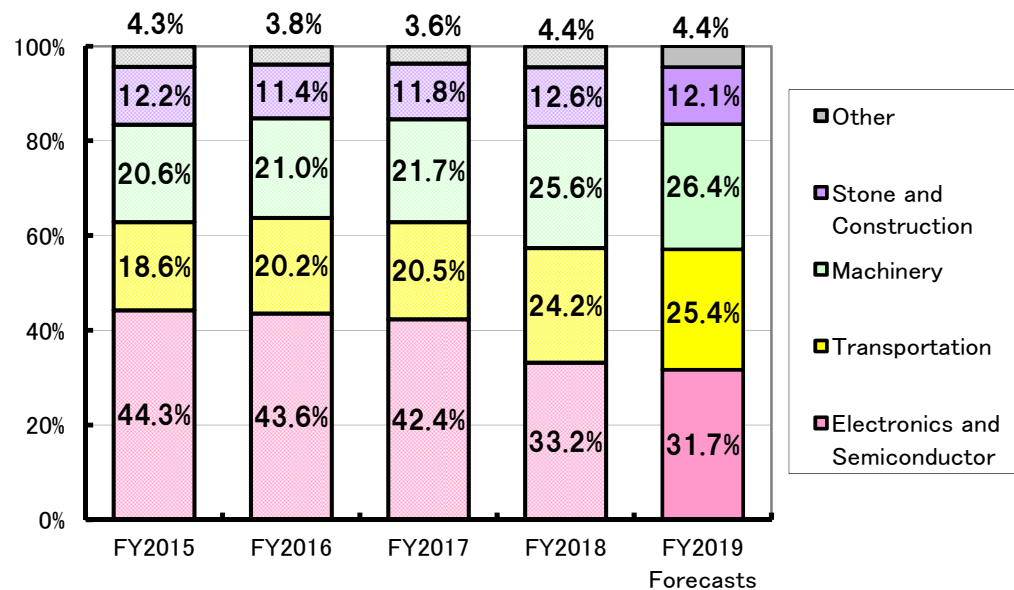
# Forecasts of Net Sales Breakdown by Industry (Consolidated)



(Millions of Yen)

	FY2018 First Half Results	%	FY2019 First Half Forecasts	%	Change year-on-year	Change year- on-year (%)	FY2018 Full-Year Results	%	FY2019 Full-Year Forecasts	%	Change year-on-year	Change year- on-year (%)
Electronics and Semiconductor	7,330	35.1	5,870	30.6	-1,460	-19.9	13,626	33.2	12,440	31.7	-1,186	-8.7
Transportation	4,962	23.8	4,900	25.5	-62	-1.3	9,955	24.2	9,970	25.4	+14	+0.1
Machinery	5,314	25.5	5,050	26.3	-264	-5.0	10,508	25.6	10,330	26.4	-178	-1.7
Stone and Construction	2,509	12.0	2,430	12.7	-79	-3.2	5,158	12.6	4,730	12.1	-428	-8.3
Other	758	3.6	950	4.9	+191	+25.2	1,796	4.4	1,730	4.4	-66	-3.7
<b>Total</b>	<b>20,875</b>	<b>100.0</b>	<b>19,200</b>	<b>100.0</b>	<b>-1,675</b>	<b>-8.0</b>	<b>41,046</b>	<b>100.0</b>	<b>39,200</b>	<b>100.0</b>	<b>-1,846</b>	<b>-4.5</b>

Composition ratio



## ◆ Electronics and semiconductor

Decrease of sales is due to the decrease of electroplated wire. The other sales for semiconductor and electronics parts has increased.

## ◆ Transportation

Sales for Automobile slightly increased related tools specially in the field of precise tools.

## ◆ Machinery

Sales for Cemented Carbide Tool increased.  
Sales for Bearing has decreased.

## ◆ Stone and Construction

Sales in Japan slightly increased, but decreased in overseas commercial market

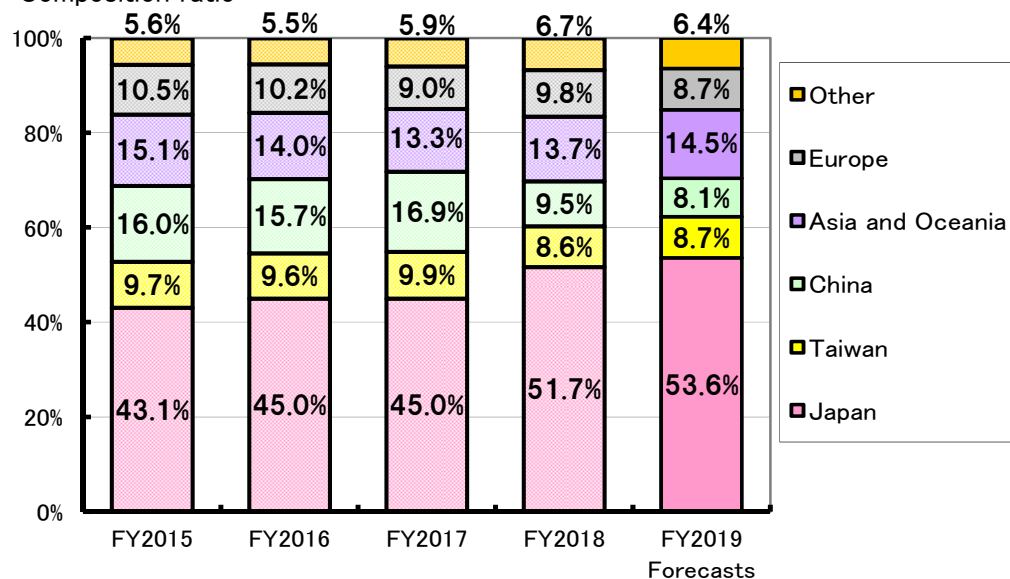


# Forecasts of Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

	FY2018 First Half Results	%	FY2019 First Half Forecasts	%	Change year-on-year	Change year- on-year (%)	FY2018 Full-Year Results	%	FY2019 Full-Year Forecasts	%	Change year-on-year	Change year- on-year (%)
<b>Japan</b>	10,552	50.5	<b>10,200</b>	53.1	-352	-3.3	21,220	51.7	<b>21,000</b>	53.6	-220	-1.0
<b>Taiwan</b>	1,883	9.0	<b>1,600</b>	8.3	-283	-15.0	3,519	8.6	<b>3,400</b>	8.7	-119	-3.4
<b>China</b>	2,069	9.9	<b>1,400</b>	7.3	-669	-32.4	3,897	9.5	<b>3,200</b>	8.1	-697	-17.9
<b>Other Asia and Oceania</b>	2,829	13.6	<b>2,800</b>	14.6	-29	-1.0	5,641	13.7	<b>5,700</b>	14.5	+58	+1.0
<b>Europe</b>	2,185	10.5	<b>1,800</b>	9.4	-385	-17.6	4,006	9.8	<b>3,400</b>	8.7	-606	-15.1
<b>Other</b>	1,355	6.5	<b>1,400</b>	7.3	+44	+3.3	2,760	6.7	<b>2,500</b>	6.4	-260	-9.4
<b>Overseas total</b>	10,322	49.5	<b>9,000</b>	46.9	-1,322	-12.8	19,825	48.3	<b>18,200</b>	46.4	-1,625	-8.2
<b>Total</b>	20,875	100.0	<b>19,200</b>	100.0	-1,675	-8.0	41,046	100.0	<b>39,200</b>	100.0	-1,846	-4.5

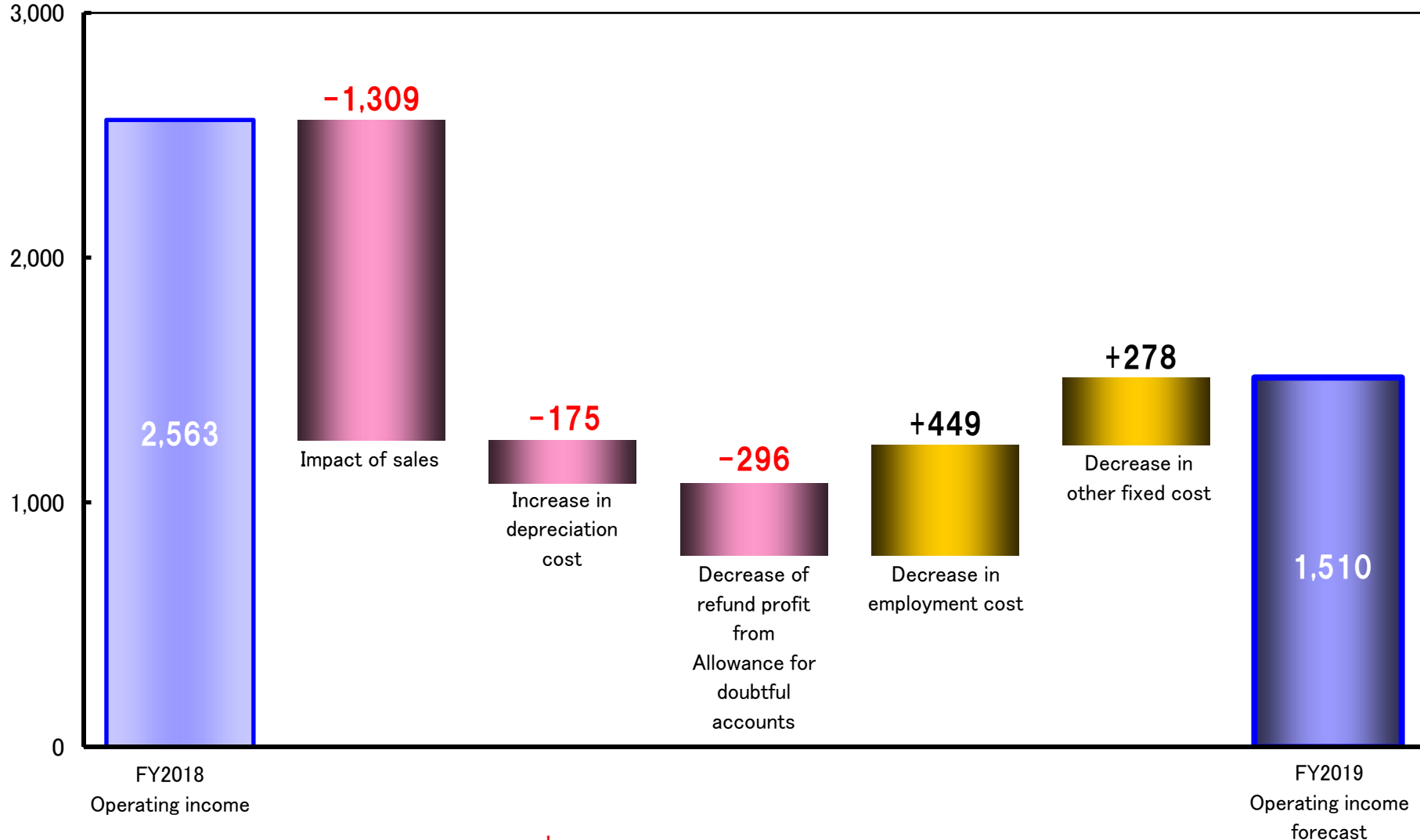
Composition ratio



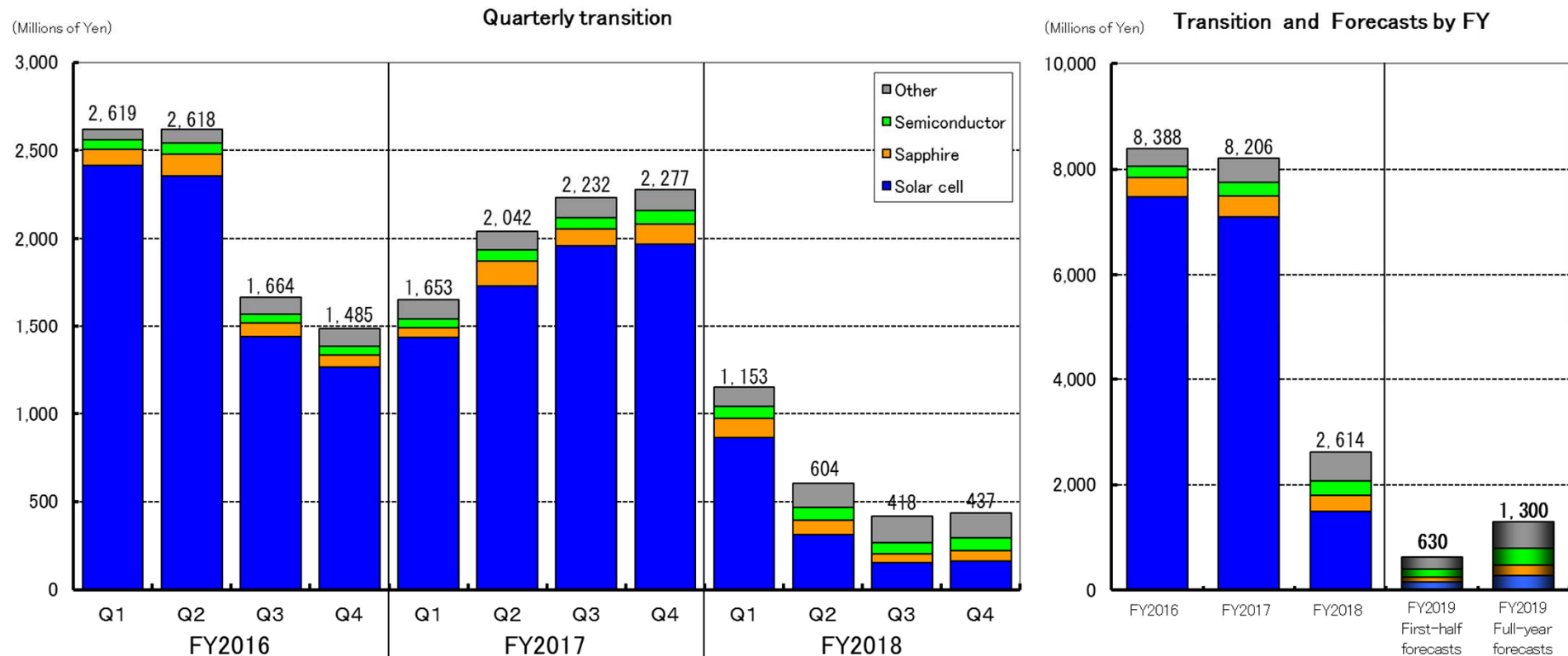
- ◆ **Japan**  
Electronics and Semiconductor related tools has increased.  
Machinery related tools decreased.
- ◆ **China•Europe**  
Electroplated wire sales decreased.

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

(Millions of Yen)



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



## ◆ FY2018

- Sales for Solar cell decreased due to sharp price decline by fall wafer unit price and oversupply of electrodeposited wire.
- Sales for semiconductor and magnetic materials increased.

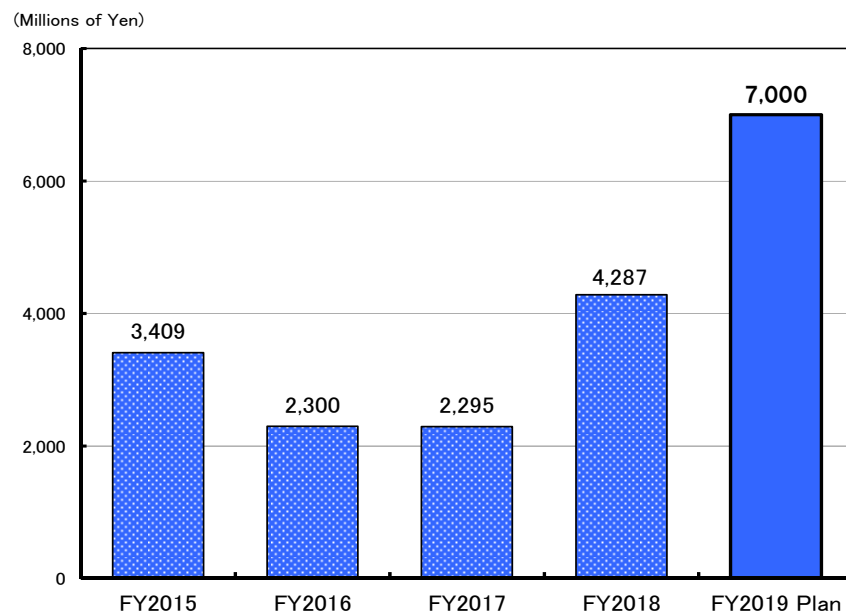
## ◆ FY2019

- Aiming to expand sales of applications such as semiconductor, magnetic materials and ceramics.

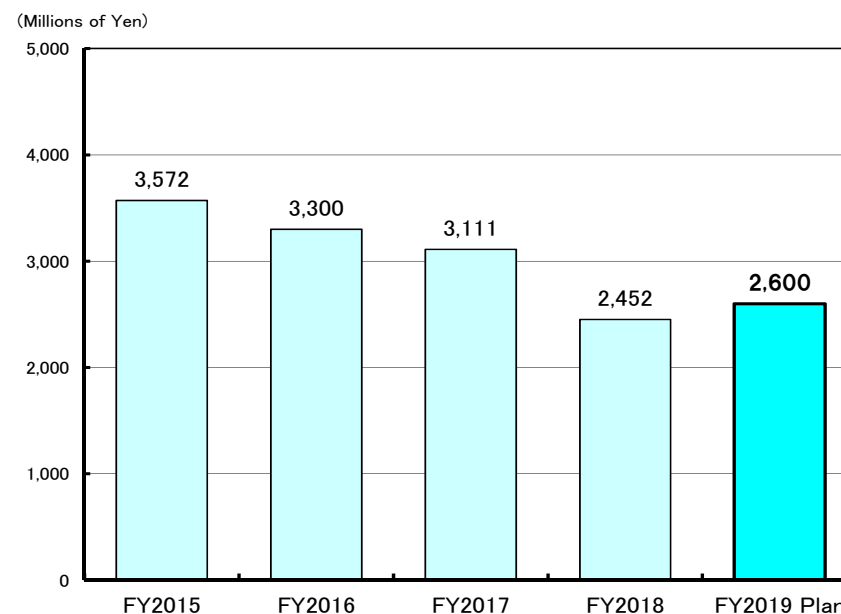


# Capital Expenditures 「Results and Plan」

## Capital expenditure



## Depreciation



### ◆ Investment amount in plant and equipment

FY2018 includes the purchase cost for land of new Chiba factory.

FY2019 Plan includes the cost of machinery and construction of new Chiba factory.

## 1. FY2018 Financial Results

## 2. FY2019 Forecasts

## *3. Mid-term management issues and its recent approach situations*

## Mid-term management issues

### Establish a new manufacturing and development system

- Expand the business by increasing production capacity of products expected to expand demand in the future and extending the sales base.
- Review the role of existing domestic manufacturing and development bases, and rebuild an efficient manufacturing and development system.

### Strategic overseas development

- Define the gap between market needs of each region and our system, and construct an optimal overseas base system to fill the gap.
- Define the role of overseas bases.
- Improve management of internal control status etc. of overseas subsidiaries.

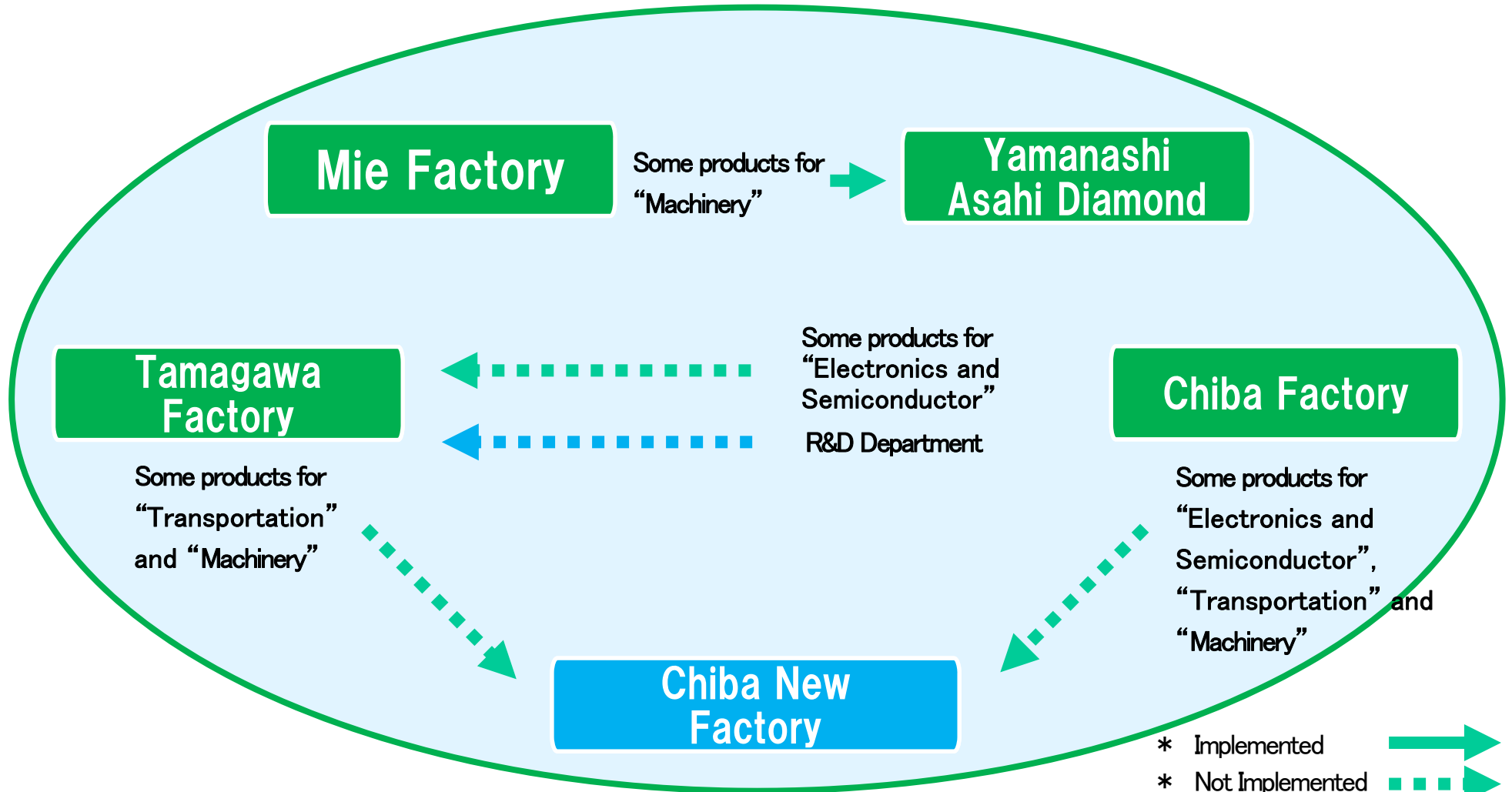
### Human resources development and efficient staffing

With the above issues in mind, we will solidify the image of specific human resources needed in each department, develop human resources, and realize efficient staffing.

## Connect to Mid-term management issues

# Mid-term management issues and its recent approach situations

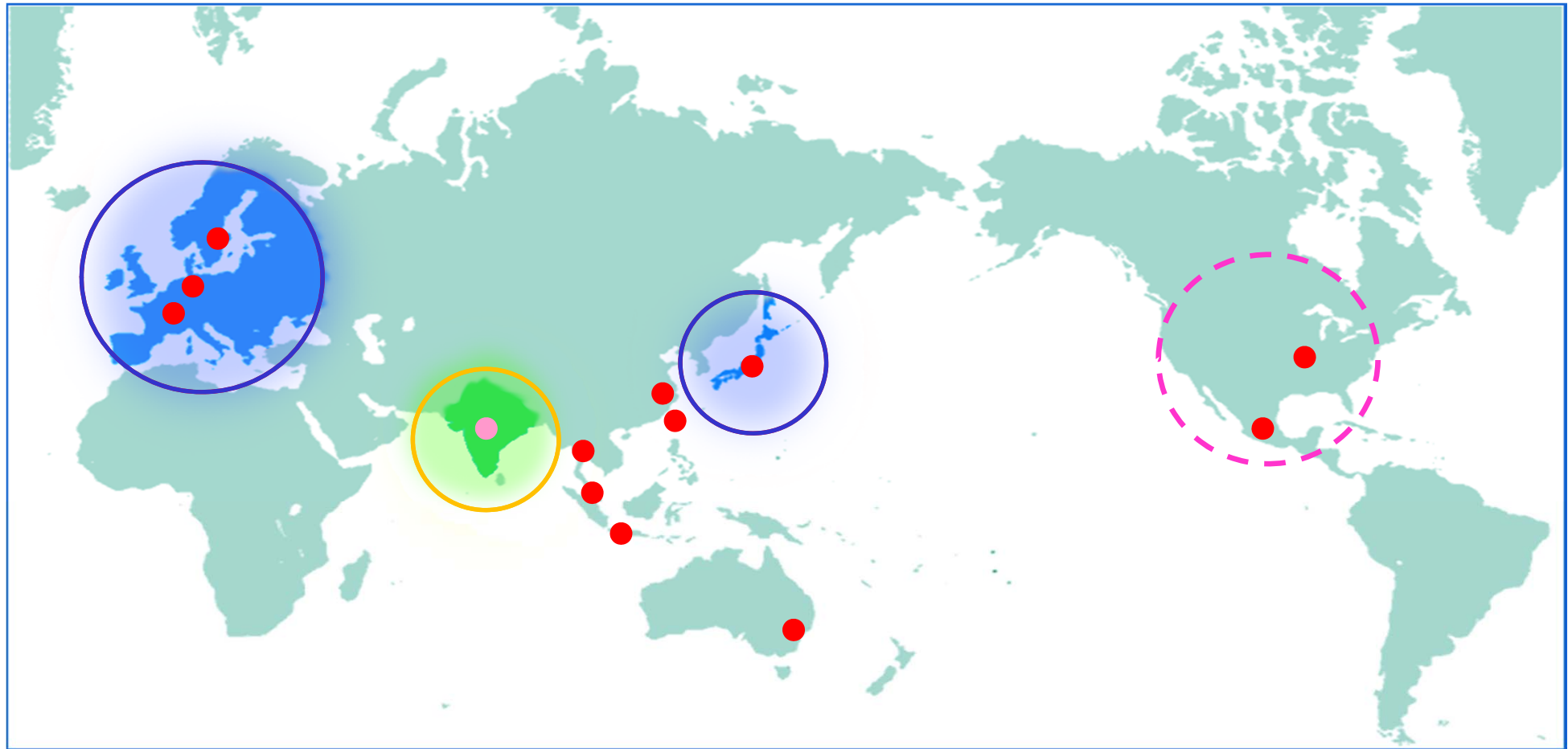
Establish a new manufacturing and development system





## Strategic overseas development

● Our hub



● Business alliance with TYROLIT ● Expand sales in the Indian market ○ Expand sales in the North America market



# 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.

