



# **FY2019 2Q Financial Results and FY2019 Forecasts**

**November 13, 2019**

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



## ***1. FY2019 2Q Financial Results***

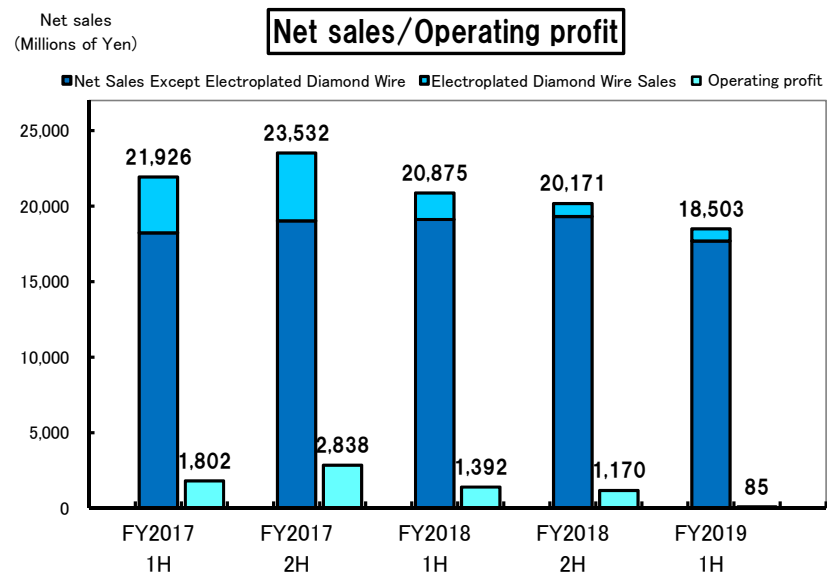
## **2. FY2019 Forecasts**

## **3. Growth strategy and mid-term management plan**

# Financial Results (Consolidated)

(Millions of Yen)

	FY2018		FY2019		
	1H Results '18/4-9	%	1H Results '19/4-9	%	YoY Change
<b>Net sales</b>	20,875	100.0	<b>18,503</b>	100.0	<b>-2,371</b>
<b>Operating profit</b>	1,392	6.7	<b>85</b>	0.5	<b>-1,307</b>
<b>Ordinary profit</b>	1,678	8.0	<b>199</b>	1.1	<b>-1,478</b>
Profit attributable to owners of parent	1,240	5.9	<b>337</b>	1.8	<b>-903</b>
<b>Earning per share (Yen)</b>	22.29	-	<b>6.08</b>	-	<b>-16.21</b>



## Operating profit (YoY change)

### ◆ Increase factor

- Decrease in personnel expenses 454 Mill Yen

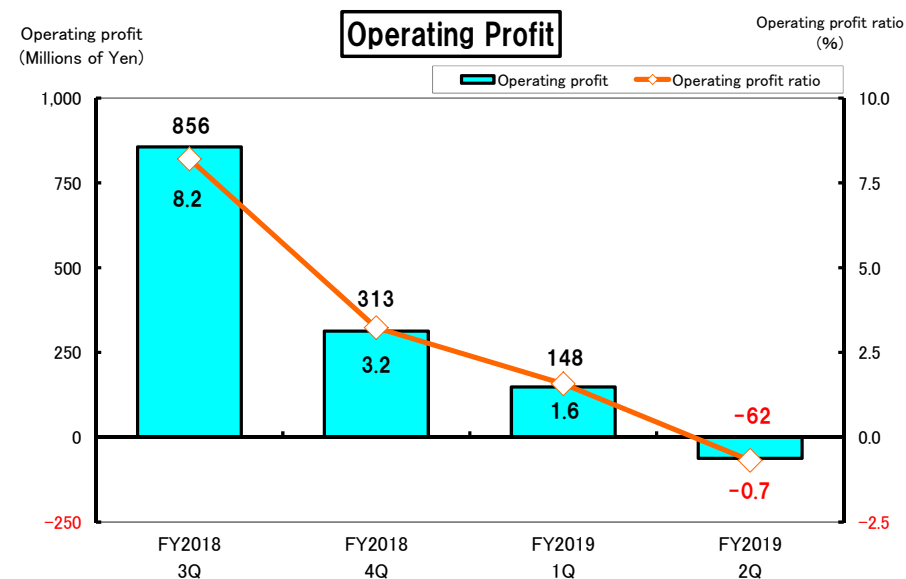
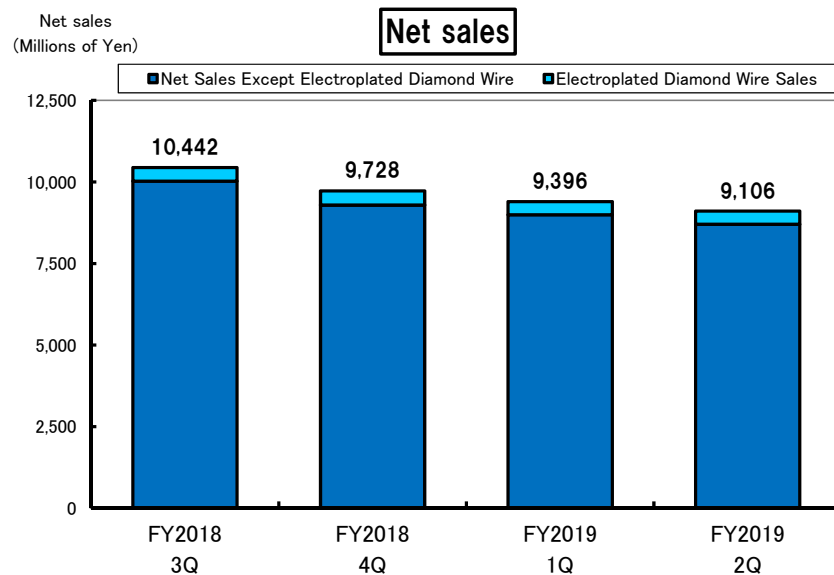
### ◆ Reduction factor

- Decrease in sales 922 Mill Yen
- Impact of inventory 733 Mill Yen

# Quarterly Results of Operation (Consolidated)

(Millions of Yen)

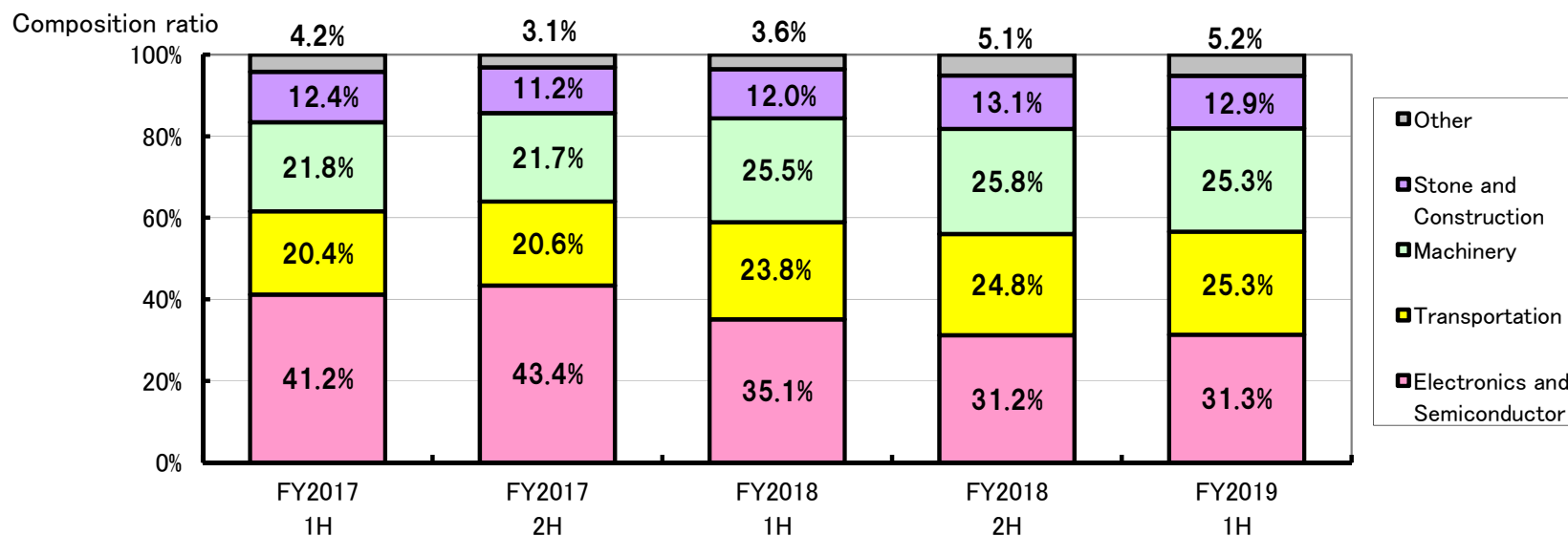
	FY2018				FY2019			
	3Q		4Q		1Q		2Q	
	Results	%	Results	%	Results	%	Results	%
<b>Net sales</b>	10,442	100.0	9,728	100.0	<b>9,396</b>	100.0	<b>9,106</b>	100.0
<b>Operating profit</b>	856	8.2	313	3.2	<b>148</b>	1.6	<b>-62</b>	<b>-0.7</b>
<b>Ordinary profit</b>	907	8.7	522	5.4	<b>180</b>	1.9	<b>19</b>	0.2
Profit attributable to owners of parent	586	5.6	494	5.1	<b>176</b>	1.9	<b>160</b>	1.8



# Net Sales Breakdown by Industry (Consolidated)

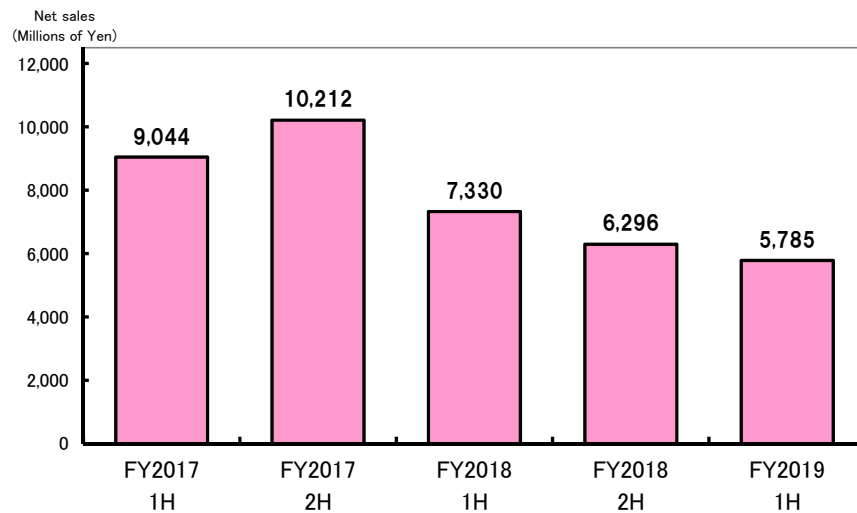
(Millions of Yen)

	FY2018				FY2019			
	1H Results '18/4-9	%	2H Results '18/10-'19/3	%	1H Results '19/4-9	%	YoY Change	YoY Change (%)
Electronics and Semiconductor	7,330	35.1	6,296	31.2	<b>5,785</b>	31.3	<b>-1,545</b>	<b>-21.1</b>
<b>Transportation</b>	4,962	23.8	4,993	24.8	<b>4,693</b>	25.3	<b>-268</b>	<b>-5.4</b>
<b>Machinery</b>	5,314	25.5	5,194	25.8	<b>4,675</b>	25.3	<b>-638</b>	<b>-12.0</b>
Stone and Construction	2,509	12.0	2,649	13.1	<b>2,388</b>	12.9	<b>-120</b>	<b>-4.8</b>
<b>Other</b>	758	3.6	1,037	5.1	<b>960</b>	5.2	<b>+201</b>	<b>+26.6</b>
<b>Total</b>	<b>20,875</b>	<b>100.0</b>	<b>20,171</b>	<b>100.0</b>	<b>18,503</b>	<b>100.0</b>	<b>-2,371</b>	<b>-11.4</b>

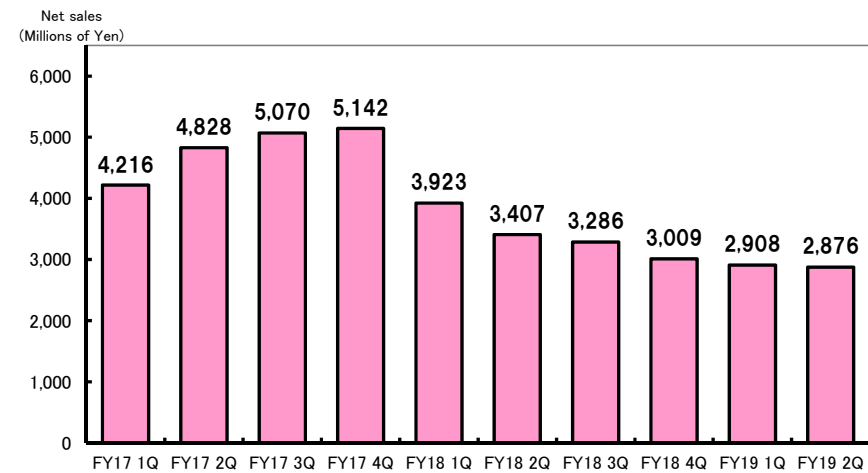


# Net Sales Breakdown by Industry : 1. Electronics and Semiconductor

【Half-year】

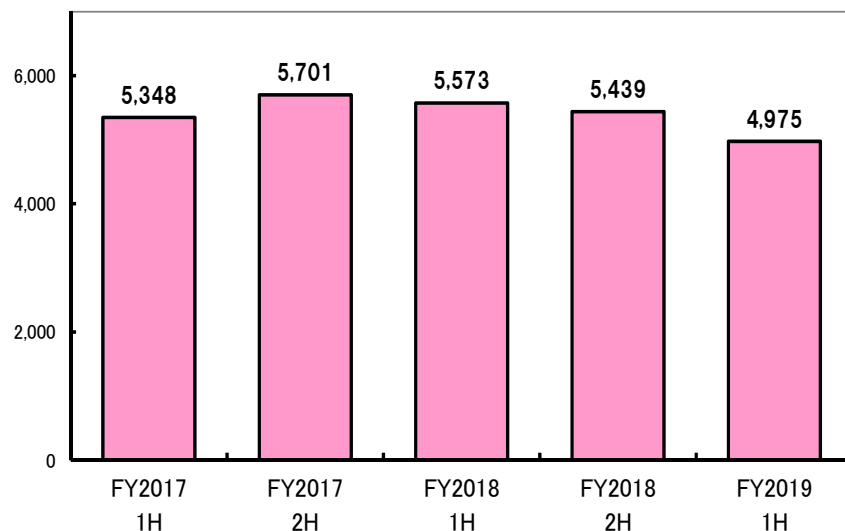


【Quarter】



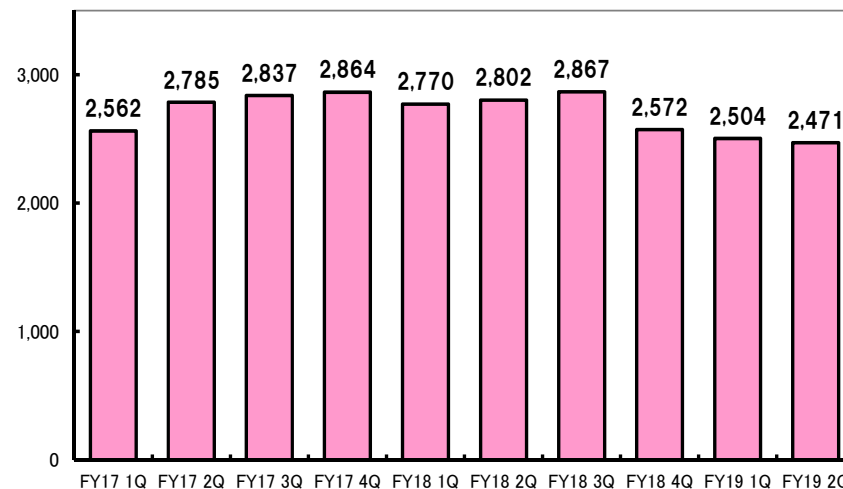
## 【Half-year】

Net sales  
(Millions of Yen)



## 【Quarter】

Net sales  
(Millions of Yen)



### ◆ Semiconductor & Electronic Component

Sales of the related tools decreased compared to the same period last year due to a decrease in production of memory and semiconductors.

### ◆ F P D

Sales of the related tools decreased compared to the same period last year due to a decrease in production at major customers.

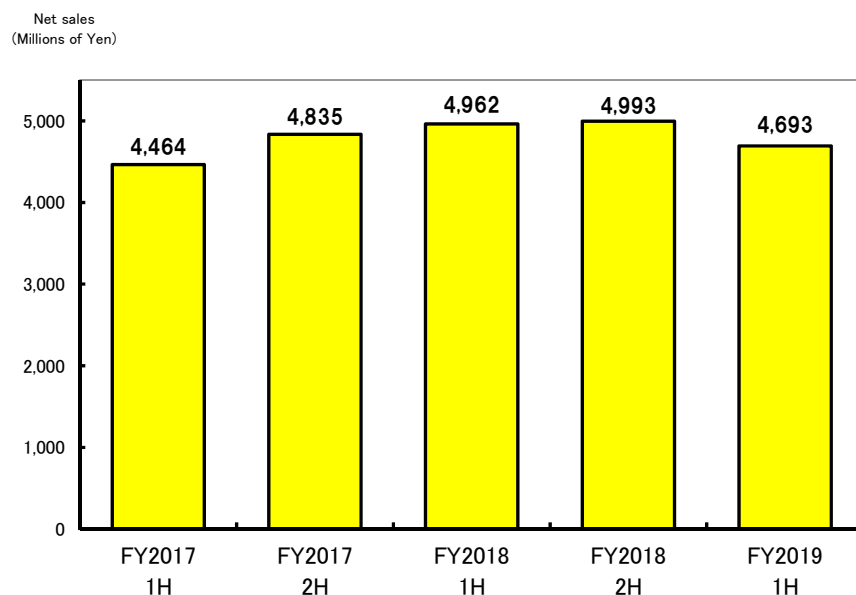
### ◆ Wire Drawing Die

Sales of the dies for bonding and saw wire decreased compared to the same period of the previous year.

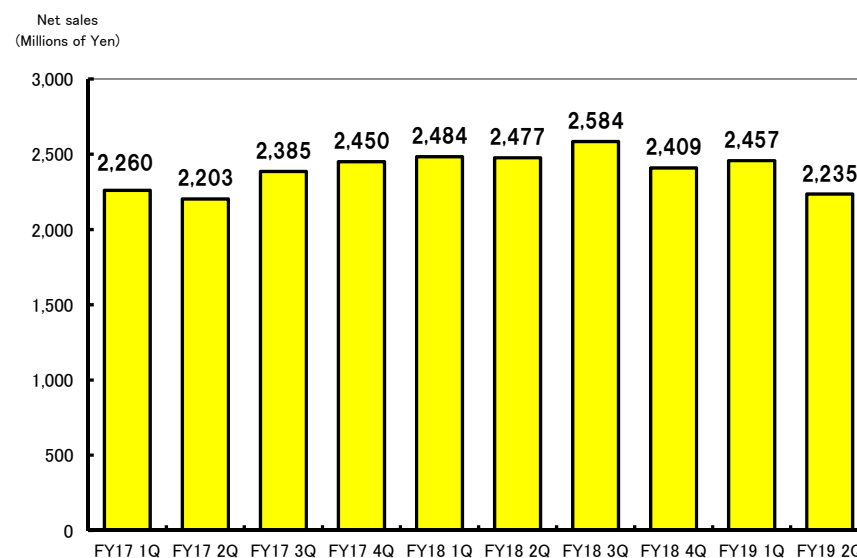


# Net Sales Breakdown by Industry : 2. Transportation

【Half-year】



【Quarter】



## ◆ Automobile

Sales of the related tools for overseas decreased due to the sluggish automobile production in China and Europe.

## ◆ Aircraft

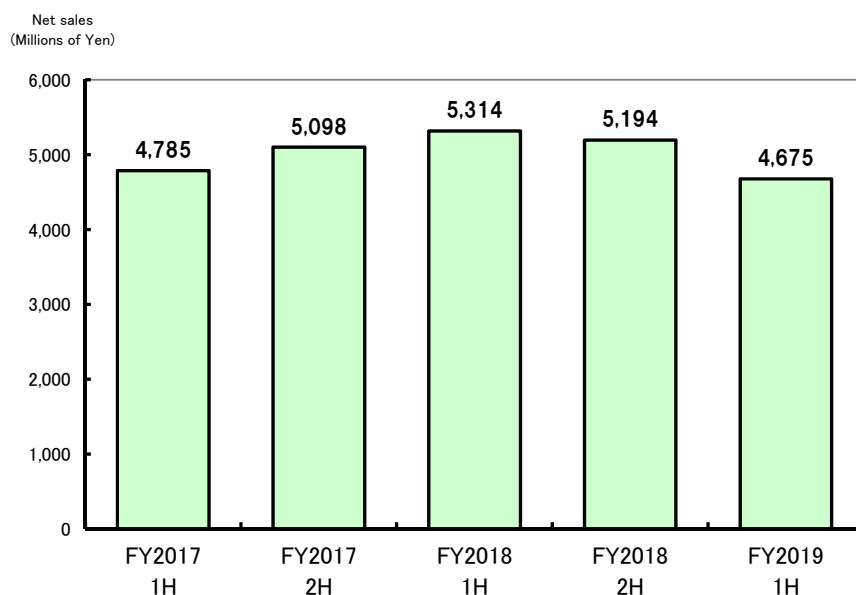
Sales of the related tools increased due to an increase in production of aircraft.



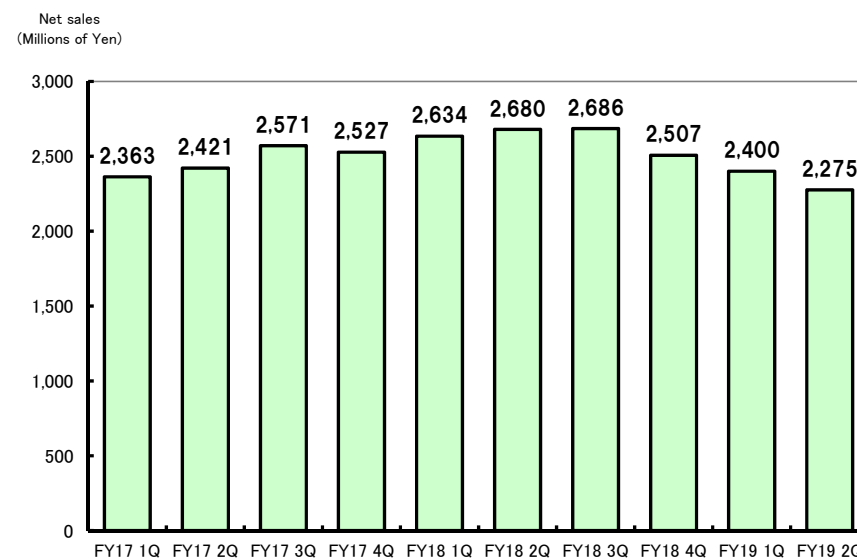


# Net Sales Breakdown by Industry : 3. Machinery

【Half-year】



【Quarter】



## ◆ Bearing

Sales of the related tools decreased due to a decrease in Chinese automobile production and a decrease in orders from the domestic machine tool industry.

## ◆ Cemented Carbide Tool

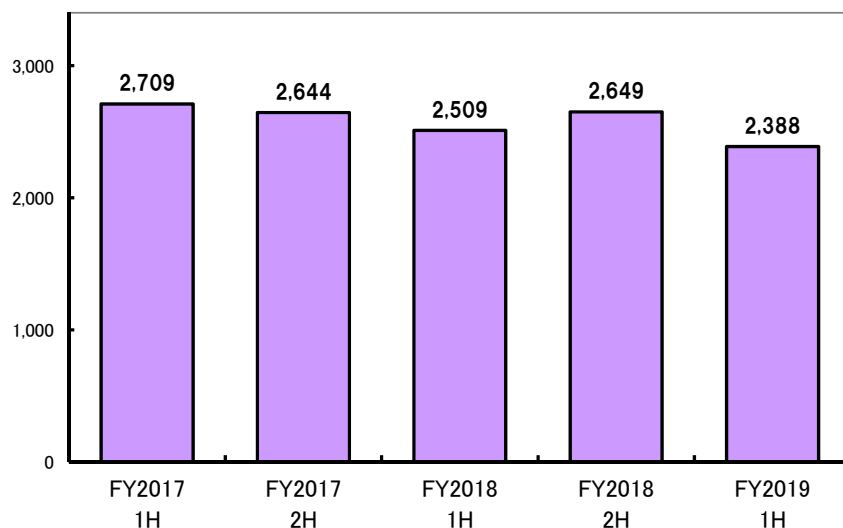
Sales of the related tools decreased due to a decrease in production of domestic cemented carbide tools.



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

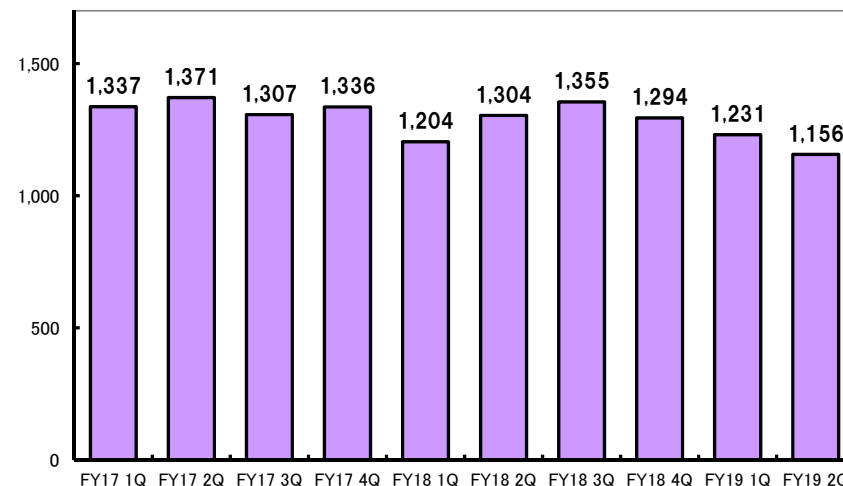
【Half-year】

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

Although public works related to roads were sluggish, sales of related tools for demolition work increased due to an increase in orders for dismantling tools.

## ◆ Commercial Product (Portable Cutter)

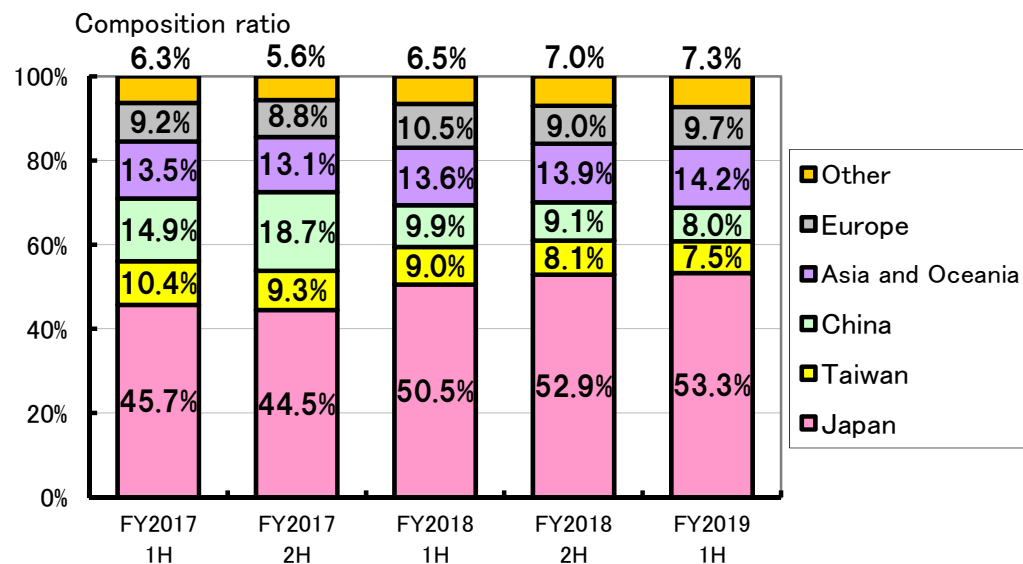
Sales for the major overseas customers decreased.



# Net Sales Breakdown by Geographical Region (Consolidated)

(Millions of Yen)

	FY2018				FY2019			
	1H Results '18/4-9	%	2H Results '18/10-'19/3	%	1H Results '19/4-9	%	YoY Change	YoY Change (%)
Japan	10,552	50.5	10,667	52.9	<b>9,866</b>	53.3	-686	-6.5
Taiwan	1,883	9.0	1,636	8.1	<b>1,395</b>	7.5	-488	-25.9
China	2,069	9.9	1,827	9.1	<b>1,477</b>	8.0	-592	-28.6
Other Asia and Oceania	2,829	13.6	2,812	13.9	<b>2,628</b>	14.2	-200	-7.1
Europe	2,185	10.5	1,821	9.0	<b>1,793</b>	9.7	-391	-17.9
Other	1,355	6.5	1,405	7.0	<b>1,342</b>	7.3	-12	-0.9
Overseas total	10,322	49.5	9,503	47.1	<b>8,636</b>	46.7	-1,685	-16.3
Total	20,875	100.0	20,171	100.0	<b>18,503</b>	100.0	-2,371	-11.4



- ◆ **Japan**  
Decrease in sales in major industries.
- ◆ **China and Taiwan**  
Decrease in sales of electroplated wire.
- ◆ **Europe**  
Overall sales are sluggish.

# Consolidated Balance Sheets

(Millions of Yen)

	2019/3	2019/9	Change		2019/3	2019/9	Change
<b>Assets</b>				<b>Liabilities</b>			
Cash and deposits	14,886	15,973	+1,086	Notes and accounts payable-trade	1,563	1,256	-307
Notes and accounts receivable-trade	11,255	9,800	-1,454	Income taxes payable	93	137	+43
Inventories	6,621	5,922	-698	Net defined benefit liability	7,779	7,524	-254
Property, plant and equipment	21,576	21,758	+182	Other	4,555	4,022	-561
Intangible assets	143	190	+46	<b>Total liabilities</b>	14,019	12,940	-1,079
Investment securities	13,526	12,908	-617	<b>Net assets</b>			
Other	5,038	4,642	-395	<b>Total net assets</b>	59,028	58,256	-771
<b>Total assets</b>	73,047	71,196	-1,851	<b>Total liabilities and net assets</b>	73,047	71,196	-1,851

## 1. FY2019 2Q Financial Results

## ***2. FY2019 Forecasts***

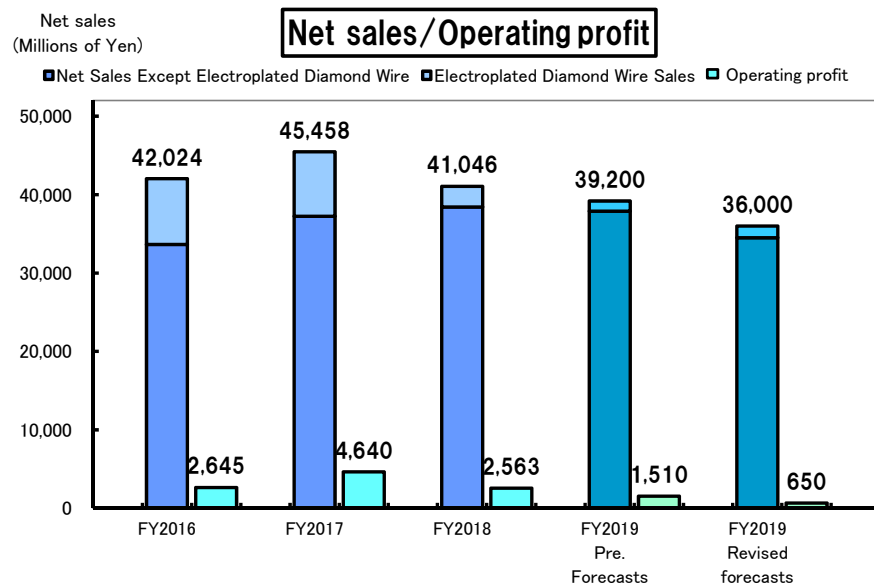
## 3. Growth strategy and mid-term management plan

# Outline of Forecasts (Consolidated)

(Millions of Yen)

	FY2018 Full-Yr Results	%	FY2019 Full-Yr Pre. Forecasts	%	FY2019 Full-Yr Rev'd Forecasts	%	Change from Pre. Forecasts	YoY Change (%)
<b>Net sales</b>	41,046	100.0	39,200	100.0	<b>36,000</b>	100.0	<b>-3,200</b>	<b>-12.3</b>
<b>Operating profit</b>	2,563	6.2	1,510	3.9	<b>650</b>	1.8	<b>-860</b>	<b>-74.6</b>
<b>Ordinary profit</b>	3,108	7.6	1,950	5.0	<b>1,020</b>	2.8	<b>-930</b>	<b>-67.2</b>
<b>Profit attributable to owners of parent</b>	2,321	5.7	1,200	3.1	<b>950</b>	2.6	<b>-250</b>	<b>-59.1</b>

Note) Revised forecast figures were announced on October 31, 2019.



## Operating profit (YoY change)

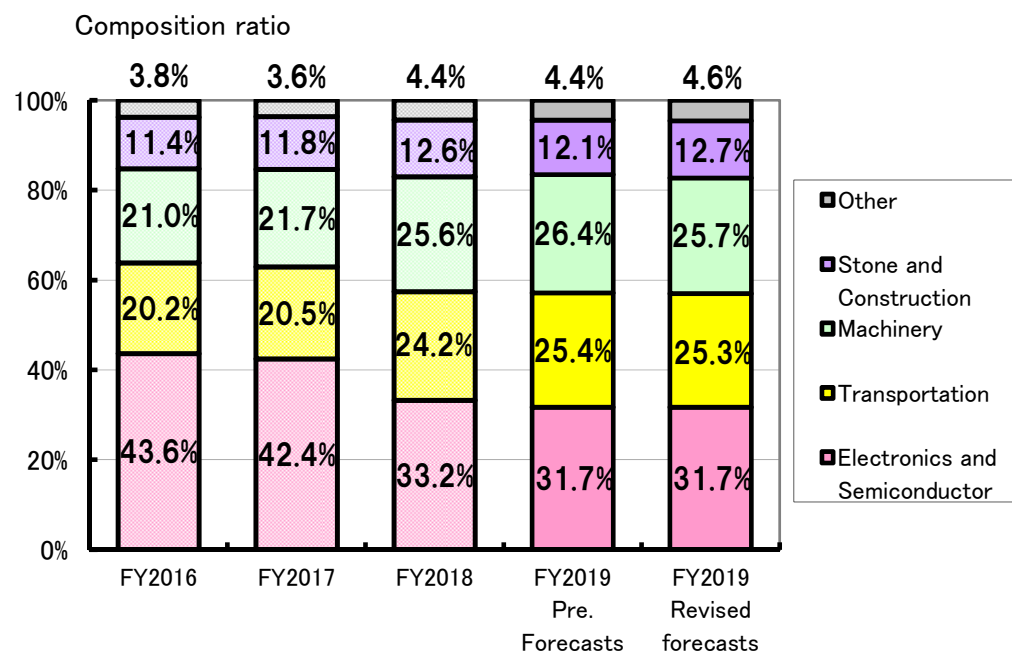
- ◆ Increase factor
  - Decrease in personnel expenses 789 Mill Yen
- ◆ Reduction factor
  - Decrease in sales 2,837 Mill Yen
  - Increase in depreciation cost 105 Mill Yen

# Forecasts for Net Sales and Composition by Industry (Consolidated)

(Millions of Yen)

	FY2018 Full-Yr Results	%	FY2019 Full-Yr Pre. Forecasts	%	FY2019 Full-Yr Rev'd Forecasts	%	Change from Pre. Forecasts	YoY Change (%)
Electronics and Semiconductor	13,626	33.2	12,440	31.7	11,400	31.7	-1,040	-16.3
Transportation	9,955	24.2	9,970	25.4	9,100	25.3	-870	-8.6
Machinery	10,508	25.6	10,330	26.4	9,250	25.7	-1,080	-12.0
Stone and Construction	5,158	12.6	4,730	12.1	4,580	12.7	-150	-11.2
Other	1,796	4.4	1,730	4.4	1,670	4.6	-60	-7.0
<b>Total</b>	<b>41,046</b>	<b>100.0</b>	<b>39,200</b>	<b>100.0</b>	<b>36,000</b>	<b>100.0</b>	<b>-3,200</b>	<b>-12.3</b>

Note) Revised forecast figures were announced on October 31, 2019.



- ◆ **Electronics and semiconductor**  
Decrease in sales across the industry.
- ◆ **Transportation**  
Decrease in sales of related tools mainly for automobile.
- ◆ **Machinery**  
Sales for Cemented Carbide Tool decreased.  
Sales for Bearing decreased.
- ◆ **Stone and Construction**  
Sales in Japan slightly increase.  
Decrease in overseas commercial product.

# Forecasts for Net Sales and Composition by Geographical Region (Consolidated)

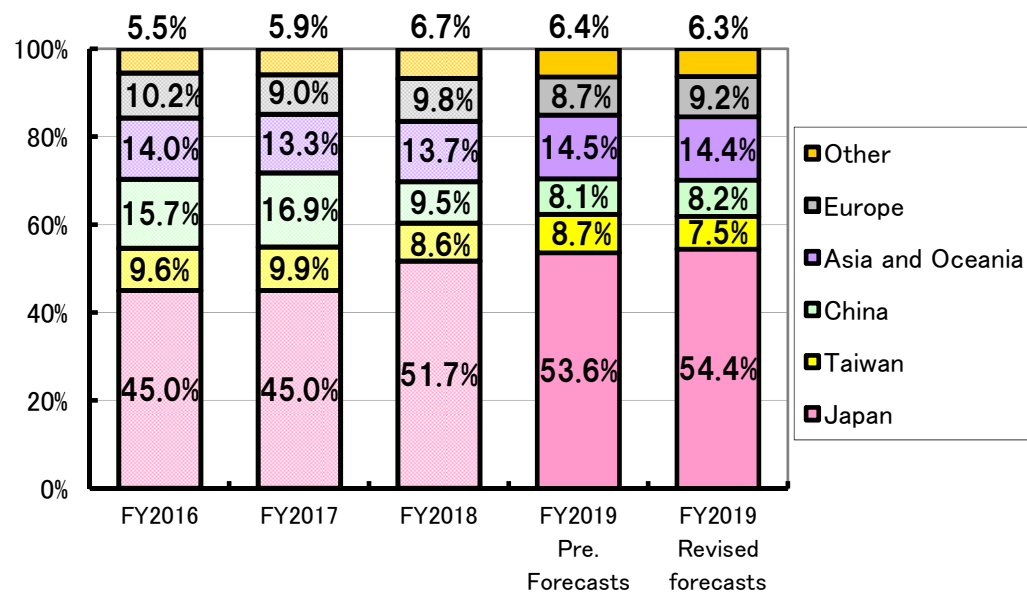
ASAHI DIAMOND

(Millions of Yen)

	FY2018 Full-Yr Results	%	FY2019 Full-Yr Pre. Forecasts	%	FY2019 Full-Yr Rev'd Forecasts	%	Change from Pre. Forecasts	YoY Change (%)
<b>Japan</b>	21,220	51.7	21,000	53.6	<b>19,600</b>	54.4	<b>-1,400</b>	<b>-7.6</b>
<b>Taiwan</b>	3,519	8.6	3,400	8.7	<b>2,700</b>	7.5	<b>-700</b>	<b>-23.3</b>
<b>China</b>	3,897	9.5	3,200	8.1	<b>2,950</b>	8.2	<b>-250</b>	<b>-24.3</b>
<b>Other Asia and Oceania</b>	5,641	13.7	5,700	14.5	<b>5,200</b>	14.4	<b>-500</b>	<b>-7.8</b>
<b>Europe</b>	4,006	9.8	3,400	8.7	<b>3,300</b>	9.2	<b>-100</b>	<b>-17.6</b>
<b>Other</b>	2,760	6.7	2,500	6.4	<b>2,250</b>	6.3	<b>-250</b>	<b>-18.5</b>
<b>Overseas total</b>	19,825	48.3	18,200	46.4	<b>16,400</b>	45.6	<b>-1,800</b>	<b>-17.3</b>
<b>Total</b>	41,046	100.0	39,200	100.0	<b>36,000</b>	100.0	<b>-3,200</b>	<b>-12.3</b>

Note) Revised forecast figures were announced on October 31, 2019.

Composition ratio



◆ In each region, the business environment deterioration and electroplated wire sales decline are expected. Therefore, sales are expected to be very negative compared to the original forecast and the previous year.



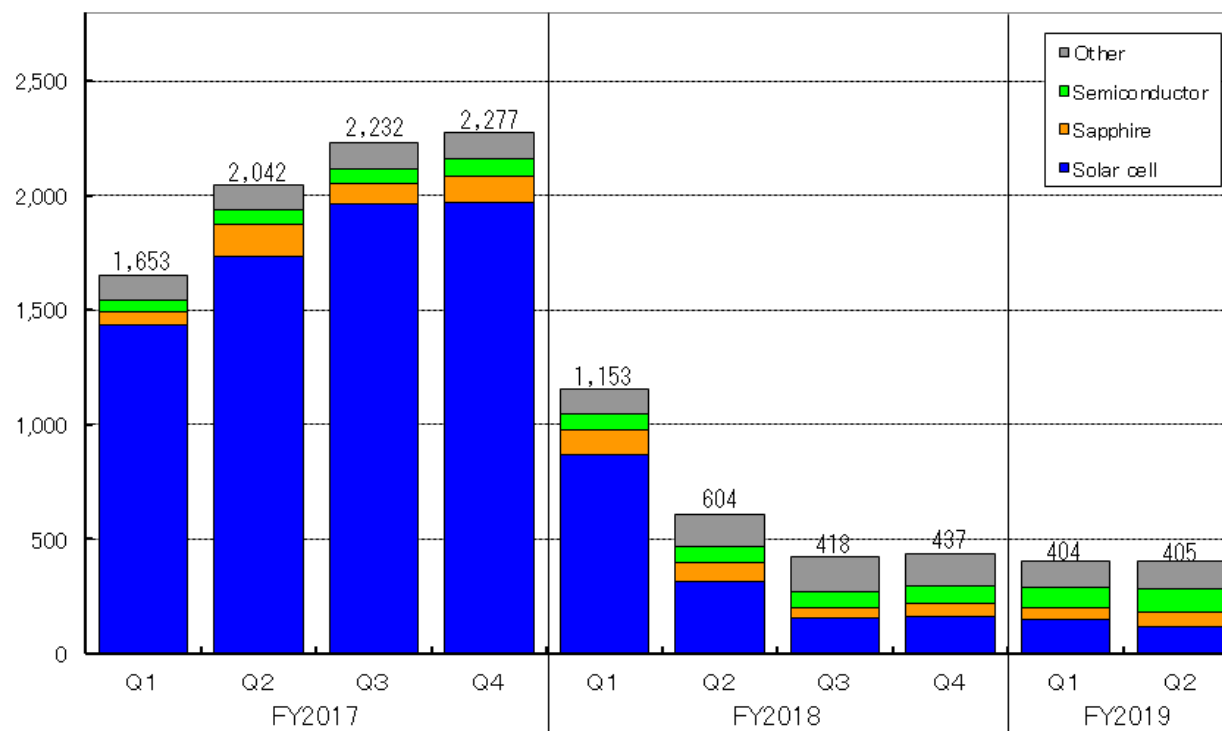
Asahi Diamond Industrial Co., Ltd.



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

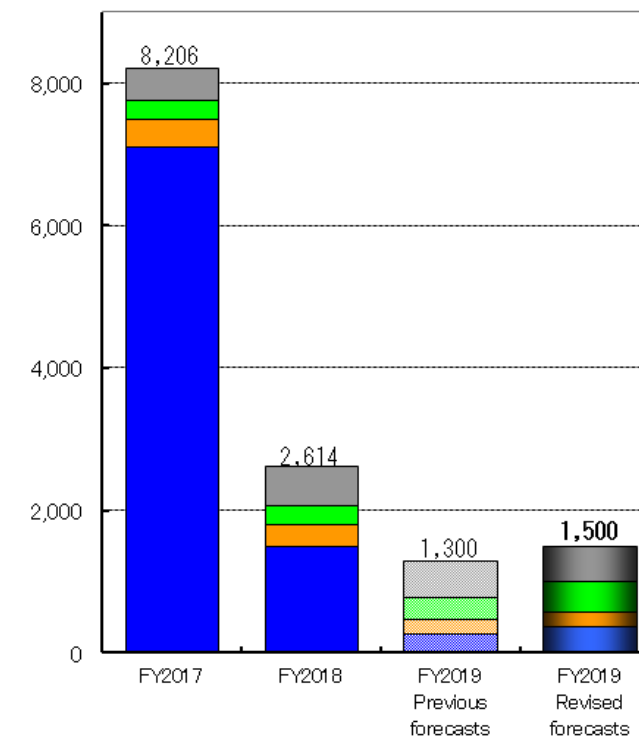
Quarterly transition

(Millions of Yen)



Transition and Forecasts by FY

(Millions of Yen)



◆ Total sales was 810 million Yen in 1<sup>st</sup> Half FY2019. (-54% vs. 1<sup>st</sup> Half FY2018)

- For PV production : Sales decreased.
- For other : Sales decreased for sapphire. Sales Increased for semiconductor.

◆ Forecasts sales for FY2019 is 1,500 million Yen. (-43% vs. FY2018)

- For PV production : Sales forecast to decrease in the 2<sup>nd</sup> Half.
- For other : Sales forecast to increase for semiconductor.



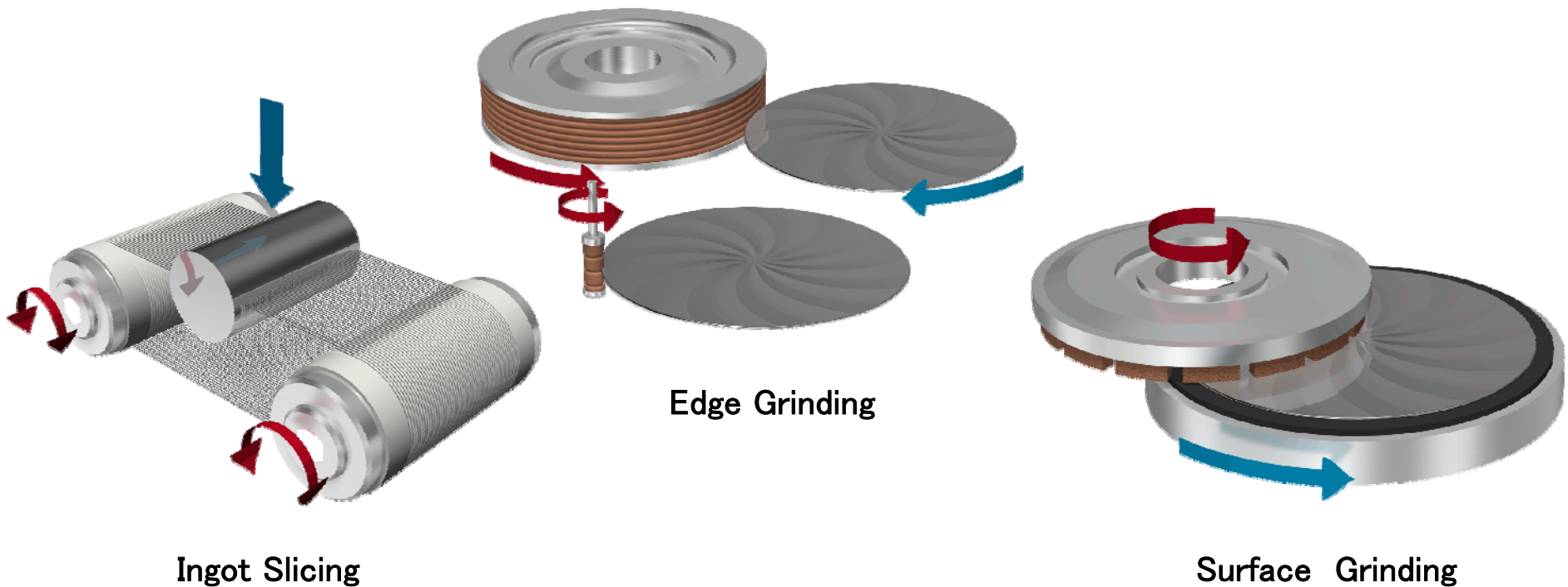
## 1. FY2019 2Q Financial Results

## 2. FY2019 Forecasts

## ***3. Growth strategy and mid-term management plan***

## Tools for Electronics and semiconductor

- ⇒ Spread of high-speed communication : 5G
- ⇒ IoT and AI : Increase demand for processing equipment
- ⇒ High capacity : Increase demand for memory, etc.
- ⇒ Automobile PHV and electrification (control equipment and sensor)



## Tools for Transportation

- ⇒ Tools relating to the application of gear
- For transmission (multistage, high accuracy and energy loss improvement)
  - For reduction drive (spread of robot and EV)

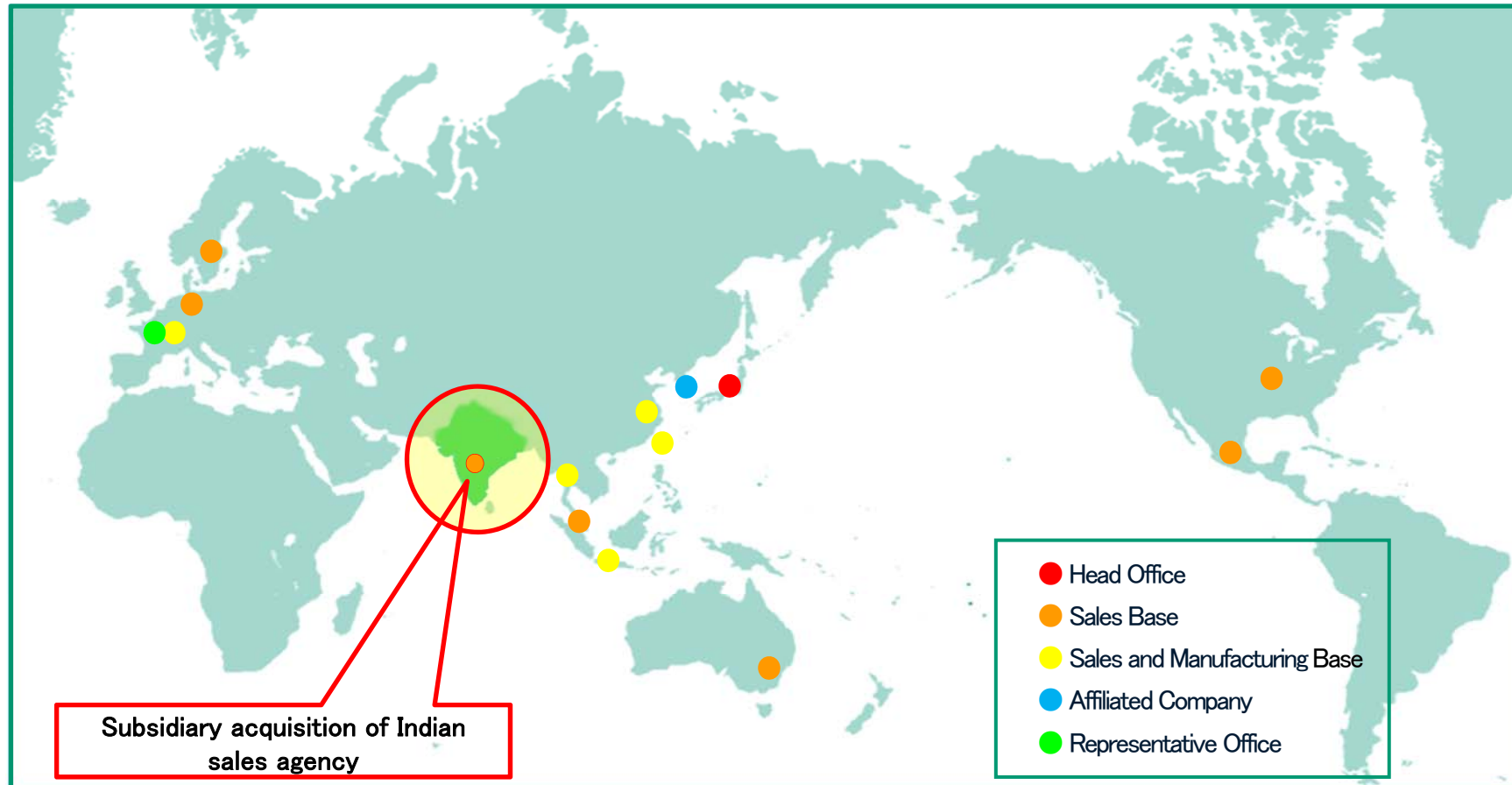


## Tools for Machinery

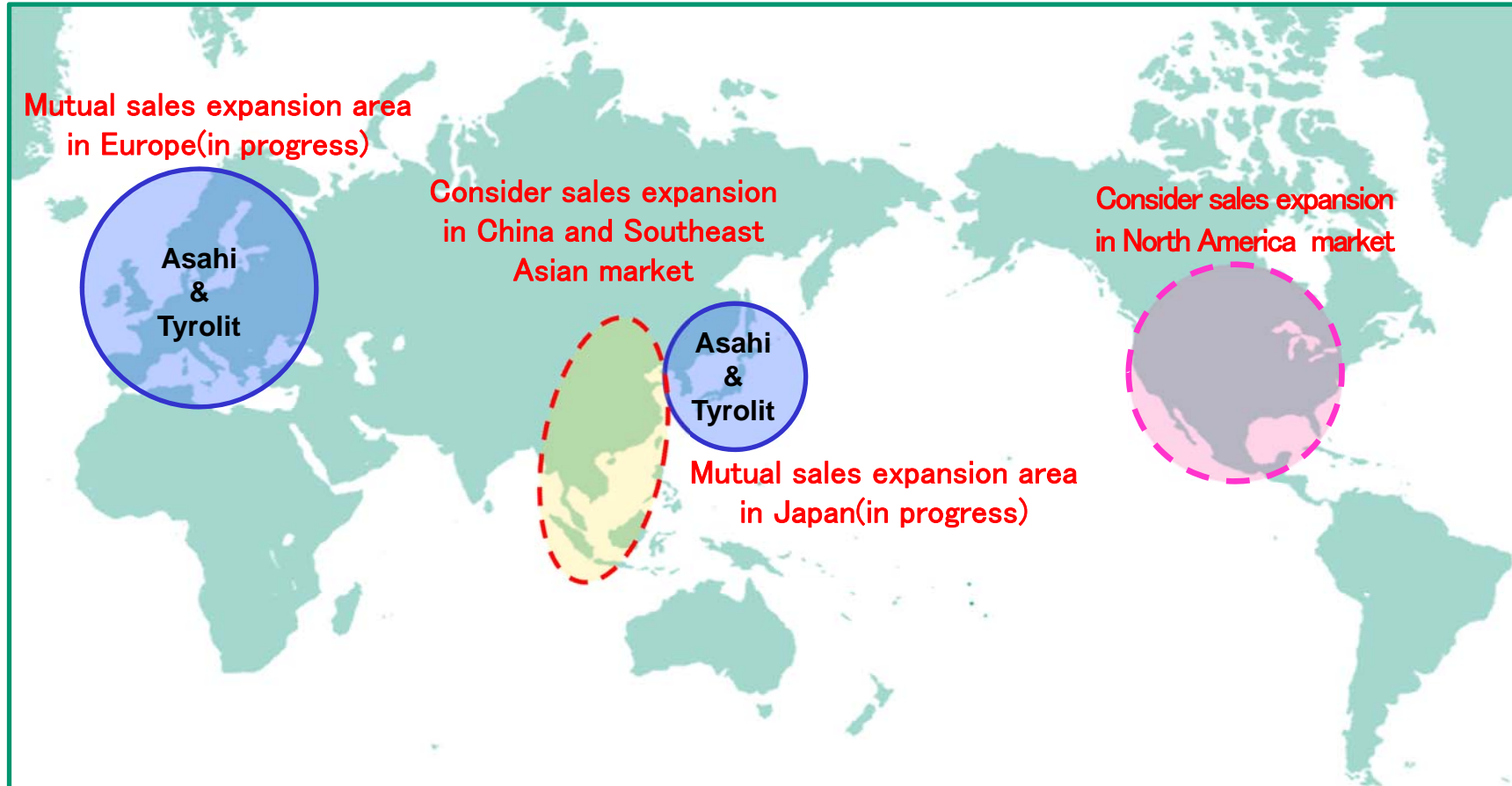
- ⇒ Tools relating to the application of bearing
- Increase production of rotary machine (spread of robot and EV)



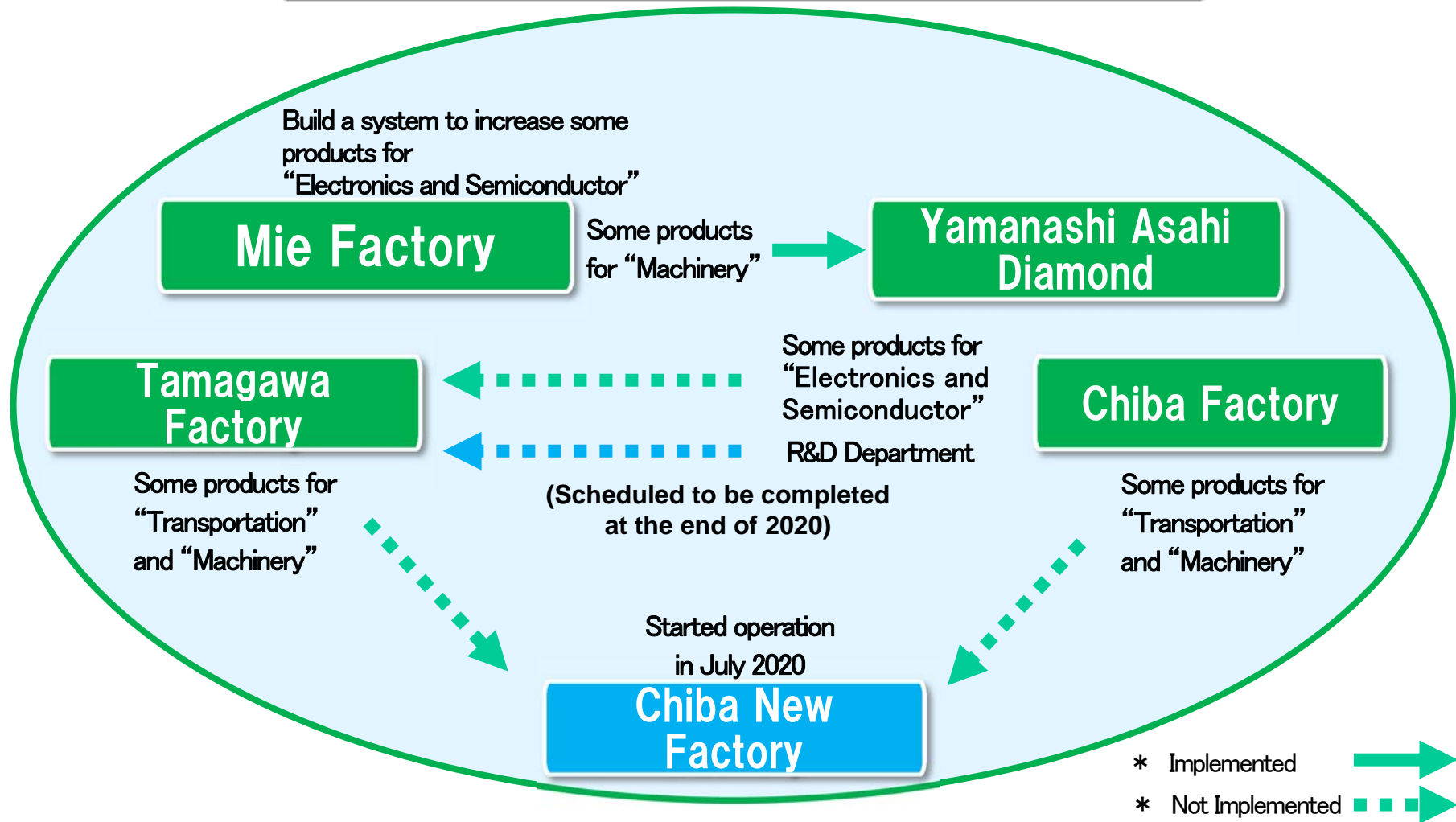
## Measures to expand sales channel



## Measures to expand sales channel



## Reorganization of production items by factory





## Establish a new manufacturing and development system

- Establish med-term domestic manufacturing development system
- Expand sales base and improve production efficiency

## Strategic overseas development

- Check current issues at our base
- Bridge the gap with market needs

## Human resources development and placement

- Human resource development for manufacturing development and overseas expansion
- Effective placement

Next med-term management plan : Beginning of FY2020 Announcement schedule  
Execution period : FY2020–FY2022



# 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.

