



Medium-term management plan 2022
-Toward VISION2030-
(FY2020-2022)

May 28, 2020

Asahi Diamond Industrial Co., Ltd.



As a comprehensive diamond tool manufacturer since its establishment in 1937, we have been supplying products to the wide range of industries and regions and developing our business in a well-balanced manner.

Our History

- 1937 Asahi Diamond Industrial established
- 1944 Completed the former Mie factory
- 1965 Completed the Tamagawa factory
- 1968 Current Taiwan Asahi Diamond Industrial established
- 1972 Participation in the management of current Yamanashi Asahi Diamond Industrial Co., Ltd.
- 1989 Completed the Chiba Tsurumai factory and Research and Development Center
- 1993 Acquired current Asahi Diamond Industrial Europe SAS
Acquired current Asahi Diamond Industrial Australia Pty., Ltd.
- 1999 Completed the Chiba No.2 factory
- 2002 Asahi Diamond America, Inc. established
PT.Asahi Diamond Industrial Indonesia established
Shanghai Xu Hui Diamond Industrial Co., Ltd. established
- 2006 Completed the Mie factory
- 2011 Acquired Asahi Diamond (Thailand) Co., Ltd.
- 2013 Acquired current Koremura Asahi Diamond Industrial Co., Ltd.
- 2015 Asahi Diamond de Mexico, S.A. de C.V. established
Asahi Diamond Industrial Malaysia Sdn. Bhd. established
- 2020 Completion of the Chiba new factory (planned)

Our Characteristics

Strong management platform

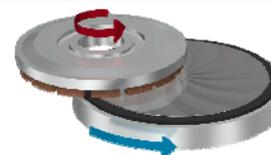
- ⇒ Electronics and semiconductors, transportation equipment, machinery, stone and construction, etc.
Supplying products to a wide range of industries (sustainable customer base against environmental change)
- ⇒ Strong financial position (equity ratio: approx. 80%)

Steady overseas expansion

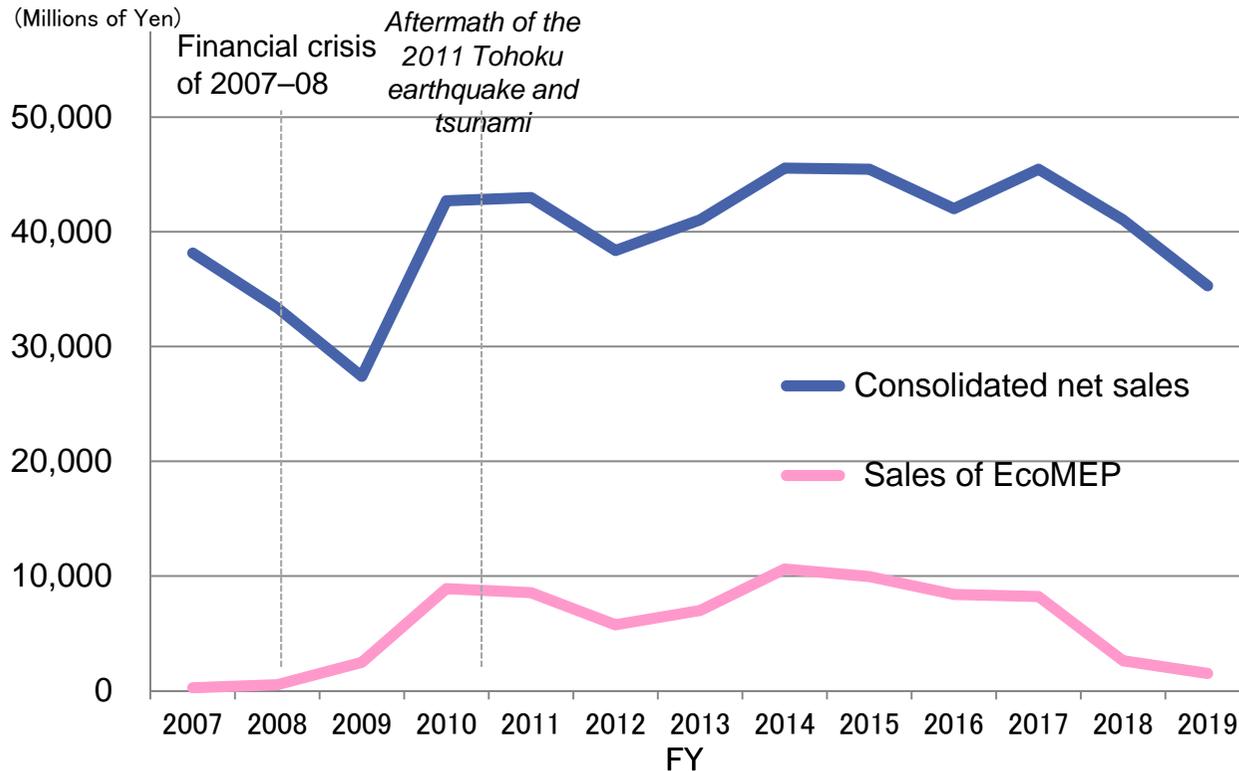
- ⇒ Subsidiaries and affiliates in 12 countries
- ⇒ Overseas accounts for about 50% of sales

Flexible product development (6 domestic manufacturing sites)

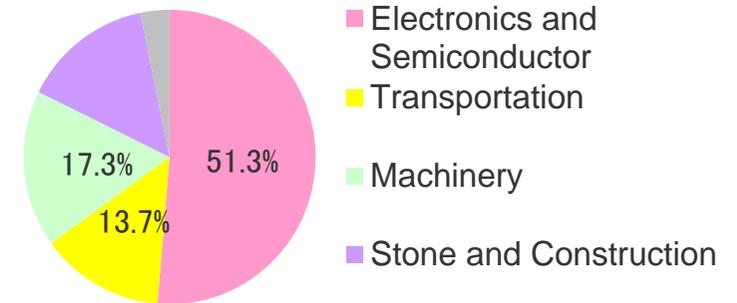
- ⇒ Products supply in line with the times and customer needs
- ⇒ Growth of high-speed communications (5G and increased demand for memory)
- ⇒ Gears and bearings (for Robots, EVs)



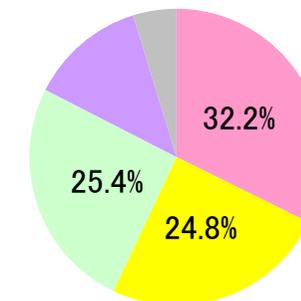
Trends and overview of our consolidated net sales



Industry Composition Ratio (FY2010)



Industry Composition Ratio (FY2019)



- ◆ Until recently, sales of the electroplated diamond wires (EcoMEP) for the electronics and semiconductor industries had increased.
- ◆ Recently, due to a decline in sales of this product by intensifying price competition, we have refocused our efforts into the transportation equipment and machinery industries.

On a 10 years basis, we have been able to secure stable sales as a whole by supplying products to a wide range of industries, despite the effects of the economic conditions.

Market environment

1. Maturation of the Japanese market

- Global shifting of production bases, particularly in the electronics, semiconductor, and transportation equipment industries.
- Highly specialized customer needs.

2. Growth of the overseas market

- Growth mainly in emerging countries such as ASEAN, China and India.

Competitive environment

1. Domestic market

- Inflow of cheap foreign products.
- Competitors respond to customers' highly specialized needs in technical sales.

2. Overseas market

- Amid the ongoing reorganization of machine tool manufacturers, restructuring of the diamond tool industry is also in process.

Our challenge

- Enhancement of a system that can respond to highly specialized industry and product.
- Rebuilding production systems in optimal locations corresponding to globalization.
- Strengthening management infrastructure and management system.

⇒Expanding sales and profit by obtaining growth and profit opportunities in response to changes in the business environment.

Long-term vision "VISION2030"

Our group philosophy

Manufacturing excitement through innovation

Our aim in "VISION2030"

Global diamond tool manufacturer who develop strategic products on the axis of region and industry.

Identify areas in which we can be competitive.

Accurately grasping market trends and customer needs through market research and gathering information from customers.

We will strengthen information coordination among development, manufacturing and sales divisions, and provide products that meet customers' needs in a highly competitive manner.

Concentrated allocation of management resources.

Prioritize allocation of people, goods, and money to target areas.

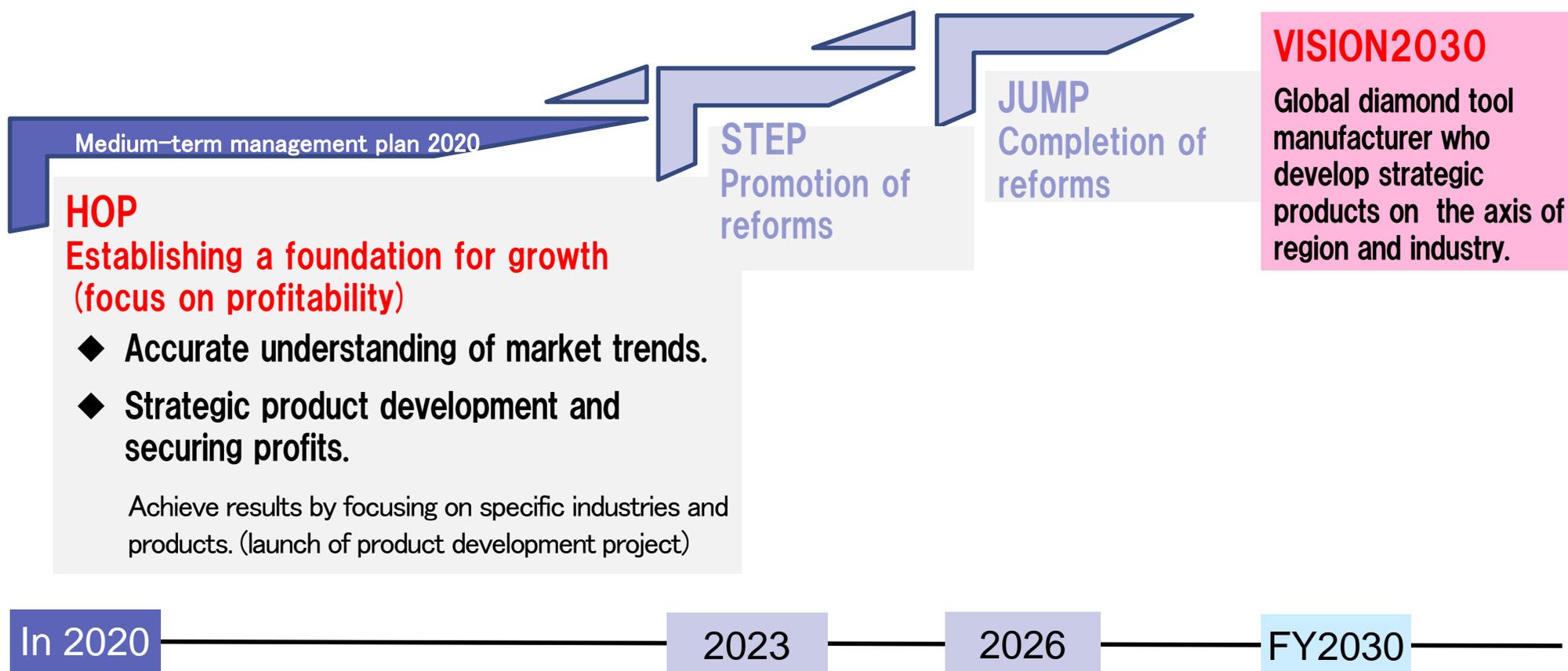
To this end, we will optimize manufacturing and sales to maximize our strengths by making use of strategic alliances and OEMs, on a global basis, including external resources.

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Achieve sustainable global growth and high profitability, and continue to increase corporate value.

Positioning of the current medium-term management plan

The current medium-term management plan is positioned as the first step in the three-step split (HOP, STEP and JUMP) of the period until “VISION2030”, and the “period to establish a foundation for growth (HOP period)”



- ① Integrated response to highly specialized customer needs**
- ② Optimize and accelerate global expansion**
- ③ Strengthening management infrastructure and management systems**

Priority theme ① Integrated response to highly specialized customer needs

Increase competitiveness in the industry and product axis by shifting the management axis from the region center to the industry center and by strengthening and reorganizing sales, development, manufacturing, and other functions in line with this shift.

Previous measures (focused on regional sales)

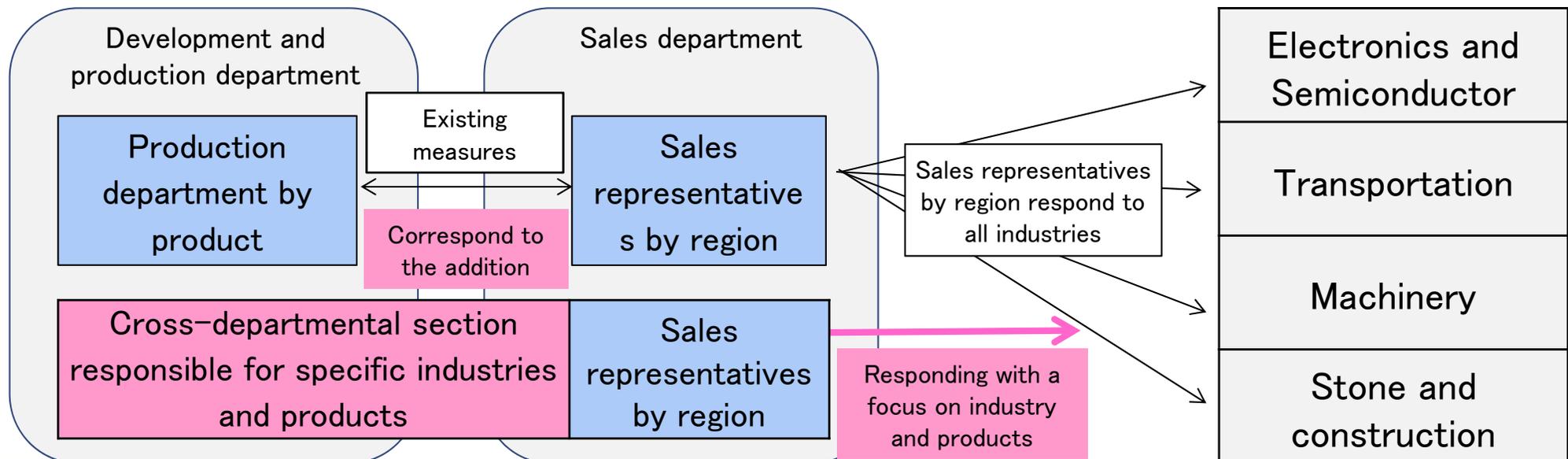
Regional sales representatives in cooperation with the development and manufacturing divisions of each product sell to customers of all industries in charge.

Future responses (region and industry)

In addition to sales representatives by region, we enhance competitiveness through integrated responses by establishing a **cross-departmental section for each industry or product** and the corporation with development, manufacturing and sales.
 ⇒ we aim to be a company that is of great value and importance to our customers.

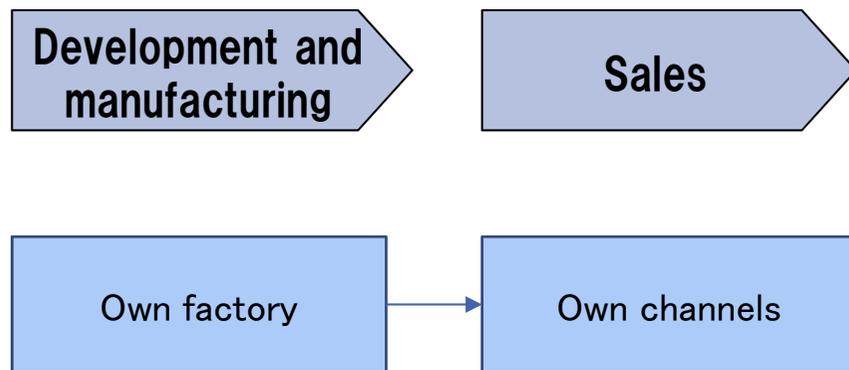
Asahi Diamond Industrial Co., Ltd.

Customers



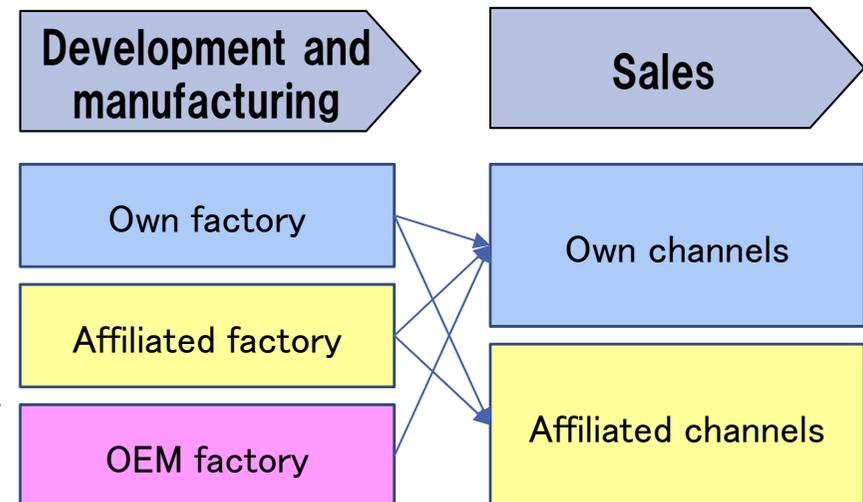
Improve product competitiveness and expand market share in each region through strategic alliances and global supply chain optimization utilizing OEMs.

Existing: Expanded our product lineup and its sales on our own.



• Review and optimize product lineups at domestic and overseas bases
 • Strategic alliances/M&A
 • OEM development

Future: Expansion of product lineup and its sales utilizing external alliances



- There is a limit to the pace of global expansion by independent developing of product, manufacturing, and expanding sales only.

- In addition to reviewing the product categories in domestic and overseas factories, we improve QCD (quality, cost, delivery time) and product competitiveness by optimizing production as well as utilizing strategic partners and OEMs.
- Accelerating overseas expansion by utilizing external sales channels.



Promote restructuring of management infrastructure, centering on four items: review of management accounting methods, restructuring of personnel system, improvement of IT system, and strengthening of management system.

Review of management accounting methods

Establishment of a system to utilize global data by standardizing management accounting rules. (examples of considerations below)

- ◆ Review of cost system, and globalization and development.
- ◆ Clarification of sales and manufacturing goals and responsibilities.
- ◆ Global introduction and deployment of the profit and loss management by division using the common form, and so on.

Restructuring of personnel system

Work style reform, human resource development, and strengthening of human resource management. (examples of items considered below)

- ◆ Introduction of new personnel system. (utilizing abilities and individuality establishment of a Structure that contributes to our group)
- ◆ Establishment of personnel training schemes and allocation rules in line with management strategies.
- ◆ Establishment of personnel data management system, and so on.

Renovation of IT systems

Rebuild and unify operation of the system. (examples of considerations below)

- ◆ Introduction and operation of global common system.
- ◆ Renovation of IT communication tools.
- ◆ Establishment of IT system management system, and so on.

Strengthening management control systems

Reinforcement and sophistication of the management control system. (examples of items considered below)

- ◆ Restructuring of global management control system. (legal, management audits, corporate governance [including subsidiary management] and affiliated companies law)
- ◆ To renovate the compliance manual, build a document management system, and build a system for collecting know-how and complying with global laws and regulations.
- ◆ Establishment of a group cash management system, and so on.



Measures by theme and milestones (Targets)

Priority themes

Targets (As of March 2023)

Measures to achieve targets

Integrated response to highly specialized customer needs

Management systems for each industry and product that span development, manufacturing, and sales divisions are functioning, and reforms of the sales and manufacturing systems are underway.

- Establishment of project teams (product development projects) for specific industries and products.
- Consideration and implementation of sales system reform such as sales efficiency improvement.
- Consideration of cost reduction measures such as manufacturing process reform. (mainly for products manufactured at the new factory in Chiba)

Optimization and acceleration on a global scale

Global strategies are functioning based on the external environment by industry in each area, the company's strengths, and alliances with other companies.

- Promote business alliance (ongoing)
- Strengthen overseas market research system
- Evaluation of manufacturing, sales, and management functions by area.
- Consideration and implementation of transition to optimal local production system on a global basis.

Strengthening management infrastructure and management control systems

Review of management accounting methods, reconstruction of personnel system, IT system renovation, etc. Responses to issues related to the strengthening of the governance system are being carried out in accordance with the schedule.

- Establishment of subcommittees for items left.
- Consideration and implementation according to the targets and review schedules set by each subcommittee.



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.

