2nd quarter of the Fiscal Year ending March 2024

Financial results briefing

November 22, 2023

Asahi Diamond Industrial Co., Ltd.

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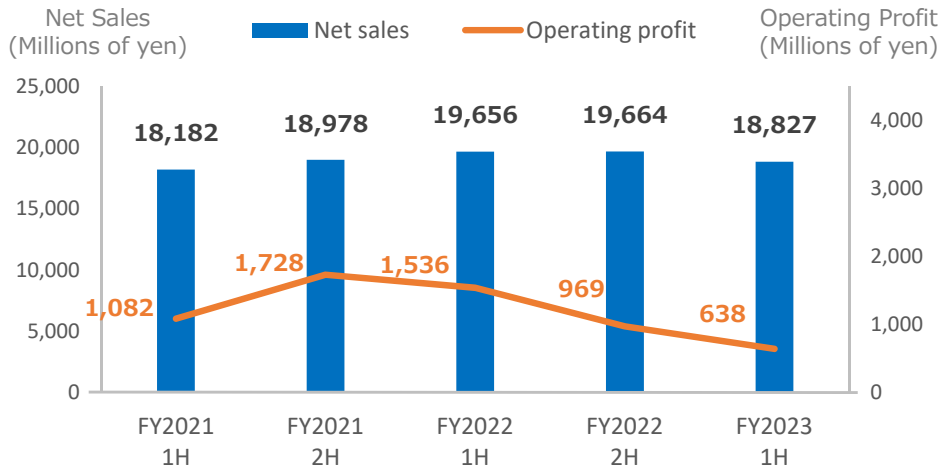
Financial Results (Consolidated)

Unit:Millions of yen

	FY2022		FY2023			
	1H Results '22/4-9	%	1H Results '23/4-9	%	YoY change	YoY change (%)
Net sales	19,656	100.0	18,827	100.0	▲828	▲4.2
Operating profit	1,536	7.8	638	3.4	▲897	▲58.4
Ordinary profit	2,129	10.8	1,215	6.5	▲913	▲42.9
Profit attributable to owners of parent	1,549	7.9	1,269	6.7	▲280	▲18.1
Earning per Share (Yen)	28.13	-	24.21	-	▲3.91	-

Net sales/ Operating profit



Operating profit (YoY change)

Decrease Factors

- Decrease in sales 553million yen
- Increase in manufacturing costs and SG&A expenses, including factory reorganization costs 400million yen

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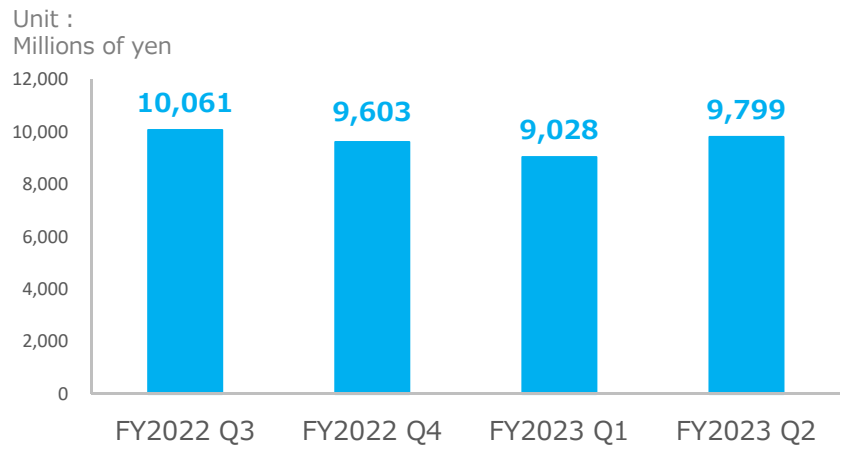
Quarterly trends and results (consolidated)

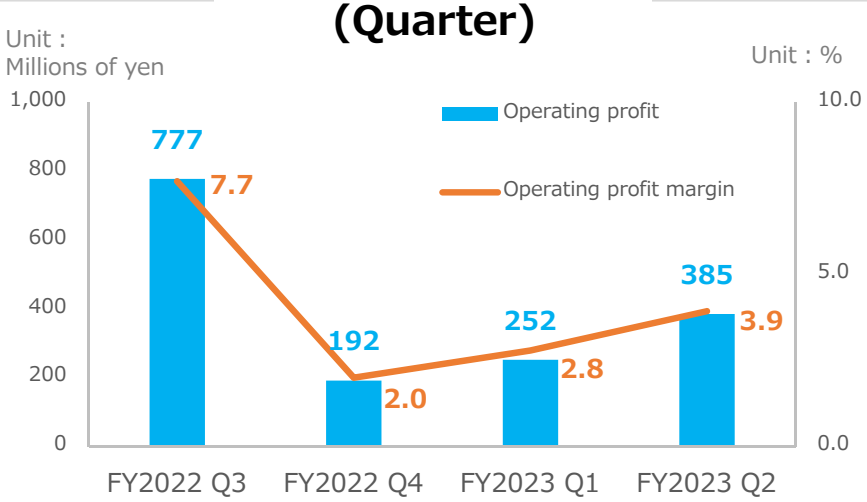
Unit:Millions of yen

	FY2022				FY2023			
	3Q		4Q		1Q		2Q	
	Results	%	Results	%	Results	%	Results	%
Net sales	10,061	100.0	9,603	100.0	9,028	100.0	9,799	100.0
Operating profit	777	7.7	192	2.0	252	2.8	385	3.9
Ordinary profit	900	9.0	245	2.6	556	6.2	659	6.7
Profit attributable to owners of parent	647	6.4	568	5.9	532	5.9	737	7.5

Net Sales (Quarter)



Operating profit (Quarter)



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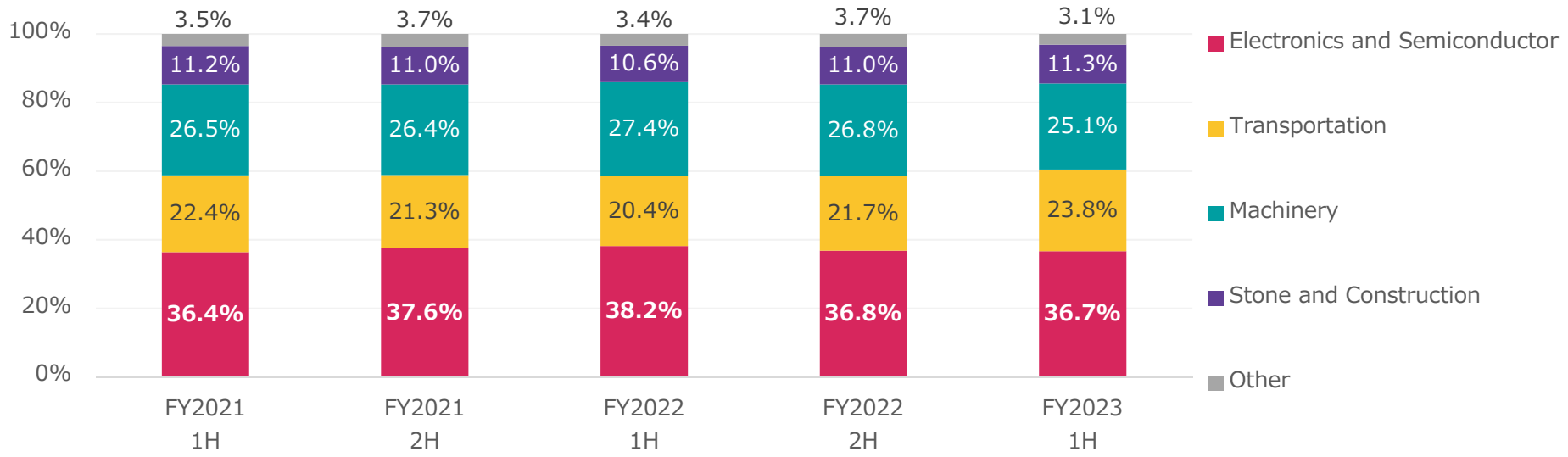
Net Sales and Composition by Industry (Consolidated)

Unit:Millions of yen

	FY2022				FY2023			
	1H Results '22/4-9	%	2H Results '22/10-'23/3	%	1H Results '23/4-9	%	YoY change	YoY change (%)
Electronics and Semiconductor	7,514	38.2	7,243	36.8	6,915	36.7	▲ 599	▲8.0
Transportation	4,010	20.4	4,271	21.7	4,469	23.8	459	11.5
Machinery	5,377	27.4	5,263	26.8	4,733	25.1	▲ 644	▲12.0
Stone and Construction	2,077	10.6	2,161	11.0	2,125	11.3	47	2.3
Other	677	3.4	724	3.7	584	3.1	▲ 92	▲13.7
Total	19,656	100.0	19,664	100.0	18,827	100.0	▲ 828	▲4.2

Composition ratio



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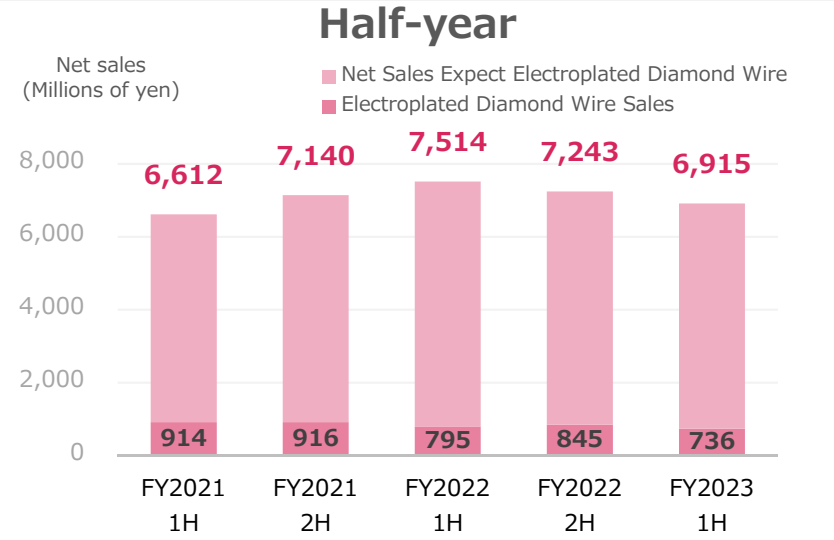
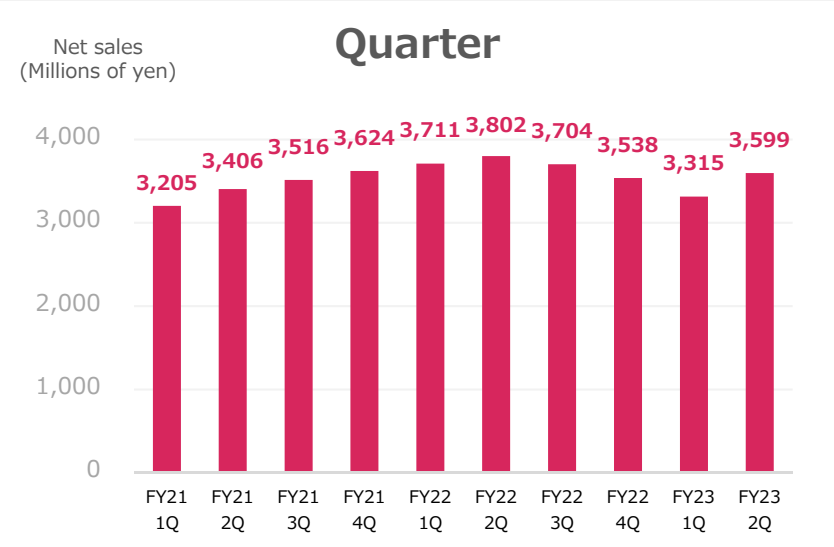
Net Sales Breakdown by Industry: 1. Electronics and Semiconductor (Include Electroplated Diamond Wire)





Semiconductor and Electronic Component

Sales decreased due to sluggish demand for digital devices and restrained capital investment

FPD(Flat Panel Display)

Sales decreased due to sluggish demand for major customers

Wire Drawing Die

Sales decreased slightly due to sluggish demand for semiconductors

Electrodeposited Diamond Wire

Overall sales decreased despite increase in sales for SiC for power semiconductors

※SiC: Silicon carbide

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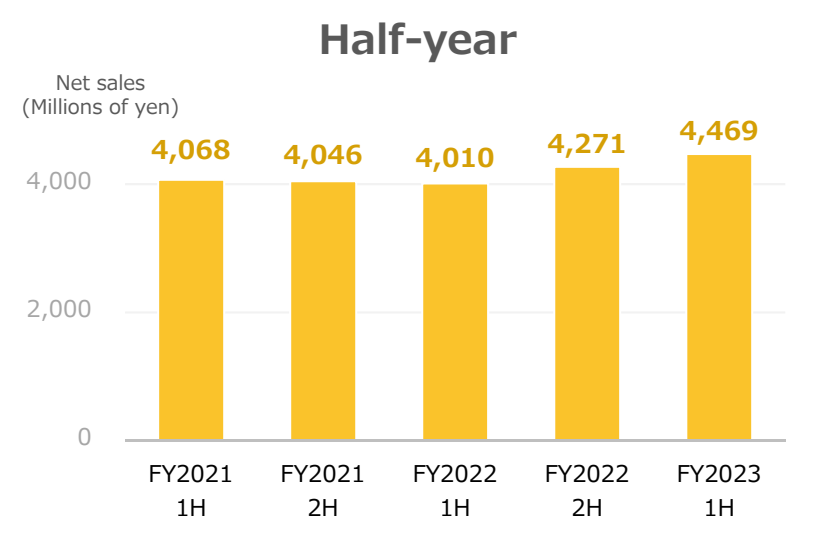
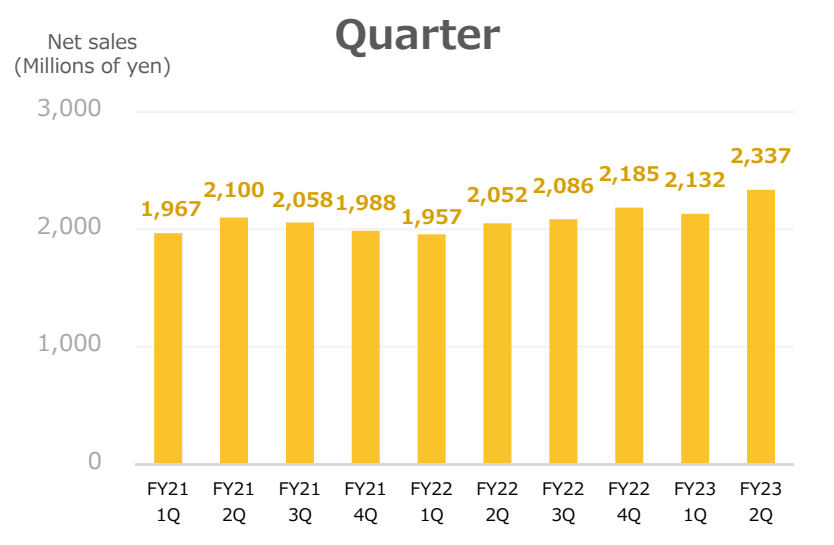
Net Sales Breakdown by Industry : 2. Transportation





Automobile

Sales of related tools increased due to recovery of automobile production as semiconductor shortage was resolved

Aircraft

Sales of related tools increased as demand recovered

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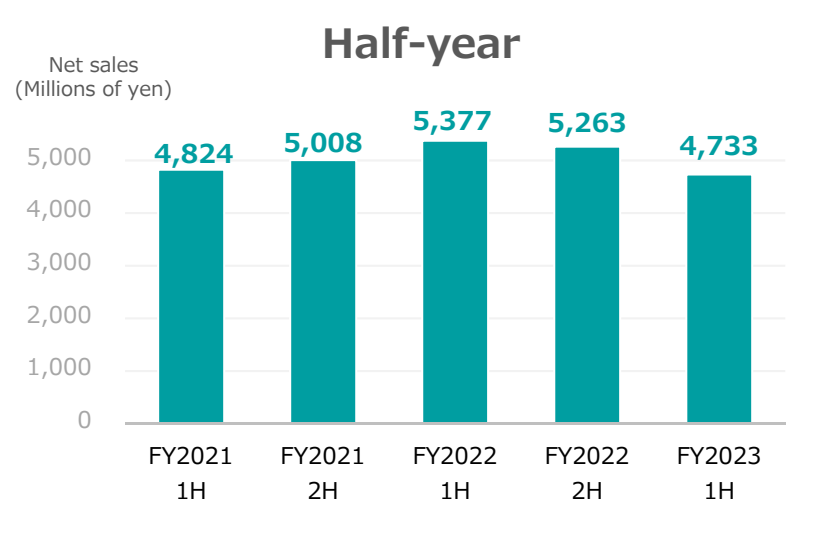
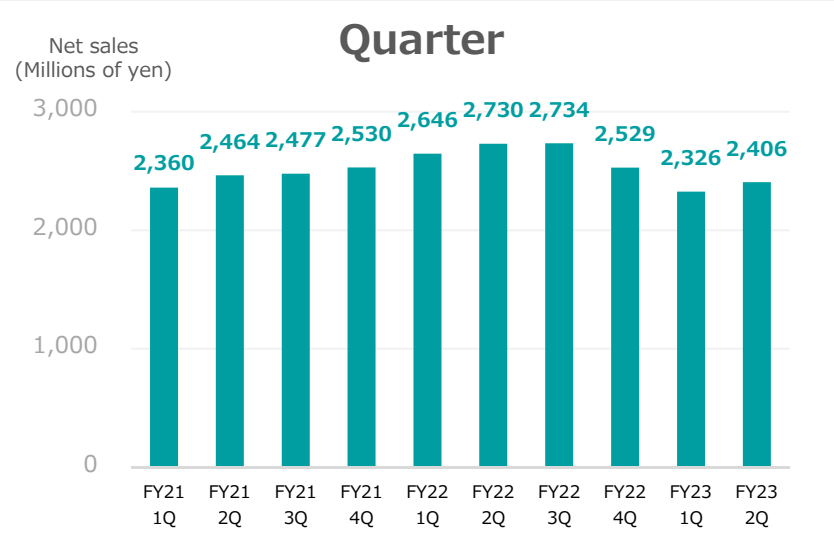
Net Sales Breakdown by Industry : 3. Machinery





Bearing

Sales to bearing manufacturers decreased due to sluggish demand for machine tools, etc.

Cemented Carbide Tool

Sales to cemented carbide tool manufacturers decreased due to sluggish demand for machine tools, etc.

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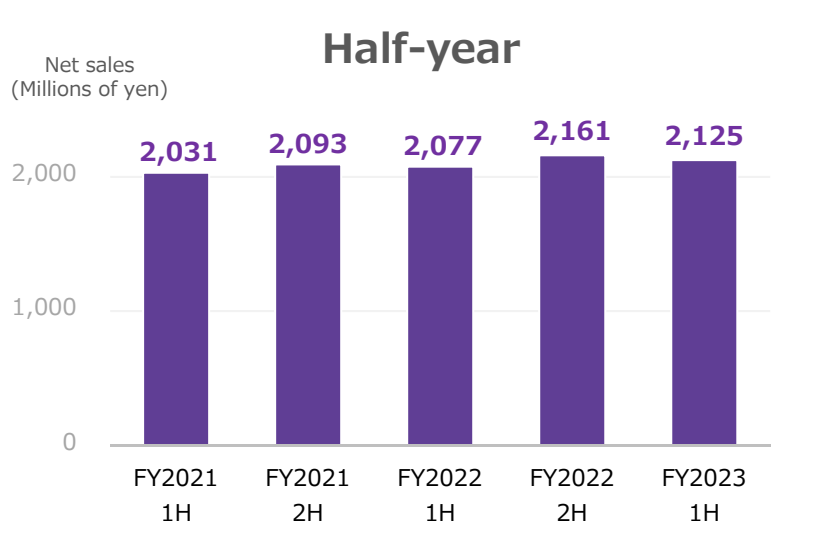
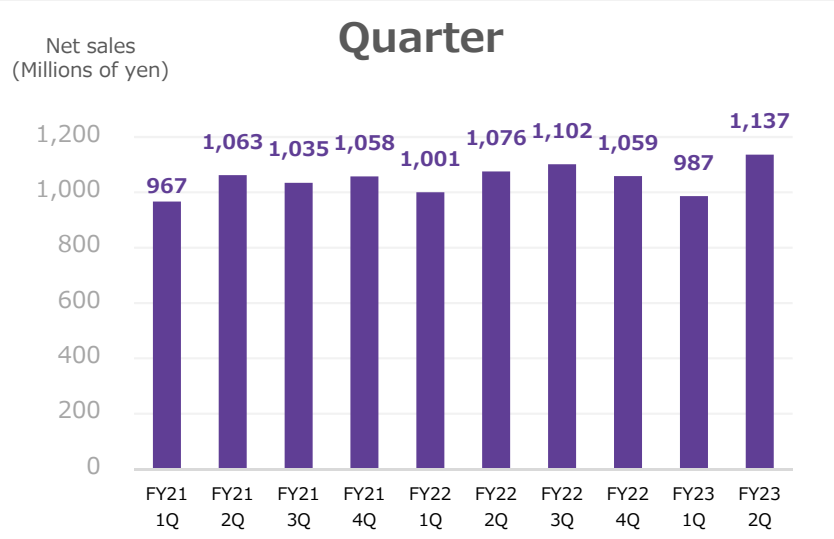
Net Sales Breakdown by Industry : 4. Stone and Construction





Resource Exploration

Sales increased due to steady growth in overseas markets

Construction in Japan

Sales of related tools increased mainly in highway repair and demolition work

Commercial Product (Portable Cutter)

Sales decreased due to sluggish demand in Japan and overseas

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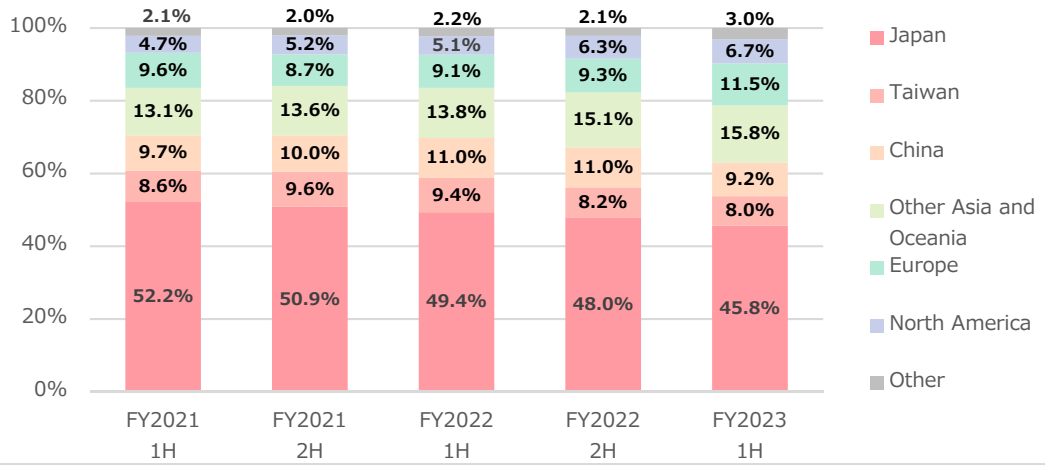
Net Sales Breakdown by Geographical Region (Consolidated)

Unit:Millions of yen

	FY2022				FY2023			
	1H Results '22/4-9	%	2H Results '22/10-'23/3	%	1H Results '23/4-9	%	YoY Change	YoY Change (%)
Japan	9,711	49.4	9,468	48.0	8,615	45.8	▲1,095	▲11.3
Taiwan	1,850	9.4	1,604	8.2	1,513	8.0	▲336	▲18.2
China	2,167	11.0	2,153	11.0	1,741	9.2	▲425	▲19.6
Other Asia and Oceania	2,711	13.8	2,965	15.1	2,966	15.8	255	9.4
Europe	1,785	9.1	1,820	9.3	2,164	11.5	379	21.3
North America	1,010	5.1	1,234	6.3	1,254	6.7	244	24.2
Other	421	2.2	417	2.1	570	3.0	149	35.6
Overseas total	9,945	50.6	10,195	52.0	10,212	54.2	266	2.7
Total	19,656	100.0	19,664	100.0	18,827	100.0	▲828	▲4.2

Composition ratio



Japan
Sales of our main industries such as "Electronics and Semiconductor" and "Machinery" decreased

China
Sales of mainly in "Electronics and Semiconductor" decreased

Europe & North America
Sales of mainly in "Electronics and Semiconductor" and "Transportation" increased

Consolidated Balance Sheet

Unit:Millions of yen

Assets	2023/03	2023/09	Change
Cash and deposits	16,375	13,897	※1 ▲2,478
Notes and accounts receivable - trade	10,059	10,321	262
Inventories	7,220	7,955	734
Property, plant and equipment	25,061	25,949	887
Intangible assets	190	378	187
Investment securities	12,861	12,354	▲507
Other	2,407	2,251	▲155
Total assets	**74,177**	**73,108**	**▲1,069**

Liabilities	2023/03	2023/09	Change
Notes and accounts payable - trade	1,477	1,460	▲17
Income taxes payable	503	510	6
Retirement benefit liability	5,151	3,198	※2 ▲1,953
Other	4,161	4,513	352
Total liabilities	**11,295**	**9,683**	**▲1,612**

Net assets	2023/03	2023/09	Change
Total net assets	62,882	63,425	542
Total liabilities and net assets	**74,177**	**73,108**	**▲1,069**

※1 2 million shares of treasury stock were repurchased for 1,725 million yen.

※2 Retirement benefit liability decreased by 1,813 million yen due to the revision of the non-consolidated retirement benefit plan.

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03 Mid-term management plan progress

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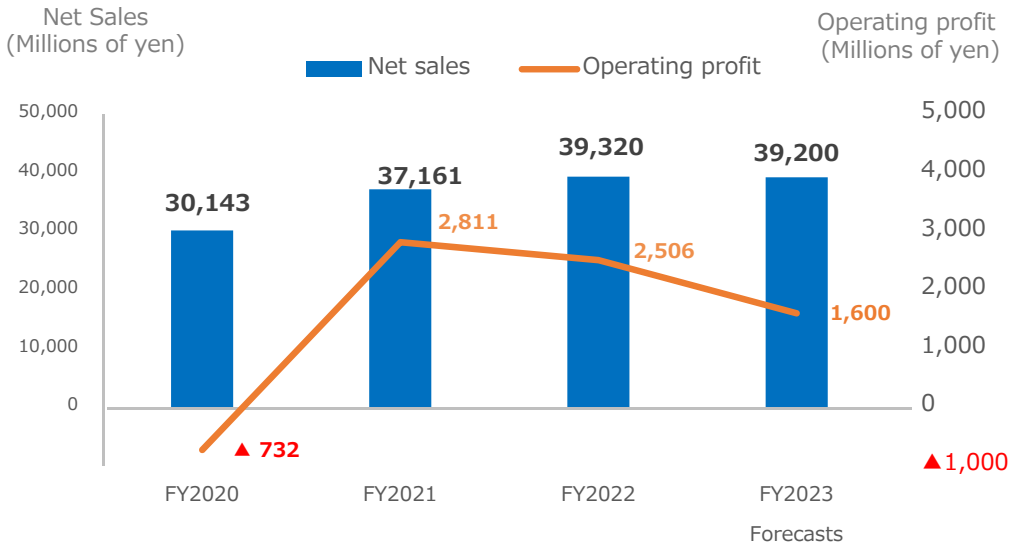
Outline of Forecasts (Consolidated)

Unit : Millions of yen

	FY2022 Full-year Results	%	FY2023 Full-year Results Forecast	%	YoY Change (%)
Net sales	39,320	100.0	39,200	100.0	▲0.3
Operating profit	2,506	6.4	1,600	4.1	▲36.2
Ordinary profit	3,275	8.3	2,400	6.1	▲26.7
Profit attributable to owners of parent	2,765	7.0	2,000	5.1	▲27.7

Net sales/ Operating profit



Operating profit (YoY change)

Decrease Factors

- Increase in depreciation and amortization 100million yen
- Increase in factory reorganization expenses and other manufacturing expenses and SG&A expenses 1,080million yen

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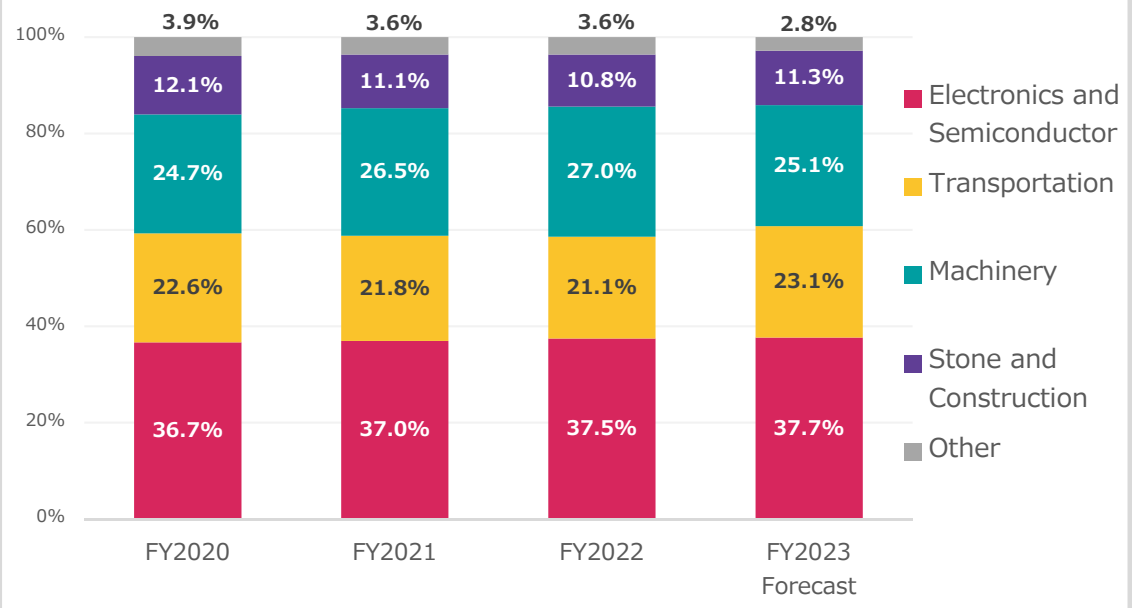
Forecasts for Net Sales and Composition by Industry (Consolidated)

Unit : Millions of yen

	FY2022 Full-year Results	%	FY2023 Full-year Results Forecast	%	YoY Change (%)
Electronics and Semiconductor	14,757	37.5	14,770	37.7	0.1
Transportation	8,282	21.1	9,050	23.1	9.3
Machinery	10,640	27.0	9,850	25.1	▲7.4
Stone and Construction	4,239	10.8	4,440	11.3	4.7
Other	1,401	3.6	1,090	2.8	▲22.2
Total	39,320	100.0	39,200	100.0	▲0.3

Composition ratio



Electronics and Semiconductor
Increase in tools for power semiconductors

Transportation
Increase due to steady automobile production

Machinery
Decrease due to sluggish market for machine tools

Stone and Construction
Increase due to steady in repair and demolition work, etc.

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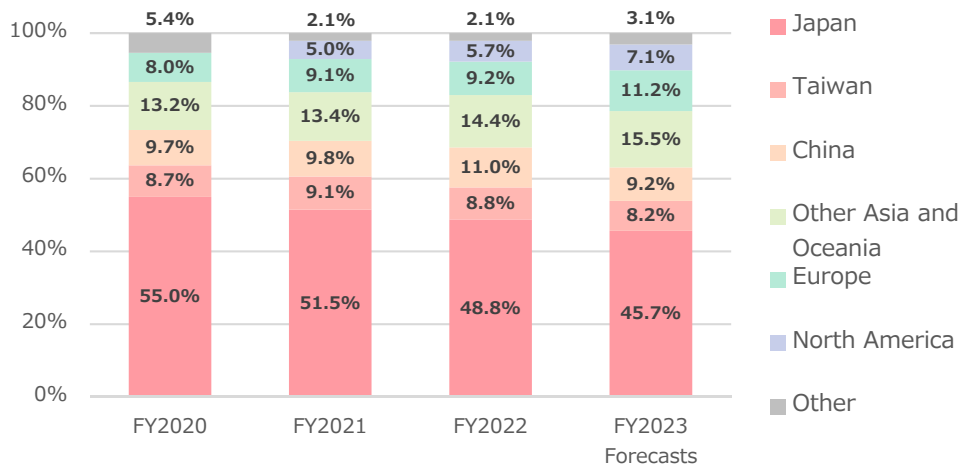
Forecasts for Net Sales and Composition by Geographical Region(Consolidated)

Unit : Millions of yen

	FY2022 Full-year Results	%	FY2023 Full-year Results Forecast	%	YoY Change (%)
Japan	19,179	48.8	17,900	45.7	▲6.7
Taiwan	3,454	8.8	3,200	8.2	▲7.4
China	4,320	11.0	3,600	9.2	▲16.7
Other Asia and Oceania	5,676	14.4	6,100	15.5	7.5
Europe	3,605	9.2	4,400	11.2	22.0
North America※	2,244	5.7	2,800	7.1	24.7
Other	838	2.1	1,200	3.1	43.0
Overseas total	20,141	51.2	21,300	54.3	5.8
Total	39,320	100.0	39,200	100.0	▲0.3

Composition ratio



Japan

Sales of related tools decrease for "Electronics and Semiconductor" and “Machinery" despite sales increased "Transportation"

China

Sales of related tools decrease mainly for "Electronics and Semiconductor"

Europe & North America

Sales increase mainly in "Electronics and Semiconductor" and "Transportation"

※North America, which was previously included in "Others," has been presented independently since the fiscal year ended March 2022.

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What lies beyond the Mid-term Management Plan 2025

Our aim in "VISION2030"

Top global niche manufacturer supporting the world through innovation

Three elements to achieve

Strengthening of brand power	Focus on growth sectors/areas of expertise	Proactive Product Development
Sales expansion through market penetration	Effective use of management resources	Stay one step ahead of customer needs

Three Key Measures for Business Growth

1. Semiconductor
2. Management Foundation
3. Optimize Resources

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Focus on semiconductor segment

1

Aim for high profitability and become industry-leading by focusing management resources on electronics & semiconductor segment

Development and Manufacturing

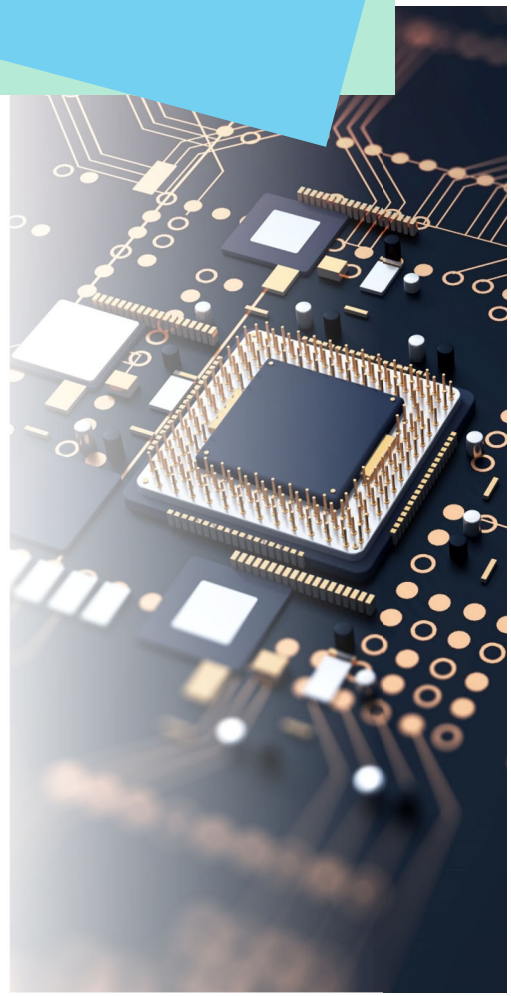
- Development of tools for SiC for power semiconductors, which are in growing demand and contribute to decarbonization
- Establishment of a system to increase production through factory reorganization
- Improvement of production efficiency and cost ratio

Sales

- Focus on expanding sales of high-margin products
- Utilization of trade shows

Status of 5 Focused Products in the Electronic and Semiconductor Segment

	FY2023 1H	FY2023 Forecast
Total of 5 products	Compared to FY22 1H 101%	Compared to FY22 110%
(Si)	Compared to FY22 1H 80%	Compared to FY22 87%
(SiC)	Compared to FY22 1H 255%	Compared to FY22 235%



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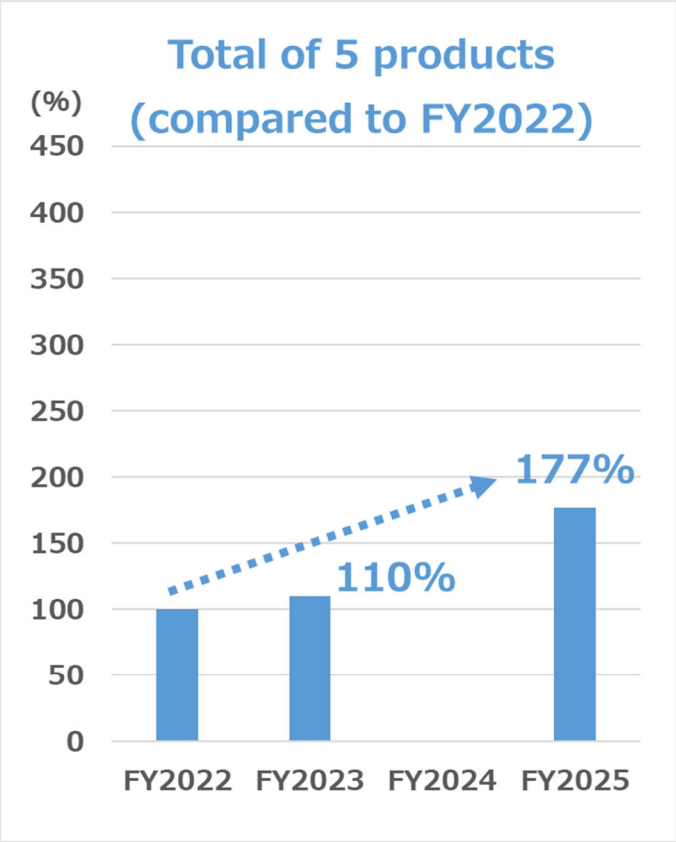
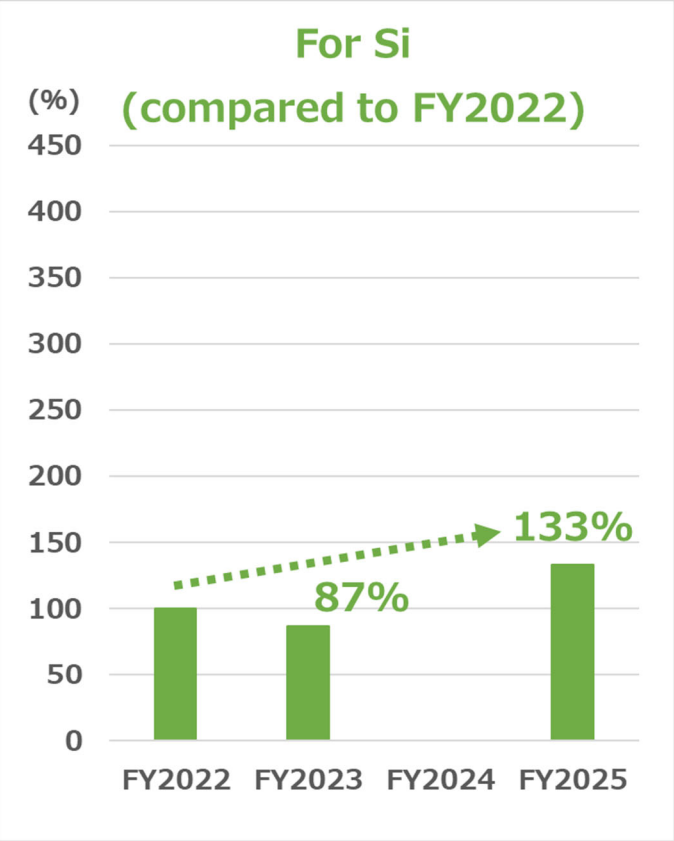
Progress on Priority Themes of Mid-Term Management Plan 2025

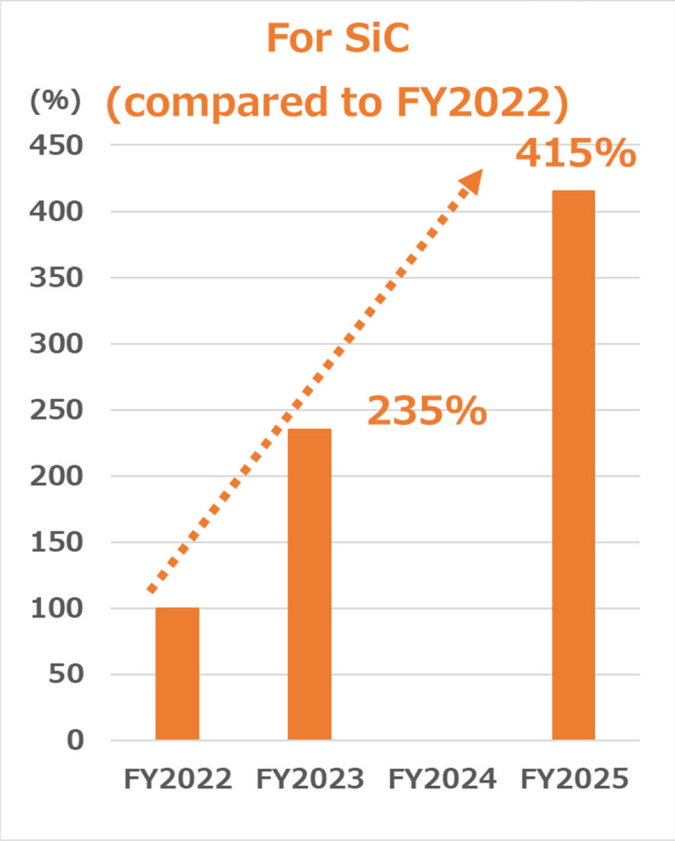
Focus on semiconductor segment

1

Sales Growth Rate of 5 Focused Products in FY2025 (compared to FY2022)







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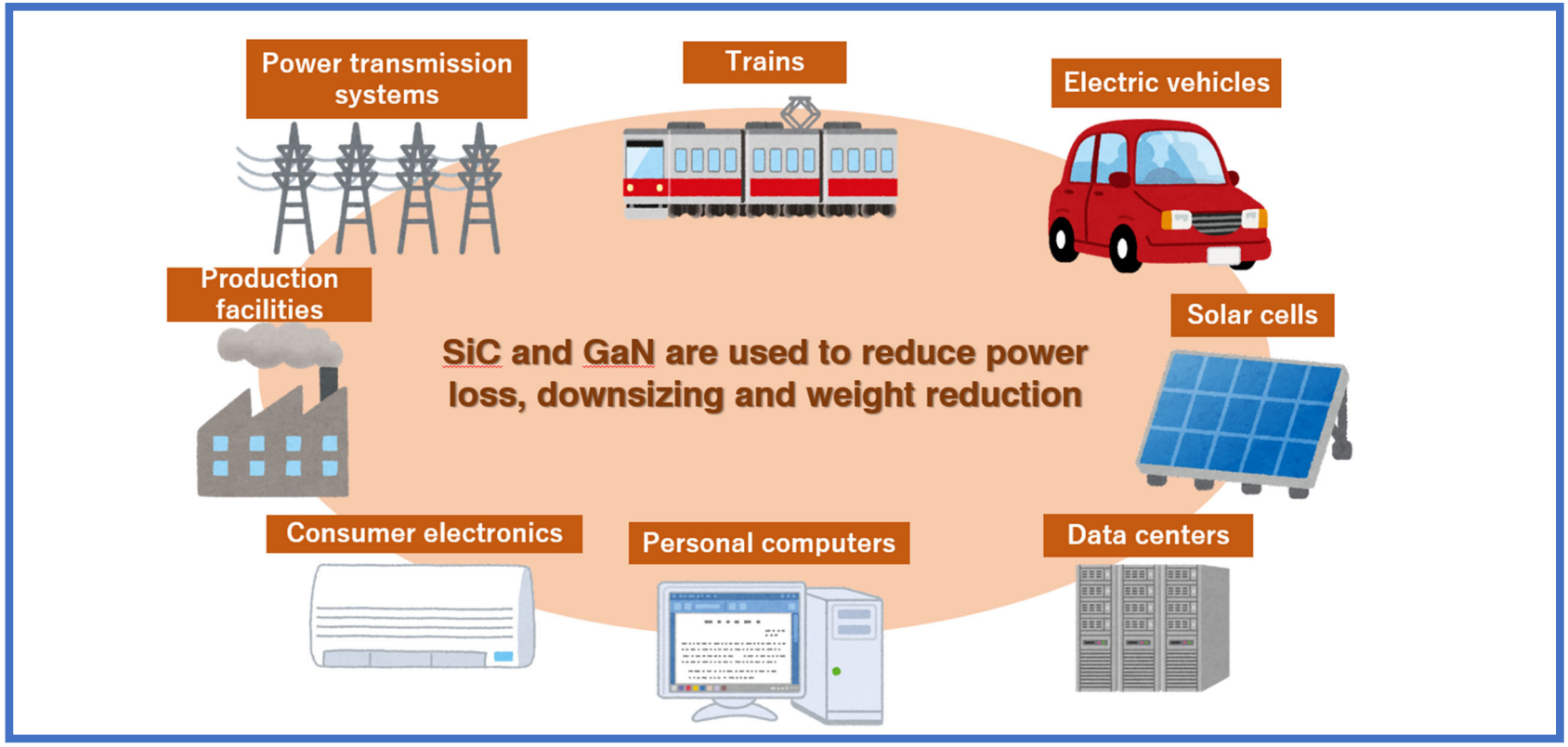
Why SiC power semiconductors are increasing?

▼ **Power semiconductors using SiC and GaN wafers are being released one after another!**

When Si power semiconductors are replaced by SiC and GaN power semiconductors,
- ◆Increased power exchange efficiency, power loss is reduced by less than half!
- ◆Enables operation even at high temperatures due to high heat resistance and good thermal conductivity!
- ◆The cooling system can be miniaturized, enables miniaturization of equipment!



※SiC:Silicon carbide
※GaN:Gallium Nitride

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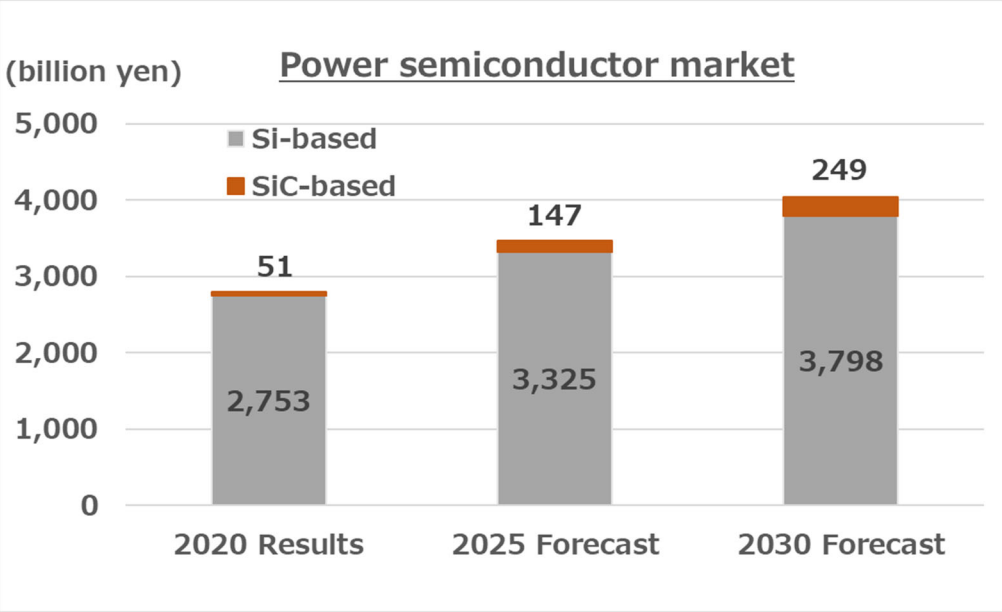
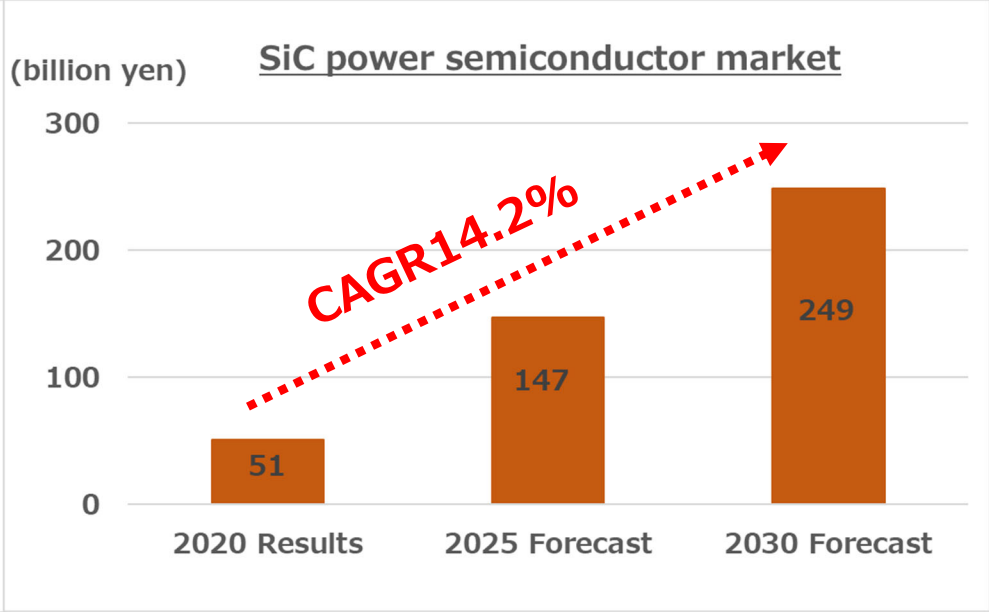
Power Semiconductors Market

(Source: Fuji Keizai, FY2021 Current Status and Future Outlook of the Next-Generation Power Devices and Power Electronics Equipment Market)





▼ **The SiC-based power semiconductor market appears to be smaller than the Si-based market, but…**

What makes the SiC power semiconductor market use a lot of diamond tools?

- ◆**High market growth rate: CAGR 14.2% until 2030 (3.3% for Si)**
- ◆**High usage volume of diamond tools due to the material being more difficult to process compared to Si**

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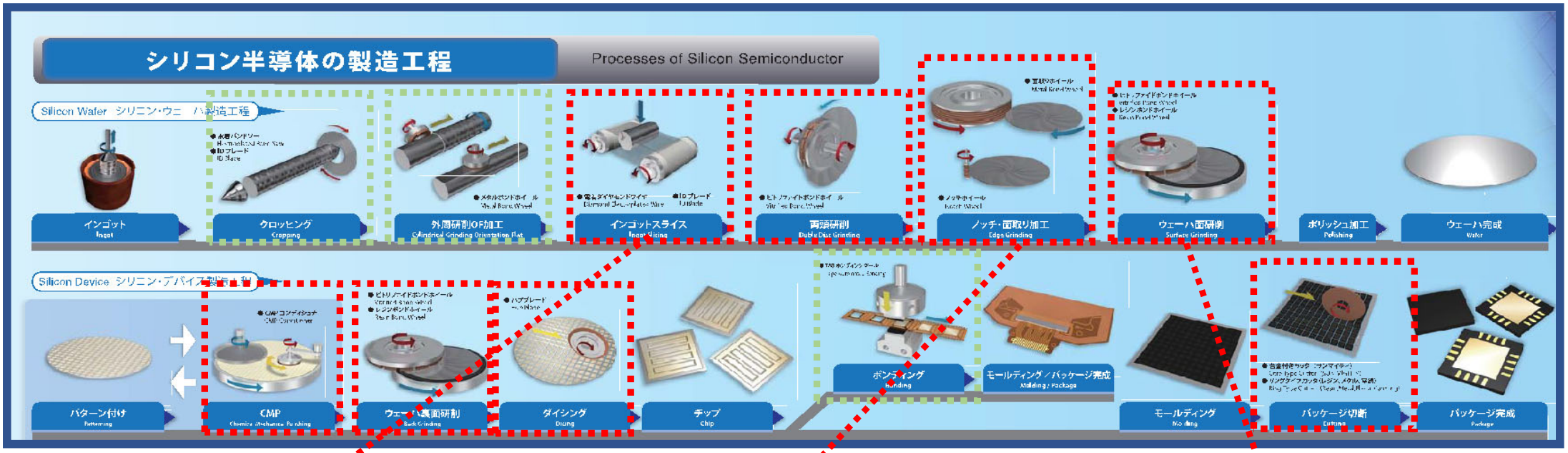
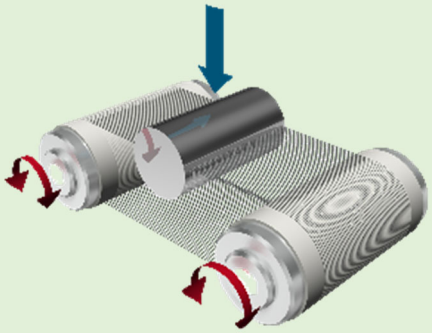
Diamond tools used in semiconductor manufacturing

5 focused products on the red frames

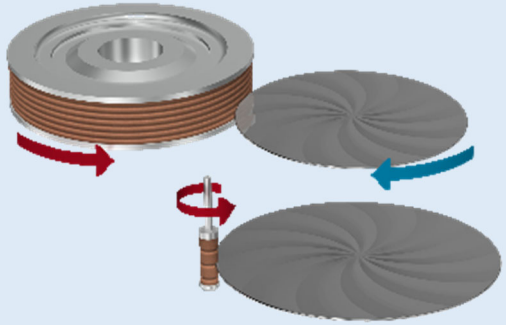


The above illustration shows a typical semiconductor manufacturing process.

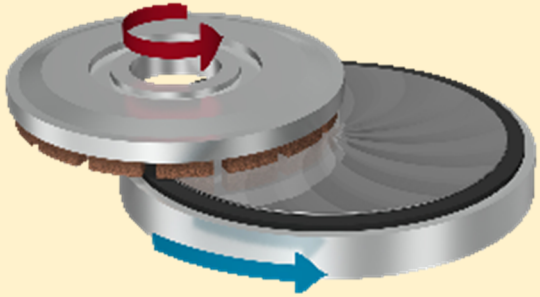
Ingot slicing process 《Diamond wire》



Edge grinding process 《Chamfer/notch wheel》



Surface Grinding process 《Surface Grinding Wheel》



High usage volume of diamond tools in the SiC wafer manufacturing process

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Management Infrastructure Enhancement

2

▶ IT System: Visualization of management figures and streamlining of operations

- Revamp of core system 《to be operational from FY2026》
- Sales SFA implementation 《to be operational from FY2024》

▶ Global Governance: Realization of management in line with mid- and long-term group management policies

- Optimization of organization and human resource allocation based on business plans of overseas subsidiaries

▶ Branding: Aim to establish a high-quality, reliable Asahi brand image

- Website renewal 《Scheduled for release next spring》
- Establishment of branding team

▶ Human resource development: Create a rewarding workplace

- New personnel system to promote growth and appropriate promotions by taking advantage of individual characteristics
- Conduct engagement surveys and multi-faced evaluation

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3

Optimize resources

Reorganize business domain and optimize internal and external resources

▶ Intra-group optimization

- Analysis of business areas and liquidation of unprofitable divisions
- Reorganization of manufacturing and sales network
  (Reorganization of manufacturing bases, establishment of sales subsidiaries in India and Vietnam)

▶ Utilization of external resources

- External procurement of products
- Business alliances
  (Mutual product supply with Tyrolit is in progress)

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Capital policy

Capital Policy and Shareholder Returns
Applicable period: FY2023～FY2025

- **Dividend payout ratio: 50% or more**
- **Total return ratio: 120% or more (3-year average)**

ROE : More than 6%　**PBR : More than 1.0**

Cash generated over 3 years

16 billion yen～

Net income
Depreciation
Sale of strategic holding shares

Streamlining of assets

Investment for growth: 15 billion yen

Shareholder returns: 9 billion yen

Results for the first half of FY2023

Interim dividend
15 yen per share
Dividend payout ratio 61.3%

Treasury stock acquisition
2 million shares
(1.7 billion yen)
Completed in July
Canceled in November

Capital investment
2 billion yen
900 million yen in the same period of the previous year

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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 material contains forward-looking statements other than historical facts. These forecasts and plans are based on information currently available to us and certain assumptions that we believe to be reasonable. Actual results may differ materially from these forecasts due to a variety of factors.

・Effective from the year ended March 31, 2022, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29). The impact on the consolidated financial statements is immaterial.

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