Annual Securities Report

The 107th fiscal year From April 1, 2025 to March 31, 2026

Asahi Diamond Industrial Co., Ltd.

Cover

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Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Submitted to	Director-General, Kanto Local Finance Bureau
Filing date	June 25, 2026
Fiscal year	The 107th fiscal year (April 1, 2025 through March 31, 2026)
Company name	Asahi Daiyamondo Kogyo Kabushiki Kaisha
Company name in English	Asahi Diamond Industrial Co., Ltd.
Title and name of representative	Kazuki Kataoka, President and Representative Director
Address of registered headquarters	2-4-1, Kojimachi, Chiyoda-ku, Tokyo (The address of registered headquarters was moved from 4-1, Kioi-cho, Chiyoda-ku, Tokyo, to the above address on May 5, 2026.)
Telephone number	+81-3-3222-6311 (main)
Name of contact person	Hitoshi Kusakabe, Executive Officer and Administration Division Director
Nearest place of contact	2-4-1, Kojimachi, Chiyoda-ku, Tokyo
Telephone number	+81-3-3222-6311 (main)
Name of contact person	Hitoshi Kusakabe, Executive Officer and Administration Division Director
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Osaka Branch, Asahi Diamond Industrial Co., Ltd. (3-4-30, Miyahara, Yodogawa-ku, Osaka-shi, Osaka) Nagoya Branch, Asahi Diamond Industrial Co., Ltd. (1-16-34, Aoi, Higashi-ku, Nagoya-shi, Aichi) North Kanto Branch, Asahi Diamond Industrial Co., Ltd. (1-20-1, Azuma, Kitamoto-shi, Saitama)

Section 1. Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated financial data

Fiscal year		103rd	104th	105th	106th	107th
Year ended		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Net sales	(millions of yen)	37,161	39,320	38,653	41,006	41,983
Ordinary profit	(millions of yen)	3,650	3,275	2,408	3,070	3,346
Profit attributable to owners of parent	(millions of yen)	3,288	2,765	2,109	2,493	2,009
Comprehensive income	(millions of yen)	4,187	5,063	4,532	1,385	4,655
Net assets	(millions of yen)	60,869	62,882	63,993	63,579	64,133
Total assets	(millions of yen)	72,241	74,177	73,901	76,351	79,203
Net assets per share	(yen)	1,067.79	1,142.25	1,207.32	1,200.54	1,292.35
Basic earnings per share	(yen)	59.23	50.88	40.57	48.36	40.92
Diluted earnings per share	(yen)	—	—	—	—	—
Shareholders' equity ratio	(%)	82.1	82.5	84.2	80.7	78.5
Return on equity (ROE)	(%)	5.7	4.6	3.4	4.0	3.2
Price earnings ratio	(times)	10.0	18.4	24.1	17.2	28.9
Cash flows from operating activities	(millions of yen)	5,948	4,979	2,839	5,765	5,412
Cash flows from investing activities	(millions of yen)	(356)	(1,260)	(3,505)	(3,820)	(2,120)
Cash flows from financing activities	(millions of yen)	(1,077)	(3,145)	(3,121)	(212)	(1,883)
Cash and cash equivalents at end of period	(millions of yen)	15,548	16,389	12,818	14,810	16,156
Number of employees [separately, average number of temporary employees]		2,057 [393]	2,037 [416]	2,059 [407]	2,064 [386]	2,040 [369]

Notes: 1 The information related to diluted earnings per share is omitted because there are no residual shares.

2 The Company introduced a stock compensation plan in the 100th fiscal year. For calculating net assets per share, the Company includes its shares remaining in the stock compensation plan, which are recorded as treasury shares, into the treasury shares to be deducted in calculation of the total number of issued shares at end of period. For calculating basic earnings per share, the Company includes such shares into the treasury shares to be deducted in calculation of the average number of shares of common stock during the period.

3 Since the beginning of the 106th fiscal year, the Company has adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 of October 28, 2022; hereinafter, "2022 Revised Accounting Standard") and other standards. Key financial data for the 105th fiscal year are figures after the application of such standards. Furthermore, the Company has adopted the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment set forth in the proviso of paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). As a result, key financial data for the 106th fiscal year onward are figures after the application of such standards.

(2) Financial data of the reporting company (Non-consolidated)

Fiscal year		103rd	104th	105th	106th	107th
Year ended		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Net sales	(millions of yen)	29,186	30,691	29,834	30,554	32,175
Ordinary profit	(millions of yen)	2,103	3,292	2,192	2,201	3,328
Profit	(millions of yen)	1,899	3,165	2,215	2,289	1,395
Share capital	(millions of yen)	4,102	4,102	4,102	4,102	4,102
Total number of issued shares		55,700,000	53,888,600	51,888,600	51,888,600	48,430,000
Net assets	(millions of yen)	46,993	48,265	47,219	46,074	44,697
Total assets	(millions of yen)	56,027	57,437	56,497	56,959	59,691
Net assets per share	(yen)	846.30	901.24	915.93	897.20	928.56
Dividend paid per share [of which, the amount of interim dividend paid per share]	(yen)	24.00 [8.00]	26.00 [11.00]	30.00 [15.00]	30.00 [15.00]	30.00 [15.00]
Basic earnings per share	(yen)	34.21	58.23	42.60	44.41	28.42
Diluted earnings per share	(yen)	—	—	—	—	—
Shareholders’ equity ratio	(%)	83.9	84.0	83.6	80.9	74.9
Return on equity (ROE)	(%)	4.1	6.6	4.6	4.9	3.1
Price earnings ratio	(times)	17.3	16.1	22.9	18.7	41.6
Payout ratio	(%)	70.2	44.7	70.4	67.6	105.6
Number of employees [separately, average number of temporary employees]		998 [378]	983 [407]	1,001 [403]	999 [358]	1,016 [333]
Total shareholder return [Benchmark: TOPIX Total Return Index]	(%) (%)	115.8 [102.0]	185.7 [107.9]	198.9 [152.5]	177.4 [150.2]	249.0 [202.2]
Highest share price	(yen)	743	979	1,004	1,001	1,735
Lowest share price	(yen)	498	546	780	733	684

Notes: 1 The information related to diluted earnings per share is omitted because there are no residual shares.

2 The highest and lowest share prices are quoted prices on the First Section of the Tokyo Stock Exchange on or before April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange on or after April 4, 2022.

3 The Company introduced a stock compensation plan in the 100th fiscal year. For calculating net assets per share, the Company includes its shares remaining in the stock compensation plan, which are recorded as treasury shares, into the treasury shares to be deducted in calculation of the total number of issued shares at end of period. For calculating basic earnings per share, the Company includes such shares into the treasury shares to be deducted in calculation of the average number of shares of common stock during the period.

4 Of the annual dividend of 30.00 yen paid per share for the 107th fiscal year, the year-end dividend of 15.00 yen is scheduled to be proposed as an agenda item at the Annual General Meeting of Shareholders to be held on June 26, 2026.

5 Since the beginning of the 106th fiscal year, the Company has adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 of October 28, 2022; hereinafter, “2022 Revised Accounting Standard”) and other standards. Key financial data for the 105th fiscal year are figures after the application of such standards. Furthermore, the Company has adopted the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard. As a result, key financial data for the 106th fiscal year onward are figures after the application of such standards.

2. History

October 1937	Asahi Diamond Industrial Co., Ltd. established in Ota-ku, Tokyo for manufacturing and marketing diamond tools.
January 1944	Ueno Factory (formerly Mie Factory) completed in Ueno-shi (currently Iga-shi), Mie.
December 1945	Corporate name changed to Asahi Kogei Co., Ltd. Production of Shippo (cloisonne enamel) crafts started.
May 1950	Head office moved to Chuo-ku, Tokyo.
May 1952	Corporate name changed to Asahi Diamond Industrial Co., Ltd. Full-scale production of diamond tools started.
July 1959	Asahi Electric Wire Co., Ltd. merged by absorption.
March 1963	Asahi Diamond Trading Co., Ltd. merged by absorption.
September 1965	Tamagawa Factory completed in Takatsu-ku, Kawasaki-shi.
April 1966	Asahi Trading Co., Ltd. merged by absorption.
September 1972	Participated in the management of Sun Diamond Industries Co., Ltd. (currently Yamanashi Asahi Diamond Industrial Co., Ltd., a consolidated subsidiary).
October 1972	Listed on the Second Section of the Tokyo Stock Exchange.
February 1975	Head office moved to Minato-ku, Tokyo.
May 1978	Shinhan Diamond Industrial Co., Ltd., a joint venture (currently an equity-method associate), established in South Korea.
September 1978	Listed on the First Section of the Tokyo Stock Exchange.
August 1984	Mie No. 2 Factory completed in Ueno-shi (currently Iga-shi), Mie.
September 1988	Head office moved to Chiyoda-ku, Tokyo.
March 1989	Chiba Tsurumai Factory completed in Ichihara-shi, Chiba.
December 1993	Acquired all shares of Triefus France (currently Asahi Diamond Industrial Europe SAS, a consolidated subsidiary) and Triefus Australia (currently Asahi Diamond Industrial Australia Pty., Ltd., a consolidated subsidiary).
November 1995	Acquired additional shares of Taiwan Asahi Diamond Industrial Co., Ltd. (established as a joint venture in May 1968; currently a consolidated subsidiary).
March 1999	Chiba No. 2 Factory completed in Chonan-machi, Chosei-gun, Chiba.
July 2002	Acquired all shares of P.T. Asahi Diamond Industrial Indonesia (currently a consolidated subsidiary).
July 2002	Asahi Diamond America, Inc. established in the United States (currently a consolidated subsidiary).
July 2002	Shanghai Xu Hui Diamond Industrial Co., Ltd. established in China (currently a consolidated subsidiary).
June 2006	Mie and Mie No. 2 Factories integrated to launch the current Mie Factory in Iga-shi, Mie.
December 2011	Acquired additional shares of Asahi Diamond (Thailand) Co., Ltd. (currently a consolidated subsidiary).
July 2013	Acquired all shares of Koremura Co., Ltd., a company manufacturing and selling whetstones (currently Koremura Asahi Diamond Industrial Co., Ltd., a consolidated subsidiary).
January 2015	Asahi Diamond Industrial Germany GmbH established in Germany (currently a consolidated subsidiary).
July 2015	Asahi Diamond Industrial Scandinavia AB established in Sweden (currently a consolidated subsidiary).
July 2015	Asahi Diamond Industrial Malaysia Sdn. Bhd. established in Malaysia (currently a consolidated subsidiary).
August 2015	Asahi Diamond de Mexico, S.A. de C.V. established in Mexico (currently a consolidated subsidiary).
July 2020	Chiba Factory completed in Sodegaura-shi, Chiba.
February 2021	Engineering & Development Center established in Takatsu-ku, Kawasaki-shi.
August 2021	North Kanto Branch opened in Kitamoto-shi, Saitama.
April 2022	Moved from the First Section to the Prime Market of the Tokyo Stock Exchange due to the restructuring of the market segments.
July 2023	Asahi Diamond Vietnam Co., Ltd. established in Vietnam (currently a consolidated subsidiary).
August 2023	Acquired all shares of Asahi Diamond Industrial India PVT. LTD. (currently a consolidated subsidiary).
May 2025	AA Diamond Technology Co., Ltd., a joint venture (currently an equity-method associate), established in Ichihara-shi, Chiba.
May 2026	Head office moved to the current location.

3. Description of Business

The Asahi Diamond Group (Asahi Diamond Industrial Co., Ltd. and its subsidiaries and associates; the "Group") operates a single segment of manufacturing and sale of diamond tools (including CBN tools and whetstones), mainly for the industries such as electronics and semiconductor, transportation equipment, machinery, and stone and construction.

The scope of business of the Company and its group companies in the diamond tool business are as follows.

The Group supplies products to Koremura Asahi Diamond Industrial Co., Ltd., overseas manufacturing and sales subsidiaries, overseas sales subsidiaries, and overseas associates.

Domestic Companies

Asahi Diamond Industrial Co., Ltd. (the "Company") sells products mainly in Japan, Asia, Oceania, Europe, and North America regions.

Yamanashi Asahi Diamond Industrial Co., Ltd. supplies products to the Company.

Koremura Asahi Diamond Industrial Co., Ltd. sells products mainly in Japan and Asia and Oceania regions.

Domestic Associates

AA Diamond Technology Co., Ltd., an associate, is mainly engaged in product research and development.

Overseas manufacturing and sales subsidiaries

Asahi Diamond Industrial Europe SAS sells products mainly in Europe region.

Taiwan Asahi Diamond Industrial Co., Ltd. sells products mainly in Asia and Oceania regions.

Shanghai Xu Hui Diamond Industrial Co., Ltd. sells products mainly in Asia and Oceania regions.

P.T. Asahi Diamond Industrial Indonesia sells products mainly in Asia and Oceania regions.

Asahi Diamond (Thailand) Co., Ltd. sells products mainly in Asia and Oceania regions.

Overseas sales subsidiaries

Asahi Diamond America, Inc. sells products mainly in North America region.

Asahi Diamond de Mexico, S.A. de C.V. sells products mainly in Central America region.

Asahi Diamond Industrial Germany GmbH sells products mainly in Europe region.

Asahi Diamond Industrial Scandinavia AB sells products mainly in Europe region.

Asahi Diamond Industrial Australia Pty., Ltd. sells products mainly in Asia and Oceania regions.

Asahi Diamond Industrial Malaysia Sdn. Bhd. is engaged in sales support business for our customers in Asia and Oceania regions.

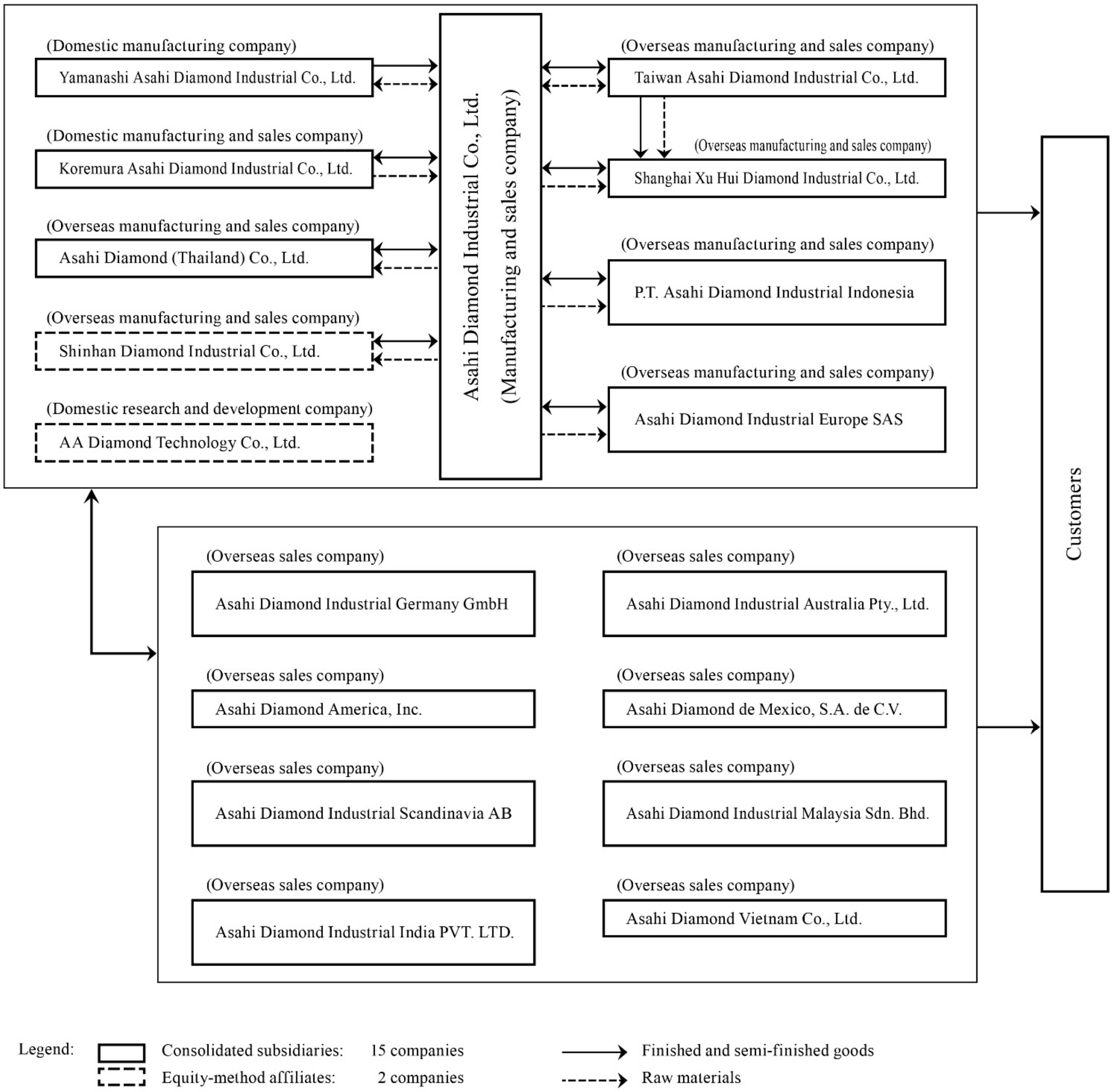
Asahi Diamond Industrial India PVT. LTD. sells products mainly in Asia and Oceania regions.

Asahi Diamond Vietnam Co., Ltd. is engaged in sales support business for our customers in Asia and Oceania regions.

Overseas Associates

Shinhan Diamond Industrial Co., Ltd., an associate, sells products mainly in Asia and Oceania regions.

The chart below summarizes the structure of the Group's businesses.



4. Subsidiaries and Associates

Company name	Location	Share capital	Ratio of voting rights held (%)	Description of relationship: Number of officers concurrently serving for the Company and subsidiaries/associates: Officer	Executive Officer	Employee	Business transactions	Financial assistance	Leasing of facilities
Consolidated subsidiaries									
Yamanashi Asahi Diamond Industrial Co., Ltd. (Note 2)	Nirasaki-shi, Yamanashi	¥48,000 thousand	100.0	—	—	1	Purchase of products / purchase and sale of materials	Fund lending	Land leasing
Koremura Asahi Diamond Industrial Co., Ltd. (Note 2)	Ichihara-shi, Chiba	¥13,000 thousand	100.0	—	—	1	Sale and purchase of products / purchase of materials	—	Building leasing
Asahi Diamond Industrial Europe SAS	Eure-et-Loir, France	EUR 830 thousand	100.0	1	1	—	Sale and purchase of products / sale of materials	Fund lending and loan guarantee	No
Asahi Diamond Industrial Germany GmbH	Dortmund, Germany	EUR 25 thousand	100.0	—	—	1	Sale of products	—	No
Taiwan Asahi Diamond Industrial Co., Ltd. (Note 2)	Taoyuan, Taiwan	NT$155,221 thousand	69.1	3	1	—	Sale and purchase of products and materials	—	No
Shanghai Xu Hui Diamond Industrial Co., Ltd.	Shanghai, China	US$3,330 thousand	100.0	2	2	—	Sale and purchase of products / sale of materials	—	No
P.T. Asahi Diamond Industrial Indonesia	Bekasi Regency, Indonesia	IDR 28,962 million	100.0	1	1	—	Sale and purchase of products / sale of materials	—	No
Asahi Diamond (Thailand) Co., Ltd.	Bangkok, Thailand	THB 106,000 thousand	90.0	—	—	3	Sale and purchase of products / sale of materials	—	No
Asahi Diamond America, Inc.	Ohio, U.S.A.	US$100 thousand	100.0	1	—	2	Sale of products	Loan guarantee	No
Asahi Diamond Industrial Scandinavia AB	Orebro, Sweden	SEK 50 thousand	100.0	1	—	1	Sale of products	—	No
Asahi Diamond Industrial Australia Pty., Ltd.	Mona Vale, Australia	AU$2,500 thousand	100.0	1	1	—	Sale of products	—	No
Asahi Diamond de Mexico, S.A. de C.V.	Leon, Mexico	MXN 4,000 thousand	100.0	—	—	1	Sale of products	—	No
Asahi Diamond Industrial Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR 1,000 thousand	100.0	—	—	2	Sale of products	—	No
Asahi Diamond Industrial India PVT. LTD.	Pune, India	INR 160,013 thousand	100.0	1	—	1	Sale of products	Fund lending	No
Asahi Diamond Vietnam Co., Ltd.	Hanoi, Vietnam	VND 4,255 million	100.0	—	—	1	Sale of products	—	No
Equity-method associate									
Shinhan Diamond Industrial Co., Ltd.	Incheon, South Korea	KRW 6,500 million	28.5	1	—	—	Sale and purchase of products / sale of materials	—	No
AA Diamond Technology Co., Ltd.	Ichihara-shi, Chiba	¥1,000 million	50.0	—	1	1	—	—	Building leasing

Notes: 1 All of the subsidiaries and associates are mainly engaged in diamond tool businesses.

2 The Companies with Note 2 are specified subsidiaries.

II. Overview of Business

1. Management Policy, Business Environment, and Issues to Address

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the filing date of this Annual Securities Report.

(1) Management Policy

The Group holds "Manufacturing excitement through innovation" as its corporate philosophy. In the world of manufacturing, where the pace of technological progress is ever accelerating, tackling complex problems is a daily challenge. Together with our customers, the Group strives to enhance manufacturing processes, contributing to the development of society.

Under such corporate philosophy, the Group holds as its vision One and Only, Eternal Growth, and Job Satisfaction. In addition, Challenge, Customer, Cooperation, Character, and Speed are held as its Values.

(2) Management strategies over the medium- to long-term

The Group set forth the Medium-term Management Plan 2030 at the Board of Directors meeting held on May 15, 2026. The main items are stated below in "(4) Business environment and operational and financial issues to be addressed."

(3) Target key management metrics

The Group regards the following targets as key management metrics for achieving sustainable growth and increasing the interests of all stakeholders: consolidated net sales, consolidated operating profit, consolidated operating profit ratio, profit attributable to owners of parent, and return on equity (ROE).

(4) Business environment and operational and financial issues to be addressed

The Group has identified the challenges of past medium-term management plans and formulated the Medium-term Management Plan 2030, under which it will pursue three key initiatives based on the two themes presented below. The Plan, spanning the period to fiscal 2030, aims to achieve VISION 2030—to be "a global niche top manufacturer supporting manufacturing around the world"—by 2030.

・Maximizing the value and impact of past investments and leveraging them effectively to drive future growth
・Improving our business structure to consistently generate profits

Key initiatives of Medium-term Management Plan 2030

i. Accelerating growth businesses focused on electronics/semiconductors

We will aim to expand sales and profits through focused investment in growth markets and global expansion.

・Positioning of the electronics and semiconductor businesses as key growth drivers of sales and operating profit
・Growth of ceramics for semiconductor equipment and bearing tools in the machinery business
・Creation of new orders and market share expansion through business-specific sales strategies
・Acceleration of development through AI utilization

ii. Revenue structure reform & margin improvement through strategic focus

We aim to strengthen profitability through the restructuring of unprofitable businesses and pricing and cost reforms.

・Withdrawal and downsizing of unprofitable businesses and operations, and factory consolidation
・Regular screening based on profitability and growth criteria
・Improvement of gross margins through price revisions
・Ongoing cost reductions through productivity improvements and continuous improvement activities

iii. Strengthening capabilities, talent, and foundations for future growth

We will establish sustainable competitiveness through faster development and human capital management.

・Supply chain ensuring stable procurement and supply
・Acceleration of development speed through focus and prioritization in product development
・Exploration of new businesses, including solution services such as contract testing
・Real-time visibility of management metrics and promotion of business transformation through the new core system
・Advancement of human capital management through improved employee engagement, strengthened recruitment, enhanced benefits, and expanded training

2. Corporate Sustainability Policy and Initiatives

The Group's sustainability policy and initiatives are as follows.

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the end of the fiscal year ended March 31, 2026.

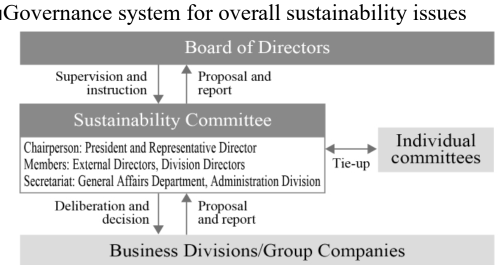
Overall sustainability issues

(1) Governance and risk management

The Group holds as its basic sustainability policy "With the corporate philosophy 'Manufacturing excitement through innovation' set forth as the foundation for all business activities, the Group will continue to advance together with society as a company that develops human resources, cultivates skills, and continues making the impossible possible in society." The Group has established this sustainability policy as basic matters that every individual officer and employee must follow from 10 perspectives in order for them to implement the corporate philosophy and contribute to society through our businesses so that we can achieve sustainable growth together with our stakeholders. The basic matters are human rights, community, work environment, global environment, clients/suppliers, products and services, fair trade and international trade, disclosure of information, preservation and management of assets, and obligations of directors and employees. For more information about the sustainability policy, please visit the Company's website.

In accordance with the above basic sustainability policy and sustainability policy, we have built an appropriate governance system to address the risks and opportunities associated with sustainability issues. The Board of Directors is the body with responsibility for decisions on important management matters, including the risks and opportunities of sustainability issues, and the supervision of business execution. For more information about the Board of Directors, please see "(1) Overview of corporate governance" and "(2) Directors and officers" under "IV. Information on the Reporting Company: 4. Corporate Governance." A Sustainability Committee has been established under the Board of Directors, consisting of the President and Representative Director as a chairperson and the External Directors and Division Directors as members. It meets at least twice a year to discuss and decide matters such as sustainability management policies, strategies, and systems, and gives directions to the individual business divisions and Group companies in coordination with other relevant committees. The contents of deliberations in the Sustainability Committee will be proposed and reported to the Board of Directors, which will provide appropriate supervision.

■Governance system for overall sustainability issues



Meeting	Frequency	Roles in addressing sustainability issues
Board of Directors	–	Provide supervision of and instruction for the contents of deliberations upon receipt of proposals and reports from the Sustainability Committee
Sustainability Committee	At least twice a year	1. Basic policy (sustainability policy), strategy, and system on sustainability management 2. External trends and the Group's initiatives on sustainability issues 3. Policy and contents on non-financial information disclosures, etc.

(2) Strategy, metrics, and targets

With the aim of enhancing the quality of our sustainability initiatives and contributing to the medium- to long-term enhancement of our corporate value, we have identified materialities for our Group based on various social challenges. We have identified five materialities and 16 action items, and have assigned responsibility for each materiality and action item to specific departments. We have established attainment targets, KPIs, medium- to long-term targets, short-term targets, and action plans for each materiality and action item. Going forward, we will promote sustainability initiatives across the entire Group with the aim of achieving these metrics and targets, and will work together with our stakeholders to achieve sustainable growth. For more information about materialities, please visit the Company's website.

■The Group's materialities

Vision	Materiality	Action item
One and Only	1. Solving social issues through cutting-edge diamond tools and other products	(1) Strengthen development of products and services that solve social issues (2) Contribute to energy and resource conservation with diamond tools
	2. Ensuring a stable supply of products that exceed expectations	(3) Strengthen our Business Continuity Plan (BCP) (4) Ensure safety and reliability supply of products and services (5) Strengthen supply chain management (6) Improve labor-saving and productivity
Eternal Growth	3. Reducing our own environmental impact to realize a decarbonized, resource-recycling society	(7) Reduce greenhouse gas (GHG) emissions (8) Strengthen environmental management system
	4. Strengthening governance and risk management	(9) Strengthen global governance (10) Strengthen stakeholder engagement (11) Implement compliance (12) Strengthen information security
Job Satisfaction	5. Improving organizational strength by creating a rewarding workplace	(13) Realize work-life balance (14) Ensure occupational health and safety (15) Promote management for health (16) Strengthen human resource (HR) recruitment and development

Initiatives related to climate change

One of the 10 basic matters of the sustainability policy is "global environment," which is addressed in our materialities under "3. Reducing our own environmental impact to realize a decarbonized, resource-recycling society." We view response to climate change as an important sustainability issue. With the involvement of the relevant departments within the Company and the management executives, we have conducted discussions and analysis along the lines of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and organized the relevant information into four categories—governance, strategy, risk management, and metrics and targets—as follows.

(1) Governance

i. Board of Directors' supervision of climate-related risks and opportunities

The Board of Directors provides appropriate supervision of climate-related risks and opportunities as described in "(1) Governance and risk management" under "Overall sustainability issues."

ii. Roles of management executives in evaluation and management of climate-related risks and opportunities

As described in "(1) Governance and risk management" under "Overall sustainability issues," the Sustainability Committee discusses and decides matters such as policies, strategies, and systems for sustainability management, including climate change, and gives directions to the individual business divisions and Group companies. It will also manage the risks and opportunities identified in scenario analysis and coordinate with other committees on the management of the PDCA cycle for the reduction of GHG emissions.

(2) Strategy

i. Short-term, medium-term, and long-term climate-related risks and opportunities identified by organizations

In the (latest) Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the IPCC observes that human activities have “unequivocally” caused global warming and analyzes that average global temperature has already risen by approximately 1.1°C from pre-industrial levels (around 1850). Amid uncertainty about how climate change will progress in the years ahead, we conducted a scenario analysis as advocated in the TCFD recommendations in an effort to identify the important climate-related risks and opportunities that will have an impact on the Group’s finances. The specific process, assumptions, and overview of the two scenarios adopted for this analysis are described below.

■Scenario analysis process

1. Setting of assumptions	We selected targeted business divisions (the Company and its two consolidated subsidiaries in Japan), timeframes, degree of impact, and scenarios to be adopted.
2. Evaluation of degree of materiality and identification of risks and opportunities	After uncovering a wide range of envisaged climate-related risks and opportunities based on reference literature on the adopted scenarios, we gathered and identified those risks and opportunities that are material to the Company.
3. Impact assessment	For climate-related risks and opportunities identified as material, we calculated their financial impact as of 2030 (2050 for some) of those matters that could be analyzed quantitatively.
4. Consideration of strategies and responses	Based on the results of financial impact calculations, we formulated responses and strategies for the risks and opportunities.

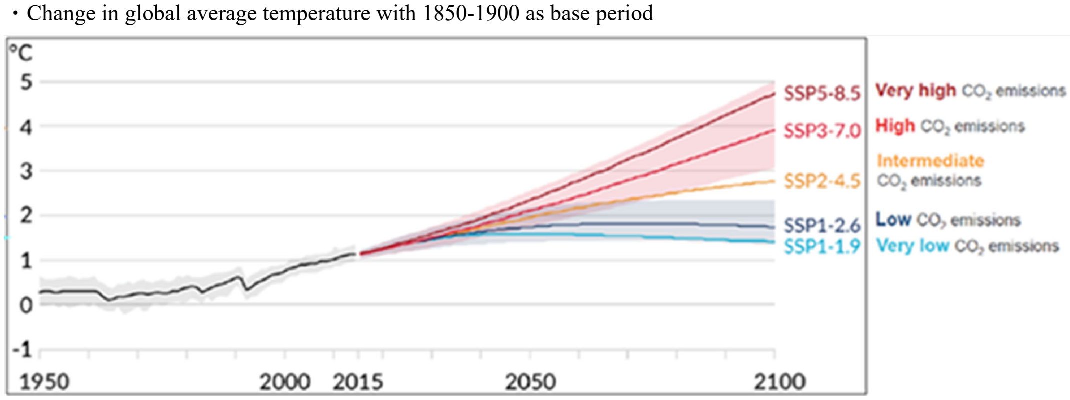
■Scenario analysis assumptions

Targeted business divisions	Timeframes	Financial impact
The Company and its two consolidated subsidiaries in Japan	Short-term: Up to a single fiscal year Medium-term: To fiscal 2030 Long-term: To fiscal 2050	Based on impact on operating profit (single fiscal year) Large: ¥100 million or more Medium: ¥10 million or more to less than ¥100 million Small: Less than ¥10 million

■Overview of adopted scenarios

Adopted scenarios	Envisaged phenomena/Major parameters	Main reference literature
1.5°C scenario	・Scenario in which climate change policies are introduced and sustainable development progresses. Conforms with the Paris Agreement, and carbon neutrality will be realized in around 2050. Temperature rise in 2100 will be limited to 1.5°C or below. ・Introduction of carbon pricing will proceed in countries across the world, and carbon tax will rise globally. Estimated at 140 USD/t-CO_2 in 2030. ・Prices of fossil fuels will plummet as demand falls. Ratio of renewable energy used in power generation is expected to reach 80% by 2050.	IEA World Energy Outlook 2023 (NZE2050) IPCC Sixth Assessment Report (SSP1-1.9)
4°C scenario	・Scenario in which climate change policies are not introduced and natural disasters become increasingly severe. Temperature rise in 2100 will be 4.4°C. ・Introduction of carbon pricing in countries across the world will not proceed, staying at around the current level. ・Prices of fossil fuels will rise as demand continues to increase. Fossil fuels will remain the main source of power generation, and ratio of renewable energy will be only 65% in 2050 (STEPS). ・Due to delay in reduction of GHG emissions, global warming will progress and acute, extreme weather events (cyclones, flooding, etc.) will increase. Due to chronic impact, there is a risk that ocean levels will rise by up to 1.1 meter in 2100.	IEA World Energy Outlook 2023 (Pre-Paris/STEPS) IPCC Sixth Assessment Report (SSP5-8.5)

・Change in global average temperature with 1850-1900 as base period



Source: IPCC Sixth Assessment Report of the Working Group 1 (WG1), Summary for Policymakers (SPM)

ii. Impact of climate-related risks and opportunities on the organization’s business, strategies, and financial plans

The climate-related risks and opportunities identified in the scenario analysis, their financial impact, and responses and strategies are as follows.

Risk/ opportunity	Sub-classification	Factors/drivers	Overview of impact on the Company’s finances	Timeframes	Financial impact of 1.5°C scenario 2030	Financial impact of 4°C scenario 2030	Responses and strategies
Transition risk	Policy and legal regulation	Introduction of carbon tax/carbon pricing	Manufacturing costs may increase due to introduction of carbon tax or emissions trading.	Medium- to long-term	Large	Small	■ Reduce life-cycle CO_2 emissions by increasing service life of the Company’s tools and popularizing recycling of tools ■ Reduce CO_2 emissions through streamlining of power and energy use ■ Reduce CO_2 emissions through improvement of manufacturing processes ■ Utilize solar power at factories (solar power already installed at three factories: Mie, Chiba, and Yamanashi factories. Considering installation of additional solar power generation as needed.) ■ Promote company-wide education and awareness-raising of climate change responses
		Tightening of energy and power restrictions for the promotion of decarbonization policies	Costs of procuring fossil fuel-derived energy (power) and raw materials may increase due to the promotion of decarbonization policies.	Medium- to long-term	Small	Small	
		Tightening of mandatory reporting of environmental data, e.g., GHG emissions	Administrative costs of information disclosure and reporting may increase due to tighter reporting and disclosure obligations and requirements of supply chain companies.	Medium-term	Medium	Small	■ Improve efficiency of internal data collection and management with use of IT
	Technology	Up-front costs for transition to low-carbon technologies	Capital investment costs related to decarbonization of manufacturing processes may increase.	Medium-term	Medium	Small	■ Design decarbonization-conscious products and processes from the product development stage ■ Conduct appropriate capital investment at the appropriate time after determining return on investment
	Market	Changes in customer behavior	With the contraction of the gasoline automobile-related market, demand for the Company’s related products and services may decline, leading to a fall in sales.	Short- to medium-term	Large	Small	■ Study trends and manage PDCA cycle by launching individual projects ■ Inject development and design resources into shift from internal combustion engines to electrification ■ Expand sales into industries where electrification is expected to lead to market expansion
		Sharp rises in raw material costs	With the sharp rises in resource prices resulting from increased demand for decarbonization-related products, e.g., electrification and renewable energy, the costs of procuring non-ferrous metals such as aluminum, copper, and rare metals used in the Company’s products may increase.	Medium- to long-term	Large	Small	■ Conduct appropriate, timely reviews of product prices and the price pass-through in line with procurement costs ■ Promote consideration of alternative suppliers and materials
	Reputation	Decline in influence on stakeholders (particularly investors)	The Company’s climate change responses may be deemed inadequate, leading to poorer evaluations by investors and financial institutions and a fall in the share price.	Medium-term	Small to medium	Small	■ Implement appropriate, timely climate change responses and make appropriate disclosures of their details ■ Thoroughly institute compliance with laws and regulations based on the environmental management system

Risk/ opportunity	Sub-classification	Factors/drivers	Overview of impact on the Company’s finances	Timeframes	Financial impact of 1.5°C scenario 2030	Financial impact of 4°C scenario 2030	Responses and strategies
Physical risk	Acute risk	Growing severity of extreme weather events such as typhoons and flooding	Extreme weather events may cause damage to the Company’s assets (non-current assets, inventories, etc.), leading to recording of extraordinary losses (= direct losses and damage).	Long-term	Small	Small (Medium in 2050)	■ Continue to strengthen BCM system ■ Update and reinforce aging buildings and facilities ■ Popularize purchasing from two companies ■ Thoroughly promote employee education ■ Conduct appropriate, timely reviews of contents of fire insurance and expand insurance coverage
			Extreme weather events may cause suspension of operations at the Company’s factories, leading to a decline in sales (= indirect losses and damage).	Long-term	Small	Small (Medium in 2050)	
			Suspension of supply of raw materials as a result of disasters that have affected suppliers may impact on factory operations and shipments, leading to a decline in sales.	Long-term	Small	Small	
	Chronic risk	Rise in average temperature	Rising temperatures may cause air conditioning costs to increase.	Medium- to long-term	Small to medium	Medium	■ Promote labor-saving and automation at factories (automated measurement; automated packaging) ■ Promote management for health and improve thermal environment inside factories ■ Manage working hours and patterns flexibly from a health and safety perspective
			Even in properly air-conditioned manufacturing and sales bases, further temperature rises may lead to deterioration of workers’ working environments and productivity, resulting in an increase in operating costs.	Long-term	Small	Medium	
Opportunities	Resource efficiency	Use of efficient production and distribution processes	With installation of labor-saving facilities, etc., the number of processes could be reduced, lowering manufacturing costs.	Medium-term	Medium to large	Small	■ Install labor-saving facilities strategically when making capital investments ■ Promote process innovation
	Products and services	Development and expansion of products and services for mitigation	As diamond tools have a longer service life and higher efficiency than other tools, they will help to reduce the environmental impact at manufacturing sites, leading to expectations of increased sales. In particular, our electroplated diamond wire “Ecomep” contributes to the reduction of environmental impact, and sales are expected to increase.	Medium-term	Large	Small	■ Further strengthen quality of, develop, and expand sales of long-life products ■ Develop tools that will enable further reduction of processing times and improvement of processing efficiency ■ Visualize and verify energy-saving performance and environmental impact reduction effects of the Company’s products and use that information in marketing
			Sales and profitability of related products are expected to increase with the expansion of the semiconductor and electronic component markets.	Short- to medium-term	Large	Small	■ Strengthen R&D, reinforce facilities for production, and strengthen sales of tools for the electronics and semiconductor industries (e.g., five mainstay products for power semiconductor, etc.)

Risk/ opportunity	Sub-classification	Factors/drivers	Overview of impact on the Company's finances	Timeframes	Financial impact of 1.5°C scenario	Financial impact of 4°C scenario	Responses and strategies
					2030	2030	
Opportunities	Products and services	Development and expansion of products and services for mitigation	Sales and profitability of related products are expected to increase with the advancement of electrification in the automotive market and the expansion of the storage battery market.	Short- to medium-term	Medium	Small	■ Strengthen R&D, reinforce facilities for production, and strengthen sales of tools for the electrification and storage battery markets (e.g., bearings-related products, products for magnetic materials)
	Resilience	Development and expansion of products and services for adaptation	Demand for and sales of products and services related to disaster prevention and improvement of national land resilience may increase.	Long-term	Small	Medium	■ Strengthen R&D, reinforce facilities for production, and strengthen sales of tools for the construction industry (e.g., products for construction with stone materials, products for dismantling of aging buildings and structures)

iii. Resilience of the organization's strategies considering multiple scenarios

To summarize the results of the scenario analysis, while the financial impacts of the risks of carbon taxes and sharp rises in non-ferrous metal prices are expected to be large in the 1.5°C scenario, we will curb those impacts by reducing our GHG emissions and appropriately reflecting those taxes and price rises in our sales prices at the appropriate time. In terms of opportunities, our core diamond tool products have characteristics of long service life and high efficiency, and we envisage the expansion of sales of those products as a solution for the mitigation of climate change. In particular, in the belief that demand for tools for the electronics and semiconductor markets will grow, we will work to capture opportunities by strengthening R&D, reinforcing production facilities, and strengthening sales.

In the 4°C scenario, while acute risks will not have manifested by 2030 and the impact on the Company's finances will be small, in the timeframe until 2050, the risks posed to factories and sales offices located next to rivers may increase. We will work to minimize the financial impact by taking measures such as the ongoing strengthening of the BCP system, while working to capture demand for tools for the construction industry for the improvement of national land resilience.

In both scenarios, to ensure that the Group enhances its corporate value in a resilient manner, we will proceed with the implementation of responses and strategies upon continued scenario analysis going forward.

(3) Risk management

i. Organization's processes for the identification and assessment of climate-related risks

The Company has already obtained ISO 14001 certification and established an environment management system. In that system, we have identified and assessed current environmental risks including climate-related risks at each factory and undertaken appropriate responses. The risks identified and assessed by each factory are reported to the Environment System Review Conference, which manages those risks centrally.

In an in-house project led by the General Affairs Department of the Administration Division, we have identified and assessed the medium- to long-term risks and opportunities related to climate change that may occur in the future. While considering factors such as the impact on supply chain, possibility of occurrence, timeframes for occurrence, and financial impact, as described in "(2) Strategy," we have identified and assessed seven transition risks, five physical risks, and five opportunities.

ii. Organization's processes for the management of climate-related risks

The Environment System Review Conference appropriately manages the risks related to climate change that have been identified and assessed. Management results are reported to the Board of Directors via the Sustainability Committee, and supervision and directions are provided.

iii. Integration of climate-related risks and the organization's overall risk management

The Group is strengthening its risk management system and considering the integration of risk management related to climate change with its company-wide risk management system.

(4) Metrics and targets

i. Metrics used in the assessment of climate-related risks and opportunities (Scope 1 and Scope 2 GHG emissions results)

The Group uses Scope 1 and Scope 2 GHG emissions, measured in accordance with the GHG Protocol, as metrics for the assessment of climate-related risks and opportunities. The result for the fiscal year ended March 31, 2026, as shown in the table below, was the total of Scope 1 and Scope 2 emissions of 13,441 t-CO_2.

■GHG emissions results

Category	Base year (fiscal 2018)	Year ended March 31, 2026 (fiscal 2025)
Scope 1 (compared with base year)	2,296 t-CO_2	976 t-CO_2 (57.5%)
Scope 2 (compared with base year)	14,423 t-CO_2	12,466 t-CO_2 (13.6%)
Total (compared with base year)	16,720 t-CO_2	13,441 t-CO_2 (19.6%)

- The scope of measurement was the Company and two consolidated subsidiaries in Japan.
- Scope 2 is the market standard value.
- Figures for emissions are subject to later changes depending on the scope of measurement and emissions coefficients and other factors used in their measurement.

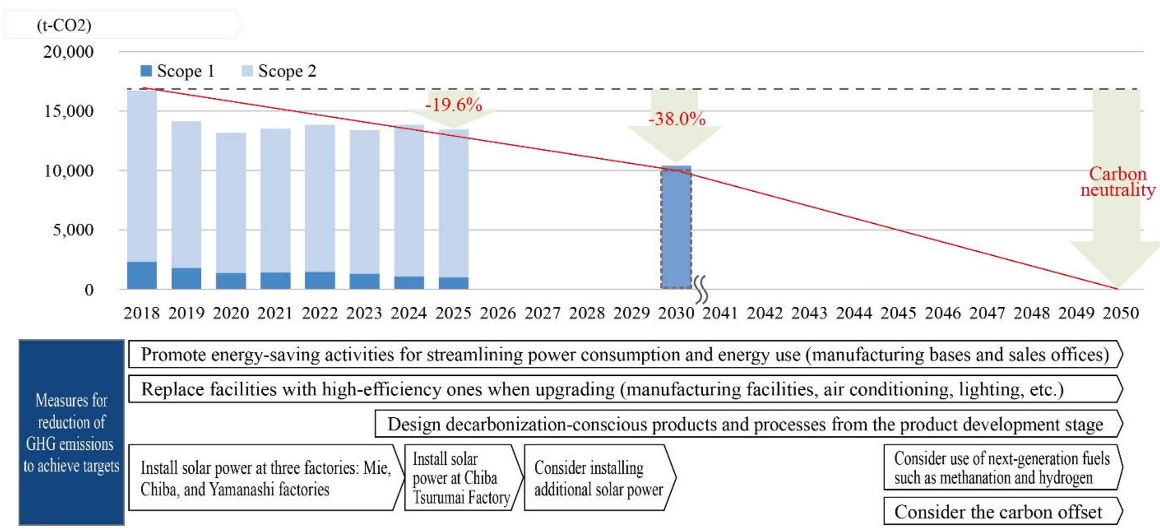
ii. Targets for the management of climate-related risks and opportunities

With the re-measurement of emissions, we updated the Group's reduction targets to a reduction of 38.0% (compared with fiscal 2018) by 2030 and the realization of carbon neutrality by 2050. These target levels remain consistent with the Japanese government's GHG emissions reduction targets (NDC) of a reduction of 46.0% (compared with fiscal 2013) by 2030 and the realization of carbon neutrality by 2050.

The reduction result as of the fiscal year ended March 31, 2026 is 19.6% (compared with fiscal 2018). With the thorough promotion of energy-saving activities at each factory and the installation of solar power at four factories, the Mie, Chiba, Chiba Tsurumai, and Yamanashi factories, GHG emissions are falling every year, and we are achieving the reductions above the NDC standard. We will continue to pursue energy-saving initiatives and the introduction of renewable energy in our efforts to achieve our targets.

■GHG emission reduction targets and reduction roadmap

Metrics	Fiscal 2030 target	Fiscal 2050 target
GHG emissions (Scope 1+2)	Down 38.0% (compared with base year 2018)	Realization of carbon neutrality



Initiatives related to human capital

The Company revised the personnel system in April 2023, and is engaged in human resources acquisition and development, together with the development of the internal environment, to achieve VISION 2030. We organized the relevant information into four categories—governance, strategy, risk management, and metrics and targets—as follows.

(1) Governance

Governance concerning human capital is as described in "Overall sustainability issues."

(2) Strategy

i. Attracting diverse human resources

The Company is facing a peak in retirements among the baby boomer generation, while employees in their 40s and women account for relatively small portions of its workforce. By hiring over 50 full-time employees each year, we aim to maintain and grow our employee base while also looking to attract diverse talent regardless of age or gender.

Specific initiatives

a. Use of new graduate internships

In our new graduate recruitment activities, we are strengthening collaboration with universities while also focusing on employment internships through public recruitment. By enabling prospective employees to gain a better feel for work through practical experience in a context similar to actual employment, we aim to improve the job offer acceptance rate.

b. Strengthening mid-career hiring

Amid increasingly intense competition for human resources, we are focusing on acquiring talent through mid-career recruitment. In recent years, around 60% of the personnel we recruit have been mid-career hires. We hire employees across a wide age range, from their 20s to 50s, and actively promote contract and temporary staff to full-time positions. The ratio of female hires has remained around 30%. We also introduced a system of referral hiring in April 2025.

c. Use of social media

We began disseminating information using Instagram in April 2025 to increase awareness of the Company among as many people as possible. In addition to information including company events, we introduce employees who are active as athletes.

ii. Human resources development leveraging each person's strengths

We believe that the basis of human resources development is to make employees go through successes and failures through diverse work experience at their workplaces and help them find their jobs rewarding and realize their own growth, which will lead to a cycle of self-sustaining growth. To this end, we believe that it is important for superiors to understand the characteristics of their subordinates and provide them with opportunities to take on challenges by assigning tasks that they can leverage their individual strengths. Based on this belief, the Company places an emphasis on superiors building relationships of trust and having good communications with their subordinates.

Specific initiatives

a. Self-declaration system

The Company's employees express their individual preferences for career development at the time of a semi-annual assessment and share the direction they are heading through an interview with their superiors. The system provides individual employees with opportunities to take on more challenging tasks to facilitate their growth by aligning the direction of their careers with the direction the Company is heading. We also aim to place the right people in the right roles across the Company by utilizing the self-declaration information in personnel relocation.

b. Support for autonomous learning

- Factory training

To enhance product knowledge, training is conducted at each factory. In the past, training was held irregularly, but since fiscal 2024, it has been held regularly. Video materials that teach basic knowledge beforehand are prepared so that the necessary knowledge can be learned systematically and effectively. These are also used effectively to educate mid-career hires, which have been increasing in recent years. Additionally, starting from fiscal 2026, we have launched an initiative to solicit individual training themes and conduct necessary training on a case-by-case basis.

- Support for book expenses

In April 2025, we began to provide support for the cost of self-development books. We expect that sharing feedback within the Company about books for which support was received will encourage other employees to study.

- Support for obtaining qualifications

We provide support for the costs of educational materials and tests to obtain occupationally required qualifications. In addition, in April 2025, we introduced a system to pay a one-time lump sum to those who obtain specified qualifications.

- Support for language learning

Employees can use English learning materials and applications designated by the Company free of charge, and support of up to ¥10,000 per month is available for English conversation lessons. In addition, employees who wish to take the TOEIC test can do so free of charge during working hours (once per year).

c. Opportunities for reflection and insight

- 360° feedback

We aim to enable employees to reflect on how their daily actions are perceived by those around them and to understand the gap between their own awareness and others' perceptions, linking this understanding to behavioral change. Our 360° feedback is provided annually for personnel at the level of section chief or higher and is utilized in setting future goals through interviews with superiors.

- Rank-based training

We conduct training for first-year, third-year, and fifth-year new graduates, newly appointed section chiefs, newly appointed section managers, and newly appointed evaluators, to enable them to reflect on their own careers and gain the insights necessary for further growth.

iii. Increasing job satisfaction and reducing the employee turnover rate (policy for determining employee salary and internal environment development policy)

The Company's personnel system is aimed at ensuring that employees receive treatment commensurate with their responsibilities, regardless of years of service, by linking grades and job positions. To motivate individual employees and facilitate their growth, the Company also places an emphasis on superiors exchanging frank opinions with their subordinates on a routine basis and having an interview on a semi-annual basis to reflect on individuals' accomplishments and actions and set their own challenges to take on. Moreover, the Company also strives to secure safety and health in the workplace environment and establish a comfortable working environment.

<u>Specific initiatives</u>

a. Embedding the corporate philosophy

The corporate philosophy of "Manufacturing excitement through innovation," which was created with the participation of all employees in 2017 on the occasion of the 80th anniversary of the Company's founding, is recognized through the Employee Award Program, which is presented annually for initiatives that put this philosophy into practice. By communicating our abstract corporate philosophy through concrete examples, we aim to establish it in the actions of all employees.

b. HR Rules Committee

Since the launch of the project aimed at revising the personnel system in April 2023, the committee has been joined by a wide range of employees with different job types and ranks. The committee considers the establishment and review of the personnel system and internal rules. By involving a diverse range of employees from the planning stages, we strive to grasp issues in a timely manner and to enhance understanding of, and alignment with, the measures implemented.

c. Reducing the employee turnover rate

After a designated period has elapsed for new graduates or mid-career hires, or when employees on overseas assignments temporarily return to Japan, HR personnel conduct direct interviews with them to promptly identify issues that could potentially lead to resignation and provide individual support as necessary. In addition, we utilize information collected through the self-declaration system to conduct personnel transfers that take into account not only individual career aspirations but also health conditions and the status of childcare and caregiving.

(3) Risk management

Risk management concerning human capital is as described in "Overall sustainability issues."

(4) Metrics and targets

Based on the human resources development policy and the internal environment development policy, the Company will strive to secure diverse human resources and create a workplace that provides employees with job satisfaction through the operation of the new personnel system and the self-declaration system as well as education and training. The Company's metrics and targets to check the results of such efforts are described below.

Metrics	Targets	Results		
		Two fiscal years ago	Previous fiscal year	Current fiscal year
Number of full-time employees recruited	50 or more	45	48	49
Turnover rate	2.0% or less	1.2%	2.3%	2.5%
Percentage of male workers taking childcare leave	80.0% or more by March 2031	59.3%	72.7%	77.8%
Difference in wages between male and female workers	80.0% or more by March 2031	76.5%	76.9%	76.0%
Percentage of females among new hires	30.0% or more by March 2031	35.6%	27.1%	30.6%
Percentage of paid leave taken	75.0% or more by March 2031	66.6%	71.5%	74.2%
Percentage of female workers in management positions	—	1.4%	1.4%	2.3%

Note: Due to difficulties in presenting this information for the Group, the figures for metrics and targets are those of the reporting company.

3. Business Risks

Of the matters related to an overview of business and the financial information stated in this Annual Securities Report, the items listed below constitute major risk factors that may have a material impact on investors' decisions.

This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the end of the fiscal year ended March 31, 2026.

(1) Continuity of product trading

The Group has not entered into long-term contracts with major customers regarding quantity and price. In the future, if orders are not sufficiently secured, the Group's financial position and operating results may be adversely affected.

(2) Procurement of raw materials

The Group uses natural and artificial diamonds and many kinds of metals and resins as main raw materials for production. In the future, the Group may be unable to procure these raw materials owing to the suspension of operations or reduced supply capacity on the part of suppliers, or we may experience an increase in production costs due to higher raw material prices, and the Group's financial position and operating results may be adversely affected.

(3) Economic trends

The Group supplies diamond tools to a wide range of industries such as electronics and semiconductor, transportation equipment, machinery, and stone and construction. If changes in economic conditions affect our customers in those industries, demand for diamond tools may also be affected. If orders are not sufficiently secured in the future, the Group's financial position and operating results may be adversely affected.

(4) Competition with other companies

The Group strives to enhance product quality, shorten delivery times, and upgrade its technical service capabilities while always competing with other companies in terms of technology, delivery times, price, etc. In the future, the Group may be unable to secure sufficient profitability if it does not keep pace with competitors and the Group's financial position and operating results may be adversely affected.

(5) Quality problems

Although the Group adheres to quality control standards in manufacturing, the Group cannot guarantee that all products will be free of defects or that product-related claims will not be incurred. In the future, the advent of large claims may impose major costs on the Group and the Group's financial position and operating results may be adversely affected.

(6) Overseas business

The Group has manufacturing sites in Japan, Taiwan and China, and conducts overseas operations mainly in other parts of Asia, Oceania, Europe, and North America regions. Overseas sales account for approximately 50% of consolidated sales by geographic region. In the future, unexpected problems may arise, including but not limited to political instability, changes in regulations, deficiencies in governance, failure to achieve business plan targets, exchange rate volatility, financial instability, rise in wages, trade wars, and acts of terror or war, in regions where the Group operates and the Group's financial position and operating results may be adversely affected.

(7) Risks relating to business alliances and corporate acquisitions

The Group recognizes that business alliances with other companies and corporate acquisitions are indispensable for securing future growth potential and profitability. The Group will give careful consideration to the implementation of such activities but if it is unable to achieve the synergies anticipated in the initial business plan, the Group's financial position and operating results may be adversely affected.

(8) Procurement of funds

The Group procures some of the funds necessary for business through bank loans. If the Group is unable to procure funds at the appropriate time and under the expected terms and conditions for reasons such as economic recession, deterioration of the financial environment, interest rate hikes, or decline in the Group's creditworthiness, business plans may change and funding costs may increase. In that case, the Group's financial position and operating results may be adversely affected.

(9) Natural disasters

The Group strives to mitigate damage to manufacturing sites in Japan and overseas as a result of natural disaster, including but not limited to an earthquake, a storm, or flooding. However, direct damage to the Group's production facilities and information systems, shortages of electricity owing to destruction of infrastructure or shortages of materials from suppliers may adversely affect the Group's financial position and operating results.

(10) Environmental issues

The Group has established an environmental management system. All factories and subsidiaries in Japan, as well as some overseas subsidiaries have acquired ISO 14001 certification. Its efforts to protect the environment include reducing CO_2 emissions, and conserving and making effective use of resources. If an environmental problem occurs in the future under unforeseen circumstance, it may cause damage compensation, administrative sanctions, declining social evaluation and production suspension, which may impose additional expenses on the Group. In that case, the Group's financial position and operating results may be adversely affected.

(11) Risks of infectious diseases, etc.

The Group is implementing measures that place the health and safety of employees first, including comprehensive hygiene management and flextime operations, in efforts to prevent the occurrence and spread of infection with viruses, etc. If the production and sales activities of the Group are restricted for reasons such as the occurrence of unexpected virus infections, the Group's financial position and operating results may be adversely affected.

(12) Information security

The Group can collect personal and classified information on customers and business partners through its business activities. Furthermore, the Group also has its own classified information regarding marketing and technology. Although the Group strives for stringent management of such information, unexpected problems such as computer viruses and unauthorized access may arise, resulting in the leak or loss of information, as well as the destruction or tampering of significant data, which may adversely affect the Group's financial position and operating results.

4. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

(1) Summary of Operating Results, etc.

Financial position, operating results, and cash flows ("Operating Results, etc.") of the Group for the current fiscal year were as follows.

i. Financial position and operating results

The business environment in the current fiscal year showed a moderate recovery as hiring and income environments improved due to the effects of various policies. However, ongoing uncertainties persist, including U.S. trade policies and inflationary pressures, a slowdown in the Chinese economy and related rare earth supply concerns, as well as escalating tensions in the Middle East.

Under these circumstances, the Group proceeded with product development, production system improvement to meet customer demand, and reviews of product prices in line with rising procurement costs, under the Medium-term Management Plan 2025. In terms of operating results by industry with which the Group does business, in the electronics and semiconductor industry, demand for mainstay power semiconductor-related tools stagnated due to global sluggish electric vehicle sales. On the other hand, demand recovered for AI and other cutting-edge semiconductor fabrication tools, as well as for memory, and results were also boosted by expanded sales of tools for electronic components. As a result, net sales increased compared with the previous fiscal year. In the transportation equipment industry, net sales of related tools for aircraft increased compared with the previous fiscal year, driven by an increase in aircraft demand. On the other hand, demand for automotive tools was impacted by the decrease in automobile production, both domestically and overseas, due to U.S. trade policies. In the machinery industry, the Group received a positive response for performance improvements in products for the bearings business, leading to a progressive expansion in sales. In addition, the demand for tools used in processing electronic component substrates for advanced semiconductors grew significantly. There was also an increase in sales of tools for semiconductor equipment in the ceramics business, resulting in an increase in sales of related tools compared with the previous fiscal year. In the stone and construction industry, net sales of related tools decreased compared with the previous fiscal year, due to stagnation of demand from overseas resource exploration and limited demand from large-scale construction projects.

As a result of the above, financial position and operating results for the current fiscal year were as follows.

a. Financial position

Total assets as of March 31, 2026 were ¥79,203 million, an increase of ¥2,852 million from the end of the previous fiscal year (up 3.7% YoY).

Total liabilities as of March 31, 2026 were ¥15,070 million, an increase of ¥2,298 million from the end of the previous fiscal year (up 18.0% YoY).

Total net assets as of March 31, 2026 were ¥64,133 million, an increase of ¥554 million from the end of the previous fiscal year (up 0.9% YoY).

b. Operating results

Net sales for the current fiscal year amounted to ¥41,983 million, an increase of ¥977 million from the previous fiscal year (up 2.4% YoY).

Operating profit for the current fiscal year amounted to ¥2,403 million, an increase of ¥92 million from the previous fiscal year (up 4.0% YoY).

Ordinary profit for the current fiscal year amounted to ¥3,346 million, an increase of ¥276 million from the previous fiscal year (up 9.0% YoY).

Profit attributable to owners of parent for the current fiscal year amounted to ¥2,009 million, a decrease of ¥483 million from the previous fiscal year (down 19.4% YoY).

Operating results by industry were as follows.

(a) Electronics and semiconductor

Net sales in the electronics and semiconductor industry amounted to ¥16,978 million, an increase of ¥310 million from the previous fiscal year (up 1.9% YoY).

(b) Transportation equipment

Net sales in the transportation equipment industry amounted to ¥9,632 million, a decrease of ¥59 million from the previous fiscal year (down 0.6% YoY).

(c) Machinery

Net sales in the machinery industry amounted to ¥10,373 million, an increase of ¥943 million from the previous fiscal year (up 10.0% YoY).

(d) Stone and construction

Net sales in the stone and construction industry amounted to ¥3,885 million, a decrease of ¥90 million from the previous fiscal year (down 2.3% YoY).

(e) Other (universities, research institutes, ceramic and jewelry industries, etc.)

Net sales in other industries amounted to ¥1,113 million, a decrease of ¥127 million from the previous fiscal year (down 10.3% YoY).

ii. Cash flows

Cash and cash equivalents (“funds”) as of March 31, 2026 were ¥16,156 million, an increase of ¥1,346 million from the end of the previous fiscal year.

Cash flows from operating activities

Funds provided by operating activities amounted to ¥5,412 million (compared with ¥5,765 million provided in the previous fiscal year). The main factors were profit before income taxes of ¥3,378 million, depreciation of ¥3,475 million, impairment losses of ¥1,920 million, loss (gain) on sale of property, plant and equipment of ¥(617) million, decrease (increase) in trade receivables of ¥(578) million, decrease (increase) in inventories of ¥(512) million, and loss (gain) on sale of investment securities of ¥(1,304) million.

Cash flows from investing activities

Funds used in investing activities amounted to ¥2,120 million (compared with ¥3,820 million used in the previous fiscal year). The main factors were purchase of property, plant and equipment of ¥2,956 million, purchase of investment securities of ¥516 million, and proceeds from sale of investment securities of ¥1,545 million.

Cash flows from financing activities

Funds used in financing activities amounted to ¥1,883 million (compared with ¥212 million used in the previous fiscal year). The main factors were proceeds from long-term borrowings of ¥2,500 million, purchase of treasury shares of ¥2,489 million and dividends paid of ¥1,511 million.

iii. Actual amount of production and orders received

Although the Group operates a single segment of diamond tools business, it produces and sells a wide variety of items. Products of the same type may have different shapes and some products are not made-to-order products. For these reasons, the Group does not report the amount of production and orders by segment.

(2) Analysis and discussion of the operating results, etc. from the management's perspective

Views and analysis and discussion of the Group's operating results, etc. from the management's perspective are as follows. Forward-looking statements are based on the estimates and assumptions made as of March 31, 2026.

i. Significant accounting estimates and assumptions thereof

The Group's consolidated financial statements are prepared based on accounting principles generally accepted in Japan. The information on significant accounting policies adopted by the Group for preparing consolidated financial statements is stated in "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, *Significant accounting policies for preparation of consolidated financial statements*." Of the significant policies, we consider the following items have significant impact on the estimates and judgements for preparing consolidated financial statements. When making important decisions and formulating estimates and plans for preparing the consolidated financial statements, the Company's management makes decisions based on reasonable consideration of past results and present circumstances. However, because of their inherent uncertainties, they may differ significantly from actual results.

Inventories

The Group evaluates the book value of inventories using a method in which book value is written down based on any decline in profitability. Valuation losses are recorded mainly on inventories that exceed a certain holding period, assuming that they are stagnant or obsolete. If the market environment deteriorates and the inventory becomes stagnant or obsolete in the future, it may be necessary to record an additional valuation loss.

Allowance for doubtful accounts

In order to properly evaluate receivables such as accounts receivable - trade and accounts receivable - other, the Group records the uncollectible amount based on the historical rate of credit loss for general receivables and based on individual recoverability for doubtful accounts and certain other receivables. If the financial condition of the debtor of the receivables deteriorates further and its ability to make payment declined, an additional allowance may be recorded or bad debt expenses may be incurred.

Securities

The Group holds securities that are judged, based on consideration on the rationality of holding, to contribute to the sustainable growth of the Group and the improvement of its corporate value over the medium to long term. Those securities include highly volatile securities with market prices and securities without market prices. If real value of the securities held drops significantly, the Group recognizes an impairment loss for the securities unless there is a possibility of recovery. If the market price of securities with market prices at the end of the period falls by 50% or more compared to the acquisition prices, it is considered to be unrecoverable and an impairment loss will be recognized. If the market price falls by 30% or more and less than 50%, the recoverability will be assessed before recognizing an impairment loss. As for securities without market prices, an impairment loss will be recognized if net assets per share of the issuing company falls by 50% or more compared to the acquisition prices, except when judged recoverable in the light of future prospect. Other cases that may cause impairment loss recognition include an occurrence of loss due to future market deterioration or poor performance of the investee, which is not reflected in the current book value, or a situation in which the book value becomes unrecoverable.

Deferred tax assets

The Group records deferred tax assets after assessing their recoverability based on future taxable income derived from the "medium- to long-term profit and loss forecasts." For recognized deferred tax assets, we reassess their recoverability and make adjustment every fiscal year.

Impairment of non-current assets

When determining impairment of non-current assets, the Group divides the assets in the minimal unit that generates largely independent cash flows based on the classification of managerial accounting. For asset groups with declined profitability, if the recoverable amount in the future is lower than the book value, the book value is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss. Since the recoverable amount is calculated using assumptions such as future cash flows or net realizable value, changes in those assumptions due to a change in business plan or deterioration in market environment may cause an impairment loss recognition.

Retirement benefits

The Group calculates retirement benefit obligations and retirement benefit expenses for employees based on actuarial assumptions. These assumptions include discount rates, employee turnover rates, long-term expected rates of return on assets, and rates of mortality based on the latest statistics. If the actual results differ from the calculation results based on the assumptions or if the assumptions are revised, it may affect actuarial gains and losses, resulting in affecting retirement benefit obligations and retirement benefit expenses of the Group.

Business restructuring

Business restructuring is underway in order to stabilize the earnings structure of Asahi Diamond Industrial Europe SAS, a consolidated subsidiary. The amount of estimated costs for integrating manufacturing bases is recorded as provision for business restructuring. If there is a change in the plan in response to changes in the market environment, it may incur additional business restructuring costs.

ii. Views and analysis and discussion of the financial position and the operating results

a. Analysis of financial position

Assets

Total assets as of March 31, 2026 were ¥79,203 million, an increase of ¥2,852 million from the end of the previous fiscal year (up 3.7% YoY). The increase in assets was mainly due to an increase in cash and deposits of ¥1,324 million, an increase in notes and accounts receivable - trade of ¥718 million, an increase in inventories of ¥607 million, and an increase in investment securities of ¥2,473 million, offsetting a decrease in property, plant and equipment of ¥2,402 million.

Liabilities

Total liabilities as of March 31, 2026 were ¥15,070 million, an increase of ¥2,298 million from the end of the previous fiscal year (up 18.0% YoY). The increase in liabilities was mainly due to an increase in long-term borrowings of ¥2,500 million and an increase in income taxes payable of ¥813 million, offsetting a decrease in retirement benefit liability of ¥1,015 million.

Net assets

Net assets as of March 31, 2026 were ¥64,133 million, an increase of ¥554 million from the end of the previous fiscal year (up 0.9% YoY). The increase in net assets was mainly due to profit attributable to owners of parent of ¥2,009 million, offsetting a decrease of ¥1,514 million due to dividends of surplus.

As a result, shareholders' equity ratio was 78.5%, and net assets per share was ¥1,292.35.

b. Analysis of operating results

Net sales

Net sales for the current fiscal year amounted to ¥41,983 million, an increase of ¥977 million from the previous fiscal year (up 2.4% YoY).

Operating profit

Operating profit for the current fiscal year amounted to ¥2,403 million, an increase of ¥92 million from the previous fiscal year (up 4.0% YoY).

Ordinary profit

Ordinary profit for the current fiscal year amounted to ¥3,346 million, an increase of ¥276 million from the previous fiscal year (up 9.0% YoY).

Profit attributable to owners of parent

Profit attributable to owners of parent for the current fiscal year amounted to ¥2,009 million, a decrease of ¥483 million from the previous fiscal year (down 19.4% YoY).

c. Factors that have a material impact on the Group's operating results

Factors that have material impact on the Group's operating results are as stated in "II. Overview of Business, 3. Business Risks."

Views and analysis and discussion of the operating results by industry are as follows.

Electronics and semiconductor

In the electronics and semiconductor industry, the slowdown in demand for power semiconductor-related products continued due to sluggish electric vehicle sales worldwide. However, demand for AI and other cutting-edge semiconductor tools increased, and the production of semiconductor memory recovered, which led to an increase in sales.

Transportation equipment

In aircraft-related businesses, the quality evaluation of main products progressed, and sales of related tools increased in line with the recovery in aircraft demand. In the automotive business, however, a decrease in automobile production—both in Japan and overseas—weighed on tool demand, leading to a decrease in sales. Although electric vehicle sales have been sluggish recently, we worked to expand sales of tools necessary for electric vehicles in the future.

Machinery

In bearings and ceramics businesses, demand for related components recovered due to improvement of operating rates in the electronics and semiconductor industry. On the other hand, demand for automotive tools remained sluggish in tools businesses. However, there was an increase in demand for tools used in processing electronic substrates, as well as an increase in sale of tools used in semiconductor manufacturing equipment in machine tools businesses.

Stone and construction

In construction businesses in Japan, urban infrastructure demand, including expressway repair work, was lackluster, and large-scale private construction and demolition demand also declined. Sales in stone businesses continued to decline due to a prolonged slump in demand for headstones, construction materials, etc. Overall, sales decreased, largely owing to the stagnation of demand from overseas resource exploration.

iii. Analysis and discussion of cash flows, and information on capital sources and the liquidity of funds

Cash and cash equivalents (“funds”) as of March 31, 2026 were ¥16,156 million, an increase of ¥1,346 million from the end of the previous fiscal year (up 9.1% YoY).

Status of cash flows is stated in “(1) Summary of Operating Results, etc., ii. Cash Flows.”

The Group can self-finance almost all of the working capital and capital investment funds.

5. Material Contracts, etc.

Not applicable.

6. Research and Development Activities

The Group's R&D is led by the Engineering & Development Center, consisting of our research department, the production technology departments at factories, and technology-related departments. We conduct a wide range of activities from basic research for securing the foundation of future businesses to application development reflecting environmental considerations and the need to use resources efficiently, in close collaboration with sales departments.

The Group's research and development expenses for the current fiscal year was ¥2,568 million and the research results by industry are as follows.

(1) Electronics and semiconductor

We are working on the development of conditioners in various shapes and specifications to meet customer needs, and have developed the CMP conditioners NEOgO SR and SUNBRUSH, for leveling technology applications for semiconductor devices and wafer manufacturing processes. They are used for conditioning polishing pads and play an important role in stabilizing polishing characteristics.

(2) Transportation equipment

We have developed a high-precision general-purpose rotary dresser, the SA Dresser, that can be supplied in a short delivery time (as little as 15 business days) for sample collection, small-lot production, and sudden shape changes. The SA Dresser enables us to meet customer needs for applications such as prototype development while maintaining the performance of conventional products.

(3) Machinery

We have developed a PCD multi-edge end mill, the PCD Multi Edges, for machining hard and brittle materials, with all cutting edges made of PCD. It can be used for the high-precision drilling and helical milling of quartz glass, SiC ceramics, and cemented carbide.

We have also developed a grinding wheel, the AFF Grinding Wheel, for superfinishing bearing raceway surfaces. It features excellent chip evacuation, which makes it resistant to clogging and improves its lifespan by 5 to 30 times compared to standard grinding wheels, earning high praise from our customers.

(4) Stone and construction

We have developed an asphalt-cutting blade that can be used dry, out of consideration for the environment. By eliminating the need for sludge and wastewater treatment, it is expected to enable significantly shorter construction periods. This is anticipated to contribute to work style reform as well as address social needs such as infrastructure repairs.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group is emphasizing development of diamond tool products capable of keeping abreast of rapid technological innovations in the Group's strategic fields, namely, the electronics and semiconductor industry and the transportation equipment industry. The Group is also executing capital investment aimed at labor saving and enhancing product reliability.

The Group's total capital investment in the current fiscal year amounted to ¥2,726 million (book value of property, plant and equipment received).

The Group solely used its own funds to finance the above capital investment.

2. Major Facilities

The Group's major facilities related to the diamond tools business division are as follows.

(1) Reporting company

As of March 31, 2026

Office (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m²)	Other	Total	
Mie Factory (Iga-shi, Mie)	Production facility and test facility	2,986	1,627	1,945 (128)	329	6,889	341 [68]
Chiba Factory (Sodegaura-shi, Chiba)	Production facility	4,718	1,120	1,826 (79)	75	7,740	189 [121]
Chiba No. 2 Factory (Chonan-machi, Chosei-gun, Chiba)	Production facility	486	566	116 (16)	85	1,255	79 [83]
Chiba Tsurumai Factory (Ichihara-shi, Chiba)	Production facility	621	0	77 (23)	0	699	— [—]
Tamagawa Factory (Takatsu-ku, Kawasaki-shi, Kanagawa)	Production facility	741	468	825 (6)	48	2,082	105 [48]
Engineering & Development Center (Takatsu-ku, Kawasaki-shi, Kanagawa)	Research and development facility	919	309	241 (2)	63	1,534	54 [—]
Head Office, etc. (Chiyoda-ku, Tokyo and other locations)	Facilities for head office, etc.	122	2	875 (15)	128	1,129	248 [13]

Notes: 1 The book values stated under Other are the total amount of tools, furniture and fixtures and leased assets, and they do not include construction in progress.

2 There are no major facilities that are currently out of operation.

3 The book value is the amount after the impairment loss is recorded.

4 The number of temporary employees is shown separately in square brackets.

5 Chiba Tsurumai Factory's facilities include buildings lent to Koremura Asahi Diamond Industrial Co., Ltd. (a consolidated subsidiary in Japan) and AA Diamond Technology Co., Ltd. (an equity-method associate in Japan).

6 Head office, etc. includes ¥874 million for the land (22 thousand m²) lent to Yamanashi Asahi Diamond Industrial Co., Ltd. (a consolidated subsidiary in Japan). The facilities of head office, branches and sales offices are leased and the annual rent expenses total ¥292 million.

(2) Domestic subsidiary

As of March 31, 2026

Company name (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m²)	Other	Total	
Yamanashi Asahi Diamond Industrial Co., Ltd. (Nirasaki-shi, Yamanashi)	Production facility	750	406	— (—)	59	1,216	146 [1]

Notes: 1 The book values stated under Other are the total amount of tools, furniture and fixtures and leased assets, and they do not include construction in progress.

2 There are no major facilities that are currently out of operation.

3 The book value is the amount after the impairment loss is recorded.

4 The number of temporary employees is shown separately in square brackets.

(3) Foreign subsidiaries

As of March 31, 2026

Company name (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m²)	Other	Total	
Taiwan Asahi Diamond Industrial Co., Ltd. (Taoyuan, Taiwan)	Production facility	612	461	430 (12)	108	1,613	298 [2]
Asahi Diamond Industrial Europe SAS (Eure-et-Loir, France)	Production facility	769	—	205 (27)	—	975	103 [—]
P.T. Asahi Diamond Industrial Indonesia (Bekasi Regency, Indonesia)	Production facility	87	264	97 (15)	8	457	154 [—]

Notes: 1 The book values stated under Other are the total amount of tools, furniture and fixtures and leased assets, and they do not include construction in progress.

2 There are no major facilities that are currently out of operation.

3 The number of temporary employees is shown separately in square brackets.

4 The book value is the amount after the impairment loss is recorded. The details of impairment losses are as stated in "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, *Consolidated statement of income*, *5. Impairment losses."

3. Planned Additions, Disposals and Other Changes of Facilities

The Group formulates a capital investment plan every year by comprehensively considering production plans, demand forecasts, capital investment efficiency, etc. In principle, companies in the Group formulate their plans individually and then the Company's Board of Directors makes adjustments to avoid overlapping investment within the Group.

As of March 31, 2026, the investment planned for the additions, etc. of important facilities totaled ¥3,000 million, and all of that is for the diamond tools business division. The Group is planning to self-finance most of the necessary funds.

Planned additions, etc. of important facilities are as follows.

(1) Additions, etc. of important facilities

Company name	Description of facilities	Planned investment amount		Funding methods	Schedule		Purpose of capital investment
		Total (millions of yen)	Amount already paid (millions of yen)		Commencement	Completion	
Reporting company Mie Factory and 4 other factories	Production facility	2,400	—	Self-financing	April 2026	March 2027	Renewal of production facilities
15 subsidiaries	Production facility	600	—	Self-financing and borrowings	April 2026	March 2027	Renewal of production facilities
Total	—	3,000	—	—	—	—	—

(2) Disposals and sale, etc. of important facilities

The Company has no plans to dispose of or sell important facilities.

IV. Information on the Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

i. Total number of shares

Class	Total number of shares authorized to be issued
Common stock	190,300,000
Total	190,300,000

ii. Issued shares

Class	Number of issued shares as of fiscal year end (March 31, 2026)	Number of issued shares as of filing date (June 25, 2026)	Name of the financial instruments exchange where the Company is listed or registered financial instruments dealers association	Description
Common stock	48,430,000	48,430,000	Prime Market of the Tokyo Stock Exchange	Number of shares per unit: 100
Total	48,430,000	48,430,000	—	—

(2) Share acquisition rights

i. Stock option plans

Not applicable.

ii. Rights plans

Not applicable.

iii. Other share acquisition rights

Not applicable.

(3) Execution status of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Increase (decrease) in total number of issued shares	Balance of total number of issued shares	Increase (decrease) in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase (decrease) in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
November 22, 2022 (Note)	(1,811,400)	53,888,600	—	4,102	—	7,129
November 21, 2023 (Note)	(2,000,000)	51,888,600	—	4,102	—	7,129
August 22, 2025 (Note)	(2,000,000)	49,888,600	—	4,102	—	7,129
February 24, 2026 (Note)	(1,458,600)	48,430,000	—	4,102	—	7,129

Note: The decrease was due to the cancelation of treasury shares.

(5) Shareholding by shareholder category

As of March 31, 2026

Category	Shares (one unit = 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	14	36	275	91	247	41,084	41,747	—
Number of shares held (units)	—	81,374	25,972	34,996	31,937	1,143	306,977	482,399	190,100
Percentage of shareholdings (%)	—	16.87	5.38	7.25	6.62	0.24	63.64	100.00	—

Notes: 1 Of the 6,769 treasury shares, 67 units are included in individuals and others and 69 shares are included in shares less than one unit.

2 Figures of other corporations and shares less than one unit include 3 units and 85 shares, respectively, in the name of Japan Securities Depository Center, Incorporated.

3 Figures of financial institutions and shares less than one unit respectively include 2,867 units and 32 shares of the Company held by the trust account relating to the stock compensation plan. The said shares are categorized as treasury shares in the consolidated and non-consolidated financial statements.

(6) Major shareholders

As of March 31, 2026

Name	Location	Number of shares held (thousand shares)	Shareholding ratio (excl. treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	4,499	9.29
Asahi Diamond Employee Stock Ownership Association	4-1, Kioi-cho, Chiyoda-ku, Tokyo	2,011	4.15
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	1,689	3.49
Asahi Diamond Partner Company Stock Ownership Association	4-1, Kioi-cho, Chiyoda-ku, Tokyo	1,329	2.75
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo (1-8-1, Akasaka, Minato-ku, Tokyo)	1,039	2.15
Union Tool Co.	6-17-1, Minamioi, Shinagawa-ku, Tokyo	904	1.87
Rakuten Securities, Inc. Omnibus Account	2-6-21, Minami-aoyama, Minato-ku, Tokyo	742	1.53
Nomura Securities Co., Ltd.	1-13-1, Nihombashi, Chuo-ku, Tokyo	694	1.43
JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO (Standing proxy: MUFG Bank, Ltd.)	1 CHURCHILL PLACE LONDON - NORTH OF THE THAMES UNITED KINGDOM E14 5HP (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	513	1.06
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	402	0.83
Total	—	13,825	28.55

Note: Of the above number of shares held, the number of shares related to trust business is as follows.
The shares held by Custody Bank of Japan, Ltd. (Trust Account) include 286 thousand shares of the Company related to the stock compensation plan.

The Master Trust Bank of Japan, Ltd. (Trust Account): 4,499 thousand shares
Custody Bank of Japan, Ltd. (Trust Account): 1,689 thousand shares

(7) Voting rights

i. Issued shares

As of March 31, 2026

Category		Number of shares	Number of voting rights	Description
Shares with no voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (other)		—	—	—
Shares with full voting rights (treasury shares, etc.)	Note 1	(Treasury shares) Common stock 6,700	—	—
Shares with full voting rights (other)	Note 2	Common stock 48,233,200	482,332	—
Shares less than one unit	Note 3	Common stock 190,100	—	Shares less than one unit (100 shares)
Total number of issued shares		48,430,000	—	—
Voting rights held by all shareholders		—	482,332	—

Notes: 1 "Shares with full voting rights (treasury shares, etc.)" in the table above does not include 286,700 shares of the Company held by the trust account relating to the stock compensation plan as of March 31, 2026, which are included in treasury shares in the non-consolidated financial statements.

2 Shares with full voting rights (other) of common stock includes 300 shares (3 voting rights) in the name of Japan Securities Depository Center, Incorporated and 286,700 shares (2,867 voting rights) held by the trust relating to the stock compensation plan.

3 Share less than one unit of common stock include 85 shares in the name of Japan Securities Depository Center, Incorporated, 69 treasury shares held by the Company and 32 shares held by the trust relating to the stock compensation plan.

ii. Treasury shares, etc.

As of March 31, 2026

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding ratio (%)
(Treasury shares) Asahi Diamond Industrial Co., Ltd.	4-1, Kioi-cho, Chiyoda-ku, Tokyo	6,700	—	6,700	0.00
Total	—	6,700	—	6,700	0.00

Note: In addition to the above, 286,700 shares of the Company (2,867 voting rights) held by the trust relating to the stock compensation plan are included in treasury shares on the balance sheet.

(8) Share ownership plan for Directors and other officers and employees

i. Overview of the stock compensation plan for Directors and other officers

The Company resolved at the 99th Annual General Meeting of Shareholders held on June 26, 2018 to introduce a stock compensation plan (the "Plan") for Directors and Executive Officers who meet the beneficiary requirements ("Directors, etc."). The Plan was introduced to motivate Directors, etc. in contributing to the improvement of the Company's business performance and the enhancement of corporate value over the medium- to long-term by further clarifying the link between the compensation of Directors, etc. and the Company's stock value, and make them share with the shareholders the profit and risk from stock price fluctuations.

Under the Plan, the Company contributes funds, and the established trust (the "Trust") acquires shares of the Company. Through the Trust, the number of shares of the Company corresponding to the number of points that the Company grants to Directors, etc. shall be delivered to Directors, etc.

Outline of the trust agreement

・Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party benefit trust)
・Purpose of trust	To introduce a stock compensation plan for Directors, etc.
・Entruster	The Company
・Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustees: Custody Bank of Japan, Ltd.)
・Beneficiary	Directors and Executive Officers who meet the beneficiary requirements
・Trust administrator	A third party with no interests in the Company and its Directors and other officers
・Date of agreement	August 2018
・Trust period	August 2018 to August 2026
・Commencement date	August 2018
・Exercise of voting rights	Voting rights will not be exercised.
・Class of shares to be acquired	Shares of common stock of the Company
・Amount of trust	Up to ¥255 million, the amount resolved at the 99th Annual General Meeting of Shareholders (excluding trust fees and expenses)
・Time of share acquisition	August 2018
・Method of share acquisition	Disposal of treasury shares or acquisition from exchange markets (including off-auction transactions)

ii. Number of shares to be delivered to Directors, etc.

286,732 shares

iii. Persons eligible to receive beneficiary rights and other rights assigned to Directors, etc.

Directors (excluding External Directors) and Executive Officers of the Company, residing in Japan

iv. Extension of the trust period

An extension of the trust agreement was resolved at the Board of Directors' meeting held on June 26, 2025. The extended trust period is from August 2018 to August 2026.

2. Acquisition and Disposal of Treasury Shares

Class of shares: Shares of common stock acquired pursuant to Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors

Category	Number of shares	Total value (yen)
Resolution adopted at the Board of Directors' meeting held on February 7, 2025 (Acquisition period: February 10, 2025 to August 31, 2025)	2,000,000	1,500,000,000
Treasury shares acquired before the fiscal year ended March 31, 2026	233,000	199,915,900
Treasury shares acquired during the fiscal year ended March 31, 2026	1,767,000	1,288,627,100
Total number and value of remaining resolved shares	—	11,457,000
Unexercised ratio as of March 31, 2026 (%)	—	0.76
Treasury shares acquired during the period from April 1, 2026 to the filing date of this Annual Securities Report	—	—
Unexercised ratio as of the filing date (%)	—	0.76

Category	Number of shares	Total value (yen)
Resolution adopted at the Board of Directors' meeting held on August 8, 2025 (Acquisition period: August 12, 2025 to December 31, 2025)	1,600,000	1,200,000,000
Treasury shares acquired before the fiscal year ended March 31, 2026	—	—
Treasury shares acquired during the fiscal year ended March 31, 2026	1,448,600	1,199,984,100
Total number and value of remaining resolved shares	151,400	15,900
Unexercised ratio as of March 31, 2026 (%)	9.46	0.00
Treasury shares acquired during the period from April 1, 2026 to the filing date of this Annual Securities Report	—	—
Unexercised ratio as of the filing date (%)	9.46	0.00

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors

Category	Number of shares	Total value (yen)
Treasury shares acquired during the fiscal year ended March 31, 2026	1,634	1,372,032
Treasury shares acquired during the period from April 1, 2026 to the filing date of this Annual Securities Report	123	160,932

Note: The number of treasury shares acquired during the period from April 1, 2026 to the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from June 1, 2026 to the filing date of this Annual Securities Report (June 25, 2026).

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		From April 1, 2026 to the filing date of this Annual Securities Report	
	Number of shares	Total amount of disposal (yen)	Number of shares	Total amount of disposal (yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were cancelled	3,458,600	2,696,400,224	—	—
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	—	—	—	—
Other (transfer of shares less than one unit in response to purchase requests)	66	51,747	—	—
Treasury shares held	6,769	—	6,892	—

Note: The number of treasury shares held during the period from April 1, 2026 to the filing date of this Annual Securities Report does not include shares less than one unit purchased or requested for additional purchase during the period from June 1, 2026 to the filing date of this Annual Securities Report (June 25, 2026).

3. Dividend Policy

The Company intends to achieve future business development and improve corporate value by aiming to increase capital efficiency while securing financial stability.

The Company pays dividends of surplus twice a year as an interim dividend and a year-end dividend. The decision-making bodies of these dividends of surplus are the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend.

The Company pays dividends with the focus on distributing profits according to consolidated performance and maintaining a stable dividend.

Under the Medium-term Management Plan spanning the period from the fiscal year ended March 31, 2024 to the fiscal year ended March 31, 2026, we have targeted a dividend payout ratio of 50% or more and an average total payout ratio of 120% or more for the three years.

According to this policy, for the fiscal year ended March 31, 2026, we pay an annual dividend of ¥30 per share, including the interim dividend of ¥15.

During the period covered by the new Medium-term Management Plan 2030 (from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2031), we will pay progressive dividends of ¥34 or more per share in principle, aiming to improve capital efficiency and corporate value while ensuring financial stability. We target a cumulative total payout ratio of 100% over five years. However, this policy may be revised in the event that a financial crisis, pandemic, geopolitical risk, or other risks materialize that significantly impact the Company’s corporate value or financial base.

For the fiscal year ending March 31, 2027, we plan to pay an annual dividend of ¥34 per share (an interim dividend of ¥17 per share and a year-end dividend of ¥17 per share).

The Company’s Articles of Incorporation stipulate that the Company may pay interim dividends based on the reference date of September 30 of each year by resolution of the Board of Directors.

Note: Dividends of surplus whose reference date falls within the current fiscal year are as follows: The total amount of the year-end dividend of ¥726 million and the year-end dividend per share of ¥15 are scheduled to be proposed as an agenda item at the Annual General Meeting of Shareholders to be held on June 26, 2026.

Resolution date	Total amount of dividends (millions of yen)	Dividend paid per share (yen)
Resolution at the Board of Directors’ meeting held on November 7, 2025	740	15
Resolution at the Annual General Meeting of Shareholders to be held on June 26, 2026	726	15

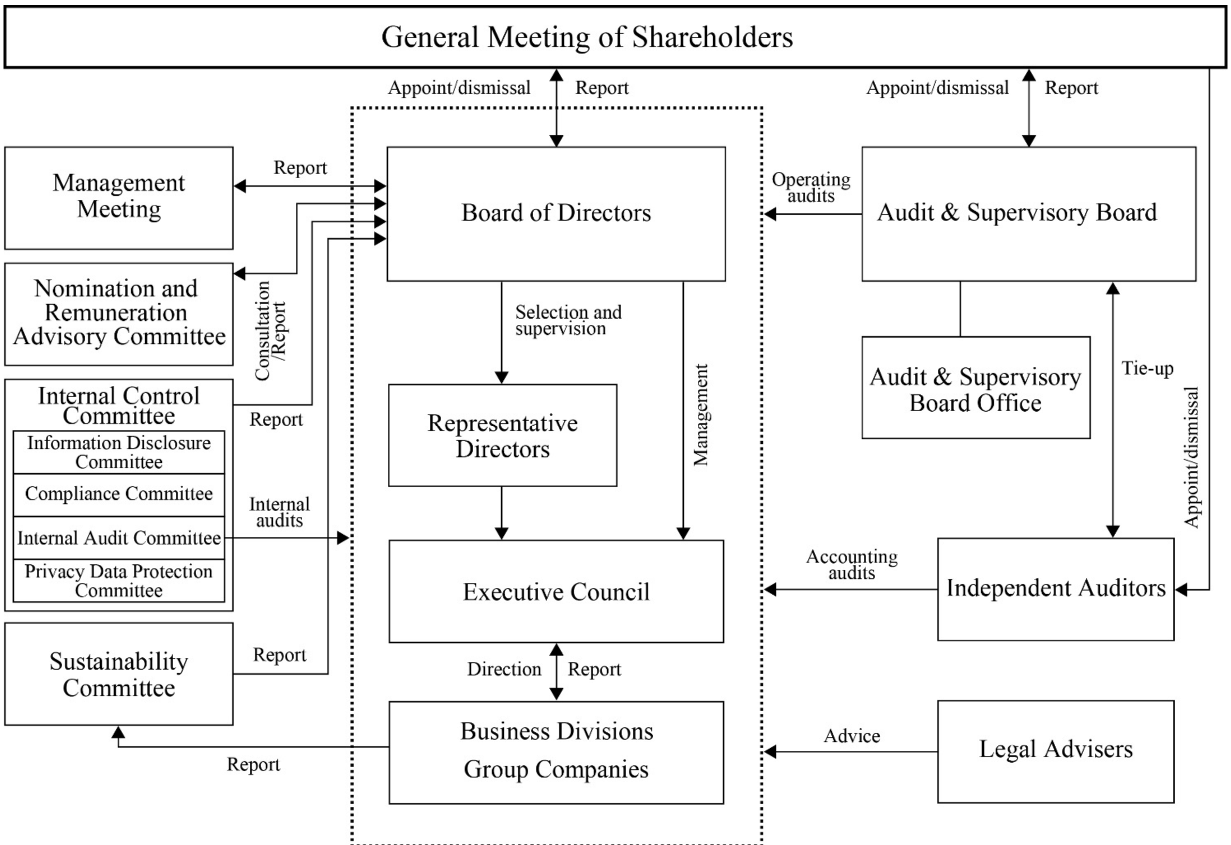
4. Corporate Governance

(1) Overview of corporate governance

i. Basic view on corporate governance

The Asahi Diamond Group's basic approach to corporate governance is that we consider enhancing corporate value and upgrading corporate governance to be important management responsibilities. We recognize that we must work hard to earn the trust of all stakeholders, achieve swift and accurate decision-making group-wide, ensure management transparency, clearly define management responsibilities, strengthen oversight functions, and raise the efficiency of business execution.

Illustrated below is the structure of our business execution and management supervision.



ii. Overview of the corporate governance system and reasons for adopting such system

The Company's corporate governance system is as follows:

(A) Board of Directors

The Company's Board of Directors makes important business management decisions, including decisions on management policies and investment, and supervises business execution.

As of June 25, 2026, the Board is chaired by President and Representative Director, Kazuki Kataoka, and consists of nine Directors (three of whom are External Directors), with other members being Directors Tomohiko Hara, Toshimasa Hagiwara, Hideo Abe, Junichi Matsuda, and Hiroaki Kawai, and External Directors Osamu Koyama, Yuko Ichikawa, and Eriko Kawajiri. Mr. Hideo Abe is scheduled to retire as Director, Mr. Osamu Koyama is scheduled to retire as External Director, Mr. Norikazu Kanemoto is scheduled to newly assume the position of Director, and Mr. Tetsuya Nakamura is scheduled to newly assume the position of External Director at the Annual General Meeting of Shareholders to be held on June 26, 2026.

The Company's Board of Directors meets regularly, and also holds ad hoc meetings when necessary. It met 10 times during the fiscal year ended March 31, 2026.

Specific matters considered by the Board in the fiscal year ended March 31, 2026 included important matters set forth in laws and regulations and the Articles of Incorporation, matters concerning financial results, matters concerning General Meetings of Shareholders, matters concerning corporate governance, matters concerning the Medium-term Management Plan, important matters concerning personnel and organizational changes, and matters concerning capital investment.

The names and attendance at the Board of Directors' meetings of the chairperson and members are as follows.

Title	Name	Role	Attendance/Number of meetings
President and Representative Director	Kazuki Kataoka	Chairperson	10/10
Representative Managing Director	Tomohiko Hara	Member	10/10
Managing Director	Ming-Shong Lan (Note)	Member	2/2
Director	Toshimasa Hagiwara	Member	10/10
Director	Hideo Abe	Member	10/10
Director	Junichi Matsuda	Member	10/10
Director	Hiroaki Kawai	Member	8/8
External Director	Osamu Koyama	Member	10/10
External Director	Yuko Ichikawa	Member	10/10
External Director	Eriko Kawajiri	Member	10/10
Full-time Audit & Supervisory Board Member	Takemi Matsuzaki	Member	10/10
External Audit & Supervisory Board Member	Yukio Otaka	Member	10/10
External Audit & Supervisory Board Member	Masahito Kawashima	Member	10/10

Note: Managing Director Ming-Shong Lan retired at the conclusion of the Annual General Meeting of Shareholders held on June 26, 2025.

(B) Audit & Supervisory Board

The Company adopts an Audit & Supervisory Board Member system. As of June 25, 2026, the Audit & Supervisory Board consists of three Audit & Supervisory Board Members (two of whom are External Audit & Supervisory Board Members), with members being full-time Audit & Supervisory Board Member Takemi Matsuzaki; and External Audit & Supervisory Board Members Yukio Otaka and Masahito Kawashima. The Company's Audit & Supervisory Board meets regularly, and Audit & Supervisory Board Members also attend meetings of the Board of Directors and the Executive Council, where they monitor decision-making and the execution of duties by Directors. During the fiscal year ended March 31, 2026, the Audit & Supervisory Board met eight times. The Company has elected one substitute Audit & Supervisory Board Member as prescribed in Article 329, Paragraph 3 of the Companies Act in preparation for the possibility of the number of Audit & Supervisory Board Members falling below the number prescribed in laws and regulations.

The names and attendance at the Audit & Supervisory Board meetings of the chairperson and members are as follows.

Title	Name	Role	Attendance/Number of meetings
Full-time Audit & Supervisory Board Member	Takemi Matsuzaki	Chairperson	8/8
External Audit & Supervisory Board Member	Yukio Otaka	Member	8/8
External Audit & Supervisory Board Member	Masahito Kawashima	Member	8/8

(C) Audit & Supervisory Board Office

The Company has established an Audit & Supervisory Board Office with four concurrently assigned members which operates independently of management under the Audit & Supervisory Board. In addition to ensuring legal compliance, the Audit & Supervisory Board Office is responsible for assisting the Audit & Supervisory Board in its duties, which include auditing of the design and operation of the Company's internal control, corporate governance, and risk management system.

(D) Executive Officer System

The Company adopts an executive officer system. The system speeds up business processes by clarifying the separation of roles between management and business execution, and ensuring the appropriate execution of business. As of June 25, 2026, the Company is served by nine Executive Officers. As of June 26, 2026, there will be eight Executive Officers, as Executive Officer Norikazu Kanemoto will be elected as a Director.

(E) Executive Council

The Company holds a meeting of the Executive Council, which is attended by six Directors (excluding External Directors) and nine Executive Officers, one president director of a domestic subsidiary, and one internal Audit & Supervisory Board Member after each Board of Directors' meeting to ensure that decision-making matters are extensively communicated throughout the Company.

(F) Management Meeting

As with the Board of Directors, the Company holds management meetings with nine Directors (three of whom are External Directors) and three Audit & Supervisory Board Members (two of whom are External Audit & Supervisory Board Members) as members. Prior to each Board of Directors' meeting, the proposals to be resolved at that meeting are explained and discussed at the management meetings, thereby increasing the effectiveness of the Board of Directors' meetings.

(G) Nomination and Remuneration Advisory Committee

The Company has established a Nomination and Remuneration Advisory Committee as an advisory organ to the Board of Directors, with the aim of ensuring transparency and objectivity of the standards for appointment of candidates for Directors and Audit & Supervisory Board Members and of the procedures pertaining to remuneration of the candidates, etc.

This committee consists of four members—three External Directors and one internal Director—and is chaired by an External Director. In the fiscal year ended March 31, 2026, the committee met eight times. Specific matters considered by the committee included the selection of candidates for Director and Audit & Supervisory Board Member, management and audit systems for the next fiscal year, policies for the determination of Directors' and Audit & Supervisory Board Members' remuneration, succession plans for the President and Representative Director, individual evaluation indicators for internal Directors, and the officers' skill matrix.

The names and attendance at the Nomination and Remuneration Advisory Committee meetings of the chairperson and members are as follows.

Title	Name	Role	Attendance/Number of meetings
External Director	Yuko Ichikawa	Chairperson	8/8
President and Representative Director	Kazuki Kataoka	Member	8/8
External Director	Osamu Koyama	Member	8/8
External Director	Eriko Kawajiri	Member	8/8

(H) Sustainability Committee

The Sustainability Committee deliberates and reports to the Board of Directors on various sustainability issues, policies, and non-financial information disclosures for the lasting enhancement of corporate value. Its aims are the realization of a sustainable society and the advancement and growth of the Group through the Group's business activities, for the "Eternal Growth" declared in the Group's corporate philosophy.

The Committee consists of President and Representative Director Kazuki Kataoka as a chairperson, External Directors Osamu Koyama, Yuko Ichikawa, and Eriko Kawajiri, and five Division Directors. It met two times in the fiscal year ended March 31, 2026.

(I) Overview of liability limitation agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded agreements with Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members to limit their liability for damage under Article 423, Paragraph 1 of the same act. The limit of liability for damage under the agreement is the minimum liability amount provided for in Article 425, Paragraph 1 of the Companies Act.

However, this limit will be applicable only if the relevant Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members have acted in good faith and without gross negligence in performing the duties that caused the liability.

(J) Term of office and number of Directors

In order to clarify the mission and management responsibilities of Directors, a Director's term of office is set at one year. The Company's Articles of Incorporation stipulates that the Company shall have no more than 10 Directors.

(K) Appointment of Directors

The Company's Articles of Incorporation stipulate that resolution for election of Directors shall require a majority of the voting rights of shareholders present at a general meeting of shareholders, where the shareholders holding at least one third of the voting rights of shareholders who are entitled to exercise their voting rights are present, and that such election shall not be conducted by cumulative voting.

(L) Matters to be resolved at a general meeting of shareholders that the Board of Directors can resolve

・Acquisition of treasury shares

Pursuant to Article 165, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company may acquire treasury shares by resolution of the Board of Directors in order to enable timely execution of the management measures such as financial measures in response to changes in economic situation.

・Interim dividends

In order to return profit to shareholders in a flexible manner, the Company's Articles of Incorporation stipulate that the Company may, pursuant to Article 454, Paragraph 5 of the Companies Act, by resolution of the Board of Directors, pay interim dividends based on the reference date of September 30 of each year.

(M) Requirements for special resolution at a general meeting of shareholders

The Company's Articles of Incorporation stipulate that the special resolutions, prescribed in Article 309, Paragraph 2 of the Companies Act, shall require at least two thirds of the voting rights of attending shareholders with attendance of the shareholders holding at least one third of the voting rights of shareholders who are entitled to exercise their voting rights. The purpose is to smoothly manage general meetings of shareholders by relaxing the quorum for special resolutions.

(N) Reasons for adopting the system

The Company believes that the system enhances the Board of Directors' function of decision making and business execution supervision, fully securing the structure that enables appropriate managerial decision making.

iii. Other matters regarding corporate governance

At the Board of Directors meeting held on May 13, 2015, the Company partially revised its basic policy on building internal control systems as follows.

1. System to ensure that Directors and employees of the Company perform their duties in accordance with laws, regulations, and Articles of Incorporation

(1) The Company ensures that all Directors and employees comply with laws and regulations by formulating the Asahi Diamond Code of Conduct, which summarizes our Corporate Philosophy, Values, and Charter of Conduct, as well as the Compliance Manual, which summarizes specific examples of compliance.

(2) The Company has an Internal Control Committee, which is chaired by President and Representative Director, to oversee the internal control system as a whole. Under this committee, four subcommittees have been established; the Information Disclosure Committee, the Compliance Committee, the Internal Audit Committee, and the Privacy Data Protection Committee, in order to ensure a system in conformity with laws and regulations and the Company's Articles of Incorporation.

(3) The Company has a helpline for inside and outside the Company as a whistleblowing system concerning compliance, with the aim of strengthening our compliance system.

2. System for the preservation and management of information concerning Directors' execution of their duties

(1) Information concerning Directors' execution of their duties is recorded in documents and electromagnetically based on the rules of the Board of Directors, regulations for internal decision request, etc. and stored appropriately for a determined storage period.

(2) These records can be viewed by Directors and Audit & Supervisory Board Members at any time.

3. Regulations and other systems concerning the management of the risk of losses of the Company

(1) The Compliance Committee and the Internal Audit Committee conduct audits of risk management, and regularly report the results to the Internal Control Committee.

(2) The Information Disclosure Committee and the Privacy Data Protection Committee shall work on preventing information leaks. Other risks related to environment, quality, safety, brand, etc. shall be managed by relevant sections.

(3) The Company shall formulate a business continuity management (BCM) scheme for the purpose of speedily resuming or continuing operation in the event of unforeseen situations such as disaster or accidents.

(4) The Company shall consult its legal advisers regarding important legal decisions and compliance matters to make necessary consideration.

4. System to ensure that Directors of the Company perform their duties efficiently

(1) The Company shall hold a Board of Directors meeting regularly to make decisions on important business execution matters as well as to supervise the execution of duties by each Director.

(2) After a Board of Directors meeting, the Company shall hold an Executive Council meeting that includes executive officers and president directors of domestic subsidiaries in addition to Directors to thoroughly disseminate decisions.

(3) The Company holds company-wide meetings regularly to set sales targets, based on which strategies for achieving the targets are formulated and measures are decided at production meetings.

(4) The Company adopts an executive officer system to speed up business processes, clarify the separation of roles between management and business execution, and ensure the appropriate execution of business.

5. System to ensure the corporate group, consisting of the Company and its subsidiaries, conducts business properly

(1) System concerning the reports to the Company on the execution of duties by directors, etc. of subsidiaries

In principle, subsidiaries' independent management is the Company's basic policy. However, with regard to significant matters, based on the Subsidiary Management Rules, the Company requires directors and corporate auditors, etc. of subsidiaries either to make a prior report or to receive approval from the Board of Directors or by the approval form through the department in charge of the Company.

(2) Regulations and other systems concerning the management of the risk of losses of subsidiaries

Pursuant to the Subsidiary Management Rules, the Company supports its subsidiaries in risk management through appointing its Directors, Executive Officers, or employees as directors or corporate auditors, etc. of subsidiaries. In addition, the Internal Audit Committee of the Company audits the risk management of each subsidiary through its internal audits.

(3) System to ensure that Directors, etc. of subsidiaries perform their duties efficiently

Directors, Executive Officers, or employees of the Company who assume office of director or corporate auditor, etc. of a subsidiary shall work on efficient business operation of the subsidiary.

(4) System to ensure directors, etc. and employees of subsidiaries perform their duties in accordance with laws, regulations, and articles of incorporation

Pursuant to the Subsidiary Management Rules, the Company encourages its subsidiaries to conduct business in accordance with laws, regulations, and articles of incorporation through appointing its Directors, Executive Officers, or employees as directors or corporate auditors, etc. of subsidiaries.

6. System concerning employees who are requested by Audit & Supervisory Board Members to assist their duties

The Company supports operations of the Audit & Supervisory Board and Audit & Supervisory Board Members by setting the Audit & Supervisory Board Office under the Audit & Supervisory Board and appointing employees to assist in their duties.

7. Matters concerning independence from Directors of employees who assist Audit & Supervisory Board Members with their duties, and ensuring the effectiveness of the instructions of the Audit & Supervisory Board Members to such employees

(1) The employees who assist Audit & Supervisory Board Members with their duties shall not be supervised or instructed by Directors.

(2) Audit & Supervisory Board Members of the Company shall comply with laws, regulations, Articles of Incorporation, etc. to ensure the effectiveness of the instructions to the employees who assist them with their duties. Audit & Supervisory Board Members shall direct and supervise the employees, while the employees shall follow the directions and supervision.

8. System for Directors and employees of the Company and its subsidiaries to report to Audit & Supervisory Board Members of the Company, system concerning other reporting to Audit & Supervisory Board Members, and system to ensure they are not treated unfavorably because of the reporting

(1) Directors and employees of the Company and its subsidiaries shall report and provide information to Audit & Supervisory Board Members of the Company not only on statutory matters but also on matters including material matters that affect the entire company, matters related to the status of internal auditing and the status of the whistleblowing system (helpline), and other matters that Audit & Supervisory Board Members determine to be reported in accordance with performing their duties.

(2) In accordance with the above (1) statement, the Company prohibits unfavorable treatment of Directors and employees of the Company and its subsidiaries who have made a report to Audit & Supervisory Board Members because of the report they made.

9. Policy on procedures for requesting advances or reimbursements for expenses or handling of other expenses or financial obligations incurred as a result of execution of duties by Audit & Supervisory Board Members of the Company

The Company promptly makes payments of expenses, etc. incurred as a result of execution of duties by Audit & Supervisory Board Members unless such expenses or financial obligations are considered unnecessary for their duties.

10. Other systems to ensure that Audit & Supervisory Board Members perform audits effectively

Audit & Supervisory Board Members endeavor to establish an effective auditing system. Their activities include attending important meetings such as Board of Directors meetings and Executive Council meetings, regularly meeting and exchanging information and opinions with Directors and the Independent Auditor, and requesting report from the Independent Auditor when necessary.

(2) Directors and officers

i. Directors and Audit & Supervisory Board Members

a. The Directors and Audit & Supervisory Board Members of the Company as of the filing date of this Annual Securities Report (June 25, 2026) are as follows.

10 male officers and 2 female officers (Ratio of female Directors and officers: 16.7%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
President and Representative Director	Kazuki Kataoka	March 5, 1952	Apr. 1976 Jul. 2005 Jun. 2008 Jun. 2011 Jun. 2013 Jun. 2015 Jul. 2019	Joined the Company General Manager, Engineering Department, Marketing Division Director; Marketing Division Deputy Director Managing Director; Business Planning Division Director and Marketing Division Deputy Director Representative Executive Managing Director; Marketing Division Director President and Representative Director (present) Member of Nomination and Remuneration Advisory Committee (present)	Note 3	197
Representative Managing Director; Production Director and Mie Factory General Manager	Tomohiko Hara	January 10, 1958	Apr. 1980 Jul. 2010 Feb. 2013 Jun. 2013 Jul. 2017 Jun. 2019 Jun. 2021 Jun. 2022	Joined the Company General Manager, Manufacturing Department No. 2, Tamagawa Factory International Department General Manager (temporarily transferred to P.T. Asahi Diamond Industrial Indonesia) Executive Officer; President, P.T. Asahi Diamond Industrial Indonesia Executive Officer; International Division; Chief Officer for Regional Operations (ASEAN and Australia) (President, P.T. Asahi Diamond Industrial Indonesia) Director; Mie Factory General Manager Director; Production Director and Mie Factory General Manager Representative Managing Director; Production Director and Mie Factory General Manager (present)	Note 3	52
Director; Marketing Division Director and East Japan Regional General Manager	Toshimasa Hagiwara	November 10, 1959	Apr. 1982 Jun. 2009 Jun. 2014 Apr. 2015 Jul. 2017 Nov. 2019 Jan. 2021 Jun. 2021 Jun. 2022	Joined the Company Executive Officer; Nagoya Branch General Manager Director; Nagoya Branch General Manager Director; Representative of China Division (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; International Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; Global Business Management Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; Marketing Division Deputy Director and East Japan Regional General Manager Director; Marketing Division Director and East Japan Regional General Manager (present)	Note 3	58
Director; Engineering Director and Chiba Factory General Manager	Hideo Abe	July 15, 1957	Apr. 1980 Jul. 2010 Jun. 2013 Jun. 2019 Jan. 2021 Jun. 2021	Joined the Company General Manager, Manufacturing Department No. 1, Tamagawa Factory Executive Officer; Tamagawa Factory General Manager Director; Tamagawa Factory General Manager Director; Tamagawa Factory General Manager; Engineering & Development Center Director Director; Engineering Director and Chiba Factory General Manager (present)	Note 3	32
Director; International Division Director and Management Strategy Division Director	Junichi Matsuda	April 11, 1961	Apr. 1986 Jul. 2009 Jun. 2013 Jun. 2015 Oct. 2018 Nov. 2019 Jan. 2021 Jun. 2022 Jun. 2024	Joined the Company Research and Development Center Director Executive Officer; Research and Development Center Director Executive Officer; Business Planning Division Director Executive Officer; Management Strategy Division Director and International Department General Manager Executive Officer; Management Strategy Division Director Executive Officer; Management Strategy Division Director and Group Companies Management Division Overseas Dept. Director Director; Group Companies Management Division Director and International Department General Manager Director; International Division Director and Management Strategy Division Director (present)	Note 3	21

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
Director; Central Japan Regional General Manager and Nagoya Branch General Manager	Hiroaki Kawai	July 31, 1967	Apr. 1990 Jul. 2016 Jul. 2019 Jun. 2021 Jun. 2025	Joined the Company Atsugi Sales Office Deputy General Manager General Manager, Tokyo Sales Department Executive Officer; Marketing Division, Central Japan Regional General Manager and Nagoya Branch General Manager Director; Marketing Division, Central Japan Regional General Manager and Nagoya Branch General Manager (present)	Note 3	8
Director	Osamu Koyama	August 8, 1948	Apr. 2005 Apr. 2009 Jan. 2013 Jun. 2014 Apr. 2017 Jul. 2019	Executive Officer, Mitsui & Co., Ltd. and Executive Vice President, Mitsui & Co. (U.S.A.), Inc. Executive Managing Officer, Mitsui & Co., Ltd. and President & CEO, Mitsui Global Strategic Studies Institute Director, Keimei Gakuen Director of the Company (present) Auditor, International University of Japan (present) Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 3	—
Director	Yuko Ichikawa	December 26, 1970	Jun. 2016 Mar. 2018 May 2019 Jun. 2019 Mar. 2020 Oct. 2020 Oct. 2020 Jun. 2021 Jun. 2021 Jun. 2024	General Manager, Investor Relations Department, Rakuten, Inc. (current Rakuten Group, Inc.) External Director, Allied Architects, Inc. Founded Market River Corporation; Representative Director, Market River Corporation (present) Outside Director, Stroly, Inc. (present) External Director (Audit & Supervisory Board Member), Allied Architects, Inc. Outside Director (Audit and Supervisory Committee Member), Kurashicom Inc. (present) Outside Corporate Auditor, Yourmy Star Inc. (present) Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present) Outside Director, WILL GROUP, INC. (present)	Note 3	—
Director	Eriko Kawajiri	August 18, 1975	Oct. 2003 Apr. 2008 Jul. 2011 Apr. 2012 Oct. 2013 May 2015 Jul. 2019 Jun. 2020 Jun. 2023 Jun. 2023 Jun. 2023 Apr. 2024	Assistant Judge, Tokyo District Court Public Prosecutor Assistant Judge, Tokyo District Court; Judge, Tokyo Summary Court Assistant Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court Registered as lawyer and joined HARRO Law Office (present) External Director, GiG Works AddValue Inc. (present) External Director, HCS HOLDINGS CO., LTD. (current HIBIYA COMPUTER SYSTEM Co., Ltd.) Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present) Outside Director, RASA CORPORATION (present) External Director, Kyutech ARISE Co., Ltd. (present)	Note 3	—
Full-time Audit & Supervisory Board Member	Takemi Matsuzaki	July 7, 1961	Apr. 1985 Jul. 2016 Jul. 2017 Jul. 2021 Jun. 2022	Joined the Company Deputy General Manager, Accounting Department, Administration Division Deputy General Manager, Finance Section, Accounting Department, Administration Division Senior Expert, Accounting Department, Administration Division Full-time Audit & Supervisory Board Member (present)	Note 4	20

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
Audit & Supervisory Board Member	Yukio Otaka	October 23, 1955	May 2004 Jun. 2007 Jun. 2008 Oct. 2010 Jun. 2015 Jun. 2015 Jun. 2017 Jun. 2023	Chief Representative, Bahrain Representative Office, Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.) General Manager, Dubai Branch; Chief Representative, Bahrain Representative Office, Europe Structured Finance Department, Mizuho Corporate Bank, Ltd. General Manager, Treasury Division, Daiwa Can Company Executive General Manager, Overseas Business Division, Zebra Co., Ltd. Director (External Director), Kinugawa Rubber Industrial Co., Ltd. Audit & Supervisory Board Member of the Company (present) External Audit and Supervisory Board Member, CMK Corporation Member of Nomination and Remuneration Advisory Committee of the Company	Note 5	—
Audit & Supervisory Board Member	Masahito Kawashima	August 5, 1953	May 2004 Feb. 2006 Jun. 2006 Jun. 2009 Apr. 2011 Jun. 2011 Jun. 2017 Jun. 2023	Deputy General Manager, Osaka Office, The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.) Managing Executive Officer, Mitsubishi UFJ Capital Co., Ltd. Representative Director, Managing Director, Mitsubishi UFJ Capital Co., Ltd. Representative Director, Executive Vice President, MU Frontier Servicer Co., Ltd. Executive Vice President, CFO, Chiyoda Corporation Representative Director and Executive Vice President, CFO, Chiyoda Corporation Audit & Supervisory Board Member of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company	Note 5	—
Total						391

Notes:
1. Directors Osamu Koyama, Yuko Ichikawa and Eriko Kawajiri are External Directors.
2. Audit & Supervisory Board Members Yukio Otaka and Masahito Kawashima are External Audit & Supervisory Board Members.
3. The term of office of Directors and Audit & Supervisory Board Members with Note 3 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2025 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2026.
4. The term of office of Directors and Audit & Supervisory Board Member with Note 4 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2026.
5. The term of office of Directors and Audit & Supervisory Board Members with Note 5 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2024 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2028.
6. The Company adopts an executive officer system to clarify the separation of roles between management and business execution, and to ensure the appropriate execution of business. The Company had nine Executive Officers as of the filing date of this Annual Securities Report (June 25, 2026): Ming-Shong Lan, President, Taiwan Asahi Diamond Industrial Co., Ltd.; Hideki Matsukawa, President, Shanghai Xu Hui Diamond Industrial Co., Ltd.; Kimikazu Sato, West Japan Regional General Manager and Osaka Branch General Manager; Minoru Sawada, President, P.T. Asahi Diamond Industrial Indonesia; Hitoshi Kusakabe, Administration Division Director; Tomoki Takahashi, President, Asahi Diamond Industrial Europe SAS; Keiichi Mizutani, Chiba No. 2 Factory General Manager; Norikazu Kanemoto, Tamagawa Factory General Manager and Procurement Department General Manager; and Katsuyuki Watanabe, President, Yamanashi Asahi Diamond Industrial Co., Ltd.

7 To prepare for the event that the number of Audit & Supervisory Board Members falls below the number required by laws and regulations, the Company has elected one substitute Audit & Supervisory Board Member as prescribed in Article 329, Paragraph 3 of the Companies Act. A career summary of the substitute Audit & Supervisory Board Member is as follows.

Name	Date of birth	Career summary		Number of shares of the Company held (thousand shares)
Hideki Tsukada	June 5, 1972	Apr. 1996 Apr. 1999 Oct. 1999 Oct. 2004 Oct. 2007 Oct. 2015 Nov. 2020 Mar. 2022 Oct. 2025	Joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC) Registered as Certified Public Accountant Joined PricewaterhouseCoopers Tax Department (current PwC Tax Japan) Stationed at PricewaterhouseCoopers (current PwC) Guangzhou Office Established Tsukada Accounting Office, Director (present) Outside Audit & Supervisory Board Member, Link-U Inc. (current Link-U Group Inc.) External Audit & Supervisory Board Member, Yayoi Co., Ltd. (present) Established Crea Audit Corporation, Partner (present) Outside Director (Audit and Supervisory Committee Member), Link-U Group Inc. (present)	—

b. Two of the proposals to be resolved at the Annual General Meeting of Shareholders to be held on June 26, 2026 are the "Election of Nine (9) Directors" and the "Election of One (1) Audit & Supervisory Board Member." If these proposals are approved, the Directors and Audit & Supervisory Board Members of the Company will be as follows.

10 male officers and 2 female officers (Ratio of female Directors and officers: 16.7%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
President and Representative Director	Kazuki Kataoka	March 5, 1952	Apr. 1976 Jul. 2005 Jun. 2008 Jun. 2011 Jun. 2013 Jun. 2015 Jul. 2019	Joined the Company General Manager, Engineering Department, Marketing Division Director; Marketing Division Deputy Director Managing Director; Business Planning Division Director and Marketing Division Deputy Director Representative Executive Managing Director; Marketing Division Director President and Representative Director (present) Member of Nomination and Remuneration Advisory Committee (present)	Note 3	197
Representative Managing Director; Production Director and Mie Factory General Manager	Tomohiko Hara	January 10, 1958	Apr. 1980 Jul. 2010 Feb. 2013 Jun. 2013 Jul. 2017 Jun. 2019 Jun. 2021 Jun. 2022	Joined the Company General Manager, Manufacturing Department No. 2, Tamagawa Factory International Department General Manager (temporarily transferred to P.T. Asahi Diamond Industrial Indonesia) Executive Officer; President, P.T. Asahi Diamond Industrial Indonesia Executive Officer; International Division; Chief Officer for Regional Operations (ASEAN and Australia) (President, P.T. Asahi Diamond Industrial Indonesia) Director; Mie Factory General Manager Director; Production Director and Mie Factory General Manager Representative Managing Director; Production Director and Mie Factory General Manager (present)	Note 3	52
Director; Marketing Division Director and East Japan Regional General Manager	Toshimasa Hagiwara	November 10, 1959	Apr. 1982 Jun. 2009 Jun. 2014 Apr. 2015 Jul. 2017 Nov. 2019 Jan. 2021 Jun. 2021 Jun. 2022	Joined the Company Executive Officer; Nagoya Branch General Manager Director; Nagoya Branch General Manager Director; Representative of China Division (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; International Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; Global Business Management Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director (President, Shanghai Xu Hui Diamond Industrial Co., Ltd.) Director; Marketing Division Deputy Director and East Japan Regional General Manager Director; Marketing Division Director and East Japan Regional General Manager (present)	Note 3	58
Director; International Division Director and Management Strategy Division Director	Junichi Matsuda	April 11, 1961	Apr. 1986 Jul. 2009 Jun. 2013 Jun. 2015 Oct. 2018 Nov. 2019 Jan. 2021 Jun. 2022 Jun. 2024	Joined the Company Research and Development Center Director Executive Officer; Research and Development Center Director Executive Officer; Business Planning Division Director Executive Officer; Management Strategy Division Director and International Department General Manager Executive Officer; Management Strategy Division Director Executive Officer; Management Strategy Division Director and Group Companies Management Division Overseas Dept. Director Director; Group Companies Management Division Director and International Department General Manager Director; International Division Director and Management Strategy Division Director (present)	Note 3	21
Director; Chiba Factory General Manager	Hiroaki Kawai	July 31, 1967	Apr. 1990 Jul. 2016 Jul. 2019 Jun. 2021 Jun. 2025 Jun. 2026	Joined the Company Atsugi Sales Office Deputy General Manager General Manager, Tokyo Sales Department Executive Officer; Marketing Division, Central Japan Regional General Manager and Nagoya Branch General Manager Director; Marketing Division, Central Japan Regional General Manager and Nagoya Branch General Manager Director; Chiba Factory General Manager (present)	Note 3	8

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
Director; Tamagawa Factory General Manager and Procurement Department General Manager	Norikazu Kanemoto	September 26, 1970	Apr. 1996 Jul. 2018 Apr. 2020 Apr. 2022 Apr. 2024 Jun. 2024 Jun. 2026	Joined the Company Deputy General Manager, Accounting and Procurement Department, Mie Factory Deputy General Manager, Administration Department, Mie Factory General Manager, Procurement Department, Production Division, and General Manager, Administration Department, Mie Factory General Manager, Procurement Department, Production Division, and General Manager, Administration Department, Tamagawa Factory Executive Officer; Tamagawa Factory General Manager, and General Manager, Procurement Department, Production Division Director; Tamagawa Factory General Manager, and General Manager, Procurement Department, Production Division (present)	Note 3	6
Director	Yuko Ichikawa	December 26, 1970	Jun. 2016 Mar. 2018 May 2019 Jun. 2019 Mar. 2020 Oct. 2020 Oct. 2020 Jun. 2021 Jun. 2021 Jun. 2024	General Manager, Investor Relations Department, Rakuten, Inc. (current Rakuten Group, Inc.) External Director, Allied Architects, Inc. Founded Market River Corporation; Representative Director, Market River Corporation (present) Outside Director, Stroly, Inc. (present) External Director (Audit & Supervisory Board Member), Allied Architects, Inc. Outside Director (Audit and Supervisory Committee Member), Kurashicom Inc. (present) Outside Corporate Auditor, Yourmy Star Inc. (present) Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present) Outside Director, WILL GROUP, INC. (present)	Note 3	—
Director	Eriko Kawajiri	August 18, 1975	Oct. 2003 Apr. 2008 Jul. 2011 Apr. 2012 Oct. 2013 May 2015 Jul. 2019 Jun. 2020 Jun. 2023 Jun. 2023 Jun. 2023 Apr. 2024	Assistant Judge, Tokyo District Court Public Prosecutor Assistant Judge, Tokyo District Court; Judge, Tokyo Summary Court Assistant Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court Registered as lawyer and joined HARRO Law Office (present) External Director, GiG Works AddValue Inc. (present) External Director, HCS HOLDINGS CO., LTD. (current HIBIYA COMPUTER SYSTEM Co., Ltd.) Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present) Outside Director, RASA CORPORATION (present) External Director, Kyutech ARISE Co., Ltd. (present)	Note 3	—
Director	Tetsuya Nakamura	December 25, 1958	Apr. 2004 Jun. 2005 Jul. 2008 Jun. 2010 Jul. 2012 Jun. 2013 Jun. 2019 Aug. 2019 Apr. 2021 Jun. 2025 Jun. 2026 Jun. 2026	General Manager of Corporate Planning Division, NEC Corporation Outside Statutory Auditor, Japan Aviation Electronics Industry, Limited Senior Executive Professional, NEC Electronics Corporation (currently Renesas Electronics Corporation) Representative Director, Senior Executive Officer, NEC Capital Solutions Limited Executive Expert of Corporate Planning and Investor Relations, Assistant to Director, Senior Vice President, Japan Aviation Electronics Industry, Limited General Manager of Corporate Planning and Investor Relations Division, Japan Aviation Electronics Industry, Limited Director and Associate Senior Vice President, Japan Aviation Electronics Industry, Limited Deputy General Manager (related to new business project) of Connector Division, Japan Aviation Electronics Industry, Limited Director and Senior Vice President, Japan Aviation Electronics Industry, Limited Advisor, Japan Aviation Electronics Industry, Limited Director of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company (present)	Note 3	—

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
Full-time Audit & Supervisory Board Member	Takemi Matsuzaki	July 7, 1961	Apr. 1985 Jul. 2016 Jul. 2017 Jul. 2021 Jun. 2022	Joined the Company Deputy General Manager, Accounting Department, Administration Division Deputy General Manager, Finance Section, Accounting Department, Administration Division Senior Expert, Accounting Department, Administration Division Full-time Audit & Supervisory Board Member (present)	Note 4	20
Audit & Supervisory Board Member	Yukio Otaka	October 23, 1955	May 2004 Jun. 2007 Jun. 2008 Oct. 2010 Jun. 2015 Jun. 2015 Jun. 2017 Jun. 2023	Chief Representative, Bahrain Representative Office, Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.) General Manager, Dubai Branch; Chief Representative, Bahrain Representative Office, Europe Structured Finance Department, Mizuho Corporate Bank, Ltd. General Manager, Treasury Division, Daiwa Can Company Executive General Manager, Overseas Business Division, Zebra Co., Ltd. Director (External Director), Kinugawa Rubber Industrial Co., Ltd. Audit & Supervisory Board Member of the Company (present) External Audit and Supervisory Board Member, CMK Corporation Member of Nomination and Remuneration Advisory Committee of the Company	Note 5	—
Audit & Supervisory Board Member	Masahito Kawashima	August 5, 1953	May 2004 Feb. 2006 Jun. 2006 Jun. 2009 Apr. 2011 Jun. 2011 Jun. 2017 Jun. 2023	Deputy General Manager, Osaka Office, The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.) Managing Executive Officer, Mitsubishi UFJ Capital Co., Ltd. Representative Director, Managing Director, Mitsubishi UFJ Capital Co., Ltd. Representative Director, Executive Vice President, MU Frontier Servicer Co., Ltd. Executive Vice President, CFO, Chiyoda Corporation Representative Director and Executive Vice President, CFO, Chiyoda Corporation Audit & Supervisory Board Member of the Company (present) Member of Nomination and Remuneration Advisory Committee of the Company	Note 5	—
Total						365

Notes: 1 Directors Yuko Ichikawa, Eriko Kawajiri and Tetsuya Nakamura are External Directors.

2 Audit & Supervisory Board Members Yukio Otaka and Masahito Kawashima are External Audit & Supervisory Board Members.

3 The term of office of Directors and Audit & Supervisory Board Members with Note 3 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2026 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2027.

4 The term of office of Directors and Audit & Supervisory Board Members with Note 4 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2026 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2030.

5 The term of office of Directors and Audit & Supervisory Board Members with Note 5 above is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2024 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2028.

6 The Company adopts an executive officer system to clarify the separation of roles between management and business execution, and to ensure the appropriate execution of business. The Company plans to have eight Executive Officers as of the date of the Annual General Meeting of Shareholders (June 26, 2026): Ming-Shong Lan, President, Taiwan Asahi Diamond Industrial Co., Ltd.; Hideki Matsukawa, President, Shanghai Xu Hui Diamond Industrial Co., Ltd.; Kimikazu Sato, West Japan Regional General Manager and Osaka Branch General Manager; Minoru Sawada, President, P.T. Asahi Diamond Industrial Indonesia; Hitoshi Kusakabe, Administration Division Director; Tomoki Takahashi, President, Asahi Diamond Industrial Europe SAS; Keiichi Mizutani, Engineering Director and Chiba No. 2 Factory General Manager; and Katsuyuki Watanabe, President, Yamanashi Asahi Diamond Industrial Co., Ltd.

7 To prepare for the event that the number of Audit & Supervisory Board Members falls below the number required by laws and regulations, the Company has elected one substitute Audit & Supervisory Board Member as prescribed in Article 329, Paragraph 3 of the Companies Act. A career summary of the substitute Audit & Supervisory Board Member is as follows.

Name	Date of birth	Career summary		Number of shares of the Company held (thousand shares)
Hideki Tsukada	June 5, 1972	Apr. 1996 Apr. 1999 Oct. 1999 Oct. 2004 Oct. 2007 Oct. 2015 Nov. 2020 Mar. 2022 Oct. 2025	Joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC) Registered as Certified Public Accountant Joined PricewaterhouseCoopers Tax Department (current PwC Tax Japan) Stationed at PricewaterhouseCoopers (current PwC) Guangzhou Office Established Tsukada Accounting Office, Director (present) Outside Audit & Supervisory Board Member, Link-U Inc. (current Link-U Group Inc.) External Audit & Supervisory Board Member, Yayoi Co., Ltd. (present) Established Crea Audit Corporation, Partner (present) Outside Director (Audit and Supervisory Committee Member), Link-U Group Inc. (present)	—

ii. External Directors and Audit & Supervisory Board Members

1. Number of External Directors and External Audit & Supervisory Board Members

The Company has three External Directors and two External Audit & Supervisory Board Members.

2. Personal, capital or business relationships or any other conflicts of interests between External Directors and External Audit & Supervisory Board Members and the Company

The Company has appointed five External Directors and External Audit & Supervisory Board Members in total. The External Directors are Osamu Koyama, Yuko Ichikawa and Eriko Kawajiri, and the External Audit & Supervisory Board Members are Yukio Otaka and Masahito Kawashima.

External Director Osamu Koyama is from Mitsui & Co., Ltd. and is currently an auditor at the International University of Japan. He has no special interests in the Group, since the purchase of materials worth ¥535 million from the Mitsui & Co., Ltd. group only accounts for 1.28% of the consolidated net sales of the Company, or less than 0.01% of the consolidated net sales of Mitsui & Co., Ltd.

External Audit & Supervisory Board Member Yukio Otaka is from Mizuho Bank, Ltd. He has no special interests in the Group, since the Group has no borrowings from Mizuho Bank, Ltd.

External Audit & Supervisory Board Member Masahito Kawashima is from MUFG Bank, Ltd. He has no special interests in the Group, since the borrowings of ¥2,544 million from MUFG Bank, Ltd. only account for 3.21% of the consolidated total assets of the Company.

External Director Yuko Ichikawa currently serves as Representative Director of Market River Corporation, Outside Director of Stroly, Inc., Outside Director (Audit and Supervisory Committee Member) of Kurashicom Inc., Outside Corporate Auditor of Yourmy Star Inc., and Outside Director of WILL GROUP, INC. However, no special interests exist between these companies and the Group.

External Director Eriko Kawajiri currently serves as a lawyer at HARRO Law Office, External Director of GiG Works AddValue Inc., Outside Director of RASA CORPORATION, and External Director of Kyutech ARISE Co., Ltd. However, no special interests exist between these organizations and the Group.

3. Functions and roles of External Directors and External Audit & Supervisory Board Members in corporate governance

External Director Osamu Koyama has great experience and profound insight as a manager and is expected to fulfill the role and responsibilities of External Director, including management oversight and provision of advice on overall management. In addition, he is a member of the Nomination and Remuneration Advisory Committee.

External Director Yuko Ichikawa has extensive knowledge about investor relations and corporate governance and is expected to fulfill the role and responsibilities of External Director, including management oversight and provision of advice on overall management. In addition, she chairs the Nomination and Remuneration Advisory Committee.

External Director Eriko Kawajiri has profound legal insight as a lawyer and is expected to fulfill the role and responsibilities of External Director, including management oversight and provision of advice on overall management. In addition, she is a member of the Nomination and Remuneration Advisory Committee.

External Audit & Supervisory Board Member Yukio Otaka has abundant business experience, profound insight, and extensive knowledge of finance and accounting gained through his career as a banker. Therefore, the Company expects him to fulfill the role and responsibilities of External Audit & Supervisory Board Member.

External Audit & Supervisory Board Member Masahito Kawashima has abundant business experience, profound insight and extensive knowledge about finance and accounting gained through his career as a manager and at financial institutions. Therefore, the Company expects him to fulfill the role and responsibilities of External Audit & Supervisory Board Member.

4. Criteria and policy on independence from the Company for appointing External Director/Audit & Supervisory Board Member

The Company has clarified the criteria for independence for appointing External Director/Audit & Supervisory Board Member ("External Officer"), and has set forth it as follows.

Based on the criteria, the Company shall appoint a person as Independent Officer who meets the requirements for outside officers prescribed by the Companies Act, the requirements for independent officers prescribed by the Tokyo Stock Exchange and the independence criteria of the Company below, and has experience and knowledge required for fulfilling the role and responsibilities expected of an Independent Officer.

The Company has notified Tokyo Stock Exchange of its appointment of Osamu Koyama, Yuko Ichikawa, Eriko Kawajiri, Yukio Otaka and Masahito Kawashima as independent officers.

Independence Criteria for External Directors and External Audit & Supervisory Board Members

If none of the following attributes applies to an External Director or External Audit & Supervisory Board Member, the Company judges that such a person is independent from the Company.

(1) A person affiliated with a major shareholder that substantially holds 10% or more of the voting rights of the Company

(2) A person affiliated with an entity that substantially holds 10% or more of the voting rights of the Company

(3) A person affiliated with a business partner whose purchases from the Company accounted for 3% or more of the Company's consolidated net sales for the previous year

(4) A person affiliated with a business partner whose annual sales to the Company accounted for 3% or more of the business partner's consolidated net sales for the previous year

(5) A person affiliated with a financial institution that is indispensable for the Company's financing and on whom the Company is dependent to the extent that it is irreplaceable

(6) A consultant, an accounting professional or a legal professional who received money or other assets amounting to ¥10 million or more from the Company in the previous year other than the Director's or Audit & Supervisory Board Member's remuneration (If the person receiving money, etc. is an organization such as a legal entity, a person affiliated with such an organization)

(7) A person affiliated with a legal entity that received donations amounting to ¥10 million or more from the Company in the previous year

(8) A person to whom any of (1) to (7) above applied in the past three years

(9) The spouse or relative in the second degree of kinship of a person to whom any of (1) to (8) above apply

iii. Mutual cooperation among supervision or audits by External Directors and External Audit & Supervisory Board Members, internal audits, audits by Audit & Supervisory Board Members and audits by the Independent Auditor, and relationship with the internal control division

The Company has a system where External Directors are provided with enough explanation for prior consideration on matters to be addressed at Board of Directors meetings, and able to smoothly supervise management and sufficiently fulfill their duties in enhancing the Company's corporate governance.

The Company has a system where External Audit & Supervisory Board Members regularly receive reports from full-time Audit & Supervisory Board Member concerning auditing, or reports from the Internal Audit Committee concerning the development and operational status of internal audit and internal control.

In addition, at meetings consisting of External Directors and External Audit & Supervisory Board Members, they exchange information and share awareness from the standpoint of External Officers, and also exchange information with the Independent Auditor and Internal Audit Committee members.

(3) Audits

i. Audits by Audit & Supervisory Board Members

As of June 25, 2026, the Company's Audit & Supervisory Board consists of one full-time Audit & Supervisory Board Member and two part-time External Audit & Supervisory Board Members, totaling three members. Full-time Audit & Supervisory Board Member Takemi Matsuzaki has considerable knowledge of finance and accounting gained through his long career in internal control at the Accounting Dept. of the Company. All of the part-time Audit & Supervisory Board Members have abundant work experience and profound insight gained through their careers at financial institutions and considerable knowledge of finance and accounting. They attend important meetings, including Board of Directors meetings and management meetings, perform audits on decision making and execution of duties at regular meetings with Representative Directors, and hold External Officers meetings with External Directors (External Officers meetings were held 10 times during the fiscal year ended March 31, 2026). In addition, the full-time Audit & Supervisory Board Member conducts inspections of important approval documents, attends various meetings, conducts interviews with each department, visits factories, sales offices and subsidiaries, witnesses physical inventory taking, and is in attendance during internal audits and audits conducted by the Independent Auditor.

During the fiscal year ended March 31, 2026, the Audit & Supervisory Board meetings were held eight times. Audit & Supervisory Board Members Takemi Matsuzaki, Yukio Otaka and Masahito Kawashima attended all the eight meetings. Specific items discussed at the Audit & Supervisory Board meetings include matters related to the formulation of audit policies and audit plans, the preparation of audit reports, items included in the Key Audit Matters (KAM), agenda items at the General Meeting of Shareholders, evaluation of the Independent Auditor and decisions on its reappointment, check of the execution of duties by Directors, the development and operational status of internal control system, the status of audits by full-time Audit & Supervisory Board Member, the evaluation and appointment/dismissal of the Independent Auditor, consent to the fees for the Independent Auditor, and reports on audits and quarterly reviews by the Independent Auditor.

ii. Internal audits

The Internal Audit Committee comprising 50 concurrently assigned members evaluates the internal control of each department and subsidiaries of the Company, and conducts internal audits, etc. based on an annual plan. Close interaction is sought by thoroughly sharing information with the Independent Auditor and full-time Audit & Supervisory Board Member, and also through methods such as exchanging opinions on issues and being in attendance when audits are taking place. The results of internal audits are reported to the Internal Control Committee, which is chaired by President and Representative Director. The Committee members attend the Audit & Supervisory Board meetings, which are held on a quarterly basis, to share information with Audit & Supervisory Board Members and the Independent Auditor through reports and opinion exchanges. Besides, the Committee has a system in place to ensure information sharing with the Board of Directors as appropriate.

iii. Accounting audits

a. Name of audit firm

ALT Tsukiji Audit LLC

b. Continuous period of auditing

Since 1975

The above period of continuous auditing is within the range that can be investigated by the Company, and the actual continuous period may have exceeded the above.

c. Certified public accountants who executed the audit duties

Kazuhiko Abe

Kiyoshi Arai

d. Composition of assistants involved in the accounting audit

Seven certified public accountants were involved in the accounting audit of the Company.

e. Policy and reasons for appointing audit firm

The Company's Audit & Supervisory Board has established a Policy for Determining the Appointment of Independent Auditor in order to appropriately select a successor to the Independent Auditor in the event that the Audit & Supervisory Board dismisses or fails to reappoint the Independent Auditor, or in the event that the Independent Auditor resigns.

f. Evaluation of the audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

Audit & Supervisory Board Members and the Audit & Supervisory Board make evaluation of audit firm based on the Standard for Independent Auditor Evaluation set forth by the Audit & Supervisory Board. Based on the evaluation for the fiscal year ended March 31, 2026, it is deemed appropriate to reappoint ALT Tsukiji Audit LLC as Independent Auditor.

iv. Details of audit fees, etc.

a. Audit fees paid to certified public accountants and others who conduct audits

(Millions of yen)

Category	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
	Audit fees	Non-audit fees	Audit fees	Non-audit fees
Reporting company	48	—	48	—
Consolidated subsidiaries	—	—	—	—
Total	48	—	48	—

b. Fees for organizations that belong to the same network as the certified public accountants and others

Not applicable.

c. Other significant matters related to audit fees

Not applicable.

d. Policy for determining audit fees

The Company does not have a policy for determining audit fees for the certified public accountants and others.

e. Reasons for the Audit & Supervisory Board's consent to the fees for the Independent Auditor

The Audit & Supervisory Board has examined the time and man-hours required for the duties outlined in the presented auditing plan. As a result of careful review on the appropriateness of the estimated amount of audit fees, the Audit & Supervisory Board has consented to the audit fees for the Independent Auditor, pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act.

(4) Remuneration for Directors and other officers

i. Policy for determining remuneration amount for Directors and other officers and the calculation method thereof

The Company's policy for determining remuneration amount for Directors and other officers and the calculation method are as follows.

(1) Basic policies

The basic policy for remuneration for Directors is to motivate Directors in contributing to the enhancement of business performance and corporate value over the medium- to long-term and share the value with the shareholders. It is also designed to set the remuneration level appropriate for the duties and positions of officers of the Company.

The basic policy for remuneration for Audit & Supervisory Board Members is to set appropriate remuneration level to reward them for their fulfilling responsibilities and conducting rigorous audits, as well as to gain understanding of shareholders.

Remuneration for Directors (excluding External Directors) consists of fixed remuneration, performance-based remuneration, and stock remuneration (non-monetary remuneration), while remuneration for External Directors, in consideration to their duties and independence, consists of fixed remuneration only.

Regarding the individual remuneration for Directors, in order to ensure the transparent decision process, the Nomination and Remuneration Advisory Committee present a report on examination of the initial plan including its consistency with the determination policy, and the Board of Directors determines based on the report. The members of the Nomination and Remuneration Advisory Committee are stated in (2) Directors and officers.

Regarding the individual remuneration for Audit & Supervisory Board Members, it is determined through discussions by all Audit & Supervisory Board Members over the initial plan proposed by the Nomination and Remuneration Advisory Committee.

(2) Date of resolution at the General Meeting of Shareholders regarding remuneration for Directors, etc.

Remuneration for Directors, etc. was resolved at the Annual General Meeting of Shareholders held on June 28, 2007 to be ¥450 million or less per year (excluding the employee salary portion). The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was nine.

Remuneration for Audit & Supervisory Board Members was resolved at the Annual General Meeting of Shareholders held on June 28, 2007 to be ¥45 million or less per year. The number of Audit & Supervisory Board Members at the conclusion of the said Annual General Meeting of Shareholders was three.

In addition to these remuneration limits, the introduction of a stock compensation plan was resolved at the Annual General Meeting of Shareholders held on June 26, 2018. The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was nine. The retirement benefits for Directors and other officers were discontinued in June 2007.

(3) Policy for determining remuneration amount

Fixed remuneration for Directors consists of a monthly amount, determined after objective and comprehensive consideration of positions, full-time or part-time status, and other companies' remuneration levels provided by external research institutions.

Fixed remuneration for Audit & Supervisory Board Members consists of a monthly amount paid regardless of performance, with the amount determined based on comprehensive consideration of full-time or part-time status, sharing status of audit work and the like.

As for the performance-based remuneration for Directors (excluding External Directors), it is determined using profit attributable to owners of parent, operating profit, and assessment of KPIs set for each Director for the previous fiscal year as indices, aiming to expand business and increase profitability.

A stock compensation plan is introduced for Directors (excluding External Directors and non-residents of Japan) to further clarify the link between the remuneration for Directors and the Company's stock value. Under the plan, Directors are granted with points of certain percentage of the remuneration amounts for their positions, and shares of the Company equivalent to the accumulated points (one point is equivalent to one share) are paid as compensation at their retirements. For Directors who are non-residents of Japan, the amount corresponding to the points to be granted is paid as monetary remuneration adding to monthly fixed remuneration.

The policy is to set the ratio of fixed, performance-based, and stock remuneration for Directors at 6 : 3 : 1 if the targets are achieved.

Concerning individual Directors' remuneration for the fiscal year ended March 31, 2026, the Company has determined that the initial plan, which was made by the Nomination and Remuneration Advisory Committee in consideration of consistency with the determination policy, is in line with the Company policies.

(4) Activities of the Board of Directors and Nomination and Remuneration Advisory Committee to determine remuneration amount for Directors and other officers

The Nomination and Remuneration Advisory Committee met eight times during the fiscal year ended March 31, 2026 for determining remuneration amount for Directors and other officers. The amounts of fixed, performance-based, and stock remuneration for Directors are determined by the Board of Directors after consulting with the Nomination and Remuneration Advisory Committee.

(5) Targets and results of the indices relating to performance-based remuneration for the fiscal year ended March 31, 2026

Performance-based and other remuneration related to target profits was not paid in the fiscal year ended March 31, 2026, as profit attributable to owners of parent and operating profit for the previous fiscal year did not reach a certain target value. Performance-based and other remuneration related to assessment of KPIs set for each Director was paid to three internal Directors in a total amount of ¥4 million.

ii. Total amount of remuneration, type of remuneration and number of recipients by position

Position	Total amount of remuneration (millions of yen)	Amount of remuneration by type (millions of yen)			Number of recipients
		Fixed	Performance-based	Stock	
Director (excluding External Director)	149	118	4	26	7
Audit & Supervisory Board Member (excluding External Audit & Supervisory Board Member)	16	16	—	—	1
External Officer	36	36	—	—	5
Total	202	171	4	26	13

Note: The amount of remuneration for Directors does not include the salary portion to Directors who serve concurrently as employees.

iii. Total amount of consolidated remuneration by Director/officer

This information is omitted because there is no Director or other officers whose total remuneration was ¥100 million or more.

iv. Important salary portion to directors who serve concurrently as employees

Not applicable.

(5) Shareholdings

i. Standards for and views on classification of investment shares

Investment shares held for pure investment

Investment shares held for pure investment refer to shares held for the purpose of purely generating capital gains through changes in stock prices or income through dividends related to the shares.

Investment shares held for purposes other than pure investment

Investment shares held for purposes other than pure investment refer to investment shares held as cross-shareholdings or for the purpose of business strategy.

ii. Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of holding rationale, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual stocks

In principle, the Company does not newly purchase shares. However, this does not apply if it is determined to contribute to the sustainable growth of the Group and the enhancement of corporate value over the medium to long term. In addition, the number of shares held as cross-shareholdings may increase every year if we are a member of the stock ownership association of the partner company. Also, the Company disposes of, as appropriate, the shares held as cross-shareholdings that are judged to have no holding rationale as a result of the annual individual verification after negotiating with the relevant partner company and obtaining their agreement on the sales method, time and so forth.

As to the method of verification of holding rationale, we regularly verify the holding rationale of individual stocks from both qualitative and quantitative perspectives. Concerning verification from qualitative perspective, we verify matters from a business strategy perspective such as whether a smooth and good relationship with the partner company is maintained. Concerning the quantitative verification, we verify matters such as whether the profit from shareholding, including related transaction profits and dividends, exceeds the cost of capital.

The Board of Directors verifies the appropriateness of holding individual stocks at a Board of Directors meeting held in May every year; it comprehensively discusses the continuation of holding or disposal and the reduction plan of individual stocks based on the results of the above verification conducted in line with the shareholding policy.

b. Number of stocks and balance sheet amount

	Number of stocks	Total balance sheet amount (millions of yen)
Unlisted shares	2	0
Shares other than unlisted shares	15	5,584

Stocks whose shares held by the Company increased during the fiscal year ended March 31, 2026

	Number of stocks	Total amount of acquisition price corresponding to the increased number of shares (millions of yen)	Reasons for the increase in the number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	6	16	Shares purchased through stock ownership associations of business partners

Stocks whose shares held by the Company decreased during the fiscal year ended March 31, 2026

	Number of stocks	Total amount of selling price corresponding to the decrease in the number of shares (millions of yen)
Unlisted shares	—	—
Shares other than unlisted shares	4	1,545

c. Number and balance sheet amount of specified investment shares and deemed holding shares by issue

Specified investment shares

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, outline of the business alliances, etc., quantitative contribution, and reasons for increase in the number of shares (Note)	Reciprocal shareholdings
	Number of shares	Number of shares		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Union Tool Co.	200,000	290,000	It is a customer of the Group in the cemented carbide tools industry, and we hold these shares to strengthen and maintain business relationship with the company.	Yes
	2,582	1,157		
Tokyo Seimitsu Co., Ltd.	100,000	135,000	It is a customer of the Company in the electronics and semiconductor industry. We hold these shares so that we will be able to provide goods and services of their needs by operating a joint venture company for the development, manufacture, and sale of hub blades and exchanging information in a timely and appropriate manner.	Yes
	1,321	1,074		
DAIICHI CUTTER KOGYO K.K.	500,000	600,000	It is a customer of the Company in the construction industry. We hold these shares to strengthen and maintain business relationship with the company.	No
	734	828		
Tenryu Saw Mfg. Co., Ltd.	126,000	126,000	It is a customer of the Company in the cemented carbide tools industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	308	237		
Okamoto Machine Tool Works, Ltd.	30,000	30,000	It is a customer of the Company in the electronics and semiconductor industry. We hold these shares so that we will be able to provide goods and services of their needs by maintaining good relationship and exchanging information in a timely and appropriate manner.	No
	113	112		
NACHI-FUJIKOSHI CORP.	21,850	20,809	It is a customer of the Group in the cemented carbide tools industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to the purchase of shares through its stock ownership association.	No
	97	71		
YASUNAGA CORPORATION	100,000	100,000	It is a customer of the Company in the machinery industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	93	47		
AGC Inc.	12,839	11,635	It is a customer of the Company in the electronics and semiconductor glass industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to the purchase of shares through its stock ownership association.	No
	70	52		
MICRON MACHINERY CO., LTD.	30,000	30,000	It is a customer of the Group in the machinery industry, and we hold these shares to strengthen and maintain business relationship with the company.	No
	62	45		
MinebeaMitsumi Inc.	23,508	22,916	It is a customer of the Group in the bearings industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to the purchase of shares through its stock ownership association.	No
	59	49		
Dijet Industrial Co., Ltd.	36,147	36,147	It is a customer of the Company in the cemented carbide tools industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	37	25		
Fuji Bellows Co., Ltd.	21,800	21,800	It is a customer of the Group in the automotive industry, and we hold these shares to strengthen and maintain business relationship with the company.	Yes
	32	28		

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, outline of the business alliances, etc., quantitative contribution, and reasons for increase in the number of shares (Note)	Reciprocal shareholdings
	Number of shares	Number of shares		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
SUMCO Corporation	18,918	17,824	It is a customer of the Group in the semiconductor silicon industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to the purchase of shares through its stock ownership association.	No
	31	17		
Nippon Electric Glass Co., Ltd.	3,976	3,607	It is a customer of the Group in the electronics and semiconductor glass industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to the purchase of shares through its stock ownership association.	No
	23	12		
Makita Corporation	3,375	3,063	It is a customer of the Group in the stone and construction industry, and we hold these shares to strengthen and maintain business relationship with the company. The increase in the number of shares is due to the purchase of shares through its stock ownership association.	No
	17	15		
EDP Corporation	—	400,000	We have sold all of these shares in the current fiscal year.	No
	—	248		

Note: Though quantitative contribution of shareholdings is difficult to determine, we verify the rationale for shareholdings individually as described in “a. Shareholding policy, method of verification of holding rationale, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual stocks.”

Deemed shareholding

Not applicable.

iii. Investment shares held for pure investment

Not applicable.

5. Employees

(1) Basic policy and other matters concerning human resources strategy

i. Human resources strategy

The details of the Company’s human resources strategy are as stated in “II. Overview of Business, 2. Corporate Sustainability Policy and Initiatives, Initiatives related to human capital.”

ii. Policy for determining employee salary at the reporting company

The Company’s personnel system is aimed at ensuring that employees receive treatment commensurate with their responsibilities, regardless of years of service, by linking grades and job positions. The Company conducts interviews every six months to set goals and evaluate both the achievement of those goals and employee behavior.

The amount of salary increases is determined based on individual employee evaluations for each year. The amount of bonuses is determined according to the semi-annual operating profit margin and individual employee evaluations.

(2) Employees

i. Information about consolidated companies

As of March 31, 2026

Business division	Number of employees
Diamond tools business division	2,040 [369]

Notes: 1 The number of employees excludes employees seconded from the Group to outside the Group and includes those seconded from outside the Group to the Group.

2 The number of temporary employees, including part-time employees and agency workers, for the current fiscal year is shown separately in square brackets. Note that the number of part-time employees is the average number employed (converted at 7.5 hours a day), and the number of agency workers is the number at the end of the current fiscal year.

ii. Information on the reporting company

As of March 31, 2026

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousands of yen)	Year-on-year increase (decrease) in average annual salary (%)
1,016 [333]	44.9	20.97	7,019	2.2

Notes: 1 The number of employees excludes employees seconded from the Company to other companies and includes those seconded from other companies to the Company.

2 The number of temporary employees, including part-time employees and agency workers, for the current fiscal year is shown separately in square brackets. Note that the number of part-time employees is the average number employed (converted at 7.5 hours a day), and the number of agency workers is the number at the end of the current fiscal year.

3 Average annual salary includes bonuses and extra wages.

4 All employees of the Company are engaged in diamond tool businesses.

iii. Labor union

The labor union of the Company and Yamanashi Asahi Diamond Industrial Co., Ltd. (519 union members) belongs to an industrial union JAM (Japanese Association of Metal, Machinery, and Manufacturing Workers).

There are no special matters to be noted as to the labor-management relations.

iv. Percentage of female workers in management positions, percentage of male workers taking childcare leave, and difference in wages between male and female workers

a. Reporting company

Current fiscal year				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Difference in wages between male and female workers (%) (Note 1)		
		All workers	Regularly employed workers	Part-time and fixed-term workers
2.3	77.8	73.4	76.0	77.8

Notes: 1 The percentages are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2 The percentage of workers taking childcare leave stipulated in Article 71-6, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

b. Consolidated subsidiaries

Not applicable.

V. Financial Information

1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements

(1) The consolidated financial statements of Asahi Diamond Industrial Co., Ltd. (the "Company") are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; the "Regulation on Consolidated Financial Statements").

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; the "Regulation on Financial Statements").

The Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

2. Audit Certification

The Company's consolidated and non-consolidated financial statements for the fiscal year from April 1, 2025 to March 31, 2026 were audited by ALT Tsukiji Audit LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has taken special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation and participated in events such as seminars with the aim to establish a system that allows the Company to properly understand accounting standards and appropriately adapt to changes in accounting standards.

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

i. Consolidated balance sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	14,752	16,077
Notes and accounts receivable - trade	10,038	10,757
Securities	57	79
Merchandise and finished goods	3,652	3,724
Work in process	1,702	1,829
Raw materials and supplies	3,404	3,814
Other	908	656
Allowance for doubtful accounts	(60)	(96)
Total current assets	34,456	36,841
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 28,508	*2 29,132
Accumulated depreciation	(16,182)	(16,226)
Buildings and structures, net	12,326	12,905
Machinery, equipment and vehicles	*2 34,902	*2 35,093
Accumulated depreciation	(28,081)	(29,430)
Machinery, equipment and vehicles, net	6,820	5,662
Land	*2, *3 6,626	*2, *3 6,640
Construction in progress	1,771	202
Other	7,281	7,388
Accumulated depreciation	(5,981)	(6,356)
Other, net	1,300	1,032
Total property, plant and equipment	28,845	26,443
Intangible assets	408	1,057
Investments and other assets		
Investment securities	*1 10,778	*1 13,252
Deferred tax assets	947	566
Other	1,385	1,054
Allowance for doubtful accounts	(470)	(11)
Total investments and other assets	12,640	14,861
Total non-current assets	41,895	42,362
Total assets	76,351	79,203

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,658	1,733
Short-term borrowings	234	44
Income taxes payable	222	1,036
Provision for bonuses	979	1,020
Provision for business restructuring	217	17
Asset retirement obligations	–	161
Other	3,326	2,699
Total current liabilities	6,640	6,712
Non-current liabilities		
Long-term borrowings	2,000	4,500
Deferred tax liabilities	9	736
Retirement benefit liability	3,188	2,173
Deferred tax liabilities for land revaluation	*3 360	*3 360
Asset retirement obligations	84	59
Provision for share awards	174	213
Other	313	314
Total non-current liabilities	6,131	8,357
Total liabilities	12,772	15,070
Net assets		
Shareholders' equity		
Share capital	4,102	4,102
Capital surplus	7,154	7,154
Retained earnings	44,783	42,581
Treasury shares	(423)	(217)
Total shareholders' equity	55,615	53,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,997	3,249
Revaluation reserve for land	*3 185	*3 185
Foreign currency translation adjustment	3,000	3,303
Remeasurements of defined benefit plans	853	1,849
Total accumulated other comprehensive income	6,036	8,588
Non-controlling interests	1,927	1,924
Total net assets	63,579	64,133
Total liabilities and net assets	76,351	79,203

ii. Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Net sales	41,006	41,983
Cost of sales	*1, *3 29,704	*1, *3 30,164
Gross profit	11,302	11,819
Selling, general and administrative expenses		
Selling expenses	5,818	6,144
General and administrative expenses	3,172	3,270
Total selling, general and administrative expenses	*2, *3 8,991	*2, *3 9,415
Operating profit	2,311	2,403
Non-operating income		
Interest income	118	126
Dividend income	142	127
Foreign exchange gains	61	464
Share of profit of entities accounted for using equity method	328	199
Subsidy income	53	44
Miscellaneous income	98	80
Total non-operating income	801	1,042
Non-operating expenses		
Interest expenses	20	66
Commission expenses	0	7
Miscellaneous losses	20	25
Total non-operating expenses	42	98
Ordinary profit	3,070	3,346
Extraordinary income		
Gain on sale of non-current assets	–	*4 620
Gain on sale of investment securities	730	1,304
Reversal of provision for business restructuring	–	36
Insurance claim income	–	31
Total extraordinary income	730	1,992
Extraordinary losses		
Loss on sale of investment securities	1	–
Impairment losses	–	*5 1,920
Loss on disaster	–	40
Total extraordinary losses	1	1,960
Profit before income taxes	3,799	3,378
Income taxes - current	673	1,335
Income taxes - deferred	456	(24)
Total income taxes	1,130	1,310
Profit	2,668	2,067
Profit attributable to non-controlling interests	175	58
Profit attributable to owners of parent	2,493	2,009

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Profit	2,668	2,067
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,701)	1,252
Revaluation reserve for land	(10)	–
Foreign currency translation adjustment	811	156
Remeasurements of defined benefit plans, net of tax	(540)	974
Share of other comprehensive income of entities accounted for using equity method	157	203
Total other comprehensive income	*1 (1,283)	*1 2,587
Comprehensive income	1,385	4,655
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,468	4,677
Comprehensive income attributable to non-controlling interests	(83)	(22)

iii. Consolidated statement of changes in equity

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,102	7,129	43,846	(248)	54,829
Changes during period					
Dividends of surplus			(1,556)		(1,556)
Profit attributable to owners of parent			2,493		2,493
Purchase of treasury shares				(201)	(201)
Disposal of treasury shares		0		25	25
Cancellation of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests		24			24
Net changes in items other than shareholders' equity					
Total changes during period	–	24	936	(175)	786
Balance at end of period	4,102	7,154	44,783	(423)	55,615

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,699	196	2,094	1,422	7,412	1,752	63,993
Changes during period							
Dividends of surplus							(1,556)
Profit attributable to owners of parent							2,493
Purchase of treasury shares							(201)
Disposal of treasury shares							25
Cancellation of treasury shares							–
Change in ownership interest of parent due to transactions with non-controlling interests							24
Net changes in items other than shareholders' equity	(1,701)	(10)	905	(569)	(1,375)	175	(1,200)
Total changes during period	(1,701)	(10)	905	(569)	(1,375)	175	(414)
Balance at end of period	1,997	185	3,000	853	6,036	1,927	63,579

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,102	7,154	44,783	(423)	55,615
Changes during period					
Dividends of surplus			(1,514)		(1,514)
Profit attributable to owners of parent			2,009		2,009
Purchase of treasury shares				(2,489)	(2,489)
Disposal of treasury shares		(0)	0	0	0
Cancellation of treasury shares			(2,696)	2,696	–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	(2,201)	206	(1,994)
Balance at end of period	4,102	7,154	42,581	(217)	53,620

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,997	185	3,000	853	6,036	1,927	63,579
Changes during period							
Dividends of surplus							(1,514)
Profit attributable to owners of parent							2,009
Purchase of treasury shares							(2,489)
Disposal of treasury shares							0
Cancellation of treasury shares							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes in items other than shareholders' equity	1,252	–	303	996	2,551	(3)	2,548
Total changes during period	1,252	–	303	996	2,551	(3)	554
Balance at end of period	3,249	185	3,303	1,849	8,588	1,924	64,133

iv. Consolidated statement of cash flows

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Cash flows from operating activities		
Profit before income taxes	3,799	3,378
Depreciation	3,328	3,475
Impairment losses	–	1,920
Increase (decrease) in allowance for doubtful accounts	(86)	(438)
Increase (decrease) in provision for bonuses	72	31
Increase (decrease) in retirement benefit liability	(347)	401
Increase (decrease) in provision for share awards	10	38
Increase (decrease) in provision for business restructuring	(28)	(225)
Interest and dividend income	(260)	(253)
Interest expenses	20	66
Share of loss (profit) of entities accounted for using equity method	(328)	(199)
Loss on retirement of property, plant and equipment	18	13
Loss (gain) on sale of property, plant and equipment	(10)	(617)
Loss (gain) on sale of investment securities	(729)	(1,304)
Decrease (increase) in trade receivables	549	(578)
Decrease (increase) in inventories	(397)	(512)
Increase (decrease) in trade payables	115	(38)
Amortization of goodwill	27	27
Other, net	702	482
Subtotal	6,458	5,668
Interest and dividends received	260	253
Interest paid	(20)	(66)
Income taxes paid	(932)	(444)
Net cash provided by (used in) operating activities	5,765	5,412
Cash flows from investing activities		
Payments into time deposits	(83)	(17)
Proceeds from withdrawal of time deposits	–	36
Purchase of property, plant and equipment	(4,999)	(2,956)
Proceeds from sale of property, plant and equipment	8	643
Purchase of investment securities	(24)	(516)
Proceeds from sale of investment securities	1,207	1,545
Other, net	71	(857)
Net cash provided by (used in) investing activities	(3,820)	(2,120)

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(344)	(210)
Proceeds from long-term borrowings	2,000	2,500
Purchase of treasury shares	(201)	(2,489)
Proceeds from sale of treasury shares	25	0
Dividends paid	(1,553)	(1,511)
Dividends paid to non-controlling interests	(67)	(96)
Repayments of lease liabilities	(72)	(75)
Net cash provided by (used in) financing activities	(212)	(1,883)
Effect of exchange rate change on cash and cash equivalents	259	(61)
Net increase (decrease) in cash and cash equivalents	1,991	1,346
Cash and cash equivalents at beginning of period	12,818	14,810
Cash and cash equivalents at end of period	*1 14,810	*1 16,156

Notes to Consolidated Financial Statements

Significant accounting policies for preparation of consolidated financial statements

1. Disclosure of scope of consolidation

(A) Consolidated subsidiaries

Number of consolidated subsidiaries: 15

Names of consolidated subsidiaries:

The information is disclosed in I. Overview of Company, 4. Subsidiaries and Associates.

2. Disclosure about application of equity method

(A) Number of associates accounted for using equity method: 2

Names of associates:

Shinhan Diamond Industrial Co., Ltd.

AA Diamond Technology Co., Ltd.

AA Diamond Technology Co., Ltd. was newly established and included in the scope of equity method application from the fiscal year ended March 31, 2026.

(B) Of the above stated associates accounted for using equity method, Shinhan Diamond Industrial Co., Ltd. has a closing date which is different from the closing date of the consolidated financial statements. Therefore, we use its financial statements that are based on the business year of the said associate.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Out of 15 consolidated subsidiaries, while 2 domestic consolidated subsidiaries and Asahi Diamond Industrial India Private Limited have closing date on March 31, other 12 overseas consolidated subsidiaries have closing date on December 31. Financial statements as of that date are used in preparing consolidated financial statements, and necessary adjustments are made to reflect significant transactions that occurred between that date and the closing date of the consolidated financial statements.

4. Disclosure of accounting policies

(A) Valuation standards and methods for significant assets

i. Securities

a. Held-to-maturity debt securities

Stated at amortized cost (straight-line method).

b. Available-for-sale securities

Other than equity or marketable securities without market price:

Stated at fair value using the market value method (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

Equity or marketable securities without market price:

Stated at cost using the moving-average method.

ii. Inventories

Inventories are stated at cost (with book value written down for balance sheet, based on any decline in profitability).

Merchandise and finished goods:	Primarily stated at cost using the specific identification method.
Work in process:	Primarily stated at cost using the specific identification method.
Raw materials and supplies:	Primarily stated at cost using the moving-average method.

(B) Method for depreciation/amortization of significant depreciable assets

i. Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, buildings (except for facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis. The overseas consolidated subsidiaries primarily use the straight-line method.

The principal useful lives are as follows:

Buildings and structures:	5 to 50 years
Machinery, equipment and vehicles:	4 to 10 years

ii. Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized primarily on a straight-line basis. The internal use software is depreciated using the straight-line method based on the predetermined useful life (primarily 5 years).

iii. Leased assets

The Company and its consolidated subsidiaries depreciate leased assets in finance lease transactions that do not transfer ownership on a straight-line basis with the useful life being the lease term and the residual value being zero.

(C) Accounting standards for significant provisions

i. Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectibility of individual receivables for doubtful accounts and certain other receivables.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, the Company and some consolidated subsidiaries record provision for bonuses based on the estimated amount to be paid.

iii. Provision for business restructuring

To prepare for the future losses related to reconstruction plans of consolidated subsidiaries, provision for business restructuring is recorded at the amount estimated in the current fiscal year.

iv. Provision for share awards

To provide for delivery of shares of the Company to Directors, etc., provision for share awards is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

(D) Accounting treatment for retirement benefits

i. Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

ii. Method of accounting for actuarial gains and losses and past service cost

Actuarial gains and losses are collectively recorded as an expense in the following fiscal year. Past service cost is recorded as an expense on a straight-line basis over a certain period of years (10 years) within the average remaining years of service of employees at the time of accrual.

iii. Application of the simplified method in small subsidiaries

In calculating retirement benefit liability and retirement benefit expenses, some consolidated subsidiaries apply the simplified method where retirement benefit liability is estimated at an amount to be required at the year-end for voluntary termination.

(E) Accounting standards for recording significant revenue and expenses

The Company and its consolidated subsidiaries manufacture and sell diamond tools, etc., and have performance obligations of delivering merchandise and finished goods based on sales contracts with customers. The performance obligations are considered to be satisfied at the point when control over assets is transferred to the customer, and the revenue is recognized at such point.

For domestic sales, revenue is recognized mainly at the time of shipment because the control over merchandise and finished goods is transferred to the customer in usual period of time from the shipment to the transfer. It is recognized at an amount that the Company expects to be entitled to receive in exchange for the merchandise and finished goods. If the Company and its consolidated subsidiaries are involved in sales as agents, revenue is recorded at a net amount obtained by deducting the amount paid to the supplier from the total amount of consideration received from the customer.

(F) Accounting standards for translating significant foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and translation adjustments are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rates on the balance sheet dates of such subsidiary whereas their revenue and expenses are translated into Japanese yen at average exchange rates during the period, and translation adjustments are included in foreign currency translation adjustment and non-controlling interests under net assets.

(G) Method and period of amortization of goodwill

Goodwill generated as a result of the acquisition of shares of Asahi Diamond Industrial India Private Limited is amortized using the straight-line method based on the estimated duration of its effect (7 years).

(H) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and exposed to only an insignificant risk of fluctuation in value.

Significant accounting estimates

Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements of the current fiscal year

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Property, plant and equipment	28,845	26,443
Intangible assets	408	1,057
Impairment losses	–	1,920

(2) Information on the significant accounting estimates of the identified items

(a) Calculation method for the amount recorded in the consolidated financial statements of the current fiscal year

The Group divides the assets in the minimal unit that generates largely independent cash flows based on the classification of managerial accounting. As for idle assets, each individual unit is treated as an asset group. When an asset group is deemed to be showing an indication of impairment, such asset group is tested for recoverability by comparing the total undiscounted future cash flows to be generated from the use of the asset group with its book value. If it is determined that the book value is unrecoverable, the book value is reduced to the recoverable amount, and the difference is recorded as an impairment loss. The recoverable amount of each asset group is its value in use or fair value less costs to sell, whichever is the larger. Value in use is calculated by discounting the asset group's future cash flows to their present value using a pre-tax discount rate based on the weighted average cost of capital. Fair value less costs to sell is calculated based on real estate appraisal value and other factors.

Details of impairment losses recorded in the consolidated statement of income are as stated in "Notes to Consolidated Financial Statements, Consolidated statement of income, *5. Impairment losses."

(b) Key assumptions used in the calculation of the amount recorded in the consolidated financial statements of the current fiscal year

Value in use is calculated based on business plans formulated by the management.

Fair value less costs to sell is calculated based on real estate appraisal reports obtained from external experts and other elements.

(c) Impact on the consolidated financial statements of the following fiscal year

If it becomes necessary to revise the business plans formulated by the management or other factors used in the calculation of value in use, or if there is a fall in the real estate appraisal value or other factors used in the calculation of fair value less costs to sell, valuation of non-current assets in the following fiscal year may be significantly affected.

Changes in accounting estimates

Asset retirement obligations

Regarding the asset retirement obligations recorded for the costs associated with the obligation to restore the leased properties to the original state under the real estate lease agreement, the estimated costs of restoration as of the end of the current fiscal year has been changed based on new information received concerning requirements at the time of leaving. Due to this change, ¥138 million has been added to the balance of asset retirement obligations before the change, and profit before income taxes for the fiscal year ended March 31, 2026 decreased by ¥59 million.

New accounting standards not yet applied

- Accounting Standard for Leases (ASBJ Statement No. 34 of September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33 of September 13, 2024)

Revision of other relevant Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance, which were revised by the issuance of the Accounting Standard for Leases, etc.

(1) Overview

As with the international accounting standard, these standards and guidance establish treatments including the recording of assets and liabilities for all leases of the lessee.

(2) Scheduled date of application

These accounting standards and guidance will be adopted from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of the application of the accounting standards, etc.

The impact of the application of the Accounting Standard for Leases, etc. on the consolidated financial statements is currently under assessment.

Change in Presentation

Consolidated balance sheet

The deferred tax liabilities (¥9 million in the fiscal year ended March 31, 2025), which had been included in other under non-current liabilities until the fiscal year ended March 31, 2025, are separately presented for the fiscal year ended March 31, 2026, as its quantitative significance has increased.

Consolidated balance sheet

*1. Investment securities related to associates are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Investment securities (equity securities)	6,696	7,579

*2. Book value reduction of property, plant and equipment

The items and deducted amounts of acquisition cost of property, plant and equipment covered by the government subsidy are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Machinery, equipment and vehicles	11	11
Land	640	640
Buildings and structures	0	0
Total	652	652

*3. Revaluation of land

Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998), the Company revaluated land for business use and recorded revaluation reserve for land under net assets.

Revaluation method:

Calculation using assessed value of fixed assets stipulated in Article 2, Item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998)

Date of revaluation

March 31, 2002

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Fair value of the revaluated land at end of period less its revaluated book value	(617)	(621)

4. The Company and its two consolidated subsidiaries have signed overdraft and loan commitment agreements with four of their banks to procure working capital efficiently.

The year-end balances of undrawn facilities under the overdraft and loan commitment agreements are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Total amount of overdraft limits and loan commitments	8,879	8,909
Drawn facilities	148	–
Net	8,731	8,909

Consolidated statement of income

*1. The amount of year-end inventory is after the book value is devalued due to the decline in profitability. The following loss on valuation of inventories is included in the cost of sales.

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
	(8)	(151)

*2. Major accounts included in selling, general and administrative expenses and their amounts are as follows:

(1) Selling expenses

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Salaries and allowances	2,671	2,767
Provision for bonuses	133	152
Retirement benefit expenses	23	148
Commission expenses	184	194
Provision of allowance for doubtful accounts	(38)	36

(2) General and administrative expenses

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Salaries and allowances	1,028	969
Provision for bonuses	55	59
Retirement benefit expenses	5	33
Commission expenses	308	299
Research and development expenses	477	475

*3. Total amount of research and development expenses that are included in general and administrative expenses and manufacturing costs during the period is as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
	2,596	2,568

*4. Details of gain on sale of non-current assets are as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Buildings and structures	–	(3)
Land	–	623
Total	–	620

*5. Impairment losses

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

Not applicable.

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

For the fiscal year ended March 31, 2026, the Group recognized impairment losses on the asset groups listed below.

The Group divides the assets in the minimal unit that generates largely independent cash flows based on the classification of managerial accounting. As for idle assets, each individual unit is treated as an asset group.

Regarding Asahi Diamond Industrial Europe SAS, a consolidated subsidiary of the Company, the Group reviewed its business plan for the future in light of the recent business environment. As a result of the review, with regard to the non-current assets held by the subsidiary, it was determined that recoverability of book values of the said asset groups by future cash flows was low. Consequently, the book values of the said asset groups were reduced to the recoverable amounts, and the difference was recorded as an impairment loss under extraordinary losses.

In addition, the book values of idle assets of Asahi Diamond Industrial Co., Ltd. were reduced to recoverable amounts, and the difference was recorded as an impairment loss under extraordinary losses.

(Millions of yen)

Location	Purpose	Type	Impairment loss
France	Business assets	Buildings and structures	1,161
		Machinery, equipment and vehicles	447
		Construction in progress	87
		Other	104
		Intangible assets	0
Chiba, other	Idle assets	Machinery and equipment	119
Total			1,920

The recoverable amounts of these asset groups have been measured using their fair value less costs to sell. Fair value less costs to sell of buildings and structures has been calculated based on their real estate appraisal values, while that of other assets was valued at zero.

Consolidated statement of comprehensive income

*1. Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Valuation difference on available-for-sale securities		
Amount arising during period	(1,308)	2,598
Reclassification adjustments	(1,089)	(781)
Before income taxes and tax effect adjustment	(2,398)	1,816
Income taxes and tax effect	696	(563)
Valuation difference on available-for-sale securities	(1,701)	1,252
Revaluation reserve for land		
Amount arising during period	–	–
Reclassification adjustments	–	–
Before income taxes and tax effect adjustment	–	–
Income taxes and tax effect	(10)	–
Revaluation reserve for land	(10)	–
Foreign currency translation adjustment		
Amount arising during period	811	156
Reclassification adjustments	–	–
Before income taxes and tax effect adjustment	811	156
Income taxes and tax effect	–	–
Foreign currency translation adjustment	811	156
Remeasurements of defined benefit plans		
Amount arising during period	(186)	1,402
Reclassification adjustments	(593)	28
Before income taxes and tax effect adjustment	(780)	1,431
Income taxes and tax effect	239	(456)
Remeasurements of defined benefit plans, net of tax	(540)	974
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during period	157	203
Total other comprehensive income	(1,283)	2,587

Consolidated statement of changes in equity

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

1. Class and total number of issued shares and treasury shares

(Thousand shares)

	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common stock	51,888	–	–	51,888
Total	51,888	–	–	51,888
Treasury shares				
Common stock (Notes)	335	234	34	534
Total	335	234	34	534

Notes: 1. The increase of 234 thousand shares in treasury shares of common stock is an increase of 233 thousand shares due to the purchase of treasury shares based on the resolution of the Board of Directors and an increase of 1 thousand shares due to the purchase of shares less than one unit.

2. The decrease of 34 thousand shares in treasury shares of common stock is 34 thousand shares of the Company delivered or sold, which were held in the trust account of the benefit trust plan for Directors, etc., and a decrease of 0 thousand shares due to the sale of shares less than one unit.

3. The treasury shares of common stock include shares of the Company held in the trust account of the benefit trust plan for Directors, etc. of 321 thousand shares at the beginning of the period and 286 thousand shares at the end of the period.

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 26, 2024	Common stock	778	15	March 31, 2024	June 27, 2024
Board of Directors' meeting held on November 8, 2024	Common stock	778	15	September 30, 2024	December 2, 2024

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 26, 2024 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on November 8, 2024 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan.

(2) Dividends with the reference date in the current fiscal year, but the effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 26, 2025	Common stock	774	Retained earnings	15	March 31, 2025	June 27, 2025

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 26, 2025 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan.

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

1. Class and total number of issued shares and treasury shares

(Thousand shares)

	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common stock (Notes)	51,888	–	3,458	48,430
Total	51,888	–	3,458	48,430
Treasury shares				
Common stock (Notes)	534	3,217	3,458	293
Total	534	3,217	3,458	293

Notes: 1. The decrease of 3,458 thousand shares in issued shares of common stock is a decrease of 3,458 thousand shares due to the cancellation of treasury shares based on the resolution of the Board of Directors.

2. The increase of 3,217 thousand shares in treasury shares of common stock is an increase of 3,215 thousand shares due to the purchase of treasury shares based on the resolution of the Board of Directors and an increase of 1 thousand shares due to the purchase of shares less than one unit.

3. The decrease of 3,458 thousand shares in treasury shares of common stock is a decrease of 3,458 thousand shares due to the cancellation of treasury shares based on the resolution of the Board of Directors and a decrease of 0 thousand shares due to the sale of shares less than one unit.

4. The treasury shares of common stock include shares of the Company held in the trust account of the benefit trust plan for Directors, etc. of 286 thousand shares at the beginning of the period and 286 thousand shares at the end of the period.

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 26, 2025	Common stock	774	15	March 31, 2025	June 27, 2025
Board of Directors' meeting held on November 7, 2025	Common stock	740	15	September 30, 2025	December 1, 2025

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 26, 2025 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan. The total amount of dividends paid based on the resolution at the Board of Directors' meeting held on November 7, 2025 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan.

(2) Dividends with the reference date in the current fiscal year, but the effective date in the following fiscal year

The following is proposed for approval at the Annual General Meeting of Shareholders to be held on June 26, 2026.

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend paid per share (yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on June 26, 2026	Common stock	726	Retained earnings	15	March 31, 2026	June 29, 2026

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders to be held on June 26, 2026 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan.

Consolidated statement of cash flows

*1. The reconciliation of ending balance of cash and cash equivalents with account balances per consolidated balance sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Cash and deposits	14,752	16,077
Short-term investments with a maturity of three (3) months or less from the date of acquisition (Securities)	57	79
Cash and cash equivalents	14,810	16,156

Leases

1. Finance leases

Finance lease transactions that do not transfer ownership

(1) Leased assets

Property, plant and equipment

Mainly includes vehicles (machinery, equipment and vehicles) and OA equipment (tools, furniture and fixtures).

(2) Depreciation of leased assets

Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

2. Operating lease transactions

Future lease payments under non-cancellable operating leases

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Due within 1 year	65	89
Due after 1 year	82	105
Total	147	194

Financial instruments

1. Status of financial instruments

(1) Policies on financial instruments

The Group invests temporary surpluses in highly secure financial assets, and finances necessary funds by bank loans in light of the capital expenditure plan.

(2) Nature and risks of financial instruments

Trade receivables such as notes and accounts receivable - trade are exposed to customers' credit risk. In addition, trade receivables denominated in foreign currencies arising from our global business are exposed to the risk of exchange rate fluctuations. Marketable securities and investment securities mainly comprise stocks of companies with which we have business relationships. Of these, listed stocks are exposed to the risk of market price fluctuations.

Most trade payables such as notes and accounts payable - trade are due within four months. Certain notes and accounts payable - trade are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. However, the amounts of such payables are constantly kept within those of the balances of accounts receivable denominated in the same foreign currencies. Borrowings are mainly for the purpose of financing working capital and investment funds, and their repayment dates are within 10 years at most after the settlement dates.

(3) Risk management system for financial instruments

i. Management of credit risk (risk of non-performance by counterparties)

The Company manages trade receivables on a regular basis, with each sales department and accounting department checking the status such as the due dates and balances for each major customer in order to quickly grasp and reduce the collection concerns due to deterioration of financial conditions. Our consolidated subsidiaries manage trade receivables in the same way as the Company.

The maximum credit risk amount as of the consolidated balance sheet date for the current period is the balance sheet amount of financial assets with credit risk.

ii. Management of market risk (risk of exchange rate and interest rate fluctuations)

The Company regularly assesses the market value and financial conditions of the issuers (business partners) of marketable securities and investment securities, and continuously reviews the holding status of securities in consideration of relationship with business partners.

iii. Management of liquidity risk in financing (risk of being unable to make payments on due dates)

The Company manages liquidity risk in a way that the accounting department, based on reports from each department, prepares and updates cash flow plans in a timely manner to ensure the necessary liquidity on hand.

(4) Supplementary explanation on fair value of financial instruments

Because certain assumptions on fluctuations are used in the calculation of the fair value of financial instruments, the value may vary if different assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount and fair value of financial instruments and their differences are as follows:

As of March 31, 2025

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Marketable securities and investment securities i. Available-for-sale securities	4,138	4,138	–
Total assets	4,138	4,138	–

*1. Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and income taxes payable are omitted because they are cash and are settled within a short period of time, that is, their fair value approximates their book value.

*2. Equity securities without market price, etc. are not included in "(1) Marketable securities and investment securities."
The consolidated balance sheet amount of those securities is as follows:

Classification	Consolidated balance sheet amount (millions of yen)
Unlisted shares	6,696

As of March 31, 2026

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Marketable securities and investment securities i. Available-for-sale securities	5,752	5,752	–
Total assets	5,752	5,752	–
(1) Long-term borrowings	4,500	4,439	(60)
Total liabilities	4,500	4,439	(60)

*1. Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and income taxes payable are omitted because they are cash and are settled within a short period of time, that is, their fair value approximates their book value.

*2. Equity securities without market price, etc. are not included in "(1) Marketable securities and investment securities."
The consolidated balance sheet amount of those securities is as follows:

Classification	Consolidated balance sheet amount (millions of yen)
Unlisted shares	7,579

Note: 1 Redemption schedule of monetary receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	14,752	–	–	–
Notes and accounts receivable - trade	10,038	–	–	–
Marketable securities and investment securities				
Held-to-maturity debt securities (bonds)	–	–	–	–
Available-for-sale securities with maturity dates	–	–	–	–
Total	24,791	–	–	–

As of March 31, 2026

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	16,077	–	–	–
Notes and accounts receivable - trade	10,757	–	–	–
Marketable securities and investment securities				
Held-to-maturity debt securities (bonds)	–	–	–	–
Available-for-sale securities with maturity dates	–	–	–	–
Total	26,834	–	–	–

Note: 2 Repayment schedule of long-term borrowings, lease obligations, and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Short-term borrowings	234	–	–	–	–	–
Long-term borrowings	–	–	–	2,000	–	–
Lease obligations	62	48	39	26	8	–
Total	297	48	39	2,026	8	–

As of March 31, 2026

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Short-term borrowings	44	–	–	–	–	–
Long-term borrowings	–	276	2,276	276	276	1,396
Lease obligations	65	47	39	19	6	1
Total	110	323	2,315	295	282	1,397

3. Breakdown of financial instruments by level of fair value

Financial instruments measured at fair value are categorized into the following three levels according to observability and significance of input used in measurement.

Level 1: Fair value measured using observable inputs of the assets or liabilities subject to calculation at quoted prices in active markets

Level 2: Fair value determined using observable inputs other than Level 1

Level 3: Fair value determined using valuation techniques based on unobservable inputs

When multiple inputs are used to measure fair value, fair value levels are determined based on the lowest level input that is significant to the entire fair value measurement.

(1) Financial assets and financial liabilities that are recorded on the consolidated balance sheet at fair value

As of March 31, 2025

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities Available-for-sale securities	4,081	57	–	4,138
Total assets	4,081	57	–	4,138

As of March 31, 2026

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities Available-for-sale securities	5,672	79	–	5,752
Total assets	5,672	79	–	5,752

(2) Financial assets and financial liabilities that are not recorded on the consolidated balance sheet at fair value

As of March 31, 2025

Not applicable.

As of March 31, 2026

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	4,439	–	4,439
Total liabilities	–	4,439	–	4,439

Note: Valuation techniques and inputs used to calculate fair value

Marketable securities and investment securities

The fair values of listed stocks for which active markets exist are categorized into Level 1 as they are determined based on market prices. Certificates of deposit are categorized into Level 2 as they are rarely traded in the market and are not recognized as measured at quoted prices in active markets.

Long-term borrowings

The fair values of long-term borrowings are calculated using present value obtained by discounting the total amount of principal and interest at an interest rate that would apply to a new borrowing of similar size and terms, and are categorized into Level 2.

Securities

1. Available-for-sale securities

As of March 31, 2025

(Millions of yen)

Classification	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds the acquisition cost	i. Equity securities	3,982	1,053	2,928
	ii. Debt securities	–	–	–
	iii. Other	–	–	–
	Subtotal	3,982	1,053	2,928
Securities whose consolidated balance sheet amount does not exceed the acquisition cost	i. Equity securities	99	107	(7)
	ii. Debt securities	–	–	–
	iii. Other	–	–	–
	Subtotal	99	107	(7)
Total		4,081	1,161	2,920

Note: The above available-for-sale securities do not include unlisted shares (consolidated balance sheet amount of ¥6,696 million) and certificates of deposit (consolidated balance sheet amount of ¥57 million) because unlisted shares do not have market price and certificates of deposit are comparable to deposits.

As of March 31, 2026

(Millions of yen)

Classification	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds the acquisition cost	i. Equity securities	5,672	935	4,736
	ii. Debt securities	–	–	–
	iii. Other	–	–	–
	Subtotal	5,672	935	4,736
Securities whose consolidated balance sheet amount does not exceed the acquisition cost	i. Equity securities	–	–	–
	ii. Debt securities	–	–	–
	iii. Other	–	–	–
	Subtotal	–	–	–
Total		5,672	935	4,736

Note: The above available-for-sale securities do not include unlisted shares (consolidated balance sheet amount of ¥7,579 million) and certificates of deposit (consolidated balance sheet amount of ¥79 million) because unlisted shares do not have market price and certificates of deposit are comparable to deposits.

2. Available-for-sale securities sold

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
i. Equity securities	1,207	730	1
ii. Debt securities	–	–	–
iii. Other	–	–	–
Total	1,207	730	1

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
i. Equity securities	1,545	1,304	–
ii. Debt securities	–	–	–
iii. Other	–	–	–
Total	1,545	1,304	–

Retirement benefits

1. Overview of adopted retirement benefit plans

The Company and some of its consolidated subsidiaries operate defined benefit corporate pension plans and retirement lump-sum payment plans as defined benefit plans. Some domestic consolidated subsidiaries have set retirement lump-sum payment plans combining small and medium-sized enterprise retirement allowance cooperative system, and apply the simplified method to calculate retirement benefit liability and retirement benefit expenses where retirement benefit liability is estimated at an amount to be required at the year-end for voluntary termination. Retirement benefit trusts are set up as part of plan assets. Some overseas consolidated subsidiaries have defined contribution pension plans in addition to defined benefit plans.

In addition, when an employee retires, the Company may provide an extra retirement payment that is not covered by the retirement benefit obligation by actuarial calculation based on the retirement benefit accounting.

2. Defined benefit plan

(1) Reconciliation of opening and closing balances of retirement benefit obligation (excluding plans using the simplified method)

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Retirement benefit obligations at beginning of period	12,265	11,884
Service cost	554	544
Interest cost	96	105
Actuarial gains and losses incurred	76	(1,056)
Retirement benefits paid	(1,142)	(1,162)
Past service cost incurred	(26)	–
Other	60	42
Retirement benefit obligations at end of period	11,884	10,357

(2) Reconciliation of opening and closing balances of plan assets (excluding plans using the simplified method)

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Plan assets at beginning of period	9,540	8,744
Expected return on plan assets	104	177
Actuarial gains and losses incurred	(133)	382
Contributions from employer	1,210	741
Decrease due to termination of retirement benefit trust	(894)	(646)
Retirement benefits paid	(1,132)	(1,186)
Other	51	28
Plan assets at end of period	8,744	8,241

Note: The Company has set up a retirement benefit trust.

(3) Reconciliation of opening and closing balances of retirement benefit liability under the plans using the simplified method

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Retirement benefit liability at beginning of period	19	48
Retirement benefit expenses	33	12
Retirement benefits paid	–	(0)
Contribution to plan	(5)	(5)
Other	1	1
Retirement benefit liability at end of period	48	56

(4) Reconciliation of the ending balances of retirement benefit obligations and plan assets, and the net retirement benefit liability recorded in the consolidated balance sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Funded retirement benefit obligations	12,034	10,522
Plan assets	(8,846)	(8,349)
Net retirement benefit liability recorded in consolidated balance sheet	3,188	2,173
Retirement benefit liability	3,188	2,173
Net retirement benefit liability recorded in consolidated balance sheet	3,188	2,173

Note: The above includes the plans using the simplified method.

(5) Retirement benefit expenses and components thereof

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Service cost	554	544
Interest cost	96	105
Expected return on plan assets	(104)	(177)
Amortization of actuarial gains and losses	(411)	212
Amortization of past service cost	(183)	(183)
Retirement benefit expenses calculated using the simplified method	33	12
Retirement benefit expenses related to the defined benefit plan	(14)	513

(6) Remeasurements of defined benefit plans

The components reported under remeasurements of defined benefit plans (before income taxes and tax effect) are as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Past service cost	(157)	(183)
Actuarial gains and losses	(622)	1,615
Total	(780)	1,431

(7) Accumulated remeasurements of defined benefit plans

The components reported under accumulated remeasurements of defined benefit plans (before income taxes and tax effect) are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Unrecognized past service cost	1,474	1,290
Unrecognized actuarial gains and losses	(212)	1,402
Total	1,261	2,693

(8) Plan assets

i. Major components of plan assets

The percentages of the major asset categories accounting for the total plan assets were as follows:

(%)

	As of March 31, 2025	As of March 31, 2026
Debt securities	21.1	23.7
Equity securities	14.1	27.4
General account	33.1	32.8
Cash and deposits	10.8	9.1
Other	20.9	7.0
Total	100.0	100.0

Note: Of the total plan assets, retirement benefit trusts established for the corporate pension plan accounts for 12% in the previous fiscal year and 5% in the current fiscal year.

ii. Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, we take into account the current and projected distribution of plan assets and the current and anticipated long-term yield rates of the various assets that constitute the plan assets.

(9) Assumptions for actuarial calculations

Key assumptions for major actuarial calculations (representing weighted averages) at end of period

(%)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Discount rate	Mainly 0.8	Mainly 0.9
Long-term expected rate of return on plan assets	Mainly 1.1	Mainly 2.0

Note: Expected salary growth is not presented because the Company has applied the point system for its retirement benefit plan and therefore does not use expected salary growth in actuarial calculation.

3. Defined contribution plans

The amounts of required contributions to the defined contribution plans of some consolidated subsidiaries for the fiscal years ended March 31, 2025 and 2026 were ¥47 million and ¥46 million, respectively.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets:		
Provision for bonuses	211	244
Allowance for doubtful accounts	125	33
Provision for business restructuring	54	4
Retirement benefit liability	953	663
Retirement benefit trust	345	143
Loss on valuation of inventories	182	228
Deferred profits on inventories	104	106
Non-deductible accrued enterprise tax	26	79
Impairment loss on non-current assets	222	731
Tax loss carried forward (Note)	389	601
Other	298	275
Subtotal of deferred tax assets	2,913	3,113
Valuation allowance for tax loss carried forward (Note)	(338)	(588)
Valuation allowance for future deductible temporary differences	(297)	(770)
Subtotal of valuation allowance	(635)	(1,358)
Total deferred tax assets	2,278	1,754
Deferred tax liabilities:		
Retained earnings of foreign subsidiaries	(360)	(371)
Valuation difference on available-for-sale securities	(907)	(1,471)
Other	(71)	(81)
Total deferred tax liabilities	(1,339)	(1,924)
Deferred tax assets (liabilities), net	938	(169)

In addition to those above, major components of deferred tax liabilities related to land revaluation recorded as deferred tax liabilities for land revaluation are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets:		
Deferred tax assets related to land revaluation	190	190
Valuation allowance	(190)	(190)
Total deferred tax assets	–	–
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(360)	(360)
Total deferred tax liabilities	(360)	(360)
Deferred tax liabilities, net	(360)	(360)

Note: Expiration of tax loss carried forward, the related valuation allowances and the resulting net deferred tax assets

As of March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carried forward *1	–	–	–	3	1	384	389
Valuation allowance	–	–	–	–	–	(338)	(338)
Deferred tax assets	–	–	–	3	1	46	*2 51

*1. Tax loss carried forward were calculated by applying the effective statutory tax rate.

*2. Deferred tax assets of ¥51 million were recognized for tax loss carried forward of ¥389 million (calculated by applying the effective statutory tax rate). The deferred tax assets of ¥51 million were recognized for a part of tax loss carried forward of ¥389 million (calculated by applying the effective statutory tax rate) of the Company's consolidated subsidiaries, which the Company expects collectible considering the prospect of future taxable income.

As of March 31, 2026

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carried forward *1	–	–	–	–	–	601	601
Valuation allowance	–	–	–	–	–	(588)	(588)
Deferred tax assets	–	–	–	–	–	13	*2 13

*1. Tax loss carried forward were calculated by applying the effective statutory tax rate.

*2. Deferred tax assets of ¥13 million were recognized for tax loss carried forward of ¥601 million (calculated by applying the effective statutory tax rate). The deferred tax assets of ¥13 million were recognized for a part of tax loss carried forward of ¥601 million (calculated by applying the effective statutory tax rate) of the Company's consolidated subsidiaries, which the Company expects collectible considering the prospect of future taxable income.

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

(%)

	As of March 31, 2025	As of March 31, 2026
Effective statutory tax rate	30.3	30.3
Adjustments:		
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.3	0.3
Non-taxable dividends received	(0.3)	(0.2)
Share of profit of entities accounted for using equity method	(2.6)	(1.8)
Inhabitant tax-per capita	1.1	1.2
Tax rate differences with foreign subsidiaries	(0.4)	1.7
Tax credits on experimentation and research expenses, etc.	(2.4)	(8.6)
Foreign tax	0.6	1.1
Valuation allowance	2.5	15.7
Impact of change in tax rate	(1.6)	(0.5)
Other	2.3	(0.4)
Actual effective tax rate after applying tax effect accounting	29.8	38.8

Asset retirement obligations

Asset retirement obligations included in consolidated balance sheet

(1) Overview of asset retirement obligations

Among the asset retirement obligations are the obligation to restore the leased properties to the original state according to the real estate lease agreement.

(2) Calculation method for asset retirement obligations

The expected usage period of 7 months to 56 years from the start of the contract, and the discount rate of 0.00 to 4.00% are used to calculate the amount of asset retirement obligations.

(3) Increase (decrease) in the total amount of asset retirement obligations

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Balance at beginning of period	62	84
Increase due to incurrence of asset retirement obligations	20	138
Reconciliation associated with passage of time	1	2
Decrease due to settlement of asset retirement obligations	–	(4)
Balance at end of period	84	220

(4) Changes in the estimated amount of asset retirement obligations

Details are as stated in “Notes to Consolidated Financial Statements, Changes in accounting estimates, Asset retirement obligations.”

Revenue recognition

1. The breakdown of revenue from contracts with customers is as follows:

The Company and its consolidated subsidiaries are engaged in manufacturing and sales of diamond tools. The breakdown of revenue from contracts with customers by industry is as follows:

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Industry					Total
	Electronics and Semiconductor	Transportation	Machinery	Stone and Construction	Other	
Net sales	16,667	9,692	9,430	3,975	1,240	41,006

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Industry					Total
	Electronics and Semiconductor	Transportation	Machinery	Stone and Construction	Other	
Net sales	16,978	9,632	10,373	3,885	1,113	41,983

2. Basic information for understanding revenue

The Company and its consolidated subsidiaries manufacture and sell diamond tools, etc., and have performance obligations of delivering merchandise and finished goods based on sales contracts with customers. The performance obligations are considered to be satisfied at the point when control over assets is transferred to the customer, and the revenue is recognized at such point.

For domestic sales, revenue is recognized mainly at the time of shipment because the control over merchandise and finished goods is transferred to the customer in usual period of time from the shipment to the transfer. It is recognized at an amount that the Company expects to be entitled to receive in exchange for the merchandise and finished goods.

If the Company and its consolidated subsidiaries are involved in sales as agents, revenue is recorded at a net amount obtained by deducting the amount paid to the supplier from the total amount of consideration received from the customer.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the subsequent fiscal years from contracts with customers that existed at the end of the current fiscal year

(1) Balance of contract liabilities, etc.

There is no relevant information on contract assets arising from contracts with customers. The information is omitted because the consolidated balance sheet amount of contract liabilities is immaterial.

(2) Transaction price allocated to remaining performance obligations

The information on transaction prices allocated to remaining performance obligations is omitted because the Company and its consolidated subsidiaries do not have material contracts with an initially expected contract period of more than one year.

Segment information, etc.

Segment information

The information is omitted because the Group operates a single segment of manufacturing and sales of diamond tools, and ancillary business to it.

Information on reportable segments

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

1. Information by product and service

The information is omitted because revenue from external customers for a single product or service category accounts for more than 90% of net sales in the consolidated statement of income.

2. Information by region

(1) Revenue from external customers

(Millions of yen)

Japan	Asia and Oceania			Europe	North America	Other	Total
	Taiwan	China	Other				
18,217	3,111	4,275	6,535	4,514	2,869	1,482	41,006

Note: Revenue is classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Other	Total
23,855	1,634	3,355	28,845

3. Information for main customers

The information is omitted because no external customer accounts for 10% or more of revenue in the consolidated statement of income.

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

1. Information by product and service

The information is omitted because revenue from external customers for a single product or service category accounts for more than 90% of net sales in the consolidated statement of income.

2. Information by region

(1) Revenue from external customers

(Millions of yen)

Japan	Asia and Oceania			Europe	North America	Other	Total
	Taiwan	China	Other				
19,512	2,889	4,928	6,819	4,330	2,172	1,331	41,983

Note: Revenue is classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Other	Total
22,924	1,616	1,902	26,443

3. Information for main customers

The information is omitted because no external customer accounts for 10% or more of revenue in the consolidated statement of income.

Impairment loss on non-current assets for each reportable segment

The information is omitted because the Group operates a single segment of manufacturing and sales of diamond tools, and the related ancillary business to it.

Amortization and unamortized balance of goodwill for each reportable segment

The information is omitted because the Group operates a single segment of manufacturing and sales of diamond tools, and the related ancillary business to it.

Gain on bargain purchase for each reportable segment

Not applicable.

Related parties

Not applicable.

Per share information

Net assets per share and basic earnings per share and their calculation basis are as follows:

Item	As of March 31, 2025	As of March 31, 2026
(1) Net assets per share	1,200.54 yen	1,292.35 yen
Calculation basis:		
Total net assets (millions of yen)	63,579	64,133
Deductions from total net assets (millions of yen)	1,927	1,924
[of which, non-controlling interests (millions of yen)]	[1,927]	[1,924]
Net assets applicable to common stock at end of period (millions of yen)	61,652	62,209
Number of shares of common stock at end of period used for the calculation of net assets per share (thousand shares)	51,353	48,136

Item	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
(2) Basic earnings per share	48.36 yen	40.92 yen
Calculation basis:		
Profit attributable to owners of parent (millions of yen)	2,493	2,009
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent applicable to common stock (millions of yen)	2,493	2,009
Average number of shares of common stock during the period (thousand shares)	51,556	49,118

Notes: 1. The information related to diluted earnings per share is omitted because there are no residual shares.

2. The Company has introduced a stock compensation plan and recorded the shares held by the trust under the plan as treasury shares in the consolidated financial statements. Shares of the Company held by the said trust are included in the treasury shares, which are to be deducted from issued shares at end of period for calculating net assets per share or from the average number of shares of common stock during the period for calculating basic earnings per share. The number of treasury shares held by the trust at the end of the period and the average number of such shares during the period were 286 thousand and 286 thousand shares, respectively, for the current fiscal year, and 286 thousand and 298 thousand shares, respectively, for the previous year.

v. Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable.

Annexed consolidated detailed schedule of borrowings

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	234	44	3.07	–
Current portion of long-term borrowings	–	–	–	–
Current portion of lease obligations	62	65	–	–
Long-term borrowings (excluding current portion)	2,000	4,500	1.54	2027–2036
Lease obligations (excluding current portion)	122	114	–	2027–2031
Total	2,420	4,724	–	–

Notes: 1. The average interest rate is the weighted-average rate applicable to the ending balances of borrowings.
The average interest rate of lease obligations is omitted because lease obligations are recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest which is included in the total lease payments.

2. The repayment schedule of long-term borrowings (excluding the current portion) and lease obligations (excluding the current portion) within 5 years after the consolidated balance sheet date are as follows:

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	276	2,276	276	276
Lease obligations	47	39	19	6

Annexed consolidated schedule of asset retirement obligations

In accordance with Article 92-2 of the Regulation on Consolidated Financial Statements, the information is omitted, as the beginning and ending balances of asset retirement obligations for the fiscal year ended March 31, 2026 were 1% or less of the total amount of liabilities and net assets at the beginning and end of the fiscal year.

(2) Other information

Semiannual results for the fiscal year ended March 31, 2026

	Half year	Full year
Net sales (millions of yen)	20,479	41,983
Profit before income taxes (millions of yen)	2,008	3,378
Profit attributable to owners of parent (millions of yen)	1,519	2,009
Basic earnings per share (yen)	30.44	40.92

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

i. Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	7,009	8,163
Notes receivable - trade	2,001	2,006
Accounts receivable - trade	*1 6,044	*1 6,824
Merchandise and finished goods	2,135	2,109
Work in process	962	1,094
Raw materials and supplies	1,956	2,328
Accounts receivable - other	*1 847	*1 553
Other	215	1,291
Allowance for doubtful accounts	(9)	(1,064)
Total current assets	21,163	23,306
Non-current assets		
Property, plant and equipment		
Buildings	*3 10,293	*3 10,258
Structures	379	337
Machinery and equipment	4,753	4,093
Vehicles	4	2
Tools, furniture and fixtures	797	608
Land	*3 5,907	*3 5,907
Leased assets	144	122
Construction in progress	28	184
Total property, plant and equipment	22,309	21,516
Intangible assets		
Software	73	85
Other	122	794
Total intangible assets	196	879
Investments and other assets		
Investment securities	4,025	5,584
Shares of subsidiaries and associates	5,050	5,050
Long-term loans receivable	*1 2,457	*1 2,560
Deferred tax assets	1,285	833
Guarantee deposits	365	512
Other	116	112
Allowance for doubtful accounts	(10)	(665)
Total investments and other assets	13,290	13,988
Total non-current assets	35,795	36,384
Total assets	56,959	59,691

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	*1 1,142	*1 1,351
Accounts payable - other	*1 1,493	*1 1,174
Accrued expenses	246	289
Income taxes payable	107	932
Deposits received	134	160
Provision for bonuses	587	654
Asset retirement obligations	–	161
Other	53	48
Total current liabilities	3,765	4,773
Non-current liabilities		
Long-term borrowings	2,000	4,500
Provision for retirement benefits	4,379	4,977
Deferred tax liabilities for land revaluation	360	360
Asset retirement obligations	66	44
Provision for share awards	174	213
Other	138	124
Total non-current liabilities	7,119	10,220
Total liabilities	10,885	14,994
Net assets		
Shareholders' equity		
Share capital	4,102	4,102
Capital surplus		
Legal capital surplus	7,129	7,129
Other capital surplus	0	–
Total capital surplus	7,129	7,129
Retained earnings		
Legal retained earnings	1,025	1,025
Other retained earnings		
Reserve for technical research	350	350
General reserve	25,000	25,000
Retained earnings brought forward	6,692	3,877
Total retained earnings	33,067	30,252
Treasury shares	(423)	(217)
Total shareholders' equity	43,875	41,266
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,012	3,244
Revaluation reserve for land	185	185
Total valuation and translation adjustments	2,198	3,430
Total net assets	46,074	44,697
Total liabilities and net assets	56,959	59,691

ii. Non-consolidated statement of income

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Net sales	*1 30,554	*1 32,175
Cost of sales	*1 23,568	*1 24,549
Gross profit	6,986	7,626
Selling, general and administrative expenses	*1, *2 5,547	*1, *2 5,956
Operating profit	1,438	1,669
Non-operating income		
Interest income	*1 70	*1 137
Dividend income	*1 636	*1 987
Foreign exchange gains	–	506
Rental income from real estate	72	74
Subsidy income	28	26
Miscellaneous income	*1 31	*1 17
Total non-operating income	839	1,750
Non-operating expenses		
Interest expenses	5	25
Foreign exchange losses	21	–
Commission expenses	0	7
Administrative expenses on real estate	45	48
Miscellaneous losses	2	10
Total non-operating expenses	76	91
Ordinary profit	2,201	3,328
Extraordinary income		
Gain on sale of investment securities	730	1,304
Total extraordinary income	730	1,304
Extraordinary losses		
Loss on sale of investment securities	1	–
Loss on valuation of shares of subsidiaries and associates	–	*3 500
Provision of allowance for doubtful accounts for subsidiaries and associates	–	*4 1,708
Impairment losses	–	*5 119
Total extraordinary losses	1	2,328
Profit before income taxes	2,930	2,304
Income taxes - current	301	1,010
Income taxes - deferred	339	(101)
Total income taxes	641	908
Profit	2,289	1,395

Schedule of cost of goods manufactured

		Fiscal 2024 (from April 1, 2024 to March 31, 2025)		Fiscal 2025 (from April 1, 2025 to March 31, 2026)	
Classification	Note	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
I. Materials cost		6,147	32.2	6,331	31.8
II. Labor cost	*1	7,133	37.4	7,722	38.8
III. Manufacturing overhead cost	*2	5,798	30.4	5,833	29.3
Total manufacturing costs		19,080	100.0	19,888	100.0
Beginning work in process inventory		1,014		962	
Purchase of semi-finished goods		740		627	
Total		20,835		21,478	
Ending work in process inventory		962		1,094	
Cost of goods manufactured	*3	19,872		20,383	

*1 Major components of labor cost are as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Salaries and allowances	5,655	5,777
Provision for bonuses	401	442
Retirement benefit expenses	(7)	388
Other	1,084	1,114
Total	7,133	7,722

*2 Major components of manufacturing overhead cost are as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Outsourced processing expenses	1,142	1,204
Depreciation	2,151	2,259
Other	2,505	2,370
Total	5,798	5,833

*3 Reconciliation of cost of goods manufactured and cost of sales

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Cost of goods manufactured	19,872	20,383
Beginning finished goods inventory	1,911	1,942
Beginning merchandise inventory	206	193
Purchase of finished goods	3,434	3,913
Cost of purchased goods	850	731
Transfer from other account	8	5
Total	26,284	27,170
Transfer to other accounts	580	511
Ending finished goods inventory	1,942	1,923
Ending merchandise inventory	193	185
Cost of sales	23,568	24,549

Cost accounting method

The Company uses a job costing system to track production costs. During the period, finished goods were evaluated based on the planned price, and the cost difference was adjusted by allocating to the cost of sales, finished goods and work in process at the end of the period.

iii. Non-consolidated statement of changes in equity

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for technical research	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	4,102	7,129	–	7,129	1,025	350	25,000	5,958	32,334
Changes during period									
Dividends of surplus								(1,556)	(1,556)
Profit								2,289	2,289
Purchase of treasury shares									
Disposal of treasury shares			0	0					
Cancellation of treasury shares									
Net changes in items other than shareholders' equity									
Total changes during period	–	–	0	0	–	–	–	733	733
Balance at end of period	4,102	7,129	0	7,129	1,025	350	25,000	6,692	33,067

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(248)	43,317	3,705	196	3,901	47,219
Changes during period						
Dividends of surplus		(1,556)				(1,556)
Profit		2,289				2,289
Purchase of treasury shares	(201)	(201)				(201)
Disposal of treasury shares	25	25				25
Cancellation of treasury shares		–				–
Net changes in items other than shareholders' equity			(1,692)	(10)	(1,702)	(1,702)
Total changes during period	(175)	557	(1,692)	(10)	(1,702)	(1,145)
Balance at end of period	(423)	43,875	2,012	185	2,198	46,074

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for technical research	General reserve	Retained earnings brought forward	
Balance at beginning of period	4,102	7,129	0	7,129	1,025	350	25,000	6,692	33,067
Changes during period									
Dividends of surplus								(1,514)	(1,514)
Profit								1,395	1,395
Purchase of treasury shares									
Disposal of treasury shares			(0)	(0)				0	0
Cancellation of treasury shares								(2,696)	(2,696)
Net changes in items other than shareholders' equity									
Total changes during period	–	–	(0)	(0)	–	–	–	(2,815)	(2,815)
Balance at end of period	4,102	7,129	–	7,129	1,025	350	25,000	3,877	30,252

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(423)	43,875	2,012	185	2,198	46,074
Changes during period						
Dividends of surplus		(1,514)				(1,514)
Profit		1,395				1,395
Purchase of treasury shares	(2,489)	(2,489)				(2,489)
Disposal of treasury shares	0	0				0
Cancellation of treasury shares	2,696	–				–
Net changes in items other than shareholders' equity			1,231	–	1,231	1,231
Total changes during period	206	(2,608)	1,231	–	1,231	(1,376)
Balance at end of period	(217)	41,266	3,244	185	3,430	44,697

Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Valuation standards and methods for securities

i. Held-to-maturity debt securities:

Stated at amortized cost (straight-line method).

ii. Shares of subsidiaries and associates:

Stated at cost using the moving-average method.

iii. Available-for-sale securities:

a. Other than equity or marketable securities without market price:

Stated at fair value using the market value method (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

b. Equity or marketable securities without market price:

Stated at cost using the moving-average method.

2. Valuation standards and methods for inventories

Inventories are stated at cost (with book value written down for balance sheet, based on any decline in profitability).

Merchandise and finished goods:	Stated at cost using the specific identification method.
Work in process:	Stated at cost using the specific identification method.
Raw materials and supplies:	Stated at cost using the moving-average method.

3. Method of depreciation of non-current assets

i. Property, plant and equipment (excluding leased assets)

Property, plant and equipment (excluding leased assets) are stated at cost using the declining-balance method. However, buildings (except for facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis. The principal useful lives are as follows:

Buildings and structures:	5 to 50 years
Machinery, equipment and vehicles:	4 to 9 years

ii. Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized on a straight-line basis. The internal use software is depreciated using the straight-line method based on the predetermined useful life (5 years).

iii. Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

4. Accounting standards for provisions

i. Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectibility of individual receivables for doubtful accounts and certain other receivables.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, provision for bonuses is recorded based on the estimated amount to be paid.

iii. Provision for retirement benefits

To provide for the payment of retirement benefits to employees, provision for retirement benefits is recorded at an amount accrued at the end of the current fiscal year, based on the estimated amounts of retirement benefit obligations and plan assets as of that date.

・Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

・Method of accounting for actuarial gains and losses and past service cost

Actuarial gains and losses are collectively recorded as an expense in the following fiscal year. Past service cost is recorded as an expense on a straight-line basis over a certain period of years (10 years) within the average remaining years of service of employees at the time of accrual.

iv. Provision for share awards

To provide for delivery of shares of the Company to Directors and Executive Officers who meet the beneficiary requirements of the stock compensation plan, provision for share awards is recorded based on the estimated amount of stock benefit obligations at the end of the current fiscal year.

5. Accounting standards for recording revenue and expenses

The Company is engaged in manufacturing and sales of diamond tools, etc., and has performance obligations of delivering merchandise and finished goods based on sales contracts with customers. The performance obligations are considered to be satisfied at the point when control over assets is transferred to the customer, and the revenue is recognized at such point.

For domestic sales, revenue is recognized mainly at the time of shipment because the control over merchandise and finished goods is transferred to the customer in usual period of time from the shipment to the transfer. It is recognized at an amount that the Company expects to be entitled to receive in exchange for the merchandise and finished goods.

If the Company is involved in sales as an agent, revenue is recorded as a net amount obtained by deducting the amount paid to the supplier from the total amount of consideration received from the customer.

6. Other significant information for preparation of financial statements

Accounting policy for retirement benefits

The accounting policy for unrecognized actuarial gains and losses and unrecognized past service cost related to retirement benefits differs from that of the consolidated financial statements.

Significant accounting estimates

Valuation of investments in and financing to subsidiaries and associates

(1) Amount recorded in the non-consolidated financial statements of the current fiscal year

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Shares of subsidiaries and associates	5,050	5,050
Loss on valuation of shares of subsidiaries and associates	–	500
Short-term loans receivable from subsidiaries and associates	55	1,105
Long-term loans receivable from subsidiaries and associates	2,457	2,560

(2) Information on the significant accounting estimates of the identified items

i. Calculation method for the amount recorded in the non-consolidated financial statements of the current fiscal year

Shares of subsidiaries and associates without market price are recorded on the balance sheet at acquisition prices. If the real value of these shares calculated using financial figures at the end of the most recent period drops significantly from the acquisition prices, the amounts are written down accordingly, except where there are sufficient evidence in support of their recoverability, and the valuation difference is recognized as a loss in the current fiscal year.

Collectibility of loans receivable from subsidiaries and associates whose financial positions have weakened is evaluated in accordance with the “Notes to Non-consolidated Financial Statements, Significant accounting policies, 4. Accounting standards for provisions,” and the amount of estimated uncollectible receivables is recorded under allowance for doubtful accounts.

As of the end of the current fiscal year, the real value of shares of Asahi Diamond Industrial Europe SAS, a consolidated subsidiary of the Company, had fallen substantially owing to the recognition of impairment losses on non-current assets and other factors. Consequently, a loss on valuation of shares of subsidiaries and associates of ¥500 million was recorded under extraordinary losses. Taking the said company's financial position and other factors into consideration, ¥1,055 million has been recorded for short-term loans receivable and ¥653 million for long-term loans receivable from the said company as estimated uncollectible receivables under allowance for doubtful accounts.

ii. Key assumptions used in the calculation of the amount recorded in the non-consolidated financial statements of the current fiscal year

Collectibility of loans receivable from a subsidiary or associate is tested by evaluating its business plan and other elements based on net asset and other financial data. With regard to loans receivable from subsidiaries and associates which had negative net worth as of the end of the current fiscal year, the amounts of estimated uncollectible receivables were calculated taking into consideration the collectibility of individual receivables based on their net assets, and such amounts are recorded under allowance for doubtful accounts.

iii. Impact on the non-consolidated financial statements of the following fiscal year

If the financial position deteriorates further due to changes in business environment or other factors in the future, it may be necessary to record an additional loss.

Changes in accounting estimates

Asset retirement obligations

Regarding the asset retirement obligations recorded for the costs associated with the obligation to restore the leased properties to the original state under the real estate lease agreement, the estimated costs of restoration as of the end of the current fiscal year has been changed based on new information received concerning requirements at the time of leaving. Due to this change, ¥138 million has been added to the balance of asset retirement obligations before the change, and profit before income taxes for the fiscal year ended March 31, 2026 decreased by ¥59 million.

Non-consolidated balance sheet

*1. Monetary receivables from and payables to subsidiaries and associates

The amounts of monetary receivables from and payables to subsidiaries and associates other than those presented as separate lines are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Short-term monetary receivables	1,935	3,001
Long-term monetary receivables	2,457	2,560
Short-term monetary payables	410	479

2. Guarantee obligations

We provide debt guarantees for borrowings of Asahi Diamond Industrial Europe SAS, a consolidated subsidiary, from financial institutions.

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Balance of guarantee obligations (amount drawn from borrowing facilities)	–	–
Limit of guarantees for borrowings (limit of borrowing facilities)	EUR 2,500 thousand	EUR 2,500 thousand

We also provide debt guarantees for borrowings of Asahi Diamond America, Inc., a consolidated subsidiary, from financial institutions.

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Balance of guarantee obligations (amount drawn from borrowing facilities)	–	–
Limit of guarantees for borrowings (limit of borrowing facilities)	–	US$5,000 thousand

*3. Book value reduction of property, plant and equipment

Subsidy income related to a factory invitation ordinance is deducted from the land acquisition cost.

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Land	640	640
Buildings	0	0
Total	641	641

4. Overdraft agreements

The Company has signed overdraft agreements with four of its banks to procure working capital efficiently.

The balances of undrawn facilities under the overdraft agreements at the end of the period are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Total overdraft limits	8,000	8,000
Drawn facilities	–	–
Net	8,000	8,000

Non-consolidated statement of income

*1. Total amounts of operating transactions and non-operating transactions with subsidiaries and associates are as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Net sales	6,676	6,691
Purchases	4,481	4,839
Selling, general and administrative expenses	527	533
Non-operating transactions (revenue)	639	1,065

*2. Major items of selling, general and administrative expenses and their amounts and approximate composition are as follows:

(Millions of yen)

	Fiscal 2024 (from April 1, 2024 to March 31, 2025)	Fiscal 2025 (from April 1, 2025 to March 31, 2026)
Salaries and allowances	1,757	1,763
Provision for bonuses	185	211
Retirement benefit expenses	(18)	199
Commission expenses	296	290
Sales commission	665	653
Provision of allowance for doubtful accounts	(3)	1
Depreciation	70	120
Ratio of selling expenses in expenses (%)	62.4	61.6
Ratio of general and administrative expenses in expenses (%)	37.6	38.4

*3. Loss on valuation of shares of subsidiaries and associates

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

Not applicable.

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

For the fiscal year ended March 31, 2026, the Company recorded ¥500 million in loss on valuation of the shares of Asahi Diamond Industrial Europe SAS, a subsidiary.

*4. Provision of allowance for doubtful accounts for subsidiaries and associates

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

Not applicable.

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

For the fiscal year ended March 31, 2026, the Company recorded ¥1,708 million in provision of allowance for doubtful accounts for subsidiaries and associates concerning loans receivable from Asahi Diamond Industrial Europe SAS, a subsidiary.

*5. Impairment losses

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

Not applicable.

Fiscal 2025 (from April 1, 2025 to March 31, 2026)

For the fiscal year ended March 31, 2026, the Company recognized impairment losses on the asset groups listed below.

The Company divides the assets in the minimal unit that generates largely independent cash flows based on the classification of managerial accounting. As for idle assets, each individual unit is treated as an asset group.

In addition, the book values of idle assets of Asahi Diamond Industrial Co., Ltd. were reduced to recoverable amounts, and the difference was recorded as impairment losses under extraordinary losses.

(Millions of yen)

Location	Purpose	Type	Impairment losses
Chiba, other	Idle assets	Machinery and equipment	119

The recoverable amount of this asset group has been measured using its fair value less costs to sell. Fair value less costs to sell was valued at zero.

Securities

As of March 31, 2025

The fair value of shares of subsidiaries and associates is not shown because their market prices are not available.

The non-consolidated balance sheet amounts of shares of subsidiaries and associates whose market prices are not available are as follows:

(Millions of yen)

Classification	As of March 31, 2025
Shares of subsidiaries	4,443
Shares of associates	607
Total	5,050

As of March 31, 2026

The fair value of shares of subsidiaries and associates is not shown because their market prices are not available.

The non-consolidated balance sheet amounts of shares of subsidiaries and associates whose market prices are not available are as follows:

(Millions of yen)

Classification	As of March 31, 2026
Shares of subsidiaries	3,942
Shares of associates	1,107
Total	5,050

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets:		
Provision for bonuses	177	204
Provision for retirement benefits	1,366	1,552
Retirement benefit trust	345	143
Loss on valuation of inventories	121	144
Impairment loss on non-current assets	207	226
Other	207	977
Subtotal of deferred tax assets	2,425	3,249
Valuation allowance for future deductible temporary differences	(232)	(954)
Subtotal of valuation allowance	(232)	(954)
Total deferred tax assets	2,192	2,294
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(907)	(1,460)
Total deferred tax liabilities	(907)	(1,460)
Deferred tax assets, net	1,285	833

In addition to those above, major components of deferred tax liabilities related to land revaluation recorded as deferred tax liabilities for land revaluation are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets:		
Deferred tax assets related to land revaluation	190	190
Valuation allowance	(190)	(190)
Total deferred tax assets	–	–
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(360)	(360)
Total deferred tax liabilities	(360)	(360)
Deferred tax liabilities, net	(360)	(360)

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

(%)

	As of March 31, 2025	As of March 31, 2026
Effective statutory tax rate	30.3	30.3
Adjustments:		
Inhabitant tax per-capita, etc.	1.4	1.8
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.3	0.5
Income not taxable for income tax purposes (e.g., dividend income)	(5.3)	(11.4)
Tax credits on experimentation and research expenses, etc.	(3.0)	(11.9)
Foreign tax	0.7	1.6
Valuation allowance	(0.1)	31.3
Impact of change in tax rate	(2.0)	(1.5)
Other	(0.4)	(1.3)
Actual effective tax rate after applying tax effect accounting	21.9	39.4

Revenue recognition

Basic information for understanding revenue from contracts with customers is omitted because the content is identical to that in "Notes to Consolidated Financial Statements, Revenue recognition."

iv. Annexed consolidated detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Depreciation and amortization for the period	Balance at end of period	Accumulated depreciation	Acquisition cost at end of period
Property, plant and equipment							
Buildings	10,293	766	8	792	10,258	12,799	23,058
Structures	379	4	1	44	337	1,469	1,807
Machinery and equipment	4,753	725	128	1,257	4,093	20,848	24,941
			<119>				
Vehicles	4	–	0	1	2	18	21
Tools, furniture and fixtures	797	190	0	379	608	4,041	4,650
Land	5,907	–	–	–	5,907	–	5,907
	[546]				[546]		[546]
Leased assets	144	36	9	49	122	124	247
Construction in progress	28	256	100	–	184	–	184
Total property, plant and equipment	22,309	1,979	248	2,523	21,516	39,302	60,819
			<119>				
Intangible assets							
Software	73	44	0	33	85		
Other	122	671	–	0	794		
Total intangible assets	196	716	0	33	879		

Notes: 1. The increase during period is mainly attributable to the following:

Facilities incidental to buildings	Mie Factory	¥348 million
Machinery and equipment	Mie Factory	¥319 million
Construction in progress	Mie Factory	¥148 million

2. The figures shown in angled brackets of decrease during period represent the amounts recorded as impairment losses.

3. The figures shown in square brackets of land balances at the beginning and end of the current period represent differences with the book value before the revaluation of land for business use performed pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998).

Annexed schedule of provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period		Balance at end of period
			Intended use	Other	
Allowance for doubtful accounts	20	1,720	–	10	1,730
Provision for bonuses	587	654	587	–	654
Provision for share awards	174	38	–	–	213

Note: The other of the decrease in allowance for doubtful accounts during the period consists of a decrease of ¥6 million due to reversal entries based on the historical rate of credit loss for general receivables, etc. and a reversal of ¥3 million due to collection.

(2) Components of major assets and liabilities

The information is omitted because the Group has prepared the consolidated financial statements.

(3) Other information

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
General Meeting of Shareholders	June
Reference date	March 31
Reference date of dividends of surplus	September 30 and March 31
Number of shares per trading unit	100 shares
Purchase or sale of shares of less than one unit	
Handling office	(Special account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Transfer Agent	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	–
Trade commissions	Separately specified amount corresponding to share trading brokerage fees
Public notification method	The Company uses electronic methods for public notification. However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notification will be made through the Nikkei newspaper. The URL for public notification by the Company is as follows: https://www.asahidia.co.jp/en/
Special benefits for shareholders	Not applicable.

Note: Based on the provisions of the Company’s Articles of Incorporation, shareholders holding shares less than one unit cannot exercise their rights except the rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act, the rights to receive allotment of shares for subscription and allotment of share acquisition rights for subscription based on the number of shares held by the shareholder, and the rights to request sale of shares less than one unit.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents:

(1)	Annual Securities Report, attached document thereof and Confirmation Letter	For the 106th fiscal year	(From April 1, 2024 to March 31, 2025)	Submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2025.
(2)	Internal Control Report	For the 106th fiscal year	(From April 1, 2024 to March 31, 2025)	Submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2025.
(3)	Semiannual Securities Report and Confirmation Letter	For the first half of the 107th fiscal year	(From April 1, 2025 to September 30, 2025)	Submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2025.
(4)	Extraordinary Report An Extraordinary Report prepared pursuant to the provisions of Article 19, Paragraph 2, (ix)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (result of the resolution made at the General Meeting of Shareholders)			Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2025.
(5)	Share Buyback Report			Submitted to the Director-General of the Kanto Local Finance Bureau on the following dates: July 4, 2025 August 8, 2025 September 9, 2025 October 10, 2025 November 7, 2025 December 8, 2025 January 9, 2026

Section 2. Information about Reporting Company's Guarantors, etc.

Not applicable.