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2nd quarter of the Fiscal Year ending March 2024

# Financial results briefing

November 22, 2023

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Asahi Diamond Industrial Co., Ltd.

**01**

**FY2023 2Q Financial Results**

02

FY2023 Forecasts

03

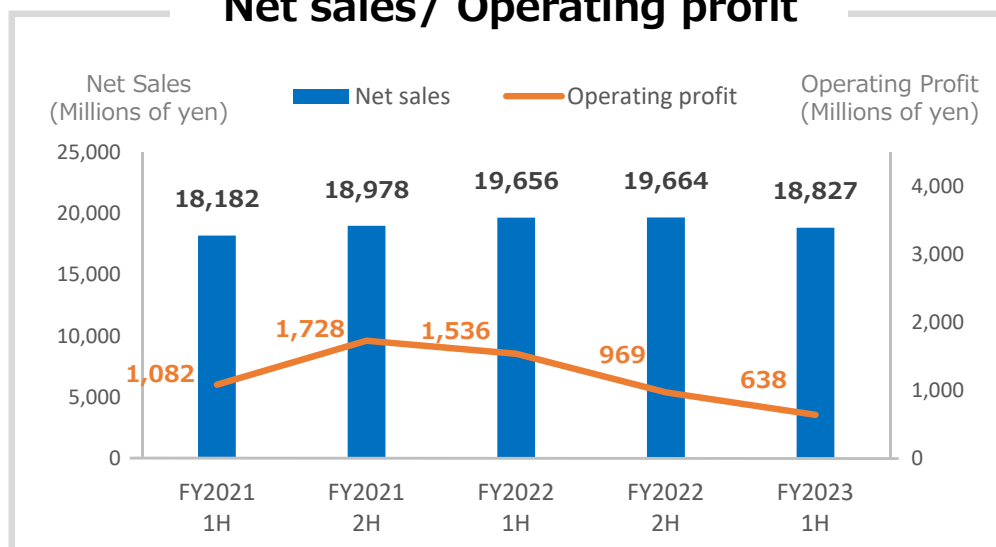
Mid-term management plan progress

# Financial Results (Consolidated)

Unit:Millions of yen

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

## Net sales/ Operating profit



## Operating profit (YoY change)

### Decrease Factors

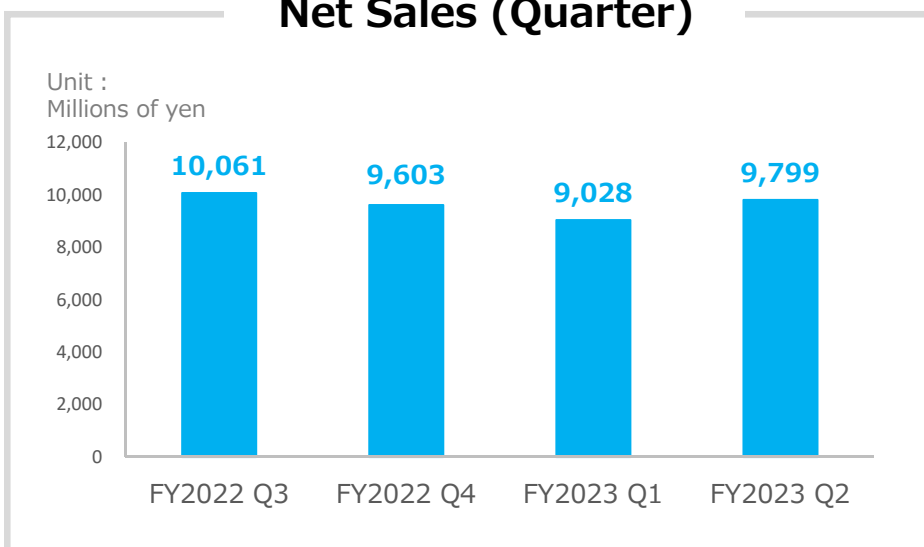
- Decrease in sales 553million yen
- Increase in manufacturing costs and SG&A expenses, including factory reorganization costs 400million yen

# Quarterly trends and results (consolidated)

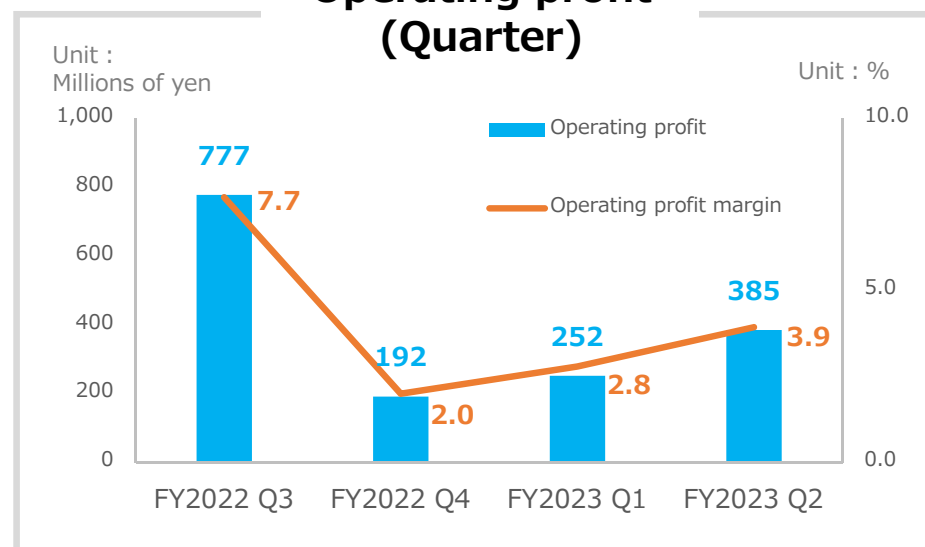
Unit:Millions of yen

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

### Net Sales (Quarter)



### Operating profit (Quarter)

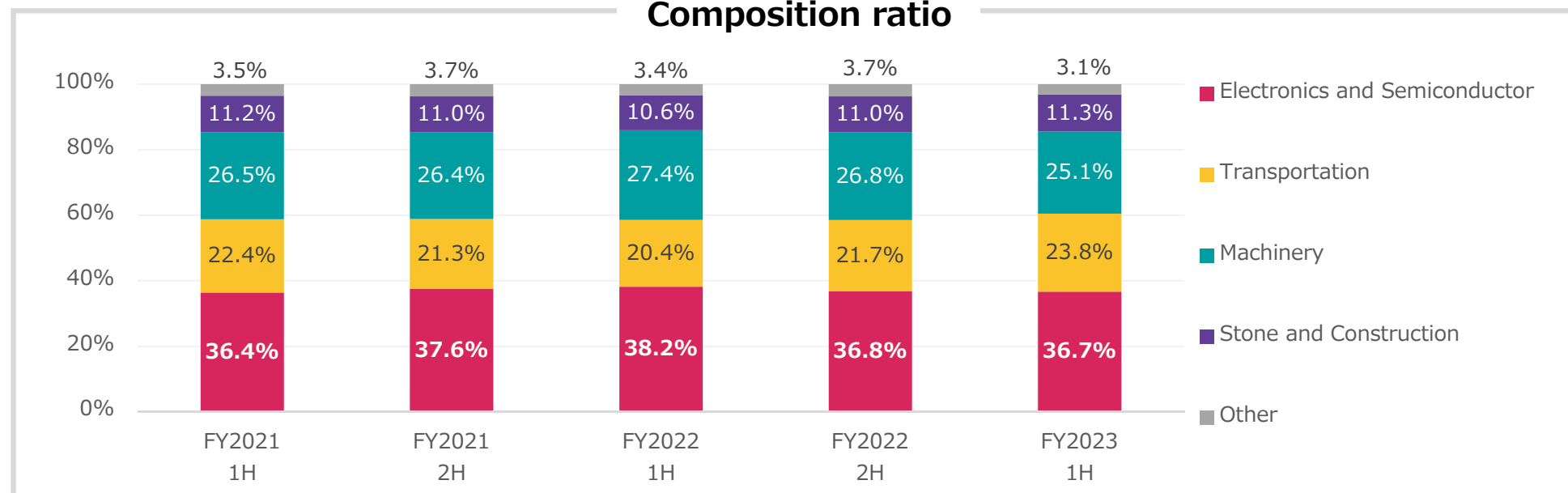


# Net Sales and Composition by Industry (Consolidated)

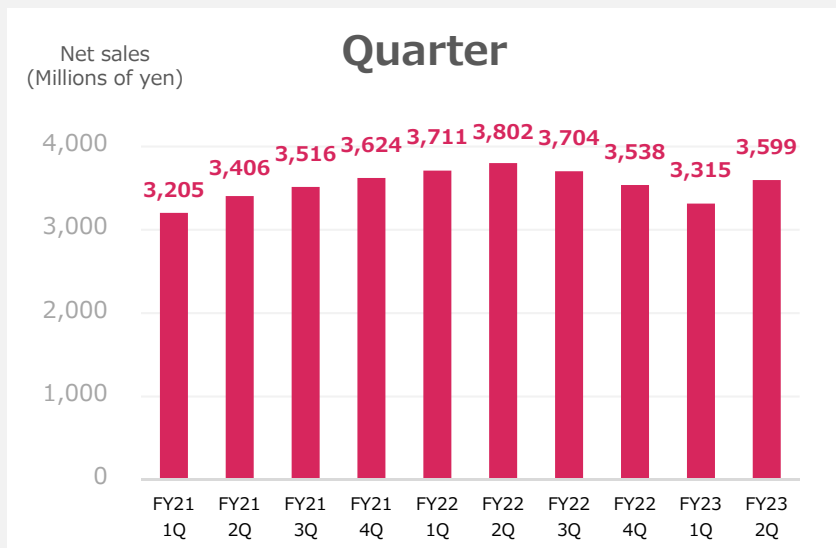
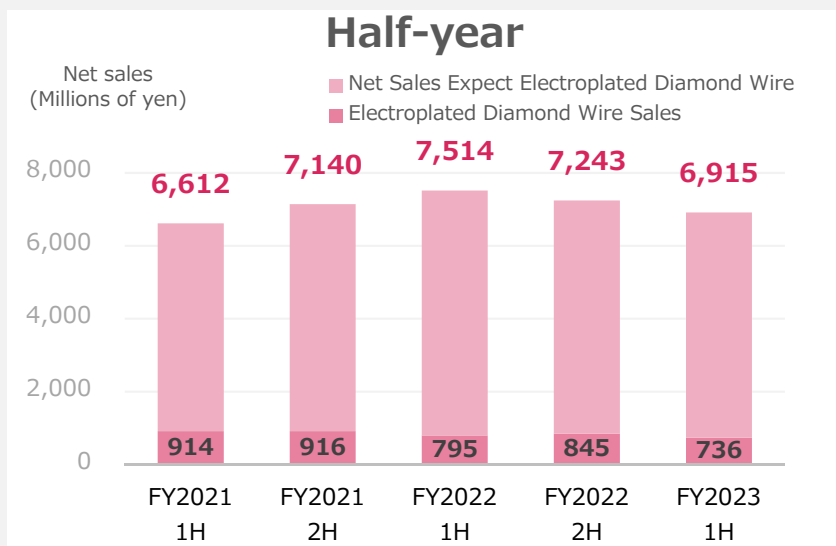
Unit:Millions of yen

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

## Composition ratio



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



## Semiconductor and Electronic Component

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

## FPD(Flat Panel Display)

Sales decreased due to sluggish demand for major customers

## Wire Drawing Die

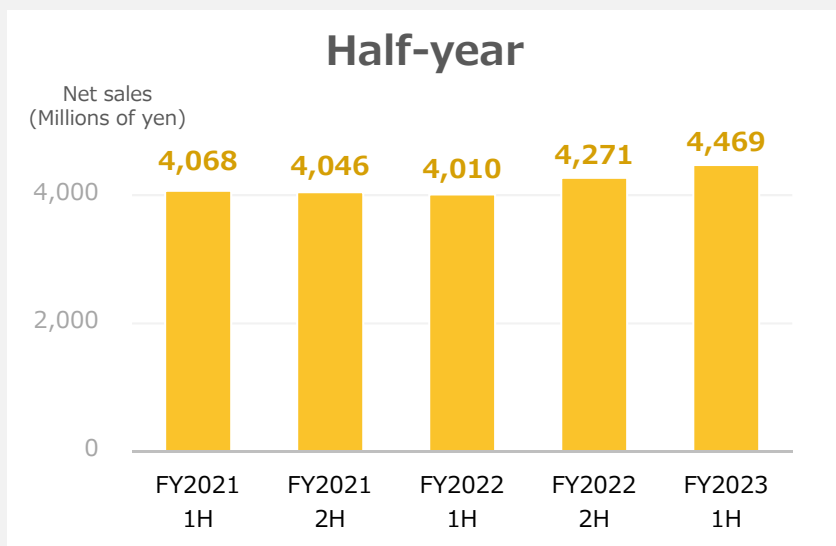
Sales decreased slightly due to sluggish demand for semiconductors

## Electrodeposited Diamond Wire

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

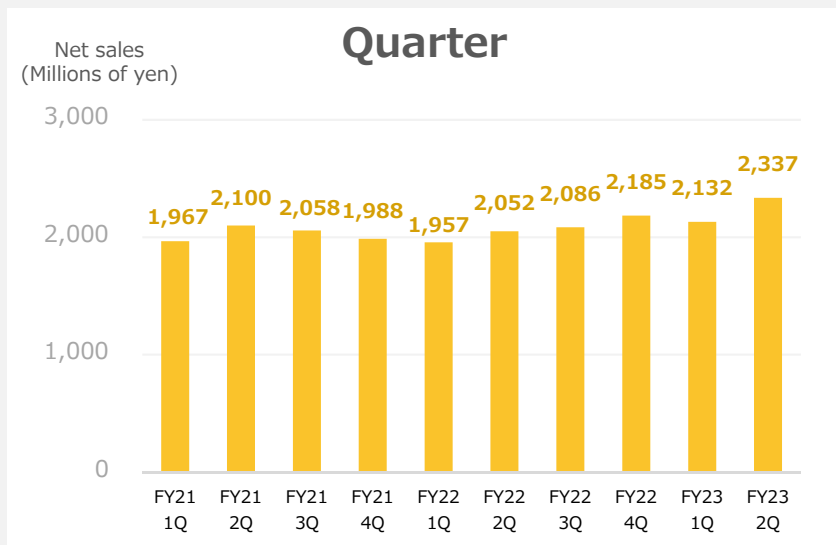
※SiC: Silicon carbide

# Net Sales Breakdown by Industry : 2. Transportation



## Automobile

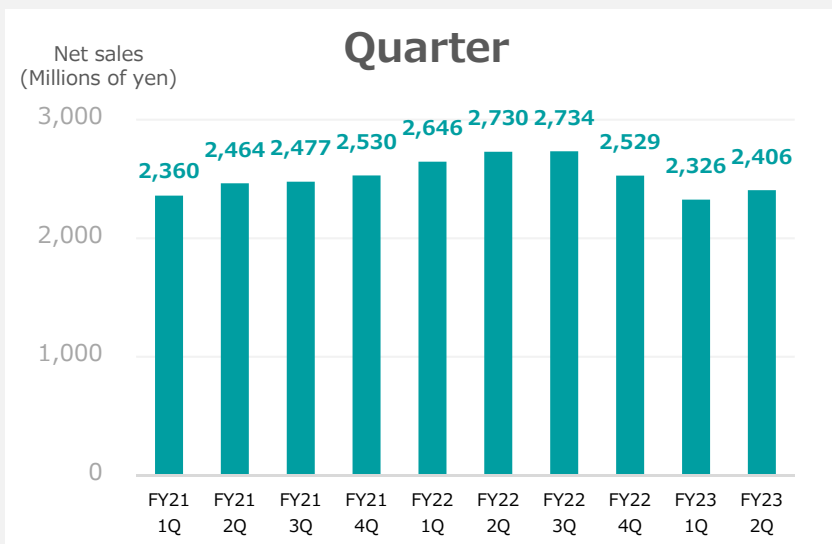
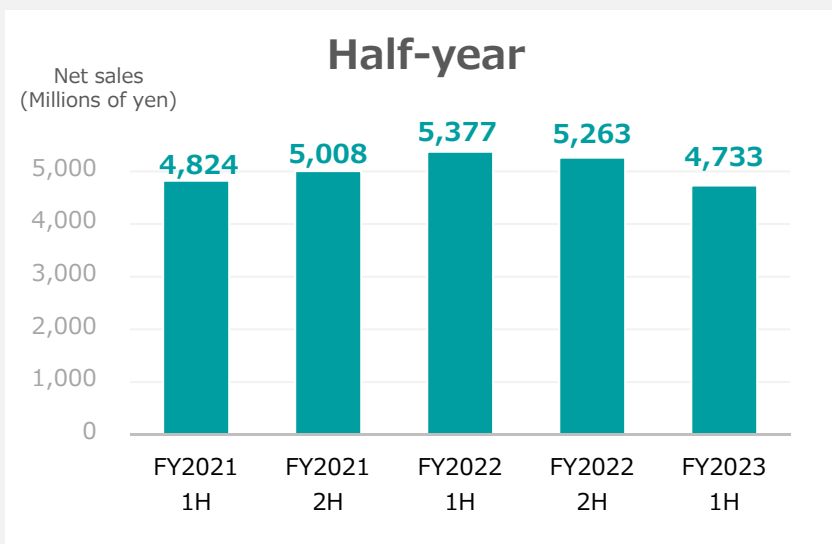
Sales of related tools increased due to recovery of automobile production as semiconductor shortage was resolved



## Aircraft

Sales of related tools increased as demand recovered

# Net Sales Breakdown by Industry : 3. Machinery



## Bearing

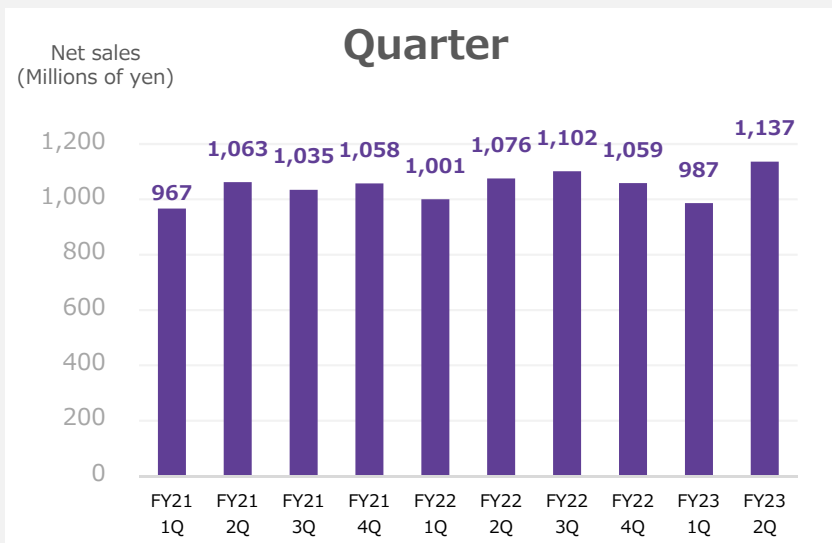
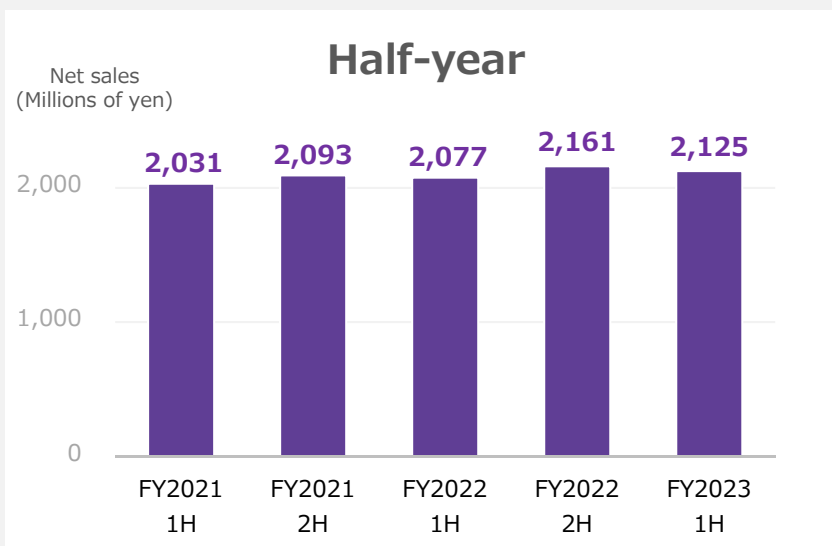
Sales to bearing manufacturers decreased due to sluggish demand for machine tools, etc.

## Cemented Carbide Tool

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



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



## Resource Exploration

Sales increased due to steady growth in overseas markets

## Construction in Japan

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

## Commercial Product (Portable Cutter)

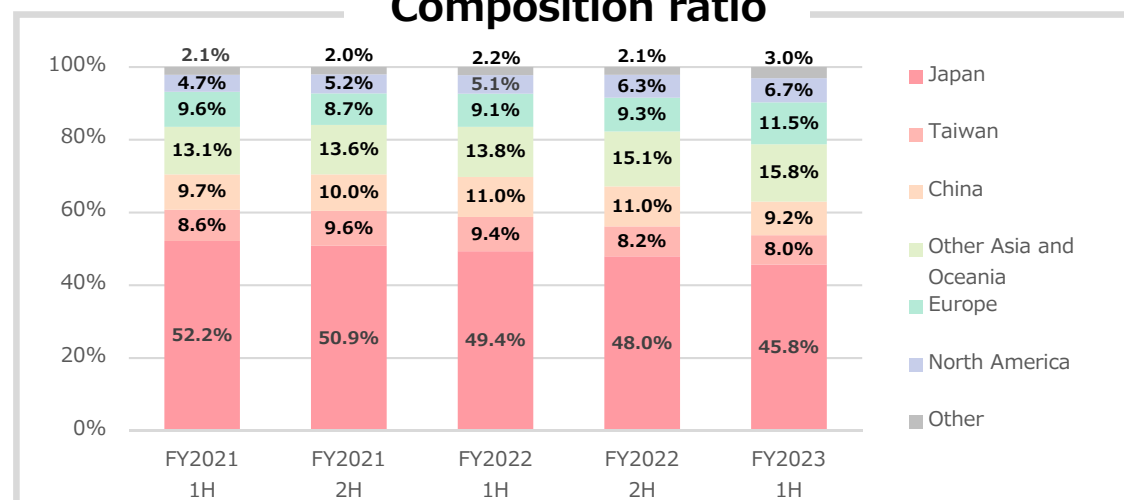
Sales decreased due to sluggish demand in Japan and overseas

# Net Sales Breakdown by Geographical Region (Consolidated)

Unit:Millions of yen

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

## Composition ratio



### Japan

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

### China

Sales of mainly in "Electronics and Semiconductor" decreased

### Europe & North America

Sales of mainly in "Electronics and Semiconductor" and "Transportation" increased

# Consolidated Balance Sheet

Unit: Millions of yen

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

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

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

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

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

01 | FY2023 2Q Financial Results

**02 | FY2023 Forecasts**

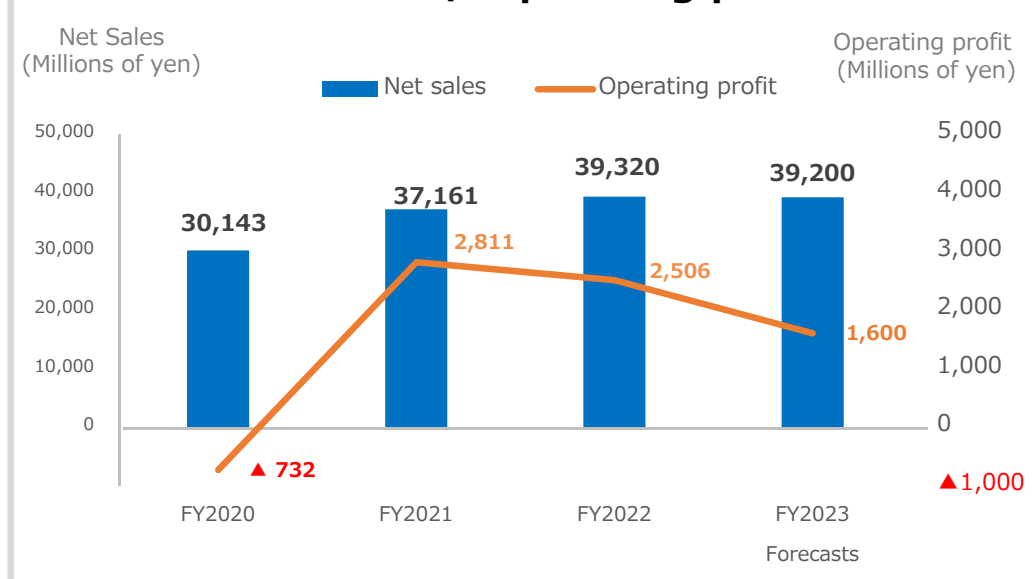
03 | Mid-term management plan progress

# Outline of Forecasts (Consolidated)

Unit : Millions of yen

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

## Net sales / Operating profit



## Operating profit (YoY change)

### Decrease Factors

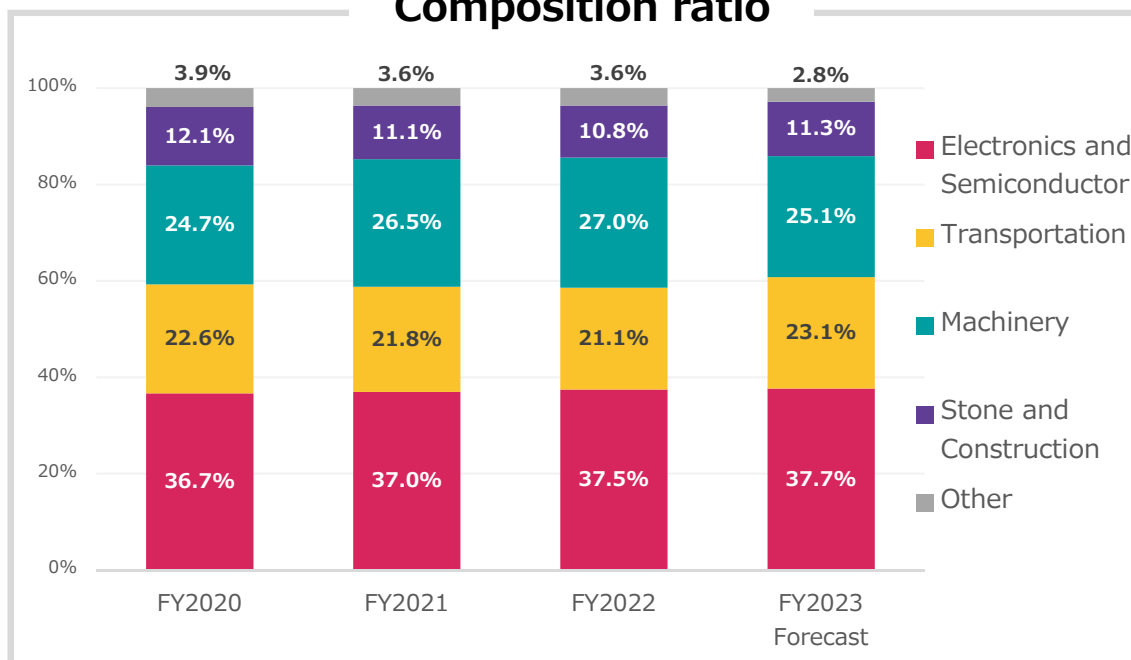
- Increase in depreciation and amortization 100million yen
- Increase in factory reorganization expenses and other manufacturing expenses and SG&A expenses 1,080million yen

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

Unit : Millions of yen

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

## Composition ratio



### Electronics and Semiconductor

Increase in tools for power semiconductors

### Transportation

Increase due to steady automobile production

### Machinery

Decrease due to sluggish market for machine tools

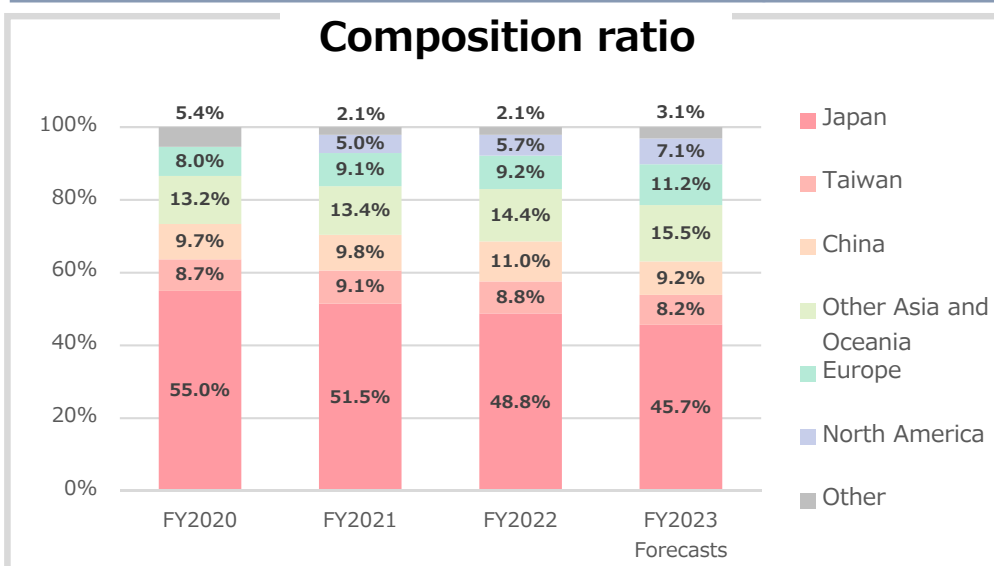
### Stone and Construction

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

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

Unit : Millions of yen

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



## Japan

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

## China

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

## Europe & North America

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

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

01 | FY2023 2Q Financial Results

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**03 | Mid-term management plan progress**



# What lies beyond the Mid-term Management Plan 2025

▼ Our aim in "VISION2030" ▼

**Top global niche manufacturer**  
**supporting the world through innovation**

Three elements to achieve

**Strengthening  
of  
brand power**

**Sales expansion through  
market penetration**

**Focus on growth  
sectors/areas of  
expertise**

**Effective use of  
management resources**

**Proactive  
Product  
Development**

**Stay one step ahead  
of customer needs**

## Three Key Measures for Business Growth

**1**

**Semiconductor**

**2**

**Management  
Foundation**

**3**

**Optimize  
Resources**

# Progress on Priority Themes of Mid-Term Management Plan 2025

## Focus on semiconductor segment

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

### ▶ Development and Manufacturing

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

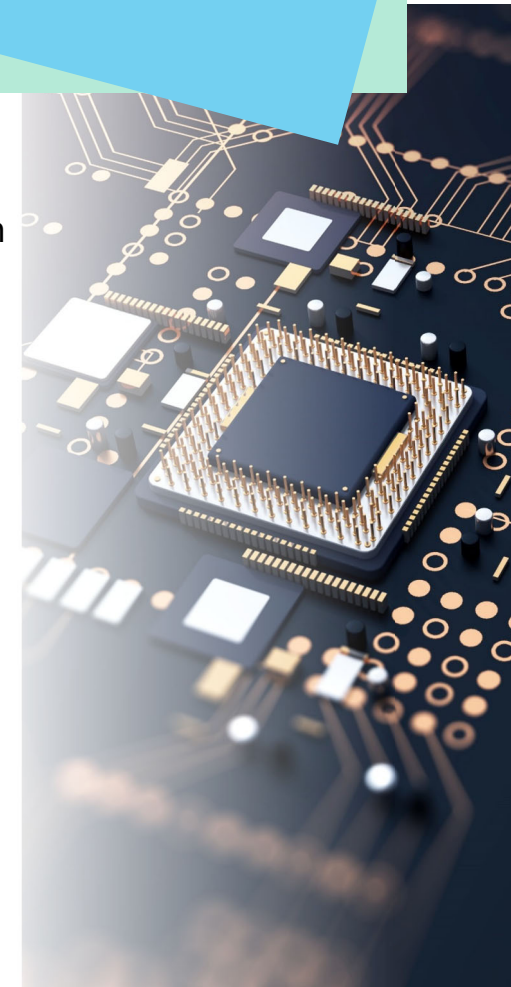
### ▶ Sales

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

### ▶ Status of 5 Focused Products in the Electronic and Semiconductor Segment

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

1

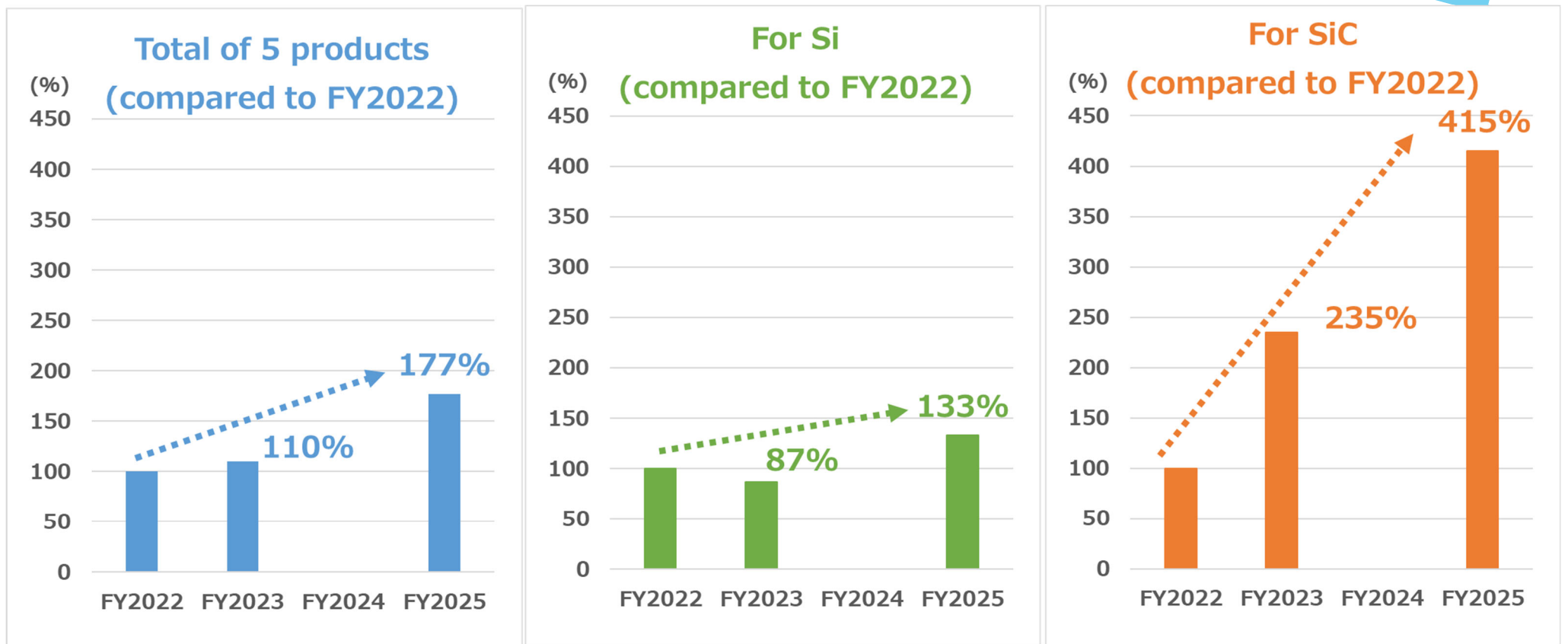


# Progress on Priority Themes of Mid-Term Management Plan 2025

## Focus on semiconductor segment

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

1

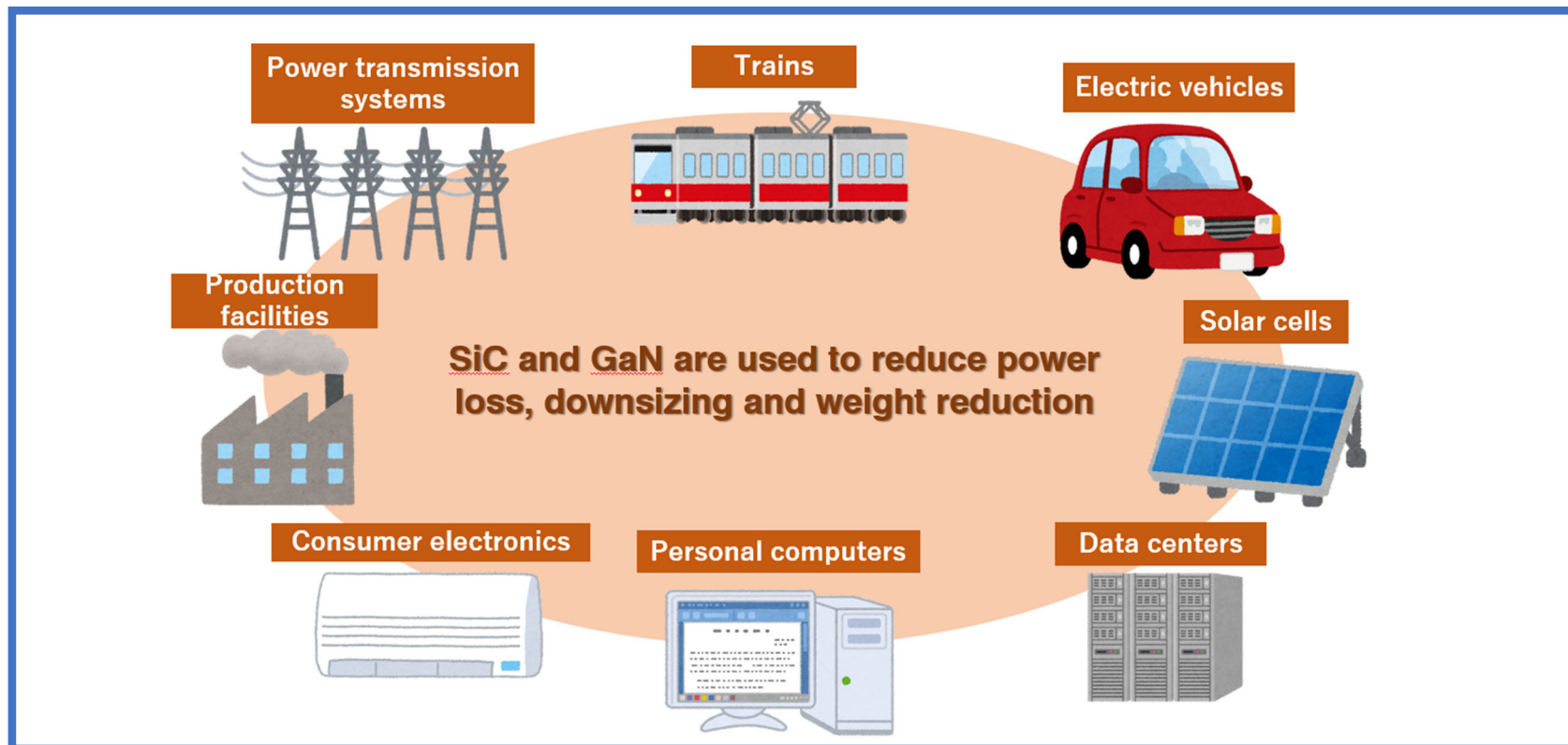


# Why SiC power semiconductors are increasing?

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

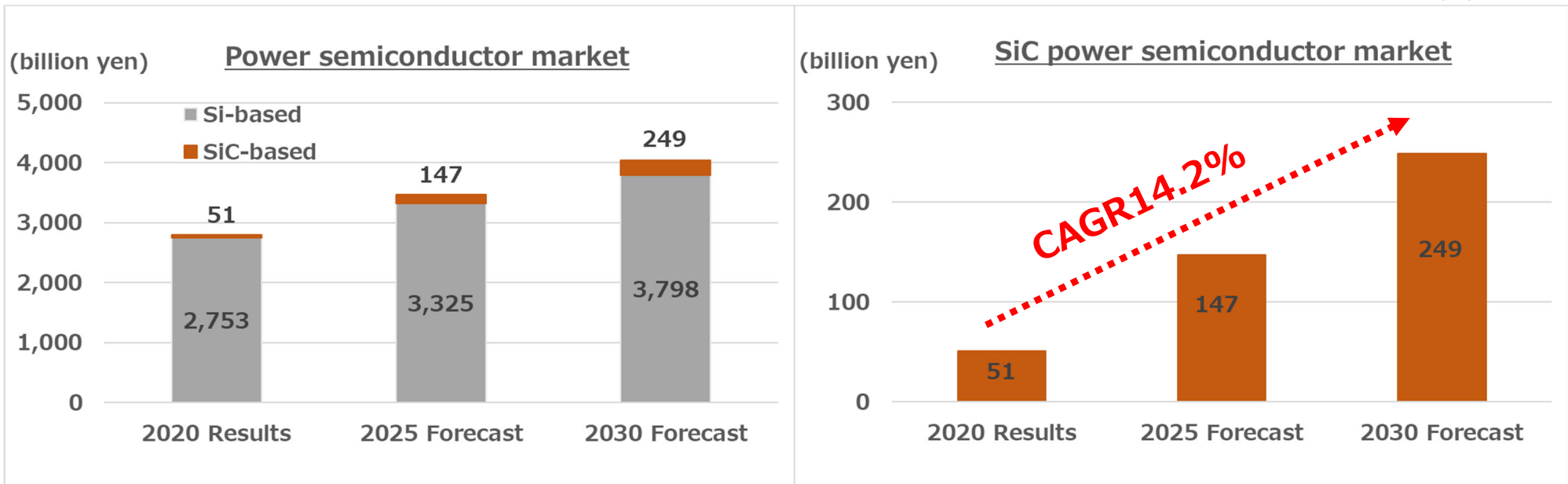
When Si power semiconductors are replaced by SiC and GaN power semiconductors,

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



# Power Semiconductors Market

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



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

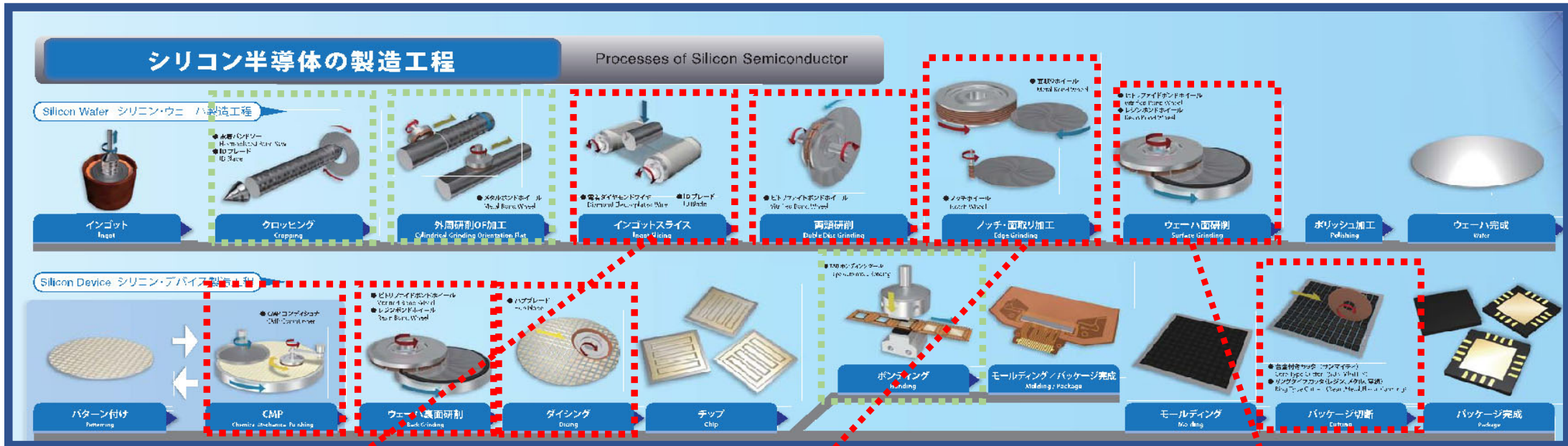
What makes the SiC power semiconductor market use a lot of diamond tools?

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

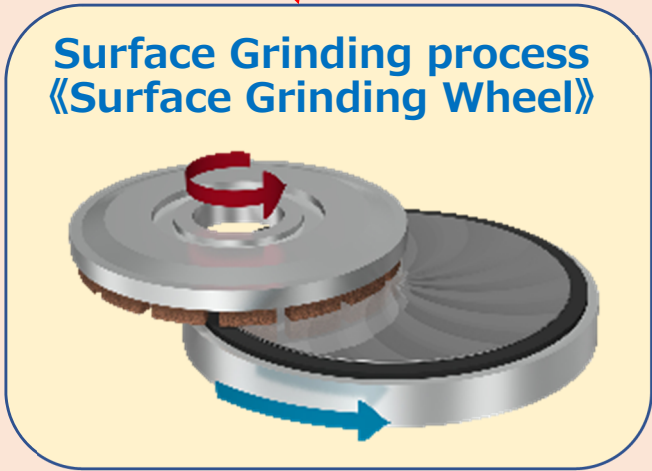
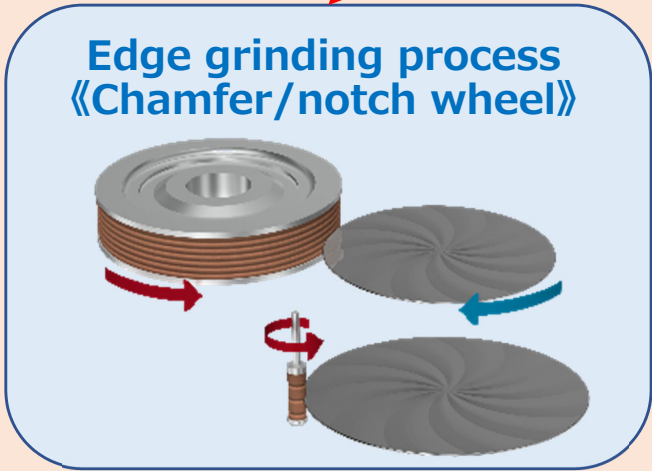
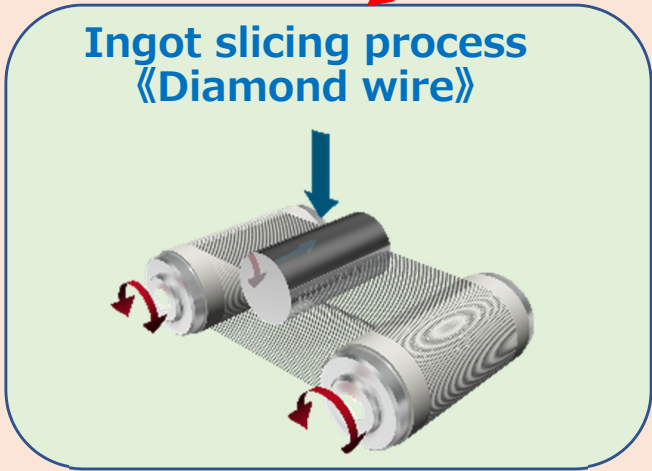


# Diamond tools used in semiconductor manufacturing

5 focused products on the red frames



The above illustration shows a typical semiconductor manufacturing process.



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

## Management Infrastructure Enhancement

- ▶ **IT System: Visualization of management figures and streamlining of operations**
  - Revamp of core system 《to be operational from FY2026》
  - Sales SFA implementation 《to be operational from FY2024》
- ▶ **Global Governance: Realization of management in line with mid- and long-term group management policies**
  - Optimization of organization and human resource allocation based on business plans of overseas subsidiaries
- ▶ **Branding: Aim to establish a high-quality, reliable Asahi brand image**
  - Website renewal 《Scheduled for release next spring》
  - Establishment of branding team
- ▶ **Human resource development: Create a rewarding workplace**
  - New personnel system to promote growth and appropriate promotions by taking advantage of individual characteristics
  - Conduct engagement surveys and multi-faced evaluation



2

## Optimize resources

Reorganize business domain and optimize internal and external resources

### ▶ Intra-group optimization

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

### ▶ Utilization of external resources

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

3





## Capital Policy and Shareholder Returns

Applicable period: FY2023~FY2025

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

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

Cash generated over 3 years

**16 billion yen~**

Net income  
Depreciation  
Sale of strategic holding shares

**Streamlining of assets**

**Investment for growth:  
15 billion yen**

**Shareholder returns:  
9 billion yen**

## Results for the first half of FY2023

### Interim dividend

15 yen per share  
Dividend payout ratio 61.3%

### Treasury stock acquisition

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

### Capital investment

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



# Manufacturing excitement through innovation

## Stand Alone

We are at the vanguard of world change, and shall use our groundbreaking technology and global organizational strength to continue providing products and solutions that only we can make possible.

## Eternal Growth

In order to make growth sustainable we establish ourselves as the most trustworthy choice for customers engaged in manufacturing across the globe.

## Job Satisfaction

We strive to be an efficient company, by linking job satisfaction with individual growth while fostering character.

- This material contains forward-looking statements other than historical facts. These forecasts and plans are based on information currently available to us and certain assumptions that we believe to be reasonable. Actual results may differ materially from these forecasts due to a variety of factors.
- Effective from the year ended March 31, 2022, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29). The impact on the consolidated financial statements is immaterial.

