Asahi Diamond Industrial Co., Ltd.

May 16,2017

# Summary of the Consolidated Financial Results for the Fiscal Year Ended March 31, 2017〔under Japanese GAAP〕


Commpany name : Asahi Diamond Industrial Co., Ltd.
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Stock exchange listing : Tokyo Stock Exchange 1st Section(Code 6140)


① Financial statements

1) Consolidated Balance Sheets

Millions of yen

| | FISCAL YEAR | |
|---|---|---|
| | 2016/3 | 2017/3 |
| Cash and deposits | 12,598 | 14,916 |
| Notes and accounts receivable-trade | 11,528 | 10,846 |
| Securities | 1,867 | 360 |
| Merchandise and finished goods | 2,374 | 2,313 |
| Work in process | 1,474 | 1,480 |
| Raw materials and supplies | 2,661 | 2,440 |
| Deferred tax assets | 736 | 489 |
| Other | 858 | 521 |
| Allowance for doubtful accounts | △ 286 | △ 208 |
| Current assets | 33,813 | 33,160 |
| Buildings and structures | 21,985 | 22,176 |
| Accumulated depreciation | △ 11,921 | △ 12,710 |
| Buildings and structures, net | 10,063 | 9,465 |
| Machinery, equipment and vehicles | 31,945 | 32,590 |
| Accumulated depreciation | △ 24,370 | △ 25,520 |
| Machinery, equipment and vehicles, net | 7,575 | 7,070 |
| Land | 5,053 | 5,045 |
| Construction in progress | 368 | 262 |
| Other | 6,279 | 6,482 |
| Accumulated depreciation | △ 4,784 | △ 5,193 |
| Other, net | 1,495 | 1,289 |
| Property, plant and equipment | 24,556 | 23,133 |
| Intangible assets | 120 | 123 |
| Investment securities | 10,993 | 12,569 |
| Long-term loans receivable | 1 | 0 |
| Deferred tax assets | 1,073 | 1,113 |
| Other | 1,644 | 1,639 |
| Allowance for doubtful accounts | △ 1,065 | △ 1,057 |
| Investments and other assets | 12,648 | 14,265 |
| Non-current assets | 37,325 | 37,521 |
| Assets | 71,139 | 70,682 |

※Note

- This report contains estimates and forecasts pertaining to the future plans and business results.
  Such statements are based on information available at the time of the report's production and include potential risks and uncertainties. Actual results may differ from estimates and forecasts contained herein.
- Numbers with "△" indicate negative numbers.

Millions of yen

| | FISCAL YEAR | |
|---|---|---|
| | 2016/3 | 2017/3 |
| Notes and accounts payable-trade | 1,505 | 1,632 |
| Short-term loans payable | 659 | 461 |
| Income taxes payable | 540 | 208 |
| Provision for bonuses | 722 | 659 |
| Provision for business structure improvement | 193 | 15 |
| Other | 2,108 | 1,986 |
| Current liabilities | 5,730 | 4,964 |
| Long-term loans payable | 87 | 29 |
| Net defined benefit liability | 7,644 | 7,672 |
| Deferred tax liabilities for land revaluation | 351 | 351 |
| Asset retirement obligations | 141 | 142 |
| Provision for business structure improvement | — | 24 |
| Other | 240 | 209 |
| Non-current liabilities | 8,465 | 8,429 |
| Liabilities | 14,195 | 13,394 |
| Capital stock | 4,102 | 4,102 |
| Capital surplus | 7,129 | 7,129 |
| Retained earnings | 41,615 | 41,836 |
| Treasury shares | △ 15 | △ 2 |
| Shareholders' equity | 52,832 | 53,065 |
| Valuation difference on available-for-sale securities | 2,346 | 2,958 |
| Revaluation reserve for land | 162 | 162 |
| Foreign currency translation adjustment | 479 | △ 53 |
| Remeasurements of defined benefit plans | △ 78 | △ 23 |
| Total accumulated other comprehensive income | 2,910 | 3,044 |
| Non-controlling interests | 1,201 | 1,178 |
| Net assets | 56,943 | 57,288 |
| Liabilities and net assets | 71,139 | 70,682 |

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Millions of yen

| | FISCAL YEAR | |
|---|---|---|
| | 2015/4-2016/3 | 2016/4-2017/3 |
| Net sales | 45,459 | 42,024 |
| Cost of sales | 31,928 | 31,129 |
| Gross profit | 13,530 | 10,895 |
| Selling expenses | 5,512 | 5,103 |
| General and administrative expenses | 3,267 | 3,146 |
| Selling, general and administrative expenses | 8,780 | 8,250 |
| Operating income | 4,750 | 2,645 |
| Interest income | 79 | 56 |
| Dividend income | 135 | 136 |
| Share of profit of entities accounted for using equity method | 165 | 187 |
| Miscellaneous income | 132 | 73 |
| Non-operating income | 513 | 453 |
| Interest expenses | 14 | 8 |
| Foreign exchange losses | 128 | 128 |
| Miscellaneous loss | 28 | 16 |
| Non-operating expenses | 171 | 153 |
| Ordinary income | 5,092 | 2,945 |
| Gain on sales of investment securities | 59 | 334 |
| Reversal of provision for business structure improvement | — | 84 |
| Extraordinary income | 59 | 419 |
| Impairment loss | — | 93 |
| Loss on retirement of non-current assets | — | 28 |
| Loss on valuation of investment securities | — | 0 |
| Loss on sales of investment securities | — | 1 |
| Provision for business structure improvement | 120 | — |
| Extraordinary losses | 120 | 123 |
| Income before income taxes | 5,031 | 3,241 |
| Income taxes - current | 1,404 | 794 |
| Income taxes - deferred | 227 | △ 95 |
| Income taxes | 1,631 | 699 |
| Profit | 3,399 | 2,541 |
| Profit attributable to non-controlling interests | 61 | 54 |
| Profit attributable to owners of parent | 3,338 | 2,487 |

Consolidated Statements of Comprehensive Income

Millions of yen

| | FISCAL YEAR | |
|---|---|---|
| | 2015/4-2016/3 | 2016/4-2017/3 |
| Profit | 3,399 | 2,541 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △ 1,117 | 611 |
| Revaluation reserve for land | 18 | — |
| Foreign currency translation adjustment | △ 604 | △ 272 |
| Remeasurements of defined benefit plans | △ 69 | 53 |
| Share of other comprehensive income of entities accounted for using equity method | △ 252 | △ 284 |
| Other comprehensive income | △ 2,026 | 107 |
| Comprehensive income | 1,373 | 2,649 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 1,474 | 2,730 |
| Comprehensive income attributable to non-controlling interests | △ 100 | △ 80 |

3) Consolidated Statements of Cash Flows

Millions of yen

| | FISCAL YEAR | |
|---|---|---|
| | 2015/4-2016/3 | 2016/4-2017/3 |
| Cash flows from operating activities | | |
| Profit before income taxes | 5,031 | 3,241 |
| Depreciation | 3,627 | 3,353 |
| Impairment loss | — | 93 |
| Increase (decrease) in allowance for doubtful accounts | 148 | △ 72 |
| Increase (decrease) in provision for bonuses | △ 7 | △ 61 |
| Increase (decrease) in net defined benefit liability | 2 | 127 |
| Increase (decrease) in provision for business structure improvement | △ 70 | △ 138 |
| Interest and dividend income | △ 215 | △ 192 |
| Interest expenses | 14 | 8 |
| Share of (profit) loss of entities accounted for using equity method | △ 165 | △ 187 |
| Loss on retirement of property, plant and equipment | 14 | 37 |
| Loss (gain) on sales of property, plant and equipment | 13 | 3 |
| Loss (gain) on sales of investment securities | △ 59 | △ 333 |
| Loss (gain) on valuation of investment securities | — | 0 |
| Decrease (increase) in notes and accounts receivable - trade | 1,571 | 569 |
| Decrease (increase) in inventories | △ 85 | 212 |
| Increase (decrease) in notes and accounts payable - trade | △ 359 | 206 |
| Other, net | △ 270 | 316 |
| Subtotal | 9,188 | 7,186 |
| Interest and dividend income received | 215 | 192 |
| Interest expenses paid | △ 14 | △ 8 |
| Income taxes paid | △ 2,099 | △ 1,165 |
| Net cash provided by (used in) operating activities | 7,290 | 6,205 |
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | 26 | — |
| Purchase of property, plant and equipment | △ 3,205 | △ 2,200 |
| Proceeds from sales of property, plant and equipment | 40 | 9 |
| Purchase of investment securities | △ 227 | △ 1,227 |
| Proceeds from sales of investment securities | 94 | 547 |
| Proceeds from redemption of investment securities | — | 1,700 |
| Other, net | 42 | △ 23 |
| Net cash provided by (used in) investing activities | △ 3,228 | △ 1,194 |

Millions of yen

| | FISCAL YEAR | |
|---|---|---|
| | 2015/4-2016/3 | 2016/4-2017/3 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | △ 218 | △ 163 |
| Repayments of long-term loans payable | △ 67 | △ 64 |
| Purchase of treasury shares | △ 1,248 | △ 847 |
| Proceeds from sales of treasury shares | 0 | 0 |
| Cash dividends paid | △ 1,903 | △ 1,409 |
| Dividends paid to non-controlling interests | △ 55 | △ 50 |
| Repayments of lease obligations | △ 95 | △ 96 |
| Net cash provided by (used in) financing activities | △ 3,590 | △ 2,631 |
| Effect of exchange rate change on cash and cash equivalents | △ 362 | △ 68 |
| Net increase (decrease) in cash and cash equivalents | 109 | 2,310 |
| Cash and cash equivalents at beginning of period | 12,857 | 12,966 |
| Cash and cash equivalents at end of period | 12,966 | 15,276 |

② Financial data

1) Forecast (2017/4-2018/3)

| Net sales (Millions of yen) | Operating income (Millions of yen) | Ordinary income (Millions of yen) | Profit attributable to owners of parent (Millions of yen) | Earnings per share [EPS] (Yen) |
|---|---|---|---|---|
| 42,000 | 1,660 | 1,910 | 1,360 | 24.42 |

2) Consolidated financial indicator

| | | FISCAL YEAR | | | FORECAST |
|---|---|---|---|---|---|
| | | 2014/4-2015/3 | 2015/4-2016/3 | 2016/4-2017/3 | 2017/4-2018/3 |
| | | Amount | Amount | Amount | Amount |
| Operating income ratio | (%) | 11.3 | 10.5 | 6.3 | 4.0 |
| Ordinary income ratio | (%) | 13.2 | 11.2 | 7.0 | 4.5 |
| Return on assets [ROA] | (%) | 5.0 | 4.6 | 3.5 | — |
| Return on equity [ROE] | (%) | 6.5 | 5.9 | 4.4 | — |
| Capital expenditures | Millions of yen | 6,350 | 3,409 | 2,300 | 4,000 |
| Depreciation [Property, plant and equipment] | Millions of yen | 3,413 | 3,572 | 3,300 | 3,500 |
| Research and development expenses | Millions of yen | 1,609 | 1,731 | 1,741 | 1,750 |
| Number of employees | Number | 2,147 | 2,108 | 2,146 | — |

3) Consolidated Net Sales Breakdown

Consolidated Net Sales Breakdown by Industry

Millions of yen

| | FISCAL YEAR | | | | | | FORECAST | |
|---|---|---|---|---|---|---|---|---|
| | 2014/4-2015/3 | | 2015/4-2016/3 | | 2016/4-2017/3 | | 2017/4-2018/3 | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Electronics and Semiconductor | 21,170 | 46.5 | 20,133 | 44.3 | 18,323 | 43.6 | 16,950 | 40.4 |
| Transportation | 7,753 | 17.0 | 8,439 | 18.6 | 8,481 | 20.2 | 8,960 | 21.3 |
| Machinery | 9,350 | 20.5 | 9,368 | 20.6 | 8,805 | 21.0 | 9,250 | 22.0 |
| Stone and Construction | 5,296 | 11.6 | 5,541 | 12.2 | 4,818 | 11.4 | 5,300 | 12.6 |
| Other | 1,978 | 4.4 | 1,977 | 4.3 | 1,595 | 3.8 | 1,540 | 3.7 |
| Net sales | 45,550 | 100.0 | 45,459 | 100.0 | 42,024 | 100.0 | 42,000 | 100.0 |

Consolidated Net Sales Breakdown by Geographical Region

Millions of yen

| | FISCAL YEAR | | | | | | FORECAST | |
|---|---|---|---|---|---|---|---|---|
| | 2014/4-2015/3 | | 2015/4-2016/3 | | 2016/4-2017/3 | | 2017/4-2018/3 | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Japan | 19,486 | 42.8 | 19,567 | 43.1 | 18,919 | 45.0 | 19,300 | 46.0 |
| Taiwan | 6,307 | 13.8 | 4,424 | 9.7 | 4,043 | 9.6 | 4,500 | 10.7 |
| China | 5,117 | 11.2 | 7,293 | 16.0 | 6,605 | 15.7 | 5,700 | 13.6 |
| Other Asia and Oceania | 8,399 | 18.4 | 6,867 | 15.1 | 5,858 | 14.0 | 5,900 | 14.0 |
| Europe | 4,267 | 9.5 | 4,785 | 10.5 | 4,280 | 10.2 | 4,000 | 9.5 |
| Other | 1,971 | 4.3 | 2,521 | 5.6 | 2,316 | 5.5 | 2,600 | 6.2 |
| Net sales | 45,550 | 100.0 | 45,459 | 100.0 | 42,024 | 100.0 | 42,000 | 100.0 |