Asahi Diamond Industrial Co., Ltd.

November 10,2017

Summary of the Consolidated Financial Results for the Second Quarter Ended September 30,2017

① Financial statements

1) Consolidated Balance Sheets

Millions of yen

	FISCAL YEAR	SECOND QUARTER
	2017/3	2017/9
Cash and deposits	14,916	16,887
Notes and accounts receivable-trade	10,846	11,895
Securities	360	294
Merchandise and finished goods	2,313	2,135
Work in process	1,480	1,579
Raw materials and supplies	2,440	2,255
Other	1,011	1,171
Allowance for doubtful accounts	△ 208	△ 218
Current assets	33,160	36,002
Buildings and structures, net	9,465	9,129
Machinery, equipment and vehicles, net	7,070	7,021
Land	5,045	5,050
Other, net	1,551	1,410
Property, plant and equipment	23,133	22,611
Intangible assets	123	113
Investment securities	12,569	13,607
Other	2,752	1,910
Allowance for doubtful accounts	△ 1,057	△ 666
Investments and other assets	14,265	14,851
Non-current assets	37,521	37,576
Assets	70,682	73,578

※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	SECOND QUARTER
	2017/3	2017/9
Notes and accounts payable – trade	1,632	1,784
Short-term loans payable	461	483
Income taxes payable	208	518
Provision for bonuses	659	777
Provision for business structure improvement	15	14
Other	1,986	2,334
Current liabilities	4,964	5,913
Net defined benefit liability	7,672	7,681
Provision for business structure improvement	24	23
Other	733	728
Non-current liabilities	8,429	8,433
Liabilities	13,394	14,346
Capital stock	4,102	4,102
Capital surplus	7,129	7,129
Retained earnings	41,836	42,992
Treasury shares	△ 2	△ 3
Shareholders' equity	53,065	54,220
Valuation difference on available-for-sale securities	2,958	3,638
Revaluation reserve for land	162	162
Foreign currency translation adjustment	△ 53	28
Remeasurements of defined benefit plans	△ 23	△ 11
Total accumulated other comprehensive income	3,044	3,818
Non-controlling interests	1,178	1,192
Net assets	57,288	59,231
Liabilities and net assets	70,682	73,578

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

Consolidated Statements of Income

Millions of yen

	SECOND QUARTER	
	2016/4-9	2017/4-9
Net sales	21,921	21,926
Cost of sales	16,191	15,828
Gross profit	5,730	6,097
Selling expenses	2,624	2,593
General and administrative expenses	1,605	1,700
Selling, general and administrative expenses	4,229	4,294
Operating profit	1,500	1,802
Interest income	31	24
Dividend income	85	91
Foreign exchange gains	—	68
Share of profit of entities accounted for using equity method	71	31
Miscellaneous income	36	28
Non-operating income	224	244
Interest expenses	4	3
Foreign exchange losses	355	—
Miscellaneous loss	3	1
Non-operating expenses	364	4
Ordinary profit	1,361	2,043
Gain on sales of investment securities	26	26
Extraordinary income	26	26
Loss on valuation of investment securities	0	—
Loss on sales of investment securities	0	—
Extraordinary losses	0	—
Profit before income taxes	1,386	2,069
Income taxes - current	319	446
Income taxes - deferred	△ 19	105
Income taxes	300	551
Profit	1,086	1,518
Profit attributable to non-controlling interests	20	28
Profit attributable to owners of parent	1,066	1,489

Consolidated Statements of Comprehensive Income

Millions of yen

	SECOND QUARTER	
	2016/4-6	2017/4-6
Profit	1,086	1,518
Other comprehensive income		
Valuation difference on available-for-sale securities	△ 204	680
Foreign currency translation adjustment	△ 1,192	48
Remeasurements of defined benefit plans	45	16
Share of other comprehensive income of entities accounted for using equity method	△ 600	58
Other comprehensive income	△ 1,952	803
Comprehensive income	△ 865	2,321
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	△ 691	2,320
Comprehensive income attributable to non-controlling interests	△ 174	0

3) Consolidated Statements of Cash Flows

Millions of yen

	SECOND QUARTER	
	2016/4-9	2017/4-9
Cash flows from operating activities		
Profit before income taxes	1,386	2,069
Depreciation	1,646	1,529
Increase (decrease) in allowance for doubtful accounts	△ 16	△ 393
Increase (decrease) in provision for bonuses	28	117
Increase (decrease) in net defined benefit liability	45	12
Increase (decrease) in provision for business structure improvement	△ 3	△ 1
Interest and dividend income	△ 116	△ 116
Interest expenses	4	3
Share of (profit) loss of entities accounted for using equity method	△ 71	△ 31
Loss (gain) on sales of investment securities	△ 25	△ 26
Loss (gain) on valuation of investment securities	0	—
Decrease (increase) in notes and accounts receivable - trade	△ 140	△ 1,023
Decrease (increase) in inventories	11	275
Increase (decrease) in notes and accounts payable - trade	522	139
Other, net	109	709
Subtotal	3,383	3,262
Interest and dividend income received	116	116
Interest expenses paid	△ 4	△ 3
Income taxes paid	△ 513	△ 120
Net cash provided by (used in) operating activities	2,982	3,255
Cash flows from investing activities		
Purchase of property, plant and equipment	△ 1,104	△ 944
Proceeds from sales of property, plant and equipment	1	4
Purchase of investment securities	△ 1,013	△ 13
Proceeds from sales of investment securities	29	48
Proceeds from redemption of investment securities	1,500	—
Other, net	6	0
Net cash provided by (used in) investing activities	△ 580	△ 904

Millions of yen

	SECOND QUARTER	
	2016/4-9	2017/4-9
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△ 85	30
Purchase of treasury shares	△ 846	△ 0
Cash dividends paid	△ 851	△ 335
Other, net	△ 129	△ 118
Net cash provided by (used in) financing activities	△ 1,913	△ 424
Effect of exchange rate change on cash and cash equivalents	△ 534	△ 20
Net increase (decrease) in cash and cash equivalents	△ 45	1,905
Cash and cash equivalents at beginning of period	12,966	15,276
Cash and cash equivalents at end of period	12,920	17,182

② Financial data

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

Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Earnings per share [EPS] (Yen)
44,500	3,670	4,060	2,700	48.48

2) Consolidated financial indicator

		SECOND QUARTER		FISCAL YEAR	FORECAST
		2016/4-9	2017/4-9	2016/4-2017/3	2017/4-2018/3
		Amount	Amount	Amount	Amount
Operating profit ratio	(%)	6.8	8.2	6.3	8.2
Ordinary profit ratio	(%)	6.2	9.3	7.0	9.1
Return on assets [ROA]	(%)	1.5	2.1	3.5	—
Return on equity [ROE]	(%)	2.0	2.6	4.4	—
Capital expenditures	Millions of yen	1,252	949	2,300	4,000
Depreciation [Property, plant and equipment]	Millions of yen	1,620	1,502	3,300	3,000
Research and development expenses	Millions of yen	857	889	1,741	1,750
Number of employees	Number	2,127	2,161	2,146	—

3) Consolidated Net Sales Breakdown

Consolidated Net Sales Breakdown by Industry

Millions of yen

	SECOND QUARTER				FISCAL YEAR		FORECAST	
	2016/4-9		2017/4-9		2016/4-2017/3		2017/4-2018/3	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Electronics and Semiconductor	10,238	46.7	9,044	41.2	18,323	43.6	18,800	42.2
Transportation	4,232	19.3	4,464	20.4	8,481	20.2	9,010	20.2
Machinery	4,368	19.9	4,785	21.8	8,805	21.0	9,730	21.9
Stone and Construction	2,347	10.7	2,709	12.4	4,818	11.4	5,320	12.0
Other	734	3.4	922	4.2	1,595	3.8	1,640	3.7
Net sales	21,921	100.0	21,926	100.0	42,024	100.0	44,500	100.0

Consolidated Net Sales Breakdown by Geographical Region

Millions of yen

	SECOND QUARTER				FISCAL YEAR		FORECAST	
	2016/4-9		2017/4-9		2016/4-2017/3		2017/4-2018/3	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Japan	9,273	42.3	10,013	45.7	18,919	45.0	20,000	44.9
Taiwan	2,103	9.6	2,286	10.4	4,043	9.6	4,600	10.3
China	3,884	17.7	3,264	14.9	6,605	15.7	7,000	15.7
Other Asia and Oceania	3,107	14.2	2,960	13.5	5,858	14.0	6,300	14.2
Europe	2,445	11.1	2,018	9.2	4,280	10.2	3,900	8.8
Other	1,107	5.1	1,382	6.3	2,316	5.5	2,700	6.1
Net sales	21,921	100.0	21,926	100.0	42,024	100.0	44,500	100.0