

# Annual Securities Report

The 105th      From April 1, 2023  
fiscal year      to March 31, 2024



**Asahi Diamond Industrial Co., Ltd.**

Cover

Document submitted	Annual Securities Report ( <i>Yukashoken Hokokusho</i> )
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 27, 2024
Fiscal year	The 105th fiscal year (from April 1, 2023 to March 31, 2024)
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	4-1, Kioi-cho, Chiyoda-ku, Tokyo
Telephone number	+81-3-3222-6311 (main)
Name of contact person	Hitoshi Kusakabe, Executive Officer and Administration Division Director
Nearest place of contact	4-1, Kioi-cho, 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	101st	102nd	103rd	104th	105th
Year ended	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales (millions of yen)	35,304	30,143	37,161	39,320	38,653
Ordinary profit (loss) (millions of yen)	591	(337)	3,650	3,275	2,408
Profit (loss) attributable to owners of parent (millions of yen)	(340)	(331)	3,288	2,765	2,109
Comprehensive income (millions of yen)	(1,497)	992	4,187	5,063	4,532
Net assets (millions of yen)	56,833	57,297	60,869	62,882	63,993
Total assets (millions of yen)	70,007	68,144	72,241	74,177	73,901
Net assets per share (yen)	1,000.06	1,008.33	1,067.79	1,142.25	1,207.32
Basic earnings (loss) per share (yen)	(6.13)	(5.97)	59.23	50.88	40.57
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	79.3	82.1	82.1	82.5	84.2
Return on equity (ROE) (%)	(0.6)	(0.6)	5.7	4.6	3.4
Price earnings ratio (times)	(75.5)	(89.0)	10.0	18.4	24.1
Cash flows from operating activities (millions of yen)	4,805	(90)	5,948	4,979	2,839
Cash flows from investing activities (millions of yen)	(4,990)	(4,289)	(356)	(1,260)	(3,505)
Cash flows from financing activities (millions of yen)	(732)	(604)	(1,077)	(3,145)	(3,121)
Cash and cash equivalents at end of period (millions of yen)	15,685	10,649	15,548	16,389	12,818
Number of employees [separately, average number of temporary employees]	2,139 [331]	2,050 [301]	2,057 [393]	2,037 [416]	2,059 [407]

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 (loss) 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 103rd fiscal year, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020) and other standards. Key financial data for the 103rd fiscal year and beyond are figures after the application of such standards.

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

Fiscal year	101st	102nd	103rd	104th	105th
Year ended	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales (millions of yen)	27,740	24,549	29,186	30,691	29,834
Ordinary profit (millions of yen)	596	76	2,103	3,292	2,192
Profit (millions of yen)	332	201	1,899	3,165	2,215
Share capital (millions of yen)	4,102	4,102	4,102	4,102	4,102
Total number of issued shares	55,700,000	55,700,000	55,700,000	53,888,600	51,888,600
Net assets (millions of yen)	44,905	45,851	46,993	48,265	47,219
Total assets (millions of yen)	55,336	54,636	56,027	57,437	56,497
Net assets per share (yen)	808.97	826.04	846.30	901.24	915.93
Dividend paid per share (of which, the amount of interim dividend paid per share) (yen)	10.00 (4.00)	6.00 (3.00)	24.00 (8.00)	26.00 (11.00)	30.00 (15.00)
Basic earnings per share (yen)	5.99	3.64	34.21	58.23	42.60
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	81.1	83.9	83.9	84.0	83.6
Return on equity (ROE) (%)	0.7	0.4	4.1	6.6	4.6
Price earnings ratio (times)	77.3	146.0	17.3	16.1	22.9
Payout ratio (%)	167.0	165.0	70.2	44.7	70.4
Number of employees [separately, average number of temporary employees]	1,019 [318]	1,010 [286]	998 [378]	983 [407]	1,001 [403]
Total shareholder return [Benchmark: TOPIX Total Return Index] (%)	61.9 (90.5)	71.6 (128.6)	82.6 (131.2)	131.2 (138.8)	140.3 (196.2)
Highest share price (yen)	823	584	743	979	1,004
Lowest share price (yen)	403	413	498	546	780

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 Since the beginning of the 103rd fiscal year, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020) and other standards. Key financial data for the 103rd fiscal year and beyond 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 Kogyo Co., Ltd. (currently Yamanashi Asahi Diamond Industrial Co., Ltd., a consolidated subsidiary).
October 1972	Listed on the Second Section of the Tokyo Stock Exchange.
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.
March 1989	Chiba Tsurumai Factory and Research and Development Center completed in Ichihara-shi, Chiba.
July 1991	Head office moved to the current location.
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).

### 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.

#### *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.

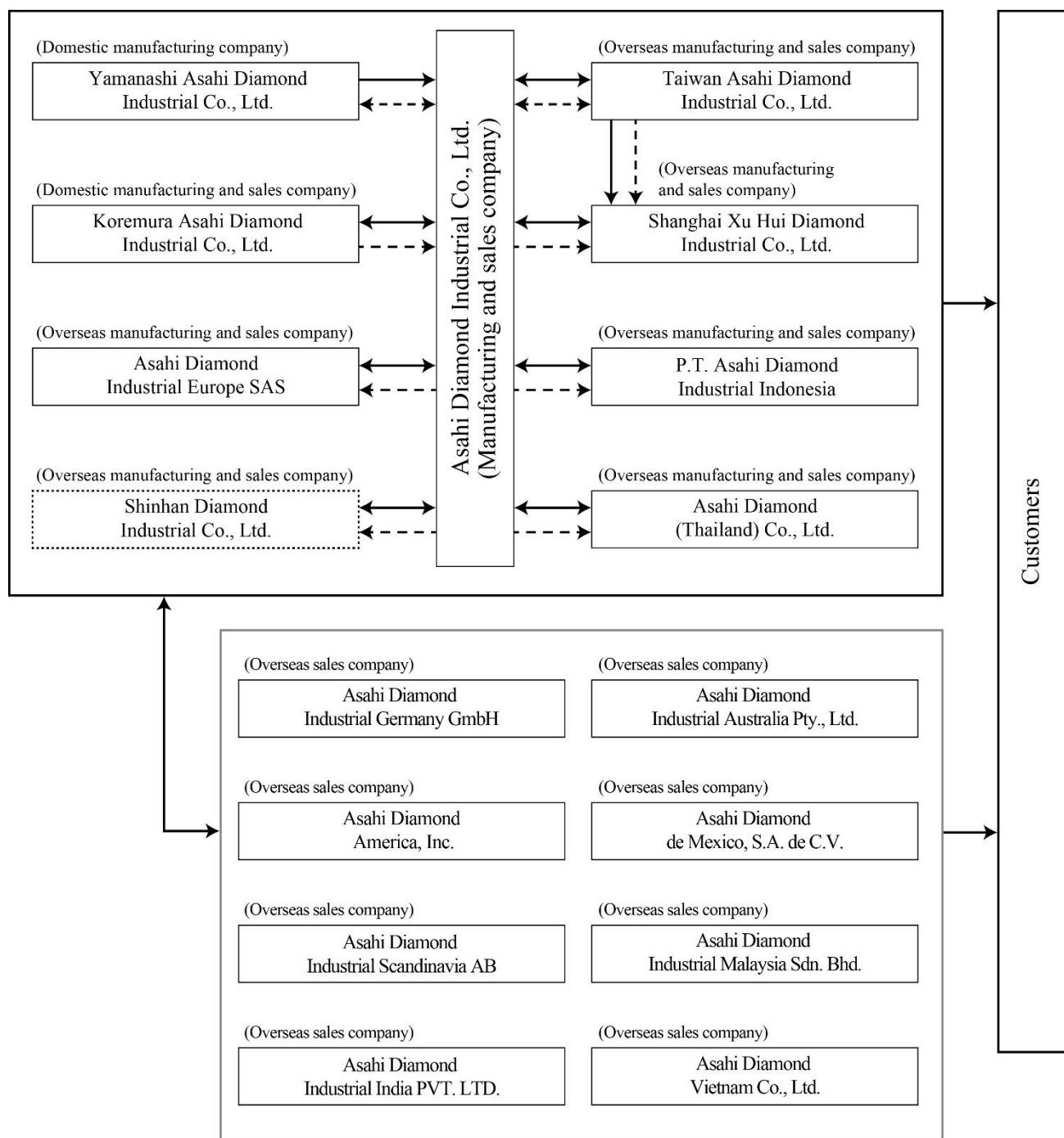
Asahi Diamond Industrial India PVT. LTD. sells products mainly in Asia and Oceania regions.

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.



Legend:   Consolidated subsidiaries: 15 companies  Finished and semi-finished goods  
  Equity-method affiliate: One company  Raw materials

#### 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			Business transactions	Financial assistance	Leasing of facilities
				Officer	Executive Officer	Employee			
<i>Consolidated subsidiaries</i>									
Yamanashi Asahi Diamond Industrial Co., Ltd. (Note 2)	Nirasaki-shi, Yamanashi	¥48,000 thousand	100.0	–	–	–	Purchase of products / purchase and sale of materials	Fund lending	Land leasing
Koremura Asahi Diamond Industrial Co., Ltd.	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	Fund lending	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 (21.6)	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	–	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
<i>Equity-method associate</i>									
Shinhan Diamond Industrial Co., Ltd.	Incheon, South Korea	KRW 6,500 million	28.5	3	–	–	Sale and purchase of products / sale of materials	–	No

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

2 The Companies with Note 2 are specified subsidiaries.

3 The figure in parentheses in the ratio of voting rights held (%) shows the ratio of the voting rights the Company holds indirectly, which is included in the figure without parentheses.



## 5. Employees

### (1) Information about consolidated companies

As of March 31, 2024

Business Division	Number of employees
Diamond tools business division	2,059 [407]

- 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.

### (2) Information on the Reporting Company

As of March 31, 2024

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousands of yen)
1,001 [403]	44.55	21.09	6,754

- 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.

### (3) Labor union

The labor union of the Company and Yamanashi Asahi Diamond Industrial Co., Ltd. (518 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.

### (4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and difference in wages between male and female workers

#### i. 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
1.4	59.3	72.9	76.5	71.8

- Notes: 1 The percentages are calculated in accordance with the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).
- 2 The percentage of workers taking childcare leave stipulated in Article 71-4, 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).

#### ii. Consolidated subsidiaries

Not applicable.

## 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 2025 at the Board of Directors meeting held on May 12, 2023. The main items and progress of the plan 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 formulated the Medium-term Management Plan 2025, with the year 2025 set for its final year, and set forth the VISION 2030 as our vision for 2030. The Group has visualized how it should be as "a global niche top manufacturer supporting manufacturing around the world," and is driving reforms under the three priority themes to achieve sustainable growth and high profitability on global perspective.

##### Priority themes of Medium-term Management Plan 2025

##### i. Focus on tools for the electronics and semiconductor industry

The Group will strive to expand sales by concentrating its management resources into the electronics and semiconductor segment and constructing a production system for profitable products, thereby aiming to build a highly profitable structure. In particular, against the backdrop of the trend toward a decarbonized society, the Group will move ahead with the development of SiC processed products for power semiconductors and a next-generation ultrafine wheel for Si wafer, for which the demand has been rapidly increasing. In addition, the Group will work on increasing the efficiency of sales departments and other initiatives.

Through the above-mentioned initiatives, the Group expects sales of five focused products (surface grinding wheels, electroplated wires, CMP conditioners, chamfering wheels, and dicing blades) to increase by ¥5 billion from fiscal 2022 levels.

##### ii. Strengthening of business foundation

The Group will strengthen its business foundation by investing in, among other things, systems that contribute to increasing operating efficiency and personnel who will lead the next generation and drive forward the introduction of core and other systems to "visualize management indicators" and "increase operating efficiency." In doing so, we will realize management in line with the Group's medium- to long-term management policy and aim to enhance our organizational capabilities by recruiting and developing employees who will lead the next generation and creating a workplace that provides them with job satisfaction. The Group also aims to establish a high-quality, trusted brand image for the Asahi brand.

##### iii. Optimization of resources

We will pursue optimal cooperation within and outside the Group by utilizing external resources by such means as external procurement of products and sales consignment, while pushing forward with the streamlining of business domains and the reorganization of manufacturing and sales bases within the Group as well as optimizing internal resources.

## 2. Corporate Sustainability Policy and Initiatives

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

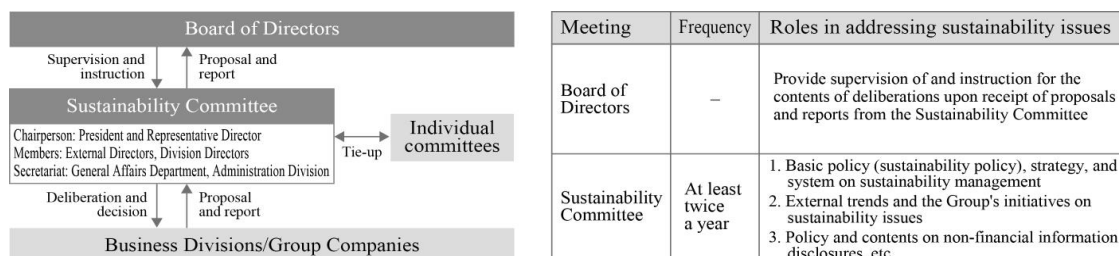
This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the end of the fiscal year ended March 31, 2024.

### Governance and risk management system for overall sustainability issues

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



### Initiatives related to climate change

One of the 10 basic matters of the sustainability policy is "global environment," and 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 "Governance and risk management system for overall sustainability issues."

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

As described in "Governance and risk management system for 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.

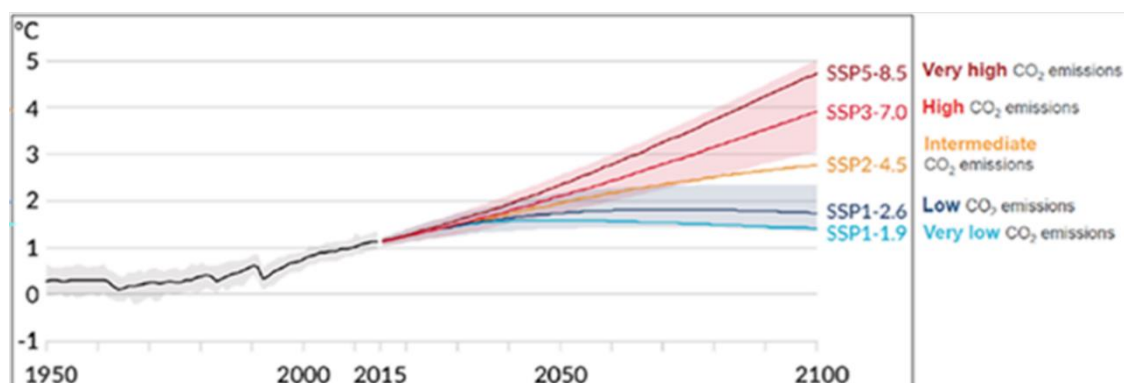
#### ■ Scenario analysis assumptions

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	<ul style="list-style-type: none"> <li>- 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 confined to 1.5°C or less.</li> <li>- Introduction of carbon pricing will proceed in countries across the world, and carbon tax will rise globally. Estimated at 140 USD/t-CO<sub>2</sub> in 2030.</li> <li>- Prices of fossil fuels will plummet as demand falls. Ratio of renewable energy used in power generation is expected to reach 80% by 2050.</li> </ul>	IEA World Energy Outlook 2023 (NZE2050) IPCC Sixth Assessment Report (SSP1-1.9)
4°C scenario	<ul style="list-style-type: none"> <li>- Scenario in which climate change policies are not introduced and natural disasters become increasingly severe. Temperature rise in 2100 will be 4.4°C.</li> <li>- Introduction of carbon pricing in countries across the world will not proceed, staying at around the current level.</li> <li>- 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).</li> <li>- 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.</li> </ul>	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	Financial impact of 4°C scenario	Responses and strategies
					2030	2030	
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	<ul style="list-style-type: none"> <li>■ Reduce life-cycle CO<sub>2</sub> emissions by increasing service life of the Company's tools and popularizing recycling of tools</li> <li>■ Reduce CO<sub>2</sub> emissions through streamlining of power and energy use</li> <li>■ Reduce CO<sub>2</sub> emissions through improvement of manufacturing processes</li> </ul>
		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	<ul style="list-style-type: none"> <li>■ 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.)</li> <li>■ Promote company-wide education and awareness-raising of climate change responses</li> </ul>
		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	<ul style="list-style-type: none"> <li>■ Improve efficiency of internal data collection and management with use of IT</li> </ul>
	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	<ul style="list-style-type: none"> <li>■ Design decarbonization-conscious products and processes from the product development stage</li> <li>■ Conduct appropriate capital investment at the appropriate time after determining return on investment</li> </ul>
	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	<ul style="list-style-type: none"> <li>■ Study trends and manage PDCA cycle by launching individual projects</li> <li>■ Inject development and design resources into shift from internal combustion engines to electrification</li> <li>■ Expand sales into industries where electrification is expected to lead to market expansion</li> </ul>
		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	<ul style="list-style-type: none"> <li>■ Conduct appropriate, timely reviews of product prices and the price pass-through in line with procurement costs</li> <li>■ Promote consideration of alternative suppliers and materials</li> </ul>
	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	<ul style="list-style-type: none"> <li>■ Implement appropriate, timely climate change responses and make appropriate disclosures of their details</li> <li>■ Thoroughly institute compliance with laws and regulations based on the environmental management system</li> </ul>

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	
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)	<ul style="list-style-type: none"> <li>Continue to strengthen BCM system</li> <li>Update and reinforce aging buildings and facilities</li> <li>Popularize purchasing from two companies</li> <li>Thoroughly promote employee education</li> <li>Conduct appropriate, timely reviews of contents of fire insurance and expand insurance coverage</li> </ul>
			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	<ul style="list-style-type: none"> <li>Promote labor-saving and automation at factories (automated measurement; automated packaging)</li> <li>Promote management for health and improve thermal environment inside factories</li> <li>Manage working hours and patterns flexibly from a health and safety perspective</li> </ul>
			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	<ul style="list-style-type: none"> <li>Install labor-saving facilities strategically when making capital investments</li> <li>Promote process innovation</li> </ul>
	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	<ul style="list-style-type: none"> <li>Further strengthen quality of, develop, and expand sales of long-life products</li> <li>Develop tools that will enable further reduction of processing times and improvement of processing efficiency</li> <li>Visualize and verify energy-saving performance and environmental impact reduction effects of the Company's products and use that information in marketing</li> </ul>
			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	<ul style="list-style-type: none"> <li>Strengthen R&amp;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.)</li> </ul>

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	<ul style="list-style-type: none"> <li>Strengthen R&amp;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)</li> </ul>
	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	<ul style="list-style-type: none"> <li>Strengthen R&amp;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)</li> </ul>

### 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 a new 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 as metrics for the assessment of climate-related risks and opportunities. Previously, we measured the emissions based on laws and regulations, but we are now re-measuring them according to the GHG Protocol. The result for the fiscal year ended March 31, 2024, as shown in the table below, was the total of Scope 1 and Scope 2 emissions of 13,409t-CO<sub>2</sub>.

##### ■ GHG emissions results

Category	Base year (fiscal 2018)	Year ended March 31, 2024 (fiscal 2023)
Scope 1 (compared with base year)	2,296t-CO <sub>2</sub>	1,286t-CO <sub>2</sub> (down 44.0%)
Scope 2 (compared with base year)	14,423t-CO <sub>2</sub>	12,124t-CO <sub>2</sub> (down 15.9%)
Total (compared with base year)	16,720t-CO <sub>2</sub>	13,409t-CO <sub>2</sub> (down 19.8%)

- 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.

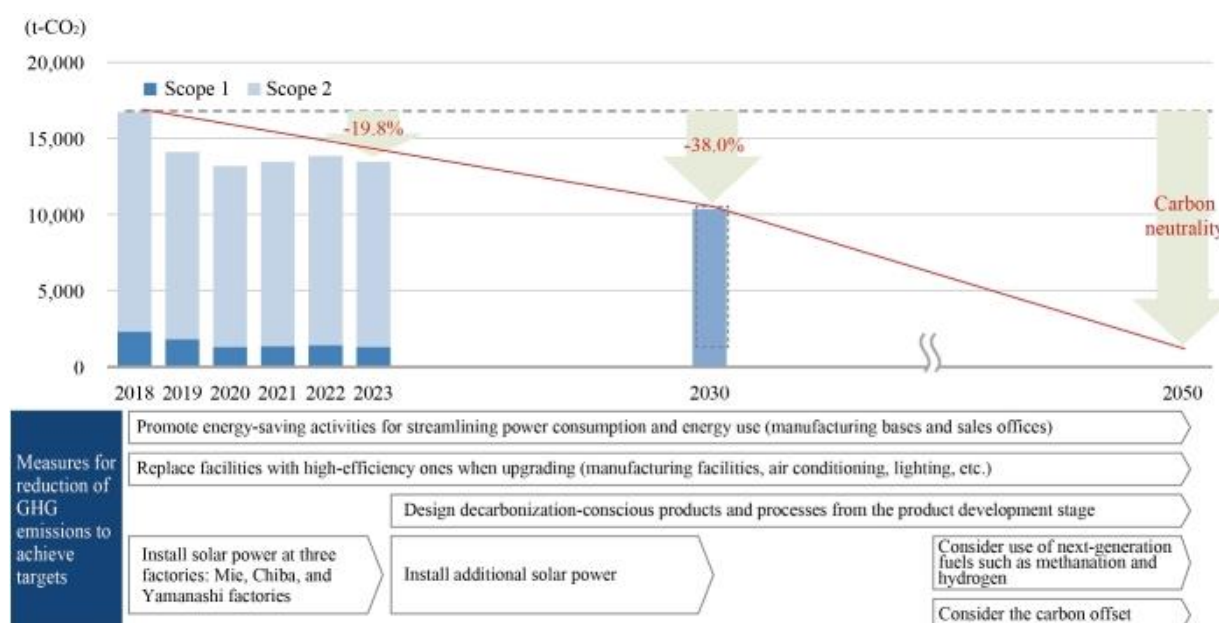
##### ii. Targets for the management of climate-related risks and opportunities

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, 2024 is 19.8% (compared with fiscal 2018). With the thorough promotion of energy-saving activities at each factory and the installation of solar power at three factories, the Mie, Chiba, 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 has revised the personnel system in April 2023. Meanwhile, with the human resources development policy and the internal environment development policy described below, the Company has been working on the medium- to long-term development of human resources. 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 “Governance and risk management system for overall sustainability issues.”

#### (2) Strategy

Human resources development policy and internal environment development policy

We believe that the basis of human resources development is to make employees going through successes and failures through diverse work experience at their workplaces and helping 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. The Company also strives to secure safety and health in the workplace environment and establish a comfortable working environment.

##### i. Personnel system structure

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.

##### ii. Self-declaration system

Under the 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.

##### iii. Education and training system

In addition to rank-based training for employees at each career milestone, the Company also provides employees with education and training to intensively learn knowledge and skills to be required. In recent years, the Company has provided a select group of employees with one-year training to develop human resources capable of dealing with a wide range of customers in the semiconductor industry, and has produced talents who can play a leading role on the global stage. Entry-level engineers are assigned to respective workplaces after receiving one-year training to learn the Company’s basic skills.

#### (3) Risk management

Risk management concerning human capital is as described in “Governance and risk management system for 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	
		Fiscal 2022	Fiscal 2023
Turnover rate	3.0% or less by March 2026	3.5%	1.2%
Percentage of male workers taking childcare leave	60.0% or more by March 2026	50.0%	59.3%
Difference in wages between male and female workers	80.0% or more by March 2026	78.5%	76.5%
Percentage of females among new hires	25.0% or more	27.8%	35.6%
Percentage of paid leave taken	60.0% or more	63.6%	66.6%
Percentage of female workers in management positions	—	1.0%	1.4%

- Notes: 1 Due to difficulties in presenting this information for the Group, the figures for metrics and targets are those of the reporting company.
- 2 With respect to the difference in wages between male and female workers, as a result of strengthening of recruitment activities, the percentage of young female employees has increased, which has widened the difference in wages between male and female workers compared with the previous fiscal year.

### 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, 2024.

#### (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 boost in production cost 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, 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) Natural disasters

The Group strives to mitigate damages 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 damages 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.

(9) 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<sub>2</sub> 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.

(10) 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.

(11) 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

In the business environment during the fiscal year ended March 31, 2024, although economic activities showed a moderate recovery as the easing of COVID-19-related restrictions on movement took firm root and employment and income environments improved, the outlook for economic conditions remained uncertain due to global inflation, geopolitical risks, the slowdown of the Chinese economy, and other factors.

Under these circumstances, the Group proceeded with the product development, production system improvement to meet customer demand, and streamlining of the sales divisions, under the Medium-term Management Plan 2025, with fiscal 2025 set for its final year.

In terms of operating results by industry with which the Group does business, in the electronics and semiconductor industry and the machinery industry, demand for electronic components was sluggish due to inventory adjustments in digital equipment. The impact of this and the curbing of capital investment resulted in net sales of related tools falling below those of the previous fiscal year. On the other hand, in the transportation equipment industry, in addition to the ongoing recovery of production in aircraft and automotive-related businesses, the Group captured demand from the re-organization of automotive component production, and net sales of related tools increased compared with the previous fiscal year. In the stone and construction industry, although there was a little demand from large-scale construction projects, net sales of related tools remained at the same level as the previous fiscal year, primarily for repair work of expressways and demolition work. In addition, demand for related tools for power semiconductors, which is our focused product, was firm primarily in overseas markets.

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, 2024 was ¥73,901 million, a decrease of ¥275 million from the end of the previous fiscal year (down 0.4% YoY).

Total liabilities as of March 31, 2024 was ¥9,908 million, a decrease of ¥1,386 million from the end of the previous fiscal year (down 12.3% YoY).

Total net assets as of March 31, 2024 was ¥63,993 million, an increase of ¥1,110 million from the end of the previous fiscal year (up 1.8% YoY).

#### b. Operating results

Net sales for the current fiscal year amounted to ¥38,653 million, a decrease of ¥667 million from the previous fiscal year (down 1.7% YoY).

Operating profit for the current fiscal year amounted to ¥1,526 million, a decrease of ¥979 million from the previous fiscal year (down 39.1% YoY).

Ordinary profit for the current fiscal year amounted to ¥2,408 million, a decrease of ¥867 million from the previous fiscal year (down 26.5% YoY).

Profit attributable to owners of parent for the current fiscal year amounted to ¥2,109 million, a decrease of ¥656 million from the previous fiscal year (down 23.7% YoY).

Operating results by industry were as follows.

(a) Electronics and semiconductor

Net sales in the electronics and semiconductor industry amounted to ¥14,684 million, a decrease of ¥72 million from the previous fiscal year (down 0.5% YoY).

(b) Transportation equipment

Net sales in the transportation equipment industry amounted to ¥9,204 million, an increase of ¥922 million from the previous fiscal year (up 11.1% YoY).

(c) Machinery

Net sales in the machinery industry amounted to ¥9,434 million, a decrease of ¥1,206 million from the previous fiscal year (down 11.3% YoY).

(d) Stone and construction

Net sales in the stone and construction industry amounted to ¥4,218 million, a decrease of ¥21 million from the previous fiscal year (down 0.5% YoY).

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

Net sales in other industries amounted to ¥1,111 million, a decrease of ¥289 million from the previous fiscal year (down 20.7% YoY).

ii. Cash flows

Cash and cash equivalents (“funds”) as of March 31, 2024 was ¥12,818 million, a decrease of ¥3,570 million from the end of the previous fiscal year.

***Cash flows from operating activities***

Funds provided by operating activities amounted to ¥2,839 million (compared with ¥4,979 million provided in the previous fiscal year). The main factors were profit before income taxes of ¥3,106 million, depreciation of ¥2,969 million, loss (gain) on sale of investment securities of ¥(850) million, decrease (increase) in inventories of ¥(684) million, and income taxes paid of ¥929 million.

***Cash flows from investing activities***

Funds used in investing activities amounted to ¥3,505 million (compared with ¥1,260 million used in the previous fiscal year). The main factors were purchase of property, plant and equipment of ¥4,675 million and proceeds from sale of investment securities of ¥1,067 million.

***Cash flows from financing activities***

Funds used in financing activities amounted to ¥3,121 million (compared with ¥3,145 million used in the previous fiscal year). The main factors were purchase of treasury shares of ¥1,726 million and dividends paid of ¥1,581 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, 2024.

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, 2024 was ¥73,901 million, a decrease of ¥275 million from the end of the previous fiscal year (down 0.4% YoY). The decrease in assets was mainly due to a decrease in cash and deposits of ¥3,594 million, offsetting an increase in other current assets, including accounts receivable - other, of ¥553 million, an increase in raw materials and supplies of ¥397 million, and an increase in property, plant and equipment of ¥1,593 million.

*Liabilities*

Total liabilities as of March 31, 2024 was ¥9,908 million, a decrease of ¥1,386 million from the end of the previous fiscal year (down 12.3% YoY). The decrease in liabilities was mainly due to a decrease in retirement benefit liability of ¥2,406 million, offsetting an increase in short-term borrowings of ¥365 million and an increase in other current liabilities, including accounts payable - other, of ¥636 million.

*Net assets*

Net assets as of March 31, 2024 was ¥63,993 million, an increase of ¥1,110 million from the end of the previous fiscal year (up 1.8% YoY). The increase in net assets was mainly due to an increase of ¥2,109 million due to the recording of profit attributable to owners of parent, offsetting a decrease of ¥1,586 million due to dividends of surplus.

As a result, shareholders' equity ratio was 84.2%, and net assets per share was ¥1,207.32.

b. Analysis of operating results

*Net sales*

Net sales for the current fiscal year amounted to ¥38,653 million, a decrease of ¥667 million from the previous fiscal year (down 1.7% YoY).

*Operating profit*

Operating profit for the current fiscal year amounted to ¥1,526 million, a decrease of ¥979 million from the previous fiscal year (down 39.1% YoY).

*Ordinary profit*

Ordinary profit for the current fiscal year amounted to ¥2,408 million, a decrease of ¥867 million from the previous fiscal year (down 26.5% YoY).

*Profit attributable to owners of parent*

Profit attributable to owners of parent for the current fiscal year amounted to ¥2,109 million, a decrease of ¥656 million from the previous fiscal year (down 23.7% 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, demand for electronic components was sluggish due to inventory adjustments in digital equipment, which resulted in a decrease in sales of related tools. On the other hand, demand for power semiconductors used for automotive electrification and power saving increased, supplementing sales of related tools.

Transportation equipment

In the automotive-related businesses, in addition to the ongoing recovery of production resulting from the easing of the shortage of components, the Group captured demand from the re-organization of automotive component production associated with the growing global trend toward electric vehicles. Furthermore, sales of related tools increased in aircraft-related businesses due to a recovery of demand thanks to the relaxation of movement restrictions and an increase in the market share resulting from the re-evaluation of tool quality.

#### Machinery

While there was a certain level of sales of tools attached to machine tools for semiconductors in machine tools businesses, a slump in demand for electronic components and in capital investment in the electronics and semiconductor industry resulted in a significant decline in sales of related tools in bearings and ceramics businesses. In tools businesses, sales of related tools fell due to sluggish demand in China and the stagnation of production of general machinery components.

#### Stone and construction

In construction businesses in Japan, both public and private construction volumes performed steadily owing to measures for improving national land resilience including repair work of expressways. On the other hand, sales of related tools in stone businesses declined due to the ongoing slump in demand for headstones, construction materials, etc.

#### 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, 2024 was ¥12,818 million, a decrease of ¥3,570 million from the end of the previous fiscal year (down 21.8% 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 ¥2,236 million and the research results by industry are as follows.

### (1) Electronics and semiconductor

In semiconductor manufacturing processes, there has been a focus on functional improvements in downstream processes (packaging), which has led to increasingly diverse requirements for semiconductor package cutting processes. To respond to this diversification of requirements, we are constantly working to enhance our line-up of dicing blades used in cutting processes. Our newly developed resin blade, M! Blade, maintains the same high machining quality as conventional resin blades but has a longer service life. This new product is starting to win high recognition for cutting of semiconductor packaging, such as QFN and FCBGA, for which processing quality is viewed as important.

### (2) Transportation equipment

With the aim of realizing a sustainable society, we are engaged in initiatives to reduce whetstone shavings. In the processing of hydraulic parts and automotive components, etc., processing with regular whetstone generates large volumes of whetstone shavings. However, replacing whetstone with the CBN vitrified wheel enables a major reduction in waste products. It also reduces processing time and improves production efficiency, and for this reason, we expect to see an increase in moves to switch to CBN wheels going forward.

### (3) Machinery

AEROMETAL, a metal wheel with excellent sharpness for use in grinding the outer circumference of cemented carbide/cermet insert chips, is receiving high recognition from customers. As it offers superior sharpness and wear resistance to conventional resin wheels and greatly improved processing performance, we expect an increase in demand for this product.

### (4) Stone and construction

We developed and commercialized a new concrete-cutting blade, CB-IRIS, for use in the demolition and renovation of reinforced concrete buildings. We aim for the adoption of this product in the renovation work of expressways and a variety of construction sites. As to bits used for geological surveys and resource exploration, we have almost completed the development of a product with excellent sharpness for cutting hard bedrock, and we will soon launch it on the market.

### 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 ¥4,998 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, 2024

Office (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m <sup>2</sup> )	Other	Total	
Mie Factory (Iga-shi, Mie)	Production facility and test facility	2,937	1,360	1,945 (128)	238	6,481	339 [92]
Chiba Factory (Sodegaura-shi, Chiba)	Production facility	5,336	1,343	1,826 (79)	86	8,591	190 [137]
Chiba No. 2 Factory (Chonan-machi, Chosei-gun, Chiba)	Production facility	412	383	116 (16)	60	973	72 [90]
Chiba Tsurumai Factory (Ichihara-shi, Chiba)	Production facility	584	55	77 (23)	22	741	12 [15]
Tamagawa Factory (Takatsu-ku, Kawasaki-shi, Kanagawa)	Production facility	730	425	825 (6)	54	2,034	95 [59]
Engineering & Development Center (Takatsu-ku, Kawasaki-shi, Kanagawa)	Research and development facility	1,061	347	241 (2)	97	1,747	50 [-]
Head Office, etc. (Chiyoda-ku, Tokyo and other locations)	Facilities for head office, etc.	33	6	875 (15)	128	1,042	243 [10]

- 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).
- 6 Head office, etc. includes ¥874 million for the land (22 thousand m<sup>2</sup>) 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 ¥231 million.

## (2) Domestic subsidiary

As of March 31, 2024

Company name (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m <sup>2</sup> )	Other	Total	
Yamanashi Asahi Diamond Industrial Co., Ltd. (Nirasaki-shi, Yamanashi)	Production facility	731	500	— (—)	65	1,297	139 [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, 2024

Company name (Location)	Description of facilities	Book value (millions of yen)					Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: thousand m <sup>2</sup> )	Other	Total	
Taiwan Asahi Diamond Industrial Co., Ltd. (Taoyuan, Taiwan)	Production facility	606	462	397 (12)	120	1,586	331 [1]
Asahi Diamond Industrial Europe SAS (Eure-et-Loir, France)	Production facility	79	360	192 (9)	69	701	124 [—]
P.T. Asahi Diamond Industrial Indonesia (Bekasi Regency, Indonesia)	Production facility	120	281	95 (15)	2	499	161 [—]

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.

### 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, 2024, the investment planned for the additions, etc. of important facilities totaled ¥8.7 billion, 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	5,700	—	Self-financing	April 2024	March 2025	Renewal of production facilities
15 subsidiaries	Production facility	970	—	Self-financing and borrowings	April 2024	March 2025	Renewal of production facilities
Asahi Diamond Industrial Europe SAS	Production facility	2,100	236	Borrowings from the parent company	June 2023	March 2025	Addition of production facilities
Total	—	8,770	236	—	—	—	—

#### (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, 2024)	Number of issued shares as of filing date (June 27, 2024)	Name of the financial instruments exchange where the Company is listed or registered financial instruments dealers association	Description
Common stock	51,888,600	51,888,600	Prime Market of the Tokyo Stock Exchange	Number of shares per unit: 100
Total	51,888,600	51,888,600	—	—

(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

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

## (5) Shareholding by shareholder category

As of March 31, 2024

As of March 31, 2024

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	–	17	30	165	111	47	13,357	13,727	–
Number of shares held (units)	–	143,273	10,030	43,362	106,782	385	213,730	517,562	132,400
Percentage of shareholdings (%)	–	27.68	1.94	8.38	20.63	0.07	41.30	100.00	–

- Notes: 1 Of the 13,812 treasury shares, 138 units are included in individuals and others and 12 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 3,212 units and 65 shares of the Company held by the trust account relating to 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, 2024

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	8,189	15.79
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	3,648	7.03
Asahi Diamond Employee Stock Ownership Association	4-1, Kioi-cho, Chiyoda-ku, Tokyo	2,007	3.87
CEPLUX - The Independent UCITS Platform 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	31, Z.A. Bourmicht, L-8070, Bertrange, Luxembourg (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,600	3.08
Asahi Diamond Partner Company Stock Ownership Association	4-1, Kioi-cho, Chiyoda-ku, Tokyo	1,338	2.58
Union Tool Co.	6-17-1, Minamioi, Shinagawa-ku, Tokyo	1,310	2.53
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	2.00
DFA International Small Cap Value Portfolio (Standing proxy: Citibank, N.A., Tokyo Branch)	Palisades West 6300, Bee Cave Road, Building One Austin TX 78746 US (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	834	1.61
JP Morgan Chase Bank 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (2-15-1, Konan, Minato-ku, Tokyo)	682	1.32
MSIP Client Securities (Standing proxy: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)	25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom (1-9-7, Otemachi, Chiyoda-ku, Tokyo)	476	0.92
Total	–	21,127	40.73

- Notes: 1 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 321 thousand shares of the Company related to stock compensation plan.

The Master Trust Bank of Japan, Ltd. (Trust Account): 8,189 thousand shares

Custody Bank of Japan, Ltd. (Trust Account): 3,648 thousand shares



- 2 According to the Statement of Changes to a Statement of Large-Volume Holdings, which was made available for public inspection on February 22, 2024, shares of the Company were held by Nomura Asset Management Co., Ltd. and its joint holder, Nomura International plc, as of February 15, 2024 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by these companies as of March 31, 2024.

The detail of the Statement of Changes to a Statement of Large-Volume Holdings is as follows:

Name	Location	Number of share certificates held (thousand shares)	Shareholding ratio (%)
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	1,935	3.73
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	168	0.32
Total	—	2,104	4.06

(7) Voting rights

i. Issued shares

As of March 31, 2024

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.)	(Treasury shares) Common stock 13,800	—	—
Shares with full voting rights (other)	Common stock 51,742,400	517,424	—
Shares less than one unit	Common stock 132,400	—	Shares less than one unit (100 shares)
Total number of issued shares	51,888,600	—	—
Voting rights held by all shareholders	—	517,424	—

- Notes: 1 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 321,200 shares (3,212 voting rights) held by the trust relating to stock compensation plan.
- 2 Share less than one unit of common stock include 85 shares in the name of Japan Securities Depository Center, Incorporated, 12 treasury shares held by the Company and 65 shares held by the trust relating to stock compensation plan.
- 3 The table above does not include 321,200 shares of the Company held by the trust account relating to stock compensation plan as of March 31, 2024, which are included in treasury shares in the non-consolidated financial statements.

ii. Treasury shares, etc.

As of March 31, 2024

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	13,800	—	13,800	0.03
Total	—	13,800	—	13,800	0.03

Note: In addition to the above, 321,200 shares of the Company (3,212 voting rights) held by the trust relating to 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, 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 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 2025
• 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.

321,265 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 24, 2022. The extended trust period is from August 2018 to August 2025.

## 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 May 12, 2023 (Acquisition period: May 15, 2023 to July 31, 2023)	2,000,000	2,200,000,000
Treasury shares acquired before the fiscal year ended March 31, 2024	—	—
Treasury shares acquired during the fiscal year ended March 31, 2024	2,000,000	1,725,444,700
Total number and value of remaining resolved shares	—	474,555,300
Unexercised ratio as of March 31, 2024 (%)	—	21.57
Treasury shares acquired during the period from April 1, 2024 to the filing date of this Annual Securities Report	—	—
Unexercised ratio as of the filing date (%)	—	21.57

### (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, 2024	1,335	1,166,481
Treasury shares acquired during the period from April 1, 2024 to the filing date of this Annual Securities Report	297	275,177

Note: The number of treasury shares acquired during the period from April 1, 2024 to the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from June 1, 2024 to the filing date of this Annual Securities Report (June 27, 2024).

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

Category	Fiscal year ended March 31, 2024		From April 1, 2024 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	2,000,000	1,725,444,700	—	—
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)	2	1,488	—	—
Treasury shares held	13,812	—	14,109	—

Note: The number of treasury shares held during the period from April 1, 2024 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, 2024 to the filing date of this Annual Securities Report (June 27, 2024).

### 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. Specifically, we will determine the dividend amount based on a dividend payout ratio of 40%, but the annual dividend per share will not be less than ¥6 (an interim dividend of ¥3 and a year-end dividend of ¥3). This policy may be revised if profit attributable to owners of parent in the consolidated financial statements is in deficit for three fiscal years in a row or if there is a significant impact on the Company due to a disaster or the like.

During the period covered by the Medium-term Management Plan (from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2026), we will pay dividends based on a dividend payout ratio of 50% or more, with a total average payout ratio of 120% or more for the three years. However, this policy may be revised if there is a significant impact on the Company due to a disaster, economic crisis, or the like during the period.

According to this policy, for the fiscal year ended March 31, 2024, we pay an annual dividend of ¥30 per share, including the interim dividend of ¥15.

For the fiscal year ending March 31, 2025, we plan to pay an annual dividend of ¥30 per share (an interim dividend of ¥15 per share and a year-end dividend of ¥15 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:

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, 2023	778	15
Resolution at the Annual General Meeting of Shareholders held on June 26, 2024	778	15

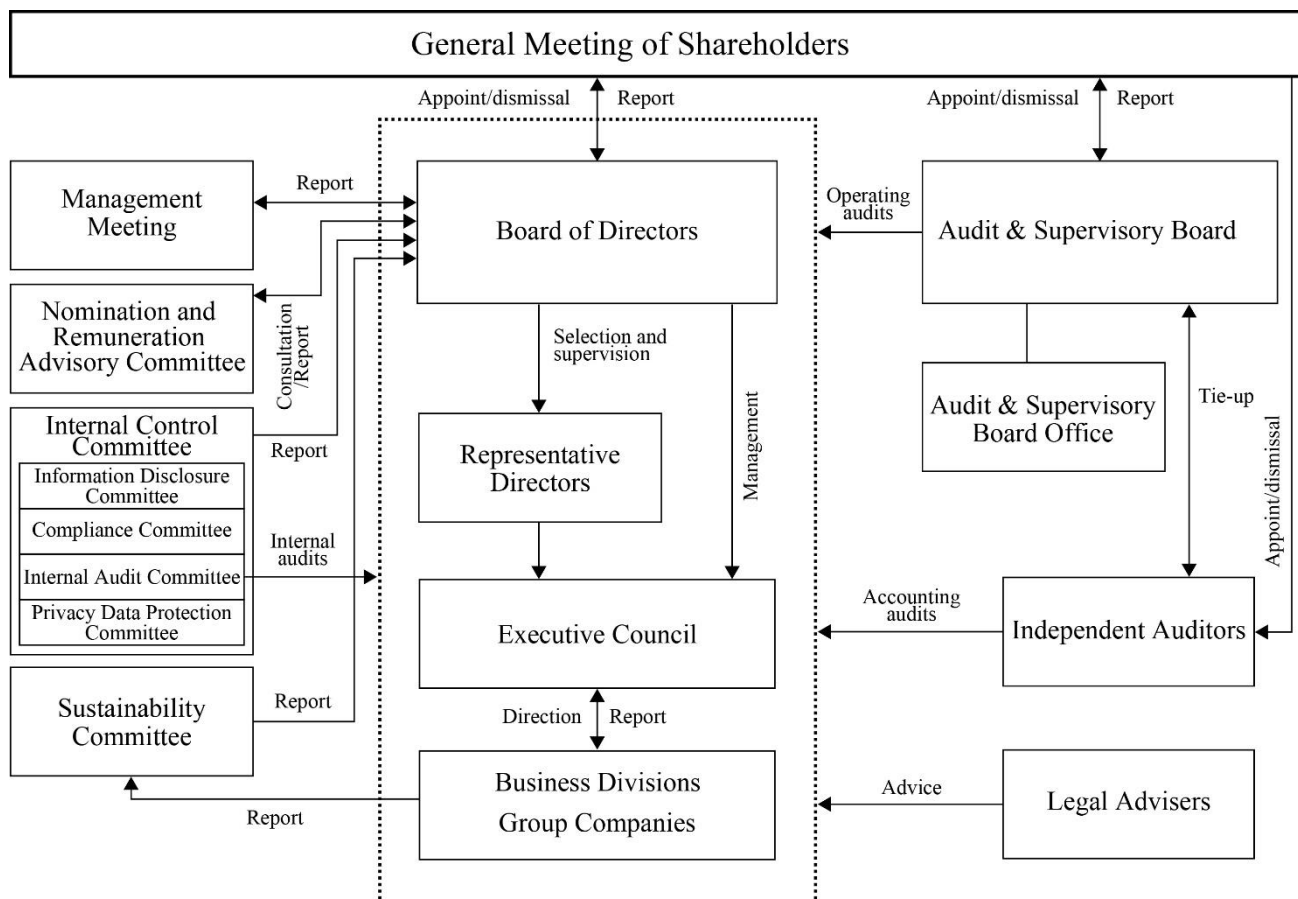
## 4. Corporate Governance

### (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 27, 2024, 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, Ming-Shong Lan, Toshimasa Hagiwara, Hideo Abe, and Junichi Matsuda, and External Directors Osamu Koyama, Yuko Ichikawa, and Eriko Kawajiri.

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, 2024.

Specific matters considered by the Board in the fiscal year ended March 31, 2024 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	Member	10/10
Director	Toshimasa Hagiwara	Member	10/10
Director	Hideo Abe	Member	10/10
Director	Junichi Matsuda	Member	10/10
External Director	Osamu Koyama	Member	10/10
External Director	Yuko Ichikawa	Member	10/10
External Director	Eriko Kawajiri	Member	8/8
Full-time Audit & Supervisory Board Member	Takemi Matsuzaki	Member	10/10
Audit & Supervisory Board Member	Morio Kayama	Member	10/10
External Audit & Supervisory Board Member	Yukio Otaka	Member	10/10
External Audit & Supervisory Board Member	Masahito Kawashima	Member	10/10

Note: Audit & Supervisory Board Member Morio Kayama retired at the conclusion of the Annual General Meeting of Shareholders held on June 26, 2024.

(B) Audit & Supervisory Board

The Company adopts an Audit & Supervisory Board Member system. As of June 27, 2024, 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, 2024, 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
Audit & Supervisory Board Member	Morio Kayama	Member	8/8
External Audit & Supervisory Board Member	Yukio Otaka	Member	8/8
External Audit & Supervisory Board Member	Masahito Kawashima	Member	8/8

Note: Audit & Supervisory Board Member Morio Kayama retired at the conclusion of the Annual General Meeting of Shareholders held on June 26, 2024.

(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 27, 2024, the Company is served by eight Executive Officers.

(E) Executive Council

The Company holds a meeting of the Executive Council, which is attended by six Directors (excluding External Directors) and eight executive officers, two president directors of domestic subsidiaries, 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 Meetings

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, 2024, the committee met eight times, with two External Audit & Supervisory Board Members attending for a total of six attendees. Specific matters considered by the committee included the selection of candidates for Director, Audit & Supervisory Board Member, and substitute 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	6/6
External Audit & Supervisory Board Member	Yukio Otaka	Member	6/6
External Audit & Supervisory Board Member	Masahito Kawashima	Member	6/6

(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 will meet twice a year in principle. The establishment of the Committee was resolved on May 15, 2024. The first meeting is scheduled for July 2024.

(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 management philosophy, behavioral guidelines, and 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 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 effectively
  - (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 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 effectively
 

Directors or employees of the Company who assume office of director or corporate auditor, etc. of a subsidiary shall work on effective 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 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 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 such reporting, 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

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	170
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	38
Managing Director	Ming-Shong Lan	March 4, 1953	Sep. 1994 Jul. 1996 Aug. 1996 Jun. 2005 Jul. 2017 Jun. 2019 Nov. 2019 Jan. 2021 Jun. 2022	Joined the Company; Deputy General Manager Reporting to Managing Division Director Left the Company President, Taiwan Asahi Diamond Industrial Co., Ltd. (present) Director, International Department, the Company Director; International Division Director Managing Director; International Division Director Managing Director; Global Business Management Division Director Managing Director; Group Companies Management Division Director Managing Director (present)	Note 3	62
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	52
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	26
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	14

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
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. 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	19
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	–

Title	Name	Date of birth	Career summary		Term of office	Number of shares of the Company held (thousand shares)
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						384

- 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, 2024 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2025.
- 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, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending 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 eight Executive Officers as of the filing date of this Annual Securities Report (June 27, 2024): 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; Hiroaki Kawai, Central Japan Regional General Manager and Nagoya Branch General Manager; Tomoki Takahashi, President, Asahi Diamond Industrial Europe SAS; Keiichi Mizutani, Chiba No. 2 Factory General Manager; and Norikazu Kanemoto, Tamagawa Factory General Manager and Procurement Department General Manager.
- 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	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.) (present) External Audit & Supervisory Board Member, Yayoi Co., Ltd. (present) Established Crea Audit Corporation, Partner (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 ¥265 million from the Mitsui & Co., Ltd. group only accounts for 0.7% 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 borrowings of ¥345 million from the bank only accounts for 0.47% of the consolidated total assets of the Company.

External Audit & Supervisory Board Member Masahito Kawashima is from MUFG Bank, Ltd. He has no special interests in the Group, since the borrowings of ¥199 million from the bank only accounts for 0.27% 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 Company.

### 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 27, 2024, 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 eight times during the fiscal year ended March 31, 2024). 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, 2024, the Audit & Supervisory Board meetings were held eight times. Audit & Supervisory Board Members Takemi Matsuzaki, Morio Kayama, 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. Audit & Supervisory Board Member Morio Kayama retired at the conclusion of the Annual General Meeting of Shareholders held on June 26, 2024.

#### ii. Internal audits

The Internal Audit Committee comprising 36 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

Masataka Asano

Kiyoshi Arai

##### d. Composition of assistants involved in the accounting audit

10 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, 2024, 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, 2023		Fiscal year ended March 31, 2024	
	Audit fees	Non-audit fees	Audit fees	Non-audit fees
Reporting company	46	—	46	—
Consolidated subsidiaries	—	—	—	—
Total	46	—	46	—

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 four.

In addition to these remuneration limits, the introduction of 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

The remuneration for Directors is monthly fixed remuneration with the 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.

The remuneration for Audit & Supervisory Board Members is monthly fixed remuneration paid regardless of the 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 and KPIs set for each Director for the previous fiscal year as indices, aiming to expand business and increase profitability. The amount to be paid is determined according to the certain rate of achievement to the target profit, and is paid from July after the end of the relevant fiscal year adding to the monthly fixed remuneration. If the certain rate of achievement is not reached, the performance-based remuneration will not be paid.

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) is 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, 2024, 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, 2024 for determining remuneration amount for Directors and other officers. The amounts of fixed, performance-based, and stock remuneration for Directors were 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, 2024

The performance-based remuneration is indexed by profit attributable to owners of parent for the previous fiscal year.

The actual result of the index against the target of ¥5,000 million for the fiscal year ended March 31, 2024 was ¥2,765 million, and ¥1 million was paid to six Directors (excluding External Directors).

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)	142	117	1	23	6
Audit & Supervisory Board Member (excluding External Audit & Supervisory Board Member)	22	22	—	—	2
External Officer	35	35	—	—	6
Total	200	175	1	23	14

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 will dispose 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. Then, shares will be actually disposed of and the Board of Directors will confirm the result of sale.

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	19	6,864

*Stocks whose shares held by the Company increased during the fiscal year ended March 31, 2024*

	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	8	25	Increases due to purchase of shares through stock ownership associations of business partners and stock splits

*Stocks whose shares held by the Company decreased during the fiscal year ended March 31, 2024*

	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	5	1,067

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)		
Tokyo Seimitsu Co., Ltd.	135,000	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 maintaining good relationship and exchanging information in a timely and appropriate manner.	Yes
	1,643	691		
Union Tool Co.	290,000	290,000	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
	1,302	955		
DAIICHI CUTTER KOGYO K.K.	600,000	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
	958	705		
EDP Corporation	550,000	145,000	It is a supplier from which the Company procures raw materials for diamond tools. We hold these shares to facilitate smooth transactions with the company. The increase in the number of shares is due to a stock split.	No
	746	2,069		
OSG Corporation	275,000	275,000	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
	601	546		
Okamoto Machine Tool Works, Ltd.	56,500	56,500	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
	380	298		
AGC Inc.	49,131	46,778	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
	271	230		
Tenryu Saw Mfg. Co., Ltd.	146,000	73,000	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. The increase in the number of shares is due to a stock split.	Yes
	245	230		
MinebeaMitsumi Inc.	42,352	41,601	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
	124	104		
YASUNAGA CORPORATION	140,000	140,000	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
	100	143		
AIDA ENGINEERING, LTD.	100,000	200,000	It is a customer of the Company in the machinery industry. We held these shares to strengthen and maintain business relationship with the company. However, we have sold all of these shares as of the filing date of this Annual Securities Report.	Yes
	88	163		

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	36,546	34,668	It is a customer of the Company 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
	87	68		
NACHI-FUJIKOSHI CORP.	22,616	21,410	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
	78	84		
TOKYO ROPE MFG. CO., LTD.	50,000	50,000	We mainly purchase parts used in manufacturing products for the electronic components industry. We hold these shares to maintain good relationship with the company.	Yes
	72	58		
MICRON MACHINERY CO., LTD.	30,000	30,000	It is a customer of the Company in the machinery industry. We hold these shares to strengthen and maintain business relationship with the company.	No
	42	39		
Dijet Industrial Co., Ltd.	46,147	46,147	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
	39	38		
Fuji Bellows Co., Ltd.	21,800	21,800	It is a customer of the Company in the automotive industry. We hold these shares to strengthen and maintain business relationship with the company.	Yes
	36	28		
Nippon Electric Glass Co., Ltd.	8,021	7,316	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
	31	18		
Makita Corporation	2,773	2,452	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
	11	8		
Mitsubishi UFJ Financial Group, Inc.	—	500,000	We have sold all of these shares in the current fiscal year.	No
	—	423		
Mitsubishi Electric Corporation	—	50,000	We have sold all of these shares in the current fiscal year.	No
	—	78		
KOKEN BORING MACHINE CO., LTD.	—	50,000	We have sold all of these shares in the current fiscal year.	No
	—	22		

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.

## 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, 2023 to March 31, 2024 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, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	16,375	12,780
Notes and accounts receivable - trade	10,059	*4 10,387
Securities	13	37
Merchandise and finished goods	3,169	3,536
Work in process	1,427	1,628
Raw materials and supplies	2,624	3,021
Other	738	1,291
Allowance for doubtful accounts	(106)	(81)
Total current assets	34,301	32,601
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 27,293	*2 28,053
Accumulated depreciation	(15,624)	(15,316)
Buildings and structures, net	11,668	12,737
Machinery, equipment and vehicles	*2 31,870	*2 32,896
Accumulated depreciation	(26,402)	(26,878)
Machinery, equipment and vehicles, net	5,467	6,017
Land	*2, *3 6,674	*2, *3 6,592
Construction in progress	515	317
Other	6,372	6,835
Accumulated depreciation	(5,636)	(5,845)
Other, net	736	990
Total property, plant and equipment	25,061	26,655
Intangible assets	190	351
Investments and other assets		
Investment securities	*1 12,861	*1 13,164
Long-term loans receivable	4	1
Deferred tax assets	1,095	465
Other	1,138	1,166
Allowance for doubtful accounts	(477)	(506)
Total investments and other assets	14,623	14,292
Total non-current assets	39,876	41,299
Total assets	74,177	73,901

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,477	1,424
Short-term borrowings	179	544
Income taxes payable	503	504
Provision for bonuses	910	893
Other	2,183	2,819
Total current liabilities	5,255	6,185
Non-current liabilities		
Retirement benefit liability	5,151	2,745
Deferred tax liabilities for land revaluation	*3 350	*3 350
Asset retirement obligations	61	62
Provision for business restructuring	217	234
Provision for share awards	125	163
Other	132	166
Total non-current liabilities	6,039	3,722
Total liabilities	11,295	9,908
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,102	4,102
Capital surplus	7,129	7,129
Retained earnings	45,048	43,846
Treasury shares	(247)	(248)
Total shareholders' equity	56,032	54,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,645	3,699
Revaluation reserve for land	*3 196	*3 196
Foreign currency translation adjustment	1,283	2,094
Remeasurements of defined benefit plans	15	1,422
Total accumulated other comprehensive income	5,140	7,412
Non-controlling interests	1,709	1,752
Total net assets	62,882	63,993
Total liabilities and net assets	74,177	73,901

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

Consolidated statement of income

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Net sales	39,320	38,653
Cost of sales	*1, *3 28,790	*1, *3 28,655
Gross profit	10,530	9,998
Selling, general and administrative expenses		
Selling expenses	5,208	5,467
General and administrative expenses	2,816	3,004
Total selling, general and administrative expenses	*2, *3 8,024	*2, *3 8,471
Operating profit	2,506	1,526
Non-operating income		
Interest income	49	97
Dividend income	165	163
Foreign exchange gains	214	327
Share of profit of entities accounted for using equity method	250	182
Subsidy income	49	42
Miscellaneous income	67	91
Total non-operating income	797	904
Non-operating expenses		
Interest expenses	20	7
Commission expenses	–	3
Miscellaneous losses	7	12
Total non-operating expenses	27	23
Ordinary profit	3,275	2,408
Extraordinary income		
Gain on sale of non-current assets	–	*4 29
Gain on sale of investment securities	555	850
Total extraordinary income	555	880
Extraordinary losses		
Loss on retirement of non-current assets	–	*5 117
Loss on valuation of investment securities	–	25
Factory relocation expenses	–	*6 39
Total extraordinary losses	–	181
Profit before income taxes	3,830	3,106
Income taxes - current	732	895
Income taxes - deferred	240	27
Total income taxes	973	923
Profit	2,856	2,183
Profit attributable to non-controlling interests	91	73
Profit attributable to owners of parent	2,765	2,109

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Profit	2,856	2,183
Other comprehensive income		
Valuation difference on available-for-sale securities	1,103	54
Foreign currency translation adjustment	613	635
Remeasurements of defined benefit plans, net of tax	48	1,377
Share of other comprehensive income of entities accounted for using equity method	441	281
Total other comprehensive income	*1 2,206	*1 2,349
Comprehensive income	5,063	4,532
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,060	4,529
Comprehensive income attributable to non-controlling interests	3	3

## iii. Consolidated statement of changes in equity

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(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	45,166	(134)	56,263
Changes during period					
Dividends of surplus			(1,483)		(1,483)
Profit attributable to owners of parent			2,765		2,765
Purchase of treasury shares				(1,540)	(1,540)
Disposal of treasury shares			(0)	28	28
Cancellation of treasury shares			(1,399)	1,399	—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(117)	(112)	(230)
Balance at end of period	4,102	7,129	45,048	(247)	56,032

	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	2,541	196	292	(2)	3,028	1,577	60,869
Changes during period							
Dividends of surplus							(1,483)
Profit attributable to owners of parent							2,765
Purchase of treasury shares							(1,540)
Disposal of treasury shares							28
Cancellation of treasury shares							—
Net changes in items other than shareholders' equity	1,103	—	990	18	2,111	131	2,243
Total changes during period	1,103	—	990	18	2,111	131	2,013
Balance at end of period	3,645	196	1,283	15	5,140	1,709	62,882

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

(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	45,048	(247)	56,032
Changes during period					
Dividends of surplus			(1,586)		(1,586)
Profit attributable to owners of parent			2,109		2,109
Purchase of treasury shares				(1,726)	(1,726)
Disposal of treasury shares			0	0	0
Cancellation of treasury shares			(1,725)	1,725	—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(1,202)	(1)	(1,203)
Balance at end of period	4,102	7,129	43,846	(248)	54,829

	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	3,645	196	1,283	15	5,140	1,709	62,882
Changes during period							
Dividends of surplus							(1,586)
Profit attributable to owners of parent							2,109
Purchase of treasury shares							(1,726)
Disposal of treasury shares							0
Cancellation of treasury shares							—
Net changes in items other than shareholders' equity	54	—	811	1,406	2,271	42	2,314
Total changes during period	54	—	811	1,406	2,271	42	1,110
Balance at end of period	3,699	196	2,094	1,422	7,412	1,752	63,993

## iv. Consolidated statement of cash flows

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	3,830	3,106
Depreciation	2,882	2,969
Increase (decrease) in allowance for doubtful accounts	(48)	(33)
Increase (decrease) in provision for bonuses	(14)	(39)
Increase (decrease) in retirement benefit liability	(162)	(436)
Increase (decrease) in provision for share awards	9	38
Increase (decrease) in provision for business restructuring	(63)	(7)
Interest and dividend income	(215)	(261)
Interest expenses	20	7
Share of loss (profit) of entities accounted for using equity method	(250)	(182)
Loss on retirement of property, plant and equipment	39	164
Loss (gain) on sale of property, plant and equipment	(5)	(48)
Loss (gain) on sale of investment securities	(555)	(850)
Loss (gain) on valuation of investment securities	–	25
Decrease (increase) in trade receivables	774	52
Decrease (increase) in inventories	(337)	(684)
Increase (decrease) in trade payables	(145)	(363)
Amortization of goodwill	–	13
Other, net	(225)	45
Subtotal	5,533	3,515
Interest and dividends received	215	261
Interest paid	(20)	(7)
Income taxes paid	(748)	(929)
Net cash provided by (used in) operating activities	4,979	2,839
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,898)	(4,675)
Proceeds from sale of property, plant and equipment	21	429
Purchase of investment securities	(25)	(25)
Proceeds from sale of investment securities	687	1,067
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2 (271)
Other, net	(45)	(27)
Net cash provided by (used in) investing activities	(1,260)	(3,505)

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(43)	348
Purchase of treasury shares	(1,540)	(1,726)
Proceeds from sale of treasury shares	28	0
Dividends paid	(1,479)	(1,581)
Dividends paid to non-controlling interests	(53)	(108)
Repayments of lease liabilities	(55)	(52)
Net cash provided by (used in) financing activities	(3,145)	(3,121)
Effect of exchange rate change on cash and cash equivalents	266	215
Net increase (decrease) in cash and cash equivalents	840	(3,570)
Cash and cash equivalents at beginning of period	15,548	16,389
Cash and cash equivalents at end of period	*1 16,389	*1 12,818



## 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."

The Company acquired all shares of Asahi Diamond Industrial India Private Limited and newly established Asahi Diamond Vietnam Co., Ltd. in the current fiscal year, and therefore those two subsidiaries are included in scope of consolidation.

#### 2. Disclosure about application of equity method

##### (A) Number of associates accounted for using equity method: 1

Name of associate:

Shinhan Diamond Industrial Co., Ltd.

(B) As the above stated associate accounted for using equity method has a closing date which is different from the closing date of the consolidated financial statements, we use its financial statements that are based on the business year of the 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 and Executive Officers who meet the beneficiary requirements of the stock compensation plan (the "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***

#### Recoverability of deferred tax assets

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	1,095	465

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

The Company and its consolidated subsidiaries recognize deferred tax assets for deductible temporary differences and tax loss carried forward in consideration of projections of future taxable income and tax-planning.

The Company's and its consolidated subsidiaries' estimates for future taxable income are based on "medium- to long-term profit and loss forecasts," which are predicated on significant assumptions such as sales estimates and operating expense forecasts. These significant assumptions are uncertain and may underestimate future taxable income. In that case, the deferred tax assets may be reduced and tax expenses may be recorded.

### ***New accounting standards not yet applied***

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 of October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 of October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 of October 28, 2022)

(1) Overview

These accounting standards and guidance establish the accounting classification of corporate and other taxes imposed on other comprehensive income, as well as the treatment of tax effects accounting for the sale of shares of subsidiaries when the group taxation system is applied.

(2) Scheduled date of application

These accounting standards and guidance will be adopted from the beginning of the fiscal year ending March 31, 2025.

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

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

### ***Additional information***

#### *Changes in retirement benefit plan*

The Company has changed its retirement benefit plan from a final salary proportional system to a point system as of April 1, 2023. As a result of this change in the plan, past service cost (reduction in retirement benefit obligations) of ¥1,813 million has been incurred, which was recorded as expenses (reduction of cost) on a straight-line basis over a certain period of years (10 years) within the average remaining years of service of employees.

**Consolidated balance sheet**

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Investment securities (equity securities)	5,788	6,230

\*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, 2023	As of March 31, 2024
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 (Government Ordinance No. 119, March 31, 1998)

Date of revaluation

March 31, 2002

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Fair value of the revaluated land at end of period less its revaluated book value	(639)	(614)

\*4. Notes due on the balance sheet date

For accounting treatment of notes due on the balance sheet date, the notes are settled on their clearance dates.

As the last day of the current fiscal year fell on a financial institute holiday, the following notes due on the balance sheet date were included in the year-end balance.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	—	164

5. The Company and its two consolidated subsidiaries have signed overdraft and loan commitment agreements with six banks to procure working capital efficiently.

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Total amount of overdraft limits and loan commitments	8,315	6,870
Drawn facilities	141	345
Net	8,173	6,524

### 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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
	(43)	(36)

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

(1) Selling expenses

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Salaries and allowances	2,340	2,470
Provision for bonuses	127	127
Retirement benefit expenses	133	85
Commission expenses	146	177
Provision of allowance for doubtful accounts	0	(24)

(2) General and administrative expenses

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Salaries and allowances	1,001	1,016
Provision for bonuses	49	52
Retirement benefit expenses	13	18
Commission expenses	390	501
Research and development expenses	381	376

- \*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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
	1,985	2,236

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

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Buildings and structures	—	(66)
Land	—	112
Other	—	(16)
Total	—	29

Note: Gain and loss on sale of non-current assets arising from the sale of the same asset are offset and presented as gain on sale of non-current assets in the consolidated statement of income.

\*5. Loss on retirement of non-current assets

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

The main component of loss on retirement of non-current assets is a loss of ¥117 million on retirement of buildings and structures.

\*6. Factory relocation expenses

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

The main component of factory relocation expenses is ¥39 million of moving expenses arising from the relocation of the head office and factory of Koremura Asahi Diamond Industrial Co., Ltd., a consolidated subsidiary.

**Consolidated statement of comprehensive income**

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

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during period	1,841	941
Reclassification adjustments	(258)	(864)
Before tax effect adjustment	1,583	76
Tax effect	(480)	(22)
Valuation difference on available-for-sale securities	1,103	54
Foreign currency translation adjustment		
Amount arising during period	613	635
Reclassification adjustments	—	—
Before tax effect adjustment	613	635
Tax effect	—	—
Foreign currency translation adjustment	613	635
Remeasurements of defined benefit plans		
Amount arising during period	50	2,041
Reclassification adjustments	14	(50)
Before tax effect adjustment	64	1,991
Tax effect	(16)	(613)
Remeasurements of defined benefit plans, net of tax	48	1,377
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during period	441	281
Total other comprehensive income	2,206	2,349



### Consolidated statement of changes in equity

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

#### 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)	55,700	–	1,811	53,888
Total	55,700	–	1,811	53,888
Treasury shares				
Common stock (Notes)	172	2,009	1,847	333
Total	172	2,009	1,847	333

- Notes:
1. The decrease of 1,811 thousand shares in issued shares of common stock is a decrease due to the cancellation of treasury shares based on the resolution of the Board of Directors.
  2. The increase of 2,009 thousand shares in treasury shares of common stock is an increase of 1,811 thousand shares due to the purchase of treasury shares based on the resolution of the Board of Directors, 196 thousand shares acquired by the trust account of the benefit trust plan for Directors, etc., and an increase of 1 thousand shares due to the purchase of shares less than one unit.
  3. The decrease of 1,847 thousand shares in treasury shares of common stock is a decrease of 1,811 thousand shares due to the cancellation of treasury shares based on the resolution of the Board of Directors, 25 thousand shares of the Company delivered and 11 thousand shares of the Company sold, which were held in the trust account of the benefit trust plan for Directors, etc.
  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 161 thousand shares at the beginning of the period and 321 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 24, 2022	Common stock	891	16	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 8, 2022	Common stock	592	11	September 30, 2022	December 1, 2022

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 24, 2022 includes dividends of ¥2 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, 2022 includes dividends of ¥1 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 27, 2023	Common stock	808	Retained earnings	15	March 31, 2023	June 28, 2023

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 27, 2023 includes dividends of ¥4 million paid to the Company's shares held by trusts related to stock compensation plan.

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

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)	53,888	—	2,000	51,888
Total	53,888	—	2,000	51,888
Treasury shares				
Common stock (Notes)	333	2,001	2,000	335
Total	333	2,001	2,000	335

- Notes: 1. The decrease of 2,000 thousand shares in issued shares of common stock is a decrease due to the cancellation of treasury shares based on the resolution of the Board of Directors.
2. The increase of 2,001 thousand shares in treasury shares of common stock is an increase of 2,000 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 2,000 thousand shares in treasury shares of common stock is a decrease of 2,000 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 321 thousand shares at the beginning of the period and 321 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 27, 2023	Common stock	808	15	March 31, 2023	June 28, 2023
Board of Directors' meeting held on November 7, 2023	Common stock	778	15	September 30, 2023	December 1, 2023

Note: The total amount of dividends paid based on the resolution at the Annual General Meeting of Shareholders held on June 27, 2023 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, 2023 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, 2024	Common stock	778	Retained earnings	15	March 31, 2024	June 27, 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.

### ***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, 2023	As of March 31, 2024
Cash and deposits	16,375	12,780
Short-term investments with a maturity of three (3) months or less from the date of acquisition (Securities)	13	37
Cash and cash equivalents	16,389	12,818

\*2. Major assets and liabilities of consolidated subsidiaries newly added to the consolidation by acquiring their shares

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

The breakdown of assets and liabilities of Asahi Diamond Industrial India Private Limited, which was newly consolidated as a result of the Company's acquisition of its shares, at the start of the consolidation, and the reconciliation of the share acquisition cost with the payment amount for acquisition (net) is as follows:

	(Millions of yen)
Current assets	262
Non-current assets	43
Goodwill	191
Current liabilities	(193)
Non-current liabilities	(8)
Share acquisition cost	295
Cash and cash equivalents	(23)
Net: Payment amount for acquisition	271

### ***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, 2023	As of March 31, 2024
Due within 1 year	58	75
Due after 1 year	97	106
Total	156	182

## ***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 their repayment dates are within 1 year 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, 2023

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Marketable securities and investment securities			
i. Available-for-sale securities	7,086	7,086	—
Total assets	7,086	7,086	—

\*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	5,788

As of March 31, 2024

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Marketable securities and investment securities			
i. Available-for-sale securities	6,971	6,971	—
Total assets	6,971	6,971	—

\*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	6,230

Note 1: Redemption schedule of monetary receivables and securities with maturity dates after the consolidated balance sheet date  
As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	16,375	—	—	—
Notes and accounts receivable - trade	10,059	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (bonds)	—	—	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Total	26,434	—	—	—

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	12,780	—	—	—
Notes and accounts receivable - trade	10,387	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (bonds)	—	—	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Total	23,167	—	—	—

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, 2023

(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	179	—	—	—	—	—
Long-term borrowings	—	—	—	—	—	—
Lease obligations	42	30	20	10	4	—
Total	222	30	20	10	4	—

As of March 31, 2024

(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	544	—	—	—	—	—
Long-term borrowings	—	—	—	—	—	—
Lease obligations	49	38	28	22	8	—
Total	594	38	28	22	8	—

### 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, 2023

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities	7,072	13	—	7,086
Total assets	7,072	13	—	7,086

As of March 31, 2024

	Consolidated balance sheet amount (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities	6,933	37	—	6,971
Total assets	6,933	37	—	6,971

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.

## Securities

### 1. Available-for-sale securities

As of March 31, 2023

(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	7,025	1,756	5,268
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	7,025	1,756	5,268
Securities whose consolidated balance sheet amount does not exceed the acquisition cost	i. Equity securities	47	73	(26)
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	47	73	(26)
Total		7,072	1,830	5,241

Note: The above available-for-sale securities do not include unlisted shares (consolidated balance sheet amount of ¥5,788 million) and certificates of deposit (consolidated balance sheet amount of ¥13 million) because unlisted shares do not have market price and certificates of deposit are comparable to deposits.

As of March 31, 2024

(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	6,894	1,576	5,318
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	6,894	1,576	5,318
Securities whose consolidated balance sheet amount does not exceed the acquisition cost	i. Equity securities	39	64	(25)
	ii. Debt securities	—	—	—
	iii. Other	—	—	—
	Subtotal	39	64	(25)
Total		6,933	1,640	5,293

Note: The above available-for-sale securities do not include unlisted shares (consolidated balance sheet amount of ¥6,230 million) and certificates of deposit (consolidated balance sheet amount of ¥37 million) because unlisted shares do not have market price and certificates of deposit are comparable to deposits.

### 2. Available-for-sale securities sold

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
i. Equity securities	687	555	—
ii. Debt securities	—	—	—
iii. Other	—	—	—
Total	687	555	—



Fiscal 2023 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
i. Equity securities	1,075	850	—
ii. Debt securities	—	—	—
iii. Other	—	—	—
Total	1,075	850	—

### 3. Impairment loss for securities

The Company recognized an impairment loss of ¥25 million for available-for-sale equity securities in the current fiscal year.

For recognition of impairment loss, if the market price of securities at the end of the period falls by 50% or more compared to the acquisition cost of such securities, an impairment loss will be recognized at the full amount. If the market price falls by 30% or more but less than 50%, the recoverability will be assessed and an impairment loss will be recognized at an amount considered necessary.

## ***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 benefits trusts are set up for some defined benefit corporate pension plans. 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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Retirement benefit obligations at beginning of period	14,471	14,158
Service cost	490	545
Interest cost	96	96
Actuarial gains and losses incurred	(200)	(16)
Retirement benefits paid	(755)	(789)
Past service cost incurred	—	(1,813)
Other	56	84
Retirement benefit obligations at end of period	14,158	12,265

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

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Plan assets at beginning of period	9,117	9,015
Expected return on plan assets	90	98
Actuarial gains and losses incurred	(150)	383
Contributions from employer	334	747
Retirement benefits paid	(412)	(772)
Other	34	67
Plan assets at end of period	9,015	9,540

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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Retirement benefit liability at beginning of period	7	8
Retirement benefit expenses	9	13
Retirement benefits paid	—	(4)
Contribution to plan	(8)	(7)
Other	0	9
Retirement benefit liability at end of period	8	19

(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, 2023	As of March 31, 2024
Funded retirement benefit obligations	14,292	12,382
Plan assets	(9,140)	(9,637)
Net retirement benefit liability recorded in consolidated balance sheet	5,151	2,745
Retirement benefit liability	5,151	2,745
Net retirement benefit liability recorded in consolidated balance sheet	5,151	2,745

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

(5) Retirement benefit expenses and components thereof

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Service cost	490	545
Interest cost	96	96
Expected return on plan assets	(90)	(98)
Amortization of actuarial gains and losses	12	(45)
Amortization of past service cost	—	(181)
Retirement benefit expenses calculated using the simplified method	9	13
Retirement benefit expenses related to the defined benefit plan	518	329

(6) Remeasurements of defined benefit plans

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

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Past service cost	—	1,632
Actuarial gains and losses	64	359
Total	64	1,991

(7) Accumulated remeasurements of defined benefit plans

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Unrecognized past service cost	—	1,632
Unrecognized actuarial gains and losses	50	409
Total	50	2,041

(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, 2023	As of March 31, 2024
Debt securities	44.9	44.4
Equity securities	15.9	17.6
General account	30.4	29.7
Cash and deposits	4.7	4.6
Other	4.1	3.7
Total	100.0	100.0

Note: Of the total plan assets, retirement benefit trusts established for the corporate pension plan accounts for 21% in the previous fiscal year and 20% 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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Discount rate	Mainly 0.7	Mainly 0.7
Long-term expected rate of return on plan assets	Mainly 1.0	Mainly 1.1
Expected salary growth	Mainly 2.4	—

Note: Expected salary growth for fiscal 2023 is not presented because the Company has mainly applied the point system for its retirement benefit plan starting in fiscal 2023.

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, 2023 and 2024 were ¥43 million and ¥44 million, respectively.

# *Tax effect accounting*

## 1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Deferred tax assets:		
Provision for bonuses	196	194
Allowance for doubtful accounts	118	125
Provision for business restructuring	54	58
Retirement benefit liability	1,527	786
Retirement benefit trust	606	606
Loss on valuation of inventories	189	185
Deferred profits on inventories	82	103
Non-deductible accrued enterprise tax	40	31
Impairment loss on non-current assets	288	236
Tax loss carried forward (Note)	282	307
Other	189	294
Subtotal of deferred tax assets	3,577	2,929
Valuation allowance for tax loss carried forward (Note)	(282)	(237)
Valuation allowance for future deductible temporary differences	(297)	(305)
Subtotal of valuation allowance	(580)	(542)
Total deferred tax assets	2,997	2,386
Deferred tax liabilities:		
Retained earnings of foreign subsidiaries	(310)	(306)
Valuation difference on available-for-sale securities	(1,581)	(1,604)
Other	(9)	(10)
Total deferred tax liabilities	(1,901)	(1,921)
Deferred tax assets, net	1,095	465

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, 2023	As of March 31, 2024
Deferred tax assets:		
Deferred tax assets related to land revaluation	184	184
Valuation allowance	(184)	(184)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(350)	(350)
Total deferred tax liabilities	(350)	(350)
Deferred tax liabilities, net	(350)	(350)

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

As of March 31, 2023

(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 *	—	—	—	—	—	282	282
Valuation allowance	—	—	—	—	—	(282)	(282)
Deferred tax assets	—	—	—	—	—	—	—

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

As of March 31, 2024

(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 * <sup>1</sup>	—	—	—	—	—	307	307
Valuation allowance	—	—	—	—	—	(237)	(237)
Deferred tax assets	—	—	—	—	—	69	* <sup>2</sup> 69

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

\*2. Deferred tax assets of ¥69 million were recognized for tax loss carried forward of ¥307 million (calculated by applying the effective statutory tax rate). The deferred tax assets of ¥69 million were recognized for a part of tax loss carried forward of ¥307 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, 2023	As of March 31, 2024
Effective statutory tax rate	30.3	30.3
Adjustments:		
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.3	0.5
Non-taxable dividends received	(0.3)	(0.5)
Share of profit of entities accounted for using equity method	(2.0)	(1.8)
Inhabitant tax-per capita	1.1	1.3
Tax rate differences with foreign subsidiaries	(1.7)	(0.7)
Tax credits on experimentation and research expenses, etc.	(3.1)	(3.4)
Foreign tax	0.6	3.4
Valuation allowance	(0.2)	1.2
Other	0.4	(0.6)
Actual effective tax rate after applying tax effect accounting	25.4	29.7

## **Business combination**

Business combination by acquisition

### **(1) Outline of business combination**

#### **i. Name and business description of acquired company**

Name of acquired company	Asahi Diamond Industrial India Private Limited
Business description	Sales of diamond tools

#### **ii. Main reason for business combination**

The Company determined that Asahi Diamond Industrial India Private Limited will contribute to expanding the Group's business performance in the Indian market as the Company's sales agency, and therefore acquired its shares.

#### **iii. Date of business combination**

Share acquisition date:	August 14, 2023
Deemed acquisition date:	September 30, 2023

#### **iv. Legal form of business combination**

Acquisition of shares

#### **v. Company name after business combination**

No change

#### **vi. Percentage of voting rights acquired**

100%

#### **vii. Main basis for determination to acquire the company**

The Company acquired the shares in exchange for cash consideration.

### **(2) Period of the acquired company's financial results included in the consolidated financial statements**

From October 1, 2023 to March 31, 2024

### **(3) Acquisition cost and form of consideration for the acquired company**

(Millions of yen)		
Consideration for acquisition	Cash	295
Acquisition cost		295

### **(4) Major acquisition-related expenses**

Advisory fees, etc.: ¥84 million

### **(5) Amount of goodwill generated, reason for the occurrence, and amortization method and period for goodwill**

#### **i. Amount of goodwill generated**

¥191 million

#### **ii. Reason of the occurrence of goodwill**

The goodwill occurred from the expectation of excess earnings power as a result of business development in the future.

#### **iii. Amortization method and period for goodwill**

Amortization on a straight-line basis over 7 years

### **(6) Amounts and major components of assets and liabilities acquired on the date of the business combination**

(Millions of yen)	
Current assets	262
Non-current assets	43
Total assets	306
Current liabilities	193
Non-current liabilities	8
Total liabilities	202

- (7) Estimation of impact on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the first day of the current fiscal year, and the calculation method thereof

The information is omitted because this is immaterial.

***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 office and factory buildings to the original state according to the real estate lease agreement.

- (2) Calculation method for asset retirement obligations

The expected usage period of 4 to 56 years from the start of the contract, and the discount rate of 0.97 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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Balance at beginning of period	59	61
Reconciliation associated with passage of time	1	1
Balance at end of period	61	62



## 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 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Industry					Total
	Electronics and Semiconductor	Transportation	Machinery	Stone and Construction	Other	
Net sales	14,757	8,282	10,640	4,239	1,401	39,320

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Industry					Total
	Electronics and Semiconductor	Transportation	Machinery	Stone and Construction	Other	
Net sales	14,684	9,204	9,434	4,218	1,111	38,653

### 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 following 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 2022 (from April 1, 2022 to March 31, 2023)

## 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				
19,179	3,454	4,320	5,676	3,605	2,244	838	39,320

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
21,775	1,636	1,649	25,061

## 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 2023 (from April 1, 2023 to March 31, 2024)

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				
17,387	3,080	3,704	6,041	4,366	2,885	1,187	38,653

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
23,093	1,622	1,939	26,655

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*

Not applicable.

*Amortization and unamortized balance of goodwill for each reportable segment*

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

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, 2023	As of March 31, 2024
(1) Net assets per share	1,142.25 yen	1,207.32 yen
Calculation basis:		
Total net assets (millions of yen)	62,882	63,993
Deductions from total net assets (millions of yen)	1,709	1,752
[of which, non-controlling interests (millions of yen)]	[1,709]	[1,752]
Net assets applicable to common stock at end of period (millions of yen)	61,173	62,241
Number of shares of common stock at end of period used for the calculation of net assets per share (thousand shares)	53,554	51,553

Item	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
(2) Basic earnings per share	50.88 yen	40.57 yen
Calculation basis:		
Profit attributable to owners of parent (millions of yen)	2,765	2,109
Profit not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent applicable to common stock (millions of yen)	2,765	2,109
Average number of shares of common stock during the period (thousand shares)	54,358	51,994

- 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 the end of the period for calculating net assets per share or from 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 321 thousand and 321 thousand shares, respectively, for the current fiscal year, and 321 thousand and 208 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	179	544	4.45	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease obligations	42	49	—	—
Long-term borrowings (excluding current portion)	—	—	—	—
Lease obligations (excluding current portion)	65	97	—	2025–2029
Total	288	691	—	—

- 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 lease obligations within 5 years after the consolidated balance sheet date (excluding the current portion) is 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
Lease obligations	38	28	22	8

*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, 2024 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**

Quarterly results for the fiscal year ended March 31, 2024

	First three months	First six months	First nine months	Full year
Net sales (millions of yen)	9,028	18,827	28,985	38,653
Profit before income taxes (millions of yen)	725	1,813	2,493	3,106
Profit attributable to owners of parent (millions of yen)	532	1,269	1,692	2,109
Basic earnings per share (yen)	10.01	24.21	32.45	40.57

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	10.01	14.26	8.20	8.10

## 2. Non-consolidated Financial Statements, etc.

### (1) Non-consolidated financial statements

#### i. Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	9,115	6,176
Notes receivable - trade	2,236	*4 2,206
Accounts receivable - trade	*1 6,180	*1 6,590
Merchandise and finished goods	2,159	2,118
Work in process	1,008	1,014
Raw materials and supplies	1,542	1,749
Accounts receivable - other	*1 1,089	*1 734
Other	186	863
Allowance for doubtful accounts	(21)	(16)
Total current assets	23,499	21,437
Non-current assets		
Property, plant and equipment		
Buildings	*3 9,964	*3 10,667
Structures	460	427
Machinery and equipment	3,567	3,915
Vehicles	1	6
Tools, furniture and fixtures	359	559
Land	*3 5,907	*3 5,907
Leased assets	98	128
Construction in progress	465	56
Total property, plant and equipment	20,823	21,669
Intangible assets		
Software	91	78
Other	28	27
Total intangible assets	119	106
Investments and other assets		
Investment securities	7,008	6,864
Shares of subsidiaries and associates	4,313	4,719
Long-term loans receivable	*1 74	*1 269
Deferred tax assets	1,077	933
Guarantee deposits	364	365
Other	165	138
Allowance for doubtful accounts	(8)	(7)
Total investments and other assets	12,994	13,283
Total non-current assets	33,937	35,060
Total assets	57,437	56,497

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	*1 1,173	*1 1,171
Accounts payable - other	*1 1,025	*1 1,401
Accrued expenses	279	303
Income taxes payable	387	354
Deposits received	150	130
Provision for bonuses	555	566
Other	42	48
Total current liabilities	3,614	3,977
Non-current liabilities		
Provision for retirement benefits	4,937	4,614
Deferred tax liabilities for land revaluation	350	350
Asset retirement obligations	44	45
Provision for share awards	125	163
Other	98	126
Total non-current liabilities	5,557	5,300
Total liabilities	9,171	9,277
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,102	4,102
Capital surplus		
Legal capital surplus	7,129	7,129
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	7,055	5,958
Total retained earnings	33,431	32,334
Treasury shares	(247)	(248)
Total shareholders' equity	44,415	43,317
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,654	3,705
Revaluation reserve for land	196	196
Total valuation and translation adjustments	3,850	3,901
Total net assets	48,265	47,219
Total liabilities and net assets	57,437	56,497

## ii. Non-consolidated statement of income

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Net sales	*1 30,691	*1 29,834
Cost of sales	*1 23,667	*1 23,311
Gross profit	7,023	6,522
Selling, general and administrative expenses	*1,*2 5,425	*1,*2 5,636
Operating profit	1,598	885
Non-operating income		
Interest income	*1 2	*1 10
Dividend income	*1 1,539	*1 878
Foreign exchange gains	64	317
Subsidy income	34	30
Miscellaneous income	*1 58	*1 81
Total non-operating income	1,698	1,318
Non-operating expenses		
Commission expenses	1	3
Miscellaneous losses	2	8
Total non-operating expenses	4	12
Ordinary profit	3,292	2,192
Extraordinary income		
Gain on sale of investment securities	555	850
Total extraordinary income	555	850
Extraordinary losses		
Loss on retirement of non-current assets	—	*3 117
Loss on valuation of investment securities	—	25
Total extraordinary losses	—	142
Profit before income taxes	3,848	2,900
Income taxes - current	445	562
Income taxes - deferred	237	122
Total income taxes	682	685
Profit	3,165	2,215



*Schedule of cost of goods manufactured*

		Fiscal 2022 (from April 1, 2022 to March 31, 2023)		Fiscal 2023 (from April 1, 2023 to March 31, 2024)	
Classification	Note	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
I. Materials cost		6,350	32.7	6,406	32.6
II. Labor cost	*1	7,650	39.5	7,470	38.0
III. Manufacturing overhead cost	*2	5,400	27.8	5,790	29.4
Total manufacturing costs		19,401	100.0	19,667	100.0
Beginning work in process inventory		1,086		1,008	
Purchase of semi-finished goods		573		424	
Total		21,060		21,100	
Ending work in process inventory		1,008		1,014	
Cost of goods manufactured	*3	20,052		20,086	

\*1 Major components of labor cost are as follows.

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Salaries and allowances	5,907	5,783
Provision for bonuses	383	389
Retirement benefit expenses	290	237
Other	1,069	1,059
Total	7,650	7,470

\*2 Major components of manufacturing overhead cost are as follows.

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Outsourced processing expenses	1,220	1,169
Depreciation	1,887	1,935
Other	2,292	2,684
Total	5,400	5,790

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

(Millions of yen)

	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Cost of goods manufactured	20,052	20,086
Beginning finished goods inventory	1,726	1,949
Beginning merchandise inventory	210	210
Purchase of finished goods	3,118	2,841
Cost of purchased goods	1,029	854
Transfer from other account	9	5
Total	26,147	25,946
Transfer to other accounts	319	517
Ending finished goods inventory	1,949	1,911
Ending merchandise inventory	210	206
Cost of sales	23,667	23,311

***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 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Total capital surplus		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	7,129	1,025	350	25,000	6,773	33,149
Changes during period								
Dividends of surplus							(1,483)	(1,483)
Profit							3,165	3,165
Purchase of treasury shares								
Disposal of treasury shares							(0)	(0)
Cancellation of treasury shares							(1,399)	(1,399)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	281	281
Balance at end of period	4,102	7,129	7,129	1,025	350	25,000	7,055	33,431

	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	(134)	44,246	2,550	196	2,746	46,993
Changes during period						
Dividends of surplus		(1,483)				(1,483)
Profit		3,165				3,165
Purchase of treasury shares	(1,540)	(1,540)				(1,540)
Disposal of treasury shares	28	28				28
Cancellation of treasury shares	1,399	—				—
Net changes in items other than shareholders' equity			1,103	—	1,103	1,103
Total changes during period	(112)	169	1,103	—	1,103	1,272
Balance at end of period	(247)	44,415	3,654	196	3,850	48,265

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
Balance at beginning of period	4,102	7,129	7,129	1,025	350	25,000	7,055	33,431
Changes during period								
Dividends of surplus							(1,586)	(1,586)
Profit							2,215	2,215
Purchase of treasury shares								
Disposal of treasury shares							0	0
Cancellation of treasury shares							(1,725)	(1,725)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	(1,096)	(1,096)
Balance at end of period	4,102	7,129	7,129	1,025	350	25,000	5,958	32,334

	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	(247)	44,415	3,654	196	3,850	48,265
Changes during period						
Dividends of surplus		(1,586)				(1,586)
Profit		2,215				2,215
Purchase of treasury shares	(1,726)	(1,726)				(1,726)
Disposal of treasury shares	0	0				0
Cancellation of treasury shares	1,725	—				—
Net changes in items other than shareholders' equity			51	—	51	51
Total changes during period	(1)	(1,097)	51	—	51	(1,046)
Balance at end of period	(248)	43,317	3,705	196	3,901	47,219

## 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***

Recoverability of deferred tax assets

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	1,077	933

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

The Company recognizes deferred tax assets for deductible temporary differences in consideration of projections of future taxable income and tax-planning.

Estimates for future taxable income are based on “medium- to long-term profit and loss forecasts,” which are predicated on significant assumptions such as sales estimates and operating expense forecasts. These significant assumptions are uncertain and may underestimate future taxable income. In that case, the deferred tax assets may be reduced and tax expenses may be recorded.

### ***Additional information***

#### *Changes in retirement benefit plan*

The Company has changed its retirement benefit plan from a final salary proportional system to a point system as of April 1, 2023. As a result of this change in the plan, past service cost (reduction in retirement benefit obligations) of ¥1,813 million has been incurred, which was recorded as expenses (reduction of cost) on a straight-line basis over a certain period of years (10 years) within the average remaining years of service of employees.

**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, 2023	As of March 31, 2024
Short-term monetary receivables	2,134	2,721
Long-term monetary receivables	69	268
Short-term monetary payables	379	388

**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, 2023	As of March 31, 2024
Balance of guarantee obligations (amount drawn from borrowing facilities)	174	—
Limit of guarantees for borrowings (limit of borrowing facilities)	EUR 2,500 thousand	EUR 2,500 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, 2023	As of March 31, 2024
Land	640	640
Buildings	0	0
Total	641	641

**\*4. Notes due on the balance sheet date**

For accounting treatment of notes due on the balance sheet date, the notes are settled on their clearance date.

As the last day of the current fiscal year fell on a financial institute holiday, the following notes due on the balance sheet date were included in the year-end balance.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	—	157

**5. The Company has signed overdraft agreements with four 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, 2023	As of March 31, 2024
Total overdraft limits	6,000	6,000
Drawn facilities	—	—
Net	6,000	6,000



***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 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Net sales	5,820	6,946
Purchases	4,041	3,551
Selling, general and administrative expenses	294	451
Non-operating transactions (revenue)	1,403	758

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

	(Millions of yen)	
	Fiscal 2022 (from April 1, 2022 to March 31, 2023)	Fiscal 2023 (from April 1, 2023 to March 31, 2024)
Salaries and allowances	1,900	1,894
Provision for bonuses	172	177
Retirement benefit expenses	141	118
Commission expenses	385	452
Sales commission	463	609
Provision of allowance for doubtful accounts	14	(0)
Depreciation	76	74
Ratio of selling expenses in expenses (%)	63.9	63.3
Ratio of general and administrative expenses in expenses (%)	36.1	36.7

\*3. Loss on retirement of non-current assets

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

The main component of loss on retirement of non-current assets is a loss of ¥117 million on retirement of buildings and structures.

### ***Securities***

As of March 31, 2023

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, 2023
Shares of subsidiaries	3,705
Shares of associates	607
Total	4,313

As of March 31, 2024

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, 2024
Shares of subsidiaries	4,111
Shares of associates	607
Total	4,719

### ***Tax effect accounting***

#### 1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Deferred tax assets:		
Provision for bonuses	168	171
Provision for retirement benefits	1,495	1,398
Retirement benefit trust	606	606
Loss on valuation of inventories	140	137
Impairment loss on non-current assets	270	219
Other	205	235
Subtotal of deferred tax assets	2,886	2,768
Valuation allowance for future deductible temporary differences	(231)	(236)
Subtotal of valuation allowance	(231)	(236)
Total deferred tax assets	2,655	2,532
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,578)	(1,599)
Total deferred tax liabilities	(1,578)	(1,599)
Deferred tax assets, net	1,077	933

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, 2023	As of March 31, 2024
Deferred tax assets:		
Deferred tax assets related to land revaluation	184	184
Valuation allowance	(184)	(184)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Deferred tax liabilities related to land revaluation	(350)	(350)
Total deferred tax liabilities	(350)	(350)
Deferred tax liabilities, net	(350)	(350)

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

	(%)	
	As of March 31, 2023	As of March 31, 2024
Effective statutory tax rate	30.3	30.3
Adjustments:		
Inhabitant tax per-capita, etc.	1.1	1.4
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.2	0.5
Income not taxable for income tax purposes (e.g., dividend income)	(10.7)	(7.6)
Tax credits on experimentation and research expenses, etc.	(2.8)	(3.6)
Foreign tax	0.6	3.6
Valuation allowance	(0.6)	0.2
Other	(0.4)	(1.2)
Actual effective tax rate after applying tax effect accounting	17.7	23.6

***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 non-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	9,964	1,513	124	686	10,667	11,606	22,274
Structures	460	18	0	51	427	1,380	1,808
Machinery and equipment	3,567	1,482	59	1,073	3,915	19,695	23,611
Vehicles	1	7	0	1	6	15	21
Tools, furniture and fixtures	359	413	2	211	559	3,787	4,346
Land	5,907 [546]	—	—	—	5,907 [546]	—	5,907 [546]
Leased assets	98	77	0	46	128	123	252
Construction in progress	465	1,170	1,578	—	56	—	56
Total property, plant and equipment	20,823	4,683	1,766	2,071	21,669	36,610	58,280
Intangible assets							
Software	91	34	—	46	78		
Other	28	—	—	0	27		
Total intangible assets	119	34	—	47	106		

Notes: 1. The increase during period is mainly attributable to the following:

Buildings	Chiba Tsurumai Factory	¥507 million
Buildings	Mie Factory	¥903 million
Machinery and equipment	Mie Factory	¥723 million
Construction in progress	Mie Factory	¥876 million

2. 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	30	17	5	18	24
Provision for bonuses	555	566	555	—	566
Provision for share awards	125	38	—	—	163

Note: The other of the decrease in allowance for doubtful accounts during the period consists of a decrease of ¥11 million due to reversal entries based on the historical rate of credit loss for general receivables, etc. and a reversal of ¥6 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: <a href="https://www.asahidia.co.jp/en/">https://www.asahidia.co.jp/en/</a>
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 104th fiscal year	(from April 1, 2022 to March 31, 2023)	Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2023.
(2) Internal Control Report	For the 104th fiscal year	(from April 1, 2022 to March 31, 2023)	Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2023.
(3) Quarterly Securities Reports and Confirmation Letter	For the 1st quarter of the 105th fiscal year	(from April 1, 2023 to June 30, 2023)	Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2023.
	For the 2nd quarter of the 105th fiscal year	(from July 1, 2023 to September 30, 2023)	Submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2023.
	For the 3rd quarter of the 105th fiscal year	(from October 1, 2023 to December 31, 2023)	Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2024.
(4) Amendment Report for Quarterly Securities Report and Confirmation letter	For the 1st quarter of the 105th fiscal year	(from April 1, 2023 to June 30, 2023)	Submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2023.
(5) Extraordinary Report An Extraordinary Report prepared pursuant to the provisions of Article 19, Paragraph 2, (ix)-2 of the Cabinet Office Ordinance 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 29, 2023.
(6) Share Buyback Report			Submitted to the Director-General of the Kanto Local Finance Bureau on July 7, 2023 and August 10, 2023.

## **Section 2 Information about Reporting Company's Guarantors, etc.**

Not applicable.