Asahi Diamond

# Mid-Term Management Plan 2030

FY2026–2030

Top global niche manufacturer
supporting the world through innovation

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# Contents


## 1 Overview of the Mid-Term Management Plan(MTMP)

1-1 | Vision — p.03
1-2 | Overview of the MTMP — p.04

## 2 Review of MTMP2025

2-1 | The MTMP2025 Summary and Target Values — p.06
2-2 | Investment, Returns, and Cash Allocation — p.07
2-3 | Review of Key Initiatives — p.08

## 3 MTMP2030

3-1 | MTMP2030- Framework — p.10
3-2 | Assessment of the External Environment — p. 11
3-3 | Materiality — p. 12
3-4 | Three Key Initiatives — p. 13
3-5 | 1) Accelerating growth businesses focused on electronics/semiconductors — p. 14
3-6 | 2) Revenue structure reform & margin improvement through strategic focus — p. 15
3-7 | 3) Strengthening capabilities, talent and foundations for future growth — p. 16
3-8 | Target Key Metrics — p. 17
3-9 | Trends and Net Sales, Operating Profit Ratio, and ROE — p. 18
3-10 | Cash Allocation Plan (Cumulative for FY2026 through FY2030) — p.19
3-11 | Capital Policy and ROE Enhancement — p.20
3-12 | Enhancing Capital Efficiency — p.21

# Chapter 1

## Overview of the Mid-Term Management Plan(MTMP)

# 1-1 | Vision

With our corporate philosophy ”Manufacturing excitement through innovation” as the foundation of all our business activities, our group aims to realize a sustainable society and achieve continuous and sound development and growth of our group into the future.

Corporate Philosophy
**Manufacturing excitement through innovation**

Our long-term vision “VISION2030”

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

Desired State

Our vision is to become an indispensable presence in the global manufacturing industry,
where employees take pride in being part of a top manufacturer,
and where we grow together with our customers.
Based on this interpretation, we have defined our desired state

## Corporate Philosophy Framework

- Corporate Philosophy
- Vision
- Values
- Charter of Conduct
- Sustainability Policy
- Materiality
- **Business Plan**
  VISION 2030 / Mid-Term Management Plan / Annual Plan

# 1-2 | Overview of the MTMP



# Chapter 2

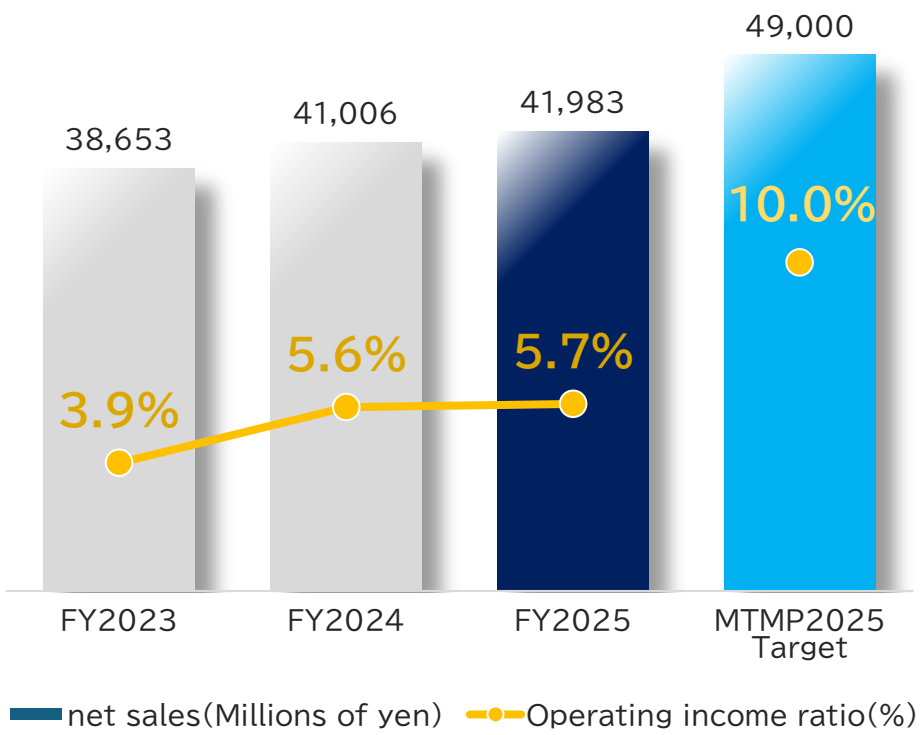
## Review of the MTMP2025



# 2-1 | The MTMP2025 Summary and Target Values

Market conditions changed significantly from initial assumptions, driven by the slowdown in EV adoption and the Chinese economy. As a result, net sales, operating profit, and operating margin all fell short of targets. ROE also did not reach the 6% target. Meanwhile, market valuation improved, with PBR reaching 1.0x.

**Trends in Sales and Operating Margin During the MTMP2025 period**

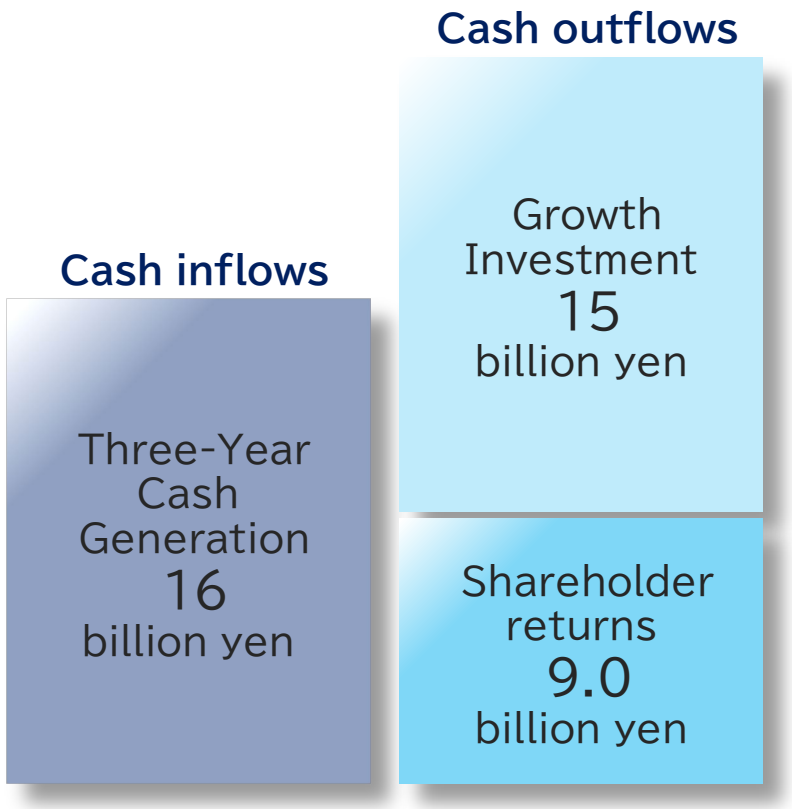



| | FY2023 Actual | FY2024 Actual | FY2025 Actual | MTMP2025 Target |
|---|---|---|---|---|
| Net Sales (Millions of yen) | 38,653 | 41,006 | 41,983 | 49,000 |
| Operating profit (Millions of yen) | 1,526 | 2,311 | 2,403 | 4,900 |
| Operating profit ratio (%) | 4.0 | 5.6 | 5.7 | 10.0 |
| ROE (%) | 3.4 | 4.0 | 3.2 | 6.0 or higher |
| PBR | 0.80 | 0.67 | 0.93 | 1.0 or higher |

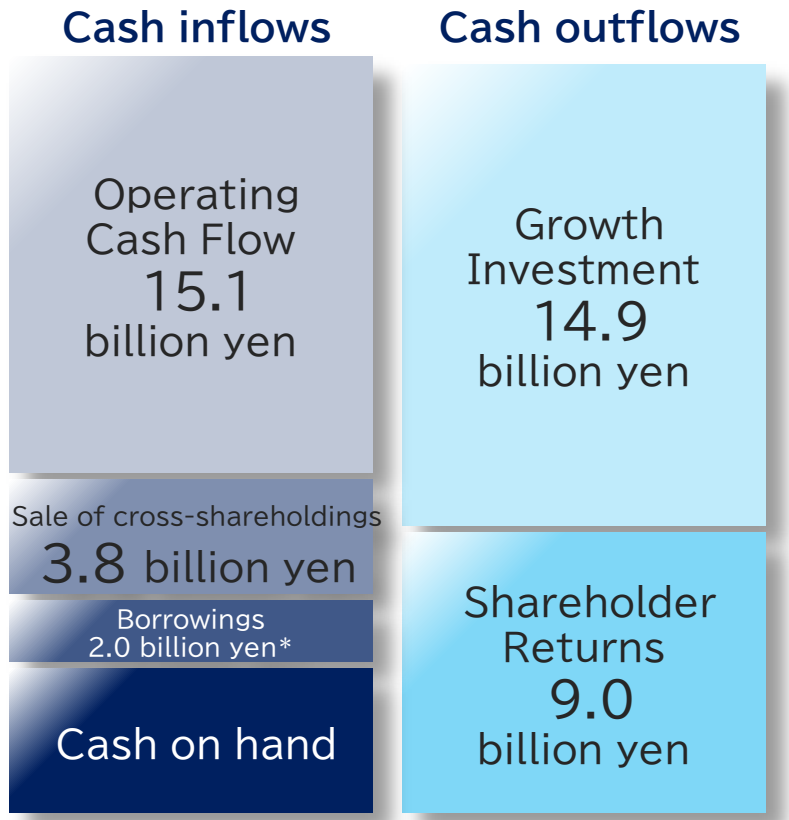
# 2-2 | Investment, Returns, and Cash Allocation

Executed growth investments mainly in production facilities in line with the initial plan of 15 billion yen, and fully delivered shareholder returns (120% total payout ratio; 9 billion yen over three years).

## Plan




## Actual




*Does not include the 2.5 billion yen loan drawn down on March 31, 2026.

# 2-3 | Review of Key Initiatives

While we expanded production capacity and improved product performance, primarily in the semiconductor market, challenges remained in improving profitability, addressing unprofitable products/divisions, and IT systems.

○ Achieved
△ In Progress
× Behind Schedule

| | | | Review |
|---|---|---|---|
| Focus on Semiconductor segment | Development and Manufacturing | • Development of Wheels for SiC/Si<br>• Production capacity expansion and efficiency improvement<br>• Reduction of cost ratios and quality stabilization | ○ Advanced semiconductor product development and improved quality and production systems, expanding supply capacity. |
| | Sales | • Sales growth of five core products (+5 billion yen)<br>• Focus on solution-driven high-margin products<br>• Sales skills and technical expertise enhancement | △ Semiconductor sales fell short of targets due to market fluctuations |
| Reinforcing Management foundation | IT Systems | • Management visibility and operational efficiency | × One-year delay in the implementation of the new core system. |
| | Global Governance | • Mid- to long-term organizational design and talent development | △ Initiated overseas governance enhancement and management talent development. |
| | Branding | • Establishing the Asahi Brand as a Symbol of High Quality and Trust | ○ Formulated a brand strategy and established the ”Public Relations and Brand Strategy Division” |
| | Human Resource Development | • Creating a Rewarding Workplace | ○ Progress made in diversifying recruitment and improving HR systems |
| Optimize resources | Internal Resources | • Restructuring of Unprofitable Products/Divisions<br>• Review of roles and responsibilities<br>• Restructuring of the production and Sales Network | △ Progress was made in addressing unprofitable businesses and reorganizing sales and operations, but challenges remain. |
| | External Resources | • External procurement, outsourcing, and M&A | ○ Established “AA Diamond Technology Co., Ltd.” a joint venture with Tokyo Seimitsu, and began preparations for mass production |

# Chapter 3

## The MTMP2030



# 3-1 | MTMP2030 Framework

Our MTMP2030 focuses on building a resilient organization that can adapt proactively to environmental changes and continuously pursue global growth.

## Framework of the MTMP2030

- **Toward a Global Century-Long Company**
  - Evolving technology, quality, and brand, and co-creating value with stakeholders
- **Empowering People to Grow and Take on Challenges**
  - Fostering a culture where everyone plays a leading role

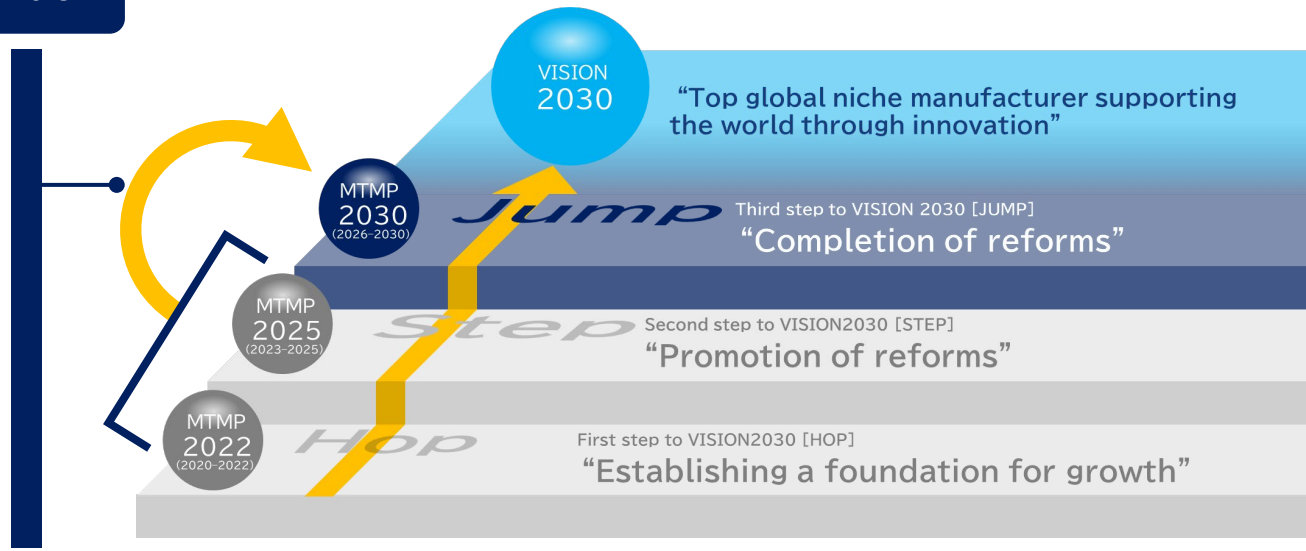
## Key Challenges from the Previous MTPs and Actions for Resolution

### 1 Maximizing the impact of past investments and leveraging them effectively to drive future growth.

Accelerating monetization to create a virtuous cycle that drives the next phase.

### 2 Improving our business structure to consistently generate profits.

Building a strong business foundation that enables sustainable profit generation.



# 3-2 | Assessment of the External Environment

We will accurately assess changes in the external environment and advance the Mid-Term Management Plan based on this understanding.

## Political

- Strengthening environmental regulations and increasing disclosure requirements driven by decarbonization policies (GX, carbon neutrality)
- Need for supply chain restructuring due to geopolitical risks (Middle East situation, Japan–China relations, semiconductor export controls) and Japan–U.S. relations
- Stronger requirements for labor management and human capital investment following changes in labor-related regulations

## Economic

- While the semiconductor and EV markets are structurally growing industries, they remain highly susceptible to cyclical demand fluctuations in the short term
- Rising manufacturing costs driven by fluctuations in raw material prices (e.g., diamonds, rare metals) and persistently high energy costs
- Profitability impacted by macroeconomic factors such as a weaker yen and rising interest rates

## Social

- Labor shortages have become a constant issue, intensifying competition for skilled workers and the transfer of skills.
- Work-style reforms are driving the need for flexible work arrangements and improved workplace environments.
- Growing interest in ESG and sustainability has led to stricter requirements for product safety and environmental considerations.

## Technological

- Automation and digital transformation (DX) are advancing rapidly on the production floor, making sophisticated capital investment essential.
- The miniaturization of semiconductors and the advancement of electronic materials are driving demand for higher-precision diamond tools.
- Competitive advantage depends on the use of AI for manufacturing optimization, quality prediction, and process efficiency.

# 3-3 | Materiality

We position materiality as a key management priority to achieve both sustainable growth and the resolution of social issues. In the MTMP2030, we will align these priorities with our strategy and drive concrete initiatives.

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

# 3-4 | Three Key Initiatives

In the MTMP2030, we have identified the following three areas as key initiatives and will systematically advance them.

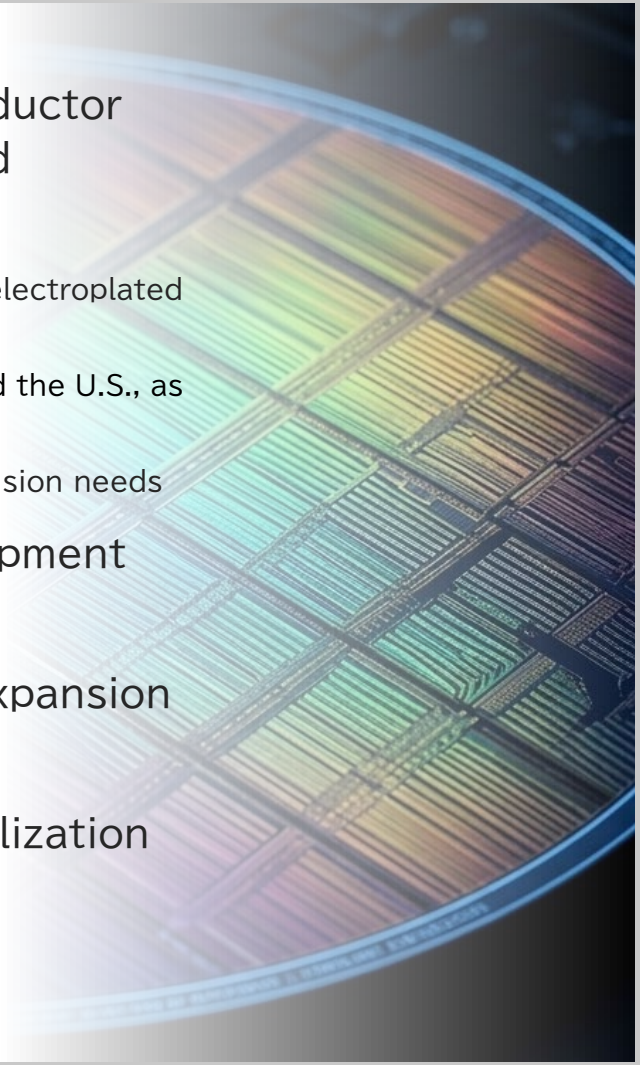


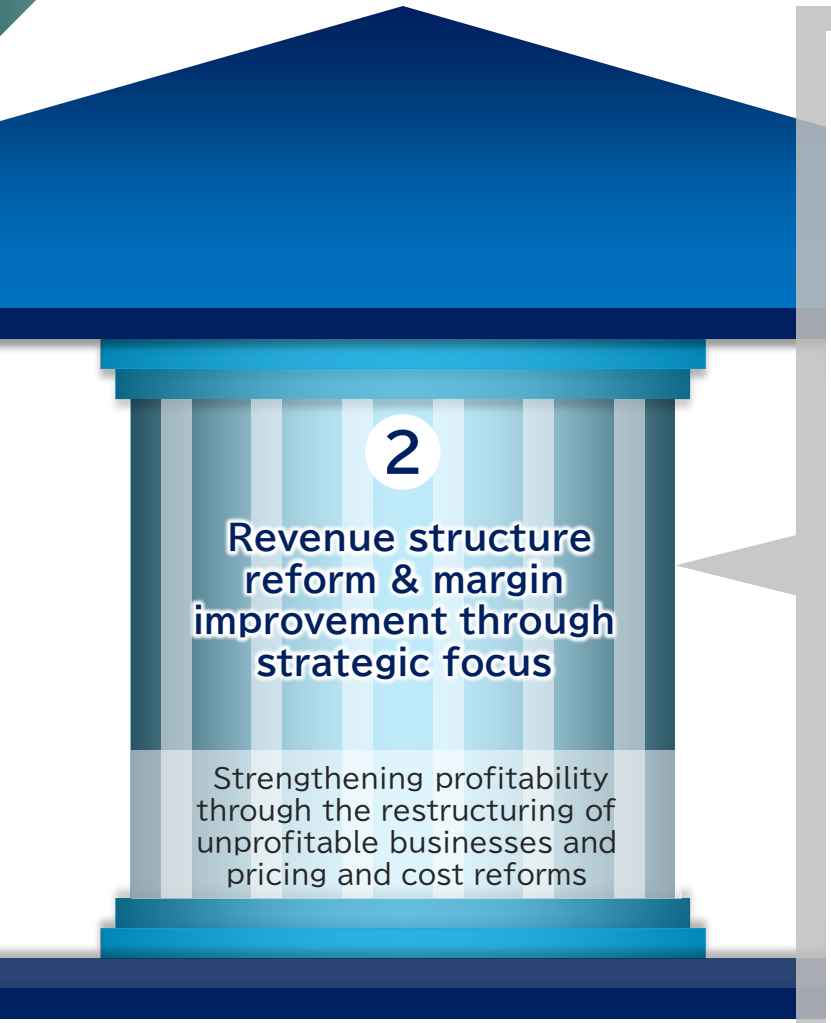
# 3-5 | 1) Accelerating growth businesses focused on electronics/semiconductors



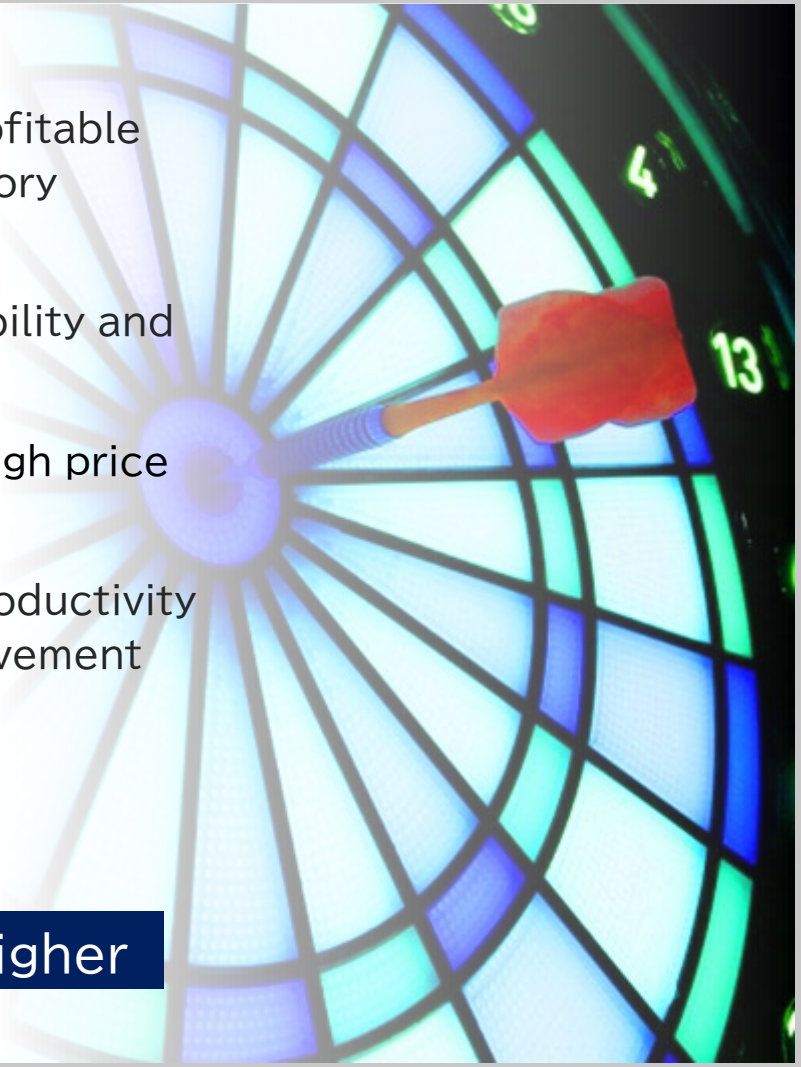

- Positioning of the electronics and semiconductor industries as key growth drivers of sales and operating profit
  - Focus products: Wafer grinding tools(surface, edge), electroplated diamond wire, CMP discs, and dicing blades
  - Regional strategy: Capturing demand across Japan and the U.S., as well as Asia, China, and Europe
  - Market response: Development aligned with high-precision needs
- Growth of ceramics for semiconductor equipment and bearing tools in the machinery sector
- Creation of new orders and market share expansion through industry-specific sales strategies
- Acceleration of development through AI utilization

Focus Products: CAGR +12%






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

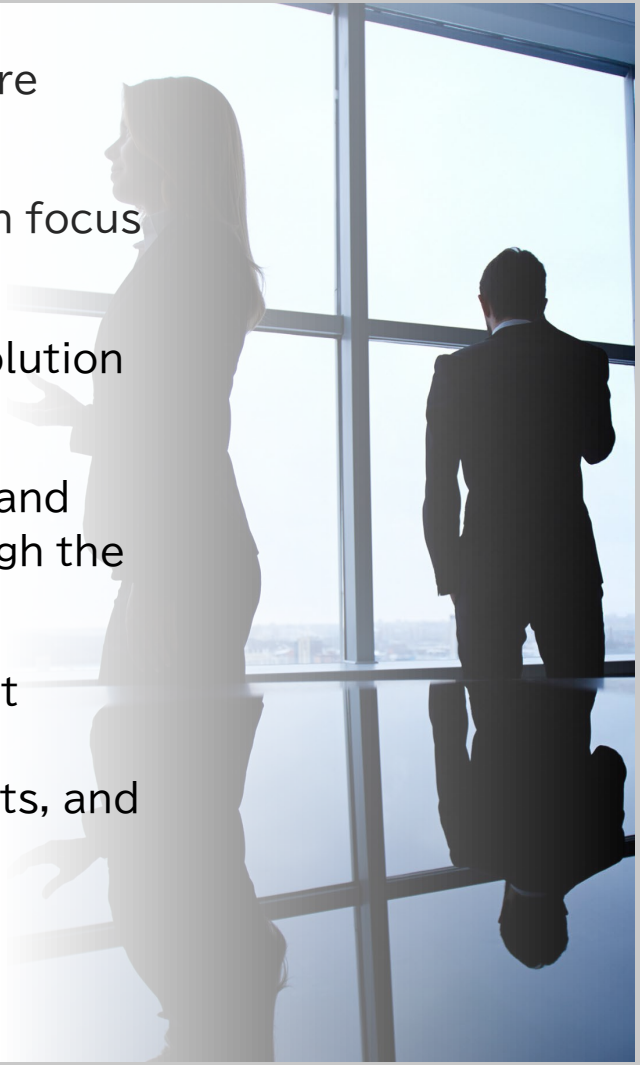


Operating profit ratio of 10% or higher

# 3-7 | 3) Strengthening Capabilities, Talent and Foundations for Future Growth




- Reconstruction of the supply chain to ensure stable procurement and supply
- Acceleration of development speed through focus and prioritization in product development
- Exploration of new businesses, including solution services such as contract testing
- Real-time visibility of management metrics and promotion of business transformation through the new core system (from April 2027)
- Advancement of human capital management through improved employee engagement, strengthened recruitment, enhanced benefits, and expanded training
  - Employee turnover rate below 2%
  - Female ratio among new hires of 30% or higher
  - Male parental leave uptake rate of 80% or higher



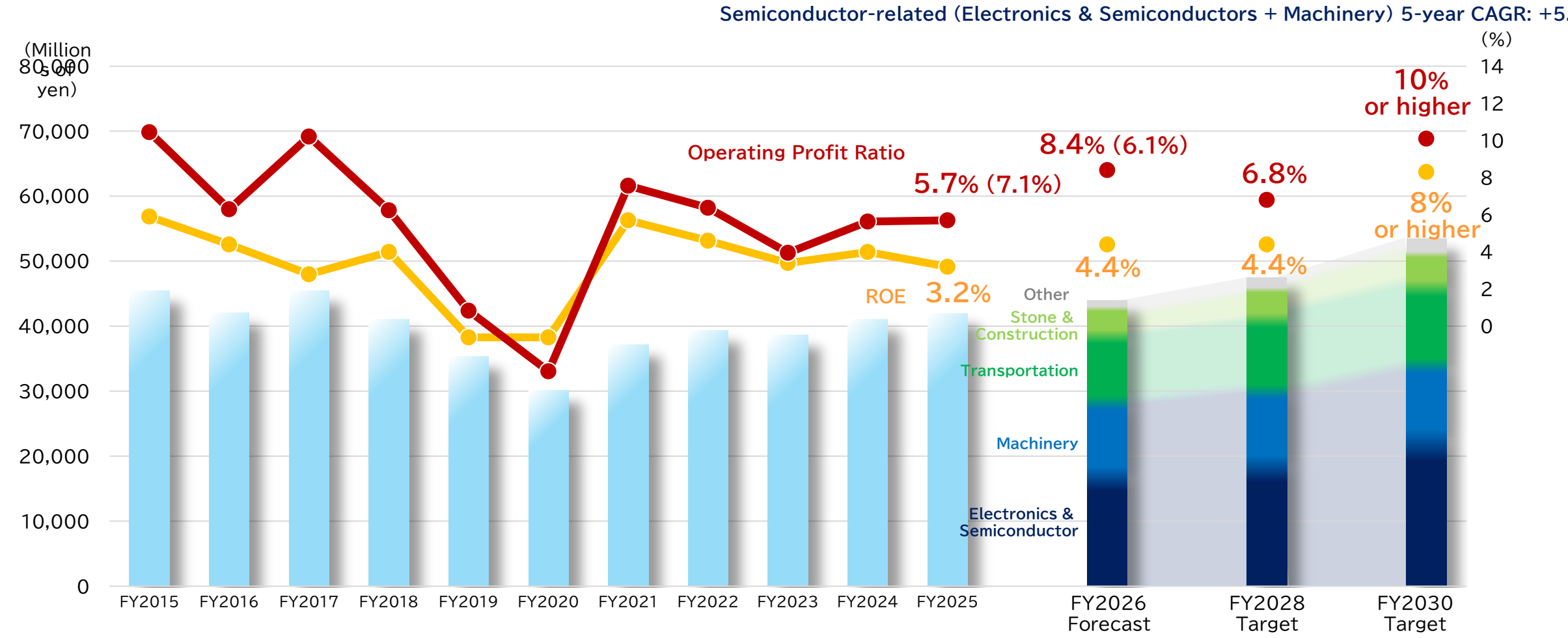
# 3-8 | Target Key Metrics

Through the steady execution of the three key initiatives, the MTMP2030 aims to achieve an operating profit margin of 10% or higher and an ROE of 8% or higher.

| | FY2025 Actual | FY2026 Forecast | FY2028 Target | FY2030 Target |
|---|---|---|---|---|
| Net Sales (Millions of yen) | 41,983 | 44,000 | 47,000 | 53,000 |
| Operating Profit (Millions of yen) | 2,403 (3,000) | 3,700 (2,700) | 3,200 | 5,300 |
| Operating Profit Ratio (%) | 5.7 (7.1) | 8.4 (6.1) | 6.8 | 10 or higher |
| ROE (%) | 3.2 | 4.4 | 4.4 | 8 or higher |

*The figures in parentheses are presented as reference values after deducting the impact of retirement benefit expenses.

# 3-9 | Trends and Net Sales, Operating Profit Ratio, and ROE




**MTMP2022**
Establishing a foundation for growth

**MTMP2025**
Promotion of reforms

**MTMP2030**
Completion of reforms

*The figures in parentheses are presented as reference values after deducting the impact of retirement benefit expenses.

# 3-10 | Cash Allocation Plan (Cumulative for FY2026 through FY2030)

**Through a focus on growth businesses and reforms in our earnings structure to enhance profitability, we will generate cash and allocate it to growth investments and shareholder returns.**

## Cash inflows

Operating Cash Flow
30 billion yen

Asset sales incl. cross-shareholdings
1–5 billion yen

Flexible borrowing*
2.5–5.0 billion yen

Cash on hand

## Cash outflows

Growth investments
- Sustaining and enhancing productivity
- New business development and M&A
- Human capital
- IT

15–30 billion yen

Shareholder Returns
Dividends and share buybacks
10–20 billion yen

*Borrowing of 2.5 billion yen executed on March 31, 2026.

# 3-11 | Capital Policy and ROE Enhancement

Our basic policy is to distribute profits in line with consolidated performance while maintaining stable and continuous dividends. To enhance ROE, we have introduced a progressive dividend as a key indicator to strengthen shareholder returns and increase corporate value.

＊We recognize our cost of equity (CAPM) to be in the range of 7% to 8%.

**Target**

FY2030

ROE 8% or higher

## Measures to Achieve the Target

**Capital Policy**

- Progressive dividend of 34 yen per share or higher
- Total payout ratio of 100% or higher (five-year cumulative) through flexible share buybacks and cancellations

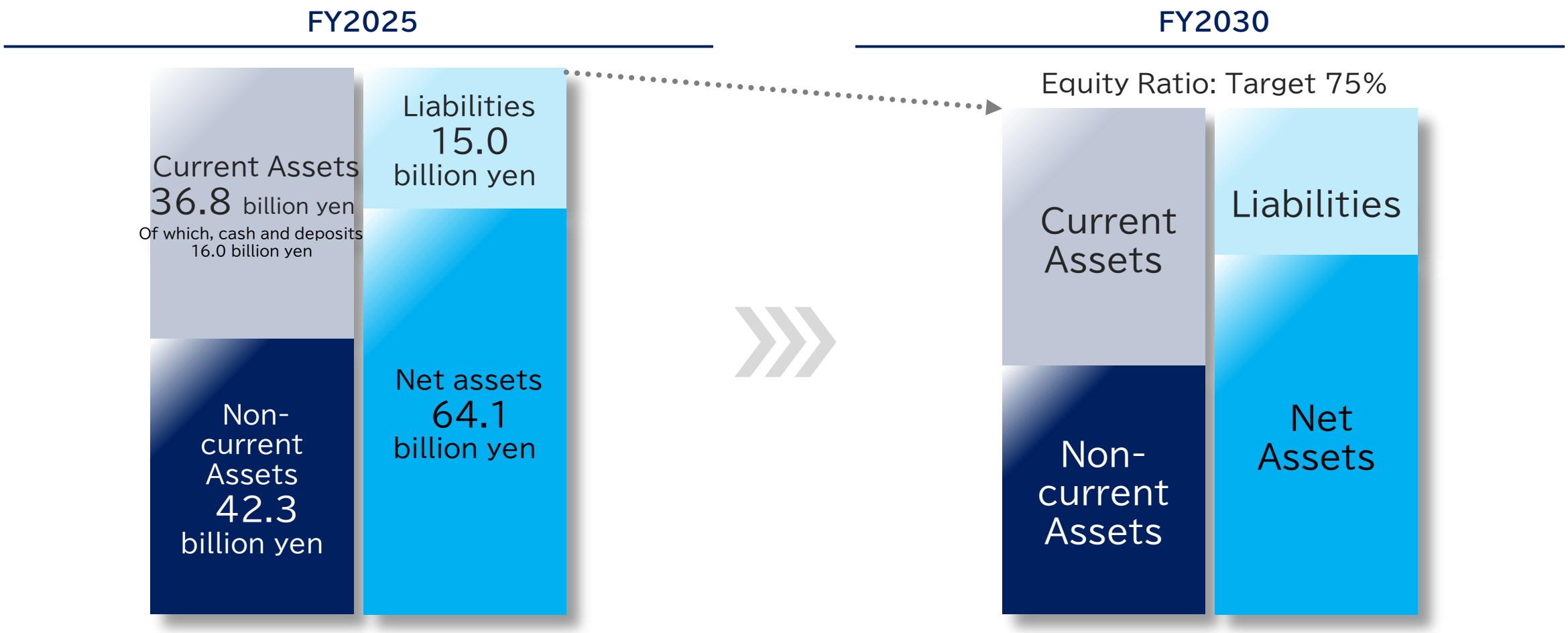
**Profitability Improvement**

- Profit margin improvement
- Asset reduction in unprofitable businesses and CCC improvement
- Optimization of financial leverage

＊We will, in principle, maintain a progressive dividend policy. However, this policy may be reviewed if financial crises, pandemics, geopolitical risks, or other factors materially affect our corporate value or financial position.

# 3-12 | Enhancing Capital Efficiency

**To achieve an ROE of 8% or higher, we will optimize our capital structure by adjusting the equity ratio from approximately 80% to around 75% and enhance capital efficiency.**



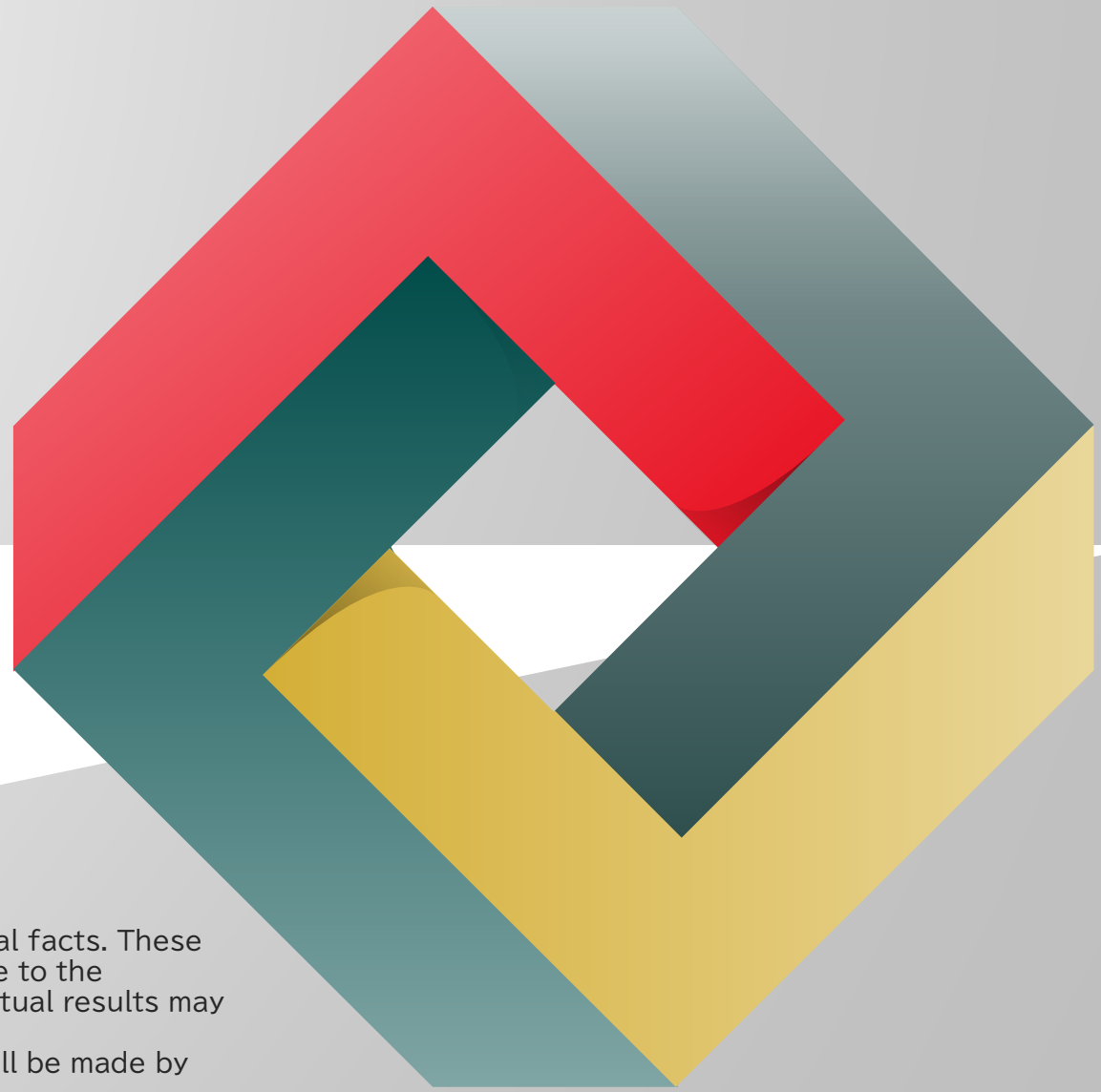

*To prepare for a volatile economic environment, we will not set a target level for cash holdings and will maintain flexibility.

Finally, the MTMP2030 is based on our philosophy of

**“Manufacturing excitement through innovation”**

Through this plan, we aim to solve our customers’ challenges, enable each employee to experience growth and fulfillment, and meet the expectations of our shareholders.

Asahi Diamond



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