



# Financial Review

For the year ended December 31, 2013

# 2013

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# CONSOLIDATED ELEVEN-YEAR SUMMARY

Asahi Glass Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003

		(Unit: Millions of yen)				
		2013/12	2012/12	2013/12	2012/12	2011/12
Note		IFRS	IFRS	JGAAP	JGAAP	JGAAP
<b>Operating Results</b>						
	Net sales	¥1,320,006	¥1,189,952	¥1,320,006	¥1,189,956	¥1,214,672
	Operating profit/Operating income	79,894	101,751	70,725	92,945	165,663
	Profit before tax/Income before income taxes and minority interests	44,381	74,998	36,653	68,970	143,359
	Profit for the year attributable to owners of the parent/Net income	3 16,139	48,433	10,333	43,790	95,290
<b>Segment Information</b>						
	Sales to customers	4				
	Glass operations	¥ 664,239	¥ 562,140	¥ —	¥ 562,140	¥ 553,339
	Electronics operations	334,710	341,407	—	341,412	385,041
	Chemicals operations	287,960	254,086	—	254,086	245,056
	Ceramics/Other operations	33,096	32,316	—	32,316	31,235
<b>Financial Position</b>						
	Total assets	¥2,120,629	¥1,916,394	¥2,119,664	¥1,899,373	¥1,691,556
	Total current assets	682,179	638,873	695,240	651,248	606,774
	Property, plant and equipment	1,059,946	956,806	1,060,777	957,661	842,563
	Total current liabilities	448,018	368,852	457,928	372,816	419,410
	Total equity/Total net assets	1,145,145	960,747	1,151,870	996,949	850,460
	Total shareholders' equity	—	—	—	—	—
	Non-controlling interests/Minority interests in consolidated subsidiaries	57,929	52,443	58,295	53,243	41,444
<b>Per Share Data (Yen)</b>						
	Basic — EPS	5 ¥ 13.97	¥ 41.90	¥ 8.94	¥ 37.88	¥ 81.90
	Diluted — EPS	6 13.73	39.45	8.58	35.12	75.88
	Cash dividends	18.00	26.00	18.00	26.00	26.00
	Equity/Net assets	7 940.69	786.01	944.47	815.04	698.51
<b>Other Data</b>						
	Return on equity (ROE)	8 1.6%	5.8%	1.0%	5.0%	11.8%
	Interest-bearing debt	9 ¥ 575,014	¥ 538,600	¥ —	¥ 540,846	¥ 483,297
	Depreciation and amortization	135,751	117,856	—	117,856	110,056
	Capital expenditures	138,480	155,329	—	155,334	152,705
	Research and development costs	46,882	47,074	—	48,360	46,442
	Number of shares issued and outstanding (thousands)	1,186,705	1,186,705	—	1,186,705	1,186,705
	Number of employees	51,448	49,961	—	49,961	50,957

Notes: 1. The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in this consolidated eleven-year summary represents the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥105=US\$1, the approximate exchange rate as of December 31, 2013. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at ¥105=US\$1 or at any other rate.

2. The Company has prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") from the fiscal year ended December 31, 2013 instead of Japanese Generally Accepted Accounting Principles ("Japanese GAAP"). The date of transition to IFRS was January 1, 2012.

3. (IFRS): Under IFRS, profit for the year is presented before deducting non-controlling interests. For comparison the Company shows the profit for the year attributable to owners of the parent.

(Unit: Millions of yen)								(Unit: Thousands of U.S. dollars)
2010/12	2009/12	2008/12	2007/12	2006/12	2005/12	2004/12	2003/12	2013/12
JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	IFRS
¥1,288,947	¥1,148,198	¥1,444,317	¥1,681,238	¥1,620,540	¥1,526,660	¥1,475,726	¥1,242,956	<b>\$12,571,489</b>
229,205	86,682	154,013	197,452	136,611	118,194	139,403	83,187	<b>760,896</b>
192,158	40,499	70,078	102,227	38,291	82,758	134,009	85,707	<b>422,681</b>
123,184	19,985	39,178	69,634	44,997	60,014	78,287	53,641	<b>153,712</b>
¥ 555,999	¥ 522,143	¥ 738,082	¥ 861,348	¥ 806,325	¥ 754,799	¥ 734,653	¥ 662,322	<b>\$ 6,326,087</b>
445,917	368,559	370,576	463,690	475,786	441,688	434,730	335,496	<b>3,187,715</b>
256,654	230,932	299,874	315,601	302,649	295,802	275,957	218,124	<b>2,742,484</b>
30,376	26,562	35,783	40,598	35,779	34,370	30,385	27,012	<b>315,202</b>
¥1,764,038	¥1,781,875	¥1,832,846	¥2,108,089	¥2,149,546	¥2,081,926	¥1,885,268	¥1,806,611	<b>\$20,196,472</b>
626,916	558,509	592,704	677,119	722,824	688,432	648,237	582,060	<b>6,496,945</b>
861,395	928,285	958,588	1,053,158	1,008,116	922,630	853,390	810,213	<b>10,094,726</b>
402,237	335,583	631,524	644,637	618,041	587,145	549,139	489,319	<b>4,266,842</b>
849,815	808,312	780,864	1,027,341	991,751	—	—	—	<b>10,906,146</b>
—	—	—	—	—	852,684	699,139	622,798	<b>—</b>
40,296	52,436	49,815	72,512	81,263	99,319	125,308	110,709	<b>551,707</b>
¥ 105.52	¥ 17.12	¥ 33.53	¥ 59.35	¥ 38.37	¥ 51.36	¥ 66.75	¥ 45.65	<b>\$ 0.13</b>
97.84	17.04	33.52	56.16	36.61	48.70	63.01	43.17	<b>0.13</b>
26.00	16.00	24.00	20.00	16.00	15.00	12.00	6.75	<b>0.17</b>
692.59	646.53	625.51	813.28	776.26	726.98	601.47	530.57	<b>8.96</b>
15.8%	2.7%	4.7%	7.5%	5.1%	7.7%	11.8%	9.1%	<b>1.6%</b>
¥ 508,509	¥ 600,678	¥ 597,612	¥ 531,233	¥ 574,879	¥ 529,387	¥ 523,830	¥ 574,268	<b>\$ 5,476,326</b>
109,966	136,672	135,317	134,747	125,915	122,664	132,558	99,899	<b>1,292,872</b>
117,439	124,937	252,147	231,131	252,731	203,995	164,654	110,354	<b>1,318,860</b>
39,399	44,958	37,700	33,943	30,781	31,706	32,265	27,333	<b>446,501</b>
1,186,705	1,186,705	1,186,705	1,186,682	1,186,013	1,185,999	1,175,242	1,175,242	<b>1,186,705</b>
50,399	47,618	47,770	49,710	54,228	56,857	56,776	55,732	<b>51,448</b>

4. Beginning from the fiscal year 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No. 20, March 21, 2008) and restated the amount of the previous year.

5. (IFRS): Based on profit for the year attributable to owners of the parent.

6. (IFRS): Based on profit for the year attributable to owners of the parent.

7. (IFRS): Based on equity attributable to owners of the parent.

8. (IFRS): Return on equity attributable to owners of the parent.

9. Interest-bearing debt comprises short-term bank loans, long-term bank loans due within one year, commercial paper, bonds, long-term bank loans, and lease obligations.

The discussion and analysis herein of sales and operating profit are based on reportable segment information. Sales for reportable segments include all inter-segment transactions.

## Adoption of International Financial Reporting Standards ("IFRS")

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Starting from the fiscal year ended December 31, 2013, the Company and its affiliated companies (the "AGC Group" or the "Group") have adopted International Financial Reporting Standards ("IFRS") in lieu of the previously adopted Japanese Generally Accepted Accounting Principles ("Japanese GAAP"). All the financial information is presented under IFRS, and analyses involving previous fiscal year's results have also been adjusted to be IFRS-based.

For differences between IFRS and Japanese GAAP in respect of the Group's financial information for the previous fiscal year, please refer to "2. Notes to the Consolidated Financial Statements 31 First-time adoption" on page 60.

## Change in Scope of Consolidation

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From the fiscal year ended December 31, 2013, AGC Asia Pacific Pte. Ltd. and 2 other companies were newly consolidated, and due to absorption and other events, IWAKI Houseware Co., Ltd. and 4 other companies were excluded from the scope of consolidation. These changes brought the total of consolidated subsidiaries to 200.

## Currency Fluctuations

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The Japanese yen weakened against the U.S. dollar and the euro during fiscal year 2013. The year-end yen-U.S. dollar rate was ¥105.4=US\$1.00, compared with ¥86.6=US\$1.00 in fiscal year 2012, and the year-end yen-euro rate was ¥145.1=1.00 euro, compared with ¥114.7=1.00 euro in the previous year.

## Overview of the Period Ended December 31, 2013

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### ■ Overview

In fiscal year 2013, the global economic environment surrounding the AGC Group had been characterized by a continued gradual recovery, despite the impact of fiscal and financial problems in Europe and a slowdown in the expansion of exports and domestic demand in fast-growing countries.

In Europe, the economy remained weak due to high unemployment rates and declining consumer spending which were triggered by the fiscal crisis in some European countries. In Asia, economic conditions were generally favorable backed by its strong exports and consumer spending, despite the slowing economic growth in some countries, mainly in China. In Japan, the economy gradually picked up, driven by the recovery of exports and robust consumer spending. In the United States, the economy gradually recovered due to continued improvement in housing starts, though they remained at low levels, and stable consumer spending.

Under such business environment, the AGC Group posted net sales of ¥1,320.0 billion, a ¥130.1 billion or 10.9% increase from the previous fiscal year due to an increase of the shipments of electronics-related products and progress of yen depreciation. However, the Group was also affected by a price decline in products, price increases in fuels and raw materials and the reduction of profitability of foreign subsidiaries as a result of yen depreciation. As a result, operating profit decreased by ¥21.9 billion or 21.5% year-on-year to ¥79.9 billion, and profit before tax decreased by ¥30.6 billion or 40.8% to ¥44.4 billion. Profit for the year attributable to owners of the parent was ¥16.1 billion, a ¥32.3 billion or 66.7% decrease on a year-on-year basis.

Under Japanese GAAP (unaudited), this fiscal year's net sales, operating income, ordinary income and net income totaled ¥1,320.0 billion, ¥70.7 billion, ¥63.1 billion and ¥10.3 billion respectively.

## ■ Consolidated Net Sales

Consolidated net sales were ¥1,320.0 billion in fiscal year 2013.

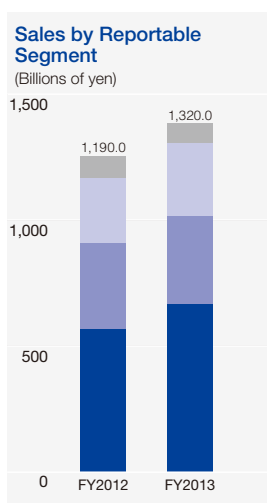
By reportable segment, the Glass Operations recorded sales of ¥667.3 billion in the year under review. In the flat glass business, shipments of architectural glass in Japan and Asia remained strong. Shipments in North America were on a modest recovery but earnings did not improve mainly due to productivity issues. Shipments in Europe remained weak and price levels fell below the levels of the previous fiscal year. Shipments of glass for solar power systems decreased from the previous fiscal year as the tough competitive environment continued. Under such circumstances, while sales from the flat glass business, which consists of architectural glass and glass for solar power systems, increased from the previous fiscal year mainly due to the impact of the weak yen, earnings decreased owing to the continued harsh business environment.

In the automotive glass business, the AGC Group's shipments in Japan decreased from the previous fiscal year, reflecting a year-to-year decrease in auto production in the country. In Europe, shipments remained strong although auto production in the region remained sluggish. Shipments remained favorable in Asia and North America, leading to an increase in sales on a year-on-year basis partly due to the weak yen.

Sales in the Electronics Operations were ¥346.0 billion. Shipments of glass substrates for display devices and specialty glass for display applications increased from the previous fiscal year.

With regard to electronic materials, shipments of semiconductor-related products and optoelectronics materials increased from the previous fiscal year.

Sales in the Chemicals Operations were ¥290.7 billion. Sales from chlor-alkali products and urethane materials increased from the previous fiscal year, supported by strong shipments in Asia. In the category of fluorine products and specialty products, shipments of pharmaceutical and agrochemical intermediates and active ingredients remained buoyant, resulting in sales increase from the previous year.



■ Glass Operations  
■ Electronics Operations  
■ Chemicals Operations  
■ Ceramics/Other Operations

## Sales by Reportable Segment

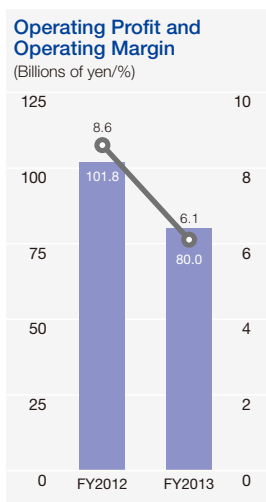
	(Unit: Millions of yen)	
	FY2012	FY2013
Glass Operations . . . . .	¥ 564,605	¥ <b>667,341</b>
Electronics Operations . . . . .	344,098	<b>345,971</b>
Chemicals Operations . . . . .	257,267	<b>290,673</b>
Ceramics/Other Operations . . . . .	87,005	<b>78,557</b>
Corporate or Elimination . . . . .	(63,024)	<b>(62,537)</b>
<b>Net Sales . . . . .</b>	<b>¥1,189,952</b>	<b>¥1,320,006</b>

## ■ Profit and Expenses

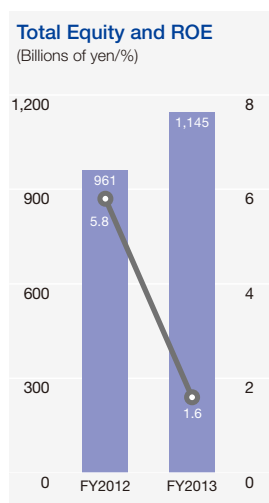
Cost of sales increased by ¥125.0 billion or 14.8% to ¥971.0 billion from the previous year. The cost-to-sales ratio stood at 73.6% mainly due to price declines among electronics-related products, price increases of fuels and raw materials and the reduction of profitability of foreign subsidiaries by progress of yen depreciation.

### Cost of Sales and SG&A Expenses

	(Unit: Millions of yen)	
	FY2012	FY2013
Cost of sales	¥846,048	<b>¥971,031</b>
Cost-to-sales ratio	71.1%	<b>73.6%</b>
Gross profit	343,903	<b>348,974</b>
SG&A expenses	243,798	<b>270,087</b>
SG&A expenses as a percentage of net sales	20.5%	<b>20.5%</b>



■ Operating Profit (left scale)  
● Operating Margin (right scale)



■ Total Equity (left scale)  
● ROE (right scale)

Operating profit, the net result of gross profit minus selling, general and administrative (SG&A) expenses and share of profit of associates and joint ventures accounted for using equity method, was ¥79.9 billion, down ¥21.9 billion or 21.5% year-on-year. The operating margin decreased by 2.5 percentage points to 6.1%.

Other expenses were a net ¥38.2 billion, compared with a net ¥38.5 billion in fiscal year 2012.

Expenses for restructuring programs of ¥17.4 billion and impairment loss on long-lived assets of ¥4.4 billion were recorded, mainly because of the restructuring of the glass business in Europe and Asia and impairment loss on some of the fixed assets in Europe.

In addition, the AGC Group recorded an exchange loss, net of ¥7.8 billion, compared to a ¥4.8 billion exchange loss in the previous year.

Profit before tax decreased by ¥30.6 billion year-on-year to ¥44.4 billion.

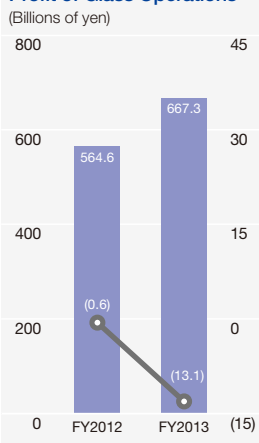
Consequently, net profit for the year attributable to owners of the parent under review was ¥16.1 billion, down ¥32.3 billion or 66.7% from ¥48.4 billion in the previous year. Basic earnings per share decreased by 66.7% year-on-year from ¥41.90 to ¥13.97. ROE decreased by 4.2 percentage points to 1.6%.

### Profit

	(Unit: Millions of yen)	
	FY2012	FY2013
Operating profit	¥101,751	<b>¥79,894</b>
Operating margin	8.6%	<b>6.1%</b>
Profit before tax	74,998	<b>44,381</b>
Profit for the year attributable to owners of the parent	48,433	<b>16,139</b>
Percentage of net sales	4.1%	<b>1.2%</b>
Per share data (yen)		
—Net income—basic	41.90	<b>13.97</b>
—Net income—fully diluted	39.45	<b>13.73</b>
Return on equity (ROE)	5.8%	<b>1.6%</b>

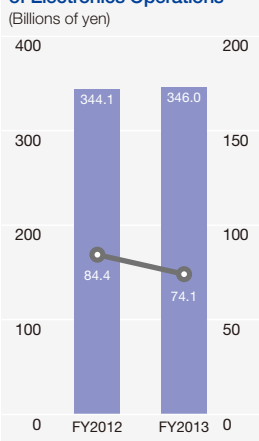
## Performance by Reportable Segment

### Sales and Operating Profit of Glass Operations



■ Sales (left scale)  
● Operating Profit (right scale)

### Sales and Operating Profit of Electronics Operations



■ Sales (left scale)  
● Operating Profit (right scale)

### ■ Glass

In the flat glass business, shipments of architectural glass in Japan and Asia remained strong. Shipments in North America were on a modest recovery but earnings did not improve mainly due to productivity issues. Shipments in Europe remained weak and price levels fell below the levels of the previous fiscal year. Shipments of glass for solar power systems decreased from the previous fiscal year as the tough competitive environment continued. Under such circumstances, while sales from the flat glass business, which consists of architectural glass and glass for solar power systems, increased from the previous fiscal year mainly due to the impact of the weak yen, earnings decreased owing to the continued harsh business environment.

In the automotive glass business, the AGC Group's shipments in Japan decreased from the previous fiscal year, reflecting a year-to-year decrease in auto production in the country. In Europe, shipments remained strong although auto production in the region remained sluggish. Shipments remained favorable in Asia and North America, leading to an increase in sales on a year-on-year basis partly due to the weak yen.

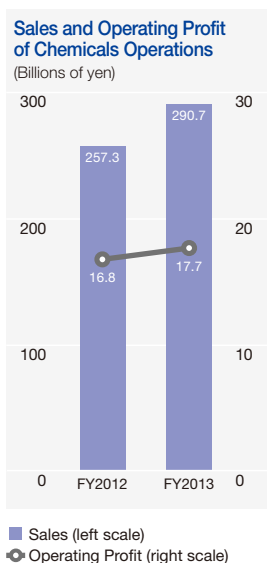
As a result, net sales from the Glass Operations for the fiscal year were ¥667.3 billion, up ¥102.7 billion or a 18.2% increase from the previous fiscal year. Operating profit decreased by ¥12.4 billion year on year to a loss of ¥13.1 billion mainly due to the downturn of market conditions in the architectural glass business in Europe.

### ■ Electronics

Shipments of glass substrates for display devices and specialty glass for display applications increased from the previous fiscal year.

With regard to electronic materials, shipments of semiconductor-related products and optoelectronics materials increased from the previous fiscal year.

As a result, net sales from the Electronics Operations for the fiscal year were ¥346.0 billion, up ¥1.9 billion or a 0.5% increase from the previous fiscal year. Operating profit was ¥74.1 billion, down ¥10.3 billion or a 12.2% decrease from the previous fiscal year due to the price decline in the LCD glass substrate business and the reduction of profitability of foreign subsidiaries affected by the weak yen.



## ■ Chemicals

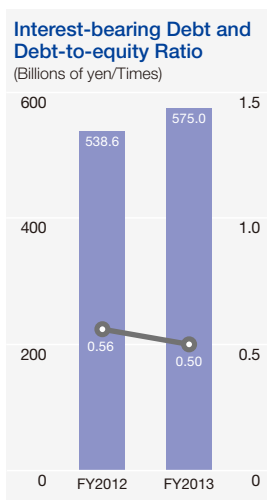
Sales from chlor-alkali products and urethane materials increased from the previous fiscal year, supported by strong shipments in Asia. In the category of fluorine products and specialty products, shipments of pharmaceutical and agrochemical intermediates and active ingredients remained buoyant, resulting in sales increase from the previous year.

As a result, net sales from the Chemicals Operations for the fiscal year were ¥290.7 billion, up ¥33.4 billion or a 13.0% increase from the previous fiscal year, and operating profit was ¥17.7 billion, up ¥0.9 billion or a 5.6% increase from the previous fiscal year.

### Sales and Operation Profit (Loss) by Reportable Segment

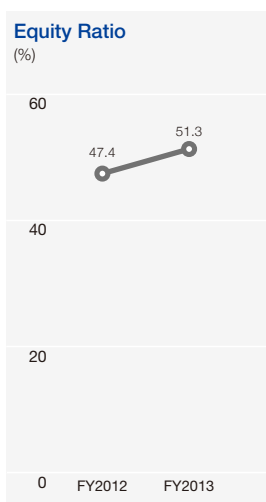
	(Unit: Millions of yen)	
	FY2012	FY2013
<b>Glass Operations</b>		
Sales	¥564,605	<b>¥667,341</b>
Operating profit (loss)	(662)	<b>(13,068)</b>
Operating margin	(0.1%)	<b>(2.0%)</b>
<b>Electronics Operations</b>		
Sales	344,098	<b>345,971</b>
Operating profit	84,402	<b>74,089</b>
Operating margin	24.5%	<b>21.4%</b>
<b>Chemicals Operations</b>		
Sales	257,267	<b>290,673</b>
Operating profit	16,795	<b>17,743</b>
Operating margin	6.5%	<b>6.1%</b>





■ Interest-bearing Debt (left scale)  
● Debt-to-equity Ratio (right scale)

\* Debt-to-equity Ratio = Interest-bearing Debt/Total Equity



## Assets, Liabilities and Equity

We continue to adhere to a policy of maintaining appropriate liquidity, securing the funds necessary to conduct our operations and ensuring the soundness of our balance sheet. With the aim of facilitating the stable procurement of long-term funds, we have obtained an A- rating from Standard & Poor's, an A2 rating from Moody's Investors Service and an AA- rating from Rating and Investment Information, Inc.

Total assets as of the end of the fiscal year under review were ¥2,120.6 billion, up ¥204.2 billion from the previous year. This rise is mainly due to an increase in property, plant and equipment stemming from the weakening of yen and an increase in other financial assets resulting from a rise in listed stock prices.

Total liabilities as of the end of the fiscal year under review were ¥975.5 billion, up ¥19.8 billion from the end of the previous year. This rise is mainly attributable to an increase in interest-bearing debts after foreign currency translation due to the weakening yen.

Total equity as of the end of the fiscal year under review was ¥1,145.1 billion, up ¥184.4 billion from the end of the previous year. This increase mainly reflects a rise in exchange differences on translation of foreign operations resulting from the weakening of the yen and an increase in net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income due to a higher value of listed stock.

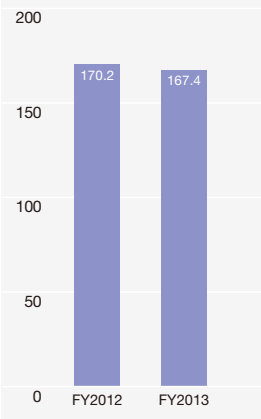
As a consequence of the above, the equity attributable to the owners of the parent ratio for the fiscal year 2013 increased by 3.9 percentage points from 47.4% to 51.3%. Equity attributable to owners of the parent per share increased from the previous year to ¥940.69.

## Summary of Assets, Liabilities and Equity

	(Unit: Millions of yen)	
	FY2012	FY2013
Total assets	¥1,916,394	<b>¥2,120,629</b>
Total current assets	638,873	<b>682,179</b>
Inventories	208,031	<b>236,611</b>
Property, plant and equipment	956,806	<b>1,059,946</b>
Total current liabilities	368,852	<b>448,018</b>
Interest-bearing debt	538,600	<b>575,014</b>
Total equity	960,747	<b>1,145,145</b>
Equity ratio	47.4%	<b>51.3%</b>
Equity per share (yen)	786.01	<b>940.69</b>
Debt-to-equity ratio (times)	0.56	<b>0.50</b>

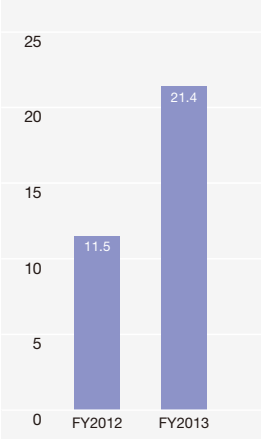
### Net Cash from Operating Activities

(Billions of yen)



### Free Cash Flow

(Billions of yen)



## Cash Flows

Cash and cash equivalents (hereinafter “cash”) at December 31, 2013 amounted to ¥132.6 billion, a decrease of ¥1.2 billion from ¥133.8 billion at the end of the previous year.

### ■ Cash Flows from Operating Activities

Net cash from operating activities was ¥167.4 billion for the fiscal year under review, down ¥2.8 billion from the previous year. The decrease is mainly due to a decrease in profit before tax.

### ■ Cash Flows from Investing Activities

Net cash used in investing activities decreased by ¥12.7 billion year-on-year, to ¥146.0 billion. This expenditure includes capital investment with a focus on growing areas and industries.

As a result, free cash flows for the fiscal year under review, which is the sum of cash flows from operating activities and investing activities, increased by ¥9.9 billion from the previous year, to ¥21.4 billion.

### ■ Cash Flows from Financing Activities

Net cash used in financing activities for the fiscal year under review was ¥33.6 billion, up ¥29.5 billion from the previous year. This expenditure is mainly due to payment of dividends.

## Summary of Cash Flow Statements

	(Unit: Millions of yen)	
	FY2012	FY2013
Net cash from operating activities	¥ 170,165	¥ 167,371
Profit before tax	74,998	44,381
Depreciation and amortization	117,856	135,751
Net cash used in investing activities	(158,646)	(145,978)
Purchases of property, plant and equipment and intangible assets	(155,983)	(148,477)
Free cash flow	11,519	21,392
Net cash used in financing activities	(4,066)	(33,562)
Effect of exchange rate changes on cash and cash equivalents	8,806	11,001
Net increase (decrease) in cash and cash equivalents	16,259	(1,168)
Cash and cash equivalents at beginning of year	117,558	133,818
Cash and cash equivalents at end of year	133,818	132,649

## **Business Risks**

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Set out below are risks associated with the AGC Group's operations and other risks that may materially influence the decisions of investors to invest in the AGC Group. However, this section does not include all possible risks relating to the AGC Group; there may exist additional risks not stated below. Any such risks are also likely to influence investors' decisions.

Forward-looking statements in this section are based on information available as of March 28, 2014.

### **(1) Economic conditions in markets in which the AGC Group's products are sold**

Demand for the AGC Group's products is impacted by trends in such industries as construction and building materials, automobiles, electronics and displays. The AGC Group's products are supplied throughout the world, for example in Asia, the United States and Europe, as well as Japan, and sales are therefore influenced by local economic conditions. Although the AGC Group is working hard to build an earnings structure that is resilient to changes in the business environment, by improving productivity and reducing fixed and variable costs, its performance and financial position are susceptible to declining demand from the industries mentioned as well as economic downturns in the regions where its products are primarily sold.

### **(2) High dependence on Display Operations**

In the year through December 2013, the AGC Group's operating profit depended heavily on Display Operations in which earnings are highly volatile. Because lower earnings from these operations cannot always be offset by income from other operations, this has the potential to significantly impact the AGC Group's performance and financial position.

### **(3) Expansion of operations overseas**

The AGC Group has substantial operations overseas, through exports of products and manufacturing abroad. The risks associated with operating abroad include deteriorating political and economic conditions, the imposition of regulations on imports and foreign investments, unexpected changes in laws, the worsening of public security, and the occurrence of terrorist attacks and war. These events may hinder the AGC Group's operations overseas and have a serious effect on its performance and financial position.

### **(4) Competitive edge, and development and commercialization of new technologies and products**

In every field in which the AGC Group operates, there are competitors supplying products similar to those of the AGC Group. Accordingly, to maintain its competitive edge, the AGC Group is striving to identify the needs of customers, and to develop and commercialize new technologies and products. However, should the AGC Group fail to appropriately respond to technical changes and customer needs or take too long to develop and commercialize new technologies and products, growth could be hampered and profitability could decline. This may significantly impact the AGC Group's performance and financial position.

### **(5) Procurement of production materials and resources**

Because the AGC Group partially uses special materials of which suppliers are limited. If supply tightens or is delayed, the AGC Group's performance and financial position may be greatly affected.

#### **(6) Government regulations**

In the countries and regions where it operates, the AGC Group is subject to the local government approval and authorization of investments, regulations on exports and imports, and laws governing commercial transactions, labor, patents, taxation, foreign exchange, and other issues. Consequently, amendments to these regulations and laws may significantly influence the AGC Group's performance and financial position.

#### **(7) Environmental regulations**

The AGC Group engages primarily in glass and chemicals operations, which are characterized by a heavy environmental impact because they consume a great quantity of resources and energy. Recognizing this, the AGC Group is making great efforts to reduce its environmental impact by improving facilities, establishing related management systems, and raising production efficiency by decreasing unit resource consumption and unit energy consumption. However, if environmental regulations become more stringent and public calls for greater corporate responsibility in environmental protection grow louder as greenhouse gas, soil pollution, chemical substance and other problems widen, the AGC Group's performance and financial position may be significantly impacted.

#### **(8) Product liability**

The AGC Group is making every effort to ensure that products are of the highest quality, according to their individual characteristics. Despite these efforts, the possibility remains that quality problems may occur because of unanticipated factors, prompting a major recall, for example. This could substantially influence the AGC Group's performance and financial position.

#### **(9) Intellectual property rights**

The AGC Group endeavors to acquire intellectual property rights that are useful for its present business activities and future operations alike, while investigating the rights of other firms, in order to prevent intellectual property issues from arising. However, there is the possibility that the AGC Group will have disputes with other firms over intellectual property or that other firms will infringe the AGC Group's intellectual property rights. This has the potential to materially influence the AGC Group's performance and financial position.

#### **(10) Litigation and legal procedures**

Hankuk Electric Glass Co., Ltd., a subsidiary of AGC, has been investigated by Brazilian authorities concerning an alleged violation of the competition laws in the sector of glass bulbs for cathode ray tubes as the subsidiary had exported a small quantity of the said product to Brazil. If the authorities find, based on the results of the investigations, that there was a violation, then fines or such like may be imposed.

There is always a risk that other firms, corporate groups, or individuals may take legal actions against the AGC Group with respect to its operations at home and abroad. As of March 28, 2014, there were some lawsuits and legal proceedings pending. If these lawsuits and proceedings result in a disadvantageous outcome for the AGC Group, its performance and financial position may be significantly impacted.

#### **(11) Effect of natural disasters and accidents**

To minimize the adverse impact on business caused by the suspension of production, the AGC Group regularly conducts inspections of all facilities for maintenance purposes and to prevent potential damage from a disaster. But there is no guarantee that the effects of disasters (including earthquakes, power outages, and other disruptions) occurring at manufacturing facilities can be completely prevented or mitigated.

Given that some of the AGC Group's products cannot be replaced by alternatives, should production cease at some facilities temporarily or for an extended period because of a major earthquake or other occurrence the AGC Group's ability to manufacture such products is likely to sharply decline. Should this occur, the AGC Group's performance and financial position may be greatly affected.

#### **(12) Exchange rate fluctuations**

The AGC Group manufactures and sells products worldwide, and converts transaction accounts in local currencies, including sales, costs, and assets, into Japanese yen when preparing its consolidated financial statements. Even if the values of these items remain unchanged in local currency terms, they may change when converted into Japanese yen depending on exchange rates.

The AGC Group also manufactures products at its facilities worldwide, including Japan, and exports the products to a number of countries. The AGC Group generally procures raw materials and sells products in the local currency of each country/region, but there are some product sales and materials purchases denominated in foreign currencies. Accordingly, fluctuations in exchange rates influence the prices of materials the AGC Group procures and the pricing for its products, and this impacts the AGC Group's performance and financial position.

#### **(13) Retirement benefit obligations**

The AGC Group calculates costs for employee retirement benefits and obligations based on actuarial assumptions of the returns on pension funds and a specific discount rate. If the actuarial assumptions and results diverge substantially because of deterioration in the market environment for pension fund management, future costs for retirement benefits will increase, and this may seriously impact the AGC Group's performance and financial position.

#### **(14) Decline in fixed asset values**

If the values of the AGC Group's fixed assets were to decline because of a drop in market values or profitability, the AGC Group's performance and financial position may be substantially impacted.

# 1 FINANCIAL STATEMENTS (IFRS)

## Consolidated Financial Statements (IFRS)

### i) Consolidated Statements of Financial Position

		(Unit: Millions of yen)		
		Transition Date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
		Note		
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5, 25	¥ 117,558	¥ 133,818	¥ 132,649
Trade receivables	6, 25	228,680	244,396	260,901
Inventories	7	194,332	208,031	236,611
Other receivables	25	34,680	31,939	35,446
Income tax receivables		4,513	11,051	7,305
Other current assets	25	13,402	9,635	9,265
Total current assets		593,169	638,873	682,179
<b>Non-current assets</b>				
Property, plant and equipment	8	841,722	956,806	1,059,946
Goodwill	9	17,856	30,599	34,944
Intangible assets	9	21,386	24,986	27,272
Investments accounted for using equity method	10	29,885	34,745	39,336
Other financial assets	25	131,977	176,903	243,053
Deferred tax assets	11	79,049	49,921	29,743
Other non-current assets		1,255	3,558	4,154
Total non-current assets		1,123,133	1,277,521	1,438,450
<b>Total assets</b>		¥1,716,302	¥1,916,394	¥2,120,629

		(Unit: Millions of yen)		
		Transition Date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
	Note			
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables . . . . .	12, 25	¥ 112,459	¥ 118,907	¥ 135,559
Short-term interest-bearing debt . . . . .	13, 25	42,264	43,908	57,068
Long-term interest-bearing debt due within one year . . . . .	13, 25	108,892	59,421	125,618
Other payables . . . . .	12, 25	122,590	113,007	98,669
Income tax payables . . . . .		9,220	15,325	15,055
Provisions . . . . .	14	4,307	1,558	2,438
Other current liabilities . . . . .	25	7,428	16,722	13,609
Total current liabilities . . . . .		407,163	368,852	448,018
<b>Non-current liabilities</b>				
Long-term interest-bearing debt . . . . .	13, 25	328,611	435,270	392,327
Deferred tax liabilities . . . . .	11	18,657	12,789	29,267
Post-employment benefit liabilities . . . . .	15	145,735	121,581	86,505
Provisions . . . . .	14	12,096	11,394	14,147
Other non-current liabilities . . . . .	25	5,377	5,759	5,217
Total non-current liabilities . . . . .		510,477	586,794	527,465
Total liabilities . . . . .		917,640	955,646	975,484
<b>EQUITY</b>				
Share capital . . . . .	17	90,873	90,873	90,873
Capital surplus . . . . .	17	100,269	100,423	100,650
Retained earnings . . . . .	17	636,610	655,421	641,740
Treasury shares . . . . .	17	(29,888)	(30,076)	(29,884)
Other components of equity . . . . .	17	(40,046)	91,663	283,835
Total equity attributable to owners of the parent . . . . .		757,818	908,304	1,087,216
Non-controlling interests . . . . .		40,843	52,443	57,929
Total equity . . . . .		798,661	960,747	1,145,145
<b>Total liabilities and equity . . . . .</b>		<b>¥1,716,302</b>	<b>¥1,916,394</b>	<b>¥2,120,629</b>

**ii) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income  
(Consolidated Statements of Profit or Loss)**

		(Unit: Millions of yen)	
		FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
	Note		
<b>Net sales</b> .....	19	¥1,189,952	<b>¥1,320,006</b>
<b>Cost of sales</b> .....	20	(846,048)	<b>(971,031)</b>
Gross profit .....		343,903	<b>348,974</b>
<b>Selling, general and administrative expenses</b> .....	20	(243,798)	<b>(270,087)</b>
<b>Share of profit (loss) of associates and joint ventures accounted for using equity method</b> .....	10	1,646	<b>1,007</b>
Operating profit .....		101,751	<b>79,894</b>
<b>Other income</b> .....	20	15,789	<b>4,176</b>
<b>Other expenses</b> .....	20	(38,533)	<b>(38,235)</b>
Business profit .....		79,008	<b>45,835</b>
<b>Finance income</b> .....	22	4,443	<b>5,137</b>
<b>Finance costs</b> .....	22	(8,453)	<b>(6,591)</b>
Net finance costs .....		(4,009)	<b>(1,453)</b>
Profit before tax .....		74,998	<b>44,381</b>
<b>Income tax expenses</b> .....	23	(22,485)	<b>(25,358)</b>
Profit for the year .....		¥ 52,512	<b>¥ 19,023</b>
Attributable to owners of the parent .....		¥ 48,433	<b>¥ 16,139</b>
Attributable to non-controlling interests .....		4,079	<b>2,883</b>
<b>Earnings per share</b>			
Basic earnings per share (yen) .....	24	¥ 41.90	<b>¥ 13.97</b>
Diluted earnings per share (yen) .....	24	39.45	<b>13.73</b>



## (Consolidated Statements of Comprehensive Income)

		(Unit: Millions of yen)	
		FY2012	FY2013
		(Jan. 1 through Dec. 31, 2012)	(Jan. 1 through Dec. 31, 2013)
	Note		
<b>Profit for the year</b> . . . . .		¥ 52,512	¥ 19,023
<b>Other comprehensive income</b>			
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax			
Remeasurement of the net defined benefit liability (asset) . . . . .	18	10,290	23,163
Net gain (loss) on revaluation of financial assets measured at FVTOCI <sup>(Note)</sup> . . . . .	18	29,095	42,318
Share of other comprehensive income of associates and joint ventures accounted for using equity method . . . . .	10, 18	217	383
Total . . . . .		39,602	65,865
Components of other comprehensive income that may be reclassified to profit or loss, net of tax			
Net gain (loss) in fair value of cash flow hedges . . . . .	18	127	(117)
Exchange differences on translation of foreign operations . . . . .	18	94,698	131,138
Share of other comprehensive income of associates and joint ventures accounted for using equity method . . . . .	10, 18	—	(126)
Total . . . . .		94,825	130,893
Other comprehensive income, net of tax . . . . .		134,428	196,759
<b>Total comprehensive income for the year</b> . . . . .		¥186,941	¥215,782
Attributable to owners of the parent . . . . .		¥180,571	¥208,567
Attributable to non-controlling interests . . . . .		6,369	7,214

Note: FVTOCI: Fair Value Through Other Comprehensive Income

### iii) Consolidated Statements of Changes in Equity

		(Unit: Millions of yen)					
		Equity attributable to owners of the parent				Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOC <sup>(Note)</sup>
FY2012 (Jan. 1 through Dec. 31, 2012)	Note						
<b>Balance as of January 1, 2012</b>		¥90,873	¥100,269	¥636,610	¥(29,888)	¥(59,842)	¥19,748
Changes in equity							
Comprehensive income							
Profit for the year		—	—	48,433	—	—	—
Other comprehensive income	18	—	—	—	—	10,837	29,089
Total comprehensive income for the year		—	—	48,433	—	10,837	29,089
Transactions with owners							
Dividends	17	—	—	(30,054)	—	—	—
Increase through treasury shares transactions	17	—	—	—	(214)	—	—
Decrease through treasury shares transactions	17	—	—	(3)	25	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control		—	(125)	—	—	7	—
Transfer from other components of equity to retained earnings		—	—	435	—	—	(435)
Share-based payment transactions	16	—	278	—	—	—	—
Others (business combinations and others)		—	—	—	—	—	—
Total transactions with owners		—	153	(29,622)	(188)	7	(435)
<b>Balance as of December 31, 2012</b>		¥90,873	¥100,423	¥655,421	¥(30,076)	¥(48,996)	¥48,402

Note: FVTOCI: Fair Value Through Other Comprehensive Income

		(Unit: Millions of yen)					
		Equity attributable to owners of the parent			Other components of equity		
		Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity
FY2012 (Jan. 1 through Dec. 31, 2012)	Note						
<b>Balance as of January 1, 2012</b>		¥ 47	¥ —	¥ (40,046)	¥757,818	¥40,843	¥798,661
Changes in equity							
Comprehensive income							
Profit for the year		—	—	—	48,433	4,079	52,512
Other comprehensive income	18	127	92,083	132,138	132,138	2,290	134,428
Total comprehensive income for the year		127	92,083	132,138	180,571	6,369	186,941
Transactions with owners							
Dividends	17	—	—	—	(30,054)	(1,012)	(31,066)
Increase through treasury shares transactions	17	—	—	—	(214)	—	(214)
Decrease through treasury shares transactions	17	—	—	—	21	—	21
Changes in ownership interests in subsidiaries that do not result in loss of control		—	—	7	(117)	1,372	1,255
Transfer from other components of equity to retained earnings		—	—	(435)	—	—	—
Share-based payment transactions	16	—	—	—	278	—	278
Others (business combinations and others)		—	—	—	—	4,870	4,870
Total transactions with owners		—	—	(427)	(30,085)	5,230	(24,855)
<b>Balance as of December 31, 2012</b>		¥174	¥92,083	¥ 91,663	¥908,304	¥52,443	¥960,747

### iii) Consolidated Statement of Changes in Equity

		(Unit: Millions of yen)					
		Equity attributable to owners of the parent				Other components of equity	
FY2013 (Jan. 1 through Dec. 31, 2013)	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOCI <sup>(Note)</sup>
<b>Balance as of January 1, 2013</b>		¥90,873	¥100,423	¥655,421	¥(30,076)	¥(48,996)	¥48,402
Changes in equity							
Comprehensive income							
Profit for the year		—	—	16,139	—	—	—
Other comprehensive income	18	—	—	—	—	23,056	42,295
Total comprehensive income for the year		—	—	16,139	—	23,056	42,295
Transactions with owners							
Dividends	17	—	—	(30,047)	—	—	—
Increase through treasury shares transactions	17	—	—	—	(44)	—	—
Decrease through treasury shares transactions	17	—	—	(29)	237	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control		—	100	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	256	—	—	(256)
Share-based payment transactions	16	—	126	—	—	—	—
Others (business combinations and others)		—	—	—	—	—	—
Total transactions with owners		—	227	(29,820)	192	—	(256)
<b>Balance as of December 31, 2013</b>		¥90,873	¥100,650	¥641,740	¥(29,884)	¥(25,940)	¥90,441

Note: FVTOCI: Fair Value Through Other Comprehensive Income

		(Unit: Millions of yen)					
		Equity attributable to owners of the parent				Other components of equity	
FY2013 (Jan. 1 through Dec. 31, 2013)	Note	Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity
<b>Balance as of January 1, 2013</b>		¥ 174	¥ 92,083	¥ 91,663	¥ 908,304	¥52,443	¥ 960,747
Changes in equity							
Comprehensive income							
Profit for the year		—	—	—	16,139	2,883	19,023
Other comprehensive income	18	(244)	127,319	192,428	192,428	4,331	196,759
Total comprehensive income for the year		(244)	127,319	192,428	208,567	7,214	215,782
Transactions with owners							
Dividends	17	—	—	—	(30,047)	(549)	(30,597)
Increase through treasury shares transactions	17	—	—	—	(44)	—	(44)
Decrease through treasury shares transactions	17	—	—	—	208	—	208
Changes in ownership interests in subsidiaries that do not result in loss of control		—	—	—	100	(2,079)	(1,978)
Transfer from other components of equity to retained earnings		—	—	(256)	—	—	—
Share-based payment transactions	16	—	—	—	126	—	126
Others (business combinations and others)		—	—	—	—	900	900
Total transactions with owners		—	—	(256)	(29,656)	(1,728)	(31,384)
<b>Balance as of December 31, 2013</b>		¥ (69)	¥219,403	¥283,835	¥1,087,216	¥57,929	¥1,145,145

#### iv) Consolidated Statements of Cash Flows

		(Unit: Millions of yen)	
		FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
	Note		
<b>Cash flows from operating activities</b>			
Profit before tax		¥ 74,998	¥ 44,381
Depreciation and amortization		117,856	135,751
Interest and dividend income		(4,410)	(5,096)
Interest expenses		7,189	6,437
Share of profit (loss) of associates and joint ventures accounted for using equity method		(1,646)	(1,007)
Loss (gain) on sale or disposal of non-current assets		5,951	2,505
Decrease (increase) in trade receivables		6,071	10,216
Decrease (increase) in inventories		5,419	(3,712)
Increase (decrease) in trade payables		(5,278)	542
Others		(9,886)	(3,635)
Subtotal		196,265	186,382
Interest and dividends received		4,952	5,885
Interest paid		(5,942)	(6,175)
Income taxes paid		(25,109)	(18,721)
Net cash from operating activities		170,165	167,371
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(155,983)	(148,477)
Proceeds from sale of property, plant and equipment		6,413	4,510
Purchase of other financial assets		(7,288)	(3,005)
Proceeds from sale and redemption of other financial assets		13,851	3,091
Others		(15,638)	(2,097)
Net cash used in investing activities		(158,646)	(145,978)
<b>Cash flows from financing activities</b>			
Changes in current interest-bearing debt		(7,052)	1,149
Proceeds from borrowing or issuing long-term interest-bearing debt		145,124	59,274
Repayment or redemption of long-term interest-bearing debt		(110,660)	(58,684)
Proceeds from sale of shares in subsidiaries to non-controlling interests		1,238	—
Payment from purchase of shares in subsidiaries from non-controlling interests		—	(1,978)
Acquisition of treasury shares		(27)	(44)
Dividends paid	17	(30,054)	(30,047)
Others		(2,635)	(3,230)
Net cash used in financing activities		(4,066)	(33,562)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		8,806	11,001
<b>Net increase (decrease) in cash and cash equivalents</b>		16,259	(1,168)
<b>Cash and cash equivalents at beginning of year</b>	5	117,558	133,818
<b>Cash and cash equivalents at end of year</b>	5	¥ 133,818	¥ 132,649

## 2 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1: Reporting entity

Asahi Glass Co., Ltd. (the “Company”) is a company domiciled in Japan. The consolidated financial statements of the Company as of and for the year ended December 31, 2013 comprise the Company and its subsidiaries (the “Group”), and interests in associates and jointly controlled entities, etc. (the “Group entities”).

The Group is engaged in business activities primarily in the areas of Glass Operations, Electronics Operations, and Chemicals Operations. Please see Note 4 “Segment Information” for details on the Group’s businesses.

### Note 2: Basis of preparations

#### (a) Statement of compliance with IFRS

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), based on the stipulations of Article 93 of the Ordinance on Consolidated Financial Statements. The Group’s consolidated financial statements satisfy all of the requirements for a “Specified Company” prescribed by Article 1-2 of the Ordinance on Consolidated Financial Statements.

These consolidated financial statements are the Group’s first set of consolidated financial statements prepared in accordance with IFRS. The Group’s IFRS transition date (“transition date”) is January 1, 2012. Furthermore, the Group has adopted IFRS 1 *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”). The impact of the first-time adoption of IFRS on the Group’s financial position, business results, and cash flows is explained in Note 31 “First-time adoption.”

On March 28, 2014, the consolidated financial statements were approved by President & CEO Kazuhiko Ishimura and Director & Senior Executive Officer Takashi Fujino, overall business management (Finance) and General Manager of Office of the President of the Company.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following significant items on the consolidated statement of financial position:

- Derivative financial instruments are measured at fair value.
- Equity instruments are measured at fair value.
- Defined benefit pension plan assets and liabilities are measured at the present value of defined benefit plan liabilities less the fair value of the plan assets.

#### (c) Presentation currency

The consolidated financial statements are presented in Japanese yen. The currency unit is millions of yen, with figures less than one million yen rounded down.

#### (d) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The estimates and their underlying assumptions are reviewed continuously. Changes in accounting estimates will affect the period in which the estimates are changed and future periods.

Judgments and estimates made by management that have a significant effect on the amounts recognized in the consolidated financial statements in the reporting period and subsequent periods are as follows:

- Inventory valuation (See Note 7 “Inventories”)
- Estimates of useful lives and residual values of property, plant and equipment and intangible assets (See Note 8 “Property, plant and equipment” and Note 9 “Goodwill and intangible assets”)
- Calculation of the value in use in cash-generating units, the smallest unit of measurement for impairment of property, plant and equipment, goodwill and intangible assets (See Note 8 “Property, plant and equipment” and Note 9 “Goodwill and intangible assets”)
- The recoverability of deferred tax assets (See Note 11 “Deferred tax assets and liabilities”)
- Actuarial assumptions for defined benefit pension plans (See Note 15 “Employee benefits”)
- The recoverable amount of trade receivables (See Note 25 “Financial instruments”)

#### (e) Early adoption of new standards

The Group has early adopted IFRS 9 *Financial Instruments* (published in November 2009, amended in October 2010) since the transition date.

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### Note 3: Significant accounting policies

#### (a) Basis of consolidation

##### i) Business combinations

Business combinations are accounted for using the acquisition method when control is obtained. The Group recognizes goodwill as any excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, in the case of a business combination achieved in stages, the acquisition-date fair value at of the equity interest of the acquiree previously held by the acquirer, over the net of the acquisition-date amounts of the identifiable assets acquired from the acquiree and the liabilities assumed.

If the consideration transferred is lower than the latter net amount, the acquirer immediately recognizes the difference as profit or loss.

An impairment test of goodwill is conducted annually, regardless of any indication of impairment. (See (i) "Impairment for non-financial assets").

The Group has adopted the exemptions of IFRS 1. Accordingly, the Group has elected not to retrospectively apply IFRS 3 *Business Combinations* ("IFRS 3") to business combinations undertaken before the transition date. As a result, goodwill arising from business combinations before the transition date is recognized as the carrying amount based on the previous accounting standards (Japanese GAAP) after conducting an impairment test of goodwill at the transition date.

Business combinations of entities under common control are accounted for based on carrying amounts. These business combinations are those in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

##### ii) Subsidiaries

Subsidiaries are entities controlled by the Group. If a subsidiary is controlled, the Group has exposure or rights to variable returns from involvement with the investee, and has the ability to use power over the investee to affect those returns. The accounting policies of subsidiaries have been adjusted in order to ensure conformity with the accounting policies adopted by the Group, as necessary.

##### iii) Non-controlling interests

The components of profit or loss and other comprehensive income are attributed to owners of the parent and non-controlling interests. Of transactions giving rise to a change in the interest between the Company and the non-controlling interests of a subsidiary, for transactions that do not result in a loss of control, changes in the non-controlling interests in the subsidiary and the net amount of consideration paid (or received), are recognized directly in equity, and are not recognized as goodwill or as profit or loss.

##### iv) Investments in associates and joint ventures (Investment accounted for using equity method)

An associate is an entity over which the Company and its subsidiaries have significant influence over its financial and operating policies, but does not exercise control of it. Significant influence is presumed to exist when the Company and its subsidiaries hold between a 20% and 50% proportion of the voting rights in another entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are recognized at acquisition cost on acquisition and are subsequently accounted for using the equity method. Any differences between the investment on the investment date and the corresponding equity of the investee are included in the carrying amount of the investment as goodwill. The consolidated financial statements reflect the investments in associates and joint ventures' share of profit or loss and other comprehensive income of the investee from the date on which the Company and its subsidiaries obtain significant influence until the end of the reporting period. In the event that the Company and its subsidiaries' burden of loss exceed the investment in the investee, the carrying amount of the Company and its subsidiaries' share is reduced to zero. Except for when the Company and its subsidiaries incur obligations or make payments on behalf of the equity-accounted investee, the Company and its subsidiaries shall recognize no further loss.

Goodwill that forms part of the carrying amount of investments in associates and joint ventures is not separately recognized, and therefore is not tested for impairment separately. Instead, whenever there is any objective evidence that an investment in an associate or joint venture may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset.

##### v) Transactions eliminated on consolidation

All intergroup balances, transactions and unrealized gains and losses arising from the transactions with the Group entities are eliminated in preparing the consolidated financial statements.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## **(b) Foreign currency**

### **i) Foreign currency transactions**

Foreign currency transactions are translated into functional currencies of the individual Group entities by applying the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currencies at the prevailing exchange rates at the reporting date. Exchange differences are recognized as profit or loss. Exchange differences for any gains or losses on the assets and liabilities recognized in other comprehensive income are recognized in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in foreign currencies are translated at the exchange rate at the date of the transaction.

### **ii) Foreign operations**

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated into Japanese yen at the exchange rates prevailing at the reporting date. Income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period.

The Group has elected to adopt the exemptions of IFRS 1. Accordingly, the Group has elected not to retrospectively apply IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") to the cumulative exchange differences on translation of foreign operations before the transition date. As a result, the Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the transition date.

## **(c) Financial instruments**

The Group recognizes financial instruments on the contract date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset in the following circumstances:

- When the contractual rights to receive the cash flows from the financial asset expire; and
- When the contractual rights to receive the cash flows from the financial asset in transactions in which substantially all the risks and rewards of ownership of the financial asset are transferred to another entity.

In regard to transferred financial assets, the Group recognizes any retained interest of the transferred financial asset as a separate asset or liability.

Financial assets and financial liabilities are offset and presented as a net amount in the consolidated statement of financial position only when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **i) Non-derivative financial assets**

The Group holds non-derivative financial assets that are classified into financial assets measured at amortized cost; and financial assets measured at fair value through other comprehensive income.

#### *Financial assets measured at amortized cost*

Financial assets are classified as financial assets measured at amortized cost if the following two conditions are met:

- The foregoing financial assets are held within a Group business model whose objective is to hold the assets in order to collect contractual cash flows from the assets; and
- The contractual terms of the foregoing financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The foregoing financial assets are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, the financial assets are measured at amortized cost using the effective interest method.

Financial assets that are measured at amortized cost are assessed for any objective evidence of impairment at each reporting date.

Objective evidence of impairment of financial assets includes: a default or delinquency by the borrower, a concession granted to the borrower that the Group would not have otherwise considered, significant financial difficulty of the issuer or obligor, and the disappearance of an active market.

An individually significant financial asset is individually assessed for impairment. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar credit risk characteristics. In assessing collective impairment, the Group evaluates historical loss experience and other factors.

Impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Cash flows relating to short-term receivables are not discounted due to the immaterial effect of discounting.

Impairment loss is recognized in profit or loss.

#### *Financial assets measured at fair value through other comprehensive income*

The Group designates equity instruments as financial assets measured at fair value through other comprehensive income when an irrevocable election has been made on initial recognition to measure the gains and losses arising from change in the fair value of such instruments in other comprehensive income, and when such instruments are not classified as financial assets measured at amortized cost.

The Group has adopted the exemption of IFRS 1. Accordingly, the Group designates equity instruments as financial assets measured at fair value through other comprehensive income at the transition date.

When the foregoing financial assets are sold, the recognized cumulative gains or losses are transferred on sale from other comprehensive income to retained earnings.

#### **ii) Non-derivative financial liabilities**

The Group recognizes the following as non-derivative financial liabilities: trade payables, other payables, and interest-bearing debt (borrowings, commercial paper, corporate bonds, bonds with subscription rights to shares (excluding share subscription rights), and lease obligations), among other items.

The foregoing financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled or expired.

#### **iii) Bonds with subscription rights to shares**

The Group classifies proceeds from the issue of bonds with subscription rights to shares into a liability component and an equity component based on the issuing conditions. Upon initial recognition, the liability component of bonds with subscription rights to shares is initially recognized at the fair value of similar liabilities without equity conversion options. The equity component is initially recognized as the total fair value of the bonds with subscription rights to shares less the fair value of the liability component. The transaction cost related to the issue of the bonds with subscription rights to shares is prorated according to the ratio of the initial carrying amounts of the liability and equity components on initial recognition, and deducted from the amounts of the liability and equity components.

After initial recognition, the liability component of the bonds with subscription rights to shares is measured at amortized cost using the effective interest method. The equity component of the bonds with subscription rights to shares is not remeasured.

#### **iv) Derivative financial instruments (including hedge accounting)**

The Group holds derivative financial instruments to hedge foreign exchange risk, interest risk, and commodity price risk.

The Group initially recognizes derivative financial instruments at fair value, with the related transaction costs recognized in profit or loss when incurred. After initial recognition, derivative financial instruments are measured at fair value, with changes in fair value accounted for as follows, depending on whether or not derivatives qualify for hedge accounting:

(Derivative not qualifying for hedge accounting)

Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognized in profit or loss.

(Derivative qualifying for hedge accounting)

When applying hedge accounting, at the inception of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, assessing the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's effectiveness in offsetting the hedged risk.

At the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument can be predicted to be highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

The Group applies cash flow hedges in designated qualifying derivative financial instruments as hedging instruments. Cash flow hedges are designed to hedge exposure to variations in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or highly probable forecast transactions which will affect profit or loss.

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The amounts recognized in other comprehensive income are reclassified to profit or loss in the reporting periods when the cash flows of the hedged items affect profit or loss. The ineffective portion of changes in the fair value of hedging instruments is recognized in profit or loss.

Hedge accounting is discontinued prospectively when: the hedging instrument expires, or is sold, terminated, or exercised; the hedge no longer meets the criteria for hedge accounting; a forecast transaction is no longer expected to occur; or the hedging designation is revoked.

#### **v) Equity**

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs (net of tax) directly attributable to the issue of ordinary shares or stock options are deducted from equity.



#### *Treasury shares*

If the Company purchases treasury shares, the consideration paid, net of directly attributable transaction costs and tax, is recognized as a deduction from equity. If the Company disposes of treasury shares, any gains or losses arising from the disposal of treasury shares are recognized in equity.

#### **(d) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, bank deposits available for withdrawal on demand, and short-term investments due within three months or less and are substantially free from any price fluctuation risk.

#### **(e) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is measured based on the moving average method, and includes costs of purchase and costs of conversion (including fixed and variable manufacturing overheads). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **(f) Property, plant and equipment**

##### **i) Recognition and measurement**

Property, plant and equipment is presented at cost less accumulated depreciation and accumulated impairment losses.

Cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset. The cost of self-constructed assets includes material costs, direct labor costs, direct costs attributable to bringing the asset to the location and conditions necessary for its intended use, and the cost of dismantling, removing, and restoring the asset, as well as borrowing costs that satisfy the requirements for being capitalized.

The Group has adopted the exemption of IFRS 1. Accordingly, the Group capitalized the borrowing costs based on the previous accounting standards (Japanese GAAP) before the transition date.

After acquisition of property, plant and equipment, the Group recognizes costs as the carrying amount of an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Differences between the carrying amount and the consideration received for the disposal of property, plant and equipment are recognized in profit or loss.

##### **ii) Depreciation**

Depreciation of property, plant and equipment excluding non-depreciable property, plant and equipment, such as land, is computed under the straight-line method, based on the estimated useful life of each item and the depreciable amount which is the cost of the asset less its residual value.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 10 to 50 years
- Machinery, equipment and vehicles: 4 to 15 years
- Tools, fixtures and fittings: 2 to 15 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

#### **(g) Goodwill and intangible assets**

##### **i) Goodwill**

Goodwill may be recognized on the acquisition of a subsidiary. The recognized amount of goodwill on initial recognition is shown in (a) i) "Business combinations."

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Measurement of goodwill impairment is shown in (i) "Impairment for non-financial assets."

##### **ii) Research and development expense**

Expenditure related to research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense when incurred.

Expenditure on development activities is capitalized as an intangible asset if it is reliably measurable, products or processes are technically and commercially feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete those assets and use or sell them. Other expenditure is recognized as an expense when incurred.

Capitalized development expenditure is presented at cost less any accumulated amortization and accumulated impairment losses.

##### **iii) Other intangible assets**

Other intangible assets are initially recognized at cost. After initial recognition, intangible assets with finite useful lives are presented at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are presented at cost less any accumulated impairment losses.

#### iv) Amortization

Amortization of intangible assets with finite useful lives is recognized as an expense under the straight-line method over their estimated useful lives from the date the assets are available for use. The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Patents and trademarks: 5 to 10 years
- Software: 5 years

The amortization methods and useful lives are reviewed at the end of each reporting period and changed when necessary.

#### (h) Leased assets

The Group classifies lease arrangements as finance leases when the lessor transfers substantially all the risks and rewards incidental to ownership of an asset to the Group. Leased assets are initially recognized at the lower of the fair value of the asset and the present value of the minimum lease payments.

Leased assets are depreciated or amortized over their useful lives when it is reasonably certain that the Group will acquire ownership of a leased asset by the end of the lease agreement, or leased assets are depreciated over the shorter of the lease term and their useful lives when it is not reasonably certain that the Group will acquire ownership of the leased asset by the end of the lease agreement.

All other lease arrangements are classified as operating leases and are not reported in the Group's consolidated statements of financial position. Lease payments under an operating lease are recognized in profit or loss on a straight-line basis over the lease term.

Whether an arrangement contains a lease or not is based on the substance of the arrangement, even if the arrangement does not take the legal form of a lease.

#### (i) Impairment for non-financial assets

At the end of each reporting period, the Group assesses the carrying amounts of non-financial assets, excluding inventories and deferred tax assets, to determine whether there is any indication of impairment for each asset or each cash-generating unit to which an asset belongs. If any such indication exists, impairment for each asset or each cash-generating unit is tested. Goodwill is tested annually, regardless of any indication of impairment.

Assets that are not individually tested are integrated into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). When testing for impairment of goodwill, the goodwill is allocated to cash-generating units which are not larger than an operating segment and represent the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In calculating an asset's value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss. The impairment loss recognized with respect to a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

An impairment loss on other non-financial assets recognized in prior periods is reversed if there are indications of the possibility of reversing such an impairment loss and if the recoverable amount exceeds the carrying amount as a result of an estimation of the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years and depreciation or amortization had been continuously recognized through to the reversal. An impairment loss for goodwill is not reversed in a subsequent period.

#### (j) Non-current assets held for sale

The Group classifies an asset or asset group which is expected to be recovered through a sale transaction rather than through continuous use as a non-current asset or disposal group held for sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and there is assurance of a plan to sell the asset or asset group. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount and its fair value less costs to sell.

#### (k) Employee benefits

Employee benefits include post-employment benefit plans, short-term employee benefits, and share-based payments. Post-employment benefit plans comprise defined benefit plans and defined contribution plans.

**i) Defined benefit plans**

Obligations for defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets.

The present value of defined benefit obligations is calculated annually by qualified actuaries using the projected unit credit method. The discount rates are based on the market yields of high quality corporate bonds at the end of each reporting period that have terms consistent with the discount period, established as the estimated term of the post-employment benefit obligations through to the estimated dates for payments of future benefits in every fiscal year.

Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, while past service costs are recognized in profit or loss.

**ii) Defined contribution plans**

Expenses related to post-employment benefits for defined contribution plans are recognized as an expense at the time of contribution.

**iii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

For bonus payments, a liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**iv) Share-based payments**

The Company provides the Group's directors, executive officers, and other employees with stock options, which grant the holder the right to purchase the Company's stock. The fair value of stock options at the grant date is recognized as an expense over the vesting period from the grant date, with a corresponding increase in equity.

The Group has elected to adopt the exemptions of IFRS 1. Accordingly, the Group has elected not to retrospectively apply IFRS 2 *Share-based Payment* ("IFRS 2") to stock options granted after November 7, 2002 that vested before the transition date.

**(l) Provisions**

A provision is recognized when the Group has a reasonably estimable legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

The Group has established a provision for restructuring costs arising from restructuring actions to improve the business structure and the reorganization of certain operations. Such costs are recognized when they can be reasonably estimated and include an expansion in the severance compensation program.

**(m) Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, less returns, trade discounts and volume rebates. The Group recognizes revenue from the sale of goods when: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; it is probable that the economic benefits associated with the transaction will flow to the Group; the costs incurred or to be incurred in respect of the transaction and the possibility of product returns can be estimated reasonably; and the Group does not retain continuing managerial involvement over the goods sold; and the amount of revenue can be measured reliably.

**(n) Finance income and finance costs**

Finance income mainly comprises interest income, dividend income and gains on hedging instruments that are not recognized in other comprehensive income. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized as of the date when the Group's right to receive payment is established.

Finance costs mainly comprise interest expenses and losses on hedging instruments that are not recognized in other comprehensive income.

**(o) Income tax**

Income tax comprises current income tax and deferred income tax. These are recognized in profit or loss, except for items which are recognized directly in equity or other comprehensive income.

Current income tax is measured at the amount that is expected to be paid to or refunded from the taxation authorities using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis, using the tax rates that are expected to apply to the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and are recognized only to the extent that it is probable that the tax benefits can be realized.

However, deferred tax assets are not recognized if the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements are recognized only to the extent of the following circumstances:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, in principle.

However, deferred tax liabilities are not recognized in the following circumstances:

- On the initial recognition of goodwill.
- On the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- There are taxable temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements to the extent that the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and in either of the following circumstances:

- Income taxes are levied by the same taxation authority on the same taxable entity; or
- Different taxable entities intend either to settle current tax assets and liabilities on a net basis, or to realize the current tax assets and settle the current tax liabilities simultaneously.

#### (p) Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted by the number of treasury shares during the period.

Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

#### (q) New standards and interpretations not yet adopted

New standards, interpretations, amendments to standards and interpretations that have not been adopted in the reporting period ended December 31, 2013, and which the Group has yet to apply to the preparation of consolidated financial statements, are mainly as follows. The potential impacts that application of the above-mentioned will have on the consolidated financial statements are currently being evaluated and can not be estimated as of the date of the report.

IFRS	Title	Effective date (annual periods beginning on or after)	Adoption by the Group (annual periods ending)	Summaries of new IFRS and amendments
IAS 32	Financial Instruments: Presentation	January 1, 2014	Fiscal year ending December 2014	Clarification of criteria for offsetting financial assets and liabilities and addition of application guidance
IAS 36	Impairment of Assets	January 1, 2014	Fiscal year ending December 2014	Disclosure of recoverable amounts for non-financial assets
IAS 39	Financial Instruments: Effectiveness testing	January 1, 2014	Fiscal year ending December 2014	Continuing hedge accounting after derivative novations
IFRIC 21	Levies	January 1, 2014	Fiscal year ending December 2014	Recognition of liabilities related to levies
IFRS 10	Consolidated Financial Statement	January 1, 2014	Fiscal year ending December 2014	Accounting for investments held by investment entities
IFRS 12	Disclosure of Interests in Other Entities			
IAS 27	Separate Financial Statements			
IAS 19	Employee Benefits	January 1, 2015	Fiscal year ending December 2015	Clarification of accounting treatment of contribution from employees or third parties that are not related to years of service
IFRS 9	Financial Instruments	To be determined	To be determined	Changes in qualifying criteria for hedge accounting

#### Note 4: Segment information

The Group's reportable segments are components of the Group for which discrete financial information is available, and whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess performance.

The Group has three in-house companies by product and service: Glass, Electronics, and Chemicals. Each in-house company operates worldwide, formulating comprehensive domestic and overseas strategies for its products and services.

Thus, the Group has three reportable segments: Glass, Electronics, and Chemicals.

The main products of each reportable segment are as follows.

Reportable segment	Main products
Glass	Float flat glass, Figured glass, Polished wired glass, Low-E glass, Fabricated glass for architectural use (Heat Insulating/shielding glass, Safety glass, Fire-resistant glass, Security glass, etc.), Automotive tempered glass, Automotive laminated glass, Glass for solar power system, Fabricated glass for industrial use, Decorative glass, etc.
Electronics	Glass substrate for display devices, Specialty glass for display applications, Display related materials, Optical membranes, Optoelectronics materials, Synthetic quartz glass, Glass frit and paste, Materials for semiconductor manufacturing equipment, Lighting glass products, etc.
Chemicals	Raw materials for vinyl chloride polymer, Caustic soda, Urethane, Gases, Solvents, Fluorinated resins, Water and oil repellents, Pharmaceutical and agrochemical intermediates and active ingredients, Iodine-related products, Battery materials, etc.

#### (1) Reportable Segment

FY2012 (Jan. 1 through Dec. 31, 2012)

	(Unit: Millions of yen)						Amount reported on consolidated financial statements
	Reportable segments					Adjustments	
	Glass	Electronics	Chemicals	Ceramics/Other	Total		
Sales to external customers . . . . .	¥562,140	¥341,407	¥254,086	¥32,316	¥1,189,952	¥ —	¥1,189,952
Inter-segment sales or transfers . . .	2,464	2,690	3,180	54,688	63,024	(63,024)	—
Total sales . . . . .	564,605	344,098	257,267	87,005	1,252,976	(63,024)	1,189,952
Segment profit (loss)							
(Operating profit) . . . . .	(662)	84,402	16,795	1,677	102,213	(462)	101,751
Profit for the year . . . . .	—	—	—	—	—	—	52,512
Other items							
Depreciation and amortization . . . .	42,514	56,471	17,882	1,200	118,068	(212)	117,856
Impairment losses							
(Non-financial assets) . . . . .	7,099	3,164	439	1,683	12,387	—	12,387
Capital expenditure . . . . .	58,389	62,566	32,889	1,932	155,776	(446)	155,329
Investments accounted for using the equity method . . . . .	30,966	1,498	1,271	1,008	34,745	—	34,745

The amounts of inter-segment sales or transfers are primarily based on market prices and manufacturing cost.

"Ceramics/Other" mainly handles ceramics products, logistics and financial services.

FY2013 (Jan. 1 through Dec. 31, 2013)

(Unit: Millions of yen)

	Reportable segments					Total	Adjustments	Amount reported on consolidated financial statements
	Glass	Electronics	Chemicals	Ceramics/Other				
Sales to external customers . . . . .	¥664,239	¥334,710	¥287,960	¥33,096	¥1,320,006	¥	—	¥1,320,006
Inter-segment sales or transfers . . .	3,102	11,261	2,712	45,461	62,537	(62,537)		—
Total sales . . . . .	667,341	345,971	290,673	78,557	1,382,543	(62,537)		1,320,006
Segment profit (loss)								
(Operating profit) . . . . .	(13,068)	74,089	17,743	1,231	79,996	(102)		79,894
Profit for the year . . . . .	—	—	—	—	—	—		19,023
Other items								
Depreciation and amortization . . . .	48,521	66,582	19,375	1,459	135,938	(187)		135,751
Impairment losses								
(Non-financial assets) . . . . .	10,891	514	—	—	11,406	—		11,406
Capital expenditure . . . . .	73,840	43,405	20,704	710	138,661	(181)		138,480
Investments accounted for using equity method . . . . .	33,653	2,224	1,611	1,847	39,336	—		39,336

The amounts of inter-segment sales or transfers are primarily based on market prices and manufacturing cost. "Ceramics/Other" mainly handles ceramics products, logistics and financial services.

(2) Products and services

Disclosure is omitted as the same information is shown in segment information.

(3) Major customers

Disclosure is omitted as sales to external customers did not exceed 10% to any single external customer.

(4) Geographical segments

The analysis of sales by geographical area for the years ended December 31, 2012 and 2013 is as follows:

(Unit: Millions of yen)

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Japan . . . . .	¥ 413,406	¥ 410,120
Others . . . . .	776,545	909,885
Total . . . . .	¥1,189,952	¥1,320,006

Note: Sales is based on the location of customers.

The analysis of non-current assets by geographical area as of December 31, 2012 and 2013 is as follows:

(Unit: Millions of yen)

	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Japan . . . . .	¥ 386,156	¥ 352,387
Taiwan . . . . .	134,886	161,188
Korea . . . . .	101,143	132,638
Others . . . . .	393,766	480,101
Total . . . . .	¥1,015,951	¥1,126,316

Notes: 1. Non-current assets do not include "investments accounted for using equity method," "other financial assets" and "deferred tax assets."

2. Non-current assets is based on the location of assets.

## Note 5: Cash and cash equivalents

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Cash on hand and deposits	¥ 98,789	¥100,461	¥ 81,529
Negotiable certificates of deposit	25,000	20,300	42,000
Repurchase agreements	2,638	13,436	9,308
Time deposits due over three months	(8,868)	(379)	(188)
Total	¥117,558	¥133,818	¥132,649

The balance of cash and cash equivalents in the consolidated statements of financial position at the date of transition, as of the previous year end and the current year end agree to the respective balances in the consolidated statements of cash flows.

## Note 6: Trade receivables

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Notes receivable	¥ 14,049	¥ 15,678	¥ 15,973
Accounts receivable	219,624	233,891	250,981
Allowance account for credit losses	(4,993)	(5,173)	(6,053)
Total	¥228,680	¥244,396	¥260,901

The Group's exposure to currency risk with respect to trade and other receivables, and impairment losses, are presented in Note 25 "Financial instruments."

## Note 7: Inventories

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Merchandise and finished goods	¥ 81,868	¥ 92,837	¥105,809
Work in progress	42,541	41,517	48,555
Raw materials and supplies	69,922	73,676	82,245
Total	¥194,332	¥208,031	¥236,611

The amount of write-downs of inventories recognized as profit or loss in the period and the amount of reversal of write-downs are as follows.

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Amount of write-downs of inventories recognized as expenses	¥(5,627)	¥(4,971)
Amount of reversal of write-downs	4,868	5,770

## Note 8: Property, plant and equipment

### (1) Reconciliation

“Construction in progress” includes expenditure on property, plant and equipment under construction.

The amount in “additions” for each “property, plant and equipment,” includes the amount which are transferred from “Construction in progress.”

Depreciation is recorded in “cost of sales” and “selling, general and administrative expenses” on the consolidated statements of profit or loss.

FY2012 (Jan. 1 through Dec. 31, 2012)

Cost

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥540,586	¥1,477,995	¥100,132	¥91,020	¥ 88,023	¥2,297,757
Additions	18,508	132,125	7,288	885	(10,955)	147,852
Acquisitions due to business combinations	7,212	7,049	259	2,104	528	17,153
Disposals	(18,672)	(53,848)	(4,397)	(3,096)	(295)	(80,310)
Net foreign exchange differences on translation	34,809	128,885	4,703	3,821	6,051	178,270
Transfers and other movements	(44)	(369)	(78)	(385)	(46)	(924)
Balance as of December 31	¥582,399	¥1,691,837	¥107,907	¥94,349	¥ 83,305	¥2,559,799

Accumulated depreciation and impairment losses

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥(302,418)	¥(1,052,865)	¥(85,962)	¥(14,630)	¥(157)	¥(1,456,035)
Depreciation	(14,925)	(91,040)	(5,799)	—	—	(111,765)
Impairment losses	(1,438)	(4,781)	(31)	(1,875)	(1,651)	(9,778)
Disposals	16,828	49,508	3,800	395	145	70,677
Net foreign exchange differences on translation	(14,615)	(78,061)	(3,749)	(2)	(119)	(96,549)
Transfers and other movements	(94)	747	(9)	2	(189)	457
Balance as of December 31	¥(316,663)	¥(1,176,492)	¥(91,751)	¥(16,110)	¥(1,973)	¥(1,602,992)

Carrying amounts

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥238,168	¥425,129	¥14,169	¥76,390	¥87,865	¥841,722
Balance as of December 31	¥265,736	¥515,344	¥16,155	¥78,238	¥81,332	¥956,806



**FY2013 (Jan. 1 through Dec. 31, 2013)**
**Cost**

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥582,399	¥1,691,837	¥107,907	¥94,349	¥83,305	¥2,559,799
Additions	20,778	104,528	8,524	142	(1,667)	132,306
Acquisitions due to business combinations	—	23	23	—	—	46
Disposals	(8,851)	(55,588)	(4,916)	(2,344)	(348)	(72,049)
Net foreign exchange differences on translation	52,770	203,290	7,944	5,513	9,425	278,945
Transfers and other movements	(24)	116	754	1,032	38	1,917
Balance as of December 31	¥647,073	¥1,944,207	¥120,237	¥98,693	¥90,754	¥2,900,965

**Accumulated depreciation and impairment losses**

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥(316,663)	¥(1,176,492)	¥(91,751)	¥(16,110)	¥(1,973)	¥(1,602,992)
Depreciation	(17,592)	(104,466)	(6,717)	—	—	(128,777)
Impairment losses	(269)	(10,971)	(10)	(1)	—	(11,253)
Disposals	8,077	49,303	4,315	1,098	160	62,954
Net foreign exchange differences on translation	(24,032)	(129,826)	(6,674)	(8)	(385)	(160,927)
Transfers and other movements	47	71	(143)	—	—	(23)
Balance as of December 31	¥(350,433)	¥(1,372,381)	¥(100,982)	¥(15,022)	¥(2,199)	¥(1,841,019)

**Carrying amounts**

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥265,736	¥515,344	¥16,155	¥78,238	¥81,332	¥ 956,806
Balance as of December 31	¥296,640	¥571,825	¥19,254	¥83,670	¥88,555	¥1,059,946

**(2) Impairment losses**

Property, plant and equipment is grouped into a cash-generating unit, based on business units. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets.

The recoverable amount of a cash-generating unit is recorded as the higher of its fair value less costs of disposal and its value in use. Value in use is calculated based on the following major assumptions:

On an annual basis, future cash flows for each cash-generating unit are based on the most recent budgets and medium-term business forecasts, while future cash flows for subsequent periods take into account the growth potential of businesses. The cash flow projection periods are set appropriately according to the business of each cash-generating unit.

The discount rate applied to each cash-generating unit is calculated mainly based on the pre-tax weighted average cost of capital, and adjusted to properly reflect risks and other factors related to the business using information from external and internal sources.

During the year ended December 31, 2012, the Group identified indications of impairment, such as a significant decrease in profitability in business units such as architectural glass, and electronic materials areas. This was mainly due to sluggish market conditions and other market developments. Due to the downturn of market conditions and changes, the Group recognized an impairment loss of ¥9,778 million. The discount rates used to calculate value in use was 6 to 9%.

In the year ended December 31, 2013, the Group recognized indications of impairment, such as a significant decrease in profitability in business units such as architectural glass, and electronic materials areas. This was mainly due to sluggish market conditions and other market developments. Due to the downturn of market conditions and changes, the Group recognized an impairment loss of ¥11,253 million. The recoverable amount used to calculate the value in use is mainly calculated as zero.

Impairment losses are included in and shown as "other expenses" on the consolidated statements of profit or loss.

### (3) Leased assets

The Group leases certain production facilities, which are accounted for based on the contractual terms. The carrying amounts of these leased assets, less accumulated depreciation and accumulated impairment losses, as of the transition date, December 31, 2012 and 2013 are as follows:

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Buildings and structures . . . . .	¥2,519	¥2,860	¥2,372
Machinery, equipment and vehicles . . . . .	2,302	4,627	6,165
Tools, fixtures and fittings . . . . .	433	566	540
Total . . . . .	¥5,255	¥8,054	¥9,078

Several lease contracts contain renewal or purchase options. There are no sub-lease contracts, escalation clauses or restrictions imposed by lease contracts (restrictions concerning dividends, additional borrowings and further leasing, etc.)

### (4) Collateral

Assets pledged as collateral and debt secured by collateral are as follows:

#### *Assets pledged as collaterals*

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Property, plant and equipment . . . . .	¥650	¥2,628	¥2,883
Intangible assets . . . . .	—	83	—
Total . . . . .	¥650	¥2,711	¥2,883

The shares of consolidated subsidiaries amounting to ¥16,120 million and ¥20,384 million for FY2012 and FY2013 respectively, which are eliminated on consolidation are also pledged.

#### *Debt secured by collateral*

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Short-term bank loans . . . . .	¥ —	¥ 229	¥ 55
Long-term bank loans . . . . .	237	9,859	13,173
Total . . . . .	¥237	¥10,089	¥13,228

Other than the above-mentioned, no ownership restrictions or rights of pledge as collateral for debt have been established.

## Note 9: Goodwill and intangible assets

### (1) Reconciliation

#### Cost

	(Unit: Millions of yen)					
	FY2012 (Jan. 1 through Dec. 31, 2012)			FY2013 (Jan. 1 through Dec. 31, 2013)		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Balance as of January 1 ..	¥32,132	¥93,030	¥125,162	¥49,695	¥103,601	¥153,296
Additions .....	—	7,477	7,477	—	6,174	6,174
Additions through business combinations .....	12,699	123	12,822	—	7	7
Disposals .....	—	(1,947)	(1,947)	—	(2,373)	(2,373)
Net foreign exchange differences on translation .....	4,863	4,128	8,992	9,631	8,797	18,429
Other changes .....	—	789	789	(240)	—	(240)
Balance as of December 31 .....	¥49,695	¥103,601	¥153,296	¥59,086	¥116,207	¥175,294

#### Accumulated amortization and impairment losses

	(Unit: Millions of yen)					
	FY2012 (Jan. 1 through Dec. 31, 2012)			FY2013 (Jan. 1 through Dec. 31, 2013)		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Balance as of January 1 ..	¥(14,276)	¥(71,643)	¥(85,920)	¥(19,095)	¥(78,614)	¥(97,710)
Amortization .....	—	(6,091)	(6,091)	—	(6,974)	(6,974)
Impairment losses .....	(2,608)	(0)	(2,608)	—	(153)	(153)
Disposals .....	—	1,831	1,831	—	2,099	2,099
Net foreign exchange differences on translation .....	(2,092)	(2,469)	(4,562)	(5,047)	(5,292)	(10,340)
Other changes .....	(118)	(240)	(358)	—	—	—
Balance as of December 31 .....	¥(19,095)	¥(78,614)	¥(97,710)	¥(24,142)	¥(88,935)	¥(113,078)

#### Carrying amounts

	(Unit: Millions of yen)					
	FY2012 (Jan. 1 through Dec. 31, 2012)			FY2013 (Jan. 1 through Dec. 31, 2013)		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Balance as of January 1 ..	¥17,856	¥21,386	¥39,242	¥30,599	¥24,986	¥55,586
Balance as of December 31 .....	¥30,599	¥24,986	¥55,586	¥34,944	¥27,272	¥62,216

Amortization is recorded in “cost of sales” and “selling, general and administrative expenses” on the consolidated statements of profit or loss.

## (2) Impairment test of cash-generating unit including goodwill

The total carrying amount of goodwill allocated to each cash-generating unit is as follows:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Glass .....	¥21,934	¥25,525
Electronics .....	6,364	7,119
Chemicals .....	2,299	2,299
Total .....	¥30,599	¥34,944

The recoverable amount of goodwill allocated to each cash-generating unit is calculated based on value in use.

Assumptions for value in use are presented in Note 8 "Property, plant and equipment." The main discount rate (pre-tax) used for impairment test for cash-generating unit including goodwill was 7 to 12% as of December 31, 2012 and 7 to 11% as of December 31, 2013, respectively.

During the year ended December 31, 2012, due to the downturn of market conditions and changes, the Group identifies impairment losses of ¥2,608 million, because the value in use measured in architectural glass use in Europe was lower than the carrying amount. The Group calculated value in use based on a discount rate of 11.9% (pre-tax) for the cash-generating unit for which the impairment losses were recognized. All of the impairment losses were allocated to goodwill, and included in "other expenses" on the consolidated statements of profit or loss.

There was no impairment losses recognized in the year ended December 31, 2013. Goodwill for which impairment has not occurred is at risk of impairment if the major assumptions behind the test of impairment changed. If the discount rate increases by 2 percentage points, there is a possibility that additional impairment losses would be incurred.

## (3) Collateral

Except for the intangible assets shown in Note 8 "Property, plant and equipment," there are no intangible assets for which ownership restrictions or rights of pledge as collateral for debt have been established.

## Note 10: Equity method affiliates

The carrying amounts of investments accounted for using the equity method are as follows:

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Investments accounted for using equity method .....	¥29,885	¥34,745	¥39,336

Share of profit and other comprehensive income of associates and joint ventures accounted for using the equity method are as follows:

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Share of profit (loss) of associates and joint ventures accounted for using equity method .....	¥1,646	¥1,007
Share of other comprehensive income of associates and joint ventures accounted for using equity method .....	217	257
Total .....	¥1,863	¥1,264

During the years ended December 31, 2012 and 2013, there were no individually significant associates or joint ventures accounted for using the equity method.

## Note 11: Deferred tax assets and liabilities

### (1) Unrecognized deferred tax assets

The Group recognizes deferred tax assets, taking into account deductible temporary differences, projected future taxable profit and tax planning. However, deferred tax assets have not been recognized for the following items:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Carry-forwards of unused tax losses	¥246,708	¥339,583
Deductible temporary differences	248,168	240,115
Total	¥494,877	¥579,669

The amounts of carry-forwards of unused tax losses, for which deferred tax assets have not been recognized, and the expiries of the carry-forwards, are as follows.

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
1st year	¥ 5,979	¥ 1,610
2nd year	1,895	3,228
3rd year	3,278	2,244
4th year	2,796	1,947
5th year and thereafter	232,759	330,552
Total	¥246,708	¥339,583

### (2) Unrecognized deferred tax liabilities

As of December 31, 2012 and 2013, the total amounts of taxable temporary differences for which deferred tax liabilities have not been recognized, which relate to equity in subsidiaries, associates and interest in joint arrangements, were ¥339,092 million and ¥309,199 million, respectively.

The Group has not recognized deferred tax liabilities relating to the preceding taxable temporary differences because it is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### (3) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following items:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Deferred tax assets		
Post-employment benefit liabilities	¥ 52,345	¥ 37,427
Depreciation	7,928	9,030
Impairment losses	6,139	5,569
Carry-forwards of unused tax losses	12,619	13,803
Others	23,630	28,437
Total deferred tax assets	102,664	94,268
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(25,151)	(48,549)
Gain on establishment of trust for retirement benefits	(12,837)	(11,248)
Depreciation	(8,776)	(8,504)
Deferred capital gain reserve	(7,301)	(7,015)
Others	(11,466)	(18,475)
Total deferred tax liabilities	(65,532)	(93,792)
Net deferred tax assets	¥ 37,131	¥ 475

The difference between the net amount of deferred tax assets and liabilities recognized in the years ended December 31, 2013 and 2012, less the respective amounts of deferred tax assets and liabilities recognized directly in equity and in other comprehensive income, and the change in deferred tax expense over these years, is mainly attributable to the impact of foreign exchange movements.

## Note 12: Trade and other payables

### Trade payables

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Notes payable . . . . .	¥ 840	¥ 1,058	¥ 2,385
Trade accounts payable . . . . .	111,618	117,849	133,173
Total . . . . .	¥112,459	¥118,907	¥135,559

### Other payables

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Other accounts payable . . . . .	¥ 64,816	¥ 55,418	¥45,997
Accrued expenses . . . . .	27,019	30,672	31,814
Other . . . . .	30,754	26,917	20,857
Total . . . . .	¥122,590	¥113,007	¥98,669

## Note 13: Interest-bearing debt

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Short-term bank loans . . . . .	¥ 28,894	¥ 32,045	¥ 50,218
Commercial paper . . . . .	13,369	11,862	6,849
Long-term bank loans due within one year . . . . .	18,658	37,096	32,292
Corporate bonds due within one year . . . . .	40,063	19,995	42,901
Bonds with subscription rights to shares due within one year . . . . .	49,358	—	49,396
Short-term lease obligations . . . . .	811	2,329	1,028
Total current liabilities . . . . .	151,156	103,329	182,686
Long-term bank loans . . . . .	184,485	289,683	318,117
Corporate bonds . . . . .	91,877	92,152	69,830
Bonds with subscription rights to shares . . . . .	48,103	48,745	—
Long-term lease obligations . . . . .	4,143	4,687	4,379
Total non-current liabilities . . . . .	328,611	435,270	392,327
Total interest-bearing debt . . . . .	¥479,767	¥538,600	¥575,014

Please see Note 25 “Financial instruments” for further information on the Group’s interest rate risk, currency risk, and liquidity risk. Assets pledged as collateral are presented in Note 8 “Property, plant and equipment.”

## (1) Bonds

Company	Name of bond	Date of issuance	As of January 1, 2013 (Millions of yen)	As of December 31, 2013 (Millions of yen)	Interest rate (% annum)	Collateral	Date of maturity
Asahi Glass Co., Ltd. <sup>(Note 1)</sup>	8th straight bond	Jun. 3, 2003	¥ 19,995 (19,995)	¥ —	0.67	None	Jun. 3, 2013
Asahi Glass Co., Ltd. <sup>(Note 1)</sup>	11th straight bond	Jan. 29, 2009	39,977	40,000 (40,000)	1.28	None	Jan. 29, 2014
Asahi Glass Co., Ltd.	12th straight bond	Jan. 29, 2009	29,933	29,944	1.94	None	Jan. 29, 2019
Asahi Glass Co., Ltd. <sup>(Note 1, 3)</sup>	Zero coupon convertible bond due 2014 with stock acquisition rights	Dec. 14, 2009	48,746	49,396 (49,396)	—	None	Nov. 14, 2014
Asahi Glass Co., Ltd.	13th straight bond	Dec. 20, 2012	19,947	19,958	0.31	None	Dec. 20, 2017
Asahi Glass Co., Ltd.	14th straight bond	Jun. 3, 2013	—	19,928	1.01	None	Jun. 2, 2023
AGC Glass Europe <sup>(Note 1, 2)</sup>	Bond issued by subsidiary	Mar. 18, 2009	2,294 [20 Mil. Euro]	2,901 (2,901) [20 Mil. Euro] (20 Mil. Euro)	0.69	None	Mar. 18, 2014
Total <sup>(Note 1)</sup>			160,894 (19,995)	162,127 (92,297)			

Notes: 1. The component figures disclosed in parentheses in the "As of January 1, 2013" and "As of December 31, 2013" columns represent balance due within one year.

2. These corporate bonds include bonds issued in countries other than Japan. Accordingly, foreign currency denominated amounts are shown as additional information in square brackets in the "As of January 1, 2013" and "As of December 31, 2013" columns.

3. Details on bonds with subscription rights to shares are as follows:

Name of bond	Euroyen convertible bonds with subscription rights to shares, due in 2014
Type of shares to be issued	Common stock
Issue price of subscription rights (yen)	Gratis
Issue price of shares (yen)	1,094.3
Total issuance price (Millions of yen)	50,000
Total amount of shares issued upon exercise of subscription rights to shares (Millions of yen)	—
Percentage of shares granted per subscription right (%)	100
Exercise period of subscription rights	From December 28, 2009 to October 31, 2014

Upon exercising the subscription rights to the shares, the bonds underlying the subscription rights shall be invested, with the bond price set equal to the face value of each bond.

4. The interest rate column shows the coupon rate applicable to each bond as of December 31, 2013. Accordingly, this rate is different from the effective annual interest rate.

## (2) Borrowings

As of December 31, 2013, the weighted average effective interest rate for "Short-term bank loans" "Commercial paper" "Long-term bank loans due within one year" and "Long-term bank loans" are 1.6%, 0.4%, 0.7%, 1.1% per annum respectively.

The maturities of "Long-term bank loans" are from year 2015 to 2030.

## (3) Bonds with subscription rights to shares

The proceed from the issue of bonds with subscription rights to shares is classified into a liability component and an equity component based on the issuing conditions.

The type of shares to be issued upon the exercise of the subscription rights is the Company's common stock. The number of shares to be issued by the Company upon the exercise of the subscription rights is calculated by dividing the face value of the bonds subject to the exercise of subscription rights at the conversion price.

A soft mandatory clause is attached to the bonds with subscription rights. The soft mandatory clause is a scheme that enables the Company to increase shareholders' equity by a certain amount at its discretion, regardless of the stock price level, during a set period before the redemption date of the bonds.

#### (4) Finance lease obligations

The balances by due date and present value of finance lease obligations are as follows:

	(Unit: Millions of yen)			
	FY2012 (as of December 31, 2012)		FY2013 (as of December 31, 2013)	
	Balances by due date	Present value	Balances by due date	Present value
Due within one year or less	¥2,417	¥2,329	<b>¥1,161</b>	<b>¥1,028</b>
Due between one and five years	3,049	2,732	<b>2,930</b>	<b>2,474</b>
Due after five years	2,396	1,955	<b>2,509</b>	<b>1,904</b>
Total	<b>¥7,863</b>	<b>¥7,016</b>	<b>¥6,600</b>	<b>¥5,407</b>

#### Note 14: Provisions

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
	Provisions for restructuring costs	¥ 2,686	¥ 1,305
Other provisions	1,620	252	<b>409</b>
Total current liabilities	<b>¥ 4,307</b>	<b>¥ 1,558</b>	<b>¥ 2,438</b>
Provisions for restructuring costs	¥ 4,573	¥ 3,467	<b>¥ 5,983</b>
Other provisions	7,523	7,926	<b>8,164</b>
Total non-current liabilities	<b>¥12,096</b>	<b>¥11,394</b>	<b>¥14,147</b>

“Other provisions” consists of various provisions for undetermined liabilities related to identifiable risks. Provisions include an asset retirement obligations and an environment-related provision etc.

There is no significant balance of asset retirement obligation as at transition date, December 31, 2012 and 2013, respectively.

A reconciliation of opening and closing balances for each class of provision is as follows:

	(Unit: Millions of yen)		
	FY2013 (Jan. 1 through Dec. 31, 2013)		
	Provisions for restructuring costs	Other provisions	Total
Balance as of January 1	<b>¥ 4,773</b>	<b>¥ 8,179</b>	<b>¥12,952</b>
Increase during the year	<b>7,948</b>	<b>2,122</b>	<b>10,070</b>
Amounts used during the year	<b>(4,801)</b>	<b>(2,666)</b>	<b>(7,467)</b>
Unused amounts reversed during the year	<b>(828)</b>	<b>(583)</b>	<b>(1,411)</b>
Others	<b>920</b>	<b>1,522</b>	<b>2,442</b>
Balance as of December 31	<b>¥ 8,011</b>	<b>¥ 8,574</b>	<b>¥16,586</b>

During the year ended December 31, 2013, the Group recognized a reserve for restructuring programs measured at estimated future losses arising from restructuring actions such as an expansion in the additional severance compensation program to improve the business structure and the reorganization of certain operations. The timing of the payment may be affected by future business plan.

#### Note 15: Employee benefits

The Group has the following defined benefit plans: a defined benefit corporate pension plan, the employees' pension fund plans, and a lump-sum severance payment plan.

The level of benefits is determined based on a certain number of points conferred according to an individual employee's contribution during his or her period of service. Asset administration, investment, and benefits are provided mainly by corporate pension funds. The investment yield of the corporate pension is set in consideration of the sustainability of the plan.

Certain Group companies have defined contribution plans.



## (1) Defined benefit plans

The amounts for the defined benefit plans recognized on the consolidated statements of financial position are as follows:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Present value of defined benefit obligation . . . . .	¥(358,232)	¥(378,235)
Fair value of plan assets . . . . .	236,652	291,761
Total . . . . .	¥(121,580)	¥ (86,474)
Prepaid pension expenses <sup>(Note)</sup> . . . . .	¥ 1	¥ 31
Post-employment benefit liabilities . . . . .	¥(121,581)	¥ (86,505)

Note: Prepaid pension expenses is included in "other non-current assets" in the consolidated statements of financial position.

### (Corporate Pension Plan of the Company (Asahi Glass Co., Ltd.))

The Company's pension plan is managed through a legally independent entity AGC Corporate Pension Fund ("Fund"). The Fund has a Board of Representatives split evenly between representatives selected by the Company and representatives elected by the pension plan members through mutual vote. The representatives elect directors and a controller through mutual vote, and the president (the chairman of the Board of Representatives) is selected by the Company.

Under the Defined-Benefit Corporate Pension Act, the Company is obligated to make pension contributions to the Fund, which provides pension benefits. The directors of the Fund are responsible for faithfully executing operations related to the administration and investment of pension reserves for the Fund in compliance with laws and regulations, any orders issued by the Minister of Health, Labour and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the AGC Corporate Pension Fund and the resolutions of the Board of Representatives. Furthermore, directors are prohibited from engaging in any actions that could hinder proper administration and investment of the pension reserves for the purpose of furthering their own interests or the interests of third parties other than the AGC Corporate Pension Fund.

### i) Changes in the present value of defined benefit obligations

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
As of January 1 . . . . .	¥(340,075)	¥(358,232)
Benefits paid by the plan . . . . .	13,838	17,477
Current service cost . . . . .	(10,524)	(10,462)
Interest cost . . . . .	(6,287)	(8,166)
Past service cost . . . . .	(2)	963
Actuarial gains and losses . . . . .	(9,250)	(2,474)
Due to changes in demographic assumptions . . . . .	(20,383)	(2,861)
Due to changes in financial assumptions . . . . .	13,997	1,064
Others . . . . .	(2,864)	(676)
Foreign exchange differences . . . . .	(4,419)	(15,494)
Others . . . . .	(1,511)	(1,846)
As of December 31 . . . . .	¥(358,232)	¥(378,235)

The weighted average duration of defined benefit obligations was mainly 17 years as of December 31, 2012 and 2013.

ii) Changes in the fair value of plan assets

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
As of January 1	¥190,473	¥236,652
Employer contributions	19,231	13,827
Benefits paid by the plan	(12,117)	(14,599)
Interest income <sup>(Note)</sup>	5,125	5,296
Income related to plan assets (excluding interest income)	27,827	36,555
Foreign exchange differences	4,607	12,314
Others	1,505	1,714
As of December 31	¥236,652	¥291,761

Note: Interest income is measured as the fair value of plan assets multiplied by the discount rate.

The Group plans to contribute ¥19,767 million to retirement benefit plans during the year ending December 31, 2014.

In accordance with the rules of the Fund, every five years the Company is required to recalculate the amount of pension contribution it makes to the Fund, with the end of the Fund's business year set as the record date. This is to maintain the Fund's financial stability into the future.

In the recalculation process, the Company reviews the base rates related to the pension contributions (assumed interest rate, assumed mortality rate, assumed withdrawal rate, assumed salary increase rate, assumed number of new pension plan members, etc.) in order to re-examine the appropriateness of the pension contributions.

iii) Components of plan assets

Plan assets are invested with the aim of ensuring the sustainability of the defined benefit plans. Plan assets are invested mainly in bonds and equities, and are exposed to market risk in each area. The Group has formulated a policy on risk and return targets for the investment of plan assets. The Group properly monitors investment performance, and regularly reviews this policy, taking into account the funding status and market developments surrounding investments.

The components of plan assets are as follows:

	(Unit: Millions of yen)					
	FY2012 (as of December 31, 2012)			FY2013 (as of December 31, 2013)		
	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market <sup>(Note)</sup>	Subtotal	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market <sup>(Note)</sup>	Subtotal
Equity securities	¥ 76,913	¥ 36,146	¥113,060	¥ 97,477	¥ 50,007	¥147,484
Bonds	50,427	58,756	109,183	56,276	68,793	125,069
Other	3,488	10,919	14,408	3,452	15,754	19,207
Total	¥130,829	¥105,822	¥236,652	¥157,206	¥134,554	¥291,761

Note: Equities securities include privately placed investment trusts that do not have quoted market prices in an active market, but comprise publicly traded shares in Japan and overseas.

iv) Analysis of post-employment benefit expenses

Amounts recognized as expenses related to post-employment benefit are as follows:

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Current service cost	¥(10,524)	¥(10,462)
Interest cost	(6,287)	(8,166)
Interest income	5,125	5,296
Past service cost	(2)	963
<b>Total</b>	<b>¥(11,689)</b>	<b>¥(12,369)</b>

The foregoing expenses are included in “cost of sales” and “selling, general and administrative expenses” and certain other accounts on the consolidated statements of profit or loss.

v) Actuarial assumptions

Principal actuarial assumption as of December 31, 2012 and 2013 is as follows:

	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Discount rate (%)	1.8	1.7

In addition to the above, actuarial assumptions include future salary increases, mortality rate and expected retirement rate.

vi) Sensitivity analysis of actuarial assumptions

The following are changes in defined benefit obligations that would result from the changes below in the discount rate as of December 31, 2013. This analysis assumes that all other variables are held constant.

	(Unit: Millions of yen)	
	FY2013 (as of December 31, 2013)	
Discount rate (increase of 0.5 of a percentage point)	¥ 26,793	
Discount rate (decrease of 0.5 of a percentage point)	(30,716)	

(2) Defined contribution plans

Amounts recognized as expenses related to defined contribution plans are as follows:

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Expenses related to defined contribution plans	¥(418)	¥(536)

The abovementioned expenses are included in cost of sales and selling, general and administrative expenses on the consolidated statements of profit or loss.

## Note 16: Share-based payment

### (1) Description of share-based payments

The Company grants the Group's directors, executive officers and other employees with stock options, which confer the right to purchase the Company's shares. Under the plan, 1,000 shares of common stock per one stock acquisition rights are granted to the grantees. Stock options that are not exercised during the exercisable period will expire.

The general terms and conditions for stock options are as follows. The presentation is based on the numbers when the shares were granted.

Grant date	Number of shares granted	Vesting conditions	Exercisable period	Exercise price (yen)
April 28, 2006	625,000	An option holder must remain in continued service from the grant date (April 28, 2006) to the vesting date (May 31, 2008).	From June 1, 2008 to May 31, 2012	1,757
June 1, 2006	15,000	An option holder must remain in continued service from the grant date (June 1, 2006) to the vesting date (May 31, 2008).	From June 1, 2008 to May 31, 2012	1,779
July 2, 2007 (Compensation-type)	266,000	(Note)	From July 3, 2007 to July 2, 2037 (Note)	1
July 2, 2007 (Ordinary-type)	65,000	An option holder must remain in continued service from the grant date (July 2, 2007) to the vesting date (July 1, 2009).	From July 2, 2009 to July 1, 2013	1,732
July 1, 2008 (Compensation-type)	265,000	(Note)	From July 2, 2008 to July 1, 2038 (Note)	1
July 1, 2008 (Ordinary-type)	70,000	An option holder must remain in continued service from the grant date (July 1, 2008) to the vesting date (June 30, 2010).	From July 1, 2010 to June 30, 2014	1,391
July 1, 2009 (Compensation-type)	647,000	(Note)	From July 2, 2009 to July 1, 2039 (Note)	1
July 1, 2009 (Ordinary-type)	80,000	An option holder must remain in continued service from the grant date (July 1, 2009) to the vesting date (June 30, 2011).	From July 1, 2011 to June 30, 2015	776
July 1, 2010 (Compensation-type)	432,000	(Note)	From July 2, 2010 to July 1, 2040 (Note)	1
September 1, 2010 (Ordinary-type)	205,000	An option holder must remain in continued service from the grant date (September 1, 2010) to the vesting date (August 31, 2013).	From September 1, 2013 to August 31, 2019	862
March 1, 2011 (Compensation-type)	31,000	(Note)	From March 2, 2011 to March 1, 2041 (Note)	1
July 1, 2011 (Compensation-type)	430,000	(Note)	From July 2, 2011 to July 1, 2041 (Note)	1
July 1, 2011 (Ordinary-type)	176,000	An option holder must remain in continued service from the grant date (July 1, 2011) to the vesting date (June 30, 2014).	From July 1, 2014 to June 30, 2020	964
July 2, 2012 (Compensation-type)	1,020,000	(Note)	From July 3, 2012 to July 2, 2042 (Note)	1
July 2, 2012 (Ordinary-type)	308,000	An option holder must remain in continued service from the grant date (July 2, 2012) to the vesting date (July 1, 2015).	From July 2, 2015 to July 1, 2021	562
March 26, 2013 (Compensation-type)	278,000	(Note)	From March 27, 2013 to March 26, 2043 (Note)	1
July 1, 2013 (Compensation-type)	592,000	(Note)	From July 2, 2013 to July 1, 2043 (Note)	1
July 1, 2013 (Ordinary-type)	331,000	An option holder must remain in continued service from the grant date (July 1, 2013) to the vesting date (June 30, 2016).	From July 1, 2016 to June 30, 2022	761

Note: Vesting conditions and exercisable period

Within the abovementioned exercisable period, option holders may exercise their subscription rights within 10 years from the day after they lose their position as a director or an executive officer of the Company.

## (2) Number of stock options and average exercise price

The number and weighted average exercise prices of stock options granted during the year are as follows. The number of stock options is shown after conversion into the number of shares.

	FY2012 (Jan. 1 through Dec. 31, 2012)		FY2013 (Jan. 1 through Dec. 31, 2013)	
	Number (shares)	Weighted average exercise prices (yen)	Number (shares)	Weighted average exercise prices (yen)
Outstanding as of January 1	3,255,000	¥ 523	<b>3,936,000</b>	<b>¥ 192</b>
Granted during the period	1,328,000	131	<b>1,201,000</b>	<b>211</b>
Forfeited during the period	4,000	862	<b>9,000</b>	<b>862</b>
Exercised during the period	8,000	1	<b>241,000</b>	<b>1</b>
Expired during the period	635,000	1,758	<b>55,000</b>	<b>1,732</b>
Outstanding as of December 31	3,936,000	192	<b>4,832,000</b>	<b>187</b>
Exercisable as of December 31	3,255,000	75	<b>4,017,000</b>	<b>77</b>

The weighted average remaining contractual period was 23.0 years and 22.5 years at December 31, 2012, and 2013, respectively.

The weighted average share price on the exercise dates of stock options exercised in the years ended December 31, 2012 and 2013 were ¥552 and ¥683, respectively.

## (3) Fair value of stock options

The fair value of the stock options granted during the year ended December 31, 2012 is estimated using the Black-Scholes formula, taking into account the following assumptions:

	Grant date	
	July 2, 2012 (Compensation-type)	July 2, 2012 (Ordinary-type)
Fair value as of the measurement date (yen)	¥253	¥108
Stock price (yen)	530	530
Exercise price (yen)	1	562
Expected volatility	38%	40%
Remaining contractual period	15 years	6 years
Expected dividends	26 yen/share	26 yen/share
Risk-free interest rate	1.34%	0.31%

The expected volatility is estimated based on the historical volatility of the share price over the most recent period commensurate with the remaining contractual period.

The fair value of the stock options granted during the year ended December 31, 2013 is estimated using the Black-Scholes model, taking into account the following assumptions:

	Grant date		
	March 26, 2013 (Compensation-type)	July 1, 2013 (Compensation-type)	July 1, 2013 (Ordinary-type)
Fair value as of the measurement date (yen)	¥354	¥355	¥138
Stock price (yen)	648	649	649
Exercise price (yen)	1	1	761
Expected volatility	37%	37%	41%
Remaining contractual period	15 years	15 years	6 years
Expected dividends	26 yen/share	26 yen/share	26 yen/share
Risk-free interest rate	1.05%	1.33%	0.45%

The expected volatility is estimated based on the historical volatility of the share price over the most recent period commensurate with the remaining contractual period.

#### (4) Equity-settled share-based payment transactions for which IFRS 2 is not applied

Out of the description in above (1), due to optional exemptions by IFRS 1, details of stock options for which IFRS 2 has not been applied, are as follows:

Grant date	Number of shares granted	Vesting conditions	Exercisable period	Exercise price (yen)
April 28, 2006	625,000	An option holder must remain in continued service from the grant date (April 28, 2006) to the vesting date (May 31, 2008).	From June 1, 2008 to May 31, 2012	1,757
June 1, 2006	15,000	An option holder must remain in continued service from the grant date (June 1, 2006) to the vesting date (May 31, 2008).	From June 1, 2008 to May 31, 2012	1,779
July 2, 2007 (Compensation-type)	266,000	(Note)	From July 3, 2007 to July 2, 2037 (Note)	1
July 2, 2007 (Ordinary-type)	65,000	An option holder must remain in continued service from the grant date (July 2, 2007) to the vesting date (July 1, 2009).	From July 2, 2009 to July 1, 2013	1,732
July 1, 2008 (Compensation-type)	265,000	(Note)	From July 2, 2008 to July 1, 2038 (Note)	1
July 1, 2008 (Ordinary-type)	70,000	An option holder must remain in continued service from the grant date (July 1, 2008) to the vesting date (June 30, 2010).	From July 1, 2010 to June 30, 2014	1,391
July 1, 2009 (Compensation-type)	647,000	(Note)	From July 2, 2009 to July 1, 2039 (Note)	1
July 1, 2009 (Ordinary-type)	80,000	An option holder must remain in continued service from the grant date (July 1, 2009) to the vesting date (June 30, 2011).	From July 1, 2011 to June 30, 2015	776
July 1, 2010 (Compensation-type)	432,000	(Note)	From July 2, 2010 to July 1, 2040 (Note)	1
March 1, 2011 (Compensation-type)	31,000	(Note)	From March 2, 2011 to March 1, 2041 (Note)	1
July 1, 2011 (Compensation-type)	430,000	(Note)	From July 2, 2011 to July 1, 2041 (Note)	1

Note: Vesting conditions and exercisable period

Within the abovementioned exercisable period, option holders may exercise their subscription rights within 10 years from the day after they lose their position as a director or an executive officer of the Company.

#### (5) Expenses related to share-based payments

Expenses related to share-based payments were ¥294 million and ¥352 million during the years ended December 31, 2012 and 2013, respectively.

These expenses were included in "cost of sales" and "selling, general and administrative expenses" on the consolidated statements of profit or loss.

### Note 17: Equity

#### (1) Share capital and share premium

	(Unit: Thousand of shares)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
As of January 1	1,186,705	1,186,705
Increase and decrease	—	—
As of December 31	1,186,705	1,186,705
Number of authorized shares	2,000,000	2,000,000

Out of the amount generated from the equity transaction, capital surplus consists from the amount which is not included in share capital.

Under the Corporation Law of Japan, at least 50% of the proceeds of certain issues of common shares shall be credited to share capital.

## (2) Retained earnings

Retained earnings include amounts transferred from accumulated gains or losses recognized in other comprehensive income upon the sale of financial assets measured at fair value through other comprehensive income.

Furthermore, retained earnings include the amount of accumulated foreign currency translation adjustments that had been recognized based on previous standards (Japanese GAAP), and transferred to retained earnings as of the transition date.

## (3) Treasury shares

	(Unit: Thousand of shares)	
	Treasury shares	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
As of January 1	30,766	31,123
Decrease due to sales of less-than-one-unit shares	(18)	(4)
Increase due to purchases of less-than-one-unit shares	46	67
Increase due to acquisitions by resolution of board of directors	336	—
Decrease due to exercise of stock options	(8)	(241)
As of December 31	31,123	30,945

## (4) Other components of equity

An analysis of other components of equity is as follows:

	(Unit: Millions of yen)		
	Transition date (as of January 1, 2012)	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Remeasurement of the net defined benefit liability (asset)	¥(59,842)	¥(48,996)	¥ (25,940)
Net gain (loss) on revaluation of financial assets measured at FVTOCI	19,748	48,402	90,441
Net gain (loss) in fair value of cash flow hedges	47	174	(69)
Exchange differences on translation of foreign operations	—	92,083	219,403
Total	¥(40,046)	¥ 91,663	¥283,835

### Remeasurement of the net defined benefit liability (asset)

Remeasurement of the net defined benefit liability (asset) includes the effects of differences between the actuarial assumptions at the beginning of the period and the actual numbers at the end of the period, and differences between income from plan assets (actual) and interest income from plan assets (projected).

### Net gain (loss) on revaluation of financial assets measured at FVTOCI

This includes the cumulative amount of net gain (loss) on revaluation of financial assets measured at FVTOCI.

### Net gain (loss) in fair value of cash flow hedges

This is the effective portion of the cumulative amount of the net gain (loss) in fair value of cash flow hedges relating to hedge transactions that have yet to be realized.

### Exchange differences on translation of foreign operations

These are foreign currency differences arising from the translation of the financial statements of foreign operations.

## (5) Dividends

Dividends paid during the years ended December 31, 2012 and 2013 are as follows:

(Year ended December 31, 2012)					
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Shareholders' meeting held on March 29, 2012 . . .	Ordinary shares	¥15,027	¥13.00	December 31, 2011	March 30, 2012
Board of directors' meeting held on August 3, 2012 . . . .	Ordinary shares	15,027	13.00	June 30, 2012	September 7, 2012

(Year ended December 31, 2013)					
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Shareholders' meeting held on March 28, 2013 . . .	Ordinary shares	<b>¥15,022</b>	<b>¥13.00</b>	December 31, 2012	March 29, 2013
Board of directors' meeting held on July 31, 2012 . . . . .	Ordinary shares	<b>15,025</b>	<b>13.00</b>	June 30, 2013	September 6, 2013

Dividends for which the effective date falls in the following period, are as follows:

(Year ended December 31, 2012)					
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Shareholders' meeting held on March 28, 2013 . . .	Ordinary shares	¥15,022	¥13.00	December 31, 2012	March 29, 2013

(Year ended December 31, 2013)					
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Shareholders' meeting held on March 28, 2014 . . . .	Ordinary shares	<b>¥5,778</b>	<b>¥5.00</b>	December 31, 2013	March 31, 2014

## Note 18: Other comprehensive income

Changes in other comprehensive income during the years ended December 31, 2012 and 2013 are as follows:

	(Unit: Millions of yen)					
	FY2012 (Jan. 1 through Dec. 31, 2012)			FY2013 (Jan. 1 through Dec. 31, 2013)		
	Before tax effects	Tax effects	Net amount	Before tax effects	Tax effects	Net amount
Remeasurement of the net defined benefit liability (asset) . . . . .	¥ 18,577	¥ (8,287)	¥ 10,290	<b>¥ 34,081</b>	<b>¥(10,918)</b>	<b>¥ 23,163</b>
Financial assets measured at FVTOCI . . . . .	44,801	(15,705)	29,095	<b>65,858</b>	<b>(23,539)</b>	<b>42,318</b>
Net gain (loss) in fair value of cash flow hedges . . .	122	5	127	<b>(178)</b>	<b>60</b>	<b>(117)</b>
Exchange differences on translation of foreign operations . . . . .	94,698	—	94,698	<b>131,138</b>	—	<b>131,138</b>
Share of other comprehensive income of associates and joint ventures accounted for using equity method . . . . .	217	—	217	<b>211</b>	<b>45</b>	<b>257</b>
Total . . . . .	<b>¥158,416</b>	<b>¥(23,988)</b>	<b>¥134,428</b>	<b>¥231,110</b>	<b>¥(34,351)</b>	<b>¥196,759</b>



Of the items above, amounts attributable to non-controlling interests are as follows:

	(Unit: Millions of yen)					
	FY2012			FY2013		
	(Jan. 1 through Dec. 31, 2012)			(Jan. 1 through Dec. 31, 2013)		
	Before tax effects	Tax effects	Net amount	Before tax effects	Tax effects	Net amount
Remeasurement of the net defined benefit liability (asset) . . . . .	¥ (388)	¥56	¥ (331)	¥ 519	¥(29)	¥ 489
Financial assets measured at FVTOCI . . . . .	15	(8)	7	35	(12)	23
Exchange differences on translation of foreign operations . . . . .	2,614	—	2,614	3,818	—	3,818
Total . . . . .	¥2,242	¥48	¥2,290	¥4,373	¥(42)	¥4,331

#### Note 19: Revenue

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Sales of goods and products . . . . .	¥1,169,768	¥1,301,741
Others . . . . .	20,183	18,265
Total . . . . .	¥1,189,952	¥1,320,006

#### Note 20: Classification of expenses by nature

The classification of expenses by nature and reconciliation with business profit are as follows:

Business profit includes all income and expenses generated by operating activities. Operating profit is an indicator that facilitates like-on-like comparisons and evaluation of the Group's business performance on a continuous basis.

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Net sales . . . . .	¥1,189,952	¥1,320,006
Personnel expenses . . . . .	(229,123)	(261,383)
Depreciation and amortization . . . . .	(117,856)	(135,751)
Others . . . . .	(741,220)	(842,977)
Operating profit . . . . .	101,751	79,894
Gains on sale of non-current assets . . . . .	1,700	1,964
Income arising from insurance contracts . . . . .	10,651	—
Others . . . . .	3,437	2,212
Other income . . . . .	15,789	4,176
Foreign exchange loss . . . . .	(4,754)	(7,818)
Losses on disposal of non-current assets . . . . .	(7,652)	(4,469)
Impairment loss . . . . .	(6,063)	(4,355)
Expenses for restructuring programs . . . . .	(13,745)	(17,430)
Others . . . . .	(6,316)	(4,161)
Other expenses . . . . .	(38,533)	(38,235)
Business profit . . . . .	¥ 79,008	¥ 45,835

The total amounts of research and development expense were ¥47,074 million and ¥46,882 million during the years ended December 31, 2012 and 2013, respectively. There were no recognition in consolidated statements of financial position for capitalization of research and development expense in the years ended December 31, 2012 and 2013.

The total amounts of impairment loss included in expenses for restructuring programs were ¥6,323 million and ¥7,050 million during the years ended December 31, 2012 and 2013, respectively.

## Note 21: Operating leases

### Leases as lessee

The Group leases certain buildings and other assets under operating leases.

Several lease contracts contain renewal or purchase options. There are no sub-lease contracts, escalation clauses or restrictions imposed by lease contracts (restrictions concerning dividends, additional debt and further leasing, etc.)

Future minimum lease payments under non-cancellable operating leases are as follows:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Due within one year or less	¥1,310	¥1,814
Due between one and five years	3,394	3,915
Due after five years	1,616	1,630
Total	¥6,322	¥7,360

The total amounts of minimum lease payments recognized in profit and loss are ¥1,378 million and ¥1,689 million during the years ended December 31, 2012 and 2013, respectively.

## Note 22: Finance income and finance costs

### Finance income

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Interest income	¥1,380	¥1,488
Dividend income	3,030	3,607
Others	32	41
Total	¥4,443	¥5,137

### Finance costs

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Interest expense	¥(7,189)	¥(6,437)
Others	(1,263)	(154)
Total	¥(8,453)	¥(6,591)

Dividend income is generated mainly from financial assets measured at fair value through other comprehensive income.

Interest income and interest expense is generated primarily from financial assets and financial liabilities measured at amortized cost.

## Note 23: Income tax expense

### (1) Composition of income tax expense

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Current tax expense	¥(22,243)	¥(20,600)
Deferred tax expense	(242)	(4,758)
Total	¥(22,485)	¥(25,358)

### (2) Income tax recognized in other comprehensive income

Income tax recognized in other comprehensive income is presented in Note 18 "Other comprehensive income."

### (3) Reconciliation of the effective tax rate

Income tax expense applicable to the Company and its domestic consolidated subsidiaries consists of corporate income tax (national), enterprise tax (local) and resident income taxes (local). The effective statutory tax rate, which has changed from the year ended December 31, 2013, is calculated based on these taxes for the years ended December 31, 2012 and 2013 is as follows:

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Corporate income tax	30.0%	25.5%
Enterprise tax	7.4	7.4
Resident income taxes	6.0	5.1
Total	43.4%	38.0%
Statutory tax rate in effect to reflect the deductibility of enterprise tax when paid	40.4%	37.8%

Unlike corporate income tax and resident income taxes, enterprise tax is deductible for tax purposes when it is paid.

Foreign subsidiaries are subject to corporate income tax and other taxes in their respective jurisdiction.

The following is a breakdown of major items that caused differences between the effective statutory tax rate and the effective income tax rate for corporate income tax expense appearing on the consolidated statements of profit or loss.

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Effective statutory tax rate of the Company	40.4%	37.8%
Entertainment expenses, etc., nondeductible	0.7	1.3
Dividend income, not taxable	(2.2)	(2.1)
Difference in tax rates applied to overseas subsidiaries	(28.0)	(5.3)
Changes in unrecognized temporary differences	19.2	31.3
Others	(0.1)	(5.9)
Effective income tax rate after tax effect accounting applied	30.0%	57.1%

## Note 24: Earnings per share

### (1) Basic earnings per share

Basic earnings per share and the basis for calculating basic earnings per share are as follows:

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Profit for the year attributable to owners of the parent (Millions of yen)	48,433	16,139
Weighted average number of ordinary shares outstanding (Thousands of shares)	1,155,879	1,155,720
Basic earnings per share (yen)	41.90	13.97

### (2) Diluted earnings per share

Diluted earnings per share and the basis for calculating diluted earnings per share are as follows:

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Profit for the year attributable to owners of the parent (Millions of yen)	¥48,433	¥16,139
Adjustments to profit or loss used to calculate diluted earnings per share (Millions of yen)	766	405
Profit or loss used to calculate diluted earnings per share (Millions of yen)	¥49,199	¥16,544
Weighted average number of ordinary shares outstanding (Thousands of shares)	1,155,879	1,155,720
Effects of dilutive potential ordinary shares		
Bonds with subscription rights to shares (Thousands of shares)	88,323	45,690
Stock options based on subscription rights (Thousands of shares)	2,794	3,618
Diluted weighted average number of ordinary shares outstanding (Thousands of shares)	1,246,997	1,205,028
Diluted earnings per share (yen)	¥39.45	¥13.73

## Note 25: Financial instruments

### (1) Capital management

The Group has adopted return on equity attributable to owners of the parent (ROE) and the debt-to-equity ratio (ratio of interest-bearing debt to equity) as its financial targets. The Group aims to attain those financial targets by improving not only profits but also the asset turnover ratio.

### (2) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Trade receivables such as trade notes and accounts receivable are exposed to customer credit risks. To manage these risks, each Group company manages the due date for and the balance of receivables for each customer, and identifies at an early stage and alleviates concerns about the collection of receivables caused by factors such as worsened financial conditions, in accordance with each Group entity's credit management rules.

In its derivative transactions, the Group uses only creditworthy financial institutions to reduce its credit risks.

The total carrying amount of financial assets represents the maximum amount of exposure to credit risk.

#### i) Aging analysis

The analysis of the aging of trade receivables which are past due but not impaired as of December 31, 2012 and 2013 is as follows:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Past due by 3 months or less	¥14,427	¥18,351
Past due over 3 months but within 1 year	1,740	1,618
Past due over 1 year	664	1,162
Total	¥16,831	¥21,131

#### ii) Allowance for doubtful debts

The Group uses an allowance account for credit losses to record the amount of individually significant trade receivables at the uncollectible amounts at the end of the reporting period, and to record impairment losses on trade receivables that are not individually significant at an amount based on the historical loan loss ratio at the end of the reporting period. The allowance for doubtful debts against the financial assets are included in "trade receivables" and "other financial assets" on the consolidated statements of financial position.

Changes in the allowance account for credit losses on trade receivables during the years ended December 31, 2012 and 2013 are as follows:

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
As of January 1	¥7,586	¥8,530
Additions during the year	1,018	701
Amounts used during the year	(554)	(443)
Unused amounts reversed during the year	(277)	(318)
Others	758	1,024
As of December 31	¥8,530	¥9,495

### (3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in discharging its financial liabilities using cash or other financial assets.

Financial liabilities such as loans and corporate bonds are exposed to liquidity risks. The Group manages these risks by diversifying fund procurement methods, establishing commitment lines with various financial institutions, and keeping an appropriate balance between direct and indirect fund procurements and a proper mixture of short-term and long-term loans and bonds.

An analysis of the contractual maturities of financial liabilities is as follows:

(Unit: Millions of yen)								
FY2012 (as of December 31, 2012)								
	Carrying amount	Contractual cash flows	Due within one year or less	Due between one year and two years	Due between two years and three years	Due between three years and four years	Due between four years and five years	Due after five years
Non-derivative financial liabilities								
Loans payable . . . . .	¥358,825	¥362,887	¥ 70,082	¥ 16,381	¥37,962	¥18,648	¥29,635	¥190,177
Commercial paper . . . . .	11,862	11,925	11,925	—	—	—	—	—
Corporate bonds . . . . .	112,148	117,862	21,303	43,463	644	644	20,644	31,164
Bonds with subscription rights to shares . . . . .	48,745	50,000	—	50,000	—	—	—	—
Finance lease obligations . .	7,016	7,863	2,417	994	804	765	485	2,396
Total interest-bearing debt . .	538,600	550,539	105,729	110,838	39,410	20,057	50,764	223,738
Others <sup>(Note)</sup> . . . . .	212,634	212,634	212,543	91	—	—	—	—
Total . . . . .	¥751,234	¥763,173	¥318,272	¥110,930	¥39,410	¥20,057	¥50,764	¥223,738

Note: Others consists from "trade payables," "other payables" and "other current liabilities."

	Carrying amount	Contractual cash flows	Due within one year	Due after one year
Derivative financial liabilities				
Foreign exchange contracts . . . . .				
	¥4,493	¥4,493	¥4,493	¥ —
Interest rate contracts . . . .	4,641	4,711	1,415	3,296
Total . . . . .	¥9,135	¥9,204	¥5,908	¥3,296

(Unit: Millions of yen)								
FY2013 (as of December 31, 2013)								
	Carrying amount	Contractual cash flows	Due within one year or less	Due between one year and two years	Due between two years and three years	Due between three years and four years	Due between four years and five years	Due after five years
Non-derivative financial liabilities								
Loans payable . . . . .	¥400,628	¥404,193	¥82,863	¥33,189	¥39,124	¥32,788	¥43,015	¥173,212
Commercial paper . . . . .	6,849	6,874	6,874	—	—	—	—	—
Corporate bonds . . . . .	112,731	116,664	44,081	651	651	20,651	589	50,038
Bonds with subscription rights to shares . . . . .	49,396	50,000	50,000	—	—	—	—	—
Finance lease obligations . .	5,407	6,600	1,161	1,002	887	577	462	2,509
Total interest-bearing debt . .	575,014	584,333	184,980	34,844	40,664	54,017	44,067	225,759
Others <sup>(Note)</sup> . . . . .	217,251	217,251	217,220	31	—	—	—	—
Total . . . . .	¥792,265	¥801,585	¥402,200	¥34,875	¥40,664	¥54,017	¥44,067	¥225,759

Note: Others consists from "trade payables," "other payables" and "other current liabilities."

	Carrying amount	Contractual cash flows	Due within one year	Due after one year
Derivative financial liabilities				
Foreign exchange contracts . . . . .				
	¥2,432	¥2,432	¥2,432	¥ —
Interest rate contracts . . . .	3,767	4,299	1,347	2,952
Commodity contracts . . . .	216	216	216	—
Total . . . . .	¥6,416	¥6,948	¥3,995	¥2,952

The Group does not expect the cash flows included in the maturity analysis to occur much earlier than anticipated or to differ significantly from the anticipated monetary amounts.

#### (4) Currency risk

The Group operates businesses globally, and is therefore exposed to currency fluctuation risks associated with transactions undertaken in currencies other than functional currency of the individual group companies. To manage currency fluctuation risk, the Group hedges currency fluctuation risk using foreign exchange forward contracts, currency swap agreements, and other instruments.

The principal exchange rates are as follows:

	(Unit: Millions of yen)			
	FY2012		FY2013	
	(Jan. 1 through Dec. 31, 2012)		(Jan. 1 through Dec. 31, 2013)	
	Average rate	Rate at end of the reporting period	Average rate	Rate at end of the reporting period
U.S. dollars . . . . .	¥ 79.82	¥ 86.58	¥ 97.65	¥105.39
Euros . . . . .	102.63	114.71	129.68	145.05

#### i) Currency risk exposure

The Group's maximum amount of exposure to currency fluctuation risk is as follows:

The exposure excludes exposure of which currency fluctuation risk is hedged using foreign exchange forward contracts, currency swap agreements, and other instruments.

	FY2012		FY2013	
	(as of December 31, 2012)		(as of December 31, 2013)	
	Thousands of U.S. dollars	Thousands of euros	Thousands of U.S. dollars	Thousands of euros
Financial instruments dominated in foreign currency . . . . .	\$157,096	€(374)	\$149,997	€(4,888)

#### ii) Sensitivity analysis of currency fluctuation risk

In the event of a 1% appreciation against the U.S. dollar and euro at the end of the reporting period, the monetary impact of this exchange rate movement on profit before tax is shown below.

This analysis is based on exchange rate variables that the Group believes to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables are held constant. It was conducted on the same basis as the analysis for the year ended December 31, 2012.

This analysis is performed by multiplying the currency fluctuation risk exposures by 1%, assuming that movements in various exchange rates have no impact on other variables (other exchange rates, interest rates, etc.).

	(Unit: Millions of yen)	
	FY2012	FY2013
	(Jan. 1 through Dec. 31, 2012)	(Jan. 1 through Dec. 31, 2013)
U.S. dollars (1% yen appreciation) . . . . .	¥(136)	¥(158)
Euros (1% yen appreciation) . . . . .	0	7

#### (5) Interest rate risk

Floating interest rate interest-bearing debts are exposed to interest-rate fluctuation risks. For some long-term floating-rate loans, the Group uses derivative transactions (interest rate swaps) as hedging instruments to avoid the interest-rate fluctuation risks and convert the floating rates into fixed rates.

i) Exposure to interest rate risk

The Group's exposure to interest rate fluctuation risk is as follows:

The monetary amount of exposure excludes monetary amounts for which currency fluctuation risk is hedged using interest rate swap agreements.

	(Unit: Millions of yen)					
	FY2012 (as of December 31, 2012)			FY2013 (as of December 31, 2013)		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Loans payable . . . . .	¥32,045	¥ —	¥ 32,045	¥50,218	¥ —	¥ 50,218
Commercial paper . . . . .	11,862	—	11,862	6,849	—	6,849
Current interest-bearing debt . . . . .	¥43,908	¥ —	¥ 43,908	¥57,068	¥ —	¥ 57,068
Loans payable . . . . .	¥19,655	¥122,046	¥141,702	¥30,668	¥127,977	158,645
Corporate bonds . . . . .	—	2,294	2,294	2,901	—	2,901
Non-current interest-bearing debt . . . . .	¥19,655	¥124,341	¥143,996	¥33,569	¥127,977	¥161,546

ii) Sensitivity analysis of interest rate risk

In the event of a 100 basis point interest rate increase, the monetary impact of financial instruments affected by the interest rate movement on profit before tax is shown below.

This analysis is performed by multiplying the currency fluctuation risk exposures by 1%, assuming that movements in various exchange rates have no impact on other variables (other exchange rates and etc.). The analysis is performed on the same basis as in the year ended December 31, 2012.

	(Unit: Millions of yen)	
	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Floating interest rate financial instruments . . . . .	¥(1,879)	¥(2,186)

(6) Fair value

i) Fair value measurement approach

The fair values of financial assets and financial liabilities are determined as follows:

(Derivatives)

Foreign exchange contracts are mainly based on forward exchange rates and prices quoted by financial institutions with which contracts are concluded. Interest rate contracts are mainly based on prices quoted by financial institutions with which contracts are concluded. Commodity contracts are mainly based on prices quoted by counterparties with whom contracts are concluded. (Financial assets measured at fair value through other comprehensive income)

When market values are available, such values are used as fair values of the financial instruments. The fair values whose market values are unavailable are measured by using the method of discounted future cash flows, by third party appraisals, and by other appropriate measurement techniques.

(Loans payable)

As short-term loans payable are settled on a short-term basis, their fair values approximate their carrying amounts.

The fair values of long-term loans payable are calculated by the total sum of the principal and interest discounted by the interest rates that would apply if similar borrowings were conducted anew. For long-term loans payable at floating interest rates, however, the fair values approximate the carrying amounts because the interest rates are adjusted regularly at fixed intervals.

(Corporate bonds)

Fair values of corporate bonds are calculated based on market prices.

(Bonds with subscription rights to shares)

Fair values of bonds with subscription right to shares are measured based on data calculated by financial institutions with reference to similar liabilities without conversion rights.

(Financial instruments other than above mentioned)

Financial instruments other than above mentioned are settled mainly on a short-term basis, and their fair values approximate their carrying amounts.

ii) Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of December 31, 2012 and 2013 are as follows:

	(Unit: Millions of yen)			
	FY2012 (as of December 31, 2012)		FY2013 (as of December 31, 2013)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Other current assets and other financial assets				
Derivatives not designated as hedges . . . . .	¥ 1,109	¥ 1,109	¥ 443	¥ 443
Derivatives designated as hedges . . . . .	264	264	170	170
Other financial assets				
Financial assets measured at FVTOCI . . . . .	162,005	162,005	226,089	226,089
Financial assets measured at amortized cost				
Cash and cash equivalents . . . . .	133,818	133,818	132,649	132,649
Trade receivables . . . . .	244,396	244,396	260,901	260,901
Other receivables . . . . .	16,820	16,820	22,198	22,198
Other financial assets . . . . .	14,898	14,898	16,950	16,950
Financial liabilities measured at fair value				
Other current liabilities and other financial liabilities				
Derivatives not designated as hedges . . . . .	9,135	9,135	6,332	6,332
Derivatives designated as hedges . . . . .	—	—	83	83
Financial liabilities measured at amortized cost				
Trade payables . . . . .	118,907	118,907	135,559	135,559
Interest-bearing debt (short-term and long-term)				
Loans payable . . . . .	358,825	362,763	400,628	406,863
Commercial paper . . . . .	11,862	11,862	6,849	6,849
Corporate bonds . . . . .	112,148	115,352	112,731	115,561
Bonds with subscription rights to shares . . . . .	48,745	49,766	49,396	49,857
Finance lease obligations . . . . .	7,016	7,016	5,407	5,407
Other payables . . . . .	93,635	93,635	81,661	81,661
Other non-current liabilities . . . . .	91	91	31	31



### iii) Fair value hierarchy

The following table is an analysis of financial instruments measured at fair value by valuation methods. The fair value hierarchy categorizes financial instruments into three levels based on inputs used to measure fair value, as follows:

Inputs include stock prices, exchange rates, and interest rates as well as indexes related to commodity prices, etc.

Level 1: Fair value measured at quoted market prices in active markets

Level 2: Fair value calculated using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value calculated from valuation techniques including inputs not based on observable market data.

	(Unit: Millions of yen)			
	FY2012 (as of December 31, 2012)			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	¥ —	¥1,374	¥ —	¥ 1,374
Derivatives not designated as hedges	—	1,109	—	1,109
Derivatives designated as hedges	—	264	—	264
Equity instruments	155,647	—	6,358	162,005
Financial assets measured at FVTOCI	155,647	—	6,358	162,005
Derivative financial liabilities	—	9,135	—	9,135
Derivatives not designated as hedges	—	9,135	—	9,135

	FY2013 (as of December 31, 2013)			
	Level 1	Level 2	Level 3	Total
	Derivative financial assets	¥ —	¥ 614	¥ —
Derivatives not designated as hedges	—	443	—	443
Derivatives designated as hedges	—	170	—	170
Equity instruments	219,814	—	6,274	226,089
Financial assets measured at FVTOCI	219,814	—	6,274	226,089
Derivative financial liabilities	—	6,416	—	6,416
Derivatives not designated as hedges	—	6,332	—	6,332
Derivatives designated as hedges	—	83	—	83

The presence of any financial instruments subject to significant transfers between fair value hierarchy levels is determined at the end of every period. There were no financial instruments subject to significant transfers between the fair value hierarchy levels during the years ended December 31, 2012 and 2013.

Financial instruments categorized as Level 3 are financial instruments measured at fair value through other comprehensive income for which quoted market prices are not available. The fair value of these financial instruments is measured using calculations that conform to the Group's accounting policies. When calculating the fair value, the Group reasonably estimates the inputs, and determines the optimal valuation techniques, including third party appraisals, based on the characteristics of the assets and other considerations.

Changes in financial instruments categorized within Level 3 of the fair value hierarchy during the year are as follows:

	(Unit: Millions of yen)	
	FY2012	FY2013
	(Jan. 1 through Dec. 31, 2012)	(Jan. 1 through Dec. 31, 2013)
Balance as of January 1	¥6,169	¥6,358
Purchases	524	443
Sales	(624)	(804)
Other comprehensive income	343	254
Other changes	(54)	23
Balance as of December 31	¥6,358	¥6,274

#### iv) Equity instruments

Equity instruments such as equity securities are held mainly for the purpose of maintaining and strengthening business relationships over the medium and long terms, and are designated as financial assets measured at FVTOCI. The following is a breakdown of the major stocks within equity instruments and their fair values:

	(Unit: Millions of yen)	
	FY2012 (as of December 31, 2012)	FY2013 (as of December 31, 2013)
Mitsubishi Estate Co., Ltd. . . . .	¥ 46,541	¥ 71,435
Mitsubishi Corporation . . . . .	23,868	29,230
Toyota Motor Corporation . . . . .	14,017	22,470
Others . . . . .	77,577	102,952
Total . . . . .	¥162,005	¥226,089

Equity instruments are sold taking into consideration the market value (market price etc.) of shares and the need to hold shares for business purposes. The fair values of, and cumulative gains or losses recognized in other comprehensive income in equity on stocks sold during the years ended December 31, 2012 and 2013 are shown below. The cumulative gains or losses recognized on sale are transferred on sale from other comprehensive income to retained earnings.

(Unit: Millions of yen)			
FY2012 (Jan. 1 through Dec. 31, 2012)		FY2013 (Jan. 1 through Dec. 31, 2013)	
Fair value	Cumulative gains or losses	Fair value	Cumulative gains or losses
¥2,211	¥440	¥1,811	¥441

The following is a breakdown of dividend income recognized from equity instruments.

(Unit: Millions of yen)			
FY2012 (Jan. 1 through Dec. 31, 2012)		FY2013 (Jan. 1 through Dec. 31, 2013)	
Financial assets derecognized during the year	Financial assets held as of the end of the reporting year	Financial assets derecognized during the year	Financial assets held as of the end of the reporting year
¥37	¥2,993	¥40	¥3,567

#### (7) Derivatives and hedge accounting

The Group enters into derivatives contracts to hedge variations in cash flows from financial assets and financial liabilities. The Group holds derivatives as economic hedges, and does not hold them for trading purposes.

When applying hedge accounting, at the inception of hedges, the Group formally designates and documents hedging relationships to which hedge accounting is applied and the objectives and strategies of risk management for undertaking hedges. Hedging relationships are expected to be highly effective in offsetting changes in cash flows, and are evaluated continuously to determine whether they have actually been highly effective throughout the accounting periods for which the hedges were designated.

Cash flow hedges use derivatives designated as hedging instruments to hedge variations in future cash flows associated with the hedged items.

For the purpose of hedging variations in cash flows associated with fuel prices such as oil and gas prices, the Group enters into oil swap contracts to hedge the risk of price fluctuations.

Details on cash flow hedges are as follows:

(Unit: Millions of yen)					
FY2012 (as of December 31, 2012)			FY2013 (as of December 31, 2013)		
Hedged item	Hedging instrument		Hedged item	Hedging instrument	
	Contracted amount, etc.	Fair value		Contracted amount, etc.	Fair value
Scheduled fuel purchase transactions . . . . .	¥3,235	¥264	Scheduled fuel purchase transactions . . . . .	¥8,113	¥86

The periods in which the cash flows associated with the cash flow hedge derivatives are expected to occur and the periods in which the cash flows are expected to enter into the determination of profit or loss are projected to be mostly the same, with the periods shown in the table below.

	(Unit: Millions of yen)			
	FY2012 (as of December 31, 2012)			
	Carrying amount	Estimated cash flows	Within one year	After one year
Fuel derivatives				
Assets	¥264	¥264	¥228	¥36

	(Unit: Millions of yen)			
	FY2013 (as of December 31, 2013)			
	Carrying amount	Estimated cash flows	Within one year	After one year
Fuel derivatives				
Assets	¥170	¥170	¥106	¥63
Liabilities	(83)	(83)	(83)	—

#### Note 26: Commitments

Significant contractual commitments relating to the acquisition of property, plant and equipment amounted to ¥24,452 million as of December 31, 2013.

#### Note 27: Contingencies

The Group provides guarantees, etc. for borrowings from financial institutions taken out by companies outside the Group. The amounts of commitments to guarantees, etc. are shown in parentheses, and are included in the total amounts.

	(Unit: Millions of yen)	
	FY2012	FY2013
	(as of December 31, 2012)	(as of December 31, 2013)
Asahi India Glass, Ltd.	¥ 643	¥ —
	(—)	(—)
Hibikinada Development Co., Ltd.	176	148
	(176)	(148)
Others	138	122
	(4)	(4)
Total	¥ 959	¥ 270
	(181)	(152)

#### Note 28: Related parties

##### Related party transactions

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

##### Breakdown of compensation to directors

	(Unit: Millions of yen)	
	FY2012	FY2013
	(Jan. 1 through Dec. 31, 2012)	(Jan. 1 through Dec. 31, 2013)
Monthly compensation and bonus	¥339	¥313
Stock compensation-type stock options	77	64
Total	¥417	¥378

**Note 29: Group entities**

Major subsidiaries as of December 31, 2013 are as follows;

Subsidiary name	Location	Capital	Main business	Voting rights held by the Company (%)
<b>Consolidated subsidiaries</b>				
<b>Glass</b>				
AGC Glass Kenzai Co., Ltd. . . . . .	Tokyo Prefecture	¥450 million	Production and sales of flat glass, fabricated glass for architectural use and building materials	100.0 (0.0)
AGC Glass Products Co., Ltd. . . . . .	Tokyo Prefecture	¥1,287 million	Production and sales of fabricated glass for architectural use, and cutting and sales of flat glass	70.0 (0.0)
Asahimas Flat Glass . . . . .	Indonesia	217 billion rupiah	Production and sales of flat glass, automotive glass and fabricated glass for industrial use	43.9 (0.0)
AGC Flat Glass North America . . . . .	U.S.A.	US\$1,258 million	Production and sales of flat glass and automotive glass	100.0 (100.0)
AGC Automotive Europe . . . . .	Belgium	68 million euros	Production and sales of automotive glass	100.0 (100.0)
AGC Glass Europe . . . . .	Belgium	346 million euros	Production and sales of flat glass	100.0 (0.0)
AGC Flat Glass Czech . . . . .	Czech Republic	3,560 million koruna	Production and sales of flat glass	100.0 (100.0)
AGC Flat Glass Klin . . . . .	Russia	4,259 million rubles	Production and sales of flat glass	100.0 (100.0)
AGC Bor Glassworks . . . . .	Russia	418 million rubles	Production and sales of flat glass and automotive glass	92.6 (92.6)
<b>Electronics</b>				
AGC Techno Glass Corporation . . . . .	Shizuoka Prefecture	¥7,233 million	Production and sales of glass products for illumination, industrial use, laboratory and other medical uses, and production of optical membranes	100.0 (0.0)
AGC Display Glass Yonezawa Co., Ltd. . .	Yamagata Prefecture	¥400 million	Production and sales of glass for electronics	100.0 (0.0)
AGC Display Glass Taiwan . . . . .	Taiwan	NT\$3,120 million	Production and sales of glass for electronics	100.0 (100.0)
Asahi Glass Fine Techno Korea . . . . .	South Korea	227,000 million won	Production and sales of glass for electronics	100.0 (33.0)
<b>Chemical</b>				
*1 Ise Chemicals Corporation . . . . .	Tokyo Prefecture	¥3,599 million	Production and sales of iodine-related products and metallic compounds, extraction and sales of natural gas	53.2 (0.0)
Asahimas Chemical . . . . .	Indonesia	US\$42 million	Production and sales of caustic soda, raw materials for vinyl chloride polymer	52.5 (0.0)

Subsidiary name	Location	Capital	Main business	Voting rights held by the Company (%)
<b>Ceramics/Other</b>				
AGC Ceramics Co., Ltd. ....	Tokyo Prefecture	¥3,500 million	Production and sales of various ceramic products	100.0 (0.0)
AGC Finance Co., Ltd. ....	Tokyo Prefecture	¥800 million	Factoring services for domestic affiliates	100.0 (0.0)
AGC Logistics Co., Ltd. ....	Tokyo Prefecture	¥100 million	Various logistics services such as ordering/order acceptance, warehousing and transportation	100.0 (0.0)
AGC Singapore Services ....	Singapore	US\$88 million	Procurement of funds and financing services for affiliates in Asia, and holding of shares in affiliates	100.0 (0.0)
AGC America ....	U.S.A.	US\$1,689 million	Holding of shares in affiliates in North America, and information collection	100.0 (0.0)
AGC Capital ....	U.S.A.	US\$20 million	Procurement of funds and financing for affiliates in North America	100.0 (100.0)
Other consolidated subsidiaries .....	179			
Total consolidated subsidiaries .....	200			
Equity method affiliates .....	36			

Notes: 1. The figures disclosed in parentheses in the "Voting rights held by the Company" column represent voting rights held indirectly by the Company.  
2. Subsidiaries marked with \*1 in the "Subsidiary name" column has filed a marketable securities report.

Information for Equity method affiliates is presented in Note 10 "Equity method affiliates."

### Note 30: Subsequent events

On February 10, 2014, the Group started talks with the Works Council and union organizations of the Roux Plant, which employs 190 people and is run by AGC Glass Europe S.A. in Belgium, about the termination of production of photovoltaic cover glass at the plant.

The financial impact of this matter on the Group's financial results is yet to be determined.

### Note 31: First-time adoption

Under IFRS, an entity adopting IFRS for the first time (“first-time adopter”) must apply the procedures required by IFRS retrospectively, in principle. However, IFRS 1 stipulates that first-time adopters may apply optional exemptions to certain procedures required by IFRS.

The Group has elected to apply the following exemptions:

— Business combinations

Entities are exempt from applying IFRS-compliant accounting procedures to business combinations that occurred before the transition date. Accordingly, the Group has not applied IFRS retrospectively to business combinations undertaken before the transition date. The Group has stated the carrying amount of goodwill based on previous standards (Japanese GAAP) as the balance of goodwill at the transition date.

— Exchange differences on translation of foreign operations

The Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the transition date.

— Designation of previously recognized financial instruments

The Group designates equity instruments as financial assets measured at fair value through other comprehensive income at the transition date.

Reconciliations that must be disclosed upon first-time adoption of IFRS are as follows:

“Reclassifications” in the reconciliations include items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” includes items that affect retained earnings and comprehensive income.

### Reconciliations of equity as of the transition date (January 1, 2012)

(Unit: Millions of yen)

Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
<b>ASSETS</b>						<b>ASSETS</b>
<b>Current assets</b>						<b>Current assets</b>
Cash on hand and in banks . . .	¥ 98,789	¥ 18,769	¥—	¥117,558		Cash and cash equivalents
Trade notes and accounts receivable . . . . .	233,675	(4,993)	(1)	228,680		Trade receivables
Inventories . . . . .	194,325	—	7	194,332		Inventories
Marketable securities . . . . .	25,000	(25,000)				
Deferred income taxes . . . . .	13,610	(13,610)			(F)	
Other current assets . . . . .	46,367	(46,367)				
	—	34,680	0	34,680		Other receivables
	—	4,513	—	4,513		Income tax receivables
	—	13,403	(0)	13,402		Other current assets
Allowance for doubtful debts . .	(4,993)	4,993				
Total current assets . . . . .	606,774	(13,610)	5	593,169		Total current assets

(Unit: Millions of yen)

Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
<b>Fixed assets</b>						<b>Non-current assets</b>
Property, plant and equipment . . . . .	¥ 842,563	¥ —	¥ (840)	¥ 841,722		Property, plant and equipment
Goodwill . . . . .	15,721	—	2,134	17,856	(A)	Goodwill
Other intangible assets . . . . .	21,386	—	—	21,386		Intangible assets
Investments in securities . . . . .	148,350	(148,350)				Investments accounted for using equity method
	—	29,871	13	29,885		
Long-term loans . . . . .	5,124	(5,124)				Other financial assets
	—	131,582	394	131,977		Deferred tax assets
Deferred income taxes . . . . .	42,441	13,610	22,997	79,049	(D) (F)	Other non-current assets
Other fixed assets . . . . .	11,787	(10,572)	40	1,255		
Allowance for doubtful debts . . . . .	(2,592)	2,592				
	—					Total non-current assets
Total fixed assets . . . . .	1,084,781	13,610	24,740	1,123,133		assets
Total assets . . . . .	¥1,691,556	¥ —	¥24,746	¥1,716,302		Total assets
<b>LIABILITIES</b>						<b>LIABILITIES AND EQUITY</b>
<b>Current liabilities</b>						<b>LIABILITIES</b>
						<b>Current liabilities</b>
Trade notes and accounts payable . . . . .	¥ 112,448	¥ —	¥ 10	¥ 112,459		Trade payables
Short-term borrowings . . . . .	47,552	(47,552)				
Commercial paper . . . . .	13,369	(13,369)				Short-term interest-bearing debt
	—	42,264	—	42,264		
Current maturities of bonds . . . . .	40,078	(40,078)				
Current maturities of bonds with subscription rights to shares . . . . .	50,000	(50,000)				Long-term interest-bearing debt due within one year
	—	109,624	(732)	108,892	(B)	
Other accounts payable and accrued expenses . . . . .	82,965	(82,965)				Other payables
	—	122,590	—	122,590		Income tax payables
Income taxes payable . . . . .	9,220	—	—	9,220		Provisions
Reserves . . . . .	14,828	(7,241)	(3,280)	4,307	(C)	Other current liabilities
Other current liabilities . . . . .	48,944	(41,516)	—	7,428	(F)	
Total current liabilities . . . . .	419,410	(8,245)	(4,001)	407,163		Total current liabilities

(Unit: Millions of yen)

Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
<b>Non-current liabilities</b>						<b>Non-current liabilities</b>
Bonds issued . . . . .	¥ 92,014	¥ (92,014)				
Bonds with subscription rights to shares . . . . .	50,000	(50,000)				
Long-term borrowings . . . . .	184,485	(184,485)				
	—	331,408	¥ (2,797)	¥ 328,611	(B)	Long-term interest-bearing debt
Deferred income taxes . . . . .	10,383	8,245	28	18,657	(F)	Deferred tax liabilities
Accrued retirement benefits for employees . . . . .	58,591	—	87,144	145,735	(D)	Post-employment benefit liabilities
Other reserves . . . . .	10,192	7,553	(5,648)	12,096	(C)	Provisions
Other non-current liabilities . . . . .	16,017	(12,461)	1,821	5,377		Other non-current liabilities
Total non-current liabilities . . . . .	421,684	8,245	80,547	510,477		Total non-current liabilities
Total liabilities . . . . .	841,095	—	76,545	917,640		Total liabilities
<b>NET ASSETS</b>						<b>EQUITY</b>
Common stock . . . . .	90,873	—	—	90,873		Share capital
Additional paid-in capital . . . . .	96,961	1,584	1,723	100,269	(B)	Capital surplus
Retained earnings . . . . .	812,533	—	(175,922)	636,610	(E)	Retained earnings
Treasury stock . . . . .	(29,888)	—	—	(29,888)		Treasury shares
Unrealized gains on securities, net of tax . . . . .	19,910	(19,910)				
Deferred gains or losses on hedges, net of tax . . . . .	47	(47)				
Foreign currency translation adjustments . . . . .	(183,005)	183,005				
Share subscription rights . . . . .	1,584	(1,584)				
	—	(163,047)	123,000	(40,046)	(D) (E)	Other components of equity
	809,016	—	(51,198)	757,818		Total equity attributable to owners of the parent
Minority interests in consolidated subsidiaries . . . . .	41,444	—	(600)	40,843		Non-controlling interests
Total net assets . . . . .	850,460	—	(51,798)	798,661		Total equity
Total liabilities and net assets . . . . .	¥1,691,556	¥ —	¥ 24,746	¥1,716,302		Total liabilities and equity

### Notes on reconciliations of equity as of the transition date (January 1, 2012)

#### (A) Adjustments for goodwill and negative goodwill

Previously, the Group presented goodwill and negative goodwill on a net basis. As of the transition date, negative goodwill was transferred to retained earnings.

The Group has applied exemptions to business combinations as of the transition date. Under IFRS, the Group must conduct an impairment test of goodwill as of the transition date, regardless of whether there is any indication of impairment. As a result of conducting an impairment test of goodwill at the transition date, there was no impairment loss on goodwill that must be recognized.



#### (B) Adjustments for corporate bonds and bonds with subscription rights to shares

Previously, the Group recognized the full cost of issuing corporate bonds as an expense when incurred. Under IFRS, costs that are directly attributable to the issuance of financial liabilities are expensed over the expected remaining period of the financial liabilities.

Previously, the Group presented all proceeds from the issue of bonds with subscription rights to shares as liabilities. Under IFRS, the Group classifies bonds with subscription rights to shares into a liability component and an equity component based on the issuing conditions, in accordance with the IFRS definition of financial liabilities and equity instruments. Accordingly, the Group has transferred an amount to equity that is equivalent to the equity component of the bonds with subscription rights to shares.

#### (C) Adjustment for reserve for scheduled repairs

Previously, the Group recorded a reserve for future scheduled repair expenses. Under IFRS, the reserve for scheduled repairs does not meet the conditions for recognition as a provision. Accordingly, the Group has reversed the reserve for scheduled repairs.

#### (D) Adjustment for post-employment benefit obligations

Previously, the Group amortized actuarial gains and losses and past service costs over a certain period, and did not recognize unamortized actuarial gains and losses and past service costs. Under IFRS, the Group is required to recognize actuarial gains and losses as other comprehensive income when incurred, while recognizing past service costs in profit or loss. In accordance with IFRS, the Group has recalculated post-employment benefit obligations based on attributing benefit to periods of service, and actuarial assumptions.

#### (E) Reconciliations of retained earnings

	(Unit: Millions of yen)	
	Transition Date (as of January 1, 2012)	Note
Japanese GAAP	¥ 812,533	
Adjustments for goodwill and negative goodwill	2,134	See Note (A)
Adjustments for corporate bonds and bonds with subscription rights to shares	21	See Note (B)
Adjustment for reserve for scheduled repairs	4,128	See Note (C)
Adjustment for foreign currency translation adjustments	(183,005)	See below
Others	3,909	
Subtotal	639,721	
Adjustment for tax effects	(3,196)	
Adjustment for non-controlling interests	84	
IFRS	¥ 636,610	

The Group has elected to apply the exemptions of IFRS 1, transferring the full amount of cumulative foreign currency translation adjustments to retained earnings as of the transition date.

#### (F) Reclassifications

In addition to the above-mentioned, the Group has made reclassifications to comply with IFRS. The main reclassification was the transfer of the full amount of the current portion of deferred tax assets and deferred tax liabilities to the non-current portion thereof.

## Reconciliations of equity as of December 31, 2012

(Unit: Millions of yen)						
Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
<b>ASSETS</b>						
<b>Current assets</b>						
Cash on hand and in banks . . .	¥ 100,461	¥ 33,357	¥ —	¥ 133,818		Cash and cash equivalents
Trade notes and accounts receivable . . . . .	249,572	(5,173)	(2)	244,396		Trade receivables
Inventories . . . . .	208,348	—	(316)	208,031		Inventories
Marketable securities . . . . .	20,300	(20,300)				
Deferred income taxes . . . . .	12,059	(12,059)			(F)	
Other current assets . . . . .	65,680	(65,680)				
	—	31,939	—	31,939		Other receivables
	—	11,051	—	11,051		Income tax receivables
	—	9,632	3	9,635		Other current assets
Allowance for doubtful debts . .	(5,173)	5,173				
Total current assets . . . . .	651,248	(12,059)	(315)	638,873		Total current assets
<b>Fixed assets</b>						
Property, plant and equipment . . . . .	957,661	—	(854)	956,806		Property, plant and equipment
Goodwill . . . . .	26,922	—	3,676	30,599	(A)	Goodwill
Other intangible assets . . . . .	24,986	—	—	24,986		Intangible assets
Investments in securities . . . .	195,897	(195,897)				
	—	34,403	341	34,745		Investments accounted for using equity method
Long-term loans . . . . .	6,040	(6,040)				
	—	176,339	564	176,903		Other financial assets
Deferred income taxes . . . . .	24,624	12,059	13,237	49,921	(D) (F)	Deferred tax assets
Other fixed assets . . . . .	15,349	(12,162)	372	3,558		Other non-current assets
Allowance for doubtful debts . . . . .	(3,357)	3,357				
Total fixed assets . . . . .	1,248,124	12,059	17,337	1,277,521		Total non-current assets
Total assets . . . . .	¥1,899,373	¥ —	¥17,021	¥1,916,394		Total assets

(Unit: Millions of yen)

Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade notes and accounts payable . . . . .	¥118,893	¥ —	¥ 14	¥118,907		Trade payables
Short-term borrowings . . . . .	69,141	(69,141)				
Commercial paper . . . . .	11,862	(11,862)				
	—	43,908	—	43,908		Short-term interest-bearing debt
Current maturities of bonds . .	20,000	(20,000)				
	—	59,513	(92)	59,421	(B)	Long-term interest-bearing debt due within one year
Other accounts payable and accrued expenses . . . . .	76,422	(76,422)				
	—	113,007	—	113,007		Other payables
Income taxes payable . . . . .	15,325	—	—	15,325		Income tax payables
Reserves . . . . .	13,419	(9,416)	(2,445)	1,558	(C)	Provisions
Other current liabilities . . . . .	47,750	(31,030)	2	16,722	(F)	Other current liabilities
Total current liabilities . . . . .	372,816	(1,443)	(2,520)	368,852		Total current liabilities
<b>Non-current liabilities</b>						
Bonds issued . . . . .	92,294	(92,294)				
Bonds with subscription rights to shares . . . . .	50,000	(50,000)				
Long-term borrowings . . . . .	289,683	(289,683)				
	—	437,424	(2,154)	435,270	(B)	Long-term interest-bearing debt
Deferred income taxes . . . . .	11,360	1,443	(14)	12,789	(F)	Deferred tax liabilities
Accrued retirement benefits for employees . . . . .	59,681	—	61,899	121,581	(D)	Post-employment benefit liabilities
Other reserves . . . . .	9,076	8,048	(5,731)	11,394	(C)	Provisions
Other non-current liabilities . .	17,509	(13,494)	1,743	5,759		Other non-current liabilities
Total non-current liabilities . .	529,607	1,443	55,743	586,794		Total non-current liabilities
Total liabilities . . . . .	902,423	—	53,223	955,646		Total liabilities

(Unit: Millions of yen)

Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
<b>NET ASSETS</b>						<b>EQUITY</b>
Common stock . . . . .	¥ 90,873	¥ —	¥ —	¥ 90,873		Share capital
Additional paid-in capital . . . . .	96,961	1,862	1,598	100,423	(B)	Capital surplus
Retained earnings . . . . .	826,265	—	(170,844)	655,421	(E)	Retained earnings
Treasury stock . . . . .	(30,076)	—	—	(30,076)		Treasury shares
Unrealized gains on securities, net of tax . . . . .	48,615	(48,615)				
Deferred gains or losses on hedges, net of tax . . . . .	174	(174)				
Foreign currency translation adjustments . . . . .	(90,971)	90,971				
Share subscription rights . . . . .	1,862	(1,862)				
	—	(42,181)	133,844	91,663	(D) (E)	Other components of equity
	943,705	—	(35,400)	908,304		Total equity attributable to owners of the parent
Minority interests in consolidated subsidiaries . . . . .	53,243	—	(800)	52,443		Non-controlling interests
Total net assets . . . . .	996,949	—	(36,201)	960,747		Total equity
Total liabilities and net assets . . . . .	¥1,899,373	¥ —	¥ 17,021	¥1,916,394		Total liabilities and equity

#### Notes on reconciliations of equity as of December 31, 2012

##### (A) Adjustments for goodwill and negative goodwill

Previously, the Group presented goodwill and negative goodwill on a net basis. As of the transition date, negative goodwill was transferred to retained earnings. Under IFRS, goodwill is not amortized and the Group conduct impairment tests of goodwill annually.

##### (B) Adjustments for corporate bonds and bonds with subscription rights to shares

Previously, the Group recognized the full cost of issuing corporate bonds as an expense when incurred. Under IFRS, costs that are directly attributable to the issuance of financial liabilities are expensed over the expected remaining period of the financial liabilities.

Previously, the Group presented all proceeds from the issue of bonds with subscription rights to shares as liabilities. Under IFRS, the Group classifies bonds with subscription rights to shares into a liability component and an equity component based on the issuing conditions, in accordance with the IFRS definition of financial liabilities and equity instruments. Accordingly, the Group has transferred an amount to equity that is equivalent to the equity component of the bonds with subscription rights to shares.

##### (C) Adjustment for reserve for scheduled repairs

Previously, the Group recorded a reserve for future scheduled repair expenses. Under IFRS, the reserve for scheduled repairs does not meet the conditions for recognition as a provision. Accordingly, the Group has reversed the reserve for scheduled repairs.

##### (D) Adjustment for post-employment benefit obligations

Previously, the Group amortized actuarial gains and losses and past service costs over a certain period, and did not recognize unamortized actuarial gains and losses and past service costs. Under IFRS, the Group is required to recognize actuarial gains and losses as other comprehensive income when incurred, while recognizing past service costs in profit or loss. In accordance with IFRS, the Group has recalculated post-employment benefit obligations based on attributing benefit to periods of service, and actuarial assumptions.

### (E) Reconciliations of retained earnings

	(Unit: Millions of yen)	
	FY2012	
	(as of December 31, 2012)	
		Note
Japanese GAAP	¥ 826,265	
Adjustments for goodwill and negative goodwill	3,780	See Note (A)
Adjustments for corporate bonds and bonds with subscription rights to shares	(1,268)	See Note (B)
Adjustment for reserve for scheduled repairs	4,228	See Note (C)
Adjustment for post-employment benefit obligations	6,283	See Note (D)
Adjustment for foreign currency translation adjustments	(183,005)	See below
Others	3,632	
Subtotal	659,917	
Adjustment for tax effects	(4,487)	
Adjustment for non-controlling interests	(8)	
IFRS	¥ 655,421	

The Group has elected to apply the exemptions of IFRS 1, transferring the full amount of cumulative foreign currency translation adjustments to retained earnings as of the transition date.

### (F) Reclassifications

In addition to the foregoing, the Group has made reclassifications to comply with IFRS. The main reclassification was the transfer of the full amount of the current portion of deferred tax assets and deferred tax liabilities to the non-current portion thereof.

### Reconciliations of profit or loss and comprehensive income for the year ended December 31, 2012

	(Unit: Millions of yen)					
Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
Net sales	¥1,189,956	¥ —	¥ (4)	¥1,189,952		Net sales
Cost of sales	(871,286)	22,919	2,318	(846,048)	(A) (B)	Cost of sales
Gross profit	318,670	22,919	2,313	343,903		Gross profit
Selling, general and administrative expenses	(225,724)	(22,838)	4,765	(243,798)	(A) (C)	Selling, general and administrative expenses
	—	1,258	387	1,646		Share of profit (loss) of associates and joint ventures accounted for using equity method
Operating income	92,945	1,339	7,466	101,751		Operating profit
Other income	7,363	(7,363)				
Other expenses	(13,687)	13,687				
Ordinary income	86,621					
Extraordinary gains	14,120	1,580	89	15,789	(D)	Other income
Extraordinary losses	(31,772)	(6,445)	(315)	(38,533)	(C) (D)	Other expenses
	—	4,443	—	4,443		Business profit
	—	(7,240)	(1,212)	(8,453)	(E)	Finance income
				(4,009)		Finance costs
						Net finance costs
Income before income taxes and minority interests	68,970	—	6,028	74,998		Profit before tax
Income taxes—current	(22,249)	1,054	(1,291)	(22,485)		Income tax expenses
Income taxes—deferred	1,054	(1,054)				
Income before minority interests	47,776	—	4,736	52,512		Profit for the year
	—	43,790	4,643	48,433		Attributable to:
						Owners of the parent
Minority interests in earnings of consolidated subsidiaries	3,986	—	93	4,079		Non-controlling interests
Net income	43,790	(43,790)				

(Unit: Millions of yen)						
Japanese GAAP items	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Note	IFRS items
Income before minority interests . . . . .	¥ 47,776	¥ —	¥ 4,736	¥ 52,512		Profit for the year
Other comprehensive income . . . . .						Other comprehensive income
						Components of other comprehensive income that will not be reclassified to profit or loss, net of tax
	—	—	10,290	10,290	(A)	Remeasurement of the net defined benefit liability (asset)
Unrealized gains on securities, net of tax . . . . .	28,711	—	383	29,095	(D)	Net gain (loss) on revaluation of financial assets measured at FVTOCI <sup>(Note)</sup>
	—	1	216	217	(A)	Share of other comprehensive income of associates and joint ventures accounted for using equity method
				39,602		Total
						Components of other comprehensive income that may be reclassified to profit or loss, net of tax
Deferred gains or losses on hedges, net of tax . . . . .	127	—	—	127		Net gain (loss) in fair value of cash flow hedges
Foreign currency translation adjustments . . . . .	92,445	2,165	87	94,698		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method . . . . .	2,166	(2,166)				
				94,825		Total
Total other comprehensive income . . . . .	123,451	—	10,977	134,428		Other comprehensive income, net of tax
Comprehensive income . . . . .	¥171,227	¥ —	¥15,713	¥186,941		Total comprehensive income for the year

Note: FVTOCI: Fair Value Through Other Comprehensive Income

## **Notes on reconciliations of profit or loss and comprehensive income for the year ended December 31, 2012**

### **(A) Adjustment for post-employment benefit obligations**

Previously, the Group amortized actuarial gains and losses and past service costs over a certain period. Under IFRS, the Group is required to recognize actuarial gains and losses immediately as other comprehensive income when incurred, while recognizing past service costs immediately in profit or loss. Given that the actuarial assumptions for post-employment benefit obligations are different under IFRS, the Group has also recognized additional expenses for post-employment benefit obligations.

### **(B) Adjustment for reserve for scheduled repairs**

Previously, the Group recorded a reserve for future scheduled repair expenses. Under IFRS, the reserve for scheduled repairs does not meet the conditions for recognition as a provision. Accordingly, the Group has reversed the reserve for scheduled repairs.

### **(C) Adjustments for goodwill and negative goodwill**

Previously, the Group amortized goodwill and negative goodwill over a certain period. Under IFRS, goodwill is not amortized and the Group conducts impairment tests of goodwill annually. For the year ended December 31, 2012, the Group also recognized an additional impairment loss for goodwill due to a difference in the carrying amounts of the cash-generating units to which goodwill is allocated under Japanese GAAP and IFRS.

### **(D) Adjustment for equity instruments**

Previously, the Group recognized gains or losses on disposal of equity instruments and impairment in profit or loss. Under IFRS, the Group has elected to present changes in the fair value of equity instruments in other comprehensive income. Accordingly, the Group does not recognize gains or losses on disposal of equity instruments or impairment.

### **(E) Adjustments for corporate bonds and bonds with subscription rights to shares**

Previously, the Group recognized the full cost of issuing corporate bonds immediately as profit or loss. Under IFRS, the Group recognizes costs that are directly attributable to the issuance of financial liabilities as profit or loss, over the expected remaining period of the financial liabilities, based on the effective interest method.

In addition to the foregoing, the Group has made reclassifications in order to properly present the Group's business results in accordance with IFRS.

Other income and expenses have mainly been reclassified as finance income and finance costs, while extraordinary gains and losses have mainly been reclassified as other income and other expenses.

## **Adjustments to cash flows for the year ended December 31, 2012**

There were no material differences between the consolidated statements of cash flows disclosed in accordance with Japanese GAAP and the consolidated statements of cash flows disclosed in accordance with IFRS.



**Independent Auditor's Report**

To the Shareholders and Board of Directors of Asahi Glass Co., Ltd.:

We have audited the accompanying consolidated financial statements of Asahi Glass Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Glass Co., Ltd and its consolidated subsidiaries as at December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG AZSA LLC*

March 28, 2014  
Tokyo, Japan





## **ASAHI GLASS CO., LTD.**

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