

AGC Asahi Glass Minutes of Briefings on Operating Results for FY2017 and Mid-term Management Plan

Corporate Communications & Investor Relations Div.

Q1 Why are sales target volume not presented in the mid-term management plan? If they can be disclosed, could you provide an idea of the volume?

A1 We are trying to penetrate the concepts of EBITDA and ROCE within our group companies, and therefore target sales volume are not indicated in the presentation. To give an idea, we expect to achieve approximately 1.7 trillion yen in 2020 when management objectives in the mid-term management plan are achieved.

Q2 Which products of the strategic business will be the driver for achieving operating profit of 160 billion yen in 2020?

A2 Within the strategic business, the most growing will be electronics related. Next will be life science. Mobility will also grow, but in 2020 it will still be in the preparation stage, so contribution to profit will be in later stage.

Q3 What is the driver of the glass segment's jump-up of the operating profit from 27.1 billion yen in 2017 to 45.0 billion in 2020?

A3 Sales of glass segment are increasing steadily. However there are much things to be done for improving profitability. In Japan, we have announced to raise prices of architectural glass on February 7th, and we think there are still room for price increase from the current pricing level in Europe as well. By investing in coater facilities, we will shift to high value added products. In terms of automotive glass, we have succeeded significantly to increase orders in Europe. However, in the short term, we couldn't catch up with the growing orders and have lost many opportunities. The worst period has passed, but significant improvement will not be expected until equipment enhancement in Morocco in 2019.

Q4 Please tell us the composition of the electronic segment profit. It seems that electronic materials are pushing up, could you tell us your forecast?

A4 In terms of absolute value, profits of displays are larger than that of electronic materials. However, electronic materials had significantly increased profits in 2016, and operating profit margin are also improving significantly. The two pillars of electronic materials, semiconductors and optoelectronics, are now both earning steadily. Additionally, EUV mask blanks has started to contribute to profit from 2016, so steady sales are expected

for electronic components.

Q5 How do you expect the level of pricing of caustic soda and PVC in your mid-term plan?

A5 We think that the current pricing level will continue for the time being, since there are no expansion plan in the region in spite of the continuing demand increase in Southeast Asia. In the short term, PVC spread is worsening due to high ethylene price, however, in the long term, we think that ethylene supply will increase due to the production increase of ethylene derived from shale gas in North America.

Q6 Could you provide the sensitivity of exchange rates and crude oil for 2018, together with the effects on earnings?

A6 The influence of 1 dollar per barrel is 300 million yen per year. In 2018, we assume about 10 dollars per barrel increase compared to the previous year, which has an impact of almost 3 billion fall in profits. Foreign exchange is basically neutral when all currencies moves at the same rate of direction against Japanese yen, but if the rate of change of direction is different, it will not be neutral. There is a possibility of a minus side in the electronic segment, in the range of few billion yen, due to the recent strong Eastern Asian currency.

Q7 Is your stance the same in terms of total shareholder's return?

A7 We would like to achieve total shareholder's return of more than 50% in fiscal year units by combining dividends and share buy-back.

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