February 7, 2014

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Consolidated Financial Results for the Fiscal Year ended December 31, 2013 (IFRS basis)

(Fractions less than one million yen are rounded off.)

1. Financial Results for FY2013 (January 1 through December 31, 2013)

(1) Consolidated Operating Results

(Percentage figures show year-on-year changes.)

	FY2013 (Jan. through Dec. 2013)		FY2012 (Jan. through Dec. 2012)	
	millions of yen	%	millions of yen	%
Net sales	1,320,006	10.9	1,189,952	-
Operating profit	79,894	(21.5)	101,751	-
Profit before tax	44,381	(40.8)	74,998	-
Profit for the year	19,023	(63.8)	52,512	-
Profit for the year attributable to owners of the parent	16,139	(66.7)	48,433	-
Total comprehensive income for the year	215,782	15.4	186,941	-
Basic earnings per share (yen)	13.97		41.90	
Diluted earnings per share (yen)	13.73		39.45	
Profit ratio to equity attributable to owners of the parent (%)	1.6		5.8	
Ratio of profit for the year to total assets (%)	2.2		4.1	
Ratio of operating profit to net sales (%)	6.1		8.6	

Reference: Share of profit of associates and joint ventures accounted for using equity method -FY2013; 1,007 million yen -FY2012; 1,646 million yen

(2) Consolidated Financial Position

	FY2013 (as of December 31, 2013)	FY2012 (as of December 31, 2012)
Total assets (millions of yen)	2,120,629	1,916,394
Total equity (millions of yen)	1,145,145	960,747
Equity attributable to owners of the parent (millions of yen)	1,087,216	908,304
Equity attributable to owners of the parent ratio (%)	51.3	47.4
Equity attributable to owners of the parent per share (yen)	940.69	786.01

(3) Consolidated Cash Flows

	FY2013 (Jan. through Dec. 2013)	FY2012 (Jan. through Dec. 2012)
Cash flows from operating activities (millions of yen)	167,371	170,165
Cash flows from investing activities (millions of yen)	(145,978)	(158,646)
Cash flows from financing activities (millions of yen)	(33,562)	(4,066)
Cash and cash equivalents at the end of the year (millions of yen)	132,649	133,818

2. Dividends

	(Base date)	FY2012	FY2013	FY2014(forecast)
Dividend per share	End of the first quarter (yen)	-	-	-
	End of the second quarter (yen)	13.00	13.00	9.00
	End of the third quarter (yen)	-	-	-
	End of the fiscal year (yen)	13.00	5.00	9.00
	Full fiscal year (yen)	26.00	18.00	18.00
Total dividend distribution (full fiscal year) (millions of yen)		30,049	20,804	-
Payout ratio (consolidated) (%)		62.1	128.8	104.0
Ratio of dividend distribution to equity attributable to owners of the parent (consolidated) (%)		3.6	2.1	-

3. Forecast for FY2014 (January 1 through December 31, 2014)

(Percentage figures show year-on-year changes.)

	First half		Full fiscal year	
	millions of yen	%	millions of yen	%
Net sales	700,000	-	1,400,000	6.1
Operating profit	30,000	-	75,000	(6.1)
Profit before tax	-	-	40,000	(9.9)
Profit for the year	-	-	25,000	31.4
Profit for the year attributable to owners of the parent	-	-	20,000	23.9
Basic earnings per share (yen)	-		17.30	

(Note) The forecast for the six months ending June 30, 2014 consists of forecast net sales and operating profit only.

***Notes**

(1) Changes in Significant Subsidiaries during the Period under Review
(Changes in specific subsidiaries involving changes in the scope of consolidation): No

(2) Changes in Accounting Policies and Changes in Accounting Estimates

i. Changes in accounting policies required by IFRS: No
ii. Changes in accounting policies other than "i" above: No
iii. Changes in accounting estimates: No

(3) Number of Shares Issued (ordinary shares)

ⅰ. Number of shares issued (including treasury shares) at the end of the period

-FY2013 (as of December 31, 2013): 1,186,705,905

-FY2012 (as of December 31, 2012): 1,186,705,905

ⅱ. Number of treasury shares at the end of the period

-FY2013 (as of December 31, 2013): 30,945,903

-FY2012 (as of December 31, 2012): 31,123,685

ⅲ. Average number of shares issued during the period

-FY2013 (Jan. through Dec. 2013): 1,155,720,349

-FY2012 (Jan. through Dec. 2012): 1,155,879,351

[Reference]

(1) Non-Consolidated Operating Results

(Percentage figures show year-on-year changes.)

	FY2013 (Jan. through Dec. 2013)		FY2012 (Jan. through Dec. 2012)	
	millions of yen	%	millions of yen	%
Net sales	540,108	(0.6)	543,103	(3.1)
Operating income	15,108	(17.4)	18,280	(71.1)
Ordinary income	43,394	24.1	34,970	(59.9)
Net income	37,148	948.3	3,543	(93.4)
Net income per share -basic (yen)	32.14		3.07	
Net income per share -fully diluted (yen)	30.83		2.84	

(2) Non-Consolidated Financial Position

	FY2013 (as of December 31, 2013)	FY2012 (as of December 31, 2012)
Total assets (millions of yen)	1,244,448	1,157,597
Total net assets (millions of yen)	580,551	531,220
Equity ratio (%)	46.5	45.7
Equity per share (yen)	500.59	458.09

Reference: Total Shareholders' Equity at -FY2013; 578,562 million yen
-FY2012; 529,358 million yen

*Adoption of International Financial Reporting Standards (“IFRS”)

1) The AGC Group has adopted the International Financial Reporting Standards (“IFRS”) from the fiscal year ending December 31, 2013. In addition, the Group presented the consolidated financial statements for the full previous fiscal year in compliance with IFRS.

2) For differences between IFRS and Japanese Generally Accepted Accounting Principles (“Japanese GAAP”) in respect of the Group’s financial data for the previous fiscal year, please refer to page 32 to 42.

*Appropriate Use of Forecast and Other Information and Other Matters

The above forecast in based on information available to the Company at the time of publication of this document and assumptions concerning uncertainties which might affect the AGC Group’s future financial results. It is not intended to be a guarantee of future events, and may differ from actual results for various reasons. For matters concerning the above forecast, please see page 5 and 6.

*Supplementary Materials for the Financial Results

Supplementary materials are available on our website.

(Attached Documents)

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Qualitative Information and Financial Statements

1. Operating Results

(1) Analysis of Operating Results

Adoption of International Financial Reporting Standards ("IFRS")

From the fiscal year ending 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 Japanese Generally Accepted Accounting Principles ("Japanese GAAP") previously adopted. All the data are presented under IFRS, and analyses involving the previous fiscal year results have also been adjusted to be IFRS-based.

For differences between IFRS and Japanese GAAP in respect of the Group's financial data for the previous fiscal year, please refer to "4. Consolidated Financial Statements (IFRS) (5) Notes to the Consolidated Financial Statements 7) First-time Adoption " on page 32.

Operating results for FY2013

During the fiscal year under review (from January 1, 2013 to December 31, 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 thanks to continued improvement in housing starts, though they remained at low levels, and stable consumer spending.

Under such a business environment, the AGC Group posted net sales of 1,320.0 billion yen, a 130.1 billion yen or 10.9% increase from the previous fiscal year thanks to 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 and price increases in fuels and raw materials, the reduction of profitability of foreign subsidiaries by progress of yen depreciation. As a result, operating profit decreased by 21.9 billion yen or 21.5 % year-on-year to 79.9 billion yen, and profit before tax decreased by 30.6 billion yen or 40.8% to 44.4 billion yen. Profit for the year attributable to owners of the parent was 16.1 billion yen, a 32.3 billion yen 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 yen, 70.7 billion yen, 63.1 billion yen and 10.3 billion yen respectively.

Overview by reportable segment (Unit: billions of yen)

	Net sales		Operating profit	
	FY2013	FY2012	FY2013	FY2012
Glass	667.3	564.6	(13.1)	(0.7)
Electronics	346.0	344.1	74.1	84.4
Chemicals	290.7	257.3	17.7	16.8
Ceramics/Other	78.6	87.0	1.2	1.7
Corporate or elimination	(62.5)	(63.0)	(0.1)	(0.5)
Total	1,320.0	1,190.0	79.9	101.8

Note: Figures are rounded to the nearest 100 million yen.

- 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 didn't 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 same period of 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 thanks to the weak yen.

As a result, net sales from the Glass Operations for the fiscal year were 667.3 billion yen, up 102.7 billion yen or a 18.2% increase from the previous fiscal year. Operating profit decreased by 12.4 billion yen year on year to a loss of 13.1 billion yen 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 same period of the previous fiscal year.

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

As a result, net sales from the Electronics Operations for the fiscal year were 346.0 billion yen, up 1.9 billion yen or a 0.5% increase from the previous fiscal year. Operating profit was 74.1 billion yen, down 10.3 billion yen 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 progress of the weak yen.

- Chemicals

Sales from chlor-alkali products and urethane materials increased from the same period of 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 yen, up 33.4 billion yen or a 13.0% increase from the previous fiscal year, and operating profit was 17.7 billion yen, up 0.9 billion yen or a 5.6% increase from the previous fiscal year..

(2) Qualitative Information Regarding Consolidated Financial Position

Overview of financial conditions (Unit: billions of yen)

	FY2013	FY2012	Change
Total assets	2,120.6	1,916.4	204.2
Total liabilities	975.5	955.6	19.8
Total equity	1,145.1	960.7	184.4

Note: Figures are rounded to the nearest 100 million yen.

- Total assets

Total assets as of the end of fiscal year under review were 2,120.6 billion yen, up 204.2 billion yen 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

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

- Total equity

Total equity as of the end of fiscal year under review were 1,145.1 billion yen, up 184.4 billion yen from the end of the previous year. This increase chiefly reflects a rise in exchange differences on translation of foreign operations resulting from 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.

Overview of cash flows (Unit: billions of yen)

	FY2013	FY2012	Change
Cash flows from operating activities	167.4	170.2	(2.8)
Cash flows from investing activities	(146.0)	(158.6)	12.7
Cash flows from financing activities	(33.6)	(4.1)	(29.5)
Cash & cash equivalents as of end of period	132.6	133.8	(1.2)

Note: Figures are rounded to the nearest 100 million yen.

- Cash flows from operating activities

Net cash from operating activities was 167.4 billion yen for the fiscal year under review, down 2.8 billion yen 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 12.7 billion yen year-on-year, to 146.0 billion yen. This expenditure includes capital investment with a focus on growth 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 9.9 billion yen from the previous year, to 21.4 billion yen.

- Cash flows from financing activities

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

As a result, the outstanding balance of cash and cash equivalents as of the end of the fiscal year under review decreased 1.2 billion yen in comparison with that of the previous year, to 132.6 billion yen.

- Cash flow indices

	FY2012	FY2013
Equity attributable to owners of the parent ratio (%)	47.4	51.3
Equity attributable to owners of the parent ratio based on market value (%)	37.7	35.6
Number of years for debt redemption	3.2	3.4
Interest coverage ratio	28.6	27.1

(Notes) Equity attributable to owners of the parent ratio (%): Total equity attributable to owners of the parent / Total Assets

Equity attributable to owners of the parent ratio based on market value (%): Total market capitalization / Total Assets

Number of years for debt redemption: Interest-bearing debts/operating cash flows

Interest coverage ratio: Operating cash flows/interest payment

- *All indices were computed using consolidated financial figures.*
- *Total market capitalization was computed based on the closing stock price at period-end multiplied by number of outstanding shares at period-end (after deducting treasury shares).*
- *Operating cash flows represent cash flows from operating activities on the consolidated statements of cash flows.*
- *Interest-bearing debts represent all debts on the consolidated financial position for which interest is paid. In addition, interest payment represents amount of interest paid on the consolidated statements of cash flows.*

(3) Forecast for FY2014

Operating forecast for FY2014

(Unit: billions of yen)

	Net Sales	Operating profit	Profit before tax	Profit for the year	Profit for the year attributable to owners of the parent
FY 2014 (January 1 through December 31, 2014)	1,400.0	75.0	40.0	25.0	20.0
FY 2013 (January 1 through December 31, 2013)	1,320.0	79.9	44.4	19.0	16.1
Change (%)	6.1	(6.1)	(9.9)	31.4	23.9

Note: Figures are rounded to the nearest 100 million yen.

In 2014, the world economy is expected to maintain moderate growth, but at a slightly accelerated pace.

In Europe, the economy is expected to return to a gradual recovery path, although the degree of recovery will vary by area. The North American economy is likely to accelerate its pace of growth. China and other emerging countries will continue their economic growth. In Japan, the economy is projected to remain on a recovery track.

Under such a business environment, the AGC Group’s shipments of architectural glass are expected to remain robust in Asia, including Japan, and North America. In Europe, there are concerns that such shipments would continue to be sluggish, but earnings are likely to improve due to restructuring measures. In the automotive glass business, shipments are projected to increase from the previous fiscal year with demand for automobiles forecast to grow mainly in emerging markets. However, shipments of glass for solar power systems are predicted to decrease, as the Group plans to downsize the business in response to an increasingly tough competitive environment.

With regard to the business of glass substrates for display devices, shipments of LCD glass substrates are likely to remain stable for the full year, although the pace of market growth may slow. Shipments of specialty glass for display applications are predicted to grow through the expanded scope of their applications. Plasma display panel related products are expected to be adversely affected by weakening demand. In the category of electronic materials, shipments of both semiconductor-related products and optoelectronics materials are likely to be strong.

Regarding chemical-related products, shipments of chlor-alkali products in Asia and shipments of fluorine products are likely to remain stable in Asia.

Taking into account the above factors, net sales of the AGC Group for the fiscal year ending December 31, 2014 are forecast to be 1,400.0 billion yen, a year-on-year increase of 80.0 billion yen or 6.1%. In light of possible price decline in certain products and a risk of decrease in profitability caused by the continued depreciation of the Japanese yen, however, operating profit is forecast to be 75.0 billion yen, down 4.9 billion yen or 6.1% from a year earlier, and profit before tax to be 40.0 billion yen, down 4.4 billion yen or 9.9% from the previous year. Profit for the year attributable to owners of the parent is estimated to be 20.0 billion yen, up 3.9 billion yen or 23.9% from the previous year.

Average exchange rates assumed for the fiscal year ending December 31, 2014 are 110 yen to the U.S. dollar and 150 yen to the Euro.

Forecast of financial conditions for FY2014

Of the cash flows from operating activities, profit before tax is expected to decrease by 4.4 billion yen to 40.0 billion yen as compared with that for the fiscal year ended December 31, 2013. Depreciation expenses are expected to be 140.0 billion yen, up 4.2 billion yen from the previous fiscal year.

Of the cash flows from investing activities, capital expenditures are expected to increase 1.5 billion yen year-on-year to 140.0 billion yen.

As for financing activities, the AGC Group will repay interest-bearing debts and increase borrowings, in addition to dividend payments in accordance with the Group's dividend policy.

(4) Allocation and Distribution of Profits and Dividends

Based on its policy to maintain stable dividends, the AGC Group is doing its utmost to proactively return profits to shareholders by aiming for a dividend payout ratio (consolidated) of approximately 30%, while giving comprehensive consideration to consolidated business results and future investment plans, among others. The AGC Group will also allocate retained earnings to R&D, capital investment as well as merger and acquisition activities, to strengthen its financial position and improve its corporate value.

In consideration of the Group's financial results for the fiscal year under review, the current business environment and future business developments, the Group paid an interim dividend of 13 yen per share and plans to pay a year-end dividend of 5 yen for FY 2013. Consequently, the total full year dividend payout for FY 2013 will be 18 yen per share.

With regard to dividend payments for FY 2014, the total full year dividend payout is scheduled to be 18 yen (9 yen per share for interim dividend, and 9 yen per share for year-end dividend) in light of the Group's financial forecasts.

[Important notes with regard to the forecast]

The above prospective results reflect the judgment of the Group's management on the basis of currently available information and, as such, contain risks and uncertainties. For this reason, investors are recommended not to base investment decisions solely on these prospective results. Please note that actual results may materially differ from the projection due to such various factors as business and market environment the Group is active in, currency exchange rate fluctuations, and others.

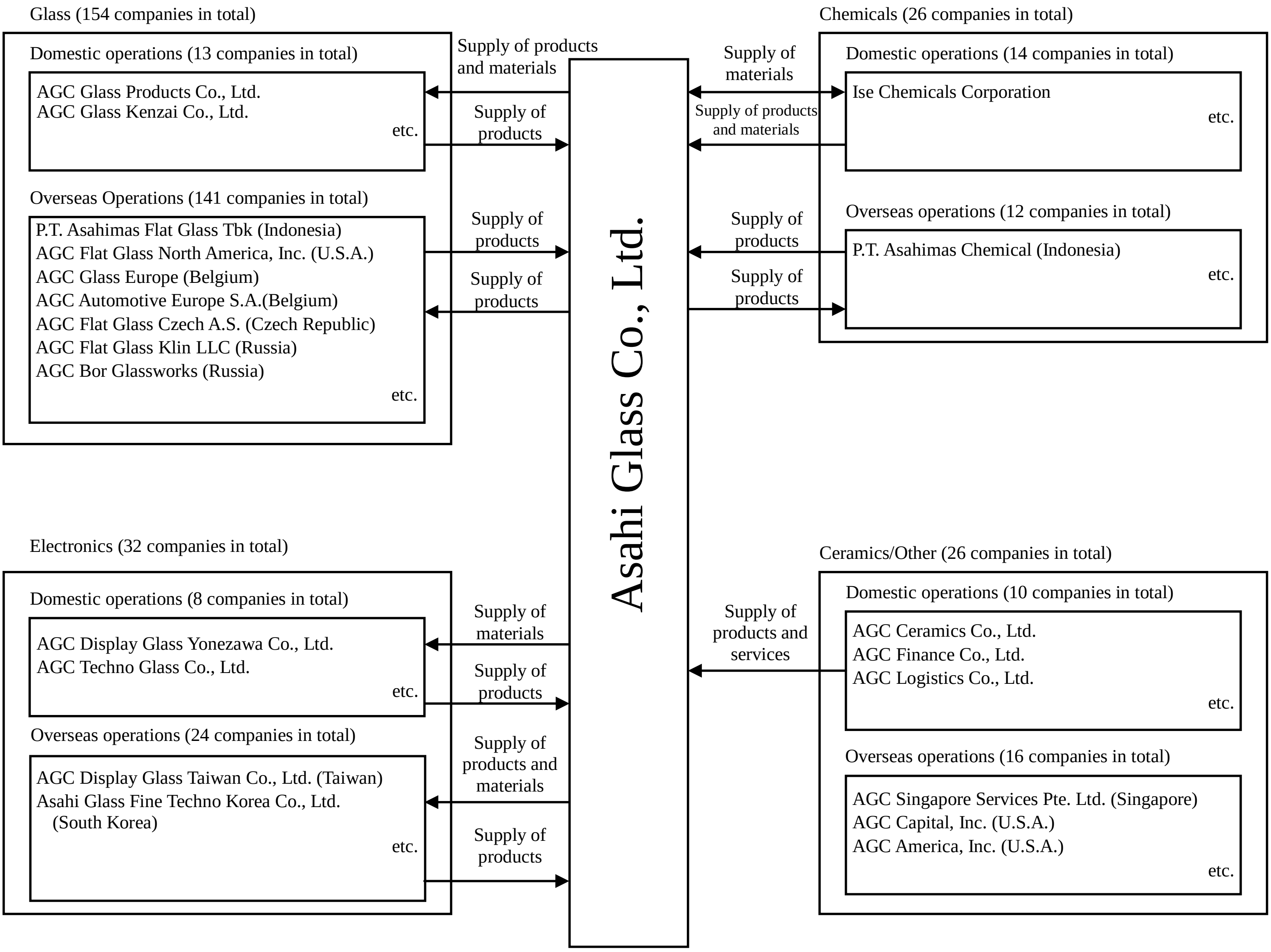
2. Overview of the AGC Group

The AGC Group consists of the Company and its 229 subsidiaries and 49 affiliates, and its main businesses are as set out below.
The classification below is the same as that of the business segment information.

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.

In addition to the above products, the AGC Group also handles ceramics products, logistics/financial services, etc.

The following shows the organization chart of the Company, its consolidated subsidiaries and its affiliates under the equity method in the AGC Group.



Note: The number of companies in each category does not include the Company.

3. Management Policy

(1) Fundamental Policy of Management

Under the Group vision ***"Look Beyond"***, the AGC Group regards the values of "Innovation & Operational Excellence," "Diversity," "Environment" and "Integrity" as the key values to be shared across the Group ("Our Shared Values"). Based on these Shared Values, the AGC Group is committed to the following challenges.

(2) Medium- and Long-Term Strategies <Management Policy ***Grow Beyond***>

The AGC Group defines its aspirations for 2020 as follows.

AGC Group aspires to excel as a highly profitable and fast-growing global enterprise making contributions to a sustainable society by:
- Having strong and differentiated technologies
- Incorporating environmental friendliness not only in our products but also in our production processes and business activities
- Contributing to the development of fast-growing regions

To achieve these goals, the AGC Group is building growth foundations based on the following strategies.
(The Group's three strategies)

-Glass-technology-driven company
The Group will promote business differentiation through the integration and development of the Group's core technologies in glass, chemicals, and ceramics and by further advancing its glass technology.

-Technology solutions for environment and energy
The Group will contribute to solving global environment/energy issues through energy-saving in its manufacturing processes and by offering products created with the Group's core technology.

-Second Round of Globalization
The Group will strive to enhance its earnings capabilities in mature markets, and expand the business in fast-growing markets by taking measures suited to the situation of each region.

The following business areas have been designated as the Group's business domains in which the Group sees customer industries from a broad perspective and will achieve a long-term growth by leveraging its technology and expertise.

- Higher Quality Display Devices & Communication
- Clean & Green Energy
- Safe, Sound & Comfortable Living Spaces & Materials

The AGC Group aims to accelerate its growth by leveraging its comprehensive strength and providing greater value to various cross-industrial businesses.

(3) Issues to be addressed < Medium-term plan ***"Grow Beyond-2015"*** >

1) Progress on the mid-term management plan, and revision to numerical targets

Under ***"Grow Beyond-2015"***, the mid-term management plan for fiscal years 2013-2015, the AGC Group has been implementing various measures toward its goal of becoming a truly strong AGC Group. Specifically, the Group aims to achieve the following two targets during these three years: "strengthening its growth foundations and generating substantial results from them" and "bringing the business back on an upward trend."
In the first year of the mid-term management plan, the Group aggressively implemented measures to boost its business performance. Its financial results for 2013, however, saw a decline in profit due to two unexpected factors. One is that the continued depreciation of the Japanese yen affected the profitability of overseas subsidiaries engaged in display businesses. The other is a delayed recovery of the architectural glass business in Europe because of the sluggish demand in Western and Central Europe, and deceleration of the Russian economy.
In light of such harsh business environment, the AGC Group has reviewed and revised the details of the mid-term management plan. Capital expenditure for 2014-2015 was reduced by 20 billion yen to 280 billion yen. R&D expense for the same period was reduced by 10 billion yen to 90 billion yen. In addition, the target year for achieving a return on equity (ROE) of 12% or above was revised to fiscal 2020 from the current target of fiscal 2015, and the short-term target was set at 5%. The debt-to-equity ratio (D/E) remains to be 0.5 or less as set under the initial plan.

2) Group's measures for 2014 and onward

To become a truly strong AGC Group, the Group will take the following measures in 2014 and onward.

ⅰ) Bringing the business back on an upward trend

Turn around the performance of the glass business

The pressing issue facing the Group's glass business is improvement in the profitability of the flat glass business in Europe.

For the flat glass business in Europe, the AGC Group has implemented a structural reform to achieve a quick business recovery, including improvement of the supply and demand balance through termination of furnace operations and plant closure in Western Europe, and streamlining of back office staff. In 2014, the Group will continue to promote the ongoing structural reform such as termination of the production of photovoltaic cover glass (patterned glass) in Europe.

For the architectural glass business in North America, the AGC Group accelerated the release of new products and high value-added products to the markets in an effort to strengthen its sales, and implemented cost improvement measures by revising the Group's production system. Despite such initiatives, production trouble and other factors affected its business performance and the operating income for 2013 did not make improvement. In 2014 and onward, the AGC Group will take further measures in addition to ongoing initiatives to increase the profitability in the North American region. Specifically, it will place more emphasis on the housing market which has been less focused as compared with the commercial building market. Also, the Group aims to ensure a stable facility operation and improve the productivity.

By improving the profitability of the overall glass business through above measures, the AGC Group will eliminate the deficit in the glass business in 2014 and restore and maintain a surplus in 2015 and onward.

Minimize the profitability decline in the display business

The AGC Group will strive to minimize the profit decline of the display business by expanding its business in promising markets such as the Chinese market and small/mid-sized markets and, at the same time, by further improving productivity with the use of high-efficiency production facilities and promoting cost reduction through optimization of group-wide operations of the existing production bases.

Group-wide efforts to enhance efficiency across the Group

In addition to earnings improvement measures taken by each business segment, the AGC Group will carry out a group-wide cost reduction initiative to build up overall corporate strength. This group-wide project is aimed to increase the efficiency of the overall business operation from receiving orders to product shipment and also the efficiency of R&D and administrative operations.

ⅱ) Strengthening the Group's growth foundations and generating substantial results

Enhance business in fast-growing countries and regions

Under its "Second-round of Globalization" strategy, the AGC Group has made aggressive investments in fast-growing countries and regions in recent years. Together with its new production facilities in Brazil, China and Indonesia that are already in operation, new production bases in Mexico and Vietnam, and facility expansion of some existing production bases will solidify the Group's business foundation in fast-growing countries and regions.
Going forward, the AGC Group will capture the growth of fast-growing markets, and secure and increase the profit contribution from investments in these markets.

Accelerate new product launches and promote sales expansion

The AGC Group has released new products in recent years, including 99% UV-blocking "UV Verre Premium" series and AN Wizus, a display glass substrate with super-low thermal shrinkage. The Group will continue to release new products, expand sales and accelerate profit generation in each of the business domains: "Safe, Sound & Comfortable Living Spaces and Materials," "Higher Quality Display Devices & Communication" and "Clean & Green Energy."

A representative example is glass for chemical strengthening. Its product lineup has been expanded with the release of Dragontrail X, a specialty glass for chemical strengthening for electronic devices with increased strength from the existing product. The AGC Group will expand sales of this specialty glass through diversification of applications to include the markets for vehicles, photovoltaic power generation, and building materials by utilizing its wide-ranged business channels.

Growth in Chemicals business

Chemicals business is one of the most promising growth drivers among business segments for the Group to pursue the goal of strengthening its growth foundations and generating substantial results from them.

In Southeast Asia, which is one of the emerging markets in the world, the AGC Group already has a significant market share for caustic soda and other products. By using such business base and also by making aggressive investments in Indonesia and Vietnam, the Group will capture market growth of the region.

In addition, the Group will aim to expand sales of high-performance fluorinated products such as pharmaceutical and agrochemical intermediates, which is expected to see demand increase, and of a new refrigerant, which has overwhelmingly low global-warming potential as compared to conventional products.

By steadily and quickly implement the above measures, the AGC Group will turn around the current business performance during the mid-term management plan period. At the same time, the Group aims to achieve mid-and-long term growth by establishing and strengthening, and generating profits from its three strategies “Glass-technology-driven Company,” “Second Round of Globalization” and “Technology Solutions for Environment and Energy.”

4.Consolidated Financial Statements (IFRS)

(1) Consolidated Statement 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)
Assets			
Current assets			
Cash and cash equivalents	117,558	133,818	132,649
Trade receivables	228,680	244,396	260,901
Inventories	194,332	208,031	236,611
Other receivables	34,680	31,939	35,446
Income tax receivables	4,513	11,051	7,305
Other current assets	13,402	9,635	9,265
Total current assets	593,169	638,873	682,179
Non-current assets			
Property, plant and equipment	841,722	956,806	1,059,946
Goodwill	17,856	30,599	34,944
Intangible assets	21,386	24,986	27,272
Investments accounted for using equity method	29,885	34,745	39,336
Other financial assets	131,977	176,903	243,053
Deferred tax assets	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
Total assets	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)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	112,459	118,907	135,559
Short-term interest-bearing debt	42,264	43,908	57,068
Long-term interest-bearing debt due within one year	108,892	59,421	125,618
Other payables	122,590	113,007	98,669
Income tax payables	9,220	15,325	15,055
Provisions	4,307	1,558	2,438
Other current liabilities	7,428	16,722	13,609
Total current liabilities	407,163	368,852	448,018
Non-current liabilities			
Long-term interest-bearing debt	328,611	435,270	392,327
Deferred tax liabilities	18,657	12,789	29,267
Post-employment benefit liabilities	145,735	121,581	86,505
Provisions	12,096	11,394	14,147
Other non-current liabilities	5,377	5,759	5,217
Total non-current liabilities	510,477	586,794	527,465
Total liabilities	917,640	955,646	975,484
Equity			
Share capital	90,873	90,873	90,873
Capital surplus	100,269	100,423	100,650
Retained earnings	636,610	655,421	641,740
Treasury shares	(29,888)	(30,076)	(29,884)
Other components of equity	(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
Total liabilities and equity	1,716,302	1,916,394	2,120,629

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Profit or Loss)

(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
Cost of sales	(846,048)	(971,031)
Gross profit	343,903	348,974
Selling, general and administrative expenses	(243,798)	(270,087)
Share of profit (loss) of associates and joint ventures accounted for using equity method	1,646	1,007
Operating profit	101,751	79,894
Other income	15,789	4,176
Other expenses	(38,533)	(38,235)
Business profit	79,008	45,835
Finance income	4,443	5,137
Finance costs	(8,453)	(6,591)
Net finance costs	(4,009)	(1,453)
Profit before tax	74,998	44,381
Income tax expenses	(22,485)	(25,358)
Profit for the year	52,512	19,023
Attributable to:		
Owners of the parent	48,433	16,139
Non-controlling interests	4,079	2,883
Earnings per share		
Basic earnings per share (yen)	41.90	13.97
Diluted earnings per share (yen)	39.45	13.73

（Consolidated Statement of Comprehensive Income）

(Unit: millions of yen)

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Profit for the year	52,512	19,023
Other comprehensive income		
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)	10,290	23,163
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	29,095	42,318
Share of other comprehensive income of associates and joint ventures accounted for using equity method	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	127	(117)
Exchange differences on translation of foreign operations	94,698	131,138
Share of other comprehensive income of associates and joint ventures accounted for using equity method	－	(126)
Total	94,825	130,893
Other comprehensive income, net of tax	134,428	196,759
Total comprehensive income for the year	186,941	215,782
Attributable to:		
Owners of the parent	180,571	208,567
Non-controlling interests	6,369	7,214

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

(3) Consolidated Statement of Changes in Equity

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

(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 FVTOCI (Note)
Balance as of January 1, 2012	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	—	—	—	—	10,837	29,089
Total comprehensive income for the year	—	—	48,433	—	10,837	29,089
Transactions with owners						
Dividends	—	—	(30,054)	—	—	—
Increase through treasury shares transactions	—	—	—	(214)	—	—
Decrease through treasury shares transactions	—	—	(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	—	278	—	—	—	—
Others (business combinations and others)	—	—	—	—	—	—
Total transactions with owners	—	153	(29,622)	(188)	7	(435)
Balance as of December 31, 2012	90,873	100,423	655,421	(30,076)	(48,996)	48,402

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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

(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
Balance as of January 1, 2012	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	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	－	－	－	(30,054)	(1,012)	(31,066)
Increase through treasury shares transactions	－	－	－	(214)	－	(214)
Decrease through treasury shares transactions	－	－	－	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	－	－	－	278	－	278
Others (business combinations and others)	－	－	－	－	4,870	4,870
Total transactions with owners	－	－	(427)	(30,085)	5,230	(24,855)
Balance as of December 31, 2012	174	92,083	91,663	908,304	52,443	960,747

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

(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 FVTOCI (Note)
Balance as of January 1, 2013	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	–	–	–	–	23,056	42,295
Total comprehensive income for the year	–	–	16,139	–	23,056	42,295
Transactions with owners						
Dividends	–	–	(30,047)	–	–	–
Increase through treasury shares transactions	–	–	–	(44)	–	–
Decrease through treasury shares transactions	–	–	(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	–	126	–	–	–	–
Others (business combinations and others)	–	–	–	–	–	–
Total transactions with owners	–	227	(29,820)	192	–	(256)
Balance as of December 31, 2013	90,873	100,650	641,740	(29,884)	(25,940)	90,441

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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

(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
Balance as of January 1, 2013	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	(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	–	–	–	(30,047)	(549)	(30,597)
Increase through treasury shares transactions	–	–	–	(44)	–	(44)
Decrease through treasury shares transactions	–	–	–	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	–	–	–	126	–	126
Others (business combinations and others)	–	–	–	–	900	900
Total transactions with owners	–	–	(256)	(29,656)	(1,728)	(31,384)
Balance as of December 31, 2013	(69)	219,403	283,835	1,087,216	57,929	1,145,145

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Cash flows from operating activities		
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
Cash flows from investing activities		
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)
Cash flows from financing activities		
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	(30,054)	(30,047)
Others	(2,635)	(3,230)
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

(5) Notes to the Consolidated Financial Statements

1) 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 to be prepared in accordance with IFRS. The Group's IFRS transition date ("transiton 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 7) "First-time adoption".

(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 and liabilities, and 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
- Estimates of useful lives and residual values of property, plant and equipment 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
- The recoverability of deferred tax assets
- Actuarial assumptions for defined benefit pension plans
- The recoverable amount of trade receivables

(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.

2) 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 consideration transferred, and, in case of a business combination achieved in stages, the amount held by owners of the parent of the fair value of the equity interest of the acquiree previously held by the acquirer minus the fair value of the consideration transferred for the acquiree at the acquisition date over the identifiable assets acquired from the acquiree less the net amount of the assumed liabilities at the acquisition date. If the consideration transferred is lower than the latter 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 a joint venture (Investment accounted for using the 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 holds 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 join 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 incurs obligations or makes 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 balance, transactions and unrealized gains and losses arising from the transactions with the Group companies 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 Group companies by applying the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the 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.

<u>Financial assets measured at amortized cost</u>

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 every 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 methods. 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 the 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, including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed.

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 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 condition 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 of 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 statement of financial position. Lease payments under an operating lease are recognized as 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 or not 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 annually tested, 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 within the entity 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 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, 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 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 substantially enacted by 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 every 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.

3）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.

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

(Unit: millions of yen)

	Reportable segments			Ceramics/ Other	Total	Adjustments	Amount reported on consolidated financial statements
	Glass	Electronics	Chemicals				
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
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			Ceramics/ Other	Total	Adjustments	Amount reported on consolidated financial statements
	Glass	Electronics	Chemicals				
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
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.

4) Notes to Consolidated Statement of Profit or Loss

Other Income

(Unit: millions of yen)

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Gain on sale of non-current assets	1,700	1,964
Income arising from insurance contracts	10,651	-
Others	3,437	2,212
Total	15,789	4,176

Other Expenses

(Unit: millions of yen)

	FY2012 (Jan. 1 through Dec. 31, 2012)	FY2013 (Jan. 1 through Dec. 31, 2013)
Foreign exchange loss	(4,754)	(7,818)
Loss 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)
Total	(38,533)	(38,235)

5) Earnings Per Share

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

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

6) Subsequent Events

On February 10, 2014, the Group will start 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 decision on the Group’s financial results is yet to be seen.

7) 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
Assets						Assets
Current assets						Current assets
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
Fixed assets						Non-current assets
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)				
	—	29,871	13	29,885		Investments accounted for using equity method
Long-term loans	5,124	(5,124)				
	—	131,582	394	131,977		Other financial assets
Deferred income taxes	42,441	13,610	22,997	79,049	(D) (F)	Deferred tax assets
Other fixed assets	11,787	(10,572)	40	1,255		Other non-current assets
Allowance for doubtful debts	(2,592)	2,592				
Total fixed assets	1,084,781	13,610	24,740	1,123,133		Total non-current assets
Total assets	1,691,556	—	24,746	1,716,302		Total assets
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
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)				
	—	42,264	—	42,264		Short-term interest-bearing debt
Current maturities of bonds	40,078	(40,078)				
Current maturities of bonds with subscription rights to shares	50,000	(50,000)				
	—	109,624	(732)	108,892	(B)	Long-term interest-bearing debt due within one year
Other accounts payable and accrued expenses	82,965	(82,965)				
	—	122,590	—	122,590		Other payables
Income taxes payable	9,220	—	—	9,220		Income tax payables
Reserves	14,828	(7,241)	(3,280)	4,307	(C)	Provisions
Other current liabilities	48,944	(41,516)	—	7,428	(F)	Other current liabilities
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
Non-current liabilities						Non-current liabilities
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
Net assets						Equity
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 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 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
Assets						Assets
Current assets						Current assets
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
Fixed assets						Non-current assets
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	1,227,521		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
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
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
Non-current liabilities						Non-current liabilities
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
Net assets						Equity
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
				79,008		Business profit
	－	4,443	－	4,443		Finance income
	－	(7,240)	(1,212)	(8,453)	(E)	Finance costs
				(4,009)		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
						Attributable to:
	－	43,790	4,643	48,433		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 (Note)
	—	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 conduct 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 statement of cash flows disclosed in accordance with Japanese GAAP and the consolidated statement of cash flows disclosed in accordance with IFRS.