

AGC Review



AGC ASAHI GLASS CO., LTD.

Newsletter for Shareholders Vol. 24

Issued in March 2014
Code Number: 5201



To Our Shareholders

In fiscal 2013, the AGC Group saw an increase in net sales, which was underpinned by the positive impact of the Japanese yen's depreciation. Our profits, on the other hand, fell from the previous year, mainly due to lower prices of architectural glass in Europe and electronics products.

Under these circumstances, we have reluctantly decided to lower the year-end dividend to 5 yen per share, down 8 yen from the interim dividend of 13 yen per share. As a result, the full-year dividend will be 18 yen per share.

All of us, including directors and employees, have committed our efforts to becoming a "truly strong AGC Group" and to generating solid results to bring our business back to profitability. We have introduced some of our measures in the Feature Article section of this newsletter.

On behalf of the AGC Group, I would like to express my sincerest appreciation for your continued support.

Kazuhiko Ishimura, President and CEO



The AGC Plant Tour for Shareholders

On November 29, 2013, AGC arranged a plant tour for shareholders at its Kashima Plant. It was the first time we had invited individual shareholders to one of our plants. Among a number of applicants, 28 shareholders, selected by a drawing, participated in the tour. They visited our float glass furnace, energy-saving glass manufacturing facilities, and product display space to deepen their understanding of our company. We received many questions and valuable comments at a Q&A session after the tour, which proved to be an excellent opportunity for us to communicate with shareholders. As such, we plan to make it a regular event.



Comments of Shareholders Who Participated in the Plant Tour (An Excerpt)

- I was very impressed by the scale of the glass manufacturing facilities. Taking a tour of the manufacturing site has deepened my understanding of the Company.
- I did not expect the production lines to be so large. I think I'm starting to see glass in a slightly different light.
- The process for manufacturing high-quality glass was really impressive.
- The enthusiasm and professional attitude of the employees left me with a good impression of the Company.



Other Topics

2013

August: AGC introduced Lacobel™—Europe's No. 1 brand of painted glass—into the Japanese market.

October: AGC automotive window glass products earned The Skin Cancer Foundation's Seal of Recommendation.

November: AGC entered the Vietnamese market through the acquisition of a PVC company.
AGC was named one of Thomson Reuters 2013 Top 100 Global Innovators.



Lacobel™ used at a shopping center in Hungary



1 Progress of Medium-term Management Plan “Grow Beyond-2015”

Under “**Grow Beyond-2015**,” the medium-term management plan for fiscal years 2013–2015, we have been implementing various measures to achieve the goal of becoming a “truly strong AGC Group.” Specifically, the Group aims to achieve the following two targets over three years: 1) to strengthen foundations for growth and generate solid results and 2) to bring the business back to an upward trend.

During the first year of the medium-term management plan, the Group aggressively implemented measures to boost business performance. The financial results for 2013, however, saw a decline in profits due to two unexpected factors. One was that the continued depreciation of the Japanese yen affected the profitability of overseas subsidiaries engaged in the display business. The other factor was a delay in the recovery of the architectural glass business in Europe.

In light of this difficult business environment, the AGC Group reviewed its medium-term management plan and made the following revisions to address the situation.

- ✓ Capital expenditure for 2014–2015 was reduced by approximately 20 billion yen, to 280 billion yen. R&D expenses for the same period were reduced by 10 billion yen, to 90 billion yen.
- ✓ 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%.

From 2014, we will take the following measures in our efforts to become a “truly strong AGC Group.”

Bringing the business back to an upward trend

The AGC Group will achieve the following three targets to bring its business back to an upward trend: improve the profitability of the overall glass business, minimize the decline in the profitability of the display business, and increase the Group’s corporate strength.

Strengthening foundations for growth and generating solid results

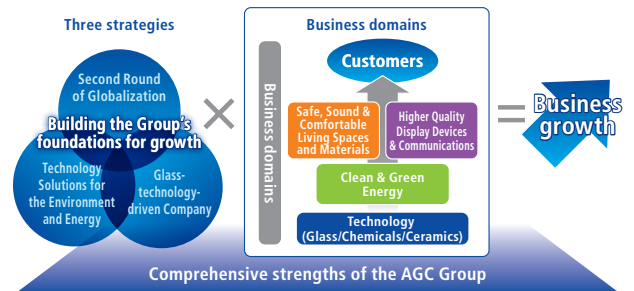
The AGC Group will strengthen its foundations for growth and generate solid results by accelerating the implementation of its three existing strategies—to be a Glass-technology-driven Company; to provide Technology Solutions for the Environment and Energy; and to pursue a Second Round of Globalization—in the three business domains of Safe, Sound & Comfortable Living Spaces and Materials; Higher Quality Display Devices & Communications; and Clean & Green Energy.

Through careful and swift implementation of these measures, the AGC Group will turn around the current business performance under the medium-term management plan and bring its business back to an upward trend.

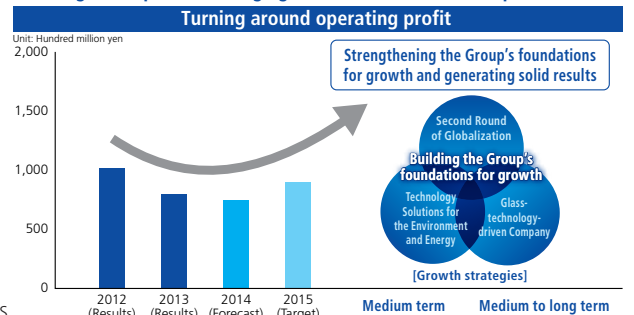
Note: The data in the graph are based on IFRS.

Strengthening the Group’s foundations for growth and generating solid results

~ Three strategies and business domains remain unchanged ~



Turning around the current business performance under the medium-term management plan and bringing the business back to an upward trend



2 Adoption of International Financial Reporting Standards (IFRS)

The AGC Group voluntarily adopted IFRS for its consolidated financial statements, starting with the annual financial statements for the fiscal year ended December 31, 2013. The aim is to increase the international comparability of financial information and enhance the efficiency of the Group’s management.

Key changes from switching to IFRS

Operating profit

- ✓ Discontinuing amortization of goodwill
- ✓ Changes regarding retirement benefit expenses
- ✓ Reclassification of equity in earnings (losses) of affiliates
- ✓ Other

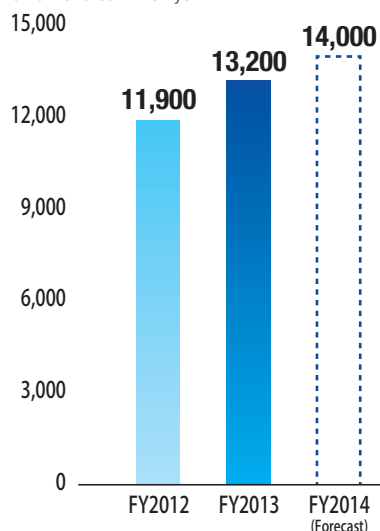
Under Japanese GAAP	70.7 billion yen
Discontinuing amortization of goodwill	Up 2.0 billion yen
Changes regarding retirement benefit expenses	Up 5.7 billion yen
Equity in earnings of affiliates	Up 1.0 billion yen
Other	Up 0.5 billion yen
Under IFRS	79.9 billion yen

Note: The data under Japanese GAAP for fiscal 2013 are unaudited.

Highlights of the Group's Financial Results

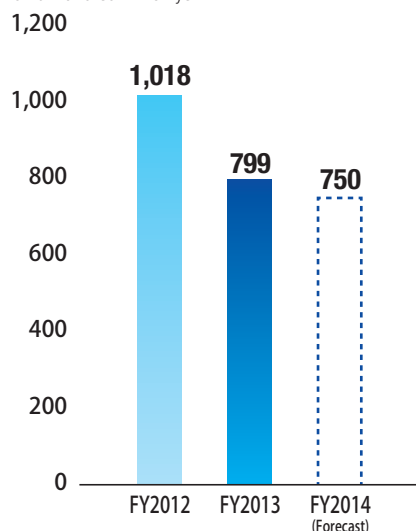
Net sales

Unit: Hundred million yen



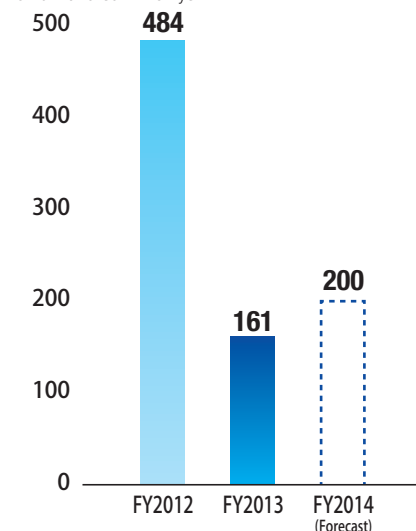
Operating profit

Unit: Hundred million yen



Profit for the year attributable to owners of the parent company

Unit: Hundred million yen



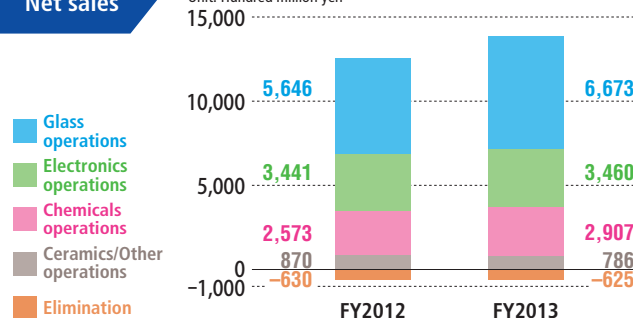
Consolidated Statements of Profit or Loss (Summary)

Unit: Hundred million yen

	FY2013 (January 1, 2013 through December 31, 2013)	FY2012 (January 1, 2012 through December 31, 2012)	Amount of increase/ decrease	Rate of increase/ decrease
Net sales	13,200	11,900	1,301	10.9%
Operating profit	799	1,018	-219	-21.5%
Other income (expenses)	(341)	(227)		
Business profit	458	790	-332	-42.0%
Finance income (costs)	(15)	(40)		
Profit before tax	444	750	-306	-40.8%
Income tax expenses	254	225		
Profit for the year	190	525	-335	-63.8%
Profit for the year attributable to owners of the parent company	161	484	-323	-66.7%
Profit for the year attributable to non- controlling interests	29	41		

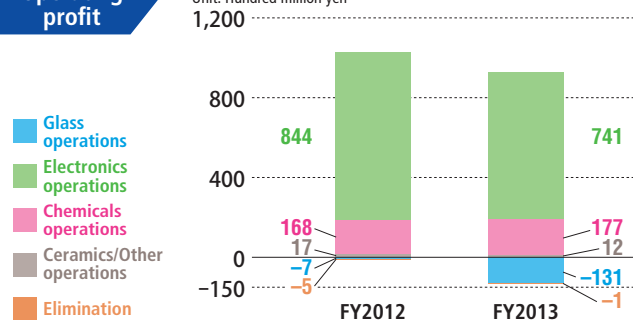
Net sales

Unit: Hundred million yen



Operating profit

Unit: Hundred million yen



Consolidated Statements of Financial Position (Summary)

Unit: Hundred million yen

	FY2013 (as of December 31, 2013)	FY2012 (as of December 31, 2012)	Amount of increase/ decrease
Current assets	6,822	6,389	433
Non-current assets	14,385	12,775	1,609
Total assets	21,206	19,164	2,042
Liabilities	9,755	9,556	198
Total equity	11,451	9,607	1,844
Total liabilities and equity	21,206	19,164	2,042

Consolidated Statements of Cash Flows (Summary)

Unit: Hundred million yen

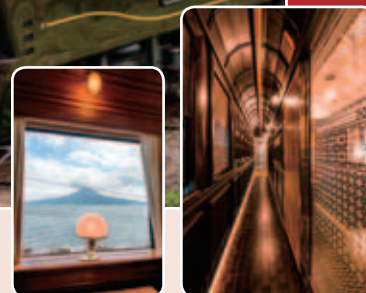
	FY2013 (January 1, 2013 through December 31, 2013)	FY2012 (January 1, 2012 through December 31, 2012)
Cash flows from operating activities	1,674	1,702
Cash flows from investing activities	(1,460)	(1,586)
Free cash flow	214	115
Cash flows from financing activities	(336)	(41)
Effect of exchange rate changes on cash and cash equivalents	110	88
Net increase (decrease) in cash and cash equivalents	(12)	163

Note: The AGC Group adopted IFRS for its consolidated financial statements, starting with the annual financial statements for the fiscal year ended December 31, 2013. Data for FY2012 are presented under IFRS.

The ABCs of AGC

AGC products are used in Cruise Train "Seven Stars in Kyushu"

Kyushu Railway Company started operating the Cruise Train "Seven Stars in Kyushu" in October 2013. The luxurious sleeper train, which cost around three billion yen to manufacture, uses many AGC products. To name a couple, Low-E insulating glass is used for the railway cars' side windows, an industry first, and custom-order etching glass products with different designs enhance the interior of the train. The AGC Group's products and technologies contribute to the luxury and comfort of Seven Stars in Kyushu.



An interview with Mr. Eiji Mitooka, managing director of Don Design Associates and designer of Seven Stars in Kyushu, and other related information are available on our website.

URL <http://www.agc.com/feature/sevenstars/>

Corporate Outline

(as of December 31, 2013)

Trade name: Asahi Glass Company, Limited

Founded: September 8, 1907

Incorporated: June 1, 1950

Capital: ¥90,873,373,264

Head office:

Shin-Marunouchi Building, 1-5-1 Marunouchi,
Chiyoda-ku, Tokyo 100-8405

Phone: +81-3-3218-5096

Number of consolidated subsidiaries:

200 (including 164 companies overseas)

State of Stock

(as of December 31, 2013)

Number of shares outstanding: 1,186,705,905

Number of shareholders: 77,833

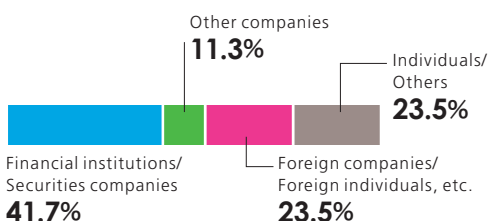
Shareholders who own shares of one unit or more:

66,297

Shareholder Composition

(as of December 31, 2013)

(Shareholders who own one unit or more)



Information about Shares

Fiscal year: January 1 to December 31

Ordinary general shareholders' meeting: March

Shareholder registration date for entitlement to exercise:

Voting rights at ordinary general shareholders' meeting: December 31

Rights to receive annual dividend payment: December 31

December 31

Rights to receive interim dividend payment: June 30

Public notice: Electronic public notices

<http://www.agc.com>

Shareholder Registrar/Special Account Administrator:

Mitsubishi UFJ Trust and Banking Corporation

Inquiries/Mailing address:

Securities Agency Division, 7-10-11

Higashisuna, Koto-ku, Tokyo 137-8081

Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Phone: 0120-232-711 (toll free within Japan)

Japan)

Contact Information for Inquiries Regarding Shares

Shareholders who have an account with securities companies, etc.	Shareholders who have a special account
Name of securities companies or other entities with which you have an account	Mitsubishi UFJ Trust and Banking Corporation (our Special Account Administrator) Phone: 0120-232-711 (toll free within Japan) When shareholders holding shares in the Special Account wish to register their change of address, designate or change the bank account for receiving dividends, purchase shares constituting less than one unit, or process an account transfer, please contact the Special Account Administrator via the toll-free number 0120-244-479 (there is an automated voice answering service 24 hours a day) and ask for the relevant application forms.

Information about "Special Reconstruction Income Tax"

With regard to the income tax related to dividends, etc. of listed shares, etc., 2.1% of the income tax will be additionally imposed on the standard income tax as Special Reconstruction Income Tax from January 1, 2013 to December 31, 2037.

With the enforcement of the Special Measures to secure financial resources for reconstruction after the Great East Japan Earthquake, the following will be additionally imposed on the income tax related to dividends, etc. of listed shares, etc., which are paid on and after January 1, 2013.

	From January 1, 2013 to December 31, 2013	From January 1, 2014 to December 31, 2037
Income tax	7%	15%*
Special Reconstruction Income Tax	0.147%	0.315%
Resident tax	3%	5%*
Total	10.147%	20.315%

* Changes in tax rates following the termination of application of reduced tax rates under the securities tax system

- These tax rates are applied in the case of withholding at the source. However, resident tax will not be collected in the case of domestic corporations.
- Since this provides only general information on the Special Reconstruction Income Tax on dividends etc. of listed shares, etc., there are cases where it is not applicable. For further information, please make inquiries to your nearby tax office, licensed tax accountants, or such like.
- This information was compiled based on data as of December 2013.