

AGC's New Growth Initiatives

October 31, 2014

AGC **ASAHI GLASS CO., LTD.**

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I . AGC's Goal

AGC's Aspirations for 2020

**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

"Grow Beyond" Conceptual Diagram and Business Outline in 2020

AGC's Aspirations for 2020

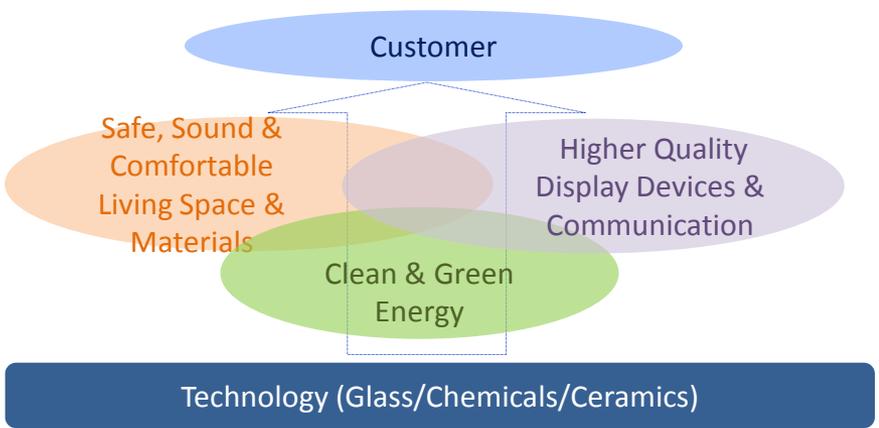
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Three Strategies

- ✓ Second Round of Globalization
- ✓ Technology Solutions for Environment and Energy
- ✓ Glass-technology-driven Company

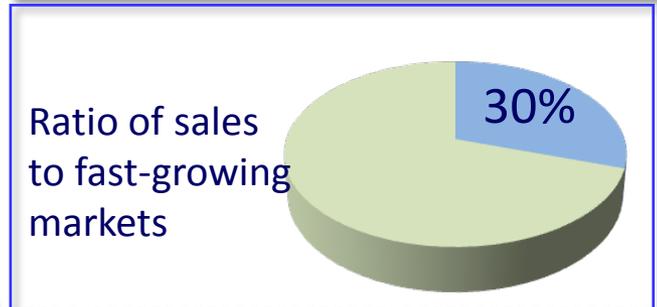
AGC's Businesses



Basic Tenets

- ✓ Our people are our strength
- ✓ No production without safety

Sales targets in 2020



II . Past & ongoing efforts

The AGC's Mid-term Management Plan

Grow Beyond-2015



AGC's action Items

—Part 1—

Action items

Bring our business
back on an upward trend

Priority issues

Turn around the performance of
the architectural glass business

Minimize the profitability decline in the
display business

Group-wide efforts to enhance efficiency
across the Group

Strengthen/generate
substantial results from growth
foundations

Bring our business back on an upward trend (1)

-Profitability improved in architectural glass business; however, display prices declined more than expected-

Priority issues	Measures taken	Current progress
Turn around the performance of the architectural glass business	Structural reform in Europe <ul style="list-style-type: none"> • 20% reduction in manufacturing capacity • 15% downsizing in back-office section • Withdrawal from PV cover glass business 	Architectural glass business in Europe will return to a surplus in 2015.
	Profitability improvement in North America <ul style="list-style-type: none"> • Sales reinforcement • Integration of fabrication plants • Productivity improvement 	North America paved the way for business recovery.
Minimize the profitability decline in the display business	<ol style="list-style-type: none"> 1. Focusing on growth markets (China/mid-to-small sizes) 2. Building an optimal production framework <ul style="list-style-type: none"> • Concluding long-term sales contracts • Converting to high-efficient furnaces • Long-term suspension of a furnace in Japan 	Despite more-than-expected price decline, the electronics segment maintained a double-digit operating margin.

Bring our business back on an upward trend (2)

-AGC's business strength has been steadily enhanced-

Priority issues	Measures taken	Current progress
<p>Group-wide efforts to enhance efficiency across the Group</p>	<p>Efficiency-improvement project across the AGC Group</p>	<p>In 2015, efficiency is expected to improve by 45 billion-yen from the 2013 level. But total cost reduction will be around 20 billion yen due to the 25 billion-yen impact from foreign exchange and high raw materials & fuel prices</p>
	<p>Cut down on R&D expenses</p>	<p>In 2015, R&D expenses will be reduced by 2 billion yen from the 2013 level.</p>
	<p>Downsizing on a consolidated basis</p>	<p>In 2015, fixed expenses will be reduced by 8 billion yen from the 2013 level.</p>



AGC's action Items

—Part 2—

Action items

Bring our business
back on an upward trend

Strengthen/generate
substantial results from growth
foundations

Priority issues

Enhance business in fast-growing countries

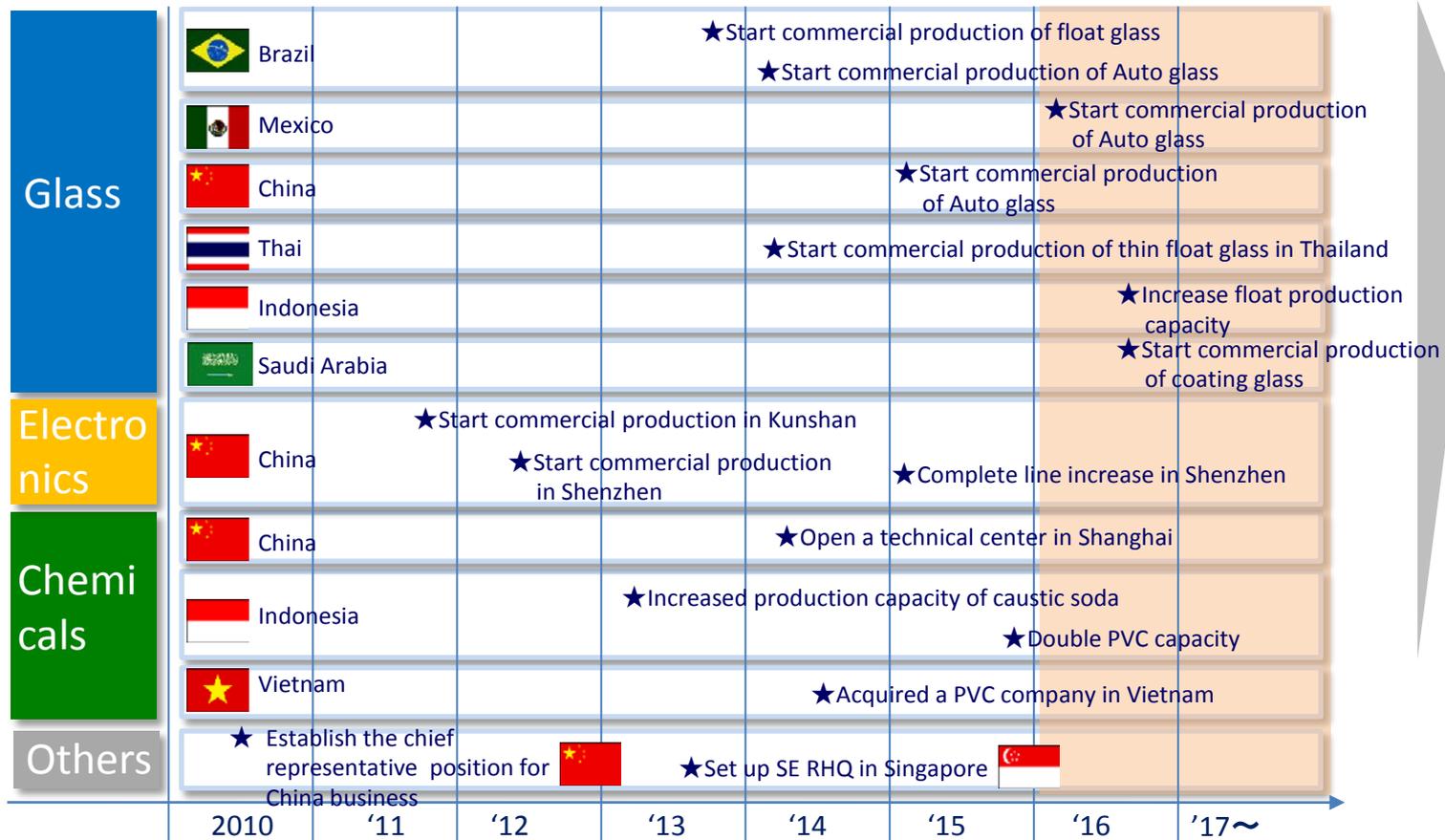
Accelerate new product launches and
promote sales expansion

Growth in Chemicals business

Enhance business in fast-growing countries

-Measures taken since the collapse of Lehman Brothers will generate solid profits in 2016 onward-

【Grow Beyond measures】



In 2016 onward, investment in emerging markets will start generating profits

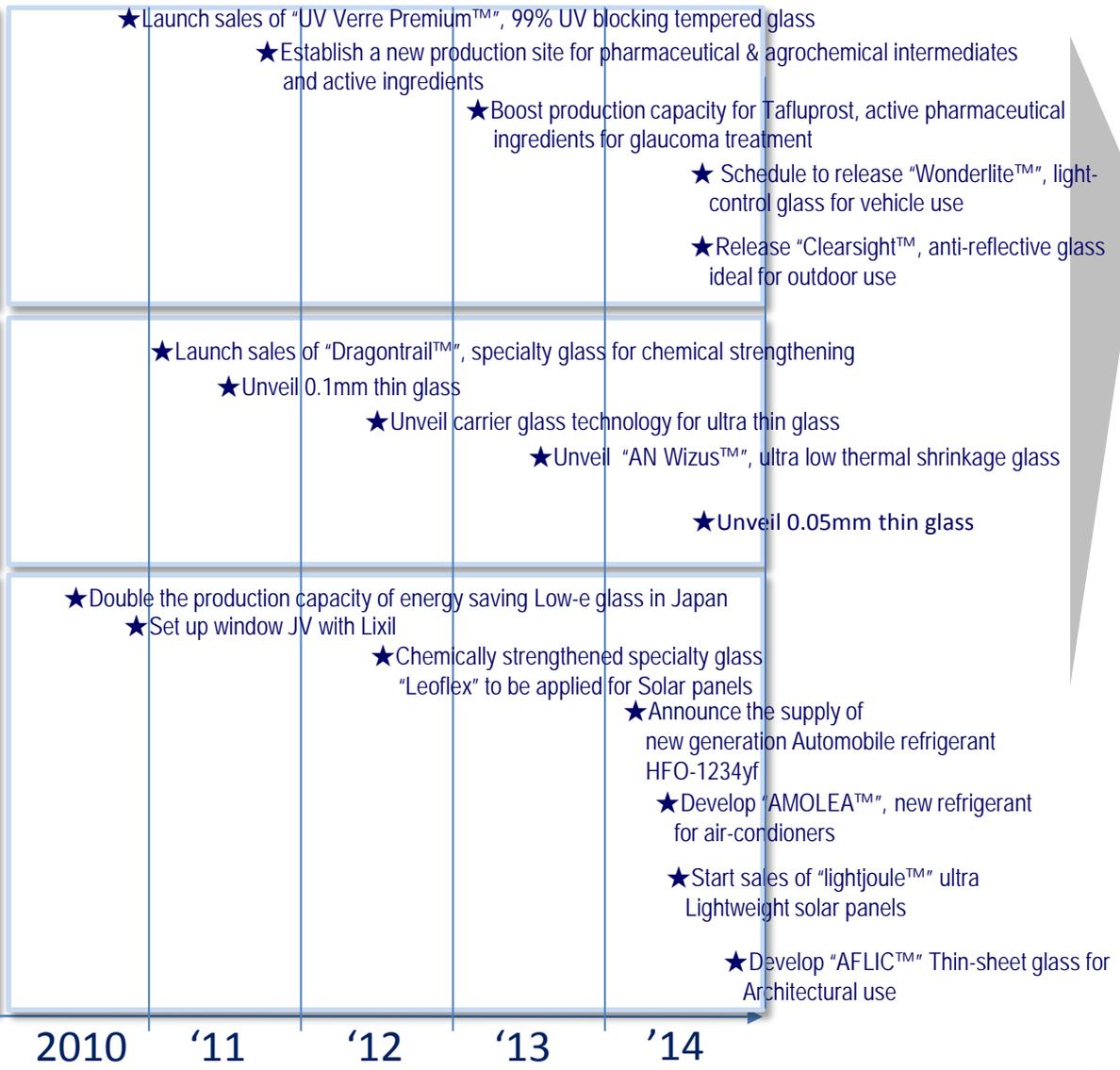
Incremental sales volume in 2016 will be 130 billion yen (from the 2013 level)

Accelerate new product launches and promote sales -Make them profitable at a faster pace-

Safe, sound & comfortable living spaces & materials

Higher quality display devices & communication

Clean & green energy



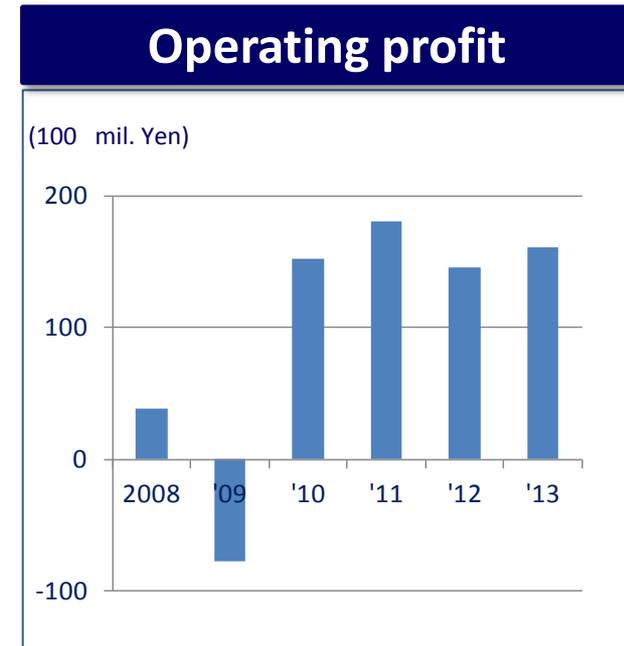
Some products have already become profit sources. Their further growth is expected.

Incremental sales volume in 2016 will be 150 billion yen (from the 2013 level)

Growth in Chemicals Business

-Ensure that these businesses will be a stable source of profits-

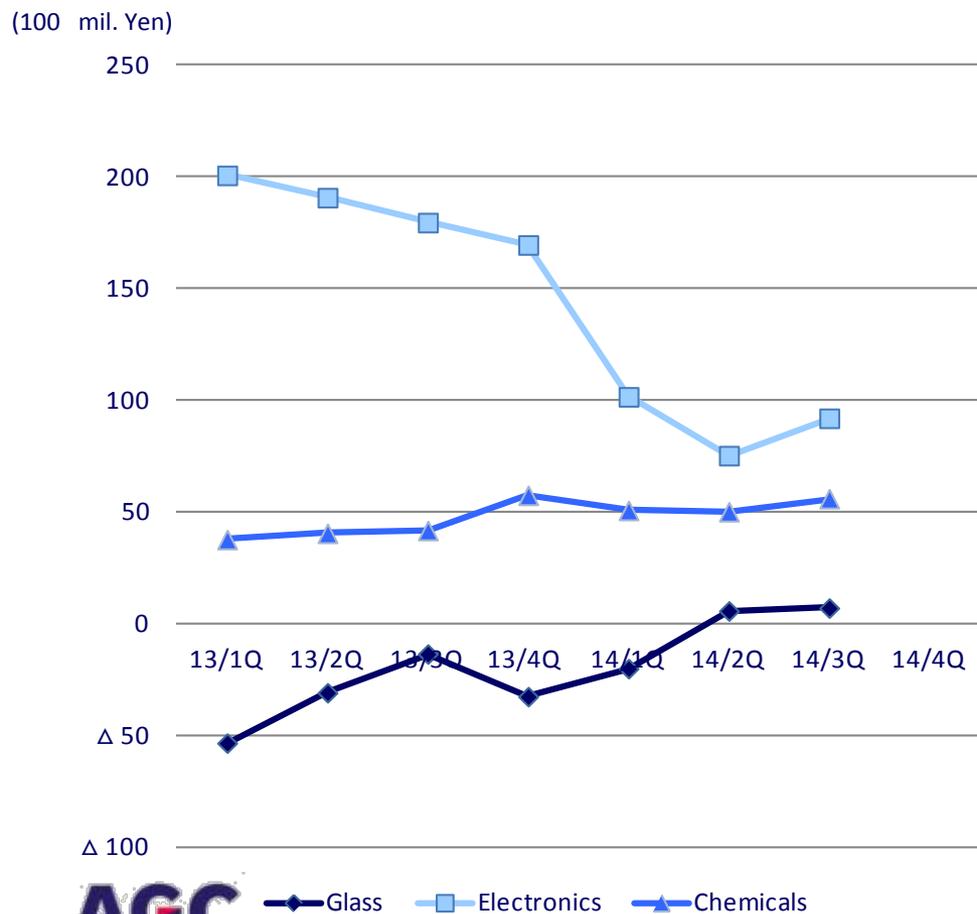
Chlor-Alkali in Japan	Streamline & increase efficiency of electrolysis business in Japan	Currently under way
	Reduction in electricity cost	Conducted on a continuous basis
Chlor-Alkali outside Japan	Expanded a caustic soda plant in Indonesia	Operation started in 2Q, 2013
	Acquired a PVC company in Vietnam	Consolidation started from 3Q, 2014
Fluorochemicals	Expanded ETFE manufacturing capacity	Operation started in 3Q, 2012
	Newly build production base for pharmaceutical & agrochemical intermediates and active ingredients	Operation started in 4Q, 2012
	Expanded manufacturing capacity for active ingredients for glaucoma treatment	Operation started in 1Q, 2013



Outcome of these efforts

-AGC's business performance is improving-

Operating Profit



While glass and chemicals businesses have picked up, the business environment surrounding display business and Europe's flat glass business remain tougher than expected. As a result, FY2014 operating results are expected to fall below the initial projection.

Thanks to the various measures taken so far, the Group's business seems to have bottomed out.

III. What comes next?

AGC will aggressively invest in growth areas

-Through strict portfolio management-

	Growth	Cash generator	Strength building area
Glass	-Automotive glass	-Architectural glass (fast-growing countries)	-Architectural glass (Developed countries)
Electronics	-Electronic materials	-LCD glass	
Chemicals	-Chlor-Alkali (Outside Japan) - Fluorochemicals - Life science		-Chlor-Alkali (Japan)
New business	-Parts and materials relating to smart community - Applied glass materials, etc.		

Glass Business

-Improve earnings by increasing asset efficiency-

Growth

- Automotive glass

Cash generator

-Architectural glass
(fast-growing countries)

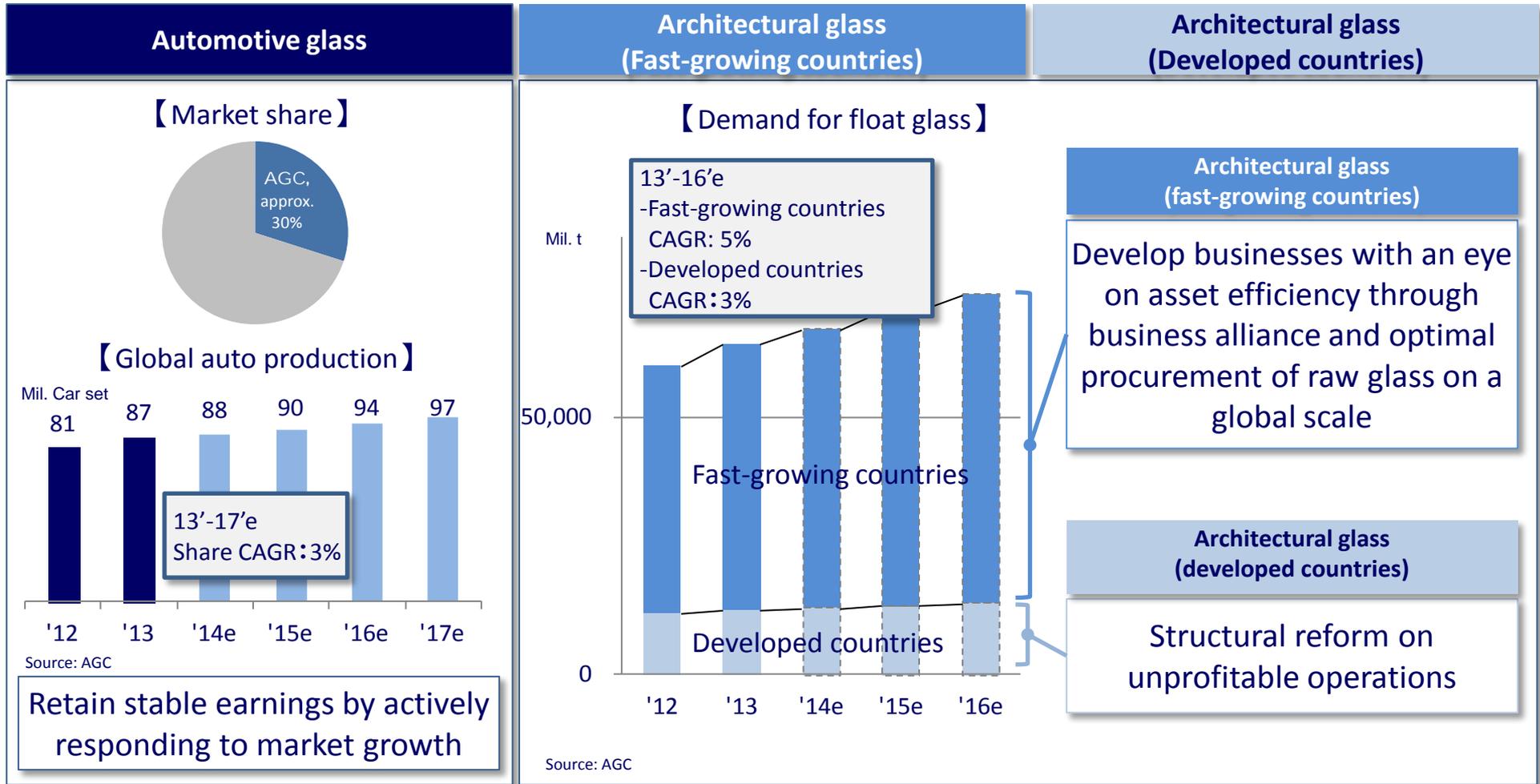
Strength building area

-Architectural glass
(Developed countries)

AGC aims to achieve ROS 5% in 2017.

Glass business: Strategic Direction (1)

-Improve earnings in architectural glass &
Expand automotive glass business-



Glass business: Strategic Direction (2)

-Put a focus on asset efficiency-

Strategic direction

- ✓ Achieve the clear No.1 position in the automotive glass market
- ✓ Improve the asset efficiency by optimizing global raw glass procurement
 - Not invest in new furnaces in developed countries
 - Shift from the do-on-our-own policy: use joint ventures, etc.
- ✓ Build an optimal business model & manufacturing scheme to meet the market environment

Actual measures

- ✓ Make active investments in automotive glass business in fast-growing countries
- ✓ Implement a drastic structural reform in North America's architectural glass business and turn the business a surplus in 2016
- ✓ Suspend a furnace in respond to the current business environment in Eastern Europe (December 2014)
- ✓ Business expansion in Saudi Arabia through the joint venture with Obeikan
- ✓ Achieve cost reduction by leveraging ceramics technology

Electronics Business

-Pursue quality/cost/asset efficiency -

Growth	Cash generator	Strength building area
- Electronic materials	- LCD glass	



AGC aims to maintain ROS at 10% or above for the mid & long term.

Electronics Business: LCD glass business

-Pursue cost reduction & maintain profits at a stable level-

LCD Glass market



Continue to achieve an average 6% annual market growth with a focus on the Chinese market

AGC's action

- Promote conversion to high-efficiency furnaces
- Increase the efficiency of polishing processes
- Maintain the competitive position of float glass in the rapidly growing mid- & small-sized display market
- Surpass the market growth by taking advantage of AGC's presence in China

Chemicals Business

-Aggressively invest in growth areas -

Growth

- Chlor-Alkali (outside Japan)
- Fluorochemicals
- Life science

Cash generator

Strength building area

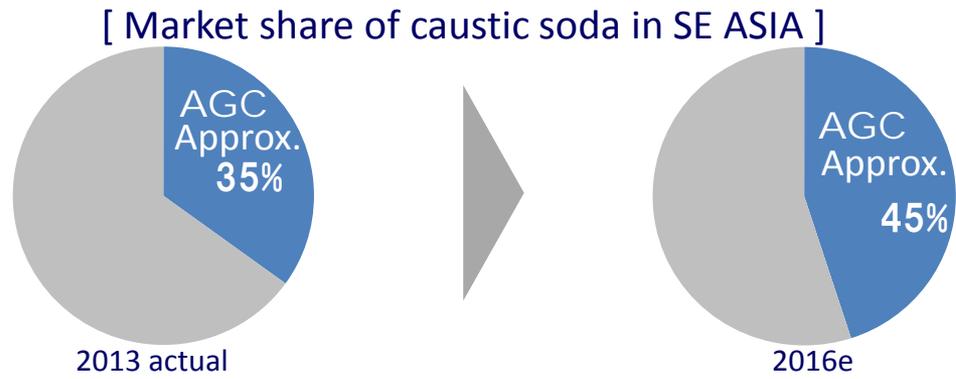
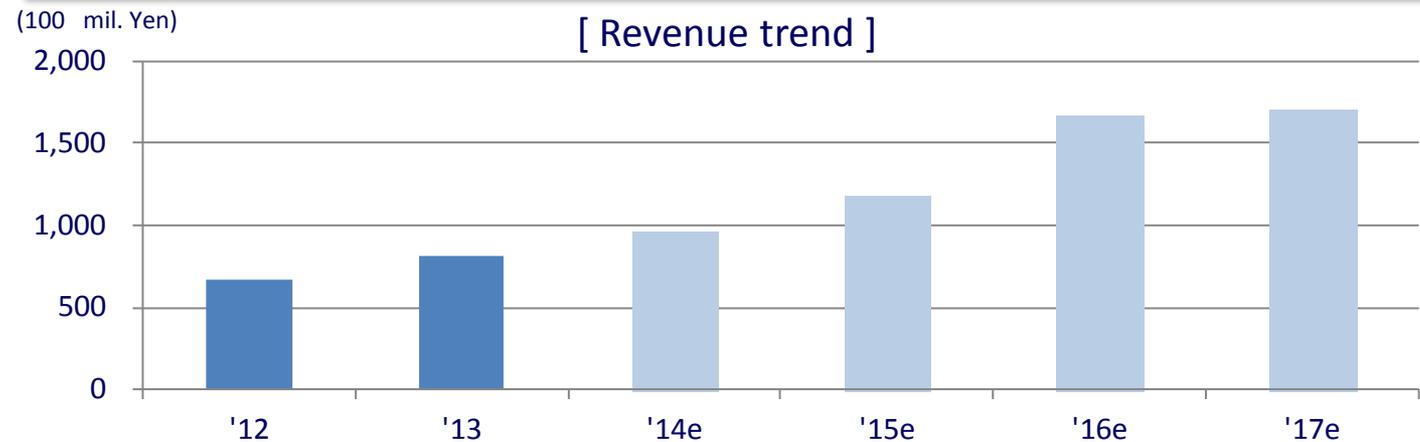
- Chlor-Alkali (Japan)

AGC aims to achieve ROS 10% in 2017.

Chemicals Business : Chlor-Alkali (outside Japan)

-Take in the growing Southeast Asian market-

AGC's Chlor-Alkali business outside Japan



Take in the growth of the entire Southeast Asian market by leveraging the business bases in Indonesia, Thailand and Vietnam

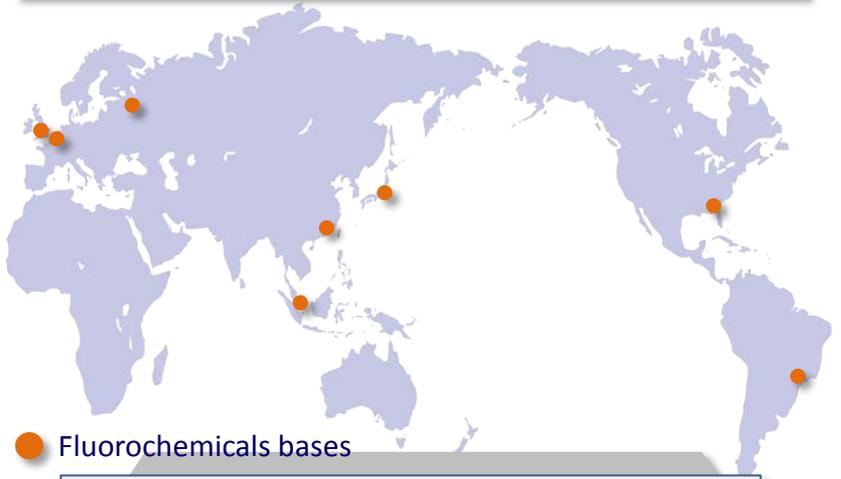


Source: AGC

Chemicals Business: Fluorochemicals

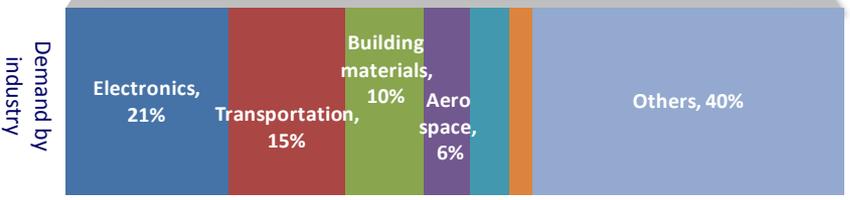
-Market differentiated chemical products to respond to globally growing demand for high-performance materials-

AGC's fluorochemicals bases



● Fluorochemicals bases

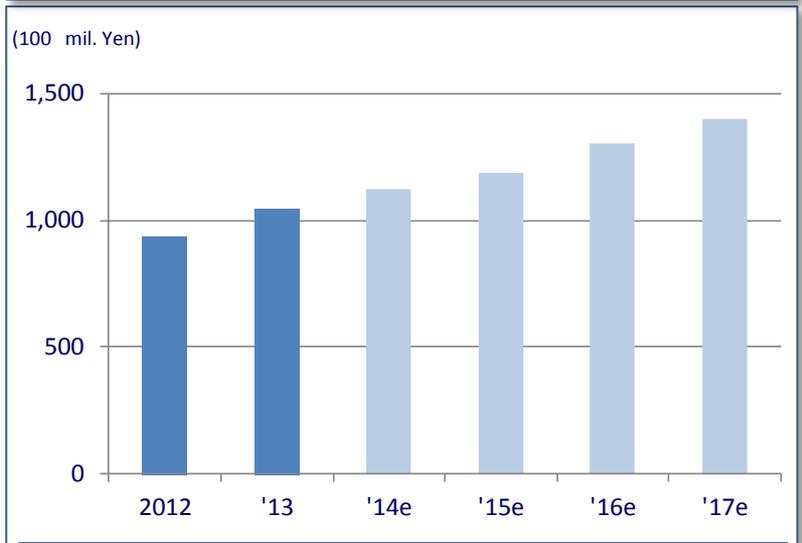
Set up more technical service centers to explore and market new applications



※2013 actual figure



Fluorochemicals & Specialty Chemicals Revenue trend



We will capture all possible demand for fluorochemicals which are making a high growth worldwide.

Chemicals Business: Life Science

-Focus on the expanding agrochemicals market-

Market

- Agrochemicals market will continue to expand.
- Percentage of fluorochemical-containing pharmaceutical/agrochemicals products are increasing.

AGC's action

- Enhanced capacity of contract commissioned services for pharmaceutical and agrochemical intermediates
- Expand manufacturing capacity for pharmaceutical and agrochemical active ingredients.

Future direction

Expand commissioned business from customers around the world by leveraging AGC's organic synthesis technology and fluorination technology.

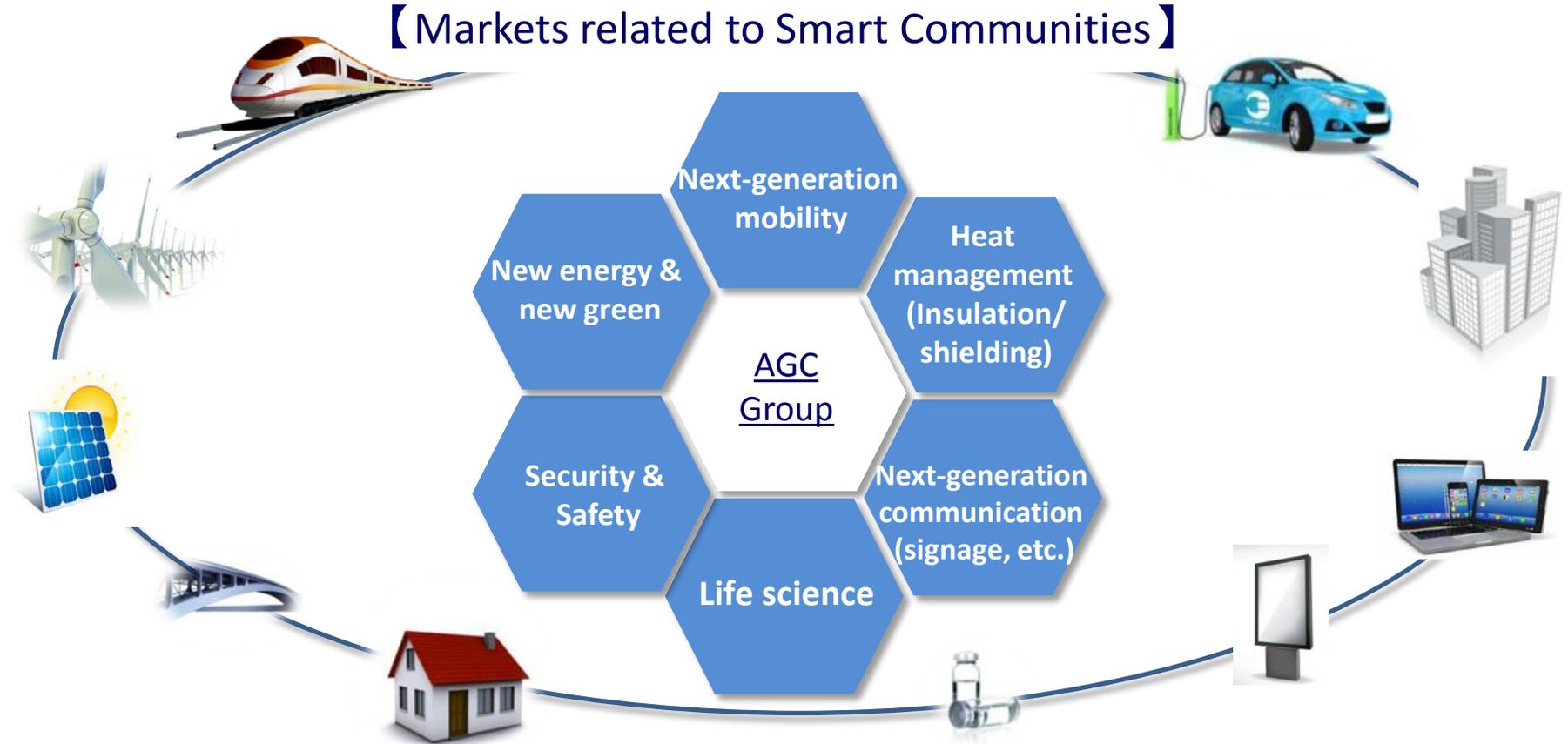
【 Pharmaceutical/agrochemicals production bases 】



Creation of new businesses

-Connect our wide-ranging glass & materials with various markets-

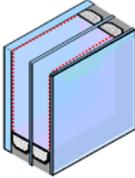
【Markets related to Smart Communities】



Leveraging wide-ranging products and materials, AGC offers solutions for an affluent, safe and secure “smart” society.

Creation of new businesses (1) Applied glass materials

-Sets up new division to achieve dramatic business expansion-

Market	AGC's strength	Applications
Building materials	Various glass materials based on - Alumino silicate - Soda lime Having accumulated technological expertise, AGC is the only company that can manufacture large-sized thin float glass.	AFLIC™ Specialty thin sheet glass for architectural use  
Vehicles		Dragontrail™ for Electronic devices  Leoflex™ ultra-lightweight glass  
Solar modules		
Electronics related products		

AGC focuses on thin, light-weight and strong glass.

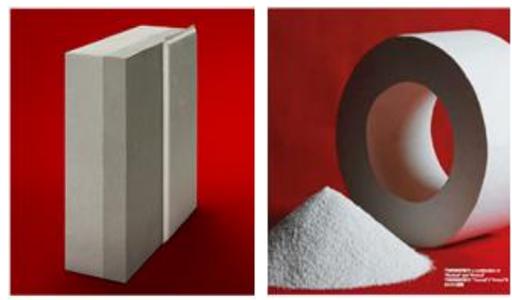


Creation of new businesses (2) Heat Management

-Offer solutions for a wide temperature range:
from 1700°C to below-freezing temperatures-



Ultra-high temperature insulation materials



Top-class insulation performance in the industry

Environmentally responsive new refrigerant



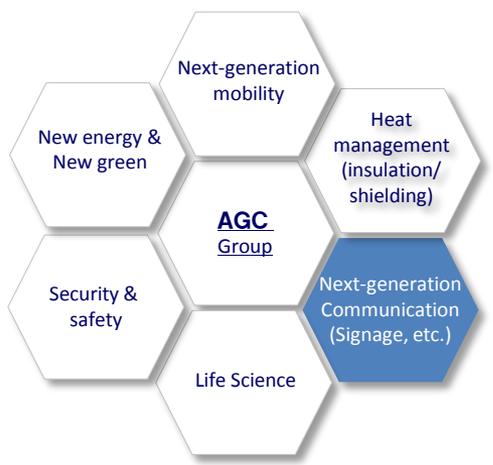
Reduce environmental burden without sacrificing the refrigerant performance

Creation of new businesses (3)

Next Generation Communication

—Offer various solutions using “glass” interface—

【AGC's target market】



Information window



Everything around us can be an information interface
(will be released in 1Q 2015)

Glass screen

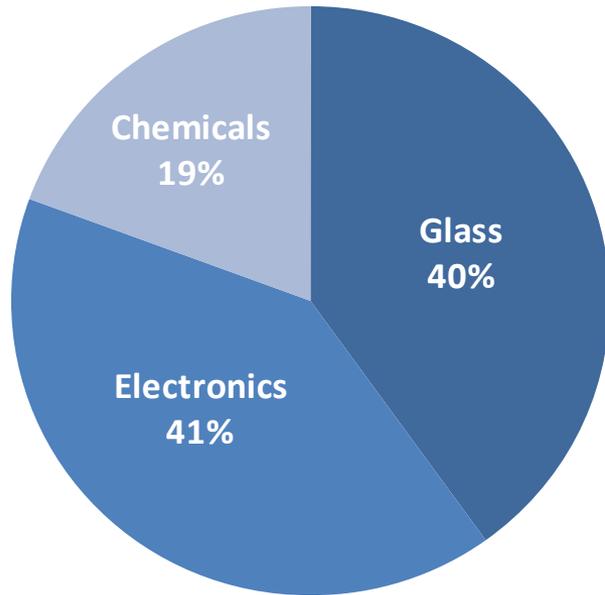


Glass screen remains transparent during use as a display screen, offering stylish design and effective use of the background.
(will be released in the 2nd half of 2015)

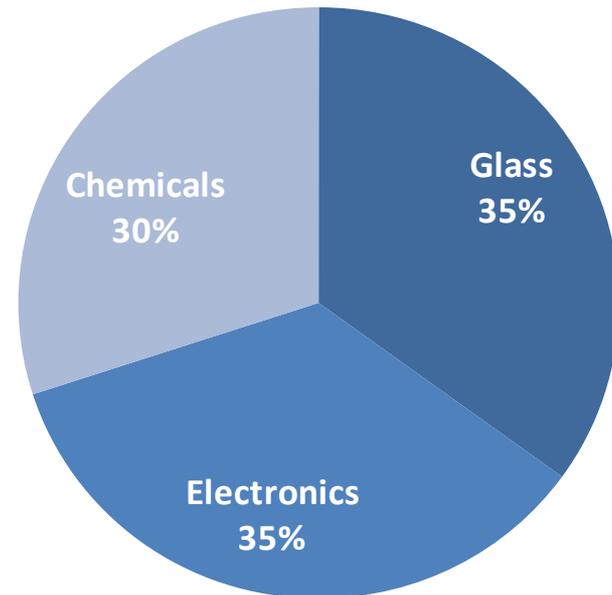
Resource allocation

—Concentrated into growth areas—

CAPEX by business segment



【2011-2014e】

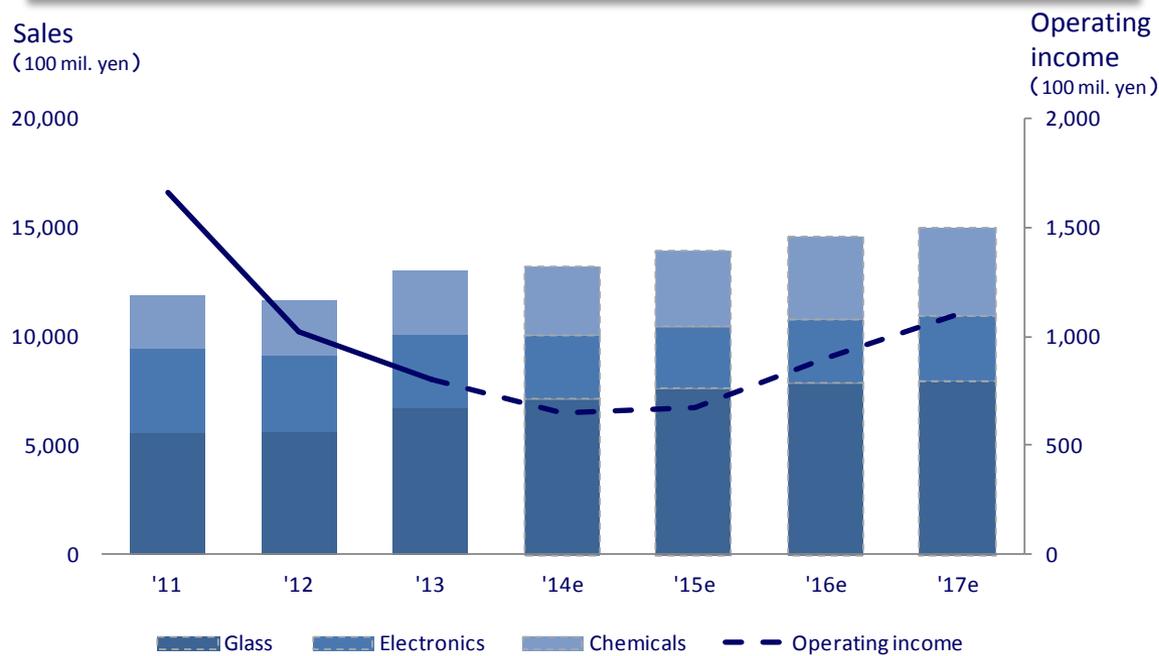


【2015e-2017e】

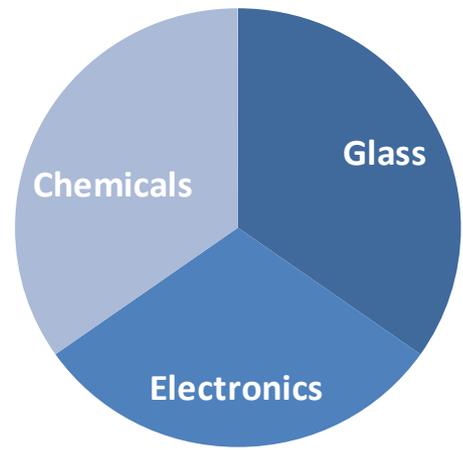
Expected Profit Structure in 2017

—Aim to achieve a well-balanced structure based on new growth—

Operating results (actual & projection)



Breakdown of operating profit in 2017 (estimate)



※Above sales volumes do not include elimination.

The actual results in 2011 are based on J-GAAP. The figures in 2012 onward are based on IFRS.



Disclaimer

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