

QA during the Presentation of Financial Results for the Six Months of FY2016

Q1 You said that there was a special factor of 3 billion yen in the 2Q. What is a breakdown of that gain?

A1 Approximately 1 billion yen was a gain from oil hedge valuation, which occurred because crude oil futures prices rose over the previous quarter-end. The remainder was due to an inventory valuation gain, financial closing, and other factors.

Q2 I would like to ask you about how to assess trends of the architectural glass business in Europe. It would appear that it did better than expected in the first half of the year because prices did not fall in winter; in addition, sales volume did not fall under the influence of a warmer-than-usual winter.

A2 Initially, we were afraid there would be a reactionary fall in the 2Q, but there has been no such movement so far. We assume that the real economy has recovered and demand is increasing.

Q3 To achieve the goal of the FY2017 management target, what are the main drivers for achieving such an increase in profit in the next fiscal year?

A3 Glass: This business is recovering mainly thanks to the business in Europe. Cost reductions have been making progress and prices are also going up. Increases in prices have had effects only on limited areas this fiscal year, but will have overall effects in the next fiscal year. So, this business will be able to achieve a profit increase.

Electronics: Regarding Electronic Materials, shipments decreased in the first half of this fiscal year, but they will recover from the second half of the year. We will release new products and the overall shipments are expected to grow on the market without relying on a recovery of the smartphone market. In addition, the shipments of cover glass for automotive use are expected to increase. Because LCD-glass business is becoming steady, we aim to achieve profit increase as supported by increases in operating profits in other businesses, for instance, Electronic Materials business.

Chemicals: The effects of increased production at new manufacturing facilities in Indonesia will contribute to profits from the second half of this fiscal year. Although the spread of PVC products was narrow in the first half of the year, we managed to secure profits nonetheless year-on-year basis. Now, price of ethylene, one of the materials used for the Chemical business, is going up, but in the long term, shale-derived ethylene will increase and its price will go down. The shipments of fluorochemicals are also expected to grow steadily.