

QA during the Presentation on the Financial Results for FY2016

Q1. What are the major factors behind the increase and decrease in FY2017 profit compared to FY2016?

A1: In FY2016, we had temporary profits amounting to around five to six billion yen. In FY2017, because crude oil and other fuel prices will be one of the negative factors, we understand that we have to actually achieve an increase in profit of 20 billion yen. We expect that the chlor-alkali business in the chemicals segment will become the largest contributor to the Group's profits. New facilities for chlor-alkali products in Indonesia started full-scale operation in the second half of 2016 and did not contribute to profit in the first half of 2016. So, we will enjoy the full effects of the production increase in 2017. Recently, spreads, including those for caustic soda, have been good. Given such a trend, Vinythai Public Company Limited will become our consolidated subsidiary. We also expect contributions to profits from new products such as a fluorine-based refrigerant. Next, I will explain the glass segment is the next contributor to profits. Architectural glass business continues to perform well and sales volume of automotive glass is good. Although we experienced high production costs due to trouble with facilities, we have already resolved these and this will become one of the factors increasing profit. In the electronics segment, LCD glass substrates have shown poor performance due to an increase in distribution inventory in the 1Q of 2016. In FY2017, however, it is maintaining a high operating rate. Sales volume in FY2017 is expected to be larger than in FY2016 and an increase in volume and cost reductions will make up for the price fall. Electronics materials were sluggish at the beginning of 2016, but the trend has been reversed, and they are expected to maintain high production volumes in the 1Q of 2017. Therefore, we are to put an end to profit decrease trend of electronics segment.

Q2. For how long do you think will the polyvinyl chloride market remain favorable? What do you think about the glass market in Europe subsequently?

A2. Demand for polyvinyl chloride is strong in Southeast Asia and we believe the impact of India's ban on large-denomination banknotes may be limited. Because Southeast Asia is continuing to enjoy economic growth, our sales are expected to be steady. In Europe, there may be temporary impacts of decrease shipment for seasonality factor and price hike of natural gas due to the shutdown of a nuclear power plant, but we think demand and supply will remain steady and we are not worrying so much about it.

Q3. Based on the recent environment, are there any concerns?

A3. The glass and chlor-alkali businesses are inevitably affected by market conditions.

Because we are increasing investments in the chlor-alkali business, we understand that we are exposed to risk of getting affected by market conditions. It is difficult not to be affected by market conditions at all, but we are working on mitigating such impacts. To achieve this, we'll focus on strategic businesses: "Life Sciences", Electronics" and "Mobility".

Q4. You acquired CMC Biologics for the huge amount of 60 billion yen. How do you expect CMC to contribute to sales in the future?

A4. We doesn't disclose the company's sales, but our target for the whole life science business including synthetic pharma&agrochemicals and biopharmaceutical is sales of 100 billion yen by 2025.

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