

QA during the Presentation of Financial Results for the Six Months of FY2017

【Overall company】

Q1 How were the business performance contributions of acquired companies(Vinythai and CMC Biologics)?

A1 We viewed the profit contributions of CMC Biologics to be limited for this year. While I can't talk about the particulars, the absolute amount in terms of sales proceeds produced by this company is smaller in comparison with that seen at Vinythai. Vinythai is a listed company, so we don't offer a detailed explanation at this point in time (due to the fact that the Vinythai's financial results have not yet been announced locally). However, the Vinythai's financial results from last year show sales proceeds in the 50-billion-yen range. Both quantities and prices for caustic soda and PVC are solid as is the case with our chlor-alkali business figures.

Q2 I would like to ask about the upward revisions found within the full-year business results. Is the anticipated difference with the figures from the start of the term (+10 billion yen) boosted up by strong chemical business? How do you forecast Glass segment and Electronics segment? That seems to be in tough situation when looking at just the first half of the year because OP down Year over Year.

A2 Forecasts from the beginning of the term for the company as a whole entailed a difference of +15 billion yen between the first and second halves of the year. We believe that the second half of the year will see profit increases in both the Glass and Electronics segments owing to seasonal factors. The major contributing factor to figure increases over the forecasts from the start of the term is the large size of the leverage effect presented by the chlor-alkali business for Chemical segment.

Q3 For the Glass and Electronics segments, we saw the removal of onetime profit from 2Q of the previous year (Total of around ▲3 billion yen) causing a Y-on-Y profit decrease . Will we be able to see a recovery as characterized by increases in profits from 3Q onward (which is when the impact is to be absent)?

A3 Architectural glass is showing increases in profits but significant profit increases in terms of the entire glass segment are becoming difficult. In the Automotive glass, the number of automobile units produced in North America having peaked, and a recovery in Europe will take time. The Electronics segment is actually standing quite firm. We can say that there

will be an increase in profits seen if special causes are removed. However, there are unfortunately currency exchange impacts which makes it look like we are experiencing a decrease in profits at the present. The price of crude oil right now is mild, but we are likely to see a slight increase in costs during the second half of the year due to a time lag in impacts of price increases in electricity and gas.

【Glass】

Q1 To what extent is a contributing element when it comes to declining profits? Has the trouble related to automotive glass already ended and can the company catch up in 3Q onward? Moreover, prices for raw materials and fuels have risen. Can you please give a briefing on items such as the situation for architectural glass in Europe?

A1 While the number of automobiles being produced in Europe is on the increase owing to comparatively good economic conditions there on the one hand, on the other hand, we have been in trouble when it comes to producing automotive glass as a result of increases in glass coming in complex shapes. While yields are gradually getting better, the nature of the situation will not present us with rapid improvements. We believe that we'll see a negative impact during the second half of the year as well. Energy costs will also have a negative impact on figures during the second half of the year. However, prices for architectural glass are on the rise in Western/Central Europe and in Russia, and we can make up for cost increases for architectural glass via price hike.

【Electronics】

Q1 How do you see the supply/demand situation of glass for LCD?

A1 We've seen demand increases of a mid-single digit percent range on an annual basis. One contributing factor to this is the fact that panel sizes are becoming larger. We have not increased the number of furnaces, managing things so that we don't have excess of supply.

Q2 Do you see any possibility of a turnover of price declines (price hike) after prices down have become moderate?

A2 I can't discuss this matter in much detail yet. The impact of price declines at the moment is still larger than cost decreases. While we first want to achieve some kind of balanced condition, we're just one step away until we get there. We just don't know what will happen at this moment in time.

【Chemicals】

Q1 I would like a breakdown of profits for the Chemical segment.

A1 My explanation will be a qualitative one as we have not released quantitative information about this matter. Functional products (mainly fluorochemicals) have seen continuously firm business expansion and profit increases. We are seeing especially good figures this year on the whole, with the significant improvements for new refrigerator (HFO-1234yf) being one element contributing to profit increases. The most growth driver of business result is chlor-alkali business in South East Asia. we're seeing tight conditions in terms of caustic soda and prices remain high. PVC and caustic soda is also seeing tight supply/demand. These are the kind of good conditions that Vinythai is experiencing, with the consolidation of the company also serving as a tailwind.

Q2 What are your thoughts on future capability enhancements in South East Asia?

A2 Demand is strong in South East Asia. The situation right now is that we're seeing an unfavorable trade balance wherein a balance cannot be struck unless things come from the outside. We'd like to aim for facility expansion if the opportunity arises, but it's something we want to think about carefully.

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