



# Financial Review

For the year ended December 31, 2015

# 2015

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# CONSOLIDATED ELEVEN-YEAR SUMMARY

Asahi Glass Co., Ltd. and Consolidated Subsidiaries  
For the years ended December 31

	Note	(Unit: Millions of yen)				
		2015/12 IFRS	2014/12 IFRS	2013/12 IFRS	2012/12 IFRS	2013/12 JGAAP
<b>Operating Results</b>						
Net sales		¥1,326,293	¥1,348,308	¥1,320,006	¥1,189,952	¥1,320,006
Operating profit		71,172	62,131	79,894	101,751	70,725
Profit before tax/Income before income taxes and minority interests		84,522	41,163	44,381	74,998	36,653
Profit for the year attributable to owners of the parent/Net income	3	42,906	15,913	16,139	48,433	10,333
<b>Segment Information</b>						
Sales to customers	4					
Glass Operations		¥ 691,411	¥ 684,607	¥ 664,239	¥ 562,140	¥ —
Electronics Operations		286,858	317,378	334,710	341,407	—
Chemicals Operations		315,636	314,694	287,960	254,086	—
Ceramics/Other Operations		32,388	31,628	33,096	32,316	—
<b>Financial Position</b>						
Total assets		¥1,991,262	¥2,077,338	¥2,120,629	¥1,916,394	¥2,119,664
Total current assets		637,546	627,178	682,179	638,873	695,240
Property, plant and equipment		982,296	1,066,193	1,059,946	956,806	1,060,777
Total current liabilities		346,157	355,999	448,018	368,852	457,928
Total equity/Total net assets		1,163,767	1,180,490	1,145,145	960,747	1,151,870
Total shareholders' equity		—	—	—	—	—
Non-controlling interests/Minority interests in consolidated subsidiaries		69,594	67,364	57,929	52,443	58,295
<b>Per Share Data (Yen)</b>						
Basic — EPS	5	¥ 37.12	¥ 13.77	¥ 13.97	¥ 41.90	¥ 8.94
Diluted — EPS	6	36.97	13.58	13.73	39.45	8.58
Cash dividends		18.00	18.00	18.00	26.00	18.00
Equity/Net assets	7	946.48	963.04	940.69	786.01	944.47
<b>Other Data</b>						
Return on equity (ROE)	8	3.9%	1.4%	1.6%	5.8%	1.0%
Interest-bearing debt	9	¥ 468,733	¥ 499,257	¥ 575,014	¥ 538,600	¥ —
Depreciation and amortization		137,381	137,199	135,751	117,856	—
Capital expenditures		125,103	118,169	138,480	155,329	—
Research and development expenses		38,927	44,758	46,882	47,074	—
Number of shares issued and outstanding (Thousands of shares)		1,186,705	1,186,705	1,186,705	1,186,705	—
Number of employees		50,852	51,114	51,448	49,961	—

- Notes: 1. The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in this consolidated eleven-year summary represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥121=US\$1, the approximate exchange rate as of December 31, 2015. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at ¥121=US\$1 or at any other rate.
2. The Company has prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") from the fiscal year ended December 31, 2013 instead of Japanese Generally Accepted Accounting Principles ("JGAAP"). The date of transition to IFRS was January 1, 2012.
3. (IFRS): Under IFRS, profit for the year is presented before deducting non-controlling interests. For comparison, the Company shows profit for the year attributable to owners of the parent.

(Unit: Millions of yen)								(Unit: Thousands of U.S. dollars)
2012/12	2011/12	2010/12	2009/12	2008/12	2007/12	2006/12	2005/12	2015/12
JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	IFRS
¥1,189,956	¥1,214,672	¥1,288,947	¥1,148,198	¥1,444,317	¥1,681,238	¥1,620,540	¥1,526,660	<b>\$10,961,099</b>
92,945	165,663	229,205	86,682	154,013	197,452	136,611	118,194	<b>588,198</b>
68,970	143,359	192,158	40,499	70,078	102,227	38,291	82,758	<b>698,529</b>
43,790	95,290	123,184	19,985	39,178	69,634	44,997	60,014	<b>354,595</b>
¥ 562,140	¥ 553,339	¥ 555,999	¥ 522,143	¥ 738,082	¥ 861,348	¥ 806,325	¥ 754,799	<b>\$ 5,714,140</b>
341,412	385,041	445,917	368,559	370,576	463,690	475,786	441,688	<b>2,370,727</b>
254,086	245,056	256,654	230,932	299,874	315,601	302,649	295,802	<b>2,608,562</b>
32,316	31,235	30,376	26,562	35,783	40,598	35,779	34,370	<b>267,669</b>
¥1,899,373	¥1,691,556	¥1,764,038	¥1,781,875	¥1,832,846	¥2,108,089	¥2,149,546	¥2,081,926	<b>\$16,456,711</b>
651,248	606,774	626,916	558,509	592,704	677,119	722,824	688,432	<b>5,268,975</b>
957,661	842,563	861,395	928,285	958,588	1,053,158	1,008,116	922,630	<b>8,118,149</b>
372,816	419,410	402,237	335,583	631,524	644,637	618,041	587,145	<b>2,860,802</b>
996,949	850,460	849,815	808,312	780,864	1,027,341	991,751	—	<b>9,617,909</b>
—	—	—	—	—	—	—	852,684	<b>—</b>
53,243	41,444	40,296	52,436	49,815	72,512	81,263	99,319	<b>575,157</b>
¥ 37.88	¥ 81.90	¥ 105.52	¥ 17.12	¥ 33.53	¥ 59.35	¥ 38.37	¥ 51.36	<b>\$ 0.31</b>
35.12	75.88	97.84	17.04	33.52	56.16	36.61	48.70	<b>0.31</b>
26.00	26.00	26.00	16.00	24.00	20.00	16.00	15.00	<b>0.15</b>
815.04	698.51	692.59	646.53	625.51	813.28	776.26	726.98	<b>7.82</b>
5.0%	11.8%	15.8%	2.7%	4.7%	7.5%	5.1%	7.7%	<b>3.9%</b>
¥ 540,846	¥ 483,297	¥ 508,509	¥ 600,678	¥ 597,612	¥ 531,233	¥ 574,879	¥ 529,387	<b>\$ 3,873,826</b>
117,856	110,056	109,966	136,672	135,317	134,747	125,915	122,664	<b>1,135,380</b>
155,334	152,705	117,439	124,937	252,147	231,131	252,731	203,995	<b>1,033,909</b>
48,360	46,442	39,399	44,958	37,700	33,943	30,781	31,706	<b>321,711</b>
1,186,705	1,186,705	1,186,705	1,186,705	1,186,705	1,186,682	1,186,013	1,185,999	<b>1,186,705</b>
49,961	50,957	50,399	47,618	47,770	49,710	54,228	56,857	<b>50,852</b>

4. Beginning from fiscal year 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) and restated the amount of the previous year.

5. (IFRS): Based on profit for the year attributable to owners of the parent.

6. (IFRS): Based on profit for the year attributable to owners of the parent.

7. (IFRS): Based on equity attributable to owners of the parent.

8. (IFRS): Return on equity attributable to owners of the parent.

9. Interest-bearing debt comprises short-term bank loans, long-term bank loans due within one year, commercial paper, bonds, long-term bank loans, and lease obligations.

The discussion and analysis herein of sales and operating profit are based on reportable segment information. Sales for reportable segments include all inter-segment transactions.

## Scope of Consolidation

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Number of consolidated subsidiaries: 204

Major subsidiaries:

AGC Techno Glass Corporation, Ise Chemicals Corporation, AGC Glass Europe S.A. and AGC Flat Glass North America, Inc.

## Currency Fluctuations

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The Japanese yen strengthened against the euro during fiscal year 2015. The year end yen-U.S. dollar rate was ¥120.6=US\$1.00 in fiscal year 2015 and 2014, and the year end yen-euro rate was ¥131.8=€1.00, compared with ¥146.5=€1.00 in the previous fiscal year.

## Overview of the Period Ended December 31, 2015

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### ■ Overview

In fiscal year 2015, the global economic environment surrounding the AGC Group remained on a gradual recovery track. In Japan, the economy showed a gradual upward trend due to factors such as economic measures taken by the government while weakness could be seen in some areas in the second half of this fiscal year. The business conditions in Europe continued to gradually recover and the economy in the United States was making a stable recovery with growth in consumer spending. Meanwhile, a slowdown in economic growth was observed in China and other emerging markets.

In such a business environment, the AGC Group posted net sales of ¥1,326.3 billion, down ¥22.0 billion, or a 1.6% decrease, from the previous fiscal year, due to lower sales in the display business although there were some revenue growth factors such as the weak yen. Operating profit increased by ¥9.0 billion, or 14.6%, year on year to ¥71.2 billion, thanks to the effect of structural reforms to the architectural glass business in Europe and North America and declines in raw material and fuel prices. Profit before tax increased by ¥43.4 billion or 105.3% to ¥84.5 billion mainly due to the recognition of "income from revision of the defined benefit corporate pension plan," and profit for the year attributable to owners of the parent was ¥42.9 billion, a ¥27.0 billion or 169.6% increase on a year-on-year basis.

### ■ Consolidated Net Sales

Consolidated net sales were ¥1,326.3 billion in fiscal year 2015.

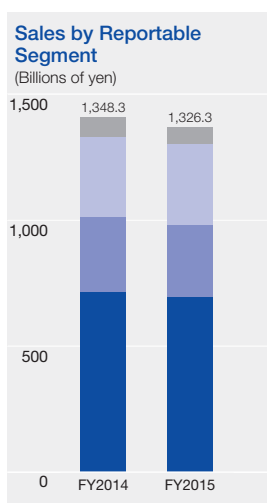
By reportable segment, the Glass Operations recorded sales of ¥692.9 billion in the year under review. In the flat glass business, shipments of architectural glass in Japan and Asia declined due to factors such as a backlash against last-minute demand before the consumption tax increase in Japan. Shipments in North America remained robust. In Europe, shipments increased in Western and Central Europe, while they declined in Eastern Europe due to the effects of deterioration in the economic environment.

In the automotive glass business, the AGC Group's sales increased on a year-on-year basis, boosted by robust demand in North America, a recovery in auto production in Western Europe and the weak yen, despite decreased auto production in Japan, some Asian countries and Eastern Europe.

Sales in the Electronics Operations were ¥288.6 billion. Shipments of LCD glass substrates increased from the previous fiscal year, supported by strong demand. However, their sales prices decreased from the previous fiscal year. Shipments of specialty glass for display applications grew on a year-on-year basis. The AGC Group terminated shipments of plasma display panel products at the end of the third quarter of the previous fiscal year as main customers withdrew from the business.

Regarding electronic materials, shipments of electronic materials had been favorable until the middle of this fiscal year, while sales on a full-year basis were almost unchanged from the previous fiscal year, partly because shipments of some products declined in and after the fourth quarter of this fiscal year.

Sales in the Chemicals Operations were ¥318.5 billion. Sales of chlor-alkali products and urethane materials increased from the previous fiscal year, supported by strong shipments and the weak yen. Sales of fluorine products and specialty products decreased from the previous fiscal year, mainly because shipments of some products declined.



■ Glass Operations  
■ Electronics Operations  
■ Chemicals Operations  
■ Ceramics/Other Operations

### Sales by Reportable Segment

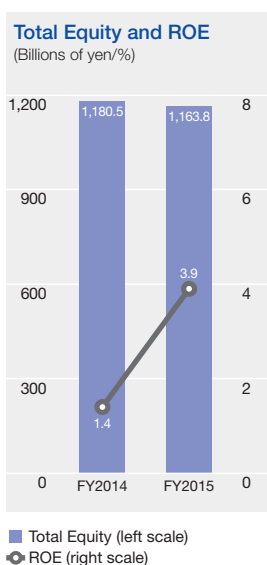
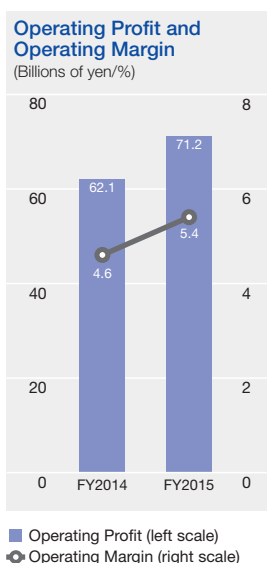
	(Unit: Millions of yen)	
	FY2014	FY2015
Glass Operations . . . . .	¥ 686,289	¥ <b>692,906</b>
Electronics Operations . . . . .	319,659	<b>288,582</b>
Chemicals Operations . . . . .	317,240	<b>318,457</b>
Ceramics/Other Operations . . . . .	80,829	<b>68,132</b>
Corporate or Elimination . . . . .	(55,710)	<b>(41,785)</b>
Net sales . . . . .	¥1,348,308	¥ <b>1,326,293</b>

### Profit and Expenses

Cost of sales decreased by ¥23.8 billion or 2.3% to ¥992.7 billion from the previous fiscal year. The cost-to-sales ratio stood at 74.8% mainly due to the effect of structural reforms to the architectural glass business in Europe and North America and declines in raw material and fuel prices.

### Cost of Sales and SG&A Expenses

	(Unit: Millions of yen)	
	FY2014	FY2015
Cost of sales . . . . .	¥1,016,479	¥ <b>992,728</b>
Cost-to-sales ratio . . . . .	75.4%	<b>74.8%</b>
Gross profit . . . . .	331,829	<b>333,565</b>
SG&A expenses . . . . .	272,295	<b>264,750</b>
SG&A expenses as a percentage of net sales . . . . .	20.2%	<b>20.0%</b>



Operating profit, the net result of gross profit minus selling, general and administrative (SG&A) expenses and share of profit (loss) of associates and joint ventures accounted for using equity method, was ¥71.2 billion, up ¥9.0 billion or 14.6% year on year. The operating margin increased by 0.8 of a percentage point to 5.4%.

Other expenses were ¥31.2 billion, compared with ¥30.3 billion in fiscal year 2014.

Expenses for restructuring programs of ¥13.1 billion were recorded, mainly because of the restructuring of electronic materials areas.

In addition, the AGC Group recorded a foreign exchange loss, net of ¥3.5 billion, compared to a ¥5.0 billion foreign exchange gain in the previous fiscal year.

Profit before tax increased by ¥43.4 billion year on year to ¥84.5 billion, mainly because of the recognition of "income from revision of the defined corporate pension plan."

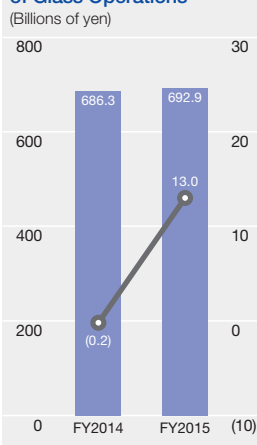
Consequently, net profit for the year attributable to owners of the parent was ¥42.9 billion, up ¥27.0 billion or 169.6% from ¥15.9 billion in the previous fiscal year. Basic earnings per share increased by 169.6% year on year from ¥13.77 to ¥37.12. ROE increased by 2.5 percentage points to 3.9%.

#### Profit

	(Unit: Millions of yen)	
	FY2014	FY2015
Operating profit	¥62,131	¥71,172
Operating margin	4.6%	5.4%
Profit before tax	41,163	84,522
Profit for the year attributable to owners of the parent	15,913	42,906
Percentage of net sales	1.2%	3.2%
Per share data (yen)		
— Net income—basic	13.77	37.12
— Net income—diluted	13.58	36.97
Return on equity (ROE)	1.4%	3.9%

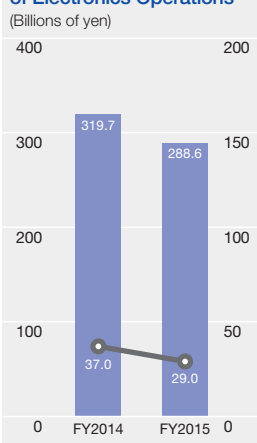
## Performance by Reportable Segment

### Sales and Operating Profit of Glass Operations



■ Sales (left scale)  
 ● Operating Profit (right scale)

### Sales and Operating Profit of Electronics Operations



■ Sales (left scale)  
 ● Operating Profit (right scale)

### ■ Glass Operations

In the flat glass business, shipments of architectural glass in Japan and Asia declined due to factors such as a backlash against last-minute demand before the consumption tax increase in Japan. Shipments in North America remained robust. In Europe, shipments increased in Western and Central Europe, while they declined in Eastern Europe due to the effects of deterioration in the economic environment. As a result, sales of architectural glass decreased on a year-on-year basis.

In the automotive glass business, the AGC Group's sales increased on a year-on-year basis, boosted by a recovery in auto production in Western Europe, robust demand in North America and the weak yen, despite decreased auto production in Japan, some Asian countries and Eastern Europe.

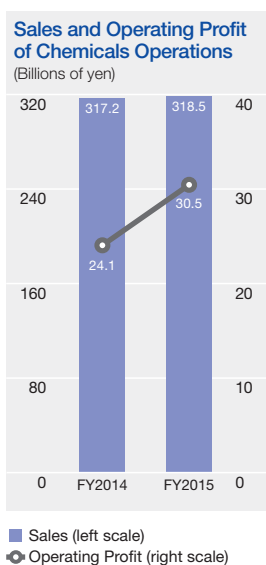
As a result, net sales from the Glass Operations for the fiscal year were ¥692.9 billion, up ¥6.6 billion or 1.0% from the previous fiscal year. Operating profit (loss) improved by ¥13.3 billion year on year to post a profit of ¥13.0 billion, mainly due to the effects of structural reforms to the architectural glass business in Europe and North America and declines in raw material and fuel prices.

### ■ Electronics Operations

Shipments of LCD glass substrates increased from the previous fiscal year, supported by strong demand. However, their sales prices decreased from the previous fiscal year. Shipments of specialty glass for display applications grew on a year-on-year basis. The AGC Group terminated shipments of plasma display panel products at the end of the third quarter of the previous fiscal year as main customers withdrew from the business.

Regarding electronic materials, shipments of electronic materials had been favorable until the middle of this fiscal year, while sales on a full-year basis were almost unchanged from the previous fiscal year, partly because shipments of some products declined in and after the fourth quarter of this fiscal year.

As a result, net sales from the Electronics Operations for the fiscal year were ¥288.6 billion, down ¥31.1 billion or 9.7% from the previous fiscal year. Operating profit was ¥29.0 billion, down ¥8.0 billion or 21.6% from the previous fiscal year.



## ■ Chemicals Operations

Sales of chlor-alkali products and urethane materials increased from the previous fiscal year, supported by strong shipments and the weak yen. Sales of fluorine products and specialty products decreased from the previous fiscal year, mainly because shipments of some products declined.

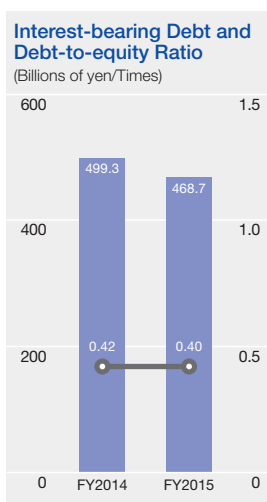
As a result, net sales from the Chemicals Operations for the fiscal year were ¥318.5 billion, up ¥1.2 billion or 0.4% from the previous fiscal year, and operating profit was ¥30.5 billion, up ¥6.4 billion or 26.7% from the previous fiscal year due to the declines in raw material and fuel prices.

Due to a change in corporate structure, the AGC Group partially changed the reportable segment of fabricated glass for industrial use and glass for solar power systems from Glass Operations to Electronics Operations in fiscal year 2015. Segment information in previous fiscal year is based on the classification of reportable segments in fiscal year 2015.

## Sales and Operating Profit (Loss) by Reportable Segment

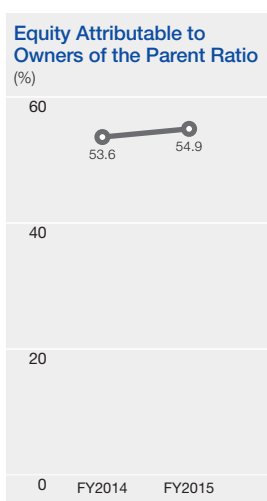
	(Unit: Millions of yen)	
	FY2014	FY2015
<b>Glass Operations</b>		
Sales	¥686,289	<b>¥692,906</b>
Operating profit (loss)	(238)	<b>13,046</b>
Operating margin	(0.0)%	<b>1.9%</b>
<b>Electronics Operations</b>		
Sales	319,659	<b>288,582</b>
Operating profit	37,027	<b>29,043</b>
Operating margin	11.6%	<b>10.1%</b>
<b>Chemicals Operations</b>		
Sales	317,240	<b>318,457</b>
Operating profit	24,096	<b>30,528</b>
Operating margin	7.6%	<b>9.6%</b>





■ Interest-bearing Debt (left scale)  
● Debt-to-equity Ratio (right scale)

\* Debt-to-equity Ratio = Interest-bearing Debt/Total Equity



## Assets, Liabilities and Equity

We continue to adhere to a policy of maintaining appropriate liquidity, securing the funds necessary to conduct our operations and ensuring the soundness of our balance sheet. With the aim of facilitating the stable procurement of long-term funds, we have obtained an A- rating from Standard & Poor's, an A2 rating from Moody's Investors Service and an AA- rating from Rating and Investment Information, Inc.

Total assets as of the end of the fiscal year under review were ¥1,991.3 billion, down ¥86.1 billion from the end of the previous fiscal year. This decrease was mainly due to a decrease in property, plant and equipment stemming from the appreciation of the yen compared to the end of the previous fiscal year.

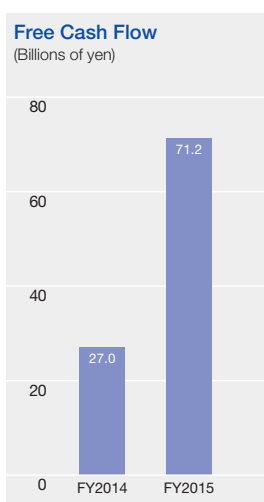
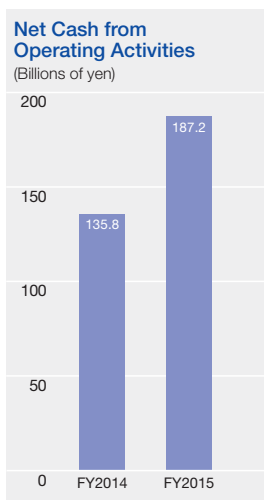
Total liabilities as of the end of the fiscal year under review were ¥827.5 billion, down ¥69.4 billion from the end of the previous fiscal year. This decrease was mainly due to a decrease in post-employment benefit liabilities which resulted from a revision of the Company's defined benefit corporate pension plan.

Total equity as of the end of the fiscal year under review was ¥1,163.8 billion, down ¥16.7 billion from the end of the previous fiscal year. This decrease was primarily due to a decrease in exchange differences on translation of foreign operations affected by the appreciation of the yen compared to the end of the previous fiscal year, despite the greater retained earnings resulting from net profit.

As a consequence of the above, the equity attributable to owners of the parent ratio for fiscal year 2015 increased by 1.3 percentage points from 53.6% to 54.9%. Equity attributable to owners of the parent per share decreased from the previous fiscal year to ¥946.48.

## Summary of Assets, Liabilities and Equity

	(Unit: Millions of yen)	
	FY2014	FY2015
Total assets	¥2,077,338	<b>¥1,991,262</b>
Total current assets	627,178	<b>637,546</b>
Inventories	239,497	<b>235,374</b>
Property, plant and equipment	1,066,193	<b>982,296</b>
Total current liabilities	355,999	<b>346,157</b>
Interest-bearing debt	499,257	<b>468,733</b>
Total equity	1,180,490	<b>1,163,767</b>
Equity attributable to owners of the parent ratio	53.6%	<b>54.9%</b>
Equity attributable to owners of the parent per share (Yen)	963.04	<b>946.48</b>
Debt-to-equity ratio (Times)	0.42	<b>0.40</b>



## Cash Flows

The free cash flow for the fiscal year under review, which is the sum of cash flows from operating activities and investing activities, increased ¥44.2 billion or 163.4% from the previous fiscal year to ¥71.2 billion mainly due to an increase in profit before tax.

Cash and cash equivalents as of the end of the period (net cash) increased ¥35.2 billion or 50.5% from the end of the previous fiscal year to ¥104.8 billion mainly due to payment of dividends in financing activities.

### ■ Cash Flows from Operating Activities

Net cash from operating activities was ¥187.2 billion for the fiscal year under review, up ¥51.4 billion or 37.8% from the previous fiscal year.

### ■ Cash Flows from Investing Activities

Net cash used in investing activities increased by ¥7.2 billion or 6.6% year on year to ¥116.0 billion. This expenditure includes capital investment in growth areas and industries.

### ■ Cash Flows from Financing Activities

Net cash used in financing activities for the fiscal year under review was ¥35.4 billion, down ¥59.3 billion or 62.6% from the previous fiscal year. This expenditure is mainly due to payment of dividends.

## Summary of Cash Flow Statements

	(Unit: Millions of yen)	
	FY2014	FY2015
Net cash from operating activities . . . . .	¥ 135,790	¥ 187,170
Profit before tax . . . . .	41,163	84,522
Depreciation and amortization . . . . .	137,199	137,381
Net cash used in investing activities . . . . .	(108,754)	(115,951)
Purchase of property, plant and equipment and intangible assets . . . . .	(113,966)	(126,491)
Free cash flow . . . . .	27,035	71,218
Net cash used in financing activities . . . . .	(94,673)	(35,417)
Effect of exchange rate changes on cash and cash equivalents . . . . .	4,644	(623)
Net increase (decrease) in cash and cash equivalents . . . . .	(62,994)	35,176
Cash and cash equivalents at beginning of year . . . . .	132,649	69,655
Cash and cash equivalents at end of year . . . . .	69,655	104,831

## **Business Risks**

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Set out below are risks associated with the AGC Group's operations and other risks that may materially influence the decisions of investors to invest in the AGC Group. However, this section does not include all possible risks relating to the AGC Group; there may exist additional risks not stated below. Any such risks are also likely to influence investors' decisions.

Forward-looking statements in this section are based on information available as of March 30, 2016.

### **(1) Economic conditions in markets in which the AGC Group's products are sold**

Demand for the AGC Group's products is impacted by trends in industries such as construction and building materials, automobiles, electronics and displays. The AGC Group's products are supplied throughout the world, for example in Asia, the United States and Europe, as well as in Japan, and sales are therefore influenced by local economic conditions. Although the AGC Group is working hard to build an earnings structure that is resilient to changes in the business environment by improving productivity and reducing fixed and variable costs, its performance and financial position are susceptible to declining demand from the industries mentioned as well as economic downturns in the regions where its products are primarily sold.

### **(2) Expansion of operations overseas**

The AGC Group has substantial operations overseas through exports of products and manufacturing abroad. The risks associated with operating abroad include deteriorating political and economic conditions, the imposition of regulations on imports and foreign investments, unexpected changes in laws, the worsening of public security, economic sanctions between countries, and the occurrence of terrorist attacks and war. These events may hinder the AGC Group's operations overseas and have a serious effect on its performance and financial position.

### **(3) Competitive edge, and development and commercialization of new technologies and products**

In every field in which the AGC Group operates, there are competitors supplying products similar to those of the AGC Group. Accordingly, to maintain its competitive edge, the AGC Group is striving to identify the needs of customers, and to develop and commercialize new technologies and products. However, should the AGC Group fail to appropriately respond to technical changes and customer needs or take too long to develop and commercialize new technologies and products, growth could be hampered and profitability could decline. This may significantly impact the AGC Group's performance and financial position.

### **(4) Procurement of production materials and resources**

Because the AGC Group partially uses special materials of which suppliers are limited, if supply tightens or is delayed, the AGC Group's performance and financial position may be greatly affected.

#### **(5) Government regulations**

In the countries and regions where it operates, the AGC Group is subject to the local government approval and authorization of investments, regulations on exports and imports, and laws governing commercial transactions, labor, patents, taxation, foreign exchange, and other issues. Consequently, amendments to these regulations and laws may significantly influence the AGC Group's performance and financial position.

#### **(6) Environmental regulations**

The AGC Group engages primarily in glass and chemicals operations, which are characterized by a heavy environmental impact because they consume a great quantity of resources and energy. Recognizing this, the AGC Group is making great efforts to reduce its environmental impact by improving facilities, establishing related management systems, and raising production efficiency by decreasing unit resource consumption and unit energy consumption. However, if environmental regulations become more stringent and public calls for greater corporate responsibility in environmental protection grow louder as greenhouse gas, soil pollution, chemical substance and other problems widen, the AGC Group's performance and financial position may be significantly impacted.

#### **(7) Product liability**

The AGC Group is making every effort to ensure that products are of the highest quality, according to their individual characteristics. Despite these efforts, the possibility remains that quality problems may occur because of unanticipated factors, prompting a major recall, for example. This could substantially influence the AGC Group's performance and financial position.

#### **(8) Intellectual property rights**

The AGC Group endeavors to acquire intellectual property rights that are useful for its present business activities and future operations alike, while investigating the rights and business conditions of third parties, in order to prevent intellectual property issues from arising. However, there is the possibility that the AGC Group will have disputes with third parties over intellectual property or that third parties will infringe the AGC Group's intellectual property rights. This has the potential to materially influence the AGC Group's performance and financial position.

#### **(9) Litigation and legal procedures**

The AGC Group has been investigated by Brazilian authorities concerning an alleged violation of the competition laws in the sector of glass bulbs for cathode ray tubes as the subsidiary had exported a small quantity of the said product to Brazil. If the authorities find, based on the results of the investigations, that there was a violation, then fines or such like may be imposed.

There is always a risk that other firms, corporate groups, or individuals may take legal actions against the AGC Group with respect to its operations at home and abroad. As of March 30, 2016, there were some lawsuits and legal proceedings pending. If these lawsuits and proceedings result in a disadvantageous outcome for the AGC Group, its performance and financial position may be significantly impacted.

#### **(10) Effect of natural disasters and accidents**

To minimize the adverse impact on business caused by the suspension of production, the AGC Group regularly conducts inspections of all facilities for maintenance purposes and to prevent potential damage from a disaster. However, there is no guarantee that the effects of disasters (including earthquakes, power outages, and other disruptions) occurring at manufacturing facilities can be completely prevented or mitigated.

Given that some of the AGC Group's products cannot be replaced by alternatives, should production cease at some facilities temporarily or for an extended period because of a major earthquake or other occurrence, the AGC Group's ability to manufacture such products is likely to sharply decline. Should this occur, the AGC Group's performance and financial position may be greatly affected.

#### **(11) Exchange rate fluctuations**

The AGC Group manufactures and sells products worldwide, and converts transaction accounts in local currencies, including sales, costs, and assets, into Japanese yen when preparing its consolidated financial statements. Even if the values of these items remain unchanged in local currency terms, they may change when converted into Japanese yen depending on exchange rates.

The AGC Group also manufactures products at its facilities worldwide, including Japan, and exports the products to a number of countries. The AGC Group generally procures raw materials and sells products in the local currency of each country/region, but there are some product sales and material purchases denominated in foreign currencies. Accordingly, fluctuations in exchange rates influence the prices of materials the AGC Group procures and the pricing for its products, and this impacts the AGC Group's performance and financial position.

#### **(12) Retirement benefit obligations**

The AGC Group calculates costs for employee retirement benefits and obligations based on actuarial assumptions of the returns on pension funds and a specific discount rate. If the actuarial assumptions and results diverge substantially because of deterioration in the market environment for pension fund management, future costs for retirement benefits will increase, and this may seriously impact the AGC Group's performance and financial position.

#### **(13) Decline in fixed asset values**

If the values of the AGC Group's fixed assets were to decline because of a drop in market values or profitability, the AGC Group's performance and financial position may be substantially impacted.

# 1 FINANCIAL STATEMENTS (IFRS)

## Consolidated Financial Statements (IFRS)

### i) Consolidated Statements of Financial Position

	Note	(Unit: Millions of yen)	
		FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents . . . . .	5, 25	¥ 69,655	¥ 104,831
Trade receivables . . . . .	6, 25	262,091	241,294
Inventories . . . . .	7	239,497	235,374
Other receivables . . . . .	6, 25	37,036	36,733
Income tax receivables . . . . .		7,607	6,448
Other current assets . . . . .	25	11,289	12,863
Total current assets . . . . .		627,178	637,546
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	8	1,066,193	982,296
Goodwill . . . . .	9	36,269	34,231
Intangible assets . . . . .	9	25,844	27,456
Investments accounted for using equity method . . . . .	10	44,184	38,850
Other financial assets . . . . .	25	236,057	232,877
Deferred tax assets . . . . .	11	35,804	30,108
Other non-current assets . . . . .		5,805	7,896
Total non-current assets . . . . .		1,450,159	1,353,716
<b>Total assets</b> . . . . .		<b>¥2,077,338</b>	<b>¥1,991,262</b>

		(Unit: Millions of yen)	
		FY2014	FY2015
		(as of December 31, 2014)	(as of December 31, 2015)
	Note		
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables . . . . .	12, 25	¥ 131,147	¥ 126,956
Short-term interest-bearing debt . . . . .	13, 25	63,694	34,989
Long-term interest-bearing debt due within one year . . . . .	13, 25	33,508	61,709
Other payables . . . . .	12, 25	103,621	98,678
Income tax payables . . . . .		5,775	4,737
Provisions . . . . .	14	3,779	1,887
Other current liabilities . . . . .	25	14,472	17,198
Total current liabilities . . . . .		355,999	346,157
<b>Non-current liabilities</b>			
Long-term interest-bearing debt . . . . .	13, 25	402,054	372,034
Deferred tax liabilities . . . . .	11	21,145	32,666
Post-employment benefit liabilities . . . . .	15	99,687	58,057
Provisions . . . . .	14	12,554	12,821
Other non-current liabilities . . . . .	25	5,405	5,758
Total non-current liabilities . . . . .		540,847	481,338
Total liabilities . . . . .		896,847	827,495
<b>EQUITY</b>			
Share capital . . . . .	17	90,873	90,873
Capital surplus . . . . .	17	100,670	100,802
Retained earnings . . . . .	17	641,866	663,874
Treasury shares . . . . .	17	(29,784)	(29,576)
Other components of equity . . . . .	17	309,501	268,198
Total equity attributable to owners of the parent . . . . .		1,113,126	1,094,172
Non-controlling interests . . . . .		67,364	69,594
Total equity . . . . .		1,180,490	1,163,767
<b>Total liabilities and equity . . . . .</b>		<b>¥2,077,338</b>	<b>¥1,991,262</b>

**ii) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income  
(Consolidated Statements of Profit or Loss)**

		(Unit: Millions of yen)	
		FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
	Note		
<b>Net sales</b> .....	19	¥ 1,348,308	<b>¥1,326,293</b>
<b>Cost of sales</b> .....	20	(1,016,479)	<b>(992,728)</b>
Gross profit .....		331,829	<b>333,565</b>
<b>Selling, general and administrative expenses</b> .....	20	(272,295)	<b>(264,750)</b>
<b>Share of profit (loss) of associates and joint ventures accounted for using equity method</b> .....	10	2,597	<b>2,357</b>
Operating profit .....		62,131	<b>71,172</b>
<b>Other income</b> .....	20	12,218	<b>46,009</b>
<b>Other expenses</b> .....	20	(30,334)	<b>(31,231)</b>
Business profit .....		44,016	<b>85,949</b>
<b>Finance income</b> .....	22	5,662	<b>6,021</b>
<b>Finance costs</b> .....	22	(8,514)	<b>(7,449)</b>
Net finance costs .....		(2,852)	<b>(1,427)</b>
Profit before tax .....		41,163	<b>84,522</b>
<b>Income tax expenses</b> .....	23	(20,688)	<b>(38,235)</b>
Profit for the year .....		¥ 20,475	¥ <b>46,287</b>
Attributable to owners of the parent .....		¥ 15,913	¥ <b>42,906</b>
Attributable to non-controlling interests .....		4,561	<b>3,380</b>
<b>Earnings per share</b>			
Basic earnings per share (yen) .....	24	¥ 13.77	¥ <b>37.12</b>
Diluted earnings per share (yen) .....	24	13.58	<b>36.97</b>



## (Consolidated Statements of Comprehensive Income)

		(Unit: Millions of yen)	
		FY2014	FY2015
		(Jan. 1 through Dec. 31, 2014)	(Jan. 1 through Dec. 31, 2015)
	Note		
<b>Profit for the year</b> . . . . .		¥ 20,475	¥ 46,287
<b>Other comprehensive income</b>			
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax			
Remeasurement of the net defined benefit liability (asset) . . . . .	18	(15,546)	6,138
Net gain (loss) on revaluation of financial assets measured at FVTOCI <sup>(Note)</sup> . . . . .	18	(3,610)	5,011
Share of other comprehensive income of associates and joint ventures accounted for using equity method . . . . .	10, 18	85	(12)
Total . . . . .		(19,071)	11,137
Components of other comprehensive income that may be reclassified to profit or loss, net of tax			
Net gain (loss) in fair value of cash flow hedges . . . . .	18	(681)	(1,872)
Exchange differences on translation of foreign operations . . . . .	18	49,342	(53,308)
Share of other comprehensive income of associates and joint ventures accounted for using equity method . . . . .	10, 18	16	43
Total . . . . .		48,677	(55,138)
Other comprehensive income, net of tax . . . . .		29,605	(44,000)
<b>Total comprehensive income for the year</b> . . . . .		¥ 50,080	¥ 2,286
Attributable to owners of the parent . . . . .		¥ 42,007	¥ 1,596
Attributable to non-controlling interests . . . . .		8,073	690

Note: FVTOCI: Fair Value Through Other Comprehensive Income

### iii) Consolidated Statements of Changes in Equity

		(Unit: Millions of yen)					
		Equity attributable to owners of the parent				Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOC <sup>(Note)</sup>
FY2014 (Jan. 1 through Dec. 31, 2014)	Note						
<b>Balance as of January 1, 2014</b>		¥90,873	¥100,650	¥641,740	¥(29,884)	¥(25,940)	¥90,441
Changes in equity							
Comprehensive income							
Profit for the year		—	—	15,913	—	—	—
Other comprehensive income	18	—	—	—	—	(14,919)	(3,610)
Total comprehensive income for the year		—	—	15,913	—	(14,919)	(3,610)
Transactions with owners							
Dividends	17	—	—	(16,181)	—	—	—
Increase through treasury shares transactions	17	—	—	—	(29)	—	—
Decrease through treasury shares transactions	17	—	0	(34)	128	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control		—	(166)	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	428	—	—	(428)
Share-based payment transactions	16	—	185	—	—	—	—
Others (business combinations and others)		—	—	—	—	—	—
Total transactions with owners		—	19	(15,787)	99	—	(428)
<b>Balance as of December 31, 2014</b>		¥90,873	¥100,670	¥641,866	¥(29,784)	¥(40,859)	¥86,402

Note: FVTOCI: Fair Value Through Other Comprehensive Income

		(Unit: Millions of yen)					
		Equity attributable to owners of the parent			Other components of equity		
		Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity
FY2014 (Jan. 1 through Dec. 31, 2014)	Note						
<b>Balance as of January 1, 2014</b>		¥ (69)	¥219,403	¥283,835	¥1,087,216	¥57,929	¥1,145,145
Changes in equity							
Comprehensive income							
Profit for the year		—	—	—	15,913	4,561	20,475
Other comprehensive income	18	(665)	45,289	26,094	26,094	3,511	29,605
Total comprehensive income for the year		(665)	45,289	26,094	42,007	8,073	50,080
Transactions with owners							
Dividends	17	—	—	—	(16,181)	(652)	(16,833)
Increase through treasury shares transactions	17	—	—	—	(29)	—	(29)
Decrease through treasury shares transactions	17	—	—	—	94	—	94
Changes in ownership interests in subsidiaries that do not result in loss of control		—	—	—	(166)	(789)	(956)
Transfer from other components of equity to retained earnings		—	—	(428)	—	—	—
Share-based payment transactions	16	—	—	—	185	—	185
Others (business combinations and others)		—	—	—	—	2,803	2,803
Total transactions with owners		—	—	(428)	(16,097)	1,361	(14,735)
<b>Balance as of December 31, 2014</b>		¥(734)	¥264,693	¥309,501	¥1,113,126	¥67,364	¥1,180,490

		(Unit: Millions of yen)						
		Equity attributable to owners of the parent					Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOC <sup>(Note)</sup>	
<b>FY2015 (Jan. 1 through Dec. 31, 2015)</b>	Note							
<b>Balance as of January 1, 2015</b>		<b>¥90,873</b>	<b>¥100,670</b>	<b>¥641,866</b>	<b>¥(29,784)</b>	<b>¥(40,859)</b>	<b>¥86,402</b>	
Changes in equity								
Comprehensive income								
Profit for the year		—	—	42,906	—	—	—	
Other comprehensive income	18	—	—	—	—	5,856	4,998	
Total comprehensive income for the year		—	—	42,906	—	5,856	4,998	
Transactions with owners								
Dividends	17	—	—	(20,806)	—	—	—	
Increase through treasury shares transactions	17	—	—	—	(57)	—	—	
Decrease through treasury shares transactions	17	—	(0)	(84)	265	—	—	
Changes in ownership interests in subsidiaries that do not result in loss of control		—	—	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	(7)	—	—	7	
Share-based payment transactions	16	—	132	—	—	—	—	
Others (business combinations and others)		—	—	—	—	—	—	
Total transactions with owners		—	131	(20,898)	208	—	7	
<b>Balance as of December 31, 2015</b>		<b>¥90,873</b>	<b>¥100,802</b>	<b>¥663,874</b>	<b>¥(29,576)</b>	<b>¥(35,003)</b>	<b>¥91,408</b>	

Note: FVTOCI: Fair Value Through Other Comprehensive Income

		(Unit: Millions of yen)						
		Equity attributable to owners of the parent					Other components of equity	
		Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity	
<b>FY2015 (Jan. 1 through Dec. 31, 2015)</b>	Note							
<b>Balance as of January 1, 2015</b>		<b>¥ (734)</b>	<b>¥264,693</b>	<b>¥309,501</b>	<b>¥1,113,126</b>	<b>¥67,364</b>	<b>¥1,180,490</b>	
Changes in equity								
Comprehensive income								
Profit for the year		—	—	—	42,906	3,380	46,287	
Other comprehensive income	18	(1,829)	(50,336)	(41,310)	(41,310)	(2,690)	(44,000)	
Total comprehensive income for the year		(1,829)	(50,336)	(41,310)	1,596	690	2,286	
Transactions with owners								
Dividends	17	—	—	—	(20,806)	(763)	(21,570)	
Increase through treasury shares transactions	17	—	—	—	(57)	—	(57)	
Decrease through treasury shares transactions	17	—	—	—	180	—	180	
Changes in ownership interests in subsidiaries that do not result in loss of control		—	—	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	7	—	—	—	
Share-based payment transactions	16	—	—	—	132	—	132	
Others (business combinations and others)		—	—	—	—	2,303	2,303	
Total transactions with owners		—	—	7	(20,550)	1,539	(19,010)	
<b>Balance as of December 31, 2015</b>		<b>¥(2,563)</b>	<b>¥214,357</b>	<b>¥268,198</b>	<b>¥1,094,172</b>	<b>¥69,594</b>	<b>¥1,163,767</b>	

#### iv) Consolidated Statements of Cash Flows

		(Unit: Millions of yen)	
		FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
	Note		
<b>Cash flows from operating activities</b>			
Profit before tax		¥ 41,163	¥ 84,522
Depreciation and amortization		137,199	137,381
Interest and dividend income		(5,618)	(5,921)
Interest expenses		7,542	6,477
Share of profit (loss) of associates and joint ventures accounted for using equity method		(2,597)	(2,357)
Loss (gain) on sale or disposal of non-current assets		1,247	(912)
Decrease (increase) in trade receivables		10,568	16,901
Decrease (increase) in inventories		4,183	(6,015)
Increase (decrease) in trade payables		(11,184)	64
Others		(10,837)	(23,502)
Subtotal		171,666	206,637
Interest and dividends received		6,479	6,365
Interest paid		(6,638)	(5,451)
Income taxes paid		(35,716)	(20,380)
Net cash from operating activities		135,790	187,170
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(113,966)	(126,491)
Proceeds from sale of property, plant and equipment		7,491	11,884
Purchase of other financial assets		(1,469)	(1,089)
Proceeds from sale and redemption of other financial assets		1,554	2,406
Others		(2,364)	(2,662)
Net cash used in investing activities		(108,754)	(115,951)
<b>Cash flows from financing activities</b>			
Changes in short-term interest-bearing debt		7,253	(26,399)
Proceeds from borrowing or issuing long-term interest-bearing debt		36,630	43,379
Repayment or redemption of long-term interest-bearing debt		(122,815)	(32,085)
Payment from purchase of shares in subsidiaries from non-controlling interests		(956)	—
Acquisition of treasury shares		(29)	(57)
Dividends paid	17	(16,181)	(20,806)
Others		1,424	551
Net cash used in financing activities		(94,673)	(35,417)
Effect of exchange rate changes on cash and cash equivalents		4,644	(623)
Net increase (decrease) in cash and cash equivalents		(62,994)	35,176
Cash and cash equivalents at beginning of year	5	132,649	69,655
Cash and cash equivalents at end of year	5	¥ 69,655	¥ 104,831

## 2 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1: Reporting entity

Asahi Glass Co., Ltd. (the “Company”) is a company domiciled in Japan. The consolidated financial statements of the Company as of and for the year ended December 31, 2015 comprise the Company and its subsidiaries (the “Group”), and interests in associates and jointly controlled entities, etc. (the “Group entities”).

The Group is engaged in business activities primarily in the areas of Glass Operations, Electronics Operations, and Chemicals Operations. Please see Note 4 “Segment information” for details on the Group’s businesses.

### Note 2: Basis of preparations

#### (a) Statement of compliance with IFRS

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), based on the stipulations of Article 93 of the Ordinance on Consolidated Financial Statements. The Group’s consolidated financial statements satisfy all of the requirements for a “Specified Company” prescribed by Article 1-2 of the Ordinance on Consolidated Financial Statements.

On March 30, 2016, the consolidated financial statements were approved by President & CEO Takuya Shimamura and Director & CFO Shinji Miyaji.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following significant items on the consolidated statements of financial position:

- Derivative financial instruments are measured at fair value.
- Equity instruments are measured at fair value.
- Defined benefit pension plan assets and liabilities are measured at the present value of defined benefit obligations less the fair value of the plan assets.

#### (c) Presentation currency

The consolidated financial statements are presented in Japanese yen. The currency unit is millions of yen, with figures less than one million yen rounded down.

#### (d) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The estimates and their underlying assumptions are reviewed continuously. Changes in accounting estimates will affect the period in which the estimates are changed and future periods.

Judgments and estimates made by management that have a significant effect on the amounts recognized in the consolidated financial statements in the reporting period and subsequent periods are as follows:

- Inventory valuation (See Note 7 “Inventories”)
- Estimates of useful lives and residual values of property, plant and equipment and intangible assets (See Note 8 “Property, plant and equipment” and Note 9 “Goodwill and intangible assets”)
- Calculation of the value in use in cash-generating units, the smallest unit of measurement for impairment of property, plant and equipment, goodwill and intangible assets (See Note 8 “Property, plant and equipment” and Note 9 “Goodwill and intangible assets”)
- The recoverability of deferred tax assets (See Note 11 “Deferred tax assets and liabilities”)
- Actuarial assumptions for defined benefit pension plans (See Note 15 “Employee benefits”)
- The recoverable amount of trade receivables (See Note 25 “Financial instruments”)

#### (e) Changes in accounting policies

The following are the accounting standards applied by the Group from fiscal year 2015. The effect of the application of these standards on the Group’s consolidated financial statements is immaterial.

Standards	Title	Summary of new standards and amendments
IFRS 9 (amended in November 2013)	Financial Instruments	Changes in hedge accounting
IAS 19	Employee Benefits	Clarification of accounting treatment of contribution from employees or third parties that are not related to years of service

#### (f) Early adoption of new standards

The Group has early adopted IFRS 9 *Financial Instruments* (amended in November 2013).

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### **Note 3: Significant accounting policies**

#### **(a) Basis of consolidation**

##### **i) Business combinations**

Business combinations are accounted for using the acquisition method when control is obtained. The Group recognizes goodwill as any excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, in the case of a business combination achieved in stages, the acquisition-date fair value of the equity interest of the acquiree previously held by the acquirer, over the net of the acquisition-date amounts of the identifiable assets acquired from the acquiree and the liabilities assumed.

If the consideration transferred is lower than the latter net amount, the acquirer immediately recognizes the difference as profit or loss.

Impairment test of goodwill is conducted annually, regardless of any indication of impairment. (See (i) "Impairment for non-financial assets").

Business combinations of entities under common control are accounted for based on carrying amounts. These business combinations are those in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

##### **ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. If a subsidiary is controlled, the Group has exposure or rights to variable returns from involvement with the investee, and has the ability to use power over the investee to affect those returns. The accounting policies of subsidiaries have been adjusted in order to ensure conformity with the accounting policies adopted by the Group, as necessary.

##### **iii) Non-controlling interests**

The components of profit or loss and other comprehensive income are attributed to owners of the parent and non-controlling interests. Of transactions giving rise to a change in the interest between the Company and the non-controlling interests of a subsidiary, for transactions that do not result in a loss of control, changes in the non-controlling interests in the subsidiary and the net amount of consideration paid (or received), are recognized directly in equity, and are not recognized as goodwill or as profit or loss.

##### **iv) Investments in associates and joint ventures (Investments accounted for using equity method)**

An associate is an entity over which the Company and its subsidiaries have significant influence over its financial and operating policies, but do not exercise control of it. Significant influence is presumed to exist when the Company and its subsidiaries hold the voting rights ranging from 20% to 50% in another entity. Considering not only conditions of holding the voting rights, but also other elements, such as participation in management, an associate is included if they can exercise significant influence.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are recognized at acquisition cost on acquisition and are subsequently accounted for using the equity method. Any differences between the investment on the investment date and the corresponding equity of the investee are included in the carrying amount of the investment as goodwill. The consolidated financial statements reflect the investments in associates and joint ventures' share of profit or loss and other comprehensive income of the investee from the date on which the Company and its subsidiaries obtain significant influence until the end of the reporting period. In the event that the Company and its subsidiaries' burden of loss exceed the investment in the investee, the carrying amount of the Company and its subsidiaries' share is reduced to zero. Except for when the Company and its subsidiaries incur obligations or make payments on behalf of the equity-accounted investee, the Company and its subsidiaries shall recognize no further loss.

Goodwill that forms part of the carrying amount of investments in associates and joint ventures is not separately recognized, and therefore is not tested for impairment separately. Instead, whenever there is any objective evidence that an investment in an associate or joint venture may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset.

##### **v) Transactions eliminated on consolidation**

All intergroup balances, transactions and unrealized gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealized losses are eliminated only to the extent that there is no evidence of impairment.

## **(b) Foreign currency**

### **i) Foreign currency transactions**

Foreign currency transactions are translated into functional currencies of the individual Group entities by applying the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currencies at the prevailing exchange rates at the reporting date. Exchange differences are recognized as profit or loss. Exchange differences for any gains or losses on the assets and liabilities recognized in other comprehensive income are recognized in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in foreign currencies are translated at the exchange rate at the date of the transaction.

### **ii) Foreign operations**

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated into Japanese yen at the exchange rates prevailing at the reporting date. Income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period.

## **(c) Financial instruments**

The Group had early adopted IFRS 9 *Financial Instruments* (amended in October 2010) by December 31, 2014. Further, the Group has early adopted IFRS 9 *Financial Instruments* (amended in November 2013) since January 1, 2015. Accordingly, all hedging relationships designated on and after January 1, 2015 are accounted for based on requirements for IFRS 9 *Financial Instruments* (amended in November 2013).

The Group recognizes financial instruments on the contract date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset in the following circumstances:

- When the contractual rights to receive the cash flows from the financial asset expire; or
- When the contractual rights to receive the cash flows from the financial asset in transactions in which substantially all the risks and rewards of ownership of the financial asset are transferred to another entity.

In regard to transferred financial assets, the Group recognizes any retained interest of the transferred financial asset as a separate asset or liability.

Financial assets and financial liabilities are offset and presented as a net amount on the consolidated statements of financial position only when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **i) Non-derivative financial assets**

The Group holds non-derivative financial assets that are classified into financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

#### *Financial assets measured at amortized cost*

Financial assets are classified as financial assets measured at amortized cost if the following two conditions are met:

- The foregoing financial assets are held within a Group business model whose objective is to hold the assets in order to collect contractual cash flows from the assets; and
- The contractual terms of the foregoing financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The foregoing financial assets are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, the financial assets are measured at amortized cost using the effective interest method.

Financial assets that are measured at amortized cost are assessed for any objective evidence of impairment at each reporting date.

Objective evidence of impairment of financial assets includes: a default or delinquency by the borrower, a concession granted to the borrower that the Group would not have otherwise considered, significant financial difficulty of the issuer or obligor, and the disappearance of an active market.

An individually significant financial asset is individually assessed for impairment. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar credit risk characteristics. In assessing collective impairment, the Group evaluates historical loss experience and other factors.

Impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Cash flows relating to short-term receivables are not discounted due to the immaterial effect of discounting.

Impairment loss is recognized in profit or loss.

#### *Financial assets measured at fair value through other comprehensive income*

The Group designates equity instruments as financial assets measured at fair value through other comprehensive income when an irrevocable election has been made on initial recognition to measure the gains and losses arising from changes in the fair value of such instruments in other comprehensive income, and when such instruments are not classified as financial assets measured at amortized cost.

When the foregoing financial assets measured at fair value through other comprehensive income are derecognized through sale, etc., the cumulative gains or losses are reclassified from other components of equity to retained earnings.

**ii) Non-derivative financial liabilities**

The Group recognizes the following as non-derivative financial liabilities: trade payables, other payables, and interest-bearing debt (borrowings, commercial paper, corporate bonds, bonds with subscription rights to shares (excluding share subscription rights), and lease obligations), among other items.

The foregoing financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled or expired.

**iii) Bonds with subscription rights to shares**

The Group classifies proceeds from the issue of bonds with subscription rights to shares into a liability component and an equity component based on the issuing conditions.

Upon initial recognition, the liability component of bonds with subscription rights to shares is initially recognized at the fair value of similar liabilities without equity conversion options. The equity component is initially recognized as the total fair value of the bonds with subscription rights to shares less the fair value of the liability component. The transaction cost related to the issue of the bonds with subscription rights to shares is prorated according to the ratio of the initial carrying amounts of the liability and equity components on initial recognition, and deducted from the amounts of the liability and equity components.

After initial recognition, the liability component of the bonds with subscription rights to shares is measured at amortized cost using the effective interest method. The equity component of the bonds with subscription rights to shares is not remeasured.

**iv) Derivative financial instruments (including hedge accounting)**

The Group holds derivative financial instruments to hedge foreign currency exchange risk, interest rate risk, and commodity price risk.

The Group initially recognizes derivative financial instruments at fair value, with the related transaction costs recognized in profit or loss when incurred. After initial recognition, derivative financial instruments are measured at fair value, with changes in fair value accounted for as follows, depending on whether or not derivatives qualify for hedge accounting:

(Derivative not qualifying for hedge accounting)

Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognized in profit or loss.

(Derivative qualifying for hedge accounting)

When applying hedge accounting, at the inception of hedges, the Group formally designates and documents hedging relationships to which hedge accounting is applied and the objectives and strategies of risk management for undertaking hedges.

At the inception of hedges, the Group evaluates whether or not the hedging instrument can be predicted to be effective. Thereafter, the Group continuously evaluates whether the derivative is highly effective in offsetting changes in future cash flows from the hedged items.

The Group applies cash flow hedges in designated qualifying derivative financial instruments as hedging instruments. Cash flow hedges are designed to hedge exposure to variations in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or highly probable forecast transactions which will affect profit or loss.

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The amounts recognized in other comprehensive income are reclassified to profit or loss in the consolidated reporting periods when the cash flows of the hedged items affect profit or loss. The ineffective portion of changes in the fair value of hedging instruments is recognized in profit or loss.

Hedge accounting is discontinued prospectively when: the hedging instrument expires or is sold, terminated, or exercised; the hedge no longer meets the criteria for hedge accounting; a forecast transaction is no longer expected to occur; or the hedging designation is revoked. After early adoption of IFRS 9 *Financial Instruments* (amended in November 2013), a hedge designation may not be voluntarily revoked unless there is a change in the risk management objective. Therefore, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the hedge effectiveness requirement again.

**v) Equity**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs (net of tax) directly attributable to the issue of ordinary shares or stock options are deducted from equity.

*Treasury shares*

If the Company purchases treasury shares, the consideration paid, net of directly attributable transaction costs and tax, is recognized as a deduction from equity. If the Company disposes of treasury shares, any gains or losses arising from the disposal of treasury shares are recognized in equity.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, bank deposits available for withdrawal on demand, and short-term investments due within three months or less and are substantially free from any price fluctuation risks.



#### **(e) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is measured based on the moving average method, and includes costs of purchase and costs of conversion (including fixed and variable manufacturing overheads). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **(f) Property, plant and equipment**

##### **i) Recognition and measurement**

Property, plant and equipment is presented at cost less accumulated depreciation and accumulated impairment losses.

Cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset. The cost of self-constructed assets includes material costs, direct labor costs, direct costs attributable to bringing the asset to the location and conditions necessary for its intended use, and the cost of dismantling, removing, and restoring the asset, as well as borrowing costs that satisfy the requirements for being capitalized.

After acquisition of property, plant and equipment, the Group recognizes costs as the carrying amount of an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Differences between the carrying amount and the consideration received for the disposal of property, plant and equipment are recognized in profit or loss.

##### **ii) Depreciation**

Depreciation of property, plant and equipment excluding non-depreciable property, plant and equipment, such as land, is computed under the straight-line method over the estimated useful lives of each item and the depreciable amount which is the cost of the asset less its residual value.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 10 to 50 years
- Machinery, equipment and vehicles: 4 to 15 years
- Tools, fixtures and fittings: 2 to 15 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

#### **(g) Goodwill and intangible assets**

##### **i) Goodwill**

Goodwill may be recognized on the acquisition of a subsidiary. The measurement of goodwill on initial recognition is shown in (a) i) "Business combinations."

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Measurement of goodwill impairment is shown in (i) "Impairment for non-financial assets."

##### **ii) Research and development expenses**

Expenditure related to research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense when incurred.

Expenditure on development activities is capitalized as an intangible asset if it is reliably measurable, products or processes are technically and commercially feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete those assets and use or sell them. Other expenditure is recognized as an expense when incurred.

Capitalized development expenditure is presented at cost less any accumulated amortization and accumulated impairment losses.

##### **iii) Other intangible assets**

Other intangible assets are initially recognized at cost. After initial recognition, intangible assets with finite useful lives are presented at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are presented at cost less any accumulated impairment losses.

##### **iv) Amortization**

Amortization of intangible assets with finite useful lives is recognized as an expense under the straight-line method over their estimated useful lives from the date when the assets are available for use. The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Patents and trademarks: 5 to 10 years
- Software: 5 years

The amortization methods and useful lives are reviewed at the end of each reporting period and changed when necessary.

#### **(h) Leased assets**

The Group classifies lease arrangements as finance leases when the lessor transfers substantially all the risks and rewards incidental to ownership of an asset to the Group. Leased assets are initially recognized at the lower of the fair value of the asset and the present value of the minimum lease payments.

Leased assets are depreciated or amortized over their useful lives when it is reasonably certain that the Group will acquire ownership of a leased asset by the end of the lease agreement, or leased assets are depreciated over the shorter of the lease term and their useful lives when it is not reasonably certain that the Group will obtain ownership of the leased asset by the end of the lease agreement.

All other lease arrangements are classified as operating leases and are not reported in the Group's consolidated statements of financial position. Lease payments under an operating lease are recognized in profit or loss on a straight-line basis over the lease term.

Whether an arrangement contains a lease or not is based on the substance of the arrangement, even if the arrangement does not take the legal form of a lease.

#### **(i) Impairment of non-financial assets**

At the end of each reporting period, the Group assesses the carrying amounts of non-financial assets, excluding inventories and deferred tax assets, to determine whether there is any indication of impairment of each asset or each cash-generating unit to which an asset belongs. If any such indication exists, impairment of each asset or each cash-generating unit is tested. Goodwill is tested annually, regardless of any indication of impairment.

Assets that are not individually tested are integrated into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). When testing for impairment of goodwill, the goodwill is allocated to cash-generating units which are not larger than an operating segment and represent the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In calculating an asset's value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss. The impairment loss recognized with respect to a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

An impairment loss on other non-financial assets recognized in prior periods is reversed if there are indications of the possibility of reversing such an impairment loss and if the recoverable amount exceeds the carrying amount as a result of an estimation of the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined if there had been no impairment loss recognized for the asset in prior years and depreciation or amortization had been continuously recognized up to the reversal. An impairment loss for goodwill is not reversed in subsequent periods.

#### **(j) Non-current assets held for sale**

The Group classifies an asset or asset group which is expected to be recovered through a sale transaction rather than through continuous use as a non-current asset or disposal group held for sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and there is assurance of a plan to sell the asset or asset group. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount and its fair value less costs to sell.

#### **(k) Employee benefits**

Employee benefits include post-employment benefit plans, short-term employee benefits, and share-based payments. Post-employment benefit plans comprise defined benefit plans and defined contribution plans.

##### **i) Defined benefit plans**

Obligations for defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets.

The present value of defined benefit obligations is calculated annually by qualified actuaries using the projected unit credit method. The discount rates are based on the market yields of high quality corporate bonds at the end of each reporting period that have terms consistent with the discount period, which is established as the estimated term of the post-employment benefit obligations through to the estimated dates for payments of future benefits in every fiscal year.

Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, while past service costs and gains or losses on settlement are recognized in profit or loss.

##### **ii) Defined contribution plans**

Expenses related to post-employment benefits for defined contribution plans are recognized as expenses at the time of contribution.

**iii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as expenses as the related service is provided.

For bonus payments, a liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**iv) Share-based payments**

The Company provides the Group's directors, executive officers, and other employees with stock options, which grant the holder the right to purchase the Company's stock. The fair value of stock options at the grant date is recognized as an expense over the vesting period from the grant date, with a corresponding increase in equity.

The Group has elected to adopt the exemptions of IFRS 1. Accordingly, the Group has elected not to retrospectively apply IFRS 2 *Share-based Payment* ("IFRS 2") to stock options granted after November 7, 2002 that vested before the transition date to IFRS.

**(l) Provisions**

A provision is recognized when the Group has a reasonably estimable legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

The Group has established a provision for restructuring costs arising from restructuring actions to improve the business structure and the reorganization of certain operations. Such costs are recognized when they can be reasonably estimated and include an expansion in the severance compensation program.

**(m) Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, less returns, trade discounts and volume rebates. The Group recognizes revenue from the sale of goods when: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; it is probable that the economic benefits associated with the transaction will flow to the Group; the costs incurred or to be incurred in respect of the transaction and the possibility of product returns can be estimated reasonably; and the Group does not retain continuing managerial involvement over the goods sold; and the amount of revenue can be measured reliably.

**(n) Operating profit and business profit**

"Operating profit" in the Group's consolidated statements of profit or loss is an indicator that facilitates continuous comparisons and evaluations of the Group's business performance. Main items of "other income" and "other expenses" are foreign exchange gains and losses, gains on sale of non-current assets, losses on disposal of non-current assets, impairment losses and expenses for restructuring programs. "Business profit" includes all income and expenses before finance income, finance costs and income tax expenses.

**(o) Finance income and finance costs**

Finance income mainly comprises interest income, dividend income and gains on hedging instruments that are not recognized in other comprehensive income. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized as of the date when the Group's right to receive payment is established.

Finance costs mainly comprise interest expenses and losses on hedging instruments that are not recognized in other comprehensive income.

**(p) Income tax**

Income tax comprises current income tax and deferred income tax. These are recognized in profit or loss, except for items which are recognized directly in equity or other comprehensive income.

Current income tax is measured at the amount that is expected to be paid to or refunded from the taxation authorities using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis, using the tax rates that are expected to apply to the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and are recognized only to the extent that it is probable that the tax benefits can be realized.

However, deferred tax assets are not recognized if the initial recognition of an asset or liability in a transaction that is not a business combination affects neither accounting profit nor taxable profit at the time of the transaction.

Deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements are recognized only to the extent of the following circumstances:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, in principle.

However, deferred tax liabilities are not recognized in the following circumstances:

- On the initial recognition of goodwill.
- On the initial recognition of an asset or liability in a transaction that is not a business combination affects neither accounting profit nor taxable profit at the time of the transaction.
- There are taxable temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements to the extent that the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and in either of the following circumstances:

- Income taxes are levied by the same taxation authority on the same taxable entity; or
- Different taxable entities intend either to settle current tax assets and liabilities on a net basis, or to realize the current tax assets and settle the current tax liabilities simultaneously.

#### (q) Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted by the number of treasury shares during the period.

Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

#### (r) New standards and interpretations not yet adopted

New standards, interpretations, and amendments to standards and interpretations that have not been adopted in the consolidated reporting period ended December 31, 2015, and which the Group has yet to apply to the preparation of the consolidated financial statements, are mainly as follows. The potential impacts for the application of the abovementioned which will have on the consolidated financial statements are currently being evaluated and cannot be estimated as of the date of the report.

IFRS	Title	Effective date (annual periods beginning on or after)	Adoption by the Group (annual periods ending)	Summaries of new IFRS and amendments
IAS 12	Income Taxes	January 1, 2017	Fiscal year ending December 2017	Clarification of recognition of deferred tax assets related unrealized loss
IFRS 9 (amended in July 2014)	Financial Instruments	January 1, 2018	Fiscal year ending December 2018	Changes in classification and measurement of financial instruments, and introduction of impairment requirements based on a forward-looking expected loss impairment model
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending December 2018	Establishment of accounting treatment and disclosure of revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending December 2019	Definitions and changes in accounting treatment of leases
IFRS 10	Consolidated Financial Statements	—	—	Clarification of accounting treatment of the sale or contribution of assets
IAS 28	Investments in Associates and Joint Ventures			between an investor and its associate or joint venture

#### Note 4: Segment information

The Group's reportable segments are components of the Group for which discrete financial information is available, and whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess performance.

The Group has three in-house companies by product and service: Glass, Electronics, and Chemicals. Each in-house company operates worldwide, formulating comprehensive domestic and overseas strategies for its products and services.

Thus, the Group has three reportable segments: Glass, Electronics, and Chemicals.

Due to a change in corporate structure, the Company partially changed the reportable segment of fabricated glass for industrial use and glass for solar power systems from Glass Operations to Electronics Operations in fiscal year 2015.

Segment information for fiscal year 2014 is based on the classification of reportable segments in fiscal year 2015.

The main products of each reportable segment are as follows:

Reportable segment	Main products
Glass	Float flat glass, Figured glass, Polished wired glass, Low-E glass, Decorative glass, Fabricated glass for architectural use (Heat Insulating/shielding glass, Disaster-resistant/Security glass, Fire-resistant glass, etc.), Automotive glass, etc.
Electronics	LCD glass substrates, Specialty glass for display applications, Display related materials, Glass for solar power systems, Fabricated glass for industrial use, Semiconductor process materials, Optoelectronics materials, Lighting glass products, Laboratory glass, etc.
Chemicals	Raw materials for vinyl chloride polymer, Caustic soda, Urethane, Fluorinated resins, Water and oil repellents, Gases, Solvents, Pharmaceutical and agrochemical intermediates and active ingredients, Iodine-related products, etc.

#### (1) Reportable segments

FY2014 (Jan. 1 through Dec. 31, 2014)

(Unit: Millions of yen)

	Reportable segment					Total	Adjustments	Amount reported on consolidated financial statements
	Glass	Electronics	Chemicals	Ceramics/ Others				
Sales to external customers . . . . .	¥684,607	¥317,378	¥314,694	¥31,628	¥1,348,308	¥	—	¥1,348,308
Inter-segment sales or transfers . .	1,682	2,280	2,545	49,201	55,710		(55,710)	—
Total sales . . . . .	686,289	319,659	317,240	80,829	1,404,019		(55,710)	1,348,308
Segment profit [Operating profit] . .	(238)	37,027	24,096	1,075	61,961		170	62,131
Profit for the year . . . . .	—	—	—	—	—		—	20,475
Other items								
Depreciation and amortization . . . .	48,210	65,975	20,657	2,521	137,364		(164)	137,199
Impairment losses								
[Non-financial assets] . . . . .	493	2,075	—	850	3,419		—	3,419
Capital expenditure . . . . .	41,835	45,737	30,117	543	118,232		(62)	118,169
Investments accounted for								
using equity method . . . . .	36,092	2,413	2,835	2,843	44,184		—	44,184

The amounts of inter-segment sales or transfers are primarily based on market prices and manufacturing costs.

“Ceramics/Others” mainly handles ceramics products, logistics and financial services.

FY2015 (Jan. 1 through Dec. 31, 2015)

(Unit: Millions of yen)

	Reportable segment					Total	Adjustments	Amount reported on consolidated financial statements
	Glass	Electronics	Chemicals	Ceramics/ Others				
Sales to external customers . . . . .	¥691,411	¥286,858	¥315,636	¥32,388	¥1,326,293	¥ —	¥1,326,293	
Inter-segment sales or transfers . . .	1,495	1,723	2,821	35,744	41,785	(41,785)	—	
Total sales . . . . .	692,906	288,582	318,457	68,132	1,368,079	(41,785)	1,326,293	
Segment profit [Operating profit] . . .	13,046	29,043	30,528	(1,557)	71,061	110	71,172	
Profit for the year . . . . .	—	—	—	—	—	—	46,287	
Other items								
Depreciation and amortization . . . .	48,269	64,692	22,034	2,524	137,520	(139)	137,381	
Impairment losses								
[Non-financial assets] . . . . .	85	11,614	—	—	11,699	—	11,699	
Capital expenditure . . . . .	42,328	29,375	52,664	764	125,133	(29)	125,103	
Investments accounted for								
using equity method . . . . .	31,424	1,848	2,796	2,780	38,850	—	38,850	

The amounts of inter-segment sales or transfers are primarily based on market prices and manufacturing costs. "Ceramics/Others" mainly handles ceramics products, logistics and financial services.

(2) Products and services

Disclosure is omitted as the same information is shown in segment information.

(3) Major customers

Disclosure is omitted as sales to external customers did not exceed 10% to any single external customer.

(4) Geographical segments

The analysis of sales by geographical area for the years ended December 31, 2014 and 2015 is as follows:

(Unit: Millions of yen)

	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Japan . . . . .	¥ 402,254	¥ 383,833
Asia . . . . .	477,123	471,101
Others . . . . .	468,930	471,359
Total . . . . .	¥1,348,308	¥1,326,293

Note: Sales are based on the location of customers.

The analysis of non-current assets by geographical area as of December 31, 2014 and 2015 is as follows:

(Unit: Millions of yen)

	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Japan . . . . .	¥ 326,427	¥ 306,026
Asia . . . . .	504,526	478,506
Others . . . . .	303,159	267,348
Total . . . . .	¥1,134,113	¥1,051,880

Notes: 1. Non-current assets do not include "investments accounted for using equity method," "other financial assets" and "deferred tax assets."

2. Non-current assets are based on the location of assets.

## Note 5: Cash and cash equivalents

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Cash on hand and deposits	¥69,889	¥105,374
Negotiable certificates of deposit	—	6
Time deposits due over three months	(234)	(549)
Total	¥69,655	¥104,831

The balances of cash and cash equivalents on the consolidated statements of financial position as of the previous year end and the current year end agree to the respective balances on the consolidated statements of cash flows.

## Note 6: Trade and other receivables

### Trade receivables

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Notes receivable	¥ 15,981	¥ 14,970
Accounts receivable	252,214	228,527
Allowance account for credit losses	(6,104)	(2,203)
Total	¥262,091	¥241,294

The Group's exposure to currency risk with respect to trade and other receivables, and impairment losses, are presented in Note 25 "Financial instruments."

### Other receivables

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Other accounts receivable	¥21,947	¥21,094
Others	15,088	15,638
Total	¥37,036	¥36,733

## Note 7: Inventories

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Merchandise and finished goods	¥110,154	¥109,755
Work in progress	47,915	44,883
Raw materials and supplies	81,427	80,734
Total	¥239,497	¥235,374

The amount of write-downs of inventories recognized as expenses and the amount of reversal of write-downs are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Amount of write-downs of inventories recognized as expenses	¥(7,417)	¥(6,889)
Amount of reversal of write-downs	4,519	6,854

## Note 8: Property, plant and equipment

### (1) Reconciliation

“Construction in progress” includes expenditures on property, plant and equipment under construction.

The amount in “additions” for each “property, plant and equipment” includes the amount which is transferred from “Construction in progress.”

Depreciation is recorded in “cost of sales” and “selling, general and administrative expenses” on the consolidated statements of profit or loss.

FY2014 (Jan. 1 through Dec. 31, 2014)

Cost

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥647,073	¥1,944,207	¥120,237	¥ 98,693	¥90,754	¥2,900,965
Additions	18,808	82,033	10,230	707	1,217	112,996
Acquisitions due to business combinations	1,131	2,669	173	1,232	4	5,211
Disposals	(8,797)	(86,379)	(7,463)	(301)	(44)	(102,986)
Net foreign exchange differences on translation	9,330	71,877	4,916	2,822	6,883	95,831
Transfers and other movements	(453)	(1,632)	(509)	(537)	(305)	(3,438)
Balance as of December 31	¥667,092	¥2,012,776	¥127,584	¥102,617	¥98,510	¥3,008,580

Accumulated depreciation and impairment losses

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥(350,433)	¥(1,372,381)	¥(100,982)	¥(15,022)	¥(2,199)	¥(1,841,019)
Depreciation	(18,763)	(103,619)	(7,757)	—	—	(130,140)
Impairment losses	(342)	(3,013)	(10)	—	(48)	(3,415)
Disposals	7,743	78,593	6,292	74	—	92,704
Net foreign exchange differences on translation	(5,184)	(49,859)	(3,948)	(32)	(312)	(59,338)
Transfers and other movements	(612)	(873)	277	—	30	(1,177)
Balance as of December 31	¥(367,592)	¥(1,451,154)	¥(106,129)	¥(14,981)	¥(2,529)	¥(1,942,386)

Carrying amounts

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥296,640	¥571,825	¥19,254	¥83,670	¥88,555	¥1,059,946
Balance as of December 31	¥299,500	¥561,621	¥21,455	¥87,635	¥95,981	¥1,066,193

FY2015 (Jan. 1 through Dec. 31, 2015)

Cost

	(Unit: Millions of yen)					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥667,092	¥2,012,776	¥127,584	¥102,617	¥98,510	¥3,008,580
Additions	13,963	86,559	9,160	501	6,923	117,108
Acquisitions due to business combinations	2,428	2,141	6	113	52	4,743
Disposals	(13,589)	(65,569)	(7,368)	(2,901)	(3,127)	(92,557)
Net foreign exchange differences on translation	(28,156)	(91,975)	(3,064)	(2,473)	(3,431)	(129,102)
Transfers and other movements	8	342	29	(18)	(352)	9
Balance as of December 31	¥641,747	¥1,944,273	¥126,347	¥ 97,838	¥98,574	¥2,908,782



Accumulated depreciation and impairment losses

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥(367,592)	¥(1,451,154)	¥(106,129)	¥(14,981)	¥(2,529)	¥(1,942,386)
Depreciation	(18,730)	(102,510)	(8,977)	—	—	(130,219)
Impairment losses	(5,852)	(4,331)	(211)	(0)	(910)	(11,306)
Disposals	10,556	62,271	6,563	1,246	2,572	83,210
Net foreign exchange differences on translation	12,214	60,440	2,410	(0)	35	75,101
Transfers and other movements	2	(885)	(2)	—	0	(885)
Balance as of December 31	¥(369,402)	¥(1,436,171)	¥(106,346)	¥(13,734)	¥ (831)	¥(1,926,485)

Carrying amounts

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of January 1	¥299,500	¥561,621	¥21,455	¥87,635	¥95,981	¥1,066,193
Balance as of December 31	¥272,345	¥508,102	¥20,001	¥84,103	¥97,743	¥ 982,296

(2) Impairment losses

Property, plant and equipment is grouped into a cash-generating unit, based on business units. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets.

The recoverable amount of a cash-generating unit is recorded as the higher of its fair value less costs of disposal and its value in use. Value in use is calculated based on the following major assumptions.

On an annual basis, future cash flows for each cash-generating unit are based on the most recent budgets and medium-term business forecasts, while future cash flows for subsequent periods take into account the growth potential of businesses. The cash flow projection periods are set appropriately according to the business of each cash-generating unit.

The discount rate applied to each cash-generating unit is calculated mainly based on the pre-tax weighted average cost of capital, and adjusted to properly reflect risks and other factors related to the business using information from external and internal sources.

During the year ended December 31, 2014, the Group recognized indications of impairment, such as a significant decrease in profitability in groups of assets such as architectural glass and electronic materials areas. This was mainly due to sluggish market conditions and other market developments. Due to the downturn of market conditions and changes, the Group recognized an impairment loss of ¥3,415 million. The recoverable amount based on the value in use is mainly calculated as zero.

During the year ended December 31, 2015, the Group recognized indications of impairment, due to significant decrease in profitability in groups of assets such as electronic materials areas. This was mainly due to sluggish market conditions and other market developments. Due to the downturn of market conditions and changes, the Group recognized an impairment loss of ¥11,306 million. The majority of the recoverable amount based on the value in use is calculated as zero as a result of being calculated by using above future cash flows and discount rates.

Impairment losses are included in and shown as "other expenses" on the consolidated statements of profit or loss.

(3) Leased assets

The Group leases certain production facilities, which are accounted for based on the contractual terms. The carrying amounts of these leased assets less accumulated depreciation and accumulated impairment losses, as of December 31, 2014 and 2015 are as follows:

(Unit: Millions of yen)

	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Buildings and structures	¥1,953	¥1,517
Machinery, equipment and vehicles	2,407	2,218
Tools, fixtures and fittings	501	354
Total	¥4,862	¥4,090

Several lease contracts contain renewal or purchase options. There are no sublease contracts, escalation clauses or restrictions imposed by lease contracts (restrictions concerning dividends, additional borrowings and further leasing, etc.)

## Note 9: Goodwill and intangible assets

### (1) Reconciliation

#### Cost

	(Unit: Millions of yen)					
	FY2014 (Jan. 1 through Dec. 31, 2014)			FY2015 (Jan. 1 through Dec. 31, 2015)		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Balance as of January 1 . . .	¥59,086	¥116,207	¥175,294	¥60,659	¥120,950	¥181,609
Additions . . . . .	—	5,172	5,172	—	7,995	7,995
Additions through business combinations . . . . .	777	124	902	569	2,114	2,684
Disposals . . . . .	—	(2,296)	(2,296)	—	(966)	(966)
Net foreign exchange differences on translation . . . . .	795	1,360	2,156	(4,744)	(4,062)	(8,806)
Other changes . . . . .	—	381	381	—	44	44
Balance as of December 31 . . . . .	¥60,659	¥120,950	¥181,609	¥56,485	¥126,076	¥182,561

#### Accumulated amortization and impairment losses

	(Unit: Millions of yen)					
	FY2014 (Jan. 1 through Dec. 31, 2014)			FY2015 (Jan. 1 through Dec. 31, 2015)		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Balance as of January 1 . . .	¥(24,142)	¥(88,935)	¥(113,078)	¥(24,390)	¥(95,105)	¥(119,496)
Amortization . . . . .	—	(7,058)	(7,058)	—	(7,161)	(7,161)
Impairment losses . . . . .	—	(4)	(4)	(320)	(72)	(393)
Disposals . . . . .	—	1,888	1,888	—	849	849
Net foreign exchange differences on translation . . . . .	(247)	(638)	(886)	2,457	2,865	5,322
Other changes . . . . .	—	(356)	(356)	—	6	6
Balance as of December 31 . . . . .	¥(24,390)	¥(95,105)	¥(119,496)	¥(22,254)	¥(98,619)	¥(120,874)

#### Carrying amounts

	(Unit: Millions of yen)					
	FY2014 (Jan. 1 through Dec. 31, 2014)			FY2015 (Jan. 1 through Dec. 31, 2015)		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Balance as of January 1 . . .	¥34,944	¥27,272	¥62,216	¥36,269	¥25,844	¥62,113
Balance as of December 31 . . . . .	¥36,269	¥25,844	¥62,113	¥34,231	¥27,456	¥61,687

Amortization is recorded in “cost of sales” and “selling, general and administrative expenses” on the consolidated statements of profit or loss.

### (2) Impairment test of cash-generating unit including goodwill

The total carrying amount of goodwill allocated to each cash-generating unit is as follows:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
	Glass . . . . .	¥25,501
Electronics . . . . .	7,551	6,964
Chemicals . . . . .	3,215	3,216
Total . . . . .	¥36,269	¥34,231

The recoverable amount of goodwill allocated to each cash-generating unit is calculated based on value in use.

Assumptions for value in use are presented in Note 8 "Property, plant and equipment." The main discount rate (pre-tax) used for impairment test for cash-generating unit including goodwill ranged from 7 to 9% as of December 31, 2014 and 6 to 9% as of December 31, 2015.

There were no impairment losses recognized during the year ended December 31, 2014. Goodwill for which impairment has not occurred is at risk of impairment if the major assumptions behind the test of impairment change. If the discount rate increases by 3 percentage points, there is a possibility that impairment losses would be incurred.

During the year ended December 31, 2015, the amounts of value in use measured for a cash-generating unit of a part of electronic business areas were less than its carrying amounts due to sluggish market conditions and other market developments. Due to the downturn of market conditions and changes, the Group recognized an impairment loss. An impairment loss is firstly allocated to reduce the carrying amount of any goodwill, and then to other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset. As a result, the Group recognized an impairment loss of ¥320 million, which is included in and shown as "other expenses" on the consolidated statements of profit or loss. Goodwill for which impairment has not occurred is at risk of impairment if the major assumptions behind the test of impairment change. If the discount rate increases by 3 percentage points, there is a possibility that additional impairment losses would be incurred.

## Note 10: Equity method affiliates

The carrying amounts of investments accounted for using the equity method are as follows:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Investments accounted for using equity method	¥44,184	¥38,850

Share of profit and other comprehensive income of associates and joint ventures accounted for using the equity method are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Share of profit (loss) of associates and joint ventures accounted for using equity method	¥2,597	¥2,357
Share of other comprehensive income of associates and joint ventures accounted for using equity method	101	31
Total	¥2,699	¥2,389

During the years ended December 31, 2014 and 2015, there was no individually significant associate or joint venture accounted for using the equity method.

## Note 11: Deferred tax assets and liabilities

### (1) Unrecognized deferred tax assets

The Group recognizes deferred tax assets, taking into account deductible temporary differences, projected future taxable profit and tax planning. However, deferred tax assets have not been recognized for the following items:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Carry-forwards of unused tax losses	¥380,688	¥404,206
Deductible temporary differences	262,836	235,601
Total	¥643,525	¥639,808

The amounts of carry-forwards of unused tax losses, for which deferred tax assets have not been recognized, and the expiries of the carry-forwards, are as follows:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
1st year	¥ 3,293	¥ 2,209
2nd year	3,124	1,270
3rd year	1,844	1,878
4th year	959	1,179
5th year and thereafter	371,467	397,668
Total	¥380,688	¥404,206

## (2) Unrecognized deferred tax liabilities

As of December 31, 2014 and 2015, the total amounts of taxable temporary differences for which deferred tax liabilities have not been recognized, which relate to equity in subsidiaries, associates and interest in joint arrangements, were ¥310,745 million and ¥306,257 million, respectively.

The Group has not recognized deferred tax liabilities relating to the preceding taxable temporary differences because it is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## (3) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following items:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Deferred tax assets		
Post-employment benefit liabilities	¥ 39,124	¥ 22,389
Depreciation	8,736	7,628
Impairment losses	4,434	3,194
Carry-forwards of unused tax losses	24,365	19,883
Others	28,734	22,867
Total deferred tax assets	105,394	75,963
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(46,505)	(42,307)
Gain on establishment of trust for retirement benefits	(10,724)	(8,296)
Depreciation	(9,425)	(10,476)
Deferred capital gain reserve	(6,602)	(5,471)
Others	(17,478)	(11,969)
Total deferred tax liabilities	(90,736)	(78,521)
Net deferred tax assets	¥ 14,658	¥ (2,558)

The difference between the net amount of deferred tax assets and liabilities recognized in the years ended December 31, 2015 and 2014, less the respective amounts of deferred tax assets and liabilities recognized directly in equity and other comprehensive income, and the change in deferred tax expenses over these years is mainly attributable to the impact of foreign exchange movements.

## Note 12: Trade and other payables

### Trade payables

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Notes payable	¥ 2,055	¥ 1,750
Trade accounts payable	129,091	125,205
Total	¥131,147	¥126,956

## Other payables

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Other accounts payable	¥ 47,945	¥44,983
Accrued expenses	33,398	32,716
Others	22,276	20,977
Total	¥103,621	¥98,678

## Note 13: Interest-bearing debt

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Short-term bank loans	¥ 39,268	¥ 33,059
Commercial paper	24,425	1,929
Long-term bank loans due within one year	32,549	60,794
Short-term lease obligations	959	915
Total current liabilities	97,203	96,699
Long-term bank loans	328,485	298,894
Corporate bonds	69,859	69,889
Long-term lease obligations	3,708	3,250
Total non-current liabilities	402,054	372,034
Total interest-bearing debt	¥499,257	¥468,733

Please see Note 25 “Financial instruments” for further information on the Group’s interest rate risk, currency risk, and liquidity risk. Assets pledged as collateral are presented in Note 27 “Collateral.”

### (1) Bonds

Company	Name of bond	Date of issuance	As of January 1, 2015 (Millions of yen)	As of December 31, 2015 (Millions of yen)	Interest rate (% annum) (Note 2)	Collateral	Date of maturity
Asahi Glass Co., Ltd.	12th straight bond	Jan. 29, 2009	¥29,955	¥29,966	1.94	None	Jan. 29, 2019
Asahi Glass Co., Ltd.	13th straight bond	Dec. 20, 2012	19,968	19,979	0.31	None	Dec. 20, 2017
Asahi Glass Co., Ltd.	14th straight bond	Jun. 3, 2013	19,935	19,943	1.01	None	Jun. 2, 2023
Total <sup>(Note 1)</sup>	—	—	¥69,859	¥69,889	—	—	—
			(—)	(—)			

Notes: 1. The component figures disclosed in parentheses in the “As of January 1, 2015” and “As of December 31, 2015” columns represent balances due within one year.

2. The interest rate column shows the coupon rate applicable to each bond as of December 31, 2014. Accordingly, this rate is different from the effective annual interest rate.

### (2) Borrowings

As of December 31, 2015, the weighted average effective interest rate for “short-term bank loans,” “commercial paper,” “long-term bank loans due within one year,” and “long-term bank loans” are 1.9%, 0.7%, 2.4% and 1.1% per annum, respectively.

The maturities of “long-term bank loans” are from 2017 to 2030.

### (3) Finance lease obligations

The balances by due date and present value of finance lease obligations are as follows:

	(Unit: Millions of yen)			
	FY2014 (as of December 31, 2014)		FY2015 (as of December 31, 2015)	
	Balances by due date	Present value	Balances by due date	Present value
Due within one year or less	¥1,109	¥ 959	¥1,047	¥ 915
Due between one and five years	2,549	2,091	2,288	1,880
Due after five years	2,146	1,617	1,812	1,370
Total	¥5,804	¥4,667	¥5,149	¥4,166

## Note 14: Provisions

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Provisions for restructuring costs . . . . .	¥ 3,381	¥ 679
Other provisions . . . . .	398	1,207
Total current liabilities . . . . .	¥ 3,779	¥ 1,887
Provisions for restructuring costs . . . . .	¥ 4,013	¥ 4,017
Other provisions . . . . .	8,541	8,803
Total non-current liabilities . . . . .	¥12,554	¥12,821

“Other provisions” consists of various provisions for undetermined liabilities related to identifiable risks, such as asset retirement obligations and environment-related provisions.

There is no significant balance of asset retirement obligations as of December 31, 2014 or 2015.

A reconciliation of opening and closing balances for each class of provision is as follows:

	(Unit: Millions of yen)		
	FY2015 (Jan. 1 through Dec. 31, 2015)		
	Provisions for restructuring costs	Other provisions	Total
Balance as of January 1 . . . . .	¥ 7,394	¥ 8,939	¥16,334
Amounts increased during the year . . . . .	3,484	4,157	7,642
Amounts used during the year . . . . .	(5,346)	(2,210)	(7,557)
Unused amounts reversed during the year . . . . .	(533)	(128)	(662)
Others . . . . .	(301)	(747)	(1,048)
Balance as of December 31 . . . . .	¥ 4,697	¥10,011	¥14,709

During the year ended December 31, 2015, the Group recognized a reserve for restructuring programs measured at estimated future losses arising from restructuring actions such as an expansion in the additional severance compensation program to improve the business structure and the reorganization of certain operations. The timing of the payment may be affected by future business plan.

## Note 15: Employee benefits

The Group has the following retirement benefit plans: defined benefit corporate pension plans, employees' pension fund plans, lump-sum severance payment plans, and defined contribution pension plans.

The Company shifted from defined benefit corporate pension plans to defined contribution pension plans in April 2015.

The level of defined benefit pension plans is determined based on a certain number of points conferred according to an individual employee's contribution during his or her period of service. Asset administration, investment, and benefits are provided mainly by corporate pension funds. The investment yield of the corporate pension is set in consideration of the sustainability of the plan.

### (1) Defined benefit plans

The amounts for defined benefit plans recognized on the consolidated statements of financial position are as follows:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Present value of defined benefit obligations . . . . .	¥(423,678)	¥(367,919)
Fair value of plan assets . . . . .	324,181	311,976
Total . . . . .	¥ (99,496)	¥ (55,943)
Prepaid pension expenses <sup>(Note)</sup> . . . . .	¥ 190	¥ 2,113
Post-employment benefit liabilities . . . . .	¥ (99,687)	¥ (58,057)

Note: Prepaid pension expenses are included in “other non-current assets” on the consolidated statements of financial position.

*(Corporate Pension Plan of the Company (Asahi Glass Co., Ltd.))*

The Company's pension plan is managed through a legally independent entity AGC Corporate Pension Fund (“Fund”). The Fund has a Board of Representatives split evenly between representatives selected by the Company and representatives elected by the pension plan members through mutual vote. The representatives elect directors and a controller through mutual vote. After that, the president (the chairman of the Board of Representatives) is selected.

Under the Defined-Benefit Corporate Pension Act, the Company is obligated to make pension contributions to the Fund which

provides pension benefits. The directors of the Fund are responsible for faithfully executing operations related to the administration and investment of pension reserves for the Fund in compliance with laws and regulations, any orders issued by the Minister of Health, Labour and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolutions of the Board of Representatives. Furthermore, directors are prohibited from engaging in any actions that could hinder proper administration and investment of the pension reserves for the purpose of furthering their own interests or the interests of third parties other than the Fund.

#### i) Changes in the present value of defined benefit obligations

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
As of January 1	¥(378,235)	¥(423,678)
Benefits paid by the plan	16,401	16,676
Current service cost	(10,287)	(11,012)
Interest cost	(8,062)	(5,768)
Past service cost and settlement	6,481	48,643
Actuarial gains and losses	(41,524)	5,115
Due to changes in demographic assumptions	(174)	1,114
Due to changes in financial assumptions	(39,956)	6,141
Others	(1,393)	(2,140)
Foreign exchange differences	(6,382)	2,506
Others	(2,068)	(403)
As of December 31	¥(423,678)	¥(367,919)

The weighted average duration of defined benefit obligations was mainly 17 years and 16 years as of December 31, 2014 and 2015, respectively.

#### ii) Changes in the fair value of plan assets

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
As of January 1	¥291,761	¥324,181
Employer contributions	19,054	7,714
Benefits paid by the plan	(14,266)	(14,353)
Interest income <sup>(Note)</sup>	5,951	4,174
Settlement	(5,004)	(12,364)
Income related to plan assets (excluding interest income)	20,461	3,858
Foreign exchange differences	4,503	(1,705)
Others	1,720	469
As of December 31	¥324,181	¥311,976

Note: Interest income is measured as the fair value of plan assets multiplied by the discount rate.

The Group plans to contribute ¥9,061 million to retirement benefit plans during the year ending December 31, 2016.

In accordance with the rules of the Fund, every five years the Company is required to recalculate the amount of pension contributions, with the end of the Fund's business year set as the record date. This is to maintain the Fund's financial stability into the future.

In the recalculation process, the Company reviews the base rates related to the pension contributions (assumed interest rate, assumed mortality rate, assumed withdrawal rate, assumed salary increase rate, assumed number of new pension plan members, etc.) in order to re-examine the appropriateness of the pension contributions.

#### iii) Components of plan assets

Plan assets are invested with the aim of ensuring the sustainability of the defined benefit plans. Plan assets are invested mainly in bonds and equities, and are exposed to market risk in each area. The Group has formulated a policy on risk and return targets for the investment of plan assets. The Group properly monitors investment performance, and regularly reviews this policy, taking into account the funding status and market developments surrounding investments.

The components of plan assets are as follows:

(Unit: Millions of yen)

	FY2014 (as of December 31, 2014)			FY2015 (as of December 31, 2015)		
	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market <sup>(Note)</sup>	Subtotal	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market <sup>(Note)</sup>	Subtotal
Equity securities	¥105,593	¥ 45,804	¥151,397	¥ 89,005	¥ 46,807	¥135,813
Bonds	69,230	72,294	141,524	58,322	75,374	133,697
Others	3,527	27,731	31,259	2,845	39,620	42,465
Total	¥178,351	¥145,830	¥324,181	¥150,173	¥161,802	¥311,976

Note: Equity securities include privately placed investment trusts that do not have quoted market prices in an active market, and comprise publicly traded shares in Japan and overseas. Others include cash equivalents.

#### iv) Analysis of post-employment benefit expenses

Amounts recognized as expenses related to post-employment benefit are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Current service cost	¥(10,287)	¥(11,012)
Interest cost	(8,062)	(5,768)
Interest income	5,951	4,174
Past service cost and gains or losses on settlement	1,477	36,278
Total	¥(10,921)	¥ 23,672

The foregoing expenses are included in “cost of sales,” “selling, general and administrative expenses” and certain other accounts on the consolidated statements of profit or loss.

On April 21, 2015, the Company revised its defined benefit corporate pension plan. As a result, the Company recognized “income from revision of the defined benefit corporate pension plan” as “other income.”

#### v) Actuarial assumptions

Principal actuarial assumptions as of December 31, 2014 and 2015 are as follows:

	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Discount rate (%)	1.1	1.0

In addition to the above, actuarial assumptions include future salary increases, the mortality rate and the expected retirement rate.

#### vi) Sensitivity analysis of actuarial assumptions

The followings are changes in defined benefit obligations that would result from the changes below in the discount rate as of December 31, 2015. This analysis assumes that all other variables are held constant.

	(Unit: Millions of yen)
	FY2015 (as of December 31, 2015)
Discount rate (0.5% increase)	¥ 24,599
Discount rate (0.5% decrease)	(27,550)

#### (2) Defined contribution plans

Amounts recognized as expenses related to defined contribution plans are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Expenses related to defined contribution plans	¥(612)	¥(1,653)

The abovementioned expenses are included in “cost of sales” and “selling, general and administrative expenses” on the consolidated statements of profit or loss.



## Note 16: Share-based payments

### (1) Description of share-based payments

The Company grants the Group's directors, executive officers and other employees with stock options, which confer the right to purchase the Company's shares. Under the plan, 1,000 shares of common stock per one stock acquisition right are granted to the grantees. Stock options that are not exercised during the exercisable period will expire.

The general terms and conditions for stock options are as follows. The presentation is based on the numbers when the shares were granted.

Grant date	Number of shares granted	Vesting conditions	Exercisable period	Exercise price (Yen)
July 2, 2007 (Compensation-type)	266,000 <sup>(Note)</sup>		From July 3, 2007 to July 2, 2037 <sup>(Note)</sup>	1
July 1, 2008 (Compensation-type)	265,000 <sup>(Note)</sup>		From July 2, 2008 to July 1, 2038 <sup>(Note)</sup>	1
July 1, 2008 (Ordinary-type)	70,000	An option holder must remain in continued service from the grant date (July 1, 2008) to the vesting date (June 30, 2010).	From July 1, 2010 to June 30, 2014	1,391
July 1, 2009 (Compensation-type)	647,000 <sup>(Note)</sup>		From July 2, 2009 to July 1, 2039 <sup>(Note)</sup>	1
July 1, 2009 (Ordinary-type)	80,000	An option holder must remain in continued service from the grant date (July 1, 2009) to the vesting date (June 30, 2011).	From July 1, 2011 to June 30, 2015	776
July 1, 2010 (Compensation-type)	432,000 <sup>(Note)</sup>		From July 2, 2010 to July 1, 2040 <sup>(Note)</sup>	1
September 1, 2010 (Ordinary-type)	205,000	An option holder must remain in continued service from the grant date (September 1, 2010) to the vesting date (August 31, 2013).	From September 1, 2013 to August 31, 2019	862
March 1, 2011 (Compensation-type)	31,000 <sup>(Note)</sup>		From March 2, 2011 to March 1, 2041 <sup>(Note)</sup>	1
July 1, 2011 (Compensation-type)	430,000 <sup>(Note)</sup>		From July 2, 2011 to July 1, 2041 <sup>(Note)</sup>	1
July 1, 2011 (Ordinary-type)	176,000	An option holder must remain in continued service from the grant date (July 1, 2011) to the vesting date (June 30, 2014).	From July 1, 2014 to June 30, 2020	964
July 2, 2012 (Compensation-type)	1,020,000 <sup>(Note)</sup>		From July 3, 2012 to July 2, 2042 <sup>(Note)</sup>	1
July 2, 2012 (Ordinary-type)	308,000	An option holder must remain in continued service from the grant date (July 2, 2012) to the vesting date (July 1, 2015).	From July 2, 2015 to July 1, 2021	562
March 26, 2013 (Compensation-type)	278,000 <sup>(Note)</sup>		From March 27, 2013 to March 26, 2043 <sup>(Note)</sup>	1
July 1, 2013 (Compensation-type)	592,000 <sup>(Note)</sup>		From July 2, 2013 to July 1, 2043 <sup>(Note)</sup>	1
July 1, 2013 (Ordinary-type)	331,000	An option holder must remain in continued service from the grant date (July 1, 2013) to the vesting date (June 30, 2016).	From July 1, 2016 to June 30, 2022	761
July 1, 2014 (Compensation-type)	644,000 <sup>(Note)</sup>		From July 2, 2014 to July 1, 2044 <sup>(Note)</sup>	1
July 1, 2014 (Ordinary-type)	330,000	An option holder must remain in continued service from the grant date (July 1, 2014) to the vesting date (June 30, 2017).	From July 1, 2017 to June 30, 2023	607
December 26, 2014 (Compensation-type)	84,000 <sup>(Note)</sup>		From December 27, 2014 to December 26, 2044 <sup>(Note)</sup>	1
January 27, 2015 (Compensation-type)	24,000 <sup>(Note)</sup>		From January 28, 2015 to January 27, 2045 <sup>(Note)</sup>	1
July 1, 2015 (Compensation-type)	451,000 <sup>(Note)</sup>		From July 2, 2015 to July 1, 2045 <sup>(Note)</sup>	1
July 1, 2015 (Ordinary-type)	376,000	An option holder must remain in continued service from the grant date (July 1, 2015) to the vesting date (June 30, 2018).	From July 1, 2018 to June 30, 2024	800

Note: Vesting conditions and exercisable period

Within the abovementioned exercisable periods, option holders may exercise their subscription rights within 10 years from the day after they lose their position as a director or an executive officer of the Company.

## (2) Number and average exercise price of stock options

The number and weighted average exercise prices of stock options granted during the year are as follows. The number of stock options is shown after conversion into the number of shares.

	FY2014 (Jan. 1 through Dec. 31, 2014)		FY2015 (Jan. 1 through Dec. 31, 2015)	
	Number (Shares)	Weighted average exercise price (Yen)	Number (Shares)	Weighted average exercise price (Yen)
Outstanding as of January 1	4,832,000	¥ 187	<b>5,702,000</b>	<b>¥178</b>
Granted during the period	1,058,000	190	<b>851,000</b>	<b>354</b>
Forfeited during the period	—	—	<b>12,000</b>	<b>723</b>
Exercised during the period	123,000	1	<b>270,000</b>	<b>124</b>
Expired during the period	65,000	1,391	<b>70,000</b>	<b>776</b>
Outstanding as of December 31	5,702,000	178	<b>6,201,000</b>	<b>197</b>
Exercisable as of December 31	4,733,000	83	<b>5,176,000</b>	<b>92</b>

The weighted average remaining contractual period was 22.0 years and 21.2 years as of December 31, 2014 and 2015, respectively.

The weighted average share price on the exercise dates of stock options exercised in the years ended December 31, 2014 and 2015 were ¥571 and ¥768, respectively.

## (3) Fair value of stock options

The fair value of stock options granted during the year ended December 31, 2014 is estimated using the Black-Scholes formula, taking into account the following assumptions:

	Grant date		
	July 1, 2014 (Compensation-type)	July 1, 2014 (Ordinary-type)	December 26, 2014 (Compensation-type)
Fair value as of the measurement date (Yen)	¥388	¥163	¥370
Stock price (Yen)	607	607	587
Exercise price (Yen)	1	607	1
Expected volatility	36%	40%	36%
Remaining contractual period	15 years	6 years	15 years
Expected dividends	18 yen/share	18 yen/share	18 yen/share
Risk-free interest rate	0.98%	0.21%	0.68%

The expected volatility is estimated based on the historical share price over the most recent period commensurate with the remaining contractual period.

The fair value of stock options granted during the year ended December 31, 2015 is estimated using the Black-Scholes formula, taking into account the following assumptions:

	Grant date		
	January 27, 2015 (Compensation-type)	July 1, 2015 (Compensation-type)	July 1, 2015 (Ordinary-type)
Fair value as of the measurement date (Yen)	¥396	¥518	¥142
Stock price (Yen)	615	745	745
Exercise price (Yen)	1	1	800
Expected volatility	36%	35%	30%
Remaining contractual period	15 years	15 years	6 years
Expected dividends	18 yen/share	18 yen/share	18 yen/share
Risk-free interest rate	0.64%	0.84%	0.17%

The expected volatility is estimated based on the historical share price over the most recent period commensurate with the remaining contractual period.

#### (4) Equity-settled share-based payment transactions for which IFRS 2 is not applied

Out of the description in (1) above, due to optional exemptions by IFRS 1, details of stock options for which IFRS 2 has not been applied are as follows:

Grant date	Number of shares granted	Vesting conditions	Exercisable period	Exercise price (Yen)
July 2, 2007 (Compensation-type)	266,000 <sup>(Note)</sup>		From July 3, 2007 to July 2, 2037 <sup>(Note)</sup>	1
July 1, 2008 (Compensation-type)	265,000 <sup>(Note)</sup>		From July 2, 2008 to July 1, 2038 <sup>(Note)</sup>	1
July 1, 2008 (Ordinary-type)	70,000	An option holder must remain in continued service from the grant date (July 1, 2008) to the vesting date (June 30, 2010).	From July 1, 2010 to June 30, 2014	1,391
July 1, 2009 (Compensation-type)	647,000 <sup>(Note)</sup>		From July 2, 2009 to July 1, 2039 <sup>(Note)</sup>	1
July 1, 2009 (Ordinary-type)	80,000	An option holder must remain in continued service from the grant date (July 1, 2009) to the vesting date (June 30, 2011).	From July 1, 2011 to June 30, 2015	776
July 1, 2010 (Compensation-type)	432,000 <sup>(Note)</sup>		From July 2, 2010 to July 1, 2040 <sup>(Note)</sup>	1
March 1, 2011 (Compensation-type)	31,000 <sup>(Note)</sup>		From March 2, 2011 to March 1, 2041 <sup>(Note)</sup>	1
July 1, 2011 (Compensation-type)	430,000 <sup>(Note)</sup>		From July 2, 2011 to July 1, 2041 <sup>(Note)</sup>	1

Note: Vesting conditions and exercisable period

Within the abovementioned exercisable periods, option holders may exercise their subscription rights within 10 years from the day after they lose their position as a director or an executive officer of the Company.

#### (5) Expenses related to share-based payments

Expenses related to share-based payments were ¥323 million and ¥289 million during the years ended December 31, 2014 and 2015, respectively.

These expenses were included in “cost of sales” and “selling, general and administrative expenses” on the consolidated statements of profit or loss.

### Note 17: Equity

#### (1) Share capital and share premium

	(Unit: Thousands of shares)	
	Fully paid issued shares (No par value ordinary shares)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
As of January 1	1,186,705	1,186,705
Increase and decrease	—	—
As of December 31	1,186,705	1,186,705
Number of authorized shares	2,000,000	2,000,000

Out of the amount generated from the equity transaction, capital surplus consists of the amount which is not included in share capital.

Under the Companies Act of Japan, at least 50% of the proceeds of certain issues of common shares shall be credited to share capital.

#### (2) Retained earnings

Retained earnings include amounts transferred from accumulated gains or losses recognized in other comprehensive income upon the sale of financial assets measured at fair value through other comprehensive income.

Furthermore, retained earnings include the amount of accumulated foreign currency translation adjustments that had been recognized based on previous standards (JGAAP), and transferred to retained earnings as of the transition date to IFRS.

### (3) Treasury shares

		(Unit: Thousands of shares)	
		Treasury shares	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)	
As of January 1	30,945	30,863	
Decrease due to sales of less-than-one-unit shares	(10)	(5)	
Increase due to purchases of less-than-one-unit shares	50	77	
Decrease due to exercise of stock options	(123)	(270)	
As of December 31	30,863	30,665	

### (4) Other components of equity

The following is a breakdown of other components of equity:

		(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)	
Remeasurement of the net defined benefit liability (asset)	¥ (40,859)	¥ (35,003)	
Net gain (loss) on revaluation of financial assets measured at FVTOCI	86,402	91,408	
Net gain (loss) in fair value of cash flow hedges	(734)	(2,563)	
Exchange differences on translation of foreign operations	264,693	214,357	
Total	¥309,501	¥268,198	

#### *Remeasurement of the net defined benefit liability (asset)*

Remeasurement of the net defined benefit liability (asset) includes the effects of differences between the actuarial assumptions at the beginning of the period and the actual numbers at the end of the period, and differences between income from plan assets (actual) and interest income from plan assets (projected).

#### *Net gain (loss) on revaluation of financial assets measured at FVTOCI*

This includes the cumulative amount of net gain (loss) on revaluation of financial assets measured at FVTOCI.

#### *Net gain (loss) in fair value of cash flow hedges*

This is the effective portion of the cumulative amount of the net gain (loss) in fair value of cash flow hedges relating to hedge transactions that have not yet been realized.

#### *Exchange differences on translation of foreign operations*

These are foreign currency differences arising from the translation of the financial statements of foreign operations.

### (5) Dividends

Dividends paid during the years ended December 31, 2014 and 2015 are as follows:

(Year ended December 31, 2014)						
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	
Shareholders' meeting						
held on March 28, 2014 . . .	Ordinary shares	¥ 5,778	¥5.00	December 31, 2013	March 31, 2014	
Board of directors meeting						
held on July 31, 2014 . . . . .	Ordinary shares	10,402	9.00	June 30, 2014	September 8, 2014	
(Year ended December 31, 2015)						
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	
Shareholders' meeting						
held on March 27, 2015 . . .	Ordinary shares	¥10,402	¥9.00	December 31, 2014	March 30, 2015	
Board of directors meeting						
held on July 31, 2015 . . . . .	Ordinary shares	10,403	9.00	June 30, 2015	September 8, 2015	

Dividends for which the effective date falls in the following period are as follows:

(Year ended December 31, 2014)					
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on March 27, 2015 . . .					
	Ordinary shares	¥10,402	¥9.00	December 31, 2014	March 30, 2015

(Year ended December 31, 2015)					
Date of approval	Type of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on March 30, 2016 . . .					
	Ordinary shares	¥10,404	¥9.00	December 31, 2015	March 31, 2016

#### Note 18: Other comprehensive income

Changes in other comprehensive income during the years ended December 31, 2014 and 2015 are as follows:

	(Unit: Millions of yen)					
	FY2014 (Jan. 1 through Dec. 31, 2014)			FY2015 (Jan. 1 through Dec. 31, 2015)		
	Before tax effects	Tax effects	Net amount	Before tax effects	Tax effects	Net amount
Remeasurement of the net defined benefit liability (asset) . . . . .	¥(21,063)	¥5,516	¥(15,546)	¥ 8,974	¥(2,836)	¥ 6,138
Financial assets measured at FVTOCI . . . . .	(5,741)	2,131	(3,610)	808	4,203	5,011
Net gain (loss) in fair value of cash flow hedges . . .	(1,032)	350	(681)	(2,819)	946	(1,872)
Exchange differences on translation of foreign operations . . . . .	49,342	—	49,342	(53,308)	—	(53,308)
Share of other comprehensive income of associates and joint ventures accounted for using equity method . . . . .	107	(5)	101	45	(14)	31
Total . . . . .	¥ 21,612	¥7,993	¥ 29,605	¥(46,299)	¥ 2,298	¥(44,000)

As of December 31, 2015, the reclassification adjustments of exchange differences on translation of foreign operations were ¥(546) million (before tax effects) and ¥307 million (tax effects).

Amounts attributable to non-controlling interests are as follows:

	(Unit: Millions of yen)					
	FY2014 (Jan. 1 through Dec. 31, 2014)			FY2015 (Jan. 1 through Dec. 31, 2015)		
	Before tax effects	Tax effects	Net amount	Before tax effects	Tax effects	Net amount
Remeasurement of the net defined benefit liability (asset) . . . . .	¥ (486)	¥(55)	¥ (541)	¥ 167	¥102	¥ 270
Financial assets measured at FVTOCI . . . . .	0	(0)	0	16	(4)	12
Exchange differences on translation of foreign operations . . . . .	4,053	—	4,053	(2,972)	—	(2,972)
Total . . . . .	¥3,567	¥(55)	¥3,511	¥(2,788)	¥ 98	¥(2,690)

#### Note 19: Revenue

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Sales of goods and products . . . . .	¥1,327,818	¥1,306,523
Others . . . . .	20,490	19,770
Total . . . . .	¥1,348,308	¥1,326,293

## Note 20: Classification of expenses by nature

The classification of expenses by nature and reconciliation with business profit are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Net sales	¥1,348,308	¥1,326,293
Personnel expenses	(267,805)	(274,708)
Depreciation and amortization	(137,199)	(137,381)
Others	(881,171)	(843,031)
Operating profit	62,131	71,172
Foreign exchange gain	4,954	—
Gains on sale of non-current assets	3,822	6,133
Income from revision of the defined benefit corporate pension plan	—	36,071
Others	3,441	3,804
Other income	12,218	46,009
Foreign exchange loss	—	(3,460)
Losses on disposal of non-current assets	(5,070)	(5,220)
Impairment loss	(860)	(5,107)
Expenses for restructuring programs	(19,200)	(13,058)
Others	(5,202)	(4,384)
Other expenses	(30,334)	(31,231)
Business profit	¥ 44,016	¥ 85,949

The total amounts of research and development expenses were ¥44,758 million and ¥38,927 million during the years ended December 31, 2014 and 2015, respectively. There was no capitalization of research and development expenses on the consolidated statements of financial position as of December 31, 2014 and 2015.

The total amounts of impairment losses included in expenses for restructuring programs were ¥2,559 million and ¥6,591 million during the years ended December 31, 2014 and 2015, respectively.

## Note 21: Operating leases

### Leases as lessee

The Group leases certain buildings and other assets under operating leases.

Several lease contracts contain renewal or purchase options. There are no sublease contracts, escalation clauses or restrictions imposed by lease contracts (restrictions concerning dividends, additional debt and further leasing, etc.).

Future minimum lease payments under non-cancelable operating leases are as follows:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Due within one year or less	¥ 1,999	¥ 1,880
Due after one year through five years	5,472	5,011
Due after five years	5,061	4,163
Total	¥12,532	¥11,055

The total amounts of minimum lease payments recognized in profit and loss are ¥2,294 million and ¥2,133 million during the years ended December 31, 2014 and 2015, respectively.

## Note 22: Finance income and finance costs

### (1) Finance income

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Interest income	¥1,635	¥1,702
Dividend income	3,983	4,219
Others	43	100
Total	¥5,662	¥6,021

## (2) Finance costs

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Interest expense	¥(7,542)	¥(6,477)
Others	(972)	(971)
Total	¥(8,514)	¥(7,449)

Interest income and interest expense are generated primarily from financial assets and financial liabilities measured at amortized cost. Dividend income is generated mainly from financial assets measured at fair value through other comprehensive income.

## Note 23: Income tax expenses

### (1) Composition of income tax expenses

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Current tax expense	¥(25,664)	¥(20,345)
Deferred tax expense	4,976	(17,889)
Total	¥(20,688)	¥(38,235)

### (2) Income tax recognized in other comprehensive income

Income tax recognized in other comprehensive income is presented in Note 18 "Other comprehensive income."

### (3) Reconciliation of the effective tax rate

Income tax expenses applicable to the Company and its domestic consolidated subsidiaries consist of corporate income tax (national), enterprise tax (local) and resident income tax (local). The effective statutory tax rates calculated by using these taxes for the years ended December 31, 2014 and 2015 are as follows:

	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Corporate income tax	25.5%	25.5%
Enterprise tax	7.4	7.4
Resident income tax	5.1	4.0
Total	38.0%	36.9%
Effective statutory tax rate in which the deductibility of paid enterprise tax is reflected	37.8%	35.4%

In Japan, the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Local Tax Law (Article 2, 2015) were issued on March 31, 2015, accordingly the Company's statutory effective tax rate was changed.

Unlike corporate income tax and resident income taxes, enterprise tax is deductible for tax purposes when it is paid.

Foreign subsidiaries are subject to corporate income tax and other taxes in their respective jurisdiction.

The following is a reconciliation between the effective statutory tax rates and the effective income tax rates for corporate income tax expenses appearing on the consolidated statements of profit or loss.

	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Effective statutory tax rate of the Company	37.8%	35.4%
Entertainment expenses, etc., nondeductible	1.3	1.2
Dividend income, not taxable	(2.2)	(1.0)
Difference in tax rates applied to overseas subsidiaries	(13.5)	(4.5)
Changes in unrecognized temporary differences	32.1	9.0
Others	(5.2)	5.1
Effective income tax rate after tax effect accounting applied	50.3%	45.2%

## Note 24: Earnings per share

### (1) Basic earnings per share

Basic earnings per share and the basis for calculating basic earnings per share are as follows:

	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Profit for the year attributable to owners of the parent (Millions of yen) . . . . .	¥15,913	¥42,906
Weighted average number of ordinary shares outstanding (Thousands of shares) . . . . .	1,155,803	1,155,953
Basic earnings per share (Yen) . . . . .	¥ 13.77	¥ 37.12

### (2) Diluted earnings per share

Diluted earnings per share and the basis for calculating diluted earnings per share are as follows:

	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Profit for the year attributable to owners of the parent (Millions of yen) . . . . .	¥15,913	¥42,906
Adjustments to profit or loss used to calculate diluted earnings per share (Millions of yen) . . . . .	375	—
Profit or loss used to calculate diluted earnings per share (Millions of yen) . . . . .	¥16,288	¥42,906
Weighted average number of ordinary shares outstanding (Thousands of shares) . . . . .	1,155,803	1,155,953
Effects of dilutive potential ordinary shares		
Bonds with subscription rights to shares (Thousands of shares) . . . . .	39,806	—
Stock options based on subscription rights (Thousands of shares) . . . . .	4,128	4,690
Diluted weighted average number of ordinary shares outstanding (Thousands of shares) . . . . .	1,199,738	1,160,644
Diluted earnings per share (Yen) . . . . .	¥ 13.58	¥ 36.97

## Note 25: Financial instruments

### (1) Capital management

The Group has adopted return on equity attributable to owners of the parent (ROE) and the debt-to-equity ratio (ratio of interest-bearing debt to equity) as its financial targets. The Group aims to attain those financial targets by improving not only profits but also the asset turnover ratio.

### (2) Credit risk

Credit risk is the risk of financial losses to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables such as trade notes and accounts receivable are exposed to customer credit risks. To manage these risks, each Group company performs due date controls and balance controls for each customer, and identifies and mitigates risks regarding the collection of receivables caused by factors such as deterioration of financial conditions at an early stage, in accordance with each Group entity's credit management rules.

In its derivative transactions, the Group uses only creditworthy financial institutions to reduce its credit risks.

The total carrying amount of financial assets represents the maximum amount of exposure to credit risk.

#### i) Aging analysis

The analysis of the aging of trade receivables which are past due but not impaired as of December 31, 2014 and 2015 is as follows:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Past due by 3 months or less . . . . .	¥16,469	¥12,458
Past due over 3 months but within 1 year . . . . .	4,197	4,022
Past due over 1 year . . . . .	741	1,732
Total . . . . .	¥21,408	¥18,212



## ii) Allowance for doubtful debts

The Group uses an allowance account for credit losses to record the amount of individually significant financial assets at the uncollectible amounts, and to record impairment losses on financial assets that are not individually significant at an amount based on the historical loan loss ratio at the end of the reporting period. The allowances for doubtful debts against the financial assets are included in "trade receivables" and "other financial assets" on the consolidated statements of financial position.

Changes in the allowance account for credit losses on trade receivables and other financial assets during the years ended December 31, 2014 and 2015 are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
As of January 1	¥9,495	¥ 9,650
Additions during the year	537	435
Amounts used during the year	(420)	(1,824)
Unused amounts reversed during the year	(237)	(195)
Others	274	(418)
As of December 31	¥9,650	¥ 7,647

## (3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in discharging its financial liabilities using cash or other financial assets.

Financial liabilities such as loans and corporate bonds are exposed to liquidity risks. The Group manages these risks by diversifying fund procurement methods, establishing commitment lines with various financial institutions, and keeping an appropriate balance between direct and indirect fund procurements and a proper mixture of short-term and long-term loans and bonds.

An analysis of the contractual maturities of financial liabilities is as follows:

	(Unit: Millions of yen)							
	FY2014 (as of December 31, 2014)							
	Carrying amount	Contractual cash flows	Due within one year or less	Due between one year and two years	Due between two years and three years	Due between three years and four years	Due between four years and five years	Due after five years
Non-derivative financial liabilities								
Loans payable	¥400,304	¥422,295	¥ 78,062	¥57,211	¥45,135	¥50,773	¥29,997	¥161,115
Commercial paper	24,425	24,477	24,477	—	—	—	—	—
Corporate bonds	69,859	74,323	845	845	20,845	783	30,201	20,804
Finance lease obligations	4,667	5,804	1,109	981	634	510	422	2,146
Total interest-bearing debt	499,257	526,901	104,494	59,038	66,615	52,066	60,621	184,065
Others <sup>(Note)</sup>	215,691	215,691	215,654	36	—	—	—	—
Total	¥714,949	¥742,592	¥320,149	¥59,074	¥66,615	¥52,066	¥60,621	¥184,065

Note: Others consist of "trade payables," "other payables" and "other current liabilities."

	Carrying amount	Contractual cash flows	Due within one year	Due after one year
Derivative financial liabilities				
Foreign exchange				
contracts	¥ 556	¥ 556	¥ 556	¥ —
Interest rate contracts	3,694	3,415	1,381	2,033
Commodity contracts	2,398	2,398	1,840	558
Total	¥6,648	¥6,370	¥3,778	¥2,592

(Unit: Millions of yen)

FY2015 (as of December 31, 2015)								
	Carrying amount	Contractual cash flows	Due within one year or less	Due between one year and two years	Due between two years and three years	Due between three years and four years	Due between four years and five years	Due after five years
Non-derivative financial liabilities								
Loans payable . . . . .	¥392,748	¥408,570	¥ 99,136	¥49,078	¥67,362	¥33,362	¥34,757	¥124,871
Commercial paper . . . . .	1,929	1,943	1,943	—	—	—	—	—
Corporate bonds . . . . .	69,889	73,426	845	20,845	783	30,249	201	20,502
Finance lease obligations . .	4,166	5,149	1,047	736	605	489	456	1,812
Total interest-bearing debt . .	468,733	489,088	102,973	70,660	68,751	64,102	35,415	147,186
Others <sup>(Note)</sup> . . . . .	207,868	207,868	207,835	33	—	—	—	—
Total . . . . .	¥676,602	¥696,957	¥310,808	¥70,693	¥68,751	¥64,102	¥35,415	¥147,186

Note: Others consist of "trade payables," "other payables" and "other current liabilities."

	Carrying amount	Contractual cash flows	Due within one year	Due after one year
Derivative financial liabilities				
Foreign exchange contracts . . . . .	¥ 954	¥ 954	¥ 954	¥ —
Interest rate contracts . . . .	2,477	2,535	916	1,619
Commodity contracts . . . . .	6,285	6,330	3,860	2,470
Total . . . . .	¥9,717	¥9,820	¥5,731	¥4,089

The Group does not expect the cash flows included in the maturity analysis to occur much earlier than anticipated or to differ significantly from the anticipated monetary amounts.

#### (4) Currency risk

The Group operates businesses globally, and is therefore exposed to currency fluctuation risks associated with transactions undertaken in currencies other than functional currency of the individual Group companies. To manage such risks, the Group hedges the risks with using foreign exchange forward contracts, currency swap contracts, and other instruments.

The principal exchange rates are as follows:

(Unit: Yen)				
	FY2014 (Jan. 1 through Dec. 31, 2014)		FY2015 (Jan. 1 through Dec. 31, 2015)	
	Average rate	Rate at the end of the reporting period	Average rate	Rate at the end of the reporting period
U.S. dollars . . . . .	¥105.85	¥120.55	¥121.05	¥120.61
Euros . . . . .	140.42	146.54	134.31	131.77

#### i) Currency risk exposure

The Group's maximum amount of exposure to currency fluctuation risk is as follows.

The exposure excludes amounts for which currency fluctuation risk is hedged using foreign exchange forward contracts, currency swap contracts, and other instruments.

	FY2014 (as of December 31, 2014)		FY2015 (as of December 31, 2015)	
	Thousands of U.S. dollars	Thousands of euros	Thousands of U.S. dollars	Thousands of euros
Financial instruments dominated in foreign currency . . . . .	\$186,607	€(5,343)	\$177,290	€(7,186)

ii) Sensitivity analysis of currency fluctuation risk

In the event of a 1% appreciation against the U.S. dollar and euro at the end of the reporting period, the monetary impact of this exchange rate movement on profit before tax is shown below.

This analysis is based on exchange rate variables that the Group believes to be reasonably possible as of the end of the reporting period. The analysis assumes that all other variables are held constant. It was conducted on the same basis as the analysis for the year ended December 31, 2014.

This analysis is performed by multiplying the currency fluctuation risk exposures by 1%, assuming that movements in various exchange rates have no impact on other variables (other exchange rates, interest rates, etc.).

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
U.S. dollars (1% yen appreciation) . . . . .	¥(224)	¥(213)
Euros (1% yen appreciation) . . . . .	7	9

(5) Interest rate risk

Interest-bearing debts with floating rates are exposed to interest-rate fluctuation risks. For some long-term floating-rate loans, the Group uses derivative transactions (interest rate swaps) as hedging instruments to avoid the interest-rate fluctuation risks and convert the floating rates into fixed rates.

i) Exposure to interest rate risk

The Group's exposure to interest rate fluctuation risk is as follows.

The monetary amount of exposure excludes monetary amounts for which currency fluctuation risk is hedged using interest rate swap contracts.

	(Unit: Millions of yen)					
	FY2014 (as of December 31, 2014)			FY2015 (as of December 31, 2015)		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Loans payable . . . . .	¥39,268	¥ —	¥ 39,268	¥33,059	¥ —	¥ 33,059
Commercial paper . . . . .	24,425	—	24,425	1,929	—	1,929
Current interest-bearing debt . . . . .	¥63,694	¥ —	¥ 63,694	¥34,989	¥ —	¥ 34,989
Loans payable . . . . .	¥ 1,496	¥185,169	¥186,665	¥42,190	¥142,579	¥184,769
Non-current interest-bearing debt . . . . .	¥ 1,496	¥185,169	¥186,665	¥42,190	¥142,579	¥184,769

ii) Sensitivity analysis of interest rate risk

In the event of a 1% interest rate increase, the monetary impact of financial instruments affected by the interest rate movement on profit before tax is shown below.

This analysis is performed by multiplying the currency fluctuation risk exposures by 1%, assuming that movements in various exchange rates have no impact on other variables (other exchange rates, etc.). It was conducted on the same basis as the analysis for the year ended December 31, 2014.

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Floating interest rate financial instruments . . . . .	¥(2,503)	¥(2,197)

## (6) Fair value

### i) Fair value measurement approach

The fair values of financial assets and financial liabilities are determined as follows:

(Derivatives)

Foreign exchange contracts are mainly based on forward exchange rates and prices quoted by financial institutions with which contracts are concluded. Interest rate contracts are mainly based on prices quoted by financial institutions with which contracts are concluded. Commodity contracts are mainly based on prices quoted by counterparties with whom contracts are concluded.

(Financial assets measured at fair value through other comprehensive income)

When market values are available, such values are used as fair values of the financial instruments. The fair values whose market values are unavailable are measured by using the method of discounted future cash flows, by third party appraisals, or by other appropriate measurement techniques.

(Loans payable)

As short-term loans payable are settled on a short-term basis, their fair values approximate their carrying amounts.

The fair values of long-term loans payable are calculated by the total sum of the principal and interest discounted by the interest rates that would apply if similar borrowings were conducted anew. For long-term loans payable at floating interest rates, however, the fair values approximate the carrying amounts because the interest rates are adjusted regularly at fixed intervals.

(Corporate bonds)

Fair values of corporate bonds are calculated based on market prices.

(Financial instruments other than above mentioned)

Financial instruments other than above mentioned are settled mainly on a short-term basis, and their fair values approximate their carrying amounts.

### ii) Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of December 31, 2014 and 2015 are as follows:

	(Unit: Millions of yen)			
	FY2014 (as of December 31, 2014)		FY2015 (as of December 31, 2015)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Other current assets and other financial assets				
Derivatives not designated as hedges	¥ 3,925	¥ 3,925	¥ 2,439	¥ 2,439
Derivatives designated as hedges	—	—	3	3
Other financial assets				
Financial assets measured at FVTOCI	219,081	219,081	219,814	219,814
Financial assets measured at amortized cost				
Cash and cash equivalents	69,655	69,655	104,831	104,831
Trade receivables	262,091	262,091	241,294	241,294
Other receivables	25,435	25,435	24,734	24,734
Other financial assets	16,627	16,627	12,757	12,757
Financial liabilities measured at fair value				
Other current liabilities and other financial liabilities				
Derivatives not designated as hedges	5,702	5,702	5,818	5,818
Derivatives designated as hedges	945	945	3,899	3,899
Financial liabilities measured at amortized cost				
Trade payables	131,147	131,147	126,956	126,956
Interest-bearing debt (short-term and long-term)				
Loans payable	400,304	408,067	392,748	399,567
Commercial paper	24,425	24,425	1,929	1,929
Corporate bonds	69,859	73,360	69,889	72,745
Finance lease obligations	4,667	4,667	4,166	4,166
Other payables	84,507	84,507	80,879	80,879
Other non-current liabilities	36	36	33	33

### iii) Fair value hierarchy

The following table is an analysis of financial instruments measured at fair value by valuation methods. The fair value hierarchy categorizes financial instruments into three levels based on inputs used to measure fair value, as follows:

Inputs include stock prices, exchange rates, and interest rates as well as indexes related to commodity prices, etc.

Level 1: Fair value measured at quoted market prices in active markets

Level 2: Fair value calculated using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value calculated from valuation techniques including inputs not based on observable market data

	(Unit: Millions of yen)			
	FY2014 (as of December 31, 2014)			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	¥ —	¥3,925	¥ —	¥ 3,925
Derivatives not designated as hedges	—	3,925	—	3,925
Equity instruments	212,775	—	6,305	219,081
Financial assets measured at FVTOCI	212,775	—	6,305	219,081
Derivative financial liabilities	—	6,648	—	6,648
Derivatives not designated as hedges	—	5,702	—	5,702
Derivatives designated as hedges	—	945	—	945
	FY2015 (as of December 31, 2015)			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	¥ —	¥2,443	¥ —	¥ 2,443
Derivatives not designated as hedges	—	2,439	—	2,439
Derivatives designated as hedges	—	3	—	3
Equity instruments	212,852	—	6,962	219,814
Financial assets measured at FVTOCI	212,852	—	6,962	219,814
Derivative financial liabilities	—	9,717	—	9,717
Derivatives not designated as hedges	—	5,818	—	5,818
Derivatives designated as hedges	—	3,899	—	3,899

The presence of any financial instruments subject to significant transfers between fair value hierarchy levels is determined at the end of every period. There were no financial instruments subject to significant transfers between the fair value hierarchy levels during the years ended December 31, 2014 and 2015.

Financial instruments categorized as Level 3 are financial instruments measured at fair value through other comprehensive income for which quoted market prices are not available. The fair value of these financial instruments is measured using calculations that conform to the Group's accounting policies. When calculating the fair value, the Group reasonably estimates the inputs, and determines the optimal valuation techniques, including third party appraisals, based on the characteristics of the assets and other considerations.

Changes in financial instruments categorized within Level 3 of the fair value hierarchy during the year are as follows:

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Balance as of January 1	¥6,274	¥6,305
Purchases	129	228
Sales	(350)	(77)
Other comprehensive income	707	522
Other changes	(456)	(16)
Balance as of December 31	¥6,305	¥6,962

#### iv) Equity instruments

Equity instruments such as equity securities are held mainly for the purpose of maintaining and strengthening business relationships over the medium and long terms, and are designated as financial assets measured at FVTOCI. The following is a breakdown of the major stocks within equity instruments and their fair values:

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Mitsubishi Estate Co., Ltd. . . . .	¥ 58,045	¥ 57,318
Mitsubishi Corporation . . . . .	32,129	29,390
Toyota Motor Corporation . . . . .	26,453	26,208
Others . . . . .	102,453	106,897
Total . . . . .	¥219,081	¥219,814

Equity instruments are sold taking into consideration the market value (market price, etc.) of shares and the need to hold shares for business purposes. The fair values of, and cumulative gains or losses recognized in other components of equity on stocks sold during the years ended December 31, 2014 and 2015 are shown below. The cumulative gains or losses recognized are transferred on sale from other components of equity to retained earnings.

(Unit: Millions of yen)			
FY2014 (Jan. 1 through Dec. 31, 2014)		FY2015 (Jan. 1 through Dec. 31, 2015)	
Fair value	Cumulative gains or losses	Fair value	Cumulative gains or losses
¥877	¥333	¥358	¥280

The following is a breakdown of dividend income recognized from equity instruments:

(Unit: Millions of yen)			
FY2014 (Jan. 1 through Dec. 31, 2014)		FY2015 (Jan. 1 through Dec. 31, 2015)	
Financial assets derecognized during the year	Financial assets held as of the end of the reporting year	Financial assets derecognized during the year	Financial assets held as of the end of the reporting year
¥13	¥3,970	¥3	¥4,216

#### (7) Derivatives and hedge accounting

The Group has early adopted IFRS 9 *Financial Instruments* (amended in November 2013) since January 1, 2015. Accordingly, information for the matters below in the years ended December 31, 2014 and 2015 is presented in accordance with the disclosure requirements set forth in IFRS 7 *Financial Instruments: Disclosures* (amended in December 2011) and IFRS 7 *Financial Instruments: Disclosures* (amended in November 2013), respectively.

The Group uses commodity futures and foreign exchange forward contracts to hedge variations in cash flows associated with forecast transactions and interest rate swaps and instruments to hedge variations in cash flows associated with loans payable with floating interest rates. The Group uses these derivatives only for transactions justified by actual demand, and does not hold these derivatives for speculative or trading purposes.

When applying hedge accounting, at the inception of hedges, the Group formally designates and documents hedging relationships to which hedge accounting is applied and the objectives and strategies of risk management for undertaking hedges. Moreover, at the inception of hedges, the Group evaluates whether or not the hedging instrument can be predicted to be effective. Thereafter, the Group continuously evaluates whether the derivative is highly effective in offsetting changes in future cash flows from the hedged item.

For the purpose of hedging variations in cash flows associated with raw material and fuel costs, the Group enters into raw material and fuel swap contracts for natural gas, oil and other commodities to hedge the risk of price fluctuations. The Group has determined that there is an economic relationship between the raw materials and fuel it uses, which reflects market prices, and the hedging instruments that are correlated with market prices for raw materials and fuel. The risk of price fluctuations has an impact on the Group's consolidated financial statements through not only fluctuations in raw material and fuel costs but also currency fluctuations and other factors. Therefore, the Group applies hedge accounting by designating only raw material and fuel costs as risk factors. The designated risk factor accounts for most of the risk of price fluctuations. Moreover, at the inception of hedging relationships, the Group sets an appropriate hedge ratio based on the quantity of the hedged item and the quantity of hedging instruments. In principle, the Group sets the hedge ratio so as to obtain a one-to-one relationship between those quantities.

The ineffective portion of hedging instruments arises mainly because changes in the fair value of the hedging instruments are unable to fully cover the fluctuations in the hedged item, namely the fluctuations in raw material and fuel costs.

Details on cash flow hedges for raw material and fuel costs are as follows:

#### FY2015 (as of December 31, 2015)

##### i) Impact of hedge accounting on the consolidated statements of financial position

The carrying amount of hedging instruments on the consolidated statements of financial position as of December 31, 2015 and the changes in the fair value of hedging instruments used as a basis for calculating hedge ineffectiveness are as follows:

Type of risk	Hedging instrument	(Unit: Millions of yen)		Changes in fair value of hedging instrument
		Carrying amount of hedging instrument		
Commodity price risk	Swap contract . . . . .	Other current assets	¥ 3	¥(4,499)
		Other current liabilities	3,660	
		Other non-current liabilities	239	

The delivery month of foregoing contracts are mainly expected to fall within one year from December 31, 2015.

The notional amount of hedging instruments as of December 31, 2015 is as follows:

Type of risk	Hedging instrument	(Unit: Millions of yen)
		Notional amount
Commodity price risk	Swap contract . . . . .	¥17,128

The changes in value of the hedged items used as the basis for calculating hedge ineffectiveness and the balances remaining in the cash flow hedge reserve as of December 31, 2015 are as follows:

Type of risk	(Unit: Millions of yen)	
	Changes in value of hedged item	Cash flow hedge reserve
Commodity price risk . . . . .	¥4,392	¥(3,765)

##### ii) Impact of hedge accounting on the consolidated statements of profit or loss and consolidated statements of comprehensive income

Profit or loss items recorded on the consolidated statements of profit or loss and consolidated statements of comprehensive income during the year ended December 31, 2015 are as follows:

Type of risk	(Unit: Millions of yen)		
	Hedging gains or losses that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss reclassification adjustment	Amount reclassified from cash flow hedge reserve into profit or loss as reclassification adjustment
Commodity price risk . . . . .	¥(4,369)	¥(129)	¥(603)

The profit or loss items included on the consolidated statements of profit or loss are recorded in "cost of sales." During the year ended December 31, 2015, no cash flow hedges were discontinued as a result of not executing forecast transactions within the initially anticipated time period.

#### FY2014 (as of December 31, 2014)

Hedged item	(Unit: Millions of yen)	
	Hedging instrument	
	Contracted amount, etc.	Fair value
Scheduled raw material and fuel purchase transactions . . . . .	¥8,949	¥(945)

The periods for which the cash flow hedge derivatives are expected to occur and the periods for which they impact profit or loss are projected to be mostly the same and are shown in the table below.

Raw material and fuel derivatives	(Unit: Millions of yen)			
	Carrying amount	Estimated cash flows	Within one year	After one year
Liabilities . . . . .	¥(945)	¥(945)	¥(734)	¥(211)

## Note 26: Commitments

As of December 31, 2014 and 2015, significant contractual commitments relating to the acquisition of property, plant and equipment amounted to ¥26,521 million and ¥33,606 million, respectively.

## Note 27: Collateral

Assets pledged as collateral and debt secured by collateral are as follows:

### Assets pledged as collateral

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Inventory	¥ —	¥2,132
Property, plant and equipment	2,753	4,049
Others	—	270
Total	¥2,753	¥6,452

The shares of consolidated subsidiaries amounting to ¥20,593 million and ¥18,518 million as of December 31, 2014 and 2015, respectively, which are eliminated on the consolidated statements of financial position are also pledged.

### Debt secured by collateral

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Short-term bank loans	¥ 45	¥ 1,183
Long-term bank loans	10,999	10,758
Total	¥11,044	¥11,942

Other than the abovementioned, no ownership restrictions or rights of pledge as collateral for debt have been established.

## Note 28: Contingencies

The Group provides guarantees, etc. for borrowings from financial institutions taken out by companies outside the Group. The amounts of commitments to guarantees, etc. are shown in parentheses, and are included in the total amounts.

	(Unit: Millions of yen)	
	FY2014 (as of December 31, 2014)	FY2015 (as of December 31, 2015)
Hibikinada Development Co., Ltd.	¥ 122	¥ 100
	(122)	(100)
Others	106	86
	(3)	(4)
Total	¥ 228	¥ 187
	(126)	(105)

## Note 29: Related parties

### Related party transactions

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

### Breakdown of compensation to directors

	(Unit: Millions of yen)	
	FY2014 (Jan. 1 through Dec. 31, 2014)	FY2015 (Jan. 1 through Dec. 31, 2015)
Monthly compensation and bonuses	¥315	¥361
Compensation-type stock options	79	78
Total	¥394	¥439



**Note 30: Group entities**

Major subsidiaries as of December 31, 2015 are as follows:

Subsidiary name	Location	Capital	Main business	Voting rights held by the Company (%)
<b>Consolidated subsidiaries</b>				
<b>Glass</b>				
AGC Glass Kenzai Co., Ltd. . . . . .	Japan	¥450 million	Production and sales of flat glass, fabricated glass for architectural use and building materials	100.0 (0.0)
AGC Glass Products Co., Ltd. . . . . .	Japan	¥1,287 million	Production and sales of fabricated glass for architectural use, and cutting and sales of flat glass	70.0 (0.0)
AGC Automotive China Co., Ltd. . . . . .	China	542 million yuan	Production and sales of automotive glass	100.0 (0.0)
Asahimas Flat Glass . . . . .	Indonesia	217 billion rupiah	Production and sales of flat glass, automotive glass and fabricated glass for industrial use	43.9 (0.0)
AGC Flat Glass North America . . . . .	U.S.A.	US\$1,258 million	Production and sales of flat glass and automotive glass	100.0 (100.0)
AGC Glass Brazil . . . . .	Brazil	670 million real	Production and sales of flat glass and automotive glass	100.0 (0.0)
AGC Automotive Europe . . . . .	Belgium	68 million euros	Production and sales of automotive glass	100.0 (100.0)
AGC Glass Europe . . . . .	Belgium	346 million euros	Production and sales of flat glass	100.0 (0.0)
AGC Flat Glass Czech . . . . .	Czech Republic	3,560 million koruna	Production and sales of flat glass	100.0 (100.0)
AGC Flat Glass Klin . . . . .	Russia	4,259 million rubles	Production and sales of flat glass	100.0 (100.0)
AGC Bor Glassworks . . . . .	Russia	418 million rubles	Production and sales of flat glass and automotive glass	92.6 (92.6)
<b>Electronics</b>				
AGC Techno Glass Corporation . . . . .	Japan	¥7,233 million	Production and sales of glass products for illumination, industrial use, laboratory and other medical uses, and production of optical membranes	100.0 (0.0)
AGC Display Glass Taiwan . . . . .	Taiwan	NT\$3,120 million	Production and sales of glass for electronics	100.0 (100.0)
AGC Display Glass (Shenzhen). . . . .	China	¥14,200 million	Production and sales of glass for electronics	100.0 (0.0)
Asahi Glass Fine Techno Korea . . . . .	South Korea	227,000 million won	Production and sales of glass for electronics	100.0 (33.0)
<b>Chemicals</b>				
* Ise Chemicals Corporation . . . . .	Japan	¥3,599 million	Production and sales of iodine-related products and metallic compounds, extraction and sales of natural gas	53.2 (0.0)
Asahimas Chemical . . . . .	Indonesia	US\$84 million	Production and sales of caustic soda, raw materials for vinyl chloride polymer	52.5 (0.0)

Subsidiary name	Location	Capital	Main business	Voting rights held by the Company (%)
<b>Ceramics/Others</b>				
AGC Ceramics Co., Ltd. . . . . .	Japan	¥3,500 million	Production and sales of various ceramic products	100.0 (0.0)
AGC Finance Co., Ltd. . . . . .	Japan	¥800 million	Factoring services for domestic affiliates	100.0 (0.0)
AGC Singapore Services . . . . .	Singapore	US\$88 million	Procurement of funds and financing services for affiliates in Asia, and holding of shares in affiliates	100.0 (0.0)
AGC America . . . . .	U.S.A.	US\$1,689 million	Holding of shares in affiliates in North America, and information collection	100.0 (0.0)
AGC Capital . . . . .	U.S.A.	US\$20 million	Procurement of funds and financing for affiliates in North America	100.0 (100.0)
Other consolidated subsidiaries . . . . .	182			
Total consolidated subsidiaries . . . . .	204			
Equity method affiliates . . . . .	37			

Notes: 1. The figures disclosed in parentheses in the "Voting rights held by the Company" column represent voting rights held indirectly by the Company.  
2. Subsidiaries marked with \* in the "Subsidiary name" column have filed a marketable securities report.

During the years ended December 31, 2014 and 2015, there was no individually significant subsidiary having non-controlling interests.

Information for equity method affiliates is presented in Note 10 "Equity method affiliates."

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#### Note 31: Subsequent events

No items to report.



**Independent Auditor's Report**

To the Shareholders and Board of Directors of Asahi Glass Co., Ltd.:

We have audited the accompanying consolidated financial statements of Asahi Glass Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Glass Co., Ltd and its consolidated subsidiaries as at December 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG AZSA LLC*

March 30, 2016  
Tokyo, Japan

## **ASAHI GLASS CO., LTD.**

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