

## The New Medium-Term Management Plan, “Grow Beyond-2012”

**AGC** Asahi Glass Co., Ltd.

AGC (Asahi Glass Co., Ltd.; Head Office: Tokyo; President & CEO: Kazuhiko Ishimura) has announced the establishment of a new medium-term management plan (MTP) for the AGC Group entitled “Grow Beyond-2012” for the fiscal years 2010 to 2012. This follows the foundations for growth realized during the Group’s “Grow Beyond-2010” MTP. Both MTPs derive from the Group’s management policy *Grow Beyond* that was formulated in 2008. The adoption of this new “Grow Beyond-2012” MTP reflects the Group’s confidence that it has completed the reforms necessary to cope with the rapid and significant change in its business environment due to the 2008 declines in the world economy and embodies a confidence that the worst of declines are past.

### 1. Summary of “Grow Beyond-2010”

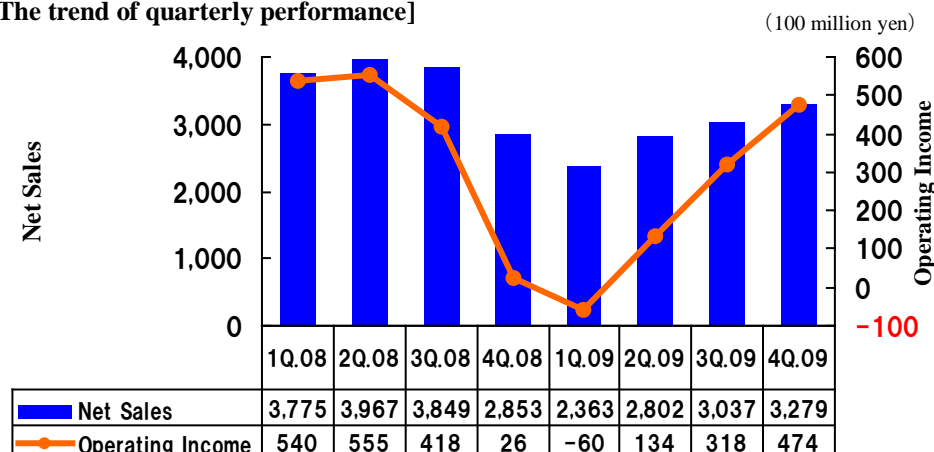
Under the previous MTP, “Grow Beyond-2010”, the AGC Group aimed to “implement its growth strategy”, “pursue quality” and set financial targets for achieving ROE\* (net income on shareholder’s equity) of 15% or more in the future as a global excellent company, while aiming its ROE of 12% or more in 2010 and continuing to maintain its operating profit margin at the level of 2007 at 11.7% or higher.

The AGC Group achieved record-setting operating profit (on a half-year basis) for the first half of FY2008. However, following the rapid and significant deterioration of the global economic environment after the fall of the same year, the Group declared a state of emergency in October and implemented measures to cope with the changed business environment, including shifting to a demand-based operation, halting or disposing of production facilities and reducing employment by about 4,000 personnel globally. In addition, the Group tightly controlled cash flows, cutting capital expenditures to less than depreciation and reducing inventories by 50.6 billion yen in 2009.

The Group positioned 2009 as a year for “gathering our strength” in which the Group prepared for a recovery of demand to achieve a rapid and sharp recovery of its performance, using spare manpower and facilities to improve productivity and production yield, undertake development, test production preparations for mass producing of new products and develop human resources. We have started to see the results of such efforts, including productivity improvements following the recovery in shipment volume of products such as flat panel displays (FPDs). The Group also reformed its business organization to further enhance its competitive advantage and efficiency by establishing the Glass Company and the Electronics Company.

By implementing these measures, the Group realized achievements such as being positioned to respond appropriately to the recovery of FPD glass substrates demands, consolidating intermediate fluorine materials production, and earning Daimler AG’s selection as its long-term automotive glass supplier. As a result, after bottoming out in the first quarter of FY2009, the Group’s performance recovered steadily, resulting in sales, operating profit, ordinary profit and net profit that exceeded its initial outlooks.

[The trend of quarterly performance]



**[Financial result for FY2009]**

(100 million yen)

|                  | FY2009   | <b>FY2009</b>             |
|------------------|--|---------------------------|
|                  | Initial outlook<br>announced on<br>February 2009 | <b>Actual achievement</b> |
| Net sales        | 11,000   | <b>11,482</b>             |
| Operating income | 300  | <b>867</b>                |
| Ordinary income  | 200  | <b>872</b>                |
| Net income       | -420   | <b>200</b>                |

**2. Profile of "Grow Beyond-2012," -- the New Medium-Term Management Plan**

**(1) Premises of the new MTP: AGC's aspirations for 2020 and acceleration of *Grow Beyond* measures**

The AGC Group business environment has changed significantly due to the recession arising from the financial crisis, and we assume that changes in the market structures related to the rising importance of global-warming issues, emerging markets and problems with resources will occur as early as 2020. This is earlier than our initial assumption of 2030 made in the management policy *Grow Beyond*. To address such significant structural changes, AGC Group has defined its aspirations for 2020 as follows.

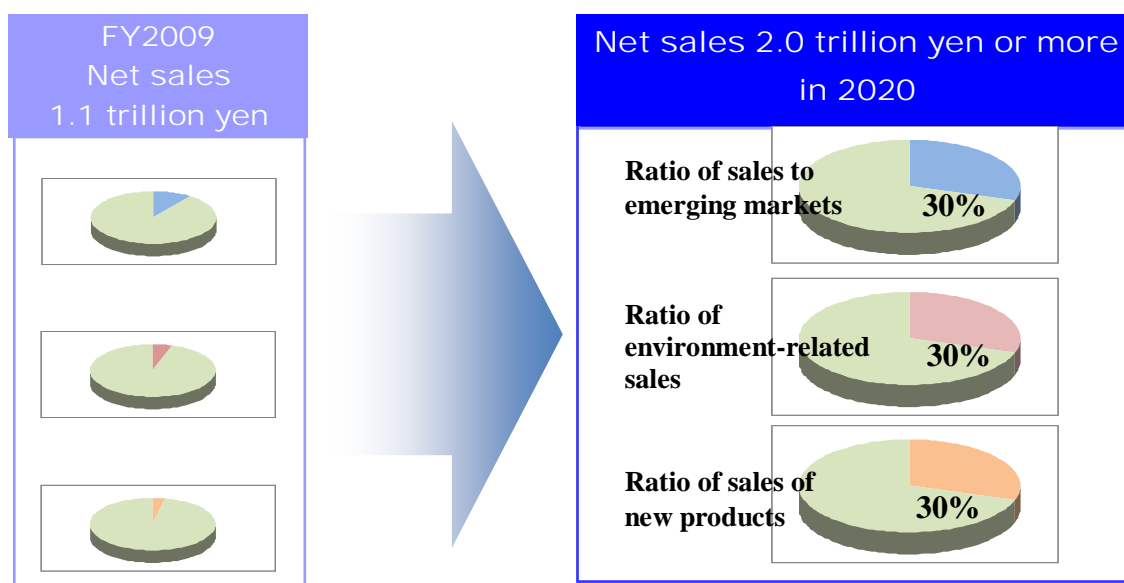
**[AGC's Aspirations for 2020]**

**AGC Group aspires to excel as a highly profitable and fast-growing global enterprise making contributions to a sustainable society by:**

- Having strong and differentiated technologies
- Giving consideration to environmental friendliness not only of its products but also for overall production processes and business activities
- Contributing to the development of newly developing regions of the world

By 2020, we expect to expand the Group's net sales to 2.0 trillion yen or more and to raise by 30% each of our ratios of sales in emerging markets, environment-related sales and sales of new products.

**[Anticipated business outline in 2020]**



(Note: Because some products are allocated to different categories, the total of these three ratios cannot be simply added up to 90 %.)

Aiming for achieving our aspirations for 2020, the Group will accelerate *Grow Beyond* measures to build foundations for growth. Specifically, we will advance our glass technologies, as well as promote business differentiation by combining and developing the Group's core technologies in glass, chemicals, and ceramics, to become a "glass-technology-driven company." In addition, the Group will "deliver technology solutions for climate change" by achieving energy conservation in production processes and providing products based on our core technologies. Also, the Group will study expanding its businesses in emerging countries with business models that differ from those applied in developed countries and through M&As and business alliances -- all as part of our efforts in the "second round of globalization" to further bolster business in emerging countries.

To promote *Grow Beyond* measures in a timely and steady way, the AGC Group will spur the development of Group-level strategy by its newly-established Group Strategy Office, in which the Group's CEO also serves as GM, and with implementing projects consisting of members selected from the Group as a whole.

## (2) Targets under "Grow Beyond-2012"

The AGC Group regards the next three years to be a period for ensuring growth toward achieving the aspirations for the Group in 2020 by way of our newly-formulated MTP "Grow Beyond-2012". Under the "Grow Beyond-2012", we will address the following two challenges:

- **Full-fledged recovery of company performance**
- **Accelerating *Grow Beyond* measures**

To achieve the full-fledged recovery of company performance, the Group will aim at attaining the highest level of performance and striking a good balance between financial strength and promotion of *Grow Beyond* measures, using cash flows generated by recoveries in business performance. On top of this, the Group will strive to accomplish our financial targets not only by boosting profits but increasing asset turnover ratio.

Regarding the acceleration of *Grow Beyond* measures, the Group will promote measures to build the foundation for growth such as: developing new products by enhancing our production technologies as a measure of being a "glass-technology-driven company"; continuing the development of production processes and environmentally enhanced products as efforts for "delivering technology solutions for climate change"; and studying and pursuing business expansion in emerging markets as part of the "second round of globalization" in order to build foundations for growth.

To address those challenges, the AGC Group plans investment and research and development as follows. The Group expects to make 450.0 billion yen in total in capital expenditures over three years. The Group will continue capital expenditures for TFT glass substrates in line with market expansion. Besides the capital expenditures, the Group will study proactively M&A and strategic business alliances. Further, we will increase R&D expenditures by 20% to 150 billion yen, compared to such expenditures in the previous MTP, and we will allocate these expenditures intensively to energy-related business and electronics materials development.

Regarding financial targets under "Grow Beyond-2012", the AGC Group will aim at achieving ROE\* (return on equity) of 12% or more and a D/E ratio\*\* (interest-bearing debt to equity ratio) of 0.5 or less. Concerning shareholder return measures, the Group is doing its utmost to proactively return profits to shareholders giving comprehensive consideration to consolidated business results and our future investment plan, among other factors. Based on our policy of maintaining stable dividends, the Group will continue to aim for a targeted dividend payout ratio of approximately 30%.

### 3. Principal Measures of "Grow Beyond-2012" by Business

#### (1) Glass business

Looking at the conditions of the global glass market, the AGC Group foresees that the demand for both architectural and automotive glass appears to have bottomed out in 2009 and will recover on the growth of emerging markets, etc., but the overall demand for architectural and automotive glass on a global basis will not exceed the level that existed before the economic crisis until after 2012.

In the glass operations, the AGC Group aims at continuing to be a global leader by firmly maintaining our solid presence in developed countries and by aggressively expanding business in emerging countries.

Making the most of the last year's integration of our Flat Glass Company and Automotive Glass Company, the AGC Group will radically improve the productivity and enhance cost competitiveness in the overall Glass Operations. In addition, we will proactively expand business in emerging markets where demand is expected to grow, while working on a radical improvement of profitability in North America.

Specifically, for architectural glass, the Group will press ahead with expanding sales in each region with eco-friendly glass products that meet the needs of each region, as well as pursuing product development and sales cross-regionally on a global basis. For automotive glass, the Group will focus efforts on developing environmentally responsive products such as those for ecologically friendly cars.

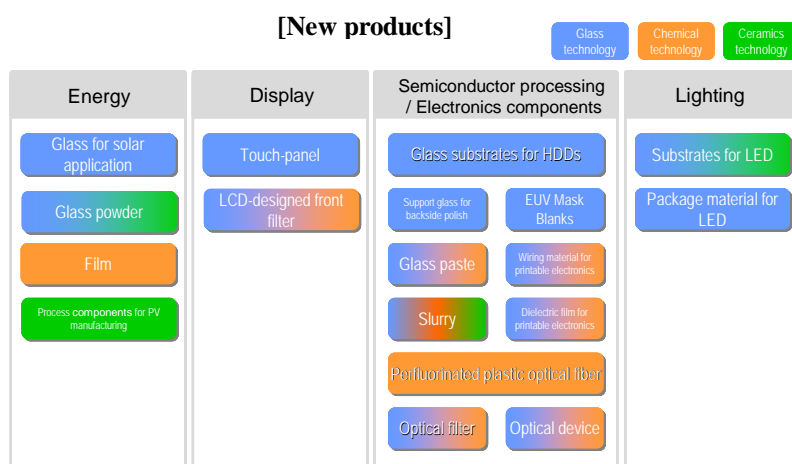
The Group will also establish a leading position in the market of high value-added products including glass for photovoltaic use and glass for concentrating solar power, focusing efforts on expanding sales of those products.

#### (2) Electronics and display business

Demand for FPDs is expected to continue growing at an annual average rate of 10% or more. In the display business, AGC Group will build a flexible production system that can respond to such market growth by increasing productivity and making new investments. In addition, we will take appropriate actions in response to our customers' moves to expand production of FPD panels in China by assessing demand trends.

In the electronics materials markets, we have started to see signs of a rebound in the semiconductor-related market, which is considered to have bottomed out in 2009 and is currently heading toward recovery. The personal computer (PC) market is expected to continue growing at an annual average rate on the order of 10%. Looking at these market trends, we will further focus on building mass-production technology and increasing productivity in the electronics materials business. In addition, we will promote product differentiation with our special glass and chemicals technologies and accelerate the release of new products by capitalizing on our marketing and development capabilities.

The AGC Group will proactively capture the needs for glass, which are diversifying and growing at an accelerating pace, and we will pursue expansion of sales in the following fields: display including decorative panels for touch panels and LCDs; lighting including glass substrates for LED; and semiconductors and electronics components, including glass substrates for HDDs and fluorinated optical fibers.



### (3) Chemicals business

In the chemicals operations, the AGC Group will strengthen its competitiveness by improving productivity, including consolidating production bases for intermediate fluorine materials. The Group will also continue to expand sales in growing markets by enhancing basic chemicals to capture growth in Asian markets and will provide fluorine chemicals that meet the needs of emerging markets. In addition, we will boost sales of products in environment- and energy-related markets including solar-related components and products with smaller effects on the environment.

### (4) Ceramics business

Taking advantage of possessing the ceramics technologies inside the AGC Group which enable longer operating lives of glass production facilities, product differentiation through higher quality and development of furnace materials that contribute to improving production yield, the Group aims to enhance the development capabilities that support a “*glass-technology-driven company*,” as well as to promote ceramic products sales in environment and energy markets.

### (5) Solar-related business

While the growth of the solar power market slowed slightly due to the influence of the economic crisis, it is getting back on track for strong growth. In addition, the market for concentrating solar power generation systems is expected to expand rapidly. With these expectations, we will make concerted efforts throughout the Group to develop, manufacture and sell solar-related components that have future growth potential, using the Group’s technologies in glass, chemicals and ceramics with a view to exploring wide-ranging fields, including photovoltaic and concentrating solar power generation in which the Group has the capabilities to make contributions.

The AGC Group is aspiring to excel as a highly profitable and fast-growing global enterprise that will make contributions to a sustainable society 10 years from now in 2020. To achieve this goal, we will accelerate implementation of measures in line with the management policy *Grow Beyond*, steadily execute the various specific measures in the new MTP “*Grow Beyond-2012*” and accomplish our financial targets.

(Note)

\*Return on Equity = Net Income / (Shareholders' Equity + Valuation and Translation Adjustments)

\*\*Debt / Equity Ratio = Interest-bearing Debt / Net Assets

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