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Progress in the Mid-term Management Plan and Initiatives to Drive Further Growth

Under the management policy **AGC plus** which emphasizes “adding a plus to all stakeholders,” AGC Asahi Glass (the Company) has set the management task under the mid-term management plan **AGC plus-2017** of putting an end to the profit decline that had continued until FY2014 and getting back on the growth path.

The following are the progress in the AGC Group’s mid-term management plan, the initiatives to drive further growth and the Group’s shareholder return policy.

1. Progress in the AGC Group’s mid-term management plan **AGC plus-2017**

<p style="text-align: center;">AGC plus</p> <p>The AGC Group adds a “plus” by:</p> <ul style="list-style-type: none"> • Providing safety, security and comfort to society; • Creating new value and functions for customers and business partners and building trust with them; • Enhancing job satisfaction among employees; and • Increasing the Group’s corporate value for investors. 	Target for 2017	Sales	¥ 1,600 bn.
		Operating income	more than ¥ 100 bn.
		ROE	5% or above
		D/E	0.5 or less

Under the management policy **AGC plus**, the AGC Group aims to achieve the financial targets set under the mid-term management plan **AGC plus-2017**. It will do so as each business pursues its strategic direction, determined based on the business portfolio created according to the profitability and growth potential, and the Group will allocate management resources in a well-focused manner.

The following are major decisions and actions of the AGC Group implemented in FY2015 and thereafter based on the business portfolio, toward attaining the financial targets.

Category of portfolio	Major actions taken
Growth	<p><u>Overseas chlor-alkali</u></p> <ul style="list-style-type: none"> • Increased the production capacity (Indonesia and Vietnam) <p><u>Automotive glass</u></p> <ul style="list-style-type: none"> • Expanded production base (China) and established a new production base (Mexico) • Started operation of a new float glass plant (Indonesia)

	<p><u>Specialty glass for chemical strengthening</u></p> <ul style="list-style-type: none"> Increased the production capacity for cover glass for car-mounted displays (Japan)
Cash generator	<p><u>LCD glass substrate</u></p> <ul style="list-style-type: none"> Relocated an LCD glass facility (China) <p><u>Architectural glass</u></p> <ul style="list-style-type: none"> Started operation of a coating glass plant (Thailand, Indonesia, Saudi Arabia)
Strength-building area	<p><u>Architectural glass</u></p> <ul style="list-style-type: none"> Structural reforms started producing visible effects (Europe and the Americas) <p><u>Specialty glass for electronic applications</u></p> <ul style="list-style-type: none"> Withdrew from the HDD glass substrate business (China and Japan)

As a result of the aforementioned actions, the Group achieved net sales for FY2016 of 1,282.6 billion Japanese yen, which is a decrease from 1,326.3 billion Japanese yen in the previous year mainly due to the effects of unfavorable exchange rate fluctuations. However, operating profit increased to 96.3 billion Japanese yen from 71.2 billion Japanese yen in the previous year as a result of a recovery in the glass business in Europe and the Americas and growth in the chemicals business. In addition, ROE improved to 4.3% from 3.9% in the previous year due to the increase in operating profit, etc. Further, the Group's efforts for portfolio management have created a balanced earnings structure whereby the Glass, Electronics, and Chemicals business segments produce profits in good proportions. As described above, the AGC Group made substantial progress in FY2016 toward the achievement of the financial targets set in **AGC plus-2017**.

In FY2017, the final year of the mid-term management plan **AGC plus-2017**, the AGC Group will continue to pursue the strategic direction set under **AGC plus-2017**. We believe doing so will lead to the attainment of the financial targets, including operating profit and ROE, set under the management plan. Moreover, we see achieving the target as only a stepping stone and will continue to promote portfolio management and allocate management resources in a well-focused manner toward driving further growth and attaining an ROE of 8% or more by FY2020.

2. Initiatives to drive further growth

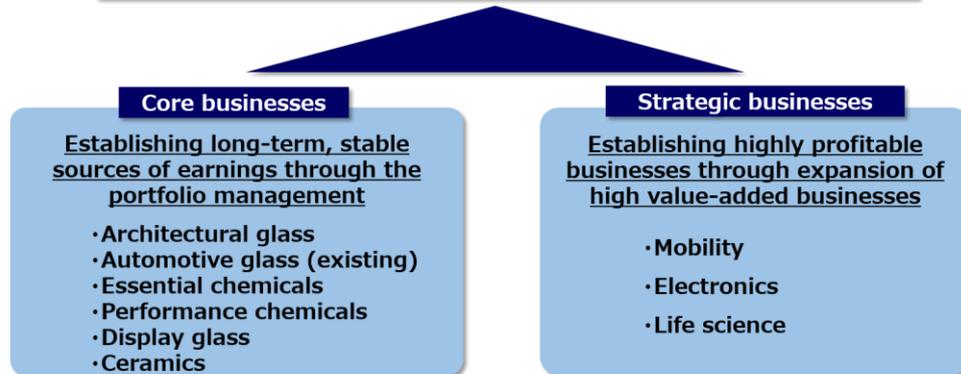
In February 2016, the AGC Group formulated "Vision 2025" as detailed below and long-term management strategies to accomplish it.

AGC Group's long-term strategy

formulated in Feb 2016

"Vision 2025"

The AGC Group's Core Businesses will serve as solid sources of earnings, and Strategic Businesses will become growth drivers and lead further earnings growth. The AGC Group will continue being a highly profitable, leading global material and solution provider.



The Group drew up its basic policy comprising the following four principles toward Vision 2025.

1. Always look from the market's perspective, respond to customers' needs, and continue building trust with them;
2. Achieve sustainable growth in both Core and Strategic Businesses by boldly pursuing strategic M&A opportunities along with the organic growth approach;
3. Take advantage of high growth in Asia by leveraging regional operations and strategic action in the geographical area covering from Southeast Asia through the Middle East; and
4. Concentrate the Group's management resources on business fields that have high earnings/growth potential and achieve a business structure that has enhanced asset efficiency.

Last year the AGC Group decided to make a growth investment in accordance with the basic policy by utilizing the strategic investment budget of 300 billion yen established mainly for M&A opportunities. For instance, the Group acquired Vinythai PCL (Thailand) in the essential chemicals business and CMC Biologics (Denmark, USA) and Biomeva GmbH (Germany) in the life science business. The Group projects that the growth investment implemented in FY2015 and thereafter will produce additional sales of 200 billion yen for FY2018 (compared to the level for FY2015).

The AGC Group has positioned 2017 as a "year of aggressively implementing strategic initiatives, and accelerate its re-growth toward the realization of the AGC Group's Vision 2025." Based on this policy, we will focus our efforts on reaping the benefits of growth investment which we have decided for both the Core and Strategic Businesses, as well as continuing to implement growth measures proactively. For the Core Business category, the AGC Group aims to establish long-term stable sources of earnings through thorough portfolio management. For the Strategic Business category, the Group aims to expand high value-added businesses by implementing the following measures in each business field.

Mobility:	Offer products such as next-generation glass-mounted communication antenna and fuel cell materials by capturing changes in the business environment and infrastructure surrounding automobiles.
Electronics:	Respond to the sophistication of data entry devices, speed-up of communication and higher-density data storage. Do so by expanding the existing consumer goods business for semiconductor processes and developing next-generation products such as sensor materials and EUV mask blanks.
Life science:	Expand the life science business through organic synthesis technology and the contract development and manufacturing business for pharmaceutical and agrochemical ingredients, which have already taken off. Also, develop the life science business by utilizing the production bases in Europe and the U.S. and mammalian cell technology the Group obtained through acquisitions.

The AGC Group will continue being a leading global material and solution provider that supports people's lives around the world with its materials and solutions.

3. Shareholder return policy

Having revised its shareholder return policy in February 2016, the AGC Group aims at the consolidated total shareholders return of 50% or more, which includes the annual dividend payment per share maintained at the current levels or more and the purchase of treasury stock. In the light of the Group's financial results for FY2016 and its forecast for FY2017, the following shareholder return schemes have been decided.

1. Share repurchase program

Total repurchase amount: up to 10 billion yen

Repurchase period: from February to March 2017

(It will be conducted as the shareholder return for the Group's financial results for FY2016.)

All of the shares repurchased under this program are planned to be cancelled.

2. Dividend payment (forecast): interim 10 yen/share & year-end 10 yen/share

(Both 9 yen/share in the previous year's actual interim payment and year-end payment forecast.)

* The Company plans to consolidate its common shares at a ratio of five shares to one share on the effective date of July 1, 2017. The above-mentioned dividend payment figures are the amounts without taking into account the consolidation of shares. The year-end dividend payment per share that takes into account the consolidation of shares is 50 yen.

The AGC Group will continue to make shareholder returns based on the shareholder return policy and strive to proactively return profits to shareholders.

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