Publication for Communication with Shareholders

AGC

AGC Review

Newsletter for Shareholders
Vol.30
Issued in March 2017

To Our Shareholders

In fiscal 2016, the AGC Group's net sales declined from a year ago, due to the appreciation of the Japanese yen and other factors. Meanwhile, operating profit increased for the second consecutive fiscal year, owing to increased shipments of automotive glass and chemicals, higher selling prices for architectural glass, and cost reductions resulting largely from declines in raw material and fuel costs. The year-end dividend was 9 yen per share as forecast at the beginning of the year, bringing the full-year dividend to 18 yen per share. Considering our earnings forecasts for fiscal 2017, we are setting our interim dividend forecast at 10 yen per share, and we forecast a full-year dividend of 20 yen per share (prior to adjustments for a reverse stock split to be implemented on July 1, 2017).

All of us at AGC, both directors and employees, are committed to working as one toward achieving the management goals of ***AGC plus***, as we strive to meet the expectations of our shareholders. On behalf of the AGC Group, I would like to express my sincerest appreciation for your continued support.

Takuya Shimamura, President and CEO

AGC ASAHI GLASS

Code Number: 5201

Feature Article

CEO Interview

Progress of the mid-term management plan and initiatives under way to drive further growth

Under the management policy *AGC plus* which emphasizes "adding a plus to all stakeholders," the AGC Group has set the management task for its mid-term management plan *AGC plus-2017*, of putting an end to the profit decline that had continued until fiscal 2014 and getting back on a growth path.

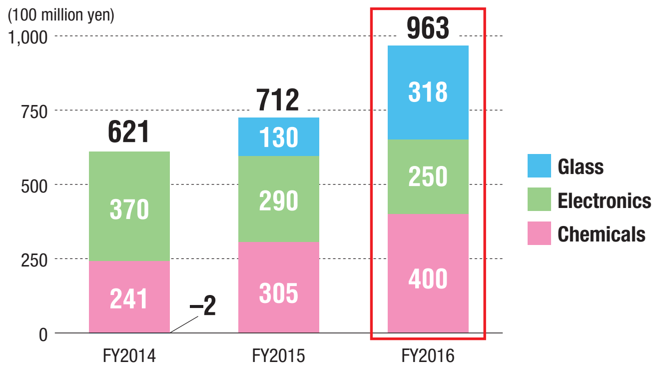
Fiscal 2017 is the final year of the plan. I will outline the Group's progress toward achieving the targets set in the mid-term management plan and the initiatives being taken to drive further growth.

Q1 What are your impressions of fiscal 2016 after looking back over the year?

Following the ***AGC plus*** management policy, we aim to achieve the financial performance targets set forth in ***AGC plus-2017***, our mid-term management plan. We will accomplish this through a clear strategic direction using a business portfolio that is based on the profitability and growth potential of each business and an optimized allocation of management resources. As a consequence of these endeavors, in fiscal 2016 we posted net sales of 1,282.6 billion yen, operating profit of 96.3 billion yen, and an ROE of 4.3%. We also achieved the key financial performance targets set forth in ***AGC plus-2017*** and fiscal 2016 was a year in which we made significant advances. Furthermore, by pressing forward with portfolio management, we now have a well-balanced structure for generating profits from the glass, electronics, and chemicals businesses.

	AGC plus-2017 Targets for 2017
Sales	¥1,600 billion
Operating profit	More than ¥100 billion
ROE	5% or more
D/E	0.5 or less

Operating profit



Note: The sum of the segment amounts may not equal the amount of operating profit total, because this graph excludes the amount of Ceramics/Other segment and elimination.

Q2 Please share your thoughts on achieving the Group's financial performance targets.

For the current fiscal year, we are forecasting operating profit to be 105 billion yen, up 8.7 billion yen year on year. In fiscal 2017, the final year of the mid-term management plan ***AGC plus-2017***, the AGC Group will continue to pursue its strategic direction as doing so, we believe, will lead to the attainment of our financial targets such as operating profit and ROE. Moreover, we view the achievement of our targets as just a stepping stone, and therefore will continue to promote our portfolio management and allocate management resources in a well-focused manner toward achieving further growth and attaining an ROE of 8% or more by fiscal 2020.

Q3 Please highlight some of the acquisitions announced in fiscal 2016.

In fiscal 2016, we tapped into our 300 billion yen budget for strategic investments centering on M&A. We reached agreements and announced acquisitions such as those of Vinythai of Thailand (for approximately 33.5 billion yen) in the basic chemicals business and CMC Biologics of Denmark and the United States (for approximately 60 billion yen) in the life sciences business. These agreements are in line with the fundamental policies embodied in the AGC Group's long-term strategy "Vision 2025." Going forward, we will remain dynamic in implementing strategic M&A for both our core and strategic businesses as we aim to realize our vision of the type of company we want to be in 2025.

"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.

Core Businesses

Establishing long-term, stable sources of earnings through portfolio management

- Architectural glass
- Automotive glass (existing)
- Essential chemicals
- Performance chemicals
- Display glass
- Ceramics

Strategic Businesses

Establishing highly profitable businesses through expansion of high value-added businesses

- Mobility
- Electronics
- Life science

Basic Policy

1. Always look from market 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 actions in the geographical area covering from Southeast Asia through the Middle East
4. Concentrate the Group's management resources into the business fields that have high earnings/growth potential and achieve the business structure with improved asset efficiency

Vinythai (in Thailand)

Vinythai manufactures and sells chemical products such as caustic soda and polyvinyl chloride (PVC) in Thailand. Under the AGC Group's management policy ***AGC plus***, the Group places strategic focus on expanding its chlor-alkali business in Southeast Asia, where markets are expected to grow. With the acquisition of Vinythai, we have secured a new PVC production base in Thailand, following the bases already established in Indonesia and Vietnam. As a result, we are now even better positioned to address the expanding demand in this rapidly growing region.

Biomeva GmbH (in Germany), CMC Biologics (in Denmark and USA)

Since launching contract manufacturing services for biopharmaceuticals in the early 2000s, we have been engaged in the contract manufacturing of pharmaceuticals using microorganisms primarily in Japan. In August 2016, we acquired Biomeva GmbH and acquired a manufacturing and development base in Europe. Following this and through the acquisition of CMC Biologics, we acquired biopharmaceutical manufacturing technologies using mammalian cells and a client base in its major markets of Europe and the United States. Through these acquisitions, the AGC Group will work to contribute to pharmaceutical companies, patients, and society as a world-leading contract development and manufacturing organization that is built on strong technological capabilities and trusted products.

Q4 Please share your views on shareholder returns.

Based on sustaining our current annual dividend per share, we are targeting a consolidated total return ratio including share buybacks of 50% or more. We intend to proactively return profits to shareholders while taking a holistic view over consolidated earnings and future investment plans and so forth. We will undertake the following measures for returning profits to shareholders in consideration of our consolidated performance in fiscal 2016, our earnings forecasts for fiscal 2017, among other factors.

■ Share buyback

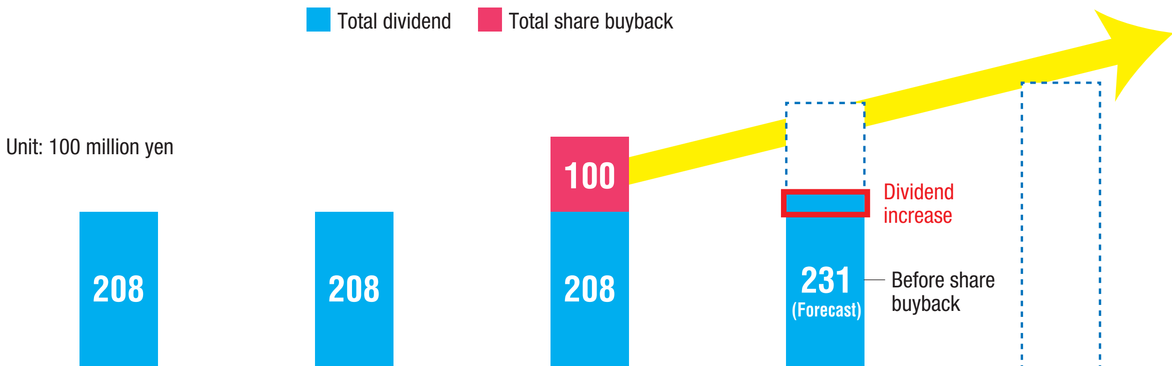
We conducted a share buyback from February through March 2017 as a means of returning profits to shareholders with respect to fiscal 2016 earnings (total repurchases: up to 10 billion yen or up to 15 million shares). With this buyback, our consolidated total return ratio for fiscal 2016 will be up to approximately 65%.

■ Fiscal 2017 dividends (forecast)

Regarding dividends for fiscal 2017, we are forecasting a 1 yen per share increase in both the interim and year-end dividend, for an interim dividend of 10 yen per share and a year-end dividend of 10 yen per share (see note).

Note: Prior to adjustment for a reverse stock split (5 shares for 1 share) to be implemented on July 1, 2017. The actual year-end dividend after the reverse stock split is forecast to be 50 yen per share.

As for our policy for shareholder returns going forward, we will strive to sustain a consolidated total return ratio of 50% or more. I ask the shareholders for their ongoing support.



	2014	2015	2016	2017	2018
Dividend per share	18 yen	18 yen	18 yen	20 yen*1 (Forecast)	TBD (Illustration)
Share buyback	—	—	10 billion yen (Upper limit)	TBD (Illustration)	
Consolidated total return ratio	130.7%	48.5%	65.0%*2	50% or more (Policy)	

*1 2017 figure excluding the impact of the consolidation of shares scheduled on July 1, 2017
*2 If calculated by the upper limit of total share buyback (10 billion yen)

Highlights of the Group's Financial Results

Key Points for Fiscal 2016

Net sales

Sales decreased due to the strong yen and other factors

Operating profit

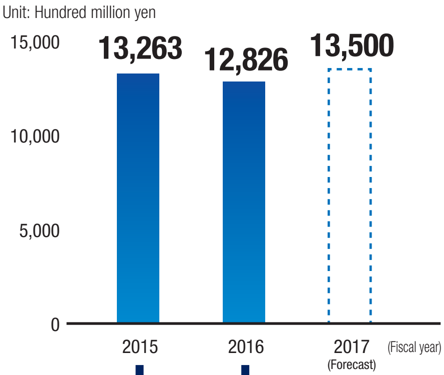
Operating profit increased owing to positive factors including increased shipments of automotive glass and chemical products, the price hike of architectural glass, and cost reductions mainly from lower prices for raw materials and fuel.

Profit for the year attributable to owners of the parent

Profit before tax decreased mainly due to the impact on income from revision of the defined benefit corporate pension plan posted during the six months ended June 30, 2015.

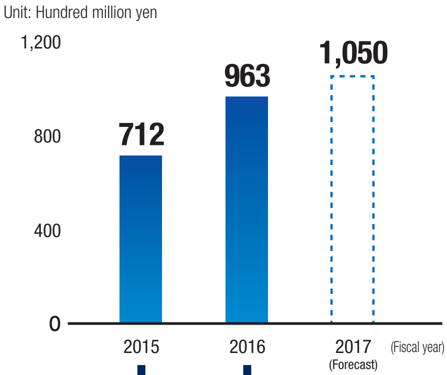
Net sales

12,826 hundred million yen (down 3.3% year-on-year)



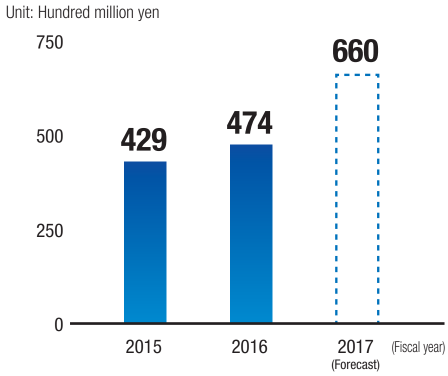
Operating profit

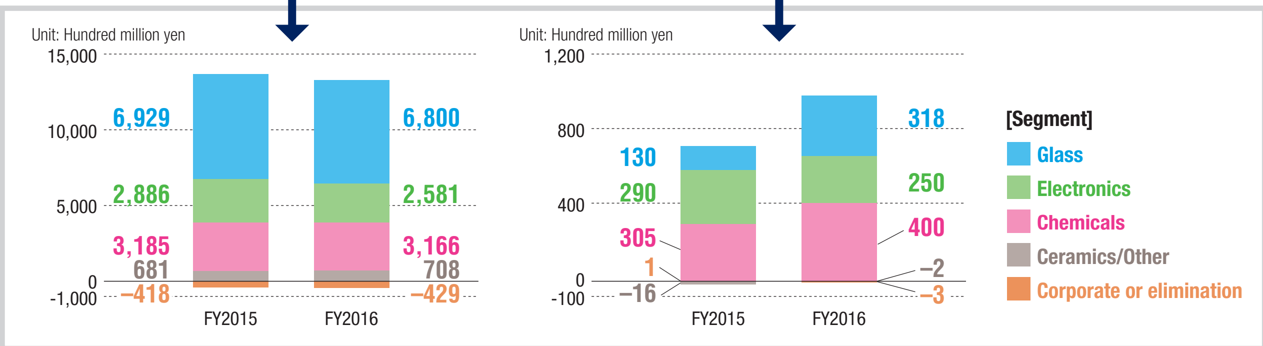
963 hundred million yen (up 35.3% year-on-year)



Profit for the year attributable to owners of the parent

474 hundred million yen (up 10.6% year-on-year)

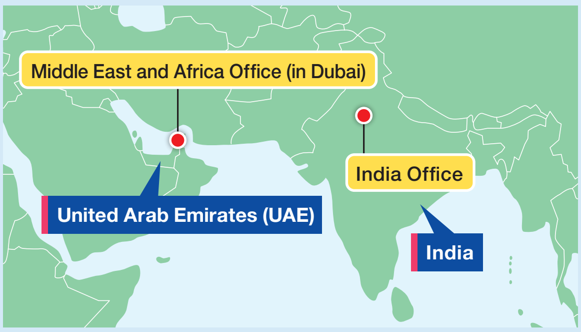




Topics

Establishment of offices in India and the Middle East and Africa (in Dubai)

In October 2016, we opened new offices in India and Dubai. Both offices will service as a base for information-gathering and marketing in South Asia and the Middle East and Africa, regions for which rapid growth is projected. Though the Group has been developing its business in Southeast Asia till now, it has also added a footprint in South Asia and the Middle East and will work toward further growth in these regions as well.



From Dubai

The Dubai Office was established as a new challenge for the AGC Group. The Middle East and African regions are expected to enjoy dramatic growth going forward. In addition, a number of major projects are planned, and each day I feel that the eyes of the world are focused keenly upon us. While serving as a hub for charting inroads to new markets for the entire AGC Group, the Dubai Office will collaborate with members worldwide and strive to build the AGC global brand by expanding business opportunities in the Middle East and Africa.

Junya Sone, President, AGC Middle East & Africa FZCO

Regarding Change in Number of Shares per Share Unit and Share Consolidation

Change in number of shares per share unit

To change from 1,000 shares to 100 shares

Share consolidation

To consolidate five (5) shares into one (1) share

i.e.: a shareholder with 1,000 shares before the share consolidation takes effect

		From July 1	
Number of shares owned	1,000 shares	→	200 shares
Unit/number of voting rights	1 vote	→	2 votes

Effective July 1, 2017, AGC Asahi Glass (the Company) will change its number of shares per share unit from 1,000 shares to 100 shares and consolidate five (5) shares into one (1) share in order to adjust the investment unit to an appropriate level when it changes the number of shares per share unit from 1,000 shares to 100 shares.

Although the number of shares held by a shareholder will be one-fifth after the share consolidation, the Company's assets and capital will remain unchanged after the share consolidation. This means, aside from share market trends and other factors, in theory, there will be no change to the asset value of shareholders' shares. This is because, after the share consolidation, there will be a fivefold increase in the amount of net assets per share.

For example, the year-end dividend for fiscal 2017 is forecast at 10 yen per share, but considering the impact of the share consolidation, the dividend will be 50 yen per share (the interim dividend will be disbursed based on the number of shares prior to the share consolidation).

Corporate Outline

(as of December 31, 2016)

Name

-Company name: AGC Asahi Glass

-Registered company name:
Asahi Glass Company, Limited

Founded: September 8, 1907

Incorporated: June 1, 1950

Capital: ¥90,873,373,264

Head office:
Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-8405

Phone: +81-3-3218-5096

Number of consolidated subsidiaries:
204 (including 165 companies overseas)

State of Stock

(as of December 31, 2016)

Number of shares outstanding: 1,186,705,905

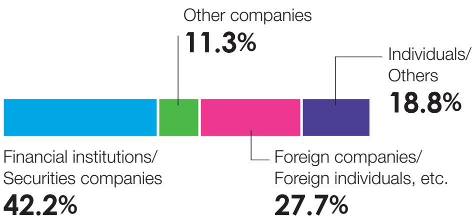
Number of shareholders: 59,646

Shareholders who own shares of one unit or more: 49,262

Shareholder Composition

(as of December 31, 2016)

(Shareholders who own one unit or more)



Information about Shares

Fiscal year: January 1 to December 31

Ordinary general shareholders' meeting: March

Shareholder registration date for entitlement to exercise:
Voting rights at ordinary general shareholders' meeting: December 31
Rights to receive annual dividend payment: December 31
Rights to receive interim dividend payment: June 30

Public notice: Electronic public notices
http://www.agc.com

Shareholder Registrar/Special Account Administrator:
Mitsubishi UFJ Trust and Banking Corporation
Inquiries/Mailing address:
Securities Agency Division, 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081
Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Phone: 0120-232-711 (toll free within Japan)

Payment of dividends:

As stated in the Articles of Incorporation, dividends not claimed within five years from the starting date of payment are no longer payable. We therefore urge shareholders to claim all payable dividends at the earliest convenient date.
Dividends that the shareholder has not received will be paid at the Mitsubishi UFJ Trust and Banking Corporation.

To shareholders owning shares constituting less than one unit:

Shareholders owning shares constituting less than one unit (1-999 shares) of AGC may request AGC to purchase such shares/sell additional shares. For the details of such procedures, including requests for necessary forms, please notify the following place of contact.

Contact Information for Inquiries Regarding Shares

Shareholders who have an account with securities companies, etc.	Shareholders who have a special account
Name of securities companies or other entities with which you have an account	Mitsubishi UFJ Trust and Banking Corporation (our Special Account Administrator) Phone: 0120-232-711 (toll free within Japan) When shareholders holding shares in the Special Account wish to register their change of address, designate or change the bank account for receiving dividends, purchase shares constituting less than one unit, or process an account transfer, please contact the Special Account Administrator via the toll-free number 0120-244-479 (there is an automated voice answering service 24 hours a day) and ask for the relevant application forms.

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Note concerning information about the future

Please note that statements made in this document concerning projected figures, future measures, and other information about the future involve uncertainties.