February 6, 2009

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Consolidated Financial Results for the Year Ended December 31, 2008

1. Consolidated financial results for the year ended December 31, 2008

(1) Consolidated operating results

	Current fiscal year (ended December 31, 2008)		Previous fiscal year (ended December 31, 2007)	
	millions of yen	%	millions of yen	%
Net sales (millions of yen)	1,444,317	(14.1)	1,681,238	3.7
Operating income (millions of yen)	154,013	(22.0)	197,452	44.5
Ordinary income (millions of yen)	109,756	(41.6)	187,878	39.7
Net income (millions of yen)	39,178	(43.7)	69,634	54.8
Net income per share -basic (yen)	33.53		59.35	
Net income per share -fully diluted (yen)	33.52		56.16	
Return on equity (%)	4.7		7.5	
Ratio of ordinary income to total assets (%)	5.6		8.8	
Ratio of ordinary income to net sales (%)	10.7		11.7	

(Note) With respect to net sales, operating income, ordinary income and net income, percentage figures show % change from the previous year's corresponding period.

(2) Consolidated financial position

	Current fiscal year (ended December 31, 2008)	Previous fiscal year (ended December 31, 2007)
Total assets (millions of yen)	1,832,846	2,108,089
Total net assets (millions of yen)	780,864	1,027,341
Equity ratio (%)	39.8	45.3
Equity per share (yen)	625.51	813.28

(3) Consolidated cash flows

	Current fiscal year (ended December 31, 2008)	Previous fiscal year (ended December 31, 2007)
Cash flows from operating activities (millions of yen)	205,270	245,748
Cash flows from investing activities (millions of yen)	(260,526)	(209,819)
Cash flows from financing activities (millions of yen)	73,558	(36,082)
Cash and cash equivalents at the end of the year (millions of yen)	59,772	52,275

2. Dividends

	(Base date)	FY2007	FY2008	FY2009 (planned)
Dividend per share	End of first quarter (yen)	-	-	-
	End of second quarter (yen)	10.00	12.00	8.00
	End of third quarter (yen)	-	-	-
	End of fiscal year (yen)	10.00	12.00	8.00
	Full fiscal year (yen)	20.00	24.00	16.00
Total dividend distribution (full fiscal year) (millions of yen)		23,470	28,024	-
Payout ratio (consolidated) (%)		33.7	71.6	-
Ratio of dividend distribution to stockholders' equity (consolidated) (%)		2.5	3.3	-

(Note) End of second quarter dividend and end of fiscal year dividend for FY2007 each include a commemorative dividend of 2.00 yen per share.

3. Outlook for the next fiscal year ending December 31, 2009

	First half		Full fiscal year	
	millions of yen	%	millions of yen	%
Net sales (millions of yen)	-	-	1,100,000	(23.8)
Operating income (millions of yen)	-	-	30,000	(80.5)
Ordinary income (millions of yen)	-	-	20,000	(81.8)
Net income (loss) (millions of yen)	-	-	(42,000)	-
Forecasted net income per share (yen)	-		(35.97)	

(Note) With respect to net sales, operating income, ordinary income and net income, percentage figures show % change from the previous year's corresponding period.

(Note) Since business environment around the Group remains uncertain, the outlook for the first half is not disclosed at the moment, which is to be announced when prepared.

(Note)

1. Equity in earnings (losses) of unconsolidated subsidiaries and affiliates;
   Year ended December 2008: (629) millions of yen   Year ended December 2007: 3,869 millions of yen
2. Number of shares issued and outstanding at end of year;
   Year ended December 2008: 1,186,705,905 shares   Year ended December 2007: 1,186,682,105 shares
3. Number of treasury stock at end of year;
   Year ended December 2008: 19,048,781 shares   Year ended December 2007: 13,123,716 shares
4. All financial information has been prepared in accordance with accounting principles generally accepted in Japan.
5. Rounded off to millions of yen.
6. The above-mentioned outlook reflects management's judgment on the basis of currently available information, as such, contain risks and uncertainties. For matters concerning the above outlook, please see Page 9-11 of the attached materials.

Operating Results and Financial Conditions

1. Operating Results

(1) Overview of the Fiscal Year under Review (FY2008)

During the year (from January 1 through December 31, 2008), the economic environment around the Company and its consolidated subsidiaries (hereinafter collectively referred to as the “AGC Group” or simply the “Group”), prices of raw materials and fuels such as oil remained at a high level in the first half of the year. Also, the global economy rapidly became worse because of the aggravation of the worldwide financial crisis that originated in the U.S.. Reviewing the economic conditions of each region, in Japan, the economy remained quite strong until the middle of the year as a result of strong capital investment and consumer spending. However, the economy turned downward, affected by the lower profitability caused by the stronger yen and weakened domestic as well as foreign demand owing to economic slowdowns overseas, mainly in the U.S.. Business conditions after the fourth quarter became even more serious. In Asia, although China saw its economy maintain a high growth rate, the economy started to slow down gradually after the Beijing Olympic Games. Also, ASEAN countries that have been supported by strong exports experienced an economic slowdown, affected by the weakened global economy. In Europe, although the economies in Russia and Central-Eastern Europe continued to be steady since the beginning of the year, they grew weaker after the third quarter, as a result of the worsening global economy. In Western Europe, exports and capital investment that have led the economy have slowed down, and the decline of the real economy has worsened.

Under such business environment, the AGC Group is facing a sharper-than-expected decrease in worldwide demand for housing, automobile and home electronics in the fourth quarter. The market for glass substrates for flat panel displays (FPDs) continued to be strong until the end of the first half of 2008, but the number of shipments was affected by operational adjustments at panel manufacturers in the third quarter. The flat glass market remained sluggish in Japan and North America, and weakened in Europe. The market for chemical products was steady, but softened in the fourth quarter.

Based on the results above, the AGC Group posted net sales of 1,444.3 billion yen for the year, down 236.9 billion yen or 14.1% from the previous year; operating income of 154.0 billion yen, down 43.4 billion yen or 22.0%; and ordinary income of 109.8 billion yen, down 78.1 billion yen or 41.6%. Net income decreased 30.5 billion yen or 43.7% to 39.2 billion yen.

(2) Analysis of operating results for FY2008

For the fiscal year under review, consolidated net sales decreased 236.9 billion yen or 14.1% to 1,444.3 billion yen from the previous year. Cost of sales decreased 175.0 billion yen or 14.6% to 1,024.9 billion yen from the previous year. The cost-to-sales ratio stood at 71.0 %, remaining at the almost same level as the previous year due to price hikes of raw materials and fuels in the first half of the year and a rapid decrease of demand in the fourth quarter with the decline of the real economy, which negated the Group's cost reduction efforts. Operating income was 154.0 billion yen, down 43.4 billion yen or 22.0% year-on-year mainly because of a decline of net sales caused by the demand decrease. Operating income margin decreased 1.1 percentage point, to 10.7%. The overview of net sales and operating income is described in the following section.

Ordinary income for the year under review was 109.8 billion yen, down 78.1 billion yen or 41.6% from the previous year, mainly due to a decrease in operating income from the previous year and an increase in foreign exchange loss on revaluation of debt in foreign currency at overseas subsidiaries. The ordinary income margin was 7.6%, down 3.6 percentage point from the previous year.

Net income was 39.2 billion yen, down 30.5 billion yen or 43.7% as a result of recording expenses for restructuring programs mainly in association with the reduction of the flat glass operations in North America.

Net income per share for the fiscal 2008 under review was 33.53 yen.

(3) Overview by segment

- Performance by business segment (Unit: Billions of Yen)

	Net sales		Operating income	
	FY2008	FY2007	FY2008	FY2007
Glass	741.3	866.0	18.7	63.7
Electronics and Display	372.7	465.2	126.6	118.2
Chemicals	303.1	319.4	3.9	12.4
Other	96.6	87.6	5.0	3.2
Corporate or elimination	(69.4)	(56.9)	(0.1)	(0.0)
Total	1,444.3	1,681.2	154.0	197.5

- Performance by geographic segment (Unit: Billions of Yen)

	Net sales		Operating income	
	FY2008	FY2007	FY2008	FY2007
Japan	810.8	901.0	77.7	95.7
Asia	419.1	469.2	56.9	59.5
The Americas	128.1	191.9	(4.4)	(7.9)
Europe	355.3	430.3	25.7	58.6
Corporate or elimination	(269.0)	(311.1)	(2.0)	(8.5)
Total	1,444.3	1,681.2	154.0	197.5

- Glass operations

Sales in the flat glass business decreased from the previous year. In Western Europe, demand continued to weaken as the economy slowed down, and prices also dropped from a year earlier. Although demand remained strong in fast-growing markets such as Russia, it weakened in the fourth quarter, affected by the slowing economy. In North America, to cope with weakened demand, the AGC Group decided to stop some operations of flat glass production facilities and withdraw from the unprofitable glass fabrication business. In Japan, shipments decreased, affected by continued weak demand from the construction sector. Responding to price hikes in raw materials and fuels, the AGC Group revised prices in Japan, Asia and North America. However, this failed to offset all cost increases. On the other hand, shipments of glass for solar cells remained strong with an expansion of the market of solar cells.

In the automotive glass business, sales decreased from the previous year because of a decline in auto production throughout the year in North America, from the third quarter in Europe and from the fourth quarter in all the regions in North America, Europe, Japan and the rest of Asia.

Sales of other glass businesses fell from the previous year because the AGC Group fully withdrew from the fiberglass business at the end of October 2007.

In addition, the appreciation of the yen that developed toward the end of the year was also one of the factors for a decline in the net sales of each operation.

As a result, net sales from the Glass operations for the year decreased 124.7 billion yen or 14.4% from the previous year to 741.3 billion yen, and operating income decreased 45.0 billion yen or 70.7% to 18.7 billion yen.

- Electronics and Display operations

In the display business, shipments of glass substrates for FPDs significantly increased in the first half of this fiscal year. However, overall sales for the whole year decreased from a year earlier, because , due to the operational adjustment at panel manufacturers, shipments of glass substrates for TFT LCDs decreased in the second half of the year. And also, overall shipments of display glass sharply declined in the fourth quarter.

In the electronics materials business, although shipments of photonics components in particular continued to be steady in the first half of the year, they decreased as a decline in demand became apparent in the fourth quarter. Net sales of the electronics materials business as a whole decreased as a result of the AGC Group's withdrawal from the business of small- and medium-sized display panels.

As a result, net sales from the Electronics and Display operations for the year decreased 92.5 billion yen or 19.9% from the previous year to 372.7 billion yen, and operating income increased 8.4 billion yen or 7.1% to 126.6 billion yen.

- Chemicals operations

In the chlor-alkali & urethane business, sales of the mainstay product caustic soda continued to be steady thanks to brisk demand both in Japan and abroad. Sales of vinyl chloride-related products also remained robust overseas until the middle of 2008; but demand declined and price weakened in the fourth quarter.

In the fluorochemicals & specialty chemicals business, although shipments of water and oil repellant and fluorinated resins remained strong, demand rapidly declined in the fourth quarter.

In response to price hikes of raw materials and fuels, the AGC Group revised its prices of products in both businesses. However, this failed to fully offset the increased costs.

As a result, net sales from the Chemicals operations for the year decreased 16.2 billion yen or 5.1% from the previous year to 303.1 billion yen, and operating income decreased 8.6 billion yen or 69.0% to 3.9 billion yen.

- Other operations

In the ceramics business, earnings remained steady thanks to strong demand both in the glass engineering sector and the environmental energy sector.

As a result, net sales from the Other operations for the year increased 8.9 billion yen or 10.2% from the previous year to 96.6 billion yen, and operating income increased 1.8 billion yen or 57.4% to 5.0 billion yen.

Main businesses by segment are as follows:

Segment		Main products
Glass Operations	Flat glass business	Float flat glass, Figured glass, Polished wired glass, Heat-absorbing glass, Heat-reflective glass, Architectural glass, Fabricated glass for industrial use, Photovoltaic cover glass, etc.
	Automotive glass business	Tempered glass for automobiles, Laminated glass for automobiles, etc.
	Other glass business	Lighting lamp glass products, Industrial glass product, etc.
Electronics and Display Operations	Displays business	LCD glass substrates, PDP glass substrates, Glass bulbs for cathode-ray tubes, etc.
	Electronic materials business	Glass frit and paste, Materials for semiconductor manufacturing equipment, Synthetic quartz glass, Optoelectronics materials, Optical filters for PDPs, LCD backlight glass tubes, Optical membranes, etc.
Chemicals Operations	Chlor-alkali & urethane business	Vinyl chloride monomers, Caustic soda, Urethane materials
	Fluorochemicals & specialty chemicals business	Fluorinated resins, water and oil repellents, fluorinated resins for coating, fluorinated elastomers, battery materials, crystal liquid materials, and iodine-related materials, etc.
Other Operations		Ceramic products, etc.

2. Financial Conditions

(1) Overview of FY2008

(Unit: billions of yen)

	FY2008	FY2007	Change
Total assets	1,832.8	2,108.1	(275.2)
Total liabilities	1,052.0	1,080.7	(28.8)
Total net assets	780.9	1,027.3	(246.5)

- Total assets

Total assets as of the end of the year under review were 1,832.8 billion yen, down 275.2 billion yen from the previous year. This fall is mainly because of a decrease in the yen translated amount of total assets held by the Group's overseas subsidiaries, as a result of a stronger yen, and also a decrease in investments in securities caused by sliding prices of listed stocks despite increasing capital expenditures in manufacturing facilities for TFT LCD glass substrates, as well as facilities of flat glass in Europe.

- Total liabilities

Total liabilities as of the end of the year under review were 1,052 billion yen, down 28.8 billion yen from the end of the previous year. This decline is chiefly attributable to a decrease in the yen translated amount of total liabilities held by the Group's overseas subsidiaries, as a result of a stronger yen, in spite of increased interest-bearing debts associated with capital expenditures.

- Total net assets

Total net assets as of the end of the year were 780.9 billion yen, down 246.5 billion yen from the end of the previous year. This drop chiefly reflects a sharp decrease in Foreign currency translation adjustments, as a result of a stronger yen, as well as a fall in Unrealized gains on securities, net of tax, caused by a price drop of listed stocks, despite an increase in retained earnings in line with net income for the year under review.

(2) Cash flows

(Unit: billions of yen)

	FY2008	FY2007	Change
Cash flows from operating activities	205.3	245.7	(40.5)
Cash flows from investing activities	(260.5)	(209.8)	(50.7)
Cash flows from financing activities	73.6	(36.1)	109.6
Cash & cash equivalents as of end of period	59.8	52.3	7.5

- Cash flows from operating activities

Net cash provided by operating activities was 205.3 billion yen for the fiscal year under review, down 40.5 billion yen from the previous year. This drop is mainly because payments of income taxes increased compared to the previous year when there was a refund of income taxes.

- Cash flows from investing activities

Net cash used in investing activities increased 50.7 billion yen year-on-year, to 260.5 billion yen. During the fiscal year under review, the Group mainly made capital expenditures in manufacturing facilities for TFT LCD glass substrates, as well as facilities of the glass operations in Europe.

As a result, free cash flows for the fiscal year under review, which is the sum of cash flows from operating activities and investing activities, decreased 91.2 billion yen from the previous year to minus 55.3 billion yen.

- Cash flows from financing activities

Net cash provided by financing activities for the fiscal year under review was 73.6 billion yen, up 109.6 billion yen from the previous year. This rise mainly reflects an increase in borrowings, in spite of redemption of the 5th Unsecured Convertible Bond of the Company.

As a result, the outstanding balance of cash and cash equivalents as of the end of the fiscal year under review increased 7.5 billion yen in comparison with that of the previous year, to 59.8 billion yen.

- Cash flow indices

	FY2005	FY2006	FY2007	FY2008
Equity ratio (%)	41.0	42.4	45.3	39.8
Equity ratio based on market value (%)	85.8	78.0	83.4	32.1
Number of years for debt redemption	2.9	3.3	2.2	2.9
Interest coverage ratio	12.7	9.5	13.3	14.0

(Notes) Equity ratio (%): (Net assets – minority interest – share subscription rights) / total assets
Equity ratio based on market value (%): Total market capitalization / total assets
Number of years for debt redemption: Interest-bearing debts/operating cash flows
Interest coverage ratio: Operating cash flows/interest payment

- *All indices were computed using consolidated financial figures.*
- *Total market capitalization was computed based on the closing stock price at period-end multiplied by number of outstanding shares at period-end (after deducting treasury stock).*
- *Operating cash flows represent cash flows from operating activities on the consolidated statements of cash flows.*
- *Interest-bearing debts represent all debts on the consolidated balance sheets for which interest is paid. In addition, interest payment represents amount of interest paid on the consolidated statements of cash flows.*

3. Outlook for FY2009

(1) Operating outlook for FY2009

(Unit: Billions of Yen)

	Net Sales	Operating income	Ordinary income	Net income
FY 2009 (January 1 through December 31, 2009)	1,100.0	30.0	20.0	(42.0)
FY 2008 (January 1 through December 31, 2008)	1,444.3	154.0	109.8	39.2
Change (%)	(23.8%)	(80.5%)	(81.8%)	-

The outlook for the global economy in 2009 remains uncertain, and the economic growth of emerging countries that have led the worldwide growth is expected to slow down. Although there is a certain expectation for stimulative measures and financial policies of each country, the AGC Group forecasts these measures will not be enough to realize a full-fledged economic recovery.

In such circumstances, we expect shipments of flat glass and automotive glass to remain flat throughout the year in Japan, Europe, North America and Asia. On the other hand, although we expect the growth rate of glass for solar cells to slow down as a result of the worsening economic climate, the Group expects its shipments will exceed those of the previous year. In the Electronics & Display operations, the Group forecasts that shipment of glass substrates for

FPDs will gradually recover from the second quarter. For the Chemicals operations, we expect overall product demand to remain at low levels. Further, in view of this situation, the AGC Group decided to squeeze the capital expenditures to the extent of depreciation expenses by limiting the investment to an important strategic investment and investment necessary for maintenance and renewal of equipment.

The AGC Group currently implements various measures in all its operations for earnings recovery such as production adjustment consistent with demand trends, reviews and reductions of various expense items, and cost reductions by efficient allocation of personnel. However, the influence of a decrease in demand is significant, and the AGC Group expects it will inevitably experience a fall in both earnings and profit. With this situation in mind, the AGC Group will review the production capacities, focusing on the Glass operations, and carry out structural reform.

Based on the outlook for the business conditions, the AGC Group expects to post sales for FY 2009 of 1,100.0 billion yen, down 344.3 billion yen or 23.8%; operating income of 30.0 billion yen, down 124.0 billion yen or 80.5 %; ordinary income of 20.0 billion yen, down 89.8 billion yen or 81.8 %; and net loss of 42.0 billion yen. The assumed average exchange rate for FY 2009 is 90 yen to the U.S. dollar and 120 yen to the euro.

(2) Outlook of financial conditions for FY2009

In light of cash flows from operating and investing activities, income before income taxes is expected to decrease due to a fall in revenue and an implementation of restructuring. However, the AGC Group plans to reduce working capital and to limit capital expenditures to the extent of annual depreciation amount. It is estimated that capital expenditures will be decrease to 143.0 billion yen, down 109.1 billion yen from the previous year, while depreciation expenses will increase 9.7 billion yen to 145.0 billion yen.

As for financing activities, the AGC Group will raise fund and repay interest-bearing debts, in addition to paying dividends in accordance with the Group's dividend policy.

4. Allocation and Distribution of Profits and Dividends

Based on its policy to maintain stable dividends, the AGC Group is doing its utmost to proactively return profits to shareholders by aiming for a target dividend payout ratio of approximately 30%, while giving comprehensive consideration to consolidated business results and future investment plans, among others. The AGC Group will also allocate retained earnings to R&D, capital expenditures as well as merger and acquisition activities, to strengthen its financial position and improve its corporate value.

The Company increased the interim dividend for FY 2008 to 12 yen per share. In addition, though in the midst of a tough business environment, the Company increases the year-end dividend to 12 yen per share and the full-year dividend to 24 yen.

With respect to the dividends for the fiscal year ending December 2009, the Company, in light of its operating results, plans to pay an interim dividend of 8 yen per share and a year-end dividend of 8 yen; as a result, the full-year dividend will be 16 yen per share.

[Important notes with regard to the outlook]

The above prospective results reflect the judgment of the Group's management on the basis of currently available information and, as such, contain risks and uncertainties. For this reason, investors are recommended not to base investment decisions solely on these prospective results. Please note that actual results may materially differ from the projection due to such various factors as business and market climate the Group is active in, currency exchange rate fluctuations, and others.

Overview of the AGC Group

The AGC Group consists of Asahi Glass Company, Limited (hereinafter referred to as the "Company") and its 238 subsidiaries and 46 affiliates (collectively, referred to as the "Companies").

The main business description of the Company, its consolidated subsidiaries, and affiliates under the equity method is as set out below. The classification below is the same as that of the business segment information.

Segment	Main Business		Main companies
Glass Operations	(Flat glass business) Float flat glass, Figured glass, Polished wired glass, Heat-absorbing glass, Heat-reflective glass, Architectural glass, Fabricated glass for industrial use, Photovoltaic cover glass, etc. (Automotive glass business) Tempered glass for automobiles, Laminated glass for automobiles, etc. (Other glass business) Lighting lamp glass products, Industrial glass product, etc.	Japan	The Company, AGC Glass Kenzai, AGC Glass Products, 12other consolidated subsidiaries 3 companies under the equity method (17 companies in total)
		Overseas	(Asia) Asahimas Flat Glass (Indonesia), AGC Flat Glass (Thailand) Public (Thailand) (America) 19 group companies of AGC Flat Glass North America (head office in the United States) (Europe) 74 group companies of AGC Flat Glass Europe (head office in Belgium) 18 other consolidated subsidiaries 15 companies under the equity method (128 companies in total)
Electronics and Display Operations	(Displays business) LCD glass substrates, PDP glass substrates, Glass bulbs for cathode-ray tubes, etc. (Electronic materials business) Glass frit and paste, Materials for semiconductor manufacturing equipment, Synthetic quartz glass, Optoelectronics materials, Optical filters for PDPs, LCD backlight glass tubes, Optical membranes, etc.	Japan	The Company, AGC Display Glass Yonezawa, AGC Techno Glass, AGC Electronics 1 other consolidated subsidiaries Companies under the equity method; ELNA* 1 other company under the equity method (6 companies in total)
		Overseas	(Asia) AGC Display Glass Taiwan (Taiwan), Hanwook Techno Glass (Korea), Asahi Glass Fine Techno Korea (Korea), Hankuk Electric Glass (Korea) 14other consolidated subsidiaries 1 companies under the equity method (19 companies in total)
Chemicals Operations	(Chlor-alkali & Urethane business) Vinyl chloride monomers, Caustic soda, Urethane materials (Fliorochemicals & specialty chemicals business) Fluorinated resins, water and oil repellents, fluorinated resins for coating, fluorinated elastomers, Battery materials, crystal liquid materials, and iodine-related materials, etc.	Japan	The Company, AGC Seimi Chemical, Keiyo Monomer, AGC Engineering, Ise Chemicals* 9 other consolidated companies 4 companies under the equity method (17 companies in total)
		Overseas	(Asia) Asahimas Chemical (Indonesia), AGC Chemicals (Thailand) (Thailand) (America) AGC Chemicals Americas (U.S.) (Europe) AGC Chemicals Europe (U.K.) 5 other consolidated subsidiaries 2 companies under the equity method (11 companies in total)
Other Operations	Ceramic products, etc. Logistics and financial services	Japan	AGC Ceramics, AGC Finance, AGC Technology Solutions, AGC Logistics 6 other consolidated subsidiaries 1 company under the equity method (11 companies in total)
		Overseas	(America) AGC America (U.S.), AGC Capital (U.S.), AGC Investment (U.S.), AGC Holdings America(U.S) 7 other consolidated subsidiaries 1 company under the equity method (12 companies in total)

(Note)

1. The Company is not included in the total number of companies in the classification of operations.
2. Main subsidiaries and affiliates designated by a '*' are listed on securities markets in Japan.
   Ise Chemicals (Tokyo Stock Exchange 2nd Section)
   ELNA (Tokyo Stock Exchange 2nd Section)

Management Policy

1. Fundamental Policy of Management

The AGC Group aims to excel as a highly profitable and fast-growing enterprise that supplies materials and components globally, based on its core technologies in glass, fluorine chemistry and related fields. To achieve that aim, it is a fundamental management policy of the AGC Group to bolster its total corporate value by endeavoring to be the leader in each market in which it competes.

All members of the Group are expected to adopt and follow the four shared values of "Innovation & Operational Excellence," "Diversity," "Environment," and "Integrity," which serve as the basis for every judgment they make and every action they collectively and individually take.

2. Targeted Corporate Index

The AGC Group targets a return on equity (ROE) of 15% or more as a global enterprise.

The Group, however, is reconsidering the goal achievement plan for ROE and ratio of operating income to sales in the medium-term management policy ***"Grow Beyond-2010"*** (its name was changed from ***"JIKKO-2010"*** in 2009) by taking the current economic conditions into consideration.

3. Medium- and Long-Term Strategies

Under its Group Vision of ***"Look Beyond"*** announced in April 2002, the AGC Group decided to concentrate its management resources on three major business areas (materials and components for the Glazing, Display, and Electronics & Energy fields), aiming to excel as a highly profitable and fast growing global enterprise. The Group also defined its stance on building and bolstering its competitive advantage, by capitalizing on the world-class technologies it has developed in glass, chemicals and related fields over decades and its global workforce.

In March 2008, the AGC Group formulated the new management policy ***Grow Beyond*** to realize the Group Vision. There are three basic policies in ***Grow Beyond***: "building foundations for growth"; " embedding the mindset of the former management policy ***"JIKKO"*** as AGC Group's DNA"; and "the growth of individual employees and the entire Group under the slogan 'Our People are Our strength'."

To build foundations for growth, we will focus on the following three points while taking into account changes in markets over the medium- to long-term.

a. Second round of globalization

- To further increase profitability in Japan, the rest of Asia, Europe and North America, as well as establish business models different from those in Japan, the U.S. and Europe in fast-growing markets, where rapid growth is expected, and make timely investments in such markets.
- To further strengthen the global management skills in Japan, the rest of Asia, Europe and North America, and build organizational capabilities in fast-growing markets.

b. Delivering technology solutions for climate change

- To reduce energy consumption and CO_2 emissions within the Group, while contributing to the solution of global warming issues by using various glass and chemical technologies of the Group.

c. Glass-technology-driven company

- To further develop and refine the glass-related technologies which are the sources of growth for the Group and differentiate them from the competitors in such technologies; resultantly develop high-value-added products; enhance cost competitiveness through improved production technologies; and build new business models that transcend manufacturing in the narrow sense.

Under the former management policy ***"JIKKO"***, AGC Group established five major initiatives which group members should have in mind when they are working. They are: enhancing activities for CS (customer satisfaction); enhancing activities for quality management; improving ES (employee satisfaction: employee work satisfaction and pride); and enhancing human resources development; enhancing *MONOZUKURI* (quality manufacturing) and reinforcing production site expertise; and permeating of the Group Vision. We will implement these initiatives continuously and embed them as the Group's DNA, and build a growth foundation on that platform.

Moreover, building the growth foundation and making the ***"JIKKO"*** mindset the Group's DNA are carried out by people. Under the slogan "Our People are Our Strength," the Group will provide opportunities to all employees who are striving to improve themselves, to enable them to demonstrate their abilities to the maximum extent possible and grow together with the AGC Group. By doing this, we expect to generate a virtuous cycle of personal growth and organizational growth, and under such framework, we will strive to achieve a sustained growth of the entire Group.

Under the management policy ***Grow Beyond*** that stresses the above three basic policies, the Group aims to become a highly profitable and fast growing global enterprise that has the trust of society.

JIKKO (noun): *A Japanese word that means "implementation," "execution," "performance" and "fulfillment."*

4. Issues Confronting the AGC Group

The following two points are important issues that the AGC Group should deal with now.

One is the agile operation of business in response to changes in the business environment.

Due to a rapid downturn in demand since last fall, the Group will reconsider the facilities in operation and production system, conduct thorough fund management including necessary reduction of expenditures and inventory, efficiently distribute personnel and thoroughly reduce costs. For the time being the Group considers gathering strength and accelerating the development of technology and products using facilities with additional reserve capacity as a result of production adjustment and human resources development.

Another point is to ensure the implementation of the medium-term management policy ***"Grow Beyond-2010"*** and to produce good results.

Under the policy ***"Grow Beyond-2010"***, based on the new management policy ***Grow Beyond***, the Group will implement the growth strategy and also try to pursue quality from every aspect in promoting measures in order to enhance the competitiveness.

As a growth strategy, the Group will make a capital expenditure which is carefully selected with a focus on the second round of globalization, develop new technology and products in view of the delivery of solutions for climate change and further develop the glass technology to promote differentiation of our products from those of our competitors. Even in an unprecedented economic crisis the Group will maintain its funding for research and development and try to build foundations for growth.

To pursue quality, the Group will dramatically increase productivity by enhancing manufacturing technology, operating the business with further emphasis on asset efficiency, improving management and quality, developing human resources and trying to enhance the quality of business by globally developing the best practice.

Significant measures by business are as follows.

In the flat glass business, the Group will try to expand the business in the field of solar cells and in emerging markets, and also make efforts to establish a proper system of production and sales meeting the demands in each region while thoroughly reducing fixed costs.

In the automotive glass business, the Group will promote the expansion of business in emerging markets and development of high-value-added products to make a leap forward in the future, while reconsidering the production system in view of a possible change in the industrial structure in a medium- and long-term perspective.

In the display business, the Group will accelerate the improvement of productivity of existing facilities and cost reduction with respect to liquid-crystal glass substrates and also try to maintain the profitability by appropriately responding to wide fluctuations in demand. At the same time, as a growth strategy, the Group will organize a production system that can properly cope with the speed of expansion of the market that will surely recover and also try to develop energy-saving production facilities and high-quality products.

In the Chemicals business, the Group will deal with a change in the business environment by building a production system that meets the changing demand and also improve the stability of procurement of raw materials. At the same time, the Group will continue to develop new environment-responsive products and promote the development of new technologies by fusion with glass technology.

In the Electronics and Energy business, while seeking to enhance the production technology for the Group to provide products which can differentiate products on a function, cost and quality basis by taking advantage of the Group's integrated production from materials, the Group will try to create a new business by thoroughly searching for the seeds of future business and promoting a speedy development in respect of promising ideas.

Meanwhile, in the solar cell business, the Group is now globally operating the business with the focus on cover glass and TCO glass substrates, and will continuously promote timely capital expenditure and technology development in anticipation that the solar cell market will surely grow in the future. In addition, the Group will try to differentiate the business by increasing the production capacity and adding value. Further, the Group will bring together the core technology in the fields of glass, chemicals and ceramics, which it has accumulated so far, and focus on expanding the solar cell business with full-scale efforts of the AGC Group.

In respect of the development of technologies supporting each business, the Group places five matters as significant issues: pursuit of differentiation by materials, improvement of quality and profitability through enhancement of production technology, maintenance of the advantages of new products which have achieved good results and development of future results, active efforts toward the environment, and global establishment of technological strategies and implementation of research and development. The Group will create timely technologies, products and businesses while examining the direction of technological strategies and roadmaps for development and technology every year and conduct reviews as necessary.

One of the most important challenges presently facing the AGC Group is ensuring the execution of the ***"JIKKO-2010"*** medium-term management plan and achieving steady results.

Under the ***"JIKKO-2010"*** medium-term management plan, the Group will implement its growth strategy following ***"JIKKO-2007"***, while focusing on "pursuit of quality" in every business situation, aiming to enhance competitiveness. The growth strategy focuses on active capital expenditure in growing fields such as the Display operations, and R&D centering on the Electronics & Energy fields. The Group will also focus on growing further and improving profitability of the Glass and Chemicals operations to establish an appropriate business structure. In our "pursuit of quality," the Group will implement management that further emphasizes capital efficiency, improve management and product quality, train personnel, and carry out technology strategies and R&D activities on a global basis, aiming to strengthen its corporate structure.

The Group will expand the business of flat glass in fast-growing markets in the Glass operations, establish optimum production systems in Japan and the rest of Asia, expand sales of high value-added products in North America, and further reduce costs. Aiming to improve profitability of automotive glass, we will expand our business in fast-growing markets, complete our policy of Build & Scrap in Europe, and reduce related costs in every region.

In the Display operations, the Group will maintain and expand profitability by responding to the growing market for TFT LCD glass substrates with enhanced productivity of existing facilities and fresh investments. We will build a flexible production system for glass substrates for PDPs that can respond to the rapidly changing market, further improve productivity and promote sales expansion, in order to maintain profitability.

Regarding the Electronics & Energy business, the Group will further differentiate itself from its competitors through integrated production from raw materials, which is its strength, shorten the period until mass production, further speed up operations, and make concentrated investments in growth fields by carefully ascertaining the business portfolio. In the energy field, in addition to existing businesses, we will actively expand the business of glass for solar cells so that we can respond to the solar cell market, which we expect to grow sharply. In the business of glass for solar cells, we will differentiate ourselves from our competitors by increasing production capacity and supplying high value-added products. To this end, we will establish development, production and sales systems worldwide covering Europe, North America, Japan and the rest of Asia, and implement capital spending and technology development in a timely manner.

In the Chemicals operations, the Group will develop high value-added products that help reduce the effect on the environment. We will also focus on enhancing marketing capability and creating markets.

In the development of technologies that support the above businesses, the Group will prioritize the following five strategies: "pursuing further differentiation based on material technologies"; "improvement of quality and profitability by enhancement on production technology"; "maintaining competitive advantages of new products in fruiting period, and cultivating new fruits for future growth"; "aggressive environmental activities"; and "execution of technology strategy and R&D on a global basis." Furthermore, we will timely generate technologies, products and businesses, by verifying our Technology Outlook, which define the direction of our technology strategy and technology & development roadmap every year, and by revising them if necessary.

Consolidated Balance Sheets

(Unit: millions of yen)

	FY2007 (December 31, 2007)	FY2008 (December 31, 2008)	Increase (Decrease)
Current Assets	677,119	592,704	(84,415)
Cash on hand and in banks	82,399	83,774	1,374
Trade notes and accounts receivable	286,460	208,599	(77,861)
Inventories	237,686	227,106	(10,580)
Deferred income taxes	15,231	19,836	4,604
Other current assets	61,455	58,563	(2,891)
Allowance for bad debts	(6,114)	(5,175)	939
Fixed Assets	1,430,758	1,240,142	(190,616)
Tangible Fixed Assets	1,053,158	958,588	(94,569)
Buildings and structures	278,927	248,500	(30,426)
Machinery and equipment	519,022	467,494	(51,528)
Tools and fixtures	18,898	16,042	(2,855)
Land	112,100	94,764	(17,336)
Construction in progress	124,209	131,786	7,577
Intangible Fixed Assets	45,224	41,175	(4,048)
Investments and Advances	332,375	240,377	(91,998)
Investment in securities	287,342	172,791	(114,551)
Long-term loans	8,672	6,704	(1,968)
Long-term prepaid expenses	4,166	4,237	70
Deferred income taxes	24,992	46,136	21,143
Other investments	9,635	12,315	2,680
Allowance for bad debts	(2,434)	(1,807)	627
Deferred Assets	211	-	(211)
Total Assets	2,108,089	1,832,846	(275,243)

Consolidated Balance Sheets (continued)

(Unit: millions of yen)

	FY2007 (December 31, 2007)	FY2008 (December 31, 2008)	Increase (Decrease)
Current Liabilities	644,637	631,524	(13,113)
Trade notes and accounts payable	176,946	165,394	(11,552)
Short-term bank loans	111,081	210,855	99,774
Commercial paper	12,561	35,562	23,000
Current maturities of bonds	12,961	43,994	31,032
Current maturities of convertible bonds	97,928	-	(97,928)
Other accounts payable	64,617	55,268	(9,349)
Accrued expenses	21,864	29,507	7,642
Income taxes payable	40,316	10,573	(29,742)
Deposits received	29,353	31,296	1,943
Accrued bonuses to employees	7,888	7,392	(496)
Accrued bonuses to directors	179	170	(8)
Reserve for scheduled repairs	2,754	2,375	(379)
Reserve for restructuring programs	8,072	1,140	(6,931)
Reserve for EU competition-law-related expenses	33,332	14,523	(18,808)
Other current liabilities	24,779	23,469	(1,309)
Non-current Liabilities	436,110	420,457	(15,652)
Bonds issued	140,675	95,593	(45,082)
Long-term bank loans	156,024	211,605	55,581
Deferred income taxes	31,509	13,454	(18,054)
Accrued retirement benefits for employees	60,773	59,784	(989)
Accrued retirement benefits for directors and corporate auditors	436	427	(8)
Reserve for rebuilding furnaces	18,248	18,747	499
Reserve for restructuring programs	7,434	5,013	(2,421)
Other non-current liabilities	21,007	15,829	(5,177)
Total Liabilities	1,080,748	1,051,982	(28,765)
Shareholders' Equity	807,195	826,932	19,737
Common stock	90,859	90,873	13
Additional paid-in capital	96,948	96,961	13
Retained earnings	633,421	660,237	26,815
Treasury stock	(14,034)	(21,140)	(7,105)
Valuation and Translation Adjustments	147,240	(96,556)	(243,797)
Unrealized gains on securities, net of tax	102,028	25,328	(76,700)
Deferred gains or losses on hedges, net of tax	2,034	(3,805)	(5,839)
Asset revaluation reserve	62	62	-
Foreign currency translation adjustments	43,115	(118,142)	(161,257)
Share Subscription Rights	392	672	280
Minority Interests in Consolidated Subsidiaries	72,512	49,815	(22,697)
Total Net Assets	1,027,341	780,864	(246,477)
Total Liabilities and Net Assets	2,108,089	1,832,846	(275,243)

Consolidated Statements of Income

(Unit: millions of yen)

	FY2007 (Jan. through Dec. 2007)	FY2008 (Jan. through Dec. 2008)	Increase (Decrease)
Net Sales	1,681,238	1,444,317	(236,921)
Cost of Sales	1,199,912	1,024,877	(175,034)
Gross profit	481,326	419,439	(61,886)
Selling, General and Administrative Expenses	283,874	265,426	(18,447)
Operating Income	197,452	154,013	(43,439)
Other Income	19,705	16,729	(2,976)
Interest and dividend income	7,468	7,271	(197)
Equity in earnings of unconsolidated subsidiaries and affiliates	3,869	-	(3,869)
Others	8,367	9,457	1,089
Other Expenses	29,279	60,985	31,706
Interest expenses	17,313	14,002	(3,311)
Exchange loss, net	2,339	30,302	27,963
Equity in losses of unconsolidated subsidiaries and affiliates	-	629	629
Others	9,626	16,051	6,425
Ordinary Income	187,878	109,756	(78,122)
Extraordinary Gains	27,230	9,335	(17,895)
Gain on sale of properties	10,239	4,998	(5,240)
Gain on sale of investments in securities, unconsolidated subsidiaries and affiliates	3,311	658	(2,653)
Gain on sale of investments in securities, consolidated subsidiaries	10,133	-	(10,133)
Reversal of reserve for EU competition-law-related expenses	-	3,269	3,269
Others	3,546	408	(3,137)
Extraordinary Losses	112,881	49,013	(63,868)
Loss on disposal of properties	8,846	7,411	(1,434)
Impairment loss on long-lived assets	19,055	11,920	(7,134)
Gain on sale of investments in securities, consolidated subsidiaries	-	235	235
Expenses for restructuring programs	44,115	23,276	(20,838)
Provision for EU competition-law-related expenses	32,398	-	(32,398)
Others	8,467	6,169	(2,298)
Income before income taxes and minority interest	102,227	70,078	(32,149)
Income Taxes			
Current	51,479	23,096	(28,383)
Deferred	(21,347)	1,818	23,165
Minority Interests in Earnings of Consolidated Subsidiaries	2,460	5,984	3,524
Net Income	69,634	39,178	(30,455)

Consolidated Statements of Changes in Net Assets

FY2007 (Jan. through Dec. 2007) (Unit: millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' Equity
Balance as of December 31, 2006	90,480	96,569	583,176	(13,802)	756,424
Changes during the current period					
Conversion of convertible bonds	378	378			757
Dividends declared			(21,118)		(21,118)
Net income			69,634		69,634
Increase of treasury stock				(606)	(606)
Disposal of treasury stock			(3)	374	370
Reversal of land revaluation reserve at domestic affiliate			1		1
Increase of asset revaluation at overseas subsidiaries			1,731		1,731
Net changes other than shareholders' equity					
Total changes during the current period	378	378	50,245	(232)	50,770
Balance as of December 31, 2007	90,859	96,948	633,421	(14,034)	807,195

	Valuation and translation adjustments				
	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Land revaluation reserve	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance as of December 31, 2006	123,312	(1,038)	63	31,724	154,062
Changes during the current period					
Conversion of convertible bonds					
Dividends declared					
Net income					
Increase of treasury stock					
Disposal of treasury stock					
Reversal of land revaluation reserve at domestic affiliate					
Increase of asset revaluation at overseas subsidiaries					
Net changes other than shareholders' equity	(21,283)	3,072	(1)	11,390	(6,821)
Total changes during the current period	(21,283)	3,072	(1)	11,390	(6,821)
Balance as of December 31, 2007	102,028	2,034	62	43,115	147,240

	Share Subscription Rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance as of December 31, 2006	1	81,263	991,751
Changes during the current period			
Conversion of convertible bonds			757
Dividends declared			(21,118)
Net income			69,634
Increase of treasury stock			(606)
Disposal of treasury stock			370
Reversal of land revaluation reserve at domestic affiliate			1
Increase of asset revaluation at overseas subsidiaries			1,731
Net changes other than shareholders' equity	391	(8,750)	(15,180)
Total changes during the current period	391	(8,750)	35,590
Balance as of December 31, 2007	392	72,512	1,027,341

FY2008 (Jan. through Dec. 2008) (Unit: millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' Equity
Balance as of December 31, 2007	90,859	96,948	633,421	(14,034)	807,195
Changes during the current period					
Conversion of convertible bonds	13	13			26
Dividends declared			(25,747)		(25,747)
Net income			39,178		39,178
Increase of treasury stock				(7,422)	(7,422)
Disposal of treasury stock			(69)	316	246
Increase due to change of accounting standards at the European subsidiaries			13,454		13,454
Net changes other than shareholders' equity					
Total changes during the current period	13	13	26,815	(7,105)	19,737
Balance as of December 31, 2008	90,873	96,961	660,237	(21,140)	826,932

	Valuation and translation adjustments				
	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Land revaluation reserve	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance as of December 31, 2007	102,028	2,034	62	43,115	147,240
Changes during the current period					
Conversion of convertible bonds					
Dividends declared					
Net income					
Increase of treasury stock					
Disposal of treasury stock					
Increase due to change of accounting standards at the European subsidiaries					
Net changes other than shareholders' equity	(76,700)	(5,839)	-	(161,257)	(243,797)
Total changes during the current period	(76,700)	(5,839)	-	(161,257)	(243,797)
Balance as of December 31, 2008	25,328	(3,805)	62	(118,142)	(96,556)

	Share Subscription Rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance as of December 31, 2007	392	72,512	1,027,341
Changes during the current period			
Conversion of convertible bonds			26
Dividends declared			(25,747)
Net income			39,178
Increase of treasury stock			(7,422)
Disposal of treasury stock			246
Increase due to change of accounting standards at the European subsidiaries			13,454
Net changes other than shareholders' equity	280	(22,697)	(266,214)
Total changes during the current period	280	(22,697)	(246,477)
Balance as of December 31, 2008	672	49,815	780,864

Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2007 (Jan. through Dec. 2007)	FY2008 (Jan. through Dec. 2008)
I. Cash Flows from Operating Activities		
Income before income taxes and minority interests	102,227	70,078
Depreciation and amortization	134,747	135,317
Impairment loss on long-lived assets	19,055	11,920
Amortization of goodwill	2,302	1,971
Increase(decrease) in reserves	26,598	(21,663)
Interest and dividend income	(7,468)	(7,271)
Interest expenses and commercial paper interest	18,484	14,469
Exchange loss (gain), net	785	23,872
Equity in earnings(losses) of unconsolidated subsidiaries and affiliates	(3,869)	629
Gain on sale of securities and properties, etc., net	(14,995)	2,017
Decrease (increase) in trade notes and accounts receivable	(22,192)	45,590
Increase in inventories	(2,363)	(22,849)
Increase in trade notes and accounts payable	18,526	5,533
Others	(9,248)	7,445
Subtotal	262,591	267,059
Interest and dividends received	8,972	8,626
Interest paid	(18,537)	(14,670)
Income taxes paid	(24,920)	(59,022)
Income taxes refunded	17,642	3,278
Net cash provided by operating activities	245,748	205,270
II. Cash Flows from Investing Activities		
Decrease in time deposits due over three months	(32,059)	(52,572)
Increase in time deposits due over three months	28,455	46,084
Purchase of property, plant and equipment	(245,191)	(254,205)
Proceeds from sale of property, plant and equipment	28,918	8,731
Purchase of investments in securities, unconsolidated subsidiaries and affiliates	(5,366)	(12,118)
Proceeds from sale and redemption of investments in securities, unconsolidated subsidiaries and affiliates	2,945	4,619
Proceeds from sale of investments in consolidated subsidiaries	20,197	-
Payments from sale of investments in consolidated subsidiaries	(4,153)	-
Others	(3,564)	(1,065)
Net cash used in investing activities	(209,819)	(260,526)
III. Cash Flows from Financing Activities		
Increase in short-term loans and commercial paper	1,573	145,593
Proceeds from long-term debt	64,644	88,997
Repayments of long-term debt	(54,041)	(15,293)
Proceeds from issuance of bonds	23,796	—
Redemption of bonds	(48,806)	(110,068)
Purchase of treasury stock	(606)	(7,491)
Dividends paid	(23,387)	(25,747)
Others	744	(2,431)
Net cash provided by (used in) financing activities	(36,082)	73,558
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	269	(10,325)
V. Changes in Cash and Cash Equivalents	114	7,977
VI. Cash and Cash Equivalents at Beginning of Year	52,627	52,275
Cash and cash equivalents held by newly consolidated subsidiaries, net of those held by deconsolidated subsidiaries	(466)	(480)
Cash and Cash Equivalents at End of Year	52,275	59,772

Notes

1. Summary of significant accounting policies

(1) Scope of Consolidation

The Company had 238 subsidiaries as of December 31, 2008 (246 as of December 31, 2007). The consolidated financial statements include the accounts of the Company and 192 (203 for December 31, 2007) of its subsidiaries. The definition of subsidiary is based on the substantive existence of controlling power.

The accounts of the remaining 46 (43 as of December 31, 2007) unconsolidated subsidiaries are excluded from consolidated financial statements since the aggregate amounts of these subsidiaries in terms of combined assets, net sales, net income (loss) and retained earnings (accumulated deficit) are immaterial in relation to those of the consolidated financial statements of the Companies.

(2) Principles of Consolidation

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated. At December 31, 2008 and 2007, the financial year-end of all the consolidated subsidiaries matches that of the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill and negative goodwill are principally amortized over a period of 20 years on a straight-line basis.

Legal reserves of consolidated subsidiaries provided subsequent to the acquisition of such subsidiaries are included in retained earnings and are not shown separately in the consolidated financial statements.

(3) Investments in Unconsolidated Subsidiaries and Affiliates under the Equity Method

The Company had 46 (43 as of December 31, 2007) unconsolidated subsidiaries and 46 (47 as of December 31, 2007) affiliates as of December 31, 2008. Affiliates are defined to include those which are 15% or more owned and those that are subject to exercise of influence over the management of the affiliates by the investor company.

The equity method is applied only to investments in major companies (29 and 31 companies at December 31, 2008 and 2007, respectively). The investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost or less, because they do not have a material effect on the consolidated financial statements.

(4) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries and Affiliates)

All the assets and liabilities of overseas consolidated subsidiaries and overseas affiliates accounted for by the equity method are translated into yen at the current exchange rates prevailing at the balance sheet dates, except common stock and additional paid-in capital accounts which are translated at the historical rates. Revenues and expenses are translated by the average exchange rates prevailing during each period. The resulting differences are recorded as “Foreign currency translation adjustments” and “Minority Interests in Consolidated Subsidiaries” in Net Assets in the Consolidated Balance Sheets.

(5) Translation of Foreign Currency Transactions

Revenue and expense items arising from transactions denominated in foreign currencies are translated into yen at the rates effective at the respective transaction dates.

Foreign currencies and monetary receivables and payables denominated in foreign currencies are translated into yen at the current exchange rates prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in determination of net income for the period.

(6) Valuation of Securities

Securities other than securities of subsidiaries and affiliated companies are stated at market value. Differences between market value and acquisition costs are recorded as “Unrealized gains on securities, net of tax” in Net Assets. The cost of securities sold is calculated by the moving-average method. Securities without market value are stated at cost determined by the moving-average method. Debt securities that are expected to be held-to-maturity are accounted for by the amortized cost method. Declines in the value of securities, other than those which are deemed to be temporary, are reflected in current income.

(7) Inventories

Inventories are mainly stated at the lower of cost or market value, cost being determined by the moving-average method.

(8) Property, Plant and Equipment

Depreciation by the Company and its domestic consolidated subsidiaries is principally computed by the declining-balance method, at rates based on the estimated useful lives of the assets.

Depreciation by overseas consolidated subsidiaries is principally computed by the straight-line method over the estimated useful lives of the assets.

(9) Intangible Assets

Amortization of intangible assets is computed by the straight-line method, principally over a period of five years.

(10) Certain Accrued Expenses Items

Certain accrued expense items, which are essentially an estimate of amounts to be determined in future years, are provided by the Companies. The basis for recognizing such accrued expenses is as follows:

(i) Allowance for bad debts

"Allowance for bad debts" is provided for at an amount sufficient to cover possible losses on the collection of receivables by taking the historical loan loss ratio. For certain doubtful receivables, the uncollectible amounts are estimated based on a review of the collectibility of individual receivables.

(ii) Accrued bonuses to employees

"Accrued bonuses to employees" is provided for based on the estimated amount to be paid to employees after the balance sheet date for their services rendered during the current period.

(iii) Accrued bonuses to directors

"Accrued bonuses to directors" is provided for based on the estimated amount to be paid to directors after the balance sheet date for their services rendered during the current period.

(iv) Accrued retirement benefits for directors

"Accrued retirement benefits for directors" is provided for at certain domestic subsidiaries based on the estimated amount to be paid to directors and corporate auditors under the Companies' internal rules.

(v) Reserve for rebuilding furnaces

"Reserve for rebuilding furnaces" is provided for based on the estimated costs to be incurred at the next periodic special repair works on its facilities over the service period until the next repair works.

(vi) Reserve for restructuring programs

"Reserve for restructuring programs" represents reasonably estimated costs arising from the additional severance compensation program related to restructuring, and the restructuring of certain businesses of the Companies.

(vii) Reserve for EU competition-law-related expenses

"Reserve for EU competition-law-related expenses" is provided to prepare for paying the fine with regard to a sales cartel in Europe for automotive glass. The amount is recorded by reference to a decision received from the European Commission on the payment of fine.

(11) Accounting for Retirement Benefits to Employees

Recognition of accrued retirement benefits to employees is based on actuarial valuation of projected benefit obligations and fund assets.

The prior service cost is amortized on a straight-line basis over the average remaining service period of employees (mainly 13 years), from the year when it is incurred.

Actuarial gains/losses are amortized on a straight-line basis over average remaining service period of employees (mainly 13 years), in the year subsequent to when it is incurred.

(12) Accounting for Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all Japanese domestic consumption of goods and services (with certain exemptions). The consumption tax withheld upon sale, and consumption tax paid on purchases of goods and services, are not included in the amounts of respective revenue and cost or expense items in the accompanying Consolidated Statements of Income.

(13) Income Taxes

The Company has adopted the consolidated tax return system for the calculation of income taxes. Under the consolidated tax return system, the Company consolidates all wholly owned domestic subsidiaries based on the Japanese tax regulations.

(14) Derivative Financial Instruments

The Companies use financial instruments to reduce its exposure to market risks from fluctuations in foreign currency exchange rates, interest rates, and oil prices that may occur in the ordinary course of business.

The basic rules and policies are determined by the Board of Directors, and the results of the transactions, including balances and gains/losses, are periodically reported to management. The controls over the transaction and position balances of foreign currency derivatives are monitored by the accounting/finance departments and the controls over the transactions and position balances of commodity derivatives are monitored by the procurement department.

Hedging instruments mainly include foreign currency swap contracts, interest rate swap contracts and commodity swap contracts.

Hedging items mainly include bonds, borrowings and fuel oil.

Derivatives are recorded at fair value.

(15) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

"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 substantially free from any price fluctuation risk.

Segment Information

1. Business Segment

(1) FY2007 (January through December, 2007) (Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	861,348	463,690	315,601	40,598	1,681,238	-	1,681,238
(2) Inter-segment sales/transfers	4,683	1,474	3,757	47,027	56,943	(56,943)	-
Total sales	866,031	465,164	319,359	87,625	1,738,181	(56,943)	1,681,238
Operating expenses	802,367	347,002	306,909	84,437	1,540,717	(56,930)	1,483,786
Operating income	63,663	118,162	12,449	3,188	197,464	(12)	197,452
II Assets, Depreciation and amortization, Impairment and Capital expenditures							
Assets	906,614	668,618	291,381	259,457	2,126,072	(17,982)	2,108,089
Depreciation and amortization	60,545	53,200	19,919	1,275	134,940	(193)	134,747
Impairment loss on long-lived assets	28,286	6,548	934	950	36,719	-	36,719
Capital expenditures	98,266	105,676	25,985	1,202	231,131	-	231,131

(2) FY2008 (January through December, 2008) (Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	738,082	370,576	299,874	35,783	1,444,317	-	1,444,317
(2) Inter-segment sales/transfers	3,214	2,124	3,262	60,789	69,389	(69,389)	-
Total sales	741,297	372,700	303,136	96,572	1,513,706	(69,389)	1,444,317
Operating expenses	722,618	246,115	299,279	91,555	1,359,568	(69,264)	1,290,303
Operating income	18,678	126,585	3,857	5,017	154,138	(125)	154,013
II Assets, Depreciation and amortization and Capital expenditures							
Assets	752,526	654,853	274,264	254,893	1,936,538	(103,691)	1,832,846
Depreciation and amortization	57,760	56,403	20,076	1,284	135,524	(207)	135,317
Impairment loss on long-lived assets	14,121	9,759	666	-	24,547	-	24,547
Capital expenditures	102,957	124,291	23,768	1,129	252,147	-	252,147

(Note)

1. Total assets included in the "Corporate or elimination" amounted to 261,671 million yen (FY2007) and 180,029 million yen (FY2008). These amounts primarily represent the parent company's excess operating funds (cash on hand and in banks), long-term investment funds (investments in securities), etc.
2. 17,664 million yen (FY2007) and 12,626 million yen (FY2008) of impairment loss on long-lived assets are recorded as expenses for restructuring programs.

2. Geographic Segment

(1) FY2007 (January through December, 2007) (Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	689,832	385,708	182,727	422,970	1,681,238	-	1,681,238
(2) Inter-segment sales/transfers	211,121	83,453	9,125	7,376	311,077	(311,077)	-
Total sales	900,953	469,162	191,852	430,347	1,992,315	(311,077)	1,681,238
Operating expenses	805,211	409,684	199,719	371,746	1,786,362	(302,576)	1,483,786
Operating income (loss)	95,742	59,477	(7,866)	58,600	205,953	(8,501)	197,452
II Assets	800,433	606,122	134,230	450,374	1,991,160	116,929	2,108,089

(2) FY2008 (January through December, 2008) (Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	632,512	346,303	115,843	349,657	1,444,317	—	1,444,317
(2) Inter-segment sales/transfers	178,323	72,795	12,214	5,621	268,955	(268,955)	—
Total sales	810,836	419,099	128,057	355,278	1,713,272	(268,955)	1,444,317
Operating expenses	733,128	362,151	132,410	329,532	1,557,223	(266,919)	1,290,303
Operating income (loss)	77,707	56,947	(4,352)	25,745	156,049	(2,036)	154,013
II Assets	833,697	480,130	104,554	356,399	1,774,782	58,063	1,832,846

3. Overseas Sales

(1) FY2007 (January through December, 2007) (Unit: millions of yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	425,077	185,062	416,411	29,579	1,056,130
Percentage of Overseas sales to Consolidated sales	25.3%	11.0%	24.8%	1.7%	62.8%

(2) FY2008 (January through December, 2008) (Unit: millions of yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	376,066	121,041	355,473	22,666	875,249
Percentage of Overseas sales to Consolidated sales	26.0%	8.4%	24.6%	1.6%	60.6%

Per Share Information

	FY2007 (December 31, 2007)	FY2008 (December 31, 2008)
Net assets per share	813.28	625.51
Net income per share-basic	59.35	33.53
Net income per share-fully diluted	56.16	33.52

Notes: Net income per share was calculated on the basis of the following data.

	FY2007 (December 31, 2007)	FY2008 (December 31, 2008)
Net income per share-basic		
Net income (millions of yen)	69,634	39,178
Net income not attributable to common shareholders	-	-
Net income attributable to common shareholders	69,634	39,178
Average number of common shares outstanding (thousands of shares)	1,173,262	1,168,394
Net income per share-fully diluted		
Net income adjusted for latent shares	1,140	-
-Interest expense, net of tax (millions of yen)	1,109	-
Number of increase in common shares (thousands of shares)	86,940	564
-Convertible bonds (thousands of shares)	86,356	-
-Warrant for stock option (thousands of shares)	584	564
Potential common stock with anti-dilutive effect, excluded from the computation of "Net income per share -fully-diluted".	Warrant for stock option (695 share subscription rights)	Warrant for stock option (1,794 share subscription rights)

Significant Subsequent Events

Based on the resolution on issuance of corporate bonds approved at the board meeting held on December 18, 2008, the Company issued the 11th and 12th Unsecured Corporate Bonds for domestic offer on January 29, 2009. The details are as follows.

The 11th Unsecured Corporate Bond

(1) Bond Name	The 11th Unsecured Corporate Bond
(2) Issue Price	100 yen per 100 yen par value
(3) Total Amount Issued	40 billion yen
(4) Date of Issuance	January 29, 2009
(5) Interest Rate	1.278%
(6) Date of Maturity	January 29, 2014
(7) Redemption Price	100 yen per 100 yen par value
(8) Collateral or Guarantee	None
(9) Use of Proceeds	Refinance of borrowings, corporate bonds and commercial papers, etc.
(10) Financial Covenants	See the following financial covenants for this Corporate Bond.

1) Negative Pledge

The Company must furnish a security right of the same rank to this Corporate Bond when the Company, based on the Secured Corporate Bond Trust Law, furnishes a security right to any unsecured corporate bond the Company has already issued or will issue hereafter in Japan (except for unsecured corporate bonds with a change of security status clause, but including the 12th Unsecured Corporate Bond (with inter-bond *pari passu* clause) issued at the same time as the 11th Unsecured Corporate Bond), as long as any part of this Corporate Bond remains outstanding after issuance.

2) Other Special Arrangements

There is no change of security status clause or any other special arrangement for this Corporate Bond.

The 12th Unsecured Corporate Bond

(1) Bond Name	The 12th Unsecured Corporate Bond
(2) Issue Price	100 yen per 100 yen par value
(3) Total Amount Issued	30 billion yen
(4) Date of Issuance	January 29, 2009
(5) Interest Rate	1.943%
(6) Date of Maturity	January 29, 2019
(7) Redemption Price	100 yen per 100 yen par value
(8) Collateral or Guarantee	None
(9) Use of Proceeds	Refinance of borrowings, corporate bonds and commercial papers, etc.
(10) Financial Covenants	See the following financial covenants for this Corporate Bond.

1) Negative Pledge

The Company must furnish a security right of the same rank to this Corporate Bond when the Company, based on the Secured Corporate Bond Trust Law, furnishes a security right to any unsecured corporate bond the Company has already issued or will issue hereafter in Japan (except for unsecured corporate bonds with a change of security status clause, but including the 11th Unsecured Corporate Bond (with inter-bond *pari passu* clause) issued at the same time as the 12th Unsecured Corporate Bond), as long as any part of this Corporate Bond remains outstanding after issuance.

2) Other Special Arrangements

There is no change of security status clause or any other special arrangement for this Corporate Bond.

Supplementary Information for Consolidated Results for Fiscal Year Ended 2008

1. Operating results (Unit: billions of yen)

	FY 2007	FY 2008
Net sales	1,681.2	1,444.3
Operating income	197.5	154.0
Ordinary income	187.9	109.8
Net income	69.6	39.2
Net income per share (yen)	59.35	33.53

2. Major item (Unit: billions of yen)

	FY 2007	FY 2008
Capital expenditures	231.1	252.1
Depreciation and amortization	134.7	135.3
Research and development costs	33.9	37.7
Interest expenses & dividend income	(11.0)	(7.2)
Interest-bearing debts	531.2	597.6
Total net assets	1,027.3	780.9
D/E ratio	0.52	0.77
Number of employees at end of period	49,710	47,770

3. Scope of consolidation

	FY 2007	FY 2008
Number of consolidated subsidiaries	203	192
Number of equity method affiliates	31	29

(1) Newly consolidated subsidiaries : 7 companies (AGC Holdings America, Inc., etc.)
Excluded : 18 companies (Asahi Glass Mold Techno Co., Ltd. etc.)
(2) New equity method affiliates : 3 companies
Excluded : 5 companies

4. Outlook for Fiscal Year 2009 operating results (Unit: billions of yen)

	FY 2009
Net sales	1,100.0
Operating income	30.0
Ordinary income	20.0
Net income (loss)	(42.0)
Capital expenditures	143.0
Depreciation and amortization	145.0
Research and development costs	42.0

(Note) The Group expects to post sales for the first quarter of FY2009 of around 240.0 billion yen and operating loss of around 15.0 billion yen.

5. Exchange rates

	FY 2007		FY 2008		FY 2009
	Average	End of period	Average	End of period	Outlook
Yen/US Dollar	117.71	114.15	102.81	91.03	90
Yen/Euro	161.99	166.66	152.07	127.96	120