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Consolidated Financial Results for the Year Ended December 31, 2007

1. Consolidated financial results for the year ended December 31, 2007

(1) Consolidated operating results

	Current fiscal year (ended December 31, 2007)		Previous fiscal year (ended December 31, 2006)	
	millions of yen	%	millions of yen	%
Net sales (millions of yen)	1,681,238	3.7	1,620,540	6.1
Operating income (millions of yen)	197,452	44.5	136,611	15.6
Ordinary income (millions of yen)	187,878	39.7	134,498	13.1
Net income (millions of yen)	69,634	54.8	44,997	(25.0)
Net income per share -basic (yen)	59.35		38.37	
Net income per share -fully diluted (yen)	56.16		36.61	
Return on equity (%)	7.5		5.1	
Ratio of ordinary income to total assets (%)	8.8		6.4	
Ratio of ordinary income to net sales (%)	11.7		8.4	

(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, 2007)	Previous fiscal year (ended December 31, 2006)
Total assets (millions of yen)	2,108,089	2,149,546
Total net assets (millions of yen)	1,027,341	991,751
Equity ratio (%)	45.3	42.4
Equity per share (yen)	813.28	776.26

(3) Consolidated cash flows

	Current fiscal year (ended December 31, 2007)	Previous fiscal year (ended December 31, 2006)
Cash flows from operating activities (millions of yen)	245,748	173,997
Cash flows from investing activities (millions of yen)	(209,819)	(212,477)
Cash flows from financing activities (millions of yen)	(36,082)	35,880
Cash and cash equivalents at the end of the year (millions of yen)	52,275	52,627

2. Dividends

	(Effective date)	FY2007	FY2006	FY2008 (planned)
Dividend per share	Interim (yen)	10.00	8.00	12.0
	Year-end (yen)	10.00	8.00	12.0
	Full year (yen)	20.00	16.00	24.0
Total dividend distribution (annual) (millions of yen)		23,470	18,766	-
Payout ratio (consolidated) (%)		33.7	41.7	28.2
Ratio of dividend distribution to stockholders' equity (consolidated) (%)		2.5	2.1	-

(Note) Interim dividend and year-end dividend for FY2007 each include a commemorative dividend of 2.00 yen per share.

3. Outlook for the next fiscal year ending December 31, 2008

	1st half		Full year	
	millions of yen	%	millions of yen	%
Net sales (millions of yen)	780,000	(3.2)	1,600,000	(4.8)
Operating income (millions of yen)	96,000	6.4	200,000	1.3
Ordinary income (millions of yen)	91,000	(4.0)	190,000	1.1
Net income (millions of yen)	47,000	(11.1)	100,000	43.6
Forecasted net income per share (yen)	40.05		85.21	

(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)
1. Equity in earnings of unconsolidated subsidiaries and affiliates;
   Year ended December 2007: 3,869 millions of yen   Year ended December 2006: 3,326 millions of yen
2. Number of shares issued and outstanding at end of year;
   Year ended December 2007: 1,186,682,105 shares   Year ended December 2006: 1,186,013,684 shares
3. Number of treasury stock at end of year;
   Year ended December 2007: 13,123,716 shares   Year ended December 2006: 13,099,221 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.

Overview of the AGC Group

The AGC Group consists of Asahi Glass Company, Limited (hereinafter referred to as the "Company") and its 246 subsidiaries and 47 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.

<table>
<tr><th>Segment</th><th>Main Business</th><th></th><th>Main companies</th></tr>
<tr><td rowspan="2">Glass Operations</td><td rowspan="2">Flat Glass
Automotive Glass
Other Glass</td><td>Japan</td><td>The Company, AGC Glass Products, AGC Techno Glass
14 other consolidated subsidiaries
3 companies under the equity method
(19 companies in total)</td></tr>
<tr><td>Overseas</td><td>(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) 81 group companies of AGC Flat Glass Europe (head office in Belgium)
18 other consolidated subsidiaries
15 companies under the equity method
(135 companies in total)</td></tr>
<tr><td rowspan="2">Electronics and Display Operations</td><td rowspan="2">CRT (Cathode-Ray Tube) Glass
FPD (Flat Panel Display) Glass
Electronic Materials</td><td>Japan</td><td>The Company, AGC Display Glass Yonezawa, AGC Electronics
4 other consolidated subsidiaries
Companies under the equity method;
ELNA*
1 other company under the equity method
(8 companies in total)</td></tr>
<tr><td>Overseas</td><td>(Asia) AGC Display Glass Taiwan (Taiwan),
Hanwook Techno Glass (Korea),
Asahi Glass Fine Techno Korea (Korea),
Hankuk Electric Glass (Korea)
13 other consolidated subsidiaries
2 companies under the equity method
(19 companies in total)</td></tr>
<tr><td rowspan="2">Chemicals Operations</td><td rowspan="2">Fluorochemicals
Chlor-Alkalis
Urethanes and Others
Other Chemicals</td><td>Japan</td><td>The Company, Asahi Glass Urethane, AGC Seimi Chemical, Keiyo Monomer, AGC Engineering, Ise Chemicals*
8 other consolidated companies
4 companies under the equity method
(17 companies in total)</td></tr>
<tr><td>Overseas</td><td>(Asia) Asahimas Chemical (Indonesia),
AGC Chemicals (Thailand) (Thailand)
(America) AGC Chemicals Americas (U.S.)
(Europe) AGC Chemicals Europe (U.K.)
6 other consolidated subsidiaries
3 companies under the equity method
(13 companies in total)</td></tr>
<tr><td rowspan="2">Other Operations</td><td rowspan="2">Ceramics
Service-related Business</td><td>Japan</td><td>AGC Logistics, AGC Finance, AGC Technology Solutions, AGC Ceramics
7 other consolidated subsidiaries
1 company under the equity method
(12 companies in total)</td></tr>
<tr><td>Overseas</td><td>(America) AGC America (U.S.), AGC Capital (U.S.),
AGC Investment (U.S.)
7 other consolidated subsidiaries
1 company under the equity method
(11 companies in total)</td></tr>
</table>

(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)
3. AGC AX, Asahi Techno Glass, Thai-Asahi Glass Public, AFG Industries, Glaverbel S.A., Asahi Glass Fine Techno, Asahi Glass Fine Techno Taiwan, Seimi Chemical, Asahi Glass Engineering, Thasco Chemical, Asahi Distribution & Delivery, A. G. Finance, Asahi Glass Machinery, Asahi Glass Ceramics and AGA Capital changed their names into AGC Glass Products, AGC Techno Glass, AGC Flat Glass (Thailand) Public, AGC Flat Glass North America, AGC Flat Glass Europe, AGC Display Glass Yonezawa, AGC Display Glass Taiwan, AGC Seimi Chemical, AGC Engineering, AGC Chemicals (Thailand), AGC Logistics, AGC Finance, AGC Technology Solutions, AGC Ceramics and AGC Capital respectively.

Operating Results and Financial Conditions

1. Operating Results

(1) Overview of the Fiscal Year under Review (FY2007)

During the fiscal year under review (January 1 through December 31, 2007), the Japanese economy remained steady thanks to an increase in capital expenditure and exports, despite continued price hikes of various raw materials and fuels such as oil as well as decreased housing starts. In the rest of Asia, China maintained a high economic growth and ASEAN countries also remained economically sound. NIEs saw demand in the IT and digital fields, which had slowed down temporarily, pick up. In Europe, the economies of Russia and the rest of Central-Eastern Europe continued to be strong, and the economy of Western Europe remained steady in general, although exports and capital spending, which had led economic expansion, lost momentum in some countries. In the U.S., concern arose over slow economic growth triggered by the subprime loan problems, which caused a slowdown in the housing market and capital investments.

In the target markets of the AGC Group, sales of glass substrates for flat panel displays (FPDs), particularly glass substrates for TFT LCDs, continued to be robust amid growing demand for thin-screen TVs. Sales of flat glass weakened in Japan and North America, but remained brisk in Europe. Sales in the chemicals market recovered.

Under such market circumstances, the Group posted net sales of 1,681.2 billion yen for the fiscal year ended December 31, 2007, up 60.7 billion yen or 3.7% from the previous year; operating income of 197.5 billion yen, up 60.8 billion yen or 44.5%, and ordinary income of 187.9 billion yen, up 53.4 billion yen or 39.7%. Net income increased 24.6 billion yen or 54.8% year-on-year to 69.6 billion yen.

(2) Analysis of operating results for FY2007

For the fiscal year under review, consolidated net sales increased 60.7 billion yen or 3.7% to 1,681.2 billion yen from previous year's 1,620.5 billion yen. Cost of sales decreased 17.7 billion yen or 1.5% to 1,199.9 billion yen. The Group adjusted sales prices and reduced costs in response to the continual price hikes of raw materials and fuels. In addition, with the effect of restructuring program to downsize of the CRT glass production facilities, the cost-to-sales ratio stood at 71.4%, a year-on-year recovery of 3.8 percentage point. Consequently, the operating income was 197.5 billion yen, up 60.8 billion yen or 44.5% year-on-year, and the operating income margin increased 3.3 percentage point, to 11.7%, which exceeds 10.0%, the target of ***"JIKKO-2007"***. The overview of net sales and operating income is described in the following section.

Ordinary income for the year under review was 187.9 billion yen, an increase of 53.4 billion yen or 39.7% from the previous year, mainly due to year-end evaluation of debt in foreign currency at overseas subsidiaries. The ordinary income margin rose 2.9 percentage point from the fiscal year 2006 to 11.2%. Net sales, operating income and ordinary income climbed to the highest level in the history.

Net income was 69.6 billion yen, up 24.6 billion yen or 54.8% because of the extraordinary losses consisting of impairment losses on long-lived assets such as production facilities in the automotive glass business in Europe, restructuring program accompanying closure of the Nakayama Plant of AGC Techno Glass Co., Ltd. and transfer of shares in Optrex corporation, and provision for EU competition-law-related expenses both in the flat glass and automotive glass sectors in Europe.

Net income per share for the fiscal 2007 was 59.35 yen.

(3) Overview by segment

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

	Net sales		Operating income	
	FY2007	FY2006	FY2007	FY2006
Glass	866.0	815.3	63.7	46.5
Electronics and Display	465.2	476.6	118.2	79.2
Chemicals	319.4	307.6	12.4	7.8
Other	87.6	84.1	3.2	3.3
Corporate or elimination	(56.9)	(63.1)	(0.0)	(0.2)
Total	1,681.2	1,620.5	197.5	136.6

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

	Net sales		Operating income	
	FY2007	FY2006	FY2007	FY2006
Japan	901.0	913.2	95.7	89.7
Asia	469.2	436.3	59.5	24.6
The Americas	191.9	205.4	(7.9)	(6.2)
Europe	430.3	365.9	58.6	35.4
Corporate or elimination	(311.1)	(300.3)	(8.5)	(6.9)
Total	1,681.2	1,620.5	197.5	136.6

- Glass operations

The Glass operations comprise flat glass and automotive glass, which are both conducted globally, as well as Japanese domestic business involving other glass categories including fiberglass and other applications.

Sales in the flat glass business increased compared with the preceding year, as the market continued to be firm in Europe. Shipments rose in fast-growing markets such as Russia, and demand remained high in Western Europe. Meanwhile, the decline in housing starts affected shipments in Japan and North America.

In the automotive glass business, sales increased generally from the previous year because of a steady growth in worldwide automotive production, although the businesses in Europe, except Russia, continued to be slow.

Sales of other glass products decreased owing to our withdrawal from the fiber glass business at the end of October 2007.

As a result, net sales at the Glass operations for the year under review were 866.0 billion yen, an increase of 50.7 billion yen or 6.2% from the preceding year, and operating income was 63.7 billion yen, up 17.2 billion yen or 37.0%.

- Electronics and Display operations

The Electronics and Display operations consist of the display business, which handles glass substrates for flat panel displays (FPDs) and cathode-ray tube (CRT) glass, as well as the electronics materials business.

In the display business, sales at the FPD glass sector rose from the previous year, as shipments of glass substrates for TFT LCDs remained steady, helped by higher demand for panels for thin-screen TVs, a trend toward larger panels, and firm demand for panels for PC displays. Meanwhile, shipments of glass substrates for plasma display panels (PDPs) increased in and after July after leveling off in the first half of the fiscal year under review. Sales at the CRT glass sector decreased from a year earlier, reflecting the accelerated shift of demand to FPDs and reduction in production capacity.

In the electronics materials business, shipments of some display materials slowed, while sales of semiconductor-related products continued to be robust. Earnings from the small- and medium-sized displays sector weakened because of our reduced operations relating to mobile devices and civilian-use products, except some products, and the decline in industrial-use products, although sales of products for automotive use remained steady. Against this backdrop, we have decided to withdraw from the small- and medium-sized displays business in February.

In the Electronics and Display operations, a decline in the CRT glass business was offset by growth of the FPD glass substrates business and the electronics materials business. As a result, net sales of the operations for the year under review were 465.2 billion yen, down 11.5 billion yen or 2.4% from a year earlier, and operating income was 118.2 billion yen, up 39.0 billion yen or 49.2%.

- Chemicals operations

The Chemicals operations comprise the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomers and other chlor-alkali chemicals in addition to the basic ingredients of urethane. The fluorochemicals & specialty chemicals business consists of fluorochemicals including fluorinated resins, and fluorinated oil and water repellents, as well as specialty chemicals including liquid crystal materials and iodine-related products.

There was a recovery in the chlor-alkali & urethane business, particularly the market for vinyl chloride-related products, and higher costs of raw materials and fuels were offset by an increase in prices.

In the fluorochemicals & specialty chemicals business, shipments of fluorinated resins and fluorinated resins for coating continued to be firm. Bayonne Plant, a U.S. production base that makes fluorinated resin PTFE and other products, was closed at the end of December 2007.

As a result, net sales at the Chemicals operations posted 319.4 billion yen, up 11.8 billion yen or 3.8% from the previous year, and operating income increased 4.6 billion yen or 58.7% year-on-year to 12.4 billion yen.

- Other operations

Other operations consist of the ceramics business as well as a variety of service-related businesses, including logistics and engineering services.

In the ceramics business, despite higher costs of resources and energy, demand in the glass engineering sector remained steady in Europe and Asia, while demand in the environmental energy sector continued to be firm in Japan. As a result, net sales at the other operations, as a whole, were 87.6 billion yen, up 3.5 billion yen or 4.2% from the preceding year, and operating income decreased 0.1 billion yen or 3.5% to 3.2 billion yen.

2. Financial Conditions

(1) Overview of FY2006

(Unit: billions of yen)

	FY2007	FY2006	Change
Total assets	2,108.1	2,149.5	(41.5)
Total liabilities	1,080.7	1,157.8	(77.0)
Total net assets	1,027.3	991.8	35.6

- Total assets

Total assets as of the end of the fiscal 2007 were 2,108.1 billion yen, down 41.5 billion yen from the previous year. This is mainly because the company excluded its subsidiaries, Optrex Corporation and Asahi Fiber Glass Co., Ltd., from the scope of consolidation due to transfer of shares.

- Total liabilities

The total liabilities as of the end of the fiscal year under review recorded 1,080.7 billion yen, a decrease of 77.0 billion yen from the fiscal 2006. The company reduced interest-bearing debts including commercial papers as part of strengthening of its equity capital.

- Total net assets

The total net assets of the Group as of the end of the fiscal year under review were 1,027.3 billion yen, an increase of 35.6 billion yen from the preceding year, mainly because the retained earnings increased with net income for the period.

(2) Cash flows

(Unit: billions of yen)

	FY2007	FY2006	Change
Cash flows from operating activities	245.7	174.0	71.8
Cash flows from investing activities	(209.8)	(212.5)	2.7
Cash flows from financing activities	(36.1)	35.9	(72.0)
Cash & cash equivalents as of end of period	52.3	52.6	(0.4)

- Cash flows from operating activities

Net cash provided by operating activities was 245.7 billion yen for the period under review, up 71.8 billion yen from the previous year chiefly attributable to an increase in net income before taxes.

- Cash flows from investing activities

Net cash used in investing activities remained nearly flat, decreasing 2.7 billion yen from the previous year to 209.8 billion yen. During the period under review, the Group continuously made capital investments in manufacturing facilities for FPD glass substrate and electronic materials operations, as well as facilities for the glass operations in China and Russia.

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, increased 74.4 billion yen from the previous year to 35.9 billion yen.

- Cash flows from financing activities

Net cash used in the financing activities for the fiscal year under review declined 72.0 billion yen from the preceding year to 36.1 billion yen, mainly due to payment of commercial papers.

As a result, the outstanding balance of cash and cash equivalents as of the end of the fiscal year under review decreased 0.4 billion yen in comparison with that at the end of the previous year, to 52.3 billion yen.

- Cash flow indices

	Period ended Dec. 2004	FY2005	FY2006	FY2007
Equity ratio (%)	37.1	41.0	42.4	45.3
Equity ratio based on market value (%)	69.7	85.8	78.0	83.4
Number of years for debt redemption	2.2	2.9	3.3	2.2
Interest coverage ratio	20.6	12.7	9.5	13.3

(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 FY2008

(1) Operating outlook for FY2008

(Unit: Billions of Yen)

	Net Sales	Operating income	Ordinary income	Net income
FY 2008 (January 1 through December 31, 2008)	1,600.0	200.0	190.0	100.0
FY 2007 (January 1 through December 31, 2007)	1,681.2	197.5	187.9	69.6
Change (%)	(4.8%)	1.3%	1.1%	43.6%

The global economy for 2008 is expected to be in danger of slowing on the whole, hurt by uncertain factors including prices of raw materials and fuels such as oil, as well as the effect of the subprime loan problems.

In Japan, the trend of economic expansion may weaken, influenced by a strong yen and slow consumer spending in addition to uncertain factors such as the economic trends overseas. The economies of ASEAN countries are likely to show steady growth, driven by an increase in external demand and infrastructure-related investments. The Chinese economy is forecast to remain strong, driven by an increase in capital expenditure, exports and investment by individuals ahead of the 2008 Beijing Olympic Games, although its growth rate is likely to decrease compared with 2007 because of a possible monetary tightening. In the U.S., consumer spending and employment are predicted to slow, despite ongoing monetary easing. The economies of Western Europe are expected to slow, while high economic growth is likely to continue in Central-Eastern Europe (particularly Russia).

Under such circumstances, in the flat glass business of the Glass operations, we expect higher demand for flat glass for construction in fast-growing markets such as Russia, and we also predict higher demand for high value-added products, including raw glass for automotive use and for industrial use. However, there are concerns over the high prices of energy, such as oil, and the future direction of flat glass products in markets other than fast-growing markets. In the automotive glass business, we expect a continuous rise in global auto production, and we forecast an increase in demand for automotive glass in Asia, including China, and Central-Eastern Europe.

In the display business of the Electronics and Display operations, we expect to see higher demand for FPD glass substrates because of a further acceleration in the uptake of thin and large displays. Shipments of CRT glass are likely to decrease sharply owing to our reduced production capacity.

With regard to electric materials, we expect sales of semiconductor-related products to remain strong, and we forecast higher demand for optical components, including optical pickup elements and micro glass for cameras and communications equipment.

In the chlor-alkali & urethane business of the Chemicals operations, we predict brisk demand for products such as caustic soda, despite possible price hikes of raw materials and fuels. In the fluorochemicals & specialty chemicals business, we expect to see steady shipments of fluorinated resins, fluoropolymer films, eco-friendly water- and oil-repellent agents, and fluorinated resins for coating.

In Other operations, sales at the ceramics business are projected to remain strong.

In light of the foregoing business prospects, the Group projects its net sales for fiscal 2008 to decrease 81.2 billion yen or 4.8%, year-on-year, to 1,600.0 billion yen, operating income to rise 2.5 billion yen or 1.3% to 200.0 billion yen; ordinary income to rise by 2.1 billion yen or 1.1% to 190.0 billion yen, and net income to advance 30.4 billion yen or 43.6% to 100.0 billion yen. The Group assumes that key foreign exchange rates throughout fiscal 2008 will average at 105 yen to the U.S. dollar and 152 yen to the euro.

(2) Outlook of financial conditions for FY2008

Of net cash provided by operating activities, income before income taxes for fiscal 2008 is projected to increase from fiscal 2007. Depreciation expenses are likely to increase to 145.0 billion yen, up 10.3 billion yen from the previous year.

It is estimated that capital investment of cash outflows from investing activities will increase to 240.0 billion yen, up 8.9 billion from the previous year, in line with the Group's strategy to enhance display materials business including glass substrates for FPDs and glass for solar cells, to expand the operations of flat glass for construction in fast-growing markets, and to promote the Electronics & Energy business.

As for cash flows from financing activities, the Group will raise funds and repay interest-bearing debts, in addition to dividends paid in line 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 Group will also allocate retained earnings to R&D, capital investment as well as merger and acquisition activities, to strengthen its financial position and improve its corporate value.

The Company increased the interim dividends for fiscal 2007 per share by 2 yen in commemoration of the 100th anniversary of foundation from previous forecast of 8 yen as ordinary dividend to 10 yen. In addition, the Company revised upward the previous year-end dividend forecast per share of 8 yen as ordinary dividend to 10 yen, up 2 yen in commemoration. The forecast of the full-year dividends for fiscal 2007 has been revised upward to 20 yen, up 4 yen in commemoration.

With respect to the dividends for the fiscal year ending December 2008, the Company plans to pay an interim dividend of 12 yen per share and a year-end dividend of 12 yen, as a result, full-year dividends will be 24 yen per share.

Management Policy

1. Fundamental Policy of Management

Asahi Glass and its consolidated subsidiaries (hereinafter collectively referred to as the "AGC Group" or simply the "Group") aim 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. Towards the achievements of this corporate index, in ***"JIKKO-2010"***, the medium-term management plan for the three years from FY2008, the group will aim at ROE of 12% or more in 2010, and continue to maintain its operating margin at the level of 2007 or higher.

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 April 2004, the Group announced a new management policy, ***"JIKKO" - Execution for Excellence***, which is designed to achieve the AGC Group Vision. The basic concept of ***"JIKKO"*** is to emphasize "execution" in all business operations and to ensure that Plan-Do-Check-Act (PDCA) cycles are functioning properly. Under the ***"JIKKO"*** management policy, the Group will focus on improving customer satisfaction (CS) as well as employee satisfaction (ES) and pride in accomplishment. The Group will also focus on its corporate social responsibility (CSR), believing that the combination of these practices will create momentum that drives shareholder value continuously higher. All of these objectives are based on normal practices, and there is nothing that is especially new. Nonetheless, the Group believes that it is critical to execute these normal practices properly and promptly if it is to truly excel as a highly profitable and fast growing global enterprise that has the trust of society.

Since the beginning of 2008, the Group has been implementing the medium-term (three-year) management plan ***"JIKKO-2010"***, under which it is taking specific steps in line with the ***"JIKKO"*** management policy.

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

4. Issues Confronting the Group

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 investments 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)	FY2006 (December 31, 2006)	Increase (Decrease)
Current Assets	677,119	722,824	(45,705)
Cash on hand and in banks	82,399	80,610	1,789
Trade notes and accounts receivable	286,460	295,078	(8,618)
Inventories	237,686	248,231	(10,544)
Deferred income taxes	15,231	16,351	(1,120)
Other current assets	61,455	89,647	(28,192)
Allowance for bad debts	(6,114)	(7,095)	980
Fixed Assets	1,430,758	1,426,489	4,269
Tangible Fixed Assets	1,053,158	1,008,116	45,041
Buildings and structures	278,927	252,343	26,584
Machinery and equipment	519,022	462,062	56,960
Tools and fixtures	18,898	21,649	(2,751)
Land	112,100	123,999	(11,899)
Construction in progress	124,209	148,061	(23,852)
Intangible Fixed Assets	45,224	57,573	(12,349)
Investments and Advances	332,375	360,798	(28,422)
Investment in securities	287,342	311,838	(24,495)
Long-term loans	8,672	7,550	1,122
Long-term prepaid expenses	4,166	6,258	(2,091)
Deferred income taxes	24,992	18,514	6,478
Other investments	9,635	20,322	(10,687)
Allowance for bad debts	(2,434)	(3,685)	1,251
Deferred Assets	211	232	(20)
Total Assets	2,108,089	2,149,546	(41,456)

Consolidated Balance Sheets (continued)

(Unit: millions of yen)

	FY2007 (December 31, 2007)	FY2006 (December 31, 2006)	Increase (Decrease)
Current Liabilities	644,637	618,041	26,596
Trade notes and accounts payable	176,946	180,129	(3,182)
Short-term bank loans	111,081	105,202	5,879
Commercial paper	12,561	57,907	(45,345)
Current maturities of bonds	12,961	49,034	(36,072)
Current maturities of convertible bonds	97,928	-	97,928
Other accounts payable	64,617	85,416	(20,799)
Accrued expenses	21,864	21,443	421
Income taxes payable	40,316	10,061	30,255
Deposits received	29,353	30,945	(1,592)
Accrued bonuses to employees	7,888	7,138	750
Accrued bonuses to directors	179	118	60
Reserve for scheduled repairs	2,754	2,041	712
Reserve for restructuring programs	8,072	6,919	1,153
Reserve for EU competition-law-related expenses	33,332	-	33,332
Other current liabilities	24,779	61,683	(36,904)
Non-current Liabilities	436,110	539,753	(103,643)
Bonds issued	140,675	224,649	(83,973)
Long-term bank loans	156,024	138,086	17,938
Deferred income taxes	31,509	60,619	(29,110)
Accrued retirement benefits for employees	60,773	68,557	(7,784)
Accrued retirement benefits for directors and corporate auditors	436	1,299	(863)
Reserve for rebuilding furnaces	18,248	18,835	(587)
Reserve for restructuring programs	7,434	2,155	5,279
Other non-current liabilities	21,007	25,550	(4,542)
Total Liabilities	1,080,748	1,157,795	(77,047)
Shareholders' Equity	807,195	756,424	50,770
Common stock	90,859	90,480	378
Additional paid-in capital	96,948	96,569	378
Retained earnings	633,421	583,176	50,245
Treasury stock	(14,034)	(13,802)	(232)
Valuation and Translation Adjustments	147,240	154,062	(6,821)
Unrealized gains on securities, net of tax	102,028	123,312	(21,283)
Deferred gains or losses on hedges, net of tax	2,034	(1,038)	3,072
Asset revaluation reserve	62	63	(1)
Foreign currency translation adjustments	43,115	31,724	11,390
Share Subscription Rights	392	1	391
Minority Interests in Consolidated Subsidiaries	72,512	81,263	(8,750)
Total Net Assets	1,027,341	991,751	35,590
Total Liabilities and Net Assets	2,108,089	2,149,546	(41,456)

Consolidated Statements of Income

(Unit: millions of yen)

	FY2007 (Jan. through Dec. 2007)	FY2006 (Jan. through Dec. 2006)	Increase (Decrease)
Net Sales	1,681,238	1,620,540	60,698
Cost of Sales	1,199,912	1,217,654	(17,742)
Gross profit	481,326	402,885	78,440
Selling, General and Administrative Expenses	283,874	266,274	17,599
Operating Income	197,452	136,611	60,840
Other Income	19,705	24,906	(5,201)
Interest and dividend income	7,468	6,915	553
Equity in earnings of unconsolidated subsidiaries and affiliates	3,869	3,326	542
Others	8,367	14,664	(6,297)
Other Expenses	29,279	27,019	2,259
Interest expenses	17,313	16,704	609
Others	11,965	10,315	1,649
Ordinary Income	187,878	134,498	53,379
Extraordinary Gains	27,230	29,388	(2,157)
Gain on sale of properties	10,239	4,275	5,964
Gain on sale of investments in securities, consolidated subsidiaries	10,133	-	10,133
Gain on sale of investments in securities, unconsolidated subsidiaries and affiliates	3,311	15,357	(12,045)
Others	3,546	9,755	(6,209)
Extraordinary Losses	112,881	125,595	(12,713)
Loss on disposal of properties	8,846	4,857	3,989
Impairment loss on long-lived assets	19,055	45,557	(26,502)
Expenses for restructuring programs	44,115	57,532	(13,417)
Provision for EU competition-law-related expenses	32,398	-	32,398
Others	8,467	17,648	(9,180)
Income before income taxes and minority interest	102,227	38,291	63,935
Income Taxes			
Current	51,479	15,936	35,543
Deferred	(21,347)	(9,803)	(11,543)
Minority Interests in Earnings (Losses) of Consolidated Subsidiaries	2,460	(12,838)	15,299
Net Income	69,634	44,997	24,636

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

FY2006 (Jan. through Dec. 2006) (Unit: millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' Equity
Balance as of December 31, 2005	90,472	96,561	556,424	(13,709)	729,749
Changes during the current period					
Conversion of convertible bonds	7	7			15
Dividends declared			(18,179)		(18,179)
Bonuses to directors and corporate auditors			(97)		(97)
Net income			44,997		44,997
Increase of treasury stock				(466)	(466)
Disposal of treasury stock			(27)	373	346
Reversal of land revaluation reserve at domestic affiliate			57		57
Net changes other than shareholders' equity					
Total changes during the current period	7	7	26,751	(92)	26,674
Balance as of December 31, 2006	90,480	96,569	583,176	(13,802)	756,424

	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, 2005	124,262	-	120	(1,448)	122,934
Changes during the current period					
Conversion of convertible bonds					
Dividends declared					
Bonuses to directors and corporate auditors					
Net income					
Increase of treasury stock					
Disposal of treasury stock					
Reversal of land revaluation reserve at domestic affiliate					
Net changes other than shareholders' equity	(949)	(1,038)	(57)	33,173	31,128
Total changes during the current period	(949)	(1,038)	(57)	33,173	31,128
Balance as of December 31, 2006	123,312	(1,038)	63	31,724	154,062

	Share Subscription Rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance as of December 31, 2005	-	99,319	952,004
Changes during the current period			
Conversion of convertible bonds			15
Dividends declared			(18,179)
Bonuses to directors and corporate auditors			(97)
Net income			44,997
Increase of treasury stock			(466)
Disposal of treasury stock			346
Reversal of land revaluation reserve at domestic affiliate			57
Net changes other than shareholders' equity	1	(18,056)	13,072
Total changes during the current period	1	(18,056)	39,747
Balance as of December 31, 2006	1	81,263	991,751

Consolidated Statements of Cash Flows

(Unit: millions of yen)

	FY2007 (Jan. through Dec. 2007)	FY2006 (Jan. through Dec. 2006)
I. Cash Flows from Operating Activities		
Income before income taxes and minority interests	102,227	38,291
Depreciation and amortization	134,747	125,915
Impairment loss on long-lived assets	19,055	45,557
Amortization of goodwill	2,302	7,927
Increase in reserves	26,598	4,164
Interest and dividend income	(7,468)	(6,915)
Interest expenses and commercial paper interest	18,484	18,588
Exchange loss (gain), net	785	(5,263)
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,869)	(3,326)
Gain on sale of securities and properties, etc., net	(14,995)	(11,532)
Decrease (increase) in trade notes and accounts receivable	(22,192)	16,908
Decrease (increase) in inventories	(2,363)	2,990
Increase (decrease) in trade notes and accounts payable	18,526	(18,892)
Others	(9,248)	29,297
Subtotal	262,591	243,712
Interest and dividend received	8,972	7,213
Interest paid	(18,537)	(18,366)
Income taxes paid	(24,920)	(58,563)
Income taxes refunded	17,642	-
Net cash provided by operating activities	245,748	173,997
II. Cash Flows from Investing Activities		
Decrease in time deposits due over three months	(32,059)	(9,463)
Increase in time deposits due over three months	28,455	5,076
Purchase of property, plant and equipment	(245,191)	(242,121)
Proceeds from sale of property, plant and equipment	28,918	14,456
Purchase of investments in securities, unconsolidated subsidiaries and affiliates	(5,366)	(6,071)
Proceeds from sale and redemption of investments in securities, unconsolidated subsidiaries and affiliates	2,945	26,378
Proceeds from sale of investments in consolidated subsidiaries	20,197	-
Payments from sale of investments in consolidated subsidiaries	(4,153)	-
Others	(3,564)	(732)
Net cash used in investing activities	(209,819)	(212,477)
III. Cash Flows from Financing Activities		
Increase in short-term loans and commercial paper	1,573	45,576
Proceeds from long-term debt	64,644	54,691
Repayments of long-term debt	(54,041)	(54,206)
Proceeds from issuance of bonds	23,796	21,394
Redemption of bonds	(48,806)	(11,420)
Purchase of treasury stock	(606)	(466)
Dividends paid	(23,387)	(19,973)
Others	744	285
Net cash provided by (used in) financing activities	(36,082)	35,880
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	269	1,553
V. Changes in Cash and Cash Equivalents	114	(1,046)
VI. Cash and Cash Equivalents at Beginning of Year	52,627	54,006
Cash and cash equivalents held by newly consolidated subsidiaries, net of those held by deconsolidated subsidiaries	(466)	(332)
Cash and Cash Equivalents at End of Year	52,275	52,627

Notes

1. Summary of significant accounting policies

(1) Scope of Consolidation
The Company had 246 subsidiaries as of December 31, 2007 (292 as of December 31, 2006). The consolidated financial statements include the accounts of the Company and 203 (239 for December 31, 2006) of its subsidiaries. The definition of subsidiary is based on the substantive existence of controlling power.

The accounts of the remaining 43 (53 as of December 31, 2006) 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, 2007 and 2006, 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 is 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 43 (53 as of December 31, 2006) unconsolidated subsidiaries and 47 (54 as of December 31, 2006) affiliates as of December 31, 2007. 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 (31 and 34 companies at December 31, 2007 and 2006, 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 Sheet.

(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 the 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 assets.

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

(Supplementary information)
In accordance with the changes of tax code introduced in the 2007 tax reform, concerning the depreciation of fixed assets acquired on or after April 1, 2007, method of computing depreciation expenses have been changed to the new regulation. The effect of this change on net income is minor.

(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. 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 and corporate auditors

"Accrued retirement benefits for directors and corporate auditors" is provided for 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 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 the risk arising from an alleged sales cartel in Europe for flat glass and automotive glass. The amount is reasonably estimated by reference to a decision received from the European Commission on the payment of fine relating to flat glass and its Fining Guidelines.

(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 over the average remaining service period of employees (mainly 13 years), from the year when it is incurred.

Actuarial gains/losses are amortized 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 effective from the year ended December 31, 2005. Under the consolidated tax return system, the Group consolidate 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 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.

2. Changes in Accounting Standards

Accounting standard for business combinations

Effective from the year ended December 31, 2007, the Companies adopted "Accounting Standard for Business Combinations" (Statement of Opinion issued by the Business Accounting Council of Japan on October 31, 2003), "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for business combinations and business divestitures (the Financial Accounting Standard Implementation Guidance No. 10 lastly updated by the Accounting Standards Board of Japan on December 22, 2006).

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) FY2006 (January through December, 2006) (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	806,325	475,786	302,649	35,779	1,620,540	-	1,620,540
(2) Inter-segment sales/transfers	9,010	834	4,956	48,344	63,146	(63,146)	-
Total sales	815,335	476,621	307,606	84,123	1,683,687	(63,146)	1,620,540
Operating expenses	768,850	397,427	299,762	80,820	1,546,860	(62,931)	1,483,928
Operating income	46,485	79,193	7,843	3,303	136,826	(215)	136,611
II Assets, Depreciation and amortization and Capital expenditures							
Assets	893,166	662,291	283,384	218,426	2,057,270	92,276	2,149,546
Depreciation and amortization	56,448	47,657	20,801	1,168	126,077	(161)	125,915
Impairment loss on long-lived assets	43,998	32,702	3,190	904	80,794	-	80,794
Capital expenditures	79,595	146,013	25,886	1,236	252,731	-	252,731

(Note)

1. Total assets included in the "Corporate or elimination" amounted to 261,671 millions yen (FY2007) and 296,369 millions yen (FY2006). 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 35,237 million yen (FY2006) 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) FY2006 (January through December, 2006) (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	695,022	367,076	195,134	363,307	1,620,540	-	1,620,540
(2) Inter-segment sales/transfers	218,223	69,256	10,256	2,600	300,337	(300,337)	-
Total sales	913,246	436,332	205,390	365,907	1,920,877	(300,337)	1,620,540
Operating expenses	823,522	411,709	211,574	330,533	1,777,339	(293,410)	1,483,928
Operating income (loss)	89,723	24,622	(6,183)	35,374	143,538	(6,926)	136,611
II Assets	859,646	534,066	158,206	424,596	1,976,516	173,030	2,149,546

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) FY2006 (January through December, 2006) (Unit: millions of yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	425,916	197,577	362,059	20,624	1,006,178
Percentage of Overseas sales to Consolidated sales	26.3%	12.2%	22.3%	1.3%	62.1%

Per Share Information

	FY2007 (December 31, 2007)	FY2006 (December 31, 2006)
Net assets per share	813.28	776.26
Net income per share-basic	59.35	38.37
Net income per share-fully diluted	56.16	36.61

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

	FY2007 (December 31, 2007)	FY2006 (December 31, 2006)
Net income per share-basic		
Net income (millions of yen)	69,634	44,997
Net income not attributable to common shareholders	-	-
Net income attributable to common shareholders	69,634	44,997
Average number of common shares outstanding (thousands of shares)	1,173,262	1,172,862
Net income per share-fully diluted		
Net income adjusted for latent shares	1,140	1,144
-Interest expense, net of tax (millions of yen)	1,109	1,117
Number of increase in common shares (thousands of shares)	86,940	87,423
-Convertible bonds (thousands of shares)	86,356	87,024
-Treasury stock for stock option (thousands of shares)	-	22
-Warrant for stock option (thousands of shares)	584	375
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 (640 share subscription rights)

Supplementary Information for Consolidated Results for Fiscal Year Ended 2007

1. Operating results (Unit: billions of yen)

	FY 2007	FY 2006
Net sales	1,681.2	1,620.5
Operating income	197.5	136.6
Ordinary income	187.9	134.5
Net income	69.6	45.0
Net income per share (yen)	59.35	38.37

2. Major item (Unit: billions of yen)

	FY 2007	FY 2006
Capital expenditures	231.1	252.7
Depreciation and amortization	134.7	125.9
Research and development costs	33.9	30.8
Interest expenses & dividend income	(11.0)	(11.7)
Interest-bearing debts	531.2	574.9
Total net assets	1,027.3	991.8
D/E ratio	0.52	0.58
Number of employees at end of period	49,710	54,228

3. Scope of consolidation

	FY 2007	FY 2006
Number of consolidated subsidiaries	203	239
Number of equity method affiliates	31	34

(1) Newly consolidated subsidiaries: 4 companies (AGC Investment, Inc. etc.)
Excluded: 30 companies (Asahi Fiber Glass Co., Ltd. etc.)
(2) New equity method affiliates : 0 companies
Excluded: 3 companies (Murakami Chemical Co. Ltd. etc.)

4. Outlook for Fiscal Year 2008 operating results (Unit: billions of yen)

	FY 2008	First half of FY 2008
Net sales	1,600.0	780.0
Operating income	200.0	96.0
Ordinary income	190.0	91.0
Net income	100.0	47.0
Capital expenditures	240.0	
Depreciation and amortization	145.0	
Research and development costs	40.0	

5. Outlook for Fiscal Year 2008 operating results by business segment (Unit: billions of yen)

	Net sales	Operating income
Glass	810.0	50.0
Electronics and Display	440.0	137.0
Chemicals	330.0	10.0
Other	80.0	3.0
Corporate or elimination	(60.0)	0
Consolidated total	1,600.0	200.0

6. Exchange rates

	FY 2007		FY 2006		FY 2008
	Average	End of period	Average	End of period	Outlook
Yen/Dollar	117.71	114.15	116.40	119.11	105
Yen/Euro	161.99	166.66	146.87	156.50	152