

Booklet for Communication with Investors



# AGC Review

Newsletter  
for  
Investors  
Vol.13

End of first half FY2008



# AGC

ASAHI GLASS CO., LTD.

Code Number: 5201

## AGC Group is Responding to Changes in the Market Environment and Steadily Achieving the Targets in “**JIKKO-2010**”

Kazuhiko Ishimura,  
President & COO



### AGC Group Posts Record High Operating Income and Operating Income Margin on Half-year Base amidst Tough Economic Environment

During the first half period under review (January 1 through June 30, 2008), prices of raw materials and fuels such as oil continued rising and inflation progressed, worldwide. In Japan, the economy turned downward, affected by the lower profitability of exports because of the strong yen and weakened domestic and foreign demand owing to economic slowdowns overseas, mainly in the U.S. In other Asian countries, China sustained high economic growth backed by robust exports and investments, and ASEAN countries achieved a steady economic growth thanks to strong exports. In Europe, the economy continued to be steady in Eastern Europe, including Russia, driven by an increase in domestic demands such as capital expenditures and consumer spending, while Western Europe saw the economy slow down gradually hurt by confusion in financial markets and a sustained high inflation rate. The U.S. economy also clearly slowed, reflecting the sluggish housing market, higher gasoline prices and



lower employment rates.

In the target markets of the AGC Group, the market for glass substrates for flat panel displays (FPDs), particularly glass substrates for TFT-LCDs, continued to be

strong. The flat glass market remained sluggish in Japan and North America, and weakened in Europe. The market for chemical products was steady.

Under such market circumstances, the AGC Group posted net sales of 774.1 billion yen for the first half period under review, down 31.8 billion yen or 4.0% from the corresponding period of previous year; operating income of 109.6 billion yen, up 19.3 billion yen or 21.4%; and ordinary income of 95.7 billion yen, up 1.0 billion yen or 1.0%. Net income decreased 4.8 billion yen or 9.2% to 48.0 billion yen. Operating income and operating income margin posted record highs on the half-year base. Net income per share for the period under review stood at 41.07 yen.

I would like to take this opportunity to express our deep appreciation to all of our investors for your daily support.

The Group plans to pay an interim dividend of 12 yen per share, which was initially scheduled, and a year-end dividend of 12 yen.

## Reform of Flat Glass Business in North America

### Reorganization of Flat Glass Production Structure in North America Aimed at Improving Profitability

The AGC Group is deploying the four major initiatives below with the aim of achieving the target of "ROE of more than 12% in 2010" based on "**JIKKO-2010**", the new medium-term management plan.

#### Display Operations

- Maintaining profitability and expanding earnings in glass substrates for TFT-LCDs
- Maintaining profits in glass substrates for PDPs

#### Electronics & Energy Operations

- Concentrating investments in growth areas

#### Operations of Glass for Solar Cells

- Expanding business aggressively

#### Improvement in Profitability of Flat Glass

### Business in North America

Of these initiatives, this AGC Review will report on the improvement in profitability of flat glass business in North America, which has been an ongoing challenge since last medium-term management plan. In April 2008, the Group decided to stop operation on three float glass production lines and two architectural coating lines and sell the glass fabrication business at AGC Flat Glass North America (AFNA), an AGC Group company.

### Shift to High-Value-Added Products

With regard to the strategies for improving profitability of flat glass business in North America, the AGC Group is pushing ahead with the shift to high-value-added products including the expansion in the operations of glass for solar cells listed third in the major initiatives of "**JIKKO-2010**" outlined above.

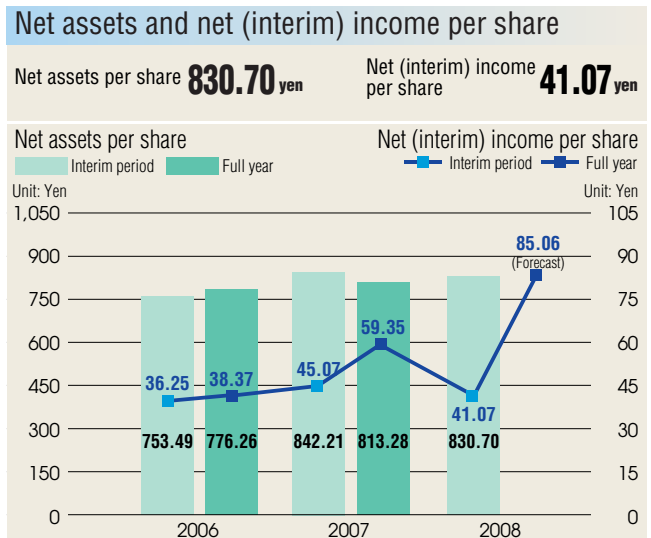
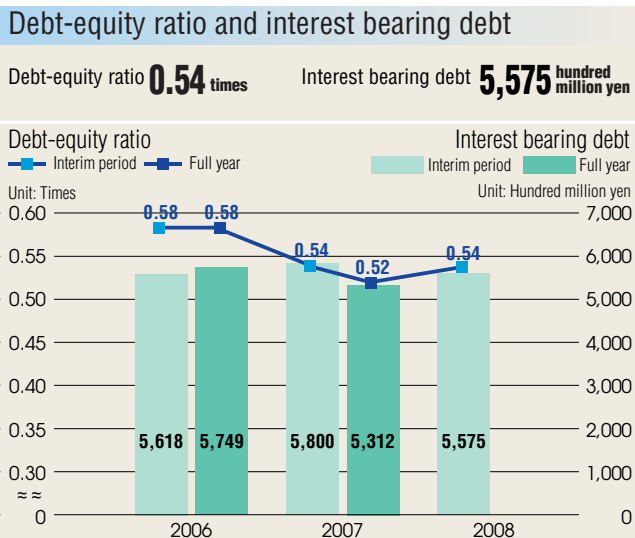
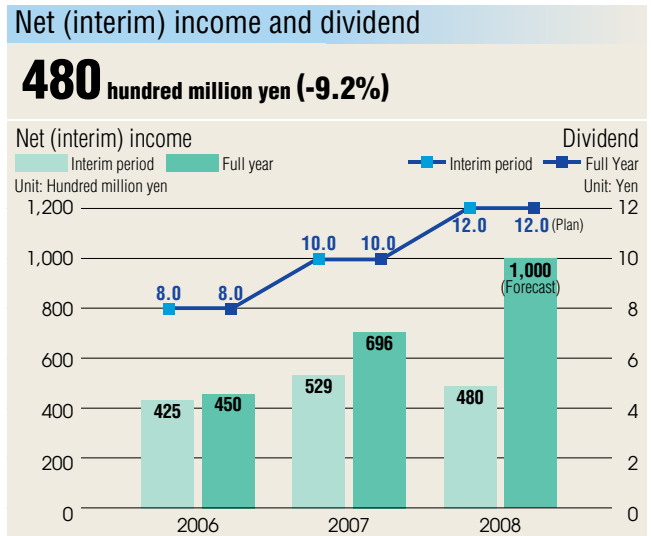
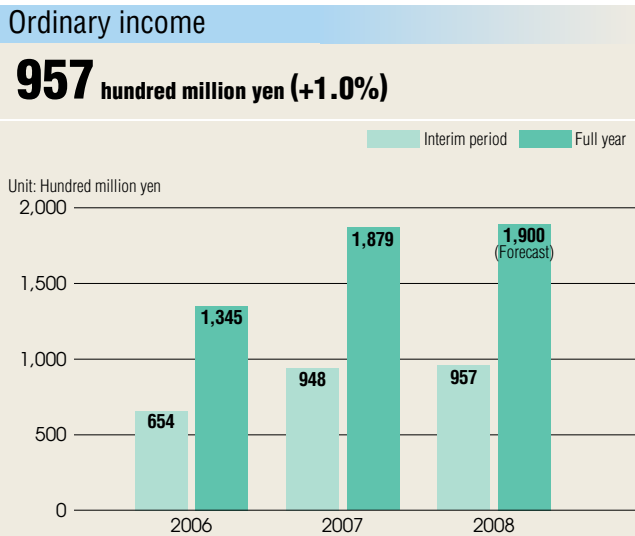
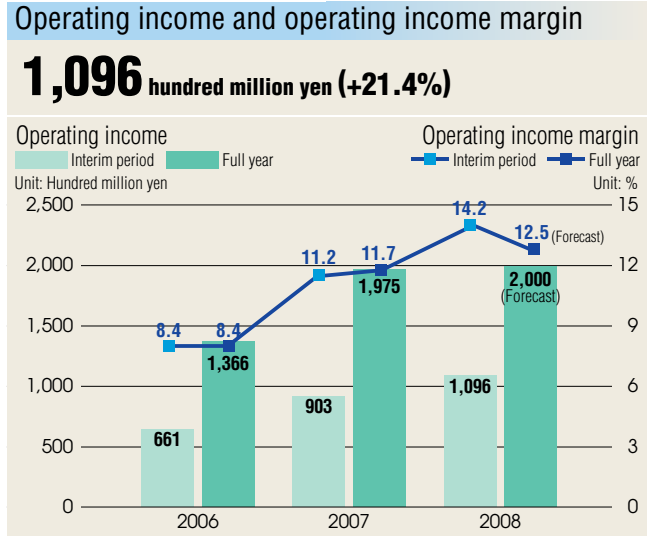
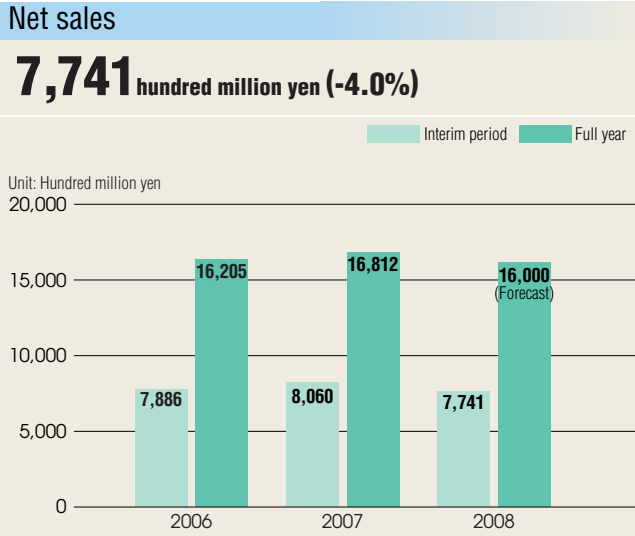
With growing concern about the global environment and energy issues, the solar cell market is projected to rapidly grow by 40% or more annually on a global basis. In North America, demand for glass for solar cells is expected to expand, while demand for raw glass for automotive use and value-added building products is projected to remain stable in the medium to long term.

Under these circumstances, the AGC Group has decided to restructure the flat glass business in North America to focus on three categories: glass for solar cells, raw glass for automotive use, and value-added building products.

With this new production structure, AFNA will be better able to focus management resources and management attention to driving product innovation to better serve customers' needs and improving cost and quality. The AGC Group will continue to leverage the Group's management resources and glass production technologies to introduce leading edge high-value-added products into the North American flat glass market.

The AGC Group recorded expenses for restructuring programs in association with the structural reform for the current interim period.

Financial Results Trends



AGC Group New Management Policy

# Grow Beyond

Kazuhiko Ishimura, AGC Group COO, explains the substance of **Grow Beyond**, the AGC Group's new management policy.

## Building Foundations for Growth

The AGC Group's performance is currently being driven by the Display operations, but the high growth of today will not necessarily continue indefinitely. It is essential to move forward with building the foundations for the next round of growth while the Display operations are still growing, and we believe that it is precisely building the foundations for growth which is the priority challenge in **Grow Beyond**, the AGC Group's new management policy.

## Medium and Long-term Change in the Market Environment

It is expected that the structure of the world markets and environment surrounding resources and energy will have changed significantly by around 2030.

In addition to the markets in the developed countries, China, South America, and India, among others, will become key global markets. Moreover, the need to shift production sites from locations close to markets to regions that produce raw materials such as the Middle East and Russia or countries where raw materials are produced at low cost may rise due to mounting resource nationalism. Furthermore, there is likely to be a growing need to address the problem of climate change more seriously than in the past.



**Grow Beyond** is a policy under which the AGC Group will assess these changes, identifying them in a timely manner so that the Group maintains further growth as a top global company, centering on the glass operations.

## Three Focus Points to Achieve “Building Foundations for Growth”

To build foundations for growth, the AGC Group will focus on three points.

The first point of focus is the “Second Round of Globalization.” Hitherto, the AGC Group has aggressively pushed ahead with globalization through such means as the acquisition of leading companies in Europe and North America, and establishing and operating production bases in Asia and Eastern Europe. In the future, the Group must seek to hold onto market share and boost profitability in important markets that include North America, Europe, and Japan. Meanwhile, newly emerging countries, such as the BRICs, are forecasted to experience extremely high GDP growth in the medium to long term. Therefore, the AGC Group will also focus on further expansion into these regions. Because these regions each have unique needs and are forecasted to follow different trajectories of growth from the markets in Japan, the U.S., and Europe, it will be necessary to make timely investments and establish business models that differ from those in Japan, the U.S., and Europe. This is a step ahead of the globalization of the past, in other words, it is the “Second Round of Globalization.”

The second point of focus is “Delivering Technology Solutions for Climate Change.” As a member of an industry that consumes huge volume of energy, the AGC Group will naturally make earnest efforts to solve the problem of climate change, moving forward by seizing on the problem as a new business opportunity. See the special feature from page 8 onwards where the specific measures that the Group will take are outlined.

The third point of focus is to become a “Glass-technology-driven Company.” The AGC Group will actively promote the further development of high-value-added products, enhancement of cost compet-

itiveness through improved production technologies, and building new business models that utilize technology, by further refining the glass-related technologies, which are the sources of growth for the Group, and differentiating them from the competitors.

## The Platform to Realize “Building Foundations for Growth”

In order to build the foundations for growth, the ideals and initiatives<sup>(\*)</sup> of the former management policy **“JIKKO”** will be permeated and embedded as the DNA of the AGC Group. Moreover, the focus will be on the people who carry out building the foundations for growth and making the **“JIKKO”** mindset the Group’s DNA. Under the slogan “Our People are Our Strength,” we aim to be a group of companies in which organizational growth and personal growth complement each other to form a virtuous cycle of development.

## Our Thoughts on **Grow Beyond**

To “Grow” means to “develop” — it not only means to grow in terms of just size, but also includes the notions of “improving capabilities” and “changing.” “Beyond” means “to exceed or go past.” The AGC Group will “Grow” (develop and change) “Beyond” (to exceed or go past) today’s realms, including business fields, regions and markets, existing technology, and the former ways of working.

(\*) **“JIKKO”** initiatives: the five initiatives are: enhancing activities for CS; enhancing activities for quality management; improving ES and enhancing human resources development; enhancing Monozukuri (Quality Manufacturing) and reinforcing production site expertise; and permeating the **“Look Beyond”** Group Vision.

# The Basic Concept of New Management Policy

*Grow Beyond*

Second Round of Globalization

**Build Foundations for Growth**

Build foundations for growth of the AGC Group, looking at mid- and long-term structural changes in the global market

Delivering Technology Solutions for Climate Change

Glass-technology-driven Company

Embed the **“JIKKO”** mindset as the AGC Group’s DNA

**Our People are Our Strength**  
—Realize full potential of our people—

# Taking on the Challenge of Reducing Environmental Impact

## The AGC Group Strives to Reduce Environmental Impact

In our new management policy **Grow Beyond**, the AGC Group advocates “Delivering Technology Solutions for Climate Change” as one basic policy to realize the most important issue of building foundations for growth.

As a glass manufacturer and member of an industry that consumes huge volumes of energy, we believe that it is our duty to make earnest efforts to solve the problem of climate change.

Therefore, our aim is to create new business oppor-

tunities by actively promoting energy saving in our manufacturing process and developing energy-saving process technology.

In addition, utilizing glass and chemical technology, we will contribute in as many ways as possible to reducing environmental impact through the development and supply of products for solar cells and fuel cells, Ecoglass, and so on, and at the same time build a new foundations for growth in these fields.

### New Technologies (1): Solar Cell Materials – Technology to Improve the Power Generation Efficiency of Solar Cells

The solar cell market has continued to rapidly expand in recent years. In 2007 it is estimated that solar cells generating a total of 3.6 GW of energy were produced worldwide; this figure is expected to increase by about 3.8 times to 13.7 GW in 2010.

When irradiated by sunlight, solar cells generate electricity by absorbing the energy of the sunlight in electrons. At present crystal silicon solar cells are the mainstream, but in the future thin film silicon solar

cells are expected to grow as well. The AGC Group is engaged in technological development and product supply relating to both of these types, such as cover glass, cover films for flexible solar cells, glass substrates with transparent conductive oxide (TCO) film, and so on, and is contributing to the improvement of the power generation efficiency as well as the popularization of these cells promoting the diffusion of solar cells by means of our global setup.

## Photovoltaic Cover Glass

Cover glass is used to protect the surface of crystal silicon solar cells. It efficiently transmits light, which in turn improves the power generation efficiency of solar cells. By the adoption of our unique technologies developed for surface shape design and antireflection, the AGC Group's cover glass helps increase the light transmission to solar cells, in particular for light of specific wavelengths that can be easily converted into energy. The AGC Group boasts the number one market share in the world in this field.

## Glass Substrates with Transparent Conductive Oxide (TCO) Film

These glass substrates, which cover the surface of thin film silicon solar cells, improve power generation efficiency and also function as conductors to bring out electric energy. The AGC Group embarked on

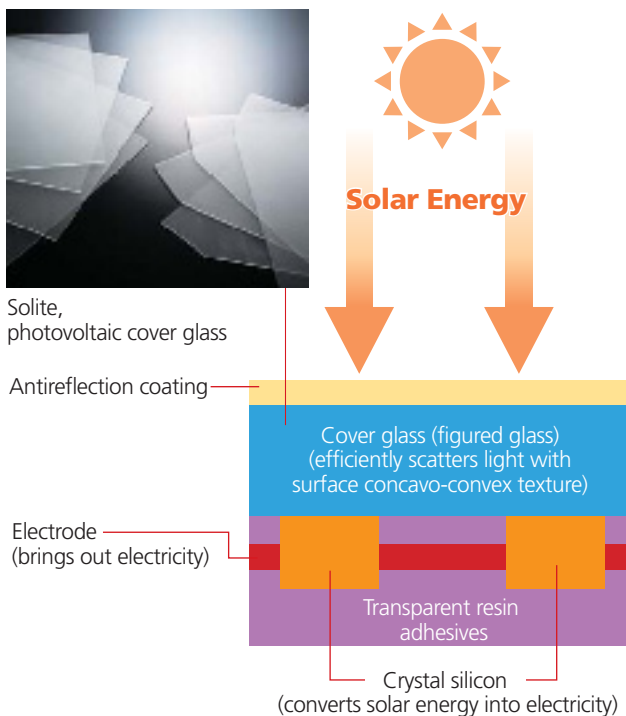
the development of TCO films in 1985 and succeeded in developing the TCO film, now regarded as the world's standard for the films, in the latter half of the 1980s. At present the Group is developing the next-generation TCO film that can scatter 90% of incoming sunlight and conduct the light more efficiently into the photovoltaic layer.

## ETFE Films

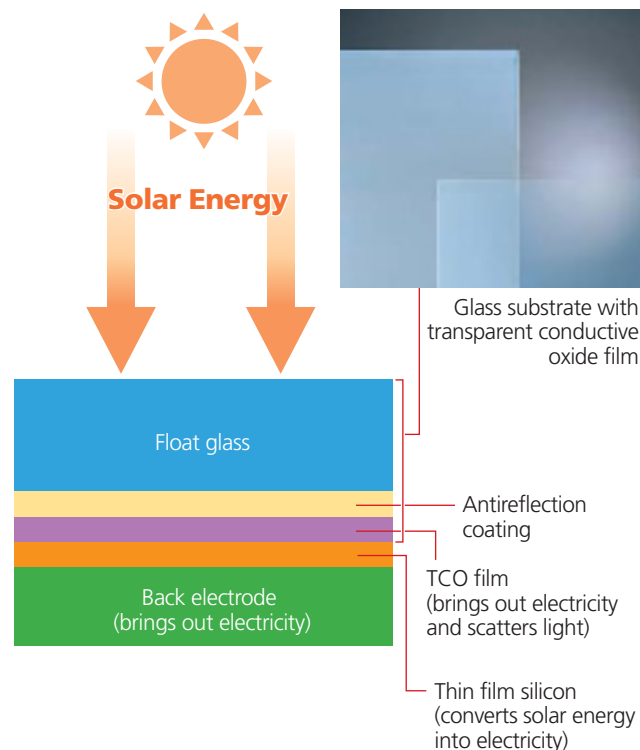
ETFE films<sup>(\*)</sup> are fluorinated films used to protect the special silicon that functions as the photovoltaic layer of flexible solar cells. These films are expected to be used as material for next-generation solar cells. Flexible solar cells are expected to be used as power generation devices for notebook PCs and cell phones.

(\*) ETFE films are made of a highly transparent and noncombustible material. They are high-performance fluorinated resin film with outstanding weather resistance from ultraviolet to infrared zones.

### Crystal Silicon Type



### Thin Film Silicon Type



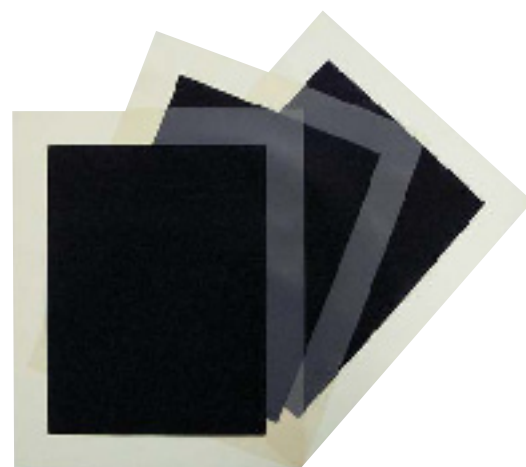
## New Technologies (2): Fuel Cell Material – Fluorochemical Technology Contributing to the Commercialization of Fuel Cells

Fuel cells generate electricity from hydrogen and oxygen. Since fuel cells do not involve any combustion at high temperatures, they emit almost no undesired substances, such as nitrogen oxide. In addition, fuel cells can be used as a power generation system that contributes significantly to reducing the environmental impact because they release only water at the time of power generation. Other merits include the fact that they are more energy efficient than other conventional power generation systems because they convert fuel directly into electricity without changing it into heat or motive power and the fact that they can reduce noise and vibration during operation. For these reasons, great efforts are being made to commercialize fuel cells as a next-generation power source for industries, residences, automobiles, and portable phones.

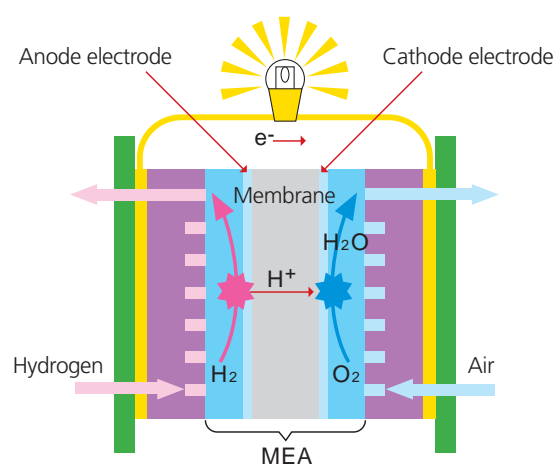
Using the reverse process to water electrolysis, an MEA (membrane-electrode assembly) in fuel cells generates electricity from hydrogen and oxygen in air. When used in automobiles, these cells are operated under severe conditions (over 100°C and low humidity) and thus, the performance of fuel cells largely depends on the durability of MEAs.

As PEFCs (polymer electrolyte fuel cells) can be made smaller and lighter, they are expected to be applied to automobiles and portable devices. The AGC Group has been working toward practical use of MEAs, which are the most crucial parts in PEFCs. The Group has developed a highly durable MEA using its long years of experience and wealth of expertise in fluoropolymer-based ion exchange membranes. The newly developed MEA proved its durability in continuous operation for over 5,000 hours at 100°C or higher and humidity of less than 50%, and has been receiving considerable attention as a cutting-edge MEA that is now closer than ever to practical use.

### Membrane-electrode assembly (MEA) for fuel cells



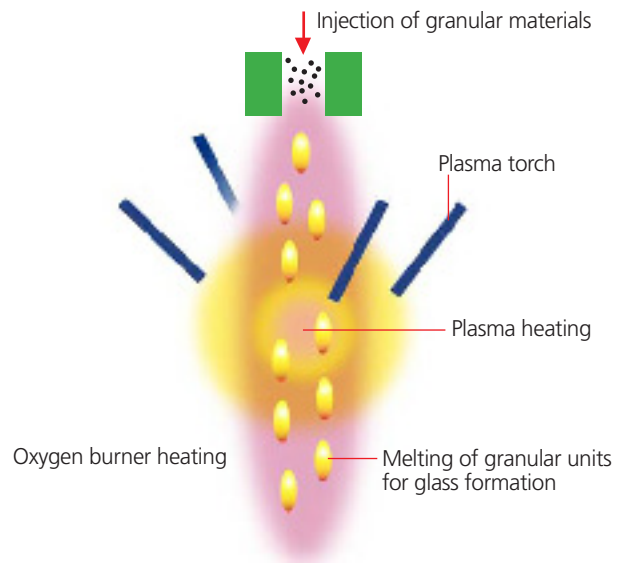
### Power generation by a fuel cell



## New Technologies (3): In-Flight Melting – Technology to Halve Energy Used in Glass Manufacturing

Glass production has an adverse impact on the environment mainly due to the process of melting raw materials, such as silica sand, at high temperatures, as well as the process of keeping the molten glass in the melting furnace for long hours to manufacture homogenous glass containing no bubbles. The AGC Group has been involved in research into in-flight melting<sup>(\*)</sup> to reduce the amount of energy consumed in glass manufacturing. By directly injecting granular materials with pre-adjusted composition into a high temperature flame of higher than 2,000°C, such as a plasma flame, glass could be formed instantaneously, and it would be possible to produce bubble-free, homogenous glass with lower energy consumption. If this technology can be realized, it is expected that energy consumption and CO<sub>2</sub> emissions in glass manufacturing will be halved.

### Concept of in-flight melting



(\*) Commissioned by the New Energy and Industrial Technology Development Organization (NEDO), following on from the basic research implemented from fiscal 2005 to fiscal 2007, the AGC Group has been involved in research on the new theme of "Technological Development for a Revolutionary Glass-melting Process" since July 2008.

## Global Energy Saving through Window Glass – AGC Group's Ecoglass Products

The AGC Group is contributing to the promotion of energy saving through outstanding window glass products as well. The Ecoglass Sunbalance®, which is low-emissive glass with a dry air layer sealed between two sheets of glass, has higher thermal insulation and heat-blocking performance than ordinary double-glazing glass.

The Coolverre® glass for automobiles substantially blocks middle infrared rays, which causes that sense of frizzling heat from sunlight, thereby making drivers feel cooler inside the vehicle and in turn leading to a reduction in energy consumption by air conditioning.

### Cooling and heating cost savings by using Ecoglass

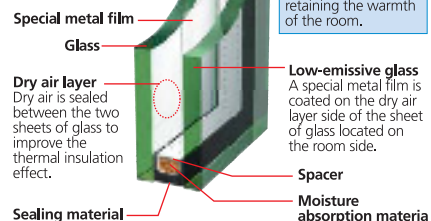
**51,572** yen / year

You can save energy by replacing window glass with Ecoglass, which remarkably helps improve cooling and heating efficiency. As a result, not only can CO<sub>2</sub> emissions be reduced, but also cooling and heating costs can be saved. For example, if you replace the window glass of a house in Tokyo with Ecoglass, the saving on cooling and heating costs has been calculated at approximately 51,572 yen per year. (For the basis of calculations for cooling and heating cost savings, please visit the Ecoglass Campaign website of the Flat Glass Manufacturers Association of Japan and refer to the "Simulator" web page (Japanese only): <http://www.ecoglass.jp/simulation/>)

### Structure of Ecoglass Sunbalance®

**Outside the room**  
In summer, the low-emissive glass shields the room from glaring sunshine.

**Inside the room**  
In winter, the low-emissive glass and the dry air layer prevent thermal transmission between the room and the outside, thereby retaining the warmth of the room.



## New Plants in China and the Czech Republic Commence Operations

Following on from our previous medium-term management plan **"JIKKO-2007"**, we are continuing to expand our operations in emerging markets as one of our major initiatives under the new medium-term management plan **"JIKKO-2010"**.

In automotive glass production, in addition to our plant in Qinghuangdao city, Hebei Province, our new plant located at Foshan city, Guangdong Province came on line in the spring of 2008.

In the Czech Republic, we also completed our third domestic float glass furnace and commenced production at the beginning of 2008 to accommodate rapid growth in the construction and automotive industries in Central Europe.

In the future the AGC Group intends to continue to expand its production capacity and to make inroads into regions where the market is set to grow.



1.View of the new plant in the Czech Republic where our third float glass furnace in that country commenced mass production  
2.New plant for automotive glass which came on line this year (Foshan city, Guangdong Province)

## Establishment of the AGC Group Code of Conduct

Until now each of the AGC Group companies in regions around the world has had its own code of conduct as a standard for promoting thorough compliance. To strengthen the framework of compliance at a company-wide level, this year we inaugurated the AGC Group Code of Conduct, a common standard applicable to the entire Group. Sharing the same code of conduct throughout the world, the AGC Group will build an even stronger culture of compliance.

### Overseas Topics

## AGC Flat Glass Europe Receives M Technology Awards for Two Innovative Products

AGC Flat Glass Europe (AFEU) won two M Technology Awards at the ZOW furniture trade show held in Germany in February 2008. The jury awarded AntiBacterial Glass™ that kills 99.9% of bacteria and halts the proliferation of fungi, first prize for its innovative nature. Mirox 3G was also awarded second prize for its environmental benefits. A third-generation ecological mirror glass with less than 0.1% lead content, Mirox 3G meets the requirements of the EU's Restriction of Hazardous Substances (RoHS) Directive. AntiBacterial Glass™, also won the highest prize awarded at Batimat, the world's largest building exhibition in Paris, and Mirox 3G won the Belgian Environment Award.



Representatives of AFEU, the winner of two prizes at the ZOW furniture trade show

## Granted an Incentive Award at the Eco-Efficiency Awards 2007

The AGC Group received an incentive award at the Eco-Efficiency Awards 2007 for its innovative creation of the AGC Environmental Indicator.



Mr. Ryoichi Yamamoto, Professor at the University of Tokyo and Chairman of the Japan Forum on Eco-Efficiency (center)

The Eco-Efficiency Awards were established by the Japan Forum on Eco-Efficiency with the support of the Ministry of the Economy, Trade and Industry to commend the activities and products of companies that are committed to reducing their environmental impact and improving their socio-economic activities based on the concept of environmental efficiency.

Developed by the AGC Group in 2006, the AGC Environmental Indicator was first introduced at Asahi Glass and then at the AGC Group companies in stages as a target management indicator in the company's integrated environmental management system (integrated EMS). The award was given to the AGC Group in recognition of the indicator as an environmental efficiency indicator reflecting the social influence of the AGC Group.

## Glass Power Campaign Disaster-Resistant Glass Donation Project

In recent years we have witnessed the frequent occurrence of natural disasters such as typhoons and earthquakes, and on many occasions broken glass has been the cause of injuries as well as serious damage at evacuation centers, which in some cases were rendered unusable as a result of shattered glass. To prevent the recurrence of casualties of this nature, Asahi Glass launched its Glass Power Campaign to raise awareness and widely promote the use of laminated glass, which is both shatter-proof and crack-resistant. As part of this campaign, since June 2008 we have been inviting the public to vote on our website for the evacuation center of their choice to be the recipient of disaster-proof glass donated by Asahi Glass. Two elementary schools, one in Mie Prefecture and one in Nagano Prefecture, became the recipients. In the future Asahi Glass plans to continue its efforts toward the creation of a safe and secure society through public participation programs where all participants can share our goals and play an active role.

## IR Information via the Internet

3rd edition

### Accessing AGC Reports

In addition to the AGC Report summarizing the activities of the AGC Group for our investors and the Financial Review which provides details of our financial position, various other reports and news releases are available on the AGC website. These reports can be downloaded as PDF files or provided as paper copies upon request.

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# Overview of Segments

## AGC Group

### Glass Operations

#### Flat Glass Business

(Main Products) Float glass, patterned glass, double-glazing glass, heat-reflective glass, laminated glass, processed glass for construction, mirrors, etc.

#### Automotive Glass Business

(Main Products) Laminated glass, tempered glass, etc.

#### Other Glass Business

(Main Products) Lighting lamp products, industrial glass products

### Electronics and Display Operations

#### Display Business

(Main Products) Glass substrates for flat panel displays (TFT-LCDs, PDPs), CRT glass, etc.

#### Electronic Materials Business

(Main Products) Electronics & energy products, etc.

### Chemicals Operations

#### Chlor-alkali and Urethane Business

(Main Products) Caustic soda, vinyl chloride monomers, sodium bicarbonate, etc.

#### Fluorochemicals and Specialty Chemicals Business

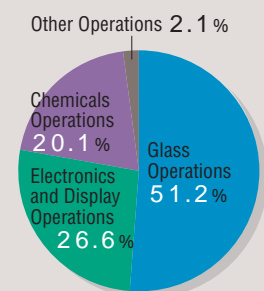
(Main Products) Fluorinated resins, water and oil repellents, ion exchange membranes, etc.

### Other Operations

#### Ceramics Business

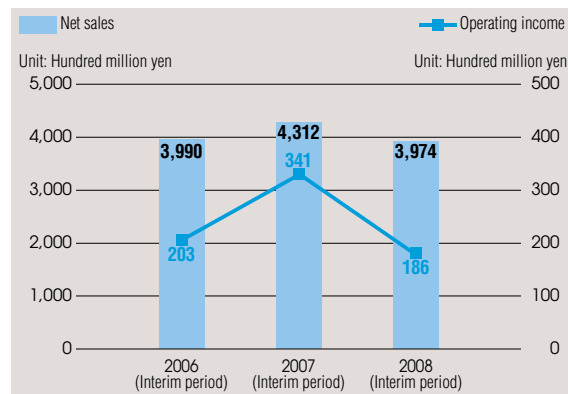
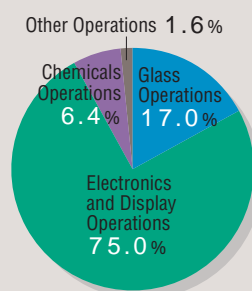
**Service Business** includes logistics and engineering, etc.

#### Sales<sup>(\*)</sup> composition



(\*) Sales to customers

#### Operating income composition



Sales as percentage  
**51.2%**

## Glass Operations

In the flat glass business, while demand remained strong in fast-growing markets such as Russia, markets softened in Western Europe as the economy slowed down, and demand continued to slump in Japan and North America. In addition, although the AGC Group implemented price revisions in all regions, these were insufficient to offset all cost increases.

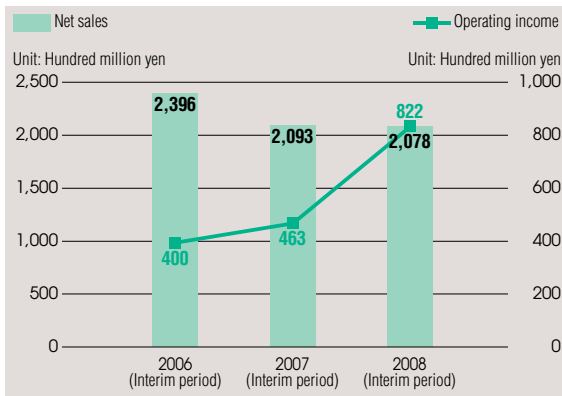
In the automotive glass business, sales decreased slightly from the corresponding period of the previous year because of a decline in auto production in North America.

Sales in other glass business dropped from the same period of the previous year because the Group withdrew fully from the fiberglass business.

Net sales from the Glass operations for the first half period under review decreased 33.8 billion yen, or 7.8%, year-on-year to 397.4 billion yen, and operating income decreased 15.4 billion yen, or 45.3%, to 18.6 billion yen.



Flat glass production plant in the Czech Republic continuing mass production



Sales as percentage **26.6%** **Electronics and Display Operations**

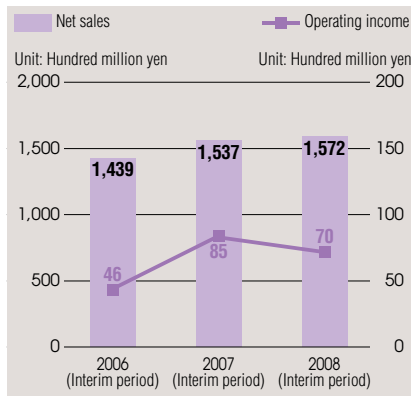
In the display business, overall sales increased from the same period of the previous year, due to a sharp rise in shipments of glass substrates for TFT-LCDs and PDPs.

In the electronics materials business, overall sales decreased from the preceding year, hurt by slowed shipments of some display materials, despite continued steady shipments of photonics components. This decrease is also attributable to the Group's withdrawal from the business of small- and medium-sized display panels.

Net sales from the Electronics and Display operations for the first half period under review decreased 1.4 billion yen or 0.7%, year-on-year, to 207.8 billion yen, and operating income increased 35.9 billion yen or 77.6% to 82.2 billion yen.



AGC Group's synthetic quartz contributes to precise semiconductor production



Sales as percentage **20.1%** **Chemicals Operations**

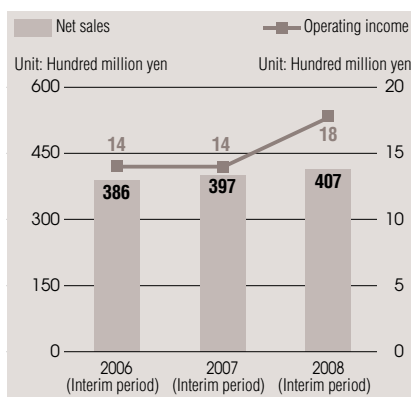
revisions, centering on chlor-alkali and urethane-related products.

Net sales for the Chemicals operations for the first half period under review increased 3.5 billion yen or 2.3%, year-on-year, to 157.2 billion yen, and operating income decreased 1.5 billion yen or 17.8% to 7.0 billion yen.



Akashi Kaikyo Bridge painted with long life fluorinated coating (Lumiflon®)

Sales as percentage **2.1%** **Other Operations**



In the chlor-alkali and urethane business, sales of caustic soda and overseas sales of vinyl chloride-related products continued to be steady. In the fluorochemicals and specialty chemicals business, shipments of fluorinated resins for coatings that have less impact on the environment remained strong.

In response to price hikes of raw materials and fuels, the Group carried out prices

in other operations, earnings remained steady thanks to strong domestic demand for ceramic products.

Net sales from the other operations for the first half period under review increased 1.0 billion yen or 2.4%, year-on-year, to 40.7 billion yen, and operating income advanced 0.4 billion yen or 30.6% to 1.8 billion yen.

# Financial Data

## Consolidated Financial Statements

### Consolidated Balance Sheet (summary) Unit: Million yen

Item	End of first half FY2008 (June 30, 2008)	End of fiscal 2007 (December 31, 2007)	Increase/ decrease	Item	End of first half FY2008 (June 30, 2008)	End of fiscal 2007 (December 31, 2007)	Increase/ decrease
<b>Assets</b>	<b>2,115,806</b>	2,108,089	7,716	<b>Liabilities</b>	<b>1,080,519</b>	1,080,748	△ 228
Current assets	678,997	677,119	1,878	Current liabilities	654,156	644,637	9,518
Cash on hand and in banks	73,801	82,399	△ 8,597	Trade notes and accounts payable	172,925	176,946	△ 4,020
Trade notes and accounts receivable	288,871	286,460	2,410	Short-term bank loans and commercial paper	149,226	123,643	25,583
Inventories	246,498	237,686	8,811	Current maturities of bonds	117,022	110,889	6,132
Other current assets	69,826	70,572	△ 745	Other current liabilities	214,981	233,158	△ 18,176
Fixed assets	1,436,808	1,430,758	6,050	Non-current liabilities	426,363	436,110	△ 9,746
Tangible fixed assets	1,053,690	1,053,158	532	Bonds issued	130,621	140,675	△ 10,054
Buildings and structures	267,161	278,927	△ 11,765	Long-term bank loans	160,610	156,024	4,585
Machinery and equipment	513,105	519,022	△ 5,916	Accrued retirement benefits	63,085	60,773	2,311
Land	105,614	112,100	△ 6,486	Other non-current liabilities	72,046	78,636	△ 6,590
Other tangible fixed assets	167,808	143,108	24,700	<b>Net assets</b>	<b>1,035,286</b>	1,027,341	7,944
Intangible fixed assets	47,911	45,224	2,686	Shareholders' equity	849,814	807,195	42,618
Investments and advances	335,206	332,375	2,831	Common stock	90,863	90,859	3
Investment in securities	287,032	287,342	△ 310	Additional paid-in capital	96,952	96,948	3
Other investments	48,174	45,033	3,141	Retained earnings	683,142	633,421	49,720
Deferred assets	—	211	△ 211	Treasury stocks	△ 21,144	△ 14,034	△ 7,109
<b>Total assets</b>	<b>2,115,806</b>	2,108,089	7,716	Valuation and translation adjustments	120,178	147,240	△ 27,062
				Unrealized gains on securities, net of tax	91,985	102,028	△ 10,043
				Deferred gains or losses on hedges, net of tax	6,944	2,034	4,910
				Asset revaluation reserve	62	62	—
				Foreign currency translation adjustments	21,185	43,115	△ 21,929
				Share subscription rights	397	392	5
				Minority interest in consolidated subsidiaries	64,895	72,512	△ 7,617
				<b>Total liabilities and net assets</b>	<b>2,115,806</b>	2,108,089	7,716

#### Point

### 1 Increase in Total Assets

Total assets stood at 2,115.8 billion yen, up 7.7 billion yen from the previous year. This is attributable to the increase in tangible fixed assets, resulting from proactive capital investments in manufacturing facilities for TFT-LCD glass substrates and other areas, in spite of a decrease in the yen translated amount of assets held by the Group's foreign subsidiaries, as a result of a stronger yen.

#### Point

### 2 Increase in Net Assets

Total net assets as of the end of the period under review were 1,035.3 billion yen, up 7.9 billion yen from the previous year, mainly because retained earnings increased in line with net income for the period, in spite of foreign currency translation adjustments decreasing, as a result of a stronger yen.

#### Point

### 3 Record High Operating Income

Operating income was up 21.4% compared to the same period last year, posting a record high on the half-year base together with the operating income margin.

## Consolidated Statements of Income (summary)

Unit: Million yen

Item	First half FY2008 (January 1, 2008 through June 30, 2008)	First half FY2007 (January 1, 2007 through June 30, 2007)
Net sales	<b>774,134</b>	805,978
Cost of sales	534,147	573,185
Gross profit	239,987	232,792
Selling, general and administrative expenses	130,409	142,529
<b>Operating income</b>	<b>109,577</b>	90,262
Other income	10,146	18,396
Other expenses	23,977	13,876
Ordinary income	<b>95,747</b>	94,782
Extraordinary gains	5,741	13,153
Extraordinary losses	23,796	27,176
Income before income taxes	<b>77,691</b>	80,758
Income taxes	25,238	26,519
Minority interest in earnings (losses) of consolidated subsidiaries	4,435	1,376
<b>Net income</b>	<b>48,017</b>	52,862

## Consolidated Statements of Cash Flows (summary)

Unit: Million yen

Item	First half FY2008 (January 1, 2008 through June 30, 2008)	First half FY2007 (January 1, 2007 through June 30, 2007)
<b>4</b> Cash flows from operating activities	104,945	111,737
Cash flows from investing activities	Δ 132,569	Δ 100,598
Cash flows from financing activities	16,635	Δ 15,966
Effect of exchange rate changes on cash and cash equivalents	Δ 2,436	1,416
Increase (decrease) in cash and cash equivalents	Δ 13,424	Δ 3,410
Cash and cash equivalents at beginning of year	52,275	52,627
Cash and cash equivalents held by newly consolidated subsidiaries	Δ 588	Δ 417
<b>Cash and cash equivalents at end of first half of the fiscal year</b>	<b>38,263</b>	48,799

### Point 4 Free Cash Flow

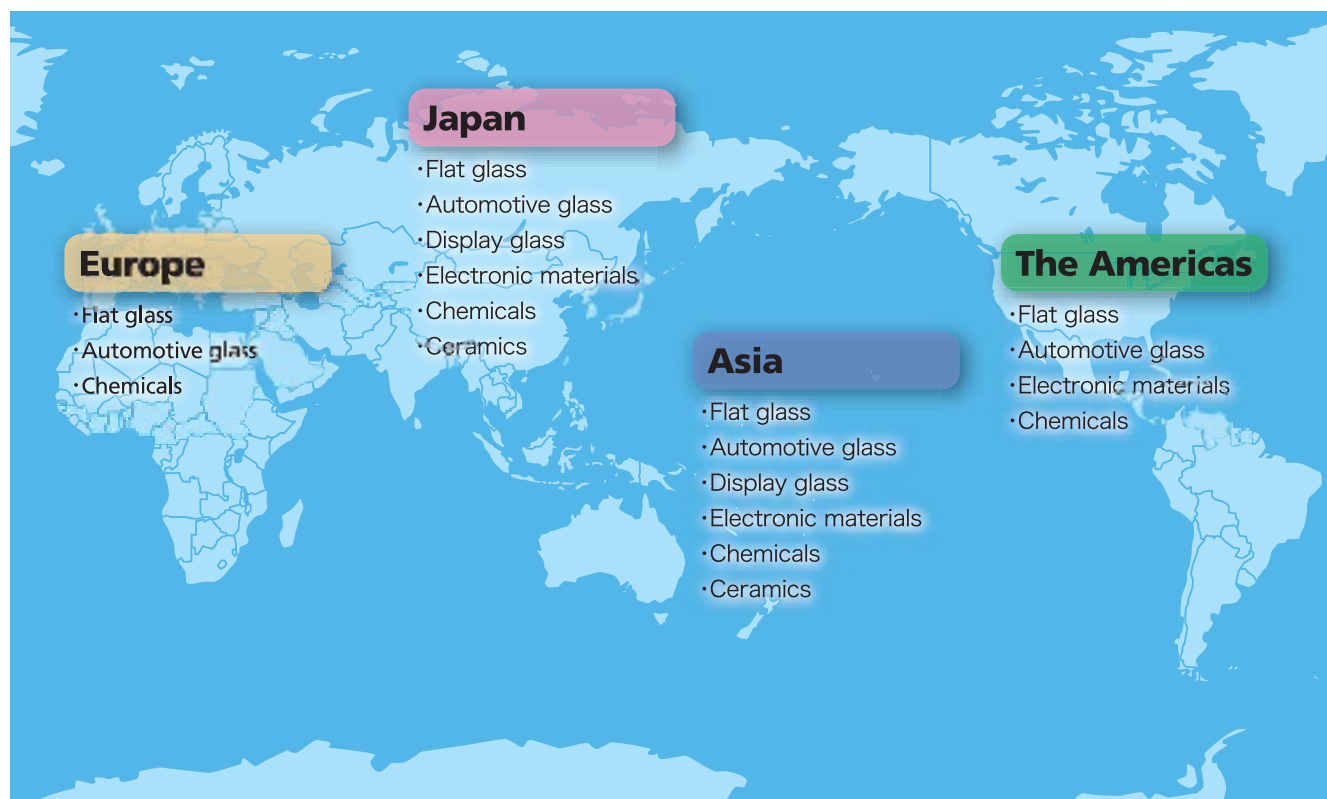
Free cash flows for the period under review decreased 38.8 billion yen from the corresponding period of the previous year to minus 27.6 billion yen mainly because payments of income taxes rose compared to the same period last year when there was a refund and the Group maintained a high level of capital investments.

## Consolidated Statements of Shareholders' Equity, etc.

Unit: Million yen

First half FY2008 (January 1, 2008 through June 30, 2008)	Shareholders' Equity					Valuation and translation adjustments	Share subscription rights	Minority interest in consolidated subsidiaries	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	Total shareholders' equity				
Balance as of December 31, 2007	90,859	96,948	633,421	Δ 14,034	807,195	147,240	392	72,512	1,027,341
<b>Changes during the interim fiscal period under review</b>									
Distribution of surplus			Δ 11,735		Δ 11,735				Δ 11,735
Net income			48,017		48,017				48,017
Treasury stocks			Δ 15	Δ 7,109	Δ 7,125				Δ 7,125
Others	3	3	13,453		13,461	Δ 27,062	5	Δ 7,617	Δ 21,212
<b>Total changes during the interim fiscal period under review</b>	<b>3</b>	<b>3</b>	<b>49,720</b>	<b>Δ 7,109</b>	<b>42,618</b>	<b>Δ 27,062</b>	<b>5</b>	<b>Δ 7,617</b>	<b>7,944</b>
Balance as of June 30, 2008	90,863	96,952	683,142	Δ 21,144	849,814	120,178	397	64,895	1,035,286

# Global Network



## List of Major Subsidiaries and Affiliates

(as of September 1, 2008)

### Japan

#### AGC Glass Kenzai Co., Ltd.

Sales and installation of glass and building materials

#### AGC Display Glass Yonezawa Co., Ltd.

Glass substrates for TFT-LCDs

#### Ise Chemicals Corporation

Iodine, Iodine compounds, Natural gas, Nickel and Cobalt compounds

#### AGC Ceramics Co., Ltd.

Sales of various refractories and fine ceramics, design, construction, consulting and data analysis of glass tanks and various industrial furnaces

### Europe

#### AGC Flat Glass Europe S.A. (Belgium)

Float glass, Figured glass, Double-glazing glass, Automotive glass, and Mirror

#### AGC Chemicals Europe, Ltd. (England)

Chemical products including fluorinated resins (PTFE, ETFE, etc.)

### The Americas

#### AGC Flat Glass North America, Inc. (U.S.A.)

Float glass, Figured glass, and Automotive glass

### Asia

#### P.T. Asahimas Flat Glass, Tbk. (Indonesia)

Float glass, Figured glass, Heat-reflective glass, Automotive glass, and Mirror

#### AGC Display Glass Taiwan Co., Ltd. (Taiwan)

Glass substrates for TFT-LCDs

#### Asahi Glass Fine Techno Korea Co., Ltd. (Korea)

Glass substrates for TFT-LCDs

#### Hanwook Techno Glass Co., Ltd. (Korea)

Glass substrates for PDPs

#### P.T. Asahimas Chemical (Indonesia)

Chemical products (caustic soda, EDC, VCM, PVC, etc.)

#### AGC Chemicals (Thailand) Co., Ltd. (Thailand)

Chemical products (caustic soda, hydrochloric acid, caustic potash, potassium carbonate, etc.)

# Stock & Bond Information

## State of Stock & Bonds

### State of Stock (as of June 30, 2008)

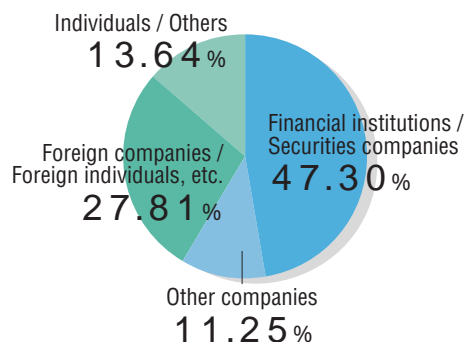
Number of shares outstanding: **1,186,689,155**

Number of shareholders: **59,400**

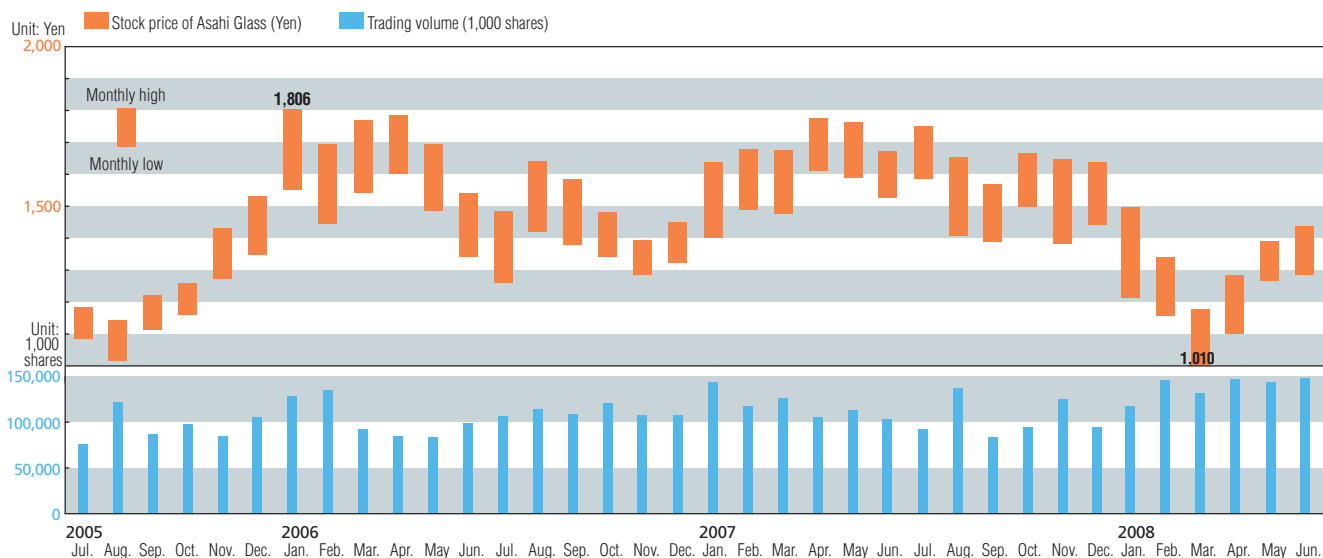
(Shareholders who own shares one unit or more: **42,830**)

### Shareholders Composition

(Shareholders who own shares one unit or more)



### Trends in Stock Price and Trading Volume (Tokyo Stock Exchange)



### State of Corporate Bonds (as of June 30, 2008)

Issue	Date of issuance	Balance outstanding (Unit: Million yen)	Annual rate (Year) (%)	Security	Maturity Date	Notes
No. 5 convertible bonds	July 5, 1993	97,920	1.90	—	December 26, 2008	Convertible price as of end of June 2008: 1,134 yen
No. 5 bonds	December 18, 2001	20,000	1.52	—	December 16, 2011	
No. 6 bonds	September 9, 2002	25,000	0.86	—	September 9, 2009	
No. 7 bonds	October 17, 2002	15,000	1.28	—	October 17, 2012	
No. 8 bonds	June 3, 2003	20,000	0.67	—	June 3, 2013	
No. 10 bonds	September 13, 2007	19,995	1.35	—	September 13, 2012	

## Corporate Outline (as of June 30, 2008)

**Trade name:** Asahi Glass Company, Limited

**Founded:** September 8, 1907

**Incorporated:** June 1, 1950

**Capital:** ¥ 90,863,876,014

**Head office:** Shin-Yurakucho Bldg.,  
1-12-1 Yurakucho, Chiyoda-ku, Tokyo 100-8405  
Tel: +81-3-3218-5096

**Number of consolidated subsidiaries:**

194 (including 152 companies overseas)

**Number of employees of consolidated companies:**

50,370

## Information about Shares

**Fiscal year:**

January 1 to December 31

**Ordinary general shareholders meeting:** March

**Shareholder registration date for entitlement to exercise:**

Voting rights at ordinary general shareholders meeting: December 31

Shareholder registration date for entitlement to annual dividend payment: December 31

Shareholder registration date for entitlement to interim dividend payment: June 30

**Public notice:** Electronic public notices (<http://www.agc.co.jp>)

**Acting office of shareholder register:**

Corporate Agency Division,  
Mitsubishi UFJ Trust and Banking Corporation  
1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212

**Inquiries/Mailing address:**

Corporate Agency Division,  
Mitsubishi UFJ Trust and Banking Corporation  
7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081  
Tel: 0120-232-711 (toll free)

**Representative branch offices:**

All domestic branches of Mitsubishi UFJ Trust and Banking Corporation

### Payment of dividends

As stated in the Articles of Incorporation, dividends not claimed within five years from the starting date of payment are no longer payable. We therefore urge investors to claim all payable dividends at the earliest convenient date.

### Demand for purchase and sales of shares less than one unit

Contact the acting office of the shareholder register named above concerning the procedure for demanding the purchase and the sales of shares less than one unit (shares less than 1,000 shares). Apply to the securities company with which the shareholder conducts business when using the central securities custody and book-entry transfer system.

When asking for application forms necessary for change of address, for designation of the account for receiving dividends and change of such account, for purchase of shares less than one unit and for transfer of names of shares, as well as the request for procedures for inheriting shares, please contact the shareholder register toll-free number, on 0120-244-479 (there is an automated voice answering service 24-hours a day).

## Information on Corporate Bonds

**Interest payment date for corporate bonds and maturity date:**

Please refer to the prospectus at hand, or ask the securities companies handling such bonds to confirm this date.

Cover photo: Second from upper right:

Osaka Sangyo University's OSU model S' solar car uses the AGC Group's ETFE film on its curved surfaces.

**ASAHI GLASS CO., LTD.**

<http://www.agc.co.jp>