

Booklet for Communication with Investors

# AGC Review

Newsletter  
for  
Investors  
**Vol.14**  
End of FY2008



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President & COO

*K. Ishimura*



The economic environment around the AGC Group, prices of raw materials and fuels remained at a high level in the first half of the year. The global economy rapidly became worse because of the aggravation of the world wide financial crisis that originated in the U.S..

Reviewing the economic conditions of each region, in Japan, the economy remained quite strong until the middle of the year. However the economy was affected by the lower profitability caused by the stronger yen and weakened domestic as well as foreign demand owing to economic slow-downs overseas. Business conditions after the fourth quarter became even more serious. In Asia, the Chinese economy started to slow down gradually after the Beijing Olympic Games. Also, ASEAN countries experienced an economic slowdown, affected by the weakened global economy. In Europe, the economies in Russia and Central-Eastern Europe grew weaker after the third quarter as a result of the worsening global economy. In Western Europe, exports and capital investments that have led the economy have slowed down, and the decline of the real economy has worsened.

Under such a business environment, the AGC Group faced a sharper-than-expected decrease in worldwide demand for housing, automobile and home electronics in the fourth quarter. The market for glass substrates for flat panel displays (FPDs) continued to be strong until the end of the first half of 2008, but the number of shipments was affected by

operational adjustments at panel manufacturers in the third quarter. The flat glass market remained sluggish in Japan and North America, and weakened in Europe. The market for chemical products also softened in the fourth quarter.

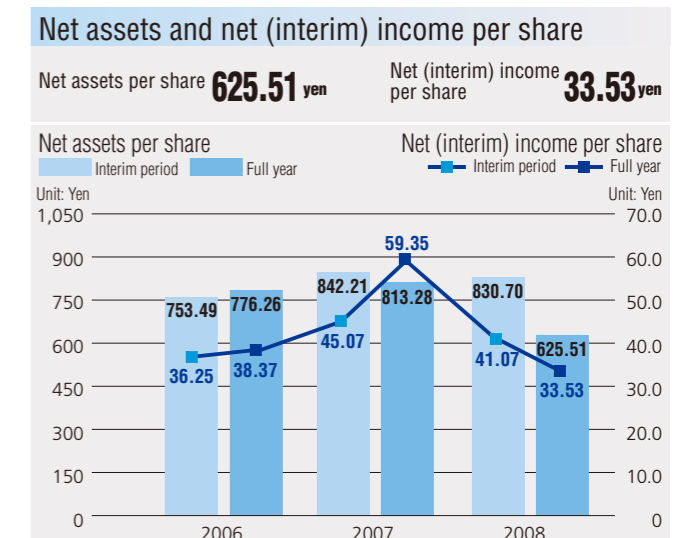
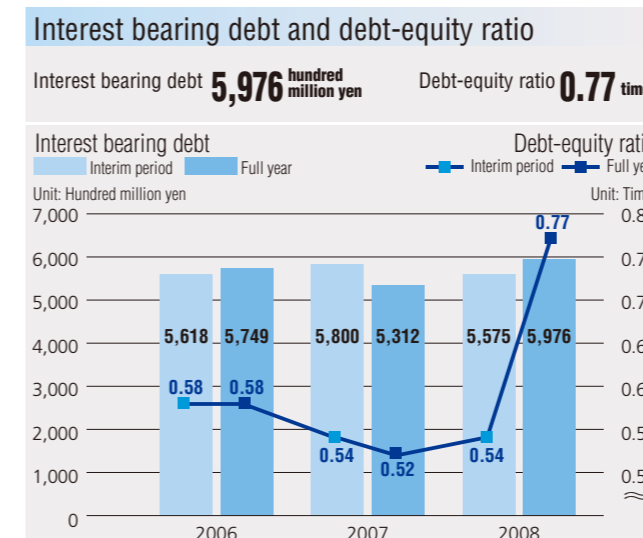
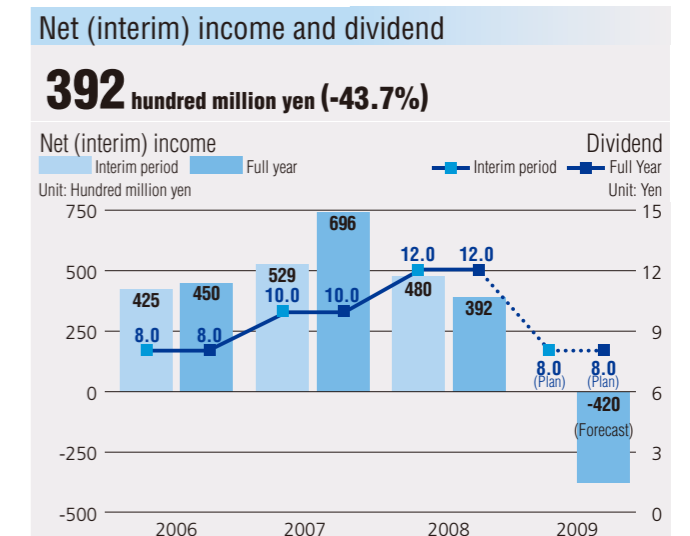
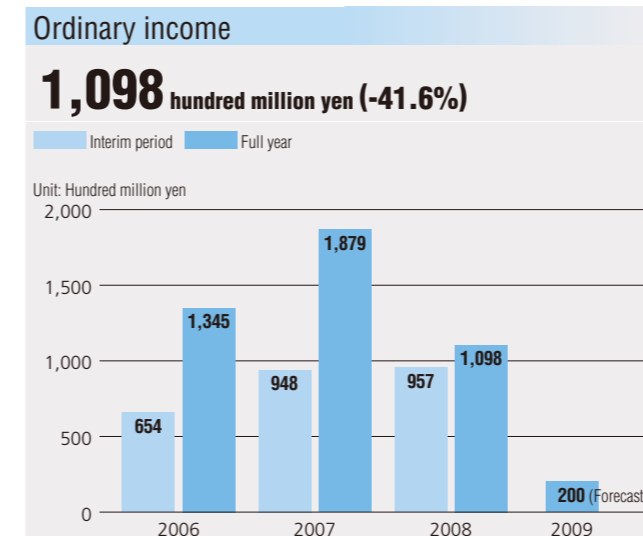
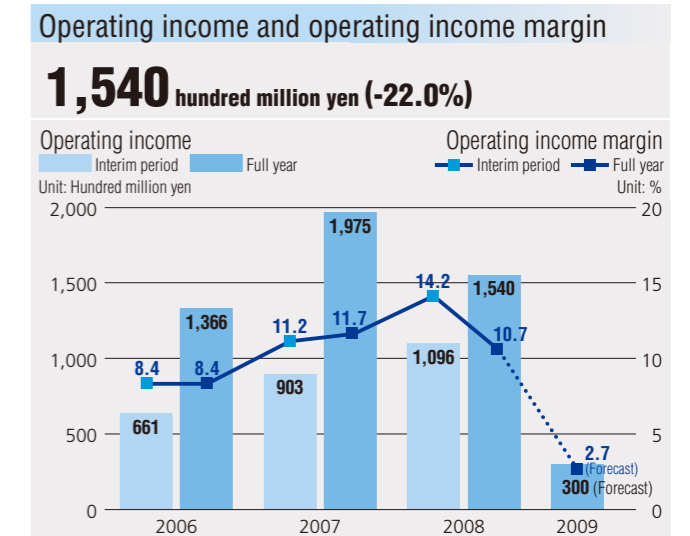
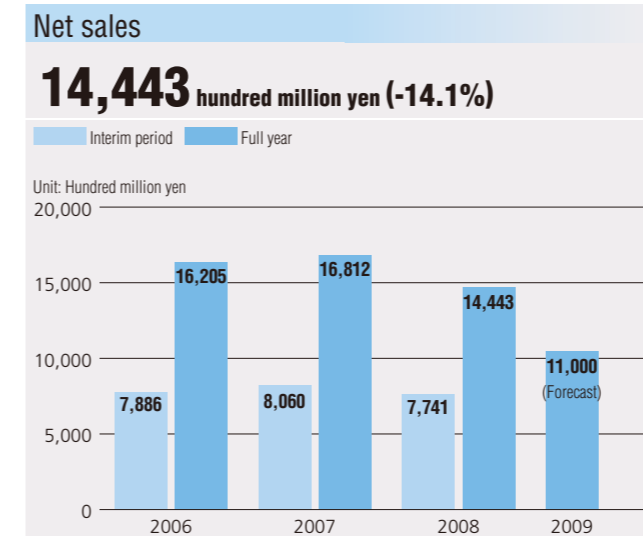
Based on the results above, the AGC Group posted net sales of 1,444.3 billion yen for the year, down 236.9 billion yen or 14.1% from the previous year; operating income of 154.0 billion yen, down 43.4 billion yen or 22.0%; and ordinary income of 109.8 billion yen, down 78.1 billion yen or 41.6%. Net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

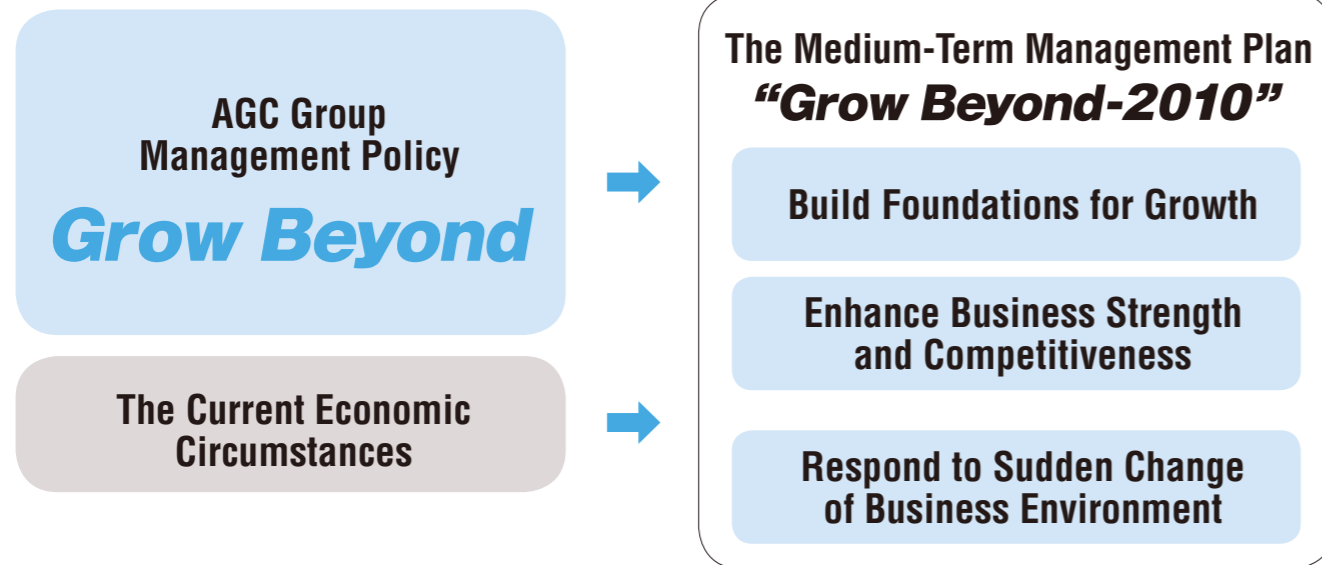
The company increased the interim dividend for FY2008 to 12 yen per share. In addition, though in the midst of a tough business environment, the Company increased the year-end dividend to 12 yen per share and the full-year dividend to 24 yen.

Furthermore, to deal with the weak demand in almost all regions and products due to the present economic downturn, we're implementing drastic production reductions and suspending lines. At the same time, we'll reduce capital expenditure, enhance cash flow management and reduce cost.

In this tough economic environment, we greatly appreciate the support from our shareholders.

## ● Financial Results Trends





## ●Basic Concept of “Grow Beyond-2010”

In 2008, the AGC Group formulated a three-year medium-term management plan based on our management policy. We’ve carried out each of our measures according to the basic concepts of “Building Foundations for Growth” and “Enhancing Business Strength and Competitiveness.”

However, in response to the rapid decline of the economic circumstances, we’ve added a new concept, “Respond to Sudden Change of Business Environment.” We are reviewing the plans and the financial target figures of ROE and OP margin based on the current economic circumstances. We will announce the plans and figures as soon as they are fixed.

## ●Respond to Sudden Change of Business Environment

The simultaneous worldwide recession, beginning in the latter half of last year, had a serious effect on our business. Not only was it a more rapid downturn than ever experienced, it caused a sharp decrease in demand for all businesses. In this serious state of affairs, the

AGC Group will respond appropriately and flexibly to the present changes so that we will be ready to move ahead as the market recovers.

We realize that the worldwide recession will take a while to recover. However, weak demand won’t last forever. And there’s the possibility that the market structure will have changed after the economy recovers. In order to gather our strength to prepare for the recovered market and be first to take advantage of the recovery, the AGC Group will focus on the following areas:

- 1)We’ll improve our abilities to collect and analyze market information in order to be the first to foresee the timing of market recovery, and to be the first to respond to changes in market direction and make-up.
- 2)We’ll take into account management resources necessary in the mid- to long-term, and spare our manpower & facilities in the short-term to develop new technologies, mass production for new products and HR development.

Although the current economic environment is very tough, we’ll take them as a chance to “Build Foundations for Growth.”

## ●Build Foundations for Growth

While responding to the sudden change of business environment, the AGC Group will steadily perform the task for the basic concepts of “Build Foundations for Growth” and “Enhance Business Strength and Competitiveness.”

Looking back on our performance from 2008, display business continued to lead the Group despite the effects of reduced demand in the fourth quarter. We need to build the next foundations for growth, while display business is still growing. The following four issues are key in building these foundations.

### 1)Promote Solar Business as the Whole Group

Although growth has slowed in the short-term due to the economic downturn, the solar business is predicted to grow as a next-generation energy source, and the whole Group will work on it (Please refer to the feature on page 7).

### 2)Correspond to Global Warming Issue

The glass industry consumes a lot of energy. We’re working on production process technologies, business opportunities and products which reduce CO<sub>2</sub> emissions.

### 3)Second Round of Globalization

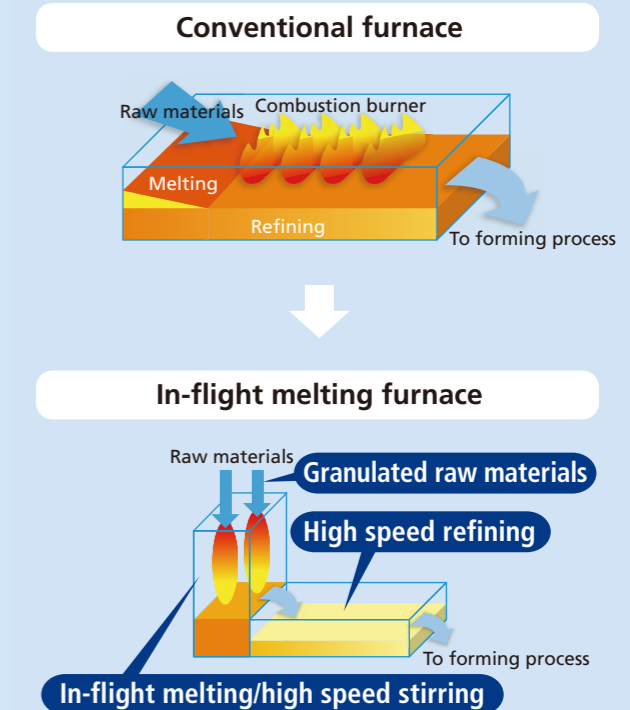
We’re continually expanding our business into growth and energy-rich regions.

### 4)Roll out Cross-sectional Measures among In-house Companies for Glass-technology-driven Company

The AGC Group’s strengths are glass, chemical and ceramics technologies. We are taking advantage of our strengths in these areas to pursue synergy throughout the Group.

## ■In-Flight Melting technology—A Technology to Reduce CO<sub>2</sub> Emissions in the Glass Production Processes

One way to reduce CO<sub>2</sub> emissions in production processes is the development of In-Flight Melting technology. This involves injecting granular materials with pre-adjusted composition into a high temperature flame at 2,000°C, or more, such as a plasma flame. The materials form into bubble-free, homogeneous glass instantly, allowing production with low energy consumption. If this technology can be realized, we can halve CO<sub>2</sub> emissions and energy consumption in glass manufacturing.

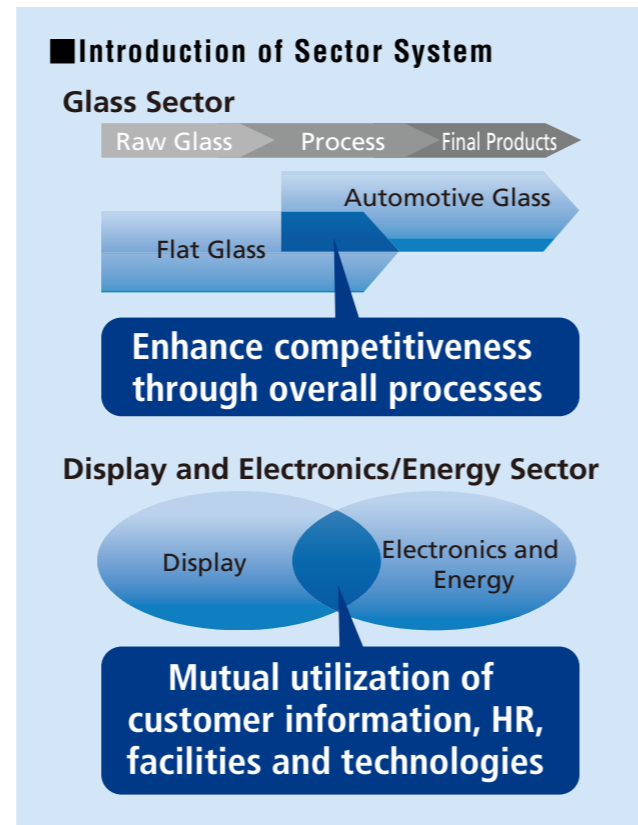


Commissioned by the New Energy and Industrial Technology Development Organization (NEDO), following on from the basic research implemented from fiscal year 2005 to 2007, the AGC Group has been involved in research on the new theme of “Technological Development for a Revolutionary Glass-Melting Process”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

● Enhance Business Strength and Competitiveness

We need to enhance our strengths and competitiveness to create sustainable growth. At the AGC Group, we're enhancing the production technologies we've developed over the years and building a more effective production system. We're also reducing inventory and choosing our equipment investments carefully to improve asset efficiency. And we're enhancing and accelerating training for the people that will support these strategies.

The AGC Group also introduced the Sector System in January of this year. This system groups the Flat Glass business and Automotive Glass business into the Glass Sector, linking raw glass production, processing and final products into one continuous business operation, further enhancing our competitiveness. Similarly, we have grouped the Display business and Electronics/Energy business into the Display and Energy/Electronics Sector. We're mutually utilizing customer information, human resources, facilities and technologies to manage business more productively and effectively.



● Products and Technologies Which Contribute to Solar Cells

Solar cells are expected to be a clean energy source to replace fossil fuel. Global demand is expected to be high, and business chances are expanding. One of the main issues in the AGC Group's medium-term

management plan is promoting solar business as the whole AGC Group.

The AGC Group already provides many materials for solar cells. We'll bring the Group strengths in glass, chemical and ceramics technologies together to bring out the materials and parts demanded by the solar market.

■ AGC Group's Solar Cell Materials and Technologies

Glass Operations

**Cover Glass:** We've been able to increase the power generation efficiency of solar cells by covering them with a low reflection coating produced with unique AGC Group technologies (patent pending).



**TCO Glass Substrates:** AGC Group coating technologies have developed a TCO (transparent conductive oxide) which covers the surface of thin film solar batteries and acts as a conductor to extract electrical energy.

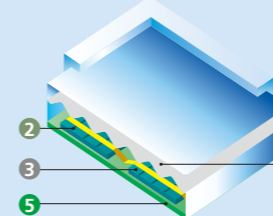


Chemicals Operations

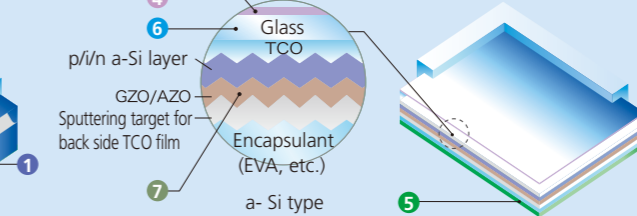
**Fluoroethylene film:** This film is used in front cover films and backing sheets because it is durable, water proof and an electrical insulator. It is also used as a protective layer for a special kind of silicon, which is anticipated to see use as the power generation layer in flexible solar cells for laptop computers and mobile phones.



Crystalline silicon solar batteries



Thin film solar batteries(\*)



Electronics, Displays and Other Businesses Operations

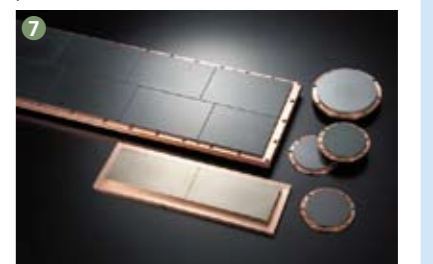
**Glass Frit/Glass Paste:** We've integrated glass, chemical and ceramic technological elements that we've cultivated over many years. These technologies have a range of applications, such as in overcoats for electrodes in solar cells.



**SiC Components:** SiC components are high-purity materials used commonly in thermal processing of semiconductor production. They are also used in the thermal processing of solar cell wafers.



**Sputtering Target Materials:** These are used in transparent electrodes in display glass (PDP, LCD, etc.), but they can also be used as transparent electrodes for solar cells.



(\*) This thin film type solar cell is an amorphous silicon (a-Si) solar cell.  
(\*\*) Osaka Sangyo University's OSU model S' Solar car (left), uses the AGC Group's fluoroethylene film on its curved surfaces.

## AGC Group's Technology Strategy for the Solar Cell Business

AGC Group CTO, Katsuhisa Kato



### ●Focus on Developing Technologies with Durability and Efficiency

There are many kinds of solar cells, including crystalline silicon, amorphous silicon and CIGS. They come in various sizes and shapes. As a maker of solar cell materials, AGC is advancing development so that it can continue to provide the best materials for any type of solar cell.

Power conversion efficiency, the ability to produce a maximum amount of electricity from a small surface area, is a crucial factor for solar cells. Our products, such as coated cover glass and TCO glass substrate, make it possible to pick up and store a

greater amount of solar rays for conversion into electricity.

From a cost perspective, lengthening cell life and improving conversion efficiency are major factors for solar cells. Solar cells used in test calculations have an average life expectancy of around 20 years. Increasing this cell life to 30 years could cut electricity costs by two thirds. Our technologies used to bolster durability include chemical technologies such as fluorinated films to protect glass frits and substrates, and fluorinated polymers to act as sealants in solar cells. As shown in the diagram on page 7, AGC's technologies contribute to all areas of the solar cell business.



Using AGC Group technology in the promising solar cell business.

### ●Build Structures for Sharing Information Laterally Across the Group

In order to take advantage of the technology accumulated over the years within the AGC group, we will strengthen our structure for sharing information laterally to make the best use of technical and client information held by each company and SBU<sup>(\*)</sup>, as well as apply market information from each country and region from a global perspective. And as a provider of materials,

we are developing assessment technology so that we understand the capabilities of our materials before we provide them to our customers, the solar cell makers, instead of waiting until our products have been assembled into theirs.

We are accelerating timely investments and development into technologies in order to differentiate ourselves by expanding production and increasing our added value in the solar cell business.

(\*)SBU = Strategic Business Unit

### Introduction of AGC Group's solar cell technologies at the PV EXPO 2009

The AGC Group made a presentation at PV EXPO 2009, the International Photovoltaic Power Generation Expo, at Tokyo Big Sight between February 25 and 27 of 2009. At the exhibition, we presented not only products specifically marketed for solar cells, such as cover glass for crystal silicon type solar cells and TCO glass substrates for thin film type solar cells, but also suggested other applications of AGC Group core technologies from many areas such as glass, fluorination, and ceramics. The booth attracted many visitors, and we believe our products and technologies will help their future development of solar cells.



We displayed products which respond to our customers' demands for increased durability, improved productivity and increased power generation efficiency.



TCO glass Substrate – A high-quality coating used to boost the performance of solar cells.

●Our People are Our Strength

“People” carry out the activities which build foundations for growth in the AGC Group. With the slogan of “Our People are Our Strength,” we aim to become a Group which grows as its people do.

Especially in this tough economic environment, we need to combine the power and energy of each person in the Group to prepare for our next period of growth. To achieve this, we are providing various programs to help everyone from the executive class to young employees, from those working at the manufacturing site or in administration, to engineers or sales representatives, enhance their knowledge and skills according to their responsibilities as Group members.

●Cultivating People Who Will Lead the Global Company

After the AGC Group made the transition to an integrated global management system in 2002, we began an initiative to find and train people who could become global leaders. The basic policy was to make use of the optimal personnel among the 50,000 Group employees, at the optimal time.

A little under 30% of the AGC Group employees

are Japanese, so 70% are from other countries. If somebody can really lead the Group, their nationality or gender doesn’t matter. We’ll give them opportunities for training and success so that they can become future leaders.

There are two main categories of training programs for leaders (refer to chart on page 10). One is regionally based programs (country or area) and the other is globally based programs (the entire AGC Group).

The globally based programs allow employees to interact with members from various countries and regions and learn about not just different work assignments, but other viewpoints and ways of thinking. They can also greatly increase their network of contacts. Strengthened intra-Group networking will become an important asset to those who will lead the global AGC Group.

●Aiming to Improve Technologies and Skills

One of the initiatives(\*) that the AGC Group uses as a managing policy pillar is “Enhancing MONOZUKURI (Quality Manufacturing) and Reinforcing Production Site Expertise, i.e. reinforcing and transmitting technologies and skills.”

The first step to strengthen manufacturing tech-

nologies and skills was to raise the base level by implementing training and development programs, evaluating technologies and skills, and securing personnel with a high level of expertise. We’ve now moved on to the second step, developing experienced workers and high-level technicians. Efforts towards the first step will continue while we begin cross-sectional training of companies and SBUs, and set up places where personnel can train and interact. We’ll cultivate experienced workers and high-level technicians by sharing opportunities to pass on technologies and skills.

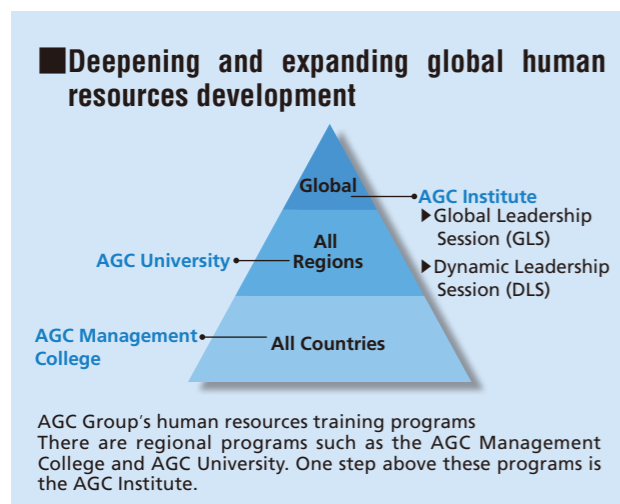
(\*) Initiatives: The five initiatives are: enhancing activities for CS, enhancing activities for quality management, improving ES and enhancing human resources development, enhancing MONOZUKURI (quality manufacturing) and reinforcing production site expertise, and permeating of the Group Vision “*Look Beyond*”.

●Automotive Glass Company Activities

The AGC Group is also enhancing technologies and skills according to the situations of each operational department.

For example, the Automotive Glass Company opened the Global Training Center in the Aichi plant, targeting all areas including Japan, Europe, America, and Asia.

With this training center as a starting point, technologies and skills are shared on a global scale and necessary human resource are cultivated for being the most respected and trusted automotive glazing supplier in the world.



The DLS program creates teams with members from various countries to work together on a common theme, polishing global thinking and building personal connections within the group.



(left) One of the parts of “Enhancing MONOZUKURI (Quality Manufacturing) and Reinforcing Production Site Expertise,” is the “AGC MONOZUKURI Training Center,” founded in 2006. (Above) The employee training there.

## AGC Group

### Glass Operations

#### ● Flat Glass Business

Main products: float flat glass, figured glass, polished wired glass, heat-absorbing glass, heat-reflective glass, architectural glass, fabricated glass for industrial use, glass for solar cells, etc.

#### ● Automotive Glass Business

Main products: tempered glass for automobiles, laminated glass for automobiles, etc.

#### ● Other Glass Business

Main products: lighting lamp glass products, industrial glass products, etc.

### Electronics and Display Operations

#### ● Display Business

Main products: LCD glass substrates, PDP glass substrates, glass bulbs for cathode-ray tubes, etc.

#### ● Electronic Materials Business

Main products: glass frit and paste, materials for semiconductor manufacturing equipment, synthetic quartz glass, optoelectronics materials, optical filters for PDPs, LCD backlight glass tubes, optical film products, etc.

### Chemicals Operations

#### ● Chlor-alkali and Urethane Business

Main products: vinyl chloride monomers, caustic soda, urethane materials, etc.

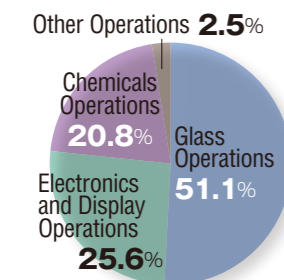
#### ● Fluorochemicals and Specialty Chemicals Business

Main products: fluorinated resins, gases and solvents, water and oil repellents, battery materials, and iodine-related materials, etc.

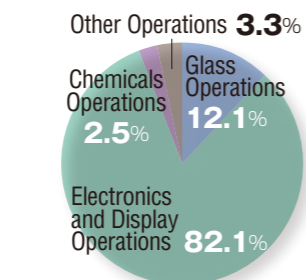
### Other Operations

Ceramics products, etc.

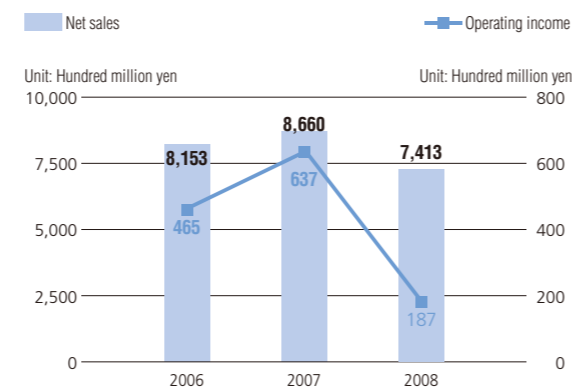
#### Sales composition



#### Operating income composition



(\*)Sales to Customers.



### Sales as percentage 51.1% Glass Operations

In the flat glass business, demand continued to weaken as the economy slowed down in Western Europe, as well as in fast-growing markets such as Russia during the fourth quarter. Shipments decreased in Japan as well. In addition, the AGC Group revised prices in Japan, Asia, and North America, however this failed to offset all cost increases. On the other hand, shipments of glass for solar cells remained strong.

In the automotive glass business, sales decreased from the previous year because of a decline in auto production from the fourth quarter in all regions.

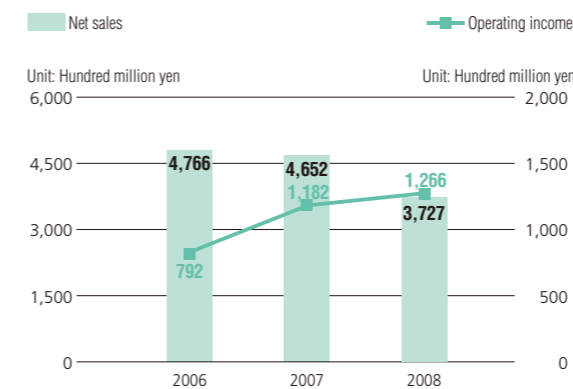
Sales of other glass businesses fell from the previous year.

The appreciation of the yen that developed toward the end of the year was also one of the factors contributing to the decline in net sales of each operation.

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



Shipments of glass used in solar cells remained strong as the solar cell market expanded.



### Sales as percentage 25.6% Electronics and Display Operations

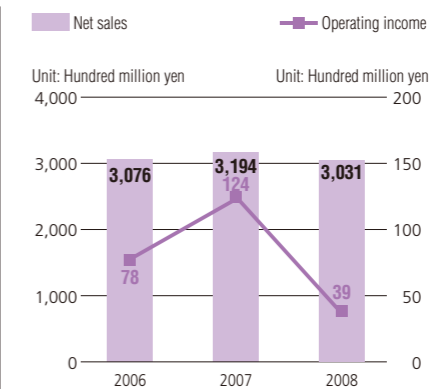
In the display business, shipments of glass substrates for FPDs significantly increased in the first half of this fiscal year. However, overall sales for the whole year decreased from a year earlier, because, due to the operational adjustment at panel manufacturers, shipments of glass substrates for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

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

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



TFT-LCD glass substrates.



### Sales as percentage 20.8% Chemicals Operations

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

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



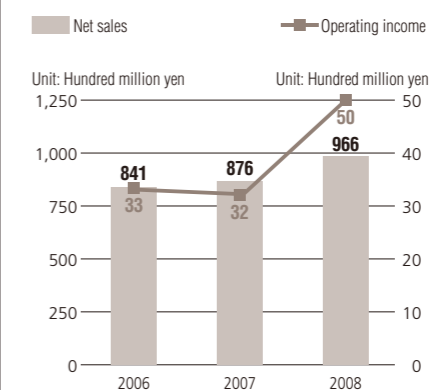
Ion-exchange electrolysis equipment for manufacturing caustic soda and chlorine.

8.6 billion yen or 69.0% to 3.9 billion yen.

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

In the fluorochemicals & specialty chemicals business, demand rapidly declined in the fourth quarter.

### Sales as percentage 2.5% Other Operations



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

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

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

Item	End of fiscal year 2008 (December 31, 2008)	End of fiscal year 2007 (December 31, 2007)	Increase/ decrease	Item	End of fiscal year 2008 (December 31, 2008)	End of fiscal year 2007 (December 31, 2007)	Increase/ decrease
<b>Assets</b>	<b>1,832,846</b>	2,108,089	Δ 275,243	<b>Liabilities</b>	<b>1,051,982</b>	1,080,748	Δ 28,765
<b>Current assets</b>	<b>592,704</b>	677,119	Δ 84,415	<b>Current liabilities</b>	<b>631,524</b>	644,637	Δ 13,113
Cash on hand and in banks	83,774	82,399	1,374	Trade notes and accounts payable	165,394	176,946	Δ 11,552
Trade notes and accounts receivable	208,599	286,460	Δ 77,861	Short-term bank loans and commercial paper	246,418	123,643	122,775
Inventories	227,106	237,686	Δ 10,580	Current maturities of bonds	43,994	110,889	Δ 66,895
Other current assets	73,224	70,572	2,652	Other current liabilities	175,717	233,158	Δ 57,440
<b>Fixed assets</b>	<b>1,240,142</b>	1,430,758	Δ 190,616	<b>Non-current liabilities</b>	<b>420,457</b>	436,110	Δ 15,652
<b>Tangible fixed assets</b>	<b>958,588</b>	1,053,158	Δ 94,569	Bonds issued	95,593	140,675	Δ 45,082
Buildings and structures	248,500	278,927	Δ 30,426	Long-term bank loans	211,605	156,024	55,581
Machinery and equipment	467,494	519,022	Δ 51,528	Accrued retirement benefits	59,784	60,773	Δ 989
Land	94,764	112,100	Δ 17,336	Other non-current liabilities	53,473	78,636	Δ 25,162
Other tangible fixed assets	147,829	143,108	4,721	<b>Net assets</b>	<b>780,864</b>	1,027,341	Δ 246,477
<b>Intangible fixed assets</b>	<b>41,175</b>	45,224	Δ 4,048	<b>Shareholders' equity</b>	<b>826,932</b>	807,195	19,737
<b>Investments and advances</b>	<b>240,377</b>	332,375	Δ 91,998	Common stock	90,873	90,859	13
Investment in securities	172,791	287,342	Δ 114,551	Additional paid-in capital	96,961	96,948	13
Other investments	67,586	45,033	22,553	Retained earnings	660,237	633,421	26,815
<b>Deferred assets</b>	<b>--</b>	211	Δ 211	Treasury stocks	Δ 21,140	Δ 14,034	Δ 7,105
<b>Total assets</b>	<b>1,832,846</b>	2,108,089	Δ 275,243	<b>Valuation and translation adjustments</b>	<b>Δ 96,556</b>	147,240	Δ 243,797
				Unrealized gains on securities, net of tax	25,328	102,028	Δ 76,700
				Deferred gains or losses on hedges, net of tax	Δ 3,805	2,034	Δ 5,839
				Asset revaluation reserve	62	62	--
				Foreign currency translation adjustments	Δ 118,142	43,115	Δ 161,257
				<b>Share subscription rights</b>	<b>672</b>	392	280
				<b>Minority interest in consolidated subsidiaries</b>	<b>49,815</b>	72,512	Δ 22,697
				<b>Total liabilities and net assets</b>	<b>1,832,846</b>	2,108,089	Δ 275,243

### Point 1 Decrease in Total Assets

Primarily in TFT-LCD glass substrate operations, capital expenditures in manufacturing facilities led to increases in tangible assets. But due to a decrease in the yen-translated amount of total assets held by the Group's overseas subsidiaries, resulting from the stronger yen, total assets as of the end of the year under review were 1,832.8 billion yen, down 275.2 billion yen from the previous year.

### Point 2 Decrease in Net Assets

Despite an increase in retained earnings in line with net income for the year under review, foreign currency translation adjustments decreased due to the stronger yen, so total net assets as of the end of the year were 780.9 billion yen, down from 246.5 billion yen from the end of the previous year.

### Point 3 Ordinary Income

In addition to a decrease in operating income, there were increases in non-operating expenses, mainly due to an increase foreign exchange loss, and ordinary income declined by 78.1 billion yen to 109.8 billion yen.

(\*)Foreign exchange loss do not include cash outs.

## Consolidated Statements of Income (summary) Unit: Million yen

Item	Fiscal year 2008 (January 1, 2008 through December 31, 2008)	Fiscal year 2007 (January 1, 2007 through December 31, 2007)
<b>Net sales</b>	<b>1,444,317</b>	1,681,238
Cost of sales	1,024,877	1,199,912
Gross profit	419,439	481,326
Selling, general and administrative expenses	265,426	283,874
<b>Operating income</b>	<b>154,013</b>	197,452
Other income	16,729	19,705
Other expenses	60,985	29,279
<b>Ordinary income</b>	<b>109,756</b>	187,878
Extraordinary gains	9,335	27,230
Extraordinary losses	49,013	112,881
<b>Income before income taxes</b>	<b>70,078</b>	102,227
Income taxes	24,914	30,132
Minority interest in earnings (losses) of consolidated subsidiaries	5,984	2,460
<b>Net income</b>	<b>39,178</b>	69,634

## Consolidated Statements of Shareholders' Equity, etc. Unit: Million yen

Fiscal year 2008 (January 1, 2008 through December 31, 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
Changes during the interim fiscal period under review									
Distribution of surplus			Δ 25,747		Δ 25,747				Δ 25,747
Net income			39,178		39,178				39,178
Treasury stocks			Δ 69	Δ 7,106	Δ 7,176				Δ 7,176
Others	13	13	13,453		13,480	Δ 243,797	280	Δ 22,697	Δ 252,734
<b>Total changes during the interim fiscal period under review</b>	<b>13</b>	<b>13</b>	<b>26,815</b>	<b>Δ 7,105</b>	<b>19,737</b>	<b>Δ 243,797</b>	<b>280</b>	<b>Δ 22,697</b>	<b>Δ 246,477</b>
Balance as of December 31, 2008	90,873	96,961	660,237	Δ 21,140	826,932	96,556	672	49,815	780,864

## Consolidated Statements of Cash Flows (summary) Unit: Million yen

Item	Fiscal year 2008 (January 1, 2008 through December 31, 2008)	Fiscal year 2007 (January 1, 2007 through December 31, 2007)
<b>Cash flows from operating activities</b>	<b>205,270</b>	245,748
<b>Cash flows from investing activities</b>	<b>Δ 260,526</b>	Δ 209,819
Cash flows from financing activities	73,558	Δ 36,082
Effect of exchange rate changes on cash and cash equivalents	Δ 10,325	269
Increase (decrease) in cash and cash equivalents	7,977	114
Cash and cash equivalents at beginning of year	52,275	52,627
Cash and cash equivalents held by newly consolidated subsidiaries	Δ 480	Δ 466
<b>Cash and cash equivalents at end of first half of the fiscal year</b>	<b>59,772</b>	52,275

### Point 4 Free Cash Flows

Free cash flows for the fiscal year under review decreased 91.2 billion yen from the previous year to minus 55.3 billion yen, mainly because payments of income taxes increased compared to the previous year (when there was a refund of income taxes). And it also decreased because the Group mainly made capital expenditures in manufacturing facilities for TFT LCD glass substrates, as well as facilities of the glass operations in Europe.

**Board of Directors, Corporate Auditors and Executive Officers**

**Board of Directors**

\*1: Independent director

Representative Director & Chairman of the Board	Masahiro Kadomatsu	
Representative Director	Kazuhiko Ishimura	
Representative Director	Takashi Matsuzawa	
Director	Katsuhisa Kato	
Director	Kunihiro Matsuo	*1
Director	Hajime Sawabe	*1
Director	Toru Nagashima	*1

**Corporate Auditors**

\*2: Independent auditor

Corporate Auditor	Takashi Terashima	
Corporate Auditor	Izumi Tamai	*2
Corporate Auditor	Kozo Tsukagoshi	*2
Corporate Auditor	Koji Ogaki	*2

**Executive Officers**

Chairman & CEO	Masahiro Kadomatsu
President & COO	Kazuhiko Ishimura

**Senior Executive Vice Presidents**

Sector Director, Flat Glass and Automotive Glass Sector	Takashi Wada
CFO	Takashi Matsuzawa
Sector Director, Display and Electronics/Energy Sector	Yuji Nishimi

**Executive Vice President**

President of Flat Glass Company	Akio Endo
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**Senior Executive Officers**

President of Chemicals Company	Michiyoshi Kaino
President of Automotive Glass Company	Kei Yamamoto
CTO	Katsuhisa Kato
GM of Research Center	Akira Toyama
GM of Corporate Finance	Shukichi Umemoto
GM of Group Human Resources Planning	Yasutoshi Hirata

**Executive Officers**

CTO of Japan/Asia, Flat Glass Company	Tetsuji Kakimoto
GM of Electronics & Energy General Div.	Masafumi Ohinata
Vice President of Flat Glass Company	Masayuki Kamiya
GM of CSR Office	Eiichi Kudo
Vice President & CTO of AGC Automotive Europe S.A.	Toru Kawatsura
GM of Marketing & Sales General Div., Display Company	Nozomu Taguchi
GM of Business Management General Div., Chemicals Company	Satoshi Kamata
Regional President of Japan/Asia Pacific, Automotive Glass Company	Tadayuki Oi
Leader of Global Technology Promotion & Integration Project	Yasumasa Nakao
Regional President of Japan/Asia, Flat Glass Company	Marehisa Ishiko
President of Display Company	Yoshiaki Tamura
Regional President of Europe, Flat Glass Company, and President & CEO of AGC Flat Glass Europe S.A.	Jean-François Heris
GM of Human Resources and Administration Center	Shinichi Kawakami
GM of Corporate Planning	Takashi Fujino
GM of Planning & Coordination Office, Chemicals Company	Takuya Shimamura
GM of Finance & Accounting Center	Tetsuo Tatsuno

(Abbreviation) \*GM\*: General Manager

**List of Major Affiliated Companies**

**Japan**

- AGC Display Glass Yonezawa Co., Ltd.  
Production and sales of glass substrates for LCDs
- AGC Glass Kenzai Co., Ltd.  
Production and sales of flat glass, processed glass for construction and building materials
- AGC Glass Products Co., Ltd.  
Cutting and sales of flat glass, and production and sales of processed glass for construction
- AGC Logistics Co., Ltd.  
Various logistics services such as ordering/order acceptance, warehousing and transportation

**Worldwide**

- AGC Flat Glass Europe S.A. (Belgium)  
Production and sales of flat glass
- AGC Display Glass Taiwan Co., Ltd. (Taiwan)  
Production and sales of glass substrates for LCDs
- AGC Automotive Europe S.A. (Belgium)  
Production and sales of automotive glass
- AGC Flat Glass North America, Inc. (U,S,A.)  
Production and sales of flat glass and automotive glass
- Asahi Glass Fine Techno Korea Co., Ltd. (South Korea)  
Production and sales of glass substrates for LCDs
- AGC Flat Glass Czech A.S. (Czech Republic)  
Production and sales of flat glass
- P.T. Asahimas Chemical (Indonesia)  
Production and sales of caustic soda, vinyl chloride monomer, polyvinyl chloride
- AGC Bor Glassworks (Russia)  
Production and sales of flat glass and automotive glass
- Hanwook Techno Glass Co., Ltd. (South Korea)  
Production and sales of glass substrates for PDPs
- Hankuk Electric Glass Co., Ltd. (South Korea)  
Production and sales of glass bulbs for CRTs

**State of Stock** (as of December 31, 2008)

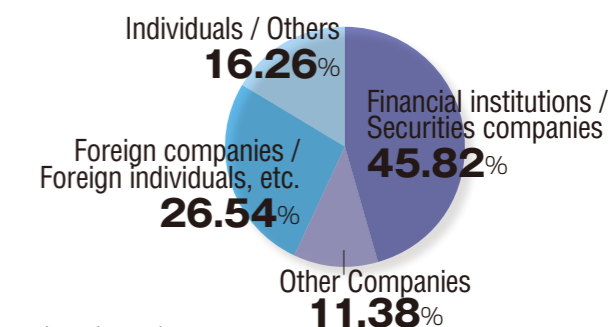
Number of shares outstanding: **1,186,705,905**

Number of shareholders: **69,783**

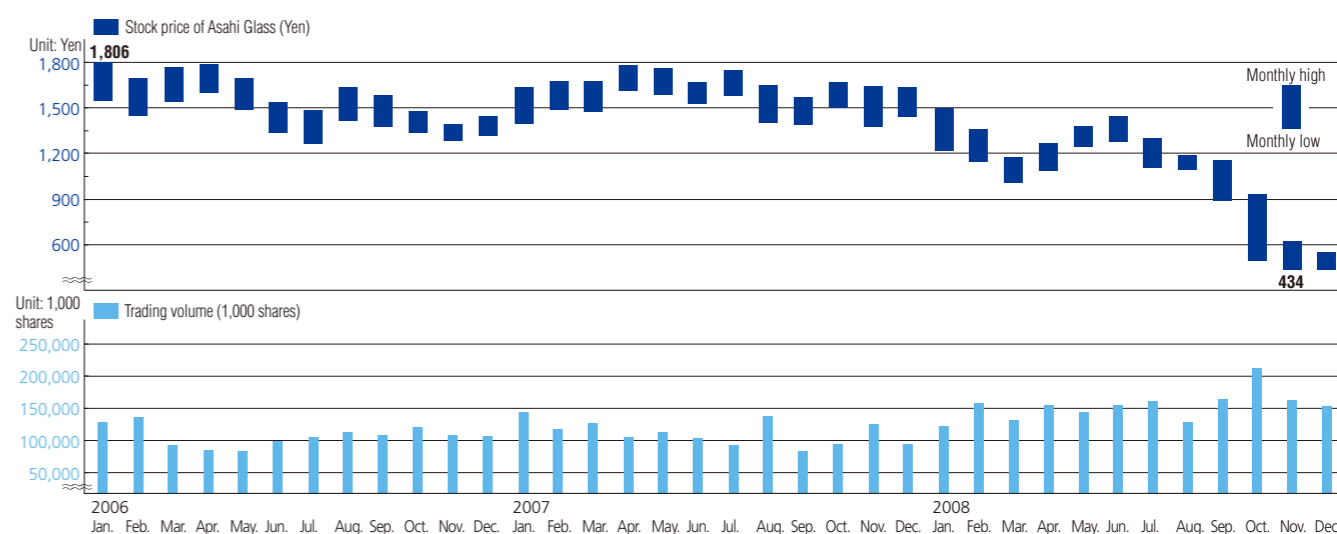
(Shareholders who own shares one unit or more: **53,395**)

**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 January 31, 2009)

Issue	Date of issuance	Balance outstanding (Unit: Million yen)	Annual rate (Year) (%)	Security	Maturity Date	Notes
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	
No. 11 bonds	January 29, 2009	40,000	1.278	—	January 29, 2014	
No. 12 bonds	January 29, 2009	30,000	1.943	—	January 29, 2019	

**Upon the conversion to Paperless Share System on January 5th of this year, the share-related procedures regarding shares of AGC were changed. Therefore, we hereby inform our shareholders about the outline of new share management system and contact information for inquiries about shares.**

**1. Changes to share management system and contact information for inquiries about shares after conversion to Paperless Share System**

In the case where shareholders held shares in trading accounts at financial institutions such as securities companies, which are called "Account Management Institutions" [Kouza Kanrikikan] in the relevant law, at the time of conversion to the Paperless Share System, the shares are recorded and electronically managed in the same account now.

On the other hand, if shareholders held paper share certificates at the time of conversion to the Paperless Share System, the shares are currently recorded and administered in a "Special Account" [Tokubetsu Kouza] (\*) which AGC opened at Mitsubishi UFJ Trust and Banking Corporation. Please note that contact information for inquiries about shares of AGC has been changed as written below according to above mentioned changes on management of shares brought by the implementation of Paperless Share System.

(\*) This is different from a trading account, called "Tokutei Kouza," opened Account Management Institutions.

**2. Shares recorded in the Special Account**

Shareholders who hold shares in the Special Account still have the rights arising from their status as shareholders (such as the receipt of dividends), but there are certain restrictions on trade of these shares at the stock market. In order to sell shares recorded in the Special Account on the stock market, shareholders must transfer them from the Special Account to a trading account at Account Management Institutions in advance. (\*) For more information about procedures with respect to the Special Accounts, please contact Mitsubishi UFJ Trust and Banking Corporation (our Special Account Administrator).

(\*) Shareholders who hold shares of less than one Unit in the Special Account may require us to purchase such shares, or sell additional number of shares which constitutes one Unit together with the shares already owned by shareholders.

**3. Registration of the shareholder's name and address**

Due to the conversion to Paperless Share System, part of the shareholder's name or address may be replaced with other characters designated by the Japan Securities Depository Center (JASDEC). As a result, part of the shareholder's name or address on the mails may be changed.

**Contact Information for Inquiries regarding Shares after the Conversion to Paperless Share System**

■ Contact information for inquiries regarding shares registered with a trading account at Account Management Institutions

**Please contact the Account Management Institutions.**

\*Dividends that the shareholder has not received will continue to be paid at the Mitsubishi UFJ Trust and Banking Corporation.

■ Contact information for inquiries regarding shares registered in the Special Account

**Please contact Mitsubishi UFJ Trust and Banking Corporation (our Special Account Administrator).**

**Contact: Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation  
Telephone: 0120-232-711 (Toll free within Japan)**

**Corporate Outline**

(as of December 31, 2008)

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

**Founded:**  
September 8, 1907

**Incorporated:**  
June 1, 1950

**Capital:**  
90,873,373,264

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

**Number of consolidated subsidiaries:**  
192 (including 151 companies overseas)

**Number of employees of consolidated companies:**  
47,770

**Information about Shares**

**Fiscal year:**  
January 1 to December 31

**Ordinary general shareholders meeting:**  
March

**Shareholder registration date for entitlement to exercise:**  
Voting rights at ordinary general shareholders meeting:  
December 31

Rights to receive annual dividend payment:  
December 31

Rights to receive interim dividend payment:  
June 30

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

**Shareholder registrar  
Special Account Administrator:**  
Mitsubishi UFJ Trust and Banking Corporation

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

\*Please be aware that Mitsubishi UFJ Trust and Banking Corporation only handles procedures for shareholders holding shares recorded in the Special Account. If shareholders have shares in trading accounts at Account Management Institutions, please contact the Account Management Institutions for information about procedures.

\*When shareholders holding shares in the Special Account ask for application forms necessary for change of the address, for designation of the account for receiving dividends and change of such account, for purchase of shares less than one Unit, and for account transfer, please contact the Special Account Administrator toll-free number, on 0120-244-479 (there is an automated voice answering service 24-hours a day).

**Payment of dividends**

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

**Information about 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.

# The World of AGC Group Commercials

## AGC TV commercials Introducing "AGC in the World"

AGC produced Chinese and Russian versions of "AGC in the World" television commercials with the aim of expanding AGC brand awareness and image penetration. These commercials express the image of AGC as a growing, vibrant and globally-expanding company, in accordance with our management policy.

The AGC Group is actively expanding into China. Last year we started an automotive glass plant operation in Guangdong Province, and this year in Jiangsu Province we will start cover glass production for solar cells and a new coating line.

### TV commercial (Russian version)

This is a very Russian commercial, showing Matryoshka dolls<sup>(\*1)</sup> and Cossack dancers dancing in the Red Square. The theme of the Russian version is Low-E glass<sup>(\*2)</sup>. The high-rise Naberezhnaya Tower in Moscow shown in the commercial uses only AGC glass.

(\*1): The wooden Matryoshka dolls, a Russian folk craft, are known as gifts from Russia. The body of the doll comes apart to reveal a smaller doll inside. Several dolls are stacked inside each other.

(\*2): glass coated with a special metal film to block thermal radiation. In the summer, it blocks thermal radiation and improves cooling efficiency; and in the winter, it keeps radiant heat in and improves heating efficiency. It also greatly reduces ultraviolet radiation.



And by positioning the Shanghai base as an important base for our business strategy for all of China, we are reinforcing elements such as procurement of natural resources, human resource strategies and legal structure.

In Russia, the AGC Group has a high share of the automotive glass and construction glass, and we expect the market to continue to grow.

In the TV commercials, we introduce glass and fluorine chemistry, the Group's core technology, with the motifs of these two important countries for the AGC Group.

### TV commercial (Chinese version)

This TV commercial was broadcasted in August 2008, when an international sporting event was being held in Beijing. It introduces Fluon® ETFE film, which was used in two of Beijing's major sports facilities for that event.



### Newspaper ads, posters, etc.

In newspaper ads, a boy from the Moscow, Russia and a girl from China hold AGC Group products with messages on them. The Russian version shows how a Moscow tower, which can't wear a warm coat like the boy, is able to keep out the cold with Low-E glass. The Chinese version asks viewers to focus not just on the material used in swimsuits, but the material (Fluon® ETFE film) used in stadiums.



●The commercials end at the end of March, but they can continue to be seen on our homepage at the URL below.  
<http://www.agc-group.com/campaign/tvcm/index.html>

**ASAHI GLASS CO., LTD.**

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