

February 13, 2009

Q&A(Summary) of Announcement of Financial Result for FY2008

Asahi Glass Co., Ltd.

Q1. What is the specific plan you have for the business structural reform, with regard to which you posted extraordinary losses of 60 billion yen in FY2009?

A1. I cannot give you an answer to that question as we have not made a decision specifically at the present moment. In the meantime, I think it necessary to carry out structural reform in the glass business and also to implement production system reform for both the flat glass business and automotive glass business according to the circumstances of each region.

Q2. In the solar cell market, what are the growth rates of thin film solar cells and crystal silicon solar cells?

A2. You can assume that our forecast as of October 2008 on the page 28 of presentation material was correct, just that it has been delayed by nearly one year.

Q3. Why did you reduce your dividend payment from 24 yen to 16 yen? Are you planning to review your dividend payment again after resetting the financial target values for the medium-term management plan, such as ROE?

A3. We consider how much dividend to pay from the viewpoint of ensuring a stable dividend payment, in addition to pursuing benchmark payout ratio of 30%. While our dividend payment for FY2008 was 24 yen given out initial projection of net income of 100 billion yen for the period, it was 20 yen including the commemorative dividend of 4 yen for FY2007. With regard to this policy and trend, we had no choice but to cut our dividend with a grim outlook for the current period, however, from the viewpoint of ensuring a stable dividend we decided to maintain the previous level of 16 yen. In addition, at the present time we will not change our dividend payment in line with changes in management indicators such as ROE, since we review such payment in consideration of our outlook for our business performance.

Q4. What assumptions did you make in the outlook for your business performance?

A4. We developed the business performance outlook in view of the market prospects and cost structure of each business, but the current market circumstances are very unclear and we cannot give you a detailed outlook and the assumptions it contains now.

Q5. Are you factoring the cost reduction due to restructuring and the increase in pension expenses into your projection of business results?

A5. We have incorporated several billion yen of an increase in pension expenses into our projection of business results. However, we did not factor the influence of restructuring into the earnings projection, since we have not determined its specific details and we are not certain if all its effects will be appear by the end of the current period.

Q6. With regard to the conditions in the display market, there is a strong trend for cost reduction and Chinese makers are selling low-priced products. In the past, customers demanded high-quality glass products to produce high-performance products. However, we expect that customers will request low-priced glass even if it is of a lower grade. How are you going to respond to such a move in the market?

A6. Some people suggest using soda-lime glass instead of Non-alkali glass. However, considering the expected properties of the glass and other factors, we doubt that we would be able to achieve a cost reduction with it eventually. In the meantime, we believe that it is important for us to continue trying to thoroughly improve production yield.

Q7. I think Ecoglass is very effective in reducing CO₂ emissions. While I believe it is necessary to appeal to the government to make relevant laws to facilitate the penetration of that glass in the future, I would like you to tell me about developments in this glass and the future prospects for such glass, if possible.

A7. Ecoglass is a very effective product for reducing CO₂ emissions, and in case Ecoglass are attached in all of residences in Japan, volume of CO₂ emissions of households will be reduced by 10%. The government is pushing forward with promotion measures. From what we have learned from the Ministry of Economy, Trade and Industry, the government is developing a system for promoting the use of Ecoglass such as giving tax exemptions to those using it in new houses or in house improvements. There have been certain preferential measures, centering on mortgage tax breaks. In the meantime, the new preferential measures will include tax breaks of 10% of the construction cost (up to two million yen) if the glass in all openings of existing houses is replaced by Ecoglass. I believe that will be very effective in pushing the use of Ecoglass.

Q8. Please give us a breakdown of capital investment by business, the ratio of investment for maintenance and new investment?

A8. We cannot give you a breakdown of capital investment.

Q9. Why are you are projecting the operating income for FY2009 to decrease by slightly more than 120 billion yen on a year-on-year basis? In addition, how much cost reduction and decrease in the cost of raw materials and fuel are you factoring into your projection of business results?

A9. The decrease in our forecast for operating income is largely due to the lower sales volume. With respect to the sensitivity to fluctuation in crude oil prices, a one-dollar per barrel change in the crude oil price will affect our operating income by approximately 600 million yen per year. Likewise, our sensitivity to fluctuation in petrochemical material prices is about 400 million yen. However, we need to consider factors such as changes in production quantities as well, and so at this point we cannot answer your question about the absolute effect of changes in crude oil prices. In addition, we cannot answer your question about the fixed cost reduction because that changes with the progress of the structural reform.

Q10. When do you expect demand for automotive glass to pick up?

A10. Demand is slowing down rapidly all over the world and the automobile industry is facing an extremely difficult situation. We do not expect demand to recover by the end of this year. In addition, we think there is a possibility that production forms will have changed drastically after the demand has recovered.

Q11. While the target payout ratio of the company is 30%, the payout ratio for FY2008 was 70% and you plan to continue with the dividend payment for FY2009 even if you post losses. You have set “Our people are our strength” as one of the basic concepts of the management policy and I understand employees are very important to you as stakeholders. In this respect, what is your view on keeping the balance between the return to shareholders and protecting your people (regarding restructuring) as a foundation of the company?

A11. With respect to dividend payment, we have two basic policies of maintaining a certain level of payout ratio and a stable dividend payment. In the meantime, we have reduced our dividend as we recognize that employees are part of our important stakeholders and we need to keep a balance among various stakeholders. Although we adjusted our employment levels worldwide at this moment, we are hoping to carry out under a system in which we can share the pain with our employees as much as possible.

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