

Q&A(Summary) of Announcement of Financial Result for FY2009 First Quarter

Asahi Glass Co., Ltd.

- Q1. How are you planning to improve the performance in the Flat Glass Business to reduce the significant amount of losses over this year? When do you expect the losses to decrease?
- A1. Our shipping quantity was low because demand normally drops in the first quarter, and we expect the difficult situation to continue on the whole after the second quarter. Therefore we are not expecting a drastic improvement. While we are currently implementing measures such as production adjustment and reductions of production facilities and personnel to improve the situation, we think that severe conditions will continue throughout this year due partly to price declines.
- Q2. You mentioned that you were adjusting operation of plants drastically by making production cuts and temporarily halting operations, etc., but you can only reduce variable costs through such measures. Can I expect you to implement additional structural reform for reducing fixed costs down the road?
- A2. We recognize that we must not continue posting losses, and we are currently implementing structural reform. As for the specific details, we will report to you at a proper timing. We are hoping to achieve a good effect by the end of this year, but we do not expect to see a major improvement until after next year.
- Q3. What is the effect of the workforce reduction and temporary layoff for the first quarter? In addition, by what percentage have the measures for reducing personnel and production facilities been completed compared with the initial estimate?
- A3. As demand dropped sharply after October last year, we have been implementing drastic personnel reductions and production cuts. However, the effect of fixed cost reductions from these measures has not turned positive in terms of profit and loss. We are discussing whether to continue implementing measures, but we cannot give you a specific figure for their rate of completion.
- Q4. I assume the supply-demand balance has not improved both for architectural and automotive glass in Europe. Given such circumstances, are you planning to carry out structural reform?
- A4. We have stopped operating some of the furnaces and are adjusting production also in Europe. We are discussing whether to continue implementing measures, but we cannot give you the details now.
- Q5. How much have shipping quantities of flat glass decreased in Europe?
- A5. The shipping quantity of float glass in the first quarter in the whole of Europe decreased slightly from the fourth quarter of last year.
- Q6. While you expect to post an operating income of 6 billion yen in the second quarter, which is an improvement of 12 billion yen compared with the first quarter, what is the basis for this projection? I also want to know the prospect for the second quarter by business segment if you have one.

A6. We made the above projection on the grounds that, in the second quarter, we will not post a loss on devaluation of inventories of 5.1 billion yen, which we recorded in the first quarter, and the shipping quantity of FPD glass substrate will increase. In the meantime, we do not disclose our prospect for the second quarter by business segment.

Q7. What is the state of capacity utilization of TFT-LCD glass plants?

A7. Although we reduced our capacity utilization last autumn, the shipment have gradually been rising since January. We cannot give you a specific figure of our capacity utilization.

Q8. Inventory level in the first quarter as a whole group did not decrease much and inventory turnover deteriorated substantially, so don't you think that you have failed to cut production sufficiently to respond to the demand trends?

A8. We are decreasing inventories to reduce the inventory level. The inventory of TFT-LCD glass substrates is declining sharply. Although we have many production bases for the glass segment and it is not easy to decrease inventories, we are pushing ahead with inventory reduction.

Q9. Haven't you revised the outlook for the full year as a result of conducting a revision?

A9. Since the demand trend in the second half is uncertain, we have not revised our projection for the full year.

Q10. Is there a possibility that you will post greater-than-expected extraordinary losses in the full-year term?

A10. As far as we have assumed as of this moment, extraordinary losses will be 60 billion yen.

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