

19, August 2009  
Asahi Glass Co., Ltd.

**Q&A (Summary) of Announcement of Financial Results for FY2009 Second Quarter**

<Glass Operations>

Q1: What is your assessment of the Chinese market, an important emerging market, and what measures are you taking there? Are you thinking about M&A measures?

A1: In China, the Company has flat glass plants in Suzhou and Dalian, and automotive glass manufacturing bases in Qinhuangdao and Foshan. In general-use flat glass products for construction business, there are many furnaces in China, which makes it difficult for us to compete in the business. Hence, we are rather considering expanding the business of high-value added products, particularly automotive glass.

From now on, we hope to expand our glass business in China through aggressive sales to local automakers. We also want to carry on our businesses, including the solar business, through group-wide efforts. We are mulling M&A as one of our business strategies, but at the moment, we have no specific plan to mention.

Q2: The Company's deficit in Japan is swelling due to the poor performance of the Glass and Chemicals operations. Isn't it necessary to reduce your workforce at these business segments?

A2: In Japan, most of the deficit was recorded in 1Q, and posted profits in 2Q on the basis of operating income and loss. The Glass operations began to recover from 2Q in Japan, while the Chemicals operations are expected to pick up from 3Q onward. Therefore, we don't plan to reduce workforce at this moment.

Q3: Do you think that the effects of integration between the automotive glass and flat glass operations will be materialized in the second half?

A3: We integrated the Flat Glass Company and Automotive Glass Company in July; and from now on, we expect that integration to gradually improve productivity and reduce the inventory ratio.

Q4: According to your forecast, profits from the glass segment will recover in the second half. Are you suggesting that this recovery is not because of the effects of cost reduction but because of an increase in demand?

A4: The effects of labor cutbacks that we have already made are becoming apparent, and demand is also picking up. Given this, we forecast profits will recover in the second half.

Q5: What are the supply-demand trends for flat glass in Europe, where flat glass prices are recovering?

A5: Prices of flat glass are improving, centering on Europe. As for the flat glass business in Europe, prices dropped substantially as the supply-demand balance broke down in the latter half of last year. However, the supply-demand environment for that glass has improved due to a reduction in inventories and operational adjustments. The effects of recovering prices will be materialized in and after 3Q, but we expect that the pace of recovery will be gradual due to a weak improvement in demand. In Europe, some competitors will start up new furnaces. We will continue to closely monitor the supply-demand trends.

Q6: What is your strategy for making the Glass operations overseas profitable? In this business segment, some favorable factors are apparent, including an improvement of prices in Europe and a reduction of fixed expenses. Given this, when do you expect the segment will become profitable? How about an improvement of earnings in North America?

A6: Actual demand sharply decreased in the Glass operations of North America. To cope with this, we began to improve fixed expenses and implement restructuring two years ago, and the effects of these measures have become visible. However, such effects have been also offset by the recession. We want to improve earnings of the Glass operations in North America, by realizing the effectiveness of the comprehensive and systematic structure of the Glass Company. In Asia, the business of glass for construction is recovering. In Europe, we started structural reforms of the automotive glass business earlier, and we expect this business to be free from losses sooner.

#### <Electronics and Display Operations>

Q1: TFT-LCD glass substrate is said to be in short supply. How much supply capability can AGC increase through 2Q into 3Q?

A1: In 3Q, a third furnace in South Korea will begin operations, which will reinforce the Company's supply structure for glass. We are making preparations so that we can meet the orders from customers.

Q2: Please tell me about your investment plan for TFT-LCD glass substrates furnaces. How will you meet with the demand in and after the next year?

A2: We will invest in a timely manner by carefully monitoring demand trends.

Q3: What is your view on the supply-demand balance in 4Q?

A3: We expect demand to remain robust until the middle of 4Q, but after that the outlook for the demand is uncertain. We will maintain appropriate operations while closely monitoring demand trends.

Q4: Tell me about your strategy for South Korea.

A4: Our overall strategy for TFT-LCD glass substrates is to make capital expenditures in the region after we have a clear view of the demand trends there over the medium to long term. We regard South Korea as one of the potential markets where we should make additional investments.

<Chemicals Operations>

Q1: Market price and demand of caustic soda are decreasing. Is this already affecting your earnings?

A1: Affected by the ongoing deterioration of the world economy, demand for caustic soda in Japan is not as strong as before and such demand from Australian alumina producers is also weaker. On the other hand, manufacturers of chloride derivatives are continuing to make production adjustments, and the 3Q is the season for repairs. Reflecting this, the supply of caustic soda is remaining stable, which is resulting in a well-balanced supply-demand situation.

Q2: The domestic Chemicals operations have posted a structural deficit for the past 10 years. What measures will the Company take to cope with this? I'm afraid that earnings will not recover only by reducing output and waiting until demand improves.

A2: In 1Q and 2Q, the domestic Chemicals operations segment continued to be sluggish due to extremely weak demand for chemical products. However, demand picked up in foreign countries, such as Thailand and Indonesia. The weak performance in Japan was attributable to the fact that the domestic Chemicals operations focus on fine chemicals such as fluorochemicals and specialty chemicals, and many of them were adversely affected by the present economic recession. We are also considering taking structural measures in the domestic operations.

<Overall company >

Q1: Was the breakdown of the extraordinary loss for the first half as you projected? Will you book an extraordinary loss of 60.0 billion yen for the full fiscal year?

A1: Breakdown of the loss for the first half was as we expected. Although we forecast such loss to be 60.0 billion yen, we will refrain from announcing individual items.

The extraordinary loss occurred in Japan is chiefly from the Kitakyushu Plant's withdrawal from the automotive glass business.

Q2: Looking at your forecast for full fiscal year, it is clear that you will fail to achieve the operating income target for the second half even if you earn double the amount of 2Q operating income, worth 13.0 billion yen. Do you expect profits from TFT-LCD glass substrates to recover in the second half? Or do you also expect the flat glass business to improve?

A2: Given that operating income improved every month in 2Q, it's impossible to estimate operating income for the second half by simply doubling the operating income for 2Q. It is true that a recovery in demand for TFT-LCD glass substrates will greatly contribute to a rise in operating

income, but also other businesses to pick up in the second half. With regard to the Glass operations, prices are improving in Europe, and demand is recovering in Asia. The automotive glass business is showing a recovery trend in regions excluding North America.