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Corporate Name: Asahi Glass Co., Ltd.
President & COO: Kazuhiko Ishimura
(Code Number: 5201; TSE 1st section)
Contact: Toshihiro Ueda, General Manager,
Corporate Communications & Investor Relations
(Tel: +81-3-3218-5509)

Consolidated Financial Results for the First Half FY2008
(January 1 through June 30, 2008)

1. Consolidated results for the first half of FY2008 (from January 1 to June 30, 2008)

(1) Consolidated operating results

	First half FY2008 (ended June 30, 2008)		First half FY2007 (ended June 30, 2007)		FY2007 (full year) (ended Dec. 31, 2007)	
Net sales (millions of yen)	774,134	(4.0%)	805,978	2.2%	1,681,238	-
Operating income (millions of yen)	109,577	21.4%	90,262	36.6%	197,452	-
Ordinary income (millions of yen)	95,747	1.0%	94,782	45.0%	187,878	-
Net income (millions of yen)	48,017	(9.2%)	52,862	24.3%	69,634	-
Net income per share – basic (yen)	41.07	-	45.07	-	59.35	-
Net income per share – fully diluted (yen)	38.69	-	42.41	-	56.16	-

(Note) With respect to net sales, operating income, ordinary income and net income, percentage figures show % change from the previous year's corresponding period.

(2) Consolidated financial position

	First half FY2008 (ended June 30, 2008)	First half FY2007 (ended June 30, 2007)	FY2007 (full year) (ended Dec. 31, 2007)
Total assets (millions of yen)	2,115,806	2,247,276	2,108,089
Total net assets (millions of yen)	1,035,286	1,071,269	1,027,341
Equity ratio (%)	45.8	44.0	45.3
Equity per share (yen)	830.70	842.21	813.28

(3) Consolidated cash flows (Unit: millions of yen)

	First half FY2008 (ended June 30, 2008)	First half FY2007 (ended June 30, 2007)	FY2007 (full year) (ended Dec. 31, 2007)
Cash flows from operating activities	104,945	111,737	245,748
Cash flows from investing activities	(132,569)	(100,598)	(209,819)
Cash flows from financing activities	16,635	(15,966)	(36,082)
Cash and cash equivalents at the end of period	38,263	48,799	52,275

2. Dividend

(Unit: yen)

Dividend per share	FY2007 (ended Dec. 31, 2007)	FY2008 (ending June 30, 2008)	
		Actual	Forecast
Interim	10.00	12.00	-
Year-end	10.00	-	12.00
Full-year	20.00	-	24.00

(Note) Interim dividend and year-end dividend for fiscal 2007 each include a commemorative dividend of 2.00 yen per share.

3. Outlook for the full FY2008 (from January 1 to December 31, 2008)

	FY2008 (full year)
Net sales (millions of yen)	1,600,000
Operating income (millions of yen)	200,000
Ordinary income (millions of yen)	190,000
Net income (millions of yen)	100,000
Forecasted net income per share (full year) (yen)	85.06

(Note)
1. Equity in earnings of unconsolidated subsidiaries and affiliates:
   First half FY2008: 1,776 million yen First half FY2007: 2,929 million yen FY2007: 3, 869 million yen
2. Number of shares issued and outstanding at the end of the term (consolidated basis):
   First half FY2008: 1,186,689,155 shares First half FY2007: 1,186,635,373 shares FY2007: 1,186,682,105 shares
3. Number of treasury stock at the end of the term:
   First half FY2008: 19,010,146 shares First half FY2007: 13,120,498 shares FY2007: 13,123,716 shares
4. All financial information has been prepared in accordance with accounting principles generally accepted in Japan.
5. Rounded off to millions of yen.
6. The above-mentioned outlook reflects management's judgment on the basis of currently available information, as such, contain risks and uncertainties.
7. Increase in number of stocks estimated during June 30, 2008 to December 25, 2008, from the conversion of No.5 unsecured convertible bonds are considered in the forecasted net income per share(full year).

Operating Results and Financial Conditions

1. Operating Results

(1) Overview of first half FY2008

(Unit: billions of yen) (Unit: yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
First half FY2008 (January 1 through June 30, 2008)	774.1	109.6	95.7	48.0	41.07
First half FY2007 (January 1 through June 30, 2007)	806.0	90.3	94.8	52.9	45.07
Change (%)	(4.0%)	21.4%	1.0%	(9.2%)	-

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.

As for 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 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.

(2) Analysis of operating results

For the first half of fiscal 2008, net sales decreased 31.8 billion yen or 4.0% to 774.1 billion yen from 806.0 billion yen over the corresponding period of the previous year. Cost of sales decreased 39.0 billion yen or 6.8% to 534.1 billion yen. The Group reduced costs in response to the continual price hikes of raw materials and fuels. The cost-to-sales ratio was 69.0%, a year-on-year improvement of 2.1 percentage point. Consequently, operating income was 109.6 billion yen, up 19.3 billion yen or 21.4% year-on-year, and operating income margin increased 3.0 percentage point to 14.2%. The overview of net sales and operating income is described in the following section.

Thanks to increase in operating income, although foreign exchange loss of evaluation of debt in foreign currency at overseas subsidiaries increased, ordinary profit for the period under review was 95.7 billion yen, an increase of 1.0 billion yen or 1.0% from the corresponding period of the previous year. Ordinary income margin rose 0.6 percentage point to 12.4% .

The Group recorded expenses for restructuring programs mainly in association with the reduction of the flat glass operations in North America, therefore, net income was 48.0 billion yen, down 4.8 billion yen or 9.2%.

Net income per share for the period under review was 41.07 yen.

(3) Overview by business segment

- Performance by business segment (Unit: billions of yen)

	Net sales		Operating income	
	First half FY2008	First half FY2007	First half FY2008	First half FY2007
Glass	397.4	431.2	18.6	34.1
Electronics and Display	207.8	209.3	82.2	46.3
Chemicals	157.2	153.7	7.0	8.5
Others	40.7	39.7	1.8	1.4
Corporate or elimination	(28.9)	(27.9)	(0.0)	0.1
Total	774.1	806.0	109.6	90.3

- Performance by geographic segment (Unit: billions of yen)

	Net sales		Operating income	
	First half FY2008	First half FY2007	First half FY2008	First half FY2007
Japan	403.8	426.3	50.7	44.2
Asia	232.7	212.7	43.1	20.3
The Americas	72.1	99.7	(1.9)	(2.5)
Europe	196.8	213.0	19.6	29.8
Corporate or elimination	(131.3)	(145.8)	(1.9)	(1.6)
Total	774.1	806.0	109.6	90.3

- Glass operations

Sales in the flat glass business decreased from the same period of previous year. Demand remained strong in fast-growing markets such as Russia, while market softened in Western Europe as the economy slowed down. In North America, demand continued to weaken. In response, the Group decided to stop some operations of flat glass production facilities and withdraw from the unprofitable glass fabrication business in North America. In Japan, shipments decreased, affected by weak demand as well as accelerated regular repairs at the Kashima Plant. Responding to price hikes in raw materials and fuels, the Group revised prices in all regions, however this failed to offset all cost increases.

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

Sales of other glass business dropped from the previous year because the Group fully withdrew from the fiberglass business at the end of October 2007.

As a result, 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.

- Electronics and Display operations

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

As a result, 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.

- Chemicals operations

In the chlor-alkali & urethane business, sales of the mainstay product caustic soda continued to be steady thanks to brisk demand both in Japan and abroad. Sales of vinyl chloride-related products also remained robust overseas.

In the fluorochemicals & specialty chemicals business, the shipments volume of fluorinated resins for coating that have less effect on the environment, water and oil repellents, and fluorinated resins remained strong.

In response to price hikes of raw materials and fuels, the Group carried out prices revisions, centering on chlor-alkali & urethane-related products.

As a result, net sales from 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.

- Other operations

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

As a result, 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.

Main businesses by segment are as follows:

Segment		Main business
Glass operations	Flat glass business	Flat glass for construction
	Automotive glass business	Automotive glass
	Other glass business	Lighting lamp glass products, Industrial glass products
Electronics & Display operations	Display business	Glass substrates for FPDs (TFT LCDs, PDPs, etc.) CRT glass
	Electronics materials business	Semiconductor process materials, display materials, photonics components, etc.
Chemicals operations	Chlor-alkali & urethane business	Caustic soda, vinyl chloride monomers, etc. Urethane-related products
	Fluorochemicals & specialty chemicals business	Fluorinated resins, water and oil repellents, fluorinated resins for coating, fluorinated elastomers, etc. Battery materials, crystal liquid materials, and iodine-related materials
Other operations		Ceramics-related products Logistics and financial services

2. Financial Conditions

(1) Overview of first half FY2008

(Unit: billions of yen)

	First half FY2008	FY2007	Change
Total assets	2,115.8	2,108.1	7.7
Total liabilities	1,080.5	1,080.7	(0.2)
Total net assets	1,035.3	1,027.3	7.9

- Total assets

Total assets as of the end of the period under review were 2,115.8 billion yen, up 7.7 billion yen from the previous year. This is mainly attributable to the increase of property, plant and equipment, resulting from proactive capital investments in manufacturing facilities for TFT LCD glass substrates and flat glass in Europe, in spite of a decrease in the yen translated amount of assets held by the Group's foreign subsidiaries, as a result of stronger yen.

- Total liabilities

Total liabilities as of the end of the period under review recorded 1,080.5 billion yen, a decrease of 0.2

billion yen from fiscal 2007.

- Total net assets

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

(2) Cash flows

(Unit: billions of yen)

	First half FY2008	First half FY2007	Change
Cash flows from operating activities	104.9	111.7	(6.8)
Cash flows from investing activities	(132.6)	(100.6)	(32.0)
Cash flows from financing activities	16.6	(16.0)	32.6
Cash & cash equivalents as of end of period	38.3	48.8	(10.5)

- Cash flows from operating activities

Net cash provided by operating activities was 104.9 billion yen for the period under review, down 6.8 billion yen from the corresponding period of the previous year. This decrease is attributable chiefly to a decrease in net income before taxes, mainly due to payment of the fine imposed by the European Commission concerning alleged anticompetitive behavior in the flat glass operations in Europe.

- Cash flows from investing activities

Net cash used in investing activities increased 32.0 billion yen year-on-year, to 132.6 billion yen. During the period under review, the Group mainly made capital investments in manufacturing facilities for TFT LCD glass substrate, as well as facilities for the glass operations in Europe.

As a result, free cash flows for the period under review, which is the sum of cash flows from operating activities and investing activities, decreased 38.8 billion yen from the corresponding period of the previous year to minus 27.6 billion yen.

- Cash flows from financing activities

Net cash provided by the financing activities for the period under review increased 32.6 billion yen from the corresponding period of the preceding year to 16.6 billion yen, mainly due to issue of commercial papers.

As a result, the outstanding balance of cash and cash equivalents as of the end of the period under review decreased 14.0 billion yen in comparison with that at the end of the period of the previous year, to 38.3 billion yen.

- Cash flow indices

	First half FY2006	FY2006	First half FY2007	FY2007	First half FY2008
Equity ratio (%)	41.4	42.4	44.0	45.3	45.8
Equity ratio based on market value (%)	79.7	78.0	86.9	83.4	70.9
Number of years for debt redemption	-	3.3	-	2.2	-
Interest coverage ratio	9.0	9.5	11.6	13.3	13.7

(Notes) Equity ratio (%): (Net assets – minority interest – share subscription rights) / total assets
Equity ratio based on market value (%): Total market capitalization / total assets
Number of years for debt redemption: Interest-bearing debts/operating cash flows
Interest coverage ratio: Operating cash flows/interest payment

- *All indices were computed using consolidated financial figures.*
- *Total market capitalization was computed based on the closing stock price at period-end multiplied by number of outstanding shares at period-end (after deducting treasury stock).*
- *Operating cash flows represent cash flows from operating activities on the consolidated statements of cash flows.*
- *Interest-bearing debts represent all debts on the consolidated balance sheets for which interest is paid. In addition, interest payment represents amount of interest paid on the consolidated statements of cash flows.*

3. Outlook for FY2008

(1) Operating outlook for FY2008

(Unit: billions of yen)

	Net sales	Operating income	Ordinary income	Net income
FY2008 [forecast] (January 1 through December 31, 2008)	1,600.0	200.0	190.0	100.0
FY2007 [actual] (January 1 through December 31, 2007)	1,681.2	197.5	187.9	69.6
Change (%)	(4.8%)	1.3%	1.1%	43.6%

For the third quarter of fiscal 2008 onwards, it is expected that the Japanese economy will slow down, because of weak private demand such as capital investments and consumer spending influenced by higher prices of raw materials and fuels. In China, the economic expansion is likely to weaken slightly after the Beijing 2008 Olympic Games, but exports for fast-growing markets and resource-supply countries are projected to continue driving the nation’s economic growth. In ASEAN countries, the economy will likely grow stably supported by robust exports, despite a slight decline in domestic demand on the back of higher prices of raw materials and fuels. In Europe, the economy is expected to continue to slow in Western Europe, while the economy is likely to remain steady in Eastern Europe, including Russia, because of strong private demand such as capital expenditures and consumer spending. The U.S. economy is forecasted to remain sluggish owing to continued weak domestic demand for housing and automobiles.

Under such circumstances, in the flat glass business of Glass operations, the AGC Group anticipates a market growth for flat glass for construction in fast-growing countries and higher demand for high value-added products such as industrial glass. Meanwhile, there will be concern about the effects of higher prices of raw materials and fuels on this business.

In the automotive glass business, we expect demand to decrease slightly for the entire fiscal year, as the market environment for automobiles in North America is likely to remain severe, despite steady demand for automobiles in fast-growing markets and resource-supply countries.

With respect to the Electronics and Display operations, in the display business, we expect strong shipments for the entire fiscal year, despite uncertainties over a worldwide economic slowdown in the latter half. In the electronic materials business, we estimate that shipments of photonics components such as optical pickup elements will remain steady, with the expansion of the Blu-ray Disc market.

In the Chemicals operations, price hikes of raw materials and fuels are likely to continue. However, in the chlor-alkali & urethane business, we expect demand for caustic soda to remain strong. In the fluorochemcals & specialty chemicals business, shipments of fluorinated resins for coating that have less effect on the environment, water and oil repellents, and fluorinated resins will probably continue to be steady.

In Other operations, we expect that sales in the ceramics business will remain strong.

In the light of the foregoing business prospects, the AGC Group projects that its net sales for fiscal 2008 will decrease 81.2 billion yen or 4.8%, year-on-year, to 1600.0 billion yen; operating income will increase 2.5 billion yen or 1.3% to 200.0 billion yen; ordinary income will increase 2.1 billion yen or 1.1% to 190.0 billion yen; and net income will increase 30.4 billion yen or 43.6% to 100.0 billion yen. For these projections, the Group assumes that the key foreign exchange rates throughout fiscal 2008 will average 105 yen to the U.S. dollar and 165 yen to the euro.

(2) Outlook of financial conditions for FY2008

Of net cash provided by operating activities, income before income taxes for fiscal 2008 is projected to increase from fiscal 2007. Depreciation expenses are likely to increase to 145.0 billion yen, up 10.3 billion yen from the previous year.

It is estimated that capital investment of cash outflows from investing activities will increase to 240.0 billion yen, up 8.9 billion from the previous year, in line with the Group’s strategy to enhance display materials business including glass substrates for TFT LCDs and glass for solar cells, to expand the glass operations of flat glass for construction in fast-growing markets, and to promote the Electronics & Energy business.

As for cash flows from financing activities, the Group will raise fund and repay interest-bearing debts, in addition to dividends paid in line with the Group’s dividend policy.

4. Allocation and Distribution of Profits and Interim Dividends

Based on its policy to maintain stable dividends, the AGC Group is doing its utmost to proactively return profits to shareholders by aiming for a target dividend payout ratio of approximately 30%, while giving comprehensive consideration to consolidated business results and future investment plans, among others. The Group will also allocate retained earnings to R&D, capital investment as well as merger and acquisition activities, to strengthen its financial position and improve its corporate value.

The Company plans to pay an interim dividend of 12 yen per share and a year-end dividend of 12 yen, as a result, full-year dividends will be 24 yen per share.

Overview of the AGC Group

The AGC Group consists of Asahi Glass Company, Limited (hereinafter referred to as the “Company”) and its 239 subsidiaries and 47 affiliates.

The main business description of the Company, its consolidated subsidiaries, and affiliates under the equity method is as set out below. The classification below is the same as that of the business segment information.

Segment	Main Business		Main companies
Glass Operations	Flat Glass for construction Automotive Glass Lighting lamp glass products, Industrial glass products	Japan	The Company, AGC Glass Products, AGC Techno Glass 12 other consolidated subsidiaries 3 companies under the equity method (17 companies in total)
		Overseas	(Asia) Asahimas Flat Glass (Indonesia), AGC Flat Glass (Thailand) Public (Thailand) (America) 19 group companies of AGC Flat Glass North America (head office in the United States) (Europe) 78 group companies of AGC Flat Glass Europe (head office in Belgium) 16 other consolidated subsidiaries 18 companies under the equity method (133 companies in total)
Electronics & Display Operations	Glass substrates for FPDs(TFT LCDs, PDPs, etc) CRT glass Semiconductor process materials, display materials, photonics components, etc	Japan	The Company, AGC Display Glass Yonezawa, , AGC Electronics 3 other consolidated subsidiaries Companies under the equity method; ELNA* 1 other company under the equity method (7 companies in total)
		Overseas	(Asia) AGC Display Glass Taiwan (Taiwan), Hanwook Techno Glass (Korea), Asahi Glass Fine Techno Korea (Korea), Hankuk Electric Glass (Korea) 13 other consolidated subsidiaries 1 companies under the equity method (18 companies in total)
Chemicals Operations	Caustic soda,vinyl chloride monomers, etc. Urethane-related products Fluorinated resins, water and oil repellents, fluorinated resins for coating, fluorinated elastomers, etc. Battery materials, crystal liquid materials, and iodine-related materials	Japan	The Company, Asahi Glass Urethane, AGC Seimi Chemical, Keiyo Monomer, AGC Engineering, Ise Chemicals* 8 other consolidated companies 4 companies under the equity method (17 companies in total)
		Overseas	(Asia) Asahimas Chemical (Indonesia), AGC Chemicals (Thailand) (Thailand) (America) AGC Chemicals Americas (U.S.) (Europe) AGC Chemicals Europe (England) 6 other consolidated subsidiaries 2 companies under the equity method (12 companies in total)
Other Operations	Ceramics-related products Logistics and financial services	Japan	AGC Logistics, AGC Finance, AGC Technology Solutions, AGC Ceramics 6 other consolidated subsidiaries 1 company under the equity method (11 companies in total)
		Overseas	(America) AGC America (U.S.), AGC Capital (U.S.), AGC Investment (U.S.),AGC Holdings America(U.S) 6 other consolidated subsidiaries 1 company under the equity method (11 companies in total)

(Note)

1. The Company is not included in the total number of companies in the classification of operations.
2. Main subsidiaries and affiliates designated by a ‘*’ are listed on securities markets in Japan.
   Ise Chemicals (Tokyo Stock Exchange 2nd Section)
   ELNA (Tokyo Stock Exchange 2nd Section)

Management Policy

1. Fundamental Policy of Management

Asahi Glass and its consolidated subsidiaries (hereinafter collectively referred to as the “AGC Group” or simply the “Group”) aim to excel as a highly profitable and fast-growing enterprise that supplies materials and components globally, based on its core technologies in glass, fluorine chemistry and related fields. To achieve that aim, it is a fundamental management policy of the AGC Group to bolster its total corporate value by endeavoring to be the leader in each market in which it competes.

All members of the Group are expected to adopt and follow the four shared values of “Innovation & Operational Excellence,” “Diversity,” “Environment,” and “Integrity,” which serve as the basis for every judgment they make and every action they collectively and individually take.

2. Targeted Corporate Index

The AGC Group targets a return on equity (ROE) of 15% or more as a global enterprise. Towards the achievements of this corporate index, in *“JIKKO-2010”*, the medium-term management plan for the three years from FY2008, the group will aim at ROE of 12% or more in 2010, and continue to maintain its operating margin at the level of 2007 or higher.

3. Medium- and Long-Term Strategies

Under its Group Vision of *“Look Beyond”* announced in April 2002, the AGC Group decided to concentrate its management resources on three major business areas (materials and components for the Glazing, Display, and Electronics & Energy fields), aiming to excel as a highly profitable and fast growing global enterprise. The Group also defined its stance on building and bolstering its competitive advantage, by capitalizing on the world-class technologies it has developed in glass, chemicals and related fields over decades and its global workforce.

In March 2008, the AGC Group formulated the new management policy *Grow Beyond* to realize the Group Vision. There are three basic policies in *Grow Beyond*: “building foundations for growth”; “ embedding the mindset of the former management policy *“JIKKO”* as AGC Group’s DNA”; and “the growth of individual employees and the entire Group under the slogan ‘Our People are Our strength’.”

To build foundations for growth, we will focus on the following three points while taking into account changes in markets over the medium- to long-term.

a. Second round of globalization
   - To further increase profitability in Japan, the rest of Asia, Europe and North America, as well as establish business models different from those in Japan, the U.S. and Europe in fast-growing markets, where rapid growth is expected, and make timely investments in such markets.
   - To further strengthen the global management skills in Japan, the rest of Asia, Europe and North America, and build organizational capabilities in fast-growing markets.

b. Delivering technology solutions for climate change

- To reduce energy consumption and CO_2 emissions within the Group, while contributing to the solution of global warming issues by using various glass and chemical technologies of the Group.

c. Glass-technology-driven company

- To further develop and refine the glass-related technologies which are the sources of growth for the Group and differentiate them from the competitors in such technologies; resultantly develop high-value-added products; enhance cost competitiveness through improved production technologies; and build new business models that transcend manufacturing in the narrow sense.

Under the former management policy *"JIKKO"*, AGC Group established five major initiatives which group members should have in mind when they are working. They are: enhancing activities for CS (customer satisfaction); enhancing activities for quality management; improving ES (employee satisfaction: employee work satisfaction and pride); and enhancing human resources development; enhancing *MONOZUKURI* (quality manufacturing) and reinforcing production site expertise; and permeating of the Group Vision. We will implement these initiatives continuously and embed them as the Group's DNA, and build a growth foundation on that platform.

Moreover, building the growth foundation and making the *"JIKKO"* mindset the Group's DNA are carried out by people. Under the slogan "Our People are Our Strength," the Group will provide opportunities to all employees who are striving to improve themselves, to enable them to demonstrate their abilities to the maximum extent possible and grow together with the AGC Group. By doing this, we expect to generate a virtuous cycle of personal growth and organizational growth, and under such framework, we will strive to achieve a sustained growth of the entire Group.

Under the management policy *Grow Beyond* that stresses the above three basic policies, the Group aims to become a highly profitable and fast growing global enterprise that has the trust of society.

JIKKO (noun): *A Japanese word that means "implementation," "execution," "performance" and "fulfillment."*

4. Issues Confronting the Group

One of the most important challenges presently facing the AGC Group is ensuring the execution of the *"JIKKO-2010"* medium-term management plan and achieving steady results.

Under the *"JIKKO-2010"* medium-term management plan, the Group will implement its growth strategy following *"JIKKO-2007"*, while focusing on "pursuit of quality" in every business situation, aiming to enhance competitiveness. The growth strategy focuses on active capital investments in growing fields such as the Display operations, and R&D centering on the Electronics & Energy fields. The Group will also focus on growing further and improving profitability of the Glass and Chemicals operations to establish an appropriate business structure. In our "pursuit of quality," the Group will implement management that further emphasizes capital efficiency, improve management and product quality, train personnel, and carry out technology strategies and R&D activities on a global basis, aiming to strengthen its corporate structure.

The Group will expand the business of flat glass in fast-growing markets in the Glass operations, establish optimum production systems in Japan and the rest of Asia, expand sales of high value-added products in North America, and further reduce costs. Aiming to improve profitability of automotive glass, we will expand our business in fast-growing markets, complete our policy of Build & Scrap in Europe, and reduce related costs in every region.

In the Display operations, the Group will maintain and expand profitability by responding to the growing market for TFT LCD glass substrates with enhanced productivity of existing facilities and fresh investments. We will build a flexible production system for glass substrates for PDPs that can respond to the rapidly changing market, further improve productivity and promote sales expansion, in order to maintain profitability.

Regarding the Electronics & Energy business, the Group will further differentiate itself from its competitors through integrated production from raw materials, which is its strength, shorten the period until mass production, further speed up operations, and make concentrated investments in growth fields by carefully ascertaining the business portfolio. In the energy field, in addition to existing businesses, we will actively expand the business of glass for solar cells so that we can respond to the solar cell market, which we expect to grow sharply. In the business of glass for solar cells, we will differentiate ourselves from our competitors by increasing production capacity and supplying high value-added products. To this end, we will establish development, production and sales systems worldwide covering Europe, North America, Japan and the rest of Asia, and implement capital spending and technology development in a timely manner.

In the Chemicals operations, the Group will develop high value-added products that help reduce the effect on the environment. We will also focus on enhancing marketing capability and creating markets.

In the development of technologies that support the above businesses, the Group will prioritize the following five strategies: “pursuing further differentiation based on material technologies”; “improvement of quality and profitability by enhancement on production technology”; “maintaining competitive advantages of new products in fruiting period, and cultivating new fruits for future growth”; “aggressive environmental activities”; and “execution of technology strategy and R&D on a global basis.” Furthermore, we will timely generate technologies, products and businesses, by verifying our Technology Outlook, which define the direction of our technology strategy and technology & development roadmap every year, and by revising them if necessary.

Consolidated Balance Sheets

(Unit: millions of yen)

	First half FY2007 (June 30, 2007)	First half FY2008 (June 30, 2008)	FY2007 (December 31, 2007)
Current Assets	720,288	678,997	677,119
Cash on hand and in banks	77,030	73,801	82,399
Trade notes and accounts receivable	307,552	288,871	286,460
Inventories	277,352	246,498	237,686
Deferred income taxes	13,526	16,263	15,231
Other current assets	52,289	59,804	61,455
Allowance for bad debts	(7,463)	(6,241)	(6,114)
Fixed Assets	1,526,758	1,436,808	1,430,758
Tangible Fixed Assets	1,083,188	1,053,690	1,053,158
Buildings and structures	276,630	267,161	278,927
Machinery and equipment	527,822	513,105	519,022
Tools and fixtures	21,706	17,796	18,898
Land	125,499	105,614	112,100
Construction in progress	131,529	150,012	124,209
Intangible Fixed Assets	53,292	47,911	45,224
Investments and advances	390,278	335,206	332,375
Investments in securities	331,219	287,032	287,342
Long-term loans	7,789	8,018	8,672
Long-term prepaid expenses	6,258	3,606	4,166
Deferred income taxes	28,339	28,181	24,992
Other investments	19,847	10,417	9,635
Allowance for bad debts	(3,175)	(2,048)	(2,434)
Deferred Assets	229	-	211
Total Assets	2,247,276	2,115,806	2,108,089

Consolidated Balance Sheets (continued)

(Unit: millions of yen)

	First half FY2007 (June 30, 2007)	First half FY2008 (June 30, 2008)	FY2007 (December 31, 2007)
Current Liabilities	591,117	654,156	644,637
Trade notes and accounts payable	180,724	172,925	176,946
Short-term bank loans	140,230	108,245	111,081
Commercial paper	36,299	40,980	12,561
Current maturities of bonds	8,033	19,102	12,961
Current maturities of convertible bonds	-	97,920	97,928
Other accounts payable	71,195	55,651	64,617
Accrued expenses	35,961	34,877	21,864
Income taxes payable	29,773	26,913	40,316
Deposits received	28,281	32,006	29,353
Accrued bonuses to employees	7,757	7,622	7,888
Accrued bonuses to directors	77	102	179
Reserve for scheduled repairs	3,299	2,905	2,754
Reserve for restructuring programs	14,649	2,280	8,072
Reserve for EU competition-law-related expenses	-	22,689	33,332
Other current liabilities	34,835	29,931	24,779
Non-current Liabilities	584,888	426,363	436,110
Bonds issued	222,906	130,621	140,675
Long-term bank loans	172,495	160,610	156,024
Deferred income taxes	67,068	24,776	31,509
Accrued retirement benefits for employees	68,615	63,085	60,773
Accrued retirement benefits for directors and corporate auditors	474	391	436
Reserve for rebuilding furnaces	19,847	22,338	18,248
Reserve for restructuring programs	7,194	6,439	7,434
Other non-current Liabilities	26,286	18,100	21,007
Total Liabilities	1,176,006	1,080,519	1,080,748
Shareholders' Equity	800,466	849,814	807,195
Common stock	90,833	90,863	90,859
Additional paid-in capital	96,923	96,952	96,948
Retained earnings	626,656	683,142	633,421
Treasury stock	(13,946)	(21,144)	(14,034)
Valuation and translation adjustments	187,884	120,178	147,240
Unrealized gains on securities, net of tax	133,178	91,985	102,028
Deferred gains or losses on hedges, net of tax	291	6,944	2,034
Asset revaluation reserve	63	62	62
Foreign currency translation adjustments	54,350	21,185	43,115
Share subscription rights	2	397	392
Minority Interests in Consolidated Subsidiaries	82,916	64,895	72,512
Total Net Assets	1,071,269	1,035,286	1,027,341
Total Liabilities and Net Assets	2,247,276	2,115,806	2,108,089

Consolidated Statements of Income

(Unit: millions of yen)

	First half FY2007 (June 30, 2007)	First half FY2008 (June 30, 2008)	FY2007 (December 31, 2007)
Net Sales	805,978	774,134	1,681,238
Cost of Sales	573,185	534,147	1,199,912
Gross profit	232,792	239,987	481,326
Selling, General and Administrative Expenses	142,529	130,409	283,874
Operating Income	90,262	109,577	197,452
Other Income	18,396	10,146	19,705
Interest and dividend income	4,035	4,136	7,468
Equity in earnings of unconsolidated subsidiaries and affiliates	2,929	1,776	3,869
Others	11,431	4,233	8,367
Other Expenses	13,876	23,977	29,279
Interest expenses	8,718	7,086	17,313
Others	5,158	16,891	11,965
Ordinary Income	94,782	95,747	187,878
Extraordinary Gains	13,153	5,741	27,230
Gain on sale of properties	6,968	5,187	10,239
Gain on sale of investments in securities, unconsolidated subsidiaries and affiliates	3,161	427	3,311
Gain on sale of investments in securities, consolidated subsidiaries	2,252	-	10,133
Others	770	126	3,546
Extraordinary Losses	27,176	23,796	112,881
Loss on disposal of properties	3,354	2,137	8,846
Impairment loss on long-lived assets	762	5,386	19,055
Expenses for restructuring programs	20,119	15,274	44,115
Provision for EU competition-law-related expenses	-	-	32,398
Others	2,940	998	8,467
Income before income taxes and minority interest	80,758	77,691	102,227
Income Taxes			
Current	26,011	23,169	51,479
Deferred	508	2,068	(21,347)
Minority Interests in Earnings (Losses) of Consolidated Subsidiaries	1,376	4,435	2,460
Net Income	52,862	48,017	69,634

Consolidated Statements of Changes in Net Assets

First half FY2007 (from January 1 to June 30, 2007) (Unit: millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' Equity
Balance as of December 31, 2006	90,480	96,569	583,176	(13,802)	756,424
Change during the current period					
Conversion of convertible bonds	352	352			704
Dividends declared			(9,383)		(9,383)
Net income			52,862		52,862
Acquisition of treasury stock				(341)	(341)
Disposal of treasury stock		1		197	198
Net change other than shareholders' equity					
Total change during the current period	352	353	43,479	(144)	44,041
Balance as of June 30, 2007	90,833	96,923	626,656	(13,946)	800,466

	Valuation and translation adjustments				
	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Asset revaluation reserve	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance as of December 31, 2006	123,312	(1,038)	63	31,724	154,062
Change during the current period					
Conversion of convertible bonds					
Dividends declared					
Net income					
Acquisition of treasury stock					
Disposal of treasury stock					
Net change other than shareholders' equity	9,866	1,330		22,625	33,822
Total change during the current period	9,866	1,330	-	22,625	33,822
Balance as of June 30, 2007	133,178	291	63	54,350	187,884

	Share subscription rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance as of December 31, 2006	1	81,263	991,751
Change during the current period			
Conversion of convertible bonds			704
Dividends declared			(9,383)
Net income			52,862
Acquisition of treasury stock			(341)
Disposal of treasury stock			198
Net change other than shareholders' equity	0	1,653	35,476
Total change during the current period	0	1,653	79,518
Balance as of June 30, 2007	2	82,916	1,071,269

First half FY2008 (from January 1 to June 30, 2008) (Unit: millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' Equity
Balance as of December 31, 2007	90,859	96,948	633,421	(14,034)	807,195
Change during the period					
Conversion of convertible bonds	3	3			7
Dividends declared			(11,735)		(11,735)
Net income			48,017		48,017
Acquisition of treasury stock				(7,248)	(7,248)
Disposal of treasury stock			(15)	138	123
Increase due to change of accounting standards at the European subsidiaries			13,453		13,453
Net change other than shareholders' equity					
Total change during the period	3	3	49,720	(7,109)	42,618
Balance as of June 30, 2008	90,863	96,952	683,142	(21,144)	849,814

	Valuation and translation adjustments				
	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Asset revaluation reserve	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance as of December 31, 2007	102,028	2,034	62	43,115	147,240
Change during the period					
Conversion of convertible bonds					
Dividends declared					
Net income					
Acquisition of treasury stock					
Disposal of treasury stock					
Increase due to change of accounting standards at the European subsidiaries					
Net change other than shareholders' equity	(10,043)	4,910		(21,929)	(27,062)
Total change during the period	(10,043)	4,910	—	(21,929)	(27,062)
Balance as of June 30, 2008	91,985	6,944	62	21,185	120,178

	Share subscription rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance as of December 31, 2007	392	72,512	1,027,341
Change during the period			
Conversion of convertible bonds			7
Dividends declared			(11,735)
Net income			48,017
Acquisition of treasury stock			(7,248)
Disposal of treasury stock			123
Increase due to change of accounting standards at the European subsidiaries			13,453
Net change other than shareholders' equity	5	(7,617)	(34,674)
Total change during the period	5	(7,617)	7,944
Balance as of June 30, 2008	397	64,895	1,035,286

FY2007 (from January 1 to December 31, 2007) (Unit: millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' Equity
Balance as of December 31, 2006	90,480	96,569	583,176	(13,802)	756,424
Changes during the current period					
Conversion of convertible bonds	378	378			757
Dividends declared			(21,118)		(21,118)
Net income			69,634		69,634
Increase of treasury stock				(606)	(606)
Disposal of treasury stock			(3)	374	370
Reversal of land revaluation reserve at domestic affiliate			1		1
Increase due to asset revaluation at overseas subsidiaries			1,731		1,731
Net changes other than shareholders' equity					
Total changes during the current period	378	378	50,245	(232)	50,770
Balance as of December 31, 2007	90,859	96,948	633,421	(14,034)	807,195

	Valuation and translation adjustments				
	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Land revaluation reserve	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance as of December 31, 2006	123,312	(1,038)	63	31,724	154,062
Changes during the current period					
Conversion of convertible bonds					
Dividends declared					
Net income					
Increase of treasury stock					
Disposal of treasury stock					
Reversal of land revaluation reserve at domestic affiliate					
Increase due to asset revaluation at overseas subsidiaries					
Net changes other than shareholders' equity	(21,283)	3,072	(1)	11,390	(6,821)
Total changes during the current period	(21,283)	3,072	(1)	11,390	(6,821)
Balance as of December 31, 2007	102,028	2,034	62	43,115	147,240

	Share Subscription Rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance as of December 31, 2006	1	81,263	991,751
Changes during the current period			
Conversion of convertible bonds			757
Dividends declared			(21,118)
Net income			69,634
Increase of treasury stock			(606)
Disposal of treasury stock			370
Reversal of land revaluation reserve at domestic affiliate			1
Increase due to asset revaluation at overseas subsidiaries			1,731
Net changes other than shareholders' equity	391	(8,750)	(15,180)
Total changes during the current period	391	(8,750)	35,590
Balance as of December 31, 2007	392	72,512	1,027,341

Consolidated Statements of Cash Flows

(Unit: millions of yen)

	First half FY2007 (Jan. to Jun. 2007)	First half FY2008 (Jan. to Jun. 2008)	FY2007 (Jan. to Dec. 2007)
I. Cash Flows from Operating Activities			
Income before income taxes and minority interest	80,758	77,691	102,227
Depreciation and amortization	62,062	64,837	134,747
Impairment loss on long-lived assets	762	5,386	19,055
Amortization of goodwill	1,230	928	2,302
(Decrease) increase in reserves	12,702	(13,968)	26,598
Interest and dividend income	(4,035)	(4,136)	(7,468)
Interest expenses and commercial paper interest	9,766	7,289	18,484
Exchange loss (gain), net	(4,267)	6,833	785
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,929)	(1,776)	(3,869)
Gain on sale of investments in securities and properties, etc.	(8,365)	(3,276)	(14,995)
Decrease (increase) in trade notes and accounts receivable	(4,638)	(3,784)	(22,192)
Decrease (increase) in inventories	(24,083)	(12,650)	(2,363)
Decrease (increase) in trade notes and accounts payable	(11,645)	(4,221)	18,526
Others	(3,404)	21,926	(9,248)
Subtotal	103,913	141,079	262,591
Interest and dividend received	5,267	4,934	8,972
Interest paid	(9,624)	(7,639)	(18,537)
Income taxes paid	(5,460)	(36,213)	(24,920)
Income taxes refunded	17,642	2,783	17,642
Net cash provided by operating activities	111,737	104,945	245,748
II. Cash Flows from Investing Activities			
Decrease in time deposits due over three months	(18,847)	(24,094)	(32,059)
Increase in time deposits due over three months	19,849	15,968	28,455
Purchase of property, plant and equipment	(128,345)	(124,503)	(245,191)
Proceeds from sale of property, plant and equipment	17,692	8,074	28,918
Purchases of investments in securities, unconsolidated subsidiaries and affiliates	(469)	(10,239)	(5,366)
Proceeds from sale and redemption of investments in securities, unconsolidated subsidiaries and affiliates	4,496	3,300	2,945
Proceeds from sale of investments in consolidated subsidiaries	4,461	-	20,197
Payments from sale of investments in consolidated subsidiaries	-	-	(4,153)
Others	563	(1,075)	(3,564)
Net cash used in investing activities	(100,598)	(132,569)	(209,819)
III. Cash Flows from Financing Activities			
Increase (decrease) in short-term bank loans and commercial paper	898	37,848	1,573
Proceeds from long-term debts	51,694	12,967	64,644
Repayments of long-term debts	(14,002)	(10,047)	(54,041)
Proceeds from issuance of bonds	-	-	23,796
Redemption of bonds	(44,294)	(3,037)	(48,806)
Purchase of treasury stock	(341)	(7,248)	(606)
Dividends paid	(10,106)	(13,896)	(23,387)
Others	185	49	744
Net cash provided by (used in) financing activities	(15,966)	16,635	(36,082)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,416	(2,436)	269
V. Changes in Cash and Cash Equivalents	(3,410)	(13,424)	114
VI. Cash and Cash Equivalents at Beginning of Period	52,627	52,275	52,627
Cash and cash equivalents held by newly consolidated Subsidiaries, net of those held by deconsolidated subsidiaries	(417)	(588)	(466)
Cash and Cash Equivalents at End of Period	48,799	38,263	52,275

Notes

1. Summary of significant accounting policies

(1) Scope of Consolidation

The Company had 239 subsidiaries as of June 30, 2008 (246 as of December 31, 2007). The consolidated financial statements include the accounts of the Company and 194 (203 for December 31, 2007) of its subsidiaries. The definition of subsidiary is based on the substantive existence of controlling power.

The accounts of the remaining 45 (43 as of December 31, 2007) unconsolidated subsidiaries are excluded from the consolidated financial statements since the aggregate amounts of these subsidiaries in terms of combined assets, net sales, net income (loss) and retained earnings (accumulated deficit) are immaterial in relation to those of the consolidated financial statements of the Companies.

(2) Investments in Unconsolidated Subsidiaries and Affiliates Under the Equity Method

The Company had 45 (43 as of December 31, 2007) unconsolidated subsidiaries and 47 (47 as of December 31, 2007) affiliates as of June 30, 2008. Affiliates are defined to include those, which are 15% or more owned and those that are subject to exercise of influence over the management of the affiliates by the investor company.

The equity method is applied only to investments in major companies (32 and 31 companies at June 30, 2008 and December 31, 2007, respectively). The investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost or less, because they do not have a material effect on the consolidated financial statements.

(3) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries and Affiliates)

All the assets and liabilities of overseas consolidated subsidiaries and overseas affiliates accounted for by the equity method are translated into yen at the current exchange rates prevailing at the balance sheet dates, except common stock and additional paid-in capital accounts which are translated at the historical rates. Revenues and expenses are translated by the average exchange rates prevailing during each period. The resulting differences are recorded as “Foreign currency translation adjustments,” and “Minority Interests in Consolidated Subsidiaries”, in Net Assets in the Consolidated Balance Sheets.

(4) Translation of Foreign Currency Transactions

Revenue and expense items arising from transactions denominated in foreign currencies are translated into yen at the rates effective at the respective transaction dates.

Foreign currencies and monetary receivables and payables denominated in foreign currencies are translated into yen at the current exchange rates prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in determination of net income for the period.

(5) Valuation of Securities

Securities other than securities of subsidiaries and affiliated companies are stated at market value. Differences between market value and acquisition costs are recorded as “Unrealized gains on securities, net of tax” in Net assets. The cost of securities sold is calculated by the moving-average method. Securities without market value are stated at cost determined by the moving-average method. Debt securities that are expected to be held-to-maturity are accounted for by the amortized cost method. Declines in the value of securities, other than those which are deemed to be temporary, are reflected in current income.

(6) Inventories

Inventories are mainly stated at the lower of cost or market value, cost being determined by the moving-average method.

(7) Property, Plant and Equipment

Depreciation by the Company and its domestic consolidated subsidiaries is principally computed by the declining-balance method, at rates based on the estimated useful lives of the assets.

Depreciation by overseas consolidated subsidiaries is principally computed by the straight-line method over the estimated useful lives of the assets.

(8) Intangible Assets

Amortization of intangible assets is computed by the straight-line method, principally over a period of five years.

(9) Certain Accrued Expenses Items

Certain accrued expense items, which are essentially an estimate of amounts to be determined in future years, are provided by the Companies. The basis for recognizing such accrued expenses is as follows:

(i) Allowance for bad debts

"Allowance for bad debts" is provided for at an amount sufficient to cover possible losses on the collection of receivables by taking the historical loan loss ratio. For certain doubtful receivables, the uncollectible amounts are estimated based on a review of the collectibility of individual receivables.

(ii) Accrued bonuses to employees

"Accrued bonuses to employees" is provided for based on the estimated amount to be paid to employees after the balance sheet date for their services rendered during the current period.

(iii) Accrued bonuses to directors

"Accrued bonuses to directors " is provided for based on the estimated amount to be paid to directors after the balance sheet date for their services rendered during the current period.

(iv) Accrued retirement benefits for directors

"Accrued retirement benefits for directors" is provided for at certain domestic subsidiaries based on the estimated amount to be paid to directors under the Companies' internal rules.

(v) Reserve for rebuilding furnaces

"Reserve for rebuilding furnaces" is provided for based on estimated costs to be incurred at the next periodic special repair works on its facilities over the service period until the next repair works.

(vi) Reserve for restructuring programs

"Reserve for restructuring programs" represents reasonably estimated costs arising from additional severance compensation program related to restructuring, and the restructuring of certain businesses of the Companies.

(vii) Reserve for EU competition-law-related expenses

"Reserve for EU competition-law-related expenses" is provided for the risk arising from an alleged sales cartel in Europe for automotive glass. The amount is reasonably estimated by reference to a decision received from the European Commission on the payment of a fine relating to flat glass and its Fining Guidelines.

(10) Accounting for Retirement Benefits to Employees

Recognition of accrued retirement benefits to employees is based on actuarial valuation of projected benefit obligations and fund assets. The Prior service cost is amortized on a straight-line basis over the average remaining service period of employees (mainly 13 years), from the year when it is incurred. Actuarial gains/losses are amortized on a straight-line basis over the average remaining service period of employees (mainly 13 years), in the year subsequent to when it is incurred.

(11) Accounting for Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all Japanese domestic consumption of goods and services (with certain exemptions). The consumption tax withheld upon sale, and consumption tax paid on purchases of goods and services, are not included in the amounts of respective revenue and cost or expense items in the accompanying Consolidated Statements of Income.

(12) Income Taxes

The Company has adopted the consolidated tax return system for the calculation of income taxes. Under the consolidated tax return system, the Company consolidates all wholly owned domestic subsidiaries based on the Japanese tax regulations.

(13) Derivatives Financial Instruments

The Companies use financial instruments to reduce their exposure to market risks from fluctuations in foreign currency exchange rates, interest rates, and oil prices that may occur in the ordinary course of business.

The basic rules and policies are determined by the Board of Directors, and the results of the transactions, including balances and gains/losses, are periodically reported to management. The controls over the transaction and position balances of foreign currency derivatives are monitored by the accounting/finance departments and the controls over the transactions and position balances of commodity derivatives are monitored by the procurement department.

Hedging instruments mainly include foreign currency swap contracts, interest rate swap contracts and commodity swap contracts.

Hedging items mainly include bonds and fuel oil.

Derivatives are recorded at fair value.

(14) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

“Cash and cash equivalents” comprises cash on hand, bank deposits available for withdrawal on demand, and short-term investments due within three months or less and substantially free from any price fluctuation risk.

Segment Information

1. Business Segment

(1) First half FY2007 (January 1 to June 30, 2007) (Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
Sales to customers	428,883	208,062	151,831	17,200	805,978	-	805,978
Inter-segment sales/transfers	2,305	1,202	1,888	22,515	27,912	(27,912)	-
Total sales	431,189	209,265	153,719	39,716	833,890	(27,912)	805,978
Operating expenses	397,138	163,002	145,240	38,307	743,688	(27,972)	715,715
Operating income	34,051	46,262	8,479	1,408	90,202	60	90,262

(2) First half FY2008 (January 1 to June 30, 2008) (Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
Sales to customers	396,194	206,254	155,681	16,004	774,134	-	774,134
Inter-segment sales/transfers	1,159	1,575	1,518	24,680	28,933	(28,933)	-
Total sales	397,353	207,829	157,199	40,684	803,067	(28,933)	774,134
Operating expenses	378,740	125,649	150,226	38,844	693,461	(28,905)	664,556
Operating income	18,612	82,179	6,973	1,840	109,606	(28)	109,577

(3) FY2007 (January 1 to December 31, 2007) (Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
Sales to customers	861,348	463,690	315,601	40,598	1,681,238	-	1,681,238
Inter-segment sales/transfers	4,683	1,474	3,757	47,027	56,943	(56,943)	-
Total sales	866,031	465,164	319,359	87,625	1,738,181	(56,943)	1,681,238
Operating expenses	802,367	347,002	306,909	84,437	1,540,717	(56,930)	1,483,786
Operating income	63,663	118,162	12,449	3,188	197,464	(12)	197,452

2. Geographic Segment

(1) First half FY2007 (January 1 to June 30, 2007) (Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
(1) Sales to customers	325,088	178,203	94,292	208,393	805,978	-	805,978
(2) Inter-segment sales/transfers	101,247	34,475	5,440	4,609	145,773	(145,773)	-
Total sales	426,336	212,679	99,733	213,002	951,751	(145,773)	805,978
Operating expenses	382,122	192,361	102,191	183,180	859,856	(144,140)	715,715
Operating income (loss)	44,213	20,318	(2,458)	29,821	91,895	(1,632)	90,262

(2) First half FY2008 (January 1 to June 30, 2008) (Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
Sales to customers	319,904	193,949	65,797	194,482	774,134	-	774,134
Inter-segment sales/transfers	83,934	38,716	6,333	2,311	131,297	(131,297)	-
Total sales	403,839	232,666	72,131	196,794	905,431	(131,297)	774,134
Operating expenses	353,155	189,545	74,017	177,199	793,917	(129,361)	664,556
Operating income (loss)	50,683	43,120	(1,886)	19,595	111,513	(1,936)	109,577

(3) FY2007 (January 1 to December 31, 2007) (Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
(1) Sales to customers	689,832	385,708	182,727	422,970	1,681,238	-	1,681,238
(2) Inter-segment sales/transfers	211,121	83,453	9,125	7,376	311,077	(311,077)	-
Total sales	900,953	469,162	191,852	430,347	1,992,315	(311,077)	1,681,238
Operating expenses	805,211	409,684	199,719	371,746	1,786,362	(302,576)	1,483,786
Operating income (loss)	95,742	59,477	(7,866)	58,600	205,953	(8,501)	197,452

3. Overseas Sales

(1) First half FY2007 (January 1 to June 30, 2007) (Unit: millions of yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	190,729	94,710	206,572	12,622	504,634
Percentage of overseas sales to Consolidated sales	23.7%	11.7%	25.6%	1.6%	62.6%

(2) First half FY2008 (January 1 to June 30, 2008) (Unit: millions of yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	210,097	67,391	195,778	11,723	484,990
Percentage of overseas sales to Consolidated sales	27.1%	8.7%	25.3%	1.5%	62.6%

(3) FY2007 (January 1 to December 31, 2007) (Unit: millions of yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	425,077	185,062	416,411	29,579	1,056,130
Percentage of overseas sales to Consolidated sales	25.3%	11.0%	24.8%	1.7%	62.8%

Per Share Information

	First half FY2007 (June 30, 2007)	First half FY2008 (June 30, 2008)	FY2007 (December 31, 2007)
Net assets per share	842.21	830.70	813.28
Net income per share-basic	45.07	41.07	59.35
Net income per share-fully diluted	42.41	38.69	56.16

Notes: Net income per share was calculated on the basis of the following data.

	First half FY2007 (June 30, 2007)	First half FY2008 (June 30, 2008)	FY2007 (December 31, 2007)
Net income per share-basic			
Net income (millions of yen)	52,862	48,017	69,634
Net income not attributable to common shareholders	-	-	-
Net income attributable to common shareholders	52,862	48,017	69,634
Average number of common shares outstanding (thousands of shares)	1,172,998	1,169,129	1,173,262
Net income per share-fully diluted			
Adjustment to net income	567	568	1,140
-Interest expense, net of tax (millions of yen)	554	554	1,109
Number of increase in common shares (thousands of shares)	86,800	86,677	86,940
-Convertible bonds (thousands of shares)	86,402	86,349	86,356
-Treasury stock for stock option (thousands of shares)	15	-	-
-Warrant for stock option (thousands of shares)	382	328	584
Potential common stock with anti-dilutive effect, excluded from the computation of "Net income per share -fully-diluted".	Warrant for stock option (640 share subscription rights)	Warrant for stock option (695 share subscription rights)	Warrant for stock option(695 share subscription rights)

Supplementary Information for Consolidated Results for First half FY2008

1. Operating results for First Half FY2008 (Unit: billions of yen)

	First half FY2007	First half FY2008	FY2007
Net sales	806.0	774.1	1,681.2
Operating income	90.3	109.6	197.5
Ordinary income	94.8	95.7	187.9
Net income	52.9	48.0	69.6
Net income per share (YEN)	45.07	41.07	59.35

2. Major items (Unit: billions of yen)

	First half FY2007	First half FY2008	FY2007
Capital expenditures	116.6	119.6	231.1
Depreciation and amortization	62.1	64.8	134.7
Research and development costs	16.7	16.3	33.9
Interest expenses & dividend income	(5.7)	(3.2)	(11.0)

	First half FY2007	First half FY2008	FY2007
Interest –bearing debts	580.0	557.5	531.2
Total Net Assets	1,071.3	1,035.3	1,027.3
D/E ratio	0.54	0.54	0.52
Number of employees at end of period	56,004	50,370	49,710

3. Scope of consolidation

	First half FY2007	First half FY2008	FY2007
Number of consolidated subsidiaries	224	194	203
Number of equity method affiliates	32	32	31

(1) Newly consolidated subsidiaries: 2 companies (AGC Holdings America, Inc., etc.)
Excluded: 11 companies (Asahi Glass Mold Techno Co., Ltd. etc.)
(2) Newly equity method affiliates: 3 companies
Excluded: 2 companies

4. Outlook for FY2008 operating results (Unit: billions of yen)

	FY2008
Net sales	1,600.0
Operating income	200.0
Ordinary income	190.0
Net income	100.0
Capital expenditures	240.0
Depreciation and amortization	145.0
Research and development costs	40.0

* The above outlook is the same as that released on May 9, 2008 (release of financial results of FY2008 1st quarter)

5. Outlook for FY2008 operating results classified by business segment (Unit: billions of yen)

	Net sales			Operating income		
	Previous	Revised	Difference	Previous	Revised	Difference
Glass	810.0	815.0	5.0	50.0	34.0	(16.0)
Electronics and Display	440.0	430.0	(10.0)	137.0	152.0	15.0
Chemicals	330.0	330.0	0	10.0	11.0	1.0
Other	80.0	85.0	5.0	3.0	3.0	0
Corporate or elimination	(60.0)	(60.0)	0	0	0	0
Consolidated total	1,600.0	1,600.0	0	200.0	200.0	0

* Previous released outlook is as of May 9, 2008 (release of financial results of FY2008 1st quarter)

6. Exchange rates

	First half FY2007		First half FY2008		FY2008 (outlook)	
	Average	End of period	Average	End of period	Previous	Revised
Yen/Dollar	120.50	123.26	104.61	106.42	105	105
Yen/Euro	160.63	165.64	161.55	168.07	152	165

* Previous released outlook is as of May 9, 2008 (release of financial results of FY 2008 1st quarter)