ASAHI GLASS CO., LTD. Financial Review 2008

AGC

Financial Review 2008

For the year ended December 31, 2008

CONTENTS

CONSOLIDATED ELEVEN-YEAR SUMMARY

Asahi Glass Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2008, 2007, 2006, 2005, 2004 and for the nine-month period ended December 31, 2003;
the years ended March 31, 2003, 2002, 2001, 2000 and 1999

	2008/12	2007/12	2006/12	2005/12
Operating Results				
Net sales	**¥1,444,317**	¥1,681,238	¥1,620,540	¥1,526,660
Operating income	**154,013**	197,452	136,611	118,194
Income (loss) before income taxes and minority interests	**70,078**	102,227	38,291	82,758
Net income (loss)	**39,178**	69,634	44,997	60,014
Segment Information				
Sales to customers				
Glass operations	**¥ 738,082**	¥ 861,348	¥ 806,325	¥ 754,799
Glass operations (old)	**—**	—	—	—
Electronics and display operations	**370,576**	463,690	475,786	441,688
Electronics operations (old)	**—**	—	—	—
Chemicals operations	**299,874**	315,601	302,649	295,802
Other operations	**35,783**	40,598	35,779	34,370
Financial Position				
Total assets	**¥1,832,846**	¥2,108,089	¥2,149,546	¥2,081,926
Total current assets	**592,704**	677,119	722,824	688,432
Property, plant and equipment	**958,588**	1,053,158	1,008,116	922,630
Total current liabilities	**631,524**	644,637	618,041	587,145
Total net assets	**780,864**	1,027,341	991,751	—
Total shareholders' equity	**—**	—	—	852,684
Minority interests in consolidated subsidiaries	**49,815**	72,512	81,263	99,319
Per Share Data (Yen and U.S. Dollars)				
Net income (loss) — basic	**¥ 33.53**	¥ 59.35	¥ 38.37	¥ 51.36
Net income — fully diluted	**33.52**	56.16	36.61	48.70
Cash dividends	**24.00**	20.00	16.00	15.00
Equity	**625.51**	813.28	776.26	726.98
Other Data				
Return on equity (ROE)	**4.7%**	7.5%	5.1%	7.7%
Return on assets (ROA) (operating income base)	**7.8%**	9.3%	6.5%	6.0%
Interest-bearing debt	**¥ 597,612**	¥ 531,233	¥ 574,879	¥ 529,387
Depreciation and amortization	**135,317**	134,747	125,915	122,664
Capital expenditures	**252,147**	231,131	252,731	203,995
Research and development costs	**37,700**	33,943	30,781	31,706
Number of shares issued and outstanding (thousands)	**1,186,705**	1,186,682	1,186,013	1,185,999
Number of employees	**47,770**	49,710	54,228	56,857

Note: Interest-bearing debt comprises short-term bank loans, current maturities of long-term debt, commercial paper, bonds, long-term debt and notes receivable discounted.

Millions of Yen							Thousands of U.S. dollars
2004/12	2003/12	2003/3	2002/3	2001/3	2000/3	1999/3	**2008/12**
¥1,475,726	¥1,242,956	¥1,295,011	¥1,263,196	¥1,312,829	¥1,257,052	¥1,280,989	**$15,871,616**
139,403	83,187	67,475	58,988	111,652	60,689	43,745	**1,692,452**
134,009	85,707	5,734	(7,652)	60,433	25,767	25,643	**770,089**
78,287	53,641	(3,918)	(12,605)	24,724	13,164	5,098	**430,533**
¥ 734,653	¥ 662,322	¥ 705,344	¥ 662,203	¥ 618,492	¥ 652,323	—	**$ 8,110,798**
—	—	—	—	—	—	783,017	**—**
434,730	335,496	307,799	311,835	384,941	283,595	—	**4,072,264**
—	—	—	—	—	—	140,375	**—**
275,957	218,124	250,358	248,327	263,782	254,393	281,993	**3,295,326**
30,385	27,012	31,508	40,830	45,613	66,740	75,603	**393,227**
¥1,885,268	¥1,806,611	¥1,786,513	¥1,889,384	¥1,886,815	¥1,881,332	¥1,848,539	**$20,141,168**
648,237	582,060	549,255	555,890	582,458	693,941	723,766	**6,513,232**
853,390	810,213	798,867	817,998	762,784	745,133	730,367	**10,533,941**
549,139	489,319	569,874	588,670	633,629	606,603	633,543	**6,939,831**
—	—	—	—	—	—	—	**8,580,925**
699,139	622,798	553,835	585,975	607,000	605,210	612,404	**—**
125,308	110,709	71,999	93,842	91,948	97,845	85,764	**547,420**
¥ 66.75	¥ 45.65	¥ (3.37)	¥ (10.73)	¥ 21.04	¥ 11.20	¥ 4.34	**$ 0.37**
63.01	43.17	—	—	20.46	—	—	**0.37**
12.00	6.75	9.00	9.00	9.00	9.00	9.00	**0.26**
601.47	530.57	471.79	498.74	516.49	514.97	521.09	**6.87**
11.8%	9.1%	(0.7%)	(2.1%)	4.1%	2.2%	0.8%	**4.7%**
7.6%	4.6%	3.7%	3.1%	5.9%	3.3%	2.4%	**7.8%**
¥ 523,830	¥ 574,268	¥ 685,682	¥ 735,314	¥ 685,520	¥ 680,029	¥ 688,453	**$ 6,567,171**
132,558	99,899	108,981	109,954	97,522	94,198	93,271	**1,487,000**
164,654	110,354	98,284	130,913	93,261	90,084	93,864	**2,770,846**
32,265	27,333	30,867	28,957	28,374	26,519	29,062	**414,290**
1,175,242	1,175,242	1,175,242	1,175,242	1,175,242	1,175,242	1,175,242	**1,186,705**
56,776	55,732	53,728	48,362	48,809	43,217	—	**47,770**

The discussion and analysis herein of sales and operating income is based on segment information. Sales for business segments and geographic segments include all inter-segment transactions.

Change in Scope of Consolidation

Beginning in 2008, AGC Holdings America, Inc. and 6 other companies were included in the scope of consolidation. On the other hand, Asahi Glass Mold Techno Co., Ltd. and 17 other companies were deconsolidated due to the sale of stock and other measures taken as part of business restructuring. These changes brought the total of consolidated subsidiaries to 192.

Currency Fluctuations

The Japanese yen strengthened against the U.S. dollar and the euro during fiscal 2008. The average yen-dollar rate was ¥102.8=US$1.00, compared with ¥117.7=US$1.00 in fiscal 2007, and the average yen-euro rate was ¥152.1=1.00 euro, compared with ¥162.0=1.00 euro in the previous year.

Overview of the Period Ended December 31, 2008

■ Overview and Main Initiatives

In fiscal 2008, regarding the economic environment surrounding the AGC Group, prices of raw materials and fuels such as oil remained at a high level in the first half of the year. Also, the global economy rapidly worsened because of the aggravation of the worldwide financial crisis that originated in the United States. Reviewing the economic conditions of each region, in Japan, the economy remained quite strong until the middle of the year as a result of strong capital expenditure and consumer spending. However, the economy turned downward, affected by lower profitability caused by the stronger yen and weakened domestic and foreign demand owing to economic slowdown overseas, mainly in the United States. Business conditions after the fourth quarter of fiscal 2008 became even more serious. In Asia, although China saw its economy maintain a high growth rate, the economy started to slow down gradually after the Beijing Olympic Games. Also, ASEAN countries supported formerly by strong exports experienced an economic slowdown, affected by the weakened global economy. In Europe, although the economies in Russia and Central-Eastern Europe continued to be steady in the beginning of the year, they grew weaker after the third quarter as a result of the worsening global economy. In Western Europe, exports and capital expenditure, which led the region's economies, have slowed down, and the decline of the real economies 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 of fiscal 2008. The market for glass substrates for flat panel displays (FPDs) continued to be strong until 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 was steady, but softened in the fourth quarter.

As a result, the AGC Group posted net sales of ¥1,444.3 billion for the year, down ¥236.9 billion or 14.1% from the previous year, and operating income of ¥154.0 billion, down ¥43.4 billion or 22.0%. Net income decreased ¥30.5 billion or 43.7% to ¥39.2 billion.

■ Consolidated Net Sales

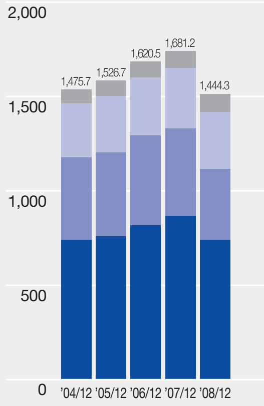
Consolidated net sales were ¥1,444.3 billion in fiscal 2008.

By business segment, the Glass Operations segment recorded sales of ¥741.3 billion in the year under review. In the Flat Glass Company, although demand remained stable in fast-growing markets such as Russia, sales in total decreased compared with the previous year, since the global economy and market slowed down. In the Automotive Glass Company, earnings also decreased from a year earlier, because of a worldwide decline in automotive production.

Sales in the Electronics and Display Operations segment were ¥372.7 billion. In the display business, despite shipments of glass substrates for FPDs significantly increasing in the first half of the year under review, overall sales for the whole year decreased from a year earlier because of the operational adjustment at panel manufacturers. In the electronics materials business, demand for photonics components continued to be steady, though sales decreased in total compared with the previous year since a decline in demand became apparent in the fourth quarter.

Sales in the Chemicals Operations segment were ¥303.1 billion. Thanks to stable market demand, orders for caustic soda products in the chlor-alkali & urethane business and shipments of water and oil repellant and fluorinated resins in the fluorochemicals & specialty chemicals business remained strong. However, overall sales for fiscal 2008 decreased because demand and price weakened in the fourth quarter.

Sales by Business Segment
(Billions of yen)



- Glass Operations
- Electronics and Display Operations
- Chemicals Operations
- Other Operations

Sales by Business Segment

	Millions of yen		
	2008/12	2007/12	2006/12
Glass Operations	**¥ 741,297**	¥ 866,031	¥ 815,335
Electronics and Display Operations	**372,700**	465,164	476,621
Chemicals Operations	**303,136**	319,359	307,606
Other Operations	**96,572**	87,625	84,123
Corporate or Elimination	**(69,389)**	(56,943)	(63,146)
Net Sales	**¥1,444,317**	¥1,681,238	¥1,620,540

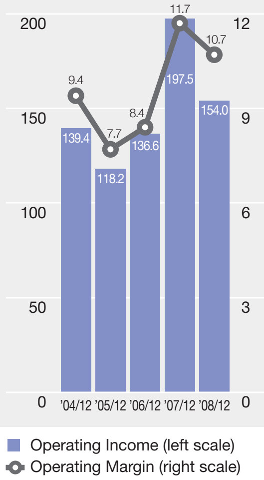
■ Income and Expenses

Cost of sales decreased ¥175.0 billion or 14.6% to ¥1,024.9 billion from the previous year. The cost-to-sales ratio stood at 71.0%, remaining at almost the same level as the previous year due to price hikes of raw materials and fuels in the first half of the year and a rapid decrease of demand in the fourth quarter with the decline of the real economy, which negated the AGC Group's cost reduction efforts.

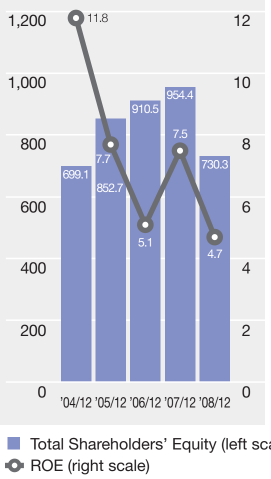
Cost of Sales and SG&A Expenses

	Millions of yen		
	2008/12	2007/12	2006/12
Cost of sales	**¥1,024,877**	¥1,199,912	¥1,217,654
Cost-to-sales ratio	**71.0%**	71.4%	75.1%
Gross profit	**419,439**	481,326	402,885
SG&A expenses	**265,426**	283,874	266,274
Percentage of net sales	**18.3%**	16.9%	16.4%

Operating Income and Operating Margin
(Billions of yen/%)



Total Shareholders' Equity and ROE
(Billions of yen/%)



Operating income, the net result of gross profit minus selling, general and administrative (SG&A) expenses, was ¥154.0 billion, down ¥43.4 billion or 22.0% year on year. The operating margin decreased 1.0 percentage point, to 10.7%.

Other expenses were a net ¥83.9 billion, compared with a net ¥95.2 billion in fiscal 2007.

Due to the business restructuring of affiliates consolidated by the equity method, equity in earnings (losses) of unconsolidated subsidiaries and affiliates for the year under review were a negative ¥0.6 billion compared to earnings of ¥3.9 billion in the previous year.

In North America, to cope with weakened demand, the AGC Group decided to stop some operations of flat glass production facilities and withdraw from the unprofitable glass fabrication business. Further, expenses for restructuring programs of ¥23.3 billion and impairment loss on long-lived assets of ¥11.9 billion were recorded, mainly because of the restructuring of the automotive glass business in Europe and North America, FPD glass substrate manufacturing business in Japan and Asia, and the electronic materials business in Japan.

In addition, as the AGC Group decided to pay the fine imposed by the European Commission concerning anticompetitive behavior in the flat glass and automotive glass sector in Europe, the reversal of provision for EU competition-law-related expenses totaled ¥3.3 billion in fiscal 2008. However, because of an increase in foreign exchange loss on revaluation of debt in foreign currency at overseas subsidiaries, the AGC Group posted ¥83.9 billion losses in net other expenses.

Income before income taxes and minority interests decreased ¥32.1 billion year on year to ¥70.1 billion. Minority interests in earnings of consolidated subsidiaries were ¥6.0 billion, compared with ¥2.5 billion in the previous year.

Consequently, net income for the year under review was ¥39.2 billion, down ¥30.5 billion or 43.7% from ¥69.6 billion in the previous year. Basic net income per share declined 43.5% year on year from ¥59.35 to ¥33.53. ROE decreased 2.8 percentage points to 4.7% and ROA on an operating income base decreased 1.5 percentage points to 7.8%.

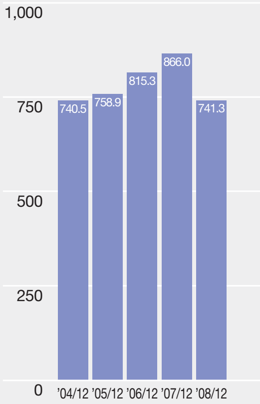
Income

	Millions of yen		
	2008/12	2007/12	2006/12
Operating income	**¥154,013**	¥197,452	¥136,611
Operating margin	**10.7%**	11.7%	8.4%
Income before income taxes and minority interests	**70,078**	102,227	38,291
Net income	**39,178**	69,634	44,997
Percentage of net sales	**2.7%**	4.1%	2.8%
Per share data (yen)			
Net income—basic	**33.53**	59.35	38.37
Net income—fully diluted	**33.52**	56.16	36.61
Return on equity (ROE)	**4.7%**	7.5%	5.1%
Return on assets (ROA) (operating income base)	**7.8%**	9.3%	6.5%

Performance by Segment

■ Glass Operations

Sales of Glass Operations
(Billions of yen)



Glass Operations comprise flat glass business and automotive glass business, which are both conducted globally, as well as Japanese domestic business involving other glass categories.

Sales in the flat glass business decreased from the previous year. In Western Europe, demand continued to weaken as the region's economies slowed down, and prices also dropped from a year earlier. Although demand remained strong in fast-growing markets such as Russia, it weakened in the fourth quarter, affected by the slowing economy. In North America, to cope with weakened demand, the AGC Group decided to stop some operations of flat glass production facilities and withdraw from the unprofitable glass fabrication business. In Japan, shipments decreased, affected by continued weak demand from the construction sector. Responding to price hikes in raw materials and fuels, 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 with an expansion of the market for solar cells.

In the automotive glass business, sales decreased from the previous year because of a decline in automotive production throughout the year in North America, from the third quarter in Europe, and from the fourth quarter in all the regions in North America, Europe, Japan and the rest of Asia.

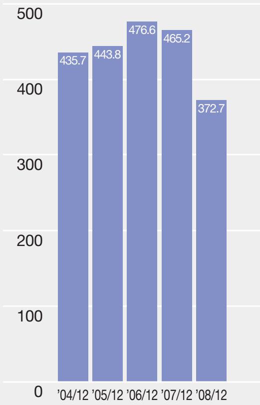
Sales of other glass businesses fell from the previous year because the AGC Group fully withdrew from the fiberglass business at the end of October 2007.

In addition, the appreciation of the yen that developed toward the end of the year was also one of the factors for a decline in the net sales of each operation.

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

■ Electronics and Display Operations

Sales of Electronics and Display Operations
(Billions of yen)



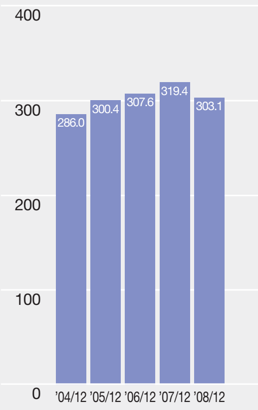
Electronics and Display Operations consist of the display business, which handles glass substrates for FPDs and CRT glass, as well as the electronics materials business.

In the display business, shipments of glass substrates for FPDs significantly increased in the first half of fiscal 2008. However, overall sales for the whole year decreased from a year earlier due to the operational adjustment at panel manufacturers; in addition, 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.

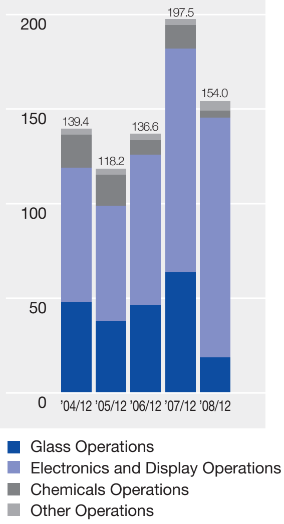
In the electronics materials business, although shipments of photonics components in particular continued to be steady in the first half of the year, they decreased as a decline in demand became apparent in the fourth quarter. Net sales of the electronics materials business as a whole decreased as a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

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

Sales of Chemicals Operations
(Billions of yen)



Operating Income by Business Segment
(Billions of yen)



■ Chemicals Operations

Chemicals Operations comprise the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomers and other chlor-alkali chemicals in addition to the basic ingredients of urethane. The fluorochemicals & specialty chemicals business consists of fluorochemicals including fluorinated resins, and fluorinated oil and water repellents, as well as specialty chemicals including liquid crystal materials and iodine-related products.

In the chlor-alkali & urethane business, sales of 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 until the middle of fiscal 2008, though the demand declined and the price weakened in the fourth quarter.

In the fluorochemicals & specialty chemicals business, although shipments of water and oil repellant and fluorinated resins remained strong, demand rapidly declined in the fourth quarter.

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 Chemicals Operations for the year decreased ¥16.2 billion or 5.1% from the previous year to ¥303.1 billion, and operating income decreased ¥8.6 billion or 69.0% to ¥3.9 billion.

■ Other Operations

Other Operations consist of the ceramics business as well as a variety of service-related businesses, including logistics and engineering services.

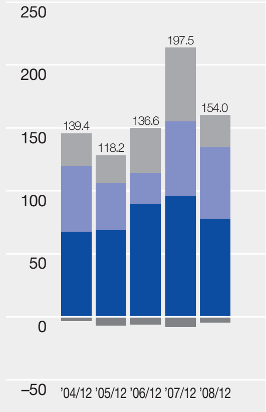
In the ceramics business, earnings remained steady thanks to strong demand both in the glass engineering sector and the environmental energy sector.

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

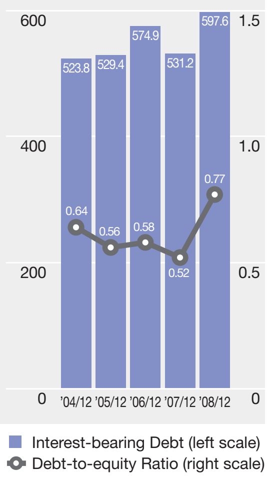
Sales and Income by Business Segment

	Millions of yen		
	2008/12	2007/12	2006/12
Glass Operations			
Sales	**¥741,297**	¥866,031	¥815,335
Operating income	**18,678**	63,663	46,485
Operating margin	**2.5%**	7.4%	5.7%
Electronics and Display Operations			
Sales	**372,700**	465,164	476,621
Operating income	**126,585**	118,162	79,193
Operating margin	**34.0%**	25.4%	16.6%
Chemicals Operations			
Sales	**303,136**	319,359	307,606
Operating income	**3,857**	12,449	7,843
Operating margin	**1.3%**	3.9%	2.5%
Other Operations			
Sales	**96,572**	87,625	84,123
Operating income	**5,017**	3,188	3,303
Operating margin	**5.2%**	3.6%	3.9%

Operating Income (Loss) by Geographic Segment
(Billions of yen)



Interest-bearing Debt and Debt-to-equity Ratio
(Billions of yen/Times)



* Debt-to-equity Ratio=Interest-bearing Debt/Net Assets

Sales and Income (Loss) by Geographic Segment

	Millions of yen		
	2008/12	2007/12	2006/12
Japan			
Sales	**¥810,836**	¥900,953	¥913,246
Operating income	**77,707**	95,742	89,723
Operating margin	**9.6%**	10.6%	9.8%
Asia			
Sales	**419,099**	469,162	436,332
Operating income	**56,947**	59,477	24,622
Operating margin	**13.6%**	12.7%	5.6%
The Americas			
Sales	**128,057**	191,852	205,390
Operating loss	**(4,352)**	(7,866)	(6,183)
Operating margin	**(3.4%)**	(4.1%)	(3.0%)
Europe			
Sales	**355,278**	430,347	365,907
Operating income	**25,745**	58,600	35,374
Operating margin	**7.2%**	13.6%	9.7%

Assets, Liabilities and Net Assets

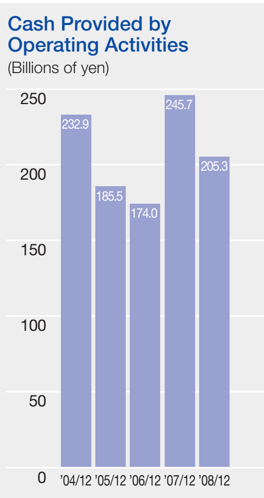
We continue to adhere to a policy of maintaining appropriate liquidity, securing the funds necessary to conduct our operations and ensuring the soundness of our balance sheet. With the aim of facilitating the stable procurement of long-term funds, we have obtained an A rating from Standard & Poor's, an A1 rating from Moody's Investors Service and an AA rating from Rating and Investment Information, Inc.

Total assets as of the end of fiscal 2008 were ¥1,832.8 billion, down ¥275.2 billion from the previous year. This fall is mainly because of a decrease in the yen translated amount of total assets held by the AGC Group's overseas subsidiaries as a result of a stronger yen, and also a decrease in investments in securities caused by sliding prices of listed stocks despite increasing capital expenditures in manufacturing facilities for TFT LCD glass substrates, as well as facilities of flat glass in Europe.

Total liabilities as of the end of fiscal 2008 were ¥1,052.0 billion, down ¥28.8 billion from the end of the previous year. This decline is chiefly attributable to a decrease in the yen translated amount of total liabilities held by the AGC Group's overseas subsidiaries, as a result of a stronger yen, in spite of increased interest-bearing debts associated with capital expenditures.

Total net assets as of the end of fiscal 2008 were ¥780.9 billion, down ¥246.5 billion from the end of the previous year. This drop chiefly reflects a sharp decrease in foreign currency translation adjustments as a result of a stronger yen, as well as a fall in unrealized gains on securities, net of tax, caused by a price drop of listed stocks, despite an increase in retained earnings in line with net income for the period under review.

As a consequence of the above, the equity ratio of fiscal 2008 declined 5.5 percentage points from 45.3% to 39.8%. Total shareholders' equity per share decreased from the previous year to ¥625.51.



Assets, Liabilities and Net Assets

	Millions of yen		
As of	**2008/12**	2007/12	2006/12
Total assets	**¥1,832,846**	¥2,108,089	¥2,149,546
Total current assets	**592,704**	677,119	722,824
Inventories	**227,106**	237,686	248,231
Investments and advances	**190,463**	304,093	337,179
Total current liabilities	**631,524**	644,637	618,041
Interest-bearing debt (includes notes receivable discounted)	**597,612**	531,233	574,879
Total net assets	**780,864**	1,027,341	991,751
Equity ratio	**39.8%**	45.3%	42.4%
Equity per share (yen)	**625.51**	813.28	776.26
Debt-to-equity ratio (times)	**0.77**	0.52	0.58

Cash Flows

Cash and cash equivalents (hereinafter "cash") at December 31, 2008 amounted to ¥59.8 billion, an increase of ¥7.5 billion from ¥52.3 billion at the end of the previous year.

■ Cash Flows from Operating Activities

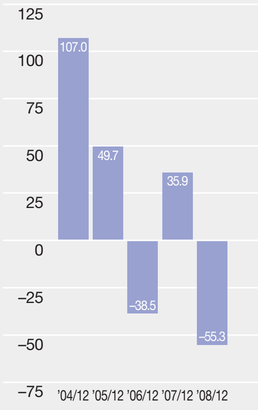
Net cash provided by operating activities was ¥205.3 billion for the year under review, down ¥40.5 billion from the previous year. This drop is mainly because payments of income taxes increased compared to the previous year when there was a refund of income taxes.

■ Cash Flows from Investing Activities

Net cash used in investing activities increased ¥50.7 billion year on year to ¥260.5 billion. During the year under review, the AGC Group mainly made capital expenditures in manufacturing facilities for TFT LCD glass substrates, as well as facilities of the glass operations in Europe.

As a result, free cash flows for the year under review, which is the sum of cash flows from operating activities and investing activities, decreased ¥91.2 billion from the previous year to a negative ¥55.3 billion.

Free Cash Flow
(Billions of yen)



■ Cash Flows from Financing Activities

Net cash provided by financing activities for the year under review was ¥73.6 billion, up ¥109.6 billion from the previous year. This rise mainly reflects an increase in borrowings, in spite of the redemption of the 5th unsecured convertible bond of the Company.

Summary Cash Flow Statement

	Millions of yen		
	2008/12	2007/12	2006/12
Net cash provided by operating activities	**¥ 205,270**	¥ 245,748	¥ 173,997
Income before income taxes and minority interests	**70,078**	102,227	38,291
Depreciation and amortization	**135,317**	134,747	125,915
Net cash used in investing activities	**(260,526)**	(209,819)	(212,477)
Purchases of property, plant and equipment	**(254,205)**	(245,191)	(242,121)
Free cash flow	**(55,255)**	35,928	(38,480)
Net cash provided by (used in) financing activities	**73,558**	(36,082)	35,880
Redemption of bonds	**(110,068)**	(48,806)	(11,420)
Effect of exchange rate changes on cash and cash equivalents	**(10,325)**	269	1,553
Changes in cash and cash equivalents	**7,977**	114	(1,046)
Cash and cash equivalents at beginning of year	**52,275**	52,627	54,006
Cash and cash equivalents held by newly consolidated subsidiaries, net of those held by deconsolidated subsidiaries	**(480)**	(466)	(332)
Cash and cash equivalents at end of year	**59,772**	52,275	52,627

Risks Associated With Operations

Set out below are the risks associated with the AGC Group's operations and other risks that may materially influence the decisions of investors to invest in the AGC Group. However, the description does not include all possible risks relating to the AGC Group and there may exist additional risks not stated below. Any such risks are also likely to influence investors' decisions.

Future matters contained in this statement are based on information available as of March 27, 2009.

(1) Economic status of the markets in which the AGC Group's products are sold

Demand for the AGC Group's products is impacted by trends in such industries as construction and building materials, automobile, electronics and display. The AGC Group's products are supplied throughout the world, for example in the United States, Asia and Europe, as well as Japan, and sales are therefore influenced by local economies. Although the AGC Group is working hard to build an earnings structure that is not impacted by changes in the business environment, by improving productivity and reducing fixed and variable costs, its performance and financial state is susceptible to declining demand from the industries mentioned as well as overall economic downturns in the regions where its products are primarily sold.

(2) High dependence on Electronics and Display Operations

In the year through December 2008, operating income of Electronics and Display Operations accounted for 82.2% of the AGC Group's total operating income, denoting a heavy reliance on this sector for revenue. Earnings from these operations tend to fluctuate substantially, and losses cannot always be offset by income from other operations. This has the potential to significantly impact the AGC Group's performance and financial position.

(3) Expansion of operations overseas

The AGC Group has substantial operations overseas, through exports of products and manufacturing abroad. The risks associated with operating abroad include deteriorating political and economic situations, the imposition of regulations on imports and foreign investment, unexpected changes in laws, the worsening of public security, and the occurrence of terrorist attacks and war. These events may hinder the AGC Group's operations overseas and have a serious effect on its performance and financial position.

(4) Competitive edge, and development and commercialization of new technologies and products

In every field in which the AGC Group engages, there are competitors supplying products similar to those of the AGC Group. Accordingly, to maintain its competitive edge, the AGC Group is striving to identify the needs of customers, and to develop and commercialize new technologies and products. However, should the AGC Group fail to appropriately respond to technical changes and customer needs or take too long to develop and commercialize new technologies and products, growth would be hampered and profitability would decline. This may significantly impact the AGC Group's performance and financial position.

(5) Procurement of production materials and resources

Because the AGC Group partially uses special materials, suppliers of which are limited, if supply tightens or is delayed, the AGC Group's performance and financial position may be greatly affected.

(6) Government regulations

In the countries and regions where it operates, the AGC Group is subject to the approval and authorization of local governments with respect to investments, regulations on exports and imports, as well as laws governing commercial transactions, labor, patents, taxation, foreign exchanges, and other issues. Consequently, amendments to these regulations and laws may significantly influence the AGC Group's performance and financial position.

(7) Environmental regulations

The AGC Group engages primarily in glass and chemicals operations, which are characterized by a heavy environmental impact because they consume a great quantity of resources and energy. Recognizing this, the AGC Group is making great efforts to reduce the environmental impact by improving facilities, establishing related management systems, and raising production efficiency by decreasing unit resource consumption and unit energy consumption. However, if environmental regulations become more stringent and the public calls for greater corporate responsibility in environmental protection, the AGC Group's performance and financial position may be significantly impacted.

(8) Product liability

The AGC Group is making every effort to ensure that products are of the highest quality, according to their individual characteristics. Despite these efforts, the possibility remains that unexpected quality problems may occur because of unanticipated factors developing, prompting a major recall. This could substantially influence the AGC Group's performance and financial position.

(9) Intellectual property rights

The AGC Group endeavors to acquire intellectual property rights that appear useful for its present business activities and future operations alike, while investigating the rights of other firms, in order to prevent intellectual property issues from arising. However, there is the possibility that the AGC Group will enter into disputes with other firms over intellectual property or that other firms will infringe the AGC Group's intellectual property rights. This has the potential to materially influence the AGC Group's performance and financial position.

(10) Litigation

AGC and its European subsidiary AGC Flat Glass Europe S.A. decided to pay the fine imposed by the European Commission concerning anticompetitive behavior in the flat glass sector in Europe.

With respect to the subject above, civil lawsuits have been filed against the AGC Group in the United States and Canada, while the effect of the lawsuit on its performance and financial position is uncertain.

There is always a risk that other firms, corporate groups, or individuals may take legal action against the AGC Group with respect to its operations at home and abroad. During the fiscal period under review, there were some legal actions pending that might cause a significantly negative effect on the AGC Group's operations. If a major lawsuit is filed against the AGC Group, its performance and financial position may be significantly impacted.

(11) Effect of natural disasters and accidents

To minimize the adverse impact on business caused by the suspension of production, the AGC Group regularly conducts inspections of all facilities for maintenance purposes and to prevent potential damage from a disaster. But there is no guarantee that the effects of disasters occurring at manufacturing facilities (including earthquakes, power outages, and other disruptions) can be completely eliminated or mitigated.

Given that some of the AGC Group's products cannot be replaced by alternatives, should production cease at some facilities temporarily or for the long term because of a major earthquake or other incident, the AGC Group's ability to manufacture such products is likely to sharply decline. Should this occur, the AGC Group's performance and financial position may be greatly affected.

(12) Exchange rate fluctuations

The AGC Group manufactures and sells products worldwide, and converts transaction accounts in local currencies, including sales, costs, and assets, into Japanese yen when preparing consolidated financial statements. Even if the values of these items remain unchanged in local currency terms, they may change when converted into Japanese yen depending on exchange rates. The Japanese yen's appreciation against other currencies (particularly the U.S. dollar and the euro, which account for a considerable percentage of the AGC Group's sales) generally has a negative affect on the AGC Group's earnings, while the depreciation of the Japanese yen exerts a favorable influence.

The AGC Group also manufactures products at its facilities worldwide, including Japan, and exports the products to a number of countries. The AGC Group generally procures raw materials and sells products in the local currency of each country/region. Accordingly, fluctuations in exchange rates influence the prices of materials the AGC Group procures and the pricing policy for its products, and this impacts the AGC Group's performance, financial position and future earnings.

(13) Retirement benefit obligations

The AGC Group calculates costs for employee retirement benefits and obligations based on an actuarial assumption of the returns on pension funds and a specific discount rate. If the actuarial assumption and results diverge substantially because of deterioration in the market environment for pension fund management, future costs for retirement benefits will increase, and this may seriously impact the AGC Group's performance and financial position.

(14) Decline in asset values of fixed assets

If the asset values of the AGC Group's owned fixed assets were to decline because of a drop in market values or profitability, the AGC Group's performance and financial position may be substantially impacted.

CONSOLIDATED BALANCE SHEETS

Asahi Glass Co., Ltd. and Consolidated Subsidiaries
As of December 31, 2008 and 2007

ASSETS	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Current Assets:			
Cash on hand and in banks	**¥ 83,774**	¥ 82,399	**$ 920,597**
Trade notes and accounts receivable (Note 7)	**208,599**	286,460	**2,292,297**
Inventories (Note 4)	**227,106**	237,686	**2,495,672**
Prepaid expenses	**8,006**	5,875	**87,980**
Deferred income taxes (Note 10)	**19,836**	15,231	**217,978**
Other current assets	**50,557**	55,579	**555,578**
Less: Allowance for bad debts	**(5,175)**	(6,114)	**(56,872)**
Total current assets	**592,704**	677,119	**6,513,232**
Investments and Advances:			
Investments in securities (Notes 6 and 8)	**131,320**	243,829	**1,443,084**
Investments in unconsolidated subsidiaries and affiliates	**41,470**	43,513	**455,718**
Other investments and advances	**17,672**	16,751	**194,200**
	190,463	304,093	**2,093,003**
Property, Plant and Equipment (Notes 5 and 8)**:**			
Land	**94,764**	112,100	**1,041,364**
Buildings and structures	**524,936**	578,114	**5,768,534**
Machinery and equipment	**1,510,950**	1,710,985	**16,603,850**
Construction in progress	**131,786**	124,209	**1,448,204**
	2,262,437	2,525,409	**24,861,954**
Less: Accumulated depreciation	**(1,303,849)**	(1,472,251)	**(14,328,012)**
	958,588	1,053,158	**10,533,941**
Other Assets:			
Deferred income taxes (Note 10)	**46,136**	24,992	**506,994**
Deferred charges and other	**27,284**	28,699	**299,828**
Less: Allowance for bad debts	**(1,807)**	(2,434)	**(19,860)**
	71,613	51,257	**786,962**
Goodwill, Net	**19,476**	22,460	**214,028**
Total Assets	**¥ 1,832,846**	¥ 2,108,089	**$ 20,141,168**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Current Liabilities:			
Short-term bank loans (Note 8)	**¥ 198,842**	¥ 97,076	**$ 2,185,085**
Current maturities of long-term debt (Note 8)	**56,007**	124,894	**615,469**
Commercial paper (Note 8)	**35,562**	12,561	**390,798**
Trade notes and accounts payable (Note 7)	**165,394**	176,946	**1,817,520**
Other accounts payable	**29,740**	38,681	**326,818**
Accrued expenses	**29,507**	21,864	**324,253**
Income taxes payable (Note 10)	**10,573**	40,317	**116,194**
Accrued bonuses to employees	**7,392**	7,888	**81,234**
Accrued bonuses to directors	**170**	179	**1,876**
Deferred income taxes (Note 10)	**1,197**	471	**13,157**
Reserve for restructuring programs	**1,140**	8,072	**12,536**
Reserve for EU competition-law-related expenses	**14,523**	33,332	**159,598**
Other current liabilities	**81,471**	82,350	**895,287**
Total current liabilities	**631,524**	644,637	**6,939,831**
Non-current Liabilities:			
Long-term debt (Note 8)	**323,029**	317,707	**3,549,771**
Accrued retirement benefits for employees (Note 9)	**59,784**	60,773	**656,970**
Accrued retirement benefits for directors	**427**	436	**4,703**
Reserve for rebuilding furnaces	**18,747**	18,248	**206,020**
Reserve for restructuring programs	**5,013**	7,434	**55,089**
Deferred income taxes (Note 10)	**13,454**	31,509	**147,856**
Total non-current liabilities	**420,457**	436,110	**4,620,412**

Commitments and Contingent Liabilities (Note 12)

(Continued on following page.)

NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Shareholders' Equity:			
Common stock—no par value			
Authorized: 2,000,000,000 shares at December 31, 2008 and 2007			
Issued and outstanding: 1,186,705,905 shares at December 31, 2008 and 1,186,682,105 shares at December 31, 2007	**90,873**	90,859	**998,608**
Additional paid-in capital	**96,961**	96,948	**1,065,515**
Retained earnings (Note 14)	**660,237**	633,421	**7,255,357**
Less: Treasury stock, at cost, 19,048,781 shares at December 31, 2008 and 13,123,716 shares at December 31, 2007 (Note 14)	**(21,140)**	(14,034)	**(232,308)**
Total shareholders' equity	**826,932**	807,195	**9,087,172**
Valuation and Translation Adjustments:			
Unrealized gains on securities, net of tax	**25,328**	102,028	**278,336**
Deferred gains or losses on hedges, net of tax	**(3,805)**	2,034	**(41,814)**
Land revaluation reserve	**62**	62	**685**
Foreign currency translation adjustments	**(118,142)**	43,115	**(1,298,270)**
Total valuation and translation adjustments	**(96,556)**	147,240	**(1,061,062)**
Share Subscription Rights (Note 14)	**672**	392	**7,394**
Minority Interests in Consolidated Subsidiaries	**49,815**	72,512	**547,420**
Total net assets	**780,864**	1,027,341	**8,580,925**
Total Liabilities and Net Assets	**¥ 1,832,846**	¥ 2,108,089	**$ 20,141,168**

CONSOLIDATED STATEMENTS OF INCOME

Asahi Glass Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net Sales	¥1,444,317	¥1,681,238	$15,871,616
Cost of Sales (Note 13)	1,024,877	1,199,912	11,262,391
Gross profit	419,439	481,326	4,609,225
Selling, General and Administrative Expenses (Note 13)	265,426	283,874	2,916,773
Operating income	154,013	197,452	1,692,452
Other Income (Expenses):			
Interest and dividend income	7,271	7,468	79,909
Interest expenses	(14,469)	(18,484)	(159,001)
(Loss) gain on sale and disposal of properties, net	(2,415)	1,341	(26,539)
Impairment loss on long-lived assets (Note 5)	(11,920)	(19,055)	(130,999)
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(629)	3,869	(6,914)
(Loss) gain on sale of investments in subsidiaries	(235)	10,133	(2,587)
Gain on sale of investments in securities, unconsolidated subsidiaries and affiliates (Note 6)	658	4,286	7,236
Exchange loss, net	(30,302)	(2,339)	(332,996)
Expenses for restructuring programs	(23,276)	(44,115)	(255,787)
Reversal of provision for EU competition-law-related expenses	3,269	—	35,928
Provision for EU competition-law-related expenses	—	(32,398)	—
Other, net	(11,885)	(5,931)	(130,610)
Income before income taxes and minority interests	70,078	102,227	770,089
Income Taxes (Notes 2 (13) and 10)**:**			
Current	23,096	51,479	253,802
Deferred	1,818	(21,347)	19,985
	24,914	30,132	273,788
Minority Interests in Earnings of Consolidated Subsidiaries	5,984	2,460	65,767
Net Income	¥ 39,178	¥ 69,634	$ 430,533

	In exact yen		In exact U.S. dollars
Per Common Share (Notes 2 (16) and 15)**:**			
Net income—basic	¥33.53	¥59.35	$0.37
Net income—fully diluted	33.52	56.16	0.37
Cash dividends	24.00	20.00	0.26

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (NOTE 14)

Asahi Glass Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2008 and 2007

	Thousands	Millions of yen				
		Shareholders' equity				
	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at December 31, 2006	1,186,013	¥90,480	¥96,569	¥583,176	¥(13,802)	¥756,424
Conversion of convertible bonds	668	378	378	—	—	757
Dividends declared	—	—	—	(21,118)	—	(21,118)
Net income	—	—	—	69,634	—	69,634
Acquisition 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 change other than shareholders' equity	—	—	—	—	—	—
Balance at December 31, 2007	1,186,682	¥90,859	¥96,948	¥633,421	¥(14,034)	¥807,195

	Thousands	Millions of yen				
		Shareholders' equity				
	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at December 31, 2007	**1,186,682**	**¥90,859**	**¥96,948**	**¥633,421**	**¥(14,034)**	**¥807,195**
Conversion of convertible bonds	**23**	**13**	**13**	**—**	**—**	**26**
Dividends declared	**—**	**—**	**—**	**(25,747)**	**—**	**(25,747)**
Net income	**—**	**—**	**—**	**39,178**	**—**	**39,178**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**(7,422)**	**(7,422)**
Disposal of treasury stock	**—**	**—**	**—**	**(69)**	**316**	**246**
Increase due to change of accounting standards at European subsidiaries	**—**	**—**	**—**	**13,454**	**—**	**13,454**
Net change other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**
Balance at December 31, 2008	**1,186,705**	**¥90,873**	**¥96,961**	**¥660,237**	**¥(21,140)**	**¥826,932**

	Thousands	Thousands of U.S. dollars				
		Shareholders' equity				
	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at December 31, 2007	**1,186,682**	**$998,460**	**$1,065,367**	**$6,960,677**	**$(154,223)**	**$8,870,281**
Conversion of convertible bonds	**23**	**148**	**148**	**—**	**—**	**296**
Dividends declared	**—**	**—**	**—**	**(282,942)**	**—**	**(282,942)**
Net income	**—**	**—**	**—**	**430,533**	**—**	**430,533**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**(81,562)**	**(81,562)**
Disposal of treasury stock	**—**	**—**	**—**	**(765)**	**3,476**	**2,711**
Increase due to change of accounting standards at European subsidiaries	**—**	**—**	**—**	**147,853**	**—**	**147,853**
Net change other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**
Balance at December 31, 2008	**1,186,705**	**$998,608**	**$1,065,515**	**$7,255,357**	**$(232,308)**	**$9,087,172**

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen							
	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	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	¥123,312	¥(1,038)	¥63	¥31,724	¥154,062	¥ 1	¥81,263	¥ 991,751
	—	—	—	—	—	—	—	757
	—	—	—	—	—	—	—	(21,118)
	—	—	—	—	—	—	—	69,634
	—	—	—	—	—	—	—	(606)
	—	—	—	—	—	—	—	370
	—	—	—	—	—	—	—	1
	—	—	—	—	—	—	—	1,731
	(21,283)	3,072	(1)	11,390	(6,821)	391	(8,750)	(15,180)
	¥102,028	¥ 2,034	¥62	¥43,115	¥147,240	¥392	¥72,512	¥1,027,341

	Millions of yen							
	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	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	¥102,028	**¥ 2,034**	**¥62**	**¥ 43,115**	**¥147,240**	**¥392**	**¥ 72,512**	**¥1,027,341**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**26**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**(25,747)**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**39,178**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**(7,422)**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**246**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**13,454**
	(76,700)	**(5,839)**	**—**	**(161,257)**	**(243,797)**	**280**	**(22,697)**	**(266,214)**
	¥25,328	**¥(3,805)**	**¥62**	**¥(118,142)**	**¥ (96,556)**	**¥672**	**¥ 49,815**	**¥ 780,864**

	Thousands of U.S. dollars							
	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	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	$1,121,196	**$ 22,353**	**$685**	**$ 473,794**	**$1,618,030**	**$4,315**	**$ 796,844**	**$11,289,471**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**296**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**(282,942)**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**430,533**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**(81,562)**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**2,711**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**147,853**
	(842,860)	**(64,168)**	**—**	**(1,772,064)**	**(2,679,093)**	**3,078**	**(249,423)**	**(2,925,438)**
	$ 278,336	**$(41,814)**	**$685**	**$(1,298,270)**	**$(1,061,062)**	**$7,394**	**$ 547,420**	**$ 8,580,925**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Glass Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 70,078	¥ 102,227	$ 770,089
Depreciation and amortization	135,317	134,747	1,487,000
Impairment loss on long-lived assets	11,920	19,055	130,999
Amortization of goodwill	1,971	2,302	21,665
(Decrease) increase in reserves	(21,663)	26,598	(238,064)
Interest and dividend income	(7,271)	(7,468)	(79,909)
Interest expenses	14,469	18,484	159,001
Exchange loss, net	23,872	785	262,330
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	629	(3,869)	6,914
Gain (loss) on sale of investments in securities, unconsolidated subsidiaries, affiliates and properties, etc., net	2,017	(14,995)	22,164
Decrease (increase) in trade notes and accounts receivable	45,590	(22,192)	500,992
Increase in inventories	(22,849)	(2,363)	(251,090)
Increase in trade notes and accounts payable	5,533	18,526	60,807
Others	7,445	(9,248)	81,820
Subtotal	267,059	262,591	2,934,720
Interest and dividends received	8,626	8,972	94,797
Interest paid	(14,670)	(18,537)	(161,212)
Income taxes paid	(59,022)	(24,920)	(648,603)
Income taxes refunded	3,278	17,642	36,023
Net cash provided by operating activities	205,270	245,748	2,255,724
Cash Flows from Investing Activities:			
Decrease in time deposits due over three months	(52,572)	(32,059)	(577,717)
Increase in time deposits due over three months	46,084	28,455	506,428
Purchases of property, plant and equipment	(254,205)	(245,191)	(2,793,472)
Proceeds from sale of property, plant and equipment	8,731	28,918	95,951
Purchases of investments in securities, unconsolidated subsidiaries and affiliates	(12,118)	(5,366)	(133,172)
Proceeds from sale and redemption of investments in securities, unconsolidated subsidiaries and affiliates	4,619	2,945	50,762
Proceeds from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation	—	20,197	—
Payments from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation	—	(4,153)	—
Others	(1,065)	(3,564)	(11,704)
Net cash used in investing activities	(260,526)	(209,819)	(2,862,925)
Cash Flows from Financing Activities:			
Increase in short-term bank loans and commercial paper	145,593	1,573	1,599,927
Proceeds from long-term debts	88,997	64,644	977,999
Repayments of long-term debts	(15,293)	(54,041)	(168,055)
Proceeds from issuance of bonds	—	23,796	—
Redemption of bonds	(110,068)	(48,806)	(1,209,545)
Purchase of treasury stock	(7,491)	(606)	(82,327)
Dividends paid	(25,747)	(21,125)	(282,942)
Others	(2,431)	(1,516)	(26,724)
Net cash provided by (used in) financing activities	73,558	(36,082)	808,331
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(10,325)	269	(113,464)
Changes in Cash and Cash Equivalents	7,977	114	87,667
Cash and Cash Equivalents at Beginning of Year	52,275	52,627	574,460
Cash and Cash Equivalents Held by Newly Consolidated Subsidiaries, Net of Those Held by Deconsolidated Subsidiaries	(480)	(466)	(5,283)
Cash and Cash Equivalents at End of Year (Note 2 (17))	¥ 59,772	¥ 52,275	$ 656,844

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Basis of Presentation

The accompanying consolidated financial statements of Asahi Glass Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, referred to as the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto, represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥91=US$1, the approximate exchange rate at the balance sheet date. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at ¥91=US$1 or at any other rate.

Amounts less than one million yen and one thousand U.S. dollars have been rounded down. The total Japanese yen and U.S. dollars amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 238 subsidiaries as of December 31, 2008 (246 as of December 31, 2007). The consolidated financial statements include the accounts of the Company and 192 (203 as of December 31, 2007) of its subsidiaries. The definition of subsidiary is based on the substantive existence of controlling power. The major subsidiaries, which have been consolidated with the Company, are listed below:

	Country/region of incorporation (i)	Direct and indirect ownership percentage (ii)	Paid-in capital (millions)
AGC Ceramics Co., Ltd.		100.0%	¥3,500
AGC Display Glass Yonezawa Co., Ltd.		100.0	¥400
AGC Electronics Co., Ltd.		100.0	¥460
AGC Finance Co., Ltd.		100.0	¥800
AGC Logistics Co., Ltd.		100.0	¥100
AGC Techno Glass Corporation		100.0	¥7,233
Ise Chemicals Corporation		53.2	¥3,599
AGC America, Inc.	U.S.A.	100.0	US$859
AGC Capital, Inc.	U.S.A.	100.0	US$20
AGC Display Glass Taiwan Co., Ltd.	Taiwan	100.0	NT$2,520
AGC Flat Glass Europe S.A. (iii)	Belgium	100.0	€199
AGC Flat Glass North America, Inc. (iv)	U.S.A.	100.0	US$959
AGC Flat Glass Thailand Public Co., Ltd.	Thailand	98.7	BAHT2,580
Asahi Glass Fine Techno Korea Co., Ltd.	South Korea	100.0	WON87,000
Hankuk Electric Glass Co., Ltd.	South Korea	51.5	WON40,366
Hanwook Techno Glass Co., Ltd.	South Korea	100.0	WON3,900
P.T. Asahimas Chemical	Indonesia	52.5	US$42

(i) If other than Japan
(ii) As of December 31, 2008
(iii) Includes 73 companies consolidated by AGC Flat Glass Europe S.A.
(iv) Includes 18 companies consolidated by AGC Flat Glass North America, Inc.
Note: All of the consolidated subsidiaries use a fiscal year ending December 31 of each year.

The accounts of the remaining 46 (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) Principles of Consolidation

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated. At December 31, 2008 and 2007, the financial year-end of all the consolidated subsidiaries matches that of the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill is principally amortized over a period of 20 years on a straight-line basis.

Legal reserves of consolidated subsidiaries provided subsequent to the acquisition of such subsidiaries are included in retained earnings and are not shown separately in the consolidated financial statements.

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

The Company had 46 (43 as of December 31, 2007) unconsolidated subsidiaries and 46 (47 as of December 31, 2007) affiliates as of December 31, 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 (29 and 31 companies at December 31, 2008 and 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.

(4) 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 Japanese 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.

(5) Translation of Foreign Currency Transactions

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

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

(6) 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 principally 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.

(7) Inventories

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

(8) 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.

(Supplementary information)

In accordance with the changes of tax code introduced in the 2007 tax reform, concerning the depreciation of fixed assets acquired on or after April 1, 2007, the method of computing depreciation expenses have been changed to the new regulation. The effect of this change on net income is minor.

(9) Intangible Assets

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

(10) Certain Accrued Expense 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 the 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 to prepare for paying a fine in regards to anticompetitive behavior in Europe. The amount is based on reference to a decision made by the European Commission concerning payment of the fine.

(11) 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.

(12) 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.

(13) 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.

(14) Derivative 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.

Hedged items mainly include bonds, bank loans and fuel oil.

Derivatives are recorded at fair value.

(15) Appropriation of Retained Earnings

Under the Japanese Corporate Law and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors is subject to approval by the shareholders at a meeting, which shall be held within three months of the end of each financial year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements include the results of such appropriations applicable to the immediately preceding financial year as approved at the shareholders' meeting, and effected, during the relevant year. Dividends are paid to shareholders on the shareholders' register at the end of each financial year.

(16) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each financial year, adjusted for subsequent free distribution of shares (stock splits).

Diluted net income per share is computed based on the assumption that the convertible bonds, treasury stock for stock options and warrants for stock options were fully converted into common stock on the date of issuance or at the beginning of the respective years subsequent to the issuance, with appropriate adjustments of related interest expenses (net of tax).

Cash dividends per share shown for each reporting period in the accompanying Consolidated Statements of Income represent dividends approved or declared as applicable to the respective reporting periods.

(17) 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.

Cash and cash equivalents at December 31, 2008 and 2007 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Cash on hand and in banks	**¥ 83,774**	¥ 82,399	**$ 920,597**
Negotiable certificate of deposit included in other current assets	**—**	2,000	**—**
Short-term loans receivable included in other current assets	**1,699**	629	**18,673**
	85,473	85,028	**939,270**
Less: Time deposits due over three months	**(25,700)**	(32,752)	**(282,426)**
	¥ 59,772	¥ 52,275	**$ 656,844**

(18) Accounting Standard for Business Combinations

Effective from the year ended December 31, 2007, the Company adopted "Accounting Standard for Business Combinations" (Statement of Opinion issued by the Business Accounting Council of Japan on October 31, 2003), "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for business combinations and business divestitures (the Financial Accounting Standard Implementation Guidance No.10 lastly updated by the Accounting Standards Board of Japan on December 22, 2006).

Note 3: Reclassification and Restatement

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications and restatement had no impact on previously reported results of operations.

Note 4: Inventories

Inventories as of December 31, 2008 and 2007 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Finished goods	**¥106,800**	¥108,252	**$1,173,630**
Raw materials	**48,217**	54,528	**529,867**
Work in process	**49,575**	46,781	**544,787**
Repair parts and supplies	**22,512**	28,124	**247,386**
	¥227,106	¥237,686	**$2,495,672**

Note 5: Impairment of Long-Lived Assets

The Company adopts accounting for impairment of long-lived assets, namely property, plant and equipment, and goodwill. The Companies, as a general rule, categorize operating assets by business unit, whereas idle assets are assigned to a particular asset group on an individual basis. For the year ended December 31, 2008, the Companies marked down the book value of asset groups where there had been a significant decline in profitability and value to the recoverable amount and recorded impairment losses of ¥24,547 million ($269,751 thousand) on long-lived assets under the Other Expenses section. ¥12,626 million ($138,751 thousand) of the ¥24,547 million ($269,751 thousand) is recorded as "Expenses for restructuring programs." With respect to operating assets, the Companies principally used the value in use for calculating the recoverable amount, whereas idle assets are recorded mainly at the official appraised value. The discount rate used for computing the value in use was mainly 9%.

The impairment loss on long-lived assets recorded in the income statement for the year ended December 31, 2008 consisted of:

Business area	Geographic area	Category	Millions of yen	Thousands of U.S. dollars
Manufacturing facilities for flat glass	The Americas	Machinery and buildings	**¥12,626**	**$138,751**
	Europe	Machinery	**1,442**	**15,847**
	Asia	Machinery	**18**	**206**
Manufacturing facilities for electronic materials	Japan	Machinery and buildings	**5,174**	**56,866**
Manufacturing facilities for FPD glass substrates	Asia	Machinery	**2,752**	**30,249**
	Japan	Machinery and buildings	**1,616**	**17,759**
Manufacturing facilities for chemical products	Japan	Machinery and buildings	**511**	**5,616**
Unused land	Asia	Land	**215**	**2,372**
	Japan	Land	**189**	**2,081**

Note 6: Investments in Securities

Acquisition cost, market value (book value) and unrealized gains/losses on investments in securities with market quotation on stock exchanges or others at December 31, 2008 and 2007 are summarized as follows:

December 31, 2008

	Millions of yen			
	Acquisition cost	Unrealized gain	Unrealized loss	Book value (Market value)
Securities with market value				
Securities with fair market value exceeding acquisition cost				
Corporate stock	**¥60,045**	**¥42,091**	**¥ —**	**¥102,136**
Securities with fair market value not exceeding acquisition cost				
Corporate stock	**28,654**	**—**	**(3,317)**	**25,336**
Other securities	**500**	**—**	**(23)**	**476**
	¥89,199	**¥42,091**	**¥(3,341)**	**¥127,949**

December 31, 2007

	Millions of yen			
	Acquisition cost	Unrealized gain	Unrealized loss	Book value (Market value)
Securities with market value				
Securities with fair market value exceeding acquisition cost				
Corporate stock	¥78,135	¥157,604	¥ —	¥235,740
Securities with fair market value not exceeding acquisition cost				
Corporate stock	1,521	—	(492)	1,029
	¥79,657	¥157,604	¥(492)	¥236,770

December 31, 2008

	Thousands of U.S. dollars			
	Acquisition cost	Unrealized gain	Unrealized loss	Book value (Market value)
Securities with market value				
Securities with fair market value exceeding acquisition cost				
Corporate stock	**$659,836**	**$462,541**	**$ —**	**$1,122,378**
Securities with fair market value not exceeding acquisition cost				
Corporate stock	**314,880**	**—**	**(36,456)**	**278,424**
Other securities	**5,494**	**—**	**(262)**	**5,231**
	$980,211	**$462,541**	**$(36,718)**	**$1,406,034**

The aggregate carrying amounts of investments in non-public companies at December 31, 2008 and 2007, which were included in "Investments in securities" and valued at cost, were ¥3,371 million ($37,049 thousand) and ¥7,058 million, respectively.

The aggregate carrying amount of other securities at December 31, 2007, which was included in "Other current assets" and valued at cost, was ¥2,000 million.

Proceeds from the sale of other investments in securities were ¥1,006 million ($11,061 thousand) and ¥4,456 million for the years ended December 31, 2008 and 2007, respectively. In addition, gross realized gains were ¥666 million ($7,322 thousand) and ¥3,334 million, and gross realized losses were ¥7 million ($86 thousand) and ¥23 million for the years ended December 31, 2008 and 2007, respectively.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of December 31, 2008 and 2007 is summarized as follows:

December 31, 2008

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	**¥6**	**¥22**	**¥1**	**—**
Corporate bonds	**—**	**50**	**—**	**—**
	¥6	**¥72**	**¥1**	**—**

December 31, 2007

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥97	¥25	¥5	—
	¥97	¥25	¥5	—

December 31, 2008

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	**$71**	**$248**	**$17**	**—**
Corporate bonds	**—**	**549**	**—**	**—**
	$71	**$797**	**$17**	**—**

Note 7: The Accounting Treatment of Notes Receivable and Payable Maturing on December 31, which was a bank holiday

The year-end dates of 2008 and 2007, namely, December 31, 2008 and 2007 were bank holidays. Although notes receivable and payable with maturity on these dates were accordingly settled on January 5, 2009 and January 4, 2008, the Companies accounted for their given notes in their financial statements as if they had been settled on those maturity dates.

Notes maturing at December 31, 2008 and 2007 were dealt with in the above manner as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Notes receivable	**¥2,344**	¥2,463	**$25,766**
Notes payable	**288**	344	**3,168**

Note 8: Short-Term Bank Loans and Long-Term Debts

Short-term bank loans and long-term debts at December 31, 2008 and 2007 are summarized as follows:

	Weighted average interest rate	Millions of yen		Thousands of U.S. dollars
		2008/12	2007/12	**2008/12**
Short-term bank loans	2.0%	**¥198,842**	¥ 97,076	**$2,185,085**
Commercial paper	1.3%	**35,562**	12,561	**390,798**
Current maturities of long-term bank loans	3.7%	**12,013**	14,004	**132,012**
Current maturities of bonds at interest rates ranging from 0.44% to 1.66%		**43,994**	110,889	**483,457**
		¥290,413	¥ 234,533	**$3,191,353**

	Weighted average interest rate	Millions of yen		Thousands of U.S. dollars
		2008/12	2007/12	**2008/12**
Long-term bank loans from banks and other financial institutions	2.2%	**¥223,618**	¥ 170,028	**$2,457,350**
Less: Portions due within one year		**(12,013)**	(14,004)	**(132,012)**
		211,605	156,024	**2,325,337**
Bonds:				
1.9% convertible bonds due December 26, 2008		**—**	97,928	**—**
1.5% bonds due December 16, 2011		**20,000**	20,000	**219,780**
0.9% bonds due September 9, 2009		**25,000**	25,000	**274,725**
1.3% bonds due October 17, 2012		**15,000**	15,000	**164,835**
0.7% bonds due June 3, 2013		**20,000**	20,000	**219,780**
1.4% bonds due September 13, 2012		**19,995**	19,994	**219,731**
Bonds at interest rates ranging from 0.44% to 1.66% at December 31, 2008 and 0.45% to 5.00% at December 31, 2007, respectively, issued by subsidiaries		**39,592**	53,643	**435,084**
		139,588	251,565	**1,533,937**
Less: Portions due within one year		**(43,994)**	(110,889)	**(483,457)**
		95,593	140,675	**1,050,480**
Other long-term debt		**15,829**	21,007	**173,954**
		¥323,029	¥ 317,707	**$3,549,771**

Average interest rates are calculated using the average interest rates of short-term bank loans and long-term debt outstanding as at December 31, 2008.

The aggregate annual maturities of long-term loans and bonds outstanding at December 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans		
Year ending December 31,		
2009	¥ 12,013	$ 132,012
2010	43,760	480,883
2011	31,327	344,253
2012	20,498	225,262
2013	19,633	215,752
2014 and thereafter	96,385	1,059,184
	¥223,618	$2,457,350

	Millions of yen	Thousands of U.S. dollars
Bonds		
Year ending December 31,		
2009	¥ 43,994	$ 483,457
2010	3,171	34,854
2011	32,459	356,694
2012	39,962	439,151
2013	20,000	219,780
2014 and thereafter	—	—
	¥139,588	$1,533,937

As of December 31, 2008 and 2007, the assets of the Companies which were furnished as collateral for short-term and long-term bank loans are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Assets pledged as collateral:			
Investments in securities	**¥ 7**	¥ 5	**$ 87**
Property, plant and equipment (book value)	**620**	1,961	**6,813**
	¥627	¥1,967	**$6,900**
Debt secured by collateral:			
Short-term bank loans	**—**	¥ 234	**—**
	—	¥ 234	**—**

Note 9: Retirement Benefit Plans for Employees

The employees of the Companies (excluding directors and corporate auditors) are generally entitled to lump-sum retirement benefits determined based on the average rate of pay, length of service and conditions under which the terminations occur.

In addition, the Company and its domestic subsidiaries and certain foreign subsidiaries have adopted funded non-contributory and contributory defined benefit pension plans. Certain domestic subsidiaries contribute to a multi-employer pension plan.

The contributory plans mainly represent the Employees' Pension Fund plans ("EPFs"), composed of the substitutional portions that are the obligation related to the government-defined benefit prescribed by the Japanese Welfare Pension Insurance Law ("JWPIL"), and the corporate portions based on contributory-defined benefit pension arrangements established at the discretion of the Companies.

The pension plans of the Company and its certain domestic subsidiaries provide for a lump-sum payment or pension payments for life generally after the age of 60, at the option of employees with at least 20 years of participation in the plan. Those employees retiring with less than 20 years of participation are entitled to a lump-sum payment of the current value of their vested benefits. The amount of retirement benefits to be paid by the Company and its certain domestic subsidiaries are, in most cases, reduced by the benefits payable under the pension plans.

The funded status of the pension benefit plans is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Projected Benefit Obligation:			
Projected benefit obligation	**¥(298,640)**	¥(318,818)	**$(3,281,767)**
Plan assets	**177,047**	279,668	**1,945,575**
Unfunded projected benefit obligation	**(121,593)**	(39,150)	**(1,336,191)**
Unrecognized actuarial gain (loss)	**(81,242)**	196	**(892,777)**
Unrecognized prior service cost	**(19,107)**	(21,142)	**(209,969)**
	(59,457)	(60,489)	**(653,383)**
Less: Prepaid pension costs	**326**	284	**3,587**
Accrued retirement benefits	**¥ (59,784)**	¥ (60,773)	**$ (656,970)**
Retirement Benefit Costs:			
Service cost	**¥ 11,082**	¥ 10,515	**$ 121,790**
Interest cost	**9,428**	10,132	**103,614**
Expected return on plan assets	**(7,148)**	(7,141)	**(78,559)**
Recognized actuarial loss	**1,266**	437	**13,916**
Amortization of prior service cost	**(1,697)**	(1,622)	**(18,657)**
Retirement benefit cost for the period	**¥ 12,931**	¥ 12,321	**$ 142,104**

Assumptions Used for Calculation of the Projected Benefit Obligation:

Attribution method for projected benefit obligation	**Straight-line method**	Straight-line method
Discount rate	**Mainly 2.5%**	Mainly 2.5%
Expected rate of return on plan assets	**Mainly 3.5%**	Mainly 3.5%
Amortization period for prior service cost	**Mainly 13 years**	Mainly 13 years
Amortization period for actuarial loss/gain	**Mainly 13 years**	Mainly 13 years

The funded status of the multi-employer pension benefit plan as of December 31, 2008, to which contributions were recorded as retirement benefit cost for the period, is as follows:

	Millions of yen	Thousands of U.S. dollars
	2008/12	**2008/12**
Plan assets	**¥252,219**	**$2,771,643**
Projected benefit obligation recorded by pension fund	**300,212**	**3,299,034**
Difference	**¥ (47,992)**	**$ (527,390)**
The Companies' contribution percentage for multi-employer pension plan	**3.4%**	**3.4%**

Note 10: Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries for the years ended December 31, 2008 and 2007, consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates indicated below:

	Rates on taxable income	
	2008/12	2007/12
Corporate income tax	**30.0%**	30.0%
Enterprise tax	**7.4**	7.4
Resident income taxes	**6.0**	6.0
	43.4%	43.4%
Statutory tax rate in effect to reflect the deductibility of enterprise tax when paid	**40.4%**	40.4%

Unlike other income taxes, enterprise tax is deductible for tax purposes when it is paid. "Income Taxes" in the accompanying Consolidated Statements of Income includes all taxes based on income mentioned above.

Deferred tax assets and liabilities (both current and non-current) consisted of the following elements:

	Millions of yen 2008/12	Millions of yen 2007/12	Thousands of U.S. dollars 2008/12
Deferred Tax Assets:			
Accrued retirement benefits for employees	**¥ 47,745**	¥ 53,604	**$ 524,674**
Tax losses carried forward	**30,048**	34,604	**330,206**
Loss on write-down of investments in securities	**28,897**	23,883	**317,554**
Depreciation and amortization of furnaces in excess of tax limit	**6,044**	8,625	**66,422**
Reserve for rebuilding furnaces in excess of tax limit	**5,718**	6,242	**62,836**
Allowance for bad debts	**4,887**	5,087	**53,708**
Accrued bonuses to directors and employees	**2,363**	2,442	**25,976**
Reserve for restructuring programs	**2,282**	5,774	**25,087**
Reserve for EU competition-law-related expenses	**—**	11,332	**—**
Other	**43,355**	37,056	**476,438**
Gross deferred tax assets	**171,344**	188,656	**1,882,905**
Less: Valuation allowance	**(57,082)**	(59,423)	**(627,283)**
Total deferred tax assets	**¥114,261**	¥ 129,233	**$1,255,622**
Deferred Tax Liabilities:			
Unrealized gains on securities	**¥ (16,050)**	¥ (56,072)	**$ (176,382)**
Gain on establishment of trust for retirement benefits	**(16,011)**	(16,011)	**(175,945)**
Deferred capital gain reserve	**(11,677)**	(12,693)	**(128,328)**
Depreciation	**(8,017)**	(15,767)	**(88,102)**
Other	**(11,184)**	(20,446)	**(122,903)**
Gross deferred tax liabilities	**(62,941)**	(120,990)	**(691,663)**
Net deferred tax assets (liabilities)	**¥ 51,320**	¥ 8,242	**$ 563,959**

The reconciliation of the statutory tax rates and the effective income tax rates appearing in the Consolidated Statements of Income for the years ended December 31, 2008 and 2007 are shown as follows:

	2008/12	2007/12
Statutory tax rates	**40.4%**	40.4%
Entertainment expenses, etc., nondeductible	**1.5**	1.1
Dividend income, not taxable	**(15.0)**	(13.8)
Difference in tax rates applied to overseas subsidiaries	**2.6**	(0.6)
Amortization of goodwill	**1.1**	0.9
Other	**5.0**	1.5
Effective income tax rate	**35.6%**	29.5%

Note 11: Accounting for Leases

Finance lease contracts, other than those through which the ownership of the leased assets is transferred to the lessees, are principally accounted for using a method similar to that applicable to operating leases.

(1) Lessees' accounting

Lease expenses on finance lease contracts without ownership transfer for the years ended December 31, 2008 and 2007 are summarized as follows:

	Millions of yen 2008/12	Millions of yen 2007/12	Thousands of U.S. dollars 2008/12
Lease expenses	**¥704**	¥964	**$7,738**

The acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Machinery and equipment:			
Acquisition cost	**¥ 3,179**	¥ 3,643	**$ 34,939**
Accumulated depreciation	**(1,911)**	(2,222)	**(21,006)**
Net book value	**1,267**	1,420	**13,933**
Others:			
Acquisition cost	**764**	708	**8,397**
Accumulated depreciation	**(474)**	(535)	**(3,188)**
Net book value	**290**	172	**5,209**
Total:			
Acquisition cost	**3,943**	4,351	**43,336**
Accumulated depreciation	**(2,385)**	(2,758)	**(17,121)**
Net book value	**¥ 1,558**	¥ 1,592	**$ 26,215**
Depreciation	**¥ 704**	¥ 964	**$ 7,738**

Depreciation is computed using the straight-line method over the lease term of the leased assets with no residual value.

The amount of outstanding future lease payments due at December 31, 2008 and 2007, which included the portion of interest thereon, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Future lease payments:			
Due within one year	**¥ 607**	¥ 611	**$ 6,677**
Due over one year	**950**	981	**10,444**
Total	**¥1,558**	¥1,592	**$17,121**

The amount of outstanding future lease payments under non-cancelable operating leases at December 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Future lease payments:			
Due within one year	**¥1,099**	¥1,650	**$12,087**
Due over one year	**5,198**	6,941	**57,122**
Total	**¥6,298**	¥8,592	**$69,209**

(2) Lessors' accounting

Lease receipts and depreciation expense on finance lease contracts without ownership transfer for the years ended December 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Lease receipts	**¥732**	¥749	**$8,045**
Depreciation	**188**	203	**2,068**

The acquisition cost, accumulated depreciation and net book value of the leased assets, which included the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Machinery and equipment:			
Acquisition cost	**¥ 297**	¥ 394	**$ 3,266**
Accumulated depreciation	**(153)**	(198)	**(1,686)**
Net book value	**¥ 143**	¥196	**$ 1,580**

The amount of outstanding future lease receipts under finance lease contracts without ownership transfer at December 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Future lease receipts:			
Due within one year	**¥117**	¥154	**$1,293**
Due over one year	**266**	360	**2,926**
Total	**¥383**	¥515	**$4,219**

Note 12: Commitments and Contingent Liabilities

As of December 31, 2008, the Companies had contingent liabilities in the aggregate amount of ¥2,525 million ($27,749 thousand) from notes endorsed.

The Companies had contingent obligations for guarantee of loans borrowed by the following companies as of December 31, 2008:

	Millions of yen	Thousands of U.S. dollars
Loans borrowed by:		
DAP Technology Co., Ltd.	**¥2,862**	**$31,450**
Hibikinada Development Co., Ltd.	**758**	**8,336**
Other	**313**	**3,442**
	¥3,933	**$43,228**

Note 13: R&D Costs

Research and development costs incurred by the Companies for the years ended December 31, 2008 and 2007, included in "Selling, General and Administrative Expenses" and "Cost of Sales," totalled ¥37,700 million ($414,290 thousand) and ¥33,943 million, respectively.

Note 14: Information on Net Assets

(1) Type and Number of Shares Outstanding and Treasury Stock

For the year ended December 31, 2008, information on shares outstanding and treasury stock is presented as follows:

	Thousand stocks	
	Shares outstanding	Treasury stock
Type of shares	Common stock	Common stock
Number of shares as of December 31, 2007	1,186,682	13,123
Increase during the year ended December 31, 2008[i, ii]	**23**	**6,211**
Decrease during the year ended December 31, 2008[iii]	**—**	**(286)**
Number of shares as of December 31, 2008	**1,186,705**	**19,048**

[i] Increase in the number of shares outstanding of 23 thousand common stocks was due to the conversion of convertible bonds.

[ii] Increase in the number of treasury stock of 6,211 thousand common stocks was due to the acquisition of treasury stocks by resolution of the board of directors (5,500 thousand stocks), the acquisition of treasury stocks by requirement of the Corporation Law (415 thousand stocks), and the purchase of less-than-one-unit shares (296 thousand stocks).

[iii] Decrease in the number of treasury stock of 286 thousand common stocks was due to the sale of less-than-one-unit shares (189 thousand stocks) and the execution of stock options (97 thousand stocks).

(2) Share Subscription Rights

For the year ended December 31, 2008, information on share subscription rights is presented as follows:

	Thousand stocks
Company name	Asahi Glass Co., Ltd.
Detail of share subscription rights	Stock option
Type of shares	Common stock
Number of shares as of December 31, 2007	—
Increase during the year ended December 31, 2008	**—**
Decrease during the year ended December 31, 2008	**—**
Number of shares as of December 31, 2008	**—**
Balance as of December 31, 2008 (millions of yen)	**672**

(3) Dividends

(i) Dividend payment

Approvals by shareholders' meeting held on March 28, 2008 are as follows:

Type of shares	Common stock
Total amount of dividends	11,735 millions of yen
Dividends per share	10.00 yen
Record date	December 31, 2007
Effective date	March 31, 2008

Approvals by board of directors' meeting held on August 5, 2008 are as follows:

Type of shares	Common stock
Total amount of dividends	14,012 millions of yen
Dividends per share	12.00 yen
Record date	June 30, 2008
Effective date	September 9, 2008

(ii) Dividends whose record date is attributable to the year ended December 31, 2008 but to be effective after the said year

Approvals by shareholders' meeting held on March 27, 2009 are as follows:

Type of shares	Common stock
Total amount of dividends	14,011 millions of yen
Funds for dividends	Retained earnings
Dividends per share	12.00 yen
Record date	December 31, 2008
Effective date	March 30, 2009

Note 15: Net Income per Share—Basic and Net Income per Share—Fully Diluted

Calculations of net income per share for the years ended December 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Net income per share—basic			
Net income	**¥39,178**	¥69,634	**$430,533**
Weighted average number of shares issued (thousands)	**1,168,394**	1,173,262	**1,168,394**

	In exact yen		In exact U.S. dollars
	2008/12	2007/12	**2008/12**
Net income per share—basic	**¥33.53**	¥59.35	**$0.37**

	Millions of yen		Thousands of U.S. dollars
	2008/12	2007/12	**2008/12**
Net income per share—fully diluted			
Adjustments to net income			
Interest expense, net of tax, etc.	**—**	¥1,140	**—**
Increase in common shares (thousands)			
Convertible bonds	**—**	86,356	**—**
Warrant for stock option	**564**	584	**564**
	564	86,940	**564**

	In exact yen		In exact U.S. dollars
	2008/12	2007/12	**2008/12**
Net income per share—fully diluted	**¥33.52**	¥56.16	**$0.37**

The potential common stock upon exercise of stock option rights with anti-dilutive effect, excluded from the computation of "Net income per share—fully diluted," amounted to 1,794,000 and 695,000 shares at December 31, 2008 and 2007, respectively.

Note 16: Stock-based Compensation Plan

The stock-based compensation plan as of December 31, 2008 is as follows:

	Share subscription rights No. 1	Share subscription rights No. 2	Share subscription rights No. 3
Date of grant	August 1, 2002	August 1, 2003	June 1, 2004
Number of shares granted	Common stock 346,000	Common stock 370,000	Common stock 630,000
Grantee	Directors and employees of the Companies	Directors and employees of the Companies	Directors and employees of the Companies
Exercise price	¥799	¥826	¥1,243
Exercisable period	August 1, 2004 through July 31, 2008	August 1, 2005 through July 31, 2009	June 1, 2006 through May 31, 2010
Outstanding at the end of the fiscal year	—	87,000	457,000

	Share subscription rights No. 4	Share subscription rights No. 5	Share subscription rights No. 6
Date of grant	June 1, 2005	April 28, 2006	June 1, 2006
Number of shares granted	Common stock 630,000	Common stock 625,000	Common stock 15,000
Grantee	Directors and employees of the Companies	Directors and employees of the Companies	Subsidiary directors and employees
Exercise price	¥1,226	¥1,757	¥1,779
Exercisable period	June 1, 2007 through May 31, 2011	June 1, 2008 through May 31, 2012	June 1, 2008 through May 31, 2012
Outstanding at the end of the fiscal year	577,000	620,000	15,000

	Share subscription rights issued in July 2007 (Compensation-type)	Share subscription rights issued in July 2007 (Ordinary-type)	Share subscription rights issued in July 2008 (Compensation-type)
Date of grant	July 2, 2007	July 2, 2007	July 1, 2008
Number of shares granted	Common stock 266,000	Common stock 65,000	Common stock 265,000
Grantee	Directors and employees of the Company	Directors and employees of the Companies	Directors and employees of the Company
Exercise price	¥1	¥1,732	¥1
Exercisable period	July 3, 2007 through July 2, 2037	July 2, 2009 through July 1, 2013	July 2, 2008 through July 1, 2038
Outstanding at the end of the fiscal year	266,000	55,000	265,000

	Share subscription rights issued in July 2008 (Ordinary-type)
Date of grant	July 1, 2008
Number of shares granted	Common stock 70,000
Grantee	Directors and employees of the Companies
Exercise price	¥1,391
Exercisable period	July 1, 2010 through June 30, 2014
Outstanding at the end of the fiscal year	70,000

Note 17: Information on Derivatives

As of December 31, 2008 and 2007, derivatives, including forward foreign exchange contracts and interest rate swap transactions (other than those accounted for as hedges) are summarized as follows:

	Millions of yen							
	2008/12				2007/12			
	Contracted amount and option premium: Total	Contracted amount and option premium: Due over one year	Market value	Gain (loss)	Contracted amount and option premium: Total	Contracted amount and option premium: Due over one year	Market value	Gain (loss)
Forward Foreign Exchange Contracts:								
Sell	**¥ 4,553**	**—**	**¥3,908**	**¥ 644**	¥ 9,472	—	¥ 9,634	¥(161)
Buy	**8,763**	**—**	**8,095**	**(668)**	10,509	—	10,462	(47)
Currency Option Contracts:								
Buy								
Put option	**7,706**	**—**			2,260	—		
	(102)	**—**	**193**	**90**	(27)	—	75	47 *
Call option	**14,810**	**3,310**			11,868	5,434		
	(326)	**(125)**	**908**	**581**	(280)	(205)	229	(50) *
Sell								
Put option	**2,206**	**—**			13,726	5,434		
	—	**—**	**5**	**(5)**	(246)	(195)	366	(120) *
Call option	**13,934**	**—**			4,106	—		
	(63)	**—**	**680**	**(617)**	(16)	—	24	(8) *
TOTAL				**¥ 26**				¥(341)

* Represents option premiums

	Millions of yen							
	2008/12				2007/12			
	Contracted amount and option premium				Contracted amount and option premium			
	Total	Due over one year	Market value	Gain (loss)	Total	Due over one year	Market value	Gain (loss)
Interest Rate Swap Contracts:								
Receiving fixed rates and paying floating rates	¥22,416	¥18,337	¥ 1,105	¥ 1,105	¥15,358	¥11,227	¥ (1)	¥ (1)
Receiving floating rates and paying fixed rates	37,305	37,305	(543)	(543)	22,418	20,008	(481)	(481)
Interest Rate Cap Contracts:								
Buy	55,112	29,520			92,849	59,517		
	(341)	(106)	59	(282)	(461)	(274)	1,001	540 *
Sell	28,791	19,194			58,331	33,332		
	(251)	(152)	44	207	(458)	(267)	608	(150) *
Interest Rate Floor Contracts:								
Buy	31,350	21,753			84,163	40,831		
	(118)	(65)	709	591	(250)	(67)	219	(30) *
Sell	12,156	12,156			42,498	15,832		
	(102)	(69)	472	(370)	(198)	(67)	170	28 *
Interest Rate Swaption Contracts:								
Buy	9,597	9,597			—	—		
	(35)	(35)	121	85	—	—	—	— *
Sell	15,995	15,995			—	—		
	(88)	(88)	195	(106)	—	—	—	— *
TOTAL				¥ 686				¥ (94)
Oil Swap Contracts:								
Buy	378	89	(115)	(115)	14,287	119	421	421
Metal Swap Contracts:								
Buy	909	—	(189)	(189)	872	—	152	152
Oil Option Contracts:								
Buy	50,846	19,628			16,192	2,155		
	(0)	—	(6,276)	(6,277)	—	—	615	615 *
TOTAL				¥(6,582)				¥1,188

* Represents option premiums

Note 18: Subsequent Events

Based on the resolution on issuance of corporate bonds approved at the board meeting held on December 18, 2008, the Company issued the 11th and 12th Unsecured Corporate Bonds for domestic offer on January 29, 2009. The details are as follows.

	The 11th Unsecured Corporate Bond	The 12th Unsecured Corporate Bond
Issue price	100 yen per 100 yen par value	100 yen per 100 yen par value
Total amount issued	40 billion yen	30 billion yen
Date of issuance	January 29, 2009	January 29, 2009
Interest rate	1.278%	1.943%
Date of maturity	January 29, 2014	January 29, 2019
Redemption price	100 yen per 100 yen par value	100 yen per 100 yen par value
Collateral or Guarantee	None	None
Use of proceeds	Refinance of borrowings, corporate bonds and commercial papers, etc.	Refinance of borrowings, corporate bonds and commercial papers, etc.
Financial covenants		
(1) Negative Pledge	The Company must furnish a security right of the same rank to this Corporate Bond when the Company, based on the Secured Corporate Bond Trust Law, furnishes a security right to any unsecured corporate bond the Company has already issued or will issue hereafter in Japan (except for unsecured corporate bonds with a change of security status clause, but including the 12th Unsecured Corporate Bond (with inter-bond *pari passu* clause) issued at the same time as the 11th Unsecured Corporate Bond), as long as any part of this Corporate Bond remains outstanding after issuance.	The Company must furnish a security right of the same rank to this Corporate Bond when the Company, based on the Secured Corporate Bond Trust Law, furnishes a security right to any unsecured corporate bond the Company has already issued or will issue hereafter in Japan (except for unsecured corporate bonds with a change of security status clause, but including the 11th Unsecured Corporate Bond (with inter-bond *pari passu* clause) issued at the same time as the 12th Unsecured Corporate Bond), as long as any part of this Corporate Bond remains outstanding after issuance.
(2) Other special arrangements	There is no change of security status clause or any other special arrangement for this Corporate Bond.	There is no change of security status clause or any other special arrangement for this Corporate Bond.

Note 19: Segment Information

Segment information of the Companies classified by business segment for the years ended December 31, 2008 and 2007 is presented as below:

The Companies operate principally in four business segments: Glass products, Electronics and Display products, Chemical products, and Other products.

Glass products:	Flat and automotive glass, construction materials and others
Electronics and Display products:	Electronic components, FPD (liquid crystal display, PDP) glass substrates, CRT glass bulbs and others
Chemical products:	Caustic soda, chlorine and its derivative products, fluorochemical products, ion-exchange membrane and others
Other products:	Ceramics and others

¥12,626 million ($138,751 thousand) and ¥17,664 million of impairment losses on long-lived assets for the years ended December 31, 2008 and 2007 are recorded as expenses for restructuring programs.

For the year ended December 31, 2008

	Millions of yen						
	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales:							
Sales to customers	**¥738,082**	**¥370,576**	**¥299,874**	**¥ 35,783**	**¥1,444,317**	**¥ —**	**¥1,444,317**
Inter-segment sales/transfers	**3,214**	**2,124**	**3,262**	**60,789**	**69,389**	**(69,389)**	**—**
Total sales	**741,297**	**372,700**	**303,136**	**96,572**	**1,513,706**	**(69,389)**	**1,444,317**
Operating expenses	**722,618**	**246,115**	**299,279**	**91,555**	**1,359,568**	**(69,264)**	**1,290,303**
Operating income	**¥ 18,678**	**¥126,585**	**¥ 3,857**	**¥ 5,017**	**¥ 154,138**	**¥ (125)**	**¥ 154,013**
Assets	**¥752,526**	**¥654,853**	**¥274,264**	**¥254,893**	**¥1,936,538**	**¥(103,691)**	**¥1,832,846**
Depreciation and amortization	**¥ 57,760**	**¥ 56,403**	**¥ 20,076**	**¥ 1,284**	**¥ 135,524**	**¥ (207)**	**¥ 135,317**
Impairment loss on long-lived assets	**¥ 14,121**	**¥ 9,759**	**¥ 666**	**—**	**¥ 24,547**	**—**	**¥ 24,547**
Capital expenditures	**¥102,957**	**¥124,291**	**¥ 23,768**	**¥ 1,129**	**¥ 252,147**	**—**	**¥ 252,147**

For the year ended December 31, 2007

	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
Assets	¥906,614	¥668,618	¥291,381	¥259,457	¥2,126,072	¥(17,982)	¥2,108,089
Depreciation and amortization	¥ 60,545	¥ 53,200	¥ 19,919	¥ 1,275	¥ 134,940	¥ (193)	¥ 134,747
Impairment loss on long-lived assets	¥ 28,286	¥ 6,548	¥ 934	¥ 950	¥ 36,719	—	¥ 36,719
Capital expenditures	¥ 98,266	¥105,676	¥ 25,985	¥ 1,202	¥ 231,131	—	¥ 231,131

For the year ended December 31, 2008

	Thousands of U.S. dollars						
	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales:							
Sales to customers	**$8,110,798**	**$4,072,264**	**$3,295,326**	**$ 393,227**	**$15,871,616**	**$ —**	**$15,871,616**
Inter-segment sales/transfers	**35,323**	**23,341**	**35,847**	**668,011**	**762,525**	**(762,525)**	**—**
Total sales	**8,146,122**	**4,095,606**	**3,331,174**	**1,061,239**	**16,634,142**	**(762,525)**	**15,871,616**
Operating expenses	**7,940,862**	**2,704,561**	**3,288,781**	**1,006,102**	**14,940,308**	**(761,143)**	**14,179,164**
Operating income	**$ 205,259**	**$1,391,044**	**$ 42,392**	**$ 55,137**	**$ 1,693,833**	**$ (1,381)**	**$ 1,692,452**
Assets	**$8,269,526**	**$7,196,190**	**$3,013,899**	**$2,801,022**	**$21,280,638**	**$(1,139,470)**	**$20,141,168**
Depreciation and amortization	**$ 634,731**	**$ 619,816**	**$ 220,620**	**$ 14,112**	**$ 1,489,281**	**$ (2,281)**	**$ 1,487,000**
Impairment loss on long-lived assets	**$ 155,184**	**$ 107,247**	**$ 7,318**	**—**	**$ 269,751**	**—**	**$ 269,751**
Capital expenditures	**$1,131,400**	**$1,365,844**	**$ 261,187**	**$ 12,414**	**$ 2,770,846**	**—**	**$ 2,770,846**

Segment information of the Companies classified by geographic segment for the years ended December 31, 2008 and 2007 is presented as follows:

For the year ended December 31, 2008

	Millions of yen						
	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales to customers	**¥632,512**	**¥346,303**	**¥115,843**	**¥349,657**	**¥1,444,317**	**¥ —**	**¥1,444,317**
Inter-segment sales	**178,323**	**72,795**	**12,214**	**5,621**	**268,955**	**(268,955)**	**—**
Total	**810,836**	**419,099**	**128,057**	**355,278**	**1,713,272**	**(268,955)**	**1,444,317**
Operating expenses	**733,128**	**362,151**	**132,410**	**329,532**	**1,557,223**	**(266,919)**	**1,290,303**
Operating income (loss)	**¥ 77,707**	**¥ 56,947**	**¥ (4,352)**	**¥ 25,745**	**¥ 156,049**	**¥ (2,036)**	**¥ 154,013**
Assets	**¥833,697**	**¥480,130**	**¥104,554**	**¥356,399**	**¥1,774,782**	**¥ 58,063**	**¥1,832,846**

For the year ended December 31, 2007

	Millions of yen						
	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales to customers	¥689,832	¥385,708	¥182,727	¥422,970	¥1,681,238	¥ —	¥1,681,238
Inter-segment sales	211,121	83,453	9,125	7,376	311,077	(311,077)	—
Total	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
Assets	¥800,433	¥606,122	¥134,230	¥450,374	¥1,991,160	¥ 116,929	¥2,108,089

For the year ended December 31, 2008

	Thousands of U.S. dollars						
	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales to customers	**$6,950,692**	**$3,805,535**	**$1,273,000**	**$3,842,387**	**$15,871,616**	**$ —**	**$15,871,616**
Inter-segment sales	**1,959,600**	**799,955**	**134,229**	**61,770**	**2,955,555**	**(2,955,555)**	**—**
Total	**8,910,292**	**4,605,490**	**1,407,229**	**3,904,158**	**18,827,172**	**(2,955,555)**	**15,871,616**
Operating expenses	**8,056,362**	**3,979,688**	**1,455,055**	**3,621,236**	**17,112,342**	**(2,933,178)**	**14,179,164**
Operating income (loss)	**$ 853,930**	**$ 625,802**	**$ (47,825)**	**$ 282,921**	**$ 1,714,829**	**$ (22,376)**	**$ 1,692,452**
Assets	**$9,161,513**	**$5,276,161**	**$1,148,950**	**$3,916,478**	**$19,503,103**	**$ 638,064**	**$20,141,168**

Major countries/regions in the regional segmentation above

Asia: Indonesia, Singapore, Thailand, Taiwan, China and South Korea

The Americas: U.S.A., Canada and Mexico

Europe: Belgium, Netherlands, Italy, Spain, Czech Republic, Germany, France, U.K. and Russia

Overseas sales by geographic segment and those as a percentage of consolidated sales for the years ended December 31, 2008 and 2007 are as follows:

For the year ended December 31, 2008

	Millions of yen					Thousands of U.S. dollars
	Asia	The Americas	Europe	Other	Total	Total
Overseas sales	**¥376,066**	**¥121,041**	**¥355,473**	**¥22,666**	**¥ 875,249**	**$ 9,618,122**
Consolidated sales	**—**	**—**	**—**	**—**	**¥1,444,317**	**$15,871,616**
Percentage	**26.0%**	**8.4%**	**24.6%**	**1.6%**	**60.6%**	

For the year ended December 31, 2007

	Millions of yen				
	Asia	The Americas	Europe	Other	Total
Overseas sales	¥425,077	¥185,062	¥416,411	¥29,579	¥1,056,130
Consolidated sales	—	—	—	—	¥1,681,238
Percentage	25.3%	11.0%	24.8%	1.7%	62.8%

Major countries/regions in the regional segmentation above

Asia: Indonesia, Singapore, Thailand, Taiwan, China and South Korea
The Americas: U.S.A., Canada and Mexico
Europe: Belgium, Netherlands, Italy, Spain, Czech Republic, Germany, France and Russia
Other: Oceania, Middle East and Africa

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Asahi Glass Company, Limited:

We have audited the accompanying consolidated balance sheets of Asahi Glass Company, Limited and consolidated subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asahi Glass Company, Limited and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
March 27, 2009

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