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Consolidated Financial Results for FY2006 third quarter

(January 1 through September 30, 2006)

1. Financial results for the nine months ended September 30, 2006 (Jan. 1 through Sep. 30, 2006)

(1) Consolidated operating results

	For the nine months ended September 30, 2006		For the nine months ended September 30, 2005		(Reference) For the year ended December 31, 2005	
Net sales (millions of yen)	1,201,029	8.9%	1,103,227	1.2%	1,526,660	-
Operating income (millions of yen)	100,868	10.0%	91,739	(11.2%)	118,194	-
Ordinary income (millions of yen)	98,476	7.9%	91,272	(10.4%)	118,884	-
Net income (millions of yen)	64,520	1.0%	63,883	(28.1%)	60,014	-
Net income per share – basic (yen)	55.01	-	54.80	-	51.36	-
Net income per share – fully diluted (yen)	51.88	-	51.68	-	48.70	-

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

(2) Consolidated financial position

	For the nine months ended September 30, 2006		For the nine months ended September 30, 2005		(Reference) For the year ended December 31, 2005	
Total assets (millions of yen)	2,180,397		2,002,826		2,081,926	
Total net assets (millions of yen)	1,000,064		805,986		852,684	
Equity ratio (%)	41.5		40.2		41.0	
Equity per share (yen)	772.15		687.23		726.98	

(3) Consolidated cash flows

(Unit: millions of yen)

	For the nine months ended September 30, 2006		For the nine months ended September 30, 2005		(Reference) For the year ended December 31, 2005	
Cash flows from operating activities	106,809		106,444		185,505	
Cash flows from investing activities	(135,371)		(94,765)		(135,796)	
Cash flows from financing activities	26,333		(33,303)		(67,436)	
Cash and cash equivalents at the end of period	53,217		48,183		54,006	

(Note)

- The accompanying consolidated financial results have been prepared based in part on some simplified procedures for accounting principles, such as accounting for income taxes.
- Number of consolidated subsidiaries: 243 companies, Number of equity method affiliates: 34 companies
- Changes in scope of consolidation: Consolidated subsidiaries; (addition) 12 companies (exclusion) 14 companies
Equity method affiliates; (addition) 2 companies (exclusion) none

2. Outlook for the full FY2006, the fiscal year ending December 31, 2006 (Jan. 1 through Dec. 31, 2006)

	Full year
Net sales (millions of yen)	1,600,000
Ordinary income (millions of yen)	130,000
Net income (millions of yen)	76,000
Net income per share (yen)	64.80

(Note) The above-mentioned outlook reflects management's judgment on the basis of currently available information, as such, contain risks and uncertainties. Actual results may be different from the outlook.

Operating Performance Highlights by Business Segment

1. Overview of Nine-month Period FY 2006

During the nine-month period ended September 30, 2006, the Japanese economy faced an upward pressure on higher costs reflecting price hikes of various raw materials and fuels including crude oil. However, the economy continued to recover, supported by an expansion in consumer spending, capital investment and exports. Other Asian countries in general maintained the momentum in their growth driven by exports, although some countries such as Indonesia could not enjoy growth due to sluggish consumer spending affected by higher oil prices and interest rate hike. In Europe, the economies of Central-Eastern Europe continued to be steady; Western Europe also showed a recovery backed by increasing domestic demand. In the U.S., consumer spending and capital expenditure continued to grow, although there remained fears for a weaker economy, such as higher prices of raw materials and fuels as well as higher interest rates in a reflection of inflation worries.

As for the target markets of the AGC Group, demand for glass substrates for flat panel displays (FPDs) increased steadily in association with the proliferation of thin-screen TVs. On the other hand, the market for cathode ray tube (CRT) glass continued to be weak. Demand for flat glass fell in some parts of Asia amid a sharp increase in the costs of raw materials and fuels such as crude oil, while demand in Western Europe showed a recovery trend to a certain extent. The chemicals market remained soft during the period under review, but signs of a recovery of the market began to appear toward the end of the period.

Under such market circumstances, the Group posted net sales of 1,201.0 billion yen for the nine-month period under review (from January 1 through September 30, 2006), up 97.8 billion yen or 8.9% from the previous year's corresponding period, operating income of 100.9 billion yen, up 9.1 billion yen or 10.0%, and ordinary income of 98.5 billion yen, up 7.2 billion yen or 7.9%. Net income for the period under review was 64.5 billion yen, an increase of 0.6 billion yen or 1.0% from a year earlier.

2. Overview by Segment

- Glass operations

The Glass operations comprise flat glass for construction and automotive glass, which are both conducted globally, as well as the Japanese domestic business involving other glass categories including fiberglass and other applications.

The flat glass business, as a whole, increased sales compared with the previous year's corresponding period. Although domestic demand declined in certain Asian countries, the market in Europe remained firm throughout the period under review. In addition, glass shipments in fast-growing markets such as Russia grew at a solid pace. Higher prices of raw materials and fuels such as crude oil, however, had an adverse impact on earnings in every region. In Japan, where the impact was especially significant, the Group introduced an energy surcharge system commencing in June, and raised the selling prices of flat glass for construction. In expectation of further growth of the

construction and automobile industries in China, the Group started operations at a new flat glass production plant in Suzhou in the suburbs of Shanghai in May.

In the automotive glass business, earnings increased from a year earlier due to a steady growth in worldwide automobile production particularly by Japanese-affiliated automakers, although the businesses in some parts of Asia were adversely impacted by their sluggish economies.

Sales of other glass products such as fiberglass were favorable throughout the period under review although earnings were affected by higher costs of raw materials and fuels. Asahi Fiber Glass Co., Ltd. withdrew from the composites business in March 2006.

Consequently, net sales at the Glass operations for the period under review were 602.1 billion yen, an increase of 47.2 billion yen or 8.5% compared with the previous year's corresponding period, while operating income was 31.4 billion yen, a decrease of 0.4 billion yen or 1.4%.

- Electronics and Display operations

The Electronics and Display operations consist of the display business, which handles glass substrates for flat panel displays (FPDs) and cathode-ray tube (CRT) glass, as well as the electronic materials business.

In the FPD glass sector of the display business, demand for panels for thin-screen televisions, such as LCD TVs and plasma display panel TVs expanded; demand for larger sizes of glass substrates also continued to grow. Thanks to the strong demand for glass substrates for TFT LCDs and PDPs, sales at the sector increased on a year-on-year basis.

In contrast, sales at the CRT glass sector decreased compared with the previous year's corresponding period. In order to cope with reduced demand, the AGC Group strived to improve the supply-demand condition by cutting overseas production bases and withdrawing from production in Japan. Selling prices, however, continued to fall as a demand recovery shored up by the World Cup soccer games was not as strong as anticipated. Given this situation, the Group had further reduced its production capacity of CRT glass by September this year.

In the electronics materials business, demand for LCD back-light tubes and synthetic quartz, which is used as projection lens materials and photomask substrates for semiconductor manufacturing equipment, continued to grow steadily. Due to fierce competition, however, earnings from optical filters for PDPs remained in low gear despite a series of cost cutting measures. In the small- and medium-sized displays sector, sales of the products for automobile use showed a steady growth; however, products for mobile devices such as cellular phones suffered from lower selling prices. As a consequence, earnings from the sector remained almost flat on a year-on-year basis.

As a result, net sales at the Electronics and Display operations for the period under review increased to 364.0 billion yen, up 48.3 billion yen or 15.3% from the previous year's corresponding period, and operating income was 60.4 billion yen, up 16.6 billion yen or 37.8%.

- Chemicals operations

The 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 basic ingredients of urethane. The fluorochemicals & specialty chemicals business consists of fluorinated resins, fluorinated oil and water repellents, as well as other speciality chemicals including batteries materials and liquid crystals materials.

The chlor-alkali & urethane business continued to be sluggish. Higher costs caused by rising prices of raw materials such as ethylene could not be totally offset by selling price adjustments of the products, although signs of a recovery of the international vinyl chloride market began to appear toward the end of the period under review.

In the fluorochemicals & specialty chemicals business, demand for fluorinated resins, fluoropolymer films and liquid crystal materials remained steady, but this was not strong enough to compensate the worsened results of the chlor-alkali & urethane business.

Due to these market conditions mentioned above, the Chemicals operations posted net sales of 223.2 billion yen for the period under review, up 5.7 billion yen or 2.6% from the previous year's corresponding period, and operating income of 7.0 billion yen, down 6.7 billion yen or 49.2%.

- 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, demand in the glass engineering sector remained steady mainly in Europe and Asia, while demand in the environmental energy sector continued to be strong in Japan. As a result, net sales at Other operations for the period under review increased 2.1 billion yen, or 3.6%, year-on-year to 58.4 billion yen. Operating income increased 0.1 billion yen, or 4.0%, to 2.3 billion yen.

Consolidated Balance Sheets

(Unit: millions of yen)

	As of September 30, 2006	As of December 31, 2005	As of September 30, 2005
Assets			
Current assets	719,800	688,432	673,643
Cash on hand and in banks	69,979	73,811	68,830
Trade notes and accounts receivable	317,766	309,432	289,323
Inventories	256,812	238,022	245,013
Other current assets	82,285	73,732	77,080
Allowance for bad debts	(7,043)	(6,566)	(6,603)
Fixed assets	1,460,368	1,393,259	1,328,933
Tangible fixed assets	1,001,584	922,630	907,956
Intangible fixed assets	104,421	100,026	88,244
Investments in securities	299,508	320,927	279,131
Other fixed assets	59,003	53,124	56,691
Allowance for bad debts	(4,150)	(3,448)	(3,089)
Deferred assets	228	234	248
Total Assets	2,180,397	2,081,926	2,002,826

Consolidated Balance Sheets

(Unit: millions of yen)

	As of September 30, 2006	As of December 31, 2005	As of September 30, 2005
Liabilities and Shareholders' Equity			
Current liabilities	656,091	587,145	539,821
Payables	276,013	278,186	246,320
Bonds and short-term bank loans	223,756	152,143	151,321
Other current liabilities	156,321	156,815	142,179
Non-current liabilities	524,241	542,777	539,632
Bonds and long-term bank loans	356,332	376,790	387,656
Other non-current liabilities	167,909	165,986	151,975
Total liabilities	1,180,332	1,129,922	1,079,454
Minority Interest in Consolidated Subsidiaries	-	99,319	117,385
Shareholders' equity	-	852,684	805,986
Common stock	-	90,472	90,472
Additional paid-in capital	-	96,561	90,763
Retained earnings	-	556,424	560,141
Asset revaluation reserve	-	120	120
Unrealized gains on securities, net of tax	-	124,262	98,063
Foreign currency translation adjustments	-	(1,448)	(19,854)
Treasury stock	-	(13,709)	(13,721)
Total Liabilities and Shareholders' Equity	-	2,081,926	2,002,826
Net Assets			
Shareholders' equity	775,954	-	-
Common stock	90,480	-	-
Additional paid-in capital	96,569	-	-
Retained earnings	602,721	-	-
Treasury stock	(13,817)	-	-
Valuation and translation adjustments	129,677	-	-
Unrealized gains on securities, net of tax	112,898	-	-
Deferred gains or losses on hedges, net of tax	(713)	-	-
Asset revaluation reserve	63	-	-
Foreign currency translation adjustments	17,428	-	-
Share subscription rights	0	-	-
Minority Interests in Consolidated Subsidiaries	94,431	-	-
Total Net Assets	1,000,064	-	-
Total Liabilities and Net Assets	2,180,397	-	-

Consolidated Statements of Income

(Unit: millions of yen)

	For the nine months ended September 30, 2006 (January 1 through September 30, 2006)	For the nine months ended September 30, 2005 (January 1 through September 30, 2005)	For the year ended December 31, 2005 (January 1 through December 31, 2005)
Net sales	1,201,029	1,103,227	1,526,660
Cost of sales	903,167	823,322	1,152,164
Selling, general and administrative expenses	196,992	188,165	256,302
Operating Income	100,868	91,739	118,194
Other Income	15,168	13,629	20,890
Interest and dividend income	4,107	3,924	5,491
Equity in earnings of unconsolidated subsidiaries and affiliates	2,608	1,486	1,801
Others	8,452	8,218	13,597
Other Expenses	17,561	14,095	20,200
Interest expenses	11,470	9,105	12,379
Others	6,090	4,990	7,821
Ordinary Income	98,476	91,272	118,884
Extraordinary Gains	21,984	13,140	24,925
Extraordinary Losses	30,070	16,323	61,051
Income before income taxes and minority interest	90,390	88,090	82,758
Income Taxes	33,307	22,731	33,126
Minority Interest in Earnings (Losses) of Consolidated Subsidiaries	(7,437)	1,475	(10,383)
Net Income	64,520	63,883	60,014

Consolidated Statements of Cash Flows

(Unit: millions of yen)

	For the 9 months ended Sep. 30, 2006 (January 1 through September 30, 2006)	For the 9 months ended Sep. 30, 2005 (January 1 through September 30, 2005)	For the year ended Dec. 31, 2005 (January 1 through December 31, 2005)
Cash flows from operating activities			
Income before income taxes and minority interest	90,390	88,090	82,758
Depreciation and amortization of goodwill	99,016	94,510	130,438
Impairment loss on long-lived assets	2,762	-	31,556
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,608)	(1,486)	(1,801)
Increase in receivables	(18,195)	(7,675)	(23,068)
Increase in inventories	(13,479)	(28,448)	(16,278)
(Decrease) increase in payables	(14,513)	(5,540)	19,228
Others	24,345	11,276	17,052
Subtotal	167,716	150,726	239,885
Interest received/paid and dividends received	(7,295)	(6,035)	(9,492)
Income taxes paid	(53,612)	(38,246)	(44,888)
Net cash provided by operating activities	106,809	106,444	185,505
Cash flows from investing activities			
Purchase of property, plant and equipment	(161,338)	(136,305)	(197,264)
Proceeds from sale of property, plant and equipment	4,816	6,473	13,862
Purchase of investments in securities, unconsolidated subsidiaries and affiliates	(5,932)	(3,016)	(4,025)
Proceeds from sale and redemption of investments in securities, unconsolidated subsidiaries and affiliates	24,013	25,090	36,145
Others	3,069	12,993	15,485
Net cash used in investing activities	(135,371)	(94,765)	(135,796)
Cash flows from financing activities			
Increase (decrease) in bank loans, bonds and CP	46,426	9,791	(11,963)
Repayments from sale of borrowed securities	-	(22,666)	(23,146)
Dividends paid	(19,932)	(20,154)	(20,533)
Others	(160)	(274)	(11,793)
Net cash provided by (used in) financing activities	26,333	(33,303)	(67,436)
Effect of exchange rate changes on cash and cash equivalents	1,785	2,103	4,029
Changes in cash and cash equivalents	(444)	(19,521)	(13,698)
Cash and cash equivalents at beginning of period	54,006	67,943	67,943
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(345)	(238)	(238)
Cash and cash equivalents at end of period	53,217	48,183	54,006

Segment Information

1. Business Segment

For the nine months ended September 30, 2006 (January 1 through September 30, 2006)

(Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	594,229	363,278	219,292	24,229	1,201,029	-	1,201,029
2) Inter-segment sales/transfers	7,918	677	3,913	34,144	46,653	(46,653)	-
Total sales	602,148	363,955	223,205	58,373	1,247,683	(46,653)	1,201,029
Operating expenses	570,724	303,523	216,232	56,084	1,146,564	(46,403)	1,100,160
Operating income	31,423	60,432	6,973	2,289	101,118	(249)	100,868

For the nine months ended September 30, 2005 (January 1 through September 30, 2005)

(Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	551,803	314,093	214,157	23,172	1,103,227	-	1,103,227
2) Inter-segment sales/transfers	3,097	1,608	3,358	33,149	41,215	(41,215)	-
Total sales	554,901	315,702	217,516	56,322	1,144,442	(41,215)	1,103,227
Operating expenses	523,035	271,844	203,798	54,122	1,052,800	(41,312)	1,011,488
Operating income	31,865	43,858	13,718	2,200	91,642	96	91,739

2. Geographic Segment

For the nine months ended September 30, 2006 (January 1 through September 30, 2006)

(Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	508,654	279,057	149,302	264,014	1,201,029	-	1,201,029
2) Inter-segment sales/transfers	152,944	50,345	8,050	1,773	213,114	(213,114)	-
Total sales	661,599	329,402	157,352	265,788	1,414,143	(213,114)	1,201,029
Operating expenses	596,821	308,320	161,047	242,968	1,309,157	(208,996)	1,100,160
Operating income (loss)	64,778	21,081	(3,694)	22,820	104,986	(4,117)	100,868

For the nine months ended September 30, 2005 (January 1 through September 30, 2005)

(Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	496,423	232,062	144,739	230,001	1,103,227	-	1,103,227
2) Inter-segment sales/transfers	117,065	43,760	6,375	1,740	168,942	(168,942)	-
Total sales	613,488	275,823	151,115	231,742	1,272,170	(168,942)	1,103,227
Operating expenses	568,198	240,224	154,016	215,527	1,177,966	(166,478)	1,011,488
Operating income (loss)	45,290	35,598	(2,900)	16,214	94,203	(2,464)	91,739

Supplementary Information

1. Operating results

(Unit: billions of yen)

	For the 9 months ended September 30, 2006	For the 9 months ended September 30, 2005
Net sales	1,201.0	1,103.2
Operating income	100.9	91.7
Ordinary income	98.5	91.3
Net income	64.5	63.9
Total Net Assets	1,000.1	806.0
Net income per share (yen)	55.01	54.80

2. Major item

(Unit: billions of yen)

	For the 9 months ended September 30, 2006	For the 9 months ended September 30, 2005
Capital expenditures	166.6	142.4
Depreciation and amortization	93.1	88.8
Interest expenses & dividend income	(8.8)	(5.5)

(Unit: billions of yen)

	As of September 30, 2006	As of December 31, 2005	As of September 30, 2005
Interest-bearing debts	580.8	529.4	539.0
D/E ratio	0.58	0.56	0.58

3. Outlook for FY 2006 operating results

(Unit: billions of yen)

	Previous	Revised	Difference
Net sales	1,600.0	1,600.0	0
Operating income	145.0	135.0	(10.0)
Ordinary income	136.0	130.0	(6.0)
Net income	80.0	76.0	(4.0)
Capital expenditures	220.0	220.0	0
Depreciation and amortization	130.0	130.0	0
Research and development costs	36.0	36.0	0

*Previous released outlook is as of August 23, 2006 (release of financial results of FY2006 1st half)

4. Outlook for FY 2006 operating results by business segment

(Unit: billions of yen)

	Net sales			Operating income		
	Previous	Revised	Difference	Previous	Revised	Difference
Glass	795.0	800.0	5.0	40.0	42.0	2.0
Electronics and Display	510.0	490.0	(20.0)	92.0	82.0	(10.0)
Chemicals	290.0	300.0	10.0	10.0	8.0	(2.0)
Other	70.0	75.0	5.0	3.0	3.0	0
Corporate or elimination	(65.0)	(65.0)	0	-	-	-
Consolidated total	1,600.0	1,600.0	0	145.0	135.0	(10.0)

*Previous released outlook is as of August 23, 2006 (release of financial results of FY2006 1st half)

5. Exchange rates

	For the 9 months ended September 30, 2006		For the 9 months ended September 30, 2005		For the year ended December 31, 2005		FY 2006
	Average	End of period	Average	End of period	Average	End of period	Outlook
Yen / US Dollar	115.94	117.90	108.65	113.19	110.95	118.07	116
Yen / Euro	144.80	149.77	136.36	136.13	137.31	139.83	146