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**Consolidated Financial Results for FY2007 third quarter**  
 (January 1 through September 30, 2007)

**1. Financial results for the nine months ended September 30, 2007 (Jan. 1 through Sep. 30, 2007)**

(1) Consolidated operating results

	For the nine months ended September 30, 2007		For the nine months ended September 30, 2006		(Reference) For the year ended December 31, 2006
	Millions of yen	%	Millions of yen	%	Millions of yen
Net sales	1,234,041	2.7	1,201,029	8.9%	1,620,540
Operating income	142,142	40.9	100,868	10.0%	136,611
Ordinary income	137,538	39.7	98,476	7.9%	134,498
Net income	83,355	29.2	64,520	1.0%	44,997
Net income per share - basic (Yen)	71.05	-	55.01	-	38.37
Net income per share - fully diluted (Yen)	66.83	-	51.88	-	36.61

(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, 2007	For the nine months ended September 30, 2006	(Reference) For the year ended December 31, 2006
Total assets (Millions of yen)	2,227,167	2,180,397	2,149,546
Total net assets (Millions of yen)	1,058,364	1,000,064	991,751
Equity ratio (%)	44.0	41.5	42.4
Net assets per share (Yen)	834.63	772.15	776.26

(3) Consolidated cash flows

(Unit: millions of yen)

	For the nine months ended September 30, 2007	For the nine months ended September 30, 2006	(Reference) For the year ended December 31, 2006
Cash flows from operating activities	162,889	106,809	173,997
Cash flows from investing activities	(161,202)	(135,371)	(212,477)
Cash flows from financing activities	6,815	26,333	35,880
Cash and cash equivalents at the end of period	59,432	53,217	52,627

(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.

**2. Dividend**

(Unit: yen)

Dividend per share	FY2007 (ending Dec. 31, 2007)		FY2006 (ended Dec. 31, 2006)
	Actual	Forecast	
Interim	10.00	-	8.00
Year-end	-	10.00	8.00
Full-year	-	20.00	16.00

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

**3. Outlook for FY2007, the fiscal year ending December 31, 2007 (Jan. 1 through Dec. 31, 2007)**

	Full year	
	Millions of yen	%
Net sales	1,670,000	3.1
Operating Income	180,000	31.8
Ordinary income	170,000	26.4
Net income	90,000	100.0
Net income per share (Yen)	76.69	

(Note)

1. 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.
2. Percentage figures show % change from the previous year's corresponding period.

## **Operating Results and Financial Conditions**

### **1. Consolidated Operating Results**

#### **(1) Business review of the third quarter of 2007 (Nine-month period)**

During the third quarter of 2007 (nine-month period from January 1 through September 30, 2007), the Japanese economy remained steady backed by an increase in capital expenditure and exports, despite continued price hikes of various raw materials and fuels including crude oil. In the rest of Asia, China saw its economy grow at a high rate and ASEAN countries' economy continued to be firm. In the NIEs (Newly Industrial Economies), demand in the IT and digital sectors recovered, where a slowdown had been observed at one stage. The economies of Russia and Central and Eastern Europe remained steady. The economy of Western Europe in general remained strong, although some countries were faced with a slowdown in exports and capital investment, which had led the economic growth in the region. In the U.S., the subprime loan problem weighed down the housing market and the growth of capital expenditure, and concern mounted about a slowdown in the economy.

As for the target market of the AGC Group, backed by a rising demand for thin-screen TVs, the market of glass substrates for flat panel displays (FPDs), such as glass substrates for thin film transistor liquid crystal displays (TFT LCDs), remained relatively steady. In the Glass operations, the flat glass market was sluggish in Japan and North America but continued to be firm in Europe. The Chemicals operations saw the market pick up.

Under such circumstances, the Group posted net sales of 1,234.0 billion yen for the period under review, up 33.0 billion yen or 2.7% from the previous year's corresponding period, operating income of 142.1 billion yen, up 41.3 billion yen or 40.9%, and ordinary income of 137.5 billion yen, up 39.1 billion yen or 39.7%. Net income increased 18.8 billion yen or 29.2% year on year to 83.4 billion yen.

#### **(2) Overview of the third quarter of 2007 by business segment**

##### **- Glass operations**

The Glass operations comprise flat glass business for construction and automotive glass, which are both conducted globally, as well as other glass business involving fiberglass and other glass applications, which are operated mainly in Japan.

Sales in the flat glass business increased from the corresponding period of the previous year. Glass shipments were strong in fast-growing markets, such as Russia. Demand also remained firm in Western Europe. In Japan and North America, however, glass shipments were adversely affected by a decrease in new housing starts.

In the automotive glass business, sales increased from the corresponding period of the previous year as customers' auto production was steady, although the worldwide auto output remained almost flat from a year earlier.

In other glass business, sales decreased from the corresponding period of the previous year due to the withdrawal, by Asahi Fiber Glass Co., Ltd., from the composite business in March 2006. The Company has decided to sell all shares of Asahi Fiber Glass on November 1, 2007.

As a result, net sales from the Glass operations for the period under review were 643.0 billion yen, up 40.9 billion yen or 6.8% from the corresponding period of the previous year, and operating income increased 19.6 billion yen or 62.3% to 51.0 billion yen.

#### **- Electronics and Display operations**

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

In the FPD glass sector of the display business, sales increased from the corresponding period of the previous year thanks to strong shipments of glass substrates for TFT LCDs, supported by a rise in demand for panels for thin-screen TVs and the spread of larger sizes of such panels. Meanwhile, shipments of substrates for plasma display panels (PDPs), which leveled off in the first half, became buoyant from July. Sales in the CRT glass sector decreased due to the accelerated shift in demand for FPDs and reduced production capacity.

In the electronics materials business, although shipments of some display materials slowed down, shipments of synthetic quartz, which is used as projection lens materials in semiconductor manufacturing equipment, continued to be strong. In the small- and medium-sized displays sector, although demand for products for automotive use showed a steady growth, sales dropped owing to the scaling down of operations related to products for mobile equipment and consumer use, except some products, as well as weak demand for industrial-use products.

Consequently, net sales from the Electronics and Display operations for the period under review were 334.5 billion yen, down 29.5 billion yen or 8.1% from the corresponding period of the previous year, and operating income climbed 17.7 billion yen or 29.3% to 78.2 billion yen.

#### **- 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 fluorochemical products, including fluorinated resins and fluorinated oil and water repellants, as well as other specialty chemicals, including battery materials and liquid crystal materials.

The chlor-alkali & urethane business improved from the corresponding period of the previous year, as the market for vinyl chloride-related products recovered, and part of the rise in cost of raw materials was offset.

In the fluorochemicals & specialty chemicals business, shipments of fluorinated resins and such resins

for coating remained firm. The Company has decided to reorganize its production system in the U.S. for fluorochemical products, closing Bayonne Plant, which manufactures fluorinated resin PTFE and other products, by the end of December 2007.

As a result, net sales from the Chemicals operations for the period under review were 235.4 billion yen, up 12.2 billion yen or 5.5% from the corresponding period of the previous year, and operating income rose 3.9 billion yen or 56.3% to 10.9 billion yen.

#### **- 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 strong in Europe and Asia while demand in the environmental energy sector continued to be steady in Japan, despite higher costs for raw materials and fuels.

Consequently, net sales from Other operations for the period under review increased 4.9 billion yen or 8.4% from the corresponding period of the previous year to 63.3 billion yen, and operating income decreased 0.2 billion yen or 8.5% to 2.1 billion yen.

## **2. Financial Conditions**

#### **- Total assets**

Total assets as of the end of the period under review were 2,227.2 billion yen, up 77.6 billion yen from the previous year. This is mainly attributable to the increase of property, plant and equipment, resulting from proactive capital investments in manufacturing and processing facilities for flat glass in Europe and FPD glass substrates.

#### **- Total liabilities**

The total liabilities as of the end of the period under review recorded 1,168.8 billion yen, an increase of 11.0 billion yen from fiscal 2006. This is mainly attributable to an increase in the amount of interest-bearing debts, resulting from proactive capital investment.

#### **- Total net assets**

The total net assets as of the end of the period under review were 1,058.4 billion yen, an increase of 66.6 billion yen from the preceding year, mainly because the retained earnings increased in line with net income for the period.

## Consolidated Balance Sheets

(Unit: millions of yen)

	As of September 30, 2007	As of December 31, 2006	As of September 30, 2006
<b>Assets</b>			
Current assets	726,520	722,824	719,800
Cash on hand and in banks	87,344	80,610	69,979
Trade notes and accounts receivable	313,493	295,078	317,766
Inventories	265,982	248,231	256,812
Other current assets	66,964	105,999	82,285
Allowance for bad debts	(7,263)	(7,095)	(7,043)
Fixed assets	1,500,426	1,426,489	1,460,368
Tangible fixed assets	1,079,066	1,008,116	1,001,584
Intangible fixed assets	52,375	57,573	104,421
Investments in securities	309,035	311,838	299,508
Other fixed assets	63,060	52,646	59,003
Allowance for bad debts	(3,112)	(3,685)	(4,150)
Deferred assets	219	232	228
<b>Total assets</b>	<b>2,227,167</b>	<b>2,149,546</b>	<b>2,180,397</b>
<b>Liabilities</b>			
Current liabilities	580,075	618,041	656,091
Payables	256,843	265,546	276,013
Bonds and short-term bank loans	191,368	212,144	223,756
Other current liabilities	131,863	140,351	156,321
Non-current liabilities	588,727	539,753	524,241
Bonds and long-term bank loans	415,091	362,735	356,332
Other non-current liabilities	173,636	177,018	167,909
<b>Total liabilities</b>	<b>1,168,803</b>	<b>1,157,795</b>	<b>1,180,332</b>
<b>Net assets</b>			
Shareholders' equity	820,614	756,424	775,954
Common stock	90,842	90,480	90,480
Additional paid-in capital	96,934	96,569	96,569
Retained earnings	646,852	583,176	602,721
Treasury stock	(14,014)	(13,802)	(13,817)
Valuation and translation adjustments	158,838	154,062	129,677
Unrealized gains on securities, net of tax	120,576	123,312	112,898
Deferred gains or losses on hedges, net of tax	694	(1,038)	(713)
Asset revaluation reserve	63	63	63
Foreign currency translation adjustments	37,503	31,724	17,428
Share subscription rights	389	1	0
Minority interests in consolidated subsidiaries	78,521	81,263	94,431
<b>Total net assets</b>	<b>1,058,364</b>	<b>991,751</b>	<b>1,000,064</b>
<b>Total liabilities and net assets</b>	<b>2,227,167</b>	<b>2,149,546</b>	<b>2,180,397</b>

## Consolidated Statements of Income

(Unit: millions of yen)

	For the nine months ended Sep. 30, 2007 (Jan. 1 through Sep. 30, 2007)	For the nine months ended Sep. 30, 2006 (Jan. 1 through Sep. 30, 2006)	Change		For the year ended Dec. 31, 2006 (Jan. 1 through Dec. 31, 2006)
				(%)	
Net sales	1,234,041	1,201,029	33,012	2.7	1,620,540
Cost of sales	881,621	903,167	(21,546)	(2.4)	1,217,654
Selling, general and administrative expenses	210,277	196,992	13,284	6.7	266,274
Operating income	142,142	100,868	41,274	40.9	136,611
Other income	15,047	15,168	(121)	(0.8)	24,906
Interest and dividend income	5,080	4,107	973	23.7	6,915
Equity in earnings of unconsolidated subsidiaries and affiliates	3,908	2,608	1,299	49.8	3,326
Others	6,058	8,452	(2,393)	(28.3)	14,664
Other expenses	19,652	17,561	2,091	11.9	27,019
Interest expenses	13,036	11,470	1,565	13.6	16,704
Others	6,616	6,090	525	8.6	10,315
Ordinary income	137,538	98,476	39,061	39.7	134,498
Extraordinary gains	14,168	21,984	(7,816)	(35.6)	29,388
Extraordinary losses	30,790	30,070	720	2.4	125,595
Income before income taxes and minority interests	120,915	90,390	30,525	33.8	38,291
Income taxes	36,088	33,307	2,780	8.3	6,132
Minority interest in earnings (losses) of consolidated subsidiaries	1,472	(7,437)	8,910	-	(12,838)
Net income	83,355	64,520	18,834	29.2	44,997

## Consolidated Statements of Cash Flows

(Unit: millions of yen)

	For the nine months ended Sep. 30, 2007 (January 1 through September 30, 2007)	For the nine months ended Sep. 30, 2006 (January 1 through September 30, 2006)	For the year ended Dec. 31, 2006 (January 1 through December 31, 2006)
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	120,915	90,390	38,291
Depreciation and amortization of goodwill	100,222	99,016	133,843
Impairment loss on long-lived assets	1,367	2,762	45,557
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,908)	(2,608)	(3,326)
(Increase) decrease in receivables	(26,614)	(18,195)	16,908
(Increase) decrease in inventories	(13,119)	(13,479)	2,990
Increase (decrease) in payables	4,856	(14,513)	(18,892)
Others	(17,162)	24,345	28,340
Subtotal	166,557	167,716	243,712
Interest received/paid and dividends received	(6,786)	(7,295)	(11,152)
Income taxes paid	3,118	(53,612)	(58,563)
Net cash provided by operating activities	162,889	106,809	173,997
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(190,632)	(161,338)	(242,121)
Proceeds from sale of property, plant and equipment	19,907	4,816	14,456
Purchase of investments in securities, unconsolidated subsidiaries and affiliates	(772)	(5,932)	(6,071)
Proceeds from sale and redemption of investments in securities, unconsolidated subsidiaries and affiliates	10,576	24,013	26,378
Others	(280)	3,069	(5,119)
Net cash used in investing activities	(161,202)	(135,371)	(212,477)
<b>Cash flows from financing activities</b>			
Increase in bank loans, bonds and CP	29,634	46,426	56,034
Dividends paid	(22,753)	(19,932)	(19,973)
Others	(64)	(160)	(180)
Net cash provided by financing activities	6,815	26,333	35,880
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(1,231)	1,785	1,553
<b>Changes in cash and cash equivalents</b>	7,271	(444)	(1,046)
<b>Cash and cash equivalents at beginning of period</b>	52,627	54,006	54,006
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(466)	(345)	(332)
<b>Cash and cash equivalents at end of period</b>	59,432	53,217	52,627



## Segment Information

### 1. Business Segment

For the nine months ended September 30, 2007 (January 1 through September 30, 2007) (Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales to customers	639,543	333,128	232,615	28,753	1,234,041	-	1,234,041
Inter-segment sales/transfers	3,471	1,342	2,815	34,546	42,176	(42,176)	-
Total sales	643,015	334,470	235,431	63,300	1,276,217	(42,176)	1,234,041
Operating expenses	592,003	256,317	224,530	61,205	1,134,057	(42,159)	1,091,898
Operating income	51,011	78,153	10,901	2,094	142,160	(17)	142,142

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 to customers	594,229	363,278	219,292	24,229	1,201,029	-	1,201,029
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

FY2006 (January 1 to December 31, 2006)

(Unit: millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales to customers	806,325	475,786	302,649	35,779	1,620,540	-	1,620,540
Inter-segment sales/transfers	9,010	834	4,956	48,344	63,146	(63,146)	-
Total sales	815,335	476,621	307,606	84,123	1,683,687	(63,146)	1,620,540
Operating expenses	768,850	397,427	299,762	80,820	1,546,860	(62,931)	1,483,928
Operating income	46,485	79,193	7,843	3,303	136,826	(215)	136,611

## 2. Geographic Segment

For the nine months ended September 30, 2007 (January 1 through September 30, 2007) (Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales to customers	501,825	279,593	139,745	312,877	1,234,041	-	1,234,041
Inter-segment sales/transfers	144,202	55,811	7,585	6,089	213,688	(213,688)	-
Total sales	646,027	335,404	147,331	318,966	1,447,729	(213,688)	1,234,041
Operating expenses	582,719	297,240	151,400	273,326	1,304,687	(212,788)	1,091,898
Operating income (loss)	63,308	38,163	(4,069)	45,639	143,042	(899)	142,142

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 to customers	508,654	279,057	149,302	264,014	1,201,029	-	1,201,029
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

FY2006 (January 1 to December 31, 2006)

(Unit: millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales to customers	695,022	367,076	195,134	363,307	1,620,540	-	1,620,540
Inter-segment sales/transfers	218,223	69,256	10,256	2,600	300,337	(300,337)	-
Total sales	913,246	436,332	205,390	365,907	1,920,877	(300,337)	1,620,540
Operating expenses	823,522	411,709	211,574	330,533	1,777,339	(293,410)	1,483,928
Operating income (loss)	89,723	24,622	(6,183)	35,374	143,538	(6,926)	136,611

## Supplementary Information

### 1. Operating results

(Unit: billions of yen)

	For the 9 months ended September 30, 2007	For the 9 months ended September 30, 2006	FY2006
Net sales	1,234.0	1,201.0	1,620.5
Operating income	142.1	100.9	136.6
Ordinary income	137.5	98.5	134.5
Net income	83.4	64.5	45.0
Net income per share (yen)	71.05	55.01	38.37

### 2. Major items

(Unit: billions of yen)

	For the 9 months ended September 30, 2007	For the 9 months ended September 30, 2006	FY2006
Capital expenditures	179.4	166.6	252.7
Depreciation and amortization	98.5	93.1	125.9
Interest expenses & dividend income	(9.1)	(8.8)	(11.7)

(Unit: billions of yen)

	As of Sep. 30, 2007	As of Sep. 30, 2006	FY 2006
Total net assets	1,058.4	1,000.1	991.8
Interest-bearing debts	606.5	580.8	574.9
D/E ratio	0.57	0.58	0.58

### 3. Outlook for FY 2007 operating results

(The figures below remain unchanged from the FY2007 outlook that had been announced on August 6, 2007.)

(Unit: billions of yen)

	FY2007
Net sales	1,670.0
Operating income	180.0
Ordinary income	170.0
Net income	90.0
Capital expenditures	240.0
Depreciation and amortization	135.0
Research and development costs	35.0

### 4. Outlook for FY 2007 operating results by business segment

(The figures below remain unchanged from the FY2007 outlook that had been announced on August 6, 2007.)

(Unit: billions of yen)

	Net sales	Operating income
Glass	860.0	61.0
Electronics and Display	460.0	104.0
Chemicals	320.0	13.0
Other	85.0	2.0
Corporate or elimination	(55.0)	0
Consolidated total	1,670.0	180.0

### 5. Exchange rates

	For the 9 months ended September 30, 2007		For the 9 months ended September 30, 2006		FY 2006		FY 2007
	Average	End of period	Average	End of period	Average	End of period	Outlook
Yen / US Dollar	119.27	115.43	115.94	117.90	116.40	119.11	120
Yen / Euro	160.98	163.38	144.80	149.77	146.87	156.50	162