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Progress on the Medium-Term Management Plan "*JIKKO-2007*"

Asahi Glass Co., Ltd.

In January 2005, Asahi Glass Co., Ltd. (headquartered in Tokyo; President & CEO: Masahiro Kadomatsu) formulated its three-year medium-term management plan "*JIKKO-2007*," which relates to the period from fiscal 2005 (ended December 2005) through fiscal 2007 (ending December 2007). With this plan, the Company is implementing its growth strategy to strive for the realization of the Group's vision

"Look Beyond."

The Company has summarized as follows its various measures implemented in the past two years and the business strategies to be developed in fiscal year 2007, which is the final year of the "*JIKKO-2007*" plan.

1. Overview of "*JIKKO-2007*"

Under the medium-term management plan "*JIKKO-2007*," the Company is making efforts to 1) actively invest in the FPD (Flat Panel Display) operations centering on the TFT glass business and enhance earnings at the CRT glass business; 2) expand glass operations in emerging markets; and 3) improve the business earnings in North America, aiming for further growth in existing businesses and an improvement in its earning power. In addition, the Company will fully launch Electronics & Energy operations as a growth business for the next generation.

In tandem with implementation of these critical measures, the Company will aim to achieve "**an operating income margin of 10% or more**" and maintain that level while increasing the efficiency of assets to continuously improve shareholder values.

<Earnings outlook for the fiscal year through December 2007>

The earnings outlook for the fiscal year through December 2007 is as follows. The Company expects to achieve "**an operating income margin of 10% or more.**"

	Fiscal year through December 2006 (Actual)	Fiscal year through December 2007 (Outlook)
Net sales	1,620.5 billion yen	1,670.0 billion yen
Operating income	136.6 billion yen	180.0 billion yen
Operating income margin	8.4%	10.8%
D/E	0.58	0.5

2. Progress of measures implemented under "JIKKO-2007" and future challenges

(1) Display operations

In the display operations, demand is rapidly shifting from CRTs to FPDs, and the ratio of LCDs has been rising sharply among TV demand in particular. Under these circumstances, the Company has been taking the following main measures.

CRT glass

- Restructuring delayed due to faster decline in demand than expected. In and after the latter half of 2006, improvement has been accelerated to intensify production. (the production capacity is to be reduced up to 40% of its peak by the end of March 2007)
- Fixed assets were impaired (the balance of fixed assets has become nearly zero, excluding saleable assets).
- The Company will consider the cost minimization and optimal order receiving as well as continuous reduction of business at the remaining plants.

TFT glass substrate

- The company has been making an investment of 100 billion yen or more during this medium-term management plan, and six TFT glass furnaces has been constructed or under construction. As a result of this, the production capacity is expected to grow from 14 million square meters per year as of end 2004 to 42 million square meters per year as of end 2007. (Integrated mass production structure for TFT glass has established in Japan, Taiwan and Korea.)
- Based on the increase of ratio using LCDs on TV and the progress of using larger size on LCDs, the demand for glass substrate has been expanding more rapidly than expected at the initial forecast of this medium-term management plan.
- The Company's competitive edge has further increased because its glass substrate is environmentally-friendly, and because of its "float method and polishing facility for large glass substrates."
- The Company intends to respond to the growing market by expanding the facilities while improving relationships with the customers and the productivity of the existing facilities.

PDP glass substrate

- Preparing for demand increase, a new furnace in Korea as well as one in Japan and a new plant for processing large PDP glass substrate at Kansai (Suminoe) Plant are now in course of construction to enhance customer satisfaction by carrying out operations where customers are, and production efficiency will be improved. (Integrated mass production structure for PDP glass has established in Japan and Korea.)

(2) Flat glass operations

The business environment for the glass operations (flat glass and automotive glass) during this medium-term management plan is as follows:

Influences	Business environment	Business in charge
Positive	Recovering Western Europe economy	Flat glass
	Growth of Russia and Eastern Europe	Flat glass, Automotive glass
	Good performance by Japanese auto-makers	Automotive glass
Negative	High energy cost (heavy oil etc)	Flat glass, Automotive glass
	Sluggish economy in part of Asia	Flat glass, Automotive glass
	Increasing of cheap imports to Japan-Asia region	Flat glass
	Unstable outlook of North American construction economy	Flat glass

In this business environment, the Company has been taking the following main measures to expand business and to improve profitability with current operations.

Main measures	Business in charge
Expand production capacity in the fast growing markets <Flat glass> - Mass production was started in Russia (March 2005) and China (Suzhou, May 2006). - (Mass production is to be started in Czech Republic in the beginning of 2008.) <Automotive glass> - Mass production was started in Hungary (begin 2006). - (Mass production is to be started in China No.2 plant at Foshan in Guangdong Province in the first quarter of 2008.)	Flat glass, Automotive glass
Differentiation by automotive raw glass, value added speciality glass, and enhancement of solar glass	Flat glass
Improve operations by Build & Scrap in Europe and North America	Flat glass, Automotive glass
Continue with cost down to improve profitability	Flat glass, Automotive glass

(3) Business in North America

The entire businesses restructuring has been in progress in North America as follows:

Flat glass business

- The management was renewed and the profit improvement plan was restarted.
- The unprofitable Cinnaminson Plant was shut down.

Automotive glass business

- The Company has been conducting Build & Scrap and improving productivity. (Closure of a plant in Mexico)
- The Company rebuilt the glass assembly operations.

Fluorochemicals business

- Improvement in the overall business delayed despite of productivity progress.
- From now on, the Company will implement necessary measures without delay.

(4) Electronics & Energy operations

In the Electronics & Energy operations, the Company strengthen the foundation of operation during this medium-term management plan, as a fostering period. A “future business seed” has been steadily growing in the field of the Company’s own core-technology in glass and fluorine chemistry.

From now on, the business of photonics components, such as optical pickup components, is expected to grow in addition to the business of synthetic quartz and LCD backlight tubes, both now in good shape.

Semiconductor process materials (synthetic quartz, SiC, CMP slurry, etc.)

- Synthetic quartz has grown up as current core business.
- CMP slurry with epoch-making planarization performance was developed.

Display materials (backlight tubes for LCDs, optical filters for PDPs, glass frit & pastes, etc.)

- Shipment of backlight tubes for LCDs has largely increased.

Photonics components (optical pickup component, micro glass, glass substrates for HDDs, etc.)

- The Company entered the business of glass substrates for HDDs, and realized the concentrated production in Thailand.
- The Company acquired Matsushima Optical Component (micro glass business).

(5) Chemicals operations

Fluorochemicals & Specialty Chemicals business

- The stable supply of fluorinated resins ETFE has been ensured to correspond to the market expansion.
<Expansion plan>
Kashima Plant: Implemented in 2005, and another implementation planned in 2008
UK Plant: To be implemented in 2007
- Demand for fluoro-resin film has been created by use of products’ originality.
- The Company established eco-friendly facilities for water and oil repellents (Asahi Guard E Series) in the Chiba Plant, having started business environment-focused business ahead of rivals.

Chlor-alkali & Urethane business

- The Company has obtained the regional No.1 market share in domestic and in overseas for caustic soda and electrolysis-related products.
- The urethane business has been shifting from commodity products to custom-made & high-performance products.

3. Unification of the group brand

Since it announced the globally integrated group management in 2002, the Company has shifted to the In-house Company system, established the group vision "*Look Beyond*", and improved the management system to realize this vision.

With the Company's 100th anniversary (September 2007), the company will unify the Group brand under "AGC." By doing so, stakeholders will be able to easily recognize the wide range of technologies, products and services covered by the AGC Group. The Company also anticipate that global branding will strengthen the sense of community and cooperation among the AGC Group's employees, accelerating in the synergistic success of the global growth strategy.

In addition, the companies in the group will incorporate "AGC" in their legal names and adopt the newly designed logo .

4. Management policy "JIKKO" initiatives

The Company has settled seven "Major Initiatives" including the permeation of the Group vision and the improvement of ES, making a concerted effort throughout the group to achieve these initiatives.

Quality Manufacturing and Reinforcement of Production Site Expertise

- The Company opened the AGC Monozukuri Training Center in July 2006 to cultivate human resources with motto of "Education of theory and practice."
- The "Professional System" and the "Meister System" were launched.
- Inheritance of technologies and skills will be expanded to the entire group, starting with affiliates in Asia.

Raising CS and Quality Management

- Activities to heighten the value of each person's work have been promoted under the motto of "Incorporating the concept of CS into every working day."
- The Company launched the "CS Commendation" aiming at spread of good examples and promotion activities.

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