

AGC REVIEW

Newsletter for Investors Vol. 10
Booklet for communicating with investors



AGC Monozukuri (Quality Manufacturing) Training Center

(Taken by Photo Department of SHINKENCHIKU)



Code Number: 5201

Quality Manufacturing and Reinforcement of Production Site Expertise

“The Year 2007 Problem” served as the impetus for the AGC Group to confront the theme of “Reinforcement and Inheritance of Technologies and Skills” seriously and undertake various efforts to cope with the issue.

Top Message

Present status of business and outlook

Fiscal 2007 marks the final year of the “**JIKKO-2007**” medium-term management plan.

On this occasion, we will strive steadily to promote measures to achieve its goals.

Masahiro Kadomatsu, President & CEO

Earning results for fiscal 2006

During the fiscal year under review, the Japanese economy continued to make a recovery, supported mainly by expansion in capital expenditure and exports, despite weaker consumer spending reflecting price hikes of various raw materials and fuels such as oil. Other Asian countries, particularly in China, maintained the momentum in their growth driven by exports, although some countries such as Indonesia could not enjoy growth due to sluggish domestic consumer spending affected by the higher oil prices and interest rate hike. In the U.S., although there remained fears for weaker economy such as a higher stagnant housing market, the economy continued to grow supported by consumer spending and capital expenditure. In Europe, the economies of Central-Eastern Europe continued to be strong, and Western Europe also showed a recovery backed by increasing domestic demand.

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, such as LCD TVs and plasma display panel TVs. On the other hand, the market for cathode

ray tube (CRT) glass continued to be weak. Growth in demand for the Glass operations fell in some parts of Asia, but demand in Western Europe returned to its previous levels. The Chemicals operations remained sluggish during the fiscal year under review, reflecting a weak recovery of the market.

The Group posted net sales of 1,620.5 billion yen, an increase of 93.9 billion yen over the previous year (up 6.1%), while operating income increased by 18.4 billion yen over the previous year to 136.6 billion yen (up 15.6%), and ordinary income rose by 15.6 billion yen over the previous year to 134.5 billion yen (up 13.1%). Meanwhile, net income decreased by 15.0 billion yen over the previous year to 45.0 billion yen (down 25.0%), mainly due to the depreciation of goodwill in the flat glass business in North America.

The Group will disburse a year-end dividend of 8.00 yen per share for the year ended on December 31 2006, which will result in an annual dividend of 16.00 yen per share due to the interim dividend of 8.00 yen paid for the first half of fiscal 2006; this 8.00 yen per share is higher than the 7.50 yen originally planned.

We will aim to achieve an operating income margin of 10% or more and maintain that level while increasing the efficiency of assets.

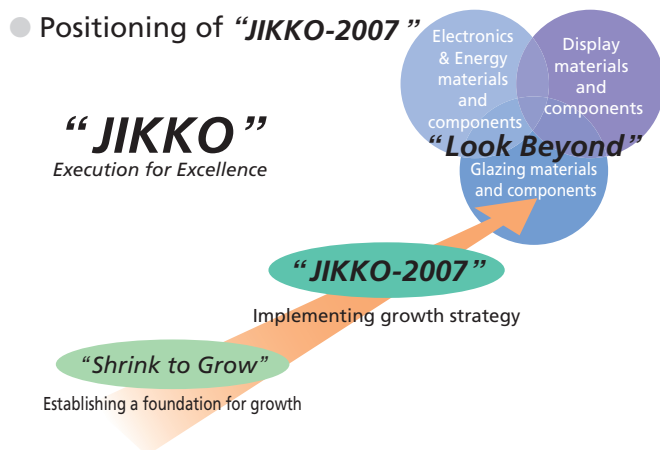
For the fiscal 2007, which marks the final year of the medium-term management plan “**JIKKO-2007**”, the Company forecasts net sales to increase by 3.1% over the previous year to 1,670.0 billion yen and operating income to rise by 31.8% over the previous year to 180.0 billion yen, with the operating income margin reaching 10% or more. This is almost in line with our original projection which factors in a sales decrease in comparison with figures announced at the time of releasing “**JIKKO-2007**” due to withdrawal from some businesses. By implementing the growth strategies that are in keeping with the key measures of the “**JIKKO**” management policy, the Company aims to continually improve shareholder values while increasing the efficiency of its assets.

In the Electronics and Display operations, demands are shifting from cathode-ray tube (CRT) to flat panel display (FPD) at a speed faster than expected. We have already brought forward the capacity reinforcement plan, and we will respond to the growing market by improving

relationships with the customers and productivity of existing facilities.

In the Glass operations, we will further increase production capacity for emerging markets to keep up with market growth, while also enhancing high value-added products such as automotive raw glass, architectural glass and solar glass. We will also implement measures to improve operations in North America, where we recognize the pressing need to improve the flat glass business.

In the Chemicals operations, we will respond to market trends through measures such as stepped-up production of ETFE fluorinated resins and a shift of the urethane business to custom-made and high performance products.



We see growth potential in the electronics & energy materials and components business, and a “future business seed” has been steadily growing in the form of the Company’s own core glass and fluorine chemistry technology.

In addition, synthetic quartz for semiconductor manufacturing equipment and LCD backlight tubes have already started to contribute to profits, and we successfully developed CMP (Chemical Mechanical Polishing) slurry with epoch-making planarization performance. We have also laid a foundation for future growth fields for example by newly entering the market for HDD glass substrates, and by acquiring a company in the microglass business.

Unified efforts of the AGC Group to accelerate its growth strategy

Since our announcement of globally integrated management in 2002, the Company has shifted to an in-house company system, established the “**Look Beyond**” Group vision, and accelerated the implementation of its global growth strategy.



The companies in the group will adopt the newly designed brand logo.

The new logo mark was designed to express the dynamism and presence of the AGC Group. The center of the letter “G”, the core part of the logo, is colored bright red to symbolize our burning energy and to represent the activeness of the Group. All companies in the Group will adopt this unified logo by September 2007.

The AGC group has been making concerted efforts for achieving the group vision. Specifically, it is working on seven themes, including “Quality Manufacturing and Reinforcement of Production Site Expertise” (Please see the special feature on page 5) and “Raising CS and Quality Management”, as major initiatives based on the “**JIKKO**” management policy.

With the Company’s 100th anniversary in September 2007, the AGC group will unify the Group brand under “AGC”. On this occasion, we will adopt the new brand logo and all the companies in the Group, including those overseas, will change their company names to incorporate AGC in them. By unifying the Group brand under “AGC”, we anticipate that the sense of community and cooperation among the AGC Group’s employees will be strengthened and stakeholders will be able to easily recognize the wide range of technologies, products and services covered by the AGC Group. As a global components supplier that looks ahead to the future and contributes to the creation of the brighter world, we will continue to provide valuable solutions to our customers.

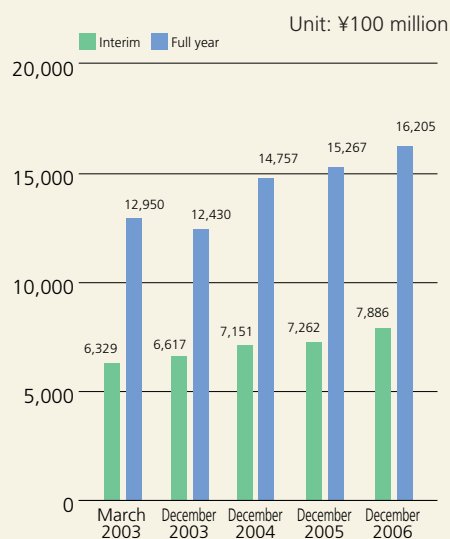
I would like to take this opportunity to extend special thanks to all of our investors for your daily support. At the same time, I would like to ask for your understanding of the Group’s efforts and your continued assistance and guidance.

March 2007
Masahiro Kadomatsu
President & CEO

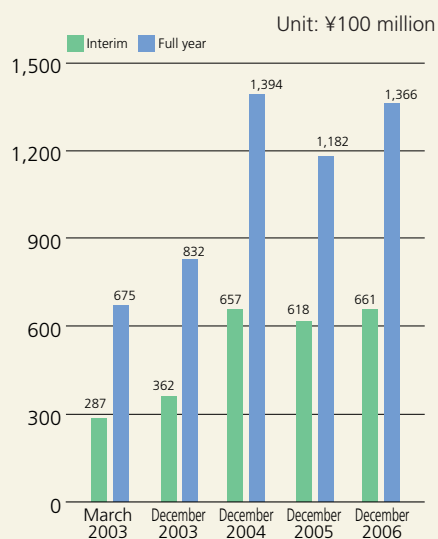
Financial Highlights

Trends of Earnings Results

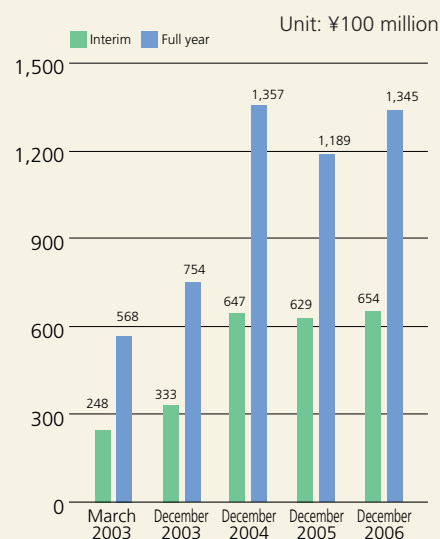
Net sales



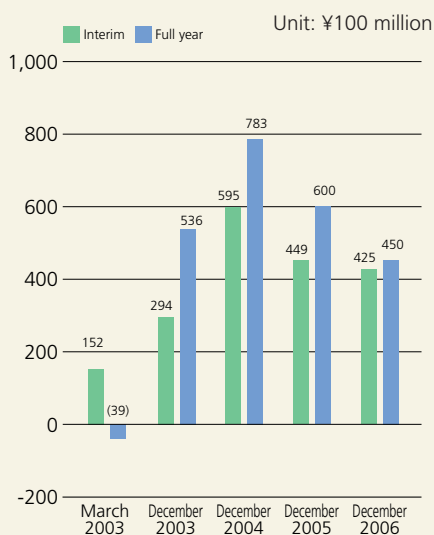
Operating income



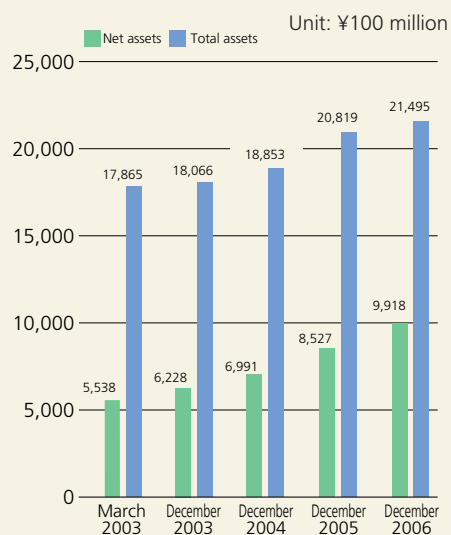
Ordinary income



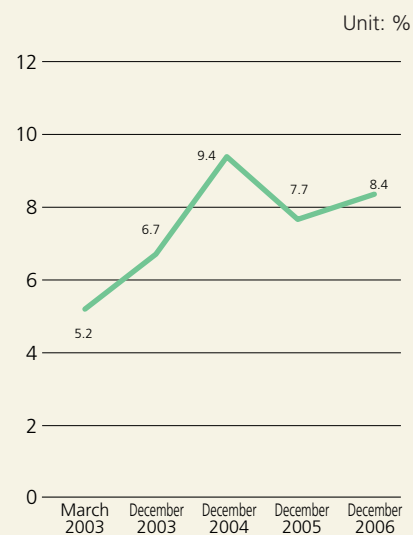
Net income



Total assets and net assets




Operating income margin



Change of fiscal year-end

At the 78th Ordinary General Meeting of Shareholders held on June 27, 2003, the Company partially amended its articles of incorporation, shifting its fiscal year-end from March 31 to December 31. Accordingly, the fiscal period ended December 2003 provisionally only includes the nine months from April 1 to December 31, 2003.



AGC Group is working on “Reinforcement and Inheritance of Technologies and Skills” to achieve the “Quality Manufacturing and Reinforcement of Production Site Expertise”, which is the source of the Group’s competitiveness.

In view of the “Year 2007 Problem”, which refers to a looming concern about a discontinuity in the transfer of technologies and expertise because millions of baby-boomer generation workers who supported the high economic growth era in Japan will begin retiring in 2007. The AGC Group has established “Quality Manufacturing and Reinforcement of Production Site Expertise” as a major initiative to cope with this issue and has started group-wide efforts to achieve it.

“Quality Manufacturing and Reinforcement of Production Site Expertise”

Manufacturing is the source of competitiveness of the AGC Group, which operates in the manufacturing industry. Based on this notion, we have been committed to make efforts for the advancement and improvement of technologies and expertise with quality manufacturing in mind.

However, the AGC Group has been facing a gradual decrease in the number of experienced and advanced workers and engineers in the field of manufacturing during the past 10 years due to the progression of equipment automation, retirement of workers, and reshuffling of business. In addition, the “Year 2007 Problem”, which could cause the loss of the advanced

technologies and skilled expertise that have been accumulated up to now, raises concerns that we may sometimes not be able to achieve smoothly that of which we were once capable, in situations such as maintenance and the improvement of product quality and productivity, prevention of disasters and the launching of new business.

In view of this problem, AGC Group has established “Quality Manufacturing and Reinforcement of Production Site Expertise” as a major initiative in the “**JIKKO**” management policy, and has been working on activities to maintain and improve the Group’s competitive advantage in technologies and skills.

Establishing the Monozukuri (Quality Manufacturing) Enhancement Division

The AGC Group believes that it is people that support Quality Manufacturing, and Quality Manufacturing knowledge is born where manufacturing takes place. We also believe that to continuously develop Quality Manufacturing knowledge, it is essential that we provide proper education to employees who support it and develop "Quality" employees. The AGC Group needs reinforcement and inheritance of special technologies and skills in every concerned business activity, and the "Quality*" human resources who can use them, to create greater results.

Based on this concept, we established the "Monozukuri (Quality Manufacturing) Enhancement Division" as an organization to promote activities for the "Reinforcement and Inheritance of Technologies and Skills".

After two years since its establishment, the Monozukuri Enhancement Division, in collaboration with business divisions, is now responsible for guidance and support for the development of such "Quality" human resources and the creation of a corporate culture that encourages employees to feel happy in building their own knowledge and that of others.

* We purposely refer to the human resources of the Company as the "Quality" human resources (or "Quality" employees) based on the idea that people are our key asset.



Technologies and Skills Necessary to the AGC Group

- ① Technologies and skills based on "genba (on-site), genbutsu (the product itself) and genjitsu (realities)
- ② "Technologies fused with skills" that can cope with increasingly complex and high-tech equipment, and "skills backed by technologies"
- ③ Skills for finding problems, proposing solutions and executing them
- ④ Advanced technologies and skills that can cope with the appearance of new technologies and products, and the development of fundamental technologies

"Quality" employees (experienced skilled workers and engineers) who the AGC Group strives to nurture

- ① Employees who have unique and competitive technologies and skills and use them to produce successful results
- ② Employees with perseverance, who can exert and develop on-site ingenuity for Quality Manufacturing
- ③ Employees who have the production site expertise for finding and solving problems and for identifying and sticking to what is right
- ④ Employees who represent a high level of technologies and skills in specific fields and are versed in production technology essential for Quality Manufacturing
- ⑤ Employees who can train and develop people

AGC Technology

Activities for the “Reinforcement and Inheritance of Technologies and Skills”

The AGC Group has been implementing various measures for the activities for the “Reinforcement and Inheritance of Technologies and Skills” with focus on selecting those technologies and skills necessary to the existence and prosperity of the Group and development of human resources to reinforce and inherit them.

At our production sites we have identified technologies and skills that we must have at each workplace, and properly determined priorities in technologies and skills that we must reinforce and inherit, which we have reflected in our education and training plan. As many sophisticated skills are supported by tacit knowledge (which can not be easily expressed verbally) such as intuition and having “a knack” for a certain skill, we have created educational materials using VCRs and computers to replace them with explicit knowledge (which can be easily expressed verbally or graphically).

With regard to human resource education and development, we are providing education and training in line with a common educational curriculum within the Group as well as an educational curriculum and training

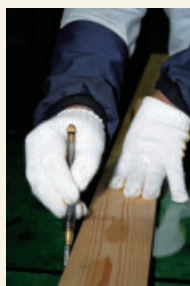
materials specific to the business division on the basis of “Training Materials for Experienced and Skilled Workers and Engineers” created in July 2005 to be used group-wide. As for technologies and skills that all Group companies must have in common, we have started providing seminars common to all Group companies regularly, helping more employees to participate in them.

In addition, we launched the “Professional System” and “Meister System” in December 2005 as the personnel system that enables appropriate evaluation of employees who have advanced technologies, skills and expertise, allowing these employees to work actively while feeling job satisfaction. In conformance with these systems, we certified 20 Professionals and 4 Meisters for the first time in July 2006.

Monozukuri (Quality Manufacturing) in the future

The AGC Group’s new efforts for Monozukuri (Quality Manufacturing) have just begun. In the meantime, we need to allow for these activities to achieve results over the medium and long term. It is not until we continuously achieve results such as improvements in productivity at production sites, improvements in product quality, shortening of the production processes for new products and improvement of manufacturing processes, and increased awareness toward safety and disaster, and to achieve such improvements by motivating experienced and skilled workers and engineers and making steady efforts for Monozukuri, that such efforts will make a contribution to the business.

We have a plan to start this new effort for Monozukuri domestically and gradually develop the activity globally. We are planning to start the activity in all subsidiaries and affiliates in Japan and all production sites in Asia in 2007, continuing to develop the movement in North America and Europe thereafter in consideration of cultural differences.



Opening of the AGC Monozukuri (Quality Manufacturing) Training Center

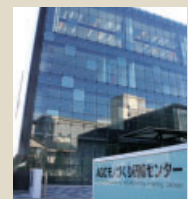
The Company opened the AGC Monozukuri Training Center in July 2006 to cultivate "Quality" human resources who play a leading role in its efforts for Monozukuri with the motto of "Education of theory and practice". This Center is expected as a new beachhead for promoting the AGC Group's activities for Monozukuri.

As part of activities for "Reinforcement and Inheritance of Technologies and Skills", in July 2006 the Company opened the AGC Monozukuri (Quality Manufacturing) Training Center at the site adjacent to the Keihin Plant in Yokohama City, Kanagawa Prefecture. The AGC Monozukuri Training Center has a practical training building that offers facilities for practical and sensory training for the reinforcement and inheritance of technologies and skills, and a training building for promoting the group-wide development of "Quality" human resources.

The practical training building in the AGC Monozukuri Training Center is equipped with almost the same facilities and equipment as those in the Company's plants, such as a glass melting furnace and chemicals manufacturing equipment in practical

use. Employees are able to undertake on-site training on troubleshooting and on the structures of various facilities and equipment on which they cannot normally get trained at the plants.

Training building in the Center was designed by adopting various kinds of carefully selected equipment such as lighting apparatus so that employees undertaking training are able to concentrate on it in a quiet environment. For the exterior of the building, glasses were used here and there to create a unique design based on the concept of the spectrum of light generated by transmission of light waves. This training building is highly praised for the color of the entire building including interior and won the "Good Painting Color" Grand Prix, which is an award given by an environmental color competition.



(Left) Practical training building: Chemicals atelier
(Above) Training building: Exhibition space
(Right) Training building: Common room



Topics

Main events in the second half of fiscal 2006

August

- Decision to build a new float glass furnace in the Czech Republic
- Designation of Suzukawa Elementary School in Yamagata City as the first shelter receiving donation of laminated safety glass in the Glass Power Campaign – Glass for Tomorrow. What glass can do for tomorrow

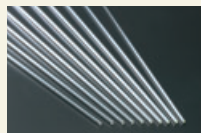


September

- Decision to establish AGC Electronics Co., Ltd.

October

- **Fluon®ETFE** Film adopted for use in the Main Stadium and Swimming Stadium of the Olympic Games in Beijing, China
- Decision to newly build a second automotive glass plant in China
- Decision to boost LCD backlight glass tube production capacity



LCD Backlight Tube

November

- Decision to increase **Fluon®ETFE** fluoropolymer production capacity in Kashima Plant

December

- Successful development of Aplanador™, a CMP slurry for copper interconnects with epoch-making planarization performance
- Release of INGLASS™ Home Interior Glass Product Series
- Launch of a global branding initiative as "AGC"

Fluon®ETFE Film to be used for Main Stadium and Swimming Stadium of the Olympic Games in Beijing, China

Fluon®ETFE is a high-performance fluoro-resin for which Asahi Glass was the first to start commercial production in the world, and is used in applications such as insulation material for electrical wires used in automobiles, aircrafts and robotics, for tubes used to transport specialized liquids, and as a film material used in greenhouse applications. The Company's **Fluon®ETFE** Film has recently been adopted for the roof of China's National Stadium, which is to be used as the main stadium of the Olympic Games in Beijing with the



(Above) National Stadium
(Below) Beijing National Aquatics Center

opening ceremony scheduled to be held on August 8, 2008, and also for the swimming stadium "Beijing National Aquatics Center". Asahi Glass has the largest share of ETFE Film in terms of volume of production and sales.

Report on the progress of the Glass Power Campaign – Glass for Tomorrow

The AGC Group launched the Glass Power Campaign in October 2005 and has been actively engaged in promoting safety, disaster prevention and global warming prevention through glass. The campaign activities mainly consist of (1) donation of safety glass to designated shelters in Japan, (2) promoting the recognition of safety glass for disaster prevention and high-insulation glass for global warming prevention, and providing lectures at elementary schools as part of these promotional activities, and (3) swift support activities in the event of a disaster. In 2006, we donated safety glass to Suzukawa Elementary School in Yamagata City and Tarumi Elementary School in Tarumi City, Kagoshima. The Company will continue to contribute to the development of a secure and safe society through the Glass Power Campaign. For detailed information on the Campaign, please see the website

<http://www.glasspower.jp>



Asahi Glass received a letter of appreciation from Mayor Ichikawa of Yamagata City for its donation.

Asahi Glass to build a second automotive glass plant in China

Output of automobiles in China amounted to 5.4 million units in 2006, up about 26% from the previous year, making the country the world's third in auto production following the U.S. and Japan, overtaking Germany. Chinese production of automobiles is expected to continue growing at about 15% annually, exceeding 9 million in 2010. In response, demand for automotive glass is forecasted to increase substantially. Given this situation, the Company decided to newly build a second automotive glass plant in China in Foshan, Guangdong Province. The plant is scheduled to start mass production in the first quarter of 2008. Asahi Glass will continue to implement global growth strategies through rapid decision-making in order to respond to the market demand.

Asahi Glass successfully developed Aplanador™, a CMP slurry* for copper interconnects with epoch-making planarization performance

Asahi Glass has succeeded in developing a CMP (Chemical Mechanical Polishing) slurry for copper interconnects that hardly generates any dishing (a dent on the interconnect) caused by copper CMP during the production process of copper interconnects for semiconductor integrated circuits. By enabling only minimal dishing, we expect a remarkable improvement in the yield rate as well as a radical decline in production costs for semiconductor integrated circuits.

With regard to the wiring material of high-performance semiconductor integrated circuits such as microprocessors and memory, the industry is accelerating the shift from aluminum, currently the most common wiring material, to lower-resistance copper. Accordingly the market for CMP slurries for copper interconnects is expected to post an annual growth rate of 20%.

* CMP slurry: Chemical and mechanical polishing slurries used in the manufacturing process of semiconductor integrated circuits.



CMP slurry

Corporate Advertisement Campaign The last episode of "Shouko's Story"



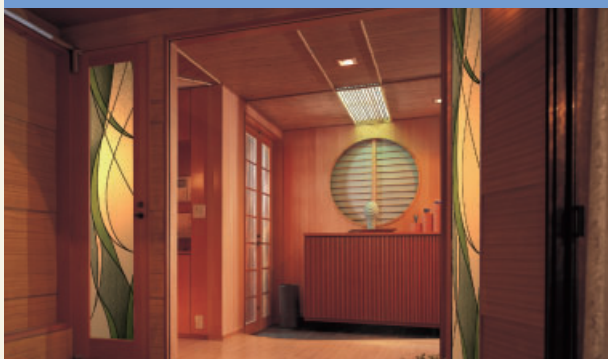
"Shouko's Story", which is a series of TV commercials in which Asahi Glass Co., Ltd. advancing into the wider world is mirrored in the growth of the Japanese girl Shouko (literally means glass girl in Japanese), was started in September 2004 and completed broadcasting the last episode in March 2007. In the story, Shouko, who was quiet and modest in the first episode, has matured greatly during the two and a half years of broadcasting through various experiences including studying in Belgium. In the last episode, the "new" Shouko makes a big start to the future to make her dream come true, which is a reflection of AGC Asahi Glass itself. In celebrating the Company's 100th anniversary in September 2007, Asahi Glass will take a big jump forward toward the next century like Shouko.

Shouko to look toward the next dream AGC to look toward the brilliant future



Overview of Segments

Glass Operations



Example of construction of Premin DC from INGLASS™ series

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. In fiscal 2006, Glass operations sales amounted to 815.3 billion yen and operating income was 46.5 billion yen.

What was the performance of the flat glass business in fiscal 2006?

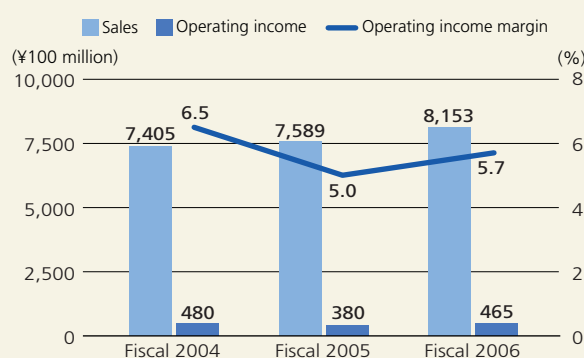
Sales in the flat glass business, as a whole, increased compared with the previous year, thanks to the firm market in Europe. In addition, glass shipments grew at a solid pace in growing market such as Russia. Meanwhile, domestic demand declined in some parts of Asia, and suffered from higher prices of raw materials and fuels such as oil in every region of the world. 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.

What about the performance of the automotive glass business in fiscal 2006?

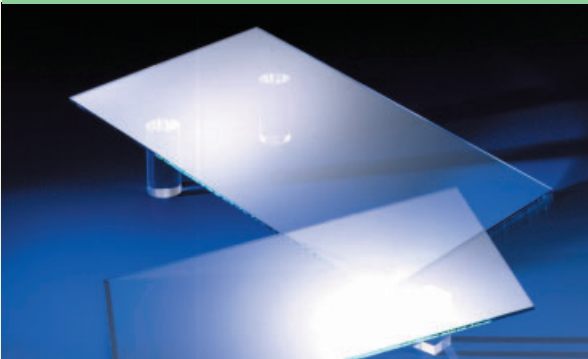
In the automotive glass business, earnings increased from a year earlier because of a steady growth in worldwide automotive production particularly by Japanese-affiliated automakers, although the businesses in some parts of Asia were adversely impacted by their sluggish economies.

Tell us about the performance of the other glass business in fiscal 2006.

Sales of other glass products such as fiberglass were favorable throughout the year 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.



Electronics and Display Operations



PDP glass substrate

The Electronics and Display operations involve the display business, which handles cathode-ray tube (CRT) glass and glass substrates for flat panel displays (FPDs) used in thin-screen TVs, as well as the electronic materials business. Sales from the operations amounted to 476.6 billion yen in fiscal 2006 and operating income was 79.2 billion yen.

What was the performance of the FPD glass business in fiscal 2006?

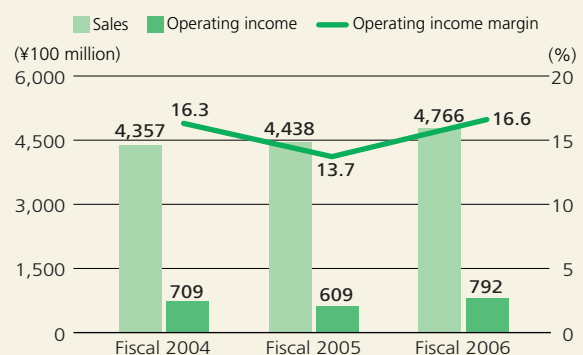
In the FPD glass sector of the display business, sales increased from the previous year due to strong shipments of glasssubstrates for TFT LCDs and PDPs, supported by a rise in demand for panels for thin-screen televisions and the spread of larger sizes of such panels. As for glass substrates for TFT LCDs, shipments for the entire period increased from a year earlier, although the rise in shipments slowed later in the year because of a physical damage to a furnace and repairs.

What was the performance of CRT glass in fiscal 2006?

In the CRT glass sector of the display business, sales decreased from the previous year. 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. Despite these efforts, however, demand recovery was not as strong as anticipated and selling prices continued to fall. Given this situation, the Group further reduced its production capacity of CRT glass by the end of September in the year under review.

What was the performance of the electronic materials business in fiscal 2006?

In the electronics materials business, demand for LCD back-light tubes in display materials which is used as projection lens materials and photomask substrates for semiconductor manufacturing equipment, continued to grow steadily. In the small- and medium-sized displays sector, sales of the products for automotive 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 sluggish.



Chemicals Operations

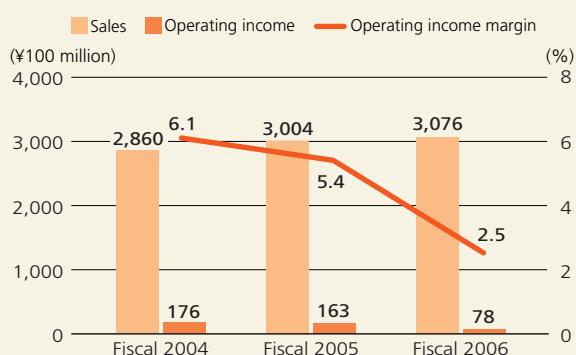
The Chemicals operations consist of the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomers and other chlor-alkali chemicals in addition to the basic ingredients of urethane, such as polyols. The fluorochemicals & specialty chemicals business consists of fluorinated resins, fluorinated oil and water repellents, fluoropolymer films, and fluorinated gases and solvents, as well as other specialty chemicals including battery materials, liquid crystal materials and fine silica. In fiscal 2006, Chemicals sales amounted to 307.6 billion yen and operating income was 7.8 billion yen.

What was the performance of the chlor-alkali & urethane business in fiscal 2006?

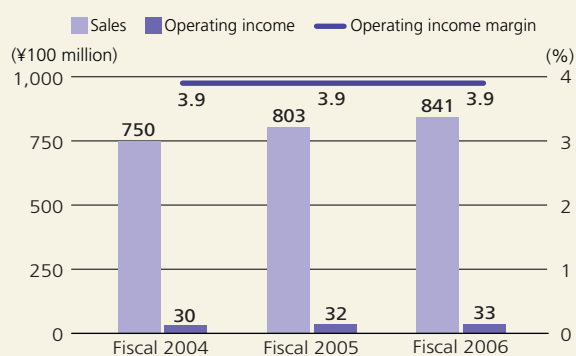
The chlor-alkali & urethane business continued to be sluggish. With regard to vinyl chloride-related products, prices of raw materials such as ethylene surged from the preceding year, but the higher costs could not be totally passed on to the products as a recovery in the market remained weak throughout the period.

Please tell us about the performance of the fluorochemicals & specialty chemicals business in fiscal 2006.

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 for the worsened results of the chlor-alkali & urethane business.



Other Operations



Other operations consist of the ceramics business and a variety of service businesses, including logistics and engineering. Sales at the operations totaled 84.1 billion yen in fiscal 2006, with operating income posting 3.3 billion yen.

What was the performance of the operations in fiscal 2006?

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 steady in Japan.

Financial Data

Financial Data

Consolidated Balance Sheets (summary)

Unit: Million yen

Item	End of fiscal 2006 (December 31, 2006)	End of fiscal 2005 (December 31, 2005)	Increase/ decrease
Assets	2,149,546	2,081,926	67,619
Current assets	722,824	688,432	34,392
Cash on hand and in banks	80,610	73,811	6,799
Trade notes and accounts receivable	295,078	309,432	(14,353)
Inventories	248,231	238,022	10,208
Other current assets	98,903	67,165	31,737
Fixed assets	1,426,489	1,393,259	33,229
Tangible fixed assets	1,008,116	922,630	85,486
Buildings and structures	252,343	245,710	6,632
Machinery and equipment	462,062	460,360	1,701
Land	123,999	118,619	5,379
Other tangible fixed assets	169,711	97,939	71,771
Intangible fixed assets	57,573	100,026	(42,452)
Investments and advances	360,798	370,602	(9,804)
Investment in securities	311,838	320,927	(9,089)
Other investments	48,960	49,675	(715)
Deferred assets	232	234	(2)
Total assets	2,149,546	2,081,926	67,619

Increase in tangible fixed assets

Demand is growing for flat panel display (FPD) glass substrates and the size of such substrates is growing larger. In response, the AGC Group has actively invested in expanding production and processing facilities for FPD glass substrates. Accordingly, tangible fixed assets grew to ¥1,008.1 billion at the end of fiscal 2006, up ¥85.5 billion from the end of the previous fiscal year of ¥922.6 billion.

Item	End of fiscal 2006 (December 31, 2006)	End of fiscal 2005 (December 31, 2005)	Increase/ decrease
Liabilities	1,157,795	1,129,922	27,872
Current liabilities	618,041	587,145	30,896
Trade notes and accounts payable	180,129	206,350	(26,221)
Short-term bank loans and commercial paper	163,109	142,553	20,555
Current maturities of bonds	49,034	9,589	39,445
Other current liabilities	225,768	228,651	(2,883)
Non-current liabilities	539,753	542,777	(3,023)
Bonds issued	224,649	254,635	(29,986)
Long-term bank loans	138,086	122,154	15,931
Accrued retirement benefits	68,557	64,447	4,109
Other non-current liabilities	108,460	101,539	6,921
Net Assets	991,751	952,004	39,747
Shareholders' equity	756,424	729,749	26,674
Common stock	90,480	90,472	7
Additional paid-in capital	96,569	96,561	7
Retained earnings	583,176	556,424	26,751
Treasury stocks	(13,802)	(13,709)	(92)
Valuation and translation adjustments	154,062	122,934	31,128
Unrealized gains on securities, net of tax	123,312	124,262	(949)
Deferred losses on hedges, net of tax	(1,038)	—	(1,038)
Asset revaluation reserve	63	120	(57)
Foreign currency translation adjustments	31,724	(1,448)	33,173
Share subscription rights	1	—	1
Minority interest in consolidated subsidiaries	81,263	99,319	(18,056)
Total liabilities and net assets	2,149,546	2,081,926	67,619

Increase in net assets

Net assets stood at ¥991.8 billion at the end of fiscal 2006, up ¥39.7 billion from the end of the preceding year of ¥952.0 billion, due mainly to a rise in retained earnings resulting from net income and an increase in foreign currency translation adjustments by depreciation of yen.

Presentation of "Net Assets" in the balance sheet is newly introduced in conformity with the Japanese accounting standard. Conventional "Total Shareholders' Equity" is reclassified into "Net Assets" in the balance sheet as of December 31, 2005.

Financial Data

Consolidated Statements of Income (summary)

Unit: Million yen

Item	Fiscal 2006	Fiscal 2005
	(January 1, 2006 through December 31, 2006)	(January 1, 2005 through December 31, 2005)
Net sales	1,620,540	1,526,660
Cost of sales	1,217,654	1,152,164
Gross profit	402,885	374,496
Selling, general and administrative expenses	266,274	256,302
Operating income	136,611	118,194
Other income	24,906	20,890
Other expenses	27,019	20,200
Ordinary income	134,498	118,884
Extraordinary gains	29,388	24,925
Extraordinary losses	125,595	61,051
Income before income taxes	38,291	82,758
Income taxes	6,132	33,126
Minority interest in earnings (losses) of consolidated subsidiaries	(12,838)	(10,383)
Net income	44,997	60,014

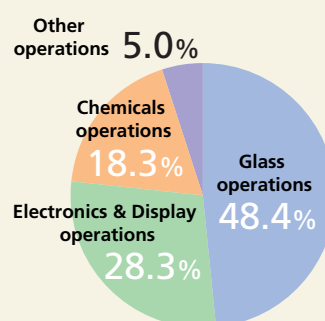
Increase in operating income

Operating income reached ¥136.6 billion in fiscal 2006, up ¥18.4 billion from the previous year, due to increased shipments of FPD glass substrates and improved productivity.

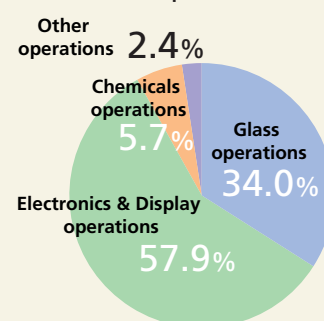
Extraordinary losses

Extraordinary losses were ¥125.6 billion in fiscal 2006. This figure includes restructuring expenses in the cathode-ray tube glass business and depreciation of goodwill in the flat glass business in North America.

Sales composition



Operating income composition



Consolidated Statements of Cash Flows (summary) Unit: Million yen

Item	Fiscal 2006 (January 1, 2006 through December 31, 2006)	Fiscal 2005 (January 1, 2005 through December 31, 2005)
Cash flows from operating activities	173,997	185,505
Cash flows from investing activities	(212,477)	(135,796)
Cash flows from financing activities	35,880	(67,436)
Effect of exchange rate changes on cash and cash equivalents	1,553	4,029
Increase (decrease) in cash and cash equivalents	(1,046)	(13,698)
Cash and cash equivalents at beginning of year	54,006	67,943
Cash and cash equivalents held by newly consolidated subsidiaries	(332)	(238)
Cash and cash equivalents at end of year	52,627	54,006



Cash flows from investing activities

Cash flows from investing activities represent the balance of cash (cash and cash equivalents) associated with capital expenditures and purchase/sale of securities. Cash flows from investing activities in the fiscal 2006 amounted to ¥212.5 billion in net spending due to proactive capital investments in manufacturing and processing facilities for FPD glass substrates.

Consolidated Statements of Shareholders' Equity, etc. Unit: Million yen

Fiscal 2006 (January 1 through December 31, 2006)	Shareholders' Equity					Valuation and translation adjustments	Share subscription rights	Minority interest in consolidated subsidiaries	Total net assets
	Common stock	Additional Paid-in capital	Retained earnings	Treasury stocks	Total shareholders' equity				
Balance at December 31, 2005	90,472	96,561	556,424	(13,709)	729,749	122,934	—	99,319	952,004
Changes during the interim fiscal period under review									
Distribution of surplus			(18,179)		(18,179)				(18,179)
Net income			44,997		44,997				44,997
Treasury stocks			(27)	(92)	(119)				(119)
Others	7	7	(39)		(23)	31,128	1	(18,056)	13,048
Total changes during the interim fiscal period under review	7	7	26,751	(92)	26,674	31,128	1	(18,056)	39,747
Balance at December 31, 2006	90,480	96,569	583,176	(13,802)	756,424	154,062	1	81,263	991,751

With the adoption of new accounting standards, we have prepared the consolidated statements of shareholders' equity as a new financial statement so that changes in "Net assets" of the consolidated balance sheets can be easily understood.

Board of Directors, Corporate Auditors and Executive Officers (as of April 1, 2007)

Board of Directors

Chairman of the Board	Shinya Ishizu
President and CEO	Masahiro Kadomatsu
Senior Executive Vice President	Takashi Matsuzawa
Senior Executive Officer	Akira Toyama
Senior Executive Officer	Kakutaro Kitashiro * ¹
Senior Executive Officer	Takuya Goto * ¹
Senior Executive Officer	Kunihiro Matsuo * ¹

*1 Outside director

Corporate Auditors

Corporate Auditor	Hiroshi Watanabe * ²
Corporate Auditor	Takashi Terashima
Corporate Auditor	Kozo Tsukagoshi * ²
Corporate Auditor	Koji Ogaki * ²

*2 Outside auditor

Executive Officers

President and CEO	Masahiro Kadomatsu
Senior Executive Vice President	
Global Operations	Takashi Wada
Chief Financial Officer	Takashi Matsuzawa

Senior Executive Officers

President of Chemicals Company	Michiyoshi Kaino
GM of Corporate Planning	Katsuyoshi Kawaharazuka
President of Display Company	Yuji Nishimi
Vice President of Flat Glass Company, Regional President of Japan / Asia Pacific	Keita Shikii
President of Automotive Glass Company	Kei Yonamoto
GM of Research Center	Katsuhisa Kato
Chief Technology Officer	Akira Toyama
GM of Environmental and Social Responsibility	Akio Endo
GM of Corporate Finance	Shukichi Umemoto
GM of Group Human Resources Planning, and Human Resources and Administration Center	Yasutoshi Hirata
GM of Electronics and Energy General Division	Kazuhiko Ishimura

Executive Officers

President of Asahi Glass Fine Techno Taiwan Co., Ltd.	Tetsuji Kakimoto
GM of New Business Development and Promotion Center	Yasuo Sato
GM of Monozukuri (Quality Manufacturing) Enhancement and Technical Director of Corporate Planning	Masafumi Ohinata
Vice President of Flat Glass Company	Masayuki Kamiya
Acting President of Flat Glass Company	Arthur Ulens
President of Asahi Glass Ceramics Co., Ltd.	Eiichi Kudo
GM of Quality Improvement	Toru Kawatsura
GM of Marketing and Sales General Division, Display Company	Nozomu Taguchi
GM of Business Management General Division, Chemicals Company	Satoshi Kamata
Vice President and Chief Technology Officer of AFG Industries, Inc.	Tadayuki Oi
Research Director of Research Center	Yasumasa Nakao
Regional President of Japan/Asia Pacific, Automotive Glass Company	Marehisa Ishiko
GM of Production Control General Division, Display Company	Yoshiaki Tamura

List of major subsidiaries and affiliates

Domestic

Asahi Techno Glass Corp.

Principal products: Glass products for electronics and industrial use, lighting, radiotherapy and other medical uses, and home use products

Asahi Fiber Glass Co., Ltd.

Principal products: Short glass fiber and other glass fiber products

Ise Chemical Industries Co., Ltd.

Principal products: Iodine, Iodine compounds, Natural gas, Nickel and Cobalt compounds

Optrex Corp.

Principal products: Liquid crystal display panels and other electronic components and materials

Asahi Glass Ceramics Co., Ltd.

Principal products: Fused cast refractories, Bonded refractories, Monolithic refractories and Fine ceramics

Overseas

Glaverbel S.A. (Belgium)

Principal products: Float glass, figured glass, double-glazing units, automotive glass and mirror

AFG Industries, Inc. (U.S.)

Principal products: Float glass, figured glass, architectural glass and automotive glass

Thai Asahi Glass Public Co., Ltd. (Thailand)

Principal products: Float glass, figured glass, architectural glass and mirror

Asahi Glass Fine Techno Taiwan Co., Ltd. (Taiwan)

Principal products: Glass panels for TFT-LCDs

Asahi Glass Fine Techno Korea Co., Ltd. (Korea)

Principal products: Glass panels for TFT-LCDs

Siam Asahi Technoglass Co., Ltd. (Thailand)

Principal products: TV glass bulbs

AG Soda Corp. (U.S.)

Principal products: Soda ash

Thasco Chemical Co., Ltd. (Thailand)

Principal products: Chemicals products such as caustic soda, hydrochloric acid, potassium hydroxide and potassium carbonate

AGC Chemicals Europe, Ltd. (U.K.)

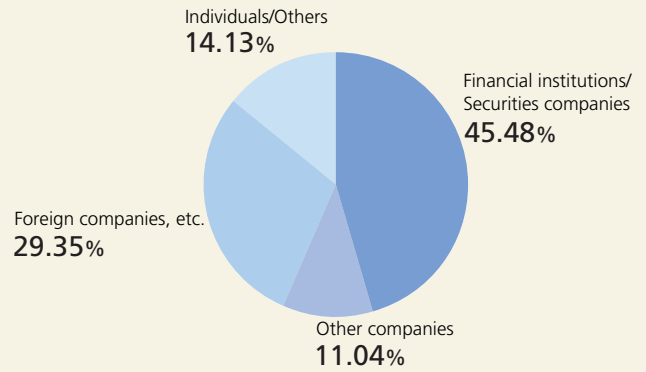
Principal products: Chemicals products such as fluoropolymers (PTFE / ETFE)

State of stock (as of December 31, 2006)

Number of shares outstanding: 1,186,013,684 shares
 Number of shareholders: 63,661
 (Shareholders who own shares one unit or more: 46,407)

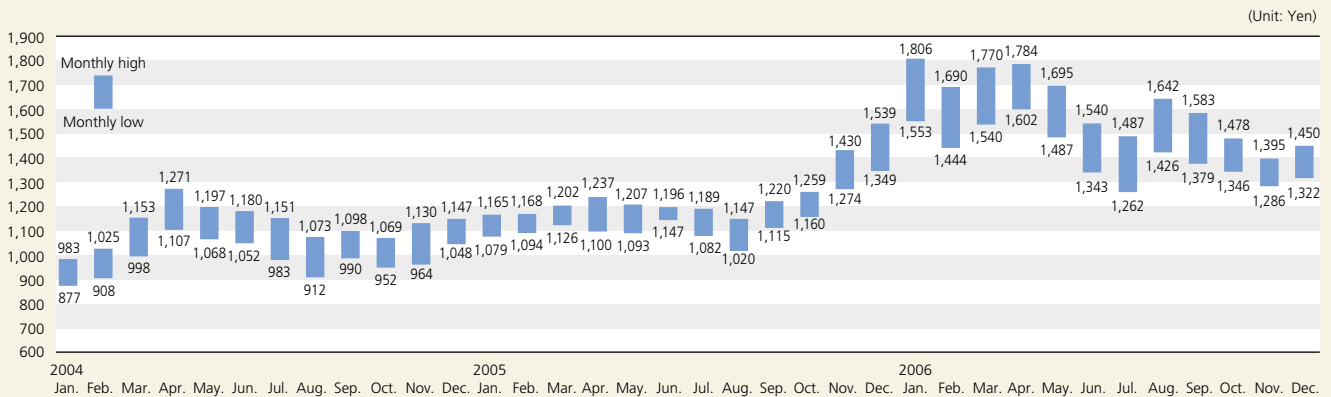
Shareholders composition

(Shareholders who own shares one unit or more)

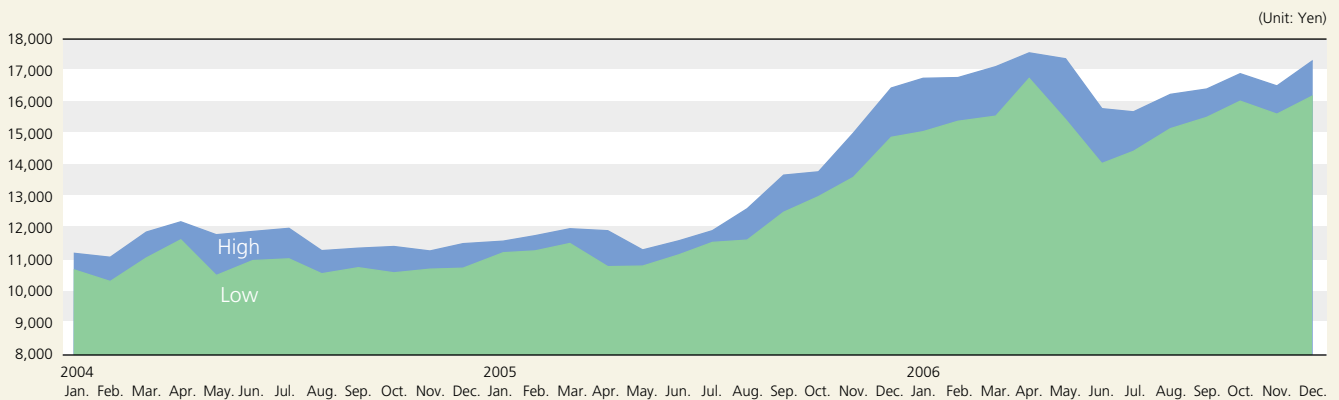


Trends in stock price (Tokyo Stock Exchange)

Stock price of Asahi Glass



Nikkei stock average



Corporate Outline (as of December 31, 2006)

Trade name:	Asahi Glass Company, Limited
English company name:	Asahi Glass Company, Limited
Founded:	September 8, 1907
Incorporated:	June 1, 1950
Capital:	¥90,480,883,957
Head office:	Shin-Yurakucho Bldg., 1-12-1 Yurakucho, Chiyoda-ku, Tokyo 100-8405 Tel: +81-3-3218-5096
Number of consolidated subsidiaries:	239 (including 176 companies overseas)
Number of employees of consolidated companies:	54,228

Information about shares

Fiscal year:	January 1 to December 31
Ordinary general shareholders meeting:	March
Shareholder registration date for entitlement to exercise voting rights at ordinary general shareholders meeting:	December 31
Shareholder registration date for entitlement to annual dividend payment:	December 31
Shareholder registration date for entitlement to interim dividend payment:	June 30
Acting office of Shareholder Register:	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212 Inquiries/Mailing address: Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Tel: 0120-232-711 (toll free)
Representative branch offices:	All domestic branches of Mitsubishi UFJ Trust and Banking Corporation

When asking of application forms necessary for change of address, designation of the account for receiving dividends and change of such account, purchase and additional purchase of shares less than one unit, as well as the request for procedures for inheriting shares, please contact the transfer agent toll-free number, on 0120-244-497 (there is an automated voice answering service 24-hours a day).

Information on corporate bonds

Interest payment date for corporate bonds and maturity date

Please refer to the prospectus at hand, or ask the securities companies handling such bonds to confirm this date.

Launch of a transfer system for corporate bonds

Effective on January 10, 2006, a transfer system for general bonds such as corporate bonds (excluding convertible bonds) – a new paperless settlement system – was launched. Those who want to use this transfer system are required to take necessary procedures at financial institutions, securities companies, and such like. Please conduct such procedures after making inquiries at the financial institutions and securities companies with which you do business.

ASAHI GLASS CO., LTD.

<http://www.agc.co.jp>