

AGC REVIEW

Newsletter for Investors Vol. 9
Booklet for communicating with investors

Synthetic Quartz Glass for High-Precision Manufacture of Semiconductors

Semiconductors cram a huge number of circuits into a minute area.

Asahi Glass synthetic quartz glass plays a key role in the high-precision projection lenses and photomask substrates used in the manufacture of such semiconductors. Our glass has earned an excellent reputation throughout the world for its high quality and durability. For further details, please see AGC Technology (Special feature) on page 5.

ASAHI GLASS CO., LTD.

Code Number: 5201

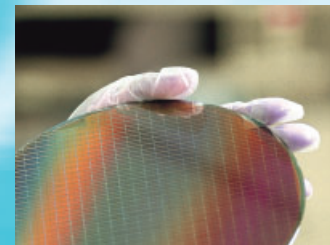
Synthetic Quartz Glass

AGC at a Glance

In pursuit of becoming “a global enterprise that is highly profitable, fast growing and trusted by society”

The AGC Group provides customers worldwide with not only flat glass for construction and automotive glass, which are familiar to everyone, but also a wide array of products based on the core technologies of glass and fluorochemicals, from glass substrates for large displays to semiconductor processing materials and energy-related materials. With these products, we are supporting our customers' lifestyles.

Three main business areas that AGC Group focuses on



Electronics industry
Energy industry

Electronics & Energy materials and components

Business with high future growth potential

- Semiconductor processing materials
- Display components
- Optical components
- Energy components

Display materials and components

Business that is currently highly profitable and growing substantially

- Glass substrates for liquid crystal displays
- Glass substrates for plasma display panels



Display industry

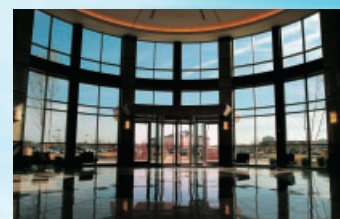
Glazing materials and components

Business that is steadily growing and generating high cash income

- Flat glass for construction
- Automotive glass



Auto industry



Construction industry

Core technologies of glass and fluorochemicals

Strong management infrastructure

Strength in global business activities



The AGC Group's arsenal of strengths are our world-leading core technologies in glass and fluorine chemistry, a solid global management structure and a well-balanced business portfolio based on these strengths. Within this portfolio, glazing materials such as glass for construction and automotive glass secure a stable earnings structure worldwide. Cash earned in this field is predominantly invested in the field of display materials and components, which is seeing remarkable growth, and thereby the Group is establishing a highly profitable and high-growth structure. Under this structure, we are promoting businesses in the field of Electronics & Energy materials and components, which is expected to be the next mainstay field.

In April 2004, the AGC Group formulated its new management policy “**JIKKO – Execution for Excellence.**” Under this new policy, we have steadily implemented a growth scenario, which consists of further expansion of growth businesses such as glass substrates for liquid crystal displays (LCDs) and plasma display panels (PDPs), establishment of the Electronics & Energy operations, and expansion of business in emerging markets including China, Central and Eastern Europe.

Aiming to achieve the medium management plan “**JIKKO-2007**” that will last through 2007, the whole AGC Group is united in trying to realize “a global enterprise that is highly profitable, fast growing and trusted by society.”

The AGC Group reliably supplies high-quality products, and its main products command a large market share.

The AGC Group has excellent market share worldwide for various products, including flat glass, automotive glass, and glass substrates for LCDs and PDPs. This is because we have launched new applications of glass ahead of other companies and thereby created new markets, and customers highly regard our capability to reliably supply high-quality products through our global business networks. Such high reputation is justified by the fact that we boast a high market share particularly in the fields of automotive glass and glass substrates for various displays, which require high-quality, such as glass with no-distortion.

Capitalizing on the above strengths, the AGC Group will continue to strive to become an excellent global enterprise that is highly profitable and fast growing.

● Market position of main products ●

Flat glass	1 st in the world
Automotive glass	1 st in the world
Glass substrates for TFT LCDs	2 nd in the world
Glass substrates for plasma display panels	1 st in the world
Fluorinated resins (ETFE)	1 st in the world

Present status of business and outlook

We will maintain high profitability and high growth through implementation of timely measures while taking into account the trends in the display market, which is shifting from cathode-ray tubes to liquid crystal and plasma displays.

Masahiro Kadomatsu, President & CEO

Interim dividend to be increased

During the first half of fiscal 2006 under review, the Japanese economy faced the upward pressure on higher costs reflecting price hikes of oil and other various raw materials and fuels. 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 the higher oil prices and interest rate hike. In Europe, the economies of Central-Eastern Europe continued to be steady. Western Europe also showed mild recovery backed by steadily growing exports. In the U.S., although there remained fears for weaker economy such as higher raw materials and fuel price and higher interest rates reflecting concern for future inflation, the economy continued to grow supported by consumer spending and capital expenditure.

Under such market circumstances, as for the target markets of the AGC Group, demand for glass substrates for flat panel displays (FPDs) increased in association with the proliferation of thin-screen TVs. On the other hand, the market environment of cathode-ray tube (CRT) glass continued to be weak. In flat glass markets, due to sharp

increases in the costs of raw materials and fuels such as heavy oil, demand fell in some parts of Asia. In Western Europe, demand for flat glass returned to its previous levels. In the chemicals business, sales of vinyl chloride related products remained sluggish throughout the period in the world markets.

Under such market conditions, the Group posted net sales of 788.6 billion yen for the interim period under review, with operating income standing at 66.1 billion yen and ordinary income recording 65.4 billion yen. The Group reorganized the production system of the cathode-ray tubes (CRT) glass business, partially stopping some manufacturing furnaces, to improve earnings in this business and consequently there were extraordinary losses of 16.6 billion yen. As a result, we posted net income of 42.5 billion yen.

We would like to take this opportunity to express our deep gratitude to our investors for continuous support.

To return more profits to shareholders to meet expectations of our investors, the Group will disburse a dividend of 8.00 yen per share for the interim period under review, up from the 7.50 yen that was originally planned. This follows last year's increased interim dividend.

We will implement the necessary measures in a timely manner in response to the trends of the rapidly changing display market.

In recent years, the display market has rapidly shifted from cathode-ray tubes to liquid crystal displays and plasma display panels. Consequently, demand for CRT glass has substantially decreased since 2005, and thus sales volume has dropped. In addition, falling sales prices and increased raw materials and fuel prices have drastically weighed down profitability in the CRT glass business of the Group. In this situation, the Group thinks that one of the most important management issues is to establish a system for increasing output in the business of glass substrates for LCDs and PDPs, which is continuing to see rapid demand growth, while revamping the existing structure of the CRT glass business as soon as possible.

From now on, demand for glass substrates for LCDs is expected to rise between 30% and 40% each year, which exceeds the pace predicted by the Group at the beginning of the current fiscal year. Responding to this, we are bringing forward a plan for increasing production of such glass substrates, for example by expediting construction work for enlarging some facilities, which were originally scheduled to be operational in 2007, to within 2006. Meanwhile, we also forecast that demand for glass substrates for PDPs will grow substantially in the future. Accordingly, we have decided to establish a plant for processing such glass substrates in Suminoe-ku, Osaka, with investments totaling about 15.0 billion yen, targetting to start mass production there around May 2007. In addition, we have decided to set up a production furnace for PDP glass substrates in South Korea, aiming to start mass-production there around August 2007.

Looking at CRT glass, on the other hand, we withdrew from the business in the U.S. and Japan, and have recently decided to completely discontinue production in Indonesia and Taiwan. We also plan to gradually stop

operations of some CRT glass manufacturing furnaces at other bases by the end of September 2006, aiming to reduce group-wide production capacity for CRT glass by about 35%. Our targeted capacity for such glass is approximately 50% below its peak in 2004.

The AGC Group will implement the necessary measures in a timely manner, taking into account the trends of the rapidly changing display market.



September 2006
Masahiro Kadomatsu
President & CEO

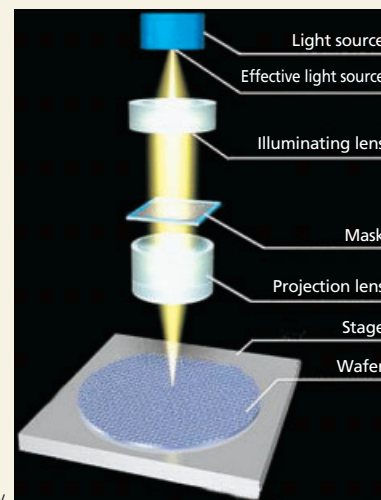
Synthetic quartz glass supporting high-precision manufacture of semiconductors

AGC Group's synthetic quartz glass is extremely pure and was developed by combining the experience, technologies and know-how that have been cultivated by the Group for many years in the fields of fine glass, fine chemicals and fine ceramics. Our advanced technology supports high-precision production of semiconductors.

Manufacturing semiconductors requires the precision of nanotechnology

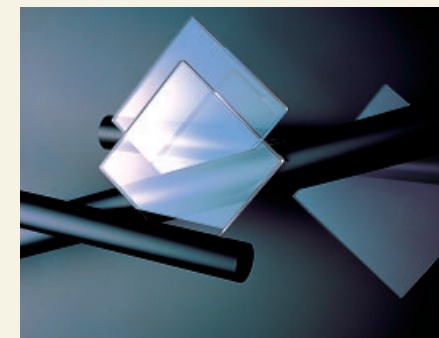
Today's semiconductors pack a huge number of circuits into a minute area. Their production involves microscopically recording images onto their surface, a process made possible by lasers, and is similar to the way in which a photograph is developed on paper.

The current ArF excimer lasers have a wavelength of 193 nm (nano means one billionth), and the machines that produce them need projection lens materials and photomask substrates that are very pure, have good light transmission, and are optically and chemically durable to handle light of this minute wavelength. There is a glass that has the above properties, being composed almost entirely of silicon dioxide (SiO₂), compared with ordinary glass, which is approximately 70% silicon dioxide—the Group's synthetic quartz glass.



Transmission lithography

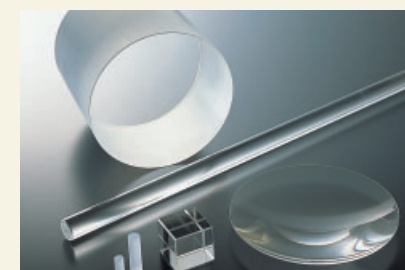
The quality of synthetic quartz glass is not only affected by the purity of the SiO₂, but also by its structure. The AGC Group's synthetic quartz glass is produced by a manufacturing process that combines technologies and know-how that the Group has cultivated for many years in the businesses of flat glass and chemicals. This synthetic quartz glass has earned a good reputation throughout the world for not only being of a high quality but also for having excellent optical and chemical durability.



Photomask substrates



Synthetic quartz wafers



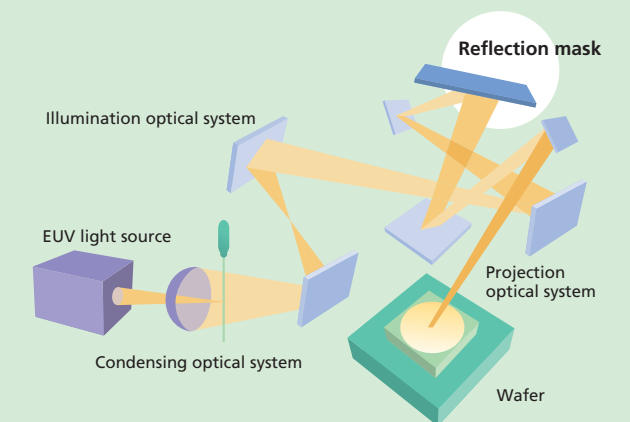
Stepper/scanner lens materials

Aiming to produce semiconductor by EUV, the next-generation light source

The lithography based on an ArF excimer laser, the most advanced laser at the moment, is generally thought to be a highly sophisticated method for printing circuits using lenses that transmit light. Hence, we are developing EUV as a next-generation light source to replace the ArF excimer laser.

However, lens transmission methods cannot be used for lithography based on EUV, which has a wavelength of 13.5 nm, and thus a reflection method is used. In order to realize minute printing using reflected light, the materials used need to be almost completely flat and have zero thermal-expansion. The AGC Group is actively developing materials that satisfy these requirements.

Reflection lithography



Wide array of materials solutions that support semiconductor production

In addition to the synthetic quartz glass introduced on page 5, the AGC Group supplies semiconductor manufacturers with a wide array of materials solutions based on core technologies that the Group has cultivated through research and development for many years.

The AGC Group has four highly refined core technologies: “glass materials design technology”; “glass production/processing technology”; “fluorochemicals technology”; and “thin film formation technology.” By combining these technologies, the Group is continuing to develop materials, while taking into account future trends. The materials created through these efforts are being used in various processes in the production of semiconductors.

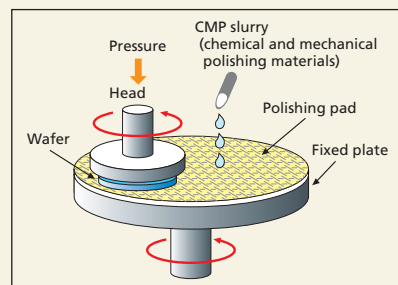
One example is high-purity silicon carbide (SiC), which is used in the thermal process of semiconductor manufacturing; It is used as a jig in the thermal processing

systems. Developed using the elaborate technologies of CVD coating and fine ceramics processing, this material is very pure and has good corrosion resistance.

The AGC Group has cultivated an abrasive design technology and a chemical reaction control technology, and uses both of them in the polishing technology based on CMP slurry to achieve high-precision flatness. This technology is widely used for manufacturing semiconductor devices that require high density, high speed and that have an element structure that contains a greater number of layers than conventional devices.



High-purity SiC jigs for semiconductors



CMP slurry

Technology road map for products for semiconductor manufacturing

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exposure method	KrF 248nm	Dry		ArF 193nm		Immersion technology				EUV 13.5nm	
Thermal processes	High-purity SiC materials										
Photolithography processes	ArF		Substrates for synthetic quartz photomask Synthetic quartz lens materials for steppers		EUV		Zero thermal-expansivity substrates				
Interconnect	CMP slurry (for metal & STI)										

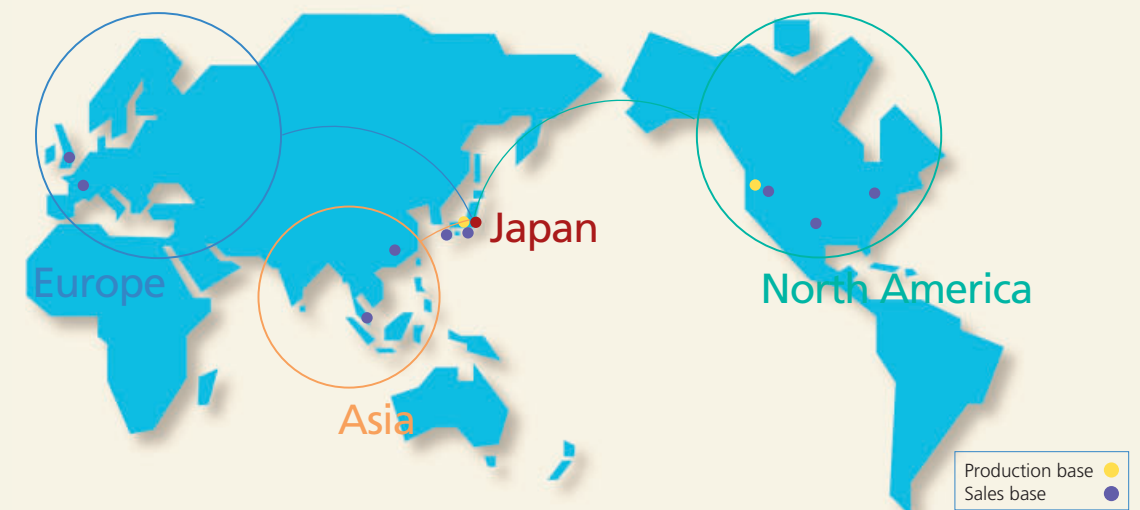
With comprehensive capabilities, AGC Group provides products that meet global needs

Products introduced in this brochure, such as synthetic quartz glass, high purity SiC jigs for semiconductors and CMP slurry are handled by the Semiconductor Processing Materials Division (part of the Electronics & Energy General Division). This division conducts business globally with sales bases in Japan, North America, Europe and Asia.

Through these sales bases, the Group responds to the needs of semiconductor manufacturers and semiconductor fabricating equipment producers, as well as to the trends in next-generation technologies. The Group collects and puts together

information from such bases at the headquarters in Japan. This enables us to operate business worldwide under our global strategies, while using our comprehensive capabilities.

Furthermore, in order to promptly respond to the needs of customers around the world, the Group has production bases equipped with leading-edge facilities in Japan and the U.S., and the AGC Group is unique in that it can promptly provide high-quality materials solutions through these bases.



Main events in the first half of fiscal 2006

January

- Determines research subjects for 2nd. "AGC Research Collaboration Program," a public-invitation industry/academia joint study program
- "Hikari Kabe™," a translucent, load-bearing wall, wins first prize in the "Aichi Wooden House Seismic Reinforcing Technology Competition"



A building with "Hikari Kabe™"

February

- Launches "Asahi Guard E-SERIES," an eco-friendly fluorinated water and oil repellent
- Launches eco-friendly, lead-free mirror "Sun Mirror® Z"

March

- Decides to acquire all shares of Matsushima Optical Component Co., Ltd.

April

- Decides to expand production facilities for recombinant protein for biopharmaceuticals

May

- Automotive raw glass furnace starts production in Suzhou, China
- Issues "CSR Report 2006"



June

- Decides to increase production capacity for PDP glass substrates
- Decides to build a new PDP glass substrate furnace in South Korea

Automotive raw glass furnace starts production in China



China's vehicle output currently ranks fourth in the world, behind the U.S., Japan and Germany, and is expected to continue rising sharply. Because of this, China is seeing steadily growing demand for automotive glass, including replacement glass, and is also experiencing stronger requests for higher quality glass. Such trend prompted the AGC Group to regard production capacity for automotive raw glass in Japan and the rest of Asia as a vital issue, and we began building a production furnace in Suzhou. The furnace started operating in May 2006.

AGC Group decides to raise production capacity for PDP glass substrates

The number of plasma display panels (PDPs) is forecastd to increase by an average of about 20% every year until 2009. In addition, PDPs are becoming larger. Given these factors, demand for PDP glass substrates is likely to grow remarkably. So far, the AGC Group has boosted its production capacity in response to a rise in demand for glass substrates. In order to accommodate the anticipated further increase in demand for such substrates and respond to the wider use of large glass substrates, the Group has decided to establish a plant, which cuts and carries out end-face processing and ITO coating of large glass substrates, in Suminoe-ku, Osaka. The plant is expected to start mass production around May 2007. We have also decided to build a PDP glass substrate furnace in South Korea, planning to start mass production around August 2007.



PDP glass substrates

AGC Group decides to acquire aspherical glass lens producer and seller Matsushima Optical Component



Aspherical glass lenses

The AGC Group aims to develop the Electronics & Energy business as a next-generation growth field under "JIKKO-2007," a medium-term management plan that started in fiscal 2005. As part of these efforts, we acquired Matsushima Optical Component Co., Ltd., a company engaged in the manufacture and sale of aspherical glass lenses. Matsushima Optical's aspherical glass lenses are highly functional components and are now used in a broad range of products, such as cellular phones, digital cameras and lenses for communication purposes. We also expect this type of lens to be used for such products as next-generation DVD players/recorders and automobiles.

"AGC Research Collaboration Program," a public-invitation industry/academia joint study program

In 2004, the Company introduced the "AGC Research Collaboration Program" in which products and technologies are developed jointly with universities, public research institutions, and other bodies that the Company selects based on its needs and seeds from among those invited publicly. The groups of selected joint research themes will receive the necessary materials and funds of 20.0 million yen a year for three years. Applicants of excellent themes that are not selected can also receive research support. In 2005, the Company invited research groups from the public concerning two fields: "inorganic materials such as glass" and "fluorochemicals" Of the 54 applications, the following subjects were selected as joint research themes:

- "Study on Electro-spinning of fluorinated polymers": Hiroshi Uyama, Professor of Graduate School of Engineering, Osaka University
- "Research on Transparent Conducting Films Based on Titanium Dioxide": Taro Hitosugi, Part-time Researcher of Kanagawa Academy of Science and Technology

Corporate Advertisement Campaign "Shouko's Story" No. 9



There 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. The latest episode is No. 9: "Shouko returns home." Shorthaired Shouko, who has matured greatly after studying in Belgium for one year, returns to Japan. When reunited with her mother and boyfriend, Tatsuya, she cannot stop herself from hugging her mother. Tatsuya asks her, "Did you find out anything by studying abroad?" Shouko confidently gives a big nod to his question, thereby affirming her growth in Belgium.

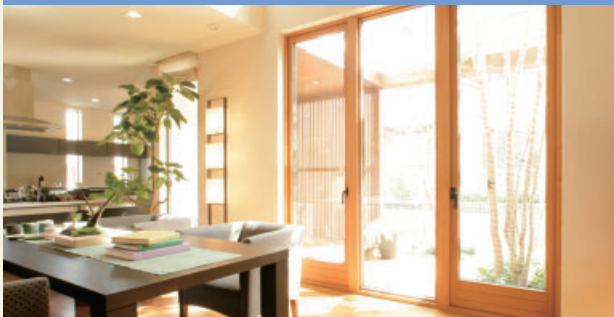
"Shouko's Story" is being publicized on the Asahi Glass website



The summary of "Shouko's Stories," which started in September 2004, and came up to the latest episode No. 9 are being publicized on the Asahi Glass website. Please take a look at them.

<http://www.agc.co.jp/shouko/index.html>

Glass Operations



Window equipped with "View-Lite Moku mado"

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 the first half of fiscal 2006, Glass operations sales were 399.0 billion yen and operating income posted 20.3 billion yen.

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

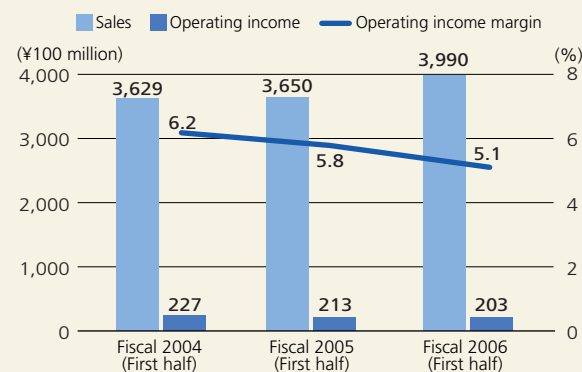
The flat glass business as a whole increased sales compared with first half of fiscal 2005. The markets in Europe and North America showed steady growth throughout the term, although domestic demand in certain Asian countries dropped. In particular, glass shipments in fast-growing markets including Russia showed rapid growth. On the other hand, higher price of raw materials and fuels such as oil had an adverse impact on every region. In Japan, where the impact was especially significant, the Group introduced an energy surcharge system commencing in June, and raised the sales price mainly in flat glass used for construction. In expectation of further growth of construction and automobile industries in China, the Group started a new flat glass production plant in Suzhou, China.

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

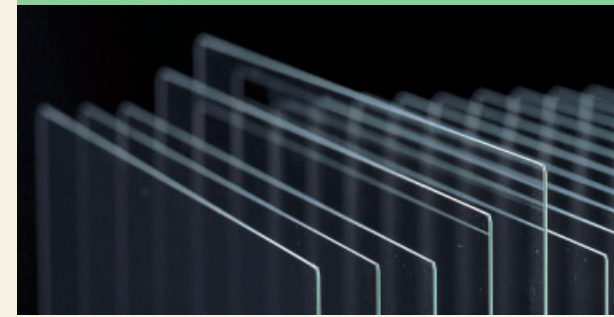
In the automotive glass business, earnings increased from the corresponding period of the previous year due to the worldwide increase in automobile production particularly by Japanese-affiliated automakers, though the business was adversely impacted by sluggish economies in part of Asia.

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

Sales of other glass products, such as fiberglass, were stable throughout the term, although they were affected by the high price of raw materials and fuels. Asahi Fiber Glass Co., Ltd. withdrew from the composites business in March 2006.



Electronics and Display Operations

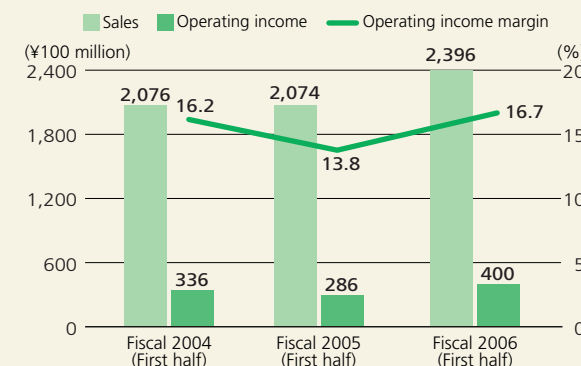


TFT LCD glass substrate

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 were 239.6 billion yen in the first half of fiscal 2006 and operating income was 40.0 billion yen.

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

In the FPD glass sector of the display business, sales increased with strong demand for glass substrates for TFT LCDs and PDPs on a year-on-year basis, owing to an expansion in demand for panels for thin-screen televisions, such as LCD TVs and plasma display panel TVs, as well as a growing demand for larger sizes of glass substrates.



Q What was the performance of CRT glass in the first half of fiscal 2006?

In the CRT glass sector of the display business, 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. Sales prices, however, continued to fall as the demand recovery driven by the World Cup soccer games was not as strong as anticipated. As a result, the sales of the CRT glass fell compared with first half of fiscal 2005. Given this situation, the Group decided to further reduce its production capacity of CRT glass by September 2006.

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

In the electronics materials business, sales of LCD backlight tubes and synthetic quartz for semiconductor manufacturing equipment continued to grow steadily thanks to strong demand. However, due to severe competition, sales of optical filters for PDPs remained harsh despite a series of cost cutting measures. In small- and medium-sized displays sector, products for mobile devices such as cellular phones suffered from lower sales prices; however, sales of products for automobile and industrial use showed steady growth.



Overview of Segments

Chemicals Operations

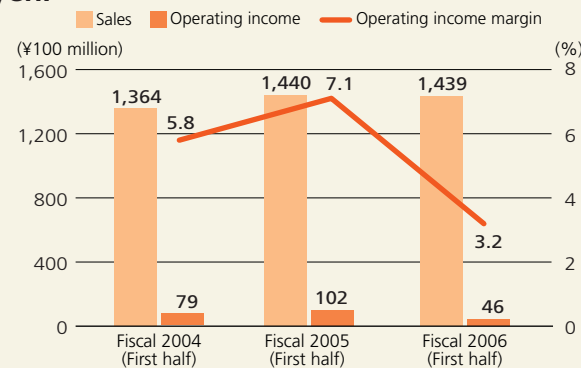
The Chemicals operations comprise the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomers and other chlor-alkali chemicals in addition to the basic ingredients of urethane, such as 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 the first half of fiscal 2006, sales at the Chemicals operations posted 143.9 billion yen and operating income was 4.6 billion yen.

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

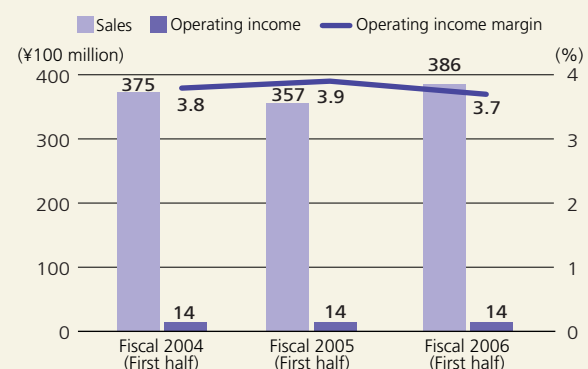
The chlor-alkali & urethane business continued to be sluggish, largely because the weak international vinyl chloride market prevented sufficient hike of product prices, which would have offset the increased costs of raw materials and fuels.

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

In the fluorochemicals & specialty chemicals business, demand for fluorinated resins, fluoropolymer films, oil and water repellents, and liquid crystal materials remained steady, but this is not strong enough to compensate the worsened results of the chlor-alkali & urethane business. Sales of the fluorochemicals business in North America have started to pick up along with improvement of productivity.



Other Operations



Other operations consist of the ceramics business and a variety of service businesses, including logistics and engineering. Sales at the operations totaled 38.6 billion yen in the first half of fiscal 2006, with operating income posting 1.4 billion yen.

Q What was the performance of the operations in the first half of fiscal 2006?

The ceramics business mainly remained strong in the period under review due to fairly strong demand in the glass engineering sector, mainly in Asia, and the environmental energy sector in Japan.

Financial Data

Consolidated Financial Statements

Consolidated Balance Sheets (summary)

Unit: Million yen

Item	End of first half FY2006 (June 30, 2006)	End of fiscal 2005 (December 31, 2005)	Increase/decrease
Assets	2,136,139	2,081,926	54,212
Current assets	721,161	688,432	32,729
Cash on hand and in banks	81,256	73,811	7,444
Trade notes and accounts receivable	301,850	309,432	(7,582)
Inventories	265,272	238,022	27,249
Other current assets	72,782	67,165	5,616
Fixed assets	1,414,748	1,393,259	21,488
Tangible fixed assets	957,317	922,630	34,687
Buildings and structures	259,601	245,710	13,891
Machinery and equipment	484,433	460,360	24,073
Land	119,022	118,619	403
Other tangible fixed assets	94,259	97,939	(3,680)
Intangible fixed assets	104,282	100,026	4,256
Investments and advances	353,147	370,602	(17,454)
Investment in securities	301,939	320,927	(18,988)
Other investments	51,208	49,675	1,533
Deferred assets	229	234	(4)
Total assets	2,136,139	2,081,926	54,212

Item	End of first half FY2006 (June 30, 2006)	End of fiscal 2005 (December 31, 2005)	Increase/decrease
Liabilities	1,160,561	1,129,922	30,638
Current liabilities	655,779	587,145	68,634
Trade notes and accounts payable	186,554	206,350	(19,796)
Short-term bank loans and commercial paper	166,459	142,553	23,905
Current maturities of bonds	49,281	9,589	39,692
Other current liabilities	253,483	228,651	24,832
Non-current liabilities	504,781	542,777	(37,995)
Bonds issued	207,862	254,635	(46,773)
Long-term bank loans	137,451	122,154	15,296
Accrued retirement benefits	66,430	64,447	1,982
Other non-current liabilities	93,038	101,539	(8,500)
Net assets	975,578	952,004	23,574
Shareholders' equity	763,315	729,749	33,565
Common stock	90,480	90,472	7
Additional paid-in capital	96,569	96,561	7
Retained earnings	590,091	556,424	33,666
Treasury stocks	(13,825)	(13,709)	(116)
Valuation and translation adjustments	120,402	122,934	(2,532)
Unrealized gains on securities, net of tax	114,239	124,262	(10,022)
Deferred gains or losses on hedges, net of tax	419	0	419
Asset revaluation reserve	63	120	(57)
Foreign currency translation adjustments	5,678	(1,448)	7,127
Share subscription rights	0	0	0
Minority interest in consolidated subsidiaries	91,860	99,319	(7,459)
Total liabilities and net assets	763,315	2,081,926	54,212

POINT Increase in tangible fixed assets

Demand is growing for flat panel display (FPD) glass substrates and the size of such substrates is becoming larger. In response, the AGC Group has actively invested in expanding production and processing facilities for FPD glass substrates. Accordingly, tangible fixed assets were ¥957.3 billion in the first half under review, up ¥34.7 billion from the end of the previous fiscal year.

POINT Increase in shareholders' equity

Shareholders' equity stood at ¥763.3 billion in the first half under review, up ¥33.6 billion from the end of the preceding year, due mainly to a rise in retained earnings resulting from net income.

Presentation of "Net Assets" in the B/S is newly introduced in conformity to the Japanese accounting standard. Conventional "Total Shareholders' Equity" is reclassified into "Net Asset" in the B/S as of June 30, 2006 as well as December 31, 2005.

Financial Data

Consolidated Financial Statements

Consolidated Statements of Income (summary) Unit: Million yen

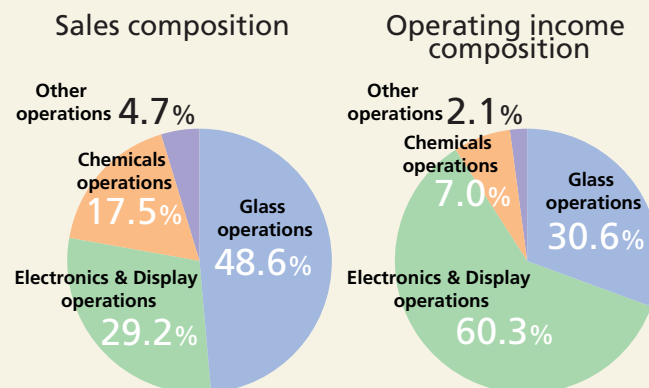
Item	First half FY2006 <small>(January 1, 2006 through June 30, 2006)</small>	First half FY2005 <small>(January 1, 2005 through June 30, 2005)</small>
Net sales	788,589	726,155
Cost of sales	591,442	538,834
Gross profit	197,146	187,321
Selling, general and administrative expenses	131,045	125,516
Operating income	66,101	61,805
Other income	11,273	11,501
Other expenses	12,001	10,444
Ordinary income	65,373	62,862
Extraordinary gains	18,739	9,391
Extraordinary losses	26,529	6,004
Income before income taxes	57,583	66,248
Income taxes	22,062	18,757
Minority interest in earnings (losses) of consolidated subsidiaries	(6,990)	2,567
Net income	42,511	44,923

POINT Increase in operating income

Operating income registered ¥66.1 billion in the first half under review, up ¥4.3 billion from a year earlier, due to increased shipments of FPD glass substrates and improved productivity.

POINT Extraordinary losses

Extraordinary losses were ¥26.5 billion in the first half under review, which include restructuring expenses of ¥16.6 billion resulting from the reorganization of the production system, including stoppage of some furnaces, as part of our efforts to improve profitability in the cathode-ray tube glass business.



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

Item	First half FY2006 <small>(January 1, 2006 through June 30, 2006)</small>	First half FY2005 <small>(January 1, 2005 through June 30, 2005)</small>
Cash flows from operating activities	70,823	76,649
Cash flows from investing activities	(78,695)	(60,601)
Cash flows from financing activities	18,337	(30,962)
Effect of exchange rate changes on cash and cash equivalents	279	1,266
Increase (decrease) in cash and cash equivalents	10,744	(13,648)
Cash and cash equivalents at beginning of year	54,006	67,943
Cash and cash equivalents held by newly consolidated subsidiaries	(76)	(230)
Cash and cash equivalents at end of first half of the fiscal year	64,674	54,065

POINT Cash flows from investing activities

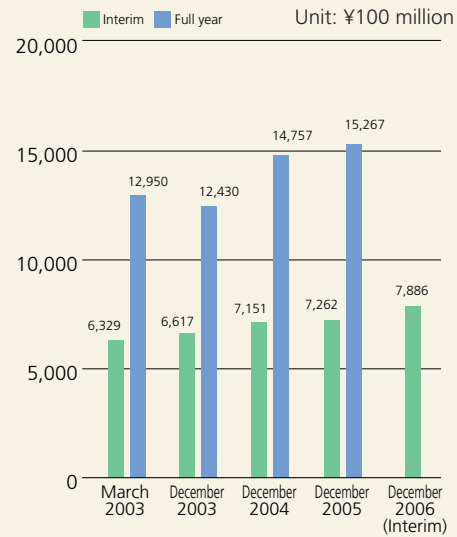
Cash flows from investing activities represent the balance of cash (cash and cash equivalents) associated with capital expenditures and purchase/sale of securities. Cash flows from investing activities for the first half under review were ¥78.7 billion in net spending due to proactive capital investments to increase production of FPD glass substrates.

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

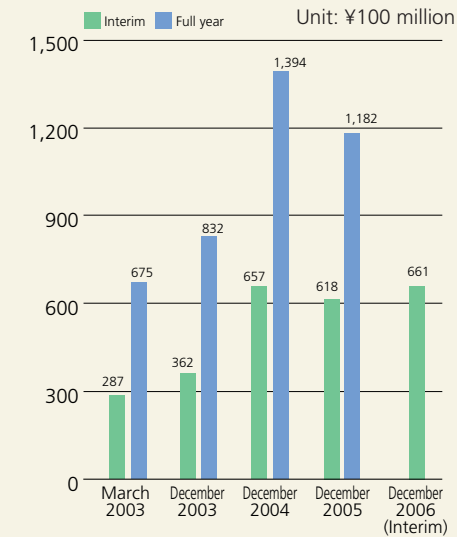
First half FY2006 <small>(January 1 through June 30, 2006)</small>	Shareholders' Equity					Valuation and translation adjustments	Share subscription rights	Minority interest in consolidated subsidiaries	Total net assets
	Common stock	Additional Paid-in capital	Retained earnings	Treasury stocks	Total 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			(8,796)		(8,796)				(8,796)
Net income			42,511		42,511				42,511
Treasury stocks			(8)	(116)	(124)				(124)
Others	7	7	(40)		(24)	(2,532)	0	(7,459)	(10,016)
Total changes during the interim fiscal period under review	7	7	33,666	(116)	33,565	(2,532)	0	(7,459)	23,574
Balance at June 30, 2006	90,480	96,569	590,091	(13,825)	763,315	120,402	0	91,860	975,578

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.

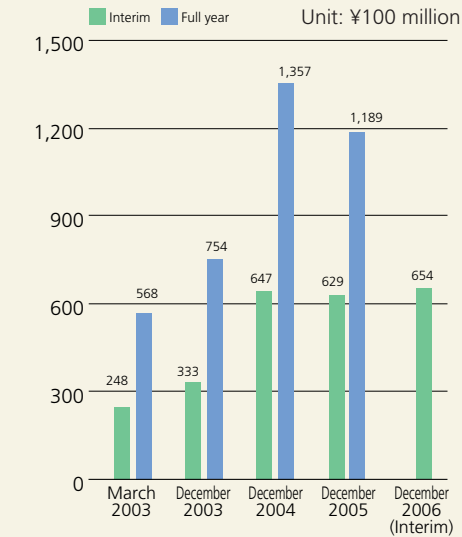
Net sales



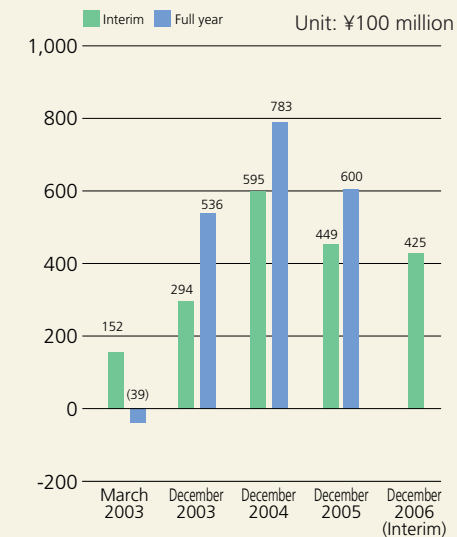
Operating income



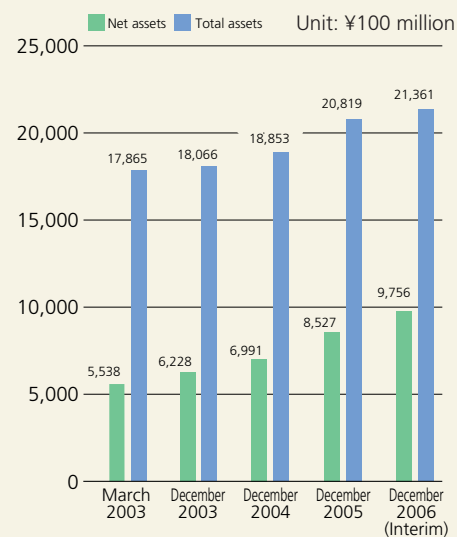
Ordinary income



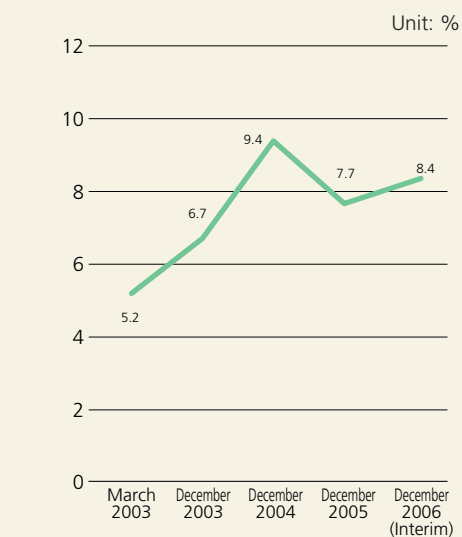
Net income



Total assets and net assets



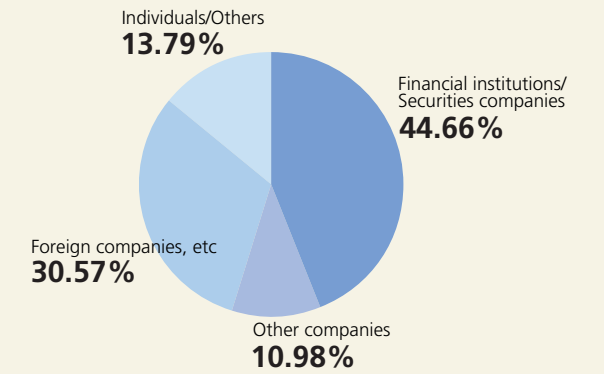
Operating income margin



State of stock (as of June 30, 2006)

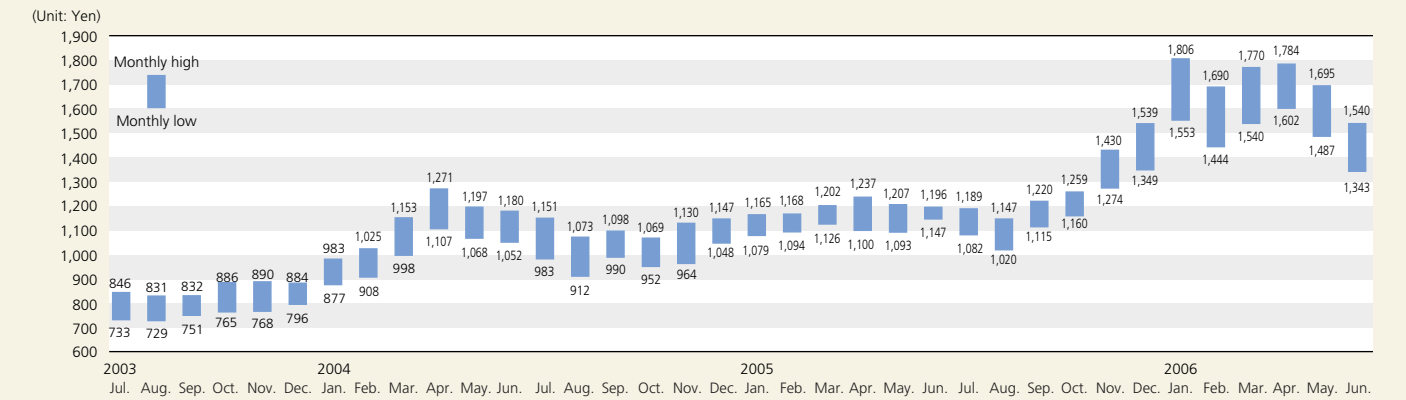
Number of shares outstanding: 1,186,013,684 shares
 Number of shareholders: 62,242
 (Shareholders who own shares one unit or more: 44,790)

Shareholders composition (Shareholders who own shares one unit or more)

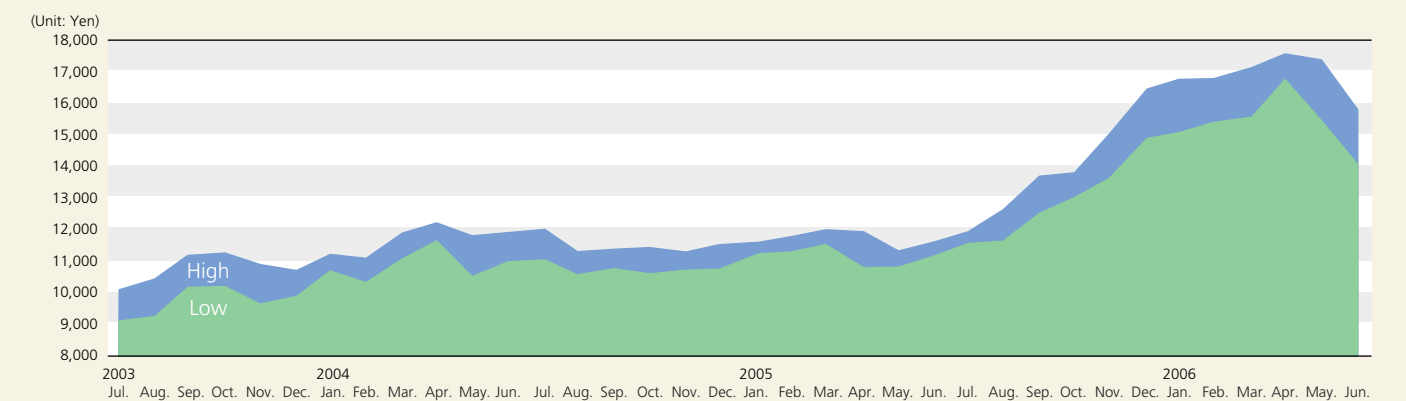


Trends in stock price (Tokyo Stock Exchange)

Stock price of Asahi Glass



Nikkei stock average



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.

Corporate Outline (as of June 30, 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:	254 (including 188 companies overseas)
Number of employees of consolidated companies:	57,405

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
Newspaper for Company announcements:	The Nihon Keizai Shimbun issued in Tokyo
Acting office of Shareholder Registrar:	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 1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo 171-8508 Tel: 0120-707-696 (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 0120-864-490 (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.