

Booklet for communication with investors



# AGC Review

Newsletter  
for  
Investors  
Vol.11

End of first half FY2007



# AGC

ASAHI GLASS CO., LTD.

Code Number: 5201

## Steadily yielding results toward achievement of medium-term management plan goals

Masahiro Kadomatsu, President & CEO




### Record high operating and ordinary income for half-year period

During the first-half period under review (January 1 through June 30, 2007), the Japanese economy recovered at a gradual pace as shown by the increase of both capital expenditure and employment opportunities. Exports and consumer spending continued to be strong despite concerns over price hikes of vari-

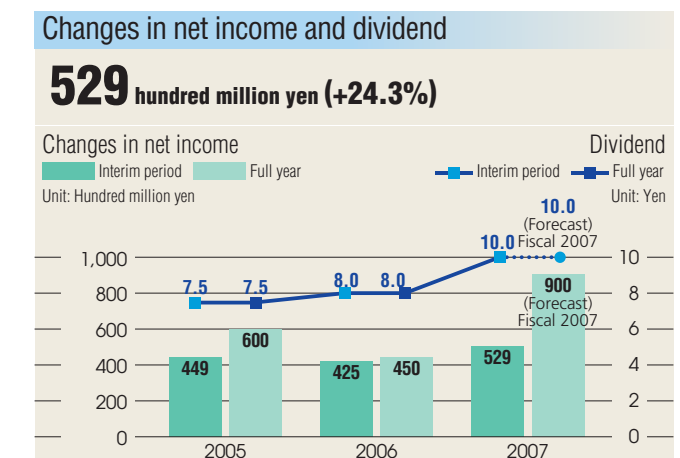
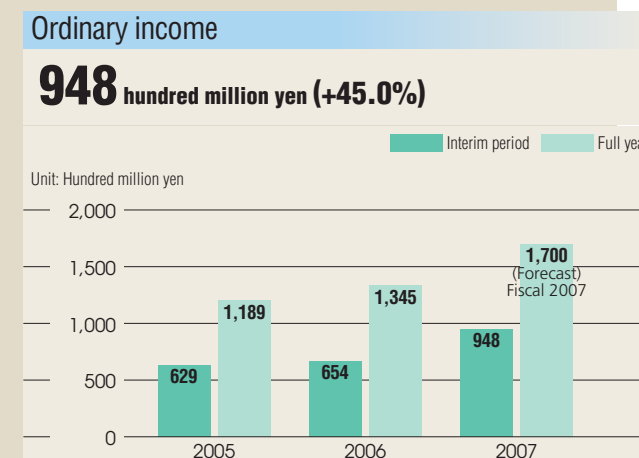
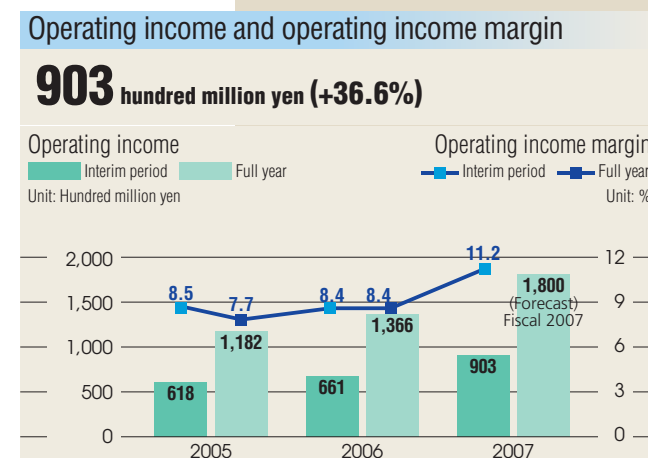
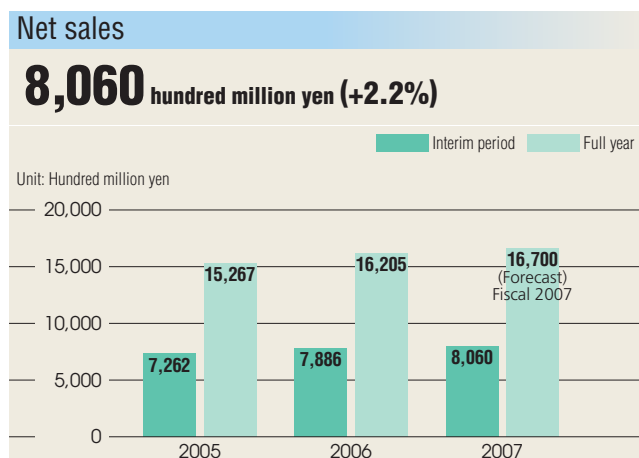
ous raw materials and fuels, such as crude oil, and the increase in interest rates. In other Asian countries, China and ASEAN countries sustained high economic growth, while a slowdown was observed in the IT and digital sectors in the NIEs (Newly Industrialized Economies). In Europe, the economy continued to be steady in Eastern Europe, as well as in Russia, and the economy expanded on brisk exports in Western Europe. The U.S. economy continued to grow, supported by a favorable employ-

ment situation, although factors such as the weak housing market were causes for concern.

As for the target markets of the AGC Group, the market for glass substrates for flat panel displays (FPDs), such as thin film transistor liquid crystal displays (TFT LCDs) continued to be relatively steady following the expansion of demand for flat-panel televisions. The market for cathode ray tube (CRT) glass continued to be weak. Regarding the Glass operations, growth in demand for flat glass was stagnant in Japan and North America, but demand in Europe continued to be strong. The market for the Chemicals operations showed a recovery.

Under these circumstances, the AGC Group achieved record-high operating and ordinary income for a half year period. The Group posted net sales of 806.0 billion yen for the first-half period under review, up 17.4 billion yen or 2.2% from the corresponding period in the previous year, operating income of 90.3 billion yen, up 24.2 billion yen or 36.6%, and ordinary income of 94.8 billion yen, up 29.4 billion yen or 45.0%. Net income increased 10.4 billion yen or 24.3% to 52.9 billion yen.

I would like to take this opportunity to express our deep appreciation to all of our investors for your daily support.



The Group decided to increase the interim dividends per share by 2 yen, in commemoration of the 100th anniversary of foundation, from the previous forecast of 8 yen as an ordinary dividend to 10 yen. In addition, the Group revised upward the previous year-end dividend forecast per share of 8 yen as an ordinary dividend to 10 yen, up 2 yen in commemoration.

**Toward achievement of 10% or more operating margin in final fiscal year of medium-term management plan**

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

Under **“JIKKO-2007”**, the Group is pushing forward with the intensification of its CRT glass production and restructuring in the display division, where a rapid shift from CRT to FPD is being promoted. At the same time, the division is striving for continuous technology development and productivity improvement in FPD glass, which is demonstrating notable growth, constructing six furnaces for the manufacture of TFT LCD glass and one furnace for PDP glass during the period of the medium-term plan to meet the expansion in demand.

In glass operations, we are aggressively developing our operations in newly growing markets where demand is expanding as well as improving profitability in existing operations in as Western Europe, North America, and Japan.

Moreover, the Group is seeking to improve productivity through such means as working to improve earnings at North American operations, where a slowdown has persisted, renewing management in flat glass for construction, and implementing build & scrap in the automotive glass business.

In addition to these strategies in our existing operations, we have also been making full-scale efforts to foster business in the Electronics & Energy (E&E) segment as a next generation growth business. Within the segment, we are focusing on the areas of semi-conductor processing materials, display materials, photonics components, and energy materials in which we can draw on the core technologies, including glass and fluorine chemistry, that the AGC Group has cultivated over many years. We have been pushing ahead with the establishment of pilot and mass production facilities in order to speed up business development. Based on these activities, we sincerely hope that we will achieve the medium term management plan target of at 10% or more for the operating margin this fiscal year, the

final fiscal year of medium-term management plan.

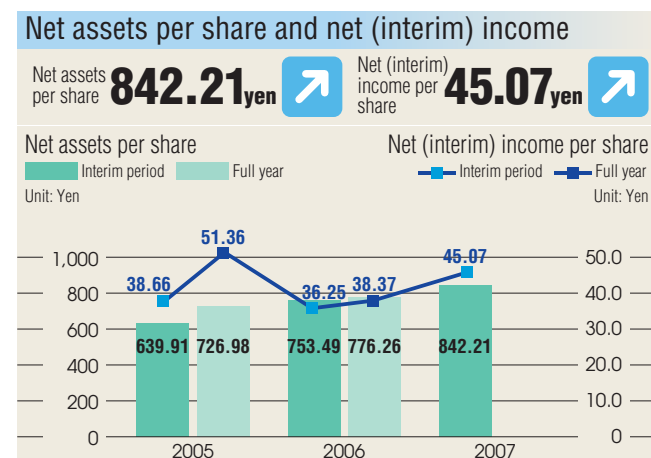
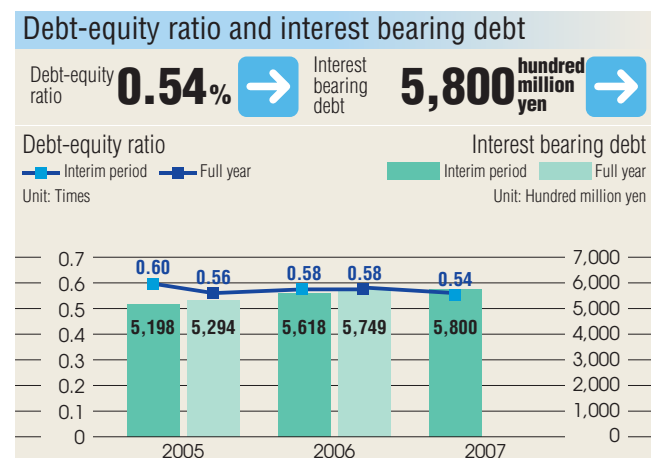
**Marking the 100th Anniversary of AGC's Establishment**

Asahi Glass will mark the 100th anniversary of its founding on September 8 this year. The Company expresses its heart-felt appreciation to all of our investors for your support and cooperation over many years.

Since it was founded in 1907, AGC has carried on the spirit of its founder Toshiya Iwasaki, which is summarized in the principle “Never take the easy way out, but confront difficulties.” Adhering to his pioneering spirit, we have pushed forward in the diversification and globalization of the business, achieving steady growth.

In April 2002, AGC formulated the **“Look Beyond”** group vision to clarify the mission of AGC Group and the values shared by group members, promoting the unity of the Group. This year, which marks our 100th anniversary, is the year for a fresh start as a company of global excellence, and we have adopted a unified Group **AGC** brand.

Through the adoption of the new unified Group brand, we are further accelerating activities aimed at improving our corporate value with the aim of becoming a company of global excellence with high earnings and high growth.



Examples of Brand Unification for AGC Group Companies



Special feature: **AGCyclopedia**

Asahi Glass, now in its 100th year, has taken on numerous challenges throughout its history. This year, which marks its 100th anniversary, Asahi Glass Group will become the AGC Group under its new brand name, **AGC**.



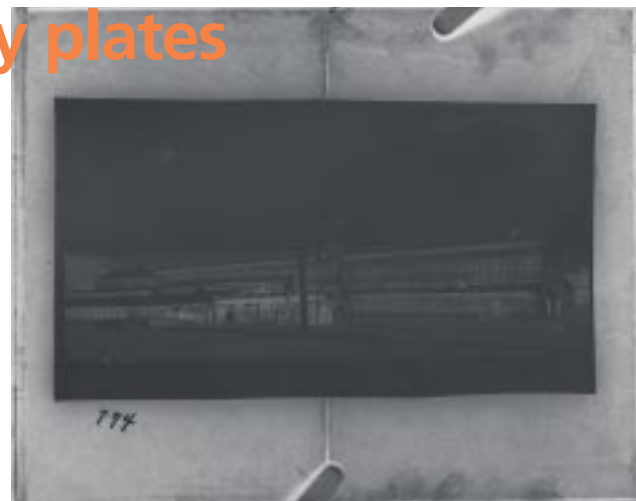
AGCyclopedia 1

**AGC actually made glass for camera dry plates**

During the early Showa period, Asahi Glass conducted joint research with Toyo Kanpan (now Fuji Film) and manufactured pilot products. Following repeated improvements, the Company produced a large number of dry plates during the period of expansion in demand until around 1945.



Photographs used to be recorded on thin glass plates called dry plates instead of using films as they do today. The photograph shows a dry plate camera from the early Showa period. (Photograph supplied by JCI Camera Museum)



Thin plate glass for camera dry plates. The plates required a uniform thickness of about 1.1 – 1.6 mm, a smooth surface, and no bubbles or flaws, presenting extraordinary manufacturing difficulties.

AGCyclopedia 2



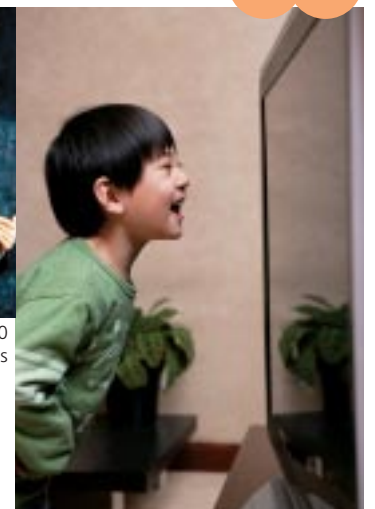
1953 when television broadcasts began. AGC commenced production of glass bulbs for CRTs from the following year in step with the arrival of the television boom.

**AGC glass playing a backstage role in the evolution of television**

Since it expanded into glass bulbs for CRTs in 1954, AGC has been contributing to the evolution of television in the area of glass manufacture each time television makes one of its frequent transformations.



Commercial production of PD200 substrates for plasma display panels (PDPs) commenced in 1996.

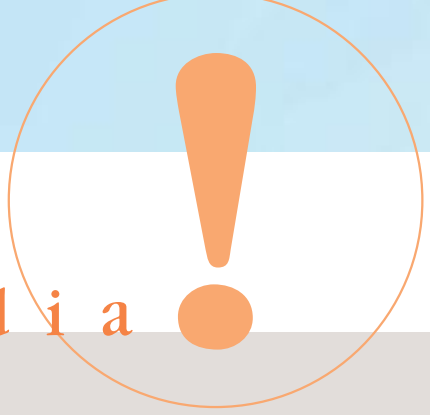


Today AGC meets demand for a variety of glass used in displays, including plasma, liquid crystal and organic electroluminescent (EL) displays, where market expansion is anticipated in the future.

<p><b>1907</b> Asahi Glass Company established in September with headquarters and plant in Amagasaki, Hyogo Prefecture. Founded by Toshiya Iwasaki with capital of one million yen.</p>	<p><b>1909</b> Plant established in Amagasaki. Manufacture of window glass using Belgian-type hand-blown sheet technique starts in April.</p>	<p><b>1917</b> Production of soda ash commences at Makiyama Plant. Headquarters moved to Tokyo in same year (Photograph shows head offices at the time: Tokyo Kaijo Building)</p>	<p><b>1923</b> Great Kanto Earthquake. Tokyo-Yokohama industrial belt receives ruinous blow, and AGC's Tsurumi Plant also sustains serious damage.</p>	<p><b>1925</b> Shoko Glass Co., Ltd., established in Dalian, China, launching AGC's first overseas business.</p>	<p><b>1933</b> Manufacture of thin flat glass for camera dry plates begins. Production delivered from Makiyama Plant, Amagasaki No. 2 Plant, and Tsurumi Plant (photograph).</p>	<p><b>1945</b> WWII ends. All equipment and assets of AGC and overseas affiliates seized.</p>	<p><b>1954</b> Asahi Special Glass Co. established and expansion into glass bulbs for television CRTs begins.</p>	<p><b>1956</b> The Indo-Asahi Glass Co., Ltd., established in Indo-Japanese merger, attracting considerable attention as pioneering post-war overseas expansion by Japanese company.</p>	<p><b>1956</b> Asahi Processed Glass Co. established. Full-scale expansion into automotive processed glass.</p>
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Diamond logo used for authenticity registration mark.

Special feature:  
**AGCyclopedia**



AGCyclopedia 3

## Protecting people and the earth Glass Technology

AGC produces many products that contribute to the community and the global environment. For example, what kind of role has the development of glazing that includes construction and automotive glass played in the world?

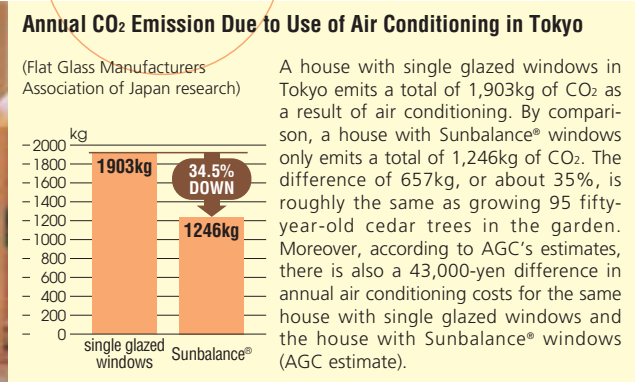


With no tendency for broken fragments to fly around and being hard to penetrate, AGC glass has outstanding safety and theft prevention features.

AGC delivers environment-friendly products that make safety and comfort a reality in the Automotive Glass sector.

### Environment & Safety

Sunbalance®: high thermal insulation, low-emissive double-glazing glass

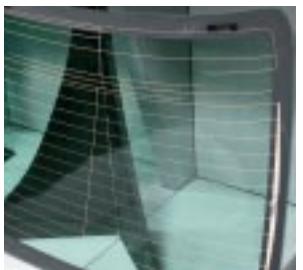


Broken fragments of theft prevention and disaster prevention glass tend not to fly about even in the event of breakage by earthquakes or impact.

AGCyclopedia 4



AGC technology is also utilized in optical lenses for such products as cellular phones and digital cameras.



Antenna glass is essential in the multi-media age, achieving telecommunications without compromising on automotive design.



AGC's Lumiflon® was used by ANA as a coating for its specially painted panda aircraft, which began operating in April to mark the 20th anniversary of the company's China routes.

## AGC is active in these fields too

With its advanced technological capabilities, AGC is expanding its business territory into cutting edge and growth fields. The products are utilized in these kinds of areas as well.



AGC is also involved in covering glass products for clean energy solar cells and in developing components and materials for fuel cells.

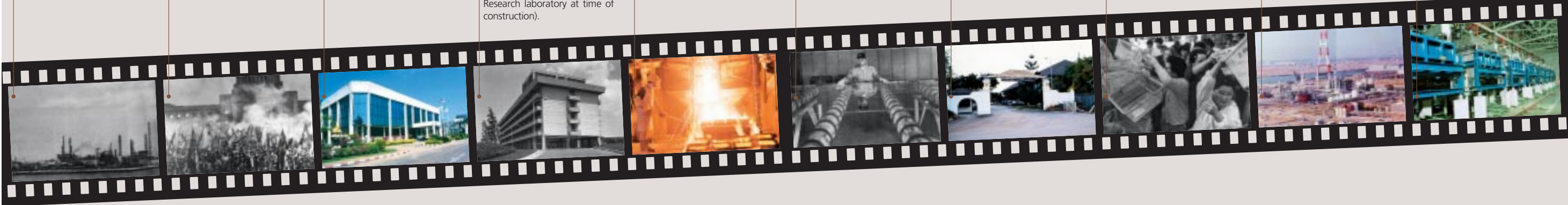


AsahiGuard E-Series water, oil and dirt repellent processing agent that repels water, oil and dirt with the power of fluorine, maintaining the beauty of a product.



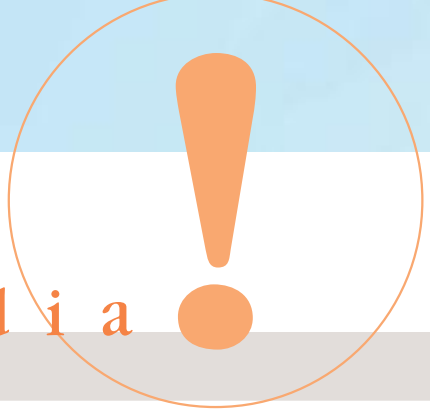
Planar optical devices used in variety of optics-related equipment including optical pick up components that read the information on CDs and DVDs using light and optical telecommunications modules.

- 1959** Chiba Plant established and commences production of soda ash from same year (Photograph shows Chiba plant and Asahi Penn Chemical Co., Ltd., around 1966)
- 1959** Opposition to revision of Japan-US Security Treaty arises (1960s Security Treaty opposition). Several tens of thousands of people march in demonstrations, surrounding the Diet, but treaty is revised.
- 1964** Thai-Asahi Glass Public Co., Ltd., established (Photograph shows today's AGC Flat Glass Thailand Public Co., Ltd.)
- 1965** New Research Center constructed in Hazawa, Yokohama with aim of strengthening research and development system. Relocation from Tsurumi Research Center. (Photograph shows main building of Central Research laboratory at time of construction).
- 1966** Construction of new zirconite plant at Iho plant (now Takasago Plant) to meet rising demand for refractory bricks due to industrial installation boom.
- 1966** Production of flat glass using float method begins (Photograph shows float glass production process at Tsurumi Plant).
- 1972** P.T. Asahimas Flat Glass Co., Ltd., set up in Indonesia (Photograph shows front entrance of head office and plant in 1988)
- 1973** First oil shock. People flood supermarkets in pursuit of toilet roll.
- 1974** Kashima Plant established in Ibaraki Prefecture. Commences production of chemicals the following year and float flat glass in 1981.
- 1980** The AZEC System, a new electrolytic technology using an ion-exchange membrane system, is developed, attracting global attention.



Special feature:

# AGCyclopedi



## Toward AGC Globally Integrated Management

In 1956, as a result of a strong request from the Indian government, AGC entered into an overseas capital expansion with the aim of reviving the local flat glass industry. This was the first post World War II overseas investment by a private Japanese company.

Post-war overseas expansion can be divided roughly into three periods. In the first period, after its expansion into India, AGC set up joint venture companies with Asian conglomerates and corporations, mainly in such countries as Thailand and Indonesia. Moreover, in the second half of the 1970s, against the background of expansion of overseas production by automotive and home electronics manufacturers, which are the Company's customers, AGC also set up centers overseas in order to supply Automotive Glass and CRT Glass.

The second period of overseas expansion mainly consisted of investment in US and European firms and M&As. AGC's investment in Belgian firm Glaverbel S.A. in 1981 also led to the acquisition of a former state-run company in Czech and Russia by the same company. Moreover, the AGC Group expanded its production and sales centers in Europe and the US at a single stroke through the acquisition of US firm AFG Industries Inc. in 1992.

Thus far, overseas expansion consisted of the quantitative augmentation of overseas centers in order to expand our business lines, forming a so-called incremental expansion. However, the third period, or the globalization from the 1990s through to the 21st century, has required us to engage in a qualitative review, and not only in quantitative expansion. For example, areas such as product quality, safety, environmental standards, accounting systems, and the legal and regulation structure have to comply with

overseas rules. Therefore, the AGC Group has conducted a range of structural reforms, which include the strengthening of governance structures, the adoption of an in-house company system (establishment of management structures by business segment for each country and region), the formulation of a Group vision **"Look Beyond"** and exhaustive education of Group employees about the vision, and the unification of consolidated companies under the AGC brand.

Meanwhile, the AGC Group's overseas expansion has been accompanied by various difficulties. One person who has come up against major difficulties in Takashi Wada, Senior Executive Vice President, who has worked abroad for about ten years in such countries as India and Indonesia and has visited 26 countries, including business trips.

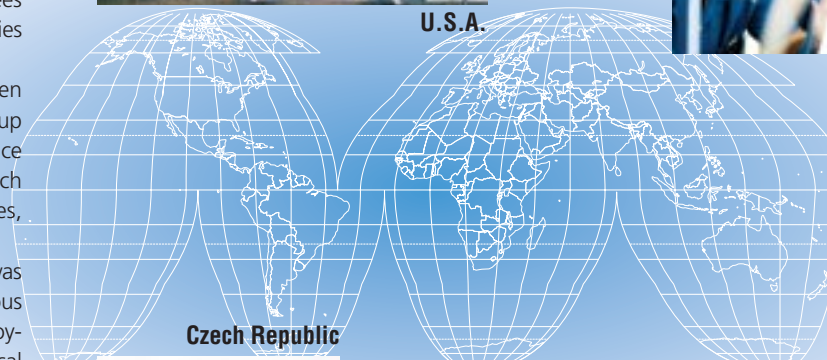
"When I was put in charge of plant construction while I was posted to India in the 1990s, I got caught up in major religious conflict. My experience was one of securing the safety of employees while getting the plant completed in the midst of political instability. I have many senior workers and colleagues apart from myself who have confronted major difficulties or dangerous situations abroad. However, the AGC Group, which has 50 years post-war experience of overseas expansion, uses its experience as a resource to overcome the many problems."

Today when inter-company competition has also become tougher on a global level, the AGC Group will survive the competition in the future by pushing ahead now with truly "globally integrated management" based on its long years of overseas experience.



U.S.A.

Russia



Czech Republic



Thailand



### Benefits Stemming from Integration with AGC

From the investment by Asahi Glass in 1981 until 2002 when it was integrated into the AGC Group, Glaverbel S.A. displayed a pan-European presence, occupying a position of leadership in many countries and products. This is the embodiment of the concept of diversity, and I believe it is the result of a multitude of staff with various cultural backgrounds fully displaying their capabilities.

Subsequently, Glaverbel S.A. acquired even more opportunities for progress and development by becoming a member of the AGC Group, which has secured a business position on all continents. In other words, this means solidifying the Group spirit while giving responsibility to the people in each region to fully draw out and utilize the capabilities of each individual who makes up the Group. Doing this makes the Group's overall diversity a reality, enabling us to raise its global presence.



Michèle Gillot  
Former Vice President of Glaverbel, who made strenuous efforts at Glaverbel for the globalization of the AGC Group



Japan and Belgium have deep historical ties in glass manufacturing. Flat glass manufacturing technology was originally brought from Belgium. The photograph shows Belgian technicians visiting Japan at the time that Asahi Glass was founded.

- 1981** Asahi Glass invests in Belgian general flat glass manufacturer Glaverbel S.A., expanding into Europe.
- 1988** Asahi Glass invests in US firm AFG Industries Inc. through Glaverbel S.A..
- 1989** Nikkei Average nearly touches top of 40,000 yen at end of December. Bubble subsequently bursts, and Japanese economy enters period of economic recession known as "the lost decade."
- 1995** Asahi Glass invests in Qinhuangdao Haiyan Safety Glass Co., Ltd. and commences production of automotive glass in China (Photograph shows current AGC Automotive China Co., Ltd.).
- 1996** Commercial production of PD200 glass substrate for plasma display panels commences. Mass production at Kansai plant from 1999.
- 1997** Asahi Glass invests in Russia's Bor Glass Works through Glaverbel.
- 2002** AGC Group vision **"Look Beyond"** formulated. In-house company system and executive officer system introduced.
- 2005** Electronics & Energy (E&E) business division set up.
- 2006** Fluon® EFFE Film used at Germany's Allianz Arena, the main stadium for the world football championship.
- 2007** 100th anniversary of founding. New **AGC** logo created, and brand unified with aim of globally integrated management.



Top Message  
100th Anniversary  
Overview of Segments  
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Corporate Data  
Stock & Bond Information

# Overview of Segments

## AGC Group

### Glass Operations

#### Flat Glass Business

(Main Products) Float flat glass and double-glazing glass, heat-reflective glass, laminated glass, processed glass for construction, mirrors, etc.

#### Automotive Glass Business

(Main Products) Laminated glass, tempered glass, etc.

#### Other Glass Business

(Main Products) Glass fiber products

### Electronics and Display Operations

#### Display Business

(Main Products) Flat panel display glass (TFT-LCD glass substrates, PDP glass substrates) CRT glass, etc.

#### Electronic Materials Business

(Main Products) Electronics & Energy products, small- and medium-sized displays, etc.

### Chemicals Operations

#### Chlor-alkali and Urethane Business

(Main Products) Caustic soda, vinyl chloride monomers, sodium bicarbonate, etc.

#### Fluorochemicals and Specialty Chemicals Business

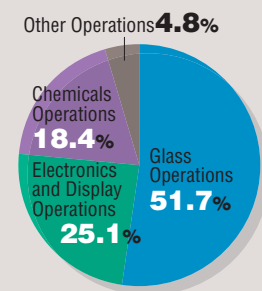
(Main Products) Fluorinated resins, gases and water and oil repellents, ion exchange membranes, etc.

### Other Operations

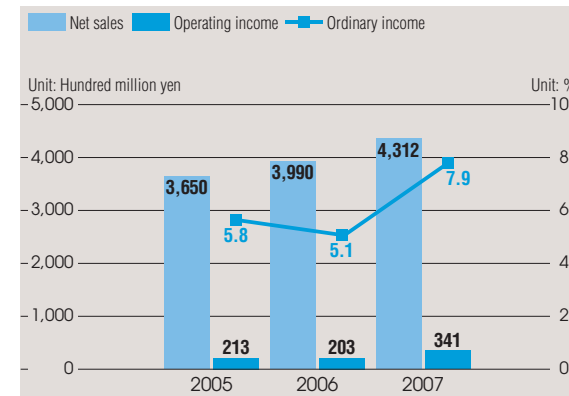
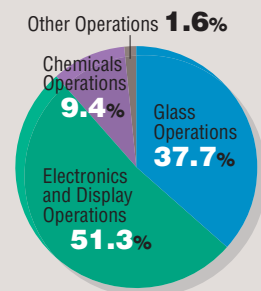
#### Ceramics Business

**Service Business** includes logistics and engineering

#### Sales composition



#### Operating income composition



### Sales As percentage 51.7% Glass Operations

Sales in the flat glass business increased from the same period of the previous year, thanks to the continuously solid market in Europe. Glass shipments showed a steady growth in fast-growing markets, such as Russia. Demand also remained robust in Western Europe. The shipment volume decreased due to the decline of new housing starts in Japan and North America.

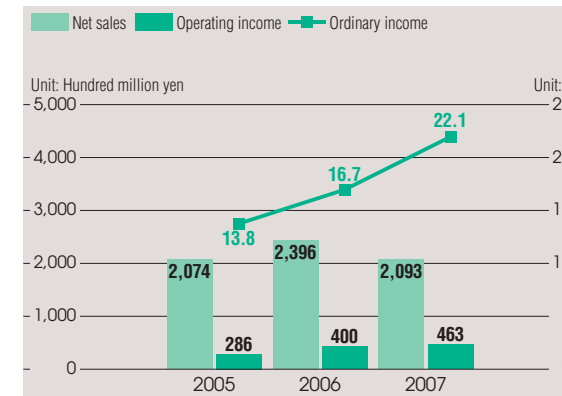
In the automotive glass business, earnings increased from the corresponding period of the previous year as the shipment volume remained steady, although the worldwide auto production remained almost flat from the corresponding period of the previous year.

In other glass business, the earnings decreased from the same period of the previous year due to the withdrawal of Asahi Fiber Glass Co., Ltd., from the composites business in March 2006.

During the current interim period, glass operations recorded net sales of 431.2 billion yen, up 32.2 billion yen or 8.1% year-on-year, with operating income of 34.1 billion yen, up 13.8 billion yen or 67.8% year-on-year.



Strong market conditions in Europe provided a tailwind for the flat glass business. The AGC Group's glass is also being used in Moscow, Russia (photograph), where development is underway.



### Sales As percentage 25.1% Electronics and Display Operations

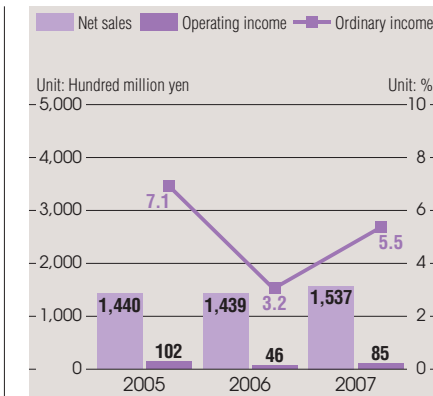
In the FPD glass sector of the display business, sales increased from the same period of the previous year due to strong shipments of glass substrates for TFT LCDs, supported by a rise in demand for panels for thin-screen televisions and the spread of larger sizes of such panels. On the other hand, growth of shipments of substrates for PDPs slowed down. Revenue in the CRT glass sector decreased from the same period of the previous year due to the accelerated shift in demand for FPDs.

In the electronics materials business, although demand for display materials slightly slowed down, demand for synthetic quartz, which is used as a projection lens material in semiconductor manufacturing equipment, continued to grow steadily. In the small- and medium-sized displays sector, revenue decreased from the corresponding period of the previous year due to the stagnant business of products for mobile devices and industrial use, although demand for products for automotive use showed a steady growth.

During the current interim period, electronics and display operations posted sales of 209.3 billion yen, a year-on-year decline of 30.3 billion yen or 12.7%, with operating income of 46.3 billion yen, a year-on-year increase of 6.3 billion yen or 15.8%.



Glass substrates for hard disks



### Sales As percentage 18.4% Chemicals Operations



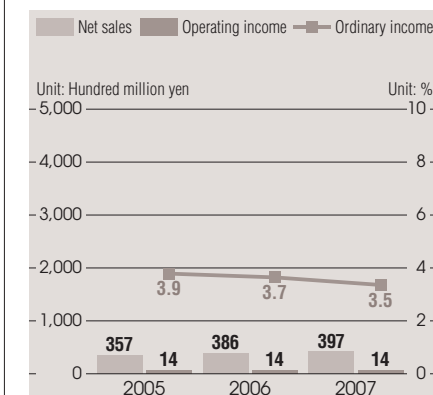
Ion exchange membrane Flemion®

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

In the fluorochemicals & specialty chemicals business, the shipment volume of fluorinated resins and resins for coating remained strong.

During the current interim period, chemicals operations posted sales of 153.7 billion yen, an increase of 9.8 billion yen or 6.8% year-on-year, with operating income of 8.5 billion yen, up 3.8 billion yen or 82.8% year-on-year.

### Sales As percentage 4.8% Other Operations



In the ceramics business, demand in the glass engineering sector remained strong in Europe and Asia while demand in the environmental energy sector continued to be steady in Japan.

During the current interim period, other operations posted sales of 39.7 billion yen, an increase of 1.1 billion yen or 2.8% year-on-year, with operating income of 1.4 billion yen, on a par with the previous year.

# Financial Data

## Consolidated Financial Statements

### Consolidated Balance Sheet (summary) Unit: Million yen

Item	End of first half FY2007 (June 30, 2007)	End of fiscal 2006 (December 31, 2006)	Increase/ decrease
<b>Assets</b>	<b>2,247,276</b>	2,149,546	97,730
Current assets	720,288	722,824	Δ 2,535
Cash on hand and in banks	77,030	80,610	Δ 3,579
Trade notes and accounts receivable	307,552	295,078	12,473
Inventories	277,352	248,231	29,121
Other current assets	58,352	98,903	Δ 40,550
Fixed assets	1,526,758	1,426,489	100,269
<b>1 Tangible fixed assets</b>	<b>1,083,188</b>	1,008,116	75,071
Buildings and structures	276,630	252,343	24,287
Machinery and equipment	527,822	462,062	65,760
Land	125,499	123,999	1,499
Other tangible fixed assets	153,236	169,711	Δ 16,475
Intangible fixed assets	53,292	57,573	Δ 4,281
Investments and advances	390,278	360,798	29,479
Investment in securities	331,219	311,838	19,381
Other investments	59,059	48,960	10,098
Deferred assets	229	232	Δ 3
<b>Total assets</b>	<b>2,247,276</b>	2,149,546	97,730

#### 1 Increase in Tangible Fixed Assets

Point

AGC has carried out aggressive capital expenditure in FPD glass substrate manufacturing and processing facilities to respond to the expansion in FPD demand, and tangible fixed assets stood at 1.0832 trillion yen at the end of the current interim period, an increase of 75.1 billion yen compared with the end of the previous fiscal year.

Item	End of first half FY2007 (June 30, 2007)	End of fiscal 2006 (December 31, 2006)	Increase/ decrease
<b>Liabilities</b>	<b>1,176,006</b>	1,157,795	18,211
Current liabilities	591,117	618,041	Δ 26,923
Trade notes and accounts payable	180,724	180,129	595
Short-term bank loans and commercial paper	176,530	163,109	13,420
Current maturities of bonds	8,033	49,034	Δ 41,001
Other current liabilities	225,829	225,768	61
Non-current liabilities	584,888	539,753	45,135
Bonds issued	222,906	224,649	Δ 1,743
Long-term bank loans	172,495	138,086	34,409
Accrued retirement benefits	68,615	68,557	57
Other non-current liabilities	120,872	108,460	12,411
<b>2 Net assets</b>	<b>1,071,269</b>	991,751	79,518
Shareholders' equity	800,466	756,424	44,041
Common stock	90,833	90,480	352
Additional paid-in capital	96,923	96,569	353
Retained earnings	626,656	583,176	43,479
Treasury stocks	Δ 13,946	Δ 13,802	Δ 144
Valuation and translation adjustments	187,884	154,062	33,822
Unrealized gains on securities, net of tax	133,178	123,312	9,866
Deferred gains or losses on hedges, net of tax	291	Δ 1,038	1,330
Asset revaluation reserve	63	63	0
Foreign currency translation adjustments	54,350	31,724	22,625
Share subscription rights	2	1	0
Minority interest in consolidated subsidiaries	82,916	81,263	1,653
<b>Total liabilities and net assets</b>	<b>2,247,276</b>	2,149,546	97,730

#### 2 Increase in Net Assets

Point

Net assets at the end of the current interim period stood at 1.0713 trillion yen, an increase of 79.5 billion yen compared with the end of the previous fiscal year as a result of such factors as the increase in earned surplus from net income for the current interim period, the increase in foreign currency translation adjustments reflecting the appreciation of the euro, and the rise in valuation and translation adjustments.

### Consolidated Statements of Income (summary) Unit: Million yen

Item	First half FY2007 (January 1, 2007 through June 30, 2007)	First half FY2006 (January 1, 2006 through June 30, 2006)
Net sales	805,978	788,589
Cost of sales	573,185	591,442
Gross profit	232,792	197,146
Selling, general and administrative expenses	142,529	131,045
<b>3 Operating income</b>	<b>90,262</b>	66,101
Other income	18,396	11,273
Other expenses	13,876	12,001
Ordinary income	94,782	65,373
Extraordinary gains	13,153	18,739
Extraordinary losses	27,176	26,529
Income before income taxes	80,758	57,583
Income taxes	26,519	22,062
Minority interest in earnings (losses) of consolidated subsidiaries	1,376	Δ 6,990
<b>Net income</b>	<b>52,862</b>	42,511

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

First half FY2007	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, 2006	90,480	96,569	583,176	Δ 13,802	756,424	154,062	1	81,263	991,751
<b>Changes during the interim fiscal period under review</b>									
Distribution of surplus			Δ 9,383		Δ 9,383				Δ 9,383
Net income			52,862		52,862				52,862
Treasury stocks		1		Δ 144	Δ 143				Δ 143
Others	352	352			704	33,822	0	1,653	36,181
<b>Total changes during the interim fiscal period under review</b>	<b>352</b>	<b>353</b>	<b>43,479</b>	<b>Δ 144</b>	<b>44,041</b>	<b>33,822</b>	<b>0</b>	<b>1,653</b>	<b>79,518</b>
Balance at June 30, 2007	90,833	96,923	626,656	Δ 13,946	800,466	187,884	2	82,916	1,071,269

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

Item	First half FY2007 (January 1, 2007 through June 30, 2007)	First half FY2006 (January 1, 2006 through June 30, 2006)
Cash flows from operating activities	111,737	70,823
<b>4 Cash flows from investing activities</b>	<b>Δ 100,598</b>	Δ 78,695
Cash flows from financing activities	Δ 15,966	18,337
Effect of exchange rate changes on cash and cash equivalents	1,416	279
Increase (decrease) in cash and cash equivalents	Δ 3,410	10,744
Cash and cash equivalents at beginning of year	52,627	54,006
Cash and cash equivalents held by newly consolidated subsidiaries	Δ 417	Δ 76
<b>Cash and cash equivalents at end of first half of the fiscal year</b>	<b>48,799</b>	64,674

#### 3 Record High Half Year Operating Income

Point

Financial results for the current interim period outperformed initial forecasts, and AGC posted operating income of 90.3 billion yen, up 36.6%, which was a record high for a half-year period.

#### 4 Cash Flows from Investment Activities

Point

Cash used by investment activities during the current interim period stood at 100.6 billion yen as a result of aggressive capital expenditure in such areas as the FPD glass business as well as facilities for the glass business in China and the Czech Republic.

## Main Events in First Half of 2007

### Successful Development of New Modified PFPE for Hard Disks

The AGC Group successfully developed a new modified perfluoropolyether (PFPE) for use in lubricants for hard disks using its proprietary fluorination technology. While maintaining the high adhesiveness, thermal stability, and resistance to chemicals and solvents that are the properties of PFPE, the modified product enables the reconciliation of low friction with adhesiveness. Use of the product will allow smooth writing and reading without the magnetic head adhering to the disk.

### Glass Power Campaign

Donations of disaster prevention glass to designated shelters, such as elementary and junior high schools, are made under the Glass Power Campaign, which we commenced in October 2005 with the aims of promoting safety, disaster prevention and global warming prevention. In the first half of 2007, AGC donated disaster prevention glass to elementary schools in Kagoshima Prefecture and Yamagata Prefecture as well as running glass-related educational excursions.

### <Inner Window mado mado®> Adopted at Meitetsu Grand Hotel in March

Mado mado is a product that creates a double glazed window by installing functional glass fitted into an aluminium and PVC resin double construction frame inside an existing window. This order was the first large-scale use of the product at a general city hotel. Anti-theft, noise prevention and measures



to address condensation can be easily resolved through renovations, and the product is also receiving a positive evaluation on energy conservation as a result of its insulation function.

<Inner Window mado mado®>

## AGC to Build World's Largest Float Glass Furnace in Russia

In March this year, the AGC Group decided to build a float glass furnace in Russia. With an investment of approximately 135 million euros (about 21.0 billion yen) and production capacity of 1000 tons / day, the world's largest furnace is scheduled to commence mass production at the beginning of 2009. The AGC Group is currently the driving force in Russia's high-quality float glass market, and this investment will not only reaffirm our number one position in the Russian market, but will also meet the growing needs for high value-added products such as mirrors and super insulating double glazing glass. In addition, AGC aims to utilize the current production system, know-how, and trained personnel, speed up the construction of the new furnace, and reduce costs, by building a furnace at Glaverbel Klin, which already has one float glass furnace.



Glaverbel Klin Plant, Location of World's Largest Float Glass

### Overseas Topics

## AGC Exhibited at China Glass 2007

The 18th China International Glass Industrial Technical Exhibition (China Glass 2007) was held in Shanghai from May 16 – 19, and flat glass companies took part. Seven hundred companies from 24 countries around the world exhibited at the exhibition. The exhibition was a good opportunity for the AGC Group brand to make an impression in the new Chinese market.



## AGC Succeeds in Mass Production of Low Permittivity Fluorinated Polymer Dielectric Material for High-Frequency Devices

In the development of the high-frequency devices that are used in cellular phones and communication circuits, higher operation frequency and lower power consumption are being promoted. However, as the operation frequency of devices grows higher, and wiring capacitance rises, signal transmission speed drops and electricity consumption increases. To resolve this problem, a material should be used that has lower permittivity than that of the dielectric materials currently in wide use.

Drawing on its core technology of fluorochemicals, the AGC Group has succeeded in the mass production of a fluorinated dielectric material featuring permittivity among the lowest in the industry as well as outstanding leveling properties and low moisture absorption that can be used in high frequency devices. As a result, wiring capacitance can be significantly reduced, allowing the slowdown in signal transmission speed and increase in power consumption to be reduced in cellular phones and communication circuits.

## South Korean TFT Furnace Starts Mass Production



The AGC Group's South Korean Center is Establishing Mass Production System in Response to Rising Demand for Thin-Screen Televisions

The AGC Group has commenced mass production of glass substrates for TFT-LCDs in Gumi, South Korea. Until now, AGC had only carried out processing in South Korea with the raw glass for substrates brought in from Japan or Taiwan. However, demand for thin-screen televisions has expanded over the past few years, and AGC has constructed a raw glass furnace in order to respond promptly to this rising demand. The furnace has an annual production capacity of five million square meters, and AGC plans to set up a second furnace in South Korea around the summer of 2008.

## IR Information via the Internet

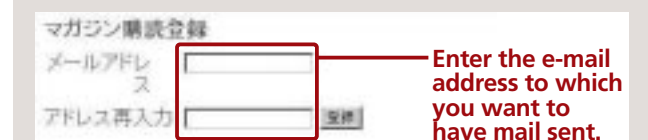
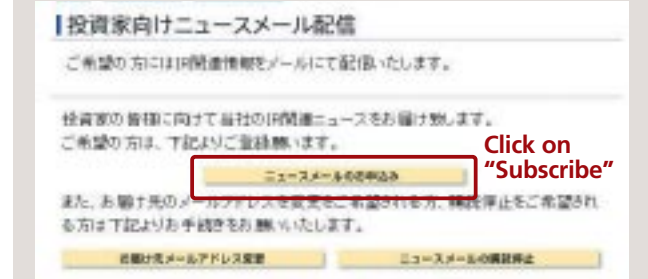
1st edition

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## List of Major Subsidiaries and Affiliates as of September 1, 2007

(includes companies that do not incorporate the brand AGC in their names)



### Domestic

#### Asahi Fiber Glass

Principal products: Short glass fiber and other glass fiber products

#### Optrex

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

#### Asahi Glass Ceramics

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

### Overseas

#### ① AGC Flat Glass Europe S.A. (Belgium)

Principal products: Float glass, Figured Glass, Double Glazing, Automotive Glass, and Mirror

#### ② AGC Flat Glass North America, Inc. (U.S.A.)

Principal products: Float glass, Figured glass, Architectural glass and Automotive glass

#### ③ P.T. Asahimas Flat Glass, Tbk. (Indonesia)

Principal products: Float glass, Figured glass, Architectural glass Automotive glass and Mirror

#### ④ AGC Display Glass Taiwan Co., Ltd. (Taiwan)

Principal products: Glass substrates for LCDs

#### ⑤ Asahi Glass Fine Techno Korea Co., Ltd. (Korea)

Principal products: Glass substrates for LCDs

#### ⑥ Hanwook Techno Glass Co., Ltd. (Korea)

Principal products: Glass substrates for PDPs

#### ⑦ P.T. Asahimas Chemical (Indonesia)

Principal products: Chemical products (caustic soda, EDC, VCH, PVC, etc.)

#### ⑧ AGC Chemicals (Thailand) Co., Ltd. (Thailand)

Principal products: Chemical products (caustic soda, hydrochloric acid, caustic potash, potassium carbonate, etc.)

#### ⑨ AGC Chemicals Europe, Ltd. (England)

Principal products: Chemical products (PTFE, ETFE, etc.)

## State of Stock & Bonds

### State of stock (as of June 30, 2007)

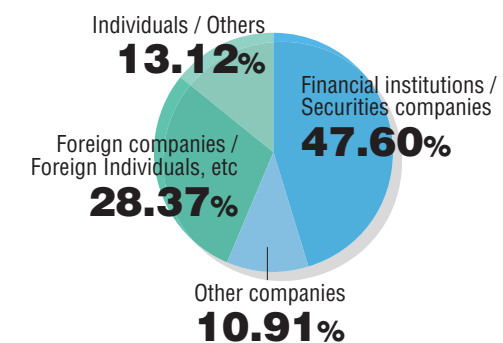
Number of shares outstanding: **1,186,635,373** shares

Number of shareholders: **59,075**

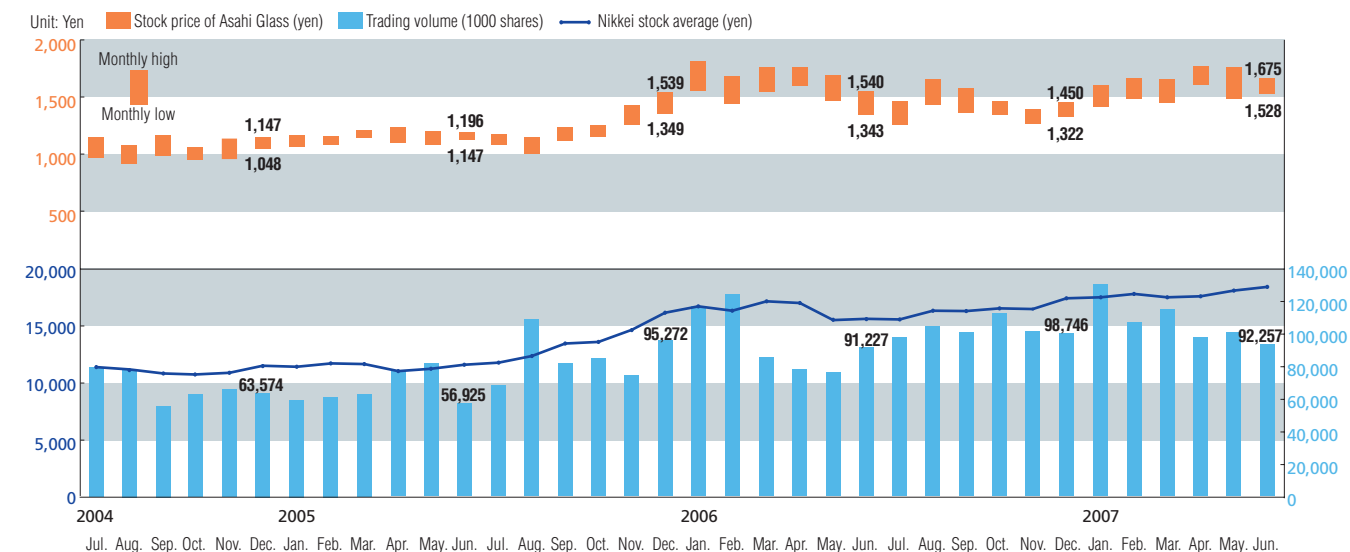
(Shareholders who own shares one unit or more: **42,135**)

### Shareholders composition

(Shareholders who own shares one unit or more)



### Trends in Stock Price and Trading Volume (Tokyo Stock Exchange)



### State of Corporate Bonds (as of June 30, 2007)

Issue	Date of issuance	Balance outstanding (Unit: Million yen)	Annual rate (Year) (%)	Security	Redemption period	Notes
No. 5 convertible bonds	July 5, 1993	97,981	1.90	—	December 26, 2008	Convertible price as of end of June 2007: 1,134 yen
No. 5 bonds	December 18, 2001	20,000	1.52	—	December 16, 2011	
No. 6 bonds	September 9, 2002	25,000	0.86	—	September 9, 2009	
No. 7 bonds	October 17, 2002	15,000	1.28	—	October 17, 2012	
No. 8 bonds	Jun 3, 2003	20,000	0.67	—	June 3, 2013	

## Corporate Outline (as of June 30 2007)

**Trade name:** Asahi Glass Company, Limited

**English company name:** Asahi Glass Company, Limited

**Founded:** September 8, 1907

**Incorporated:** June 1, 1950

**Capital:** ¥ 90,833,381,620

**Head office:** Shin-Yurakucho Bldg.,  
1-12-1 Yurakucho, Chiyoda-ku, Tokyo 100-8405  
Tel: +81-3-3218-5096

**Number of consolidated subsidiaries:**

224 (including 174 companies overseas)

**Number of employees of consolidated companies:**

56,004

## 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

**Public notice: Electronic public notices** (<http://www.agc.co.jp>)

**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 0120-244-479 (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.