

# Asahi Glass CSR Report 2006



The AGC Group will pursue its group vision—**“Look Beyond”**—to gain society’s trust.



Masahiro Kadomatsu,  
President & CEO

Handwritten signature of Masahiro Kadomatsu.

**These days, society seems to take more interest in how companies are managed. In your opinion, what is expected from a company in present society?**

**Kadomatsu:** As a premise for a company to be highly recognized and attain sustainable growth, it must be trusted by society. Briefly, to be trusted by society means to be both internally and externally appreciated as a “good company.” A good company, however, can mean various things. In the past, a good company was a profitable company having good corporate and brand images. These features, however, are no longer enough for a company to be approved as a good company. Today, the criteria for a good company include how the company operates its business as well as its business performance.

The Asahi Glass Company (AGC) Group is a global business entity that operates in more than 20 countries and regions all over the world. In order for us to sustain our business operations in these countries with different cultures and customs, we must keep a good balance in the economic, social, and environmental aspects of our management while providing socially needed products in a sincere manner. Whether we are evaluated by society as a good company or not depends directly upon the results of our daily operations.

**To be trusted by society, what specific activities does a company have to conduct?**

**Kadomatsu:** Generally, socially trusted companies make people’s daily living more convenient, provide safe and highly reliable products and services, proactively get involved in environmental activities, commit themselves to compliance, and offer employees a safe and comfortable workplace. These companies are commonly fulfilling their corporate social responsibility (CSR) to meet social expectations.

Hearing this, some may feel that the fulfillment of CSR requires some special activities. I, however, do not think so. For the AGC Group, the fulfillment of CSR means to conduct activities to make the world a brighter place, as upheld in the group’s “Look Beyond” vision. We are fulfilling our CSR through our daily corporate activities. All employees are making unified efforts to attain the group vision and we proactively disclose relevant information to society in a timely and appropriate manner. These activities directly contribute to increasing trust of society.

### What do you specifically mean by “making the world a brighter place” as promised in your group’s “Look Beyond” vision?

**Kadomatsu:** “To make the world a brighter place” is positioned as our top priority issue (“Our Mission”) under our group’s “Look Beyond” vision.

Specifically, we are providing brightness through our corporate activities. For example, flat glass, as used in building and automotive windows, lets bright light and solar energy into our lives. Display materials and components, as used in television sets and computers, give us bright images and support people in communications. Our bright, intelligent, and innovative technologies in the fields of fluorine chemistry and optoelectronics will contribute to the advancement of the information society and the progress in the new energy field.

By offering these products, we would like to make the world a brighter place and at the same time remain an enterprise with a bright outlook for the future.

### What is the key to make the world a brighter place?

**Kadomatsu:** The AGC Group has approximately 57,000 employees working globally, including those in Japan, other Asian regions, Europe, and the Americas. For the group to make the world a brighter place with its employees having different nationalities, cultures, and ideas, it needs to have values that can be shared across the entire group. Therefore, we have “Our Shared Values” as an integral part of our group’s “Look Beyond” vision.

We have the following four values: Innovation & Operational Excellence, Diversity, Environment, and Integrity. In our CSR activities based on these values, we are focusing on the following four issues: Customer Satisfaction (CS), Employee Satisfaction (ES) (employee job satisfaction and pride in accomplishment), Environment (conservation of the global environment and improvement of the social environment), and Compliance.

### What activities did you conduct in fiscal 2005?

**Kadomatsu:** For Compliance, we improved and enhanced our global compliance and legal management systems. For CS, we have been encouraging our employees on a global scale to review their daily operations from the viewpoint of CS. For ES, we launched activities to improve ES in the AGC Group, aiming to create an even better corporate culture. In addition, we established the AGC Group CEO Awards to reward employees for their efforts. For Environment, we strengthened our measures for the prevention of global warming and for waste reduction.

Despite these measures, we had some compliance-related problems as well as occupational and industrial accidents in fiscal 2005. I always keep it in my mind that noncompliance with laws and regulations could threaten the very existence of the AGC Group. Taking these incidents seriously, we will implement preventive measures and further promote CSR activities across the group.

### Finally, what activities do you have planned for fiscal 2006?

**Kadomatsu:** In 2006, we will accelerate measures to achieve our management policy, “JIKKO”—Execution for Excellence. We will continue to focus on the aforementioned priority CSR items and accelerate our activities for achieving better results. Also, based on lessons from fiscal 2005, we will foster the following to make a robust corporate structure:

- To ensure that the PDCA (plan-do-check-act) cycle is functioning properly by breaking down the tasks and targets of each division into missions for individual staff members
- To ensure thorough compliance
- To redouble employee response to occupational safety and accident prevention
- To embrace the challenge of becoming a truly global enterprise

Through the continued execution of these measures, we aim to become a highly profitable, fast-growing, and excellent global enterprise that is trusted by society.

I will appreciate it if the readers of this CSR report will give us their frank opinions about our activities.

## Overview of CSR Report 2006

The AGC Group communicates its CSR activities in an easy-to-understand manner through hardcopy and web-based CSR reports.

### CSR Report (Hardcopy)

Message from the President & CEO		P.1
The AGC Group's CSR		P.5
Corporate Governance		P.7
Integrity	Compliance	P.9
	Communication with Stakeholders	P.11
Innovation & Operational Excellence	Customer Satisfaction (CS)	P.13
	Quality Manufacturing and Reinforcement of Production Site Expertise	P.15
Environment	Relationship between the AGC Group Business Activities and the Environment	P.18
	Fiscal 2005 Plans, Results and Evaluation, and Fiscal 2006 Plans	P.19
	Environmental Activities	P.20
	Occupational Health & Safety	P.24
	Industrial Safety & Security	P.27
Diversity	Employee Satisfaction (ES): Employee Job Satisfaction and Pride in Accomplishment	P.29
Evaluation by Society		P.33
Stakeholders Dialogue		P.35
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AGC Group Profile		P.38

## AGC Group Vision "Look Beyond"



### Editorial Policy

In this hardcopy report, we will report on how we have been conducting our CSR activities based on our priority CSR issues and "Our Shared Values"—the core of our "Look Beyond" vision. In the web-based report, we will provide an overall picture of our CSR activities, covering all the important items.

**Scope of reporting** The report covers the CSR activities of the AGC Group in fiscal 2005 (from January to December 2005). The report also mentions some activities conducted in fiscal 2006. In the text of this report, the "AGC Group" refers to the "Asahi Glass Company Group" and "Asahi Glass" refers to Asahi Glass Co., Ltd., the parent company of the Group, including its head office, research center, and plants in Kansai, Kitakyushu, Keihin, Takasago, Chiba, Aichi, Kashima, and Sagami.

**Reference publications/guidelines** Sustainability Reporting Guidelines 2002, Global Reporting Initiative  
Environmental Reporting Guidelines (2003), Japanese Ministry of the Environment

**Publication** June 2006

**CSR Report (Web-Based)**

Message from the President & CEO	
AGC Group's CSR	
Corporate Governance	
Compliance	
With Customers and Business Partners	Customer Satisfaction (CS)
	Quality Manufacturing and Reinforcement of Production Site Expertise
	Procurement
With Shareholders	Investor Relations (IR)
With Society	Social Contribution
With Employees	Employee Satisfaction (ES): Employee Job Satisfaction and Pride in Accomplishment
	Occupational Health & Safety
For the Global Environment	Environmental Management
	Reduction in Environmental Impact and Prevention of Pollution
	Positive Environmental Activities
	Industrial Safety & Security
	Site Reports
Overview of GRI Guidelines	
Third-Party Opinion	
Inquiries	
Previous issues	

**Web-based CSR Report**

**URL: <http://www.agc.co.jp/english/csr/>** (scheduled to be opened at the end of August 2006)

In the web-based CSR report, environmental performance data is additionally provided.

- NOx emissions, SOx emissions, soot and dust emissions, total volume of wastewater, COD emissions, green purchasing, environmental accounting, Pollutant Release and Transfer Register (PRTR) data, and site reports of Asahi Glass's plants and its major domestic and overseas affiliates

\*Future perspectives described in the hardcopy and web-based reports are based on the latest information available to Asahi Glass at the time of editing these reports. Nevertheless, please note that results and consequences may vary with fluctuations in the business environment.

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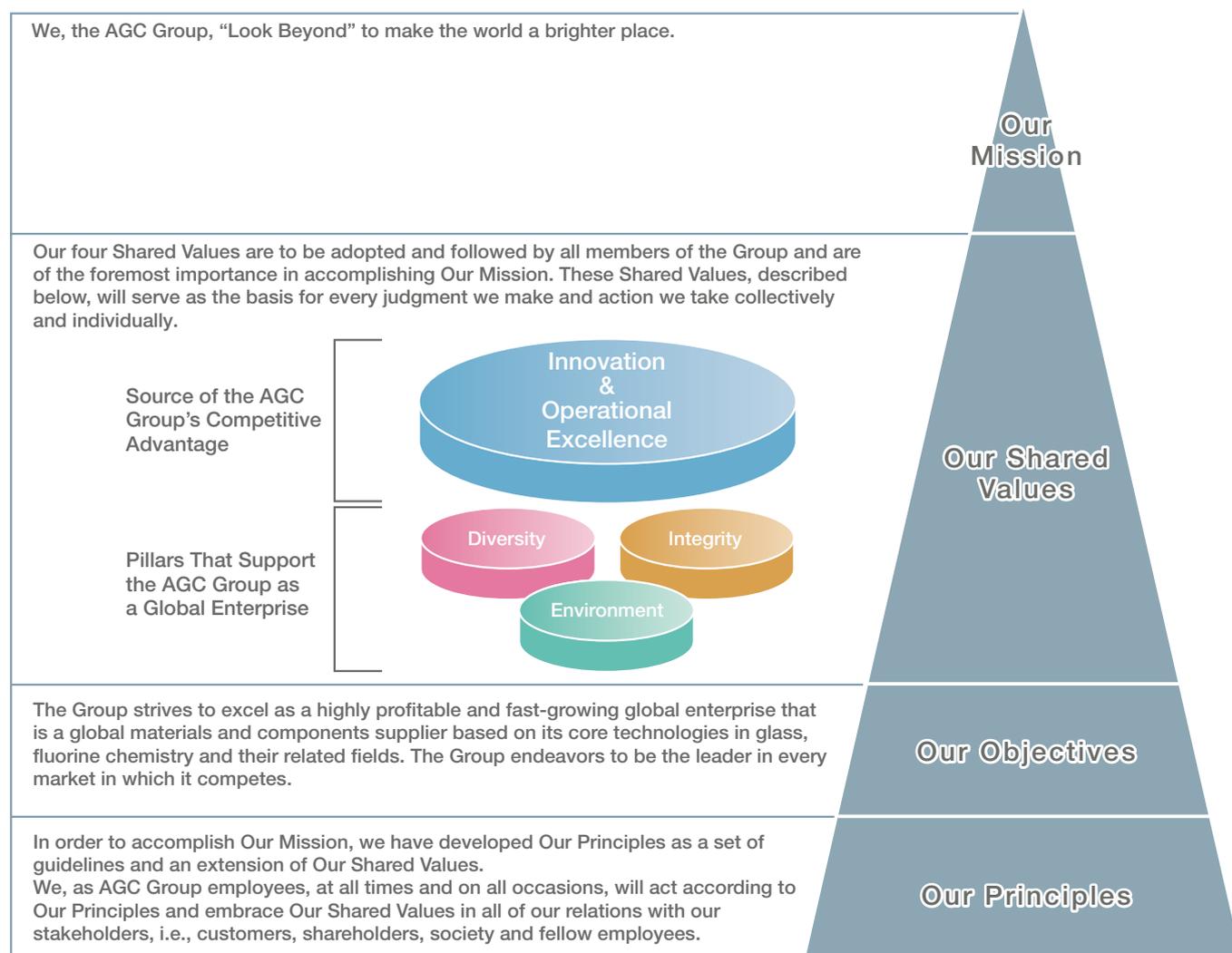
\*Cover: Glass substrate for liquid-crystal displays (LCD)

## The AGC Group's CSR

To the AGC Group, CSR means the pursuit of its group vision—**“Look Beyond”**. This group vision specifically means to anticipate and envision the future; have perspectives beyond our own fields of expertise; and pursue innovations, not being complacent with the status quo. We compared this vision with multiple CSR-related external standards\*1 and confirmed that the vision incorporates almost all the elements of what society demands from us in terms of CSR. The AGC Group will therefore steadily make concerted efforts to pursue its **“Look Beyond”** vision instead of doing something extraordinary to fulfill its corporate social responsibility. We believe that full commitment to the vision will result in better fulfillment of our CSR and eventually lead to the improvement of our corporate value by winning more trust from society.

\*1. External standards: Dow Jones Sustainability Indexes (socially responsible investment index), Global Reporting Initiative Sustainability Reporting Guidelines 2002 (reporting guidelines), SIGMA Guidelines (management guidelines), and the United Nations Global Compact (principles and code of conduct)

## AGC Group Vision **“Look Beyond”**



## **“JIKKO”**—Execution for Excellence

In April 2004, we formulated our management policy: “JIKKO”—Execution for Excellence.

The basic concept of “JIKKO” is to emphasize “execution” in all business operations and to ensure that Plan-Do-Check-Act (PDCA) cycles are functioning properly. Under the “JIKKO” management policy, the Group will focus on improving customer satisfaction (CS) as well as employee satisfaction (ES) and pride in accomplishment. The Group will also focus on its corporate social responsibility (CSR), believing that the combination of these practices will create momentum that drives shareholder value continuously higher.

# Plan

## Medium-Term Management Plan “JIKKO-2007”

In January 2005, we formulated a medium-term management plan targeting the three years from fiscal 2005 to 2007. Based on this three-year plan named “JIKKO-2007,” we will implement new growth strategies in line with our “Look Beyond” vision.

# Do

The AGC Group gives priority to the following issues based on “Our Shared Values” as set out in its “Look Beyond” vision.

### Priority CSR Issues

Compliance (legal compliance and corporate ethics)

Customer Satisfaction (CS)

Environment (global and social environments)

Employee Satisfaction (ES)

### Related Chapters

Integrity P.8	Compliance	P.9
	Communication with Stakeholders	P.11
Innovation & Operational Excellence P.12	Customer Satisfaction (CS)	P.13
	Quality Manufacturing and Reinforcement of Production Site Expertise	P.15
Environment P.17	Global Environment	P.18
	Occupational Health & Safety	P.24
	Industrial Safety & Security	P.27
Diversity P.28	Employee Satisfaction (ES): Employee Job Satisfaction and Pride in Accomplishment	P.29

# Check

We regularly review our activities for the priority issues at CSR Committee\*2 and CSR Task Force\*3 meetings to raise the level of these activities.

At the same time, we are collecting and listening to external opinions on our activities and their results, because these opinions give us important opportunities to recognize the issues that we tend to overlook in our daily operations.

\*2. CSR Committee: Established in April 2005. The CSR Committee is chaired by the President & CEO and performs the equivalent function as the Management Committee.

\*3. CSR Task Force: Subordinate organization of the CSR Committee. The Force is composed of representatives from Group corporate divisions and service centers.

### Related Chapters

Evaluation by Society	P.33
Stakeholders Dialogue	P.35
Third-Party Opinion	P.37

# Act

We undertake new missions to solve the problems identified in the review processes. The AGC Group will speedily work with its new missions.

### Related Chapters

Message from the President & CEO	P.1
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The basic policy of the AGC Group with respect to the establishment of a corporate governance structure is to strengthen the oversight function by clearly separating it from the management functions. The policy also clearly distinguishes between the Group corporate functions and business operations functions of management, to encourage more timely decision-making.

### Oversight system and introduction of related measures

More specifically, following the decisions made in the annual general shareholders' meeting that was held in June 2002, the AGC Group reorganized the Board of Directors and its functions were redefined as the "body that approves basic policies and oversees the management of the Group." On top of this, the number of directors was reduced from twenty to seven, including two outside directors, and the tenure of directors was reduced to one year. (The number of directors has been seven, including three outside directors, since March 30, 2006.) At the same time, the Group introduced so-called "executive officer system," in which executive officers (with a one-year term of office) are clearly distinguished from directors under Japan's Commercial Code, and are responsible for the execution of the Group's management and business operations.

In fiscal 2005, a total of fifteen meetings of the Board of Directors were held to oversee the Group's management execution. These meetings also made decisions on candidates for the positions of directors and corporate auditors as well as nomination of executive officers for the following year. Furthermore, they approved other important matters, such as the acquisition and disposal of important assets as well as the progress of the medium-term management plan and the business and financial planning for following fiscal year.

Aiming to further bolster its corporate governance system, in June 2003 the Group established the Nominating Committee and the Compensation Committee, as discretionary advisory organizations to the Board of Directors, to improve objectivity in the evaluation, nomination and remuneration of directors and executive officers. The Nominating Committee consists of five directors, including three outside directors, and is presided by the chairman of the board. In fiscal 2005, the committee met five times and recommended candidates for directorship and the position of corporate auditor, as well as executive officers for the following year, to the Board of Directors. The Compensation Committee consists of five directors, including three outside directors, and is presided by the chairman of the board. In fiscal 2005, the committee held four meetings and deliberated on executive officers' remuneration and other issues, in accordance with the Group's remuneration system based on the principles and strategies that are designed so that shareholders and management can both have a common interest, and management can be motivated to achieve performance goals aimed at ensuring the Group's continuous development.

The Group adopts the corporate auditor system, and three of the four auditors are outside (as of March 30, 2006). The corporate auditors met a total fifteen times during the fiscal year. Each corporate auditor, in line with the auditing policy formulated by the Board of Corporate Auditors, attends the Board Meeting and other important meetings of the Group, examines important documents,

audits the headquarters and the group locations, including business offices, plants, and group companies, and reports the results to the Board of Corporate Auditors. The Board of Corporate Auditors, based on these audit results, prepared the Corporate Auditors' reports on the consolidated financial statements as well as their findings made during the year, and then submitted them to the Board of Directors.

### Management System

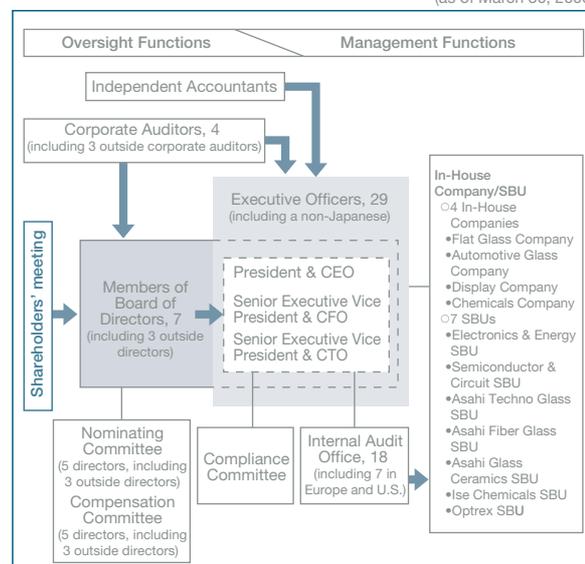
In April 2002, the AGC Group introduced the In-House Company system. With the introduction of this system, the Group transformed its operating approach from one that worked on a region-by-region basis to a globally integrated management system. Coinciding with these moves, the Group transferred substantial responsibility and delegated authority for managing operations to each In-House Company or Strategic Business Unit (SBU). An In-House Company is defined as business unit with net sales exceeding 200 billion yen and which conducts its business globally. At present, there are four In-House Companies: Flat Glass Company, Automotive Glass Company, Display Company, and Chemicals Company. Business units of a smaller size than this are defined as SBUs. The Group presently has seven SBUs following an organizational change in July 2005, in which the Electronics & Energy General Division and the Semiconductor & Circuit Division were established, and their precursors (the Electronic Materials and Products General Division) ceased to exist.

### Compensation paid to the Board of Directors and Corporate Auditors

In fiscal 2005, the AGC Group paid 236 million yen and 88 million yen in total to the members of Board of Directors and Corporate Auditors, respectively.

The AGC Group's structures of oversight functions, management functions, and corporate governance.

(as of March 30, 2006)



# Integrity

We will build open and fair relationships with all of our stakeholders based on the highest ethical standards.

## Compliance

The AGC Group defines compliance as “following laws and regulations as well as social codes and rules, including business ethics, in carrying out business activities.”

The entire Group is committed to acting in compliance with all applicable laws and regulations.

## Communication with Stakeholders

The AGC Group is actively engaged in communicating with our stakeholders. Communication opportunities help us listen to the varied opinions and comments of the stakeholders and ensure our accountability.

**We identified the major CSR requirements based on multiple sets of external standards (see p.5) and checked them against our “Look Beyond” vision. As CSR in relation to the “integrity” set out in the vision, we are prepared to meet the following social requirements.**

Emphasis on Principles and Code of Conduct, compliance with laws and regulations, maintenance of free competition/prevention of corruption, emphasis on Help Lines, and protection of information assets

Active promotion of fair and transparent investor relations and communication with stakeholders

# Compliance

The AGC Group defines compliance as “following laws and regulations as well as social codes and rules, including business ethics, in carrying out business activities.” The entire Group is committed to acting in compliance with all applicable laws and regulations.

## GOAL Full Compliance Leads to Enhancement of Corporate Value

Compliance is not just about following laws and regulations; it is about the underlying corporate survival and ensuring the fundamental condition for profitability and enhancement of the corporate value. Whenever any compliance-related problem occurs in the AGC Group, regardless of where it takes place in the world, the problem will affect not just the unit or its area, but the credibility of the entire AGC Group. It is essential to heighten the corporate value through fair and transparent corporate activities conducted with the united effort of each and every employee.

## POINT Thorough Global Implementation of Compliance in the Three Regions

### Global Compliance Organization

The global compliance system that supervises the three main regions (Japan/Asia Pacific, Europe and the Americas) in the world, started its full activity in January 2005, with the Senior Executive Vice President as the Global Compliance Leader. In 2005, all global compliance staff met in June, and in December, all global compliance senior members convened. The President & CEO participated in both global meetings, explained the importance of compliance and compliance measures to the responsible people in each region and requested their cooperation.

The compliance reporting system, newly established in 2005, now guarantees quicker transmission of material compliance-related problems to the top management from all over the world. The AGC Group globally monitors the effectiveness of the implemented measures or schemes. The system allows the Group to quantitatively gather

information on dismissals for Code of Conduct violations or how the Help Line is used, from all the regions in the world. The monitored results are reported at the Board of Directors meetings on a regular basis twice a year.

### Global Legal Management System

The global legal management system was launched in January 2006 to establish an appropriate structure for internal control of activities and services related to legal matters for the entire AGC Group. A General Counsel was assigned to each of the three regions, or Japan/Asia Pacific, Europe and the Americas under the Group General Counsel, to manage important legal matters related to the Group.

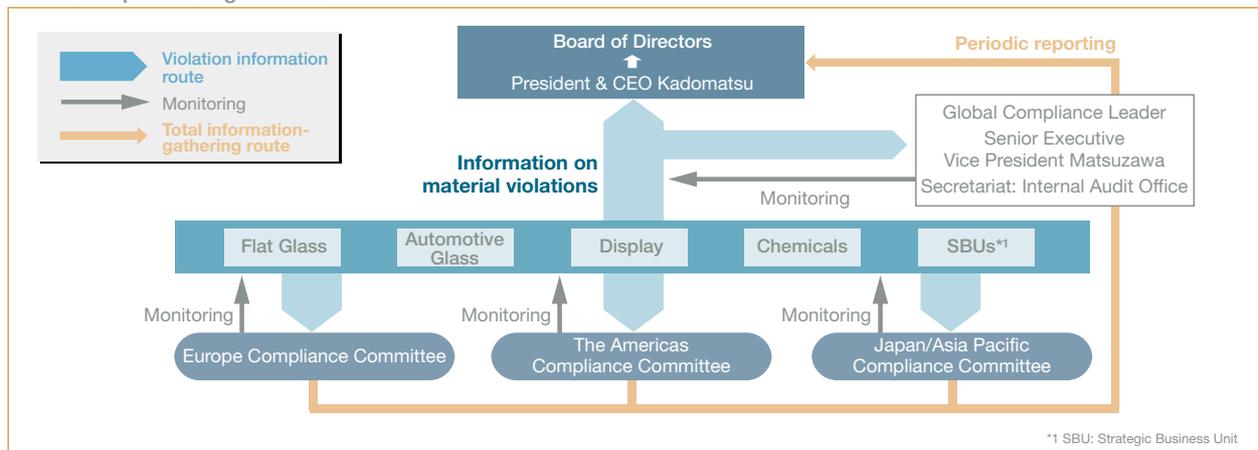
### Compliance with the Anti-Trust Law

One of our affiliates, Asahi Fiberglass Co., Ltd., had an on-site inspection by the Fair Trade Commission of Japan (JFTC) in March 2005. In October 2005, the JFTC recommended that three glass wool manufacturers, including the said affiliate, disband their price cartel in the Kinki and Kyushu areas with respect to the price hike for the glass wool that is often used in housing insulation.

The AGC Group has been promoting compliance with the Anti-Trust Law across the Group, but the incident proved the inadequacy of the effort. We therefore reinforced the system for strict compliance with the Anti-Trust Law throughout the entire Group.

The first step to take toward stricter compliance with the Anti-Trust Law is for the entire AGC Group to share the same values and ideas. Hence, the Group established its Global Antitrust Guideline in September 2005 and made it known across the entire Group. At the same time, we started a fine-tuned antitrust education program, which includes providing education by means of E-Learning to all employees who have the opportunity to come in contact with competitors and antitrust seminars to each In-House Company/SBU.

Global Compliance Organization



\*1 SBU: Strategic Business Unit

We will continue with our endeavor to ensure effective implementation of the Global Antitrust Guideline and to provide education and training, thereby preventing recurrence of any violation of the Anti-Trust Law.



## Compliance Program

We have globally implemented a Compliance Program consisting of three mainstays; the Code of Conduct, the Compliance Help Line, and the Compliance Certificate.

### ●Code of Conduct

AGC Group revised the Code of Conduct and distributed it to all employees in July 2005. The revision mainly covers (1) addition of organizations and schemes such as the Global Compliance Organization, Sexual Harassment Hotline, Purchasing Ombudsman System, etc. that were introduced or reinforced after the publication of the former version in 2003, (2) addition of a provision regarding the protection of personal information and the prohibition of illegally acquiring personal information in response to the enactment of the Personal Information Protection Law, and (3) addition of a provision regarding information disclosure, public relations and advertising activity in line with the rising social demand for timely disclosure and appropriate use of words, phrases and expressions in ads and publicity.

The Flat Glass Company set up its own Compliance Group in its Corporate Social Responsibility Center in 2005 to start their efforts for compliance, including preparation of a code of conduct for its building materials suppliers and visiting them to explain the importance of compliance.

With the code of conduct for each region based on the AGC Group Code of Conduct completed in 2004, each regional Compliance Committee is encouraging all the employees in their region to have a full understanding of their own code of conduct. In addition, audit departments in each region are carrying out compliance monitoring to check how far the Code of Conduct permeated the entire organization, in what way they receive compliance education, and to what degree the compliance program is executed.



Three regional versions of the Code of Conduct

### ●The Compliance Help Line

Asahi Glass's Compliance Help Line scheme includes the Help Line via the working office of the Compliance Committee, channels through external lawyers' offices, the Sexual Harassment Hotline provided by counseling specialists, and the channel through the Purchasing Ombudsman System used by external purchasing sources. The total number of working office Help Line contacts in 2005 was 3 on a monthly average, the same as in 2004, but the ratio of real-name contactors rose to 81% and the contents of the communication have become more specific.

The AGC Group established a Help Line at the Shanghai Office in China that is available for most of the affiliates in this country, and a local employee, newly hired by the Shanghai Office for compliance affairs, is in charge of the Chinese Help Line. In North America, the General Counsel for the Americas operates their Hot Line. The number of consultation items rose to 49 in 2005. In Europe, since 2004, two Compliance Managers are assigned to each of the seven countries.

### ●Compliance Certificate

The Code of Conduct Compliance Certificate System has been in place since 2003, and the number of employees required to submit the certificate is increasing over the past three years. In 2005, the roster for Asahi Glass employees is comprised of general employees, plant line supervisor-class employees and higher, and Presidents of consolidated subsidiaries directly consolidated by Asahi Glass, including those overseas. The roster includes general employees and higher for domestic and North American affiliates, managers and higher for Asian subsidiaries, and executives for European affiliates. The number of signatories is 15,000, about 27% of all the employees of the AGC Group. We intend to enlarge the roster in the future.

## ■Major Challenges

- To reinforce the compliance system in Asia (e.g. China) and Europe and to promote the process of PDCA in these areas
- To sequentially increase the number of employees required to submit the certificate in the AGC Group to ultimately complete the system
- To develop and vitalize, in the entire AGC Group, a system for providing the same effect as that of the Help Line
- To establish a common Code of Conduct for the entire AGC Group
- To continuously and systematically provide antitrust seminars and E-Learning and to quantitatively analyze their effects

## Communication with Stakeholders

The AGC Group is actively engaged in communicating with our stakeholders. Communication opportunities help us listen to the varied opinions and comments of the stakeholders and ensure our accountability.

### GOAL Increasing the Trust of the Stakeholders

The AGC Group actively and appropriately discloses our corporate information in a timely manner so as to maintain communication with various stakeholders. Such frequent communication helps us incorporate their opinions and requests into the CSR activities and achieve their understanding and support of our activities.

### POINT Promoting Honest Communication

Here are some of the AGC Group's typical procedures for communicating with our stakeholders.

#### Effort in Investor Relations (IR)

The AGC Group aims for a continuous raise in shareholder value as stated in our management policy, "JIKKO"—Execution for Excellence. To achieve this, we are engaged in active IR to make our business activities and their results widely known to our investors. We have some 300 inquiries a year from analysts and institutional investors for interview and meetings, and our IR staff mainly respond to these requests. The CEO, CFO and other managerial staff directly visit institutional investors on a periodic basis to explain our business and financial conditions.

#### Stakeholders Dialogue

The AGC Group carries out business activities under the "Look Beyond" Group Vision, aiming at being a company that is highly trusted by society. In order to prevent such efforts from becoming myopic, we held the first Stakeholders Dialogue in March 2006 as an opportunity to exchange notes and information by inviting specialists from various fields. Under the theme of "Environment," one of our priority CSR issues, we discussed the issue of "AGC Group Important Environment Measures." The details of the discussion are shown on page 35. We intend to continue direct dialogue with our stakeholders on priority CSR issues as themes so that the outcome of the communication will be incorporated into our better future activities.

#### Disclosure of Social and Environmental Information

Asahi Glass started disclosure of environment-related information in 2000 by issuing our first Environmental Report. In 2004, we also started disclosing the status of our social responsibility in hardcopy reports and on our website. In addition, our information on environmentally sound products and technologies is being disclosed through environment-related exhibitions and other events.

#### Questionnaire Replies to CSR Report 2005

We had twenty questionnaire replies concerning CSR Report 2005. According to their answers, 85% of them judged that the AGC Group's CSR information disclosure is of average level or higher, but some aired requests for improvement, saying that too many industry terms were used or that the layout needs to be simpler to increase the ease of understanding. These requests will certainly be of help in our effort to improve our information disclosure.

#### Harmonious Coexistence with Local Community

Each Asahi Glass plant aims to coexist with the local community as a member of the local society. Take the Chiba Plant, for instance. They accepted three high school interns at the request of the local city, Ichihara, from among the students of the municipal Midori High School in 2005. During the three-day internship period, the students accompanied the plant's staff for patrol services on safety, environment and disaster prevention matters. Having a feel of the atmosphere of the chemical plant and seeing the employees at work must have been a unique experience for them. When all the programs were completed, the interns told the plant staff that they learned the "importance of safety" and the "importance of compliance with the work rules."

☞ The details of our communication with customers are shown on pages 13 and 14, those of internal communication with employees on pages 29 through 32, and those of communication with suppliers and environmental communication on our website.

#### Major Challenges

- To make effective use of CSR Report 2006 in the AGC Group
- To continuously carry out Stakeholders Dialogue and incorporate the outcome into CSR activities

# Innovation & Operational Excellence

We will continuously pursue innovations in technology, products, services, business models and human resources. We will continuously improve our operations for maximum efficiency and quality in every activity and at all times strive for the highest possible standard of performance.

## Customer Satisfaction (CS)

What is the value the customer wants? Do we provide our customers with the value they really want? The AGC Group pursues our principle of “incorporating the concept of CS into every working day (personal processes)” in providing more valuable products and services.

## Quality Manufacturing and Reinforcement of Production Site Expertise

The AGC Group is committed to “Quality Manufacturing and Reinforcement of Production Site Expertise, i.e. reinforcement and inheritance of technologies and skills.” This commitment is the source of competitiveness for the entire Group in order to always provide products that are useful for society.

**We identified the major CSR requirements based on multiple sets of external standards (see p.5) and checked them against our “Look Beyond” vision. As CSR in relation to the “innovation & operational excellence” set out in the vision, we are prepared to meet the following social requirements.**

Clarification of the process of feedback to customers, investigation of customer satisfaction, protection of customer safety with respect to products and services  
Nurturing next-generation growth businesses, performance evaluation, and knowledge management

Icons used  : Goals  : Measures  : Details

## Customer Satisfaction (CS)

What is the value the customer wants? Do we provide our customers with the value they really want? The AGC Group pursues our principle of “incorporating the concept of CS into every working day (personal processes)” in providing more valuable products and services.



### Providing More Valuable Products and Services

We can win the satisfaction and trust of customers by continuing to provide them with valuable products and services they really want. To achieve this, we need to redefine our work from the viewpoint of CS and continuously evolve our quality management system (QMS). The AGC Group bases our effort to provide more valuable products and services on the principle of conduct, “incorporating the concept of CS into every working day (personal processes).”



### Raising CS and Reinforcing Quality Management

#### Further redefinition of the basic policies

In September 2005, the AGC Group revised the Guideline of the AGC Group CS Policy, which were established in September 2004 as Asahi Glass’s officially stated commitment to take an initiative “CS, Reinforcement of Quality,” in order to better adjust the Guidelines to our organization. At the same time, the AGC Group Quality Management Principles were designed to provide a specific milestone to the fulfillment of the commitment. The major revisions are the following two points, which are currently promoted mainly by the Quality Improvement Division that was established in 2005.

- “Incorporating the concept of CS into every working day (personal processes)” has been newly included in the AGC Group Quality Management Principles as the principle of conduct for all AGC Group employees. The specific action guidelines are spelled out in the Guideline of the AGC Group CS Policy.
- A new rule, which requires the quality management representative of the AGC Group to put together the CS efforts of each company into a report to be used as a CS action guideline respectively, has been included in the AGC Group Quality Management Principles. The AGC Group set this rule as the CS Communication Procedure.

☞ Please refer to our website for details on the Guideline of the AGC Group CS Policy and the AGC Group Quality Management Principles. [www.agc.co.jp/english/csr](http://www.agc.co.jp/english/csr) (scheduled to be opened at the end of August 2006)

### Customer Satisfaction

In the AGC Group, every group company independently uses varying methods to investigate the level of customer satisfaction, including questionnaire surveys and direct communication with the management of customer companies. Some customers reprimand us, while others express their high anticipation for our development capability. Listening to the voices of customers and making the most of their valuable opinions and comments is indispensable for us to ensure safety as well as to create valuable products and services that enhance customer satisfaction. We continue to have active communication with the customers and use it for greater CS improvement.

- **Listening to the voice of the customer — Asahi Glass Ceramics Co., Ltd.**

We believe we need to establish a strategy based on what customers really want and need. Our ongoing organization interview is a scheme whereby our top management have direct contact with key people of customer companies and listen to their opinions. The information we get from the interviews contains the true voice of our customers wanting us to solve their problems. When we realize how high an opinion they have of us, we feel happy, but we also need to meet their high expectation.

#### Responding to Complaints from Customers

Whenever the AGC Group receives complaints from customers, we accept them seriously. The quality assurance section of each Group company takes an initiative in the effort to reduce inconvenience to customers and cut down the number of complaints by, for instance, providing them with clear feedbacks. We, however, given the number of such complaints, feel the need for more effort in reducing complaints against our products and services. We hope that an initiative “CS, Reinforcement of Quality” will help us clear the problem, satisfy the customers and increase their trust.

- **Wooden insulated window Mokumado®**

In September 2005, Asahi Glass and Asahi Glass Housing Materials Co., Ltd. received a complaint from customers about the sash part of the “Mokumado” wooden insulated window falling. The result of analysis revealed that products in some lots shipped from July 2002 to June 2005 lacked the application of adhesive to the sash corner part, and that this defect causes, although very rarely, the sash to fall or be damaged. Based on this finding, measures to prevent damage or fall of the sash part of the product were studied. The solution developed after the review and strength testing was reinforcing the adhering part of the corner with screws at four positions. We are now working on identification of the users or owners of the problem products and repair of the products of those identified customers.

Fortunately, the defect has so far caused no human injury, but we feel very sorry that a defect in our product caused inconvenience to customers, particularly while we are seriously engaged in quality improvement as the top priority and realize the significance of the defect. We are trying our best to improve safety by further reinforcing the quality control and inspection system for each production process to provide customers with products that give even more satisfaction.

#### Communication in AGC Group on CS Activities

The AGC Group runs the Club QMS, which is intended to support CS actions in the Group. The Club QMS, in which any employee can be a member, provides information on CS efforts, carries out awareness surveys, and sends information on CS activities of other fields in the Group to members through e-mail newsletters or the website. About one and a half years have now passed since its foundation, and the Club QMS is very active toward its goal.

#### Approach to CSR-Based Procurement

Society expects more from CSR activities as corporate activities become more global. Under this circumstance, there are a growing number of cases where the perspective of CSR is taken into consideration in the supply chain, from procurement of raw materials to provision of products and services. The AGC Group is working on how to respond to this global trend.

Response to customers	Response to business partners
Clarify the AGC Group's CSR-based procurement procedure and endeavor to continuously improve CSR required in procurement.	Set up a new AGC Group CSR-based Procurement Guideline for business partners and continue to establish the win-win relationship.

## How To Incorporating the Concept of CS into Every Working Day

### Completely Redefine Individuals' Work

To whom is your value provided? Have you checked if the value you provided brought satisfaction to somebody? What can you do to ensure greater satisfaction? Do you redefine your work every day to allow you to provide higher value? Acting in answering these questions means to "incorporate the concept of CS into every working day." It takes a patient and steady effort to reconsider your work on a daily basis in order to provide valuable products and services that can really satisfy our customers.

#### ● In-house Seminars

We provide educational opportunities tuned to meet the need of the position or role of each employee in order to "incorporate the concept of CS into every working day." CS Seminars are also available for those outside the AGC Group.

#### CS-related seminars

Seminar	Subject	Description
CS Dialogue for "CS communication"	Top Managers	Business administration with the concept of CS incorporated
CS Seminar	Managers and general employees	Basics of CS and important points for implementation
QMS Seminar	Managers and general employees	Quality management system based on ISO 9001:2000

### Major Challenges

- To focus on product safety and powerfully carry out measures to reduce customer complaints
- To establish the idea of "incorporating the concept of CS into every working day" as the basis of AGC Group corporate activity through "CS communication"
- To continuously re-examine the AGC Group CS Policy Guideline and the AGC Group Quality Management Principle to match the ever-changing business environment

# Quality Manufacturing and Reinforcement of Production Site Expertise

The AGC Group is committed to “Quality Manufacturing and Reinforcement of Production Site Expertise, i.e. reinforcement and inheritance of technologies and skills.” This commitment is the source of competitiveness for the entire Group in order to always provide products that are useful for society.

## GOAL Quality Manufacturing and Reinforcement of Production Site Expertise

The AGC Group is facing a gradual decrease in the number of experienced and advanced workers and engineers engaged in the field of manufacturing due to the progression of equipment automation, retirement of workers, and reshuffling of business. This decrease could result in a serious situation in the future in terms of accident prevention and improvement of quality and productivity.

As a proactive measure, the AGC Group is involved in activities to maintain and improve excellence in its technologies and skills as a Group advantage, with the enhancement of its capabilities at production sites and enhancement and transfer of technologies and skills listed among the management policy, “JIKKO”—Execution for Excellence.

## POINT Establishing a Strong Corporate Structure by Reinforcing and Inheriting Technologies and Skills

The AGC Group provides products that are useful in various fields of society by building up a strong corporate structure based on reinforced and inherited technologies and skills.

### Our endeavor in manufacturing

As part of our effort to reinforce and inherit technologies and skills, we picked two In-House Companies as models to revise the available technologies and skills. This work included identifying skills owned by various people and sections scattered through the Group, setting and evaluating the level of importance of each skill, and incorporating the evaluation results into education and training planning.

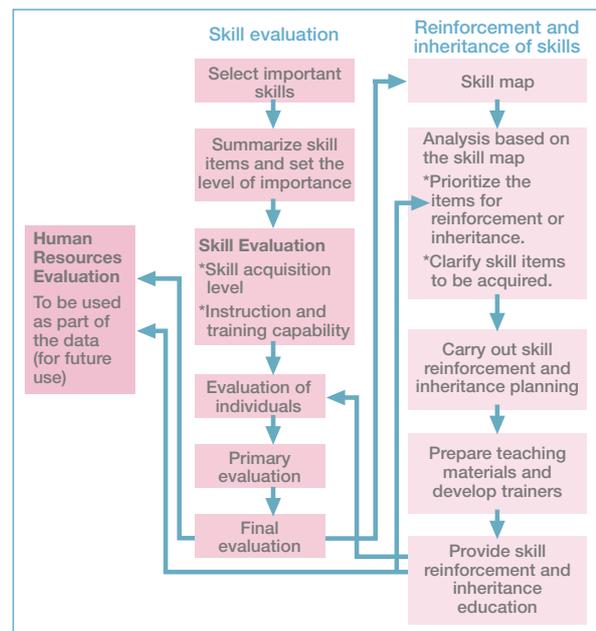
Since many of the advanced technologies and skills are often supported by implicit knowledge, we converted such knowledge into explicit knowledge by using video and computers to make audiovisual teaching materials.

This model case will be used for expanded implementation throughout the entire Group.

Common measures for reinforcement and inheritance of technologies and skills set for the entire Group



Flow of skill evaluation, human resources evaluation, reinforcement and inheritance of skills



### Setting up the division for Monozukuri (Quality Manufacturing) Enhancement

The Monozukuri Enhancement Division was set up in April 2005 to promote the commitment to quality manufacturing and reinforcement of production site expertise. The AGC Group needs reinforcement and inheritance of special technologies and skills in every concerned business activity and the human resources\*1 who can use them to create greater results. The Monozukuri Enhancement Division is responsible for guidance and support for the development of such human resources and the creation of a corporate culture that encourages employees to feel happy in nurturing themselves and others.

\*1. Based on the idea that people make the company, Asahi Glass values human resources as an important asset.

### AGC Monozukuri Training Center

The AGC Monozukuri Training Center will be opened in July 2006 in Yokohama City, Kanagawa Prefecture, as part of the measures to enhance Quality Manufacturing. The Center will cover all technologies and skills related to glass, chemicals, electronics and displays, and plans to provide training by using full-scale furnace.



### Necessary Technologies, Skills and Human Resources

It is people that support Quality Manufacturing, and the knowledge for Quality Manufacturing is born where manufacturing takes place. Therefore, the following technologies, skills and human resources are required for Quality Manufacturing.

#### Technologies and skills necessary for Quality Manufacturing

- Technologies and skills based on “*genba* (site), *genbutsu* (product itself), and *genjitsu* (fact)”
- “Technologies fused with skills” that can cope with increasingly complex and high-tech equipment; and “skills backed by technologies”
- Skills to find problems, propose solutions, and execute them
- Advanced technologies and skills that can cope with the development of new technologies and products and the development of fundamental technologies

#### Employees necessary for the above:

- Employees who have unique and competitive technologies and skills and use them to produce successful results
- Employees with “stick-to-itiveness,” who can exert and develop worksite ingenuity for Quality Manufacturing
- Employees who have the production site expertise to find and solve problems and to identify and stick to what is right
- Employees who represent a high level of technologies and skills in specific fields and are versed in production technology essential for Quality Manufacturing
- Employees who can train and develop people

### Major Challenges

- To select the technologies and skills that are truly necessary for the AGC Group and reinforce and inherit them.
- To continuously create necessary human resources.

### Topics ● ● ●

#### Taking on the challenge of “consistent quality everywhere in the world” with the *Asahi Way*

The carmakers who are customers of our Automotive Glass Company expect the same quality everywhere in the world. Meeting their demand requires availability of the equipment, methodologies and people necessary for Quality Manufacturing that can provide a consistent level of quality at every production site in the world. To meet this challenge, the Automotive Glass Company formulated the *Asahi Way* in 2004 to aim at establishing and sharing the universally consistent concept, sense of value and methodology. The *Asahi Way* is a set of concepts that cover all related factors, including safety, environment, cost, sales and development.

#### Global Training Center

The Global Training Center was opened in the Aichi Plant, the world’s largest automotive glass production site, as part of the *Asahi Way* implementation effort. Qualified trainees are front-line supervisors working in overseas automotive glass plants. A few courses on tempered glass or laminated glass lasting about two weeks are available for trainees, who return to their home country to impart the techniques and know-how they learned here to their home workers.

The *Asahi Way* Implementation Office aims at quickly setting up a system where workers from various parts of the world can learn from each other through these activities and share the same concept and skills to realize Quality Manufacturing at all the factories in the world.

#### Comprehensive Guide to FPD Glass Technology

The FPD Glass General Division of the Display Company faces an urgent need to systematize their technologies as they deal with emerging technologies and rapidly growing businesses. They decided to write the best textbook that they can hope to have at present and successfully systematized the technologies jointly accumulated by front-line specialists and engineers. The thus completed FPD Glass Technology Handbook has a total number of over 1,200 pages. The FPD Glass General Division developed a viewing system for the Handbook and placed terminals related to their business at the Kansai Plant, Keihin Plant, Takasago Plant, Aichi Plant and Asahi Glass Fine Techno Co., Ltd. for easy review, thereby helping develop young engineers and specialists.

#### Imparting Skills with Video Textbooks

Asahi Glass Fine Techno Co., Ltd. prepares teaching materials that use videos for in-house education and training aiming at inheritance of technologies. Veteran workers and engineers show how they perform important work at their worksite, and each of the important points about their work (such as feelings, secrets and knacks) is explained with text, photos and videos. All of these are put together in teaching materials that are viewable on PCs. These materials are actively used to educate young engineers.

# Environment

We, as good global citizens, will shoulder the responsibility to contribute to a sustainable society in harmony with nature.

## Environmental Activities

Having positioned environmental activities as one of the core challenges for management, we contribute to society as a materials and components supplier by promoting reduction in environmental impact during all processes of manufacturing as well as by conducting all our business operations in an environmentally friendly manner.

## Occupational Health & Safety (OH&S)

The AGC Group is determined to prioritize safety in our corporate activities or at our workplaces under the strong leadership of the top management, who maintain that “No manufacturer can achieve sustainable growth without first achieving workplace safety.”

## Industrial Safety & Security

The AGC Group is implementing industrial safety & security measures in order to prevent and promptly and appropriately deal with any possible risks.

Scope of reporting about the Environment, OH&S, and Industrial Safety & Security  
Asahi Glass Co., Ltd.; Asahi Fiber Glass Co., Ltd.; Asahi Techno Glass Corp.; Asahi Glass Ceramics Co., Ltd.; Ise Chemicals Corp.; Optrex Corp.

**We identified the major CSR requirements based on multiple sets of external standards (see p.5) and checked them against our “Look Beyond” vision. As CSR in relation to the “environment” set out in the vision, we are prepared to meet the following social requirements.**

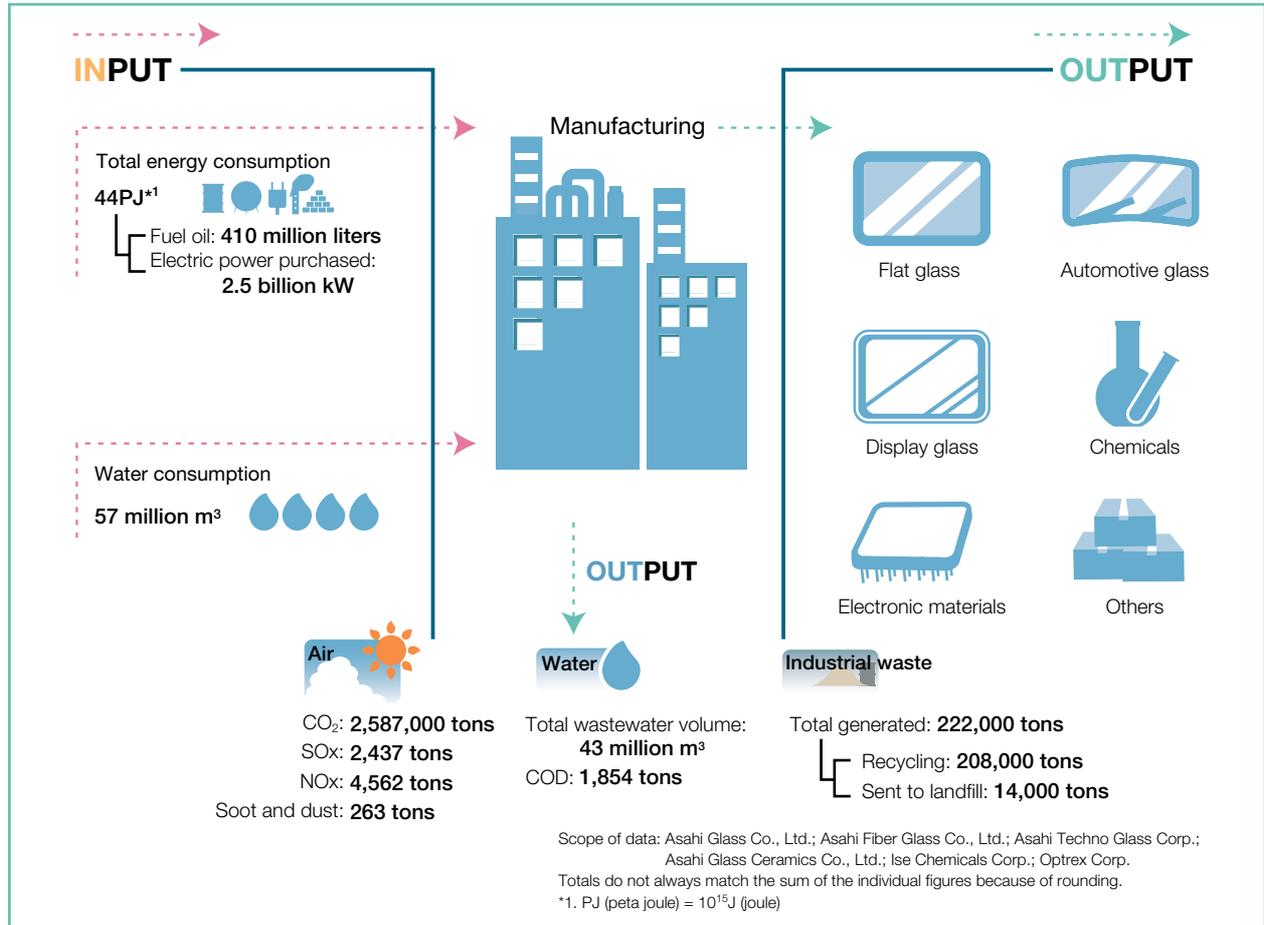
Adoption of common standards for environmental activities, technical innovation for environment, environmental policy, objectives, management system, performance and responsibility

Emphasis on employee health and safety

Risk and crisis management

# Relationship between the AGC Group Business Activities and the Environment

The AGC Group continuously gathers and manages data on environmental performance in order to review the influence our business activities have on the environment. The gathered data is used to help develop plans to implement environmental improvements.



## Relationship between Environmental Impact and Asahi Glass Sales in Japan

The market share of Asahi Glass in Japan and the ratio of environmental impact materials emitted by Asahi Glass to total emissions for Japan are shown in the table on the right.

The proportion of air pollutants that Asahi Glass emits is disproportionately larger than its market share. This is mainly because fuel oil was consumed in the processes of melting raw glass materials and producing chemical products. We continue our efforts to reduce these emissions by further promoting energy saving, switching to processes that do not use pollution-causing materials, and using alternative fuels.

	Asahi Glass (2005)	Ratio of Asahi Glass to total for Japan
Sales	576.2 billion yen	0.11%
CO <sub>2</sub>	2,220,000 tons	0.18%
SO <sub>x</sub>	872 tons	0.15%
NO <sub>x</sub>	3,277 tons	0.38%
Soot and dust	80 tons	0.13%
COD	686 tons	0.01%
Waste finally sent to landfill	8,141 tons	0.03%

Source: Website of the Economic and Social Research Institute, Cabinet Office, Government of Japan  
 Environmental burden: *Environmental Statistics 2006* (Ministry of the Environment)  
 Except for those environmental impact items not found in any 2005 statistical data, for which the latest relevant data were used

# Fiscal 2005 Plans, Results and Evaluation, and Fiscal 2006 Plans

The AGC Group promotes activities in the fields of environment, occupational health and safety, and industrial safety and security to realize “Environment,” one of the four shared values stated in the Group Vision, “Look Beyond.”

	AGC Group Environment, Occupational Health & Safety, and Industrial Safety & Security Management Plan	Major fiscal 2005 results	Self-evaluation	Fiscal 2006 Plan
Environment	Continuous improvement of the Integrated Environmental Management System (Integrated EMS) and its expansion to domestic and foreign affiliates	<ul style="list-style-type: none"> <li>We formulated the Basic Guidelines for the Environmental Management System of the AGC Group and requested all Group companies to establish their own EMSs.</li> <li>The integrated EMS is continuously being expanded. At present, 10 domestic and 5 foreign affiliates have joined the system.</li> <li>The internal audit of the Integrated EMS found 37 cases of nonconformity, which are now being corrected according to their level of importance.</li> </ul>	A	<ul style="list-style-type: none"> <li>Establishing the Integrated EMS<sup>*1</sup> for domestic affiliates</li> <li>Having 5 overseas affiliates participate in the Integrated EMS</li> </ul> <p><sup>*1</sup>. Integrated Environmental Management System (Integrated EMS): This system puts the PDCA cycle implemented under the environmental management systems of AGC Group companies and sites under the supervision of Asahi Glass's CEO and allows the Group to make concerted efforts to obtain ISO 14001 certification, which also makes it possible for the Group to conduct unified environmental activities.</p>
	Reduction in environmental impact and prevention of pollution	<ul style="list-style-type: none"> <li>All In-House Companies/SBUs and plants endeavored to reduce emissions that carry environmental impact.</li> <li>For reduction of industrial waste, a 5-year effort was made targeting at Asahi Glass achieving Zero Emission in 2005, with the Flat Glass Company and the Automotive Glass Company achieving a 99% recycling ratio and Asahi Glass achieving a 96% recycling ratio.</li> <li>The new use of asbestos was suspended in fiscal 2004. Also, the nonuse of asbestos and use of alternative materials have been ongoing since fiscal 2004.</li> </ul>	B	<ul style="list-style-type: none"> <li>All In-House Companies/SBUs and plants should continue efforts to reduce environmental impact.</li> <li>For reduction of industrial waste, the effort to maintain Zero Emission (or achieve it, in the case of departments that have not yet done so) should be continued and the scope of Zero Emission action should be expanded to include domestic and overseas affiliates.</li> <li>The use of fugitive asbestos in the production process should be totally eliminated by fiscal 2008.</li> </ul>
	Active promotion of positive environmental activities	<ul style="list-style-type: none"> <li>The AGC Group Integrated Green Procurement Guideline was formulated.</li> </ul>	A	<ul style="list-style-type: none"> <li>Since green procurement is expected to evolve into CSR-based procurement, the AGC Group should review how to cope with CSR-based procurement.</li> </ul>
Occupational Health & Safety (OH&S)	Occupational Health & Safety Management System (OHSMS and risk assessment)	<ul style="list-style-type: none"> <li>Asahi Glass had a second-party audit to ensure an effective OHSMS.</li> <li>Some AGC Group companies started introducing risk assessment.</li> </ul>	B	<ul style="list-style-type: none"> <li>Asahi Glass should continue improvement of OHSMS and risk assessment.</li> <li>AGC Group companies should introduce and fully establish risk assessment.</li> </ul>
	Establishing inherent safety by design	<ul style="list-style-type: none"> <li>A risk assessment system was developed for design and production of in-house equipment and handling of chemical substances, which included development of qualified staff and procedural framework.</li> </ul>	B	<ul style="list-style-type: none"> <li>Risk assessment for design and production of in-house equipment and handling of chemical substances should be introduced to a wider range.</li> <li>The standard for in-house equipment should be upgraded to meet the international safety standard.</li> </ul>
	Creating a safety-prioritized corporate culture	<ul style="list-style-type: none"> <li>The top management of the AGC Group repeatedly sent the “top priority on safety” message to the employees.</li> <li>The OH&amp;S education structure was revised.</li> </ul>	B	<ul style="list-style-type: none"> <li>The entire AGC Group should be aware of the top management's idea of “safety.”</li> <li>OH&amp;S education based on a new curriculum should start.</li> </ul>
	Ensuring a safe and healthy working environment	<ul style="list-style-type: none"> <li>Improvement of the working environment and provision of OH&amp;S education to employees as well as cooperating companies were implemented.</li> </ul>	B	<ul style="list-style-type: none"> <li>Improvement of the working environment and provision of OH&amp;S education should be continued.</li> </ul>
Industrial Safety & Security	Maintenance and improvement of industrial safety & security	<ul style="list-style-type: none"> <li>Industrial safety &amp; security risk investigations were conducted at each operating site in the world by means of a questionnaire.</li> <li>On-site industrial safety &amp; security audits were conducted for the five major affiliates.</li> </ul>	A	<ul style="list-style-type: none"> <li>Efforts should be made for feedback of risk evaluation results and implementation of emergency drills.</li> </ul>

Self-evaluation: A: Satisfactory level, in which the intended target has been achieved  
 B: Almost satisfactory level, in which some of the intended target has not yet been achieved  
 C: Unsatisfactory level, in which the intended target has not been achieved

# Environmental Activities

Aware of its responsibility as a global enterprise, the AGC Group has positioned environmental efforts as one of the core management challenges in order to realize a sustainable society.

## GOAL Fulfilling Responsibility toward a Sustainable Society

The AGC Group promotes environmental activities as a responsible contributor to the realization of a sustainable society according to the AGC Group Basic Environmental Policy shared by the entire Group and the Basic Guideline for the Environmental Management System established in 2005. We are also setting up the Integrated Environmental Management System (Integrated EMS) based on ISO 14001, with the manufacturing companies of the Group as core promoters, so that environmental activities may be carried out consistently by all members of the Group.

### AGC Group Basic Environmental Policy

(Established on February 9, 2001 and revised on June 4, 2004)

#### Basic Policy

Aware that its activities use relatively large amounts of resources and energy, the AGC Group has settled environmental activities as one of the core values in our group vision "Look Beyond." As a leading company in the materials industry, we shall contribute to the creation of the sustainable society.

#### Slogan

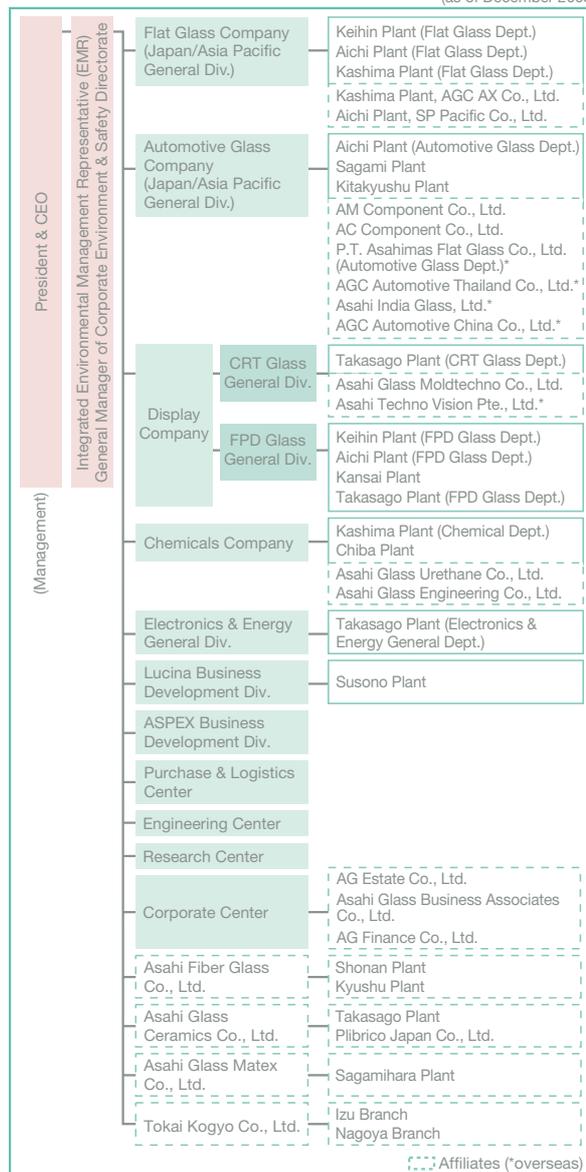
Play your part as a responsible citizen in creating a better environment.

#### Guidelines for Environmental Activities

1. We will make continuous improvements based on the Integrated Environmental Management System.
2. We will comply with all regulations and standards prescribed by environmental laws, ordinances, treaties and agreements.
3. We will take steps to lower various forms of environmental impact and prevent pollution in every stage of our operations, while setting voluntary targets in a variety of areas, especially in respect of resource conservation, global warming counter-measures, waste reduction and recycling, and the proper handling of chemical substances. We will work to accomplish these goals while making further improvements.
4. We will develop and provide eco-conscious products, technologies, services and facilities for society in all areas of our activities.
5. We will actively communicate with society to foster a deeper understanding of all aspects of our environmental management activities.

The AGC Group Basic Environmental Policy is disclosed to the public.

## Organization implementing Integrated EMS (as of December 2005)



## POINT Systematic Involvement in Environmental Activities

### Continuous improvement in the Integrated Environmental Management System and its expansion to domestic and overseas affiliates

The number of Group members, mainly domestic affiliates, who participate in the Integrated EMS has increased in fiscal 2005. As of the end of 2005, international environmental management system ISO 14001 certification was granted to 91 of the 191 production sites of the AGC Group.

## AGC Group's ISO 14001 certification (as of December 2005)

Location	No. of production sites	No. of certified sites (Numbers in parentheses indicate sites incorporated into Integrated EMS)
Asahi Glass	10	10 (10)
Affiliates in Japan	70	24 (9)
Asia/Pacific	33	28 (5)
The Americas	24	5 (0)
Europe	54	24 (0)
Total	191	91 (24)

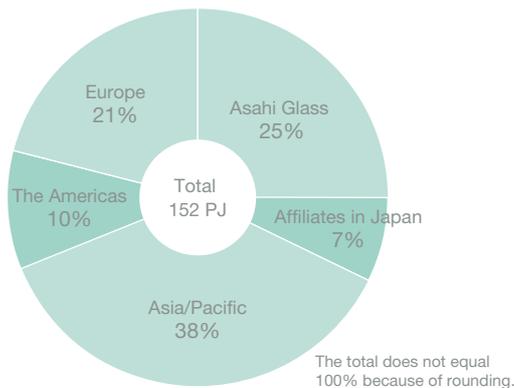
## Environmental Activities

### Reduction in Environmental Impact and Prevention of Pollution

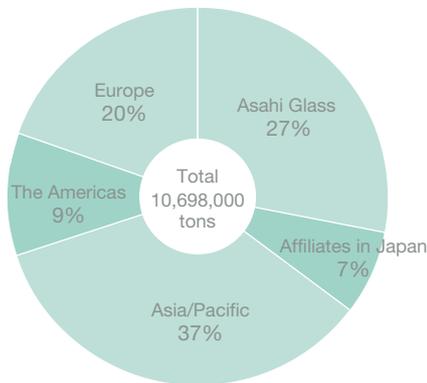
#### • Reduction of greenhouse gas emissions

The AGC Group has made various efforts in the environment area, including the introduction of glass melting furnaces using the total oxygen combustion system, which uses only oxygen instead of air for combustion, in countries including Japan, Indonesia, Thailand; modification of glass melting furnaces to use natural gas combustion in regions and countries including Europe, the Americas, Thailand and Indonesia; application of the high-performance ion exchange membrane method in brine electrolysis plants, enabling operation at low voltage compared to the conventional mercury method or the diaphragm method; and reduction in fluorocarbon emissions generated during production processes. Efforts to reduce greenhouse gas emissions are also being made through energy-saving measures taken by each manufacturing department.

Total energy consumption\*1 of AGC Group in fiscal 2005



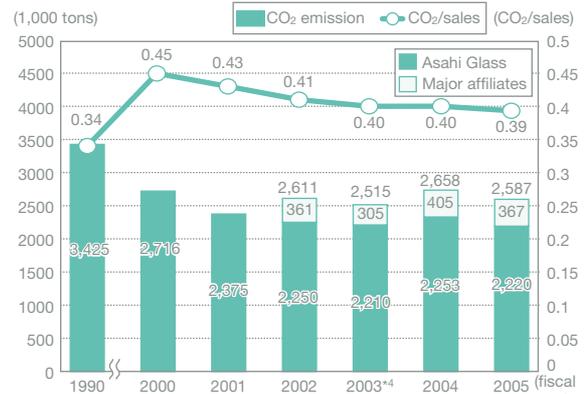
CO<sub>2</sub> emissions\*2 of AGC Group in fiscal 2005



\*1. AGC Group (consolidated) covers 85% of sales

\*2. HFC and SF<sub>6</sub> are included. Data for countries with no definitive CO<sub>2</sub> emission coefficient were calculated using the Japanese coefficient.

CO<sub>2</sub>\*5 emissions (Asahi Glass + major affiliates\*3)



\*3. Major affiliates: Asahi Fiber Glass Co., Ltd., Asahi Techno Glass Corp., Asahi Glass Ceramics Co., Ltd., Ise Chemicals Corp. and Optrex Corp.

\*4. Data was annualized to correct for the irregular 9-month period in fiscal 2003, caused by the change in the accounting year-end.

\*5. HFC and SF<sub>6</sub> are not included

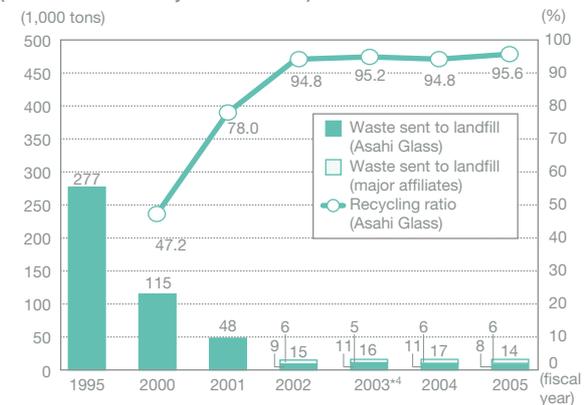
• The graph for the emissions of NO<sub>x</sub> and SO<sub>x</sub> is planned to be shown on our website.

#### • Reduction of industrial waste

Asahi Glass engaged in a five-year effort for “achieving Zero Emission”<sup>6</sup> in fiscal 2005.” The results include the Flat Glass Company and the Automotive Glass Company achieving 99% recycling ratios and Asahi Glass as a whole achieving a 96% recycling ratio for fiscal 2005. Asahi Glass will maintain its Zero Emission efforts and continue to implement measures in In-House Companies that have yet to achieve Zero Emission. Also, we will expand Zero Emission activities to AGC Group companies.

\*6. Zero Emission: Asahi Glass defines Zero Emission as the recycling of 99% or more of total waste generated.

Waste sent to landfill and recycling ratio (Asahi Glass + major affiliates\*3)



### ● Reduction of VOC (volatile organic compounds) Emissions

The Chemicals Company started taking steps toward VOC\*7 emission reduction prior to the enactment of the Law Concerning Reporting, etc. of Release to the Environment of Specific Chemical Substances and Promoting Improvement in Their Management (law on Pollutant Release and Transfer Register (PRTR)) in 2001. Their effort went back to 1997, when they participated in a voluntary research of the Japan Chemical Industry Association to reduce VOC emissions. For instance, Chiba Plant installed a vent condensation recovery equipment in a disposal line of their chloroform tank in 2000. Their other actions for emission reduction include the use of recovered VOC and disposal by incineration.

As a result, VOC emissions, including dichloromethane, were reduced by about 80% over the fiscal 1995 level.

\*7. Volatile organic compound (VOC): collective name for organic compounds that are volatile and become gaseous in the air, such as toluene, xylene, and ethyl acetate

### ● Asbestos

Domestic companies of the AGC Group intend to totally eliminate all fugitive asbestos use in our manufacturing processes by fiscal 2008. We have also provided, since September 2005, medical checkups for former employees who were engaged in handling asbestos or worked at asbestos-using worksites during their employment by Asahi Glass.

### ● PCB

PCB is legally required to be disposed of by July 2016. Asahi Glass stopped using PCB-containing electric appliances and equipment by fiscal 2005. In addition, domestic companies of the AGC Group will discontinue the use of such appliances and equipment by the end of 2009, while strictly storing and disposing them. It is a fact that a minute amount of PCB is contained in some electric appliances, and some of the appliances that we use do contain a minute amount of PCB. We will dispose of these appliances in compliance with the law.



We are storing PCB-containing equipment in strict compliance with the law.

### ● Formulation of the Guideline for Prevention of Soil and Groundwater Contamination

The AGC Group formulated its Guideline for Prevention of Soil and Groundwater Contamination in November 2005. While stating that strict compliance with the applicable laws and regulations is a prerequisite, the Guideline provides for measures to prevent soil and groundwater contamination, covering such items as hazardous material storage and handling standards, storage tank management standards, and drainage and rainwater management standards. The Guideline also sets forth basic rules about information disclosure with respect to measures when soil or groundwater contamination is detected. The AGC Group is determined to maintain thorough compliance with the relevant laws and regulations and to continue to carry out appropriate countermeasures against soil and groundwater contamination based on the Guideline.

### ● Environmental Accidents in Fiscal 2005

We experienced the following environmental accidents in fiscal 2005. Although the accidents fortunately caused no damage to the health of neighbors of the accident site, we deeply apologize for the inconvenience inflicted on the many people affected. The following plants where the accidents occurred have taken measures to prevent recurrence under the guidance of the competent administration:

#### Former Funabashi Plant (Funabashi City, Chiba Prefecture)

Upon closure of the plant, a soil and groundwater investigation was conducted to find that fluorine, hexachromium, lead, arsenic, and boron concentrations in the soil of the site exceeded the designated upper limit, and that fluorine, lead and arsenic concentrations in groundwater exceeded the designated upper limit of the groundwater environmental standard. Remediation actions are currently being taken. The details are shown on our website.

#### Former playground and dormitory site, Kansai Plant (Amagasaki City, Hyogo Prefecture)

Concentrations of arsenic that were above the upper limit of the environmental standard were detected in the groundwater of land of our ownership and adjacent land. Remedial work is currently under way. The details are shown on our website.

#### Asahi Glass Coat & Resin Co., Ltd. (Kamagaya City, Chiba Prefecture)

Kamagaya Plant conducted its own voluntary soil and groundwater investigation of the soil in the plant compound and detected concentrations of lead and hexachromium exceeding the environmental standard. Pollutants including xylene were also found in the groundwater. Remedial measures are being developed under the instructions of the competent administration.

## Environmental Activities

### Active Promotion of Positive Environmental Activities

#### ● Formulation of the Integrated Green Procurement Guideline

In December 2005, the AGC Group put together its AGC Group Integrated Green Procurement Guideline based on the AGC Group Basic Environmental Policy. Green procurement involves the following two major actions: (1) control of toxic substances in materials and services to be procured; and (2) prioritization of those suppliers who have acquired and maintain third-party certification for the environmental management system and quality control system.

#### ● Glass Power Campaign

The Flat Glass Company Japan launched the Glass Power Campaign—Glass for Tomorrow—in order to actively engage 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 the promotional activity, (3) swift support activity in the event of a disaster, and (4) active promotion of in-house energy saving. We opened a website for the Glass Power Campaign (<http://www.glasspower.jp> <Japanese only>) as a base for the transmission and gathering of information. The website features “one-click donation,” a charity activity in which the participant donates a 10 cm-by-10 cm piece of safety glass to shelters with one click on the computer, a virtual plant tour, provision of disaster prevention information, and disclosure of activity reports. This participatory campaign entails not only all employees of the Flat Glass Company but a wider range of participants including affiliates, suppliers and general supporters. Sharing a sense of unity brought about by the use of symbol-marked badges and stickers, each participant actively takes practical part in the campaign.



Glass for Tomorrow

#### ● Environmental Awards

The Chemicals Company was highly evaluated from outside the Group for their active involvement in control of chemical materials and was awarded the following prizes in fiscal 2005:

- Grand Prize for Stratospheric Ozone Layer Protection and Global Warming Prevention—Economy, Trade and Industry Minister Award
- Resource Recycling Technology and System Awards —Incentive Award
- PRTR Grand Prize—Incentive Award



### Environmental Education and Training

The AGC Group is engaged in various environmental education to impart the knowledge necessary to carry out environmental activities to employees. The Environmental and Social Responsibility Division executes education and training mainly to provide knowledge for enhancement of environmental awareness and environmental improvement. Each In-House Company/SBU provides more specialized education in line with the nature of their respective work.

#### Major environmental education for AGC Group employees (Fiscal 2005)

Training subjects	No. of participants
EMS internal auditor training course	145
Environmental Seminar	109
AGC Group Environmental Forum	120

#### ■ Main Challenges

In November 2005, the top management conducted a management review to check whether the Integrated EMS is effectively working. The CEO pointed out the following recommendations, which have been incorporated into the fiscal 2006 plan:

- Promotion of the Integrated EMS on a global scale should start in fiscal 2007 as scheduled.
- Revised environment-related laws and regulations should be appropriately assimilated into the EMS activities, and strict compliance with statutory requirements should be ensured.
- Regarding environmental activities and the environmental improvement promotion plans for fiscal 2006, appropriate objectives should be consistently developed for the entire Group through in-house coordination and discussion on long-term objectives should also be promoted.

☞ Please refer to page 19 for the details of the fiscal 2006 plan.

# Occupational Health & Safety

The AGC Group is determined to prioritize safety in our corporate activities or at our workplaces under the strong leadership of the top management, who maintain that “No manufacturer can achieve sustainable growth without first achieving workplace safety.”



## Maintaining the Employees' Occupational Health & Safety

Worker safety must be the top priority, but one cannot ignore the fact that machines and equipment break down and that people make errors. It is therefore necessary to understand that errors and failures can happen at certain probabilities and carry out measures that prevent the unavoidable ones from turning into accidents or occupational accidents. In other words, we must take a logical approach to safety management, establishing measures to be integrated into our management system. Improvements in the level of OH&S will not only create an environment where workers can work with comfort, but also lead to improvement of productivity, quality and profits for the entire Group.

The AGC Group formulated the Basic Occupational Health & Safety Policy in February 2001 and, based on the policy, carries out various safety and health measures to ensure the safety and health of employees and improve working environments and conditions.

### AGC Group Basic Occupational Health & Safety Policy

The philosophy of the AGC Group is to give high priority to all workplace-related occupational health and safety issues. The AGC Group tries to ensure that all employees understand and share this philosophy while working to create an atmosphere that promotes these values. The following three pillars will serve as the focus of our proactive OH&S activities in order to prioritize OH&S and continuously improve OH&S performance.

1. **Top-down communication of OH&S policies to employees**  
Creating the motivation to prioritize OH&S issues
2. **Detailed management of OH&S related issues on all production lines**  
Ensuring production activities balance quality and productivity with health and safety
3. **Voluntary participation in OH&S activities by all employees**  
Ensuring all employees participate in OH&S activities willingly



## Using the OH&S Management System as a Core of Safety Management

### Taking measures based on the AGC Group Environment, Occupational Health & Safety (OH&S), and Industrial Safety & Security Management Plan

The AGC Group Environment, Occupational Health & Safety (OH&S), and Industrial Safety & Security Management Plan sets annual objectives by subdividing mid-term plans for the following four items as important safety measures:

- Please refer to page 19 for the details of the fiscal 2006 plan.

- Occupational Health & Safety Management System (OHSMS)
- Inherent safety by design: eliminating every source of danger or hazard that threatens safety from equipment
- Safety-prioritized corporate culture
- Safe and healthy working environment

### Establishing OHSMS

Systematic tackling of OH&S is equal to establishing an OHSMS in line with OHSAS 18001, the international standard for the OHSMS, or the applicable Ministry of Health, Labour and Welfare Guidelines.

Asahi Glass, which has already put an OHSMS in place, conducted a second-party audit to correct disparities in system operation among operating sites. Based on the audit results, we decided to provide, along with audit, operational support from 2006 to sites that failed to display sufficient operation of the OHSMS according to the PDCA (plan-do-check-act) cycle. Some of the affiliates in Japan plan to complete installation of the system during fiscal 2006. For affiliates in Asia, the ongoing effort is to diffuse Asahi Glass' safety management policy and conduct risk assessment\*<sup>1</sup>, a step before introduction of the OHSMS. For European and American affiliates, information exchange is the stage as it stands now. Global introduction of the OHMSM is ongoing.

\*1 risk assessment: comprehensive identification of potential risks in equipment or work processes, evaluation of the levels of such risks and implementation of measures against those risks according to the order of risk priority

### ● Safety and Health conference in Shanghai

The Environmental and Social Responsibility Division held the Safety and Health Conference at Shanghai Asahi Electronic Glass Co., Ltd. (SAE) in November 2005 as part of the global communication effort for OH&S activities. Safety and environmental managers from five AGC Group companies in China, two in Taiwan and each of our In-House Companies participated in the conference. President Kurimoto of SAE told the participants enthusiastically that “we must take this opportunity to improve the level of OH&S in China and Taiwan as the top priority.”



President Kurimoto delivering an opening message

## Occupational Health & Safety

### Establishing Inherent Safety by Design

Our focal points in fiscal 2005 are tripartite: safety for machinery (ensuring the safety for automatic machines and equipment), safety of chemical substances (management of chemical substances to ensure health) and safety of construction (revision and diffusion of the construction management standard). Under the philosophy of “ensuring the safety of equipment reduces occupational accidents,” we conducted a risk assessment on the design and production of equipment and started making preparations for the ultimate goal of connecting it to the conventional preliminary equipment safety inspection when the equipment is introduced at the plant.

### Enacting the Accident Classification Judgment Criteria for the AGC Group

The Accident Classification Judgment Criteria for the AGC Group was put into effect in January 2005 to ensure effective application of the occupational accident procedures by all Group members. This Criteria classifies the seriousness of occupational accidents into “accident requiring leave,” “accident not requiring leave,” “accident of minor injury” and “less serious accident,” depending on the severity of injury or disease. The groundwork was laid to gather and share occupational accident information inside the Group companies, which successfully resulted in widespread operation of the Criteria in Japan and the rest of Asia. Starting from fiscal 2006, we will sequentially expand the granting of safety awards now within Asahi Glass to include domestic and overseas affiliates that adopt the Criteria. The safety awards will be incorporated into the newly launched AGC Group CEO Awards Program (see page 30 for details).

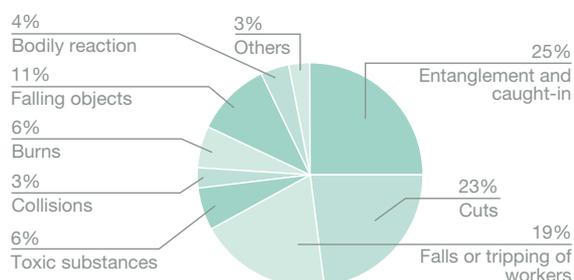
### Accidents in fiscal 2005

The occupational accident information of cooperating companies is treated the same as that of Asahi Glass employees. We thereby endeavor to reduce risks for all people, work and equipment.

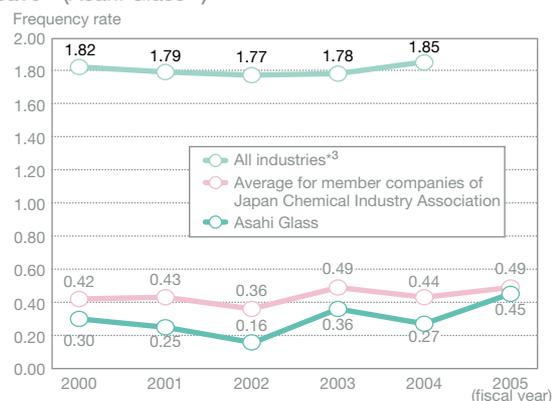
In fiscal 2005, the AGC Group (companies in Asia, including Japan) had one fatal accident and 58 accident requiring leaves causing absence from work. Moreover, the number of accidents at Asahi Glass is on the rise. Taking this seriously, and to put the brakes on this trend, we emphasize quick and wide transmission of information on occupational

accidents and promote information sharing across operating sites and subsidiaries in Japan and the rest of Asia. Regretting the lack of effort made in the past to investigate hidden causes of occupational accidents, we established the Fact Finding Meeting, which had already been set up in the Chemical Company. We also provide education and training tuned to a corporate culture that prizes safety so as to further reinforce the safety improvement effort.

### Types of occupational accidents in fiscal 2005



### Changes in the frequency ratio for accident requiring leave\*1 (Asahi Glass\*2)



\*1. Frequency rate = (no. of workers injured) × 1 million/total hours worked

\*2. Asahi Glass data include employees at all operating sites (including cooperating companies)

\*3. The frequency ratio for accident requiring leave in all industries, which is disclosed by the Ministry of Health, Labour and Welfare every year, is yet to be announced as of the end of April 2006.

### No. of occupational accidents in fiscal 2005 (including cooperating companies)

	Asahi Glass (2004 figures)	Domestic affiliates	Overseas affiliates (Asia)
Fatality	0 (0)	1	0
Accident requiring leave	12 (8)	10	36
Accident not requiring leave	11 (9)	14	20
Accident of minor injury	41 (25)	15	—
Total	64 (42)	40	56

### Ensuring a Safe and Healthy Working Environment

Since fiscal 2005, we have been continuously implementing relevant measures, including promoting improvement of the working environment, creation of a corporate culture that prizes safety as the top priority, and support of cooperating companies' activities for prevention of occupational accidents. Of them, the effort to create a corporate culture with top priority on safety is particularly supported by the strong commitment of the CEO, and his comment, “No manufacturer can achieve sustainable growth without first achieving workplace safety” is stated on various occasions including the New Year message.

### Promoting Mental Health

Asahi Glass promotes mental health mainly through the “Four Cares” based on the Ministry of Health, Labour and Welfare guideline in order to create a working environment where our employees can achieve successful results with a high level of motivation while maintaining work life balance.

The “Four Cares” are “self-care,” “care by the manager,” “care by the in-house industrial health staff,” and “care by external resources.” Asahi Glass is establishing a system that encourages the employees to maintain their mental health, which includes training according to rank, a personal medical checkup using a self check sheet, and opportunities for employees to freely receive counseling when necessary from in-house industrial health doctors or external organizations.



### Creating a Corporate Culture that Prizes Safety

Realization of industrial safety can only be achieved when every employee always considers safety as the top priority while engaging in work. Sharing the awareness that safety is an integral part of work, we must pass down safe behavior to younger generations beyond the barrier of age or experience, and establish a corporate culture open to mutual correction.

### Education and Training on OH&S

The Environmental and Social Responsibility Division provides safety training according to rank and purpose. In fiscal 2005, they conducted risk assessment training, the OHSMS internal auditor training course, the chemical substance manager training course, and safety experience training, thereby promoting enhancement of safety consciousness and knowledge. Also, since fiscal 2005, the division has been encouraging employees to obtain a safety engineer certificate by attending the intensive courses provided by the Society of Safety Technology and Application, Japan, under the Safety Sub-assessor/Assessor Certification Scheme, which complies with the international safety standards.

### Major Challenges

- Gathering of information on occupational accidents in affiliates in and outside of Japan should be thoroughly implemented.
- Group-wide application for prevention of occupational accidents should be promoted based on the seriousness of the matter, not the seriousness of the injury.
- Effectiveness of the OHSMS should be enhanced.
- Installation of facilities and equipment which comply with international safety standards and implementation of safety measures should be promoted.

☞ Please refer to page 19 for the details of the fiscal 2006 plan.

### Topics

#### Hands-on Safety Experience Training at Chiba Plant

Chiba Plant endeavors to enhance employee safety awareness and eliminate actions that may lead to occupational accidents by having them undergo simulated experiences. A shift from lecture-centered safety education to practical education, the “safety experience training” which lets employees physically experience simulated work place accidents, consists of eight elements: (1) being caught in something or entangled, (2) working at a high place, (3) chemical injury, (4) valve seat leak, (5) electric accident, (6) oxygen shortage, (7) lower back pain, and (8) slinging work. All managers at the Plant took this training in the spring of 2005 and the scope of trainees is expanding to general employees and employees of cooperating companies. The number of trainees in 2005 exceeded 1,000.



#### Asahi Glass Fine Techno Taiwan striving for Safety

Asahi Glass Fine Techno Taiwan Co., Ltd. (AFT), which produces glass substrates for liquid-crystal displays, has been committed to establishing their safety management system since its foundation in July 2000. The company aims to provide a safe workplace for all employees, giving their families peace of mind.

The focal point of their effort called the “6S Activity” constitutes six elements: (1) *seiri* (tidiness), (2) *seiton* (orderliness), (3) *seiketsu* (hygiene), (4) *seisou* (cleaning), (5) *shitsuke* (behavior), and (6) *shukan* (customs). Risk assessment to prevent occupational accidents and proactive measures to prevent similar accidents based on information from other factories are also part of the effort. The company-wide endeavor toward occupational safety and environmental improvement involving all employees won them OHSAS 18001 certification for safety and ISO 14001 certification for environment in 2003. Their effort in occupational safety and environment still continues; AFT set up the OH&S Execution Committee (for safety as well as environmental fields) in 2004, formulated the policy and plans for safety activities, and promotes strict compliance of the PDCA cycle.

In 2005, AFT continually provided safety education to further enhance employee safety awareness. A total of 3,993 employees from AFT and 1,078 from cooperating companies participated. AFT’s commitment to improving occupational safety and the environment still continues.

## Industrial Safety & Security

The AGC Group is implementing industrial safety & security measures in order to prevent and promptly and appropriately deal with any possible risks.

### GOAL Eliminating Accidents

In operating a business, we must take into consideration the possibility of facing natural disasters and other disasters such as fires. As countermeasures against these contingencies, we must first identify all the factors that may lead to risks and remove as many of them as possible. Also, in preparation against risks, we must have a prompt and appropriate risk management system. Accordingly, the AGC Group established the AGC Group Basic Industrial Safety & Security Policy in February 2003, and has since been implementing even stronger measures to ensure industrial safety and security.

#### AGC Group Basic Industrial Safety & Security Policy (Provisional Translation) (Adopted on February 7, 2003)

The AGC Group carries out the following activities for industrial safety & security under the principle that industrial safety and site safety are part of its responsibility towards the local community as a corporate citizen.

1. Management of activities for industrial safety & security shall be based on proactive public relations programs aimed at gaining the understanding of the local community, and shall aim to promote harmonious coexistence.
2. The AGC Group shall comply with all laws, ordinances and treaties, and all self-imposed regulations concerning industrial safety & security based thereon, and shall strive to improve the level of management of such activities.
3. The AGC Group shall establish management systems, develop the necessary rules and planning frameworks, and invest in the required equipment to ensure industrial safety & security. The Group shall also strive continuously to execute and improve related activities.
4. The AGC Group shall undertake education and training activities to raise levels of awareness, knowledge, and skills related to industrial safety & security, while also striving to reinforce accident prevention and its response capabilities.

### POINT Protecting the Company and Employees in the Event of a Contingency

#### Revision of the Risk Control Manual

Asahi Glass classified the risks (contingencies) that it might face in its corporate activities into the following four types: (1) terrorism and riots; (2) serious damage caused by earthquakes; (3) serious damage caused by fires, explosions, etc.; and (4) risks associated with other contingencies. Based on this classification, Asahi Glass formulated the Risk Control Manual, and it has been using this manual since 2001. In a regular review of the manual in fiscal 2004, however, it was revealed that some of the rules on emergency communications and information analysis were unclear, and the manual was appropriately revised in January 2005.

#### Fire Prevention Measures

The AGC Group has been implementing industrial safety & security audits and hearings focused on fire prevention. In fiscal 2005, the scope of these activities was expanded to include not only Asahi Glass, but also domestic affiliates.

For fiscal 2006, a questionnaire survey is planned to be conducted on the industrial safety & security measures taken in the AGC Group, including overseas affiliates, and to use the survey results to analyze the strong and weak points of the measures. In fiscal 2005, Asahi Glass notified public fire fighting departments of the outbreak of eight fires in total (five at the Aichi Plant, and one each at the Kansai, Chiba, and Kashima Plants).

Fortunately, these fires did not cause any serious damage because they were immediately extinguished by the use of fire extinguishers, but they constituted a nuisance to related people. Asahi Glass has a rule to notify a public fire fighting department of even a small fire if a fire extinguisher was used to fight it.

#### Storage of Insulation Oil

In December 2005, Asahi Glass transferred insulation oil containing PCB from the former Funabashi Plant to the Takasago Plant. The transfer was conducted in compliance with the Law concerning Special Measures against PCB Waste, but Asahi Glass received an order for improvement from Takasago City's fire headquarters because the oil was stored at the Takasago Plant without providing a notification as provided for in the Fire Defense Law and because the storage did not meet the criteria provided by the said law. Asahi Glass immediately responded to the order and conducted a survey to check the storage status of insulation oil at all its plants and affiliates in Japan and implemented necessary preventive measures. We sincerely regret that this incident has caused tremendous trouble to all related individuals.

### How To Encouraging Employees to Make Them More Aware of the Importance of Industrial Safety & Security

#### Industrial Safety & Security Seminar

Asahi Glass holds an industrial safety & security seminar once a year for its own industrial safety & security staff as well as for their counterparts in its affiliates. The seminars generally use actual accidents as examples to teach participants how to identify causes, what to do immediately after the accident, and what preventive actions to take, thereby providing them with an opportunity to share relevant information and measures.

#### Major Challenges

- To make all AGC Group employees more aware of the importance of industrial safety & security and improve their disaster prevention activities.
- To analyze the results of risk surveys and give In-house Companies/SBUs feedback on the analysis
- To review the manual and system for immediate measures to be taken in emergency cases and to provide training.

☞ Please refer to page 19 for the details of the fiscal 2006 plan.

# Diversity

We will respect individuals with different cultures, capabilities and personalities, and our global management will operate without regard to nationality, gender or background.

## Employee Satisfaction (ES): Employee Job Satisfaction and Pride in Accomplishment

The AGC Group views employee satisfaction (ES) as a source to increase its corporate value, and implements a wide spectrum of measures to enable each employee to work with satisfaction and pride.

**We identified the major CSR requirements based on multiple sets of external standards (see p.5) and checked them against our “Look Beyond” vision. As CSR in relation to the “diversity” set out in the vision, we are prepared to meet the following social requirements.**

Human resources management, measures to improve employee satisfaction, respect of human rights, and elimination of discrimination and harassment

Icons used  : Goals  : Measures  : Details

# Employee Satisfaction (ES): Employee Job Satisfaction and Pride in Accomplishment

The AGC Group views employee satisfaction (ES) as a source to increase its corporate value, and implements a wide spectrum of measures to enable each employee to work with satisfaction and pride.

## GOAL Enabling Employees to Have More Satisfaction and Pride in Their Work

The AGC Group relies on the capabilities of its employees as a source to increase its corporate value. We can improve our corporate value by providing valuable products and services that satisfy customers, as a consequence of each employee's working with satisfaction and pride in their daily operations. The AGC Group therefore promotes the improvement of its work environment for employees as the driving force to maximize its corporate value. To this end, the Group aims to develop the capabilities of all its employees while encouraging them to have mutual respect based on the value of diversity, which is one of the four values set out in its "Look Beyond" vision.

### The AGC Group "7 Key Principles for People"

AGC group wishes to pursue these principles as the foundation of our "7 Key Principles for People" to maximize our performance as a truly global corporation.

#### "Look Beyond"

AGC group requires all employees to commit to our Shared Values of "Look Beyond"—Our four Shared Values: Innovation & Operational Excellence, Diversity, Environment, and Integrity

#### Diversity for Organizational Competitiveness

AGC group builds teams of diverse people who support our four Shared Values of "Look Beyond" and have the abilities to contribute to organizational competitiveness.

#### Development and Growth

AGC group encourages employees to grow and provides them with opportunities for self development.

#### Job Satisfaction and Pride

AGC group encourages employees to achieve their goals so that they feel a sense of pride and satisfaction in their work.

#### Work Environment and Conditions

AGC group provides a safe and healthy work environment.

#### Open Communication

AGC group emphasizes open communication in the workplace to create a better organizational climate.

#### Evaluation, Recognition and Rewarding Performance

AGC group evaluates and recognizes employees who contribute to the organization and rewards their contributions.

## POINT Providing an Environment Where Employees Can Work with Satisfaction and Pride

The AGC Group is aiming to become a corporate group in which each employee can overcome any difficulties to joyfully achieve their objectives based on their will and skills. To this end, we are establishing necessary personnel systems, trying to appropriately evaluate employees based on their progress in achieving their objectives, and strengthening measures to develop next-generation leaders.

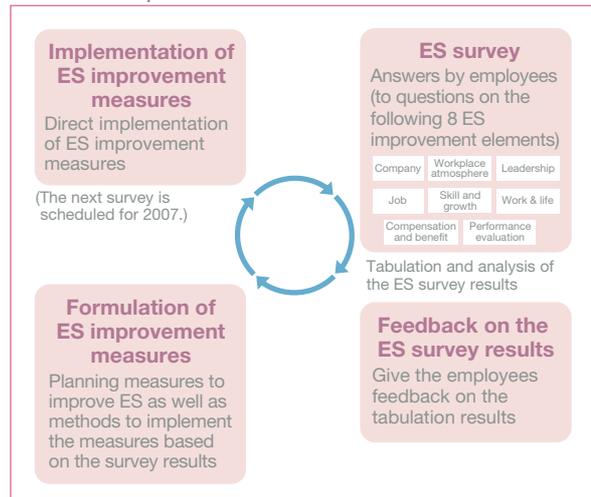
### Human Resources Management

The AGC Group started the activities to improve employee satisfaction (ES) in fiscal 2005. In June 2005, it formulated "7 Key Principles for People" to show its direction in the human resources management.

### First ES Survey

In order to understand what the Group has to do to implement and maintain the seven key principles, the ES survey was conducted for the first time in fiscal 2005. This first survey, targeting approximately 15,000 employees among approximately 57,000 employees in the Group, was conducted as a part of activities for the management to communicate with employees. Because the targeted employees were distributed all over the world, the questionnaire form was prepared in 13 different languages. The survey was conducted both online and offline and a help desk was established in each country to respond to inquiries from respondents.

### Flow of ES Improvement Activities



### Post-Survey Action including the Verification of the ES Survey Results

We conducted the ES survey with the aim of solving ES-related problems through dialogue with employees. To this end, we commit ourselves to the following three activities in relation to ES surveys.

- (1) To give the employees feedback on the survey results without fail
- (2) To plan measures to improve ES based on the survey results
- (3) To implement the planned ES improvement measures

We will conduct these activities in a manner that is optimal for each of our in-house organizations. And as for common issues with in the Group, we will also examine and implement Group-wide ES improvement measures.

The results of these ES improvement activities will be verified in the next ES survey scheduled for 2007, while executing a PDCA cycle in ES improvement activities.

### Global Human Resources Management

The AGC Group is promoting global human resources management as one of the key issues for fully establishing and spurring the evolution of globally integrated management in the AGC Group.

Specifically, we are holding “Dynamic Leadership Session” for middle-class managers as a means to develop them into global leaders. Also, in order to strengthen the management capability of local staff at our subsidiaries in Asia, we have established “AGC University.”

Based on the global infrastructure of human resources developed through these measures, we will optimize the allocation and use of employees throughout the entire Group.

### AGC Group CEO Awards

The AGC Group, in order to improve the job satisfaction and pride of its employees and to create an even better corporate culture to encourage them to respect and applaud their mutual efforts and achievements, will newly launch the AGC Group CEO Awards program. This new commendation system targets all AGC Group employees. By sharing information on excellent activities and achievements across the Group through this commendation system, we aim to boost employee motivation. The commendation system will start in 2007, for which the activities conducted in fiscal 2006 will be considered.

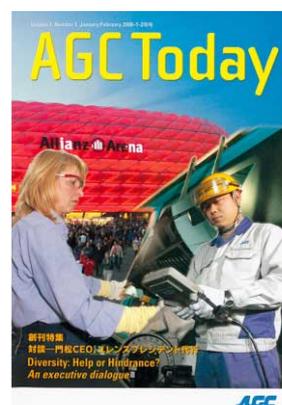
In addition, we are establishing local employee commendation systems as well.

### AGC Group CEO Awards

Name of award	Target activities	Target nominee	
“Look Beyond” Award	Excellent activities that realize our four shared values set out in the Group’s “Look Beyond” vision Excellent organizational measures to implement the “Look Beyond” vision	The entire AGC Group	Individuals, teams, and organizations
CS Award	Excellent initiatives and achievements that contribute to enhancing customer satisfaction		

### AGC Today

We published in January 2006 our group’s in-house magazine *AGC Today*. *AGC Today* communicates present situations among the Group so that all employees can share the Group’s values and measures. This magazine is published every two months and is written in both Japanese and English. The magazine is created and edited focusing on “diversity.” It visually introduces the AGC Group’s employees working in various locations in the world to help employees deepen their mutual understanding.



## Employee Satisfaction (ES): Employee Job Satisfaction and Pride in Accomplishment

### Asahi Glass Human Resources Management (HRM) System

Asahi Glass is pursuing a corporate culture in which employees having different characteristics can fully display their abilities with satisfaction and pride. In order to achieve this under its HRM system, the company makes it a rule to clarify employees' roles, functions, and responsibilities; to utilize capable employees regardless of their ages, length of service, and gender and evaluate them fairly. For managers, we introduced in 2005 a job grading system focusing on their functional roles and responsibilities. This system is designed to strengthen the Group's competitiveness by tying the HRM system in with its businesses and organizations. For non-managers, we launched independent three different career courses in 2003, applying HRM system consisting of compensation and evaluation systems to each of the courses based on their features.

With the establishment of these HRM systems, the number of female managers has been increasing. As of December 2005, there are 48 female managers in Asahi Glass (2.9% of the total number of managers), six more than in the previous fiscal year.

Employee Data (as of December 31, 2005, excluding employees temporarily transferred to other group companies)

Classification	Men	Women	Total
Managers	1603	48	1651
Non-managers	E Course*1	66	621
	S Course*2	27	3209
	C Course*3	353	359
	Subtotal	446	4189
Total	5346	494	5840

Average age: 42.1 yrs (43.5 yrs for men; 35.1 yrs for women)

Average length of service: 20 yrs and 5 months (21 yrs for men; 13 years and 5 months for women)

\*1. Expert Course: taken by employees who will promote business strategies and implement enhancement measures for their departments as key persons

\*2. Skill Course: taken by employees who will contribute to smooth productive activities by acquiring, improving, and handing down productive techniques and skills

\*3. Clerk Course: taken by employees who will execute for business operation accurately and quickly

### Sound Work Environment in Asahi Glass

#### • Work Environment Suitable for Various Human Resources

Asahi Glass is improving its work conditions to make it even better so that employees can work with ease of mind at any stages of their lives and fully display their abilities. They can take a childcare leave even if their spouse is not working and can basically return to their former workplaces. This is progressive working conditions in Japan. Following the

enforcement of the Law for Measures to Support the Development of the Next Generation in April 2005, we drew up our action plan to support employees in working and raising their children and have since been implementing measures to achieve the goal. Also, employees can take a family care leave for up to one year per family member who needs to be cared for, and up to twice for the same family member, as required. In addition, we have introduced a flexible working hours without setting a "core working hours," thereby meeting various needs of employees. We are also encouraging employees to take annual paid holidays, and in fiscal 2005, the percentage of holidays used came to approximately 91% (average for non-managers).

#### Employees Taking Childcare/Family Care Leaves

FY	No. of employees who took childcare leave	No. of employees who took family care leave
2001	28	1
2002	35*4	1
2003	28	0
2004	35	0
2005	21	0

\*4. Of which one employee was a male.

#### • Labor-Management Relations

In Asahi Glass, the Asahi Glass Labor Union is organized and the labor union negotiates with the management on working and other conditions for its members. In these negotiations, both the labor and the management sides take a logical and reasonable attitude to solve problems through discussion.

Also, the labor union management and directors of the company have a standing council for open communication on the entire business management.

#### • Employment of Retirees

Asahi Glass traditionally reemploys those who have retired from the company at the retirement age of 60 if they are necessary for the company because of their advanced skills and expertise in consideration of employees. In the future, it is expected that social needs for the employment of retirees will increase, and that a lot of employees, i.e., those who are baby boomers, will retire at the same time. Accordingly, the labor and the management sides will jointly examine the desirable methods of employment for people aged 60 or older and implement necessary measures. Based on the Law concerning Stabilization of Employment of Older Persons revision dated April 2006, we have concluded the labor-management agreement to introduce for non-managers a system to continuously employ those who meet the personnel criteria for employment after the retirement age.

● **Protection of Human Rights and Prevention of Sexual Harassment**

Asahi Glass has a special section for human rights protection to handle human rights issues for the entire AGC Group, and it promotes the establishment of sound and fair work environments that are free of discrimination. Respect for human rights and the prohibition of discrimination are explicitly stated in the Asahi Glass Code of Conduct and Asahi Glass employee regulations. These principles are also shared by all employees through periodic training programs. Reported cases, such as those about sexual harassment, are treated through the retraining of transgressors combined with an emphasis on reforming the consciousness of the workplace.

● **Career Development Support**

Asahi Glass has in place the “Challenging Career System,” a flexible in-house career change scheme, to help employees make the most of what they have and carry out their activities with full satisfaction.

The system is a two-part scheme, an in-house voluntary recruitment system and an in-house “free agent” system. The scheme helps employees take the job that makes the best use of their skills of their own volition, thereby allowing the right people to be assigned to new businesses or focal businesses for greater organizational vitality. The “Professional System” and the “Meister System” are also available to utilize and fairly evaluate the capability of highly specialized employees.

● **Employee Benefits**

The policies guiding our benefits packages are:

- (1) Enrich individuals through self-selection and personal responsibility
- (2) Maintain fairness among people and address their changing needs.

In order to meet individual needs based on these policies, we have operated a selective benefits package system (cafeteria plan) called “My Story” since 2002.

Topics ● ● ●

**Human Resources Development (HRD) System**

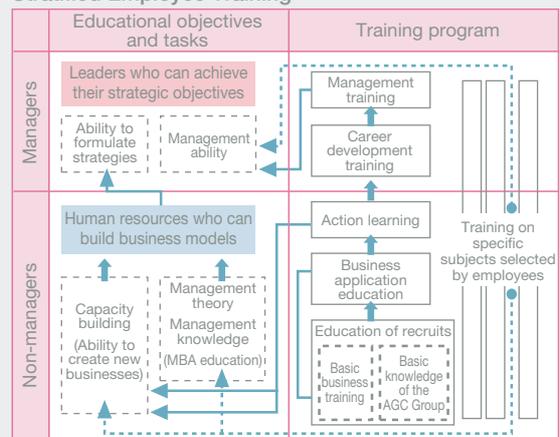
For the AGC Group to promote its in-house company system and global management system, it needs to have diverse human resources, including those who play a core role in the global management; those strengthening and handing down technologies and skills; and those engaging in the launch of new businesses. To develop these human resources, the Group has to share and implement measures toward the same direction. Accordingly, Asahi Glass started a new HRD system, which also targets its consolidated subsidiaries in Japan, in 2006.

**Key Points for the New HRD System**

In view of the managerial tasks we are facing and our management policies, we are attributing importance to the following four items as priority issues in capacity building: (1) development of human resources having managerial capabilities; (2) development of employees having technologies and skills; (3) development of specialists; and (4) stratified employee training. Also, as a new trial, we have introduced a system to provide employees with training on a specific subject of their selection in order to educate each employee in a planned manner according to their degree of development. We will use this system in combination with on-the-job training (OJT\*5) and various other training seminars to help employees along their career path.

\*5. On-the-job training (OJT): Training conducted in the workplace so that employees can acquire knowledge and expertise needed for their jobs

**Stratified Employee Training**



**Asahi Glass Sunsmile, Inc.**

In January 2002, Asahi Glass established Asahi Glass Sunsmile, Inc. as its subsidiary to promote normalization for people with disabilities from the viewpoint of “diversity,” one of the four values set out in the Asahi Glass Group’s “Look Beyond” vision. This subsidiary was approved as a special subsidiary of Asahi Glass by the Ministry of Health, Labour and Welfare in July 2002.

Asahi Glass Sunsmile started its business by cleaning its parent’s company Asahi Glass’s dormitories for unmarried employees, and gradually expanded its business operations into cleaning the gymnasiums of Asahi Glass’s business sites, weeding its parking lots, and cleaning its plants and research institutes. At the time the company started its operations, it had five mentally disabled employees, and the number of employees increased to 11 by the end of December 2005.

Our employment rate of people with disabilities was 1.5% in fiscal 2005, which was below the rate designated by law (1.8%). We will therefore make further efforts to raise this rate at Asahi Glass and provide mentally disabled people with more opportunities to work.

## Evaluation by Society

Mass media and various research agencies conduct surveys on the fulfillment of CSR by companies, and the results indicate how these companies are evaluated by society. These results do not always reflect the true nature of the evaluated companies. It is, however, important for the AGC Group to make sincere responses to such results, regarding them as an indicator of how society at large evaluates the Group, if the Group wants to win more trust from its stakeholders, to be recognized by society, and to achieve sustainable development.

### There are various CSR surveys, aren't there?

We were ranked No. 47 in Japan and No. 202 in the world in the fiscal 2005 survey conducted by *Newsweek*, a global news magazine, on the performance of the world's top 500 companies. This magazine chose the world's top 1,000 companies in terms of sales in fiscal 2003, ranked them based on their financial and CSR performance, and announced the top 500 companies from among them. Of the 500 companies, 110 were Japanese, most of which were manufacturers. There are several tens of surveys similar to the one conducted by *Newsweek*, including the survey on environmental management conducted by Nihon Keizai Shimbun, Inc. and surveys on SRI (detailed later).

### How can third parties evaluate a company through surveys?

It is true that CSR surveys are sometimes one-sided and do not always represent the true performance of a company. It is, however, also true that many people evaluate companies based on the survey results announced by mass media, etc. These results may also be used as investment criteria, and we therefore need to sincerely accept these results. What is more important, however, is to understand our own strong and weak points and make improvements based on the results. Companies can strengthen themselves through these efforts. We are committed to becoming an even more reliable company by sincerely responding to the social evaluations made through these CSR surveys.

### What items are investigated in CSR surveys?

It is noteworthy that *Newsweek* attributed importance to CSR in its survey. Traditionally, financial performance, including sales and market values of listed shares, were the important evaluation items for companies. Companies, however, are no longer evaluated only by their profitability. To be highly evaluated, they need to form good relations with all their stakeholders and conduct sincere activities on a continuous basis.

### What does the investment criteria mentioned above specifically mean?

Investors generally invested in companies based on their financial performance, but at present, an investment approach that evaluates and selects investee companies according to their fulfillment of corporate social responsibility (business activities giving consideration to ethics, society, the environment, and safety) is attracting more attention in Japan as well as in Europe and the United States. This investment style is called "socially responsible investment" (SRI).

Companies are evaluated based on SRI indices comprised of evaluation items on social responsibility, and are included in SRI funds. The shares of Asahi Glass are included in some SRI funds based on these SRI indices.

### Do the survey results alone determine the values of companies?

Survey results are one of the indicators on corporate performance, and they alone will not determine the values of companies. Corporate activities cannot be evaluated based only on numerical data. We believe that it is important to check non-numerical data on our performance through communication with stakeholders. We can develop ourselves into a truly valuable company by responding to the needs of stakeholders and regularly reviewing our activities in daily operations.

Major SRI indices in which shares of Asahi Glass are included



**FTSE4Good**

FTSE4Good  
This index is created by FTSE International, a joint venture between the Financial Times Ltd. and the London Stock Exchange plc.



Dow Jones Sustainability Indexes  
This index is created jointly by the Dow Jones & Company, Inc. and SAM Research AG, an SRI survey and rating company based in Switzerland.

# Ranked No. 47 in Japan and No. 202 in the world?

Survey results of the June 15, 2005 issue of *Newsweek*

## How are employees involved in the evaluation of a company?

Employees are involved in a company evaluation in two aspects.

First, as individuals, employees themselves are evaluated for their job abilities, compliance with laws, and integrity, including desirable behaviors as members of society.

Second, the relations between a company and its employees are evaluated. Companies need to provide their employees with a safe and fair work environment and respect by giving them equal opportunities, respecting their diversity, and giving consideration to their human rights. Society is paying attention to how considerate companies are to their employees.

## How should employees act to be highly evaluated by society?

The AGC Group has its “Look Beyond” vision. Employees are expected to steadily implement the following four items based on “Our Shared Values” of Innovation & Operational Excellence; Diversity; Environment; and Integrity, as set out in our vision, which will directly lead to forming trust relations with society.

## What activities are specifically required?

The AGC Group has the following priority issues:

- Customer satisfaction (CS)
- Employee satisfaction (ES)
- Environment (global and social environments)
- Compliance (legal compliance and corporate ethics)

In implementing measures for promoting the four items, employees are required to use a PDCA cycle on various self-set themes which will increase the corporate value of the AGC Group.

## In conclusion, the fulfillment of CSR means to (1) continue our daily activities and (2) make improvements by proactively responding to social evaluations, doesn't it?

We have been executing PDCA cycles in various fields in our daily operations. We can fulfill our CSR by taking the same approach. That is, by steadily executing a PDCA cycle in pursuit of achieving our “Look Beyond” vision, we can take a path toward becoming an even more reliable company.

## First Stakeholders Dialogue

Asahi Glass held its first stakeholders dialogue in March 2006 in order to listen to external opinions and comments on the Group's CSR activities and to effectively conduct these activities in line with requests from society. The stakeholders dialogue is intended to let people in different positions with different ideas exchange opinions based on the common recognition of problems and to deepen their mutual understanding. The first dialogue was held focusing on "Environment," one of the priority issues for the Asahi Glass CSR activities, with knowledgeable people from outside the company invited. From Asahi Glass, the CTO and a total of six technical managers from the Flat Glass Company, the Display Company, and the Chemicals Company attended the meeting to discuss the topic from multifarious angles. Asahi Glass will continue to talk directly with its stakeholders on important CSR issues in the form of stakeholders dialogues.



Date & Time: 3:00 to 5:30 p.m., Wednesday, March 1, 2006

Place: Head office of Asahi Glass Co., Ltd.

Details:

1. Introduction of the AGC Group's basic environmental policies, characteristics of its environmental activities, and specific examples of such activities
2. Discussion
3. Comments from participants and recapitulation

Guest participants:

Ms. Yurika Ayukawa,

Climate Change Policy Senior Officer, WWF Japan

Professor Yoshinao Kozuma,

Faculty of Economics, Sophia University

Mr. Kiyotaka Nakanishi,

Senior Editorial Staff, *Nikkei Ecology*, Nikkei Business

Publications, Inc and Senior Manager, EcoManagement Forum

Mr. Ken Morishita,

Representative, Eco-Management Institute Co., Ltd.

These participants' comments are based on *Asahi Glass CSR Report 2005*, the *AGC Group CSR Book*, and a corporate brochure distributed to them prior to the meeting. They were not taken on our plant tour.

Participants from the AGC Group:

Akira Toyama, Director, Senior Executive Officer, and CTO

Naoki Arai (Flat Glass Company), Hiroyuki Ishikawa (Display

Company), Kazuhiko Saito (Chemicals Company), and Toshihiko

Kato and Norihito Igarashi (Environment & Social Responsibility)

## Points of the AGC Group's Environmental Activities

1. The Group consumes a vast amount of resources and energy, which is a distinguishing feature of a company operating in the materials industry.
2. The Group manages its environmental activities based on its Integrated Environmental Management System.
3. For the reduction in environmental impact and prevention of pollution, the Group takes measures to reduce the emission of greenhouse gases, conduct zero-emission activities, and properly control the use of chemical substances.
4. For substances with environmental impacts, the Group emits a larger amount of SO<sub>x</sub>, NO<sub>x</sub>, and dust into the air compared with the amount it emits into water or with emission from the use of energy. In particular, it emits a large amount of NO<sub>x</sub> because this substance is contained in the materials used for manufacturing glass, and because the deployment of technologies to remove NO<sub>x</sub> from gas emissions associated with the glass melting process is delayed due to the nature of this capital intensive industry.
5. As part of its positive environmental activities, the Group is examining measures to comply with the Kyoto Protocol, to utilize environmental accounting, to define the AGC Group's environment-conscious products, and to promote CSR based procurement.

In addition, the AGC Group's other environmental measures, including the use of glass containing no toxic substances for liquid-crystal displays and reduction in emissions of fluorocarbons and fluorine resin waste, were explained to the guest participants.

## Discussion

### —Medium- and long-term targets should be set for the reduction of greenhouse gases (GHG)

**Ms. Ayukawa:** In *Asahi Glass CSR Report 2005*, CO<sub>2</sub> emissions were reported on a sales basis. In this reporting approach, even if the AGC Group reduces its CO<sub>2</sub> emissions, the unit emission will increase if the sales decline. In preventive measures against global warming, it is important to identify the total emission of CO<sub>2</sub>, and I



hope that the AGC Group will also show its total CO<sub>2</sub> emission instead of its unit CO<sub>2</sub> emission. Also, medium- and long-term reduction targets should be set for GHGs as a whole (CO<sub>2</sub>, methane, N<sub>2</sub>O, HFC, SF<sub>6</sub>, and PFC), not only for CO<sub>2</sub>.

**Mr. Kato:** Because we are operating various businesses, we set out our CO<sub>2</sub> emission reduction targets for the entire group on a sales basis. Each business department sets its emission standards in view of its business characteristics and shows specific emission targets in their annual plans. The CO<sub>2</sub> emissions of the entire group are shown on a sales basis for convenience reasons.

**Mr. Saito:** For example, the Chemicals Company has a CO<sub>2</sub> emission target on a production basis. For GHGs other than CO<sub>2</sub>, Asahi Glass generates fluorocarbons, HFC and SF<sub>6</sub>. For these gases, we are reviewing the manufacturing process to reduce their emissions into air and to prevent them from leaking, and we disclose information on the emission reductions in our CSR report and through other media.

**Professor Kozuma:** As shown in *Asahi Glass CSR Report 2005*, the Asahi Glass achieved a 94% reduction from 1995 in the emission of fluorocarbons. This fact should be more highlighted.

**Ms. Ayukawa:** What effects were brought about by the introduction of the new technology called “total oxygen combustion system”?

**Mr. Arai:** At present, we are using fuel oil to melt glass materials at high temperature. In this process, approximately 4/5 of the oil is actually heating the nitrogen in air. The total oxygen combustion system supplies only oxygen, instead of air containing much nitrogen that is not necessary for combustion, into a glass melting furnace. This reduces the use of energy by the amount used in heating nitrogen. Also, the combustion gas contains almost no nitrogen, which leads to a considerable reduction in the emission of NO<sub>x</sub>. The total oxygen combustion system, however, requires energy to produce oxygen, and we must develop technologies to cover the increased cost.



#### —A CSR report should be utilized as a communication tool.



**Mr. Nakanishi:** A CSR report should first of all be read by employees and should be an interactive communication tool between the management and readers of the report, including employees. The feedback is essential.

**Mr. Kato:** We published *AGC Group CSR Book* for employees in 2005. This book summarizes the commitment to CSR by

the management and what the top managers expect from employees. Also, in making *Asahi Glass CSR Report 2006*, we regarded our employees as one of the major reader groups.

**Professor Kozuma:** It is necessary for a company to have policies and systems to seek opinions from its stakeholders and give feedback on the collected opinions to employees. Recent CSR reports are evaluated by society based not only on the information that it communicates, but also on the information collection and preparation approaches. Proper policies and systems are required as preconditions for interactive communications.

#### —The AGC Group should communicate messages more widely and actively

**Mr. Nakanishi:** The non-alkali glass, which you have introduced to us and which has been manufactured for more than 10 years, contains no toxic substances. Unfortunately, end users are not aware of this fact. The AGC Group should promote PR activities to make people more aware of its manufacturing of double-glazed glass, which is more energy-saving than single-glazed glass, and of its contribution to the prevention of global warming, crimes, and disasters through its Glass Power campaign. The principal objective of PR activities is sales promotion, but these activities also serve to bring important issues to the attention of society and consumers. Our effort to help consumers choose products based on their environmental and social significance will eventually contribute to society.

**Mr. Ishikawa:** The AGC Group is engaged in BtoB business as a materials manufacturer, and it may be difficult for the Group to communicate directly with end users. We still need to improve our PR activities aimed at our customers.

**Mr. Toyama:** Our outside directors strongly point out the importance of utilizing our group’s technological advantages strategically in business.

**Professor Kozuma:** Why don’t you make an advertisement to the public? More consumers will use your products if they understand that they are environmentally friendly.

**Mr. Morishita:** The AGC Group can highlight their achievements in reducing environmental impacts of their products in relation to their entire business activities, not just treating them as individual topics. Also, the Group may need to have a long-term view. For example, they should plan how to treat end-of-life glass after 30 years from now. The Group has a lot of excellent environmental measures, but has not been able to fully utilize them, I think.



\* \* \*

#### We will improve our CSR activities based on the comments and ideas from the guest participants.



**Mr. Toyama:** Thank you for giving your comments and ideas today, including the proposals on the establishment of medium- and long-term objectives, on the development of systems to incorporate the opinions of stakeholders into our environmental and CSR activities, and on the dispatch of corporate information to the public in an easy-to-understand manner as an important corporate activity. We will improve our environmental and CSR activities by building on your comments and proposals.

### Importance of Utilizing the Unique Features of Hardcopy and Web-Based Media

In light of the spread of IT, the increase of corporate information that needs to be disclosed, and the need of environmental consideration for paper resources, it is natural for Asahi Glass to increase the use of its website as a means to present information on its CSR activities. It is, however, important to disclose information via appropriate media, understanding the unique features of the different media formats. Asahi Glass tries to disclose information in a timely and appropriate manner by publishing its CSR report in two different formats, a hardcopy version and a web-based version, which readers will appreciate. It should, however, make more efforts to capitalize on the respective features of these two different media and verify the propriety of decreasing the number of pages of the 2006 hardcopy report by 20 pages compared with that of the previous report.

### Clear Guidance for Employees

Some define CSR as the practice of corporate philosophy and values. *Asahi Glass CSR Report 2006* is structured around "Our Shared Values" and all of its pages are written in an easy-to-understand manner. In each section of the report introducing AGC Group CSR activities, these activities are explained under the subheadings of "Goal," "Measures," and "Details," and future tasks are stated under the subheading of "Major Challenges" at the end of the section. As such, the report serves as clear guidance or a good educational tool for employees.

It states at the top of the report that the AGC Group aims to become a "highly profitable, fast-growing, and excellent global enterprise that is trusted by society." "Our Objectives," however, only refer to its economic goals (high profitability and high growth). In line with global CSR trends, companies are required to incorporate their environmental and social targets in their management objectives. Accordingly, Asahi Glass should add its CSR objectives to their management objectives.

### Stronger Commitment to Compliance by Top Management

Asahi Glass voluntarily discloses even negative information in accordance with its information disclosure policies, trying to ensure the integrity and transparency of all the information that it discloses. For compliance, however, the top management should more clearly show stronger commitment. Employees' written pledges will become valid only when the management itself is emphatically committed to compliance. In addition, we strongly expect Asahi Glass to report the effectiveness of the measures that it has implemented to prevent the recurrence of compliance-related problems, including such measures as the enhancement of the compliance system, establishment of compliance guidelines and foundation of a compliance committee, in its future annual CSR reports.

### Stakeholder Engagement through Further Information Disclosure

Stakeholders are increasingly demanding more information disclosure. In the report, we have found a lack of information that should have been provided, which we list below. We expect Asahi Glass to capitalize on the easy-to-update feature of the website to make timely disclosure of appropriate information in the future.

First, although the report introduces various measures taken by the AGC Group, it does not clearly describe the details and results of these measures in some cases. For example, regarding customer satisfaction surveys, asbestos-related health checks, ES surveys, and mental health promoting measures, the details and results should have been provided in the report. Disclosing these results would, we believe, pave the way for greater stakeholder engagement.

Second, for environmental impacts, quantitative targets should have been set and the results should have been evaluated according to objective criteria. For global warming prevention activities, in particular, these targets and criteria must be shown in the summary table.

Third, for the work environment, there is a general tendency that the amount of information to be disclosed is increasing, and for Asahi Glass to become an "excellent global enterprise that is trusted by society," it should continue to disclose sufficient information on domestic employment as well as on employment overseas, where 76% of its employees are working.

We have written this opinion paper on the final hardcopy draft of *Asahi Glass CSR Report 2006* and on the planned framework of its web-based version after exchanging opinions at two meetings.



\*1. The Valdez Society

The Valdez Society is a Japanese NGO established in 1991 with the three aims of promoting corporate environmental management, socially responsible investment, and eco-conscious consumerism. It provides companies with contract research and consulting services on topics related to environmental and social responsibilities. It is the only Japanese member of CERES (Coalition for Environmentally Responsible Economies), the originator of the Global Reporting Initiative (GRI).

### In Response to the Third-Party Opinion

- We have edited *Asahi Glass CSR Report 2006* (hardcopy) with the firm intention of giving intelligible descriptions of our important CSR tasks and of how "Our Shared Values," the core of our "Look Beyond" vision, are incorporated in our actual CSR activities. In the editing process, we carefully selected the information to be included in the hardcopy version, and as a result, there are 20 fewer pages comprising the 2006 report than the previous report. We will publish the information that is not included in the hardcopy version on our website, however, and make its contents even more substantial. Regarding the utilization of different media based on their unique features, we will seek opinions from our stakeholders and will incorporate their feedback in our next annual CSR report.
- "Our Objectives" is one of the elements that constitute our group's "Look Beyond" vision. By pursuing the attainment of this vision in our corporate activities, we are at the same time fulfilling our CSR. "Our Objectives" represent our economic objectives that we need to achieve to ensure sustainable corporate activities as a going concern.
- The CSR Committee headed by the President & CEO will continue to discuss priority CSR issues including compliance and environmental issues, and will disclose the results to the general public. For the comments given in the Third-Party Opinion, we will examine and respond to them, and disclose the specific details and results in a timely and appropriate manner on our website as well as via other media. We also plan to disclose more information on our overseas affiliates, thereby expanding the scope of our reporting.

Gotaro Hatta, Executive Officer, GM of Environmental & Social Responsibility, Asahi Glass Co., Ltd.

**Company Profile** (as of the end of December 2005)

Name: Asahi Glass Co., Ltd.  
 Head Office: 1-12-1, Yurakucho, Chiyoda-ku, Tokyo 100-8405, Japan  
 Date of Establishment: September 8, 1907  
 Date of Incorporation: June 1, 1950  
 Paid-in Capital: ¥90,472 million  
 Stock Issued: 1,185,999,578 shares  
 Number of Employees: Unconsolidated: 5,840; Consolidated: 56,857  
 Number of consolidated subsidiaries: 245 (of which 179 are located overseas)

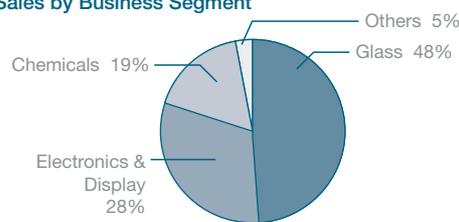
**Net Sales**



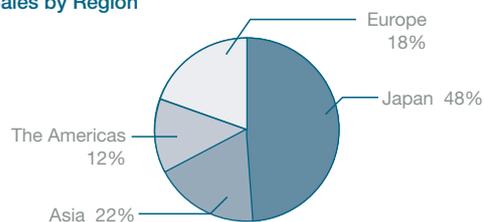
**Operating Income**



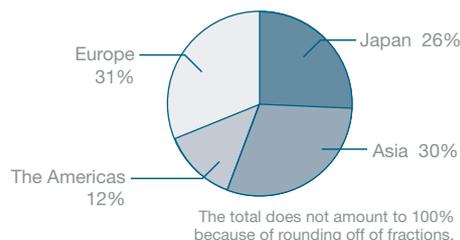
**Sales by Business Segment**



**Sales by Region**



**Distribution Ratio of Employees by Region**



Business Segment	Major Products		In-House Company or SBU
Glass	Flat glass	Float glass, double-glazing, figured glass, wired glass, heat reflective glass, heat absorbing glass, fabricated glass, mirrors	Flat Glass Company
	Automotive glass	Laminated glass, tempered glass	Automotive Glass Company
	Others	Glass fiber products Specialty glass (i.e. fluorescent light glass)	Asahi Fiber Glass (SBU) Asahi Techno Glass (SBU)
Electronics & Display	Display	CRT CRT glass	Display Company
		FPD TFT-LCD glass, PDP glass, TN/STN LCD glass	
	Electronic materials	Optoelectronics, frit and paste, semiconductor-related products Small- and medium-sized displays	Electronics & Energy (SBU), Semiconductor & Circuit (SBU), Asahi Techno Glass (electronics-related products) Optrex (SBU)
Chemicals	Fluorochemicals and specialty products	Fluorinated resins, gases and solvents, water and oil repellent agents, ion-exchange membrane, pharmaceuticals and bulks	Chemicals Company
	Chlor-alkalis, urethane, and others	Soda ash, caustic soda, caustic potassium, hydrochloric acid, vinyl chloride products, urethane	
	Iodine-related products and others		Ise Chemicals (SBU), Asahi Glass Matex
Others	Ceramic-related products and others		Asahi Glass Ceramics (SBU) and others

In April 2002, the AGC Group introduced the In-House Company system. An In-House Company is defined as business unit with net sales exceeding 200 billion yen and which conducts its business globally. At present, there are four In-House Companies: Flat Glass Company, Automotive Glass Company, Display Company, and Chemicals Company. Business units of a smaller size than this are defined as SBUs (Strategic Business Units). The Group presently has seven SBUs.

## ASAHI GLASS CO., LTD.

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

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