March 24, 2006

Asahi Glass to Acquire Matsushima Optical Component

Asahi Glass Co., Ltd.

Asahi Glass Co., Ltd. (Head Office: Tokyo; President: Masahiro Kadomatsu) has reached an agreement with Mitsui Matsushima Co., Ltd. to acquire all shares of Matsushima Optical Component Co., Ltd., a wholly-owned subsidiary of Mitsui Matsushima engaged in the manufacturing and sale of aspherical glass lenses. The Company has been focusing management resources on its Electronics and Energy Business in line with "*JIKKO-2007*", a medium-term management plan started from fiscal 2005. To further develop this business as a next-generation growth field, the Company decided to acquire this glass manufacturer. The Company will commercialize aspherical glass lenses (highly functional components) which have growing use in a broad range of applications, such as cellular phones, digital cameras and communications lenses. In addition, the Company expects demand for new applications, such as next-generation DVD players/recorders and automotive lenses, to increase in the future.

The market for glass lenses to be incorporated into cellular phones and digital cameras is expected to grow at about 20% annually in the future. As the digitization of society progresses, demand for higher-performance glass lenses will be expanded further. Glass lenses with an aspherical shape are particularly high value-added products, which have excellent light-bending characteristics that can be freely designed. They are expected to be applied in both existing and new fields such as next-generation DVD players/recorders and automotive lenses. The manufacture of these advanced lenses requires sophisticated technological capabilities, including precision press mold and measurement technologies.

The Company positions glass lenses as the field in which it can best leverage strengths, such as precision press mold technology that it has built up over its long development of unique glass compositions and CRT glass manufacturing technologies. To develop this business as in the context of the Company's Electronics and Energy fields, the Company has been forging ahead in developing technology and processes for production, and in preparing for mass production at its Research Center. In order to meet the challenge of competitors in the fast-growing glass lens market and improve profitability when entering the market, the Company believes that speedy expansion of production volume is critical. For this reason, it made the decision to acquire Matsushima Optical Component, which has the second largest production capacity in the aspherical glass lens processing industry. Through the acquisition, the Company will become able to rapidly respond to increases in demand, while also being able to provide an expanded lineup of specialized products to meet differentiated customer requirements.

In the future, to enable smooth development and achieve greater expansion after the transaction, the Company will establish a “Micro Glass Business Development Division” effective March 31, 2006, and enhance its systems related to development, manufacturing and sales while promoting business development proactively.

For further information, please contact Shinichi Kawakami, General Manager, Corporate Communications & Investor Relations.
(Person in charge: Yoshihiko Saito Phone: +81-3-3218-5509 Email: info-pr@agc.co.jp)

Reference:

1. Aspherical glass lenses

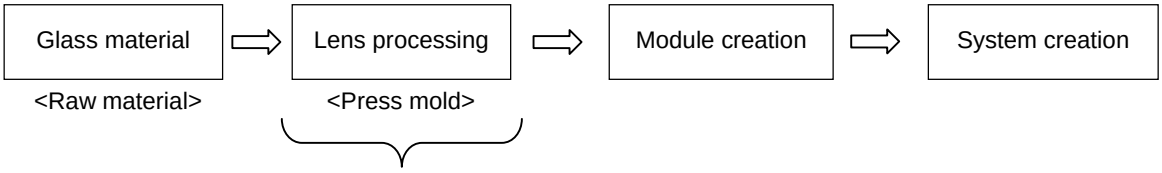
Aspherical lenses are generally made of glasses and transparent resins, and have rounded surfaces that are neither spherical nor flat. Their shapes may be defined by not only paraboloid, hyperboloid and ellipsoid surfaces, but also may be expressed by high-order polynomials for some types of aspherical lenses. The greatest feature of aspherical lenses is that they do not produce aberration, which is a defect of traditional spherical lenses. Therefore, aspherical lenses have the benefit of achieving with a single lens what would require two or three spherical lenses in combination, allowing optical products to be reduced in size, weight and cost.

Aspherical glass lenses are aspherical lenses that use glass as the optical material. They also allow superior features of glasses such as optical properties and weather resistance to be leveraged, allowing the manufacturers to significantly expand the range of product variations and applications.

However, the manufacturing of aspherical glass lenses requires a different process from that of spherical lenses, for while spherical lenses are mainly produced through polishing, the shapes of aspherical lenses are difficult to form solely through this method. Aspherical lenses are therefore produced not through polishing, but using glass mold technology, in which glass material (a preform) is placed in an aspherical mold, softened by heating and pressed.

Aberration: Aberration is produced by an influence of light passing through a course other than the center (the optical axis). For example, spherical aberration is caused when light rays passing through the center and the edge of the lens fail to coincide, creating images that appear to be out of focus. There are various kinds of aberration, including astigmatism, spherical aberration, curvature aberration, distortion aberration, coma aberration and color aberration.

2. Glass lens supply chain



Business area to be acquired by Asahi Glass

3. Overview of Matsushima Optical Component Co., Ltd.

(1) Location: 20-33 Naka 4-chome, Hakata-ku, Fukuoka City
(2) Representative: Shoichiro Yonezawa
(3) Capitalization: 100 million yen
(4) Ownership: 100% owned by Mitsui Matsushima Co., Ltd.
(5) Established: February 2006
(6) Employees: 99 (as of February 1, 2006)

4. Glass lenses manufactured by Asahi Glass