February 5, 2008

"*JIKKO-2010*," The New Medium-Term Management Plan

Asahi Glass Co., Ltd.

Asahi Glass Co., Ltd. (Head Office: Tokyo; President & CEO: Masahiro Kadomatsu) has executed its new growth strategy under "*JIKKO-2007*," a medium-term management plan for the three years from 2005, aimed at realizing the Group's vision *"Look Beyond"* under the management policy *"JIKKO"—Execution for Excellence*, which was introduced in April 2004.

This time, the Group has summarized "*JIKKO-2007*," which ended in fiscal year 2007, and developed "*JIKKO-2010*," a new medium-term management plan for the three years of fiscal year 2008 through fiscal year 2010.

1. Generalization of "*JIKKO-2007*"

Under "*JIKKO-2007*," the previous medium-term management plan, the Group put up a financial target of **"achieving an operating profit margin of more than 10% and continuing to maintain that level,"** while increasing the efficiency of assets to continuously improve shareholder value. Specifically, the Group carried out the following five majors initiatives: 1) active investment in the flat panel display (FPD) business, particularly in TFT glass substrates; 2) enhancement of earnings at the CRT business; 3) expansion of the Glass operations in fast growing market; 4) improvement of the business earnings in North America; and 5) commencement of full-scale business expansion in the Electronics and Energy operations, a next-generation growth business.

As a result, the Group has realized **"an operating profit margin of more than 10%"** in fiscal year 2007, the final year of "*JIKKO-2007*," thanks to the growth of the FPD business, expansion of the Glass operations in Europe and smooth growth of the Electronics and Energy operations, although the business earnings in North America did not improve.

Business results in fiscal year through December 2007

	Fiscal year through December 2004 (actual results)	Fiscal year through December 2007 (initial outlook)	Fiscal year through December **2007** **(actual results)**
Sales	1,475.7 billion yen	1,750.0 billion yen	1,681.2 billion yen
Operating profit	139.4 billion yen	180.0 billion yen	197.5 billion yen
Operating profit margin	9.4%	More than 10%	11.7%
D/E	0.64	0.4–0.5	0.52

Meanwhile, in "*JIKKO-2007*," the Group faced such new challenges as the launch of facilities and early stabilization of operations in addition to a delay in recouping investment, partly because the expansion of facilities went faster than we had initially planned. The FPD business has grown into a major mainstay as a result of our intensive allocation of management resources to that business. On the other hand, earnings of the Glass operations in Japan-Asia and North America and the Chemicals operations were below our earnings projections, and the Group needs to boost the profitability of operations other than FPD.

2. Summary of "*JIKKO-2010*," the New Medium-Term Management Plan

(1) Financial targets

In "*JIKKO-2010*," the new medium-term management plan, the Group will aim at "a return on equity (ROE) of more than 12% in 2010" in the near term, toward the achievement of its management target of "ROE of 15% or more as a global enterprise," and achieve "continuing to maintain its operating profit margin at the level of 2007 or higher."

(2) "Execution of growth strategy" and "pursuit of quality"

To achieve the financial target, the Group will continue to implement its growth strategy and strive to work on "pursuit of quality" in every aspect, when carrying out its strategy to boost competitiveness, taking into account the challenges under "*JIKKO-2007*." The growth strategy comprises active investment in growth fields, including the Display operations, and R&D focusing on the Electronics and Energy fields. Meanwhile, the Group will also endeavor to improve the growth potentials and profitability of the Glass operations and the Chemicals operations to build a proper business structure. With regard to the "pursuit of quality," the Company will do its utmost to reinforce its business base through the implementation of global technology strategies and R&D activities, in addition to implementing management in a way that focuses more on issues such as capital efficiency, improvement of management itself, and product quality, while fostering human resources.

The Group will increase its allocation of capital investment in the Glass operations to expand its facilities for glass for solar cells and expand our facilities in fast growing market (raising the composition ratio from 30% to 40%), while continuing to invest in facilities for TFT glass substrates. The amounts of capital spending by business segment on a cash flow basis are as follows:

Segment	Amount of capital investment (total of three years)
Glass	260.0 billion yen
Electronics and Display	290.0 billion yen
Chemicals	80.0 billion yen
Others	50.0 billion yen
Total	680.0 billion yen

The Group will appropriate 125.0 billion yen (total during the three-year period) for R&D activities, up 30% from "*JIKKO-2007*," with the emphasis on the Electronics and Energy business.

(3) Enhancement of return profit policy to shareholders

Based on its policy to maintain stable dividends, the Group is doing its utmost to proactively return profits to shareholders by aiming for a target dividend payout ratio of approximately 30%, while giving comprehensive consideration to consolidated business results and future investment plans, among others.

3. **Major Initiatives of "*JIKKO-2010*" by Business**

(1) Display business

In the Display business, since FPD market is expected to continue to grow by double digits, the Group will strive to maintain its profitability and expand earnings in the TFT LCD glass substrates and maintain earnings in the PDP glass substrates. Specific initiatives that the Group will take are as follows:

TFT LCD glass substrate

- By improving productivity, production capacity at the end of 2007 rose to 50 million m^2/year, up about 20% from the target output capacity of 42 million m^2/year, which was set at the end of 2005. We are planning to boost the annual output capacity to 60 million m^2/year by the end of 2008 by making new investment.
- Responding to the expansion of the glass substrate market, which is expected to continue to grow at an annual rate of 10% to 20%, through the aforementioned improvement of productivity of existing facilities and new investment.
- Continuing to hold fast to our position as the top company in the industry in the markets of glass for LTPS and OLED, where our products are highly valued.

PDP glass substrate

- Building a flexible production system in response to rapid market changes, taking into consideration the possibility of slowdown in market growth.
- Pushing forward with sales expansion and further improving productivity.

(2) Electronics and Energy operations

The Electronics and Energy operations grew smoothly under "*JIKKO-2007*." In "*JIKKO-2010*," the Group will aim to achieve an operating profit margin of 15% for 2010 by proceeding with selecting business resources and concentrating on growth businesses. Specific measures to that end are as follows:

- Pushing forward with the differentiation strategy by capitalizing on our strength in integrated production from raw materials, while implementing thorough benchmarking measures with regards to our competitors (relative comparison).
- Given short lifecycle of products, speeding up business operations by reducing time to mass production.
- Classifying the Group's operations into three categories: "fields in which earnings are pursued thoroughly," "fields that are regarded as seeds of future businesses" and "fields to be needed reviews for the next break," ascertaining a business portfolio and investing intensively in growth businesses.

(3) Glass business for solar cells

In the Glass business for solar cells, the Group will target sales of 60.0 billion yen for 2010 by proactively expanding business, since it expects the market of solar cells to grow sharply at an annual rate of 40% from now on. Specific initiatives are as follows:

- For cover glass, the Group will increase our production capacity according to the expansion of the market and press ahead with differentiating its products with high value-added products, including anti-reflective (AR) glass, (installing a cover glass furnace and AR coating line in Suzhou, China).
- For TCO glass, the Group will actively invest in coating facilities to substantially increase its market shares (from 10% in 2006 to 50% in 2013) (adding a TCO coating line at the Aichi Plant).
- Establishing a global system for development, manufacturing and sales in order to timely develop technologies and expand capacity.

(4) Flat Glass business in North America

The Group will take the following initiatives for the Flat Glass business in North America. If the Group fails to improve businesses with the below measures, it will further implement the "Shrink" strategy.

- Expanding sales of value-added products and the products that make the best use of the coating technology, including glass for solar cells, raw glass for automotive use and Low-E glass.
- Upgrading overall operations and reducing costs by improving the functions of logistics and promoting the plant automation program.

(5) Glass operations

For the Glass operations other than the Glass business for solar cells and the Flat Glass business in North America, the Group will implement the following initiatives.

Flat glass

- To expand business in fast growing market, continuing to study our advancement into regions where markets are forecast to expand, and enhance our production capacity there, in addition to starting mass production in the Czech Republic (early 2008) and Russia (early 2009).
- Reconstructing optimum production systems in Japan-Asia.

Automotive glass

- Starting mass production at the China No.2 plant (in Foshan) in the first quarter of 2008 (as part of the Group's efforts to expand business in fast growing markets).
- Improving profitability in Europe by completing the Build & Scrap policy.
- Continuing to reduce costs in all regions to further improve the profitability.

(6) Chemicals operations

The Group will take the following initiatives for the Chemicals operations:

- Developing high value-added products that contribute to reducing the burden on the environment at AGC in-house processes, in processing and use of AGC products and in society.
- Enhancing our marketing capabilities and creating markets

4. Technology Strategies of "*JIKKO-2010*"

In "*JIKKO-2010*," the Group puts up the following five technology strategies: 1) pursuing further differentiation based on material technologies; 2) improvement of quality & profitability by enhancement on production technology; 3) maintaining competitive advantages of new products in fruiting period, and cultivating new fruits for future growth; 4) aggressive environmental activities; and 5) execution of technology strategy and R&D on global basis. Under these strategies, the Group will push ahead with R&D activities by making the most of its core technologies such as glass materials & manufacturing technology, fluorine & chemical technology, optics & electronics related technology, coating technology, shared basic technology and equipment technology.

In R&D activities, the Group will create timely technologies, merchandise and businesses by investigating developments in the world, changes in macro trend and trends and developments in the customers' industries, verifying Technology Outlook, which decides the direction of the Group's technology strategies, and the technology & development road map every year, and making reviews as necessary.

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