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Asahi Glass announces Issuance of Stock Options (Stock Acquisition Rights)

Asahi Glass Co., Ltd. has announced the decision at the meeting of its Board of Directors on February 5, 2007 to propose an agenda to the 82nd Ordinary General Meeting of Shareholders to be held on March 29, 2007, to seek approval of the granting of stock acquisition rights on new stock (as stock options) in compliance with Articles 236, 238 and 239 of the Corporation Law of Japan.

1. Reasons for the issuance of stock acquisition rights

The stock acquisition rights are issued with privileged conditions to employees of the Company as well as board members of its affiliates and their employees, etc., to further enhance the motivation and willingness of those who are performing important management functions of the group companies, and consequently, to help enhance the Company's corporate value.

The stock acquisition rights are granted free of charge since they are issued as stock options. The acquisition price for the shares upon execution of the stock acquisition rights will be based on the market price of the Company's common stocks at the time of issuance of the stock acquisition rights.

2. Outline of the issuance of the stock acquisition rights

(1) Qualification as a beneficiary;

The beneficiaries shall be the employees of the Company and the board members and employees of its affiliates, etc., who are performing important management functions of such affiliates, as determined by a resolution of the Board of Directors meeting.

(2) Type and number of stocks to be acquired;

The upper limit of new common stock to be issued is 100,000 shares.

Each stock acquisition right entails the right to acquire 1,000 shares (hereafter, the "Number of Stocks Granted"). In case the Company conducts a stock split (including allocation of bonus issue of the Company's common stocks; hereafter the same shall apply to descriptions of stock splits) or a reverse stock split of the Company's common stocks after the date when the resolution was passed at the General Meeting of Shareholders

(hereafter, the “Date of the Resolution”), the number of stocks to be acquired by the stock acquisition rights is adjusted pursuant to the splitting or combining ratio.

In addition to the above, should there be any inevitable reasons for an adjustment to the Number of Stocks Granted after the Date of the Resolution, the Company may adjust it to the reasonable extent possible.

- (3) Maximum number of the stock acquisition rights to be issued;

Maximum of 100 options

- (4) Money to be paid in exchange for grant of a stock acquisition right;

No money is required to be paid.

- (5) Amount and calculation of assets to be contributed upon the exercise of the stock acquisition right;

The amount to be contributed upon the exercise of each stock acquisition right shall be the amount arrived at by multiplying the subscription amount per share to be delivered upon the exercise of the stock acquisition right (hereafter, the “Exercise Price”) by the Number of Stocks Granted.

The Exercise Price shall be the amount determined by multiplying by 1.05 (any fraction less than one yen shall be rounded up to the nearest yen) the weighted average of the closing price of the Company’s common stocks on the Tokyo Stock Exchange (including an indicative price; hereafter the “Closing Price”) for a period of 30 trading days (excluding trading days without closing prices) commencing from the 45th trading date prior to the day that follows the date when the stock acquisition rights are to be allotted (hereafter, the “Allotment Date”). In case the Company conducts a stock split or a reverse stock split after the Allotment Date, the Exercise Price shall be adjusted pursuant to the splitting or combining ratio, and any fraction less than one yen arising from the adjustment shall be rounded up to the nearest yen, provided, however, that in the case where the amount determined as stated above is lower than the Closing Price of the Allotment Date, then the Exercise Price shall be the Closing Price of the Allotment Date.

In case the Company issues new common stock at less than market price or disposes of its treasury stocks, the Exercise Price shall be adjusted in accordance with the formula shown below, and any resulting fraction less than one yen shall be rounded up to the nearest yen.

However, the adjustment to the Exercise Price shall not be made when the issuance of new stock or the disposal of treasury stock is made pursuant to the exercise of the stock acquisition right, the request to convert the 5th Unsecured Convertible Bonds into common stocks, or the request for a stock transfer based on Article 210 Paragraph 2 of the Commercial Code before the enforcement of the Law for Partial Revision of Commercial Code, etc. (Law No. 79 of

2001):

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of newly issued shares} \times \text{Subscription amount per share}}{\text{Stock price before new issue}}}{\text{Number of outstanding shares} + \text{Number of newly issued shares}}}$$

In the above formula, “Number of outstanding shares” denotes the number obtained by subtracting the number of treasury common stock owned by the Company from the number of shares of outstanding common stock. In case the disposal of treasury stock is made, the “Number of newly issued shares” and “Stock price before new issue” are to be replaced with “Number of treasury stocks to be disposed” and “Stock price before disposal,” respectively.

(6) Period that the stock acquisition can be exercised;

The period shall be within 10 years of the Allotment Date, and shall be determined by the Board of Directors.

(7) Conditions for the execution of the stock acquisition right;

- i. Partial execution of each stock acquisition right is not permitted;
- ii. The beneficiary can execute the stock acquisition right, even after losing the position as a board member, managing officer or employee of the Company or its affiliates, in accordance with the provisions of the Stock Acquisition Right Allocation Agreement to be concluded between the Company and the beneficiary based on the resolutions of the General Meeting of Shareholders and Board of Directors meeting;
- iii. When the beneficiary is deceased, the heirs of the beneficiary are entitled to execute the stock acquisition right in accordance with the provisions of the Stock Acquisition Right Allocation Agreement; and
- iv. Other conditions regarding the execution of the stock acquisition right are as provided in the Stock Acquisition Right Allocation Agreement.

(8) Matters related to the increase in capital and capital reserves upon the exercise of the stock acquisition rights;

- i. The amount of capital to be increased when new stock is issued through the exercise of the stock acquisition rights shall be half of the amount of the limit on capital increase calculated in accordance with Article 40 Paragraph 1 of the Corporate Calculation Rules, and any resulting fraction less than one yen shall be rounded up to the nearest yen.
- ii. The amount of capital reserves to be increased when new stock is issued through the exercise of the stock acquisition rights shall be the amount remaining after deduction of the amount of capital to be increased described in i. above from the limit on capital increase stated in i. above.

(9) Acquisition of stock acquisition rights;

In case any of the following proposals is approved at a General Meeting of Shareholders, the Company may acquire the stock acquisition rights free of charge on a date separately determined by the Board of Directors:

- i. Proposal of a merger agreement in which the Company is to be absorbed;
- ii. Proposal of a split agreement in which the Company is to be split; or
- iii. Proposal of a stock exchange agreement or stock transfer plan in which the Company is to become a wholly owned subsidiary.

(10) Restriction on acquisition of stock acquisition rights by transfer;

Approval by the Board of Directors shall be required for acquisition of stock acquisition rights by transfer.

(11) Policy to decide the termination of stock acquisition rights upon organizational restructuring and delivery of stock acquisition rights upon a company reorganization;

If the Company engages in a merger (which is limited only to the case in which the Company is to be absorbed), absorption-type demerger, incorporation-type demerger, stock exchange, or stock transfer (hereafter collectively, “Organizational Restructuring”), the Company shall, subject to the following conditions, deliver stock acquisition rights of any of the stock companies described in (i) to (v) of Article 236 Paragraph 1 Item 8 of the Corporation Law (hereafter, the “Company to be Reorganized”), as applicable, to each holder of outstanding stock acquisition rights (hereafter, the “Outstanding Stock Acquisition Rights”) just before the Organizational Restructuring takes effect. In this case, the Outstanding Stock Acquisition Rights shall be terminated and the Company to be Reorganized shall issue new stock acquisition rights. Provided that, in accordance with the following conditions, a provision obligating the delivery of stock acquisition rights of the Company to be Reorganized is included in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, stock exchange agreement or stock transfer plan.

- i Number of stock acquisition rights of the Company to be Reorganized to be delivered:
The number of stock acquisition rights to be delivered to each stock acquisition right holder shall be equal to the number of the Outstanding Stock Acquisition Rights the stock acquisition right holder holds.
- ii Type of stock of the Company to be Reorganized to be subject to the stock acquisition rights:
The type of stock shall be common stock of the Company to be Reorganized.
- iii Number of shares of stock of the Company to be Reorganized to be subject to the

stock acquisition rights:

The number of shares of stock shall be determined in accordance with (2) above, taking into account the conditions, etc. provided in the Organizational Restructuring.

iv Value of assets financed upon the exercise of the stock acquisition rights:

The Value of assets to be financed upon the exercise of each of the stock acquisition rights to be delivered shall be the amount arrived at by multiplying the subscription amount per share after the reorganization calculated by adjusting the Exercise Price prescribed in above (5) taking into account the conditions, etc. provided in the Organizational Restructuring by the number of shares of stocks of the Company to be Reorganized to be subject to the said stock acquisition rights in accordance with iii. above.

v Period that the stock acquisition rights can be exercised:

From the date of commencement of the exercisable period of the stock acquisition rights prescribed in (6) above or the effective date of the Organizational Restructuring, whichever is the later, to the expiration date of the exercisable period of the stock acquisition rights prescribed in (6) above.

vi Matters related to the capital and capital reserves to be increased if stocks are issued upon the exercise of the stock acquisition rights:

Such matters shall be determined in accordance with (8) above.

vii Restriction on the acquisition of the stock acquisition rights by transfer:

Approval by the Board of Directors of the Company to be Reorganized shall be required for acquisition of the stock acquisition rights by transfer.

viii Terms for acquisition of the stock acquisition rights:

Such terms shall be determined in accordance with (9) above.

(12) Treatment of fractional shares arising from the exercise of the stock acquisition rights;

In case there arises any fractional shares in the stocks to be delivered to the stock acquisition holders resulting from the exercise of the stock acquisition rights, such shares shall be rounded down.

(Note) The above descriptions are contingent upon the approval of the agenda on the “Proposal to delegate to the Board of Directors decisions regarding the issuance of the stock acquisition rights on new stock as a stock option for employees of the Company as well as to board members and employees of its subsidiaries” at the 82nd Ordinary General Meeting of Shareholders to be held on March 29, 2007.