

November 20, 2001

**ASAHI GLASS REPORTS CONSOLIDATED RESULTS FOR
FISCAL 2002 FIRST HALF**

TOKYO—Asahi Glass Company, Limited, released its consolidated operating results for the first half of fiscal 2002, ended September 30, 2001, today. Net sales edged down 0.1%, to ¥645,810 million (\$5,346 million). Operating income dipped 11.4%, to ¥44,295 million (\$367 million) and ordinary income declined 12.4%, to ¥35,876 million (\$297 million). Nonetheless, net income rose 14.2 %, to ¥13,618 million (\$113 million). Net income per common share was ¥11.59 (\$0.097), up from ¥10.15. The Company declared interim dividends per common share of ¥4.50 (\$0.038), the same as at the fiscal 2001 interim.

Operating Results

Falling private-sector capital investment and sluggish personal consumption contributed to a harsh economic picture in Japan in the first half of fiscal 2002. The U.S. economy also slowed sharply, reflecting flagging demand for information technology (IT)-related products, such as personal computers (PCs). The impact of the U.S. slowdown was felt throughout Asia and Europe, clouding the economic outlook worldwide.

Asahi Glass responded to these conditions by focusing selectively on key businesses, in line with its “Shrink to Grow” strategy, and on bolstering its earning power by reducing fixed costs and divesting or scaling back unprofitable operations. Despite these efforts, growth in sales and income was hindered by plunging demand for IT-related products.

In a key development, in August 2001 Asahi Glass sold 1,614,000 shares, or 20% of total outstanding shares, in Korean consolidated subsidiary Hankuk Electric Glass, Co., Ltd., to Seoul-based LG Electronics Inc. As a consequence, Hankuk Electric Glass will be accounted for using the equity method beginning in the second half of fiscal 2002 and has been excluded from the consolidated balance sheets for the period under review. Asahi Glass’s initial fiscal 2002 results forecast, released in May 2001, included net sales and income of ¥33,000 million and ¥11,000 million, respectively, for Hankuk Electric Glass, as estimated by the company for the second half of its current fiscal year. On August 24, 2001, Asahi Glass revised its fiscal 2002 results forecast to account for the subsidiary’s new status.

Glass and Related Operations

Reflecting the inclusion of the results of newly consolidated flat glass and fabricated glass manufacturing and sales subsidiaries—part of the Company’s effort to establish a production system in Southeast Asia comprising facilities in locations convenient to its principal markets—sales in the Glass and Related Operations segment rose 9.2%, to ¥333,758 million (\$2,763 million), and accounted for 48.8% of total sales, including intersegment net sales and transfers. Segment operating income climbed 42.5%, to ¥21,650 million (\$179 million).

In Japan, declining housing starts hampered sales of double-glazing glass units. Sales of fabricated glass—most of which is used in automobile production—were flat, as falling automobile exports offset firm domestic vehicle sales. Sales elsewhere in Asia expanded, reflecting contributions from newly consolidated subsidiaries P.T. Asahimas Flat Glass, Tbk., in Indonesia and Thai-Asahi Glass Public Co., Ltd. Despite expanding marketing of high-value-added flat glass and construction materials, segment sales in the United States were weak amid flagging domestic vehicle output and a resulting decline in sales of fabricated glass. In Europe, sales rose sharply, despite growing concern over the possibility of an economic slowdown, as prices remained firm, as sales high-value-added flat glass and construction materials increased and demand for fabricated glass was steady.

Electronics and Display Operations

This segment comprises the display category—which includes glass bulbs for cathode-ray tubes (CRTs) and glass substrates for flat panel displays—and electronic materials. In the period under review, the segment generated sales of ¥175,915 million (\$1,456 million), down 5.0% and equivalent to 25.7% of total sales, and operating income of ¥21,760 million (\$180 million), a decline of 25.1%.

In the display category, sales of glass bulbs for CRTs slipped, owing to falling demand—a consequence of the flagging global market for IT-related products, which hampered demand from PC manufacturers, and the increasing prevalence of liquid crystal displays (LCDs)—and declining prices. In the category of glass substrates for flat panel displays, however, sales of LCDs substrates continued to expand, while the growing popularity of plasma display panels (PDPs) contributed to a significant increase in sales of PDP substrates.

In the electronic materials category, the sluggish market for cellular phones hampered sales of small and medium-sized LCDs. The declining market for IT-related products and investment in semiconductor manufacturing equipment drove down demand for optical components for information and telecommunications equipment, synthetic quartz and other optoelectronic materials.

Chemicals Operations

Sales in this segment slipped 3.3%, to ¥130,368 million (\$1,079 million), or 19.0% of total sales, while operating income plunged 92.8%, to ¥384 million (\$3 million).

Despite efforts to lower costs for commodity chemicals, largely a domestic business for Asahi Glass, Japan's economic slump hampered shipments, a weak yen pushed up prices for imported raw materials and the market for vinyl chloride and other chlor-alkalis worsened, causing domestic segment sales and income to plunge. Elsewhere in Asia sales were sluggish, as shipments of caustic soda slowed and worsening global market conditions prompted a decline in shipments of vinyl chloride. Declining demand for IT-related products also pushed down sales of fluorochemicals. In the United States, particularly, the economic slowdown countered efforts to expand marketing and lower costs of fluorochemicals, resulting in harsh market conditions.

Other Operations

This segment encompasses several businesses, including ceramics and refractories, distribution, and financial and other services. Although shipments of ceramics remained level with the first half of fiscal 2001, segment sales declined 13.4%, to ¥44,405 million (\$368 million), or 6.5% of total sales. Nonetheless, operating income climbed 81.4%, to ¥615 million (\$5 million).

Outlook for Fiscal 2002

In line with rapid changes in market conditions worldwide, Asahi Glass is continuing to implement its Shrink to Grow 2003 three-year management plan, as well as stepping up efforts to improve profitability and reform its operating portfolio by restructuring persistently low-profit operations and investing resources selectively in growth areas. Nonetheless, owing to a rapidly worsening operating environment, a consequence of the September 2001 terrorist attacks on the United States, Asahi Glass believes it will be unable to avoid declines in net sales and income in the current fiscal year, ending March 31, 2002. At present, the Company forecasts consolidated net sales of ¥1,260,000 million, operating income of ¥62,000 million, ordinary income of ¥44,000 million and net income of ¥10,000 million in the current fiscal year, ending March 31, 2002. Exchange rates are forecast at ¥120.6=\$1.00 and ¥108.2= EURO1.00. The Company expects to maintain year-end dividends at ¥4.50, level with fiscal 2001.

Disclaimer Regarding Future Results Projections

Statements in this document in reference to projections regarding Asahi Glass' future results are forward-looking statements based on management's assumptions and beliefs in light of information currently available and involve risks and uncertainties. It is recommended that investment decisions not be made solely on the basis of these statements. Actual results may differ materially from these projections. Potential risks and uncertainties include, but are not limited to, economic conditions affecting the Company's operating environment, market trends and foreign exchange fluctuations.

Consolidated Financial Highlights

	Millions of Yen			Millions of Yen
	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	Change (%)	April 1, 2000 – March 31, 2001
Net Sales	¥645,810	¥646,333	-0.1	¥1,312,829
Operating Income	44,295	49,980	-11.4	111,652
Ordinary Income	35,876	41,004	-12.5	98,026
Net Income	13,618	11,925	14.2	24,724
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Total Assets	1,867,017	1,823,999		1,886,815
Total Shareholders' Equity	608,190	610,328		607,000
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Per Share Data (Yen)				
Net Income – Primary	¥11.59	¥10.15		¥21.04
– Fully Diluted	11.23	–		20.46

Non-consolidated Financial Highlights

	Millions of Yen			Millions of Yen
	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	Change (%)	April 1, 2000 – March 31, 2001
Net Sales	¥276,507	¥292,283	-5.4	¥604,629
Operating Income	362	10,071	-96.4	20,989
Ordinary Income	6,937	16,137	-57.0	33,690
Net Income	5,206	13,967	-62.7	11,703
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Total Assets	1,053,179	1,129,635		1,119,332
Total Shareholders' Equity	601,077	648,462		630,632
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Per Share Data (Yen)				
Net Income – Primary	¥4.43	¥11.89		¥9.96
– Fully Diluted	–	–		–
Cash Dividends	4.5	4.5		9.0

Results by Business Segment and Region

(1) Business Segment

	Sales			Operating Income		
	Millions of Yen			Millions of Yen		
	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001
Glass	¥333,758	¥305,602	¥ 625,240	¥21,650	¥15,190	¥ 35,852
Electronics and Displays	175,915	185,253	386,174	21,760	29,058	65,587
Chemicals	130,368	134,759	274,965	384	5,369	9,011
Others	44,405	51,302	93,805	615	339	1,124
Elimination	(38,636)	(30,584)	(67,357)	(115)	21	76
Total	¥ 645,810	¥646,333	¥1,312,829	¥44,295	¥49,980	¥111,652

(2) Region

	Sales			Operating Income		
	Millions of Yen			Millions of Yen		
	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001
Japan	¥384,947	¥413,616	¥ 841,008	¥ 8,336	¥17,305	¥ 39,389
Asia	107,128	99,187	214,493	20,274	21,035	46,627
The Americas	90,710	84,718	171,359	2,524	3,848	7,781
Europe	111,863	97,244	190,365	12,948	8,008	18,115
Elimination	(48,840)	(48,433)	(104,398)	210	(217)	(261)
Total	¥645,810	¥646,333	¥1,312,829	¥44,295	¥49,980	¥111,652

Consolidated Statements of Income

	Millions of Yen		
	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001
Net Sales	¥645,810	¥646,333	¥1,312,829
Cost of Sales	482,575	482,961	971,893
Selling, General and Administrative Expenses	118,658	113,392	229,283
Operating Income	44,295	49,980	111,652
Other Income and Expenses:			
Other Income:			
Interest and dividend income	2,550	2,735	5,374
Equity in earnings of unconsolidated subsidiaries and affiliates	3,226	1,380	4,855
Others	2,152	1,257	4,677
	7,930	5,373	14,908
Other Expenses:			
Interest expenses	10,759	10,929	21,848
Interest on commercial paper	1,154	1,021	2,420
Others	4,435	2,397	4,265
	16,349	14,348	28,534
Ordinary Income	35,876	41,004	98,026
Extraordinary Income:			
Gain on sale of properties	4,662	2,852	6,425
Gain on sale of investments in securities	2,263	3,722	10,411
Gain on sale of investments in subsidiaries and affiliates	–	1,268	1,762
Gain from establishment of trust for retirement benefits	–	75,506	75,506
Others	1,893	3,931	6,933
	8,820	87,282	101,039
Extraordinary Losses:			
Loss on disposal of properties	3,576	3,715	9,706
Exchange loss	–	4,560	6,524
Loss on sale of investments in subsidiaries and affiliates	3,337	–	–
Loss on write-down of investments in securities	32	2,531	3,125
Valuation loss on land held	–	–	12,810
Loss on restructuring programs including bonus allowance for early retirement	1,328	542	13,917
Change for full amount of transitional obligations for retirement benefits	–	84,308	84,256
Others	988	3,131	8,292
	9,263	98,790	138,632
Net Income Before Income Taxes	35,432	29,496	60,433
Corporate, inhabitants' and enterprise taxes	10,868	10,477	20,761
Adjustments on deferred taxes	1,909	2,382	744
Minority interests in earnings of consolidated subsidiaries	9,036	4,711	14,203
Net Income	¥13,618	¥11,925	¥24,724

Summary Consolidated Statements of Cash Flows

Millions of Yen

	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001
Cash Provided by Operating Activities	¥64,958	¥52,348	¥144,643
Income before income taxes	35,432	29,496	60,433
Depreciation and amortization	52,834	48,478	97,522
Cash Used for Investing Activities	(56,021)	(33,001)	(87,068)
Acquisition of property, plant and equipment	(70,203)	(41,683)	(91,026)
Cash Used for Financing Activities	(14,539)	(34,559)	(68,660)
Repayments of long-term borrowings	(26,026)	(28,157)	(64,452)
Translation Difference of Cash and Cash Equivalents	(77)	(162)	210
Changes in Cash and Cash Equivalents	(5,679)	(15,375)	(10,875)
Cash and Cash Equivalents at Beginning of Year	45,764	55,213	55,213
Reconciliation of Cash and Cash Equivalents Related to Change of Scope of Consolidation	871	29	1,426
Cash and Cash Equivalents at End of Year	¥40,956	¥39,867	¥45,764

Supplementary Information

Billions of Yen

Consolidated	April 1, 2001 – Sept. 30, 2001	April 1, 2000 – Sept. 30, 2000	April 1, 2000 – March 31, 2001
Capital Expenditure	¥ 72	¥ 40	¥ 93
Depreciation	53	49	98
Research and Development Expenses	14	14	28
Interest-bearing Liabilities	718	656	686
Financial Balance	-9	-9	-19
Debt-to-equity Ratio	1.03	0.95	0.98
Exchange Rate Used for Conversion (Yen/US\$)	120.8	106.9	108.4
Number of Employees	49,877	44,372	48,809

Management Policy

Basic Policy

It is the policy of the Asahi Glass Group to provide the best materials solutions in leading industries in each era—housing in the 1960s and 1970s, automobiles in the 1980s, and electronics in the 1990s, for example—by drawing on its glass and chemical technologies. By doing so, Asahi Glass aims to be the world’s leading company in its glass, fluorochemicals and other core businesses in terms of profitability and growth.

Allocation of Profits

Asahi Glass recognizes raising shareholder value as one of its key management tasks. Accordingly, the Company pledges to maintain stable dividends and will calculate dividends based on a consideration of both fiscal results and dividend payout ratio to ensure the expectations of its shareholders are met. Asahi Glass will also allocate profits to research and development and capital investment, as well as mergers and acquisitions (M&As), to strengthen its financial position and maximize corporate value.

Medium- and Long-Term Strategies and Objectives

Since the fiscal 1999 interim, Asahi Glass has pursued a strategy known by its slogan, Shrink to Grow. “Shrink” refers to re-categorizing businesses strategically by discarding or restructuring uncompetitive operations, while “grow” involves striving to enhance competitiveness in the Company’s core businesses, expand global operations through such measures as M&A, and inaugurate new businesses with outstanding profit potential.

In the first phase of this plan, Shrink to Grow 2001, Asahi Glass implemented decisive measures on both the shrinkage and growth sides. The second phase, Shrink to Grow 2003, which began in April 2001, aims to reinforce the objectives and build on the achievements of Shrink to Grow 2001, and will guide the Company’s efforts from fiscal 2002 through fiscal 2004. Under the new plan, Asahi Glass is undertaking a drastic restructuring of low-profit businesses, notably domestic commodities businesses. Shrink measures include terminating production of construction materials at the Company’s Kitakyushu plant, as well as ceasing production of all basic chemicals and scrapping facilities at the plant. The Company has also decided to restructure its ceramics production network. Growth strategies include assertive expansion of the Company’s global glass and fluorochemicals operations and focused investment in the area of glass substrates for flat panel displays.

Under the Shrink to Grow strategy, Asahi Glass had initially aimed to increase its consolidated return on equity to 6% by fiscal 2002 and 10% by fiscal 2004. Given the global economic slowdown and the impact of the recent incidents of terrorism in the United States, however, the Company recognizes these targets will be difficult to achieve. Accordingly, the Company will continue to revise

the strategies of Shrink to Grow 2003 and step up its efforts to restructure persistently low-profit businesses and invest resources selectively in growth areas.

Reinforcement of Consolidated Group Management System

Not only to improve operational efficiency and effectiveness but also to ensure management transparency and objectivity, Asahi Glass is revamping its management system to clarify the roles and responsibilities of each corporate and business unit. To accelerate responsiveness and decision making at the management level, the Company is also formulating a new corporate structure with fewer levels of authority and allocating greater responsibility to individual units. At the same time, with the aim of promoting more effective Group and global management, the Company is reorganizing its business units and introducing a new unit performance evaluation system based on the cost of capital. To raise awareness of shareholder value among directors and employees, Asahi Glass introduced a stock option system, effective from fiscal 2002.

Note:

1. For the convenience of readers only, yen figures in this report have been translated into U.S. dollars at the rate of ¥120.8=\$1.00, the prevailing rate on September 30, 2001.

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