

Operating Performance Highlights by Business Segment

-Glass operations

The glass operations essentially comprise flat glass for construction, automotive glass, both of which are conducted globally, and other glass for exterior siding boards and other applications, which are mainly conducted in the Japanese domestic market.

Sales for flat glass operations in Europe were brisk mainly because demand in Central and Eastern Europe (particularly in Russia) was solid, and sales of high value-added products in Western Europe were strong as the economy picked up. In North America, earnings were slightly affected by increased costs as a result of soaring prices of natural gas, and declining selling prices due to fiercer competition. In Asia, sales were continuously good, fueled by economic growth in China, Thailand, and Philippines. And in Japan sales of high value-added products such as glass for crime prevention increased and costs were reduced as productivity improved.

Automotive glass operations in Japan were brisk due to strong demand from customers and higher sales of value-added products. This combined with cost reduction efforts increased profits in Japan. In Asia outside Japan, sales gains were recorded due to increased automobile production in China as well as Thailand. In North America, production efficiencies improved. In addition to this, gains in market share as well as stronger sales of value-added products, such as encapsulated glass parts, resulted in an earnings improvement. In Europe, earnings improved due to improved volume and better productivity caused by reduced costs associated with the launch of new products and new models.

In other glass operations, profitability improved slightly as a result of sales gains and reduced costs of exterior siding boards for residential purposes as well as structural reform measures adopted at Asahi Techno Glass Corporation.

In addition to the above, consolidation goodwill associated with a U.S.-based subsidiary began being amortized this fiscal year in conformity with accounting principles and practices generally accepted in Japan. As a result, sales for the glass operations for the first three months of the current fiscal year stood at 177.5 billion yen, with operating income of 10.5 billion yen.

-Electronics and Display operations

The electronics and display operations comprises display operations, which handles cathode ray tube (CRT) glass as well as glass substrates for flat panel displays (FPDs), in addition to electronic materials operations.

Despite stronger yen and increased costs of fuel and raw materials, CRT glass operations performed well because of sales volume increases following a steady market recovery from the second half of the previous year, and price increases of certain small/medium sized products that were in short supply but much in demand. As for FPD glass operations, sales of glass substrates for TFT LCDs and PDPs were also strong on a continuous basis in line with substantial increases in sales volume of PC monitors and thin-screen TVs.

In electronic materials operations, sales of small and medium-sized FPDs, which are used increasingly in cellular phones, have been good as well. Also, sales of products such as optical pickup elements for DVD decks, optical filters for liquid crystal projectors and digital cameras, and glass frit and paste for PDPs, were growing steadily along with the increasing use of home digital electronics products.

As a result, sales for the electronics and display operations for the first three months of the current fiscal year reached 101.2 billion yen, while operating income stood at 15.2 billion yen.

-Chemicals operations

The chemicals operations consists of chlor-alkalis operations for caustic soda and other products, and fluorochemicals operations for fluorinated resins, fluoropolymer films and fluorinated gases and solvents, and urethanes and other chemicals.

In spite of increased costs of fuel and raw materials in chlor-alkalis operations, sales were strong in Thailand and Indonesia because of increased demand mainly of vinyl chloride in China and Southeast Asia. In addition, this segment's performance in Japan was relatively good because of solid demand from overseas customers as well as the implementation of cost reduction measures.

In fluorochemicals operations, sales of water and oil repellents and optical filters for PDPs were continuously strong. As for fluorinated resins operations, even though a number of structural reforms are still being implemented to raise earnings in North America, sales were high in Asia including Japan and the European operations achieved a turnaround.

As a result, sales for the chemicals operations for the first three months of the current fiscal year were 68.0 billion yen, while operating income was 3.7 billion yen.

-Other operations

The other operations comprise ceramics and a variety of service-related operations, including logistics and engineering services.

In ceramics operations, the cooperative production system in Japan and China in the glass engineering field was improved, and sales of fine ceramics increased. Consequently, sales for the other operations for the first three months of the current fiscal year amounted to 17.9 billion yen, with operating income of 0.5 billion yen.

Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of March 31, 2004	As of December 31, 2003	Change
Assets			
Current assets	611,058	582,060	28,998
Cash on hand and in banks	89,889	61,882	28,007
Trade notes and accounts receivable	264,017	259,870	4,147
Inventories	201,655	203,643	(1,987)
Other current assets	63,101	64,596	(1,495)
Allowance for bad debts	(7,605)	(7,932)	326
Fixed assets	1,237,199	1,224,015	13,184
Tangible fixed assets	810,562	810,213	348
Intangible fixed assets	101,664	104,858	(3,194)
Investments in securities	270,830	251,837	18,993
Other investments	20,136	20,653	(517)
Other fixed assets	37,032	39,484	(2,452)
Allowance for bad debts	(3,026)	(3,032)	6
Deferred assets	531	535	(4)
Total assets	1,848,789	1,806,611	42,177
Liabilities and stockholders' equity			
Current liabilities	490,410	489,319	1,091
Payables	211,734	221,566	(9,832)
Bonds and short-term bank loans	133,858	141,296	(7,438)
Other current liabilities	144,818	126,456	18,361
Non-current liabilities	586,461	583,784	2,676
Bonds and long-term bank loans	433,398	432,971	426
Other non-current liabilities	153,062	150,812	2,249
Total liabilities	1,076,871	1,073,103	3,768
Minority interest in consolidated subsidiaries	112,684	110,709	1,975
Shareholders' equity	659,233	622,798	36,434
Common stock	90,472	90,472	-
Additional paid-in capital	84,396	84,395	0
Retained earnings	473,949	449,958	23,991
Land revaluation reserve	121	121	0
Unrealized gains on securities	60,975	43,243	17,731
Foreign currency translation adjustments	(49,409)	(44,175)	(5,233)
Treasury stock	(1,272)	(1,216)	(55)
Total liabilities and shareholders' equity	1,848,789	1,806,611	42,177

Consolidated Statements of Income

(Unit: Millions of Yen)

	For the three months ended March 31, 2004 (January 1 through March 31, 2004)	For the three months ended June 30, 2003 (April 1 through June 30, 2003)
Net sales	350,253	316,967
Cost of sales	258,084	244,400
Selling, general and administrative expenses	62,192	55,714
Operating income	29,976	16,853
Other income	4,151	3,911
Interest and dividend income	799	1,291
Equity in earnings of unconsolidated subsidiaries and affiliates	1,766	1,387
Other	1,584	1,232
Other expenses	5,609	5,270
Interest expenses	3,062	3,901
Other	2,547	1,368
Ordinary income	28,517	15,494
Extraordinary gain	29,212	14,017
Extraordinary loss	2,100	2,556
Income before income taxes	55,629	26,955
Income taxes	18,127	8,430
Minority interest in earnings of consolidated subsidiaries	4,279	2,326
Net income	33,222	16,198

(Note) Consolidated statements of income for the three months ended March 31, 2004 present operating results of Asahi Glass Co., Ltd., and all of its consolidated subsidiaries for a period of January through March 2004. On the other hand, operating results for the three months ended June 30, 2003 cover a period of April through June 2003 with respect to Asahi Glass Co., Ltd. and its consolidated subsidiaries of which fiscal year used to close on March 31 as well as a period of January through March 2003 with respect to its consolidated subsidiaries of which fiscal year closes on December 31.

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	For the three months ended March 31, 2004 (January 1 through March 31, 2004)	For a year ended December 31, 2003 (April 1 through December 31, 2003)
Cash flows from operating activities		
Income before income taxes and minority interest	55,629	85,707
Depreciation and amortization	25,428	99,899
Amortization of goodwill	1,956	3,086
(Decrease) increase in reserves	(14,851)	(3,038)
Interest and dividends income	(799)	(4,014)
Interest expenses	3,062	11,774
Exchange loss (gain)	342	907
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,766)	(2,541)
Loss on sale of securities and properties, etc.	(2,906)	(12,853)
(Increase) decrease in receivables	(6,016)	(10,004)
Decrease (increase) in inventories	53	(9,073)
(Decrease) increase in payables	(2,557)	7,401
Other, net	14,000	(609)
Subtotal	71,574	166,640
Interest and dividends received	460	7,047
Interest paid	(2,828)	(12,131)
Income taxes paid	(7,054)	(13,671)
Net cash provided by operating activities	62,152	147,883
Cash flows from investing activities		
Acquisition of fixed assets, etc.	(40,672)	(108,180)
Proceeds from sale of fixed assets, etc.	1,338	19,231
Payments for purchase of investments in securities	(822)	(24,768)
Proceeds from sale of investments in securities	13,067	52,553
Others	(6,891)	(298)
Net cash used in investing activities	(33,979)	(61,461)
Cash flows from financing activities		
(Decrease) increase in short-term loans and commercial paper	(3,189)	(51,905)
Proceeds from long-term debt	10,181	30,489
Repayments of long-term debt	(8,406)	(45,449)
Proceeds from issuance of bonds	-	35,000
Redemption of bonds	(932)	(76,202)
Proceeds from sale of borrowed securities	3,259	22,469
Dividends paid	(9,027)	(6,409)
Others	(51)	(325)
Net cash used in financing activities	(8,166)	(92,331)
Effect of exchange rate changes on cash and cash equivalents	(95)	(1,660)
Increase (decrease) in cash and cash equivalents	19,910	(7,570)
Cash and cash equivalents at beginning of period	55,915	55,282
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	0	8,203
Cash and cash equivalents at end of period	75,826	55,915

(Note) The fiscal year ended December 31, 2003 was a 9-month transitional accounting period due to a change in fiscal year.

Segment Information

1. Sales and Operating Income by Business Segment

For the three months ended March 31, 2004 (January 1 through March 31, 2004)

(Unit: Millions of Yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	176,681	100,958	66,109	6,503	350,253	-	350,253
2) Inter-segment sales/transfers	808	251	1,902	11,435	14,398	(14,398)	-
Total	177,490	101,210	68,012	17,938	364,651	(14,398)	350,253
Operating expenses	167,038	85,983	64,321	17,401	334,744	(14,467)	320,277
Operating income	10,451	15,227	3,690	537	29,907	68	29,976

For the three months ended June 30, 2003 (April 1 through June 30, 2003)

(Unit: Millions of Yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	169,748	77,204	63,441	6,571	316,967	-	316,967
2) Inter-segment sales/transfers	625	536	2,448	11,313	14,923	(14,923)	-
Total	170,374	77,741	65,889	17,885	331,891	(14,923)	316,967
Operating expenses	163,282	70,090	64,038	17,572	314,983	(14,869)	300,114
Operating income	7,091	7,651	1,851	313	16,907	(54)	16,853

2. Sales and Operating Income by Geographic Segment

For the three months ended March 31, 2004 (January 1 through March 31, 2004)

(Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	172,430	61,228	46,447	70,146	350,253	-	350,253
2) Inter-segment sales/transfers	35,819	15,354	1,867	586	53,627	(53,627)	-
Total	208,249	76,582	48,315	70,732	403,881	(53,627)	350,253
Operating expenses	195,702	63,250	49,474	64,923	373,350	(53,073)	320,277
Operating income (loss)	12,547	13,332	(1,158)	5,809	30,530	(554)	29,976

Supplementary Information

1. First quarter year-on-year comparisons of operating results on a calendar year basis by business segment

As reference information, segment comparisons of consolidated financial results of Asahi Glass Co., Ltd., and all of its consolidated subsidiaries for the three months ended March 31, 2003, on a calendar year basis, with those for the three months ended March 31, 2004 are shown below.

(Unit: Billions of Yen)

	For the three months ended March 31, 2003 (January 1 through March 31, 2003)		For the three months ended March 31, 2004 (January 1 through March 31, 2004)			
	Net sales	Operating income	Net sales	Change	Operating income	Change
Glass	176.3	7.9	177.5	1.2	10.5	2.6
Electronics and Display	81.9	7.8	101.2	19.3	15.2	7.4
Chemicals	66.1	2.4	68.0	1.9	3.7	1.3
Others	17.1	0.3	17.9	0.8	0.5	0.2
Corporate or elimination	(13.8)	(0.2)	(14.4)	(0.6)	0.1	0.3
Consolidated total	327.6	18.2	350.3	22.7	30.0	11.8

2. Exchange rates for the year ending December 31, 2004

	First quarter		First half	Fiscal year
	Average	Quarter-end	Outlook	Outlook
Yen / Dollar	107.13	105.69	107	106
Yen / Euro	132.33	128.88	131	130

3. Outlook for operating results by business segment

First half of the year ending December 31, 2004 (Unit: Billions of Yen)

	Net sales	Operating income
Glass	360.0	21.0
Electronics and Display	200.0	31.0
Chemicals	130.0	6.0
Others	35.0	1.0
Corporate or elimination	(25.0)	0.0
Consolidated total	700.0	59.0

Fiscal year ending December 31, 2004 (Unit: Billions of Yen)

	Net sales	Operating income
Glass	730.0	43.0
Electronics and Display	400.0	62.0
Chemicals	270.0	13.0
Others	75.0	2.0
Corporate or elimination	(55.0)	0.0
Consolidated total	1,420.0	120.0