February 16, 2005

Corporate Name: Asahi Glass Co., Ltd.
President & CEO: Masahiro Kadomatsu
(Code Number: 5201; TSE 1st section)
Contact: Shinichi Kawakami, Director,
Corporate Communications Division
(Tel: +81-3-3218-5509)

# Asahi Glass reports Consolidated Financial Results for the Year Ended December 31, 2004

## 1. Consolidated results for the year ended December 2004 (Jan. 1 through Dec. 31, 2004)

(1) Consolidated operating results

| | Current fiscal year (ended December 31, 2004) | Previous fiscal year (ended December 31, 2003) |
|---|---|---|
| Net sales (millions of Yen) | 1,475,726 | 1,242,956 |
| Operating income (millions of Yen) | 139,403 | 83,187 |
| Ordinary income (millions of Yen) | 135,688 | 75,414 |
| Net income (millions of Yen) | 78,287 | 53,641 |
| Net income per share -basic (yen) | 66.75 | 45.65 |
| Net income per share -fully diluted (yen) | 63.01 | 43.17 |
| Return on equity (%) | 11.8 | 9.1 |
| Ratio of ordinary income to total assets (%) | 7.4 | 4.2 |
| Ratio of ordinary income to net sales (%) | 9.2 | 6.1 |

(2) Consolidated financial position

| | Current fiscal year (ended December 31, 2004) | Previous fiscal year (ended December 31, 2003) |
|---|---|---|
| Total assets (millions of Yen) | 1,885,268 | 1,806,611 |
| Total shareholders' equity (millions of Yen) | 699,139 | 622,798 |
| Equity ratio (%) | 37.1 | 34.5 |
| Equity per share (yen) | 601.47 | 530.57 |

(3) Consolidated cash flows (Unit: millions of yen)

| | Current fiscal year (ended December 31, 2004) | Previous fiscal year (ended December 31, 2003) |
|---|---|---|
| Cash flows from operating activities | 232,888 | 147,883 |
| Cash flows from investing activities | (125,933) | (61,461) |
| Cash flows from financing activities | (98,967) | (92,331) |
| Cash and cash equivalents at the end of the year | 67,943 | 55,915 |

(4) Scope of consolidation and equity method affiliates

| | |
|---|---|
| Number of consolidated subsidiaries | 253 companies |
| Number of unconsolidated subsidiaries to which equity method was applied | 3 companies |
| Number of equity method affiliates | 30 companies |

Changes in scope of consolidation; Consolidated subsidiaries; (increase) 18 companies (decrease) 16 companies
Equity method affiliates; (increase) - (decrease) 5 companies

## 2. Outlook for the next fiscal year ending December 2005 (Jan. 1 through Dec. 31, 2005)

| | 1st half | Full year |
|---|---|---|
| Net sales (millions of Yen) | 750,000 | 1,550,000 |
| Ordinary income (millions of Yen) | 67,000 | 138,000 |
| Net income (millions of Yen) | 41,000 | 83,000 |
| Forecasted net income per share (full year) (Yen) | - | 71.42 |

(Note)
1. Equity in earnings of unconsolidated subsidiaries and affiliates;
Year ended December 2004: 5,262 millions of Yen    Year ended December 2003: 2,541 millions of Yen
2. Number of average yearly shares (consolidated basis);
Year ended December 2004: 1,171,183,666 shares    Year ended December 2003: 1,173,759,534 shares
3. Number of outstanding shares at end of year (consolidated basis);
Year ended December 2004: 1,162,193,819 shares    Year ended December 2003: 1,173,705,662 shares
4. All financial information has been prepared in accordance with accounting principles generally accepted in Japan.
5. Rounded off to millions of Yen.
6. Since the fiscal year ended December 2003 includes only nine months due to the change of its fiscal year-end, no year-to-year comparisons were made.
7. The above-mentioned outlook reflects management's judgment on the basis of currently available information, as such, contain risks and uncertainties. For matters concerning the above outlook, please see Page 17 of the attached materials.

## Overview of the AGC Group

Asahi Glass Company, Limited (the “Company”) (“AGC”) Group consists of the Company and its 325 subsidiaries and 62 affiliates.

The main business description of the Company, its consolidated subsidiaries, and affiliates under the equity method is as set out below. The same classification is used in the business segment information.

| Segment | Main Business | | Main companies |
|---|---|---|---|
| Glass Operations | Flat Glass<br>Automotive Glass<br>Other Glass | Japan | The Company, AGC AX, Asahi Fiber Glass,<br>Asahi Techno Glass*<br>30 other consolidated subsidiaries<br>3 companies under the equity method<br>(36 companies in total) |
| | | Overseas | (Asia) Asahimas Flat Glass (Indonesia),<br>Thai-Asahi Glass Public (Thailand)<br>(America) 20 group companies of AFG Industries<br>(head office in the United States)<br>(Europe) 103 group companies of Glaverbel S.A.<br>(head office in Belgium)<br>17 other consolidated subsidiaries<br>14 companies under the equity method<br>(156 companies in total) |
| Electronics and Display Operations | CRT (Cathode-Ray Tube) Glass<br>FPD (Flat Panel Display) Glass<br>Electronic Materials | Japan | The Company, Optrex, Asahi Glass Fine Techno<br>6 other subsidiaries<br>Companies under the equity method;<br>ELNA*<br>1 other company<br>(10 companies in total) |
| | | Overseas | (Asia) Asahi Techno Vision (Singapore),<br>Shanghai Asahi Electronic Glass (China),<br>Asahi Glass Fine Techno Taiwan (Taiwan),<br>Hankuk Electric Glass (Korea),<br>Siam Asahi Technoglass (Thailand)<br>(America) Optrex America (U.S.)<br>(Europe) Optrex Europe (Germany)<br>16 other consolidated subsidiaries<br>4 companies under the equity method<br>(27 companies in total) |
| Chemicals Operations | Fluorochemicals<br>Chlor-Alkalis<br>Urethanes and Others<br>Other Chemicals | Japan | The company, Asahi Glass Urethane, Seimi Chemical,<br>Keiyo Monomer, Asahi Glass Engineering, Ise Chemicals*<br>10 other consolidated companies<br>4 companies under the equity method<br>(19 companies in total) |
| | | Overseas | (Asia) Asahimas Chemical (Indonesia),<br>Thasco Chemical (Thailand)<br>(America) AGC Chemicals Americas (U.S.)<br>(Europe) Asahi Glass Fluoropolymers UK (England)<br>9 other consolidated subsidiaries<br>5 companies under the equity method<br>(18 companies in total) |
| Other Operations | Ceramics<br>Service-ralated Business | Japan | Asahi Distribution & Delivery, A.G. Finance,<br>Asahi Glass Machinery, Asahi Glass Ceramics<br>7 other consolidated subsidiaries<br>(11 companies in total) |
| | | Overseas | (America) Asahi Glass America (U.S.), AGA Capital (U.S.)<br>6 other consolidated subsidiaries<br>1 company under the equity method<br>(9 companies in total) |

(Note)

1. The Company is not included in the total number of companies in the classification of operations.
2. Main subsidiaries and affiliates designated by a ‘*’ are listed on securities markets in Japan.
   Asahi Techno Glass (Second Section of the Tokyo Stock Exchange)
   Ise Chemicals (Second Section of the Tokyo Stock Exchange)
   ELNA (Second Section of the Tokyo Stock Exchange)

# Management Policy

## 1. Fundamental Policy of Management

It is the fundamental management policy of Asahi Glass and its consolidated subsidiaries (hereinafter collectively referred to as the "AGC Group" or simply the "Group"), striving to excel as a highly profitable and fast-growing enterprise that globally supplies materials and components based on its core technologies in glass, fluorine chemistry and their related fields, to enhance its total corporate value by endeavoring to be the leader in each market in which it competes.

All members of the Group are expected to adopt and follow the four shared values of "Innovation & Operational Excellence," "Diversity," "Environment," and "Integrity," which serve as the basis for every judgment they make and every action they collectively and individually take.

## 2. Allocation and Distribution of Profits

The AGC Group pledges to maintain stable dividends, calculating dividends based on a consideration of various factors including consolidated results and dividend payout ratio, to ensure that the expectations of its shareholders will be met. The Group will also allocate retained earnings to R&D, capital investment as well as merger and acquisition activities with a view to strengthening its financial position and enhancing its corporate value.

## 3. Trading Unit of Common Shares

The AGC Group finds it useful to lower the trading unit of its shares to revitalize equity trading, and recognizes the matter as an important corporate management issue. It is the policy of the Group to deal with this matter on the basis of future stock market conditions as well as trends in trading unit size.

## 4. Targeted Corporate Index

The AGC Group aims to continuously enhance its corporate value, targeting an operating margin of at least 10% during the term of ***"JIKKO-2007***," the current medium-term (three-year) management plan for fiscal 2005 through 2007.

## 5. Medium- and Long-term Strategies

Under its Group Vision of ***"Look Beyond"*** that was announced in April 2002, the AGC Group decided to concentrate its management resources on three major business areas (materials and components for Glazing, Display, and Electronics & Energy fields), aiming to excel as a highly profitable and fast growing global enterprise. The Group also defined its stance on building and enhancing competitive advantage, by capitalizing on its world's top level technologies in glass, chemicals and their related fields that it has accumulated for years and human resources who work worldwide.

In April 2004, the Group announced its new management policy ***"JIKKO" - Execution for Excellence***, which is intended to realize the AGC Group Vision. It is the basic concept of ***"JIKKO"*** to attach much importance to "execution" in all aspects of business operations and ensuring that Plan-Do-Check-Act (PDCA) cycles are functioning properly. Under the ***"JIKKO"*** management policy, the Group will focus on improving customer satisfaction (CS) and employee satisfaction and pride in accomplishment (ES) as well as further fulfill its corporate social responsibility (CSR), hoping the combination of these practices creates a spiral of momentum that drives shareholder value continuously higher. All of these themes are based on the normal practices, and there is nothing especially new. However, the Group considers it one of the most important conditions to execute these normal practices properly and promptly in order to truly excel as a highly profitable and fast growing global enterprise that earns the trust of the society.

Since the beginning of 2005, the Group has been carrying out the medium-term (three-year) management plan ***"JIKKO-2007"*** to implement specific measures in line with the ***"JIKKO"*** management policy.

JIKKO (noun): *A Japanese word that means implementation, execution, performance and fulfillment.*

**6. Issues that the Group Faces**

One of the most important challenges presently facing the AGC Group is ensuring the implementation of the medium-term management plan ***"JIKKO-2007"*** and to produce excellent results.

In ***"JIKKO-2007,"*** the Group focuses on further growth and an improvement in earnings of existing operations: Glass, Electronics and Display, Chemicals, and others, while developing next-generation growth business in the Electronics & Energy fields on a full-scale basis.

In Glass operations, the Group will proactively manage operations in emerging markets such as Russia and China, while placing the emphasis on the production and sales of value-added products in matured markets, including Western Europe, North America, and Japan. On top of this, the Group will find the most efficient way of manufacturing operations through benchmarking of its manufacturing facilities around the world and have the entire group share the efficient manufacturing process.

In Electronics and Display operations, the Group will continue to develop technologies and improve productivity for glass substrates of flat panel display (FPD), which is growing significantly, while timely expanding facilities. As for cathode ray tube (CRT) glass, sales of which are expected to gradually decline in terms of volume, the Group will focus on establishing a system to ensure the Group's production optimization in the light of world demand.

In Chemical operations, the Group will focus on fluorochemicals such as fluoropolymer films and water and oil repellents, where it can leverage its competitive advantage.

In addition to measures for these existing operations, the Group will fully engage in fostering new businesses in the Electronics & Energy fields, regarding them as next-generation growth businesses. Among others, the Group will put emphasis on semiconductor processing materials, optical components, display components, and energy components, for which it can utilize core technologies accumulated throughout the decades, such as glass and fluorine chemistry. The Group will establish facilities for prototype and volume production to promote these specialty materials operations.

## 7. Risks Associated with Operations

Set forth below are risks associated with the AGC Group's operations and others that may materially affect investors' decisions to invest in the Group. However, the description does not include all possible risks relating to the Group and there may exist additional risks not stated below. Any such risks are also likely to influence investors' decisions.

Future matters contained in this statement are based on information available as of February 16, 2005, when consolidated financial results for the year ended December 2004 were announced.

### (1) Economic status of the markets where the Group's products are sold

Demand for the AGC Group's products is impacted by trends in such industries as construction and building materials, automobile, electronics and display. The Group's products are supplied throughout the world, including the U.S., Asia and Europe, as well as Japan, and sales of these are influenced by local economies. Although the Group is working hard to build an earnings structure that is unaffected by changes in the business environment, by improving productivity and reducing fixed and variable costs, its performance and financial state may be substantially affected by drops in demand from the industries mentioned as well as overall economic downturns in the regions where its products are primarily sold.

### (2) High dependence on the electronics and display industries

In the year through December 2004, operating income of the electronics and display operations accounted for 50.8% of the AGC Group's total operating income, which indicates it relies heavily on this sector for revenue. However, with earnings of the operations tending to fluctuate greatly, losses cannot always be offset by income from the other operations, which may significantly affect the Group's performance and financial condition.

### (3) Expansion of operations overseas

The AGC Group is broadly implementing business activities overseas, through exports of products and manufacture abroad. The risks associated with operating abroad include deterioration of political and economic situation, imposition of regulations on imports and foreign investment, unexpected changes in laws, worsening of public security, and occurrence of terrorist outrages and war. These events may hinder the Group's operations overseas and thereby have serious effects on its performance and financial condition.

**(4) Competitive edge, and development and commercialization of new technologies and products**

In every field in which the AGC Group engages, there are peers supplying products similar to the Group's. Accordingly, to maintain its competitive edge, the Group is striving to identify the needs of customers, develop and commercialize new technologies and products. However, in case the Group fails to appropriately respond to technological changes and customer needs or takes too long in developing and commercializing new technologies and products, its growth would be hampered and profitability decreased. This may significantly affect the Group's performance and financial condition.

**(5) Procurement of production materials and resources**

In view that the AGC Group partially uses special materials, whose suppliers are limited, if such supply tightens or is delayed, the Group's performance and financial conditions may be greatly affected.

**(6) Government regulations**

In the countries and regions where it conducts its business activities, the AGC Group is subject to the respective government's approval and authorization of investments, regulations on exports and imports, as well as various laws concerning commercial transactions, labor, patents, taxation, foreign exchanges, etc. Therefore, certain kinds of amendment to these regulations and laws may significantly influence the Group's performance and financial conditions.

**(7) Environmental regulations**

The AGC Group engages mainly in glass and chemicals operations, which are characterized by a heavy environmental impact because they use a great quantity of resources and energy. For this, the Group is making great efforts to reduce environmental impact by improving facilities, establishing related management systems, and raising production efficiency by decreasing unit resource consumption and unit energy consumption. However, if environmental regulations become stricter and the public calls for a higher-level fulfillment of corporate responsibility of environmental protection, the Group's performance and financial condition may be greatly affected.

**(8) Product liability**

The AGC Group is doing its utmost to secure optimal quality for products according to their individual characteristics, but there is always some possibility that unexpected quality problems might occur due to unexpected reasons and develop into a large-scale recall campaign. This could substantially influence the Group's performance and financial condition.

**(9) Intellectual property rights**

The AGC Group is endeavoring to acquire intellectual property rights that appear useful for its present business activities and future operations alike, while investigating other firms' rights to prevent problems concerning this matter from occurring. However, there is the possibility that the Group disputes with other firms over intellectual property or they infringe the Group's intellectual property rights. This, if any, may materially influence the Group's performance and financial condition.

**(10) Litigation**

There is always a risk that some other firms, corporate groups, or individuals may file a lawsuit against the AGC Group over its operations at home and abroad. In the fiscal year under review, there was no such lawsuit that has a significantly negative effect on the Group's operations. However, if a serious lawsuit is filed against the Group, its performance and financial conditions may be greatly affected.

**(11) Effect of natural disasters and accidents**

In order to minimize the adverse impact on business that is caused by the suspension of production, the AGC Group regularly conducts inspections of all facilities to prevent potential damage by a disaster and maintain them. However, there is no guarantee to completely prevent or reduce the effect of disasters occurred at manufacturing facilities (including earthquakes, power outages, and other disruptions).

Given that some of the Group's products cannot be replaced by alternatives, in case their production is stopped at some facilities temporarily or over a long term due to a major earthquake or other confusion, the Group's productivity of such products is likely to sharply decline. If this happens, the Group's performance and financial conditions may be greatly affected.

**(12) Fluctuation of exchange rates**

The AGC Group is engaged in production and sales of products across the globe, and converts transaction accounts in local currencies, including sales, costs, and assets, into yen when preparing consolidated financial statements. Even if values of these items remain unchanged in terms of local currency, they may change when converted into yen depending on exchange rates. The yen's appreciation against other currencies (particularly the U.S. dollar and euro, which account for a considerable portion of the Group's sales) generally has a negative affect on the Group's earnings, while the yen's depreciation exerts a favorable influence.

The Group also manufactures products at its facilities worldwide, including Japan, and exports the products to a number of countries. And the Group generally procures raw materials and sells products in the local currency of each country/region. Accordingly, the fluctuation of exchange rates affects the prices of materials the Group procures and the pricing policy for its products, and thereby has effect on the Group's performance, financial position and future earnings.

**(13) Retirement benefit obligations**

The AGC Group calculates costs for employee retirement benefits and obligations based on an actuarial assumption of returns on pension funds and a specific discount rate. If the actuarial assumption and results diverge substantially due to deterioration of the market environment for pension fund management, future costs for retirement benefits will increase, which may result in seriously affecting the Group's performance and financial condition.

**(14) Decline in asset values of fixed assets**

If asset values of the AGC Group's owned fixed assets declined due to drop in market values and profitability, the Group's performance and financial conditions may be substantially affected.

## 8. Basic Policy of Corporate Governance and Implication of Related Measures

### (1) Basic policy of corporate governance

The AGC Group's basic policy on the establishment of its corporate governance structure is to enhance the oversight function by clearly separating it from the management functions, and to make prompt decisions on execution of business operations by distinguishing between the group corporate function and business operations function of the latter.

### (2) Oversight system and introduction of related measures

More specifically, following the decisions made in the annual general shareholders' meeting that was held in June 2002, the AGC Group reorganized the Board of Directors and its functions were redefined as the "body that approves basic policies and oversees the management of the Group". On top of this, the number of directors was reduced from twenty to seven, including two outside directors, and the tenure of directors was reduced to one year. (Subsequently, the number of directors was reduced from seven to six, including two outside directors, as resolved at the annual general shareholders' meeting held in March 2004.) At the same time, the Group introduced so-called "executive officer system," in which executive officers (with a one-year term of office) are clearly distinguished from directors under Japan's Commercial Code, and are responsible for the execution of the Group's management and business operations.

During the fiscal year under review, a total of 17 meetings of the Board of Directors were held to oversee the Group's management execution. These meetings also made decisions on candidates for the positions of directors and corporate auditors and unofficial decisions on nomination of executive officers, for the following year. Furthermore, they approved other important matters, such as the acquisition and disposal of important assets as well as the medium-term management plan for fiscal 2005 through fiscal 2007 and the business and financial planning for fiscal 2005.

In June 2003, the Group established two discretionary organizations, namely the Nominating Committee and the Compensation Committee, to further strengthen its corporate governance system and improve the objectivity in evaluation, nomination and remuneration of directors and executive officers.

The Nominating Committee, an advisory committee of the Board of Directors, consists of four directors in total, including two outside directors and is presided by chairman of the board. During the year under review, the committee met three times in total, and proposed to the Board of Directors the Group's own criterion for nominating outside directors that is designed to ensure their independence, as well as recommended executive officers and candidates for directorship, including one additional outside director (that is, the total number of outside directors increased to three) and those for the position of corporate auditor, for the following year, to the Board of Directors.

The Compensation Committee, also an advisory committee of the Board of Directors, consists of four directors in total, including two outside directors and is presided by President & CEO. In the year under review, the committee held five meetings and proposed remuneration principles and strategies that are designed so that shareholders and management can share a common interest, and management can be motivated to achieve performance goals designed to ensure the Group's continuous development. The proposal was adopted by the Board of Directors. Then, based on these principles and strategies, the Compensation Committee deliberated on a revision to the remuneration system and monitoring of executive officers' remuneration.

The Group adopts the corporate auditor system, and three of the four auditors are outside. The corporate auditors met a total 13 times during the year under review. Each corporate auditor, in line with the auditing policy formulated by the Board of Corporate Auditors, attends the Board of Directors and other important meetings of the Group, inspects important documents, audits the respective departments of head office (as well as other offices and plants), investigates subsidiaries, and reports the results to the Board of Corporate Auditors. In addition, the Board of Corporate

Auditors receives the independent accountants' report regarding the auditing procedures and results, prepares the Corporate Auditors' report based on the findings made during the year, and submits it to the Board of Directors.

**(3) Management System**

As a management system, the AGC Group introduced the In-House Company system in April 2002. With the introduction of this system, the Group changed its business operation system from a region-by-region based operation to a globally consolidated management system. It transferred substantial responsibility and authority for execution of business operations to each In-House Company or Strategic Business Unit (SBU).

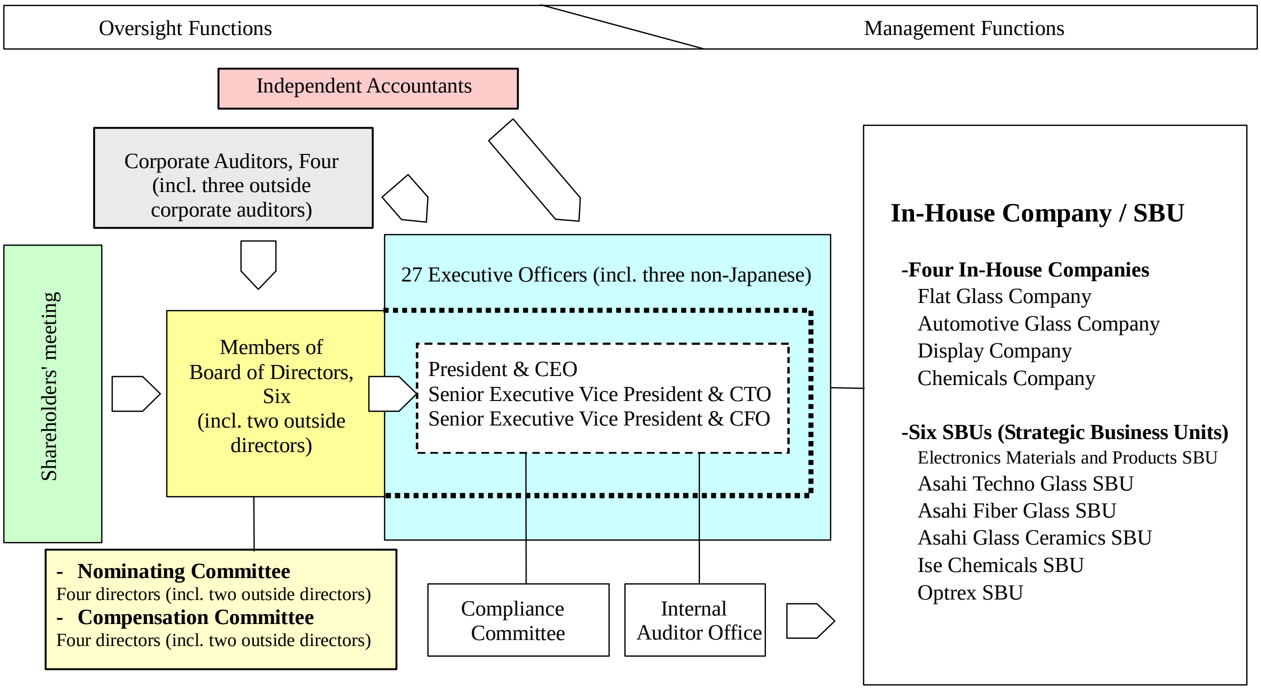
A business unit of which sales exceed approximately 200 billion yen and which operates its business on a global basis is defined as In-House Company. Based on this, the Group has established four In-House Companies that conduct operations for "Flat Glass," "Automotive Glass," "Display," and "Chemicals." Business units that are smaller than this are regarded as SBUs. The Group has six SBUs at present.

**(4) Compliance mechanism and internal audit**

In the AGC Group vision of ***"Look Beyond"*** that was announced in April 2002, the Group defined that "Integrity" was one of the most important values to be shared throughout the Group. It has therefore endeavored to establish and strengthen a compliance mechanism based on this value. For instance, the Group established the Compliance Committee under the President & CEO responsible for legal compliance, and this committee serves as a professional body for legal compliance and corporate ethics. The committee is chaired by a Senior Executive Vice President, and plans, formulates and executes compliance measures for the entire Group. Also, to ensure complete adherence to the law and corporate ethics, the Group has established and announced a set of principles and code of conducts, and is introducing them to the Group around the world. Moreover, Asahi Glass has set up a contact point for reporting and consultation at an office of an outside law firm and elsewhere as a help-line, in addition to the existing internal reporting contact, while obligating both corporate officers and career employees to submit statements of compliance with the code of conduct every year. The Group is diligently endeavoring to spread these practices to its units at home and abroad.

As a function to assist the Board of Directors and the President & CEO, the Internal Audit Office is striving to monitor establishment and operations of an internal control system for the Group, support those for each In-House Company/SBU, and build a global internal audit system that can be placed in operation throughout the Group around the world. In effect, the office has been conducting these activities in full cooperation with corporate auditors.

The following figure shows the AGC Group's corporate governance structure, as mentioned above in (2) through (4).




**(5) Compensation paid the Board of Directors and Corporate Auditors**

In the fiscal year under review, the AGC Group paid 247 million yen and 73 million yen in total to the members of Board of Directors and Corporate Auditors, respectively.

**(6) Compensation paid to the independent accountants**

Compensation paid to ChuoAoyama Pricewater Coopers, the independent accountants for Asahi Glass and its consolidated subsidiaries, in the fiscal year under review was 146 million yen for some of the audit engagements, and there was no compensation for professional services other than the audit engagements.

## Operating Results and Financial Conditions

At its 78th general meeting of shareholders on June 27, 2003, the AGC Group revised its Articles of Incorporation, adopting the calendar year as the Group's fiscal year.

Accordingly, the Group's previous fiscal period was only nine months long (from April 1 through December 31, 2003), while the year under review comprises the full 12 months from January 1 through December 31, 2004, and thereby no year-on-year performance comparison was presented for the year under review.

### 1. Overview of the year under review (FY2004)

(Unit: Billions of Yen) (Unit: Yen)

| | Net sales | Operating income | Ordinary income | Net income | Net income per share |
|---|---|---|---|---|---|
| FY2004 (January 1 - December 31, 2004) | 1,475.7 | 139.4 | 135.7 | 78.3 | 66.75 |
| FY2003 (April 1 - December 31, 2003) | 1,243.0 | 83.2 | 75.4 | 53.6 | 45.65 |

In the fiscal year under review, some regions in the world were seriously affected by the sharp rise in raw material and energy prices in the uncertain international situation and the globally tight supply-demand balance. However, the world economy remained firm in general, as emerging countries, including the BRICs (Brazil, Russia, India, and China), continued to record high economic growth and the economy of industrially advanced nations maintained a moderate growth pace. In Japan, the economy generally continued on the recovery track, helped by strong exports to the rest of Asia and the resultant increase in capital investment, although it slowed slightly in the latter half of the year due to weakened demand for home digital electronics products. The U.S. economy continued to be firm as a whole, due to robust construction starts of housing and commercial buildings as well as strong consumer spending, despite earlier concerns that the economy would deteriorate after the presidential election. Although the situation slightly differed among the Western European countries, all in all the European economy was on a gradual recovery track, with Central and Eastern Europe (particularly Russia) continuing to record strong economic growth.

Under such circumstances, the AGC Group further strove to expand its business operations in rapidly growing markets for glass substrates used in flat panel displays (FPDs) and electronic materials for home digital electronics products, while boosting sales of value-added products in the glass for construction, automotive glass, and chemicals businesses. At the same time, the Group worked hard to reduce costs through productivity improvement, and revised sales prices of some products, including glass for construction, CRT glass, and chemicals, to minimize the effect of rising prices for oil, natural gas, and raw materials.

As a result, for the fiscal year under review, the Group posted net sales of 1,475.7 billion yen, an operating income of 139.4 billion yen, an ordinary income of 135.7 billion yen, and a net income of 78.3 billion yen, all of which represent all-time highs.

The Group will pay a year-end dividend of 6 yen per share for the year ended December 31, 2004, which will result in an annual dividend of 12 yen per share because it paid an interim dividend of 6 yen per share for the first half of fiscal 2004, up from the 4.50 yen originally planned.

## 2. Overview by Segment

### - Performance by business segment

(Unit: Billions of Yen)

| | Net sales | | Operating income | |
|---|---|---|---|---|
| | FY2004 | FY2003 | FY2004 | FY2003 |
| Glass | 740.5 | 664.7 | 48.0 | 35.5 |
| Electronics and Display | 435.7 | 337.0 | 70.9 | 38.5 |
| Chemicals | 286.0 | 227.1 | 17.6 | 7.7 |
| Other | 75.0 | 64.2 | 3.0 | 1.5 |
| Corporate or elimination | (61.5) | (50.1) | 0.0 | (0.1) |
| Consolidated total | 1,475.7 | 1,243.0 | 139.4 | 83.2 |

### - Performance by geographic segment

(Unit: Billions of Yen)

| | Net sales | | Operating income | |
|---|---|---|---|---|
| | FY2004 | FY2003 | FY2004 | FY2003 |
| Japan | 868.6 | 680.2 | 67.5 | 26.2 |
| Asia | 341.8 | 263.9 | 52.2 | 35.3 |
| The Americas | 204.6 | 176.7 | (3.2) | 4.9 |
| Europe | 295.7 | 274.0 | 25.9 | 17.1 |
| Corporate or elimination | (234.9) | (151.8) | (2.9) | (0.3) |
| Consolidated total | 1,475.7 | 1,243.0 | 139.4 | 83.2 |

### - Glass operations

The Glass operations essentially comprise flat glass for construction and automotive glass, both of which are conducted globally, as well as Japanese domestic business involving other glass categories including exterior siding boards, fiberglass and other applications.

The flat glass businesses in North America and Europe were on track to gradual recovery, while Asia sustained stable growth and, overall, capacity utilization improved in the three regions. Moreover, efforts to reduce costs started being rewarded, due to the implementation of measures to have all the AGC Group's manufacturing facilities share the most efficient manufacturing process, which was obtained in the course of global benchmarking that analyzes the productivity of the Group's flat glass manufacturing plants around the world. By region, sales in Europe were brisk mainly because demand in Central and Eastern Europe (particularly in Russia) remained strong, while sales of value-added products in Western Europe were robust. In Asia, fueled by economic growth in China, Thailand, Indonesia and the Philippines, sales were continuously solid, and, even in Japan, demand for flat glass was stable due to increased sales of high value-added products. As for North America, the business environment remained severe for the entire year under review, hurt by a decline in sales prices and a rise in energy costs, although sales volume slightly improved in the latter half.

In the automotive glass business, global sales increased driven by an increase in demand for value-added products. In Japan, sales were up as automotive production slightly increased from the previous year and sales of value-added products increased. Elsewhere in Asia, sales climbed and automotive production was higher than the previous year. Europe also saw sales rise slightly, bolstered by increased automotive production. In North America, sales grew in line with increased demand for value-added products.

In the other glass business, earnings improved somewhat as a result of robust demand for construction materials in Japan and the effects of restructuring measures.

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, Glass operations sales reached 740.5 billion yen, while operating income amounted to 48.0 billion yen.

**- Electronics and Display operations**

The Electronics and Display operations involve the display business, which handles cathode-ray tube (CRT) glass and glass substrates for flat panel displays (FPDs), as well as the electronic materials business.

In the CRT glass business, sales generally remained stable, due to strong demand mainly from China and ASEAN countries. Meanwhile, the Group revised prices particularly for some small- and medium-sized products, whose supply-demand situation tightened, to cope with increased costs amid surging prices for raw materials and fuel as well as maritime shipping throughout the year. Moreover, the Group made equity-method affiliate Shanghai Asahi Electronic Glass Co., Ltd. (SAE) in China into a consolidated subsidiary in the third quarter of the fiscal year.

Sales in the FPD glass business continued to be robust, helped by strong demand for glass substrates, despite slowing sales of screen panels for personal computers and thin-screen televisions (such as LCD TVs and plasma display panel TVs) in and after the third quarter.

In the electronic materials business, demand for small- and medium-sized displays installed in cellular phones, etc. stayed strong. On top of this, sales of optical pickup elements for DVD decks, optical filters for liquid crystal projectors and digital cameras, as well as glass frit and paste for PDPs fared well, with the expansion of the market for home digital electronics products. Demand for synthetic quartz for semiconductor manufacturing equipment was also solid, due to proactive capital spending chiefly by semiconductor producers in Taiwan and South Korea.

As a result, the Electronics and Display operations posted sales of 435.7 billion yen and operating income 70.9 billion yen.

**- Chemicals operations**

The Chemicals operations essentially consist of the following businesses: chlor-alkalis for caustic soda and other products, fluorochemicals for fluorinated resins, fluoropolymer films and fluorinated gases and solvents, and then urethanes and other chemicals.

The chlor-alkalis business benefited from a sustained strength of sales registered by the Thai and Indonesian subsidiaries, bolstered by strong demand in China and Southeast Asia. In Japan, the business also continued to be strong, due to the effect of cost-cutting efforts and strong demand supported by exports.

In the fluorochemicals business, sales of water and oil repellents as well as optical filters for PDPs remained robust. In North America, the fluorinated resins business was still in the process of reforms to improve their profitability, while fluorinated resins and elastomers sold well in other regions.

As a result, sales for the Chemicals operations were 286.0 billion yen and operating income 17.6 billion yen.

**- Other operations**

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

The ceramics business remained strong, as a cooperative production system in Japan and China in the glass engineering field was improved and sales of fine ceramics increased. Service-related businesses also saw sales rise.

As a result, sales from Other operations registered 75.0 billion yen and operating income 3.0 billion yen.

## 3. Financial Conditions

(Unit: Billions of Yen)

| | FY2004 | FY2003 |
|---|---|---|
| Cash flows from operating activities | 232.9 | 147.9 |
| Cash flows from investing activities | (125.9) | (61.5) |
| Cash flows from financing activities | (99.0) | (92.3) |
| Cash and cash equivalents at end of period | 67.9 | 55.9 |

**- Cash flows from operating activities**

Cash flows from operating activities for fiscal 2004 amounted to 232.9 billion yen, as net income before income taxes increased primarily due to stable performance in the Electronics and Display operations as well as steady demand in the Glass and Chemicals operations.

**- Cash flows from investing activities**

Cash flows from investing activities for fiscal 2004 were 125.9 billion yen. This is attributable mainly to expenditures on acquisition of fixed assets such as manufacturing and processing facilities for large LCD glass substrates in the Electronics and Display operations, which were partially offset by proceeds from sales of fixed assets and investment securities.

As a result, free cash flows (total cash flows from operating and investing activities) stood at 107.0 billion yen.

**- Cash flows from financing activities**

Cash flows from financing activities for fiscal 2004 amounted to 99.0 billion yen, due to repayment of debts, redemption of corporate bonds (issued by Asahi Glass and its U.S. subsidiaries), and payment of dividends.

As a result, the balance of cash and cash equivalents was 67.9 billion yen at the end of fiscal 2004.

**- Cash flow indices**

| | Year ended March 2002 | Year ended March 2003 | Nine months ended Dec. 2003 | Year ended Dec. 2004 |
|---|---|---|---|---|
| Net worth ratio (%) | 31.0 | 31.0 | 34.5 | 37.1 |
| Net worth ratio based on market value (%) | 50.1 | 41.8 | 57.2 | 69.7 |
| Number of years for debt redemption | 5.7 | 3.9 | - | 2.2 |
| Interest coverage ratio | 5.6 | 10.2 | 12.2 | 20.6 |

(Notes) Net worth ratio (%): Net worth/total assets
Net worth ratio based on market value (%): Total market capitalization/total assets
Number of years for debt redemption: Interest-bearing debts/operating cash flows
Interest coverage ratio: Operating cash flows/interest payment

- *All indices were computed using consolidated financial figures.*
- *Total market capitalization was computed based on the closing stock price at period-end multiplied by number of outstanding shares at period-end (after deducting treasury stock).*
- *Operating cash flows represent cash flows from operating activities on the consolidated statements of cash flows.*
- *Interest-bearing debts represent all debts on the consolidated balance sheets for which interest is paid. In addition, interest payment represents amount of interest paid on the consolidated statements of cash flows.*
- *Since the Group’s fiscal period ended December 2003 was a 9-month transitional accounting period due to a change in fiscal year, the Number of years for debt redemption is not presented herein.*

## 4. Outlook for FY2005

(Unit: Billions of Yen)

| | Net sales | Operating income | Ordinary income | Net income |
|---|---|---|---|---|
| FY2005 (January 1 through December 31, 2005) | 1,550.0 | 145.0 | 138.0 | 83.0 |
| FY2004 (January 1 through December 31, 2004) | 1,475.7 | 139.4 | 135.7 | 78.3 |
| Changes (%) | 5.0% | 4.0% | 1.7% | 6.0% |

For the next fiscal year ending December 31, 2005, the Japanese economy is forecast to remain in an adjustment phase—which started late last year—until the end of the second quarter, and recover to some extent toward the end of the year. At the same time, however, uncertainty over the outlook for the Japanese economy is likely to linger, amid concerns over the negative effects of the economic slowdown in China and sluggish consumer spending. The Asian economy overall is expected to sustain stable economic growth led by domestic demand, though it could be affected by economic ups and downs in China. The U.S. economy will likely be as steady as in the previous year, despite concerns over another hike in energy prices. As for Europe, the economy in Western Europe is predicted to continue its moderate recovery, while in Central and Eastern Europe (particularly in Russia) economic growth at a solid rate as in the previous year is expected.

Due to the above-mentioned circumstances, the demand for flat glass is projected to remain virtually unchanged in North America, but is expected to continue to increase in Central and Eastern Europe (particularly in Russia) and Asia. The cost savings should continue in line with the global benchmarking project, and flat glass prices should remain stable in Europe, Asia and North America. As for the automotive glass business, the AGC Group estimates that global demand will increase, particularly in China and Southeast Asia.

For the fiscal year ending December 31, 2005, in the display business of the Electronics and Display operations, sales of CRT glass for TVs will be robust due to strong demand from such markets as China and the ASEAN countries. However, overall demand for CRT glass is forecast to decrease with a further shift of PC monitors to LCDs. Meanwhile, the FPD glass business is likely to continue growing, due to a strong demand for flat panel displays whose prices are projected to drop. Sales of glass substrates for TFT-LCDs, among others, are predicted to rise sharply, given projected increase in the use of large LCD monitors and LCD TVs. In the electronic materials business, demand for some products will continue to weaken in the first half of the year, but overall demand is expected to grow again in the latter half.

In the Chemicals operations, the market for chlor-alkali products is likely to remain steady, and the fluorochemicals business is estimated to stably grow and supply-demand situation of some products will likely continue to tighten.

Among the other operations, the ceramics business is likely to continue to grow firmly.

As a result, the AGC Group forecasts sales for the year through December 2005 to be 1,550.0 yen, an operating income of 145.0 yen, ordinary income of 138.0 yen, and net income of 83.0 yen. For its projections, the Group assumes that the key currency exchange rates throughout the fiscal year will average at 105 yen to the U.S. dollar and 130 yen to the Euro.

**[Important matters concerning the outlook]**

The above projections reflect management's judgment on the basis of currently available information and, as such, contain risks and uncertainties. For this reason, investors are recommended not to base investment decisions solely on these projections.

# Consolidated Balance Sheets

(Unit: Millions of Yen)

| | Year ended Dec. 2004 (December 31, 2004) | Year ended Dec. 2003 (December 31, 2003) | Increase (Decrease) |
|---|---|---|---|
| Current Assets | 648,237 | 582,060 | 66,176 |
| Cash on hand and in banks | 98,648 | 61,882 | 36,766 |
| Trade notes and accounts receivable | 280,615 | 259,870 | 20,745 |
| Inventories | 215,782 | 203,643 | 12,139 |
| Deferred income taxes | 9,381 | 11,096 | (1,714) |
| Other current assets | 50,557 | 53,499 | (2,942) |
| Allowance for bad debts | (6,749) | (7,932) | 1,182 |
| Fixed Assets | 1,236,681 | 1,224,015 | 12,666 |
| Tangible Fixed Assets | 853,390 | 810,213 | 43,177 |
| Buildings and structures | 227,827 | 223,283 | 4,544 |
| Machinery and equipment | 434,137 | 414,639 | 19,497 |
| Tools and fixtures | 19,234 | 18,038 | 1,196 |
| Land | 110,728 | 112,387 | (1,658) |
| Construction in progress | 61,462 | 41,863 | 19,598 |
| Intangible Fixed Assets | 94,636 | 104,858 | (10,222) |
| Investments, etc. | 288,654 | 308,943 | (20,288) |
| Investment in securities | 224,557 | 251,837 | (27,279) |
| Long-term loans | 9,620 | 10,881 | (1,261) |
| Long-term prepaid expenses | 12,537 | 8,369 | 4,168 |
| Deferred income taxes | 20,788 | 20,234 | 554 |
| Other investments | 24,003 | 20,653 | 3,350 |
| Allowance for bad debts | (2,853) | (3,032) | 179 |
| Deferred Assets | 350 | 535 | (185) |
| Total Assets | 1,885,268 | 1,806,611 | 78,657 |

# Consolidated Balance Sheets (continued)

(Unit: Millions of Yen)

| | Year ended Dec. 2004 (December 31, 2004) | Year ended Dec. 2003 (December 31, 2003) | Increase (Decrease) |
|---|---|---|---|
| Current Liabilities | 549,139 | 489,319 | 59,819 |
| Trade notes and accounts payable | 181,774 | 161,434 | 20,339 |
| Short-term bank loans | 103,831 | 113,525 | (9,694) |
| Commercial paper | 25,733 | 5,368 | 20,365 |
| Current maturities of bonds | 16,064 | 22,402 | (6,337) |
| Accounts payable, other | 62,053 | 60,131 | 1,921 |
| Accrued expenses | 18,206 | 13,882 | 4,324 |
| Income taxes payable | 33,201 | 19,315 | 13,886 |
| Deposits received | 25,861 | 30,153 | (4,291) |
| Accrued bonuses to employees | 5,704 | 5,250 | 453 |
| Reserve for scheduled repairs | 1,570 | 1,593 | (22) |
| Reserve for restructuring programs | 2,315 | 6,185 | (3,870) |
| Other current liabilities | 72,820 | 50,076 | 22,744 |
| Non-current Liabilities | 511,682 | 583,784 | (72,101) |
| Bonds issued | 244,934 | 307,344 | (62,409) |
| Long-term bank loans | 132,744 | 125,627 | 7,117 |
| Deferred income taxes | 32,957 | 24,250 | 8,707 |
| Accrued retirement benefits | 57,090 | 69,013 | (11,922) |
| Accrued retirement bonuses to directors | 1,498 | 2,015 | (517) |
| Reserve for rebuilding furnaces | 16,140 | 13,713 | 2,427 |
| Reserve for restructuring programs | 5,738 | 7,522 | (1,783) |
| Other non-current Liabilities | 20,576 | 34,296 | (13,720) |
| Total Liabilities | 1,060,821 | 1,073,103 | (12,282) |
| Minority Interest in Consolidated Subsidiaries | 125,308 | 110,709 | 14,599 |
| Shareholders' Equity | 699,139 | 622,798 | 76,340 |
| Common stock | 90,472 | 90,472 | - |
| Additional paid-in capital | 84,627 | 84,395 | 232 |
| Retained earnings | 511,749 | 449,958 | 61,791 |
| Asset revaluation reserve | 120 | 121 | 0 |
| Unrealized gains on securities | 58,641 | 43,243 | 15,397 |
| Foreign currency translation adjustments | (32,926) | (44,175) | 11,249 |
| Treasury stocks | (13,546) | (1,216) | (12,329) |
| Total Liabilities and Shareholders' Equity | 1,885,268 | 1,806,611 | 78,657 |

# Consolidated Statements of Income

(Unit: Millions of Yen)

| | Year ended December 2004 (Jan. through Dec. 2004) | Year ended December 2003 (Apr. through Dec. 2003) |
|---|---|---|
| Net Sales | 1,475,726 | 1,242,956 |
| Cost of Sales | 1,084,549 | 941,342 |
| Selling, General and Administrative Expenses | 251,773 | 218,427 |
| Operating income | 139,403 | 83,187 |
| Other Income | 16,891 | 13,002 |
| Interest and dividend income | 5,048 | 4,014 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 5,262 | 2,541 |
| Others | 6,581 | 6,446 |
| Other Expenses | 20,606 | 20,775 |
| Interest expenses | 11,293 | 11,774 |
| Others | 9,313 | 9,000 |
| Ordinary Income | 135,688 | 75,414 |
| Extraordinary Gains | 55,333 | 27,841 |
| Gain on sale of properties | 4,061 | 13,721 |
| Gain on sale of investments in securities | 21,050 | 10,890 |
| Gain from the transfer of the substitutional portion of the Employees Pension Funds | 24,530 | - |
| Others | 5,691 | 3,229 |
| Extraordinary Losses | 57,011 | 17,549 |
| Loss on disposal of properties | 7,028 | 5,546 |
| Nonrecurring depreciation of fixed assets | 14,879 | - |
| Loss on impairment of fixed assets | 14,505 | - |
| Loss on write-down of fixed assets | - | 5,728 |
| Loss on write-down of investments in securities | 3,112 | 175 |
| Loss on restructuring programs | 9,891 | - |
| Others | 7,594 | 6,097 |
| Income before income taxes | 134,009 | 85,707 |
| Income taxes | 39,946 | 18,359 |
| Deferred income taxes | 1,467 | 2,505 |
| Minority interest in earnings of consolidated subsidiaries | 14,309 | 11,201 |
| Net Income | 78,287 | 53,641 |

(Note) Since the fiscal year ended December 2003 includes only nine months due to the change of its fiscal year-end, no year-to-year comparison was made.

## Consolidated Statements of Shareholders' Equity

(Unit: Millions of Yen)

| | Year ended December 2004 (Jan. through Dec. 2004) | Year ended December 2003 (Apr. through Dec. 2003) |
|---|---|---|
| (Additional paid-in capital) | | |
| Balance at the beginning of year | 84,395 | 84,395 |
| Increase | 232 | 0 |
| Gain on sales of treasury stock | 3 | 0 |
| Increase due to the merger of subsidiaries | 228 | - |
| Balance at the end of year | 84,627 | 84,395 |
| (Retained earnings) | | |
| Balance at the beginning of year | 449,958 | 404,817 |
| Increase | 78,304 | 54,287 |
| Net income | 78,287 | 53,641 |
| Increase due to inclusion of new subsidiaries in consolidation | - | 646 |
| Increase due to the reversal of asset revaluation reserve | 0 | 0 |
| Increase due to asset revaluation of overseas subsidiaries | 16 | - |
| Decrease | 16,513 | 9,147 |
| Dividends declared | 14,963 | 5,282 |
| Directors' bonuses | 97 | 11 |
| Decrease due to inclusion of new subsidiaries in consolidation | 31 | - |
| Decrease due to inclusion of new affiliated companies in consolidation | - | 3,735 |
| Decrease due to asset revaluation of overseas subsidiaries | - | 118 |
| Decrease due to change of overseas subsidiary's functional currency | 1,191 | - |
| Decrease due to the merger of subsidiaries | 228 | - |
| Balance at the end of year | 511,749 | 449,958 |

(Note) Due to the change in fiscal year-end, the fiscal period ended December 2003 includes only nine months.

## Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

| | Year ended December 2004 (Jan. through Dec. 2004) | Year ended December 2003 (Apr. through Dec. 2003) |
|---|---|---|
| I. Cash Flows from Operating Activities | | |
| Income before income taxes | 134,009 | 85,707 |
| Depreciation and amortization | 132,558 | 99,899 |
| Impairment of fixed assets | 14,505 | - |
| Amortization of goodwill | 7,964 | 3,086 |
| (Decrease) increase in reserves | (15,654) | (3,038) |
| Interest and dividend income | (5,048) | (4,014) |
| Interest expenses and Commercial paper interest | 11,293 | 11,774 |
| Exchange loss (gain) | 902 | 907 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (5,262) | (2,541) |
| Loss on sale of securities and properties, etc. | (17,034) | (12,853) |
| (Increase) decrease in receivables | (10,851) | (10,004) |
| (Increase) decrease in inventories | (7,038) | (9,073) |
| Increase (decrease) in payables | 9,368 | 7,401 |
| Others | 12,463 | (609) |
| Subtotal | 262,175 | 166,640 |
| Interest and dividend received | 6,322 | 7,047 |
| Interest paid | (11,332) | (12,131) |
| Income taxes paid | (24,276) | (13,671) |
| Net cash provided by operating activities | 232,888 | 147,883 |
| II. Cash Flows from Investing Activities | | |
| Increase in time deposits | (30,614) | (5,087) |
| Decrease in time deposits | 8,903 | 1,643 |
| Acquisition of property, plant and equipment | (161,102) | (108,180) |
| Proceeds from sale of property, plant and equipment | 8,828 | 19,231 |
| Payments for purchase of investments in securities | (14,970) | (24,768) |
| Proceeds from sale of investments in securities | 63,848 | 52,553 |
| Others | (826) | 3,145 |
| Net cash used in investing activities | (125,933) | (61,461) |
| III. Cash Flows from Financing Activities | | |
| Increase (decrease) in short-term loans and commercial paper | 3,735 | (51,905) |
| Proceeds from long-term borrowings | 45,677 | 30,489 |
| Repayments of long-term borrowings | (51,241) | (45,449) |
| Proceeds from issuance of bonds | 9,453 | 35,000 |
| Redemption of bonds | (66,530) | (76,202) |
| Payments for purchase of subsidiary's bonds | (10,805) | - |
| Proceeds from sale of borrowed securities | 3,287 | 22,469 |
| Purchase of treasury stock | (12,407) | (106) |
| Dividends paid | (20,096) | (6,409) |
| Others | (39) | (218) |
| Net cash used in financing activities | (98,967) | (92,331) |
| IV. Effect on Exchange Rate Changes on Cash and Cash Equivalents | 1,521 | (1,660) |
| V. Increase (decrease) in Cash and Cash Equivalents | 9,508 | (7,570) |
| VI. Cash and Cash Equivalents at Beginning of Year | 55,915 | 55,282 |
| Cash and cash equivalents held by newly consolidated | 2,519 | 8,203 |
| Cash and Cash Equivalents at End of Year | 67,943 | 55,915 |

(Note) Due to the change in fiscal year-end, the fiscal period ended December 2003 includes only nine months.

# Notes

## 1. Summary of significant accounting policies

**(1) Scope of Consolidation**

The Company had 325 subsidiaries as of December 31, 2004 (336 as of December 31, 2003). The consolidated financial statements include the accounts of the Company and 253 (251 for December 31, 2003) of its subsidiaries.

The definition of subsidiaries is based on the substantive existence of controlling power.

The accounts of the remaining 72 (85 for December 31, 2003) unconsolidated subsidiaries are excluded from consolidation since the aggregate amounts of these subsidiaries in terms of combined assets, net sales, net income (loss) and retained earnings (accumulated deficit) are immaterial in relation to those of the consolidated financial statements of the Companies.

**(2) Investments in Unconsolidated Subsidiaries and Affiliates and Equity Method**

The Company had 72 (85 for December 31, 2003) unconsolidated subsidiaries and 62 (67 for December 31, 2003) affiliates as of December 31, 2004. Affiliates are defined to include those, which are owned 15% or more or those that are subject to exercise of influence over the management of the affiliates by the investor company.

The equity method is applied only to investments in major companies (33 and 38 companies at December 31, 2004 and December 31, 2003, respectively).

The investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost or less, because they do not have a material effect on the consolidated statements.

**(3) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries and Affiliates)**

All the assets and liabilities of overseas consolidated subsidiaries and overseas affiliates accounted for by the equity method are translated into yen at the currency exchange rates prevailing at the balance sheet dates, except that the common stock and additional paid-in capital accounts are translated at the historical rates. Revenues and expenses are translated by the average exchange rates prevailing during each period. The resulting differences are recorded as “Foreign currency translation adjustments,” a separate component of Shareholders’ Equity in the Consolidated Balance Sheets.

**(4) Translation of Foreign Currency Translations**

Revenue and expense items arising from transactions denominated in foreign currencies are translated into yen in general at the rates effective at the respective transaction dates.

Foreign currencies and monetary receivables and payables denominated in foreign currencies are translated into yen at the current exchange rates prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in determination of net income for the period.

**(5) Valuation of Securities**

Securities with market value other than securities of subsidiaries and affiliated companies are stated at market value. Differences between market value and acquisition costs are recorded as “Unrealized gains on securities” in Shareholders’ Equity, net of tax. The cost of securities sold is calculated by the moving-average method. Securities without market value are stated at cost determined by the moving-average method. Declines in the value of securities to be other than temporary are reflected in current income.

**(6) Inventories**

Inventories are mainly stated at the lower of cost or market value, cost being determined by the moving-average method.

**(7) Property, Plant and Equipment**

Depreciation by the Company and its domestic consolidated subsidiaries is principally computed by the declining-balance method, at rates based on the estimated useful lives of assets.

Depreciation by overseas consolidated subsidiaries is principally computed by the straight-line method over the estimated useful lives of the assets.

(Supplementary information)

While the Company and some of its consolidated subsidiaries had hitherto depreciated tangible fixed assets down to 5% of acquisition cost, in fiscal 2004 (ended December 31,2004) they restarted depreciating the 95% depreciated tangible fixed assets in the following accounting period to a nominal residual value of 1 yen. This is due to the fact that expected proceeds from sale of those fully depreciated tangible fixed assets are nearly zero and their disposition would only cause expenses to be incurred.

Retroactively adopting the change in accounting estimates for depreciation of tangible fixed assets in fiscal 2004, the

Company booked a cumulative effect of consolidated extraordinary loss of 14,879 million yen in respect with the tangible fixed assets that had been depreciated to 5% of acquisition prices in the previous years.

As a result, consolidated net income before taxes was 14,879 million yen less than when calculated with the previous accounting estimates.

**(8) Amortization**

Amortization of intangible assets is computed by the straight-line method, principally over five years.

**(9) Certain Accrued Expenses Items**

Certain accrued expenses, which are essentially an estimate of amounts to be determined in future years, are provided by the Companies. The basis of recognizing such accrued expenses is as follows:

(i) Allowance for bad debts

"Allowance for bad debts" is provided in an amount sufficient to cover possible losses on the collection of receivables. For certain probable doubtful receivables, the uncollectible amounts are estimated based on a review of the collectibility of individual receivables.

(ii) Accrued bonuses to employees

"Accrued bonuses to employees" is provided for an amount based on the estimated amount to be paid to employees during the summer as applicable for their services during the six-month period ended on the balance sheet date.

(iii) Accrued retirement benefits for directors and corporate auditors

"Accrued retirement benefits for directors and corporate auditors" is provided for an amount based on the estimated amount to be paid to directors and corporate auditors under the Companies' internal rules.

(iv) Reserve for rebuilding furnaces

"Reserve for rebuilding furnaces" is provided for an amount based on estimated costs to be incurred at the next periodic repair works on its facilities over the service period until the next repair works.

(v) Reserve for restructuring programs

"Reserve for restructuring programs" represents reasonably estimated loss arising from additional severance compensation program related to restructuring, and restructuring of certain businesses of the Companies.

**(10) Accounting for Retirement Benefits to Employees**

Recognition of accrued retirement benefits to employees is based on actuarial valuation of projected benefit obligations and fund assets.

Prior service cost is amortized over average remaining service period of employees (mainly 13 years), from the year when it is incurred. Actuarial gain/loss is amortized over average remaining service period of employees (mainly 13 years), from the year next to the year when it is incurred.

(Supplementary Information)

"Return of Substitute Portion of Employees Pension Program to the Government"

In conjunction with the implementation of the Defined Benefit Corporate Pension Plan Law, the Company received an approval of the Ministry of Health, Labor and Welfare on March 26, 2004 for a waiver of the obligation to handle future disbursement of pension benefits.

The Company applied measures stipulated in paragraph 47-2 of the "Practical Guideline for accounting for retirement benefit (interim report) -Accounting committee report No.13 of the Japanese Institute of Certified Accountants-" and accounted for offsetting the retirement benefits obligations against the pension assets, which pertained to the substitute portion, as of the date of the approval for the return of relevant obligations.

The impact resulting from this accounting practice on the Company's consolidated statement of income for this period was 24,329 million yen in extraordinary income. Furthermore, minimum actuarial liability corresponding to the portion returned amounted to 56,016 million yen at the end of this period.

**(11) Accounting for Consumption Tax**

Consumption tax is imposed at the flat rate of 5% on all Japanese domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale and consumption tax paid on purchases of goods and services are not included in the amounts of respective revenue and cost or expense items in the accompanying Consolidated Statements of Income. The consumption tax withheld and consumption tax paid are recorded as assets or liabilities and the net balance is included either in "Other current assets" or "Other current liabilities" of the Consolidated Balance Sheets, as the case may be.

**(12) Derivatives Financial Instruments**

The Companies use financial instruments to reduce their exposure to market risks from fluctuations in foreign currency exchange rates and interest rates, and oil prices incurred in the ordinary course of business.

Hedging instruments include mainly foreign currency swap contracts, interest rate swap contracts and commodity swap contracts.

Hedging items include mainly bond and fuel oil.

Derivatives are recorded at fair value.

In order to reduce exposure to risk of foreign currency exchange rate fluctuations and interest rate hike on the Companies' bank borrowings and bonds, and oil price hike, the Companies entered into forward foreign exchange contracts, currency option contracts, currency swap contracts, interest rate swap contracts, forward rate agreements, interest rate cap contracts, interest rate floor contracts, interest rate swaption contracts, oil swap contracts, metal swap contracts and oil option contracts.

**(13) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows**

"Cash and cash equivalents" comprises cash on hand, bank deposits that are withdrawable on demand and short-term investments due within three months or less and substantially free from any price fluctuation risk.

## 2. Changes in accounting principles

**(1) Amortization of consolidation goodwill**

Consolidation goodwill associated with a U.S.-based subsidiary used to be accounted for in terms of amortization or impairment in conformity with accounting principles and practices generally accepted in the United States. However, as the result of a review of the accounting for such consolidation goodwill upon the release of the "Opinion Brief on the Setting of Accounting Principles for Business Combinations" by the Business Accounting Council of Japan, the Company adopted an accounting principle of straight-line amortization over 20 years, from the perspective of a group-wide consistency of accounting practices based on accounting principles and practices generally accepted in Japan, to present fairly the consolidated financial position of the Company and its consolidated subsidiaries as well as the consolidated results of their operations. In this regard, existing consolidation goodwill associated with the U.S.-based subsidiary shall be amortized over a period of 10 years from then on while taking the already amortized amounts into consideration. Consequently, operating, ordinary, and net income before income taxes for this period were decreased by 5,439 million yen, respectively, when compared to those calculated with the previous accounting principle.

**(2) Accounting for impairment of fixed assets**

The Company adopted the accounting for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Corporate Accounting Council on August 9, 2002) and Practical Guidance on Accounting for impairment of fixed assets (Practical Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003) effective for fiscal year ending March 31, 2004 or later. As a result, consolidated net income before taxes decreased by 14,505 million yen. In effect, the impairment losses were deducted directly from the relevant fixed assets in accordance with the revised regulations of consolidated financial statements.

## 2. Notes to consolidated financial statements

**(1) Notes to Consolidated balance sheets** (Unit: Millions of Yen, except specified otherwise)

| | | Year ended December 2004 | | Year ended December 2003 | |
|---|---|---|---|---|---|
| 1. Accumulated depreciation for tangible fixed assets | | 1,322,483 | | 1,257,080 | |
| 2. Notes discounted | | 521 | | - | |
| 3. Endorsed notes for transfer | | 5,071 | | 5,810 | |
| 4. Treasury stock | | 13,048,678 | shares | 1,536,835 | shares |
| 5. Guaranteed obligations | | 8,689 | | 11,332 | |
| 6. Contingent liabilities in relation to agreement for assumed bond obligations | | 45,000 | | - | |
| 7. Goodwill included in intangible fixed assets | | 75,566 | | 87,494 | |
| 8. Collateralized assets and obligations | | | | | |
| Assets pledged as collaterals; | Securities | 7 | | 7 | |
| | Tangible fixed assets | 34,457 | | 40,247 | |
| | Total | 34,465 | | 40,255 | |
| Debt covered by the collaterals; | Short-term loans | 2,027 | | 1,388 | |
| | Long-term loans | 1,057 | | 4,899 | |
| | Total | 3,084 | | 6,288 | |

9. When the consolidated fiscal year-end is a bank holiday, the Company considers that notes that mature on that day have been settled on the maturity date. The settled amount is as follows.

| | Year ended December 2004 | Year ended December 2003 |
|---|---|---|
| Notes receivable | 5,486 | 7,104 |
| Notes payable | 1,640 | 1,269 |

**(2) Notes to Consolidated statements of income** (Unit: Millions of Yen)

| | Year ended December 2004 | Year ended December 2003 |
|---|---|---|
| 1. Amortization of goodwill included in the selling, general and administrative expenses | 7,964 | 3,086 |
| 2. Research and development costs included in the general and administrative expenses and manufacturing costs | 32,265 | 27,333 |

3. Impairment loss

The Company essentially groups its operating assets by business unit, or look at its idle assets severally, to measure the impairment of the assets. In the fiscal year under review, each of the book values for the following asset groups, of which the profitability and valuation significantly declined were impaired to a realizable value, and the decline in value of the assets, or impairment loss, was booked as an extraordinary loss.

To figure out the realizable value for the assets, the Company calculated the usable values for operating assets, and the real estate appraisal or the assessed value of fixed-property taxes for idle assets, taking into account the present values of future cash flows to be generated by the relevant assets, which are discounted mainly at the rate of 7%.

**(3) Notes to Consolidated statements of cash flows**

Reconciliation of cash and cash equivalents to accounts on the consolidated balance sheets (Unit: Millions of Yen)

| | Year ended December 2004 | Year ended December 2003 |
|---|---|---|
| Cash on hand and in banks | 98,648 | 61,882 |
| Short-term loans receivable included in other current assets | 413 | 1,013 |
| Total | 99,061 | 62,895 |
| Time deposits due over three months | (31,117) | (6,979) |
| Cash and cash equivalents | 67,943 | 55,915 |

# Segment Information

## 1. Business Segment

(1) Year ended December 2004 (January through December, 2004) (Unit: Millions of Yen)

| | Glass | Electronics and Display | Chemicals | Other | Total | Corporate or elimination | Consolidated total |
|---|---|---|---|---|---|---|---|
| I Sales and Operating income | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to customers | 734,653 | 434,730 | 275,957 | 30,385 | 1,475,726 | - | 1,475,726 |
| (2) Inter-segment sales/transfers | 5,830 | 1,012 | 10,060 | 44,642 | 61,547 | (61,547) | - |
| Total | 740,483 | 435,743 | 286,018 | 75,028 | 1,537,273 | (61,547) | 1,475,726 |
| Operating expenses | 692,466 | 364,881 | 268,458 | 72,070 | 1,397,876 | (61,553) | 1,336,323 |
| Operating income | 48,017 | 70,862 | 17,559 | 2,958 | 139,396 | 6 | 139,403 |
| II Assets, Depreciation and amortization, Impairment and Capital expenditures | | | | | | | |
| Assets | 822,720 | 563,179 | 285,148 | 246,793 | 1,917,842 | (32,573) | 1,885,268 |
| Depreciation and amortization | 66,301 | 40,498 | 24,275 | 1,566 | 132,642 | (84) | 132,558 |
| Impairment of fixed assets | 9,648 | - | 3,796 | 1,060 | 14,505 | - | 14,505 |
| Capital expenditures | 66,078 | 81,545 | 15,670 | 1,361 | 164,654 | - | 164,654 |

(2) Year ended December 2003 (April through December, 2003) (Unit: Millions of Yen)

| | Glass | Electronics and Display | Chemicals | Other | Total | Corporate or elimination | Consolidated total |
|---|---|---|---|---|---|---|---|
| I Sales and Operating income | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to customers | 662,322 | 335,496 | 218,124 | 27,012 | 1,242,956 | - | 1,242,956 |
| (2) Inter-segment sales/transfers | 2,359 | 1,495 | 8,997 | 37,218 | 50,071 | (50,071) | - |
| Total | 664,682 | 336,992 | 227,121 | 64,231 | 1,293,027 | (50,071) | 1,242,956 |
| Operating expenses | 629,132 | 298,513 | 219,431 | 62,688 | 1,209,765 | (49,996) | 1,159,769 |
| Operating income | 35,549 | 38,479 | 7,690 | 1,542 | 83,262 | (74) | 83,187 |
| II Assets, Depreciation and amortization and Capital expenditures | | | | | | | |
| Assets | 822,492 | 468,943 | 276,558 | 249,103 | 1,817,097 | (10,485) | 1,806,611 |
| Depreciation and amortization | 50,028 | 31,041 | 17,579 | 1,329 | 99,980 | (80) | 99,899 |
| Capital expenditures | 48,874 | 50,512 | 10,198 | 769 | 110,354 | - | 110,354 |

(Note) Total assets included in the “Corporate or elimination” amounted to 201,333 millions of Yen (for the year ended December 2004) and 206,107 millions of Yen (for the year ended December 2003). These amounts primarily represent the parent company’s excess operating funds (cash on hand and in banks), long-term investment funds (investments in securities), etc.

## 2. Geographic Segment

(1) Year ended December 2004 (January through December, 2004) (Unit: Millions of Yen)

| | Japan | Asia | The Americas | Europe | Total | Corporate or elimination | Consolidated total |
|---|---|---|---|---|---|---|---|
| I Sales and Operating income<br>Sales | | | | | | | |
| (1) Sales to customers | 705,464 | 281,216 | 195,815 | 293,229 | 1,475,726 | - | 1,475,726 |
| (2) Inter-segment sales/transfers | 163,156 | 60,543 | 8,763 | 2,446 | 234,910 | (234,910) | - |
| Total | 868,621 | 341,760 | 204,578 | 295,675 | 1,710,636 | (234,910) | 1,475,726 |
| Operating expenses | 801,102 | 289,594 | 207,817 | 269,821 | 1,568,336 | (232,013) | 1,336,323 |
| Operating income | 67,519 | 52,165 | (3,239) | 25,853 | 142,300 | (2,896) | 139,403 |
| II Assets | 779,950 | 447,240 | 197,534 | 348,231 | 1,772,956 | 112,311 | 1,885,268 |

(2) Year ended December 2003 (January through December, 2003) (Unit: Millions of Yen)

| | Japan | Asia | The Americas | Europe | Total | Corporate or elimination | Consolidated total |
|---|---|---|---|---|---|---|---|
| I Sales and Operating income<br>Sales | | | | | | | |
| (1) Sales to customers | 595,110 | 207,341 | 168,515 | 271,988 | 1,242,956 | - | 1,242,956 |
| (2) Inter-segment sales/transfers | 85,040 | 56,589 | 8,199 | 2,010 | 151,840 | (151,840) | - |
| Total | 680,151 | 263,931 | 176,715 | 273,999 | 1,394,797 | (151,840) | 1,242,956 |
| Operating expenses | 653,905 | 228,643 | 171,797 | 256,919 | 1,311,266 | (151,496) | 1,159,769 |
| Operating income | 26,245 | 35,287 | 4,918 | 17,079 | 83,531 | (343) | 83,187 |
| II Assets | 799,193 | 334,755 | 197,264 | 326,482 | 1,657,695 | 148,915 | 1,806,611 |

## 3. Overseas Sales

(1) Year ended December 2004 (January through December, 2004) (Unit: Millions of Yen)

| | Asia | The Americas | Europe | Other | Total |
|---|---|---|---|---|---|
| Overseas sales | 359,766 | 194,448 | 299,958 | 14,292 | 868,465 |
| Percentage of Overseas sales to Consolidated sales | 24.4% | 13.2% | 20.3% | 1.0% | 58.9% |

(2) Year ended December 2003 (April through December, 2003) (Unit: Millions of Yen)

| | Asia | The Americas | Europe | Other | Total |
|---|---|---|---|---|---|
| Overseas sales | 272,218 | 171,006 | 273,987 | 9,396 | 726,609 |
| Percentage of Overseas sales to Consolidated sales | 21.9% | 13.8% | 22.0% | 0.8% | 58.5% |

# Securities

## 1. Investment in Securities with Market Values

(Unit: Millions of Yen)

| | Year ended December 2004 (December 31, 2004) | | | Year ended December 2003 (December 31, 2003) | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Amount recorded on the consolidated balance sheet | Difference | Acquisition cost | Amount recorded on the consolidated balance sheet | Difference |
| Securities whose acquisition costs are less than the corresponding amounts recorded on the consolidated balance sheet | | | | | | |
| (1) Stocks | 92,544 | 176,882 | 84,338 | 98,438 | 163,451 | 65,013 |
| (2) Bonds | 1,545 | 1,603 | 58 | 1,459 | 1,531 | 71 |
| (3) Others | 119 | 130 | 11 | 8,075 | 8,140 | 65 |
| Sub-total | 94,208 | 178,617 | 84,408 | 107,973 | 173,123 | 65,150 |
| Securities whose acquisition costs are more than the corresponding amounts recorded on the consolidated balance sheet | | | | | | |
| (1) Stocks | 5,226 | 4,582 | (643) | 8,696 | 7,619 | (1,076) |
| (2) Bonds | - | - | - | - | - | - |
| (3) Others | - | - | - | - | - | - |
| Sub-total | 5,226 | 4,582 | (643) | 8,696 | 7,619 | (1,076) |
| Total | 99,435 | 183,199 | 83,764 | 116,669 | 180,743 | 64,074 |

## 2. Investment in Securities without Market Values

(Unit: Millions of Yen)

| | Year ended December 2004 (December 31, 2004) | Year ended December 2003 (December 31, 2003) |
|---|---|---|
| Unlisted stocks | 12,672 | 26,317 |
| Unlisted bonds | 53 | 54 |

## 3. Investment in Securities Sold during the Fiscal Year

(Unit: Millions of Yen)

| | Year ended December 2004 (January through December, 2004) | Year ended December 2003 (April through December, 2003) |
|---|---|---|
| Proceed from sale of securities | 41,209 | 51,293 |
| Gross realized gains | 11,958 | 10,907 |
| Gross realized losses | 50 | 40 |

## Retirement Benefit Plans

Employees of the Companies (excluding directors and corporate auditors) are generally entitled to lump-sum retirement benefits determined based on the average rate of pay, length of service and conditions under which the terminations occur.

In addition, the Company and its certain subsidiaries have adopted funded non-contributory and contributory pension plans.

The pension plans of the Company and its certain domestic subsidiaries provide for a lump-sum payment or pension payments for life generally after the age of 60, at the option of the employee with at least 20 years of participation in the plan. Those employees retiring with less than 20 years of participation are entitled to a lump-sum payment of the current value of their vested benefits. The amount of retirement benefits to be paid by the Company and its certain domestic subsidiaries are, in most cases, reduced by the benefits payable under the pension plans.

The information for the pension and retirement benefit plan is summarized as follows:

(Unit: Millions of Yen)

| | Year ended December 2004 (December 31, 2004) | Year ended December 2003 (December 31, 2003) |
|---|---|---|
| **Projected Benefit Obligation:** | | |
| Projected benefit obligation | (334,039) | (423,310) |
| Plan assets | 230,202 | 272,196 |
| Unfunded projected benefit obligation | (103,837) | (151,114) |
| Unrecognized actuarial loss | (52,684) | (93,391) |
| Unrecognized prior service cost | (2,020) | (6,793) |
| | (53,172) | (64,515) |
| Prepaid pension costs | (3,918) | (4,498) |
| Accrued retirement benefits | 57,090 | 69,013 |
| **Retirement Benefit Costs:** | | |
| Service cost | 10,596 | 11,620 |
| Interest cost | 9,834 | 9,493 |
| Expected return on plan assets | (5,665) | (4,981) |
| Recognized actuarial loss | 6,401 | 8,974 |
| Amortization of prior service cost | (251) | (525) |
| Retirement benefit costs for the year | 20,915 | 24,580 |
| Gain from the transfer of the substitutional portion of the Employees Pension Funds | (24,530) | - |
| Total | (3,615) | 24,580 |
| **Basis of Calculation for Projected Benefit Obligation:** | | |
| Attribution method for projected benefit obligation | Straight-line method | Straight-line method |
| Discount rate | Mainly 2.5% | Mainly 2.5% |
| Expected rate of return on plan assets | Mainly 3.5% | Mainly 3.5% |
| Amortization term for prior service cost | Mainly 13 years | Mainly 13 years |
| Amortization term for actuarial loss/gain | Mainly 13 years | Mainly 13 years |

# Supplementary Information for Consolidated Results for Fiscal 2004

**1. Operating results for Fiscal 2004** (Unit: Billions of Yen)

| | Fiscal 2004 | Fiscal 2003 |
|---|---|---|
| Net sales | 1,475.7 | 1,243.0 |
| Operating income | 139.4 | 83.2 |
| Ordinary income | 135.7 | 75.4 |
| Net income | 78.3 | 53.6 |
| Total shareholders' equity | 699,1 | 622.8 |
| Net income per share (YEN) | 66.75 | 45.65 |

[Reference Information]

Segment comparisons of consolidated financial results of Asahi Glass Co., Ltd., and all of its consolidated subsidiaries for the twelve months ended December 31, 2003, on a calendar year basis, with those for the twelve months ended December 31, 2004 are shown below. (Unit: Billions of Yen)

| | January 1 through December 31, 2004 | | January 1 through December 31, 2003 | | | |
|---|---|---|---|---|---|---|
| | Net sales | Operating income | Net sales | Change | Operating income | Change |
| Glass | 740.5 | 48.0 | 716.3 | 24.2 | 34.9 | 13.1 |
| Electronics and Display | 435.7 | 70.9 | 381.1 | 54.6 | 41.0 | 29.9 |
| Chemicals | 286.0 | 17.6 | 262.3 | 23.7 | 7.1 | 10.5 |
| Others | 75.0 | 3.0 | 75.5 | (0.5) | 1.5 | 1.5 |
| Corporate or elimination | (61.5) | 0.0 | (54.4) | (7.1) | (0.1) | 0.1 |
| Consolidated total | 1,475.7 | 139.4 | 1,380.8 | 94.9 | 84.5 | 54.9 |

**2. Major items** (Unit: Billions of Yen)

| | Fiscal 2004 | Fiscal 2003 |
|---|---|---|
| Capital expenditures | 164.6 | 110.4 |
| Depreciation and amortization | 132.6 | 99.9 |
| Research and development costs | 32.3 | 27.3 |
| Interest-bearing debts | 523.8 | 574.3 |
| Interest expenses & dividend income | (6.2) | (7.8) |
| D/E ratio | 0.64 | 0.78 |
| Number of employees at end of period | 56,776 | 55,732 |

**3. Scope of consolidation**

| | Fiscal 2004 | Fiscal 2003 |
|---|---|---|
| Number of consolidated subsidiaries | 253 | 251 |
| Number of equity method affiliates | 33 | 38 |

(1) Newly consolidated subsidiaries: 18 companies (Asahi Glass Fine Techno Korea Co., Ltd., etc.[newly established])
Excluded: 16 companies (Asahi Fluoropolymers Co., Ltd., etc.[merged])
(2) Newly equity method affiliates: 0 companies,
Excluded: 3 companies (Shanghai Asahi Electronic Glass Co., Ltd.[to newly consolidated subsidiaries], etc.)

**4. Outlook for Fiscal 2005 operating results** (Unit: Billions of Yen)

| | Fiscal 2005 | First half of Fiscal 2005 |
|---|---|---|
| Net sales | 1,550.0 | 750.0 |
| Operating income | 145.0 | 70.0 |
| Ordinary income | 138.0 | 67.0 |
| Net income | 830 | 41.0 |
| Capital expenditures | 200.0 | |
| Depreciation and amortization | 130.0 | |
| Research and development costs | 35.0 | |

**5. Outlook for Fiscal 2005 operating results by business segment** (Unit: Billions of Yen)

| | Net sales | Operating income |
|---|---|---|
| Glass | 740.0 | 51.0 |
| Electronics and Display | 500.0 | 75.0 |
| Chemicals | 295.0 | 17.0 |
| Other | 75.0 | 2.0 |
| Corporate or elimination | (60.0) | 0.0 |
| Consolidated total | 1,550.0 | 145.0 |

**6. Exchange rates**

| | Fiscal 2004 | | Fiscal 2003 | | Fiscal 2005 |
|---|---|---|---|---|---|
| | Average | End of period | Average | End of period | Outlook |
| Yen/Dollar | 108.07 | 104.21 | 115.73 | 107.13 | 105 |
| Yen/Euro | 134.41 | 141.61 | 131.68 | 133.74 | 130 |