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Consolidated Financial Results for FY2005 first quarter

(January 1 through March 31, 2005)

1. Financial results for the three months ended March 31, 2005 (January 1 through March 31, 2005)

(1) Consolidated operating results

	For the three months ended March 31, 2005		For the three months ended March 31, 2004		(Reference) For a year ended December 31, 2004
	millions of Yen	%	millions of Yen	%	millions of Yen
Net sales	358,478	2.3	350,253	-	1,475,726
Operating income	32,397	8.1	29,976	-	139,403
Ordinary income	33,724	18.3	28,517	-	135,688
Net income	23,110	(30.4)	33,222	-	78,287
Net income per share - basic (Yen)	19.89		28.31		66.75
Net income per share - fully diluted (Yen)	18.73		26.57		63.01

(Note) Regarding net sales, operating income, ordinary income and net income, the % figures show percentage of changes from the corresponding period of the preceding year.

(2) Consolidated financial position

	For the three months ended March 31, 2005	For the three months ended March 31, 2004	(Reference) For a year ended December 31, 2004
Total assets (millions of Yen)	1,899,180	1,848,789	1,885,268
Total shareholders' equity (millions of Yen)	720,295	659,233	699,139
Equity ratio (%)	37.9	35.7	37.1
Equity per share (Yen)	619.80	561.70	601.47

(3) Consolidated cash flows

(Unit: millions of Yen)

	For the three months ended March 31, 2005	For the three months ended March 31, 2004	(Reference) For a year ended December 31, 2004
Cash flows from operating activities	33,772	62,152	232,888
Cash flows from investing activities	(30,031)	(33,979)	(125,933)
Cash flows from financing activities	(13,334)	(8,166)	(98,967)
Cash and cash equivalents at the end of period	59,320	75,826	67,943

(Note)

- The accompanying consolidated financial results have been prepared by partly using some simplified procedures based on accounting principles such as accounting for income taxes.
- Number of consolidated subsidiaries: 251 companies, Number of equity method affiliates: 35 companies
- Changes in scope of consolidation: Consolidated subsidiaries; (addition) 10 companies (exclusion) 12 companies
Equity method affiliates; (addition) 2 companies (exclusion) none

2. Outlook for the fiscal year ending December 31, 2005 (January 1 through December 31, 2005)

	First 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 (Yen)	-	71.42

(Note)

- Round off to millions of Yen.
- The figures above remain the same as the FY2005 outlook that had been announced on February 16, 2005.
- The above-mentioned outlook reflects management's judgment on the basis of currently available information, as such, contain risks and uncertainties. Actual results may be different from the outlook.

Operating Performance Highlights by Business Segment

(1) Business review

The business environment of the Asahi Glass Company (AGC) Group remained unstable due to not only changes of demand mainly for information technology devices and digital electronics products but also persistently high prices of crude oil and other raw materials during the first quarter of 2005 (January 1 through March 31, 2005). On the other hand, domestic demand in, and exports to Asian countries including China were strong. In the U.S., the business environment remained relatively stable despite concerns over potentially negative effects on corporate revenues and consumer spending of soaring prices for fuels and raw materials such as crude oil. In Central and Eastern Europe, including Russia, strong economic growth continued.

Under these circumstances, the AGC Group further strove to expand its business operations for display components like the glass substrates used in flat panel displays (FPDs), and to increase value-added sales of glass for construction, automotive glass, chemicals and so on. Moreover, the Group adjusted its prices for some products in response to rising prices for fuels and other raw materials.

As a result, the Group's net sales and operating income for the first quarter increased 8.2 billion yen (2.3%) and 2.4 billion yen (8.1%), year on year, to reach 358.5 billion yen and 32.4 billion yen, respectively. Ordinary and net income for the same period increased 5.2 billion yen (18.3%) but decreased 10.1 billion yen (30.4%), year on year, reaching 33.7 billion yen and 23.1 billion yen, respectively.

(2) Overview by business segment

-Glass operations

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

While shipments were slightly down from a year earlier in the flat glass business as the construction market suffered from a severe winter (especially in Europe), capacity utilization at the AGC Group's facilities remained high in Europe, North America and Asia. Higher costs caused by oil and natural gas price increases could be compensated both by cost reductions, which have been achieved through the globally ongoing benchmarking process that analyzes the productivity of the Group's flat glass manufacturing plants and adopts the most efficient manufacturing processes globally, as well as by flat glass price adjustments in conjunction with rising prices for fuels and raw materials in the three regions. By region, the demand for value-added products developed slower than anticipated in North America. Although business in Japan was rather in a plateau of slower growth in the quarter, demand for flat glass remained strong in Asia, fueled by the strong economic growth in China, Thailand and the Philippines. The startup of the new float glass manufacturing plant on the outskirts of Moscow came on stream early March, as projected and will enable the Group to meet the strongly growing demand in Russia.

In the automotive glass business, sales increased driven by higher sales of value-added products over the same period last year. By region, sales in Japan were up as automotive production rose from a year earlier and sales of value-added products increased. Elsewhere in Asia, automotive production was higher than the previous year and sales of automotive glass climbed. In North America, sales grew slightly in line with increased demand. In Europe, sales fell slightly from the previous year, while labor disputes affected by the corporate restructuring in Belgian facilities, which had started last December, reached a comprehensive settlement during the first quarter.

Earnings in other glass business segment improved as a result of the steady demand for construction materials in Japan and the effects of restructuring measures taking hold. In addition to the above, Asahi Tostem Exterior Building Materials Co., Ltd., which operates a residential exterior siding boards business, became subject to equity method accounting from this first quarter.

Consequently, net sales from Glass operations for the first quarter fell 1.4 billion yen (0.8%) to 176.1 billion yen, year on year, while operating income decreased 0.8 billion yen (7.9%) and amounted to 9.6 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 display business, demand for CRT glass has entered a modest adjustment phase with demand for CRT glass for use in PC monitors as well as television sets turning sluggish in comparison with the previous year, although medium- to long-term demand for CRT glass for television sets in the emerging countries, including the BRICs (Brazil, Russia, India and China), is expected to remain robust. In the FPD field, demand for glass substrates remained firm in step with increased production of PC monitors and thin-screen TVs primarily in the LCD TV category.

In the electronic materials business, demand for small- and medium-sized displays installed in cellular phones, glass frit paste for PDPs as well as optical filters for liquid crystal projectors and digital cameras was affected strongly by the change in market demand structure for information technology devices and digital electronics products.

As a result, net sales from the Electronics and Display operations during the first quarter under review increased 4.4 billion yen (4.4%), year on year, to reach 105.6 billion yen, and operating income increased 0.6 billion yen (4.1%), year on year, reaching 15.9 billion yen.

-Chemicals operations

The Chemicals operations comprise the chlor-alkali & urethane business as well as the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomer and other chlor-alkali chemicals in addition to urethane, mainly compounds used as raw ingredients for urethane resins, such as propylene oxide and polypropylene glycol. Also, the fluorochemicals & specialty chemicals business consists of fluorinated resins, fluoropolymer films, fluorinated gases and solvents, and fluorinated water and oil repellents, as well as other specialty chemicals such as battery materials and fine silica.

The chlor-alkali & urethane business enjoyed relatively favorable results as strong demand in China and Southeast Asia continued to bolster sales of the Thai and Indonesian subsidiaries while the business in Japan also remained robust led by domestic demand as well as export demand. As in the previous year, selling prices of certain products were adjusted reflecting the sharp rise in raw material and energy prices across the world.

In the fluorochemicals & specialty chemicals business, shipments of optical filters for PDPs were somewhat sluggish reflecting a period of low demand. While the fluorinated resin business in North America continues to be restructured aimed at improved profitability, sales of fluorinated resins and fluorinated elastomers remained relatively stable in Japan and Europe. In other specialty chemicals, demand remained flat but earnings improved slightly as a result of the expanded applications and the reduced production costs.

Consequently, the Chemicals operations posted net sales of 73.1 billion yen during the first quarter under review, up 5.1 billion yen (7.5%), year on year, and operating income of 6.3 billion, up 2.6 billion yen (71.2%), year on year.

-Other operations

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

Net sales from the Other operations stood at 15.3 billion yen during the first quarter under review, down 2.6 billion yen (14.6%), year on year, and operating income at 0.6 billion yen, up 0.1 billion yen (13.6%), year on year, as the cooperative production system between China and Japan in the glass engineering and environmental energy sectors improved in the ceramics business.

Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of March 31, 2005	As of March 31, 2004	As of December 31, 2004
Assets			
Current assets	656,050	611,058	648,237
Cash on hand and in banks	90,999	89,889	98,648
Trade notes and accounts receivable	278,435	264,017	280,615
Inventories	230,587	201,655	215,782
Other current assets	62,853	63,101	59,939
Allowance for bad debts	(6,825)	(7,605)	(6,749)
Fixed assets	1,242,795	1,237,199	1,236,681
Tangible fixed assets	865,715	810,562	853,390
Intangible fixed assets	92,977	101,664	94,636
Investments in securities	226,483	270,830	224,557
Other fixed assets	60,563	57,168	66,949
Allowance for bad debts	(2,945)	(3,026)	(2,853)
Deferred assets	333	531	350
Total assets	1,899,180	1,848,789	1,885,268
Liabilities and shareholders' equity			
Current liabilities	549,720	490,410	549,139
Payables	236,064	211,734	243,828
Bonds and short-term bank loans	149,922	133,858	145,629
Other current liabilities	163,734	144,818	159,681
Non-current liabilities	501,125	586,461	511,682
Bonds and long-term bank loans	372,299	433,398	377,679
Other non-current liabilities	128,826	153,062	134,002
Total liabilities	1,050,846	1,076,871	1,060,821
Minority interest in consolidated subsidiaries	128,037	112,684	125,308
Shareholders' equity	720,295	659,233	699,139
Common stock	90,472	90,472	90,472
Additional paid-in capital	84,627	84,396	84,627
Retained earnings	528,003	473,949	511,749
Asset revaluation reserve	120	121	120
Unrealized gains on securities, net of tax	57,119	60,975	58,641
Foreign currency translation adjustments	(26,435)	(49,409)	(32,926)
Treasury stocks	(13,612)	(1,272)	(13,546)
Total liabilities and shareholders' equity	1,899,180	1,848,789	1,885,268

Consolidated Statements of Income

(Unit: Millions of Yen)

	For the three months ended March 31, 2005 (January 1 through March 31, 2005)	For the three months ended March 31, 2004 (January 1 through March 31, 2004)	For a year ended December 31, 2004 (January 1 through December 31, 2004)
Net sales	358,478	350,253	1,475,726
Cost of sales	265,198	258,084	1,084,549
Selling, general and administrative expenses	60,882	62,192	251,773
Operating income	32,397	29,976	139,403
Other income	6,931	4,151	16,891
Interest and dividend income	914	799	5,048
Equity in earnings of unconsolidated subsidiaries and affiliates	746	1,766	5,262
Others	5,270	1,584	6,581
Other expenses	5,603	5,609	20,606
Interest expenses	3,242	3,062	11,293
Others	2,360	2,547	9,313
Ordinary income	33,724	28,517	135,688
Extraordinary gains	2,133	29,212	55,333
Extraordinary losses	1,418	2,100	57,011
Income before income taxes and minority interest	34,440	55,629	134,009
Income taxes	9,342	18,127	41,413
Minority interest in earnings of consolidated subsidiaries	1,987	4,279	14,309
Net income	23,110	33,222	78,287

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	For the 3 months ended Mar. 31, 2005 (January 1 through March 31, 2005)	For the 3 months ended Mar. 31, 2004 (January 1 through March 31, 2004)	For a year ended Dec. 31, 2004 (January 1 through December 31, 2004)
Cash flows from operating activities			
Income before income taxes and minority interest	34,440	55,629	134,009
Depreciation	27,839	25,428	132,558
Impairment loss on long-lived assets	-	-	14,505
Amortization of goodwill	1,885	1,956	7,964
Increase (decrease) in reserves	7,595	(14,851)	(15,654)
Interest and dividends income	(914)	(799)	(5,048)
Interest expenses	3,242	3,062	11,293
Exchange (gain) loss	(781)	342	902
Equity in earnings of unconsolidated subsidiaries and affiliates	(746)	(1,766)	(5,262)
Gain on sale of securities and properties, etc.	(641)	(2,906)	(17,034)
Decrease (increase) in receivables	638	(6,016)	(10,851)
(Increase) decrease in inventories	(15,865)	53	(7,038)
(Decrease) increase in payables	(5,730)	(2,557)	9,368
Others	4,599	14,000	12,463
Subtotal	55,560	71,574	262,175
Interest and dividends received	1,119	460	6,322
Interest paid	(3,304)	(2,828)	(11,332)
Income taxes paid	(19,602)	(7,054)	(24,276)
Net cash provided by operating activities	33,772	62,152	232,888
Cash flows from investing activities			
Decrease in time deposits due over three months	(13,105)	(12,047)	(30,614)
Increase in time deposits due over three months	13,110	4,300	8,903
Purchases of property, plant and equipment	(37,715)	(40,672)	(161,102)
Proceeds from sale of property, plant and equipment	784	1,338	8,828
Purchase of investments in securities	(207)	(822)	(14,970)
Proceeds from sale of investments in securities	7,294	13,067	63,848
Others	(192)	855	(826)
Net cash used in investing activities	(30,031)	(33,979)	(125,933)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans and CP	2,746	(3,189)	3,735
Proceeds from long-term debt	7,734	10,181	45,677
Repayments of long-term debt	(13,189)	(8,406)	(51,241)
Proceeds from issuance of bonds	100	-	9,453
Redemption of bonds	(957)	(932)	(66,530)
Purchase of a subsidiary's bond	-	-	(10,805)
Proceeds from sale of borrowed securities	-	3,259	3,287
Purchase of treasury stock	(96)	(58)	(12,407)
Dividends paid	(9,669)	(9,027)	(20,096)
Others	(1)	7	(39)
Net cash used in financing activities	(13,334)	(8,166)	(98,967)
Effect of exchange rate changes on cash and cash equivalents	1,199	(95)	1,521
(Decrease) increase in cash and cash equivalents	(8,393)	19,910	9,508
Cash and cash equivalents at beginning of period	67,943	55,915	55,915
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(230)	0	2,519
Cash and cash equivalents at end of period	59,320	75,826	67,943

Segment Information

1. Business Segment

For the three months ended March 31, 2005 (January 1 through March 31, 2005)

(Unit: Millions of Yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	175,043	104,774	72,197	6,462	358,478	-	358,478
2) Inter-segment sales/transfers	1,051	874	934	8,863	11,723	(11,723)	-
Total	176,094	105,648	73,132	15,326	370,201	(11,723)	358,478
Operating expenses	166,469	89,790	66,814	14,715	337,790	(11,709)	326,080
Operating income	9,625	15,858	6,317	610	32,411	(14)	32,397

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

2. Geographic Segment

For the three months ended March 31, 2005 (January 1 through March 31, 2005)

(Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	163,035	78,551	45,126	71,764	358,478	-	358,478
2) Inter-segment sales/transfers	37,577	14,471	2,229	464	54,743	(54,743)	-
Total	200,613	93,023	47,356	72,229	413,221	(54,743)	358,478
Operating expenses	183,382	79,586	48,208	68,871	380,049	(53,968)	326,080
Operating income (loss)	17,230	13,436	(852)	3,357	33,172	(775)	32,397

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. Operating results

(Unit: Billions of Yen)

	For the 3 months ended March 31, 2005	For the 3 months ended March 31, 2004
Net sales	358.5	350.3
Operating income	32.4	30.0
Ordinary income	33.7	28.5
Net income	23.1	33.2
Total shareholders' equity	720.3	659.2
Net income per share (YEN)	19.89	28.31

2. Major item

(Unit: Billions of Yen)

	For the 3 months ended March 31, 2005	For the 3 months ended March 31, 2004
Capital expenditures	35.5	38.3
Depreciation	27.8	25.4
Interest-bearing debts	523.1	567.3
Interest expenses & dividend income	(2.3)	(2.3)
D/E ratio	0.62	0.73

3. Outlook for Fiscal 2005 operating results

(The figures below remain the same as the FY2005 outlook that had been announced on February 16, 2005.)

(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	83.0	41.0
Capital expenditures	200.0	
Depreciation	130.0	
Research and development costs	35.0	

4. Outlook for Fiscal 2005 operating results by business segment

(The figures below remain the same as the FY2005 outlook that had been announced on February 16, 2005.)

(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

5. Exchange rates

	For the 3 months ended March 31, 2005		For the 3 months ended March 31, 2004		Fiscal 2004		Fiscal 2005
	Average	End of period	Average	End of period	Average	End of period	Outlook
Yen / US Dollar	105.25	107.39	107.13	105.69	108.07	104.21	105
Yen / Euro	137.62	138.87	132.33	128.88	134.41	141.61	130