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## Consolidated Financial Results for the Nine-month period ended September 30, 2005

(January 1 through September 30, 2005)

### 1. Financial results for the nine months ended September 30, 2005 (Jan. 1 through Sep. 30, 2005)

#### (1) Consolidated operating results

	For the nine months ended September 30, 2005		For the nine months ended September 30, 2004		(Reference) For the year ended December 31, 2004
	Millions of yen	%	Millions of yen	%	Millions of yen
Net sales	1,103,227	1.2	1,090,662	-	1,475,726
Operating income	91,739	(11.2)	103,302	-	139,403
Ordinary income	91,272	(10.4)	101,821	-	135,688
Net income	63,883	(28.1)	88,886	-	78,287
Net income per share - basic (Yen)	54.80		75.76		66.75
Net income per share - fully diluted (Yen)	51.68		71.19		63.01

(Note) With respect to net sales, operating income, ordinary income and net income, percentage figures show % change from the previous year's corresponding period.

#### (2) Consolidated financial position

	For the nine months ended September 30, 2005	For the nine months ended September 30, 2004	(Reference) For the year ended December 31, 2004
Total assets (Millions of yen)	2,002,826	1,927,174	1,885,268
Total shareholders' equity (Millions of yen)	805,986	711,845	699,139
Equity ratio (%)	40.2	36.9	37.1
Equity per share (Yen)	687.23	608.24	601.47

#### (3) Consolidated cash flows

(Unit: Millions of yen)

	For the nine months ended September 30, 2005	For the nine months ended September 30, 2004	(Reference) For the year ended December 31, 2004
Cash flows from operating activities	106,444	161,656	232,888
Cash flows from investing activities	(94,765)	(86,462)	(125,933)
Cash flows from financing activities	(33,303)	(77,967)	(98,967)
Cash and cash equivalents at the end of period	48,183	57,061	67,943

(Note)

- The accompanying consolidated financial results have been prepared based in part on some simplified procedures for accounting principles, such as accounting for income taxes.
- Number of consolidated subsidiaries: 248 companies, Number of equity method affiliates: 35 companies
- Changes in scope of consolidation: Consolidated subsidiaries; (addition) 12 companies (exclusion) 17 companies  
 Equity method affiliates; (addition) 2 companies (exclusion) none

### 2. Outlook for FY2005, the fiscal year ending December 31, 2005 (Jan. 1 through Dec. 31, 2005)

	FY2005 outlook
Net sales (Millions of yen)	1,500,000
Ordinary income (Millions of yen)	126,000
Net income (Millions of yen)	81,000
Net income per share (Yen)	69.07

(Note)

- The figures above remain unchanged from the FY2005 outlook that had been announced on August 23, 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. Overview of Nine-month Period FY 2005**

During the nine-month period ended September 30, 2005, improved corporate performances and increases in private sector capital spending were observed in Japan, but the business environment remained unstable there, influenced by a surge in the prices of various raw materials including fuel oil. Asian countries and regions saw their economic growth generally pick up, but the ASEAN region's economic growth slowed as it was affected by the rise in the price of fuel oil. In the U.S., the overall economy remained strong since employment and capital spending continued to grow moderately although some sectors weakened due to the energy price hikes and a fear of possible higher interest rates. In Western Europe, exports showed signs of recovery, but domestic demand still remained sluggish. Meanwhile, the economies of Central and Eastern Europe (particularly Russia) remained bullish.

Against this backdrop, the AGC Group focused on expanding display components including glass substrates for flat panel displays (FPDs) and took steps to bolster sales of high value-added products among flat glass for construction, automotive glass, and chemicals. However, operating results of the Group were affected by a decline in the demand for cathode-ray tube (CRT) glass and a fall in its price, a slowdown of sales of electronic materials, and hikes in the prices of fuels and other raw materials.

As a result, the AGC Group's net sales for the nine-month period under review (from January 1 to September 30, 2005) increased 12.6 billion yen or 1.2%, year-on-year, to 1,103.2 billion yen. Operating income was 91.7 billion yen, down 11.6 billion yen or 11.2%. Ordinary income dropped 10.5 billion yen or 10.4%, to 91.3 billion yen. And net income for the period posted 63.9 billion yen, down 25.0 billion yen or 28.1% from the previous year.

### **2. Overview by Segment**

#### **- Glass operations**

Glass operations consist of flat glass for construction and automotive glass, which are both conducted globally, as well as Japanese domestic businesses involving other categories of glass, including fiberglass and other appliances.

Although the construction market suffered from a severe winter in the first quarter, particularly in Europe, shipments of flat glass during the nine months of 2005 were slightly higher than those of the same period last year, and more value-added products were shipped over the period. Higher costs caused by rising prices of fuel oil, natural gas and other raw materials could not be totally offset by cost cutting achieved through an ongoing benchmarking process (which analyzes the productivity of the AGC Group's flat glass manufacturing plants and adopts the most efficient manufacturing processes globally), nor could flat glass price adjustments, in conjunction with rising prices for fuels and raw materials in the three regions, provide full compensation. By region, in Asia, the Japanese market experienced somewhat slower growth, and domestic demand in the rest of Asia leveled off to some extent due to higher oil prices. In North America, flat glass shipments remained almost the same as the previous year. The startup of the new float glass manufacturing plant on the outskirts of Moscow came on stream in early March and enables the Group to respond to strongly growing demand in Russia.

The automotive glass business recorded a slight year-on-year increase in sales as auto production rose modestly. By region, sales of automotive glass increased in Asia, including Japan, as auto production increased somewhat over that of the previous year's corresponding period. In Japan especially, sales of minivans and high-end automobiles remained robust. In North America, despite a

slight drop in auto production, overall automotive glass sales were higher as sales of high value-added products rose. Meanwhile, in Europe sales of automotive glass leveled off as auto production did not increase much from a year earlier.

In other glass operations, sales of fiberglass and specialty glass categories declined slightly from the previous year's corresponding period, hurt by sluggishness in the housing market in Japan. In addition, Asahi Tostem Exterior Building Materials Co., Ltd., which operates a residential exterior siding boards business, had been reclassified as an equity-method affiliate with effect from the beginning of fiscal 2005.

Consequently, net sales from Glass operations for the nine-month period under review (from January 1 to September 30, 2005) increased 6.8 billion yen or 1.2% from the previous year, to 554.9 billion yen, while operating income decreased 3.2 billion yen or 9.2%, to 31.9 billion yen.

#### **- Electronics and Display operations**

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 electronics materials business.

The CRT glass business remained sluggish as both sales volume and price continued to fall, influenced by market adjustments of inventories, which had begun at the start of this year. To cope with this prolonged weak demand, the AGC Group made more operational adjustments at its production bases, and closed manufacturing facilities at some bases. On the other hand, shipments at the FPD glass business increased due to continuing strong demand for glass substrates for TFT LCDs and PDPs, as a result of production expansion of screen panels for PC monitors and thin-screen televisions (such as LCD TVs and plasma display panel TVs) as well as growing demand for larger sizes of FPD glass substrates.

In the electronic materials business, sales of small- and medium-sized displays installed in cellular phones and other equipment declined from the previous year's corresponding period, significantly affected by demand adjustments. In addition, sales of synthetic quartz used in semiconductor manufacturing equipment and optical filters for liquid crystal projectors were also influenced by such adjustments.

In Electronics and Display operations, the slump of the CRT glass business and the electronic materials business could not be totally offset by the growth of the FPD glass business. As a result, net sales from the operations for the nine-month period under review (from January 1 to September 30, 2005) decreased 6.3 billion yen or 2.0% from a year earlier, to 315.7 billion yen. Operating income was 43.9 billion yen, down 9.9 billion yen or 18.5%.

#### **- Chemicals operations**

Chemicals operations comprise the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomers and other chlor-alkali chemicals, in addition to basic ingredients of urethane, such as polyols. The fluorochemicals & specialty chemicals business consists of fluorinated resins, fluorinated oil and water repellents, fluoropolymer films, and fluorinated gases and solvents, as well as other specialty chemicals including battery materials and fine silica.

In the chlor-alkali & urethane business, the prices of some products, which slightly fell during the second quarter of this year, recovered because of continuing strong demand in China and Southeast Asia. Selling prices of certain products have been adjusted in response to the price hikes of raw materials and fuels.

In the fluorochemicals & specialty chemicals business, shipments of optical filters for PDPs remained

firm as demand steadily increased in and after the second quarter of this year. Demand for fluorinated resins, fluoropolymer films and fluorinated oil and water repellents also remained robust. In August the AGC Group began operating the facilities, which were additionally installed in Japan, in response to the brisk demand for high-performance fluorinated resin (ETFE).

As a result, net sales from Chemicals operations were 217.5 billion yen for the nine-month period under review (from January 1 to September 30, 2005), up 7.9 billion yen or 3.7% from the preceding year. Operating income increased 1.4 billion yen or 11.4%, to 13.7 billion yen.

#### **- Other operations**

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

Sales of high-performance, high value-added products increased in the glass engineering sector and the environmental energy sector of the ceramics business. Overall, net sales from Other operations for the nine-month period under review (from January 1 to September 30, 2005) rose 1.5 billion yen or 2.7%, year-on-year, to 56.3 billion yen. Operating income was 2.2 billion yen, up 0.1 billion yen or 5.8%.

## Consolidated Balance Sheets

(Unit: Millions of yen)

	As of September 30, 2005	As of December 31, 2004	As of September 30, 2004
<b>Assets</b>			
Current assets	673,643	648,237	653,118
Cash on hand and in banks	68,830	98,648	85,831
Trade notes and accounts receivable	289,323	280,615	292,238
Inventories	245,013	215,782	218,481
Other current assets	77,080	59,939	63,074
Allowance for bad debts	(6,603)	(6,749)	(6,508)
Fixed assets	1,328,933	1,236,681	1,273,612
Tangible fixed assets	907,956	853,390	877,789
Intangible fixed assets	88,244	94,636	103,401
Investments in securities	279,131	224,557	230,861
Other fixed assets	56,691	66,949	64,470
Allowance for bad debts	(3,089)	(2,853)	(2,911)
Deferred assets	248	350	443
<b>Total assets</b>	<b>2,002,826</b>	<b>1,885,268</b>	<b>1,927,174</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities	539,821	549,139	551,676
Payables	246,320	243,828	237,199
Bonds and short-term bank loans	151,321	145,629	146,128
Other current liabilities	142,179	159,681	168,348
Non-current liabilities	539,632	511,682	532,692
Bonds and long-term bank loans	387,656	377,679	389,943
Other non-current liabilities	151,975	134,002	142,748
<b>Total liabilities</b>	<b>1,079,454</b>	<b>1,060,821</b>	<b>1,084,368</b>
Minority interest in consolidated subsidiaries	117,385	125,308	130,960
Shareholders' equity	805,986	699,139	711,845
Common stock	90,472	90,472	90,472
Additional paid-in capital	90,763	84,627	84,400
Retained earnings	560,141	511,749	522,560
Asset revaluation reserve	120	120	120
Unrealized gains on securities, net of tax	98,063	58,641	52,716
Foreign currency translation adjustments	(19,854)	(32,926)	(33,616)
Treasury stocks	(13,721)	(13,546)	(4,809)
<b>Total liabilities and shareholders' equity</b>	<b>2,002,826</b>	<b>1,885,268</b>	<b>1,927,174</b>

## Consolidated Statements of Income

(Unit: Millions of yen)

	For the nine months ended September 30, 2005 (January 1 through September 30, 2005)	For the nine months ended September 30, 2004 (January 1 through September 30, 2004)	For the year ended December 31, 2004 (January 1 through December 31, 2004)
Net sales	1,103,227	1,090,662	1,475,726
Cost of sales	823,322	798,886	1,084,549
Selling, general and administrative expenses	188,165	188,473	251,773
Operating income	91,739	103,302	139,403
Other income	13,629	13,093	16,891
Interest and dividend income	3,924	3,616	5,048
Equity in earnings of unconsolidated subsidiaries and affiliates	1,486	4,329	5,262
Others	8,218	5,146	6,581
Other expenses	14,095	14,574	20,606
Interest expenses	9,419	8,479	11,293
Others	4,676	6,095	9,313
Ordinary income	91,272	101,821	135,688
Extraordinary gains	13,140	49,013	55,333
Extraordinary losses	16,323	9,444	57,011
Income before income taxes and minority interest	88,090	141,389	134,009
Income taxes	22,731	40,598	41,413
Minority interest in earnings of consolidated subsidiaries	1,475	11,904	14,309
Net income	63,883	88,886	78,287

## Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	For the 9 months ended Sep. 30, 2005 (January 1 through September 30, 2005)	For the 9 months ended Sep. 30, 2004 (January 1 through September 30, 2004)	For the year ended Dec. 31, 2004 (January 1 through December 31, 2004)
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interest	88,090	141,389	134,009
Depreciation	88,787	81,015	132,558
Impairment loss on long-lived assets	-	-	14,505
Amortization of goodwill	5,723	6,004	7,964
Increase (decrease) in reserves	8,833	(7,975)	(15,654)
Interest and dividends income	(3,924)	(3,616)	(5,048)
Interest expenses	9,419	8,479	11,293
Exchange (gain) loss	(474)	(1,289)	902
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,486)	(4,329)	(5,262)
Gain on sale of securities and properties, etc.	(7,914)	(19,819)	(17,034)
Decrease (increase) in receivables	(7,675)	(21,845)	(10,851)
(Increase) decrease in inventories	(28,448)	(8,688)	(7,038)
(Decrease) increase in payables	(5,540)	6,079	9,368
Others	5,337	9,358	12,463
Subtotal	150,726	184,761	262,175
Interest and dividends received	3,933	4,815	6,322
Interest paid	(9,968)	(8,182)	(11,332)
Income taxes paid	(38,246)	(19,738)	(24,276)
Net cash provided by operating activities	106,444	161,656	232,888
<b>Cash flows from investing activities</b>			
Decrease in time deposits due over three months	(19,154)	(25,844)	(30,614)
Increase in time deposits due over three months	31,199	6,499	8,903
Purchases of property, plant and equipment	(136,305)	(117,149)	(161,102)
Proceeds from sale of property, plant and equipment	6,473	8,296	8,828
Purchase of investments in securities	(3,016)	(9,264)	(14,970)
Proceeds from sale of investments in securities	25,090	49,330	63,848
Others	948	1,670	(826)
Net cash used in investing activities	(94,765)	(86,462)	(125,933)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term bank loans and CP	12,351	(6,621)	3,735
Proceeds from long-term debt	26,115	36,794	45,677
Repayments of long-term debt	(35,443)	(36,942)	(51,241)
Proceeds from issuance of bonds	19,548	1,017	9,453
Redemption of bonds	(12,781)	(54,332)	(66,530)
Purchase of a subsidiary's bond	-	-	(10,805)
Proceeds from sale of borrowed securities	-	3,324	3,287
Repayments of borrowed securities	(22,666)	-	-
Purchase of treasury stock	(288)	(3,633)	(12,407)
Dividends paid	(20,154)	(17,697)	(20,096)
Others	14	123	(39)
Net cash used in financing activities	(33,303)	(77,967)	(98,967)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	2,103	1,400	1,521
<b>(Decrease) increase in cash and cash equivalents</b>	(19,521)	(1,373)	9,508
<b>Cash and cash equivalents at beginning of period</b>	67,943	55,915	55,915
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(238)	2,519	2,519
<b>Cash and cash equivalents at end of period</b>	48,183	57,061	67,943

## Segment Information

### 1. Business Segment

For the nine months ended September 30, 2005 (January 1 through September 30, 2005) (Unit: Millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	551,803	314,093	214,157	23,172	1,103,227	-	1,103,227
2) Inter-segment sales/transfers	3,097	1,608	3,358	33,149	41,215	(41,215)	-
Total	554,901	315,702	217,516	56,322	1,144,442	(41,215)	1,103,227
Operating expenses	523,035	271,844	203,798	54,122	1,052,800	(41,312)	1,011,488
Operating income	31,865	43,858	13,718	2,200	91,642	96	91,739

For the nine months ended September 30, 2004 (January 1 through September 30, 2004) (Unit: Millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	544,397	321,269	201,994	23,001	1,090,662	-	1,090,662
2) Inter-segment sales/transfers	3,749	754	7,663	31,831	43,998	(43,998)	-
Total	548,146	322,023	209,657	54,832	1,134,660	(43,998)	1,090,662
Operating expenses	513,039	268,217	197,338	52,752	1,031,348	(43,988)	987,359
Operating income	35,107	53,806	12,319	2,079	103,312	(9)	103,302

### 2. Geographic Segment

For the nine months ended September 30, 2005 (January 1 through September 30, 2005) (Unit: Millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	496,423	232,062	144,739	230,001	1,103,227	-	1,103,227
2) Inter-segment sales/transfers	117,065	43,760	6,375	1,740	168,942	(168,942)	-
Total	613,488	275,823	151,115	231,742	1,272,170	(168,942)	1,103,227
Operating expenses	568,198	240,224	154,016	215,527	1,177,966	(166,478)	1,011,488
Operating income (loss)	45,290	35,598	(2,900)	16,214	94,203	(2,464)	91,739

For the nine months ended September 30, 2004 (January 1 through September 30, 2004) (Unit: Millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	523,128	202,098	150,022	215,412	1,090,662	-	1,090,662
2) Inter-segment sales/transfers	114,626	46,414	6,688	1,781	169,511	(169,511)	-
Total	637,755	248,512	156,710	217,194	1,260,173	(169,511)	1,090,662
Operating expenses	591,064	207,175	158,688	198,039	1,154,966	(167,607)	987,359
Operating income (loss)	46,691	41,337	(1,977)	19,155	105,206	(1,903)	103,302



## Supplementary Information

### 1. Operating results

(Unit: Billions of yen)

	For the 9 months ended September 30, 2005	For the 9 months ended September 30, 2004
Net sales	1,103.2	1,090.7
Operating income	91.7	103.3
Ordinary income	91.3	101.8
Net income	63.9	88.9
Total shareholders' equity	806.0	711.8
Net income per share (Yen)	54.80	75.76

### 2. Major item

(Unit: Billions of yen)

	For the 9 months ended September 30, 2005	For the 9 months ended September 30, 2004
Capital expenditures	142.4	120.4
Depreciation	88.8	81.0
Interest-bearing debts	539.0	537.6
Interest expenses & dividend income	(5.5)	(4.9)
D/E ratio	0.58	0.64

### 3. Outlook for FY 2005 operating results

(The figures below remain unchanged from the FY2005 outlook that had been announced on August 23, 2005.)

(Unit: Billions of yen)

	Fiscal 2005
Net sales	1,500.0
Operating income	130.0
Ordinary income	126.0
Net income	81.0
Capital expenditures	200.0
Depreciation	130.0
Research and development costs	35.0

### 4. Outlook for FY 2005 operating results by business segment

(The figures below remain unchanged from the FY2005 outlook that had been announced on August 23, 2005.)

(Unit: Billions of yen)

	Net sales	Operating income
Glass	740.0	48.0
Electronics and Display	440.0	61.0
Chemicals	295.0	19.0
Other	75.0	2.0
Corporate or elimination	(50.0)	-
Consolidated total	1,500.0	130.0

### 5. Exchange rates

	For the 9 months ended September 30, 2005		For the 9 months ended September 30, 2004		For the year ended December 31, 2004		FY 2005
	Average	End of period	Average	End of period	Average	End of period	Outlook
Yen / US Dollar	108.65	113.19	109.26	111.05	108.07	104.21	109
Yen / Euro	136.36	136.13	133.22	137.04	134.41	141.61	136