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

Consolidated Financial Results for the Year Ended December 31, 2005

1. Consolidated results for the year ended December 31, 2005

(1) Consolidated operating results

	Current fiscal year (ended December 31, 2005)		Previous fiscal year (ended December 31, 2004)	
	Millions of Yen	%	Millions of Yen	%
Net sales (millions of Yen)	1,526,660	3.5	1,475,726	-
Operating income (millions of Yen)	118,194	(15.2)	139,403	-
Ordinary income (millions of Yen)	118,884	(12.4)	135,688	-
Net income (millions of Yen)	60,014	(23.3)	78,287	-
Net income per share -basic (Yen)	51.36		66.75	
Net income per share -fully diluted (Yen)	48.70		63.01	
Return on equity (%)	7.7		11.8	
Ratio of ordinary income to total assets (%)	6.0		7.4	
Ratio of ordinary income to net sales (%)	7.8		9.2	

(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

	Current fiscal year (ended December 31, 2005)	Previous fiscal year (ended December 31, 2004)
Total assets (millions of Yen)	2,081,926	1,885,268
Total shareholders' equity (millions of Yen)	852,684	699,139
Equity ratio (%)	41.0	37.1
Equity per share (Yen)	726.98	601.47

(3) Consolidated cash flows

	Current fiscal year (ended December 31, 2005)	Previous fiscal year (ended December 31, 2004)
Cash flows from operating activities (millions of Yen)	185,505	232,888
Cash flows from investing activities (millions of Yen)	(135,796)	(125,933)
Cash flows from financing activities (millions of Yen)	(67,436)	(98,967)
Cash and cash equivalents at the end of the year (millions of Yen)	54,006	67,943

(4) Scope of consolidation and equity method affiliates

Number of consolidated subsidiaries	245 companies
Number of unconsolidated subsidiaries to which equity method was applied	3 companies
Number of equity method affiliates	29 companies

Changes in scope of consolidation; Consolidated subsidiaries; (increase) 15 companies (decrease) 23 companies
Equity method affiliates; (increase) 2 companies (decrease) 3 companies

2. Outlook for the next fiscal year ending December 31, 2006

	1st half	Full year
Net sales (millions of Yen)	770,000	1,600,000
Ordinary income (millions of Yen)	58,000	136,000
Net income (millions of Yen)	34,000	80,000
Forecasted net income per share (full year) (Yen)	-	68.21

(Note)

1. Equity in earnings of unconsolidated subsidiaries and affiliates;
   Year ended December 2005: 1,801 millions of Yen Year ended December 2004: 5,262 millions of Yen
2. Number of average yearly shares (consolidated basis);
   Year ended December 2005: 1,167,462,201 shares Year ended December 2004: 1,171,183,666 shares
3. Number of outstanding shares at end of year (consolidated basis);
   Year ended December 2005: 1,172,848,694 shares Year ended December 2004: 1,162,193,819 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. 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 14-19 of the attached materials.

Overview of the AGC Group

Asahi Glass Company, Limited (the "Company") ("AGC") Group consists of the Company and its 304 subsidiaries and 56 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 Automotive Glass Other Glass	Japan	The Company, AGC AX, Asahi Fiber Glass, Asahi Techno Glass, Auto Glass 28 other consolidated subsidiaries 3 companies under the equity method (35 companies in total)
		Overseas	(Asia) Asahimas Flat Glass (Indonesia), Thai-Asahi Glass Public (Thailand) (America) 20 group companies of AFG Industries (head office in the United States) (Europe) 95 group companies of Glaverbel S.A. (head office in Belgium) 15 other consolidated subsidiaries 12 companies under the equity method (144 companies in total)
Electronics and Display Operations	CRT (Cathode Ray Tube) Glass FPD (Flat Panel Display) Glass Electronic Materials	Japan	The Company, Optrex, Asahi Glass Fine Techno 6 other subsidiaries Companies under the equity method; ELNA* 2 other company (11 companies in total)
		Overseas	(Asia) Asahi Techno Vision (Singapore), Shanghai Asahi Electronic Glass (China), Asahi Glass Fine Techno Taiwan (Taiwan), Hankuk Electric Glass (Korea), Hanwook Techno Glass (Korea), Siam Asahi Technoglass (Thailand) (America) Optrex America (U.S.) (Europe) Optrex Europe (Germany) 18 other consolidated subsidiaries 4 companies under the equity method (30 companies in total)
Chemicals Operations	Fluorochemicals Chlor-Alkalis Urethanes and Others Other Chemicals	Japan	The company, Ise Chemicals* 14 other consolidated companies 4 companies under the equity method (19 companies in total)
		Overseas	(Asia) Asahimas Chemical (Indonesia), Thasco Chemical (Thailand) (America) AGC Chemicals Americas (U.S.) (Europe) Asahi Glass Fluoropolymers UK (England) 8 other consolidated subsidiaries 4 companies under the equity method (16 companies in total)
Other Operations	Ceramics Service-ralated Business	Japan	Asahi Distribution & Delivery, A.G. Finance, Asahi Glass Machinery, Asahi Glass Ceramics 7 other consolidated subsidiaries 1 company under the equity method (12 companies in total)
		Overseas	(Asia) AG Investment (Singapore) (America) AGC America (U.S.), AGA Capital (U.S.) 6 other consolidated subsidiaries 1 company under the equity method (10 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.
   Ise Chemicals (Second Section of the Tokyo Stock Exchange)
   ELNA (Second Section of the Tokyo Stock Exchange)

Management Policy

1. Fundamental Policy of Management

Asahi Glass and its consolidated subsidiaries (hereinafter collectively referred to as the "AGC Group" or simply the "Group") aim to excel as a highly profitable and fast-growing enterprise that supplies materials and components globally, based on its core technologies in glass, fluorine chemistry and related fields. To achieve that aim, it is a fundamental management policy of the AGC Group to bolster 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 different factors that include consolidated results and the 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, to strengthen its financial position and improve 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 this as an important corporate management issue. It is the policy of the Group to address 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 increase its corporate value. The Group targets 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"*** announced in April 2002, the AGC Group decided to concentrate its management resources on three major business areas (materials and components for the 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 bolstering its competitive advantage, by capitalizing on the world-class technologies it has developed in glass, chemicals and related fields over decades and its global workforce.

In April 2004, the Group announced a new management policy, ***"JIKKO" - Execution for Excellence***, which is designed to achieve the AGC Group Vision. The basic concept of ***"JIKKO***" is to emphasize "execution" in all business operations and to ensure that Plan-Do-Check-Act (PDCA) cycles are functioning properly. Under the ***"JIKKO"*** management policy, the Group will focus on improving customer satisfaction (CS) as well as employee satisfaction (ES) and pride in accomplishment. The Group will also focus on its corporate social responsibility (CSR), believing that the combination of these practices will create momentum that drives shareholder value continuously higher. All of these objectives are based on normal practices, and there is nothing that is especially new. Nonetheless, the Group believes that it is critical to execute these normal practices properly and promptly if it is to truly excel as a highly profitable and fast growing global enterprise that has the trust of society.

Since the beginning of 2005, the Group has been implementing the medium-term (three-year) management plan ***"JIKKO-2007,"*** under which it is taking specific steps in line with the ***"JIKKO"*** management policy.

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

6. Issues Confronting the Group

One of the most important challenges presently facing the AGC Group is ensuring the execution of the ***"JIKKO-2007"*** medium-term management plan and achieving steady results.

Based on ***"JIKKO-2007,"*** the Group is focusing on further growth and improving the earnings of existing operations: Glass, Electronics and Display, Chemicals, and others. Meanwhile, the Group is becoming fully committed to developing next- generation growth business in Electronics & Energy.

In Glass operations, the Group will proactively manage operations in emerging markets such as Russia and China, while placing emphasis on the production and sale of value-added products in mature markets, including Western Europe, North America, and Japan. In addition, the Group will find the most efficient approach to manufacturing operations by benchmarking its manufacturing facilities around the world. With this approach, the entire Group will share the efficient manufacturing process.

In Electronics and Display operations, the AGC Group will continue to develop technologies and improve productivity for glass substrates of flat panel displays (FPD), an area of significant growth, while quickly expanding facilities. In the market for cathode ray tube (CRT) glass, the Group will continue to restructure a system to ensure production optimization in light of CRT glass demand, which is expected to decline in the medium- and long-term.

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

In addition to measures for these existing operations, the Group is committed to fostering new businesses in the electronics & energy materials fields, regarding them as next-generation growth businesses. Among other areas, the Group will emphasize semiconductor process materials, display materials, photonics components, and energy materials, for which it can use the core technologies it has developed over 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. Basic Policy of Corporate Governance and Implications of Related Measures

(1) Basic policy of corporate governance

The basic policy of the AGC Group with respect to the establishment of a corporate governance structure is to strengthen the oversight function by clearly separating it from the management functions. The policy also clearly distinguishes between the Group corporate functions and business operations functions of management, to encourage more timely decision-making.

(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 three outside directors, as resolved at the annual general shareholders' meeting held in March 2005. Further, the number of directors decreased to six, effective from October 26, 2005, with the number of outside directors remaining unchanged at three.) 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 fifteen 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 as well as 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 progress of the medium-term management plan and the business and financial planning for following fiscal year.

Aiming to further bolster its corporate governance system, in June 2003 the Group established the Nominating Committee and the Compensation Committee, as discretionary advisory organizations to the Board of Directors, to improve objectivity in the evaluation, nomination and remuneration of directors and executive officers. The Nominating Committee consists of five directors, including three outside directors, and is presided by the chairman of the board. During the fiscal year under review, the committee met five times and recommended candidates for directorship and the position of corporate auditor, as well as executive officers for the following year, to the Board of Directors. The Compensation Committee consists of five directors, including three outside directors, and is presided by the chairman of the board. In the year under review, the committee held four meetings and deliberated on executive officers' remuneration and other issues, in accordance with the Group's remuneration system based on the principles and strategies that are designed so that shareholders and management can both have a common interest, and management can be motivated to achieve performance goals aimed at ensuring the Group's continuous development.

The Group adopts the corporate auditor system, and two of the four auditors are outside. The corporate auditors met a total fifteen 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 Meeting and other important meetings of the Group, examines important documents, audits the headquarters and the group locations, including business offices, plants, and group companies, and reports the results to the Board of Corporate Auditors. The Board of Corporate Auditors, based on these audit results, prepared the Corporate Auditors' reports on the consolidated financial statements as well as their findings made during the year, and then submitted them to the Board of Directors.

(3) Management System

In April 2002, the AGC Group introduced the In-House Company system. With the introduction of this system, the Group transformed its operating approach from one that worked on a region-by-region basis to a globally integrated management system. Coinciding with these moves, the Group transferred substantial responsibility and delegated authority for managing operations to each In-House Company or Strategic Business Unit (SBU). An In-House Company is defined as business unit with net sales exceeding 200 billion yen and which conducts its business globally. At present, there are four In-House Companies: Flat Glass Company, Automotive Glass Company, Display Company, and Chemicals Company. Business units of a smaller size than this are defined as SBUs. The Group presently has seven SBUs following an organizational change in July 2005, in which the Electronics & Energy General Division and the Semiconductor & Circuit Division were established, and their precursors (the Electronic Materials and Products General Division) ceased to exist.

(4) Compliance mechanism and internal audits

The ***"Look Beyond"*** AGC Group Vision that was announced in April 2002 defined "integrity" as one of the most important values to be shared through the entire Group. The AGC Group has therefore endeavored to establish and strengthen a compliance mechanism based on this value. For instance, the Group established a Compliance Committee responsible for legal compliance under the President & CEO. Chaired by a Senior Executive Vice President, this committee serves as a professional body for legal compliance and corporate ethics. It plans, formulates and executes a compliance program for the entire

Group. Also, to ensure complete adherence to rules of behavior based on laws and corporate ethics, the Group has formulated a Code of Conduct, which it is introducing to the Group companies around the world.

In order to handle reports and consultation on compliance, Asahi Glass has set up contact points, as helpline, for reporting and consultation at an outside law firm in addition to the existing internal reporting contact point, while obliging both corporate officers and career employees to submit annually a statement of compliance with the Code of Conduct. The Group is diligently endeavoring to introduce these practices to its units at home and abroad.

(5) Internal audits and accounting audits

The Internal Audit Office, which consists of eleven staff in Japan and seven staff in Europe and the U.S., audits the establishment of managerial and operational systems as well as the legality and rationality of the implementation at the Group companies, based on the annual audit schedule. To assist the Board of Directors and the President & CEO, the Internal Audit Office monitors the maintenance of an internal control structure and procedures within the Group. This office is also making a concerted effort with In-House Companies and SBUs to establish an adequate internal control structure and procedures that can be introduced throughout the Group worldwide.

The Group entrusts accounting audits for the fiscal year under review to ChuoAoyama PricewaterhouseCoopers. The names of the certified public accountants (CPAs) engaged in accounting audits of the Group during the fiscal year under review, the years of their involvement in auditing the Group's financial statements, and the professional composition of assistants are as follows:

- Names of certified public accountants (number of years they have performed audits):
  - Hideo Takaura (4 years)
  - Hiroshi Koyama (8 years)
  - Akira Hattori (3 years)
- Composition of assistants:
  - CPAs: 19
  - Junior accountants: 10
  - Information system auditors, etc. : 5

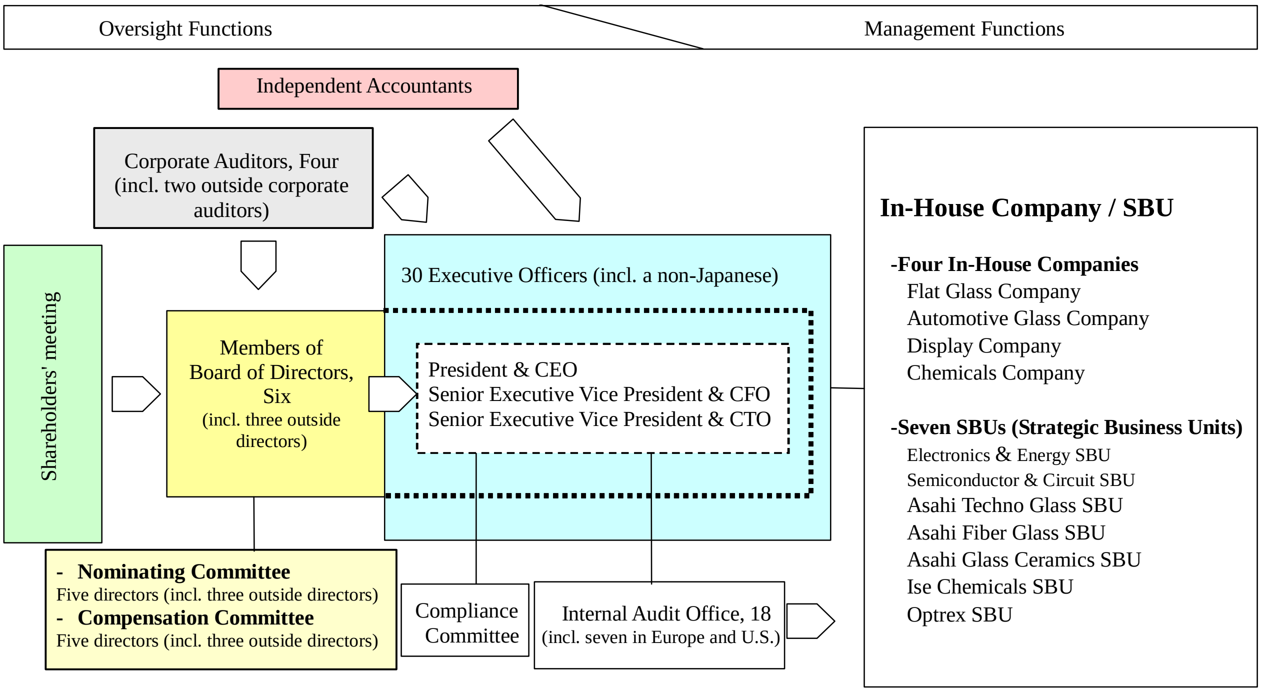
Corporate auditors, the Internal Auditor Office and independent accountants are striving to improve the effectiveness of audits and enhance related operations, while cooperating with each other, when needed, through reports and by exchanging opinions.

(6) Risk management system

Preparing for unforeseen events that could seriously affect both its operating results and financial condition, the Group has established a risk management report line which is designed so that critical information can be reported speedily and surely to the top management, as well as being distributed to the employees concerned. The Group has also set up a system under which, in an emergency, task forces (including overseas safety, earthquake, and emergency countermeasures headquarters) are established immediately, based on top management's decision to take initial measures rapidly and appropriately.

As for the risks associated with business activities, each Corporate Division/In-House Company/SBU analyzes the risks of individual operations and projects, and discusses necessary countermeasures. When necessary, the Management Committee and the Board of Directors deliberate the matters.

The following figure shows the AGC Group's structures of oversight functions, management functions, and corporate governance.



(7) Compensation paid to the Board of Directors and Corporate Auditors

In the fiscal year under review, the AGC Group paid 236 million yen and 88 million yen in total to the members of Board of Directors and Corporate Auditors, respectively.

(8) Compensation paid to the independent accountants

In the fiscal year under review, compensation paid to ChuoAoyama PricewaterhouseCoopers, the independent accountants for Asahi Glass and its consolidated subsidiaries, was 148 million yen for audit services, which are provided in Article 2 Paragraph 1 of the Certified Public Accountants Law of Japan (Law No. 103, 1948). There was no compensation for professional services other than the said audit services.

(9) Relationships with outside directors and auditors

Outside Director Kakutaro Kitashiro also serves as the Chairman of IBM Japan Ltd., with which the Company has business mainly in respect to computer and computer system, but there are no special arrangements in the setting of prices and other transaction terms between the two companies. Outside Director Takuya Goto also serves as the Chairman of Kao Corporation, with which the Company does chemicals-related business, but here also there are no special arrangements for setting prices and other transaction terms between the two companies.

There are no personal relationships, equity ties, transaction relationships or common interests between the Company and the outside auditors.

Operating Results and Financial Conditions

1. Operating Results

(1) Overview of the Fiscal Year under Review (FY2005)

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

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
FY 2005 (January 1 through December 31, 2005)	1,526.7	118.2	118.9	60.0	51.36
FY 2004 (January 1 through December 31, 2004)	1,475.7	139.4	135.7	78.3	66.75

In the fiscal year under review (January 1 through December 31, 2005), recovery of the Japanese economy became even more evident supported by an expansion in consumer spending and capital expenditure in the private sector, despite the upward pressure on costs reflecting price hikes of oil and other various raw materials in the upstream markets with more primary material input. In Asia, supported by the stable economic growth of China and the economic recovery of NIEs (Newly Industrialized Economies), the economy continued to expand, although some ASEAN countries such as Indonesia and Thailand failed to get on a recovery track affected by the higher oil prices. In the U.S., the economy weakened in some sectors due to fears over a surge in energy prices, higher interest rates, and the effects of large hurricanes, but remained entirely though moderately firm because employment and capital investment increased. In Europe, the economy in Russia and East Europe continued to be steady. In Western Europe, however, demand still stayed low despite the signs of a pickup in exports.

Under such circumstances, the AGC Group further strove to expand its business operations in rapidly growing markets for display materials, including glass substrates used in flat panel displays (FPDs), while boosting sales of value-added products in the businesses of glass for construction, automotive glass, and chemicals. However, the Group’s earnings were adversely affected by several factors such as weak demand for cathode-ray tube (CRT) glass and a subsequent fall in its price, slow sales in the electronic materials business, and price hikes of raw materials and energies.

As a result, the Group posted net sales of 1,526.7 billion yen for the fiscal year under review, up 50.9 billion yen or 3.5% from the previous year, an operating income of 118.2 billion yen, down 21.2 billion yen or 15.2%, and an ordinary income of 118.9 billion yen, down 16.8 billion yen or 12.4%. Net income decreased 18.3 billion yen or 23.3% to 60.0 billion yen.

The Group will disburse a year-end dividend of 7.50 yen per share for the year ended on December 31, 2005, which will result in an annual dividend of 15 yen per share due to the interim dividend of 7.50 yen paid for the first half of fiscal 2005; this 7.50 yen per share is higher than the 6.00 yen originally planned.

(2) Analysis of operating results for FY2005

For the fiscal year under review, consolidated net sales increased 50.9 billion yen or 3.5% from previous year’s 1,475.7 billion yen to 1,526.7 billion yen. Cost of sales rose 67.6 billion yen or 6.2% to 1,152.2 billion yen. Meanwhile, the cost-to-sales ratio stood at 75.5%, an increase of 2.0 percentage points year-on-year, as the Group’s efforts to reduce expenses and increase sales of high value-added products failed to offset higher costs resulting from the price surges of raw materials and energy sources, including oil.

Operating income was 118.2 billion yen, down 21.2 billion yen or 15.2% from a year earlier, and the operating income margin dropped 1.7 percentage points, from 9.4% in the previous year, to 7.7%. The overview of net sales and operating income by business segment is described in (3) below.

Net non-operating items resulted in income of 0.7 billion yen, compared with expenses of 3.7 billion yen in fiscal 2004. Equity in earnings of equity method investments fell to 1.8 billion yen from 5.3 billion yen in the previous year, partially influenced by a change in the scope of equity-method affiliates. Due mainly to currency gains derived from the yen's depreciation against the U.S. dollar, however, the Group posted 0.7 billion yen or up 4.4 billion yen in net non-operating income, which is obtained by subtracting non-operating expenses from non-operating income.

As for extraordinary income and loss, the Group registered a net extraordinary loss of 36.1 billion yen in the year under review, changed from a net 1.7 billion yen loss in the previous year. This is attributable to impairment losses incurred on fixed assets that mainly manufacture CRT glass amid weakening demand for such glass on a global basis.

Income before income taxes decreased 51.3 billion yen year-on-year, to 82.8 billion yen. Minority interest in earnings of consolidated subsidiaries was 10.4 billion yen (income), compared with 14.3 billion yen (expenses) in the previous year, reflecting worsened earnings at subsidiaries engaged in the CRT glass business.

Consequently, net income for the year under review was 60.0 billion yen, down 18.3 billion yen or 23.3% from 78.3 billion yen in the year earlier. Net income per share decreased 23.1% year-on-year from 66.75 yen to 51.36 yen.

(3) Overview by Segment

- Performance by business segment (Unit: Billions of Yen)

	Net sales		Operating income	
	FY2005	FY2004	FY2005	FY2004
Glass	758.9	740.5	38.0	48.0
Electronics and Display	443.8	435.7	60.9	70.9
Chemicals	300.4	286.0	16.3	17.6
Other	80.3	75.0	3.2	3.0
Corporate or elimination	(56.7)	(61.5)	(0.1)	0
Total	1,526.7	1,475.7	118.2	139.4

- Performance by geographic segment (Unit: Billions of Yen)

	Net sales		Operating income	
	FY2005	FY2004	FY2005	FY2004
Japan	856.2	868.6	68.8	67.5
Asia	390.7	341.8	37.3	52.2
The Americas	203.9	204.6	(7.0)	(3.2)
Europe	318.7	295.7	22.2	25.9
Corporate or elimination	(242.9)	(234.9)	(3.2)	(2.9)
Total	1,526.7	1,475.7	118.2	139.4

-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.

Although the construction market suffered from a severe winter during the first quarter particularly in Europe, shipments of flat glass and high value-added products throughout the year increased from the previous year. By region, shipments rose in Europe while sales of some products leveled off in Japan. Other Asian regions suffered slow demand on rising prices of oil, in addition to the production concerns. In North America, shipments stayed healthy from the previous year’s level. The Group strove to reduce costs through a benchmarking process, which analyzes the productivity of the Group’s manufacturing plants and adopts the most efficient manufacturing processes globally, and it also adjusted product prices in conjunction with price hikes in raw materials and energy sources, which, however, could not offset higher costs caused by sharply rising prices of fuel oil and natural gas.

In the automotive glass business, sales increased from a year earlier due to the worldwide increase in auto production, particularly Japanese-affiliated automakers. By region, in Asia including Japan, overall sales of automotive glass expanded, as export of automobiles from Japan rose up and mainly thanks to healthy sales in Asia, the number of automobiles produced there rose year-on-year. In North America, despite a slight drop in auto production influenced by weak sales of the Big Three in the U.S., automotive glass sales were up, as sales of value-added products increased. In Europe, sales grew somewhat, reflecting a slight growth in auto production there.

In other glass operations, sales of fiberglass declined year-on-year due to slow growth in the housing market in Japan. In addition, Asahi Tostem Exterior Building Materials Co., Ltd., which specializes in residential exterior siding boards, was reclassified as an equity-method affiliate effective from the beginning of fiscal 2005.

Consequently, net sales from the Glass operations for the year under review increased 18.4 billion yen or 2.5% from the previous year to 758.9 billion yen, while operating income decreased 10.0 billion yen or 20.9% to 38.0 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.

The CRT glass business remained sluggish in fiscal 2005, although sales volume, which had continued to fall influenced by market adjustments of inventories begun at the start of this year, slightly recovered and price decline was curbed in the fourth quarter of the fiscal year. To cope with this prolonged weak demand, the AGC Group made operational adjustments at its production bases, and closed manufacturing facilities at some of them. On the other hand, sales at the FPD glass substrate business increased due to strong demand for glass substrates for TFT LCDs and PDPs, as a result of higher demand for screen panels for PC monitors and thin-screen televisions (such as LCD TVs and plasma display panel TVs) as well as a growing trend toward larger panels.

In the electronics materials business, demand for LCD back-light tubes continued to be steady due to an increase in the production of LCD panels. However, sales of optical filters for use in liquid crystal projectors and optical pickup elements for DVD recorders were strongly affected by demand adjustments and price drop in the market of digital electronics products. Demand for synthetic quartz used for semiconductor manufacturing equipment as well as small- and medium-sized displays installed in cellular phones and other equipment was recovering in the fourth quarter, but remained low for the entire year, hurt by the demand adjustments.

In the Electronics and Display operations, the growth of the FPD glass substrate business could not totally offset the slump of the CRT glass business and the electronic materials business. As a result, net sales for fiscal 2005 increased 8.1 billion yen or 1.8% from the previous year to 443.8 billion yen, and operating income was 60.9 billion yen, down 10.0 billion yen or 14.1%.

- Chemicals operations

The Chemicals operations comprise the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business. The chlor-alkali & urethane business involves caustic soda, vinyl chloride monomer 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, liquid crystal materials and fine silica.

The chlor-alkali & urethane business, in which demand continued to be strong throughout the year in Japan, China and Southeast Asia, remained active in fiscal 2005. This favorable results are attributable to the facts that although the prices of raw materials and energies rose, the group could spread the price revisions made according to product values, by adding high-performance to products and closely meeting the needs of local customers, being capable of absorbing the effects of market fluctuations.

In the fluorochemicals & specialty chemicals business, shipments of optical filters for PDPs were strong, as demand continued to grow since the second quarter of fiscal 2005. Sales of fluorinated resins, fluoropolymer films, fluorinated elastomers, and fluorinated oil and water repellents were also steady helped by high demand. In North America, the AGC Group continued to implement measures for improving profitability of the fluorinated resin business.

As a result, the Chemicals operations posted net sales of 300.4 billion yen in the year ended December 31, 2005, up 14.4 billion yen or 5.0% from the preceding year, and operating income of 16.3 billion yen, down 1.3 billion yen or 7.2%.

- 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 expanded in the glass engineering sector and the environmental energy sector in the ceramics business during fiscal 2005. As a result, net sales from Other operations for the year under review increased 5.2 billion yen or 7.0%, year on year, to 80.3 billion yen. Operating income was 3.2 billion yen, up 0.2 billion yen or 6.5%.

2. Financial Conditions

(1) Overview of FY2005

(Unit: Billions of Yen)

	FY2005	FY2004	Change
Total assets	2,081.9	1,885.3	196.7
Total liabilities	1,129.9	1,060.8	69.1
Shareholders' equity	852.7	699.1	153.5

- Total assets

Total assets were 2,081.9 billion yen as of the end of fiscal 2005, up 196.7 billion yen from the previous year. This increase is attributable chiefly to: an increase in tangible fixed assets resulting from proactive investments in manufacturing facilities for FPD glass substrates amid growing demand for screen panels for thin-screen televisions, and increased investment securities reflecting a growth in unrealized profit from holdings of listed shares thanks to a recovery in the stock market.

- Total liabilities

At the end of fiscal 2005, liabilities totaled 1,129.9 billion yen, up 69.1 billion yen from the preceding year, owing primarily to an increase in accounts payable, deferred income taxes, and such like. The outstanding balance of interest-bearing debts including short-term borrowing, bonds issued and long-term borrowings increased along with the buildup of capital investments, but the AGC Group strove to reduce debts as a whole. As a result, the balance at the end of fiscal 2005 was 529.4 billion yen, up 5.6 billion yen from the preceding year.

- Shareholders' equity

Shareholders' equity was 852.7 billion yen at the end of the year under review, up 153.5 billion yen from the preceding year, mainly because of an increase in retained earnings due to net income and an increase in unrealized gains on shares reflecting rising prices of listed stocks. Additional paid-in capital rose 11.9 billion yen as a result of a stock swap through which the Company made Asahi Techno Glass Corporation into a wholly owned subsidiary in fiscal 2005.

(2) Cash Flows (Unit: Billions of Yen)

	FY2005	FY2004	Change
Cash flows from operating activities	185.5	232.9	(47.4)
Cash flows from investing activities	(135.8)	(125.9)	(9.9)
Cash flows from financing activities	(67.4)	(99.0)	31.5
Cash and cash equivalents at end of period	54.0	67.9	(13.9)

- Cash flows from operating activities

Net cash provided by operating activities was 185.5 billion yen for the year under review, down 47.4 billion yen from the previous year. This decline is attributable chiefly to a decrease in net income before taxes, and increased payments of corporate income taxes.

- Cash flows from investing activities

Net cash used in investing activities increased 9.9 billion yen year-on-year, to 135.8 billion yen. During the year under review, capital investments were made mainly in the expansion of manufacturing facilities for FPD glass substrate of the Electronics & Display operations, as well as the business development of the Glass operations in such emerging markets as Central and Eastern Europe, including Russia.

As a result, free cash flows, which is the sum of cash flows from operating activities and investing activities, for fiscal 2005 declined 57.2 billion yen from the previous year to 49.7 billion yen.

- Cash flows from financing activities

Net cash used in financing activities fell 31.5 billion yen from a year earlier to 67.4 billion yen, with cash being used to repay borrowings and pay dividends.

As a result, the outstanding balance of cash and cash equivalents was 54.0 billion yen as of the end of the fiscal year under review, down 13.9 billion yen from the previous year.

- Cash flow indices

	Year ended March 2003	Period ended Dec. 2003	FY2004	FY2005
Net worth ratio (%)	31.0	34.5	37.1	41.0
Net worth ratio based on market value (%)	41.8	57.2	69.7	85.8
Number of years for debt redemption	3.9	-	2.2	2.9
Interest coverage ratio	10.2	12.2	20.6	12.7

(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 with the 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, including notes receivable discounted, 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 nine-month transitional accounting period due to a change in fiscal year, the number of years for debt redemption is not presented herein.

3. Outlook for FY2006

(1) Operating outlook for FY2006

(Unit: Billions of Yen)

	Net sales	Operating income	Ordinary income	Net income
FY 2006 (January 1 through December 31, 2006)	1,600.0	145.0	136.0	80.0
FY 2005 (January 1 through December 31, 2005)	1,526.7	118.2	118.9	60.0
Change (%)	4.8	22.7	14.4	33.3

For fiscal 2006, the Japanese economy is expected to continue its recovery at a steady pace led by strong private-sector demand resulting from robust capital investment and consumer spending, despite such uncertain factors as continuous high oil prices and the future trends of the economy overseas. In ASEAN countries, the economy is predicted to grow steadily due to an expansion in exports and infrastructure-related investments although risk factors involved with the uncertainty over future energy prices are identified. On the other hand, China's economic growth is likely to keep its trend driven by strong capital investment, exports and individual investment, though slightly slowed down from fiscal 2005. In the U.S., there is concern that inflationary pressures caused by higher energy prices and other factors could put a damper on the economic growth, although in general the economy is forecast to remain firm. In Western Europe, strong exports will likely continue, whereas consumer spending is expected to remain weak. Meanwhile, in Central and East Europe (particularly Russia), high economic growth is likely to continue as much as in fiscal 2005.

Under such circumstances, regarding the flat glass business of the Glass operations, the market of glass for construction in emerging regions is expected to grow and demand for high value-added products is also forecasted to rise. Meanwhile, there are concerns over higher prices of energy sources such as oil, and uncertainty over the future trends of the markets other than the emerging regions. In automotive glass business, global auto production is predicted to rise continuously and in particular it is expected that demand of automotive glass in China and Southeast Asia will grow.

Sales of CRT glass for televisions are likely to improve to some extent from fiscal 2005, thanks to the effects of the World Cup soccer tournament. However, overall demand for CRT glass is forecast to continue weakening with a further shift of PCs and other devices to FPDs. Against the backdrop, the AGC Group will continue to reorganize the production bases of the CRT glass business, while taking into account the trend in which demand for CRTs is decreasing over the medium to long term. As for the FPD glass business, further growth of screen panels market as well as higher demand for larger sizes of FPD glass substrates are expected. In response, the Group will expand production of such glass substrates using not only existing facilities but also newly built manufacturing bases. Given this, the FPD glass business is predicted to remain robust.

In the electronic materials business, sales of synthetic quartz used for semiconductor manufacturing equipment and LCD back-light tubes are projected to increase, demand for frit paste for PDPs is likely to remain firm, and demand for small- and medium-sized displays is expected to pick up.

As for the chlor-alkali & urethane business of the Chemicals operations, demand is unlikely to change drastically, but the AGC Group will continue to closely watch a further price rise of raw materials and energies and the market trend of vinyl chloride in China. In the fluorochemicals & specialty chemicals business, demand for fluorochemicals products is expected to go on growing. In response, the AGC Group will start up additional facilities and launch new products, aiming to expand sales.

In Other operations, the ceramics business is expected to remain robust for fiscal 2006.

In light of the foregoing business prospect, the AGC Group projects its net sales for fiscal 2006 to increase 73.3 billion yen or 4.8%, year on year, to 1,600.0 billion yen, operating income to increase 26.8 billion yen or 22.7% to 145.0 billion yen, ordinary income to increase 17.1 billion yen or 14.4% to 136.0 billion yen, and net income to increase 20.0 billion yen or 33.3% to 80.0 billion yen. For the projection, the Group assumes that the key foreign exchange rates throughout fiscal 2006 will average at 110 yen to US dollar and 137 yen to euro.

(2) Outlook of financial conditions for FY2006

Of net cash provided by operating activities, income before income taxes for fiscal 2006 is expected to increase from fiscal 2005. Depreciation expenses are likely to increase 7.3 billion yen year on year to 130.0 billion yen.

Capital investment of cash outflows from investing activities is estimated to increase 16.0 billion yen year on year to 220.0 billion yen, due to the Group’s plans to expand display materials business such as glass substrates for FPDs, promote its business of glass for construction and automotive glass in emerging markets, and start up its Electronics & Energy business.

As for cash flows from financing activities, the Group will flexibly raise funds, repay debts, or repurchase its own shares, in addition to dividends paid in line with the Company's dividend policy.

(3) Risks Associated with Operations

Set out below are the risks associated with the AGC Group's operations and other risks that may materially influence the decisions of investors 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 15, 2006, when the consolidated financial results for the fiscal year ended December 2005 were announced.

a. Economic status of markets in which 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, for example in the United States, Asia and Europe, as well as in Japan, and sales are therefore influenced by local economies. Although the Group is working hard to build an earnings structure that is not impacted by changes in the business environment, by improving productivity and reducing fixed and variable costs, its performance and financial state is susceptible to declining demand from the industries mentioned as well as overall economic downturns in the regions where its products are primarily sold.

b. High dependence on the Electronics and Display operations

In the year through December 2005, operating income of the Electronics and Display operations accounted for 51.5% of the AGC Group's total operating income, denoting a heavy reliance on this sector for revenue. Earnings from these operations tend to fluctuate substantially, and losses cannot always be offset by income from other operations. This has the potential to significantly impact the Group's performance and financial position.

c. Expansion of operations overseas

The AGC Group has substantial operations overseas, through exports of products and manufacturing abroad. The risks associated with operating abroad include deteriorating political and economic situations, the imposition of regulations on imports and foreign investment, unexpected changes in laws, the worsening of public security, and the occurrence of terrorist attacks and war. These events may hinder the Group's operations overseas and have serious effects on its performance and financial position.

d. Competitive edge, and development and commercialization of new technologies and products

In every field in which the AGC Group engages, there are competitors supplying products similar to those of the Group. Accordingly, to maintain its competitive edge, the Group is striving to identify the needs of customers, and to develop and commercialize new technologies and products. However, should the Group fail to appropriately respond to technical changes and customer needs or take too long to develop and commercialize new technologies and products, growth would be hampered and profitability would decline. This may significantly impact the Group's performance and financial position.

e. Procurement of production materials and resources

Because the AGC Group partially uses special materials, suppliers of which are limited, if supply tightens or is delayed, the Group's performance and financial positions may be greatly affected.

f. Government regulations

In the countries and regions where it operates, the AGC Group is subject to the approval and authorization of local governments with respect to investments, regulations on exports and imports, as well as laws governing commercial transactions, labor, patents, taxation, foreign exchanges, and other issues. Consequently, amendments to these regulations and laws may significantly influence the Group's performance and financial position.

g. Environmental regulations

The AGC Group engages primarily in glass and chemicals operations, which are characterized by a heavy environmental impact because they consume a great quantity of resources and energy. Recognizing this, the Group is making great efforts to reduce the 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 more stringent and the public calls for greater corporate responsibility in environmental protection, the Group's performance and financial position may be significantly impacted.

h. Product liability

The AGC Group is making every effort to ensure that products are of the highest quality, according to their individual characteristics. Despite these efforts, the possibility remains that unexpected quality problems may occur because of unanticipated factors develop, prompting a major recall. This could substantially influence the Group's performance and financial position.

i. Intellectual property rights

The AGC Group endeavors to acquire intellectual property rights that appear useful for its present business activities and future operations alike, while investigating the rights of other firms, in order to prevent intellectual property issues from arising. However, there is the possibility that the Group will enter into disputes with other firms over intellectual property or that other firms will infringe the Group's intellectual property rights. This has the potential to materially influence the Group's performance and financial position.

j. Litigation

There is always a risk that other firms, corporate groups, or individuals may take legal action against the AGC Group with respect to its operations at home and abroad. During the fiscal period under review, there was no legal action pending that had a significantly negative effect on the Group's operations. However, if a major lawsuit is filed against the Group, its performance and financial positions may be significantly impacted.

k. Effect of natural disasters and accidents

To minimize the adverse impact on business caused by the suspension of production, the AGC Group regularly conducts inspections of all facilities for maintenance purposes and to prevent potential damage from disaster. But there is no guarantee that the effects of disasters occurring at manufacturing facilities (including earthquakes, power outages, and other disruptions) can be completely eliminated or mitigated.

Given that some of the Group's products cannot be replaced by alternatives, should production cease at some facilities temporarily or for the long term because of a major earthquake or other incident, the Group's ability to manufacture such products is likely to sharply decline. Should this occur, the Group's performance and financial position may be greatly affected.

l. Exchange rate fluctuations

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

The AGC Group also manufactures products at its facilities worldwide, including Japan, and exports the products to a number of countries. The Group generally procures raw materials and sells products in the local currency of each country/region. Accordingly, fluctuations in exchange rates influence the prices of materials the Group procures and the pricing policy for its products, and this impacts the Group's performance, financial position and future earnings.

m. Retirement benefit obligations

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

n. Decline in asset values of fixed assets

If the asset values of the AGC Group's owned fixed assets were to decline because of a drop in market values or profitability, the Group's performance and financial position may be substantially impacted.

o. Other

Officials from the European Commission visited two AGC Group companies in Belgium, Glaverbel S.A. and AGC Automotive Europe S.A., on February 22 and 23, 2005, with authorization to inspect documents in connection with alleged infringements of competition rules. At this moment, however, it is not clear yet to what extent this matter will impact the operating performance and the financial position of the AGC Group.

Consolidated Balance Sheets

(Unit: Millions of Yen)

	FY2005 (December 31, 2005)	FY2004 (December 31, 2004)	Increase (Decrease)
Current Assets	688,432	648,237	40,195
Cash on hand and in banks	73,811	98,648	(24,837)
Trade notes and accounts receivable	309,432	280,615	28,816
Inventories	238,022	215,782	22,239
Deferred income taxes	13,342	9,381	3,960
Other current assets	60,390	50,557	9,832
Allowance for bad debts	(6,566)	(6,749)	182
Fixed Assets	1,393,259	1,236,681	156,578
Tangible Fixed Assets	922,630	853,390	69,239
Buildings and structures	245,710	227,827	17,882
Machinery and equipment	460,360	434,137	26,223
Tools and fixtures	20,929	19,234	1,694
Land	118,619	110,728	7,891
Construction in progress	77,010	61,462	15,548
Intangible Fixed Assets	100,026	94,636	5,389
Investments and advances	370,602	288,654	81,948
Investment in securities	320,927	224,557	96,369
Long-term loans	8,404	9,620	(1,215)
Long-term prepaid expenses	10,117	12,537	(2,420)
Deferred income taxes	12,885	20,788	(7,902)
Other investments	21,716	24,003	(2,287)
Allowance for bad debts	(3,448)	(2,853)	(595)
Deferred Assets	234	350	(115)
Total Assets	2,081,926	1,885,268	196,658

Consolidated Balance Sheets (continued)

(Unit: Millions of Yen)

	FY2005 (December 31, 2005)	FY2004 (December 31, 2004)	Increase (Decrease)
Current Liabilities	587,145	549,139	38,006
Trade notes and accounts payable	206,350	181,774	24,575
Short-term bank loans	110,517	103,831	6,685
Commercial paper	32,036	25,733	6,303
Current maturities of bonds	9,589	16,064	(6,475)
Accounts payable, other	71,835	62,053	9,782
Accrued expenses	20,065	18,206	1,858
Income taxes payable	33,144	33,201	(57)
Deposits received	25,485	25,861	(376)
Accrued bonuses to employees	6,804	5,704	1,099
Reserve for scheduled repairs	1,679	1,570	108
Reserve for restructuring programs	6,521	2,315	4,206
Other current liabilities	63,116	72,820	(9,704)
Non-current Liabilities	542,777	511,682	31,095
Bonds issued	254,635	244,934	9,701
Long-term bank loans	122,154	132,744	(10,589)
Deferred income taxes	58,455	32,957	25,497
Accrued retirement benefits	64,447	57,090	7,356
Accrued retirement bonuses to directors and corporate auditors	1,532	1,498	34
Reserve for rebuilding furnaces	17,809	16,140	1,668
Reserve for restructuring programs	2,060	5,738	(3,678)
Other non-current Liabilities	21,681	20,576	1,104
Total Liabilities	1,129,922	1,060,821	69,101
Minority Interest in Consolidated Subsidiaries	99,319	125,308	(25,988)
Shareholders' Equity	852,684	699,139	153,545
Common stock	90,472	90,472	0
Additional paid-in capital	96,561	84,627	11,933
Retained earnings	556,424	511,749	44,675
Asset revaluation reserve	120	120	-
Unrealized gains on securities, net of tax	124,262	58,641	65,620
Foreign currency translation adjustments	(1,448)	(32,926)	31,477
Treasury stocks	(13,709)	(13,546)	(163)
Total Liabilities and Shareholders' Equity	2,081,926	1,885,268	196,658

Consolidated Statements of Income

(Unit: Millions of Yen)

	FY2005 (Jan. through Dec. 2005)	FY2004 (Jan. through Dec. 2004)	Increase (Decrease)
Net Sales	1,526,660	1,475,726	50,934
Cost of Sales	1,152,164	1,084,549	67,614
Selling, General and Administrative Expenses	256,302	251,773	4,528
Operating income	118,194	139,403	(21,209)
Other Income	20,890	16,891	3,999
Interest and dividend income	5,491	5,048	442
Equity in earnings of unconsolidated subsidiaries and affiliates	1,801	5,262	(3,460)
Others	13,597	6,581	7,016
Other Expenses	20,200	20,606	(406)
Interest expenses	12,379	11,293	1,085
Others	7,821	9,313	(1,492)
Ordinary Income	118,884	135,688	(16,803)
Extraordinary Gains	24,925	55,333	(30,408)
Gain on sale of properties	5,836	4,061	1,774
Gain on sale of investments in securities	14,181	21,050	(6,868)
Gain from the transfer of the substitutional portion of the Employees Pension Funds	2,221	24,530	(22,308)
Others	2,685	5,691	(3,005)
Extraordinary Losses	61,051	57,011	4,039
Loss on disposal of properties	3,753	7,028	(3,275)
One-time adjustments to accumulated depreciation of long-lived assets	-	14,879	(14,879)
Impairment loss on long-lived assets	31,556	14,505	17,050
Loss on write-down of investments in securities	-	3,112	(3,112)
Expenses for restructuring programs	15,683	9,891	5,792
Others	10,058	7,594	2,464
Income before income taxes	82,758	134,009	(51,251)
Income taxes	47,693	39,946	7,746
Deferred income taxes	(14,566)	1,467	(16,033)
Minority interest in earnings of consolidated subsidiaries	(10,383)	14,309	(24,692)
Net Income	60,014	78,287	(18,272)

Consolidated Statements of Shareholders’ Equity

(Unit: Millions of Yen)

	FY2005 (Jan. through Dec. 2005)	FY2004 (Jan. through Dec. 2004)
(Additional paid-in capital)		
Balance at the beginning of year	84,627	84,395
Increase	11,937	232
Gain on sales of treasury stocks	-	3
Increase due to exchange offering	11,936	-
Increase due to exercise of warrants	0	-
Increase due to the merger of subsidiaries	-	228
Decrease	3	-
Loss on disposition of treasury stocks	3	-
Balance at the end of year	96,561	84,627
(Retained earnings)		
Balance at the beginning of year	511,749	449,958
Increase	60,710	78,304
Net income	60,014	78,287
Increase due to inclusion of new subsidiaries in consolidation	515	-
Increase due to exclusion of subsidiaries	35	-
Increase due to the reversal of asset revaluation reserve	-	0
Increase due to change in oversea subsidiaries’ functional currency	145	-
Increase due to asset revaluation of overseas subsidiaries	-	16
Decrease	16,034	16,513
Dividends declared	15,688	14,963
Directors’ bonuses	181	97
Loss on disposition of treasury stocks	26	-
Decrease due to inclusion of new subsidiaries in consolidation	-	31
Decrease due to inclusion of new affiliated companies in consolidation	138	-
Decrease due to change in overseas subsidiary’s functional currency	-	1,191
Decrease due to the merger of subsidiaries	-	228
Balance at the end of year	556,424	511,749

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	FY2005 (Jan. through Dec. 2005)	FY2004 (Jan. through Dec. 2004)
I. Cash Flows from Operating Activities		
Income before income taxes and minority interest	82,758	134,009
Depreciation and amortization	122,664	132,558
Impairment loss on long-lived assets	31,556	14,505
Amortization of goodwill	7,774	7,964
Increase (decrease) in reserves	5,813	(15,654)
Interest and dividend income	(5,491)	(5,048)
Interest expenses and Commercial paper interest	13,073	11,293
Exchange (gain) loss	(2,019)	902
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,801)	(5,262)
Gain on sale of securities and properties, etc.	(15,494)	(17,034)
(Increase) decrease in receivables	(23,068)	(10,851)
(Increase) decrease in inventories	(16,278)	(7,038)
Increase (decrease) in payables	19,228	9,368
Others	21,170	12,463
Subtotal	239,885	262,175
Interest and dividend received	5,125	6,322
Interest paid	(14,617)	(11,332)
Income taxes paid	(44,888)	(24,276)
Net cash provided by operating activities	185,505	232,888
II. Cash Flows from Investing Activities		
Decrease in time deposits due over three months	(20,148)	(30,614)
Increase in time deposits due over three months	34,772	8,903
Purchase of property, plant and equipment	(197,264)	(161,102)
Proceeds from sale of property, plant and equipment	13,862	8,828
Purchase of investments in securities	(4,025)	(14,970)
Proceeds from sale of investments in securities	36,145	63,848
Others	861	(826)
Net cash used in investing activities	(135,796)	(125,933)
III. Cash Flows from Financing Activities		
Increase (decrease) in short-term loans and commercial paper	7,240	3,735
Proceeds from long-term debt	28,022	45,677
Repayments of long-term debt	(50,972)	(51,241)
Proceeds from issuance of bonds	19,926	9,453
Redemption of bonds	(16,181)	(66,530)
Purchase of subsidiary’s bonds	-	(10,805)
Proceeds from sale of borrowed securities	-	3,287
Repayments of borrowed securities	(23,146)	-
Purchase of treasury stocks	(432)	(12,407)
Redemption of preferred stocks	(11,573)	-
Dividends paid	(20,533)	(20,096)
Others	212	(39)
Net cash used in financing activities	(67,436)	(98,967)
IV. Effect on Exchange Rate Changes on Cash and Cash Equivalents	4,029	1,521
V. (Decrease) increase in Cash and Cash Equivalents	(13,698)	9,508
VI. Cash and Cash Equivalents at Beginning of Year	67,943	55,915
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(238)	2,519
Cash and Cash Equivalents at End of Year	54,006	67,943

Notes

1. Summary of significant accounting policies

(1) Scope of Consolidation
The Company had 304 subsidiaries as of December 31, 2005 (325 as of December 31, 2004). The consolidated financial statements include the accounts of the Company and 245 (253 for December 31, 2004) of its subsidiaries. The definition of subsidiaries is based on the substantive existence of controlling power.

The accounts of the remaining 59 (72 for December 31, 2004) unconsolidated subsidiaries are excluded from consolidated financial statements 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 59 (72 for December 31, 2004) unconsolidated subsidiaries and 56 (62 for December 31, 2004) affiliates as of December 31, 2005. 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 (32 and 33 companies at December 31, 2005 and December 31, 2004, 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 common stock and additional paid-in capital accounts which 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 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 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. Debt securities that are expected to be held-to-maturity are accounted for by the amortized cost method. Declines in the value of securities, 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.

(8) Amortization
Amortization of intangible assets is computed by the straight-line method, principally over a period of 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 for recognizing such accrued expenses are 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 after the balance sheet date for their services rendered during the current period.

(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 costs 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), in the year subsequent to when it is incurred.

(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, interest rates, and oil prices may occur 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.

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

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

2. Notes to consolidated financial statements

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

		FY2005		FY2004	
1. Accumulated depreciation for tangible fixed assets		1,451,126		1,322,483	
2. Notes discounted		453		521	
3. Endorsed notes for transfer		3,627		5,071	
4. Treasury stocks		13,150,884	shares	13,048,678	shares
5. Guaranteed obligations		7,105		8,689	
6. Contingent liabilities in relation to agreement for assumed bond obligations		15,000		45,000	
7. Goodwill included in intangible fixed assets		73,526		75,566	
8. Collateralized assets and obligations					
Assets pledged as collaterals;	Securities	7		7	
	Tangible fixed assets	7,586		34,457	
	Total	7,594		34,465	
Debt covered by the collaterals;	Short-term loans	2,613		2,027	
	Long-term loans	140		1,057	
	Total	2,754		3,084	

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.

	FY2005	FY2004
Notes receivable	3,741	5,486
Notes payable	996	1,640

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

	FY2005	FY2004
1. Amortization of goodwill included in the selling, general and administrative expenses	7,774	7,964
2. Research and development costs included in the general and administrative expenses and manufacturing costs	31,706	32,265

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)

	FY2005	FY2004
Cash on hand and in banks	73,811	98,648
Short-term loans receivable included in other current assets	383	413
Total	74,195	99,061
Time deposits due over three months	(20,188)	(31,117)
Cash and cash equivalents	54,006	67,943

Segment Information

1. Business Segment

(1) FY2005 (January through December, 2005) (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	754,799	441,688	295,802	34,370	1,526,660	-	1,526,660
(2) Inter-segment sales/transfers	4,094	2,113	4,594	45,882	56,685	(56,685)	-
Total	758,894	443,802	300,397	80,252	1,583,346	(56,685)	1,526,660
Operating expenses	720,907	382,914	284,102	77,101	1,465,026	(56,559)	1,408,466
Operating income	37,986	60,887	16,294	3,151	118,320	(126)	118,194
II Assets, Depreciation and amortization, Impairment and Capital expenditures							
Assets	873,192	614,036	283,412	257,438	2,028,080	53,846	2,081,926
Depreciation and amortization	56,681	46,084	18,615	1,383	122,765	(101)	122,664
Impairment of fixed assets	3,182	34,753	-	292	38,229	-	38,229
Capital expenditures	73,037	100,505	27,479	2,972	203,995	-	203,995

(2) FY2004 (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 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

(Note) Total assets included in the “Corporate or elimination” amounted to 298,532 millions of Yen (FY2005) and 201,333 millions of Yen (FY2004). 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) FY2005 (January through December, 2005) (Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	686,484	327,601	196,055	316,519	1,526,660	-	1,526,660
(2) Inter-segment sales/transfers	169,747	63,100	7,855	2,218	242,922	(242,922)	-
Total	856,232	390,702	203,910	318,737	1,769,583	(242,922)	1,526,660
Operating expenses	787,404	353,370	210,883	296,577	1,648,236	(239,769)	1,408,466
Operating income	68,827	37,332	(6,972)	22,159	121,346	(3,152)	118,194
II Assets	825,483	501,662	206,315	367,638	1,901,099	180,826	2,081,926

(2) FY2004 (January through December, 2004) (Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
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

3. Overseas Sales

(1) FY2005 (January through December, 2005) (Unit: Millions of Yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	393,648	189,580	319,328	18,120	920,677
Percentage of Overseas sales to Consolidated sales	25.8%	12.4%	20.9%	1.2%	60.3%

(2) FY2004 (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%

Securities

1. Investment in Securities with Market Values

(Unit: Millions of Yen)

	FY2005 (December 31, 2005)			FY2004 (December 31, 2004)		
	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	86,985	277,770	190,784	92,544	176,882	84,338
(2) Bonds	1,525	1,534	8	1,545	1,603	58
(3) Others	92	93	0	119	130	11
Sub-total	88,604	279,398	190,794	94,208	178,617	84,408
Securities whose acquisition costs are more than the corresponding amounts recorded on the consolidated balance sheet						
(1) Stocks	452	231	(220)	5,226	4,582	(643)
(2) Bonds	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-
Sub-total	452	231	(220)	5,226	4,582	(643)
Total	89,056	279,630	190,573	99,435	183,199	83,764

2. Investment in Securities without Market Values

(Unit: Millions of Yen)

	FY2005 (December 31, 2005)	FY2004 (December 31, 2004)
Unlisted stocks	7,070	12,672
Unlisted bonds	47	53

3. Investment in Securities Sold during the Fiscal Year

(Unit: Millions of Yen)

	FY2005 (January through December, 2005)	FY2004 (January through December, 2004)
Proceed from sale of securities	23,827	41,209
Gross realized gains	12,895	11,958
Gross realized losses	94	50

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)

	FY2005 (December 31, 2005)	FY2004 (December 31, 2003)
Projected Benefit Obligation:		
Projected benefit obligation	(338,765)	(334,039)
Plan assets	284,107	230,202
Unfunded projected benefit obligation	(54,658)	(103,837)
Unrecognized actuarial loss	(1,191)	(52,684)
Unrecognized prior service cost	(10,037)	(2,020)
	(63,504)	(53,172)
Prepaid pension costs	(943)	(3,918)
Accrued retirement benefits	64,447	57,090
Retirement Benefit Costs:		
Service cost	10,812	10,596
Interest cost	9,525	9,834
Expected return on plan assets	(5,541)	(5,665)
Recognized actuarial loss	6,817	6,401
Amortization of prior service cost	(304)	(251)
Retirement benefit costs for the year	21,309	20,915
Gain from the transfer of the substitutional portion of the Employees Pension Funds	(2,221)	(24,530)
Total	19,088	(3,615)
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 2005

1. Operating results for Fiscal 2005 (Unit: Billions of Yen)

	Fiscal 2005	Fiscal 2004
Net sales	1,526.7	1,475.7
Operating income	118.2	139.4
Ordinary income	118.9	135.7
Net income	60.0	78.3
Total shareholders' equity	852.7	699,1
Net income per share (YEN)	51.36	66.75

2. Major items (Unit: Billions of Yen)

	Fiscal 2005	Fiscal 2004
Capital expenditures	204.0	164.6
Depreciation and amortization	122.7	132.6
Research and development costs	31.7	32.3
Interest-bearing debts	529.4	523.8
Interest expenses & dividend income	(7.6)	(6.2)
D/E ratio	0.56	0.64
Number of employees at end of period	56,857	56,776

3. Scope of consolidation

	Fiscal 2005	Fiscal 2004
Number of consolidated subsidiaries	245	253
Number of equity method affiliates	32	33

(1) Newly consolidated subsidiaries: 15 companies (Murakami Chemicals Co., Ltd. etc.)
Excluded: 23 companies (Asahi Tostem Exterior Building Materials Co., Ltd., etc.[to equity method company])
(2) Newly equity method affiliates: 2 companies (Asahi Tostem Exterior Building Materials Co., Ltd., etc. [from consolidated subsidiary])
Excluded: 3 companies

4. Outlook for Fiscal 2006 operating results (Unit: Billions of Yen)

	Fiscal 2006	First half of Fiscal 2006
Net sales	1,600.0	770.0
Operating income	145.0	62.0
Ordinary income	136.0	58.0
Net income	80.0	34.0
Capital expenditures	220.0	
Depreciation and amortization	130.0	
Research and development costs	36.0	

5. Outlook for Fiscal 2006 operating results by business segment (Unit: Billions of Yen)

	Net sales	Operating income
Glass	740.0	35.0
Electronics and Display	530.0	90.0
Chemicals	305.0	17.0
Other	80.0	3.0
Corporate or elimination	(55.0)	0
Consolidated total	1,600.0	145.0

6. Exchange rates

	Fiscal 2005		Fiscal 2004		Fiscal 2006
	Average	End of period	Average	End of period	Outlook
Yen/Dollar	110.95	118.07	108.07	104.21	110
Yen/Euro	137.31	139.83	134.41	141.61	137