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Asahi Glass and Tostem To Integrate Exterior Siding Boards Operations

Asahi Glass Co., Ltd.

Tostem Corporation

Asahi Glass Co., Ltd. (Head Office: Chiyoda-ku, Tokyo; President & CEO: Masahiro Kadomatsu) and Tostem Corporation (Head Office: Koto-ku, Tokyo; President: Mitsuo Kikuchi) have agreed to integrate both companies' operations of exterior siding boards as described below.

1. By December 1, 2004, Asahi Glass will spin off its operations of ceramic-based exterior siding boards and establish a new company, which will be operated by wholly owned subsidiary Asahi Glass Exterior Siding boards Co., Ltd. (Head Office: Sumida-ku, Tokyo; President: Minoru Hirose; hereinafter "AGK").
2. On January 5, 2005, Tostem will acquire a 50% stake in the new company (hereinafter "joint venture") from Asahi Glass to operate it jointly with Asahi Glass.

The following is the main content of the basic agreement between Asahi Glass and Tostem:

1. The name of the joint venture shall be Asahi Tostem Exterior Wall Co., Ltd. (hereinafter "Asahi Tostem Wall").
2. Asahi Tostem Wall shall have an initial capitalization of 2 billion yen.
3. Asahi Tostem Wall shall have assigned a total of six directors: three appointed from Asahi Glass and three from Tostem.
4. Both Asahi Glass and Tostem shall each hold 50% of the shares of Asahi Tostem Wall.
5. Employees of Asahi Tostem Wall, except those of AGK, shall be leased from Asahi Glass and Tostem for a certain period.
6. Asahi Tostem Wall shall sell ceramic-based exterior siding boards produced in its own facilities as well as buy and sell Tostem's ceramic- and metal-based materials and INAX Corporation's tile-based materials.

Although demand for exterior siding boards is weakening in the new-house construction market due to a gradual decrease in new housing works, demand for exterior siding boards in the housing remodeling market is expected to grow. In general, demand for exterior siding boards is forecast to remain stagnant or slightly fall.

Under such market circumstances, corporations in the industry are accelerating their reorganization. In the meantime, Asahi Glass, with no more than one single product, single sales route for ceramic-based exterior siding boards, and Tostem, whose capability to produce ceramic-based exterior siding boards is extremely limited, have been facing difficult times in the

market. To cope with the harsh situation, the two companies were in pursuit of a business partner.

After discussing the method to maximize the effects of integrating their exterior siding boards operations, Asahi Glass and Tostem have recently reached an agreement. The following are the effects of such integration confirmed by both companies:

1. Asahi Tostem Wall can proactively utilize both of the sales routes which were individually operated by Asahi Glass and Tostem.

That is to say, Asahi Tostem Wall can sell metal- and tile-based exterior siding boards through Asahi Glass' sales route, and ceramic-based boards through Tostem's sales route. Accordingly, Asahi Glass and Tostem can widen the range of their products to meet customer needs, expecting an increase in sales of individual products.

2. With two routes serving different customer strata, Asahi Glass and Tostem can expect to increase sales by leveraging the synergy effect obtained from the operational integration while mutually complementing what each party lacks.
3. Dealing in many kinds of housing materials, Tostem can utilize the information obtained from its sales route, particularly about house remodeling, for a further expansion in sales of ceramic-based exterior siding boards.
4. By adding Tostem's metal-based siding boards and INAX's tile-based siding boards to its ceramic-based exterior siding boards, Asahi Tostem Exterior will be able to respond to a wider range of needs with its products.

A profile of Asahi Tostem Wall is as follows:

1. Company name: Asahi Tostem Exterior Wall Co., Ltd.
2. Spin-off date: December 1, 2004
3. Location: 2-1-1 Ojima, Koto-ku, Tokyo
4. Capital: 2 billion yen
5. Representative: Undetermined. An official leased from Tostem is planned to be appointed.
6. Number of employees: Approximately 360
7. Business activities: Production and sales of ceramic-based exterior siding boards; sales of metal- and tile-based exterior siding boards
8. Production base: Manufacturing facilities for ceramic-based exterior siding boards of Asahi Glass' Kashima Plant (Kamisu-machi, Kashima-gun, Ibaraki Prefecture) transferred to Asahi Tostem Exterior Wall Co., Ltd. Other materials/products to be supplied by Tostem on an OEM basis.
9. Sales (forecast): 31 billion yen (for fiscal 2005)

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