

February 16, 2005

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

Company Name: Asahi Techno Glass Corporation  
President: Masayuki Katsumata  
(Code Number: 5215; TSE 2nd section)  
Contact: Takaaki Yamaguchi, Managing Director  
(Tel: +81-47-421-2310)

### **Asahi Techno Glass to Become Wholly Owned Subsidiary of Asahi Glass**

At their respective Board of Directors meetings on February 16, 2005, Asahi Glass Co., Ltd. and Asahi Techno Glass Corporation determined the latter to become a wholly owned subsidiary of the former through a stock swap, for which a contract was signed.

The stock swap will be carried out on July 1, 2005 after the stock swap contract is approved by Asahi Techno Glass's Ordinary General Meeting of Shareholders to be held on March 25, 2005. Asahi Glass will be implementing the so-called "simple stock swap" procedures provided for in Article 358 of Japan's Commercial Code that require no approval by the general meeting of shareholders.

#### **1. Purpose of making Asahi Techno Glass wholly owned subsidiary**

Created in January 1999 through the merger of the Asahi Glass Group's Iwaki Glass Co., Ltd. and Toshiba Glass Corporation, Asahi Techno Glass is a core company of the Asahi Glass Group in the specialty glass field, providing various products and services in such areas as lighting, housewares, functional materials (electronic and industrial materials), physics, chemistry, bio-technology and optical coating, by employing specialty glass technologies that the company has accumulated for years. Asahi Techno Glass is also pursuing growth strategies laid out in the medium-term management plan "**ACT 27**" that was launched this fiscal year, centering on the specialty materials business utilizing specialty glass technologies.

Asahi Glass has positioned the Electronics & Energy ("E&E") materials operations as the core for its next-generation growth business, in the Group vision "**Look Beyond**". With the medium-term management plan "**JIKKO-2007**" which was launched this fiscal year, Asahi

Glass will actively concentrate its corporate resources on the E&E materials operations to further develop its business base. Moreover, Asahi Glass will seriously expand the E&E materials operations with the existing electronic materials operations as a core, focusing on specialty materials produced based on glass, fluorine chemistry and their related technologies.

There are a number of the E&E materials businesses whose earnings power can be enhanced by leveraging the synergy from closer cooperation between Asahi Glass and Asahi Techno Glass. For faster and more flexible operations in this field, with more concentrated corporate resources, the Asahi Glass Group will strengthen Asahi Techno Glass's technological, development and marketing capabilities for specialty glass, by integrating the two companies and enhancing their cooperation.

To this end, the Asahi Glass Group opted to make Asahi Techno Glass a wholly owned subsidiary through a stock swap.

The following synergistic effects can be expected from Asahi Techno Glass's transformation into a wholly owned subsidiary:

- (i) Enhancement of value chain in the existing businesses of the E&E materials operations field;
- (ii) Integration and strengthening of technology platforms for specialty materials;
- (iii) Sharing of information about the development of technologies and new businesses, and clarification of personnel's roles in such development; and
- (iv) Efficient and effective use of corporate shared services

Leveraging these synergistic effects, the Asahi Glass Group will further strengthen its competitiveness in the specialty materials operations, grow and expand the E&E materials operations, improve the quality of products and services, and raise the corporate value of the entire group.

## **2. Stock swap particulars**

### **(1) Stock swap schedule**

- February 16, 2005: Board of Directors meeting to approve the stock swap contract
- February 16, 2005: Signing of the stock swap contract
- March 25, 2005 (planned): General Meeting of Shareholders to approve the stock swap contract (Asahi Techno Glass)
- July 1, 2005 (planned): Transaction date

Note: Asahi Glass will implement the so-called "simple stock swap" procedures provided for in Article 358 of Japan's Commercial Code that require no approval by the general meeting of shareholders.

## (2) Stock swap ratio

	Asahi Glass (fully controlling parent company)	Asahi Techno Glass (wholly owned subsidiary)
Stock swap ratio	1	0.50

Notes:

### 1. Share allocation ratio:

0.50 shares of Asahi Glass stock will be issued for every 1 share held of Asahi Techno Glass stock. However, no stock swap will be conducted for Asahi Techno Glass shares of 38,810,000 stocks already owned by Asahi Glass.

### 2. Basis of calculation of the stock swap ratio:

Asahi Glass has assigned Nomura Securities Co., Ltd. to calculate the stock swap ratio, and Asahi Techno Glass has assigned Deloitte Touche Tohmatsu to do the same. The two companies discussed the calculations results presented by the third party organizations and jointly determined the above ratio.

### 3. The results, methods and basics of calculations performed by third party organizations:

Nomura Securities and Tohmatsu evaluated Asahi Glass and Asahi Techno Glass using the following methods:

- Average market price
- Discounted cash flow (DCF)
- Comparable company transaction
- Comparable company multiple analysis (EBIT and EBITDA)

### 4. Number of new shares to be issued under the stock swap

Common shares: 10,756,200 shares

## (3) Stock swap grant

No grant will be paid for the stock swap.

## 3. Overview of Asahi Glass and Asahi Techno Glass to the stock swap

(1) Company name	Asahi Glass Co., Ltd. (fully controlling parent company)	Asahi Techno Glass Corporation. (wholly owned subsidiary)
(2) Main business	Production and sales of glass products, chemicals, and electronic and display materials, etc.	Production and sales of special glass products, etc.
(3) Establishment	June 1, 1950	October 5, 1937
(4) Head office	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	50-1 Gyouda 1-chome, Funabashi-city, Chiba
(5) Representative	Masahiro Kadomatsu President & CEO	Masayuki Katsumata President
(6) Capital	90,472 million yen	7,233 million yen
(7) Stock issued	1,175,242,497 shares	60,322,400 shares
(8) Shareholders' equity	581,995 million yen	20,522 million yen
(9) Total assets	1,065,033 million yen	39,375 million yen
(10) End of fiscal year	December	December

(11) Number of employees	5,886	793
(12) Primary customers	Asahi Glass Fine Techno Taiwan Co., Ltd., Hanwook Techno Glass Co., Ltd.	Asahi Glass Co., Ltd., Toshiba Lighting and Technology Corporation and other electronic materials supplier
(13) Major shareholders and respective shareholding ratio (as of December 31, 2004)	The Master Trust Bank of Japan, Ltd. (Trust account) 6.46% The Chase Manhattan Bank, N.A. London 5.59% Japan Trustee Services Bank, Ltd. (Trust account) 5.53% Meiji Yasuda Life Insurance Company 4.52% Tokio Marine & Nichido Fire Insurance Co., Ltd. 4.00%	Asahi Glass Co., Ltd. 64.34% Asahi Techno Glass Corporation Stock Ownership Plan for Customer Companies 3.58% Japan Trustee Services Bank, Ltd. (Trust account) 2.43% The Master Trust Bank of Japan, Ltd. (Trust account) 1.10% The Bank of Tokyo-Mitsubishi, Ltd. 0.91%
(14) Major banks	The Bank of Tokyo-Mitsubishi, Ltd. Mizuho Corporate Bank, Ltd.	The Bank of Tokyo-Mitsubishi, Ltd. Mizuho Corporate Bank, Ltd.
(15) Corporate ties between Asahi Glass and Asahi Techno Glass	<ul style="list-style-type: none"> <li>- Capital relationship: Asahi Glass Co., Ltd. holds 64.34% of stock issued of Asahi Techno Glass Corporation.</li> <li>- Human relationship: One Executive Officer and two staff members of Asahi Glass Co., Ltd. serve as Corporate Auditors of Asahi Techno Glass Corporation. Meanwhile, some employees of Asahi Techno Glass Corporation are those dispatched from Asahi Glass Co., Ltd.</li> <li>- Business relationship: Asahi Glass Co., Ltd. provides services for Asahi Techno Glass Corporation, while Asahi Techno Glass supplies Asahi Glass with products such as frit.</li> </ul>	

(16) Performance over the past three fiscal years

(Millions of yen)

Year ended	Asahi Glass Co., Ltd. (fully controlling parent company)			Asahi Techno Glass Corporation. (wholly owned subsidiary)		
	March 2003	December 2003	December 2004	December 2002	December 2003	December 2004
Net sales	542,843	413,656	579,875	32,451	30,081	31,904
Operating income	5,263	5,817	37,152	(551)	543	1,910
Ordinary income	11,046	8,870	41,257	(370)	910	2,022
Net income	(28,763)	14,759	33,268	(3,715)	905	1,849
Net income per share (yen)	(24.49)	12.54	28.34	(61.60)	15.02	30.67
Dividend per share (yen)	9.00	6.75	12.00	-	-	4.00
Shareholders' equity per share (yen)	443.21	479.45	500.77	293.68	309.03	340.34

\* Asahi Glass's fiscal year ended December 2003 is a 9-month transitional period, due to a change in fiscal year.

\* Parenthesis represents a loss.

#### **4. Status after the stock swap**

- (1) The company names, main businesses, head offices, representatives and capitals of the both companies will remain unchanged.
- (2) Effect on performance

Asahi Techno Glass is already a consolidated subsidiary of Asahi Glass, and thus the implementation of the stock swap is projected to have little effect on the earnings of Asahi Glass and Asahi Techno Glass.

Both Asahi Glass and Asahi Techno Glass took into account the stock swap in their consolidated and non-consolidated earnings outlooks for the year ending December 2005, which were separately announced on February 16, 2005.