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Consolidated Financial Results for FY2006 first quarter

(January 1 through March 31, 2006)

1. Financial results for the three months ended March 31, 2006 (January 1 through March 31, 2006)

(1) Consolidated operating results

	For the three months ended March 31, 2006		For the three months ended March 31, 2005		(Reference) For the year ended December 31, 2005
	Millions of yen	%	Millions of yen	%	Millions of yen
Net sales	391,857	9.3	358,478	2.3	1,526,660
Operating income	32,219	(0.5)	32,397	8.1	118,194
Ordinary income	32,363	(4.0)	33,724	18.3	118,884
Net income	21,342	(7.7)	23,110	(30.4)	60,014
Net income per share - basic (Yen)	18.20		19.89		51.36
Net income per share - fully diluted (Yen)	17.16		18.73		48.70

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

(2) Consolidated financial position

	For the three months ended March 31, 2006		For the three months ended March 31, 2005		(Reference) For the year ended December 31, 2005
	Total assets (Millions of yen)	2,134,764		1,899,180	
Total shareholders' equity (Millions of yen)	886,063		720,295		852,684
Equity ratio (%)	41.5		37.9		41.0
Equity per share (Yen)	755.47		619.80		726.98

(3) Consolidated cash flows

(Unit: Millions of yen)

	For the three months ended March 31, 2006		For the three months ended March 31, 2005		(Reference) For the year ended December 31, 2005
	Cash flows from operating activities	30,001		33,772	
Cash flows from investing activities	(36,416)		(30,031)		(135,796)
Cash flows from financing activities	8,789		(13,334)		(67,436)
Cash and cash equivalents at the end of period	56,707		59,320		54,006

(Note)

- The accompanying consolidated financial results have been prepared based in part on some simplified procedures for accounting principles, such as accounting for income taxes.
- Number of consolidated subsidiaries: 250 companies, Number of equity method affiliates: 32 companies
- Changes in scope of consolidation: Consolidated subsidiaries; (addition) 8 companies (exclusion) 3 companies
Equity method affiliates; (addition) none (exclusion) none

2. Outlook for FY2006, the fiscal year ending December 31, 2006 (Jan. 1 through Dec. 31, 2006)

	First 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
Net income per share (Yen)	-	68.21

(Note)

- The figures above remain unchanged from the FY2006 outlook that had been announced on February 15, 2006.
- The above-mentioned outlook reflects management's judgment on the basis of currently available information, as such, contain risks and uncertainties. Actual results may be different from the outlook.

Operating Performance Highlights by Business Segment

(1) Business review

During the first quarter of 2006 (January 1 through March 31, 2006), the Japanese economy continued to recover supported by an expansion in consumer spending, capital investment and exports. In Asia, China's economic growth remained stable and the economies of NIEs (Newly Industrialized Economies) were also steady, while some ASEAN countries saw their economies slacken, hurt by a rise in energy prices and interest rates. In Europe, the economy in Central and Eastern Europe, including Russia, continued to be steady. In Western Europe, however, domestic demand stayed low despite a pickup in exports. In the U.S., although fears remained about future inflation due to higher energy and commodity prices, consumer spending and capital expenditure continued to increase.

Under such circumstances, the AGC Group's earnings were adversely affected by several factors such as upward pressure on costs due to increased prices of fuels and other raw materials, sluggishness in the chlor-alkali products market and weak demand for cathode-ray tube (CRT) glass. To cope with this situation, the Group strove to expand its business operations of glass substrates used in flat panel displays (FPDs), while boosting sales of value-added products in the Glass and Chemicals operations.

As a result, the Group posted net sales of 391.9 billion yen for the first quarter under review, up 33.4 billion yen or 9.3 % from the previous year, operating income of 32.2 billion yen, down 0.2 billion yen or 0.5 %, and ordinary income of 32.4 billion yen, down 1.4 billion yen or 4.0 %. Net income decreased 1.8 billion yen or 7.7 %, year-on-year, to 21.3 billion yen.

(2) Overview by business segment

- Glass operations

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

In the flat glass business, despite a weak domestic demand found in some Asian regions caused by a slower economy than the same period last year, overall flat glass sales increased in Asia including Japan. Since sales volume of value-added products increased particularly in Europe and North America, sales were higher on a year-on-year basis. Earnings from this business, however, were affected by higher costs of fuels and other raw materials.

Even though the business was affected by a slowed economy in some Asian regions, automotive glass sales increased from a year earlier due to the worldwide auto production increased particularly by Japanese-affiliated automakers.

In other glass operations, earnings in the fiberglass and specialty glass category remained at the same level as the corresponding period last year.

Consequently, net sales from the Glass operations for the first quarter increased 24.4 billion yen or 13.8 %, year-on-year, to 200.5 billion yen and operating income decreased 0.2 billion yen or 2.5 % to 9.4 billion yen.

- Electronics and Display operations

The Electronics and Display operations involve the display business, which handles CRT glass and glass substrates for FPDs, as well as the electronic materials business.

In the FPD glass sector of the display business, sales volume of glass substrates for TFT LCDs and PDPs was going well as in the fourth quarter last year, owing to an expansion in demand for panels for thin-screen televisions, such as LCD TVs and plasma display panel TVs, as well as a growing demand for larger sizes of glass substrates. Meanwhile, as for the CRT glass sector, an accelerating demand shift from CRTs to FPDs has been dragging down the sales volume of CRT glass. Against this backdrop, the Group brought forward the withdrawal from production of the glass products in Japan.

In the electronic materials business, sales volume of synthetic quartz used in semiconductor manufacturing equipment and LCD back-light tubes remained steady as in the fourth quarter last year, while optical thin films for use in electronic appliances such as liquid crystal projectors stayed stagnant in terms of sales volume. In small- and medium-sized displays sector, business for mobile use such as cellular phones remained sluggish due in large part to a fall in prices, while sales volume for automotive and industrial use remained relatively firm.

As a result, net sales from Electronics and Display operations during the first quarter under review increased 11.0 billion yen or 10.4 %, year-on-year, to 116.6 billion yen, and operating income rose 3.4 billion yen or 21.2 % to 19.2 billion yen.

- 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 monomers and other chlor-alkali chemicals in addition to basic ingredients of urethane. The fluorochemicals & specialty chemicals business consists of fluorinated resins, fluorinated oil and water repellents, as well as other specialty chemicals including battery materials and liquid crystal materials.

The chlor-alkali & urethane business slackened from the fourth quarter last year largely due to not only increased costs of energy and other raw materials but also a drop in international prices of vinyl chloride, reflecting increasing supply from Chinese manufacturers.

In the fluorochemicals & specialty chemicals business, sales volume of fluorinated resins, fluorinated elastomers, fluoropolymer films and liquid crystal materials remained strong as in the fourth quarter last year. Productivity in the fluorinated resin business in North America has been gradually improving thanks to a series of concrete measures implemented until the previous quarter.

As a result, the Chemicals operations posted net sales of 72.1 billion yen in the first quarter under review, down 1.0 billion yen or 1.4 % from the previous year, and operating income of 3.2 billion yen, down 3.1 billion yen or 48.8 %.

- Other operations

Other operations consist of ceramics and a variety of service-related businesses, including logistics and engineering services, and sales of fine ceramics and other products in the environmental energy sector remained strong. Net sales from Other operations for the first quarter under review increased 3.7 billion yen or 24.4 %, year-on-year, to 19.1 billion yen, while operating income decreased 0.1 billion yen or 17.9 % to 0.5 billion yen.

Consolidated Balance Sheets

(Unit: Millions of yen)

	As of March 31, 2006	As of December 31, 2005	As of March 31, 2005
Assets			
Current assets	695,900	688,432	656,050
Cash on hand and in banks	73,562	73,811	90,999
Trade notes and accounts receivable	302,751	309,432	278,435
Inventories	259,049	238,022	230,587
Other current assets	67,271	73,732	62,853
Allowance for bad debts	(6,734)	(6,566)	(6,825)
Fixed assets	1,438,631	1,393,259	1,242,795
Tangible fixed assets	945,432	922,630	865,715
Intangible fixed assets	98,475	100,026	92,977
Investments in securities	341,542	320,927	226,483
Other fixed assets	57,341	53,124	60,563
Allowance for bad debts	(4,159)	(3,448)	(2,945)
Deferred assets	232	234	333
Total assets	2,134,764	2,081,926	1,899,180
Liabilities and shareholders' equity			
Current liabilities	610,012	587,145	549,720
Payables	273,236	278,186	236,064
Bonds and short-term bank loans	185,802	152,143	149,922
Other current liabilities	150,972	156,815	163,734
Non-current liabilities	541,354	542,777	501,125
Bonds and long-term bank loans	366,147	376,790	372,299
Other non-current liabilities	175,207	165,986	128,826
Total liabilities	1,151,367	1,129,922	1,050,846
Minority interest in consolidated subsidiaries	97,334	99,319	128,037
Shareholders' equity	886,063	852,684	720,295
Common stock	90,475	90,472	90,472
Additional paid-in capital	96,564	96,561	84,627
Retained earnings	568,889	556,424	528,003
Asset revaluation reserve	99	120	120
Unrealized gains on securities, net of tax	136,956	124,262	57,119
Foreign currency translation adjustments	6,813	(1,448)	(26,435)
Treasury stocks	(13,735)	(13,709)	(13,612)
Total liabilities and shareholders' equity	2,134,764	2,081,926	1,899,180

Consolidated Statements of Income

(Unit: Millions of yen)

	For the three months ended March 31, 2006 (January 1 through March 31, 2006)	For the three months ended March 31, 2005 (January 1 through March 31, 2005)	For the year ended December 31, 2005 (January 1 through December 31, 2005)
Net sales	391,857	358,478	1,526,660
Cost of sales	294,922	265,198	1,152,164
Selling, general and administrative expenses	64,715	60,882	256,302
Operating income	32,219	32,397	118,194
Other income	5,498	6,931	20,890
Interest and dividend income	775	914	5,491
Equity in earnings of unconsolidated subsidiaries and affiliates	1,073	746	1,801
Others	3,649	5,270	13,597
Other expenses	5,354	5,603	20,200
Interest expenses	3,556	3,158	12,379
Others	1,798	2,445	7,821
Ordinary income	32,363	33,724	118,884
Extraordinary gains	7,973	2,133	24,925
Extraordinary losses	10,156	1,418	61,051
Income before income taxes and minority interest	30,181	34,440	82,758
Income taxes	11,366	9,342	33,126
Minority interest in earnings of consolidated subsidiaries	(2,527)	1,987	(10,383)
Net income	21,342	23,110	60,014

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	For the 3 months ended Mar. 31, 2006 (January 1 through March 31, 2006)	For the 3 months ended Mar. 31, 2005 (January 1 through March 31, 2005)	For the year ended Dec. 31, 2005 (January 1 through December 31, 2005)
Cash flows from operating activities			
Income before income taxes and minority interest	30,181	34,440	82,758
Depreciation	29,457	27,839	122,664
Impairment loss on long-lived assets	5,998	-	31,556
Amortization of goodwill	1,963	1,885	7,774
Increase (decrease) in reserves	6,865	7,595	5,813
Interest and dividends income	(775)	(914)	(5,491)
Interest expenses	3,924	3,242	13,073
Exchange (gain) loss	(737)	(781)	(2,019)
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,073)	(746)	(1,801)
Gain on sale of securities and properties, etc.	(6,004)	(641)	(15,494)
Decrease (increase) in receivables	9,353	638	(23,068)
(Increase) decrease in inventories	(18,726)	(15,865)	(16,278)
(Decrease) increase in payables	(8,455)	(5,730)	19,228
Others	(1,989)	4,599	21,170
Subtotal	49,981	55,560	239,885
Interest and dividends received	1,397	1,119	5,125
Interest paid	(2,843)	(3,304)	(14,617)
Income taxes paid	(18,533)	(19,602)	(44,888)
Net cash provided by operating activities	30,001	33,772	185,505
Cash flows from investing activities			
Decrease in time deposits due over three months	(883)	(13,105)	(20,148)
Increase in time deposits due over three months	5,027	13,110	34,772
Purchases of property, plant and equipment	(48,583)	(37,715)	(197,264)
Proceeds from sale of property, plant and equipment	3,908	784	13,862
Purchase of investments in securities	(4,016)	(207)	(4,025)
Proceeds from sale of investments in securities	8,093	7,294	36,145
Others	37	(192)	861
Net cash used in investing activities	(36,416)	(30,031)	(135,796)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans and CP	1,033	2,746	7,240
Proceeds from long-term debt	22,953	7,734	28,022
Repayments of long-term debt	(4,148)	(13,189)	(50,972)
Proceeds from issuance of bonds	30	100	19,926
Redemption of bonds	(963)	(957)	(16,181)
Repayments of borrowed securities	-	-	(23,146)
Purchase of treasury stock	(108)	(96)	(432)
Redemption of preferred stock	-	-	(11,573)
Dividends paid	(10,050)	(9,669)	(20,533)
Others	43	(1)	212
Net cash provided by (used in) financing activities	8,789	(13,334)	(67,436)
Effect of exchange rate changes on cash and cash equivalents	403	1,199	4,029
Increase (decrease) in cash and cash equivalents	2,777	(8,393)	(13,698)
Cash and cash equivalents at beginning of period	54,006	67,943	67,943
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(76)	(230)	(238)
Cash and cash equivalents at end of period	56,707	59,320	54,006

Segment Information

1. Business Segment

For the three months ended March 31, 2006 (January 1 through March 31, 2006)

(Unit: Millions of yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	198,037	116,375	71,110	6,334	391,857	-	391,857
2) Inter-segment sales/transfers	2,439	258	1,015	12,726	16,439	(16,439)	-
Total	200,476	116,634	72,125	19,060	408,297	(16,439)	391,857
Operating expenses	191,093	97,414	68,891	18,558	375,959	(16,320)	359,638
Operating income	9,383	19,219	3,233	501	32,338	(118)	32,219

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

(Unit: Millions of yen)

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

2. Geographic Segment

For the three months ended March 31, 2006 (January 1 through March 31, 2006)

(Unit: Millions of yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
Sales							
1) Sales to customers	168,336	89,160	49,904	84,456	391,857	-	391,857
2) Inter-segment sales/transfers	49,657	17,089	2,405	535	69,686	(69,686)	-
Total	217,993	106,249	52,309	84,991	461,544	(69,686)	391,857
Operating expenses	197,323	97,393	53,930	79,702	428,349	(68,711)	359,638
Operating income (loss)	20,669	8,856	(1,620)	5,288	33,194	(975)	32,219

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

(Unit: Millions of yen)

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

Supplementary Information

1. Operating results

(Unit: Billions of yen)

	For the 3 months ended March 31, 2006	For the 3 months ended March 31, 2005
Net sales	391.9	358.5
Operating income	32.2	32.4
Ordinary income	32.4	33.7
Net income	21.3	23.1
Total shareholders' equity	886.1	720.3
Net income per share (Yen)	18.20	19.89

2. Major item

(Unit: Billions of yen)

	For the 3 months ended March 31, 2006	For the 3 months ended March 31, 2005
Capital expenditures	52.8	35.5
Depreciation	29.5	27.8
Interest-bearing debts	553.2	523.1
Interest expenses & dividend income	(3.1)	(2.3)
D/E ratio	0.56	0.62

3. Outlook for FY 2006 operating results

(The figures below remain unchanged from the FY2006 outlook that had been announced on February 15, 2006.)

(Unit: Billions of yen)

	FY2006	First half of FY2006
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	130.0	
Research and development costs	36.0	

4. Outlook for FY 2006 operating results by business segment

(The figures below remain unchanged from the FY2006 outlook that had been announced on February 15, 2006.)

(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

5. Exchange rates

	For the 3 months ended March 31, 2006		For the 3 months ended March 31, 2005		For the year ended December 31, 2005		FY 2006
	Average	End of period	Average	End of period	Average	End of period	Outlook
Yen / US Dollar	117.16	117.47	105.25	107.39	110.95	118.07	110
Yen / Euro	140.92	142.81	137.62	138.87	137.31	139.83	137