

FOR IMMEDIATE RELEASE

May 22, 2001

**ASAHI GLASS REPORTS CONSOLIDATED RESULTS FOR
FISCAL 2001**

TOKYO—Asahi Glass Company, Limited, released its consolidated operating results for fiscal 2001, ended March 31, 2001, today. Net sales amounted to ¥1,312,829 million (\$12,111 million). Operating income reached ¥111,652 million (\$1,030 million), while ordinary income totaled ¥98,026 million (\$904 million). Net income was held to ¥24,724 million (\$228 million), however, owing to a loss on the liquidation of a subsidiary, valuation losses on land held, and an extraordinary loss resulting from the amortization of a shortfall in the reserve for retirement benefits. Net income per common share was ¥21.04 (\$0.194). The Company declared year-end dividends per common share of ¥4.50 (\$0.042), the same as at the fiscal 2000 year-end, bringing the total dividend for the period to ¥9.00 (\$0.083), also in line with the previous period.

Operating Results

Despite a steady rise in private-sector capital investment, sluggish personal consumption, coupled with flagging growth in the U.S. economy and falling stock prices in the second half, contributed to a harsh economic picture in Japan in the period under review. Most Asian economies reported gains. The U.S. economy continued to expand, although the pace slowed in the second half, while European economies also saw firm growth. Asahi Glass responded to these conditions by focusing selectively on key businesses, in line with its “Shrink to Grow” strategy, and on bolstering its earning power by reducing fixed costs and divesting or scaling back unprofitable operations.

Glass and Related Operations

Sales in the glass and related operations segment amounted to ¥625,240 million (\$5,768 million), and accounted for 45.3% of total sales, including intersegment net sales and transfers. The segment’s operating income was ¥35,852 million (\$331 million).

Sales of flat glass and construction materials expanded, supported by continuing firm demand in Japan for double-glazing glass units, which offer excellent

insulation. Asahi Glass implemented a drastic restructuring of its domestic operations in this category, reorganizing its network of directly owned sales outlets, transferring fabricated construction glass operations to a subsidiary and withdrawing from the autoclaved lightweight concrete (ALC) business. With the aim of establishing a production system in Southeast Asia comprising facilities in locations convenient to its principal markets, the Company consolidated a flat glass manufacturing and sales subsidiary in Thailand. This move boosted sales in Asia and its share of net sales. Despite firm demand and a recovery in prices for construction glass in the United States, rising fuel costs hampered profitability. Profits in Europe soared as demand for construction glass caught up to supply, and prices regained ground.

Demand for fabricated glass, most of which is used in automobile production, remained stable, reflecting a slight improvement in Japan and firm demand in the United States and Europe. Nonetheless, the restructuring of the global automotive industry intensified competition. As a consequence, sales of fabricated glass remaining largely level with fiscal 2000.

Electronics and Display Operations

This segment comprises displays—which includes glass bulbs for cathode-ray tubes (CRTs) and glass substrates for flat panel displays—and electronic materials. In fiscal 2001, the segment generated sales of ¥386,174 million (\$3,562 million), equivalent to 28.0% of total sales, and operating income of ¥65,587 million (\$605 million).

In the display category, sales of glass bulbs for CRTs soared as rising global demand for information technology (IT)-related products prompted a sharp increase in the market for televisions and personal computer (PC) monitors in Southeast Asia. Solid results at subsidiary Hankuk Electric Glass Co., Ltd., acquired in November 1999 and included in the consolidated statements of income for the first time, also contributed significantly to net sales and net income. Sales of glass substrates for flat-panel displays remained on an uptrend, owing to the rising popularity of notebook PCs and the increasing prevalence of liquid crystal displays (LCDs). The Company also saw a sharp upturn in shipments of glass substrates for plasma display panels (PDPs).

Results were firm in the electronic materials category, owing to an increase in sales of optical components for information and telecommunications equipment and computer peripherals. During the period, the Company decided to liquidate affiliate Asahi Komag Co., Ltd., which has seen its competitiveness eroded by sagging prices for aluminum magnetic memory disks.

Chemicals Operations

Sales in this segment were ¥274,965 million (\$2,537 million), or 19.9% of total sales, and operating income was ¥9,011 million (\$83 million). Despite firm sales of fluorochemicals, operating income dipped as rising fuel prices pushed up costs for commodity chemicals, sold primarily in the domestic market. As part of drastic reform of its domestic commodity chemicals operations, the Company closed its soda ash plant in Kitakyushu in March 2001. Elsewhere in Asia, results were firm as brisk sales of vinyl chloride and other products outweighed the impact of high fuel prices on costs. In the United States and Europe, fluoropolymer subsidiaries acquired in fiscal 2000 were included in the consolidated statements of income for the first time, significantly expanding the scale of segment operations.

Other Operations

This segment encompasses several businesses, including ceramics and refractories, distribution, and financial and other services. In the period under review, reduced shipments of ceramics, a consequence of flagging demand, and the sale of the Company's shares in Nippon Dry-Chemical Co., Ltd., led to a decline in segment sales, to ¥93,805 million (\$865 million), or 6.8% of total sales. Nonetheless, a marked improvement in the profitability of ceramics operations boosted operating income to ¥1,124 million (\$10 million).

Outlook for Fiscal 2002

Reflecting concerns prompted by a temporary slowdown in U.S. economic growth and a consequent reversal in the economies of Europe and Asia, and by the impact of flagging growth in the IT industry on electronics and display operations, Asahi Glass expects only a slight gain in operating income in fiscal 2002. In this environment, the Company will continue to focus on enhancing profitability by restructuring persistently low-profit operations and strategically investing resources in new businesses, in line with its new three-year management plan, Shrink to Grow 2003, which began in April 2001.

Based on these forecasts, Asahi Glass projects consolidated net sales of ¥1,400,000 million, operating income of ¥112,000 million, ordinary income of ¥98,000 million and net income of ¥36,000 million in the current fiscal year, ending March 31, 2002.

Disclaimer Regarding Future Results Projections

Statements in this document in reference to projections regarding Asahi Glass' future results are forward-looking statements based on management's assumptions and beliefs in light of information currently available and involve risks and uncertainties. It is recommended that investment decisions not be made solely on the basis of these statements. Actual results may differ materially from these projections. Potential risks and uncertainties include, but are not limited to, economic conditions affecting the Company's operating environment, market trends and foreign exchange fluctuations.

Consolidated Financial Highlights

	Millions of Yen		Change (%)
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000	
Net Sales	¥1,312,829	¥1,257,052	4.4 %
Operating Income	111,652	60,689	84.0
Ordinary Income	98,026	40,563	141.7
Net Income	24,724	13,164	87.8
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Total Assets	1,886,815	1,881,332	
Total Shareholders' Equity	607,000	605,210	
ROE	4.1 %	2.2 %	
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Per Share Data (Yen)			
Net Income – Primary	¥21.04	¥11.20	
– Fully Diluted	¥20.46	–	

Non-consolidated Financial Highlights

	Millions of Yen		Change (%)
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000	
Net Sales	¥604,629	¥693,945	-12.9 %
Operating Income	20,989	14,024	49.7
Ordinary Income	33,690	19,296	74.6
Net Income	11,703	3,101	277.4
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Total Assets	1,119,332	1,086,959	
Total Shareholders' Equity	630,632	577,112	
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Per Share Data (Yen)			
Net Income – Primary	¥9.96	¥2.64	
– Fully Diluted	–	–	
Cash Dividends	9.0	9.0	

Results by Business Segment and Region

(1) Business Segment

	Sales		Millions of Yen Operating Income	
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000
Glass	¥ 625,240	¥ 661,106	¥ 35,852	¥ 26,124
Electronics and Displays	386,174	285,262	65,587	24,234
Chemicals	274,965	263,671	9,011	10,471
Others	93,805	118,797	1,124	27
Elimination	(67,357)	(71,785)	76	(168)
Total	¥1,312,829	¥1,257,052	¥111,652	¥60,689

(2) Region

	Sales		Millions of Yen Operating Income	
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000
Japan	¥ 841,008	¥ 911,130	¥ 39,389	¥ 22,568
Asia	214,493	107,109	46,627	16,839
The Americas	171,359	161,546	7,781	8,863
Europe	190,365	199,384	18,115	12,418
Elimination	(104,398)	(122,119)	(261)	(1)
Total	¥1,312,829	¥1,257,052	¥111,652	¥60,689

Consolidated Statements of Income

	Millions of Yen	
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000
Net Sales	¥1,312,829	¥1,257,052
Cost of Sales	971,893	969,833
Selling, General and Administrative Expenses	229,283	226,529
Operating Income	111,652	60,689
Other Income and Expenses:		
Other Income:		
Interest and dividend income	5,374	6,927
Equity in earnings of unconsolidated subsidiaries and affiliates	4,855	426
Others	4,677	4,075
	14,908	11,428
Other Expenses:		
Interest expenses	21,848	20,490
Interest on commercial paper	2,420	1,944
Others	4,265	9,119
	28,534	31,554
Ordinary Income	98,026	40,563
Extraordinary Income:		
Gain on sale of properties	6,425	19,410
Gain on sale of investments in securities	10,411	45,467
Gain on sale of investments in subsidiaries and affiliates	1,762	774
Gain from establishment of trust for retirement benefits	75,506	–
Others	6,933	1,132
	101,039	66,784
Extraordinary Losses:		
Loss on disposal of properties	9,706	16,665
Exchange loss	6,524	–
Loss on write-down of investments in securities	3,125	6,179
Valuation loss on land held	12,810	–
Prior year adjustment for provision for periodic repairs	–	3,005
Loss on revaluation of receivables for plant business	–	11,002
Loss on restructuring programs including bonus allowance for early retirement	13,917	30,564
Cumulative effect of the application of new accounting standard for retirement benefits	84,256	–
Others	8,292	14,162
	138,632	81,580
Net Income Before Income Taxes	60,433	25,767
Corporate, inhabitants' and enterprise taxes	20,761	25,786
Adjustments on deferred taxes	744	(17,600)
Minority interests in earnings of consolidated subsidiaries	14,203	4,416
Net Income	¥24,724	¥13,164

Summary Consolidated Statements of Cash Flows

	Millions of Yen	
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000
Cash Provided by Operating Activities	¥144,643	¥123,058
Income before income taxes	60,433	25,767
Depreciation	97,522	94,198
Cash Used for Investing Activities	(87,068)	(97,522)
Acquisition of property, plant and equipment	(91,026)	(102,613)
Cash Used for Financing Activities	(68,660)	(19,942)
Repayments of long-term borrowings	(64,452)	(44,800)
Translation Difference of Cash and Cash Equivalents	210	(2,974)
Changes in Cash and Cash Equivalents	(10,875)	2,619
Cash and Cash Equivalents at Beginning of Year	55,213	49,941
Reconciliation of Cash and Cash Equivalents Related to Change of Scope of Consolidation	1,426	2,653
Cash and Cash Equivalents at End of Year	¥ 45,764	¥ 55,213

Supplementary Information

Consolidated	Billions of Yen	
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000
Capital Expenditure	¥ 93	¥ 90
Depreciation	98	94
Research and Development Expenses	28	27
Number of Employees	48,809	43,217
Exchange Rate Used for Conversion (US\$/Yen)	108.4	113.5

Non-consolidated	Billions of Yen	
	April 1, 2000 – March 31, 2001	April 1, 1999 – March 31, 2000
Capital Expenditure	¥ 33	¥ 31
Depreciation	37	38
Research and development expenses	22	20
Number of Employees	7,275	7,453
Exchange Rate Used for Conversion (US\$/Yen)	111.2	110.7

Management Policy

Basic Policy

It is the policy of the Asahi Glass Group to provide the best materials solutions in leading industries in each era—housing in the 1960s and 1970s, automobiles in the 1980s, and electronics in the 1990s, for example—by drawing on its glass and chemical technologies. By doing so, Asahi Glass aims to be the world’s leading company in its glass, chemicals and other core businesses in terms of profitability and growth.

Allocation of Profits

Asahi Glass recognizes raising shareholder value as one of its key management tasks. Accordingly, the Company pledges to maintain stable dividends, and will calculate dividends based on a consideration of both fiscal results and dividend payout ratio, to ensure the expectations of its shareholders are met. Asahi Glass will also allocate profits to research and development and capital investment, as well as mergers and acquisitions (M&A), to strengthen its financial position and maximize corporate value.

Medium- and Long-Term Strategies and Objectives

Since the fiscal 1999 interim, Asahi Glass has pursued a strategy known by its slogan, Shrink to Grow. “Shrink” refers to re-categorizing businesses strategically by discarding or restructuring uncompetitive operations, while “grow” involves striving to enhance competitiveness in the Company’s core businesses, expand global operations through such measures as M&A, and inaugurate new businesses with outstanding profit potential. In the first phase of this plan, Shrink to Grow 2001, Asahi Glass implemented decisive measures on both the shrinkage and growth sides. The former included closing down its flat glass production facilities in Japan and terminating domestic production of soda ash to concentrate production of this commodity chemical at a U.S. subsidiary, while the latter included acquiring fluoropolymers businesses in North America and Europe and purchasing a Korean CRT bulb manufacturer, reinforcing flat glass operations in Europe and expanding TFT LCD glass substrates production facilities in Japan.

The second phase, Shrink to Grow 2003, aims to reinforce the objectives and build on the achievements of Shrink to Grow 2001, and will guide the Company’s efforts from fiscal 2002 through fiscal 2004. Under the new plan, Asahi Glass will undertake a drastic restructuring of low-profit businesses, notably those involving commodities. At the same time, it will foster promising new businesses, such as information and electronics (including optical communications and electronic materials), life sciences (primarily pharmaceutical and agrochemical intermediates and bulk), and energy and the environment.

Under the Shrink to Grow strategy, Asahi Glass aims to increase its consolidated return on equity to 6% by fiscal 2002 and 10% by fiscal 2004.

Reinforcement of Consolidated Group Management System

Not only to improve operational efficiency and effectiveness, but also to ensure management transparency and objectivity, Asahi Glass is revamping its management system to clarify the roles and responsibilities of each corporate and business unit. To accelerate responsiveness and decision making at the management level, the Company is also formulating a new corporate structure with fewer levels of authority and allocating greater responsibility to individual units. At the same time, with the aim of promoting more effective Group and global management, the Company is reorganizing its business units and introducing a new unit performance evaluation system based on the cost of capital.

Looking Ahead

Asahi Glass believes the most crucial tasks it currently faces are to restructure its business portfolio to ensure optimum profitability and to implement the strategies outlined in the Shrink to Grow strategy.

In line with Shrink to Grow 2003, on the shrink side Asahi Glass plans to terminate production of fire-resistant construction materials, as well as cease commodity chemicals production and eliminate related production lines, at its Kitakyushu plant, as well as shift production of general-use ceramics overseas. On the growth side, Asahi Glass will take steps to strengthen existing core businesses, including electronics, displays materials and fluorochemicals, and cultivate promising new businesses. At the same time, the Company will strive to implement reforms and establish a new management system focused on value creation.

Notes:

1. For the convenience of readers only, yen figures in this report have been translated into U.S. dollars at the rate of ¥108.4=\$1.00, the prevailing rate on March 31, 2001.
2. Effective fiscal 2001, the Company reclassified its operations, creating a new segment, Electronics and Display Operations. The new segment encompasses CRT glass bulbs, formerly included in Glass and Related Operations, and electronic components and other products, which formerly comprised the Electronics Operations segment.

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