

March 6, 2003

## “StoG2005”, The New Medium-Term Management Plan

Asahi Glass Co., Ltd.

Under its management strategy, “Shrink to Grow,” Asahi Glass Co., Ltd. (Head Office: Tokyo, President & CEO: Shinya Ishizu) has since 1998 been renovating and enhancing business structure by concentrating its resources on selected businesses. The Company has taken a number of initiatives under “StoG2001” and “StoG2003,” the past medium-term management plans developed for every three years. This time, the Company has developed “StoG2005,” a new medium-term management plan, that starts from the FY2003 (the Fiscal Year (“FY”) ending March 2004) to FY2005 (FY ending March 2006) as follows;

### 1. Results of “StoG2003”

In “StoG2003” (from FY2001 [the FY ended March 2002] to FY2003 [ending March 2004]), the Company implemented the “*Shrink*” measure, such as the integration of domestic production bases in Chemical business and CRT business and the employee reduction, resulting in the solid financial results. On the other hand, although the demand for glass substrates used in the flat panel increased due to the Company’s “*Grow*” measure, this increase was not enough to offset negative effects owing to economic deterioration in Japan as well as in Europe.

As a result, the operating profit in FY2003 (ending March 2004) is forecasted to be 75 billion yen, below 20 billion yen against the initial target of 95 billion yen. Also, the ROE is estimated to stand at approximately 6%.

(Actual results and forecasts for each fiscal year during the period “StoG2003”)

	FY ended March 2002 (actual)	FY ending March 2003 (estimate)	FY ending March 2004 (forecast)	FY ending March 2004 (initial target as of 02/04)
Sales	1,263,200 million yen	1,300,000 million yen	1,310,000 million yen	1,340,000 million yen
Operating profit	59,000 million yen	65,000 million yen	75,000 million yen	95,000 million yen
Net profit	(-12,600 million yen)	28,000 million yen	35,000 million yen	45,000 million yen
ROE	-2.1%	4.8%	On the 6% level	On the 7% level
Debt-equity ratio	1.1	1.1	Not higher than 1.0	Not higher than 1.0

(Major reasons for the deviation of operating profit by business segment on FY ending March 2004):

Segment	Estimate	Target	Deviation	Major reasons
Glass	39 billion yen	55 billion yen	(-16 billion yen)	<ul style="list-style-type: none"> <li>• Economic slowdown in Europe</li> <li>• Decline in profitability in automotive glass</li> <li>• Stagnated domestic glass related business</li> </ul>
Electronics and Display	31 billion yen	35 billion yen	(-4 billion yen)	<ul style="list-style-type: none"> <li>• CRT business stagnated</li> <li>• Electronics business on track to recovery</li> </ul>
Chemicals	4 billion yen	4 billion yen	-	<ul style="list-style-type: none"> <li>• Achieving the original target</li> </ul>
Others	1 billion yen	1 billion yen	-	
Total	75 billion yen	95 billion yen	(-20 billion yen)	

## 2. Summary of “StoG2005,” the new medium-term management plan,

In “StoG2005,” the new medium-term management plan, the Company will strive to achieve ROE of 10, through the “*Shrink*” measure, centering on structural reform in low-profit businesses such as Chemicals; and the “*Grow*” measure, centering on stable growth in glass business and expansion in display business, while pursuing synergy the establishment of the global-wide In-house Company System (introduced in 2002). Also, the Company concentrates every effort on reducing its interest-bearing debts so as to improve the financial position.

In addition, the Company set up the Nominating and Remuneration Committees of the board (which will be introduced on a voluntary basis; due from June 2003 onwards), in pursuit of further enhancement of the corporate governance.

### (1) Financial outlook for FY ending March 2006

For FY ending March 2006, the Company has an outlook of achieving sales of 1,450 billion yen, operating profit of 130 billion yen, and 10% ROE. A breakdown of the outlook by business segment is shown below:

	Sales (100 million yen)	Operating profit (100 million yen)
Glass	7,600	660
Electronics and Display	3,600	500
Chemicals	3,000	120
Others	850	20
Elimination	(550)	-
<b>Total</b>	<b>14,500</b>	<b>1,300</b>

### (2) Cash flow (From FY2003 to FY2005: Total for three years)

The Company plans the following cash flow over three years:

Operating cash flow	500 billion yen
Investment cash flow	300 billion yen
Free cash flow	200 billion yen

The Company plans to use the free cash flow mainly for repaying interest-bearing debt and for providing a return to shareholders such as dividend. The outstanding balance of interest-bearing debt is estimated at approximately 710 billion yen by the end of March 2003, and is expected to decrease by approximately 150 billion yen to 560 billion yen by the end of March 2006.

### (3) Investment (from FY ending March 2004 to FY ending March 2006: a total for three years)

Investment by the Company amounts approximately to 360 billion yen over three years. The 45% of this amount will be allocated for the glass business; approximately 35% for the electronics and display business; and approximately 15% for the chemicals business.

The Company will allocate 50% of the total amount to proactive investment for new business and expansion; and 30% for maintenance; 15% for and rationalization; and 5% for environmental measures.

### 3. Major Initiatives of “StoG2005” by Business

#### (1) Flat glass business

With the introduction of the global In-House Company system in April 2002, the flat glass business has been striving to consolidate a position as a global supplier, as well as to take steps for improving its profitability. In particular, owing to increased demand due to the redevelopment projects in the Tokyo metropolitan area, and cost reductions through a reorganization in subsidiaries in the distribution channel, the profitability has been improving in the domestic flat glass business. In overall Japan/Asia region, the business has achieved profitability equivalent to that in Europe and North America. Aiming to further bolster profitability in the coming three years, the Company will focus its business on the following: 1) cost reduction through benchmarking among the three regions, namely, Europe, the North America and Japan/Asia, (2) launch of added value products in the market, and 3) expansion of operations in emerging countries, such as Russia, Mexico, China and so forth. Major initiatives by each region are as follows:

##### Japan/Asia

- Reduce costs further in the domestic flat glass business.
- Launch added value products, such as *SECURE*, the security glass, *Claritia*, high-transparent glass, and *Excelsior*, highly functional windows system
- Further roll out in China, the emerging market, in view of supplying automotive raw glass

##### Europe

- Start up a new furnace in Russia, where high growth is expected. (scheduled to start operation at the end of 2004)
- Enhance added value products

##### North America

- Start up a float plant in Mexico, Joint Venture with VITRO (scheduled to start operation at the 4<sup>th</sup> quarter of 2003), targeting the market in U.S. West Coast, where the market continues to grow
- Enhance residential coating glass

#### (2) Automotive glass business

Global reorganization and consolidation continue in the customer industry, auto-makers. Materials and components supplier for auto-makers are required not only to be global suppliers but also to be manufacturers with excellent capability of design and brand value. In the years to come, significant growth is expected in the Asian market, including China. Given these circumstances, the automotive glass business, which introduced the global In-house Company system as well as flat glass business in April 2002, will implement the operation mainly 1) in pursuit of lowest cost-operation through integrated global management among Europe, North America and Japan; 2) to expand market in China; and (3) to restructure the business operations in Europe. Major initiatives for each region are as follows:

##### Japan/Asia

- Develop a regional capacity strategy in Japan, China, Thailand
- Expand business into the Chinese market
- Focus on the business operation in large-integrated production sites

##### Europe

- By FY 2005, streamlining operations to achieve lowest cost position (improving the productivity in the existing seven factories)

## **North America**

- Increase market share by expanding production capacity, considering 1) Auto-makers to cease in-house glass production, and 2) the market share of Japanese auto-makers to increase
- Increase added value products

## **(3) Display business**

Overall demand for all displays for TV- and PC-use is expected to increase 5% annually. For CRT, although demand for PC-use is likely to decrease, that for TV-use will continue to grow 2% annually. Thus, demand for overall CRT glass (these two types; on a weight basis), will continue to slightly increase FY2004. For flat panel displays (FPD), on the other hand, TFT-LCD is expected to achieve high growth of close to 25% annually, while PDP will enjoy significant growth of 70% annually in the years to come. Further, the size of TFT glass substrates become larger each year, and the "5G size" (one side exceeds one meter) will become dominant from FY2004. This will become the Company's advantage, because it is the only firm to adopt the float process that is suitable for production of large substrates, and because the Company owns 40 to 50% market share for the large-sized glass substrates of 4G sizes (680 mm X 880 mm) or larger.

Under these circumstances, the Company will take the following major initiatives:

### **FPD glass**

- Increase market shares of 5G and 6G size glass substrates for TFT-LCD
- Increase the supply capacity from the current 6 million m<sup>2</sup> per year to the level of 10 million m<sup>2</sup> within 2003
  - In the autumn 2003, a new furnace in Kansai Factory will start operation
  - Polishing capacity at Asahi Glass Fine Techno Co., Ltd. in Yonezawa and Taiwan will be expanded (with support for sizes of 5G or larger).
- A new furnace will be built and the polishing capacity expanded, depending on the status of demand
- Maintain the position as the global supplier of de facto standard for PDP glass
  - Commence PDP glass processing business in Korea from May 2003  
(See the appendix (1) for details).

### **CRT glass**

- Optimum allocation among overseas production sites
- Prepare for customers' shift into China
- Enhance CRT glass bulb for large-sized TV

## **(4) Electronic materials/components business**

The Company's electronic materials/components business mainly sells medium to small size displays used for mobile phones, optical materials/components used for semiconductor production equipment, optical pick-up units used for writable DVD and CD, and frit and paste for PDP, etc. Each market is expected to show steady growth in the years to come. Under these circumstances, key initiatives planned for the electronics materials and components business are as follows:

- Introduce a differentiation strategy focusing on two business categories in three fields, namely, IC, display and tele-communication storage
- For medium to small sized LCD module business carried out by the OPTREX Corporation, bolster the TFT and organic EL businesses in addition to the existing TN/STN reflective color LCD business
- Making the size of sales for 1)optoelectronics (optical pickups, etc), 2)Optical materials/components (synthetic quartz, etc) and 3)Frit and paste(for PDP etc), to reach approximately 10 billion yen in FY 2006.

## **(5) Chemicals business**

Owing to the recent sluggish demand in chlor-alkali market in Japan as well as downturn in the fluoro-chemical business due to the IT depression, the chemical business has been facing a harsh financial condition. In order to improve profitability, the Company introduced a cost reduction plan in 2002, and implemented such cost cutting measures as the withdrawal of Chemical operation in Kitakyushu Factory(September 2002) and as streamlining of the head office functions by reducing the headcount (October 2002), etc. These measures resulted in an improvement in profitability of approximately 6.5 billion yen. Moreover, a recovery in the market (mainly in Southeast Asia) for vinyl chloride, and sales expansion of PDP filters and materials for lithium-ion battery, contributed to an increase of 5.5 billion yen in revenue. These positive figures offset the negative factors of the 5.5 billion yen due to price hikes in raw materials and fuels and decline in selling prices. We expected the business to post an operating surplus of 1 billion yen.

In the years to come, aiming to further improve its profit, the Company will take the following major initiatives:

- In the Chlor-alkali business in Japan, maintain the current framework in light of economic reasonableness. However, watching the movement of chemical complex, introduce the optimal measures in timely manner.
- For High performance fluoro-chemicals, focus on more customer-oriented products, including PDP filter and membrane for fuel cell, etc., in such fields as display and electronics and energy (E&E), in addition to the current core fluoro-chemical business (including water and oil repellent agents, fluorinated resins, elastomer and film).
- For the commodity fluoro-chemicals, improve profit through cost-cutting measures such as reducing the headcounts in European and American bases and launching products of high function and grade
- In the organic/inorganic specialty chemicals, expand the business of anode materials for lithiumion batteries manufactured and sold by Seimi Chemical Co., Ltd. Also, allocate resources for the development of materials used in the semiconductor process

## **(6) Management system reform**

To further enhance corporate governance, the Company decided to set up two committees of the board, namely, the “Nominating Committee” and the “Compensation Committee,” on a voluntary basis, as an consultative bodies to the Board of Directors at the end of June this year (See the appendix (1) for details).

End

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March 6, 2003

**Asahi Glass to Voluntarily Establish Two Committees:  
“Nominating Committee” and “Compensation Committee,”  
to Enhance Corporate Governance**

Asahi Glass Co., Ltd.

Aiming to further enhance its corporate governance, Asahi Glass Co., Ltd. (Head Office: Tokyo, President & CEO: Shinya Ishizu) has decided to set up two committees of the board, namely, the “Nominating Committee” and “Compensation Committee,” on a voluntary basis, as consultative bodies to the Board of Directors at the end of June this year.

To promote a management more conscious of shareholders’ value, Asahi Glass has strengthened the functions of the Board of Directors through the board reform by introducing so called “Executive Officer System” in June 2002, and thus separate “oversight” and “execution” of the management. It also invited two independent directors from outside to enhance oversight of management from the long-term viewpoint of shareholders’ benefit. The Company has now decided to set up a Nominating Committee and a Compensation Committee, so that it can ensure objectivity in the selection and compensation of directors and management executives, and thus, improve transparency and accountability in corporate management. These committees further aim at ensuring a more efficient and excellent management by building mechanisms to evaluate and motivate management executives.

An outline of the two committees is as follows:

**Nominating Committee**

- Members: A total of four members consisting of two independent directors, Chairman of the Board and President & CEO
- Functions: To establish the prerequisite for directors and executive officers; to select candidate directors and executive officers (including successors of the President & CEO), etc.; and to recommend the candidates to the Board of Directors

**Compensation Committee**

- Members: A total of four members consisting of two independent directors, Chairman of the Board and President & CEO
- Functions: To discuss the principles, strategy, programs and amount of compensation of directors and executive officers; to make proposal on these matters to the Board of Directors; and to monitor the results of performance evaluation of and the amount of compensation paid to each executive officer

Asahi Glass is determined to improve corporate governance for improving shareholders’ value and achieving highly transparent management in the years to come.

End

## **Asahi Glass Commence Processing of Glass Substrates for PDP in South Korea**

Asahi Glass Co., Ltd.

Asahi Glass Co., Ltd. (headquarters: Tokyo; President & CEO: Shinya Ishizu) (hereinafter, “the Company”) is planning to commence processing of glass substrates for PDP (plasma display panel) in Gumi city in South Korea as of May 2003. This new operation will be conducted at facilities of Hanwook Techno Glass Co., Ltd, mainly established by Hanjin Trading Co., Ltd (headquarters: Seoul, South Korea; President: Soon-Hyo, Park) which has been serving as the Company’s sales representative of the glass substrates for PDP in the Korean market. The Company has decided to hold a stake in Hanwook Techno Glass by investing capital, as well as providing technological assistance. Hanwook Techno Glass will focus on glass processing (cutting, edge grinding, and opening holes, etc.) in the operation, and import all glass sheets from the Kansai Factory, Japan. Total funding to be injected into this new operation is estimated at approximately 1 billion yen.

Demand for PDP is projected to increase from 700,000 units in 2002 to 3.4 million in 2005, with an annual growth rate exceeding 70 percent. Especially, the Korean market is expected to lead this trend. Under this favorable business climate, Hanwook Techno Glass was established in May 2002 by the Hanjin Trading group to conduct processing of glass substrates for PDP. Since then, the Company and this newly established company had continuously discussed a possible capital contribution and technological assistance. In the end, the Company made a decision to take this opportunity and start new processing operation in South Korea, in order to ensure stable supply, as well as smooth delivery of the products to the Korean customers. The following is an overview of Hanwook Techno Glass.

Corporate name:	Hanwook Techno Glass Co., Ltd
Headquarters:	Gumi city, South Korea
CEO & President:	Suk-Jun, Yoon
Capital:	400 million yen
Capital breakdown:	Hanjin group: 51%; Asahi Glass: 49%
	(Asahi Glass plans to increase its ownership up to 70% by June 2003)
Incorporated in:	May 2002
Asahi Glass invested since:	January 2003
Operation will start in:	May 2003
Business domains:	Processing and marketing of glass substrates for PDP
Processing capacity:	50,000 sheets / month

Asahi Glass was a world pioneer in manufacturing glass substrates for PDP (product name: PD200) it started the production in 1996. The Company is proud of its current dominant market share of 90%, supported by excellent reputation regarding quality, technological level and services. The Company will dedicate all the efforts and available resources to maintaining this “global de facto standard” status, while continuously serving customers as a stable supplier of essential components, as well as a solution provider.

<For your reference>

### Manufacturing flow of the glass substrates for PDP

