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Consolidated Financial Results for the First Half FY2005
(January 1 through June 30, 2005)

1. Consolidated results for the first half of FY2005 (from January 1 to June 30, 2005)

(1) Consolidated operating results

	First half FY2005 (ended June 30, 2005)	First half FY2004 (ended June 30, 2004)	FY2004 (full year) (ended Dec. 31, 2004)
Net sales (millions of Yen)	726,155	715,114	1,475,726
Operating income (millions of Yen)	61,805	65,666	139,403
Ordinary income (millions of Yen)	62,862	64,651	135,688
Net income (millions of Yen)	44,923	59,463	78,287
Net income per share – basic (yen)	38.66	50.67	66.75
Net income per share – fully diluted (yen)	36.41	47.60	63.01

(2) Consolidated financial position

	First half FY2005 (ended June 30, 2005)	First half FY2004 (ended June 30, 2004)	FY2004 (full year) (ended Dec. 31, 2004)
Total assets (millions of Yen)	1,918,591	1,863,041	1,885,268
Total shareholders' equity (millions of Yen)	743,612	689,225	699,139
Equity ratio (%)	38.8	37.0	37.1
Equity per share (yen)	639.91	587.29	601.47

(3) Consolidated cash flows (Unit: millions of yen)

	First half FY2005 (ended June 30, 2005)	First half FY2004 (ended June 30, 2004)	FY2004 (full year) (ended Dec. 31, 2004)
Cash flows from operating activities	76,649	115,228	232,888
Cash flows from investing activities	(60,601)	(55,088)	(125,933)
Cash flows from financing activities	(30,962)	(47,640)	(98,967)
Cash and cash equivalents at the end of period	54,065	68,745	67,943

(4) Scope of consolidation and equity method affiliates

Number of consolidated subsidiaries	249 companies
Number of unconsolidated subsidiaries to which equity method was applied	3 companies
Number of equity method affiliates	32 companies

Changes in scope of consolidation Consolidated subsidiaries: (increase) 11 companies (decrease) 15 companies
Equity method affiliates: (increase) 2 companies (decrease) 0 company

2. Outlook for the full FY2005 (from January 1 to December 31, 2005)

	FY2005 (full year)
Net sales (millions of Yen)	1,500,000
Ordinary income (millions of Yen)	126,000
Net income (millions of Yen)	81,000
Net income per share (Yen)	69.70

(Note)
1. Equity in earnings of unconsolidated subsidiaries and affiliates:
   First half FY2005: 1,304 million yen First half FY2004: 3,549 million yen FY2004: 5,262 million yen
2. Number of average shares in the first half (consolidated basis):
   First half FY2005: 1,162,118,709 shares First half FY2004: 1,173,624,859 shares FY2004: 1,171,183,666 shares
3. Number of outstanding shares at end of the term (consolidated basis):
   First half FY2005: 1,162,066,757 shares First half FY2004: 1,173,568,828 shares FY2004: 1,162,193,819 shares
4. All financial information has been prepared in accordance with accounting principles generally accepted in Japan.
5. Rounded off to millions of Yen.
6. The above-mentioned outlook reflects forecasts on the basis of currently available information and actual results may materially differ. For matters concerning the above outlook, please see Page 12-13 of the attached materials.

Overview of the AGC Group

Asahi Glass Company, Limited (the "Company") ("AGC") Group consists of the Company and its 315 subsidiaries and 60 affiliates.

The main business description of the Company, its consolidated subsidiaries, and affiliates under the equity method is as set out below. The same classification is used in the business segment information.

Segment	Main Business		Main companies
Glass Operations	Flat Glass Automotive Glass Other Glass	Japan	The Company, AGC AX, Asahi Fiber Glass, Asahi Techno Glass 28 other consolidated subsidiaries 3 companies under the equity method (34 companies in total)
		Overseas	(Asia) Asahimas Flat Glass (Indonesia), Thai-Asahi Glass Public (Thailand) (America) 20 group companies of AFG Industries (head office in the United States) (Europe) 99 group companies of Glaverbel S.A. (head office in Belgium) 15 other consolidated subsidiaries 14 companies under the equity method (150 companies in total)
Electronics and Display Operations	CRT (Cathode-Ray Tube) Glass FPD (Flat Panel Display) Glass Electronic Materials	Japan	The Company, Optrex, Asahi Glass Fine Techno 6 other consolidated subsidiaries Companies under the equity method; ELNA* 2 other companies under the equity method (11 companies in total)
		Overseas	(Asia) Asahi Techno Vision (Singapore), Shanghai Asahi Electronic Glass (China), Asahi Glass Fine Techno Taiwan (Taiwan), Hankuk Electric Glass (Korea), Siam Asahi Technoglass (Thailand) (America) Optrex America (U.S.) (Europe) Optrex Europe (Germany) 20 other consolidated subsidiaries 4 companies under the equity method (31 companies in total)
Chemicals Operations	Fluorochemicals Chlor-Alkalis Urethanes and Others Other Chemicals	Japan	The company, Asahi Glass Urethane, Seimi Chemical, Keiyo Monomer, Asahi Glass Engineering, Ise Chemicals* 10 other consolidated companies 4 companies under the equity method (19 companies in total)
		Overseas	(Asia) Asahimas Chemical (Indonesia), Thasco Chemical (Thailand) (America) AGC Chemicals Americas (U.S.) (Europe) Asahi Glass Fluoropolymers UK (England) 8 other consolidated subsidiaries 5 companies under the equity method (17 companies in total)
Other Operations	Ceramics Service-ralated Business	Japan	Asahi Distribution & Delivery, A.G. Finance, Asahi Glass Machinery, Asahi Glass Ceramics 7 other consolidated subsidiaries 1 company under the equity method (12 companies in total)
		Overseas	(America) AGC America (U.S.), AGA Capital (U.S.) 7 other consolidated subsidiaries 1 company under the equity method (10 companies in total)

(Note)

1. The Company is not included in the total number of companies in the classification of operations.
2. Main subsidiaries and affiliates designated by a '*' are listed on securities markets in Japan.
   Ise Chemicals (Tokyo Stock Exchange 2nd Section)
   ELNA (Tokyo Stock Exchange 2nd Section)
3. Asahi Techno Glass Corporation had been delisted from the Tokyo Stock Exchange 2nd Section effective as of June 27, 2005, and became a wholly owned subsidiary of the Company through a stock swap.

Management Policy

1. Fundamental Policy of Management

Asahi Glass and its consolidated subsidiaries (hereinafter collectively referred to as the "AGC Group" or simply the "Group") aim to excel as a highly profitable and fast-growing enterprise that supplies materials and components globally, based on its core technologies in glass, fluorine chemistry and related fields. To achieve that aim, it is a fundamental management policy of the AGC Group to bolster its total corporate value by endeavoring to be the leader in each market in which it competes.

All members of the Group are expected to adopt and follow the four shared values of "Innovation & Operational Excellence," "Diversity," "Environment," and "Integrity," which serve as the basis for every judgment they make and every action they collectively and individually take.

2. Allocation and Distribution of Profits

The AGC Group pledges to maintain stable dividends, calculating dividends based on a consideration of different factors that include consolidated results and the dividend payout ratio, to ensure that the expectations of its shareholders will be met. The Group will also allocate retained earnings to R&D, capital investment as well as merger and acquisition activities, to strengthen its financial position and improve its corporate value.

3. Trading Unit of Common Shares

The AGC Group finds it useful to lower the trading unit of its shares to revitalize equity trading, and recognizes this as an important corporate management issue. It is the policy of the Group to address this matter on the basis of future stock market conditions as well as trends in trading unit size.

4. Targeted Corporate Index

The AGC Group aims to continuously increase its corporate value. The Group targets an operating margin of at least 10% during the term of ***"JIKKO-2007***," the current medium-term (three-year) management plan for fiscal 2005 through 2007.

5. Medium- and Long-Term Strategies

Under its Group Vision of ***"Look Beyond"*** announced in April 2002, the AGC Group decided to concentrate its management resources on three major business areas (materials and components for the Glazing, Display, and Electronics & Energy fields), aiming to excel as a highly profitable and fast growing global enterprise. The Group also defined its stance on building and bolstering its competitive advantage, by capitalizing on the world-class technologies it has developed in glass, chemicals and related fields over decades and its global workforce.

In April 2004, the Group announced a new management policy, ***"JIKKO" - Execution for Excellence***, which is designed to achieve the AGC Group Vision. The basic concept of ***"JIKKO***" is to emphasize "execution" in all business operations and to ensure that Plan-Do-Check-Act (PDCA) cycles are functioning properly. Under the ***"JIKKO"*** management policy, the Group will focus on improving customer satisfaction (CS) as well as employee satisfaction (ES) and pride in accomplishment. The Group will also focus on its corporate social responsibility (CSR), believing that the combination of these practices will create momentum that drives shareholder value continuously higher. All of these objectives are based on normal practices, and there is nothing that is especially new. Nonetheless, the Group believes that it is critical to execute these normal practices properly and promptly if it is to truly excel as a highly profitable and fast growing global enterprise that has the trust of society.

Since the beginning of 2005, the Group has been implementing the medium-term (three-year) management plan ***"JIKKO-2007,"*** under which it is taking specific steps in line with the ***"JIKKO"*** management policy.

JIKKO (noun): *A Japanese word that means "implementation," "execution," "performance" and "fulfillment."*

6. Issues Confronting the Group

One of the most important challenges presently facing the AGC Group is ensuring the execution of the ***"JIKKO-2007"*** medium-term management plan and achieving steady results.

Based on ***"JIKKO-2007,"*** the Group is focusing on further growth and improving the earnings of existing operations: Glass, Electronics and Display, Chemicals, and others. Meanwhile, the Group is becoming fully committed to developing next- generation growth business in Electronics & Energy.

In Glass operations, the Group will proactively manage operations in emerging markets such as Russia and China, while placing emphasis on the production and sale of value-added products in mature markets, including Western Europe, North America, and Japan. In addition, the Group will find the most efficient approach to manufacturing operations by benchmarking its manufacturing facilities around the world. With this approach, the entire Group will share the efficient manufacturing process.

In Electronics and Display operations, the AGC Group will continue to develop technologies and improve productivity for glass substrates of flat panel displays (FPD), an area of significant growth, while quickly expanding facilities. In the market for cathode ray tube (CRT) glass, sales of which are expected to decline in volume terms, the Group will focus on establishing a system to ensure production optimization in light of CRT glass demand.

In Chemical operations, the Group will focus on fluorochemicals such as fluoropolymer films and fluorinated water and oil repellents, where it can leverage its competitive advantage.

In addition to measures for these existing operations, the Group is committed to fostering new businesses in the electronics & energy materials fields, regarding them as next-generation growth businesses. Among other areas, the Group will emphasize semiconductor process materials, display materials, photonics components, and energy materials, for which it can use the core technologies it has developed over the decades, such as glass and fluorine chemistry. The Group will establish facilities for prototype and volume production to promote these specialty materials operations.

7. Risks Associated with Operations

Set out below are the risks associated with the AGC Group's operations and other risks that may materially influence the decisions of investors to invest in the Group. However, the description does not include all possible risks relating to the Group and there may exist additional risks not stated below. Any such risks are also likely to influence investors' decisions.

Future matters contained in this statement are based on information available as of August 23, 2005, when the consolidated financial results for the first half of the year ending December 2005 were announced.

(1) Economic status of markets in which the Group's products are sold

Demand for the AGC Group's products is impacted by trends in such industries as construction and building materials, automobile, electronics and display. The Group's products are supplied throughout the world, for example in the United States, Asia and Europe, as well as in Japan, and sales are therefore influenced by local economies. Although the Group is working hard to build an earnings structure that is not impacted by changes in the business environment, by improving productivity and reducing fixed and variable costs, its performance and financial state is susceptible to declining demand from the industries mentioned as well as overall economic downturns in the regions where its products are primarily sold.

(2) High dependence on the Electronics and Display operations

In the first half of the year through December 2005, operating income of the Electronics and Display operations accounted for 46.3% of the AGC Group's total operating income, denoting a heavy reliance on this sector for revenue. Earnings from these operations tend to fluctuate substantially, and losses cannot always be offset by income from other operations. This has the potential to significantly impact the Group's performance and financial position.

(3) Expansion of operations overseas

The AGC Group has substantial operations overseas, through exports of products and manufacturing abroad. The risks associated with operating abroad include deteriorating political and economic situations, the imposition of regulations on imports and foreign investment, unexpected changes in laws, the worsening of public security, and the occurrence of terrorist attacks and war. These events may hinder the Group's operations overseas and have serious effects on its performance and financial position.

(4) Competitive edge, and development and commercialization of new technologies and products

In every field in which the AGC Group engages, there are competitors supplying products similar to those of the Group. Accordingly, to maintain its competitive edge, the Group is striving to identify the needs of customers, and to develop and commercialize new technologies and products. However, should the Group fail to appropriately respond to technical changes and customer needs or take too long to develop and commercialize new technologies and products, growth would be hampered and profitability would decline. This may significantly impact the Group's performance and financial position.

(5) Procurement of production materials and resources

Because the AGC Group partially uses special materials, suppliers of which are limited, if supply tightens or is delayed, the Group's performance and financial positions may be greatly affected.

(6) Government regulations

In the countries and regions where it operates, the AGC Group is subject to the approval and authorization of local governments with respect to investments, regulations on exports and imports, as well as laws governing commercial transactions, labor, patents, taxation, foreign exchanges, and other issues. Consequently, amendments to these regulations and laws may significantly influence the Group's performance and financial position.

(7) Environmental regulations

The AGC Group engages primarily in glass and chemicals operations, which are characterized by a heavy environmental impact because they consume a great quantity of resources and energy. Recognizing this, the Group is making great efforts to reduce the environmental impact by improving facilities, establishing related management systems, and raising production efficiency by decreasing unit resource consumption and unit energy consumption. However, if environmental regulations become more stringent and the public calls for greater corporate responsibility in environmental protection, the Group's performance and financial position may be significantly impacted.

(8) Product liability

The AGC Group is making every effort to ensure that products are of the highest quality, according to their individual characteristics. Despite these efforts, the possibility remains that unexpected quality problems may occur because of unanticipated factors develop, prompting a major recall. This could substantially influence the Group's performance and financial position.

(9) Intellectual property rights

The AGC Group endeavors to acquire intellectual property rights that appear useful for its present business activities and future operations alike, while investigating the rights of other firms, in order to prevent intellectual property issues from arising. However, there is the possibility that the Group will enter into disputes with other firms over intellectual property or that other firms will infringe the Group's intellectual property rights. This has the potential to materially influence the Group's performance and financial position.

(10) Litigation

There is always a risk that other firms, corporate groups, or individuals may take legal action against the AGC Group with respect to its operations at home and abroad. During the interim period under review, there was no legal action pending that had a significantly negative effect on the Group's operations. However, if a major lawsuit is filed against the Group, its performance and financial positions may be significantly impacted.

(11) Effect of natural disasters and accidents

To minimize the adverse impact on business caused by the suspension of production, the AGC Group regularly conducts inspections of all facilities for maintenance purposes and to prevent potential damage from disaster. But there is no guarantee that the effects of disasters occurring at manufacturing facilities (including earthquakes, power outages, and other disruptions) can be completely eliminated or mitigated.

Given that some of the Group's products cannot be replaced by alternatives, should production cease at some facilities temporarily or for the long term because of a major earthquake or other incident, the Group's ability to manufacture such products is likely to sharply decline. Should this occur, the Group's performance and financial position may be greatly affected.

(12) Exchange rate fluctuations

The AGC Group manufactures and sells products worldwide, and converts transaction accounts in local currencies, including sales, costs, and assets, into yen when preparing consolidated financial statements. Even if the values of these items remain unchanged in local currency terms, they may change when converted into yen depending on exchange rates. The yen's appreciation against other currencies (particularly the U.S. dollar and the euro, which account for a considerable percentage of the Group's sales) generally has a negative affect on the Group's earnings, while the depreciation of the yen exerts a favorable influence.

The AGC Group also manufactures products at its facilities worldwide, including Japan, and exports the products to a number of countries. The Group generally procures raw materials and sells products in the local currency of each country/region. Accordingly, fluctuations in exchange rates influence the prices of materials the Group procures and the pricing policy for its products, and this impacts the Group's performance, financial position and future earnings.

(13) Retirement benefit obligations

The AGC Group calculates costs for employee retirement benefits and obligations based on an actuarial assumption of the returns on pension funds and a specific discount rate. If the actuarial assumption and results diverge substantially because of a deterioration in the market environment for pension fund management, future costs for retirement benefits will increase, and this may seriously impact the Group's performance and financial position.

(14) Decline in asset values of fixed assets

If the asset values of the AGC Group's owned fixed assets were to decline because of a drop in market values or profitability, the Group's performance and financial position may be substantially impacted.

(15) Other

Officials from the European Commission visited two AGC Group companies in Belgium, Glaverbel S.A. and AGC Automotive Europe S.A., on February 22 and 23, 2005, with authorization to inspect documents in connection with alleged infringements of competition rules. At this moment, however, it is not clear yet to what extent this matter will impact the operating performance and the financial position of the AGC Group.

8. Basic Policy of Corporate Governance and Implications of Related Measures

(1) Basic policy of corporate governance

The basic policy of the AGC Group with respect to the establishment of a corporate governance structure is to strengthen the oversight function by clearly separating it from the management functions. The policy also clearly distinguishes between the Group corporate functions and business operations functions of management, to encourage more timely decision-making.

(2) Oversight system and introduction of related measures

To establish a corporate governance structure, at the annual general shareholders' meeting held in June 2002, the AGC Group reformed the structure of the Board of Directors, positioning it as a body that approves basic policies and oversees the management of the Group. As part of this reform, the number of directors was reduced from twenty to seven, and two outside directors were appointed. (Subsequently, the number of outside directors was increased to three, as resolved at the annual general shareholders' meeting held March 2005.) At the same time, the tenure of directors was shortened to one year. In a related move, the Group introduced the so-called "executive officer system," in which executive officers (with a one-year term of office) are clearly distinguished from the directors as defined by Japan's Commercial Code, and are responsible for executing the Group's management and business operations.

In June 2003, the Group established two discretionary organizations, namely the Nominating Committee and the Compensation Committee, to bolster its corporate governance system and improve objectivity in the evaluation, nomination and remuneration of directors and executive officers. These two Committees, positioned as advisory bodies to the Board of Directors, consist of five directors in total, including three outside directors.

The Group adopts the corporate auditor system, and two of the four corporate auditors are outside auditors. Each corporate auditor, in accordance with the audit policy prepared by the Board of Corporate Auditors, attends the board meetings and other important meetings, examines important documents, audits the headquarters and group locations such as business offices, plants and group companies, and reports the results to the Board of Corporate Auditors.

In addition, the Board of Corporate Auditors receives an independent accountants' report on the auditing procedures and results, prepares the Corporate Auditors' report based on the findings made during the year, and submits it to the Board of Directors.

(3) Management System

In April 2002, the AGC Group introduced the In-House Company system. With the introduction of this system, the Group transformed its operating approach from one that worked on a region-by-region basis to a globally integrated management system. Coinciding with these moves, the Group transferred substantial responsibility and delegated authority for managing operations to each In-House Company or Strategic Business Unit (SBU). An In-House Company is defined as business unit with net sales exceeding 200 billion yen and which conducts its business globally. At present, there are four In-House Companies: Flat Glass Company, Automotive Glass Company, Display Company, and Chemicals Company. Business units of a smaller size than this are defined as SBUs. The Group presently has seven SBUs following an organizational change in July 2005, in which the Electronics & Energy General Division and the Semiconductor & Circuit Division were established, and their precursors (the Electronic Materials and Products General Division) ceased to exist.

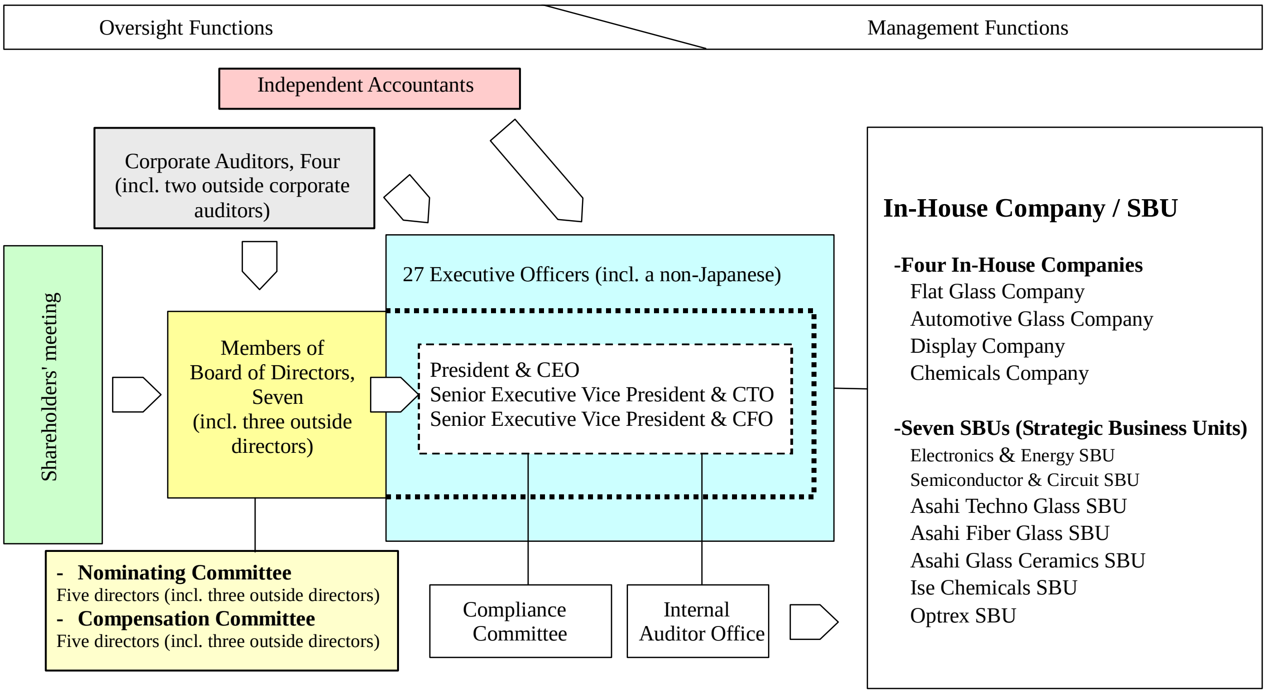
(4) Compliance mechanism and internal audits

The ***"Look Beyond"*** AGC Group Vision that was announced in April 2002 defined "integrity" as one of the most important values to be shared through the entire Group. The AGC Group has therefore endeavored to establish and strengthen a compliance mechanism based on this value. For instance, the Group established a Compliance Committee responsible for legal compliance under the President & CEO. Chaired by a Senior Executive Vice President, this committee serves as a professional body for legal compliance and corporate ethics. It plans, formulates and executes a compliance program for the entire Group. Also, to ensure complete adherence to rules of behavior based on laws and corporate ethics, the Group has formulated and announced a set of principles and Code of Conduct, which it is introducing to Group companies around the world. Asahi Glass has set up contact points for reporting and consultation at the offices of an independent law firm as help-lines, in addition to internal reporting contact points, while obliging both corporate officers and career employees to submit annually a statement of compliance with the Code of Conduct. The Group is diligently endeavoring to introduce these practices to its units at home and abroad.

To assist the Board of Directors and the President & CEO, the Internal Audit Office monitors the maintenance of an internal control structure and procedures within the Group. This office is also making a concerted effort with

In-House Companies and SBUs to establish an adequate internal control structure and procedures that can be introduced throughout the Group worldwide. In effect, the Internal Audit Office operates in full cooperation with corporate auditors.

The following figure shows the AGC Group's corporate governance structure, as mentioned above in (2) through (4).



Operating Results and Financial Position

1. Overview of First Half FY2005

(Unit: Billions of Yen) (Unit: Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
First half FY2005 (January 1through June 30, 2005)	726.2	61.8	62.9	44.9	38.66
First half FY2004 (January 1through June 30, 2004)	715.1	65.7	64.7	59.5	50.67
Change%	1.5%	(5.9%)	(2.8%)	(24.5%)	-

During the interim period under review (January 1 through June 30, 2005), signs of a business recovery were observed in the Japanese economy, including improved corporate performances and increases in private-sector capital expenditures. Nonetheless, the operating environment remained unstable given soaring prices of raw materials, including crude oil, and production adjustments of IT and digital electronics products. In China, consumption and exports remained robust although the pace of previously overheated investment in infrastructure gradually decelerated. In other Asian countries, domestic demand grew favorably with export expansion, and the economies generally continued to expand. Overall, the U.S. economy remained brisk as employment and capital expenditure maintained a gradual upward trend, although some parts did remain flat as a result of the energy price hikes and a credit crunch. In Europe, while the economies of Central and Eastern Europe (particularly Russia) were strong, Western Europe continue to struggle in the face of sluggish exports and weak domestic demand.

Responding to these circumstances, the AGC Group focused on expanding display components including glass substrates for flat panel displays (FPDs) and took steps to bolster sales of value-added products of flat glass for construction, automotive glass and chemicals. However, operating results of the Group were affected by weaker demand for cathode-ray tube (CRT) glass, a slowdown of sales of electronic materials, and hikes in the prices of fuels and other raw materials.

As a result, the AGC Group’s net sales for the first half of fiscal 2005 increased 11.1 billion yen or 1.5%, year on year, to 726.2 billion yen. Operating income stood at 61.8 billion yen, down 3.9 billion yen or 5.9% from that of the previous corresponding period. Ordinary and net income for the same interim period decreased 1.8 billion yen or 2.8% to 62.9 billion yen and 14.6 billion or 24.5% to 44.9 billion, year on year, respectively.

2. Overview by Segment

- Performance by business segment (Unit: Billions of Yen)

	Net sales		Operating income	
	First half FY2005	First half FY2004	First half FY2005	First half FY2004
Glass	365.0	362.9	21.3	22.7
Electronics and Displays	207.4	207.6	28.6	33.6
Chemicals	144.0	136.4	10.2	7.9
Other	35.7	37.5	1.4	1.4
Corporate or Elimination	(26.0)	(29.3)	0.3	0.0
Consolidated total	726.2	715.1	61.8	65.7

- Performance by geographic segment (Unit: Billions of Yen)

	Net sales		Operating income	
	First half FY2005	First half FY2004	First half FY2005	First half FY2004
Japan	406.5	424.6	30.4	28.5
Asia	180.4	155.7	24.5	27.3
North America	99.6	102.7	(0.9)	(1.2)
Europe	153.7	146.8	10.3	12.9
Corporate or Elimination	(114.0)	(114.7)	(2.5)	(1.8)
Consolidated total	726.2	715.1	61.8	65.7

- 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 including fiberglass and other applications.

Although the construction market suffered from a severe winter particularly in Europe, shipments of flat glass during the first half of 2005 were at the same level as that of the same period last year, and more value-added products were shipped over the period. Higher costs caused by rising prices of oil, natural gas and other raw materials could not be totally offset by cost cutting achieved through an ongoing benchmarking process that analyzes the productivity of the AGC Group's flat glass manufacturing plants and adopts the most efficient manufacturing processes globally, nor could flat glass price adjustments in conjunction with rising prices for fuels and raw materials in the three regions provide full compensation. By region, in North America, productivity improved and sales of value-added products increased. Although business in Japan was experiencing somewhat slower growth in the first half, demand for flat glass remained strong in Asia. The startup of the new float glass manufacturing plant on the outskirts of Moscow came on-stream in early March and will enable the Group to respond to the strong growing demand in Russia.

The automotive glass business recorded a slight year-on-year increase in sales as auto production rose modestly. By region, sales of automotive glass in Japan increased as auto production increased somewhat over that of the corresponding previous period and also sales of minivans and high-end automobiles remained robust. Elsewhere in Asia, sales of automotive glass expanded in line with increased auto production. In North America, despite a slight drop in auto production, automotive glass sales were higher as sales of value-added products rose, whereas in Europe sales declined from those of the previous corresponding period, reflecting a slight decline in auto production there.

In other glass operations, the results of fiberglass and specialty glass categories remained flat. In addition to the above, Asahi Tostem Exterior Building Materials Co., Ltd., which operates a residential exterior siding boards business, has been reclassified as an equity-method affiliate with effect from the beginning of fiscal 2005.

Consequently, net sales from the Glass operations for the first half of fiscal 2005 increased 2.1 billion yen or 0.6%, year on year, to 365.0 billion, and operating income decreased 1.4 billion yen or 6.0%, year on year, to 21.3 billion yen.

- Electronics and Display operations

The Electronics and Display operations involve the display business, which handles cathode-ray tube (CRT) glass and glass substrates for flat panel displays (FPDs), as well as the electronic materials business.

In the CRT glass business, market adjustments of inventories, which had begun at the start of this year, continued in the second quarter. Consequently, sales of CRT glass for PC monitors and TVs declined sharply on a year-on-year basis, both in terms of quantity and price. The AGC Group made some operational adjustments at its production bases at home and abroad in anticipation of a lengthy spell of weaker demand. In the FPD glass business, however, sales surpassed the results of the previous corresponding period mainly because demand for glass substrates for TFT LCDs and PDPs remained buoyant as a result of production expansion of screen panels for PC monitors and thin-screen televisions (such as LCD TVs and plasma display panel TVs) as well as expanding demand for larger sizes of FPD glass substrates.

In the electronic materials business, sales of ICs and optical pick-up elements for DVD decks remained robust, but those of small- and medium-sized displays installed in cellular phones as well as optical filters for liquid crystal projectors and digital cameras were significantly impacted by the change in market demand structure for IT devices and digital electronics products. Elsewhere, demand for synthetic quarts for semiconductor manufacturing equipment was also susceptible to reduced capital spending by semiconductor producers.

As the slump of the CRT glass business and the electronic materials business could not be totally offset by the growth of the FPD glass business, net sales from the Electronics and Display operations for the first half of fiscal 2005 fell 0.2 billion yen or 0.1%, year on year, to 207.4 billion yen, and operating income declined 5.0 billion yen or 15.0%, to 28.6 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 monomer and other chlor-alkali chemicals in addition to basic ingredients of urethane, such as polyols. Also, the fluorochemicals & specialty chemicals business consists of fluorinated resins, fluorinated oil and water repellents, fluoropolymer films, and fluorinated gases and solvents, as well as other specialty chemicals including battery materials and fine silica.

In the chlor-alkali & urethane business, the chlor-alkali products delivered relatively strong results as demand in China and Southeast Asia remained active, although the prices of some categories fell somewhat during the second quarter of this year. Shipments of high-performance urethane products also expanded. Selling prices of certain products were adjusted reflecting the price hikes of raw materials and energies.

In the fluorochemicals & specialty chemicals business, sales of optical filters for PDPs were slow during the first quarter of this year but recovered in the second quarter. Sales of fluorinated oil and water repellents, fluorinated resins, fluoropolymer films, and fluorinated elastomers were buoyant throughout the first half period under review. In the United States, however, the fluorinated resin business was still in the process of reforms to improve its profitability. Although demand for specialty chemicals remained flat but earnings improved slightly as a result of expanded applications and reduced production costs.

As a result, the Chemicals operations posted net sales of 144.0 billion yen during the first half under review, up 7.6 billion yen or 5.6%, year on year, and operating income of 10.2 billion yen, up 2.3 billion yen or 28.2%.

- Other operations

Other operations consist of ceramics and a variety of service-related businesses, including logistics and engineering services.

Sales of high-quality products expanded in the glass engineering sector and the environmental energy sector in the ceramics business. Overall, however, net sales from the Other operations decreased 1.8 billion yen or 4.9%, year on year, to 35.7 billion yen while operating income stood at 1.4 billion yen, representing roughly the same amount as that of a year earlier.

3. Financial Position

(Unit: Billions of Yen)

	First half FY2005	First half FY2004	Change
Cash Flows from Operating Activities	76.6	115.2	(38.6)
Cash Flows from Investing Activities	(60.6)	(55.1)	(5.5)
Cash Flows from Financing Activities	(31.0)	(47.6)	16.6
Cash & Cash Equivalents as of end of period	54.1	68.7	(14.6)

- Cash flows from operating activities

Net cash provided by operating activities decreased 38.6 billion yen, year on year, to 76.6 billion yen, primarily because of the temporary buildup of inventory at the end of the first half period under review, which was mainly attributable to sluggish demand for CRT glass, and increased payments of corporate taxes.

- Cash flows from investing activities

Net cash used in investing activities increased 5.5 billion yen, year on year, to 60.6 billion yen. During the first half period under review, capital expenditures were made mainly on the Electronics & Display operations, particularly on the FPD glass business, as well as the Glass operations in emerging markets such as Central and Eastern Europe, including Russia.

As a result, free cash flows, which is the sum of cash flows from operating and investing activities, for the first half period under review decreased 44.1 billion yen from those of the previous corresponding period, to 16.0 billion yen.

- Cash flows from financing activities

Net cash used in financing activities was down 16.6 billion yen, year on year, to 31.0 billion yen. In the first half period under review, cash was used to repay borrowings and pay dividends.

As a result, the outstanding balance of cash and cash equivalents as of the end of the first half period under review decreased 13.8 billion yen in comparison with that at the end of the previous year, to 54.1 billion yen.

- Cash flow indices

	Year ended March 2003	Period ended Dec. 2003	First half FY 2004	FY 2004	First half FY 2005
Net worth ratio (%)	31.0	34.5	37.0	37.1	38.8
Net worth ratio based on market value (%)	41.8	57.2	71.5	69.7	70.6
Number of years for debt redemption	3.9	-	-	2.2	-
Interest coverage ratio	10.2	12.2	22.9	20.6	10.6

(Notes) Net worth ratio (%): Net worth/total assets
Net worth ratio based on market value (%): Total market capitalization/total assets
Number of years for debt redemption: Interest-bearing debts/operating cash flows
Interest coverage ratio: Operating cash flows/interest payment

- *All indices were computed with the consolidated financial figures.*
- *Total market capitalization was computed based on the closing stock price at period-end multiplied by number of outstanding shares at period-end (after deducting treasury stock).*
- *Operating cash flows represent cash flows from operating activities on the consolidated statements of cash flows.*
- *Interest-bearing debts represent all debts on the consolidated balance sheets, including notes receivable discounted, for which interest is paid. In addition, interest payment represents amount of interest paid on the consolidated statements of cash flows.*
- *Since the Group's fiscal period ended December 2003 was a nine-month transitional accounting period due to a change in fiscal year, the number of years for debt redemption is not presented herein.*

4. Yearly Outlook for FY2005

(Unit: Billions of Yen)

	Net sales	Operating income	Ordinary income	Net income
FY 2005 (January 1 through December. 2005)	1,500.0	130.0	126.0	81.0
FY 2004 (January 1 through December. 2004)	1,475.7	139.4	135.7	78.3
Change (%)	1.6%	(6.7%)	(7.1%)	3.5%

While recovery in IT and digital electronics market as well as expanding export market is anticipated in Japan during the second half of 2005, the economy remains in the balance with some concerns about further price increases in fuel and other raw materials and sluggish personal consumption. Although susceptible to the Chinese economic trends and ups and downs of fuel and raw material prices, however, the Asian economy retains inherent strength as a whole and is expected to continue to post steady growth. The U.S. economy will remain generally brisk, although there are some concerns over a deceleration of the economy as energy prices remain high. In Europe, however, business circumstances should remain flat as both exports and domestic demands lose momentum particularly in Western Europe.

In this business environment, there are some concerns that demand for flat glass in North America, Western Europe and Asia may be affected by the higher costs caused by the sharp rise in energy prices and resultant economic deceleration. In contrast, stable demand for flat glass can be expected in Central and Eastern Europe (particularly in Russia). The AGC Group should carry on the cost savings with the global benchmarking project and continuous improvement in productivity. Additional restructuring measure will be taken in a less-competitive category in the flat business. Demand for automotive glass is expected to grow, mainly in China and Southeast Asia.

In the Electronics and Display operations, demand for CRT glass is likely to remain severely depressed in the third quarter of this year, and a sharp year-on-year decline in sales volume and selling price is anticipated. The AGC Group also plans to continue operational adjustments at its production bases towards the end of this year. In the FPD glass business, however, increase in demand is expected as thin-screen televisions gain greater popularity and demand for larger sizes of FPD glass substrates grows. Given these business circumstances, the FPD glass business will remain robust on the strength of not only favorable production with existing manufacturing facilities but also beginning of operations in new manufacturing facilities. In the electronics materials business, the market conditions for the products for which demand was lower during the first half period are expected to recover towards the end of this year.

In the Chemicals operations, the Group expects that both the chlor-alkali & urethane business and the fluorochemicals & specialty chemicals business will perform solidly, although it is necessary to pay attention to the demand trends for the products in China as well as the prices of energies and raw materials, which remain high and may rise further.

In Other operations, the ceramics business and others will continue to perform favorably.

In light of the foregoing business prospect, the AGC Group projects its net sales for fiscal 2005 to increase 24.3 billion yen or 1.6%, year on year, to 1,500.0 billion yen, operating income to decrease 9.4 billion yen or 6.7% to 130.0 billion yen, ordinary income to fall 9.7 billion yen or 7.1% to 126.0 billion yen, and net income to increase 2.7 billion yen or 3.5% to 81.0 billion yen. For the projection, the Group assumes that the key foreign exchange rates throughout fiscal 2005 will average at 108 yen to US dollar and 134 yen to euro.

[Important notes with regard to the outlook]

The above prospective results reflect the judgment of the Group's management on the basis of currently available information and, as such, contain risks and uncertainties. For this reason, investors are recommended not to base investment decisions solely on these prospective results. Please note that actual results may materially differ from the projection due to such various factors

as business and market climate the Group is active in, currency exchange rate fluctuations, and others.

Consolidated Balance Sheets

(Unit: Millions of Yen)

	First half FY2005 (June 30, 2005)	FY2004 (December 31, 2004)	First half FY2004 (June 30, 2004)
Current Assets	664,217	648,237	622,986
Cash on hand and in banks	79,167	98,648	90,957
Trade notes and accounts receivables	282,258	280,615	270,064
Inventories	238,028	215,782	204,354
Deferred income taxes	12,379	9,381	10,995
Other current assets	58,684	50,557	52,652
Allowance for bad debts	(6,300)	(6,749)	(6,038)
Fixed Assets	1,254,124	1,236,681	1,239,604
Tangible Fixed Assets	882,870	853,390	826,360
Buildings and structures	238,535	227,827	220,782
Machinery and equipment	453,654	434,137	401,358
Tools and fixtures	19,119	19,234	18,140
Land	111,538	110,728	112,020
Construction in progress	60,022	61,462	74,058
Intangible Fixed Assets	91,757	94,636	101,233
Investments and advances	279,496	288,654	312,010
Investment in securities	224,164	224,557	257,595
Long-term loans	9,076	9,620	10,393
Long-term prepaid expenses	13,419	12,537	7,936
Deferred income taxes	13,106	20,788	19,438
Other investments	22,860	24,003	19,719
Allowance for bad debts	(3,131)	(2,853)	(3,072)
Deferred Assets	248	350	450
Total Assets	1,918,591	1,885,268	1,863,041

Consolidated Balance Sheets (continued)

(Unit: Millions of Yen)

	First half FY2005 (June 30, 2005)	FY2004 (December 31, 2004)	First half FY2004 (June 30, 2004)
Current Liabilities	549,430	549,139	502,181
Trade notes and accounts payables	170,270	181,774	160,283
Short-term bank loans	107,965	103,831	99,362
Commercial paper	20,893	25,733	19,950
Current maturities of bonds	21,654	16,064	19,302
Accounts payable, other	61,412	62,053	54,947
Accrued expenses	33,186	18,206	27,553
Income taxes payable	31,538	33,201	25,080
Deposits received	23,756	25,861	26,997
Accrued bonuses to employees	6,811	5,704	5,971
Reserve for scheduled repairs	2,179	1,570	1,931
Reserve for restructuring programs	5,181	2,315	3,277
Other current liabilities	64,580	72,820	57,523
Non-current Liabilities	497,041	511,682	556,493
Bonds issued	257,383	244,934	262,306
Long-term bank loans	111,438	132,744	131,489
Deferred income taxes	26,001	32,957	45,061
Accrued retirement benefits	59,312	57,090	50,055
Accrued retirement benefits for directors and corporate auditors	1,619	1,498	1,339
Reserve for rebuilding furnaces	16,442	16,140	17,514
Reserve for restructuring programs	2,508	5,738	7,463
Other non-current Liabilities	22,335	20,576	41,263
Total Liabilities	1,046,471	1,060,821	1,058,674
Minority Interest in Consolidated Subsidiaries	128,506	125,308	115,140
Shareholders' Equity	743,612	699,139	689,225
Common stock	90,472	90,472	90,472
Additional paid-in capital	84,624	84,627	84,398
Retained earnings	549,904	511,749	500,178
Asset revaluation reserve	120	120	120
Unrealized gains on securities, net of tax	59,552	58,641	58,954
Foreign currency translation adjustments	(27,365)	(32,926)	(43,530)
Treasury stocks	(13,697)	(13,546)	(1,369)
Total Liabilities and Shareholders' Equity	1,918,591	1,885,268	1,863,041

Consolidated Statements of Income

(Unit: Millions of Yen)

	First half FY2005 (Jan. to Jun. 2005)	First half FY2004 (Jan. to Jun. 2004)	FY2004 (Jan. to Dec. 2004)
Net Sales	726,155	715,114	1,475,726
Cost of Sales	538,834	525,823	1,084,549
Selling, general and administrative expenses	125,516	123,625	251,773
Operating income	61,805	65,666	139,403
Other Income	11,501	9,224	16,891
Interest and dividend income	3,226	2,677	5,048
Equity in earnings of unconsolidated subsidiaries and affiliates	1,304	3,549	5,262
Others	6,970	2,997	6,581
Other Expenses	10,444	10,238	20,606
Interest expenses	5,800	5,269	11,162
Others	4,643	4,969	9,444
Ordinary Income	62,862	64,651	135,688
Extraordinary Gains	9,391	40,694	55,333
Gain on sale of properties	4,088	1,611	4,061
Gain on sale of investments in securities	3,517	13,355	21,050
Gain from the transfer of the substitutional portion of the Employees Pension Funds	-	24,329	24,530
Others	1,785	1,397	5,691
Extraordinary Losses	6,004	6,506	57,011
Loss on disposal of properties	1,303	1,711	7,028
One-time adjustments to accumulated depreciation of long-lived assets	-	-	14,879
Impairment loss on long-lived assets	-	-	14,505
Loss on write-down of investments in securities	-	-	3,112
Expenses for restructuring programs	2,675	-	9,891
Others	2,026	4,795	7,594
Income before income taxes	66,248	98,838	134,009
Income taxes	24,330	18,796	39,946
Deferred income taxes	(5,573)	12,775	1,467
Minority interest in earnings of consolidated subsidiaries	2,567	7,803	14,309
Net Income	44,923	59,463	78,287

Consolidated Statements of Shareholders' Equity

(Unit: Millions of Yen)

	First half FY2005 (Jan. to Jun. 2005)	First half FY2004 (Jan. to Jun. 2004)	FY2004 (Jan. to Dec. 2004)
(Additional paid-in capital)			
Balance at the beginning of year	84,627	84,395	84,395
Increase	-	2	232
Gain on sale of treasury stock	-	2	3
Increase due to the merger of subsidiaries	-	-	228
Decrease	3	-	-
Loss on sale of treasury stock	3	-	-
Balance at the end of period	84,624	84,398	84,627
(Retained earnings)			
Balance at the beginning of year	511,749	449,958	449,958
Increase	45,449	59,463	78,304
Net income	44,923	59,463	78,287
Increase due to inclusion of new subsidiaries in consolidation	345	-	-
Increase due to exclusion of subsidiaries	35	-	-
Increase due to the reversal of asset revaluation reserve	-	0	0
Increase due to change in overseas subsidiaries' functional currency	145	-	-
Increase due to asset revaluation at overseas subsidiaries	-	-	16
Decrease	7,293	9,242	16,513
Dividends declared	6,973	7,922	14,963
Directors' bonuses	181	97	97
Decrease due to inclusion of new subsidiaries in consolidation	-	31	31
Decrease due to inclusion of new affiliated companies in consolidation	138	-	-
Decrease due to change in overseas subsidiary's functional currency	-	1,191	1,191
Decrease due to the merger of subsidiaries	-	-	228
Loss on sale of treasury stock	0	-	-
Balance at the end of period	549,904	500,178	511,749

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	First half FY2005 (Jan. to Jun. 2005)	First half FY2004 (Jan. to Jun. 2004)	FY2004 (Jan. to Dec. 2004)
I. Cash Flows from Operating Activities			
Income before income taxes and minority interest	66,248	98,838	134,009
Depreciation and amortization	57,395	52,033	132,558
Impairment loss on long-lived assets	-	-	14,505
Amortization of goodwill	3,744	3,996	7,964
Increase (decrease) in reserves	2,899	(16,571)	(15,654)
Interest and dividend income	(3,226)	(2,677)	(5,048)
Interest expenses and Commercial paper interest	6,066	5,306	11,293
Exchange (gain) loss	(505)	501	902
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,304)	(3,549)	(5,262)
Gain on sale of securities and properties, etc.	(5,412)	(13,136)	(17,034)
Increase in receivables	(1,188)	(12,255)	(10,851)
Increase in inventories	(24,014)	(1,467)	(7,038)
(Decrease) increase in payables	(12,930)	(1,352)	9,368
Others	17,568	19,881	12,463
Subtotal	105,341	129,547	262,175
Interest and dividend received	3,420	3,722	6,322
Interest paid	(7,227)	(5,024)	(11,332)
Income taxes paid	(24,884)	(13,017)	(24,276)
Net cash provided by operating activities	76,649	115,228	232,888
II. Cash Flows from Investing Activities			
Decrease in time deposits due over three months	(18,963)	(21,278)	(30,614)
Increase in time deposits due over three months	26,006	5,822	8,903
Purchase of property, plant and equipment	(89,453)	(78,379)	(161,102)
Proceeds from sale of property, plant and equipment	6,215	3,610	8,828
Purchase of investments in securities	(550)	(5,418)	(14,970)
Proceeds from sale of investments in securities	16,362	38,240	63,848
Others	(218)	2,314	(826)
Net cash used in investing activities	(60,601)	(55,088)	(125,933)
III. Cash Flows from Financing Activities			
(Decrease) increase in short-term loans and commercial paper	(8,918)	(583)	3,735
Proceeds from long-term debt	7,866	24,106	45,677
Repayments of long-term debt	(24,990)	(16,632)	(51,241)
Proceeds from issuance of bonds	19,206	-	9,453
Redemption of bonds	(971)	(47,904)	(66,530)
Purchases of a subsidiary’s bond	-	-	(10,805)
Proceeds from sale of borrowed securities	-	3,297	3,287
Repayments of borrowed securities	(12,639)	-	-
Purchase of treasury stock	(191)	(161)	(12,407)
Dividends paid	(10,291)	(9,721)	(20,096)
Others	(32)	(40)	(39)
Net cash used in financing activities	(30,962)	(47,640)	(98,967)
IV. Effect on Exchange Rate Changes on Cash and Cash Equivalents	1,266	184	1,521
V. Increase (decrease) in Cash and Cash Equivalents	(13,648)	12,683	9,508
VI. Cash and Cash Equivalents at Beginning of Year	67,943	55,915	55,915
Cash and cash equivalents held by newly consolidated subsidiaries net of those held by deconsolidated subsidiaries	(230)	145	2,519
Cash and Cash Equivalents at End of Period	54,065	68,745	67,943

Notes

1. Summary of significant accounting policies

(1) Scope of Consolidation

The Company had 315 subsidiaries as of June 30, 2005 (325 as of December 31, 2004). The consolidated financial statements include the accounts of the Company and 249 (253 for December 31, 2004) of its subsidiaries. The definition of subsidiaries is based on the substantive existence of controlling power.

The accounts of the remaining 66 (72 for December 31, 2004) unconsolidated subsidiaries are excluded from the consolidated financial statements since the aggregate amounts of these subsidiaries in terms of combined assets, net sales, net income (loss) and retained earnings (accumulated deficit) are immaterial in relation to those of the consolidated financial statements of the Companies.

(2) Investments in Unconsolidated Subsidiaries and Affiliates and Equity Method

The Company had 66 (72 for December 31, 2004) unconsolidated subsidiaries and 60 (62 for December 31, 2004) affiliates as of June 30, 2005. Affiliates are defined to include those, which are owned 15% or more or those that are subject to exercise of influence over the management of the affiliates by the investor company.

The equity method is applied only to investments in major companies (35 and 33 companies at June 30, 2005 and December 31, 2004, respectively). The investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost or less, because they do not have a material effect on the consolidated financial statements.

(3) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries and Affiliates)

All the assets and liabilities of overseas consolidated subsidiaries and overseas affiliates accounted for by the equity method are translated into yen at the currency exchange rates prevailing at the balance sheet dates, except common stock and additional paid-in capital accounts which are translated at the historical rates. Revenues and expenses are translated by the average exchange rates prevailing during each period. The resulting differences are recorded as "Foreign currency translation adjustments," a separate component of Shareholders' Equity in the Consolidated Balance Sheets.

(4) Translation of Foreign Currency Translations

Revenue and expense items arising from transactions denominated in foreign currencies are translated into yen at the rates effective at the respective transaction dates.

Foreign currencies and monetary receivables and payables denominated in foreign currencies are translated into yen at the current exchange rates prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in determination of net income for the period.

(5) Valuation of Securities

Securities other than securities of subsidiaries and affiliated companies are stated at market value. Differences between market value and acquisition costs are recorded as "Unrealized gains on securities" in Shareholders' Equity, net of tax. The cost of securities sold is calculated by the moving-average method. Securities without market value are stated at cost determined by the moving-average method. Debt securities that are expected to be held-to-maturity are accounted for by the amortized cost method. Declines in the value of securities, other than temporary, are reflected in current income.

(6) Inventories

Inventories are mainly stated at the lower of cost or market value, cost being determined by the moving-average method.

(7) Property, Plant and Equipment

Depreciation by the Company and its domestic consolidated subsidiaries is principally computed by the declining-balance method, at rates based on the estimated useful lives of assets.

Depreciation by overseas consolidated subsidiaries is principally computed by the straight-line method over the estimated useful lives of the assets.

(8) Intangible assets

Amortization of intangible assets is computed by the straight-line method, principally over a period of five years.

(9) Certain Accrued Expenses Items

Certain accrued expense items, which are essentially an estimate of amounts to be determined in future years, are provided by the Companies. The basis for recognizing such accrued expenses are as follows:

(i) Allowance for bad debts

"Allowance for bad debts" is provided in an amount sufficient to cover possible losses on the collection of receivables. For certain probable doubtful receivables, the uncollectible amounts are estimated based on a review of the collectibility of individual receivables.

(ii) Accrued bonuses to employees

"Accrued bonuses to employees" is provided for based on the estimated amount to be paid to employees after the balance sheet date for their services rendered during the current period.

(iii) Accrued retirement benefits for directors and corporate auditors

"Accrued retirement benefits for directors and corporate auditors" is provided for based on the estimated amount to be paid to directors and corporate auditors under the Companies' internal rules.

(iv) Reserve for rebuilding furnaces

"Reserve for rebuilding furnaces" is provided for based on estimated costs to be incurred at the next periodic repair works on its facilities over the service period until the next repair works.

(v) Reserve for restructuring programs

"Reserve for restructuring programs" represents reasonably estimated costs arising from the additional severance compensation program related to restructuring, and restructuring of certain businesses of the Companies.

(10) Accounting for Retirement Benefits to Employees

Recognition of accrued retirement benefits to employees is based on actuarial valuation of projected benefit obligations and fund assets.

Prior service cost is amortized over average remaining service period of employees (mainly 13 years), from the year when it is incurred. Actuarial gain/loss is amortized over the average remaining service period of employees (mainly 13 years), in the year subsequent to when it is incurred.

(11) Accounting for Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all Japanese domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale, and consumption tax paid on purchases of goods and services, are not included in the amounts of respective revenue and cost or expense items in the accompanying Consolidated Statements of Income. The consumption tax withheld and consumption tax paid are recorded as assets or liabilities and the net balance is included either in "Other current assets" or "Other current liabilities" of the Consolidated Balance Sheets, as the case may be.

(12) Derivatives Financial Instruments

The Companies use financial instruments to reduce their exposure to market risks from fluctuations in foreign currency exchange rates, interest rates and oil prices may occur in the ordinary course of business.

Hedging instruments mainly include foreign currency swap contracts, interest rate swap contracts and commodity swap contracts.

Hedged items mainly include bonds and fuel oil.

Derivatives are recorded at fair value.

(13) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

"Cash and cash equivalents" comprises cash on hand, bank deposits available for withdrawal on demand, and short-term investments due within three months or less and substantially free from any price fluctuation risk.

2. Notes to consolidated financial statements

(1) Notes to Consolidated balance sheets

(Unit: Millions of Yen, except specified otherwise)

	First half FY2005		FY2004		First half FY2004	
1. Accumulated depreciation for tangible fixed assets	1,361,293		1,322,483		1,280,879	
2. Notes discounted	475		521		-	
3. Endorsed notes for transfer	5,330		5,071		4,644	
4. Treasury stock	13,175,740	stocks	13,048,678	stocks	1,673,669	stocks
5. Guaranteed obligations	7,078		8,689		10,464	
6. Contingent liabilities in relation to agreement for assumed bond obligations	45,000		45,000		45,000	
7. Goodwill included in intangible fixed assets	73,287		75,566		83,475	
8. Collateralized assets and obligations						
Assets pledged as collaterals;						
Securities	5		7		7	
Tangible fixed assets	32,487		34,457		39,165	
Total	32,493		34,465		39,173	
Debt by covered by the collaterals;						
Short-term loans	2,240		2,027		323	
Long-term loans	452		1,057		3,751	
Total	2,693		3,084		4,075	

9. When the consolidated fiscal year-end is a bank holiday, the Company considers that notes that mature on that day have been settled on the maturity date. The settled amount is as follows.

	First half FY2005	FY2004	First half FY2004
Notes receivable	-	5,486	-
Notes payable	-	1,640	-

(2) Notes to Consolidated statements of income

(Unit: Millions of Yen)

	First half FY2005	First half FY2004	FY2004
1. Amortization of goodwill included in the selling, general and administrative expenses	3,744	3,996	7,964
2. Research and development costs included in the general and administrative expenses and manufacturing costs	15,873	15,390	32,265

(3) Notes to Consolidated statements of cash flows

Reconciliation of cash and cash equivalents to accounts on the consolidated balance sheets

(Unit: Millions of Yen)

	First half FY2005	First half FY2004	FY2004
Cash on hand and in banks	79,167	90,957	98,648
Short-term loans receivable included in other current assets	363	813	413
Total	79,531	91,770	99,061
Time deposits due over three months	(25,465)	(23,025)	(31,117)
Cash and cash equivalents	54,065	68,745	67,943

Segment Information

1. Business Segment

(1) First half FY2005 (January 1 to June 30, 2005) (Unit: Millions of Yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	363,010	206,457	141,333	15,354	726,155	-	726,155
(2) Inter-segment sales/transfers	2,019	957	2,702	20,347	26,026	(26,026)	-
Total	365,029	207,414	144,036	35,701	752,182	(26,026)	726,155
Operating expenses	343,727	178,827	133,848	34,309	690,713	(26,362)	664,350
Operating income	21,302	28,587	10,187	1,392	61,469	335	61,805

(2) First half FY2004 (January 1 to June 30, 2004) (Unit: Millions of Yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	361,353	207,112	131,575	15,072	715,114	-	715,114
(2) Inter-segment sales/transfers	1,509	477	4,837	22,463	29,287	(29,287)	-
Total	362,862	207,589	136,413	37,536	744,402	(29,287)	715,114
Operating expenses	340,198	173,957	128,467	36,117	678,740	(29,292)	649,448
Operating income	22,663	33,632	7,945	1,419	65,661	4	65,666

(3) FY2004 (January 1 to December 31, 2004) (Unit: Millions of Yen)

	Glass	Electronics and Display	Chemicals	Other	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	734,653	434,730	275,957	30,385	1,475,726	-	1,475,726
(2) Inter-segment sales/transfers	5,830	1,012	10,060	44,642	61,547	(61,547)	-
Total	740,483	435,743	286,018	75,028	1,537,273	(61,547)	1,475,726
Operating expenses	692,466	364,881	268,458	72,070	1,397,876	(61,553)	1,336,323
Operating income	48,017	70,862	17,559	2,958	139,396	6	139,403

2. Geographic Segment

(1) First half FY2005 (January 1 to June 30, 2005) (Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	326,057	152,292	95,246	152,559	726,155	-	726,155
(2) Inter-segment sales/transfers	80,402	28,113	4,362	1,090	113,969	(113,969)	-
Total	406,459	180,406	99,608	153,650	840,125	(113,969)	726,155
Operating expenses	376,042	155,876	100,508	143,398	775,825	(111,474)	664,350
Operating income	30,417	24,529	(899)	10,252	64,299	(2,494)	61,805

(2) First half FY2004 (January 1 to June 30, 2004) (Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	346,892	123,774	98,788	145,658	715,114	-	715,114
(2) Inter-segment sales/transfers	77,696	31,904	3,961	1,179	114,741	(114,741)	-
Total	424,588	155,679	102,749	146,838	829,856	(114,741)	715,114
Operating expenses	396,053	128,408	103,971	133,979	762,413	(112,964)	649,448
Operating income	28,535	27,270	(1,221)	12,859	67,443	(1,777)	65,666

(3) FY2004 (January 1 to December 31, 2004) (Unit: Millions of Yen)

	Japan	Asia	The Americas	Europe	Total	Corporate or elimination	Consolidated total
I Sales and Operating income							
Sales							
(1) Sales to customers	705,464	281,216	195,815	293,229	1,475,726	-	1,475,726
(2) Inter-segment sales/transfers	163,156	60,543	8,763	2,446	234,910	(234,910)	-
Total	868,621	341,760	204,578	295,675	1,710,636	(234,910)	1,475,726
Operating expenses	801,102	289,594	207,817	269,821	1,568,336	(232,013)	1,336,323
Operating income	67,519	52,165	(3,239)	25,853	142,300	(2,896)	139,403

3. Overseas Sales

(1) First half FY2005 (January 1 to June 30, 2005) (Unit: Millions of Yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	178,872	93,217	154,897	8,138	435,126
Percentage of overseas sales to Consolidated sales	24.6%	12.8%	21.3%	1.1%	59.9%

(2) First half FY2004 (January 1 to June 30, 2004) (Unit: Millions of Yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	169,830	96,735	149,534	5,728	421,828
Percentage of overseas sales to Consolidated sales	23.7%	13.5%	20.9%	0.8%	59.0%

(3) FY2004 (January 1 to December 31, 2004) (Unit: Millions of Yen)

	Asia	The Americas	Europe	Other	Total
Overseas sales	359,766	194,448	299,958	14,292	868,465
Percentage of overseas sales to Consolidated sales	24.4%	13.2%	20.3%	1.0%	58.9%

Securities

1. Investment in Securities with Market Values

(Unit: Millions of Yen)

	First half FY2005 (June 30, 2005)			FY2004 (December 31, 2004)			First half FY2004 (June 30, 2004)		
	Acquisition cost	Amount recorded on the consolidated balance sheet	Difference	Acquisition cost	Amount recorded on the consolidated balance sheet	Difference	Acquisition cost	Amount recorded on the consolidated balance sheet	Difference
(1) Stocks	95,200	182,054	86,853	97,770	181,465	83,694	98,509	186,289	87,780
(2) Bonds	1,458	1,499	40	1,545	1,603	58	1,430	1,503	73
(3) Others	110	120	10	119	130	11	2,007	1,952	(54)
Total	96,769	183,674	86,905	99,435	183,199	83,764	101,946	189,745	87,798

2. Investment in Securities without Market Values

(Unit: Millions of Yen)

	First half FY2005 (June 30, 2005)	FY2004 (December 31, 2004)	First half FY2004 (June 30, 2004)
Unlisted stocks	6,827	12,672	23,600
Unlisted bonds	47	53	53

Supplementary Information for Consolidated Results for First Half FY2005

1. Operating results for First Half FY2005 (Unit: Billions of Yen)

	First Half FY2005	First Half FY2004	FY2004
Net sales	726.2	715.1	1,475.7
Operating income	61.8	65.7	139.4
Ordinary income	62.9	64.7	135.7
Net income	44.9	59.5	78.3
Total shareholders' equity	743.6	689.2	699.1
Net income per share (YEN)	38.66	50.67	66.75

2. Major items (Unit: Billions of Yen)

	First Half FY2005	First Half FY2004	FY2004
Capital expenditures	86.5	77.2	164.6
Depreciation and amortization	57.4	52.0	132.6
Research and development costs	15.9	15.4	32.3
Interest-bearing debts	519.8	532.4	523.8
Interest expenses & dividend income	(2.8)	(2.6)	(6.2)
D/E ratio	0.60	0.66	0.64
Number of employees at end of period	56,403	56,147	56,776

3. Scope of consolidation

	First Half FY2005	First Half FY2004	FY2004
Number of consolidated subsidiaries	249	251	253
Number of equity method affiliates	35	35	33

(1) Newly consolidated subsidiaries: 11 companies (Murakami Chemicals Co., Ltd., etc.)
Excluded: 15 companies (Asahi Tostem Exterior Building Materials Co., Ltd., etc.)
(2) Newly equity method affiliates: 2 companies (Asahi Tostem Exterior Building Materials Co., Ltd. etc.), Excluded: 0 companies

4. Outlook for FY2005 operating results (Unit: Billions of Yen)

	FY2005
Net sales	1,500.0
Operating income	130.0
Ordinary income	126.0
Net income	81.0
Capital expenditures	200.0
Depreciation and amortization	130.0
Research and development costs	35.0

5. Outlook for FY2005 operating results classified by business segment (Unit: Billions of Yen)

	Net sales	Operating income
Glass	740.0	48.0
Electronics and Display	440.0	61.0
Chemicals	295.0	19.0
Other	75.0	2.0
Corporate or elimination	(50.0)	-
Consolidated total	1,500.0	130.0

6. Exchange rates

	First Half FY2005		First Half FY2004		FY2005
	Average	End of period	Average	End of period	Outlook
Yen/Dollar	106.80	110.62	108.38	108.43	108
Yen/Euro	136.43	133.63	132.40	131.06	134