

Financial Results for the Three Months ended March 31, FY2019



AGC Inc.

May 8, 2019

Your Dreams, Our Challenge

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Financial Results for the Three Months ended March 31, FY2019

1. Highlights of the Financial Results

Highlights of the Financial Results for Q1, FY2019

Net sales	361.6 billion yen	(down 10.8 billion yen,	-2.9% YoY)
Operating profit	20.9 billion yen	(down 9.8 billion yen,	-31.9% YoY)
Profit before tax	23.5 billion yen	(down 11.0 billion yen,	-31.8% YoY)
Profit for the period attributable to owners of the parent	15.6 billion yen	(down 9.2 billion yen,	-37.0% YoY)

- **Sales declined due to**

- selling price decline of LCD glass substrates, as well as caustic soda in Southeast Asia.
- shipment decline of Automotive glass.
- depreciation of EUR, decreased sales of JPY basis.

- **OP declined due to**

- depreciation cost increase by the start up of new facility for LCD glass substrates.
- price decline of LCD glass substrates.
- manufacturing cost increase for Automotive glass and Chemicals.

Consolidated Statements of Profit or Loss

		1Q		(100 million yen)
		FY2018	FY2019	Change
Net Sales		3,725	3,616	▲ 108 *
Operating Profit		306	209	▲ 98
other income/expenses		45	29	
Business Profit		351	237	▲ 114
Financial income/cost		▲ 7	▲ 2	
Profit before tax		344	235	▲ 110
income tax expenses		▲ 71	▲ 55	
Profit for the period		273	180	▲ 93
attributable to owners of the parent		248	156	▲ 92
attributable to non-controlling interests		25	24	
Forex(Average)	JPY/USD	108.30	110.20	
	JPY/EUR	133.22	125.15	
Crude Oil	\$/BBL (Dubai)	63.9	63.5	

*Foreign exchange impact resulted in -5.3 billion yen for 1Q

YoY Performance Comparison by Business Segment

	1Q		(100 million yen)	
	FY2018	FY2019	Change	Change%
Net sales	3,725	3,616	▲ 108	▲ 2.9%
Glass	1,943	1,861	▲ 81	▲ 4.2%
Electronics	560	594	+ 35	+ 6.2%
Chemicals	1,148	1,127	▲ 21	▲ 1.8%
Ceramics/Other	183	185	+ 2	+ 1.1%
Elimination	▲ 109	▲ 152	▲ 43	
Operation profit	306	209	▲ 98	▲ 31.9%
Glass	77	35	▲ 42	▲ 54.6%
Electronics	57	25	▲ 32	▲ 56.4%
Chemicals	170	144	▲ 26	▲ 15.1%
Ceramics/Other	3	6	+ 3	-
Elimination	0	▲ 1	▲ 1	

Variance Analysis on OP (1Q.FY2018 vs. 1Q.FY2019)

¥ 9.8 bn down from the same period last year

(100 million yen)



Quarterly Performance Comparison by Business Segment

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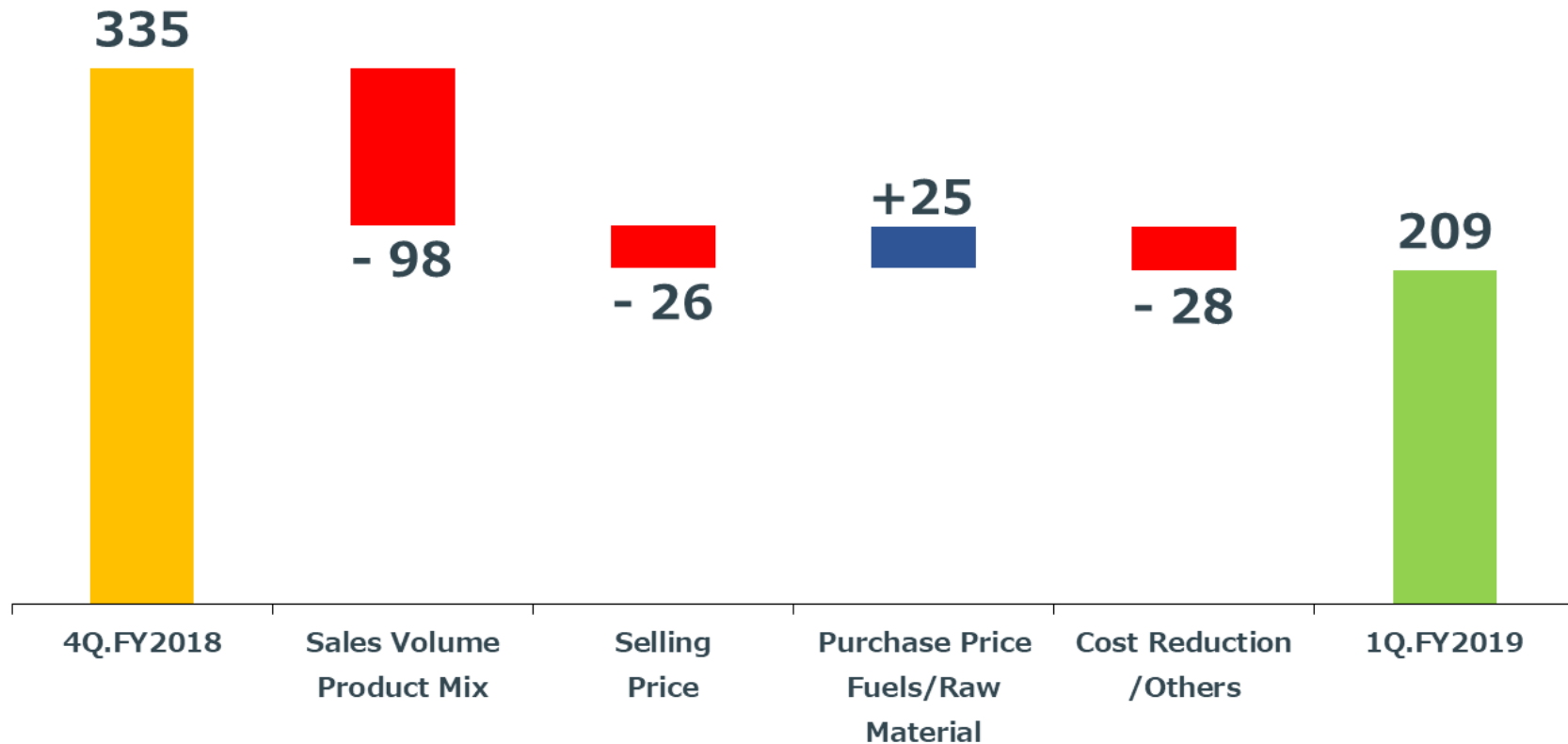
(100 million yen)

	4Q.FY2018	1Q.FY2019	Change	Change %
Net sales	3,968	3,616	▲ 351	▲8.9%
Glass	1,953	1,861	▲ 92	▲4.7%
Electronics	670	594	▲ 75	▲11.2%
Chemicals	1,295	1,127	▲ 167	▲12.9%
Ceramics/Other	202	185	▲ 17	
Elimination	▲ 152	▲ 152	▲ 0	
Operation profit	335	209	▲ 127	▲37.8%
Glass	44	35	▲ 10	▲21.4%
Electronics	78	25	▲ 53	▲68.2%
Chemicals	209	144	▲ 64	▲30.9%
Ceramics/Other	4	6	+ 2	
Elimination	0	▲ 1	▲ 1	

Variance Analysis on OP (4Q.FY2018 vs. 1Q.FY2019)

¥ 12.7 bn down from last quarter

(100 million yen)



Consolidated Statement of Financial Position

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	(100 million yen)		
	2018/12	2019/3	Change
Cash and cash equivalents	1,235	1,396	+ 161
Inventories	2,770	2,915	+ 144
Property, plant and equipment, Goodwill and Intangible assets	12,547	13,024	+ 477
Other assets	5,806	5,696	▲ 110
Total assets	22,358	23,030	+ 673
Interest-bearing debt	5,418	6,018	+ 600
Other liabilities	4,404	4,293	▲ 110
Liabilities	9,822	10,312	+ 490
Total equity attributable to owners of the parent	11,372	11,532	+ 160
Non-controlling interests	1,164	1,187	+ 23
Equity	12,536	12,719	+ 183
Total liabilities and equity	22,358	23,030	+ 673
D/E ratio	0.43	0.47	

Including
+38.9 billion yen
of the right-of-
use assets, by
adopting IFRS16.
-0.4 billion yen
from foreign
exchange
fluctuation.

Including
+1.3 billion yen
from foreign
exchange
fluctuation.

Including
+39.2 billion yen
of lease liabilities,
by adopting
IFRS16.

Consolidated Statement of Cash Flow

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1Q (100 million yen)

	FY2018	FY2019
Profit before tax	344	235
Depreciation and amortization expense	303	335
Increase(decrease) in working capital	▲ 141	▲ 142
Others	▲ 110	130
Cash flows from operating activities	397	558
Cash flows from investing activities	▲ 349	▲ 479
Free cash flow	48	79
Changes in interest-bearing debt	240	213
Dividends paid	▲ 124	▲ 133
Others	22	▲ 7
Cash flows from financing activities	138	73
Effect of exchange rate changes on cash and cash equivalents	▲ 47	8
Net increase(decrease) in cash and cash equivalents	139	161

	1Q (100 million yen)	
	FY2018	FY2019
CAPEX	497	426
Depreciation	303	335
R&D	105	111

The Impact of FOREX and Change in the Scope of Consolidation (Compared with the same period of last year)

(100 million yen)

Net sales	Consolidated total*	Glass	Electronics	Chemicals
1Q.FY2019	3,616	1,861	594	1,127
Change vs. 1Q.FY2018	▲ 108	▲ 81	+ 35	▲ 21

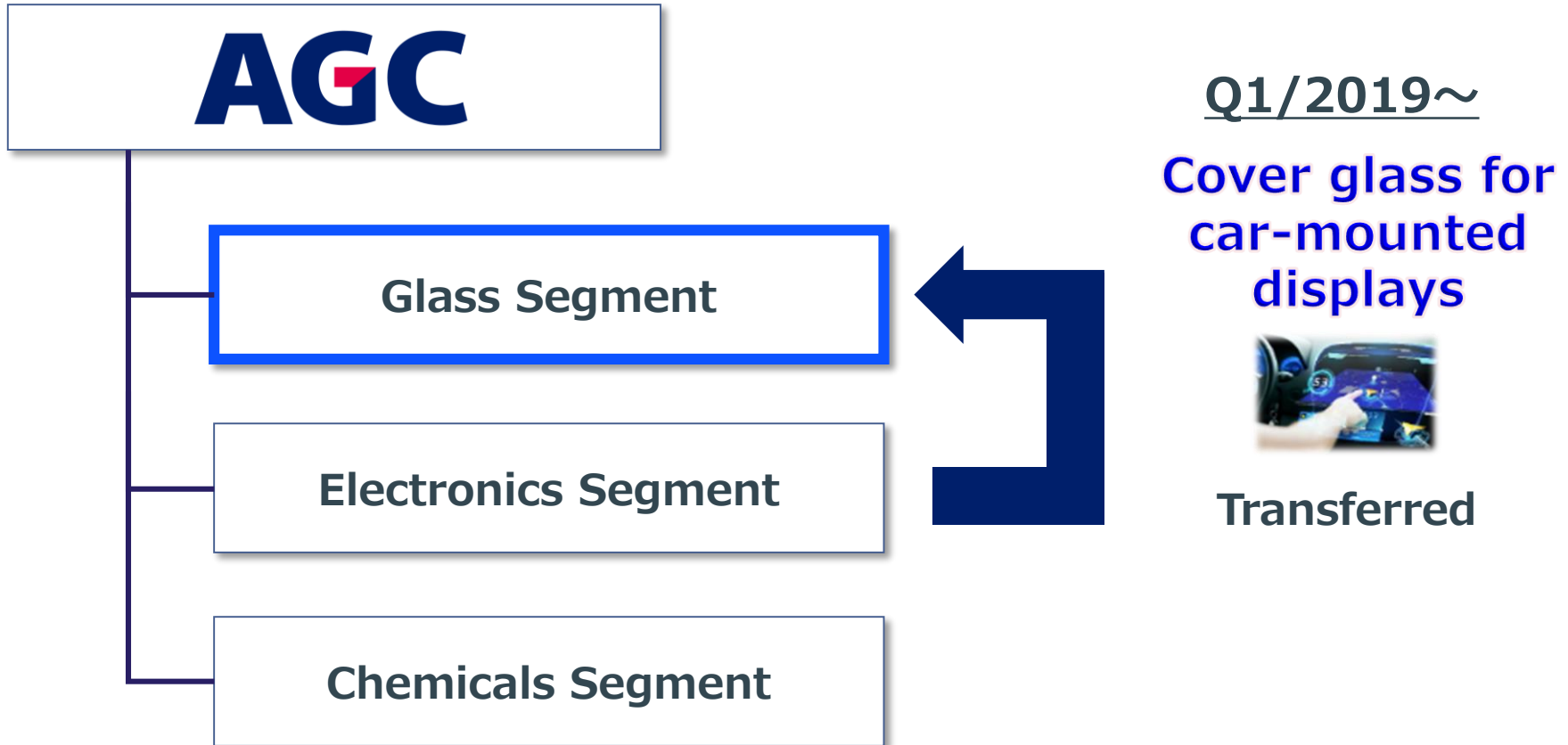
[Change vs. 1Q.FY2018, excluding impacts below]	▲ 93	▲ 24	+ 4	▲ 32
Impact of FOREX	▲ 53	▲ 57	+ 1	+ 4
Impact of Change in the Scope of Consolidation	+ 37	-	+ 30	+ 7

*The amount of consolidated total includes the amount of Ceramics/Other and elimination, therefore it may not be equal to the sum of each segment.

2. Business and Geographic Segments

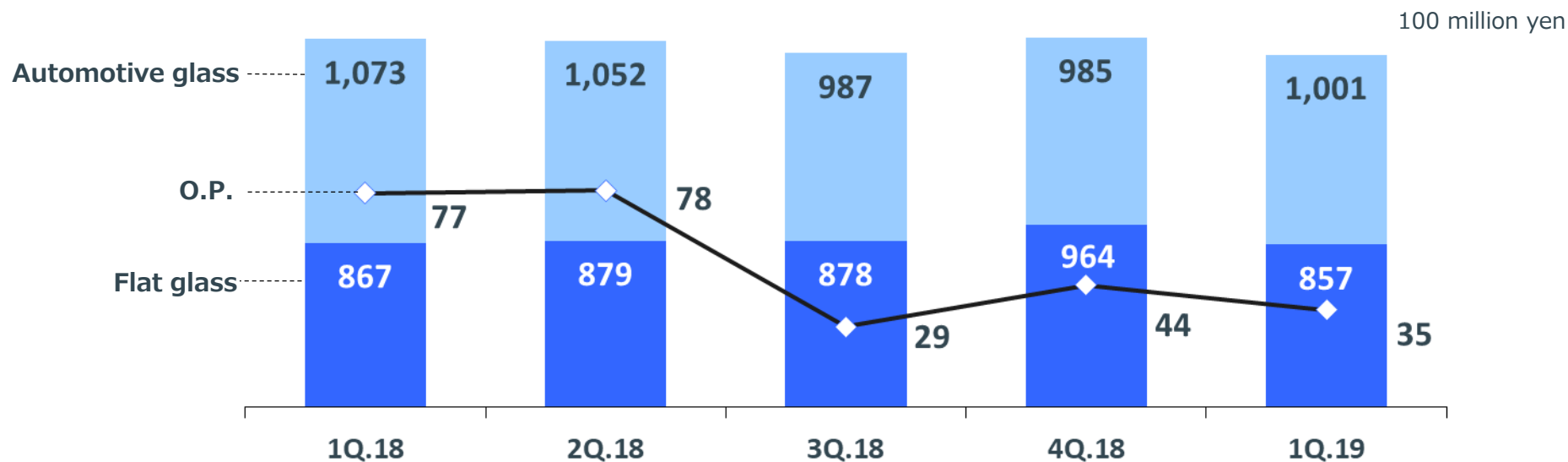
Reorganized the disclosure of segment information

- Starting from 1Q 2019, Cover glass for car-mounted displays is transferred to the Glass segment from the Electronics segment.



Glass Segment (1)

	1Q		
	FY2018	FY2019	Change
Net sales	1,943	1,861	▲ 81
Flat glass	867	857	▲ 10
Automotive glass	1,073	1,001	▲ 71
(Inter-segment)	3	4	
Operating profit	77	35	▲ 42



【YoY comparison for the first three months】

[Net sales] Decreased

Architectural Glass

- Shipments in Japan and Russia were favorable. However, depreciation of EUR decreased sales on JPY basis.

Automotive Glass

- Shipments in all regions decreased, excluding Japan and Europe. Depreciation of EUR decreased sales on JPY basis.

[Operating profit] Decreased

Architectural Glass

- OP increased due to increase in shipments and sales price, in Japan and Europe.

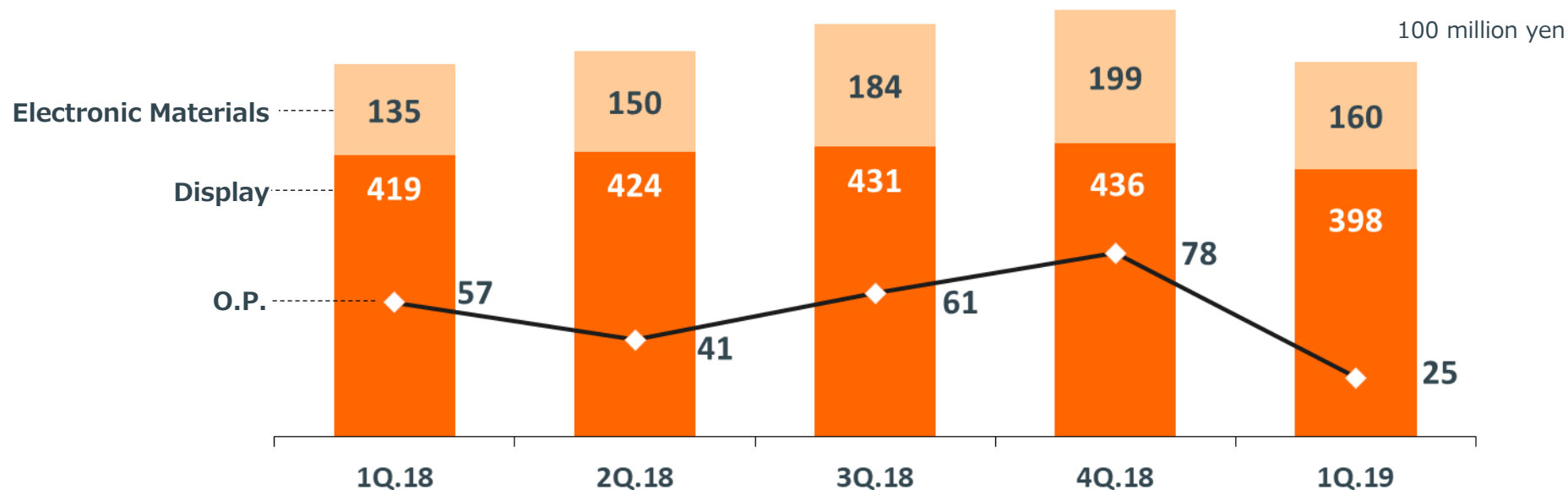
Automotive Glass

- Low productivity continued from Q4 2018, due to order increase in Japan.
- In Q1 2019, manufacturing costs increased due to repair of glass furnace.

Electronics Segment (1)

1Q (100 million yen)

	FY2018	FY2019	Change
Net sales	560	594	+ 35
Display	419	398	▲ 21
Electronic Materials (Inter-segment)	135	160	+ 25
Operating profit	57	25	▲ 32



[YoY comparison for the first three months]

[Net sales] Increased

Display

-LCD glass substrates

- Shipments stayed at the same level, price decline range shrunk.

-Specialty glass for display applications

- Shipment of Dragontrail™ was favorable.

Semiconductor-related products

- Shipments of optoelectronics materials declined, but shipments of semiconductor-related products increased.

- Contribution of Park Electrochemical, consolidated in late 2018, started.

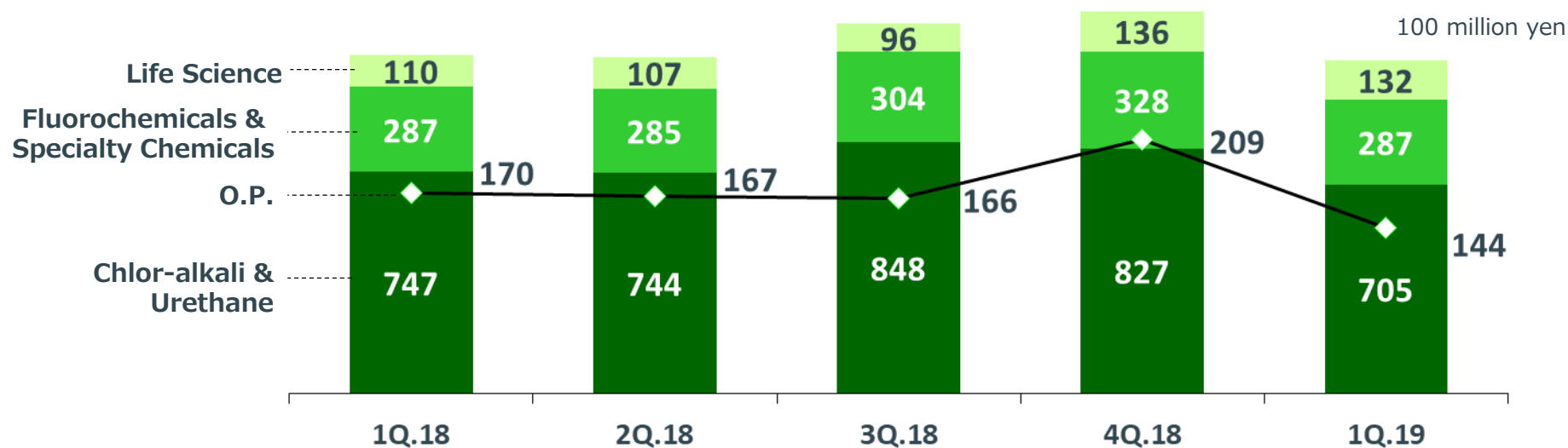
[Operating profit] Decreased

- Price decline of LCD glass substrates.

- Depreciation cost increased due to the start up of the new facility for LCD glass substrates.

Chemicals Segment (1)

	1Q		
	FY2018	FY2019	Change
Net sales	1,148	1,127	▲ 21
Chlor-alkali & Urethane	747	705	▲ 42
Fluorochemicals & Specialty	287	287	+ 0
Life science	110	132	+ 21
(Inter-segment)	3	3	
Operating profit	170	144	▲ 26



[YoY comparison for the first three months]

[Net sales] Decreased

Chlor-alkali & Urethane

- Selling price of caustic soda decreased in Southeast Asia.

Fluorochemicals & Specialty Chemicals

- Shipments of fluorochemicals products remained favorable.

Life Science

- Increase in number of contracts in biopharmaceuticals.

[Operating profit] Decreased

- Increase of manufacturing cost due to shut down for periodic large scale facility maintenance, as well as increase in electricity cost in Japan.

YoY Performance Comparison by Geographic Segment

(100 million yen)

1Q

	FY2018	FY2019	Change	Change%
Net sales	3,725	3,616	▲ 108	▲ 2.9%
Japan & Asia	2,403	2,341	▲ 62	▲ 2.6%
Americas	422	428	+ 6	+ 1.4%
Europe	899	847	▲ 52	▲ 5.8%
Operating profit	306	209	▲ 98	▲ 31.9%
Japan & Asia	328	240	▲ 88	▲ 26.7%
Americas	15	21	+ 6	+ 40.6%
Europe	45	41	▲ 3	▲ 7.7%
Cross-regional common expenses	▲ 82	▲ 94	▲ 13	-

Quarterly Performance Comparison by Geographic Segment

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(100 million yen)

	4Q.FY2018	1Q.FY2019	Change	Change %
Net sales	3,968	3,616	▲ 351	▲8.9%
Japan & Asia	2,691	2,341	▲ 349	▲13.0%
Americas	430	428	▲ 2	▲0.5%
Europe	847	847	▲ 0	▲0.0%
Operating profit	335	209	▲ 127	▲37.8%
Japan & Asia	388	240	▲ 148	▲38.1%
Americas	21	21	+ 0	+1.8%
Europe	34	41	+ 7	+21.3%
Cross-regional common expenses	▲ 108	▲ 94	+ 14	-

YoY Performance Comparison by Geographic Segment

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(100 million yen)

		Japan & Asia	Americas	Europe	Inter- segment	Total	
Glass	Flat glass	1 Q .FY2019	284	112	461	-	857
		1 Q .FY2018	276	112	479	-	867
	Automotive	1 Q .FY2019	528	175	298	-	1,001
	glass	1 Q .FY2018	538	193	342	-	1,073
		1 Q .FY2019	811	287	760	4	1,861
		1 Q .FY2018	814	305	821	3	1,943
Electronics	1 Q .FY2019	516	40	2	36	594	
	1 Q .FY2018	522	33	0	6	560	
Chemicals	1 Q .FY2019	938	101	84	3	1,127	
	1 Q .FY2018	982	85	78	3	1,148	
Ceramics/Other	1 Q .FY2019	76	-	-	109	185	
	1 Q .FY2018	86	-	-	97	183	
Elimination	1 Q .FY2019	-	-	-	▲ 152	▲ 152	
	1 Q .FY2018	-	-	-	▲ 109	▲ 109	
Total Net Sales	1 Q .FY2019	2,341	428	847	-	3,616	
	1 Q .FY2018	2,403	422	899	-	3,725	

Outlook for FY2019

Net sales	1,600 billion yen (first half 775 billion yen)	(up 77.1 billion yen +5.1% YoY)
Operating profit	125 billion yen (first half 50 billion yen)	(up 4.4 billion yen +3.7% YoY)
Profit before tax	118 billion yen	(down 10.4 billion yen ▲8.1% YoY)
Profit for the year attributable to owners of the parent	78 billion yen	(down 11.6 billion yen ▲12.9% YoY)

- **Expect increase in OP for 5 consecutive years.**
- **Expect decrease in “Profit for the year attributable to owners of the parent”.**
 - **“Other expenses” will remain at a low level, however special factors of “Other income” in 2018 will disappear.**

FY2019 Outlook (2)

		FY2018	FY2019 Forecast	(100 million yen)
Net sales		1,522.9	1,600.0	(up 77.1 billion yen +5.1% YoY)
	(first half)	745.5	775.0	
Operating profit		120.6	125.0	(up 4.4 billion yen +3.7% YoY)
	(first half)	60.3	50.0	
Profit before tax		128.4	118.0	(down 10.4 billion yen ▲8.1% YoY)
Profit for the year attributable to owners of the parent		89.6	78.0	(down 11.6 billion yen ▲12.9% YoY)
Dividend (yen/share)		115	120	
Operating profit margin		7.9%	7.8%	
ROE		7.7%	6.9%	*1
Forex (Average)	JPY/USD	110.43	110	
	JPY/EUR	130.42	125	
Crude oil	\$/BBL(Dubai)	69.4	60	
Ethylene	USD/MT (CFR SEA)	1,141	900	

*1 The ROE forecast of FY2019 is calculated based on the "Total equity attributable to owners of the parent" as of end of Dec 2018.

【Glass】

〔Net sales〕 Increase

Architectural Glass

- Shipments are expected to be firm in many regions. Start up of the new furnace in Brazil.
- Full contribution of selling price increase in Japan and Europe implemented in the previous fiscal year.

Automotive Glass

- While existing business being stable, cover glass for car-mounted displays will be transferred from the Electronics segment.

〔Operating profit〕 Increase

Architectural Glass

- Firm sales and full contribution of selling price increase of the previous fiscal year. Production cost reduction by productivity improvement.

Automotive Glass

- Productivity in Japan will be stabilized from the second half of the year.
- Cover glass for car-mounted displays will be transferred from the Electronics segment.

【Electronics】 *Cover glass for car-mounted displays is transferred to the Glass segment from 1Q 2019.

〔Net sales〕 Increase

Display

-LCD glass substrates

- G11 facility starting operation and shipments are expected to increase above the market growth.
- Range of decline in selling prices are expected to shrink more compared to the previous year.

-Specialty glass for display applications

- Shipments of Dragontrail™ are expected to increase.

-Electronic materials

- Shipments of both optoelectronic materials and semiconductor-related products are expected to increase.

〔Operating profit〕 Decrease

- Shipments of LCD glass substrates are expected to increase, however, depreciation costs of G11 facility will increase while price reduction is expected to be milder.
- Shipments of Dragontrail™ are expected to increase, and there will be no loss from inventory clearance of Specialty glass for display applications, which occurred in the previous fiscal year.
- Electronic materials will have improved business performance, particularly for semiconductor-related products.

【Chemicals】

〔Net sales〕 Increase

Chlor-alkali & Urethane

- Improvement of selling price for chlor-alkali products.

Fluorochemicals & Specialty

- Shipments of fluorochemicals are expected to be stable.

Life science

- Capacity increase in both bio pharmaceutical and synthetic pharmaceutical/agrochemical, due to aggressive investments continued until previous fiscal year.

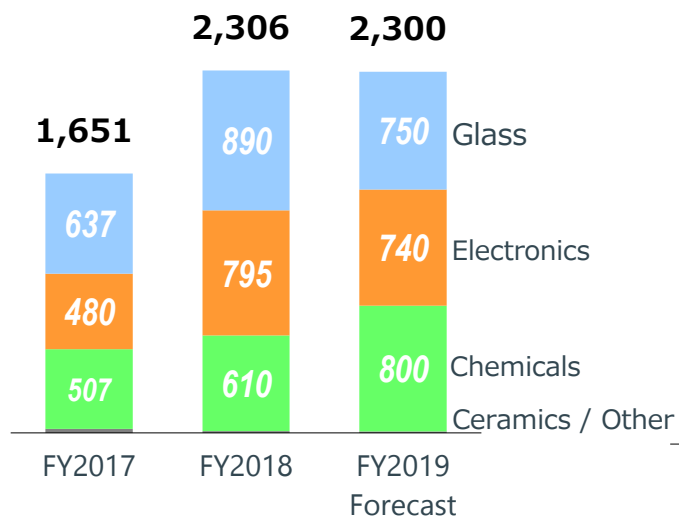
〔Operating profit〕 Increase

- Improvement in price spread of chlor-alkali products.
- Life science will expand its business size steadily.

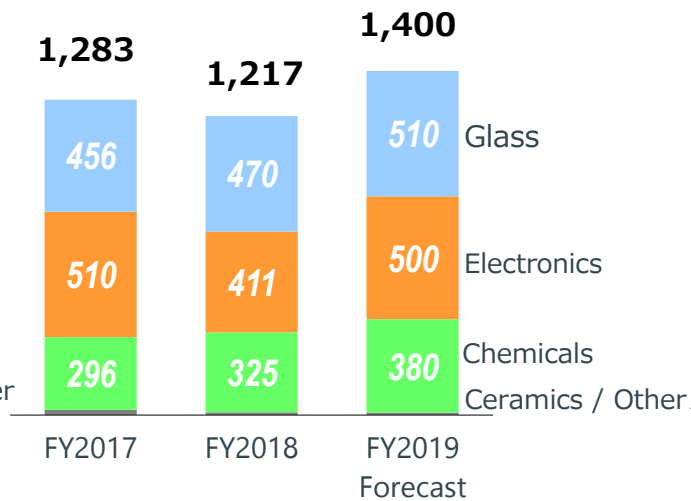
CAPEX / Depreciation / R&D

(100 million yen)

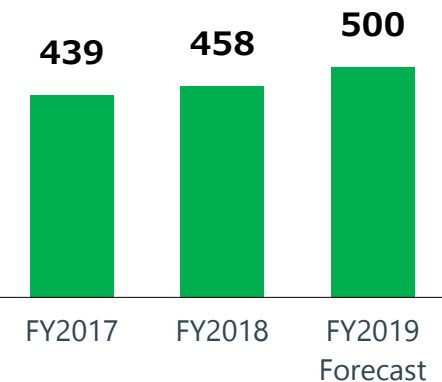
CAPEX



Depreciation

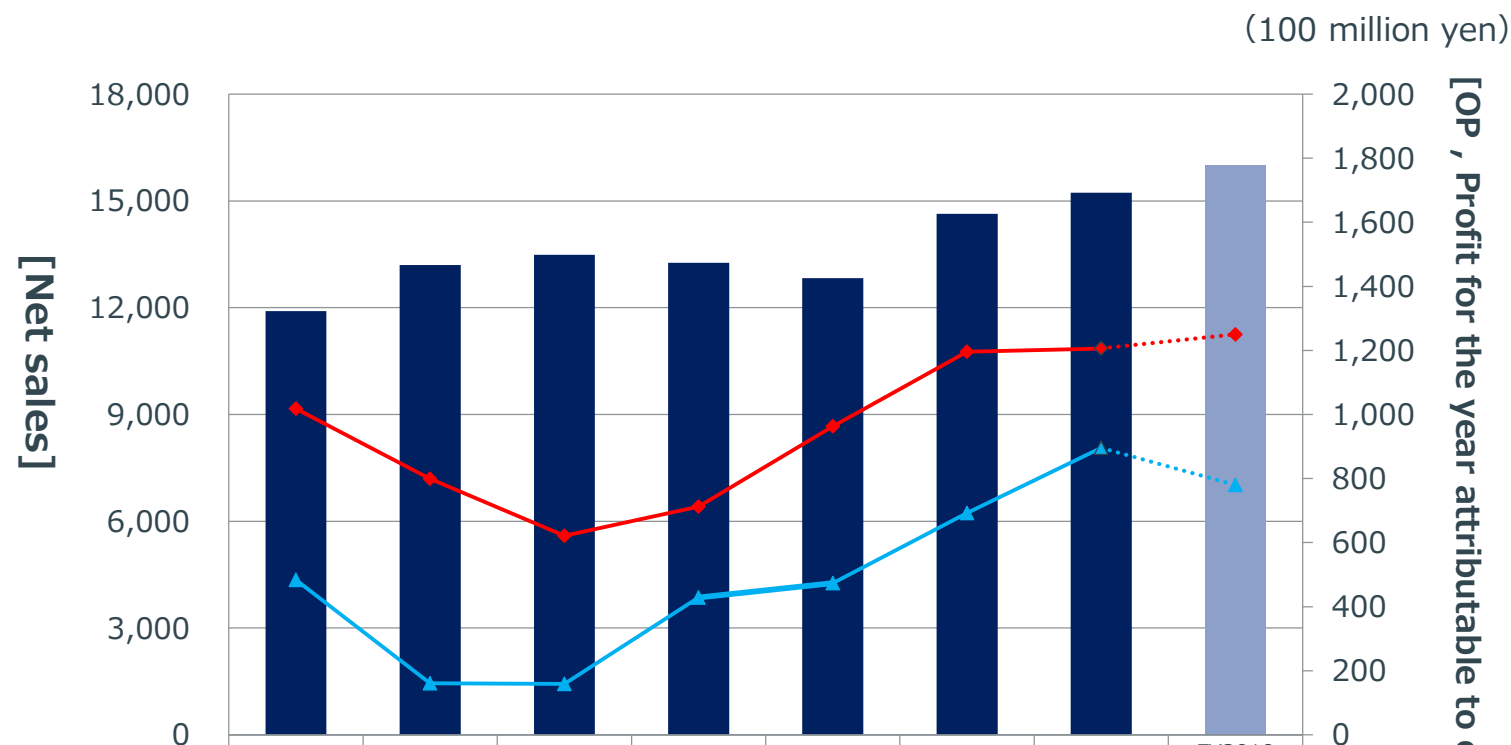


R&D



Appendix

Changes in the Financial Results



Net sales	11,900	13,200	13,483	13,263	12,826	14,635	15,229	16,000
Operating profit	1,018	799	621	712	963	1,196	1,206	1,250
Profit for the year attributable to owners of the parents	484	161	159	429	474	692	896	780
Operating profit margin	8.6%	6.1%	4.6%	5.4%	7.5%	8.2%	7.9%	7.8%
Dividend per share	¥130	¥90	¥90	¥90	¥90	¥105	¥115	¥120

(※) Dividend (per share) is adjusted to reflect the 5 into 1 share consolidation implemented on 1 July 2017.

[OP, Profit for the year attributable to owners of the parent]

		IFRS						
		12/12	13/12	14/12	15/12	16/12	17/12	18/12
Return on equity ^{*1}	%	5.8%	1.6%	1.4%	3.9%	4.3%	6.1%	7.7%
Return on assets ^{*2}	%	5.6%	4.0%	3.0%	3.5%	4.9%	5.7%	5.4%
Equity ratio	%	47%	51%	54%	55%	55%	53%	51%
Debt/Equity ratio	times	0.56	0.50	0.42	0.40	0.37	0.38	0.43
CF from Operating Activities/Interest-bearing debt	times	0.32	0.29	0.27	0.40	0.47	0.42	0.35
Earnings (per share) ^{*3}	Yen	209.51	69.85	68.85	185.60	205.14	302.12	399.51
EBITDA ^{*4}	100 million yen	2,000	1,866	1,859	2,284	1,958	2,499	2,594

*1 Return on equity = Profit for the year attributable to owners of the parent / Total equity attributable to owners of the parent (average)

*2 Return on assets = Operating profit / Total assets (average)

*3 Earnings (per share) is adjusted to reflect the 5 into 1 share consolidation implemented on 1 July 2017.

*4 Earnings before interest, tax, depreciation and amortization(EBITDA) = Profit before tax + Depreciation + Interest expenses

Exchange rates		FY2018					FY2019	
		1 Q	2 Q	3 Q	4 Q	Ave.	1 Q	Ave.
JPY / USD	Average	108.30	109.07	111.46	112.90	110.43	110.20	110.0*
	At quarter end	106.24	110.54	113.57	111.00	111.00	110.99	
JPY / EURO	Average	133.22	130.06	129.63	128.78	130.42	125.15	125.0*
	At quarter end	130.52	127.91	132.14	127.00	127.00	124.56	

*Assumption for FY2019.

Major Press Release in FY2019

Date	Summary
January 31	Launch sales of Glass Substrate for AR/MR Glasses
February 6	Notification of Dividends from Surplus (Dividend Increase)
February 13	Monolithic Refractory Product Brands Renamed to THERVEK™
February 19	AGC to acquire global operations of the Advanced Dielectric Division of US-based Taconic
February 20	AGC to Unveil Its “Emergence of Form” Installation at Milan Design Week 2019
March 4	AGC Completes Acquisition of Spanish Synthetic Pharmaceutical Active Ingredient Manufacturing Plant Malgrat Pharma Chemicals
March 5	AGC Honored with Global Contribution Award And Two Other Awards by Toyota Motor Corporation
March 18	AGC Established a Global Tri-polar R&D Framework for Automotive On-glass Antennas

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