

Financial Results for the Three Months ended March 31, FY2020



AGC Inc.

May 18, 2020

Your Dreams, Our Challenge

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Financial Results for 1Q 2020 :

		(YoY)
Net Sales	357.5 billion JPY	(▲4.1 billion JPY)
Operating profit	22.3 billion JPY	(+1.5 billion JPY)

- Deterioration of business performance in the automotive and architectural glass businesses due to the impact of COVID-19 were outweighed by the strong performance of electronic materials, LCD glass substrates, and life science business, resulting increase in OP, YoY.
- Impact from spread of COVID-19 on 1Q Financial Results
Net sales ▲10.0 billion JPY, operating profit ▲3.0~4.0 billion JPY

Forecast for 2Q FY2020 :

- Architectural and automotive glass businesses will have a significant impact from COVID-19.

Financial Results for the Three Months ended March 31, FY2020

1. Highlights of the Financial Results

Highlights of the Financial Results for Q1. FY2020



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(100 million yen)

	FY2019 1Q	FY2020 1Q	Change	Major factors in the change (+) Increasing factors (-) Decreasing factors
Net Sales	3,616	3,575*	▲ 41	(+) Electronic material, LCD glass substrates, and life science shipment increased (-) Sales of automotive glass declined Sales prices decline of architectural glass (excluding Japan) and LCD glass substrates fell Depreciation of EUR
Operating Profit	209	223	15	(+) full operation of G11 facility for LCD glass substrates (-) higher manufacturing costs due to operation adjustment of architectural glass facility in Europe.
Profit before tax	235	159	▲ 75	(-) foreign exchange loss in other expense
Profit for the period Attributable to owners of the parent	156	135	▲ 21	
Forex (Average)				
JPY/USD	110.20	108.92		
JPY/EUR	125.15	120.11		
Crude Oil (Dubai, Average)				
USD/BBL	63.53	50.74		

* FOREX impact was ▲5.8 billion JPY, change in the scope of consolidation was +3.9 billion JPY

YoY Performance Comparison by Business Segment

(100 million yen)

	FY2019		FY2020		Change	
	1Q		1Q			
	Net sales	Operation profit	Net sales	Operation profit	Net sales	Operation profit
Glass	1,861	35	1,693	▲ 26	▲ 168	▲ 61
Electronics	594	25	692	89	+ 98	+ 64
Chemicals	1,127	144	1,142	151	+ 14	+ 7
Ceramics/Other	185	6	197	9	+ 12	+ 4
Elimination	▲ 152	▲ 1	▲ 150	0	+ 3	+ 1
Total	3,616	209	3,575	223	▲ 41	+ 15

Impact from Spread of COVID-19 on 1Q Financial results **AGC**

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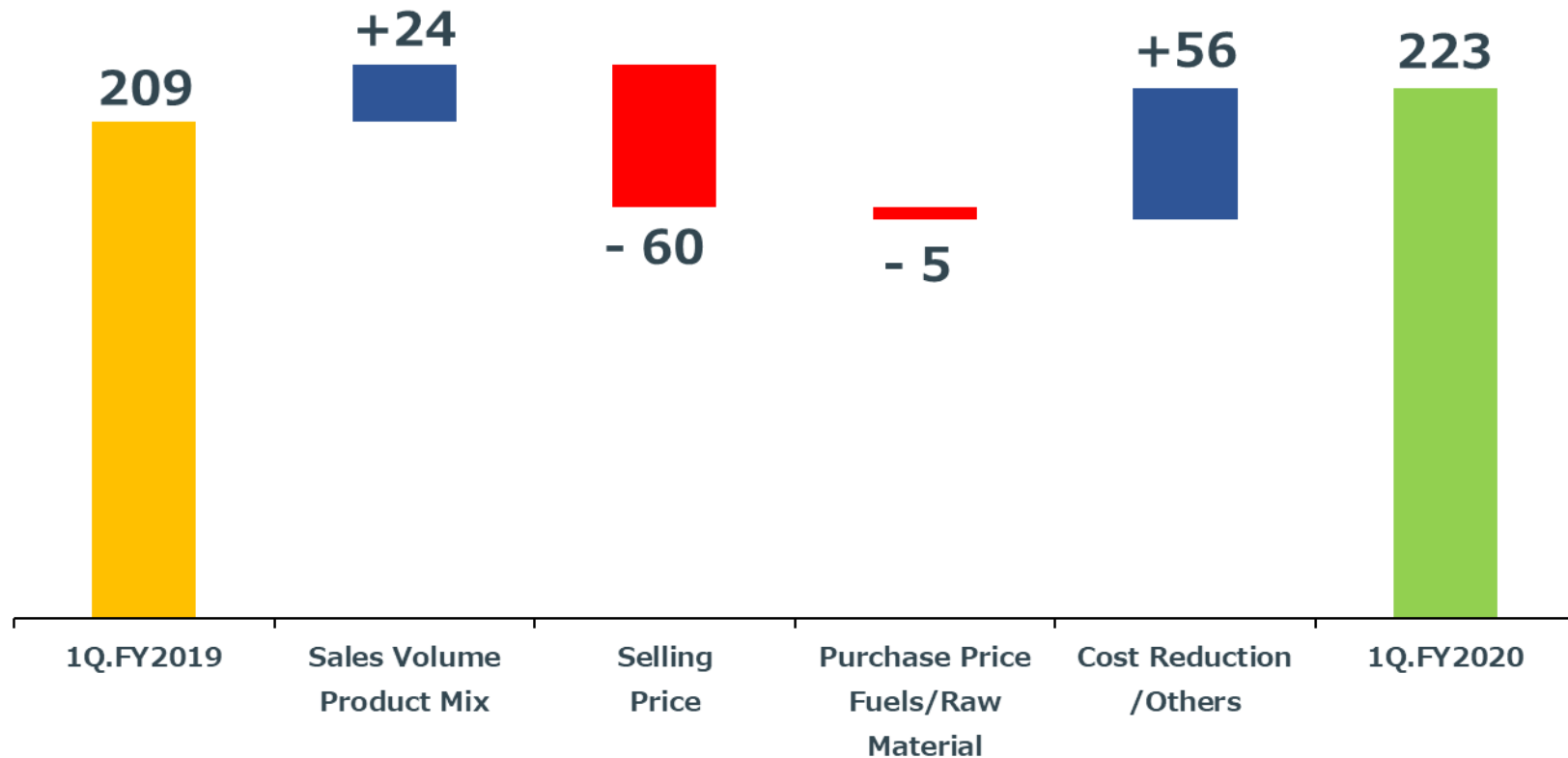
- 1Q impact is primarily on Automotive glass in China
- Full-scale operation adjustments in Architectural glass and Automotive glass from mid-March onward

Impact on AGC Group	
Glass	<p>Architectural Glass</p> <ul style="list-style-type: none"> • Japan & Asia: Production and shipments in Japan were generally in line with plans. In Asia, as there was full-scale economic stagnation and decline in demand from March onward, we adjusted operations. • Americas: Shipments in North America declined from March, and we adjusted operations from the end of March onward. Shipments in South America declined from end of March. • Europe: There was a marked decline in shipments from March onward, and we adjusted operations drastically from mid-March onward. <p>Automotive Glass</p> <ul style="list-style-type: none"> • China: We adjusted operations drastically between February and mid-March. • Japan & Asia (ex. China): We did not adjust operations in 1Q as the impact was minimal. • Europe & Americas: We began adjusting operations drastically from late March.
Electronics	<ul style="list-style-type: none"> • LCD glass substrates, semiconductor-related products, and optoelectronic materials: no impact on shipments. • Specialty glass for display applications: shipments declined drastically, affected by decrease in smartphone sales.
Chemicals	<ul style="list-style-type: none"> • No impact on operations.

Variance Analysis on OP (1Q.FY2020 vs. 1Q.FY2019)

1.5 bn JPY up from the same period last year

(100 million yen)



Consolidated Statement of Financial Position

(100 million yen)

	2019/12	2020/3	Change
Cash and cash equivalents	1,138	1,634	+ 496
Inventories	2,912	2,900	▲ 12
Property, plant and equipment, Goodwill and Intangible assets	13,516	13,171	▲ 345
Other assets	5,788	5,057	▲ 731
Total assets	23,354	22,763	▲ 591
Interest-bearing debt	6,028	6,501	+ 472
Other liabilities	4,500	4,317	▲ 182
Liabilities	10,528	10,818	+ 290
Total equity attributable to owners of the parent	11,571	10,731	▲ 840
Non-controlling interests	1,255	1,214	▲ 41
Equity	12,826	11,945	▲ 881
Total liabilities and equity	23,354	22,763	▲ 591
D/E ratio	0.47	0.54	

Trade receivables
▲25.2 billion yen
Financial assets
▲29.2 billion yen

Foreign exchange
fluctuation
▲76.3billion yen

Consolidated Statement of Cash Flow

	(100 million yen)	
	1Q	
	FY2019	FY2020
Profit before tax	235	159
Depreciation and amortization	335	366
Increase(decrease) in working capital	▲ 142	▲ 11
Others	130	129
Cash flows from operating activities	558	644
Cash flows from investing activities	▲ 479	▲ 494
Free cash flow	79	150
Changes in interest-bearing debt	213	523
Dividends paid	▲ 133	▲ 133
Others	▲ 7	18
Cash flows from financing activities	73	408
Effect of exchange rate changes on cash and cash equivalents	8	▲ 62
Net increase(decrease) in cash and cash equivalents	161	496

CAPEX, Depreciation and R&D

(100 million yen)

1Q

	FY2019	FY2020
CAPEX	426	517
Glass	164	133
Electronics	91	176
Chemicals	167	208
Ceramics/Other	5	0
Elimination	▲ 0	▲ 0
Depreciation	335	366
Glass	126	130
Electronics	112	120
Chemicals	87	105
Ceramics/Other	10	11
Elimination	▲ 0	▲ 0
R&D	111	111

【Major projects for CAPEX】

- New plant for cover glass for car-mounted displays in China /Glass
- Repairment for TFT glass substrates/ Electronics
- G11 investment in China/Electronics
- Capacity enhancement of Synthetic pharmaceutical /Chemicals
- Capacity enhancement on fluorochemical/ Chemicals

and others

【Major factors for increase in depreciation cost】

- Power plant in PT Asahimas Chemical, starting operation from 2Q 2019.

and others

※Full-year forecast for FY2020 on CAPEX, Depreciation, and R&D is subject to review.

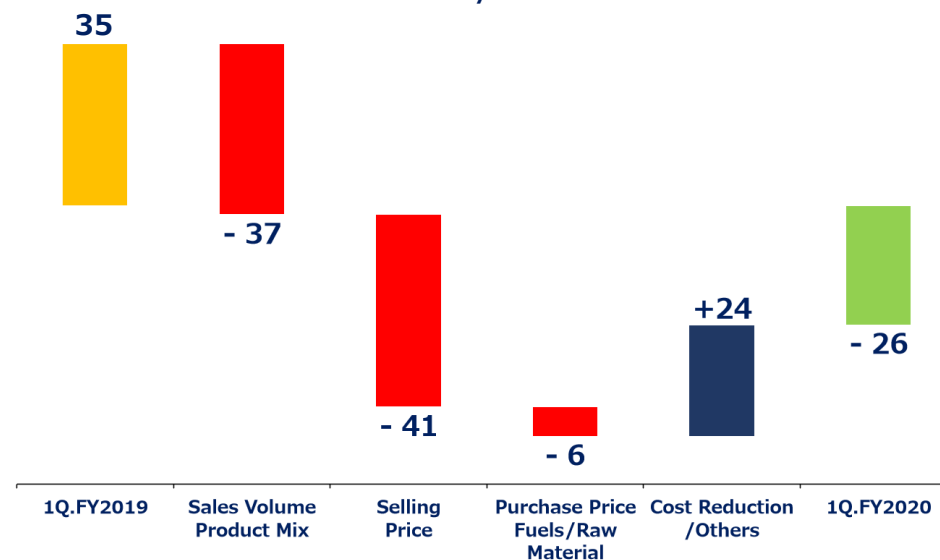
2. Business and Geographic Segments

(100 million yen)

	1Q		Change
	FY2019	FY2020	
Net sales	1,861	1,693*	▲ 168
Architectural Glass	857	801	▲ 55
Automotive Glass (Inter-segment)	1,001 4	889 3	▲ 112
Operating profit	35	▲ 26	▲ 61

* FOREX impact: ▲4.6 billion yen,
Change in the Scope of Consolidation: +0.1 billion yen

Variance Analysis on OP



〔Net sales〕 Decreased

Architectural Glass

- Decline in sales due to deterioration in market conditions, primarily in Europe, and impact from depreciation of EUR.

Automotive Glass

- Decline in sales due to decrease in automotive production in all regions, mainly China, and fall in Group shipments as well as impact from appreciation of JPY.

〔Operating profit〕 Decreased

Architectural Glass

- Decrease in OP due to higher manufacturing costs because of adjustments to Architectural glass manufacturing facility operations in Europe.

Automotive Glass

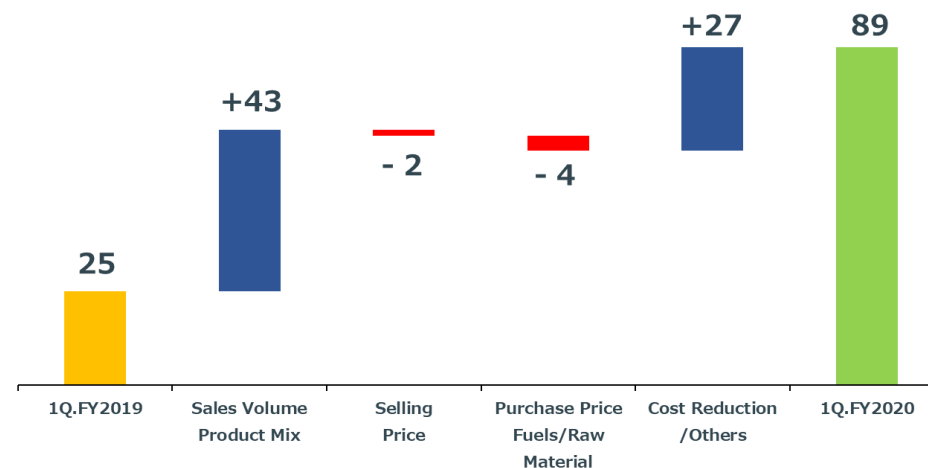
- Improvement in productivity in Japan for Automotive glass
- Decrease in depreciation due to recording of impairment loss in North America.

(100 million yen)

	1Q		Change
	FY2019	FY2020	
Net sales	594	692 *	+ 98
Display	398	433	+ 35
Electronic Materials (Inter-segment)	160	238	+ 77
	36	22	
Operating profit	25	89	+ 64

* FOREX impact: ▲0.1 billion yen,
Change in the Scope of Consolidation: +1.5 billion yen

Variance Analysis on OP



〔Net sales〕 Increased

Display

- Increase in LCD glass substrate shipments, price decline range shrinking
- Decline in shipments of Dragontail® for specialty glass for display applications.

Electronic materials

- Increase in shipments of optoelectronic materials and semiconductor-related products(i.e. EUVL mask blanks)
- Printed circuit board business of Taconic newly consolidated.

〔Operating profit〕 Increased

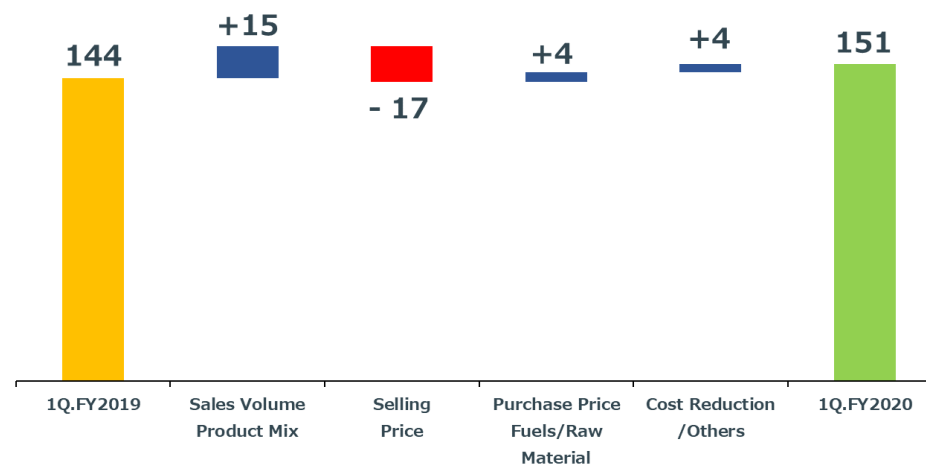
- Full operation of G11 facility for LCD glass substrates.
- Increase in shipments of optoelectronic materials and semiconductor-related products(i.e. EUVL mask blanks)

(100 million yen)

	1Q		Change
	FY2019	FY2020	
Net sales	1,127	1,142*	+ 14
Chlor-alkali & Urethane	705	695	▲ 10
Fluorochemicals & Specialty	287	283	▲ 5
Life science	132	160	+ 28
(Inter-segment)	3	4	
Operating profit	144	151	+ 7

* FOREX impact: ▲1.0 billion yen,
Change in the Scope of Consolidation: +2.2 billion yen

Variance Analysis on OP



{Net sales} Increased

Chlor-alkali & Urethane

- Decrease in selling price of caustic soda in Southeast Asia.

Fluorochemicals & Specialty Chemicals

- Decrease in shipments of fluoro resins for semiconductor and aircraft-related products.

Life science

- Increase in number of contracts in biopharmaceuticals
- Malgrat Pharma Chemicals newly consolidated.

{Operating profit} Increased

- Decrease in selling price of caustic soda in Southeast Asia.
- Increase in sales of synthetic pharmaceuticals

<Ratio of sub-segment to the operating profit* of Chemicals Segment>

	19/1Q	20/1Q
Chlor-alkali & Urethane	60%	50%
Fluorochemicals & Specialty	30%	30%
Life science	10%	20%

*Before allocation of common costs.

Profit contribution of Strategic Business

- Limited impact from spread of COVID-19, OP growing steadily

Sales of Strategic business

100 million JPY

Major products & businesses

Mobility

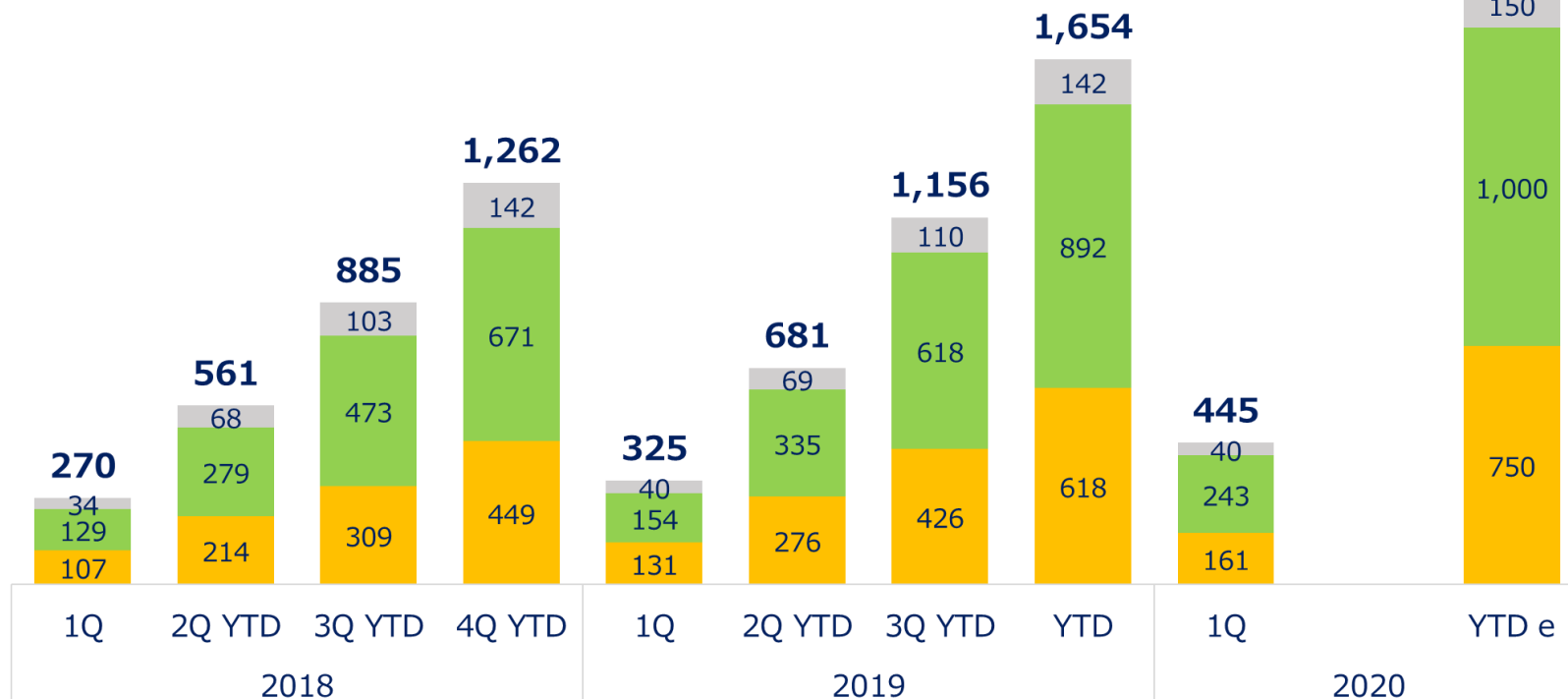
- Cover glass for car-mounted displays
- New materials for mobility, including 5G communications

Electronics

- Semiconductor-related products
- Optoelectronics materials
- Next-generation high-speed communication related products
- Fluorinated products for electronics

Life Science

- Synthetic pharmaceutical and agrochemical
- Bio CDMO



	2018	2019	2020
OP (strategic business)	36	84	300*
Contribution ratio	12%	26%	—

(100m JPY)

* The figures have been revised from those announced on February 5, 2020.

YoY Performance Comparison by Geographic Segment

(100 million yen)

1Q

	FY2019	FY2020	Change
Net sales	3,616	3,575	▲ 41
Japan & Asia	2,341	2,375	+ 34
Americas	428	390	▲ 38
Europe	847	810	▲ 37
Operating profit	209	223	+ 15
Japan & Asia	240	279	+ 38
Americas	21	8	▲ 14
Europe	41	26	▲ 15
Cross-regional common expenses	▲ 94	▲ 89	+ 5

FOREX impact :
▲ 5.8 bn JPY

Change in the scope
of consolidation :
+ 3.9 bn JPY

Outlook for FY2020

- With many uncertain factors that will affect business results due to the spread of the novel coronavirus disease (COVID-19), the figures of business results forecast and the dividend forecast announced on February 5, 2020 will be under review.
- Forecast will be announced once reasonable estimation can be made.
- Based on currently available information, the forecast for the first half of FY2020 is as follows.

	FY2019		FY2020e As of Feb 5, 2020		FY2020e revised
	1st half	full-year	1st half	full-year	1st half
Net sales	7,375	15,180	7,500	15,500	6,500
Operating profit	415	1,016	500	1,200	250
Profit before tax		762		1,070	Under review
Profit for the year attributable to owners of the parent		444		690	
Dividend (JPY/share)	60	120	65	130	—
FOREX(Average)					
JPY/USD	110.1	109.1	110.0		107.0
JPY/EUR	124.3	122.1	120.0		117.6
Crude oil (Dubai, average)					
USD/BBL	65.4	63.5	60.0		40.0

2Q Outlook by Segment

(100 million yen)

	FY2019 1-2Q		FY2020 1-2Qe		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass	3,752	74	2,800	▲ 215	▲ 952	▲ 289
Electronics	1,246	60	1,400	170	+ 154	+ 110
Chemicals	2,285	262	2,200	280	▲ 85	+ 18
Ceramics/Other	404	20	400	15	▲ 4	▲ 5
Elimination	▲ 312	▲ 1	▲ 300	0	+ 12	+ 1
Total	7,375	415	6,500	250	▲ 875	▲ 165

Current situation for Each Business (As of May 18, 2020) **AGC**

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- Business activity in China and Architectural glass processing operations in Europe are recovering.
- In several businesses other than the aforementioned, shipments are expected to decline, impacted by demand and production adjustment by customers.
- The impact on the Glass business is particularly significant, with a significant downward trend in earnings.

Glass	<p>Architectural Glass</p> <ul style="list-style-type: none"> • Japan & Asia: There is nearly no impact in Japan. Decrease in demand is being seen in Asia due to effect of economic stagnation. • Americas: After bottoming out in April, we expect shipments to gradually recover from May. South America continues to adjust its operations. • Europe: With a significant decrease in demand, we drastically adjusted operations. We expect operations to gradually recover from May onwards, with the gradual lifting of the lockdown in European countries from May. <p>Automotive Glass</p> <ul style="list-style-type: none"> • China: Operations are starting to recover and are at pre-Chinese New Year level in May. • Japan & Asia (ex. China): In Japan, we started to adjust operation in late April and is still ongoing. In Thailand and Indonesia, we started to adjust operation drastically in April and is still ongoing. • Europe and Americas: In April, all facilities underwent a major operation adjustment, and in May, some facilities resumed operations.
Electronics	<ul style="list-style-type: none"> • LCD glass substrates: shipment has not been significantly affected until now. • Specialty glass for display applications: shipments are expected to recover from 2Q as customers' operations in China recover. • Semiconductor-related products, and optoelectronic materials: no impact on shipments and operations.
Chemicals	<ul style="list-style-type: none"> • Chlor-alkali & Urethane: Shipments and sales prices are falling due to the impact of the lockdown in Asian countries • Fluorochemicals & Specialty Chemicals: Shipments of some products, such as for automotive, aircraft, and construction are down. • Life science: Demand is strong and there is no significant impact on both shipments and operation.

1. Measures to prevent disease infection

- Priority on safety of the AGC Group's stakeholders, including employees and their families, and business partners, etc.
- Thoroughly implement measures to prevent disease infection at sites where production activities continue.

2. Ensure liquidity in hand

- Adequate cash has been secured through bank loans, etc. by end of April. Approximately 200 billion JPY cash has been accumulated compared to end of Dec. 2019.

3. Reduction of investment and expenses

- Continue to invest in growth business with a focus on strategic business.
- In other areas, try to reduce investments and cost as much as possible.

4. Business activities

Life science

- CDMO contract for Leronlimab developed by CytoDyn, which clinical trials as a COVID-19 treatment have been commenced in the United States. The company is also partnering with AdaptVac for development and manufacture of a COVID-19 vaccine. Further CDMO contracts related to COVID-19 are in progress for multiple contracts.
- AGC Biologics has joined the European COVID-19 vaccine development consortium.

Other

- Supply of sodium hypochlorite used in disinfectants and drinking water disinfectant.
- Enhance supply of polycarbonate resin for partitions to prevent splash infection, etc.



5. Local communities

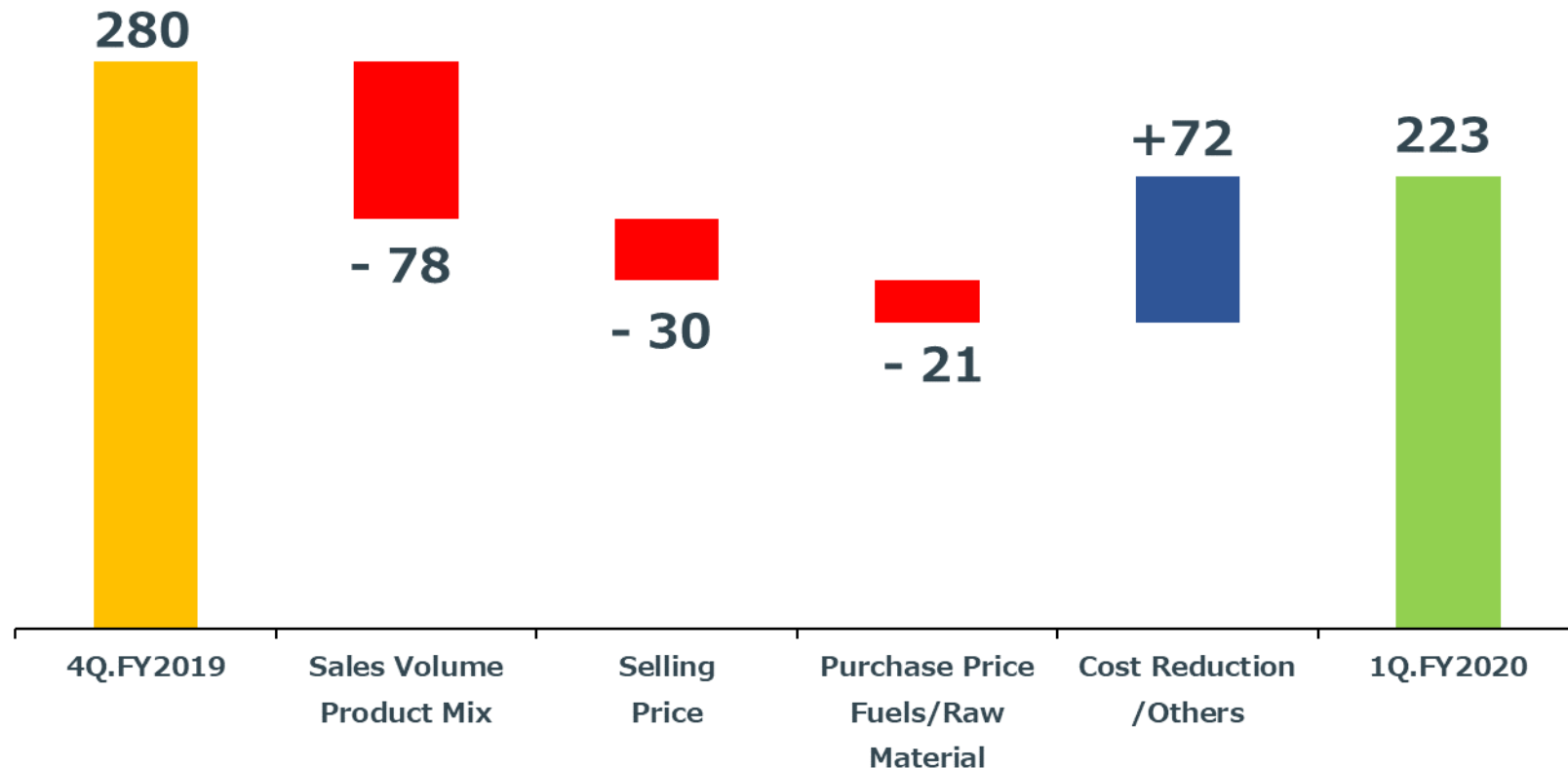
- Supply of protective equipment to medical institutions in Japan and overseas, as local community activities.

Appendix

Variance Analysis on OP (1Q.FY2020 vs. 4Q.FY2019)

5.7 bn JPY down from last quarter

(100 million yen)



(100 million yen)

		Japan & Asia	Americas	Europe	Inter- segment	Total	
Glass	Flat glass	1 Q .FY2020	291	99	412	-	801
		1 Q .FY2019	284	112	461	-	857
	Automotive glass	1 Q .FY2020	465	160	264	-	889
		1 Q .FY2019	528	175	298	-	1,001
		1 Q .FY2020	756	259	675	3	1,693
		1 Q .FY2019	811	287	760	4	1,861
Electronics		1 Q .FY2020	620	48	3	22	692
		1 Q .FY2019	516	40	2	36	594
Chemicals		1 Q .FY2020	924	83	132	4	1,142
		1 Q .FY2019	938	101	84	3	1,127
Ceramics/Other		1 Q .FY2020	76	-	-	121	197
		1 Q .FY2019	76	-	-	109	185
Elimination		1 Q .FY2020	-	-	-	▲ 150	▲ 150
		1 Q .FY2019	-	-	-	▲ 152	▲ 152
Total Net Sales		1 Q .FY2020	2,375	390	810	-	3,575
		1 Q .FY2019	2,341	428	847	-	3,616

Trend of shipment and price

				2019				2020	
				1Q	2Q	3Q	4Q	1Q	
YoY comparision									
Glass	Architectural (AGC)	Japan & Asia	shipment	-high single-digit	flat	-low single-digit	flat	+ low single-digit	
			price (Japan)	+mid single-digit	+mid single-digit	+low single-digit	+low single-digit	+low single-digit	
		North America	shipment	-low single-digit	+mid single-digit	+low single-digit	-high single-digit	-high single-digit	
			price	flat	-low single-digit	-mid single-digit	-mid single-digit	-high single-digit	
	Europe	shipment	+low single-digit	+low single-digit	-low single-digit	-low single-digit	flat		
		price	-low single-digit	-low single-digit	-low single-digit	-high single-digit	-low 10% range		
	Automobile production* ¹	Japan	volume	+0%	+5%	+5%	-10%	-7%	
		North America	volume	-3%	-3%	-1%	-9%	-10%	
		Europe	volume	-5%	-8%	-0%	-4%	-19%	
Electronics	Display panel demand* ²	Global	area	+6%	+6%	+3%	+4%	-5%	
Spot market price									
Chemicals	Chlor-alkali (Southeast Asia)* ³	Caustic soda	price	USD/MT	384	390	340	316	293
		PVC	price	USD/MT	882	847	872	832	845
		Ethylene	price	USD/MT	985	798	787	742	645

*¹ Source : IHS Markit data as of April 27, 2020.

*² Source : Omdia, display-long-term-demand-forecast-tracker-pivot-q4-2019.

Results are not an endorsement of AGC Inc. Any reliance on these results is at the third-party's own risk.

*³ Source : Bloomberg

Business Performance

(100 million yen)

Glass	1Q.18	2Q.18	3Q.18	4Q.18	1Q.19	2Q.19	3Q.19	4Q.19	1Q.20
Net Sales	1,943	1,934	1,868	1,953	1,861	1,890	1,840	1,837	1,693
Architectural Glass	867	879	878	964	857	890	875	905	801
Automotive Glass	1,073	1,052	987	985	1,001	996	963	923	889
(Inter Segment)	3	3	3	4	4	5	3	9	3
Operating profit	77	78	29	44	35	39	23	▲ 4	▲ 26

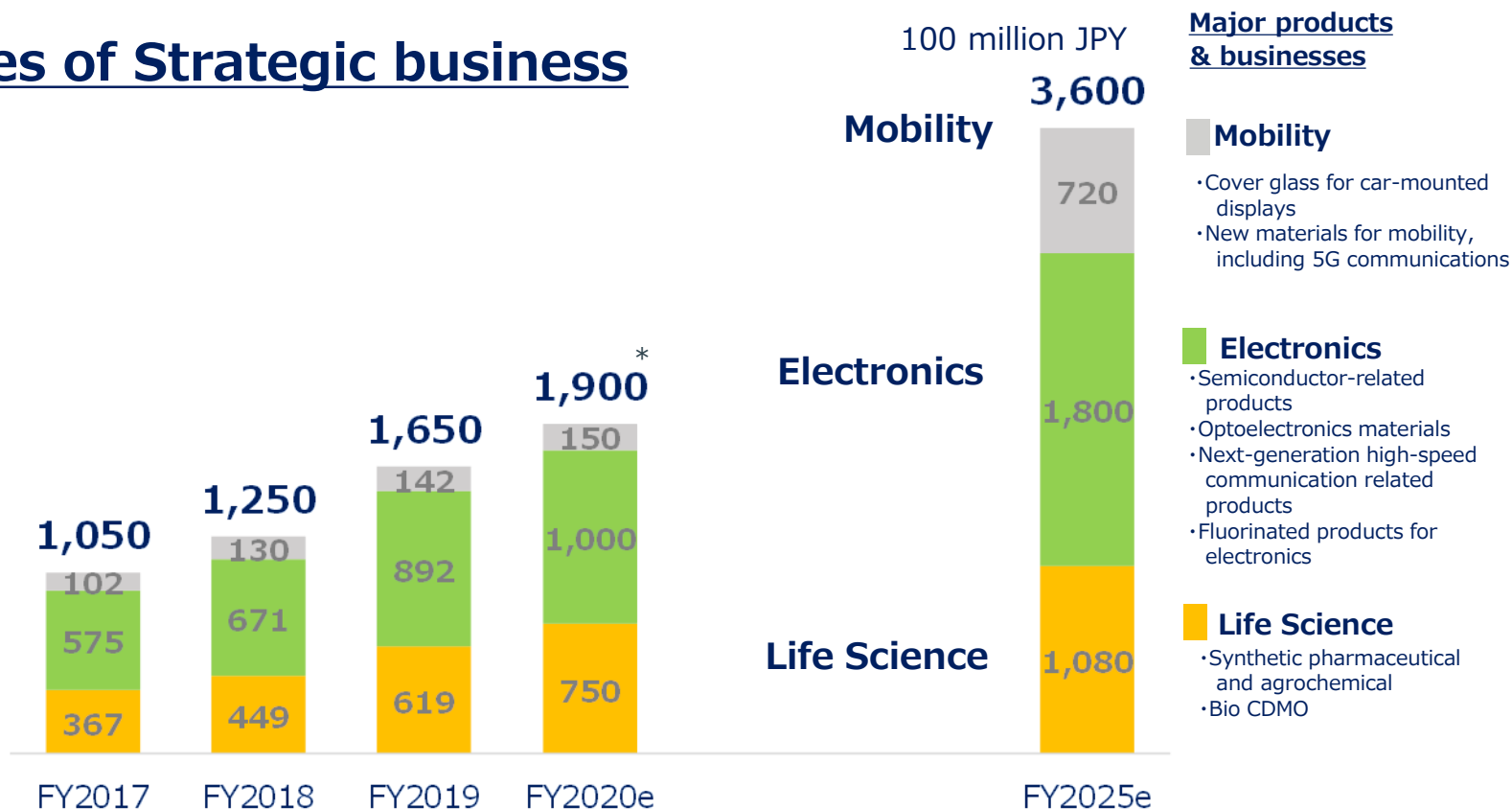
Electronics	1Q.18	2Q.18	3Q.18	4Q.18	1Q.19	2Q.19	3Q.19	4Q.19	1Q.20
Net Sales	560	603	646	670	594	652	761	760	692
Display	419	424	431	436	398	441	449	460	433
Electronic Materials	135	150	184	199	160	185	283	276	238
(Inter Segment)	6	29	30	34	36	26	28	24	22
Operating profit	57	41	61	78	25	35	109	87	89

Chemicals	1Q.18	2Q.18	3Q.18	4Q.18	1Q.19	2Q.19	3Q.19	4Q.19	1Q.20
Net Sales	1,148	1,150	1,252	1,295	1,127	1,158	1,197	1,275	1,142
Chlor-alkali & Urethane	747	744	848	827	705	710	745	768	695
Fluorochemicals & Specialty	287	285	304	328	287	299	302	311	283
Life science	110	107	96	136	132	146	147	193	160
(Inter Segment)	3	13	3	3	3	4	4	3	4
Operating profit	170	167	166	209	144	118	177	191	151

Profit contribution of Strategic Business

■ Limited impact from spread of COVID-19, OP growing steadily

Sales of Strategic business



OP (strategic business)	120	210	265	300*	900	(100m JPY)
Contribution ratio	10%	17%	26%	-	40%	

* The figures have been revised from those announced on February 5, 2020.

		IFRS				
		15/12	16/12	17/12	18/12	19/12
Net sales	Million JPY	1,326,293	1,282,570	1,463,532	1,522,904	1,518,039
Operating profit	Million JPY	71,172	96,292	119,646	120,555	101,624
OP margin	%	5.4	7.5	8.2	7.9	6.7
Attributable to owners of the parent	Million JPY	42,906	47,438	69,225	89,593	44,434
Return on equity (ROE) *1	%	3.9%	4.3%	6.1%	7.7%	3.9%
Return on assets (ROA) *2	%	3.5%	4.8%	5.7%	5.4%	4.4%
Equity ratio	%	55%	55%	53%	51%	50%
D/E (Interest-bearing debts ÷ Net assets)	times	0.40	0.37	0.38	0.43	0.47
CF from Operating Activities/Interest-bearing debt	times	0.40	0.47	0.42	0.35	0.32
Earnings per share(EPS) *3	JPY	185.60	205.14	302.12	399.51	200.85
Cash dividends per share	JPY	90	90	105	115	120
EBITDA *4	Million JPY	228,381	195,767	249,880	259,425	231,857
Exchange rates (average)	JPY/USD	121.05	108.84	112.19	110.43	109.05
	JPY/EUR	134.31	120.33	126.66	130.42	122.07

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

*2 Operating profit/Total assets(average)

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

*4 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) = Profit before taxes + Depreciation + Interest expenses

For other financial indicators, please see here. https://www.agc.com/ir/pdf/data_all.pdf

Major Press Release in FY2020

Date	Summary
February 4	AGC Recognized for Its Water Risk Initiatives, Named to the CDP "Water Security A List 2019", the Highest Rank
February 26	New Centrifugal Chiller Model Using New Environment-Friendly Refrigerant Adopted at the Japan National Stadium
May 12	AGC Introduces "Pallet IoT System" to Improve Logistics Efficiency
May 17	AGC Decides to Launch Voluntary Tender Offer for Shares of Molmed
May 19	AGC Selected for Stanford Graduate School of Business Case Study
April 3	AGC FILED OFFER DOCUMENT FILED WITH CONSOB
April 7	AGC to Expand its Spanish Synthetic Pharmaceutical Production Base
May 8	AGC's BIPV product Adopted for Takanawa Gateway Station
May 14	AGC to Manufacture COVID-19 Vaccine for AdaptVac
May 14	CytoDyn's New Drug Candidate for COVID-19 'Leronlimab', Manufactured by AGC, to Begin Clinical Trials in the US



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END

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