

Publication for Communication with Shareholders

AGC Review

The AGC logo is displayed in a white box on the right side of the cover. It consists of the letters 'AGC' in a bold, blue, sans-serif font, with a small red square positioned above the letter 'C'.

Vol. 37 [Newsletter for Shareholders]
Issued in September 2020



Focus

**The Life Science Business:
Helping to Achieve a Healthy Society**



President and CEO
Takuya Shimamura

We will accelerate initiatives for business transformation and improve earnings looking ahead to a post-COVID-19 world.

I would like to express my deepest condolences and sympathies to those affected by COVID-19, and my sincere appreciation to all those who are working on the prevention and providing medical treatment.

Looking back on our performance in the first half of fiscal 2020, we recorded a decrease in both sales and profit due to a decline in demand in our Glass business from the impact of the COVID-19 pandemic and a drop in sales prices for chlor-alkali products in our Chemicals business. AGC's response to COVID-19 will include rebuilding our manufacturing system in the Glass business to match demand trends and push forward with our transformation toward a business portfolio that is not swayed by economic trends by continuing to invest intensively in strategic businesses with growth potential. In addition, we will aggressively advance digital transformation (DX) and innovate our businesses to position ourselves for a post-COVID-19 world.

Although our earnings in the first half of the fiscal year were as I described above, we have set an interim dividend of 60 JPY per share. We intend to decide the year-end dividend after considering the future business environment and earnings outlook. We thank you for your understanding.

Performance Highlights

First Half of Fiscal 2020

Net sales

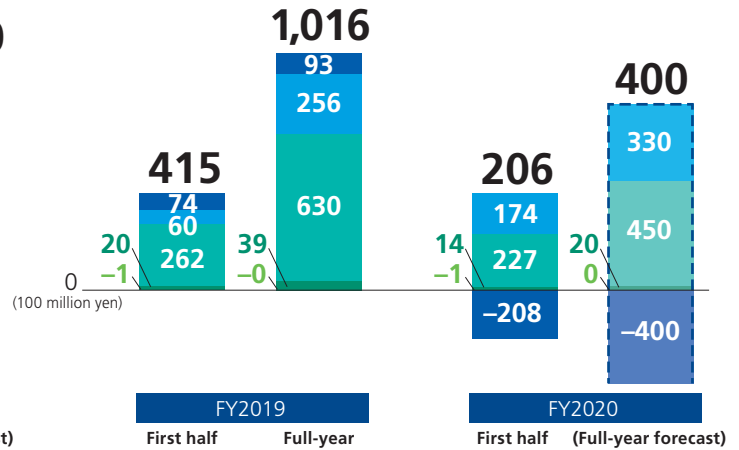
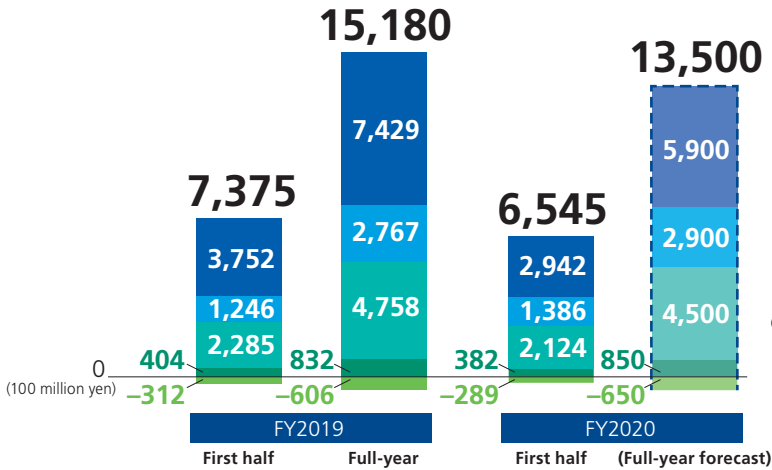
654.5 billion JPY
(down 11.2% YoY)

Operating profit

20.6 billion JPY
(down 50.4% YoY)

Sales by segment

Operating profit by segment



Segment

● Glass ● Electronics ● Chemicals ● Ceramics/Other ● Corporate or elimination

Overview of segment earnings in the first half of fiscal 2020

Glass

[Net sales] Decrease
(Impact of COVID-19: -72 billion JPY)
[Operating profit] Decrease
(Impact of COVID-19: -27 billion JPY)

Demand for architectural glass and automotive glass declined due to the impact of the COVID-19 pandemic, which led us to make major adjustments to utilization rates at manufacturing facilities. In addition, the impact of a slump in sales prices for architectural glass in Europe and other factors contributed to a year-on-year decline in both sales and profits.

Electronics

[Net sales] Increase
(Impact of COVID-19: -4 billion JPY)
[Operating profit] Increase
(Impact of COVID-19: -1.5 billion JPY)

Shipments of displays and electronic materials were firm and offset a decline in sales prices of some products. Furthermore, sales and profits rose in part thanks to the contribution of the Copper Clad Laminated business acquired last year.

Chemicals

[Net sales] Decrease
(Impact of COVID-19: -23 billion JPY)
[Operating profit] Decrease
(Impact of COVID-19: -8 billion JPY)

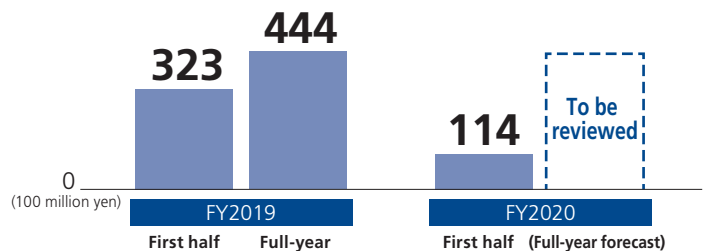
The number of contracts for outsourced manufacturing and development increased in the Life Science segment. That said, sales prices of chlor-alkali products declined in Southeast Asia owing to the impact of the COVID-19 pandemic. Furthermore, sales of fluorinated products targeted automotive, aircraft, and other transportation equipment and for construction applications declined, resulting in a year-on-year decrease in both sales and profits.

The impact of COVID-19 is based on a trial calculation.

Profit for the period attributable to owners of the parent

11.4 billion JPY
(down 64.6% YoY)

Profit decreased due to a decline in operating profit. We will disclose our full-year forecasts when it is possible to make rational calculations, since the booking of additional charges for structural reforms, etc., is uncertain at the current time.



Progress of strategic businesses

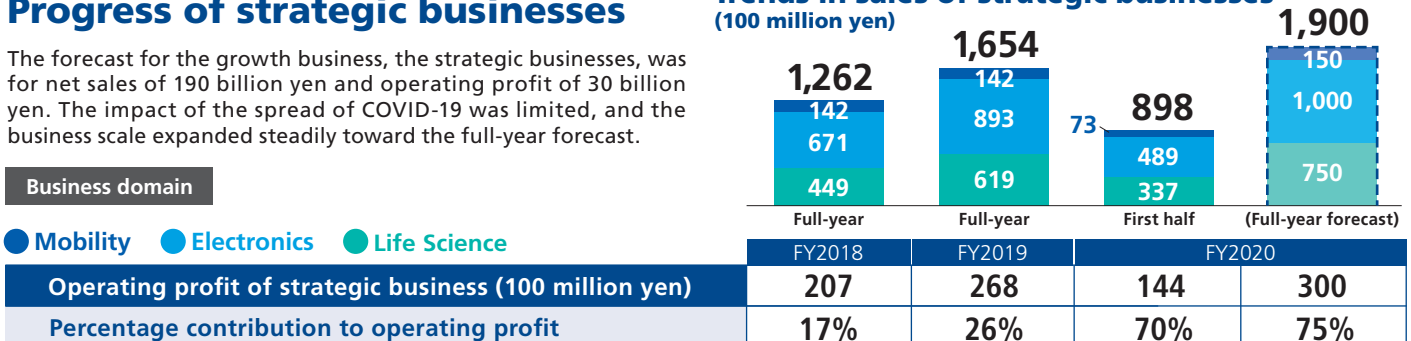
The forecast for the growth business, the strategic businesses, was for net sales of 190 billion yen and operating profit of 30 billion yen. The impact of the spread of COVID-19 was limited, and the business scale expanded steadily toward the full-year forecast.

Business domain

● Mobility ● Electronics ● Life Science

Trends in sales of strategic businesses

(100 million yen)



AGC Group's Long-term Management Strategies

To realize our Vision 2025, we will designate “strategic businesses” and “core businesses” and enhance our corporate value by promoting sustainability management that supports their growth.

This time, we will focus on the Life Science business, a strategic business for AGC.



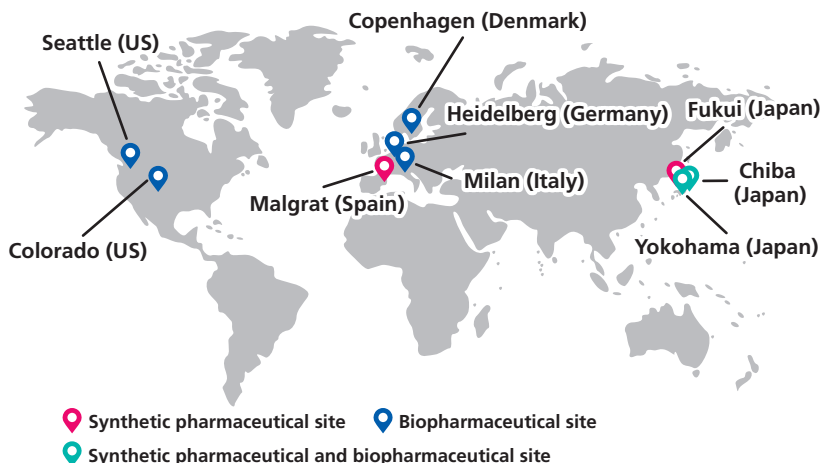
What is the CDMO business within the Life Science domain?

There is a trend toward outsourcing the development of production processes and manufacturing by pharmaceutical companies as they focus their resources on new drug development. The CDMO business contracts the roles from development of production processes for drugs through to their manufacturing. AGC has a strong image for being a glass company. However, AGC's CDMO business traces its roots to 1985 when it began contracting the development of synthetic drugs and agrichemicals as an offshoot of its fluorine chemical technologies in its Chemicals business. In 2016, the Life Science business, which includes the CDMO business, was positioned as one of AGC's strategic businesses and was the focus of intensive M&A and facility enhancement. Today, the CDMO business operates globally, centering on three hubs in Japan, the United States, and Europe, and contributes to pharmaceutical companies, patients, and society.

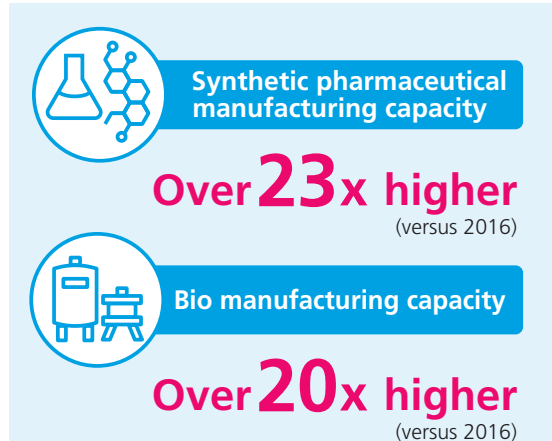
Business domains of the CDMO business



CDMO business sites in the AGC Group



A look at AGC's CDMO business in numbers



CDMO is a company which is contracted or acts on behalf of another company to handle product manufacturing as well as the development of manufacturing processes.

Here we introduce our initiatives related to Sustainability, which underpins growth and value creation in our strategic businesses.

The Life Science business will expand its CDMO business for pharmaceuticals through proactive acquisitions and capital investment. We will contribute to the health and affluence of people around the world through the stable supply of pharmaceuticals.

Topics

Contributing to realization of healthy societies worldwide and responding to growing demand for pharmaceuticals

1 Acquisition of Biopharmaceutical Commercial Facility in the US

The biopharmaceutical CDMO business is enjoying steady growth in the number of contracts received. An increasing number of contracts already won are moving from clinical trials to the commercialization stage. To support this, AGC acquired biopharmaceutical commercial facility owned by AstraZeneca PLC in Colorado, in the United States. With this acquisition, we have added two lines optimized for the commercialization stage and substantially expanded AGC's production capacity for biopharmaceuticals.

(To be fully operational from April 2021)



Colorado plant (US)

2 Decision to expand facilities at a synthetic pharmaceutical production site in Spain

The CDMO market for synthetic pharmaceuticals is growing steady, but AGC's order growth is outpacing the market. The March 2018 acquisition of Boehringer Ingelheim's synthetic pharmaceutical manufacturing site in Spain was aimed at addressing robust demand. We have renovated manufacturing facilities and boosted production capacity for bulk synthetic pharmaceuticals and are also building a new R&D facility. The new R&D building and expanded facilities are expected to be fully operational in March 2021 and May 2022, respectively.



Synthetic pharmaceutical manufacturing site in Spain



New research building in Spain

Here we introduce growth and value-creation initiatives in the core businesses.

Topics

Contributing to expanding the potential of 5G telecom by adding radio wave reception/transmission functionality to glass

Development of glass antenna wins award for achievement in radio waves

AGC has leveraged its materials development technologies and antenna design technologies to successfully develop transparent glass antennas that convert building windows into base stations as well as 5G-compatible glass antennas for vehicle use. Such activities were recognized for making a major contribution to the effective use of radio waves and received the 31st Radio Wave Achievement Award from the Association of Radio Industries and Businesses (ARIB).



WAVEATTOCH™ architectural glass antenna



A 5G-compatible glass antenna for vehicle use

Topics

Contributing to the realization of comfortable mobility spaces

Light control glass WONDERLITE™ Dx debuts worldwide in Toyota's new Harrier SUV

The new Harrier SUV is the world's first* mass-produced car to be equipped with AGC's WONDERLITE™ Dx light control glass.

By softening the sun's glare in dimmed mode (opaque state) and providing a wide sense of openness in transparent mode (clear state), this product realizes a vehicle interior that allows pleasant light to pour in from the sunroof all year round.



Dimmed mode



Transparent mode

*Targeted at exterior glass for vehicles based on AGC research

To contribute to preventing the spread of COVID-19 and to ending the pandemic, AGC has received numerous contracts from pharmaceutical companies to manufacture vaccines and drug therapies for COVID-19.

Vaccine-related contracts

Vaccines weaken the toxicity of pathogens or make them innocuous. Receiving vaccinations creates immunity against a disease even if it is not contracted and can prevent one from falling ill even if a pathogen enters the body or keep symptoms minor. The following are examples of contracted work. (as of end-July 2020)

AdaptVac (Denmark)
Manufacture of a VLP vaccine candidate for COVID-19

Manufacture of an intermediate for a COVID-19 DNA vaccine candidate for Takara Bio Inc. (Japan)

Manufacture of an adjuvant of a COVID-19 nanoparticle vaccine candidate for Novavax, Inc. (US)

Contracts related to drug therapies

Drug therapies are medicines used to alleviate symptoms or deter conditions from worsening in patients who are already infected. The following are examples of contracted work. (as of end-July 2020)

Leronlimab, a candidate for the treatment of COVID-19, being developed by CytoDyn Inc. (US) (Clinical trials are under way in the United States.)

Manufacture of MP0420, a drug candidate for the treatment of COVID-19, for Molecular Partners AG (Switzerland) (clinical trials to begin from the second half of 2020)

Corporate Outline

Company name: AGC Inc.

Founded: September 8, 1907

Incorporated: June 1, 1950

Capital: ¥90,873,373,264

Head office:

Shin-Marunouchi Building, 1-5-1 Marunouchi,
Chiyoda-ku, Tokyo 100-8405

Phone: +81-3-3218-5096

Number of consolidated subsidiaries:

213 (including 176 companies overseas)

Information about Shares

Fiscal year: January 1 to December 31

Ordinary general shareholders' meeting: March
Shareholder registration date for entitlement to exercise:

Voting rights at ordinary general shareholders' meeting: December 31

Rights to receive annual dividend payment: December 31

Rights to receive interim dividend payment: June 30

Public notice: Electronic public notices
<https://www.agc.com/en/>

Shareholder Registrar/Special Account Administrator:

Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Contact:

Phone: 0120-232-711 (toll free within Japan)

Mailing address:

P.O. Box 29, Shin Tokyo Post Office,
Tokyo 137-8081

Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation

State of Shares

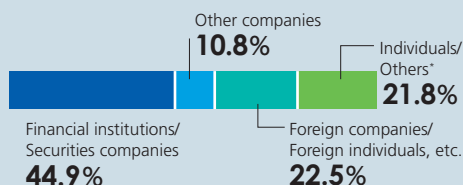
Number of shares outstanding: 227,441,381

Number of shareholders: 76,908

Shareholders who own shares of one unit or more:
68,665

Shareholder Composition

(Shareholders who own one unit or more)



*Including 2.6% treasury shares

Payment of dividends:

As stated in the Articles of Incorporation, dividends not claimed within five years from the starting date of payment are no longer payable. We therefore urge shareholders to claim all payable dividends at the earliest convenient date.

Dividends that the shareholder has not received will be paid at the Mitsubishi UFJ Trust and Banking Corporation.

To shareholders owning shares constituting less than one unit:

Shareholders owning shares constituting less than one unit (1-99 shares) of AGC may request AGC to purchase such shares/sell additional shares. For the details of such procedures, including requests for necessary forms, please notify the following place of contact.

Contact Information for Inquiries Regarding Shares

Shareholders who have an account with securities companies, etc.	Shareholders who have a special account
Securities companies or other entities with which you have an account	Mitsubishi UFJ Trust and Banking Corporation (our Special Account Administrator) Phone: 0120-232-711 (toll free within Japan)

(As of June 30, 2020)