



AGC Inc.

Financial Results for FY2021 Second Quarter

August 2, 2021

Event Summary

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[Participants]	
[Number of Speakers]	4
	Yoshinori Hirai Shinji Miyaji Toshiro Kasuya Kazumi Tamaki
	Representative Director President, CEO Representative Director, Senior Executive Vice President, CFO, CCO, General Manager of Corporate Planning General Division Senior Executive Officer, General Manager of Finance & Control Division General Manager of Corporate Communications & Investor Relations Division

Presentation

Tamaki: As the time has come, AGC Inc. will now begin its financial results briefing for the second quarter of the fiscal year ending December 2021.

This is Tamaki from the Corporate Communications & Investor Relations Office, and I will be your moderator today. Thank you.

First, I would like to introduce today's attendees. Yoshinori Hirai, Representative Director President, CEO. Shinji Miyaji, Representative Director, Senior Executive Vice President, CFO. Toshiro Kasuya, Executive Officer, General Manager of Finance & Control Division.

First, CFO Miyaji will provide an overview of the financial results for the second quarter of FY2021. After that, CEO Hirai will give a presentation on the progress of the mid-term management plan. Thereafter, we will move on to a question-and-answer session. The meeting is scheduled to close at 17:30, so please cooperate with us for the proceedings.

Mr. Miyaji, please.

Key points for today



■ Financial Results for 2Q FY2021 (YTD) :

		(vs. Apr 12 Forecast)	(YoY)
Net Sales	811.3 bn JPY	(+11.3 bn JPY)	(+156.8 bn JPY)
Operating profit	95.2 bn JPY	(+10.2 bn JPY)	(+74.6 bn JPY)

- Shipments and sales prices of architectural glass increased beyond the initial expectation.
- Sales prices of polyvinyl chloride (PVC) exceeded the forecast of April 12, 2021.

■ Outlook for FY2021 :

		(vs. Apr 12 Forecast)	(YoY)
Net Sales	1,670.0 bn JPY	(+20.0 bn JPY)	(+257.7 bn JPY)
Operating profit	180.0 bn JPY	(+20.0 bn JPY)	(+104.2 bn JPY)

- The forecast has been upwardly revised as the PVC market will remain stronger than the initial expectation.

■ Shareholder return

- Annual dividend was revised following the upward revision of the financial result forecast.
- Special dividend has been added as a return for the temporary earnings from the transfer of the architectural glass business in North America.

Miyaji: This is Miyaji, the CFO. I will now explain our business results for the second quarter.

First, please see page 4. This shows the key points for today.

Net sales for the first half of the fiscal year totaled JPY811.3 billion, with operating profit of JPY95.2 billion. Compared with the previous forecast, net sales and operating profit are upwardly revised by JPY11.3 billion and JPY10.2 billion, respectively, since shipments and sales prices of architectural glass and sales prices of polyvinyl chloride were higher than our expectation.

As for the forecast for the full year of 2021, we have again upwardly revised the previous forecast for net sales to JPY1.670 trillion, an increase of JPY20 billion from the previous forecast, and operating profit to JPY180 billion, an increase of JPY20 billion from the previous forecast, as the market for polyvinyl chloride is expected to remain at a higher level than expected.

The planned annual dividend will be revised upward in accordance with the upward revision of the earnings forecast for the current fiscal year. In addition, we expect to record a 1-time gain from the transfer of the architectural glass business in North America and plan to pay a special dividend at the end of the fiscal year.

Highlights of the Financial Results for 2Q. FY2021



(100 million JPY)

	FY2020 1-2Q Total	FY2021 1-2Q Total	Change	Major factors in the change (+) Increasing factors (-) Decreasing factors
Net Sales	6,545	8,113	+ 1,568	(+) Shipments of automotive and architectural glass increased * (+) Shipments of life science and semiconductor products increased (+) Sales prices of PVC in Southeast Asia and architectural glass increased (+) Appreciation of Euro
Operating Profit	206	952	+ 746	In addition to the above, (+) Manufacturing costs decreased as the operating efficiency of glass manufacturing facilities improved (-) Depreciation expenses increased due to factors such as new facility launch for LCD glass substrate and semiconductor related products.
Profit before tax	165	971	+ 807	In addition to the above, (+) FOREX gain was posted.
Profit for the period Attributable to owners of the parent	114	638	+ 524	
FOREX (Average)				
JPY/USD	108.27	107.70		
JPY/EUR	119.30	129.83		
Crude Oil (Dubai, Average)				
USD/BBL	40.64	63.47		

* FOREX impact was +23.3 billion JPY, change in the scope of consolidation was +2.4 billion JPY

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Sales were supported by increased shipments of automotive glass, architectural glass, Life Science products, and semiconductor-related products, as well as higher sales prices for polyvinyl chloride and architectural glass in Southeast Asia. In addition, the appreciation of the euro had an additional impact, resulting in a YoY sales increase of JPY156.8 billion.

Operating profit increased by JPY74.6 billion due to the previously mentioned factors of increased sales and reduced manufacturing costs associated with improved utilization of manufacturing facilities for architectural glass and automotive glass, despite an increase in depreciation costs associated with the start-up of new facilities for LCD glass substrates and semiconductor-related products.

Profit before tax exceeded operating profit by JPY97.1 billion, due to foreign exchange gains in other income, despite the recording of business structure improvement expenses related to the European glass business and loss on disposal of fixed assets as other expenses.

YoY Performance Comparison by Business Segment



(100 million JPY)

	FY2020		FY2021		Change	
	1-2Q Total		1-2Q Total		(b)-(a)	
	(a)		(b)			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass	2,942	▲ 208	3,717	203	+ 775	+ 411
Electronics	1,386	174	1,415	140	+ 29	▲ 34
Chemicals	2,124	227	2,881	595	+ 757	+ 368
Ceramics/Other	382	14	367	16	▲ 15	+ 2
Elimination	▲ 289	▲ 1	▲ 268	▲ 2	+ 21	▲ 1
Total	6,545	206	8,113	952	+ 1,568	+ 746

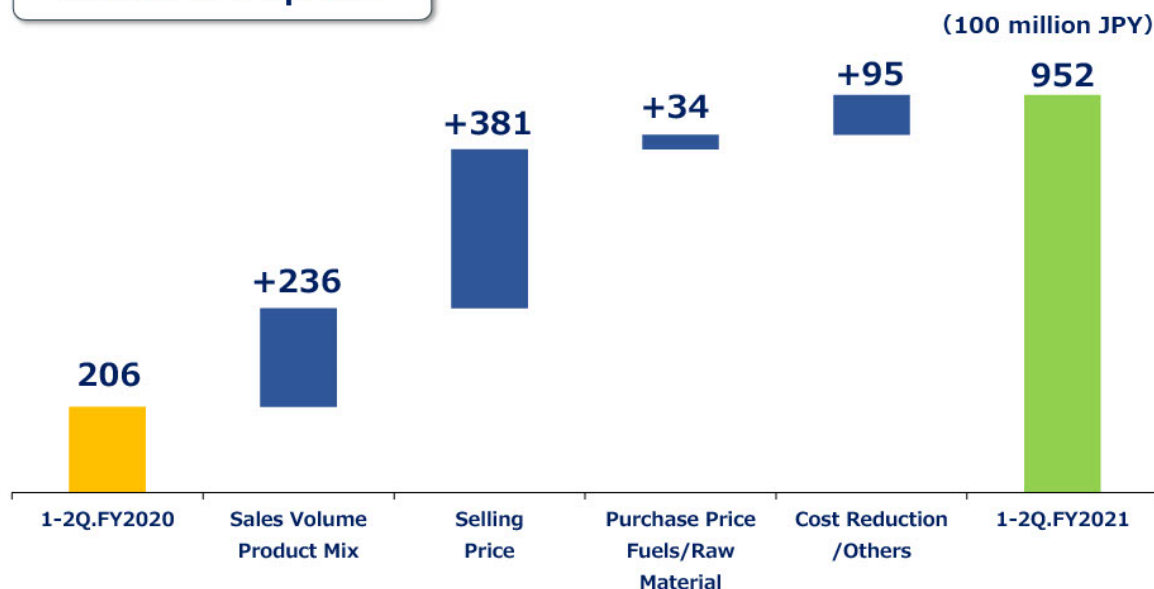
Next, I would like to explain the business results by segment. Please refer to page 7.

Sales and profit increased in Glass and Chemicals, while sales and profit decreased in Electronics.

Variance Analysis on OP (1-2Q.FY2021 vs. 1-2Q.FY2020)



74.6bn JPY up YOY



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The following is an explanation of the factors that caused the difference in operating profit for the 6 months of FY2021 compared to the same period of the previous year.

Operating profit for the first half of FY2021 increased by JPY74.6 billion YoY to JPY95.2 billion.

The volume composition difference is a positive JPY23.6 billion. Shipments of Life Science products, automotive glass, architectural glass, and semiconductor-related products increased.

The difference in sales price is a positive JPY38.1 billion. Sales prices of polyvinyl chloride in Southeast Asia, architectural glass, and polyvinyl chloride monomer in Japan increased.

The price difference of raw materials and fuels is JPY3.4 billion. Despite the rise in European natural gas prices, valuation gains on oil hedges improved.

Difference of cost and others is positive JPY9.5 billion. Depreciation in the Electronics segment increased, but this was more than offset by the effect of improvements in the operating rates of manufacturing facilities for architectural glass and automotive glass.

Consolidated Statement of Financial Position



	(100 million JPY)		
	2020/12	2021/6	Change
Cash and cash equivalents	2,361	2,481	+ 119
Inventories	2,748	3,003	+ 254
Property, plant and equipment, Goodwill and Intangible assets	14,376	14,967	+ 590
Other assets	5,859	6,359	+ 500
Total assets	25,345	26,809	+ 1,464
Interest-bearing debt	7,880	7,565	▲ 314
Other liabilities	5,035	5,429	+ 395
Liabilities	12,914	12,995	+ 80
Total equity attributable to owners of the parent	11,151	12,381	+ 1,229
Non-controlling interests	1,279	1,434	+ 155
Equity	12,430	13,815	+ 1,384
Total liabilities and equity	25,345	26,809	+ 1,464
D/E ratio	0.63	0.55	

Foreign exchange
fluctuation
+84.7 billion yen

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Next, I will explain the balance sheet in comparison with the end of December 2020.

Total assets amounted to JPY2.6809 trillion, an increase of JPY146.4 billion from the end of December 2020. Of this amount, JPY84.7 billion was due to foreign exchange fluctuation.

The D/E ratio was 0.55, an improvement from the end of December 2020.

Consolidated Statement of Cash Flow



(100 million JPY)

	1-2Q Total	
	FY2020	FY2021
Profit before tax	165	971
Depreciation and amortization	722	796
Increase(decrease) in working capital	37	▲ 175
Others	191	97
Cash flows from operating activities	1,115	1,690
Cash flows from investing activities	▲ 1,044	▲ 925
Free cash flow	70	765
Changes in interest-bearing debt	2,801	▲ 515
Dividends paid	▲ 133	▲ 133
Others	▲ 6	▲ 53
Cash flows from financing activities	2,663	▲ 701
Effect of exchange rate changes on cash and cash equivalents	▲ 45	56
Net increase(decrease) in cash and cash equivalents	2,688	119

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The following is an explanation of the statement of cash flows for the first half of 2021.

Operating cash flow was JPY169 billion, a significant YoY improvement, and investment cash flow was JPY92.5 billion, resulting in a positive free cash flow of JPY76.5 billion.

Against the backdrop of improved business performance, free cash flow improved by JPY69.5 billion YoY.

CAPEX, Depreciation and R&D

(100 million JPY)		
1-2Q Total		
	FY2020	FY2021
CAPEX	1,116	1,033
Glass	282	251
Electronics	364	342
Chemicals	465	431
Ceramics/Other	6	12
Elimination	▲ 0	▲ 3
Depreciation	722	796
Glass	260	270
Electronics	238	280
Chemicals	214	236
Ceramics/Other	10	10
Elimination	▲ 0	▲ 0
R&D	219	238

Major projects for CAPEX

- G11 investment in China (Electronics)
- Production facility enhancement for semiconductor-related products (Electronics)
- Capacity enhancement for fluorochemicals (Chemicals)
- Capacity enhancement for PVC in Southeast Asia (Chemicals)
- Capacity enhancement for bio-pharmaceuticals (Chemicals)

Major factors for increase in depreciation cost

- Production facility enhancement for semiconductor-related products (Electronics)
- G11 investment in China (Electronics)

Please see page 11.

This section explains capital expenditures, depreciation, and R&D expenses. Capital expenditures for the first half of 2021 totaled JPY103.3 billion.

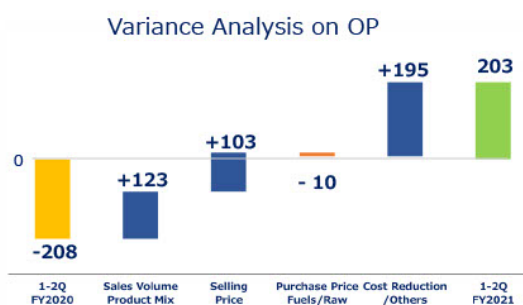
In Electronics, investment in G11 for LCD glass substrates and enhancement of photomask blanks for EUV exposure. In Chemicals, we are increasing our capacity for PVC and biopharmaceuticals in Southeast Asia. Depreciation expenses increased by JPY7.4 billion YoY to JPY79.6 billion, and R&D expenses were JPY23.8 billion.

Glass Segment

(100 million JPY)

	1-2Q Total		Change
	FY2020	FY2021	
Net sales	2,942	3,717	+ 775*
Architectural Glass	1,507	1,883	+ 376
Automotive Glass	1,423	1,822	+ 399
(Inter-segment)	12	12	
Operating profit	▲ 208	203	+ 411

* FOREX impact: +14.5 billion yen,
Change in the Scope of Consolidation: +40 million yen

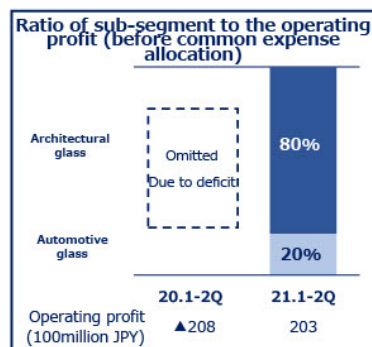


[Architectural glass]

- Shipments, mainly in Europe and Indonesia, increased significantly.
- Sales prices increased in Europe and South America.
- Manufacturing costs declined as the operating efficiency of the manufacturing facilities improved mainly in Europe.

[Automotive glass]

- Though affected by semiconductor shortage, shipments increased as vehicle production increased in all regions.
- Manufacturing costs declined as the operating efficiency of the manufacturing facilities improved mainly in Japan/Asia and Europe.



Next, please refer to page 13 for an explanation by segment.

In Glass, net sales for the first half of 2021 were JPY371.7 billion and operating profit was JPY20.3 billion, a YoY increase of JPY77.5 billion in net sales and a YoY increase of JPY41.1 billion in operating profit.

Architectural glass sales increased by JPY37.6 billion YoY to JPY188.3 billion, due to a significant increase in shipments, mainly to Europe and Indonesia, and higher sales prices, mainly in Europe and South America.

Automotive glass sales increased by JPY39.9 billion YoY to JPY182.2 billion, due to an increase in automotive production in all regions and an increase in our shipments, despite the impact of semiconductor shortages.

Operating profit increased by JPY41.1 billion YoY to JPY20.3 billion, due to the factors mentioned just now, including the increase in sales and the reduction in manufacturing costs resulting from the improvement in the operating rate of glass manufacturing facilities. Regarding the composition of operating profit in the Glass segment, architectural glass accounts for approximately 80%, and automotive glass accounts for approximately 20%.

Electronics Segment



(100 million JPY)

Variance Analysis on OP

	1-2Q Total		Change
	FY2020	FY2021	
Net sales	1,386	1,415	+ 29*
Display	866	889	+ 23
Electronic Materials (Inter-segment)	485	487	+ 2
Operating profit	174	140	▲ 34

* FOREX impact: +1.3 billion yen,
Change in the Scope of Consolidation: No impact



(Display)

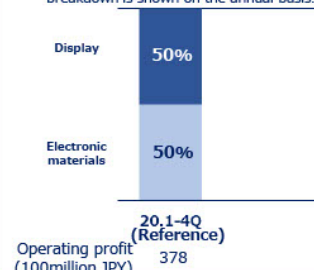
- Shipments of LCD glass substrates remained at the same level YoY, while those of specialty glass for display applications increased.
- Depreciation expenses increased because of the new facility launch for LCD glass substrate.
- Manufacturing costs increased as affected by foreign exchange fluctuation

(Electronic materials)

- Shipments of optoelectronic materials remained at the same level YoY.
- Shipments of semiconductor-related products such as EUV mask blanks and increased
- Shipments of circuit board material decreased due to US-China trade friction and other factors.
- Depreciation expenses increased because of the new facility launch for semiconductor-related products.

Ratio of sub-segment to the operating profit (before common expense allocation)

Due to significant seasonal fluctuation, the breakdown is shown on the annual basis.



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In the Electronics segment, net sales were JPY141.5 billion and operating profit was JPY14 billion for the first half of 2021, a YoY increase of JPY2.9 billion in net sales and a YoY decrease of JPY3.4 billion in operating profit.

In display, although shipments of LCD glass substrates were at the same level as the same period of the previous year, shipments of specialty glass for displays increased, resulting in a YoY increase of JPY2.3 billion in sales. The shipment volume of LCD glass substrates decreased by a mid-digit percentage compared to the previous quarter. Due to tight business conditions, selling prices increased by a low single-digit percent YoY, and were on par with the same period last year.

In electronic materials, although shipments of printed circuit board materials decreased due to the impact of trade friction between the US and China, shipments of opto-electronics materials were on a par with the same period of the previous fiscal year, and shipments of semiconductor-related products, such as photomask blanks for EUV lithography, increased. As a result, overall sales of electronic materials increased by JPY200 million YoY.

Despite the factors contributing to the increase in sales just mentioned, operating profit was JPY14 billion, a YoY decrease of JPY3.4 billion, due to an increase in depreciation expenses associated with the start-up of new facilities for LCD glass substrates and semiconductor-related products, as well as the impact of foreign exchange rates.

In the Electronics segment, the ratio of operating profit to net sales is disclosed on a yearly basis because of the large fluctuation in quarterly performance due to the seasonal nature of customers.

(100 million JPY)

	1-2Q Total		Change
	FY2020	FY2021	
Net sales	2,124	2,881	+ 757*
Chlor-alkali & Urethane	1,254	1,762	+ 508
Fluorochemicals & Specialty	529	568	+ 39
Life science	333	545	+ 212
(Inter-segment)	8	7	
Operating profit	227	595	+ 368

* FOREX impact: +7.1 billion yen,
Change in the Scope of Consolidation: +2.3 billion yen

Variance Analysis on OP



(Chlor-alkali/urethane)

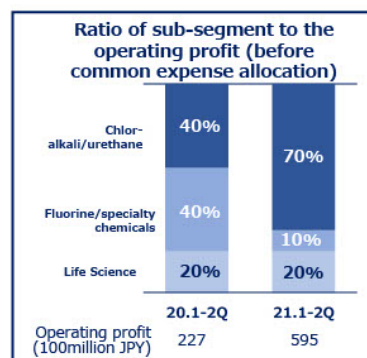
- PVC selling price increased in Southeast Asia.

(Fluorine/specialty chemicals)

- Shipments of fluorochemical-related products continued recovering for automotive applications.
- Shipments of fluorochemical-related products for aircraft applications were sluggish.

(Life science)

- The number of contracts increased for synthetic pharmaceuticals and agrochemicals.
- The number of contracts for bio-pharmaceuticals increased for those relating to anti-coronavirus application, in addition to capacity enhancement through M&A and CAPEX.



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In the Chemicals segment, for the first half of 2021, net sales were JPY288.1 billion and operating profit was JPY59.5 billion, a YoY increase of JPY57.7 billion in net sales and a YoY increase of JPY36.8 billion in operating income.

Sales of chlor-alkali and urethane increased due to higher sales prices of PVC in Southeast Asia.

Fluorine and specialty chemicals reported an increase in sales, as shipments of fluorine-related products for the automotive industry are on a recovery trend, although shipments of fluorine-related products for the aircraft industry have been sluggish.

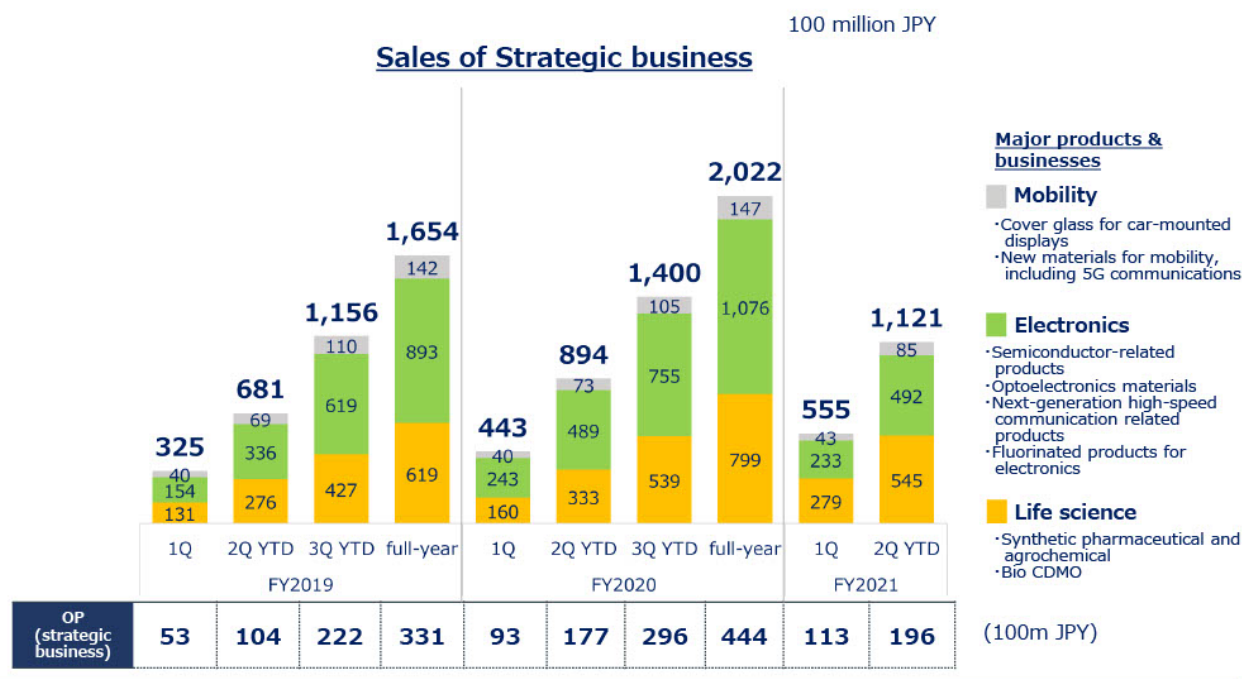
In Life Science, the number of orders received for synthetic pharmaceuticals and agrochemicals increased, and the number of orders received for biopharmaceuticals increased due to capacity expansion through acquisitions and capital investment. Moreover, the number of orders received for patients with the new coronavirus also increased.

Operating profit increased by JPY36.8 billion YoY to JPY59.5 billion, due to strong performances in chlor-alkali and urethane and Life Science, despite the impact of higher unit prices for inventory dispatch in fluorine and specialty chemicals due to lower capacity utilization.

As for the composition of operating profit in the Chemicals segment, chlor-alkali and urethane accounted for 70%, fluorine and specialty chemicals accounted for 10%, and Life Science accounted for about 20%.

Profit contribution of Strategic Business

Steady performance shown mainly in Life science



Please see page 16.

I will now explain the results of our Strategic businesses.

Overall, the Strategic businesses posted sales of JPY112.1 billion and operating profit of JPY19.6 billion in the second quarter of 2021, a YoY increase of JPY22.7 billion in sales and a YoY increase of JPY1.9 billion in operating profit.

In the Electronics business, shipments of printed circuit board materials business were affected by the US-China trade friction and other factors, but increased shipments of semiconductor-related products, such as photomask blanks for EUV lithography, led to an increase in sales. In addition, the Life Science business is expanding steadily.

YoY Performance Comparison by Geographic Segment



	1-2Q Total		Change	(100 million JPY)
	FY2020	FY2021		
Net sales	6,545	8,113	+ 1,568	
Japan &Asia	4,431	5,257	+ 827	
Americas	682	895	+ 214	
Europe	1,433	1,961	+ 528	
Operating profit	206	952	+ 746	
Japan &Asia	419	837	+ 418	
Americas	▲ 17	72	+ 88	
Europe	▲ 24	231	+ 256	
Cross-regional common expenses	▲ 172	▲ 187	▲ 16	

FOREX impact:
+23.3 billion JPY

Change in the Scope
of Consolidation:
+2.4 billion JPY

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I would like to explain the business results by region for the first half of 2021 in comparison with the same period of the previous year.

In Japan and Asia, sales and profits increased due to higher selling prices of PVC in Southeast Asia and increased shipments of semiconductor-related products such as automotive glass and photomask blanks for EUV lithography.

In the United States, sales and profits increased due to higher selling prices and shipment volumes of architectural glass, as well as an increase in the number of contracts for biopharmaceutical products.

In Europe, sales and profit increased due to higher selling prices and shipment volumes for architectural glass, as well as an increase in the number of contracts for synthetic pharmaceuticals and biopharmaceuticals.

- Significant increase is expected in net sales and profit thanks to recovery of businesses affected by the coronavirus pandemic & continued high PVC prices.

(100 million JPY)

	FY2020	FY2021e As of Apr 12, 2021	FY2021e As of Aug 2, 2021
Net sales	14,123	16,500	16,700
Operating profit	758	1,600	1,800
Profit before tax	571	1,420	1,870
Profit for the year attributable to owners of the parent	327	830	1,170
Dividend (JPY/share)	120	140	210
			(Ordinary 160) (Special 50)
Operating profit margin	5.4%	9.7%	10.8%
ROE	2.9%	7.4%	10.5%*
FOREX (Average)			
JPY/USD	106.8	109.0	108.6
JPY/EUR	121.8	129.4	129.5
Crude Oil (Dubai, Average)			
USD/BBL	42.2	63.8	69.2
Ethylene (CFR SEA)			
USD/MT	713	1,000	1,012

* ROE of FY2021e is calculated using the figures of Profit for the year attributable to owners of the parent as of Dec 31, 2020

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I would like to explain our business outlook for the full year of 2021.

As a result of the fact that low business performance due to the coronavirus crisis is on recovery trend and that the price of PVC continues to be high, the forecast for net sales has been revised upward from the previous forecast announced on April 12. As a result, net sales are expected to increase by JPY257.7 billion to JPY1.670 trillion and operating profit by JPY104.2 billion to JPY180 billion.

Profit before tax is expected to increase by JPY129.9 billion YoY to JPY187 billion, and net profit attributable to owners of the parent is expected to increase by JPY84.3 billion YoY to JPY117 billion.

We plan to pay a dividend of JPY210 per share, consisting of a regular dividend of JPY160 and a special dividend of JPY50.

We have revised our exchange rate assumptions for the full year to JPY108.6 for the US dollar and JPY129.5 for euro. We have also revised our full-year Dubai crude oil forecast to USD69.2 per barrel.

Shareholder Return

- Dividends increased following the upward revision of the forecast.
- Special dividend scheduled as a return for the temporary earnings from the transfer of the architectural glass business in North America.

Shareholder Return Policy

AGC will maintain stable dividends with a consolidated dividend payout ratio aiming for 40% while comprehensively examining the consolidated business performance and capital demand, etc. We will implement flexible share buybacks as a shareholder return measure worth improved capital efficiency.

		(yen)	Interim	Year-end	Special	Year-total	Consolidated payout ratio
FY2020			60	60	-	120	81%
FY2021e	Initial (Feb)		60	60	-	120	-
	Apr 12		70	70	-	140	-
	Aug 2		80 (Actual)	80	50	210	40%

*2015-2017 dividends per share were calculated with consideration to the share consolidation held in July 2017.

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I would like to explain about shareholder return.

The annual dividend for FY2021 has been revised upward in line with the further upward revision of the earnings forecast for the current fiscal year as in April. In FY2021, we plan to pay a special dividend of JPY50 per share at the end of the fiscal year, as the net profit attributable to owners of the parent company is expected to include a 1-time gain from the transfer of the architectural glass business in North America.

Outlook of Net sales/Operating profit by segment



(100 million JPY)

	FY2020 full-year		FY2021 1-2Q total		FY2021e 3-4Q total		FY2021 full-year forecast		Change (b)- (a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass	6,510	▲ 166	3,717	203	3,683	147	7,400	350	▲ 35	▲ 56
Electronics	2,894	378	1,415	140	1,785	190	3,200	330	+ 370	+ 50
Chemicals	4,512	505	2,881	595	2,919	505	5,800	1,100	+ 37	▲ 90
Ceramics/Other	811	42	367	16	433	4	800	20	+ 65	▲ 12
Elimination	▲ 603	▲ 1	▲ 268	▲ 2	▲ 232	2	▲ 500	0	+ 36	+ 4
Total	14,123	758	8,113	952	8,587	848	16,700	1,800	+ 473	▲ 104

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This is our business forecast by segment.

Compared with the results for the first half of the fiscal year, sales and profits of Glass are expected to decrease, those of Electronics are expected to increase, and those of Chemicals are expected to decrease.

2H Outlook by Business Segment

2021 1H vs 2021 2H	
Glass	<p>(Architectural glass)</p> <ul style="list-style-type: none"> Net sales will drop due to a seasonal shipment decrease in Europe and the transfer of the business in North America. <p>(Automotive glass)</p> <ul style="list-style-type: none"> Global vehicle production might be affected by semiconductor shortage.
Electronics	<p>(Display)</p> <ul style="list-style-type: none"> Shipments of LCD glass substrates will remain strong in 2H. Specialty glass for display applications will remain strong in 2H following the recovery of the smartphone market. Depreciation expense will increase due to the launch of new facility for LCD glass substrates. <p>(Electronic materials)</p> <ul style="list-style-type: none"> Shipments of semiconductor related materials and optoelectronics materials will increase in 2H. Depreciation expense will increase due to the launch of new facility for semiconductor-related products.
Chemicals	<p>(Chlor-alkali/urethane)</p> <ul style="list-style-type: none"> Though softening, the PVC market will remain high. <p>(Fluorine/specialty chemicals)</p> <ul style="list-style-type: none"> Demand for automotive applications will pick up gradually while shipments for aircraft applications remains sluggish. <p>(Life science)</p> <ul style="list-style-type: none"> Business will remain strong by capturing demand with capacity enhancement through M&A and CAPEX, also due to contracts relating to anti-coronavirus vaccines.

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The following is an explanation of the outlook for the second half of 2021 compared to the first half for each business.

In the Glass segment, architectural glass sales are expected to decline due to lower shipments in Europe, as a result of seasonality, as well as the impact of the transfer of the North American business. For automotive glass, there is concern that global vehicle production will continue to be impacted by the semiconductor shortage after the second quarter.

In the Electronics segment, among displays, shipments of LCD glass substrates are expected to remain firm in the second half of the fiscal year. Prices are expected to remain the same in the third quarter and beyond as they were in the second quarter, when they rose to reflect tight supply and demand. Shipments of specialty glass for displays are expected to remain strong in the second half of the fiscal year as the smartphone market recovers. In electronic materials, shipments of semiconductor-related products and optoelectronics components are expected to increase in the second half.

On the other hand, depreciation expenses are expected to increase due to the start-up of new facilities for LCD glass substrates and semiconductor-related products.

In the Chemicals segment, chlor-alkali and urethanes remained at high levels, although soaring market prices for PVC eased. Demand for caustic soda is expected to recover gradually. In fluorine and specialty products, shipments of products for aircraft will continue to be weak, but demand for automotive applications is expected to recover gradually.

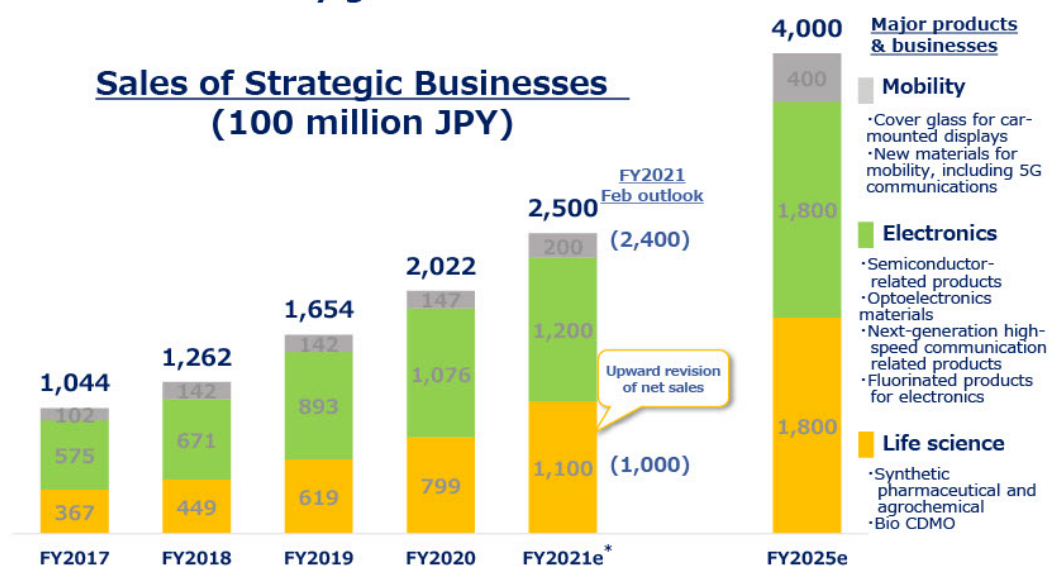
The Life Science business is expected to grow steadily, thanks to further demand initiatives through capacity expansion by acquisitions and capital investments, as well as contracts related to the development of new coronavirus vaccines.

Accelerating the Growth of Strategic Businesses



- No change from the announcement in May 2021
- Expected to make a steady growth

Sales of Strategic Businesses (100 million JPY)



Strategic business Operating profit	142	244	331	444	550	(500)	1,000	(100 million JPY)
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*Sales outlook of Strategic Business for FY2021 were revised upward at the time of the announcement for FY2021.1Q result.

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Please see page 23.

The outlook for the strategic businesses remains unchanged from that announced in May of this year. We expect our business performance to expand steadily.

CAPEX, Depreciation and R&D

(100 million JPY)

Full year

	FY2020	FY2021e
CAPEX	2,413	2,200*
Glass	641	480
Electronics	807	730
Chemicals	952	970
Ceramics/Other	15	20
Elimination	▲ 2	0
Depreciation	1,437	1,600
Glass	510	500
Electronics	479	600
Chemicals	430	480
Ceramics/Other	19	20
Elimination	▲ 1	0
R&D	464	550

Major projects for CAPEX

- G11 investment in China (Electronics)
- Production facility enhancement for semiconductor-related products (Electronics)
- Acquire a Gene therapy medicine plant (Chemicals)
- Capacity enhancement for fluorochemicals (Chemicals)
- Capacity enhancement for PVC in Southeast Asia (Chemicals)
- Capacity enhancement for bio-pharmaceuticals (Chemicals)

* Changed from the initial forecast of 200 billion yen (Initially, the Electronics Segment was 68 billion yen and the Chemicals Segment was 82 billion yen).

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Please see page 24.

We have revised upward our annual capital expenditure forecast from JPY200 billion at the beginning of the fiscal year to JPY220 billion, due to increased investment in the acquisition of assets in the Life Science business. The forecast for depreciation of JPY160 billion and research and R&D expenses of JPY55 billion remain unchanged from those announced at the beginning of the fiscal year.

That's all from me. Thank you.

Tamaki: Thank you very much, Mr. Miyaji. Mr. Hirai, please continue.

■ **AGC will accelerate the following strategies toward Vision 2030.**

Pursuing ambidextrous management	
<ul style="list-style-type: none"> • We will accelerate the growth in the strategic business area, and at the same time explore new business areas including those related to energy. • In the core business, we will conduct a structural reform in the architectural glass and automotive glass businesses that need improvements in profitability and asset efficiency. • For other businesses in the core business area, we will strengthen their profit foundation and cash generation. 	
Promotion of sustainability management	Gaining competitiveness by accelerating digital transformation
<ul style="list-style-type: none"> • Propelling materials innovation to help solve social issues • Aiming for net-zero carbon in 2050 • Strengthening human resources and group-wide governance <div style="text-align: right; margin-top: 10px;">  </div>	<ul style="list-style-type: none"> • Taking a transformation of the business model itself into consideration, leverage digital technologies to improve the process from product development to sales activities • Use digital technologies to provide value to customers and society and gain competitiveness

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Hirai: This is Hirai, the CEO. I would like to explain the progress of our medium-term management plan, AGC plus-2023.

In February of this year, we announced our long-term vision, “Where we want to be in 2030.” In order to ensure the realization of this plan, we have announced AGC plus-2023 as our new medium-term management plan.

The new medium-term management plan consists of 3 pillars.

The first is the pursuit of ambidextrous management, with the core business and the strategic businesses as the 2 wheels. We will continue to aim for an optimal business portfolio.

The second point is the promotion of sustainability management. By doing so, AGC has declared its commitment to contribute to the resolution of social issues and to achieve a carbon net zero by 2050.

The third is to strengthen our competitiveness by accelerating DX.

- Expect to achieve the OP, ROE and D/E target at the first year

	FY2020 Actual	FY2023 Target	FY2021 Outlook
OP	75.8 billion yen	160.0 Billion yen	180.0 billion yen
ROE	2.9 %	8 %	10 %
Strategic Business OP	44.4 billion yen	70.0 billion yen	55.0 billion yen
D/E	0.63	0.5 or less	0.5 or less

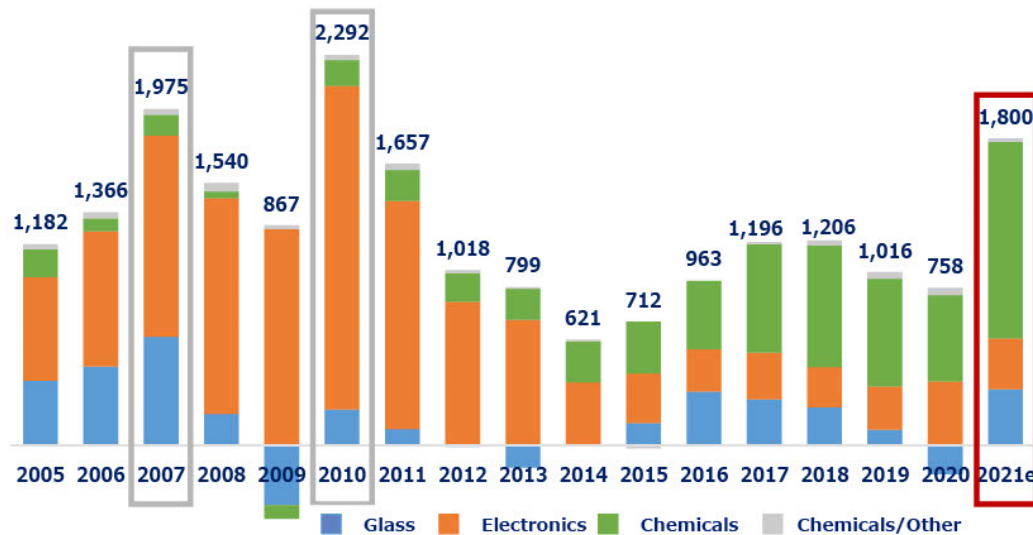
These are the financial targets for 2023 of AGC plus-2023, which was announced at the same time.

As explained earlier, by significantly exceeding our initial plan, we expect to achieve our targets for operating profit, ROE, and D/E ratio this year. In addition, operating profit from the strategic businesses is growing faster than initially planned.

Performance Trend: Operating profit

- Expected to achieve the third highest OP in FY2021

Operating Profit by Business Segment
(100 million JPY)



*JGAPP in 2005 - 2011, and IFRS in 2012 - 2021e

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As for operating profit, the chart shows operating profit for the past 10 or more years.

We are forecasting the third highest operating profit in our history, but the content of this forecast has changed significantly.

11 years ago, in 2010, AGC achieved its highest profit. However, at that time, most of the profit was generated from the Electronics field, especially from glass substrates for flat panel displays, but this year's profit will be generated from each of the 3 business fields.

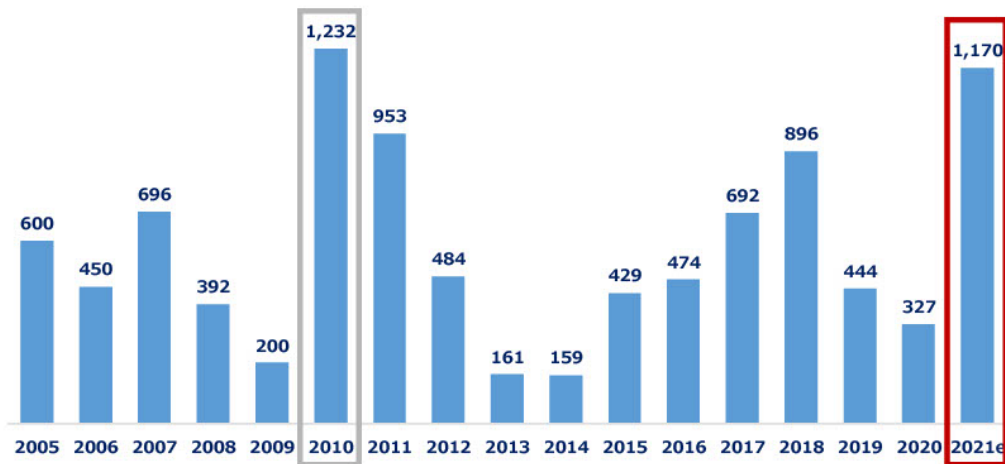
In this chart, Chemicals seem to occupy a very large portion, but you can see that, even within Chemicals, the structure is changing to generate profits from multiple business groups, such as the Chlor-Alkali business, the Fluorine and Specialty Chemicals business, and the Life Science business.

Performance Trend: Profit for the period attributable to owners of the parent



- Expected to achieve the second highest profit for the period attributable to owners of the parent

Profit for the period attributable to owners of the parent (100 million JPY)



*JGAPP in 2005 - 2011, and IFRS in 2012 - 2021e

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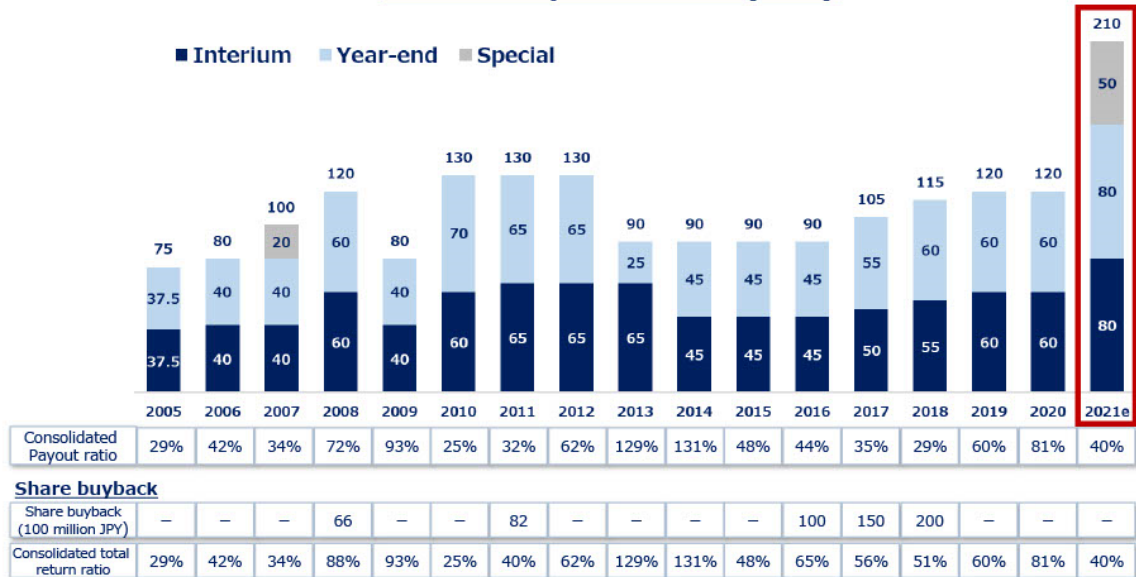
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Profit for the period is expected to be the second highest in our history.

Shareholder Return

- Expected to achieve the record high in the year-total dividend per share

Dividend per share* (JPY)

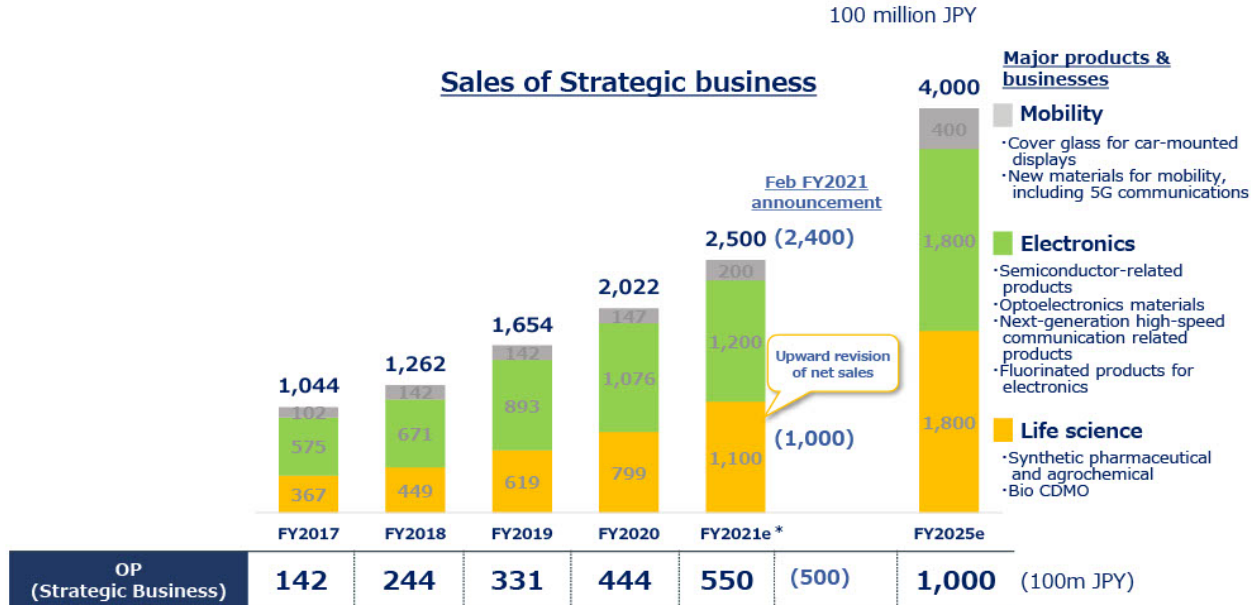


*The Company consolidated its common shares at a ratio of 5 shares to 1 share on July 1, 2017. Accordingly, per-share data is calculated on the assumption that the consolidation of shares was conducted at the beginning of 2007.

As Mr. Miyaji explained earlier, the annual dividend is also expected to reach a record high, with a regular dividend of JPY160 and a special dividend of JPY50.

Accelerating the Growth of Strategic Businesses

- Centering on Life science, strategic businesses are expanding at the speed beyond the initial expectation.



*Sales outlook of Strategic Business for FY2021 were revised upward at the time of the announcement for the FY2021.1Q result. ©AGC Inc.

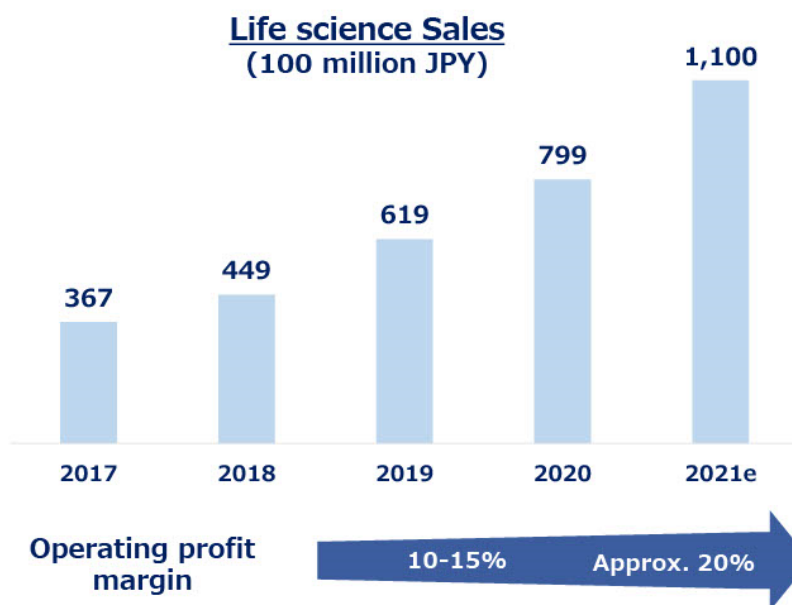
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Now, I would like to talk about our Strategic businesses, which are also the drivers of our current growth.

When we announced our vision for 2025 in 2016, we defined existing businesses as our core businesses, and new growth areas with high profit potential as our Strategic businesses. Our Strategic businesses are in the areas of Electronics, Life Science, and Mobility.

Since then, we have been growing steadily, and last year, we were not affected by the coronavirus crisis and grew steadily. We expect to achieve sales of JPY250 billion and operating profit of JPY55 billion this year.

■ Steady growth and increase of OP margin



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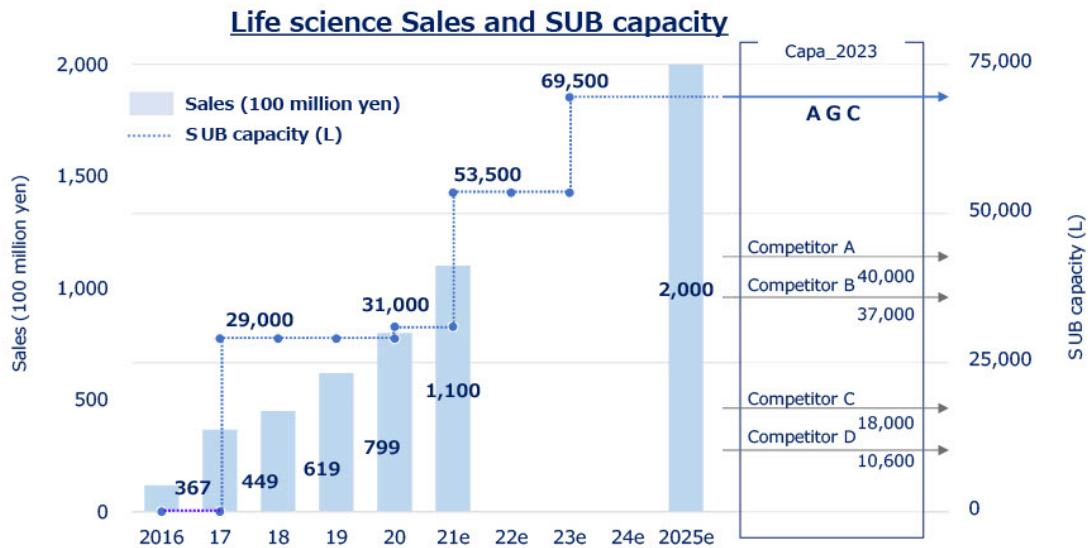
In this section, I would like to explain in more detail about Life Science, which is a major growth driver, along with Electronics.

In 2016, when we set it as a Strategic business, the Life Science business was still a very small business. That year, the following year, 2017, we entered a major growth trajectory with the acquisition of Bio-CDMO businesses in Europe and the United States.

Since then, we have achieved sales growth of over 30% per year, as you can see here. On the other hand, the operating profit margin is also improving as the production scale expands and currently stands at around 20%.

Top position: SUB in Bio-pharmaceutical CDMO

- Top-position* in rare diseases and orphan drugs by leveraging the competitiveness in SUB**
- Business grows based on active capacity expansion.



*Excluding China **SUB : Single-use bag bioreactor

※Other companies' capacity: AGC's estimate based on published information

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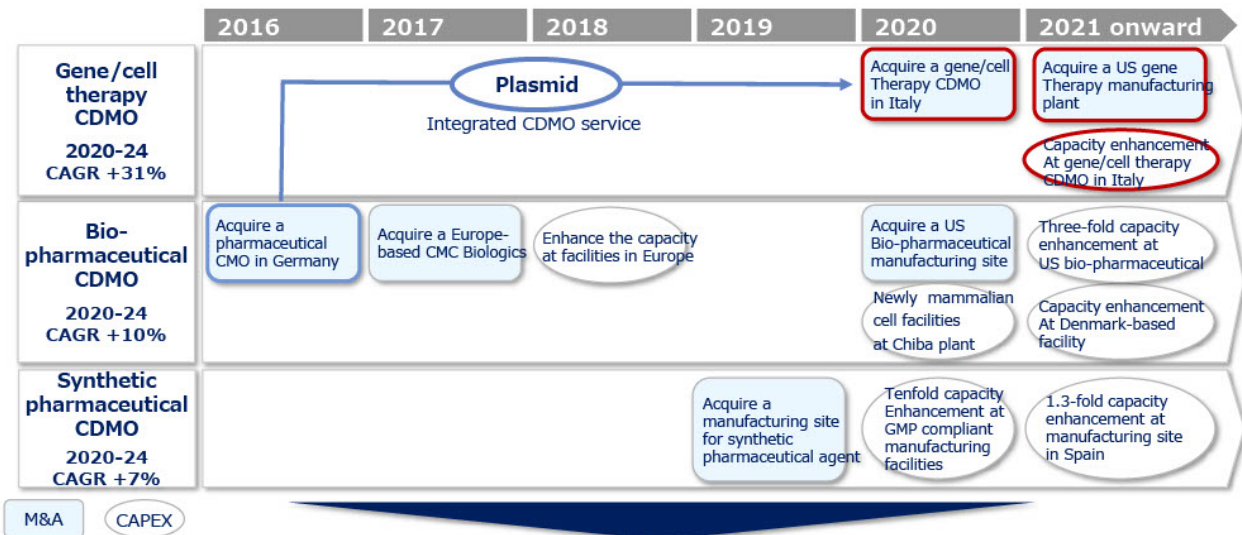
One of the features of our biopharmaceutical CDMO is the single-use back, which is a small 2,000-liter culture tank. Taking advantage of the characteristics of having multiple of these, we have established a top position in the field of rare diseases and orphan drugs.

In this figure, the bar graph shows sales, and the line graph shows the capacity of single-use bag.

The first step in the Life Science CDMO business is to secure production capacity. After that, we expand our orders and production goes up. This is also the reason why the operating profit margin is getting higher, as I mentioned earlier. As we have already planned, we will continue to increase the capacity of single-use bags and expand our sales.

Active Investment Expands the Foundation of Life science Business

- Approx. 200bn JPY* investments have been made to expand the business foundation from synthetic pharmaceuticals & agrochemicals to bio-pharmaceuticals and gene/cell therapy CDMO.



AGC will continue capacity enhancement (including M&A) for further business expansion.

* Total investment in 2016 -2021e

※ Average market growth: AGC's calculation based on available materials

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To date, the AGC Group has invested approximately JPY200 billion. This includes both M&A and capital expenditures.

We have secured technologies and production systems in these 3 areas: synthetic pharmaceuticals and agrochemicals using chemical synthesis, which have been the mainstay of conventional medicine; biopharmaceuticals using microorganisms and animal cells; and cutting-edge gene and cell therapy CDMO.

In the area of biopharmaceuticals, we have been engaged in CDMO of biopharmaceuticals using microorganisms in Japan for a long time, but our entry into the US and Europe started with M&A in 2016 to 2017. Later in 2019, the company acquired a plant for contract manufacturing of synthetic pharmaceuticals in Spain. And last year, we acquired a CDMO, a gene cell therapy company in Italy.

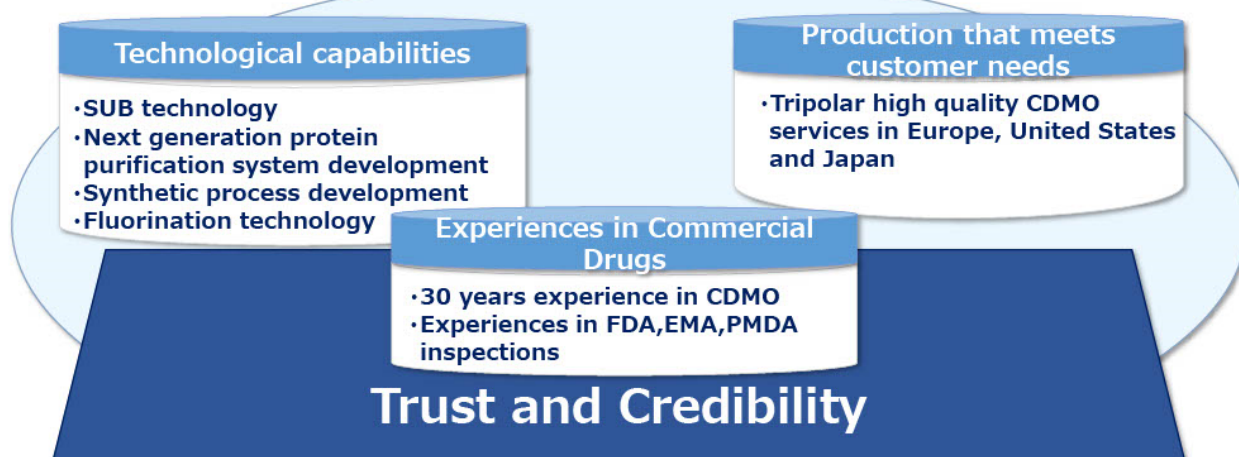
Since then, we have increased our manufacturing capacity through both our own capital investment and the acquisition of plants from pharmaceutical manufacturers. In the future, the AGC Group plans to continue to increase its capacity for further business expansion.

Aim at 200 bn JPY Net Sales from Life science Business in 2025



- By leveraging the strength of the AGC Group and active business expansion, AGC sets the sales target in 2025 to 200 billion JPY, up from 180 billion JPY.

AGC Group's Strength



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Our strengths are our technical capabilities, such as single-use technologies and the ability to develop various generation and synthesis processes, our experience in manufacturing commercial pharmaceuticals, our ability to comply with FDA and other regulatory inspections, and our ability to provide high-quality CDMO services in Europe, the US, and Japan. We have a production system that meets the needs of our customers.

By leveraging these strengths and aggressively expanding our business base, we would like to raise our sales target for 2025 from JPY180 billion to JPY200 billion.

We hope to continue to grow AGC's Life Science business through proactive approaches.

That is all.

Tamaki: Thank you very much.

[END]