



AGC Inc.

Financial Results for FY2021 First Quarter

May 7, 2021

Event Summary

| | | |
|-----------------------------|--|--|
| [Company Name] | AGC Inc. | |
| [Company ID] | 5201-QCODE | |
| [Event Language] | JPN | |
| [Event Type] | Earnings Announcement | |
| [Event Name] | Financial Results for FY2021 First Quarter | |
| [Fiscal Period] | FY2021 Q1 | |
| [Date] | May 7, 2021 | |
| [Number of Pages] | 32 | |
| [Time] | 16:00 – 17:04 (Total: 64 minutes, Presentation: 25 minutes, Q&A: 39 minutes) | |
| [Venue] | Webcast | |
| [Venue Size] | | |
| [Participants] | | |
| [Number of Speakers] | 3 | |
| | Shinji Miyaji | Representative Director, Senior Executive Vice President, CFO |
| | Toshiro Kasuya | Executive Officer, General Manager of Finance & Control Division |
| | Kazumi Tamaki | General Manager of Corporate Communications & Investor Relations Office |
| [Analyst Names] | Noritsugu Hirakawa Yasuhiro Nakada Shun Nemoto Hiroshi Matsuda Takaomi Kono Yoshihiro Azuma | Daiwa Securities Co. Ltd. Macquarie Capital Securities (Japan) Limited Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Mizuho Securities Co., Ltd. Nomura Securities Co., Ltd. Jefferies Japan Limited |

Presentation

Tamaki: We will now begin AGC Inc.'s financial results briefing for the first quarter of the fiscal year ending December 31, 2021. My name is Tamaki from the Corporate Communications and Investor Relations Office, and I will serve as moderator. Thank you.

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

Miyaji, CFO, will first explain the overview of the financial results for the first quarter of 2021. The presentation will be followed by a question-and-answer session and is scheduled to end at 5:00 PM. Thank you for your cooperation. Now, please, Mr. Miyaji.

Key points for today



Financial Results for 1Q FY2021 :

| | | (YoY) |
|-------------------------|---------------------|-----------------------|
| Net Sales | 393.6 bn JPY | (+36.1 bn JPY) |
| Operating profit | 44.2 bn JPY | (+21.9 bn JPY) |

- Net sales and operating profit increased YoY because of the selling price increase for PVC in Southeast Asia and architectural glass products, as well as the growth in the number of contracts for synthetic pharmaceuticals & agrochemicals and bio-pharmaceuticals.
- The strategic businesses grew steadily.

Miyaji: I am Miyaji, CFO. I would like to begin my presentation. First, please take a look at page 4. I will discuss the key points of the financial results for the first quarter of 2021.

In the first quarter of the current fiscal year, compared to the same period of the previous year, net sales increased by JPY36.1 billion to JPY393.6 billion, and operating profit increased by JPY21.9 billion to JPY44.2 billion.

Both sales and profit increased compared to the same period of the previous fiscal year due to the selling price increase for PVC in Southeast Asia and architectural glass products, and an increase in the number of contracts for synthetic pharmaceuticals, agrochemicals, and biopharmaceuticals. In addition, the strategic businesses continued to show steady growth.

Highlights of the Financial Results for 1Q FY2021 (cumulative)



(100 million JPY)

| | FY2020 1Q | FY2021 1Q | Change | Major factors in the change (+) Increasing factors (-) Decreasing factors |
|---|--------------|---------------|--------|--|
| Net Sales | 3,575 | 3,936 | + 361* | (+) Selling prices increased for PVC in S.E. Asia and architectural glass products. (+) Shipments increased for life science products, electronic materials, glass for display applications, and architectural glass. |
| Operating Profit | 223 | 442 | + 219 | In addition to the above, (+) Manufacturing costs improved for architectural glass in Europe. (-) Depreciation expenses increased due to factors such as new facility launch for LCD glass substrate and semiconductor related products. |
| Profit before tax | 159 | 442 | + 282 | In addition to the above, (+) FOREX gain was posted. |
| Profit for the period Attributable to owners of the parent | 135 | 288 | + 153 | |
| Forex (Average) | | | | |
| JPY/USD | 108.92 | 105.90 | | |
| JPY/EUR | 120.11 | 127.69 | | |
| Crude Oil (Dubai, Average) | | | | |
| USD/BBL | 50.74 | 60.01 | | |

* FOREX impact was +3.1 billion JPY, change in the scope of consolidation was +2.2 billion JPY

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Please see page 6.

Net sales and operating profit are as I explained earlier. Profit before tax was JPY44.2 billion, the same amount as operating profit, due to foreign exchange gains in other income, despite other expenses such as business structure improvement expenses related to the glass business in Europe and loss on disposal of fixed assets.

YoY Performance Comparison by Business Segment



(100 million JPY)

| | FY2020 | | FY2021 | | Change | |
|----------------|--------------|------------------|--------------|------------------|--------------|------------------|
| | 1Q | | 1Q | | (b)-(a) | |
| | (a) | | (b) | | | |
| | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit |
| Glass | 1,693 | ▲ 26 | 1,806 | 97 | + 112 | + 122 |
| Electronics | 692 | 89 | 710 | 86 | + 17 | ▲ 3 |
| Chemicals | 1,142 | 151 | 1,373 | 255 | + 231 | + 104 |
| Ceramics/Other | 197 | 9 | 176 | 4 | ▲ 21 | ▲ 5 |
| Elimination | ▲ 150 | 0 | ▲ 129 | 1 | + 21 | + 1 |
| Total | 3,575 | 223 | 3,936 | 442 | + 361 | + 219 |

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

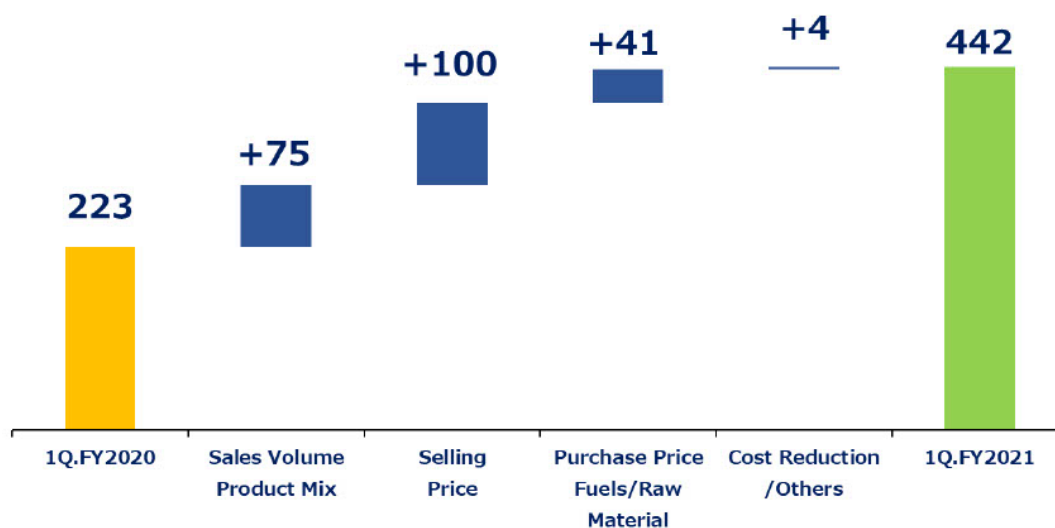
As you can see, sales and profit increased in Glass and Chemicals, while for Electronics, sales increased but profit decreased.

Variance analysis on OP (1Q.FY2021 vs. 1Q.FY2020)



21.9 bn JPY up from the same period last year

(100 million JPY)



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Please see page 8. Operating profit for the first quarter of 2021 is explained in terms of factors behind the difference compared to the same period of the previous year.

Operating profit for the first quarter of 2021 was JPY44.2 billion, an increase of JPY21.9 billion over the same period last year.

Of this amount, decrease attributable to the sales volume product mix was JPY7.5 billion. Shipments of life science products, semiconductor-related products, optoelectronics materials, and architectural glass increased.

The positive impact from selling price was JPY10 billion. In Southeast Asia, selling prices of PVC and architectural glass products increased.

The price difference of raw materials and fuel contributed to an increase of JPY4.1 billion. The unit price of electricity in Japan declined. In addition, valuation gains on oil hedges improved.

Cost and other differences had a positive impact of JPY400 million. The increase in depreciation and amortization in the Electronics segment was offset by cost reductions due to improved capacity utilization of architectural glass in Europe.

Consolidated Statement of Financial Position



| | (100 million JPY) | | |
|--|-------------------|---------------|---------|
| | 2020/12 | 2021/3 | Change |
| Cash and cash equivalents | 2,361 | 2,694 | + 333 |
| Inventories | 2,748 | 2,865 | + 117 |
| Property, plant and equipment, Goodwill and Intangible assets | 14,376 | 14,947 | + 571 |
| Other assets | 5,859 | 6,055 | + 196 |
| Total assets | 25,345 | 26,561 | + 1,217 |
| Interest-bearing debt | 7,880 | 8,047 | + 167 |
| Other liabilities | 5,035 | 5,249 | + 214 |
| Liabilities | 12,914 | 13,296 | + 382 |
| Total equity attributable to owners of the parent | 11,151 | 11,897 | + 745 |
| Non-controlling interests | 1,279 | 1,369 | + 90 |
| Equity | 12,430 | 13,265 | + 835 |
| Total liabilities and equity | 25,345 | 26,561 | + 1,217 |
| D/E ratio | 0.63 | 0.61 | |

FOREX impact
+69.5 billion JPY

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Please see page 9. I will explain the balance sheet in terms of the comparison with the end of December 2020.

Total assets amounted to JPY2,656.1 billion, an increase of JPY121.7 billion from December 31, 2020. The impact of foreign exchange rates was positive JPY69.5 billion. The D/E ratio was 0.61, an improvement from the end of December 2020.

Although the level of cash and cash equivalents, which we have accumulated during the COVID-19 pandemic, is still high, we would like to achieve a D/E ratio of 0.5 or less as soon as possible by proceeding with the repayment of interest-bearing debt as our business performance improves.

Consolidated Statement of Cash Flow



(100 million JPY)

1Q

| | FY2020 | FY2021 |
|---|--------------|--------------|
| Profit before tax | 159 | 442 |
| Depreciation and amortization | 366 | 386 |
| Increase(decrease) in working capital | ▲ 11 | 10 |
| Others | 129 | 75 |
| Cash flows from operating activities | 644 | 913 |
| Cash flows from investing activities | ▲ 494 | ▲ 472 |
| Free cash flow | 150 | 440 |
| Changes in interest-bearing debt | 523 | 4 |
| Dividends paid | ▲ 133 | ▲ 133 |
| Others | 18 | ▲ 29 |
| Cash flows from financing activities | 408 | ▲ 158 |
| Effect of exchange rate changes on cash and cash equivalents | ▲ 62 | 50 |
| Net increase(decrease) in cash and cash equivalents | 496 | 333 |

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Please continue on to page 10. This is the statement of cash flows for the first quarter of 2021.

Operating cash flow was JPY91.3 billion, a significant improvement over the same period last year. Investment cash flow was JPY47.2 billion, and free cash flow was positive JPY44 billion. Free cash flow improved by JPY29 billion compared to the same period of the previous year.

CAPEX, Depreciation and R&D

(100 million JPY)

| | 1Q | | |
|---------------------|--------|------------|--|
| | FY2020 | FY2021 | |
| CAPEX | 517 | 540 | <p>【Major projects for CAPEX】</p> <ul style="list-style-type: none"> • Production facility enhancement for semiconductor-related products (Electronics) • G11 investment in China (Electronics) • Capacity enhancement for fluorochemicals (Chemicals) • Capacity enhancement for bio-pharmaceuticals (Chemicals) • Capacity enhancement for PVC in Southeast Asia (Chemicals) |
| Glass | 133 | 113 | |
| Electronics | 176 | 176 | |
| Chemicals | 208 | 246 | |
| Ceramics/Other | 0 | 6 | |
| Elimination | ▲ 0 | 0 | |
| Depreciation | 366 | 386 | <p>【Major factors for increase in depreciation cost】</p> <ul style="list-style-type: none"> • Production facility enhancement for semiconductor-related products (Electronics) • G11 investment in China (Electronics) |
| Glass | 130 | 134 | |
| Electronics | 120 | 132 | |
| Chemicals | 105 | 116 | |
| Ceramics/Other | 11 | 5 | |
| Elimination | ▲ 0 | ▲ 0 | |
| R&D | 111 | 118 | |

Please see page 11. This section explains capital expenditures, depreciation, and research and development expenses.

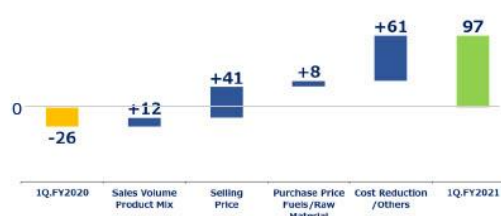
Capital investment for the first quarter of 2021 was JPY54 billion, depreciation increased by JPY2 billion from the same period last year to JPY38.6 billion, and research and development expenses were JPY11.8 billion.

(100 million JPY)

| | 1Q | | Change |
|-------------------------|--------|--------------|--------|
| | FY2020 | FY2021 | |
| Net sales | 1,693 | 1,806 | + 112* |
| Architectural Glass | 801 | 891 | + 90 |
| Automotive Glass | 889 | 908 | + 19 |
| (Inter-segment) | 3 | 7 | |
| Operating profit | ▲ 26 | 97 | + 122 |

* FOREX impact: +2.9 billion
Change in the Scope of Consolidation: +40 million JPY

Variance Analysis on OP

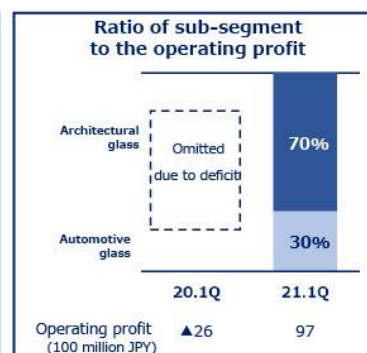


[Architectural glass]

- Robust shipments achieved in regions other than Japan.
- Selling prices increased mainly in Europe and South America.
- Manufacturing cost reduced thanks to the improvement of the utilization rate of the architectural glass business in Europe.

[Automotive glass]

- Vehicle production in regions other than China declined YoY, but shipments increased because of the significant rise in the vehicle production in China.



We will continue with the explanation by segment. Please refer to page 13. First, let us look at the Glass Segment.

Net sales for the first quarter of 2021 were JPY180.6 billion, and operating profit was JPY9.7 billion, an increase of JPY11.2 billion and JPY12.2 billion, respectively, compared to the same period last year.

Shipments of architectural glass were robust in all regions except Japan. In addition, selling prices increased mainly in Europe and South America, resulting in a JPY9 billion increase in sales compared to the same period of the previous year, to JPY89.1 billion.

Automotive glass sales increased by JPY1.9 billion from the same period last year to JPY90.8 billion, due to an increase in the Group's shipments as a result of a significant increase in automotive production in China, although automotive production in the region excluding China was lower than in the same period last year.

Operating profit increased by JPY12.2 billion to JPY9.7 billion, due to the increase in sales as explained earlier, as well as a reduction in manufacturing costs resulting from an improvement in the utilization rate of architectural glass manufacturing facilities in Europe.

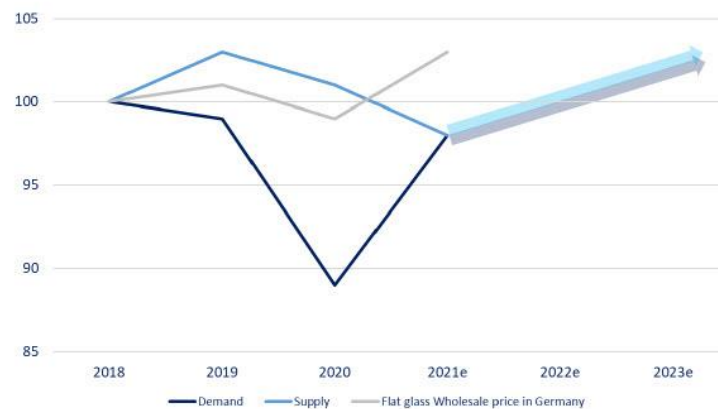
In addition, this time, we will begin disclosing the ratio of operating profit of sub-segments to the total operating profit. As for the ratio of operating profit in the glass segment, in the first quarter, architectural glass accounted for 70%, and automotive glass about 30%. The ratio of sub-segment to the operating profit is not calculated for in the same period of the previous fiscal year because we posted a loss.

(Reference) Structural change in the demand for architectural glass in Europe

- The supply & demand balance in Western and Central Europe recovered to the well-balanced 2018 level.
- The selling prices also increased following the supply and demand balance improvement.
- Major rise in the supply volume is not expected at moment, and the business environment will be stable for the next few years.

Supply & demand of flat glass in Western/Central Europe and the wholesale price in Germany

(FY2018 benchmarked as 100)



Source: The flat glass supply and demand in Western & Central Europe is based on AGC's estimate, the flat glass wholesale price in Germany is based on figures from Bloomberg.

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Please see page 14. I would like to explain the reasons for the significant improvement in the results of architectural glass in Europe compared to the same period last year.

This graph shows the trends in demand, supply, and prices, with the year 2018 as 100, when the supply and demand of flat glass in western and central Europe were in balance.

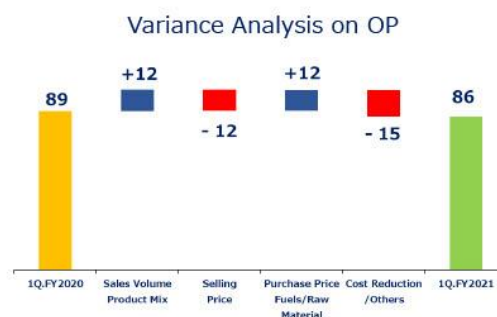
As you can see, demand in 2021 has not yet recovered to the level of 2018, but supply and demand have been balanced, and selling prices are improving due to the reduction in supply.

At this point in time, we do not expect a significant increase in supply to exceed the increase in demand in this region, and therefore, we expect the business environment to remain relatively stable for at least the next 2 to 3 years.

(100 million JPY)

| | 1Q | | Change |
|---|--------|------------|--------|
| | FY2020 | FY2021 | |
| Net sales | 692 | 710 | + 17* |
| Display | 433 | 461 | + 28 |
| Electronic Materials (Inter-segment) | 238 | 230 | ▲ 7 |
| Operating profit | 89 | 86 | ▲ 3 |

* FOREX impact: +0.1 billion JPY
Change in the Scope of Consolidation: No impact

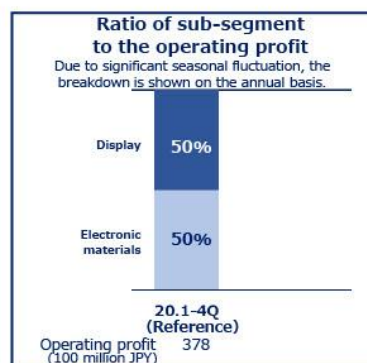


(Display)

- Shipments of LCD glass substrates and specialty glass for glass applications increased.
- Depreciation expenses increased because of the new facility launch for LCD glass substrate.

(Electronic materials)

- Shipments of semiconductor-related products such as EUV mask blanks and optoelectronic materials 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.



Please see page 15. This is the electronic segment.

Net sales for the first quarter of 2021 were JPY71 billion, and operating profit was JPY8.6 billion, an increase of JPY1.7 billion and a decrease of JPY0.3 billion, respectively, compared to the same period last year.

In the display business, sales increased by JPY2.8 billion over the same period last year due to an increase in shipments of glass substrates for LCDs and specialty glass for displays.

The shipment volume of glass substrates for LCDs decreased by a low single-digit percentage compared to the previous quarter, but the selling price increased by a low single-digit percentage compared to the previous quarter due to the effect of product mix and other factors.

In electronic materials, shipments of semiconductor-related products, such as EUV, lithography, and photomask blanks, as well as materials for optoelectronics, increased, but shipments of printed circuit board materials decreased due to the impact of trade friction between the US and China. As a result, overall sales of electronic materials decreased by JPY0.7 billion from the same period of the previous year.

Operating profit was JPY8.6 billion, a decrease of JPY0.3 billion from the same period of the previous year, due to the impact of an increase in depreciation expenses associated with the launch of new facilities for LCD glass substrates and semiconductor-related products, despite the factors that contributed to the increase in sales as explained earlier.

As for the breakdown of profit by sub-segment, the performance of the electronics segment fluctuates considerably from quarter to quarter due to customer trends, seasonality, and other factors, so we will refrain from disclosing this information on a quarterly basis this time. For your reference, we are only disclosing the percentage for 2020. For the year 2020, the ratio was 50% for display and 50% for electronic materials.

(100 million JPY)

| | 1Q | | |
|-----------------------------|--------|--------------|--------|
| | FY2020 | FY2021 | Change |
| Net sales | 1,142 | 1,373 | + 231* |
| Chlor-alkali & Urethane | 695 | 822 | + 126 |
| Fluorochemicals & Specialty | 283 | 269 | ▲ 14 |
| Life science | 160 | 279 | + 119 |
| (Inter-segment) | 4 | 3 | |
| Operating profit | 151 | 255 | + 104 |

* FOREX impact: ▲20 million JPY
Change in the Scope of Consolidation: +2.2 billion JPY

Variance Analysis on OP



[Chlor-alkali/urethane]

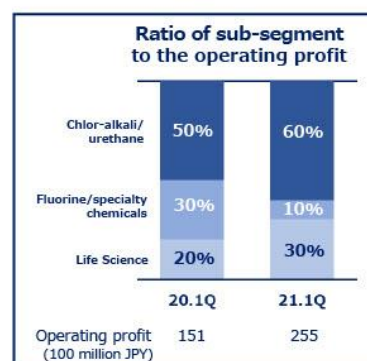
- PVC selling price increased in Southeast Asia.

[Fluorine/specialty chemicals]

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

[Life Science]

- The number of contracts, including those relating to anti-coronavirus, increased for synthetic pharmaceuticals/ agrochemicals and bio-pharmaceuticals.



Please see page 16. I will now explain the chemicals segment.

Net sales for the first quarter of 2021 were JPY137.3 billion, and operating profit was JPY25.5 billion, an increase of JPY23.1 billion in sales and an increase of JPY10.4 billion in profit compared to the same period last year.

Sales of chlor-alkali and urethane increased due to an increase in selling prices of PVC in Southeast Asia.

In fluorine and specialty products, shipments of fluorochemical-related products for the automotive applications were on a recovery trend, but shipments of fluorochemical-related products for the aircraft applications were weak, resulting in a decrease in sales.

In life science, the number of contracts for synthetic pharmaceuticals, agrochemicals, and biopharmaceuticals increased due to the addition of projects related to COVID-19.

Operating profit increased by JPY10.4 billion to JPY25.5 billion from the same period last year, due to the strong performance of chlor-alkali/urethane and life science, which fully compensated for the impact of the increase in the unit price of inventory delivery due to the decline in capacity utilization, in addition to the decrease in sales of fluorine/specialties as explained earlier. As a result, net sales increased JPY10.4 billion to JPY25.5 billion.

As for the breakdown of operating profit in the chemicals segment, chlor-alkali and urethane accounted for about 60%, fluorine and specialty about 10%, and life science about 30% in the first quarter.

(Reference) Strength of chlor-alkali business in Southeast Asia



*Average annual growth from 2021 to 2025.

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Please see page 17.

At this point, I would like to explain again the strengths of our chlor-alkali business in Southeast Asia, where market conditions are very good. We believe that we have 3 major strengths.

The first point is the strength of this market structure. The second is our overwhelming market position and robust customer base in this market. The third strength is our competitiveness amid the COVID-19 crisis, especially in terms of production.

I will briefly touch on the details.

The strength of our market structure, as mentioned in the first section of our strengths. As you know, Southeast Asia is a region where GDP is growing very fast, and the PVC market is also growing at an annual rate of 5%.

Due to the nature of the chlor-alkali business, caustic soda and chlorine are produced as by-products, so it is necessary to sell both caustic soda and chlorine within the region. This structure is very difficult, and the capital investment is large, and the barriers to entry are quite high, so there are no plans for major expansion of facilities by other companies.

In response to this situation, the supply-demand balance in the region continues to be very tight, and the volume of imports from outside the region is on the rise.

As a result, the spread for vinyl chloride and ethylene is also improving, although it is not shown in the material. If you look at the 5-year average for 2012 and 2016, the spread for vinyl chloride and ethylene was at a level of over USD300. Since then, the average spread for the 5 years from 2017 to the present is over USD450, which is a 1.5-fold widening of the spread, and this is due to the increasing tightness of supply and demand.

The second of our strengths. As you can see here, our share of the market for both caustic soda and PVC is over 50% in this region. Therefore, we have built a solid customer base and supply chain in this area, and our strength in this area is overwhelming.

In terms of production, we have integrated production from electrolysis to PVC, and we also have large operations in Indonesia, Thailand, and Vietnam, which enables us to optimize production in the region.

In addition, we have enhanced our partnership with PTTGC, a leading ethylene manufacturer in Thailand, and we believe that we have become very competitive in terms of raw materials.

With this background, we believe that this business can grow while maintaining a high profitability over the medium- to long-term. As for the current market conditions that are quite strong, we do not expect these conditions to continue, but we understand that the trend is to go up steadily, albeit with some volatility.

Profit contribution of Strategic Business **AGC** Your Dreams, Our Challenge

■ Particularly strong growth in life sciences.



Please continue on to page 18. This is the performance of the strategic business.

The strategic business posted net sales of JPY55.5 billion and operating profit of JPY11.3 billion in the first quarter of 2021, an increase of JPY11.2 billion and JPY2 billion, respectively, over the same period last year.

In electronics, shipments in the printed circuit board materials business declined slightly due to the impact of trade friction between the US and China, and a decline in smartphone-related demand, but the life science business expanded steadily.

YoY Performance Comparison by Geographic Segment



| | 1Q | | Change |
|-----------------------------------|-------------------|--------------|--------|
| | FY2020 | FY2021 | |
| | (100 million JPY) | | |
| Net sales | 3,575 | 3,936 | + 361 |
| Japan &Asia | 2,375 | 2,570 | + 195 |
| Americas | 390 | 426 | + 36 |
| Europe | 810 | 939 | + 129 |
| Operating profit | 223 | 442 | + 219 |
| Japan &Asia | 279 | 376 | + 98 |
| Americas | 8 | 37 | + 30 |
| Europe | 26 | 119 | + 93 |
| Cross-regional common expenses | ▲ 89 | ▲ 90 | ▲ 1 |

FOREX impact:
+3.1 billion JPY

Change in the Scope
of Consolidation:
+2.2 billion JPY

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Please see page 19. I will also explain the results by region, comparing the first quarter of 2021 with the same period of the previous year.

Japan and Asia. Both sales and profit increased due to an increase in shipments of automotive glass, optoelectronics materials, semiconductor-related products, such as mask blanks for EUV exposure and glass substrates for LCDs, despite a decrease in shipments of architectural glass.

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

In Europe, sales and profit increased due to an increase in the number of contracts for biopharmaceutical products, in addition to higher selling prices for architectural glass.

- Significant increase is expected for both net sales and operating profit with recovery from the COVID impacts and the continuing high PVC price.

(100 million JPY)

| | | FY2020 | FY2021e As of Feb 5, 2021 | FY2021e As of Apr 12, 2021 |
|---|----------------|--------|------------------------------|-------------------------------|
| Net sales | | 14,123 | 15,300 | 16,500 |
| | (First half | 6,545 | 7,500 | 8,000) |
| Operating profit | | 758 | 1,000 | 1,600 |
| | (First half | 206 | 450 | 850) |
| Profit before tax | | 571 | 870 | 1,420 |
| Profit for the year attributable to owners of the parent | | 327 | 560 | 830 |
| Dividend (JPY/share) | | 120 | 120 | 140 |
| Operating profit margin | | 5.4% | 6.5% | 9.7% |
| ROE | | 2.9% | 5.0% | 7.4%* |
| Forex (Average) | JPY/USD | 106.8 | 105.0 | 109.0 |
| | JPY/EUR | 121.8 | 125.0 | 129.0 |
| Crude Oil (Dubai, Average) | USD/BBL | 42.2 | 50.0 | 64.0 |
| Ethylene (CFR SEA) | USD/MT | 713 | 800 | 1,000 |

* 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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Please see page 21. This is the forecast for the full year of 2021.

Net sales are expected to increase by JPY237.7 billion from the previous year to JPY1,650 billion, due to the recovery trend in the business performance after the significant decline caused by the COVID-19 pandemic and the continued high prices of vinyl chloride resin. Operating profit is expected to increase by JPY84.2 billion to JPY160 billion, representing a significant increase in both sales and profit.

Profit before tax is expected to increase by JPY84.9 billion to JPY142 billion. Net income attributable to owners of the parent is estimated to be JPY83 billion, an increase of JPY50.3 billion from the previous year.

We plan to pay a dividend of JPY140 per share. We have revised our exchange rate assumptions for the full year to JPY109 for the US dollar and JPY129 for the euro. We have also revised our full-year forecast for Dubai crude oil to USD64 per barrel.

Outlook breakdown by Segment (Net sales and Operating profit)



(100 million JPY)

| | FY2020 | | FY2021 full-year forecast as of Apr 12, 2021(b) | | Change (b)-(a) | | FY2021 full-year forecast as of Feb 5 (c) | | Change (b)- (c) | |
|----------------|---------------|------------------|---|------------------|-------------------|------------------|---|------------------|--------------------|------------------|
| | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit |
| Glass | 6,510 | ▲ 166 | 7,400 | 330 | + 890 | + 496 | 7,000 | 80 | + 400 | + 250 |
| Electronics | 2,894 | 378 | 3,200 | 300 | + 306 | ▲ 78 | 3,100 | 300 | + 100 | + 0 |
| Chemicals | 4,512 | 505 | 5,600 | 950 | + 1,088 | + 445 | 4,900 | 600 | + 700 | + 350 |
| Ceramics/Other | 811 | 42 | 800 | 20 | ▲ 11 | ▲ 22 | 800 | 20 | + 0 | + 0 |
| Elimination | ▲ 603 | ▲ 1 | ▲ 500 | 0 | + 103 | + 1 | ▲ 500 | 0 | + 0 | + 0 |
| Total | 14,123 | 758 | 16,500 | 1,600 | + 2,377 | + 842 | 15,300 | 1,000 | + 1,200 | + 600 |

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Please see page 22. This is the outlook for each segment for the full year of 2021.

Sales and profit of glass and chemicals are expected to increase compared to the previous year. We currently expect an increase in sales and a decrease in profit for electronics.

| Outlook for FY2021 | |
|--------------------|---|
| Glass | <p>(Architectural glass) • Demand will recover in many regions, and shipments will also pick up.</p> <p>(Automotive glass) • Worldwide vehicle production might get temporarily affected by the semiconductor shortage, but when looking at the whole year, it will increase YoY and the shipments will recover gradually.</p> |
| Electronics | <p>(Display) • Shipments of LCD glass substrates for China will increase. The price increase in the 1Q is due to the tight supply & demand situation, and this situation will continue in the 2Q and onward. • Shipments will increase for specialty glass for display thanks to a recovery of the smartphone market. • Depreciation expenses will increase due to new facility launch for LCD glass substrates.</p> <p>(Electronic materials) • Shipments of semiconductor related materials such as EUV mask blanks and optoelectronics materials will remain robust. • Depreciation expenses will increase due factors such as new facility launch for semiconductor related products.</p> |
| Chemicals | <p>(Chlor-alkali/urethane) • Demand for PVC in Southeast Asia will remain robust, while the demand for caustic soda will recover gradually.</p> <p>(Fluorine/specialty) • While shipments for aircraft applications will remain sluggish, the demand for automotive/ semiconductor applications will recover gradually.</p> <p>(Life Science) • The business will remain robust due to factors such as new contracts relating to anti-coronavirus vaccines.</p> |

Please see page 23. I will now explain the outlook for each business segment for the full year of 2021.

In the glass segment, demand for architectural glass is expected to recover in many regions, and our shipments are also expected to recover.

Although there are concerns that global automotive production will be temporarily impacted by the shortage of semiconductors, the full year sales of automotive glass are expected to be higher than the previous year, and our shipments are also expected to recover gradually.

In the Electronics segment, among displays, shipments of LCD glass substrates to China are expected to increase, and prices are expected to rise reflecting the tight supply-demand balance, and the same supply-demand balance as in the first quarter is expected to continue from the second quarter onward.

Shipments of specialty glass for displays are expected to increase YoY due to the recovery of the smartphone market.

As for electronic materials, shipments of semiconductor-related products, such as EUV mask blanks and optoelectronics components, are expected to be strong.

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

In the chemicals segment, with regard to chlor-alkali and urethane, strong demand is expected to continue for polyvinyl chloride resin in Southeast Asia, maintaining high prices, and a gradual recovery in demand is expected for caustic soda.

In fluorine and specialty products, shipments for aircraft applications will continue to be weak, but demand for automobile and semiconductor applications is expected to recover gradually.

The life science business is expected to grow steadily, due in part to contracts related to the development of vaccines for COVID-19.

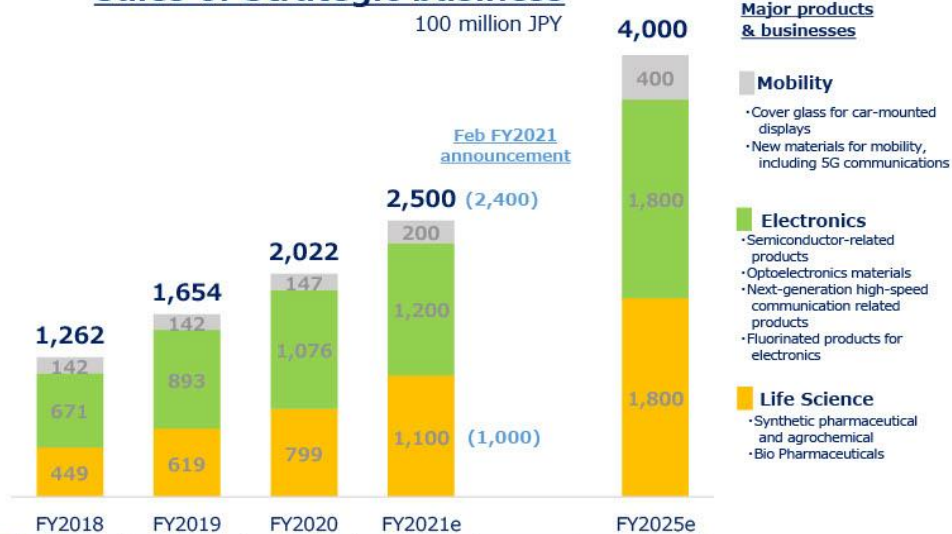
Profit contribution of Strategic Business



- Life Science is expected to exceed the forecast announced in February this year.

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 Pharmaceuticals

| OP (strategic business) | FY2018 | FY2019 | FY2020 | FY2021e | FY2025e |
|-------------------------|--------|--------|--------|-----------|---------|
| | 244 | 331 | 444 | 550 (500) | 1,000 |

(100m JPY)

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Please see page 24. Strategic business.

Our strategic businesses are expected to continue their steady expansion. In particular, for the life science business, our current expectation is much greater than our initial expectations, and we have revised upward our outlook for the strategic business announced in February 2021, by JPY250 billion for sales and by JPY55 billion for operating profit.

CAPEX, Depreciation and R&D

| Full year | | |
|---------------------|--------|--------------|
| | FY2020 | FY2021e |
| CAPEX | 2,413 | 2,000 |
| Glass | 641 | 480 |
| Electronics | 807 | 680 |
| Chemicals | 952 | 820 |
| 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)
- Capacity enhancement for fluorochemicals (Chemicals)
- Capacity enhancement for PVC in Southeast Asia (Chemicals)
- Capacity enhancement for bio-pharmaceuticals (Chemicals)

Please see page 25. This is about annual capital investment.

Our forecast of JPY200 billion announced at the beginning of the year is unchanged, with forecasts of JPY160 billion for depreciation and amortization, and JPY55 billion for research and development.

ROCE & EBITDA by Segment (as of the end of FY2020)



(100 million yen)

| | Operating profit | EBITDA | ROCE※ | Operating asset |
|----------------|------------------|--------------|-------------|-----------------|
| Glass | ▲ 166 | 344 | - | 6,400 |
| Electronics | 378 | 857 | 6.3% | 6,000 |
| Chemicals | 505 | 935 | 8.9% | 5,700 |
| Ceramics/Other | 42 | 62 | 14.1% | 300 |
| Elimination | ▲1 | ▲2 | - | - |
| Total | 758 | 2,195 | 4.1% | 18,400 |

※ROCE is calculated based on the operating assets at the end of FY2020.

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From this time, we will disclose operating asset by segment for your reference.

This time, I would like to briefly explain the amount of operating assets by segment for FY2020. Please refer to page 27.

As for operating assets and ROCE by segment, operating asset for FY2020 were JPY1.84 trillion. Using this as the denominator, the ROCE for 2020 was 4.1%. These operating assets include receivables and payables, inventories, fixed assets, and cross-shareholdings.

Cross-shareholdings and common assets of the entire company are allocated to each segment. The amount is smaller than total assets because it does not include cash and deposits, et cetera, and debt is counted as a negative item in operating assets.

That is all for my presentation. Thank you very much.

Tamaki: Thank you very much, Mr. Miyaji.

[END]