

## AGC Inc. Minutes of Briefings on Operating Results for 2Q FY2020

Corporate Communications & Investor Relations Div.

### **[Overall company]**

**Q1: I would like you to explain the outlook for 3Q and 4Q.**

A1: Architectural and automotive glass operations in Europe and the U.S. will be slower than a normal year in July and August, and shipments will peak in October and November. We think that profit will be higher in 4Q than 3Q this year as we also add in the recovery of demand from COVID-19.

### **[Glass]**

**Q2: With regards to structural reform in the glass business, what is the amount of cost reductions being made through personnel cuts in Europe, reductions in expenses and so forth, and when will these cost reductions become apparent? Also, approximately how much will arise in restructuring expenses?**

A2: We will cut 1,000 personnel, mainly at AGC Glass Europe headquarters and in the Czech Republic. Some of the effect from these measures be apparent in the current fiscal year, but the full-scale effect will appear from next fiscal year onward. I cannot answer regarding the amount of restructuring expenses at the present stage.

**Q3: Will ROCE in the glass business exceed 10% due to the implementation of structural reform?**

A3: A full-scale improvement in ROCE will require even deeper measures. I would like to tell you about this as soon as the content of the measures is confirmed and ready to be announced.

**Q4: You said that you will restructure the production system for automotive glass in line with demand. Are there any difficulties in doing this due to customer relationship?**

A4: Recovery in the automotive market is expected to take some time. Particularly in Europe and the U.S., there has been a slump in operations, and we will continue consolidating our production lines and reducing the associated personnel as quickly as possible while taking account of our responsibility to supply products to customers.

**Q5: The performance of automotive glass seems to fluctuate depending on which auto models are selling well. Do you also expect an improvement in the model mix?**

A5: I can't make any generalizations because the models that sell well and the extent of recovery from COVID-19 will vary depending on the region.

### **[Electronics]**

**Q6: What are the reasons for the forecast decline in profit in 2H in the electronics segment? Will delays in Intel's EUV development impact on AGC's EUV mask blanks shipments?**

A6: We expect a decline in profit in 2H due to such factors as an increase of depreciation cost resulting from the launch of operations at production facilities for glass substrates for displays. As for EUV mask blanks, the range of applications for EUV has increased more than expected, and the market will become extremely large if it expands to memory-related applications. There are no concerns about EUV mask blanks over the long term.

**Q7: You announced a capacity increase for EUV mask blanks. Is this because you have acquired new customers or increased market share?**

A7: EUV is not only being developed for logic-related applications but also for memory-related applications, and the market has grown more than expected, so we decided to increase capacity. This does not mean there have been any new projects. We think the business will be bigger than expected in 2025.

## **[Chemicals]**

**Q8: Why did profit in the Chemicals business decline YoY and QoQ although market prices for vinyl chloride and caustic soda did not deteriorate that much from 1Q through 2Q 2020?**

A8: Market prices for both caustic soda and vinyl chloride were weak in 2Q due to the impact of COVID-19. The unexpected factor was the uptick in market prices for ethylene due to ethylene cracker issues and so forth. In 2Q, profit fell YoY and QoQ, due in part to large-scale regular repairs in Japan. In 2H, we expect improvement in the spread compared with 2Q due to a recovery in market prices for vinyl chloride and a fall in ethylene prices. However, we do not expect a significant improvement.

**Q9: You are providing many contracted services for COVID-19 related treatments and vaccines. What kind of earnings contribution will there be if any of these can be launched?**

A9: There will be some impact even if they are not launched. There is big business potential if they can be launched, but I cannot tell you the amount.

**Q10: Why will the life science business achieve ¥100.0 billion in sales ahead of schedule?**

A10: We can forecast the status of contracted services two or three years in advance in the life science business. In addition to expecting the number of contracted services to continue increasing steadily, we think it is possible to achieve the sales target ahead of schedule, partly due to receiving orders related to COVID-19.

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