

TRANSLATION FOR REFERENCE PURPOSES ONLY

This is a translation of the Notice of Ordinary General Meeting of Shareholders dated March 8, 2021, and is prepared for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

**Notice of the 96th Ordinary General Meeting of Shareholders
(Held on March 30, 2021)**

AGC Inc.

(Security Code: 5201)

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March 8, 2021

Yoshinori Hirai
Representative Director,
AGC Inc.

1-5-1, Marunouchi, Chiyoda-ku, Tokyo

Notice of the 96th Ordinary General Meeting of Shareholders

To Our Shareholders;

It is our pleasure to invite you to the 96th Ordinary General Meeting of Shareholders of AGC Inc. (hereinafter the “Company”) to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights either through postal mail or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders first and then exercise your voting rights by no later than 5:00 p.m. on Thursday March 29, 2021 (Japan Time).

Meeting Details

1. Date and time: 10:00 a.m. on Tuesday, March 30, 2021

(Reception for attendees begins at 9:00 a.m.)

2. Place: Rose, 3rd Floor, Tokyo Kaikan
3-2-1, Marunouchi, Chiyoda-ku, Tokyo

3. Agenda:

Items to be Reported:

- (1) The Business Report and the Consolidated Financial Statements for the 96th Fiscal Year (from January 1 to December 31, 2020), and audit reports with respect to the Consolidated Financial Statements by the Company’s Accounting Auditors and the Audit & Supervisory Board
- (2) The Non-Consolidated Financial Statements for the 96th Fiscal Year (from January 1 to December 31, 2020)

Items to be Resolved:

- | | |
|--------------------|--|
| Item No. 1: | Appropriation of Retained Earnings |
| Item No. 2: | Election of Seven Directors |
| Item No. 3: | Election of One Audit & Supervisory Board Member |

4. Exercise of Voting Rights

If you exercise your voting rights both by postal mail and via the Internet, the vote you enter via the Internet shall be considered the valid vote. In the event that you exercise your voting rights multiple times via the Internet, the last vote you enter shall be considered the valid vote.

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- If any corrections to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Financial Statements are made, such corrections shall be posted on the Internet at the Company's website (<http://www.agc.com/en/ir/index.html>).

Information on Exercising Voting Rights

- If you are to attend the General Meeting of Shareholders
Time and date of the General Meeting of Shareholders: 10:00 a.m. on Tuesday, March 30, 2021 (Japan Time). The Reception for attendees begins at 9:00 a.m.
Please submit the enclosed voting form to the reception desk.
- If you exercise the voting rights through Postal Mail
Deadline of exercise: Voting forms must arrive by no later than 5:00 p.m. on Monday, March 29, 2021 (Japan Time).
Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it through postal mail so that it is received by the deadline.
- If you exercise the voting rights via the Internet
Deadline of exercise: Acceptable until 5:00 p.m. on Monday, March 29, 2021 (Japan Time).
Please access the voting website (<https://evote.tr.mufg.jp/>) and enter your approval or disapproval of the proposals by no later than the deadline.
>>>Please see the following details.

Information on Exercising Voting Rights via the Internet

(1) By scanning the QR code

You can log into the voting website without entering your login ID and password by scanning the QR code provided at the lower right of the voting form, with your smartphone. Please cast your vote by following the directions on the screen.

Exercise of the abovementioned voting rights using the QR code above is available only once. If you re-exercise your voting rights, or exercise your voting rights without using the QR code, please see "(2) By entering the login ID and password" below.

(2) By entering the login ID and password

Voting website <https://evote.tr.mufg.jp/>

You can exercise your voting right via the Internet by accessing the voting website (<https://evote.tr.mufg.jp/>) from a computer, smartphone or mobile phone. Once you have

accessed the Internet voting website, please enter your login ID and temporary password shown on the voting form. Please cast your vote by following the directions on the screen.

Contact information regarding exercise of voting rights via the internet:

**Securities Agency Division (Help Desk),
Mitsubishi UFJ Trust and Banking Corporation**
Telephone: 0120-173-027 (toll free within Japan)
Operating hours: 9:00 a.m. - 9:00 p.m. (Japan time)

<Institutional Investors>

Please exercise your voting right using the voting platform operated by ICJ, Inc. if you have applied to use it in advance.

- * Please note that the site cannot be accessed between 2:00 a.m. and 5:00 a.m. daily in Japan time.
- * Please note that the shareholder will pay all fees arising from accessing the Internet voting website (Internet connection fees, communications fees, etc.) via a computer, smartphone or mobile phone.

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Items

Item No. 1: Appropriation of Retained Earnings

The AGC Group (the Company and its consolidated subsidiaries) will, while maintaining financial soundness, prioritize the use of cash generated from Core Businesses for capital investment in Strategic Businesses and other areas necessary for future growth, M&A, R&D and other purposes. With regards to the return of profit to shareholders, the Company will maintain stable dividends with a target consolidated dividend payout ratio of 40% while comprehensively considering such factors as consolidated business performance in the fiscal year under review and future demand for funds. In addition, the Company plans to implement the flexible acquisition of treasury shares as a shareholder return policy that contributes to enhancing capital efficiency.

Retained earnings for the fiscal year under review are proposed to be appropriated under the above basic policy as follows:

Year-end dividends

In consideration of the business results for the fiscal year under review, the business environment, the outlook for future operations and other factors, the Company proposes that year-end dividends be 60 yen per share.

- (1) Matters related to the allocation of dividend assets for shareholders and the total amount
60 yen per ordinary share of the Company
Total amount: 13,297,692,960yen
- (2) Effective date of payment of dividends
March 31, 2021

If this proposal is approved as proposed, annual dividends per share for the fiscal year under review, including the interim dividends, will be 120 yen per share, which is unchanged from the previous fiscal year.

Item No. 2: Election of Seven Directors

As the tenures of all seven Directors will expire at the end of this general meeting, we request that seven Directors be elected.

The Director candidates are as follows:

Candidate No.	Name	Post and Responsibilities in the Company	Participation in Board of Directors meetings
1	Takuya Shimamura Reappointment	Director & Chairman	100% (15 times out of 15)
2	Yoshinori Hirai Reappointment	Director and President & CEO	100% (15 times out of 15)
3	Shinji Miyaji Reappointment	Director and Senior Executive Vice President, CFO, CCO, GM of Corporate Planning General Division	100% (15 times out of 15)
4	Hideyuki Kurata New Appointment	Senior Executive Officer, CTO, GM of Technology General Division	—
5	Yasuchika Hasegawa Reappointment Outside Independent	Director	100% (15 times out of 15)
6	Hiroyuki Yanagi Reappointment Outside Independent	Director	100% (15 times out of 15)

7	<div>Keiko Honda</div> <div>Reappointment</div> <div>Outside</div> <div>Independent</div>	Director	100% (11 times out of 11)
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Note:

Since Keiko Honda assumed the position of Director on March 27, 2020, the total number of Board of Directors meetings that she was able to attend differs from that of other Directors.

Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned
1	Takuya Shimamura (born Dec. 25, 1956) <div>Reappointment</div>	Apr. 1980 Jan. 2009 Jan. 2010 Jan. 2013 Jan. 2015 Mar. 2015 Jan. 2021	Joined the Company Executive Officer and GM of Planning & Coordination Office, Chemicals Company Executive Officer and President of Chemicals Company Senior Executive Officer and President of Electronics Company President & CEO Director and President & CEO Director & Chairman (incumbent)	15,100
	<p>【Reasons for the nomination as Director candidate】</p> <ul style="list-style-type: none"> Takuya Shimamura, who has long experience in sales at the Company's Chemicals Division, has served as, among others, President of one of the Company's overseas subsidiaries, President of Chemicals Company, and President of Electronics Company. He served as Director and President & CEO of the Company from March 2015 following his appointment as President & CEO in January 2015. Since January 2021, he has served as Director & Chairman of the Company. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Based on that experience, he is expected to fully perform his directorship role through decision-making on key matters relating to the AGC Group and by overseeing its business operations. Accordingly, we have nominated him as a Director candidate. <p>【Participation in Board of Directors meetings (The fiscal year under review)】 15 times out of 15</p>			
Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned
2	Yoshinori Hirai (born Aug. 19, 1959) <div>Reappointment</div>	Apr. 1987 Jan. 2012 Jan. 2014 Mar. 2014 Jan. 2016 Jan. 2018 Jan. 2019 Jan. 2021	Joined the Company Executive Officer and GM of Business Development Office Senior Executive Officer and GM of Technology General Division Director and Senior Executive Officer and GM of Technology General Division Director and Senior Executive Officer, CTO, GM of Technology General Division Director and Executive Vice President, CTO, GM of Technology General Division Director and Executive Vice President, CTO Director and President & CEO (incumbent)	8,100
	<p>【Reasons for the nomination as Director candidate】</p> <ul style="list-style-type: none"> Yoshinori Hirai has long experience in the Company's R&D Division in areas including liquid crystal devices. He has served as, among others, Senior Vice President of one of the Company's subsidiaries, General Manager of the Business Planning Office of Electronics Company, General Manager of the Business Development Office, General Manager of Technology General Division, and Director and Executive Vice President, CTO. He has served as Director and President & CEO since January 2021. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Based on that experience, he is expected to fully perform his directorship roles through decision-making on key matters relating to the AGC Group and by overseeing its business operations. Accordingly, we have nominated him as a Director candidate. <p>【Participation in Board of Directors meetings (The fiscal year under review)】 15 times out of 15</p>			

Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned
3	Shinji Miyaji (born Nov. 4, 1958) <div>Reappointment</div>	Aug. 1990	Joined the Company	6,200
		Jan. 2010	Executive Officer and Group Leader of Corporate Planning Group, Office of the President	
		Nov. 2012	Executive Officer; Senior Vice President of AGC Flat Glass North America, Inc.	
		Feb. 2013	Executive Officer and Regional President of North America, Glass Company	
		Oct. 2013	Executive Officer and GM of Strategy Office, Glass Company	
		Jan. 2014	Executive Officer and GM of Electronics General Division, Electronics Company	
		Jan. 2015	Senior Executive Officer and GM of Office of the President	
		Mar. 2015	Director and Senior Executive Officer and GM of Office of the President	
		Jan. 2016	Director and Senior Executive Officer, CFO and GM of Corporate Planning Division	
		Jan. 2018	Director and Executive Vice President, CFO, CCO	
		Oct. 2019	Director and Executive Vice President, CFO, CCO and GM of Corporate Planning General Division	
		Mar. 2020	Director and Senior Executive Vice President, CFO, CCO and GM of Corporate Planning General Division(incumbent)	
<div>【Reasons for the nomination as Director candidate】</div> <div><ul style="list-style-type: none">Shinji Miyaji has served in the Company's Information Systems Division and as President of one of the Company's subsidiaries. He has been active in, among others, the New Business Promotion Division and the Corporate Planning Division, and served as General Manager of the Glass and Electronics Divisions. Currently, he serves as Director and Senior Executive Vice President, CFO, CCO, and General Manager of Corporate Planning General Division. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Based on that experience, he is expected to fully perform his directorship roles through decision-making on key matters relating to the AGC Group and by overseeing its business operations. Accordingly, we have nominated him as a Director candidate.</div> <div>【Participation in Board of Directors meetings (The fiscal year under review)】 15 times out of 15</div>				

Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned
4	Hideyuki Kurata (born Nov. 11, 1961)	Apr. 1987	Joined the Company	900
	New Appointment	Jan. 2018	Executive Officer and GM of Life Science General Division, Chemicals Company	
		Jan. 2019	Senior Executive Officer and GM of Technology General Division	
		Jan. 2021	Senior Executive Officer, CTO and GM of Technology General Division(incumbent)	
【Reasons for the nomination as Director candidate】				
• Hideyuki Kurata has long experience in the Company's Chemicals Division, in the areas of production and new business promotion. He has served as, among others, President of one of the Company's overseas subsidiaries, General Manager of Business Development Office, General Manager of Strategy Planning Office of the Chemicals Company, and General Manager of Life Science General Division of the Chemicals Company. Currently, he serves as Senior Executive Officer, CTO, and General Manager of Technology General Division. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Based on that experience, he is expected to fully perform his directorship roles through decision-making on key matters relating to the AGC Group and by overseeing its business operations. Accordingly, we have nominated him as a Director candidate.				
Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned
5	Yasuchika Hasegawa (born Jun. 19, 1946)	Apr. 1970	Joined Takeda Pharmaceutical Company Limited	7,400
	Reappointment Candidate for Outside Director Independent Officer	Jun. 1999	Director of said company	
		Jun. 2003	Director and President & CEO of said company	
		Jun. 2014	Director and Chairman of the Board of said company	
		Mar. 2017	Director of the Company (incumbent)	
		Jun. 2017	Corporate Counselor of Takeda Pharmaceutical Co., Ltd.	
		Jun. 2019	Retired from said company	
【Reasons for the nomination as Outside Director candidate】				
• Yasuchika Hasegawa serves as Director and Chairman of the board of Takeda Pharmaceutical Company Limited and has abundant experience in corporate management at Takeda Pharmaceutical Company Limited, which is vigorously promoting global operations. Given this experience, it is believed that he will be able to make proposals to the Company's overall management, which is expected to enhance its corporate governance. We have accordingly nominated him as an Outside Director candidate.				
【Matters regarding independency】				
• Yasuchika Hasegawa meets the Company's standards for independence of outside officers (please refer to page 18). The Company has reported him to Tokyo Stock Exchange, Inc. as an independent officer. If he is elected as proposed, he will continue his service as an independent officer.				
• The Company has a business relationship with Takeda Pharmaceutical Company Limited, where Yasuchika Hasegawa served as a business executing person in the past, but the annual transaction amount accounts for approximately 0.4 % of the net sales of the Company.				
【Tenure of office of Outside Director from the time of appointment】 4 years (at the close of this general meeting of shareholders)				
【Participation in Board of Directors meetings (The fiscal year under review)】 15 times out of 15				

Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned
6	Hiroyuki Yanagi (born Nov. 20, 1954)	Apr. 1978	Joined Yamaha Motor Co., Ltd.	1,700
		Mar. 2007	Executive Officer of said company	
		Mar. 2009	Senior Executive Officer of said company	
		Mar. 2010	President and Director of said company	
		Jan. 2018	Chairman and Director of said company (incumbent)	
	Reappointment	Mar. 2019	Director of the Company (incumbent)	
	Candidate for Outside Director	[significant concurrent position]		
	Independent Officer	Chairman and Director of Yamaha Motor Co., Ltd. Outside Director of Kirin Holdings Co., Ltd.		
【Reasons for the nomination as Outside Director candidate】				
• Hiroyuki Yanagi serves as Chairman and Director of Yamaha Motor Co., Ltd. and has abundant experience in corporate management at the company, which is vigorously promoting global operations. Given this experience, it is believed that he will be able to make proposals on the Company's overall management, which is expected to enhance its corporate governance. We have accordingly nominated him as an Outside Director candidate.				
【Matters regarding independency】				
• Hiroyuki Yanagi meets the Company's standards for independence of outside officers (please refer to page 18). The Company has reported him to Tokyo Stock Exchange, Inc. as an independent officer. If he is elected as proposed, he will continue his service as an independent officer.				
【Tenure of office of Outside Director from the time of appointment】 2 years (at the close of this general meeting of shareholders)				
【Participation in Board of Directors meetings (The fiscal year under review)】 15 times out of 15				

Name (Date of birth)		Brief personal history, title, responsibility and significant concurrent positions		Number of the Company's shares owned				
7	Keiko Honda (born Sep. 27, 1961)	<table border="1"><tr><td>Reappointment</td></tr><tr><td>Candidate for Outside Director</td></tr><tr><td>Independent Officer</td></tr></table>	Reappointment	Candidate for Outside Director	Independent Officer	Apr. 1984	Joined Bain & Company Japan, Incorporated	0
			Reappointment					
			Candidate for Outside Director					
			Independent Officer					
			May 1986	Joined Shearson Lehman Brothers Securities Co., Ltd.				
			Jul. 1989	Joined McKinsey & Company, Inc. Japan				
			Jul. 1999	Partner of said company				
			Jul. 2007	Director (Senior Partner) of said company				
			Jul. 2013	Executive Vice President & CEO of Multilateral Investment Guarantee Agency (World Bank Group)				
			Oct. 2019	Retired from said agency				
Mar. 2020	Director of the Company (incumbent)							
[significant concurrent position]								
Adjunct Professor at Columbia University								
Outside Director of Mitsubishi UFJ Financial Group, Inc.								
【Reasons for nomination as Outside Director candidate】								
• Keiko Honda has extensive knowledge of corporate management and global organization operations based on her experience of engaging in consulting services over many years, which included providing advice on corporate strategies, M&A, and alliances, etc., as well as experience serving as the representative of a multinational organization. Given this experience, it is believed that she will be able to make proposals to the Company's overall management, which is expected to enhance its corporate governance. We have accordingly nominated her as an Outside Director candidate. While she has not been involved directly in corporate management except as an outside officer, we have concluded that she is able to duly perform the duties of an Outside Director for the reasons mentioned above.								
【Matters regarding independency】								
• Keiko Honda meets the Company's standards for independence of outside officers (please refer to page 18). The Company has reported her to Tokyo Stock Exchange, Inc. as an independent officer. If she is elected as proposed, she will continue her service as an independent officer.								
【Tenure of office of Outside Director from the time of appointment】 1 year (at the close of this general meeting of shareholders)								
【Participation in Board of Directors meetings (The fiscal year under review)】 11 times out of 11 (since the appointment on March 27, 2020)								

Notes:

- There are no special conflicts of interest between the Company and Director candidates.
- Outline of the liability limitation contract
The Company has executed a contract with each of Yasuchika Hasegawa, Hiroyuki Yanagi and Keiko Honda to limit their liability arising under Article 423, Paragraph 1 of the Companies Act, to the sum of the amounts prescribed in each Item of Article 425, Paragraph 1 of the Companies Act. If they are elected as proposed, the Company will continue those contracts.
- Outline of directors' and officers' liability insurance contracts
The Company has executed directors' and officers' liability insurance contracts with Directors, Audit & Supervisory Board Members, and Executive Officers as the insureds, the outline of which is described below, and it will renew those contracts in April 2021. If the Directors are elected as proposed, they will continue to be insureds.
 - Outline of insurance accidents covered by compensation
The contracts provide for compensation for damages arising from liabilities borne by directors, audit & supervisory board members and officers, who are the insureds, in relation to the execution of their duties or from claims received concerning the pursuit of such liabilities.
 - Insurance premiums
Insurance premiums are fully borne by the Company.

Item 3: Election of One Audit & Supervisory Board Member

As the tenure of Tetsuo Tatsuno, the Audit & Supervisory Board Member of the Company, will expire at the end of this general meeting, we request that an Audit & Supervisory Board Member be elected.

The Audit & Supervisory Board has consented to this agenda item.

The Audit & Supervisory Board Member candidate is as follows:




Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
Tetsuo Tatsuno (born Apr. 20, 1958)	<p>Apr. 1982 Joined the Company</p> <p>Jan. 2009 Executive Officer and GM of Finance & Accounting Center</p> <p>Jul. 2009 Executive Officer and Deputy GM of Finance & Control Office</p> <p>Apr. 2010 Executive Officer and Vice President, Planning and Coordination, Glass Company</p> <p>Jan. 2013 Executive Officer and GM of Finance & Control Office</p> <p>Jan. 2015 Senior Executive Officer and GM of Finance & Control Office</p> <p>Jan. 2016 Senior Executive Officer and GM of Finance & Control Division</p> <p>Jan. 2017 Senior Executive Officer and Assistant to CEO</p> <p>Mar. 2017 Audit & Supervisory Board Member (full-time) (incumbent)</p>	5,600
Reappointment		
<p>【Reasons for the nomination of the Corporate Auditor】</p> <ul style="list-style-type: none"> Tetsuo Tatsuno has many years of experience in Finance & Control Division of the Company and extensive knowledge about finance and AGC Group's businesses. Therefore, he is expected to fulfill the role of corporate auditor for the Company. We have accordingly chosen him as a candidate for an Audit & Supervisory Board Member. <p>【Participation in Board of Directors meetings (The fiscal year under review)】 15 times out of 15</p> <p>【Participation in Board of Audit & Supervisory Board meetings (The fiscal year under review)】 14 times out of 14</p>		

Notes:

- There are no special conflicts of interest between the Company and the Audit & Supervisory Board Member candidate.
- Outline of the liability limitation contract
The Company has executed a contract with Tetsuo Tatsuno to limit his liability arising under Article 423, Paragraph 1 of the Companies Act, to the sum of the amounts prescribed in each Item of Article 425, Paragraph 1 of the Companies Act. If he is elected as proposed, the Company will continue that contract.
- Outline of directors' and officers' liability insurance contracts
The Company has executed directors' and officers' liability insurance contracts with Directors, Audit & Supervisory Board Members, and Executive Officers as the insureds, the outline of which is described below, and it will renew those contracts in April 2021. If Tetsuo Tatsuno is elected as proposed, he will continue to be insureds.
 - Outline of insurance accidents covered by compensation
The contracts provide for compensate for damages arising from liabilities borne by directors audit & supervisory board members and officers, who are the insureds, in relation to the execution of their duties or from claims received concerning the pursuit of such liabilities.
 - Insurance premiums
Insurance premiums are fully borne by the Company.

Reference: If Item No. 2 and Item No.3 are approved as proposed, the Board of Directors and Audit & Supervisory Board Member will be composed of the following members.

● Directors

 <p>Takuya Shimamura</p>	<ul style="list-style-type: none"> • Director and Chairman • Member of Nominating Committee • Member of Compensation Committee
 <p>Yoshinori Hirai</p>	<ul style="list-style-type: none"> • Representative Director • President and CEO • Member of Nominating Committee • Member of Compensation Committee
 <p>Shinji Miyaji</p>	<ul style="list-style-type: none"> • Representative Director • Senior Executive Vice President • CFO • CCO • GM of Corporate Planning General Division

 <p>Hideyuki Kurata</p>	<ul style="list-style-type: none"> • Director • Senior Executive Officer • CTO • GM of Technology General Division
 <p>Yasuchika Hasegawa</p>	<ul style="list-style-type: none"> • Outside Director • Independent Officer • Chairperson of Board of Directors • Member of Nominating Committee • Member of Compensation Committee
 <p>Hiroyuki Yanagi</p>	<ul style="list-style-type: none"> • Outside Director • Independent Officer • Chairperson of Nominating Committee • Member of Compensation Committee
 <p>Keiko Honda</p>	<ul style="list-style-type: none"> • Outside Director • Independent Officer • Member of Nominating Committee • Chairperson of Compensation Committee

Note:

The Company, classified as a corporation with an audit & supervisory board, maintains a Nominating Committee and a Compensation Committee, as voluntary advisory committees to the Board of Directors.

● Audit & Supervisory Board Members

 <p>Tetsuo Tatsuno</p>	<ul style="list-style-type: none"> • Audit & Supervisory Board Member (Full-time)
 <p>Yoshiyuki Morimoto</p>	<ul style="list-style-type: none"> • Outside Audit & Supervisory Board Member (Full-time) • Independent Officer
 <p>Akio sakumiya</p>	<ul style="list-style-type: none"> • Outside Audit & Supervisory Board Member • Independent Officer
 <p>Yaeko Takeoka</p>	<ul style="list-style-type: none"> • Outside Audit & Supervisory Board Member • Independent Officer

Reference: Policy and Procedures for Deciding Candidates for Officers and Standards for Independence of Outside Officers

I Policy and Procedures for Deciding Candidates for Officers

With regards to the appointment of candidates for Directors, the Nominating Committee shall deliberate on and nominate, and the Board of Directors shall decide, the candidates.

The candidates shall be individuals having sufficient track records, experience and knowledge, etc. for carrying out the approval of material matters of the Company's management execution and for conducting monitoring of the Company's management execution, and shall be deliberated on and decided by also taking into consideration balance and diversity of expertise on the Board of Directors. In addition, with respect to candidates for Outside Directors, the candidates shall be individuals who also satisfy the "Standards for independence of outside officers"

With regards to the appointment of candidates for Audit & Supervisory Board Members, the Nominating Committee shall deliberate on and, with the consent of the Audit & Supervisory Board, nominate, and the Board of Directors shall decide, the candidates.

The candidates shall be individuals having sufficient track records, experience and knowledge, etc. for conducting audits of the Company. In addition, with respect to candidates for Outside Audit & Supervisory Board Members, the candidates shall be individuals who also satisfy the "Standards for independence of outside officers". One or more Audit & Supervisory Board Member(s) shall be an individual or individuals having a considerable degree of financial and accounting knowledge.

II Standards for Independence of Outside Officers

The Company has set the following standards to ensure the Independence of Outside Officers.

- (1) An outside officer shall not be a business executing person (referring to a director except an outside director, an executive officer or an employee; the same hereinafter) of any company of a group of consolidated companies (a "consolidated corporate group", which consists of a parent company and its subsidiaries, excluding the AGC Group) to which a company competing with the AGC Group in the AGC Group's key business areas belongs. In addition, an outside officer shall not hold 10% or more of the voting rights of a company belonging to such consolidated corporate group, and shall not be a business executing person of a company which holds 10% or more of voting rights of a company belonging to such consolidated corporate group.
- (2) An outside officer shall not have received 10.0 million yen or more per year, except for officers' remuneration*, from the AGC Group in the past three years.
* Officers' remuneration refers to, with respect to outside directors, directors' remuneration and, with respect to outside Audit & Supervisory Board Member, Audit & Supervisory Board Members' remuneration.
- (3) An outside officer shall not have been a business executing person of a company belonging to a consolidated corporate group which has the AGC Group as a major business counterparty, in the past three years. A consolidated corporate group which has the AGC Group as a major business counterparty shall be one with sales to the AGC Group exceeding 2% of consolidated net sales of the said consolidated corporate group for its most recent fiscal year.
- (4) An outside officer shall not have been a business executing person of a company belonging to a consolidated corporate group which is a major business counterparty of the AGC Group, in the past three years. A consolidated corporate group which is a major business counterparty of the AGC Group shall be one with sales of the AGC Group to such consolidated corporate group exceeding 2% of the AGC Group's consolidated net sales for the most recent fiscal year.
- (5) An outside officer shall not have been an employee of auditing firms that conduct audits on the AGC Group in the past three years.
- (6) An outside officer shall not be a major shareholder of the Company (who owns 10% or more of the voting rights in the Company) nor a business executing person of any of the major shareholders.
- (7) In addition to above, the absence of serious conflicts of interest between the Company and an outside officer, or any matter between the Company and an outside officer that may damage his or her independence.

END

Business Report

(from January 1 to December 31, 2020)

1. Current Status of the AGC Group

(1) Business summary and results

During the fiscal year under review, the global economy surrounding the AGC Group (the Company and its consolidated subsidiaries) was impacted significantly by the COVID-19 pandemic. In China, although the economy slowed from February, it recovered from April onward. In Europe, the U.S., Japan, the economy deteriorated rapidly from March, and signs of recovery were seen from July onward in conjunction with the gradual resumption of economic activity. However, the economy in Europe weakened once more from around December as infections started spreading again.

Given this business environment, the AGC Group's business performance was affected by a decline in demand for automotive glass, architectural glass, fluorine-related products for use in transportation equipment due to the COVID-19 pandemic. On the other hand, electronic materials, LCD glass substrates, and life science products were not affected by the COVID-19 pandemic, and shipments of them increased. In addition, prices for caustic soda in Southeast Asia, LCD glass substrates, and architectural glass fell. As a result, the AGC Group posted net sales of 1,412.3 billion yen, down 105.7 billion yen, or a 7.0% decrease from the previous fiscal year. Operating profit decreased by 25.8 billion yen, or a 25.4% decrease, from the previous fiscal year to 75.8 billion yen. Profit before tax decreased 19.1 billion yen, or a 25.0% decrease from the previous fiscal year to 57.1 billion yen. Profit for the year attributable to owners of the parent decreased by 11.7 billion yen, or a 26.4% decrease from the previous fiscal year to 32.7 billion yen.

(Consolidated business results for the fiscal year under review)

Net sales:	1,412.3billion yen	(down 7.0% from the previous year)
Operating profit:	75.8billion yen	(down 25.4% from the previous year)
Profit before tax:	57.1billion yen	(down 25.0% from the previous year)
Profit for the year attributable to owners of the parent:	32.7billion yen	(down 26.4% from the previous year)

The Company reports an overview by segment for the fiscal year under review as follows:

Glass

Demand for architectural glass fell in all regions (except for some regions such as South America) due to the impact of the COVID-19 pandemic. In addition, we experienced falling prices in all regions except Japan and South America. For those reasons, the AGC Group's sales of architectural glass fell compared to the previous fiscal year. In the automotive glass business, the AGC Group's shipments decreased based on the impact of the COVID-19 pandemic and a decline in global vehicle production due to deteriorating business confidence, and the AGC Group's sales of automotive glass fell compared to the previous fiscal year. In the glass business, we are working to improve earnings by rolling out initiatives to curtail fixed costs such as suspending the operation of glass production facility in Europe as well as reducing headcount.

As a result, net sales of the Glass Operations for the fiscal year were 651.0 billion yen, down 92.0 billion yen, or a 12.4% decrease, from the previous fiscal year. Operating profit recorded a loss of 16.6 billion yen, a decrease of 25.8 billion yen from the previous fiscal year, owing to the abovementioned factors underlying the decrease in sales as well as an increase in manufacturing costs due to significant production adjustments.

Electronics

In the display business, shipments of specialty glass for display applications decreased because of lower smartphone sales due to the impact of the COVID-19 pandemic. On the other hand, although sales prices for LCD glass substrates fell, shipments increased. As a result, net sales in the display business increased from the previous fiscal year. Regarding electronic materials, the AGC Group's shipments of both optoelectronic materials and semiconductor-related products such as EUV lithography photomask blanks increased. Net sales of the printed circuit board business of Taconic, which was acquired in June 2019, also contributed. Consequently, sales of electronic materials increased from the previous fiscal year.

As a result, net sales from the Electronics Operations for the fiscal year were 289.4 billion yen, up 12.7 billion yen, or a 4.6% increase, from the previous fiscal year. Operating profit was 37.8 billion yen, up 12.2 billion yen, or a 47.8% increase, from the previous fiscal year.

Chemicals

Sales of chlor-alkali products and urethane products decreased from the previous fiscal year, mainly because of the decrease in shipments due to the impact of the COVID-19 pandemic and a decline in sales prices of caustic soda in Southeast Asia. In the categories of fluorine products and specialty products, sales declined from the previous fiscal year because of a decline in shipments of fluorine-related products for use in transportation equipment such as aircraft due to the impact of the COVID-19 pandemic. In the life science category, sales increased from the previous fiscal year due to an increase in the number of contracts for both synthetic medical/agrochemicals and biopharmaceuticals.

As a result, net sales of the Chemicals Operations for the fiscal year were 451.2 billion yen, down 24.6 billion yen, or a 5.2% decrease, from the previous fiscal year. Operating profit was 50.5 billion yen, down 12.5 billion yen, or a 19.8% decrease, from the previous fiscal year.

Net sales of ceramics products and others were 81.1 billion yen, down 2.1 billion yen or a 2.5% decrease, from the previous fiscal year, and operating profit was 4.2 billion yen, up 0.4 billion yen, or a 9.8% increase, from the previous fiscal year.

(Net sales and operating profit by segment)

(Unit: billions of yen)

Segment	Net sales	Comparison with the previous fiscal year	Operating profit	Comparison with the previous fiscal year
Glass	651.0	-12.4%	▲16.6	
Electronics	289.4	+4.6%	37.8	+47.8
Chemicals	451.2	-5.2%	50.5	-19.8%
Ceramics /Others	81.1	-2.5%	4.2	+9.8%
(Adjustments)	▲60.3		▲0.1	
Total (Consolidated basis)	1,412.3	-7.0	75.8	-25.4%

Note:

Adjustments include the eliminations of net sales and operating profit related to intersegment transactions.

(2) Capital investment

In the fiscal year under review, the AGC Group conducted capital investments totaling 241.3 billion yen, which were expended on building a facility to produce cover glass for car-mounted displays in China (Glass segment), the construction of LCD glass substrate production facilities in China, the expansion of production capacity for EUV lithography photomask blanks in Japan (Electronics segment), the expansion of production capacity for fluorochemical products in Japan, expansion of production capacity for pharmaceutical intermediate and active ingredients in Japan and the US (Chemicals segment), the construction of an R&D facility in Japan (Others segment) etc.

(3) Funding

In the fiscal year under review, the AGC Group managed funding by using its own capital, through bank borrowings, as well as by issuing commercial paper.

(4) Corporate Reorganizations, etc.

Acquisition of shares of other companies

On June 1, 2002, the Company's subsidiary AGC Biologics Italy S.p.A. launched a tender offer for

the share capital of Molecular Medicine S.p.A. (currently AGC Biologics Italy S.p.A.) in Italy, and it acquired all of the shares of the said firm by September 30, 2020. Accordingly, we will newly enter the cutting-edge technology field of cell and gene therapies in an effort to widen the scope of our pharmaceutical contract development and manufacturing businesses.

(5) Trends in assets and gains/losses

(Unit: billions of yen except per share amounts)

	IFRSs			
	93rd Fiscal Year (January 2017 through December 2017)	94th Fiscal Year (January 2018 through December 2018)	95th Fiscal Year (January 2019 through December 2019)	96th Fiscal Year (for the fiscal year under review) (January 2020 through December 2020)
Net sales	1,463.5	1,522.9	1,518.0	1,412.3
Operating profit	119.6	120.6	101.6	75.8
Profit before tax	114.4	128.4	76.2	57.1
Profit for the year attributable to owners of the parent	69.2	89.6	44.4	32.7
Basic earnings per share (yen)	302.12	399.51	200.85	147.84
Equity attributable to owners of the parent	1,184.0	1,137.2	1,157.1	1,115.1
Equity attributable to owners of the parent per share (yen)	5,239.70	5,141.43	5,229.58	5,038.52
Total assets	2,228.6	2,235.8	2,335.4	2,534.5

Note:

The AGC Group has prepared the Consolidated Financial Statements based on the IFRSs, pursuant to the provision of Article 120, Paragraph 1 of the Ordinance on Companies Accounting.

(6) Issues to be addressed

<Looking back on the mid-term management plan **AGC plus-2020**>

In 2016, the AGC Group established a long-term management strategy “Vision 2025”. The strategy is built on two pillars—Core Businesses, which serve as long-term stable sources of earnings, and Strategic Businesses, which are expected to drive growth of the entire Group—through which the AGC Group aims to be a highly profitable, leading global material and solution provider. Positioning the three years from 2018 to 2020 as a period for laying the foundations for achieving the goals of “Vision 2025,” the Group pursued the mid-term management plan **AGC plus-2020**. As a result, Strategic Businesses centered on Electronics and Life Sciences achieved growth exceeding the targets, although Core Businesses did not meet the targets for operating profit, ROE, and the D/E ratio because businesses such as architectural glass and automotive glass were significantly impacted by the COVID-19 pandemic as well as by the global economic slowdown.

		FY2020 Targets	FY2020 Results
Operating profit		160.0 billion yen or more	75.8 billion yen
ROE		8% or more	2.9%
Strategic Business	Profit Contribution ratio	25% or more	59%
	Operating profit	40.0 billion yen	44.4 billion yen
D/E ratio		0.5 or less	0.63

<New management policy **AGC plus 2.0** and the new long-term management strategy “Vision 2030”>

Given the results of **AGC plus-2020**, the AGC Group formulated the new management policy, **AGC plus 2.0**, and the long-term management strategy “Vision 2030,” as described below.

New Management Policy **AGC plus 2.0**

The AGC Group add a “plus” by:

- Providing safety, security and comfort to society;
- Creating new value and functions for customers and business partners and building trust with them;
- Enhancing job satisfaction among employees;
- Increasing the Group’s corporate value for investors; and
- Building a better future for future generations

New long-term management strategy “Vision 2030”

**By providing differentiated materials and solutions,
AGC strives to help realize a sustainable society
and become an excellent company that
grows and evolves continuously.**

To realize our “Vision 2030,” the AGC Group aims to continuously create sustainable economic and social value by transforming into an optimal business portfolio with two pillars of Core Businesses and Strategic Businesses.

In our Core Businesses, such as architectural glass, automotive glass, displays, essential chemicals and fluorochemicals, we will enhance the competitiveness of each business and build a solid and long-term stable earnings base.

In the Strategic Businesses of Electronics, Life Science and Mobility, which are high-growth fields, we will, by leveraging our strengths, create and expand high-profit businesses that will be the future drivers of the AGC Group.

By implementing various measures based on this strategy, we aim to achieve the following financial targets.

	FY2020 Results	FY2025 Targets	FY2030 Targets
Operating profit	75.8 billion yen	200.0 billion yen	By 2030, achieve record profit* and ensure a stable ROE of 10% or higher
ROE	2.9%	9%	
Operating profit of Strategic Business	44.4 billion yen	100.0 billion yen	

*Record profit: Operating profit in fiscal 2010: 229.2 billion yen

In addition to achieving our financial targets, we are required to achieve a balance between “business growth” and the “realization of a sustainable society.” Taking into account the major opportunities and risks faced by the AGC Group, we will strive to achieve sustainability targets in all of our business activities and will contribute to the resolution of the following five social issues by leveraging our differentiated materials and solutions.

- the realization of a sustainable global environment
- the realization of safe and comfortable urban infrastructure
- the realization of safe and healthy lifestyles
- the maintenance of a healthy and secure society
- the creation of fair and safe workplaces

<New mid-term management plan **AGC plus-2023**>

To steadily implement its long-term management strategy “Vision 2030,” AGC has formulated the new mid-term management plan **AGC plus-2023**. The management financial targets are as follows:

Management financial targets

	FY2020 Results	FY2023 Targets
Operating profit	75.8 billion yen	160.0 billion yen
ROE	2.9%	8%
Operating profit of Strategic Business	44.4 billion yen	70.0 billion yen
D/E ratio	0.63	0.5 or less

The new mid-term management plan **AGC plus-2023** will further pursue ambidextrous management by deepening Core Businesses and exploring Strategic Businesses while promoting sustainability management and accelerating digital transformation (DX).

<u>Pursuing Ambidextrous Management</u>	
<u>Promoting Sustainability Management</u>	<u>Gaining Competitiveness by Accelerating Digital Transformation</u>

●Pursuing “Ambidextrous Management”

Under **AGC plus-2023**, the AGC Group will further pursue ambidextrous management and accelerate growth in Strategic Business areas, while exploring new business areas such as those related to energy. The primary objectives for each business are as follows:

■Electronics

The AGC Group will strive to expand high-value-added products, such as EUV lithography photomask blanks, and will continue to create new businesses.

■Life Science

The AGC Group will make timely investments to expand the business and achieve high growth by leveraging its strengths in global deployment and applying technological capabilities.

■Mobility

In light of the market changes related to Connected, Autonomous/Automated, Shared and Electric (CASE), the AGC Group will steadily seize business opportunities. In addition, we will begin mass production of cover glass for car-mounted displays in China, which will contribute to earnings.

On the other hand, in architectural glass and automotive glass, by 2023, we will reduce fixed costs and other costs under both businesses by 15 billion yen from the 2019 level, by, among other things, shifting

to production capacity that corresponds to demand, concentrating production through the introduction of highly efficient facilities and reducing headcount, and reducing investment to 80% or less of depreciation costs. In addition, as an industry leader, we will pursue a structural reform project for the architectural glass business with a sense of urgency and a view to reorganizing the industry.

Looking at other Core Businesses, in displays, the AGC Group will respond to further growth in demand in China and build a business foundation that will be stable in the long term. In the field of chlor-alkali, we will further strengthen our business foundation in Southeast Asia by reinforcing production capacity. In the categories of fluorine products and specialty products, the AGC Group will capture demand in niche markets worldwide by enhancing the added value of products and expanding business areas.

Regarding the allocation of investment resources, the AGC Group will strengthen investments in growth businesses such as Strategic Businesses. During the period of the current mid-term management plan, we plan to invest 200 billion yen, or approximately 30% of our total investments, in Strategic Businesses. Meanwhile, we will reduce the investment ratios in the three glass businesses (i.e., architectural glass, automotive glass, and displays) from about 50% for the period of the previous mid-term management plan to approximately 30%.

Through these efforts, we will improve the asset efficiency of all our businesses and reform our business portfolio, aiming to further increase asset efficiency and profitability.

●Promoting Sustainability Management

Since its foundation, the AGC Group has contributed to resolving social issues in response to the demands of the times by engaging in long-term R&D and assuming the challenges of commercialization based on relationships of trust with customers.

In 2014, the Group set a goal of reducing its annual CO₂ emissions by six-fold in 2020 through energy-savings and energy-creating products, and has worked to reduce CO₂ emissions in its business activities and to promote and expand sales of energy-saving and energy-creating products such as energy-saving glass and environmentally friendly, next-generation low- global warming potential (GWP) refrigerants. As a result, we generally achieved our targets in 2020.

With an aim of achieving net zero carbon in 2050 in order to realize a sustainable global environment, we have set milestones of a 30% reduction of greenhouse gas (GHG) emissions by 2030 and a 50% improvement in GHG emissions per unit of sales* by 2030.

*GHG emissions/Total net sales

●Strengthening Competitiveness by Accelerating Digital Transformation (DX)

Until now, the AGC Group has worked to transform business processes by utilizing digitization in areas such as development, manufacturing, sales and marketing, and logistics. We are also focusing on developing personnel with digital competency who can support these efforts.

Going forward, the AGC Group will transform its business model by promoting digitization as well as deepening and combining initiatives taken to date. By so doing, we will build competitive advantages and provide new added value to customers and society.

By achieving its management and financial targets and promoting sustainable management through the implementation of the strategies set forth in the new mid-term management plan **AGC plus-2023**, the AGC Group will add various value to all stakeholders, including society, customers and business partners, employees, investors, and future generations.

(7) Main business (as of December 31, 2020)

Segment	Main Products
Glass	Float flat glass, Figured glass, Polished wired glass, Low-E glass, Decorative glass, Fabricated glass for architectural use (Heat Insulating/shielding glass, Disaster-resistant/Security glass, Fire-resistant glass, etc.), Automotive glass, Cover glass for car-mounted displays, etc.
Electronics	LCD glass substrates, Glass Substrates for OLED Displays, Specialty glass for display applications, Display related materials, Glass for solar power system, Fabricated glass for industrial use, Semiconductor process materials, Optoelectronic materials, Printed circuit board materials, Lighting glass products, Laboratory use ware, etc.
Chemicals	Polyvinyl chloride, Vinyl chloride monomer, Caustic soda, Urethane, Fluorinated resins, Water and oil repellents, Gases, Solvents, Pharmaceutical and agrochemical intermediates and active ingredients, Iodine-related products, etc.
Ceramics/ Others	Ceramic products, etc.

(8) Major offices and plants of the Company (as of December 31, 2020)

The Company's major offices and plants are as follows. The Company's subsidiaries are as described in "(9) Major subsidiaries."

Name	Location	Name	Location
Head Office	Tokyo Prefecture	Aichi Plant	Aichi Prefecture
Kansai Plant	Hyogo Prefecture	Kashima Plant	Ibaraki Prefecture
Amagasaki Factory	Hyogo Prefecture	Sagami Plant	Kanagawa Prefecture
Takasago Factory	Kanagawa Prefecture	Research Center	Kanagawa Prefecture
AGC Yokohama Technical Center	Chiba Prefecture		
Chiba Plant			

(9) Major subsidiaries (as of December 31, 2020)

Subsidiary name	Location	Capital	Voting rights held by the Company (%)	Main business
Glass				
AGC Glass Kenzai Co., Ltd.	Tokyo/ Japan	¥450 million	100.0	Production, construction and sales of flat glass, fabricated glass for architectural use and building materials
AGC Glass Products Co., Ltd.	Tokyo/ Japan	¥1,287 million	70.0	Production and sales of fabricated glass for architectural use, and cutting and sales of flat glass
AGC Automotive (Suzhou) Inc.	China	US\$236 million	100.0	Production and sales of automotive glass
PT Asahimas Flat Glass Tbk	Indonesia	217 billion rupiah	44.5	Production and sales of flat glass, automotive glass and fabricated glass for industrial use
AGC Flat Glass North America, Inc.	U.S.A.	US\$250 million	100.0 (*)	Production and sales of flat glass and automotive glass
AGC Vidros do Brazil Ltda.	Brazil	1,270 million real	100.0 (*)	Production and sales of flat glass and automotive glass
AGC Automotive Europe S.A.	Belgium	148 million euros	100.0 (*)	Production and sales of automotive glass
AGC Glass Europe S.A.	Belgium	346 million euros	100.0 (*)	Production and sales of flat glass
AGC Flat Glass Czech a.s.	Czech Republic	3,560 million koruna	100.0 (*)	Production and sales of flat glass
AGC Bor Glassworks OJSC	Russia	418 million rubles	94.7(*)	Production and sales of flat glass and automotive glass

Subsidiary name	Location	Capital	Voting rights held by the Company (%)	Main business
Electronics				
AGC Display Glass Taiwan, Inc.	Taiwan	NT\$3,120 million	100.0 (*)	Production and sales of glass for electronics
AGC Display Glass (Shenzhen), Inc.	China	¥14,200 million	100.0	Production and sales of glass for electronics
AGC Display Glass (Huizhou) Co., Ltd.	China	¥28,900 million	100.0	Production and sales of glass for electronics
AGC Advanced Electronics Display Glass (Shenzhen) Co., Ltd.	China	¥30,400 million	70.0	Production and sales of glass for electronics
AGC Fine Techno Korea Co., Ltd.	South Korea	227,000 million won	100.0 (*)	Production and sales of glass for electronics
Chemicals				
Ise Chemicals Corporation	Tokyo/ Japan	¥3,599 million	53.2	Production and sales of iodine-related products and metallic compounds, extraction and sales of natural gas
PT Asahimas Chemical	Indonesia	US\$84 million	52.5	Production and sales of polyvinyl chloride, vinyl chloride monomer, and caustic soda
Vinythai Public Company Limited	Thailand	THB7,111 million	58.8 (*)	Production and sales of polyvinyl chloride, vinyl chloride monomer, and caustic soda
AGC Biologics A/S	Denmark	DKK 42 million	100.0	Contracted development and manufacturing of active biopharmaceutical ingredients
Ceramics/Others				
AGC Ceramics Co., Ltd.	Tokyo/ Japan	¥3,500 million	100.0	Production and sales of various ceramic products
AGC Singapore Services Pte. Ltd.	Singapore	US\$88 million	100.0	Procurement of funds and provision of financing for affiliates in Asia, and holding of shares in affiliates
AGC America, Inc.	U.S.A.	US\$725 million	100.0	Holding of shares in affiliates in North America, and information collection

Note: * indicates that the ratio includes investment through subsidiaries.

(10) Employees (as of December 31, 2020)

Segment	Number of employees
Glass	32,519
Electronics	11,770
Chemicals	8,263
Ceramics/Others	3,627
Total (Consolidated basis)	56,179

Note: Number of employees of the Company is 7,158.

(11) Major Lenders (as of December 31, 2020)

(Unit: billions of yen)

Lenders	Outstanding balance of debt
MUFG Bank, Ltd.	178.6
Mizuho Bank, Ltd.	151.7
The Norinchukin Bank	58.7

2. Matters concerning the Company Shares (as of December 31, 2020)

(1) Number of authorized shares: 400,000,000 shares

(2) Number of outstanding shares: 227,441,381 shares

Note: The number of outstanding shares includes 5,813,165 shares of treasury shares.

(3) Number of shareholders: 74,150

(4) Major shareholders (Top 10)

Shareholder	Number of shares held	Percentage of shares held
	1,000 shares	%
The Master Trust Bank of Japan, Ltd. (Trust account)	23,050	10.40
Custody Bank of Japan, Ltd. (Trust account)	14,921	6.73
Meiji Yasuda Life Insurance Company	9,615	4.34
Barclays Securities Japan Limited	6,066	2.74
The Asahi Glass Foundation	5,982	2.70
Mitsubishi Estate Co., Ltd.	4,540	2.05
Asahi Glass Business Partner Shareholding Association	4,492	2.03
JPMorgan Securities Japan Co., Ltd.	4,400	1.99
SMBC Nikko Securities Inc.	4,036	1.82
Nippon Life Insurance Company	3,662	1.65

Notes:

- In addition to the above, there are 5,813,165 shares of treasury shares.
- Percentage of shares held is calculated excluding treasury shares.

3. Matters concerning Stock Acquisition Rights of the Company

(1) Outline of stock acquisition rights held by officers (as of December 31, 2020)

An outline of the stock acquisition rights held by officers is as follows.

Date of issue	Issue price per share	Exercise price per share	Exercise period for the stock acquisition rights	Status of rights held by officers	Type and number of shares to be granted upon exercise of rights
July 2, 2007 (Stock Compensation-type Stock Option)	¥7,230	¥1	July 3, 2007 through July 2, 2037	Director: 1 person; 10 stock acquisition rights	Company's ordinary shares: 2,000 shares
July 1, 2008 (Stock Compensation-type Stock Option)	¥5,030	¥1	July 2, 2008 through July 1, 2038	Director: 1 person; 30 stock acquisition rights	Company's ordinary shares: 6,000 shares
July 1, 2009 (Stock Compensation-type Stock Option)	¥2,435	¥1	July 2, 2009 through July 1, 2039	Directors: 2 persons; 93 stock acquisition rights Audit & Supervisory Board Member : 1 person; 13 stock acquisition rights	Company's ordinary shares: 21,200 shares
July 1, 2010 (Stock Compensation-type Stock Option)	¥3,100	¥1	July 2, 2010 through July 1, 2040	Directors: 3 persons; 79 stock acquisition rights	Company's ordinary shares: 15,800 shares
July 1, 2011 (Stock Compensation-type Stock Option)	¥3,100	¥1	July 2, 2011 through July 1, 2041	Directors: 3 persons; 95 stock acquisition rights	Company's ordinary shares: 19,000 shares
July 2, 2012 (Stock Compensation-type Stock Option)	¥1,265	¥1	July 3, 2012 through July 2, 2042	Directors: 4 persons; 269 stock acquisition rights	Company's ordinary shares: 53,800 shares
March 26, 2013 (Stock Compensation-type Stock Option)	¥1,770	¥1	March 27, 2013 through March 26, 2043	Audit & Supervisory Board Member: 1 person; 64 stock acquisition rights	Company's ordinary shares: 12,800 shares
July 1, 2013 (Stock Compensation-type Stock Option)	¥1,775	¥1	July 2, 2013 through July 1, 2043	Directors: 4 persons; 159 stock acquisition rights Audit & Supervisory Board Member: 1 person; 22 stock acquisition rights	Company's ordinary shares: 36,200 shares

Date of issue	Issue price per share	Exercise price per share	Exercise period for the stock acquisition rights	Status of rights held by officers	Type and number of shares to be granted upon exercise of rights
July 1, 2014 (Stock Compensation-type Stock Option)	¥1,940	¥1	July 2, 2014 through July 1, 2044	Directors: 4 persons; 180 stock acquisition rights Audit & Supervisory Board Member: 1 person; 24 stock acquisition rights	Company's ordinary shares: 40,800 shares
July 1, 2015 (Stock Compensation-type Stock Option)	¥2,590	¥1	July 2, 2015 through July 1, 2045	Directors: 4 persons; 151 stock acquisition rights Audit & Supervisory Board Member: 1 person; 15 stock acquisition rights	Company's ordinary shares: 33,200 shares
July 1, 2016 (Stock Compensation-type Stock Option)	¥1,710	¥1	July 2, 2016 through July 1, 2046	Directors: 4 persons; 214 stock acquisition rights Audit & Supervisory Board Member: 1 person; 22 stock acquisition rights	Company's ordinary shares: 47,200 shares
July 3, 2017 (Stock Compensation-type Stock Option)	¥3,555	¥1	July 4, 2017 through July 3, 2047	Directors: 4 persons; 151 stock acquisition rights	Company's ordinary shares: 30,200 shares

Notes:

1. Outside Directors are not included as Directors in the table above because Outside Directors do not hold stock acquisition rights issued by the Company.
2. All of the stock acquisition rights held by the Audit & Supervisory Board Member were granted to him when he was an executive officer.

(2) Total number of stock acquisition rights, etc. (as of December 31, 2020)

The total number of stock acquisition rights, etc. at the end of the fiscal year under review is as follows.

- a. Total number of stock acquisition rights: 5,608
- b. Type and number of shares to be granted upon exercise of stock acquisition rights:
Company's ordinary shares: 1,121,600shares

4. Matters concerning the Company Officers

(1) Directors and Audit & Supervisory Board Members (as of December 31, 2020)

Title	Name	Responsibility and Significant Concurrent Positions
*Director (President & CEO)	Takuya Shimamura	
*Director (Senior Executive Vice President)	Shinji Miyaji	CFO, CCO, GM of Corporate Planning General Division
*Director (Executive Vice President)	Yoshinori Hirai	CTO
Director	Kazuhiko Ishimura	President of The National Institute of Advanced Industrial Science and Technology Outside Director of TDK Corporation Outside Director of IHI Corporation Outside Director of Nomura Holdings, Inc.
Director 〈Outside Director〉	Yasuchika Hasegawa	
Director 〈Outside Director〉	Hiroyuki Yanagi	Chairman and Director of Yamaha Motor Co., Ltd. (Representative director)
Director 〈Outside Director〉	Keiko Honda	
Audit & Supervisory Board Member (full-time)	Tetsuo Tatsuno	
Audit & Supervisory Board Member (full-time)	Yoshiyuki Morimoto	
〈Outside Audit & Supervisory Board Member〉		
Audit & Supervisory Board Member	Akio Sakumiya	
〈Outside Audit & Supervisory Board Member〉		
Audit & Supervisory Board Member	Yaeko Takeoka	Attorney at KOHWA SOHGOH Law Offices
〈Outside Audit & Supervisory Board Member〉		

Notes:

- * denotes a Representative Director of the Company.
- Keiko Honda, newly assumed the position of Director on March 27, 2020.
- Masako Egawa retired from her position as Director on March 27, 2020.
- Audit & Supervisory Board Member Tetsuo Tatsuno has considerable knowledge of finance and accounting through his extensive experience in the accounting sector of the Company.
- The details of significant concurrent positions held by outside officers are specified in “(3) Outside officers.”
- The Company has reported Directors of the Company, Yasuchika Hasegawa, Hiroyuki Yanagi and Keiko Honda, as well as Audit & Supervisory Board Members of the Company, Yoshiyuki Morimoto, Akio Sakumiya and Yaeko Takeoka to Tokyo Stock Exchange, Inc. as independent officers.
- Effective March 27, 2020, Director Kazuhiko Ishimura retired from his position as chairman and Director Shinji Miyaji was promoted from Executive Vice President to Senior Executive Vice President.
- The titles and responsibilities of the following Directors have changed as of January 1, 2021:

Title	Name	Responsibility and Significant Concurrent Positions
*Director & Chairman	Takuya Shimamura	
*Director (President & CEO)	Yoshinori Hirai	

Note:

* denotes a Representative Director of the Company. Director Takuya Shimamura will assume the position of chairman with no representative right effective March 30, 2021.

Reference: Executive Officers (as of January 1, 2021)

Title	Name	Responsibility
* President & CEO	Yoshinori Hirai	
* Senior Executive Vice President	Shinji Miyaji	CFO, CCO, GM of Corporate Planning General Division
Executive Vice President	Masao Nemoto	President of Chemicals Company
Executive Vice President	Yoshinori Kobayashi	President of Automotive Company
Senior Executive Officer	Jean-François Heris	President of Building & Industrial Glass Company
Senior Executive Officer	Kenzo Moriyama	President of Electronics Company
Senior Executive Officer	Takashi Misu	GM of Human Resources Division
Senior Executive Officer	Hideyuki Kurata	CTO, GM of Technology General Division
Senior Executive Officer	Shigekuni Inoue	GM of EHSQ General Division, GM of AGC Yokohama Technical Center
Senior Executive Officer	Toshiro Kasuya	GM of Finance & Control Division
Executive Officer	Kimikazu Ichikawa	Assistant to CEO
Executive Officer	Seigo Washinoue	GM of Display Glass General Division, Electronics Company
Executive Officer	Kazuaki Koga	GM of Essential Chemicals General Division, Chemicals Company
Executive Officer	Masahiro Takeda	Regional President for Asia Pacific, Building & Industrial Glass Company
Executive Officer	Tatsuo Sugiyama	GM of Technology Office, Automotive Company
Executive Officer	Jean-Marc Meunier	Regional President for Europe, Automotive Company
Executive Officer	Naoki Sugimoto	GM of Materials Integration Laboratories, Technology General Division
Executive Officer	Fumiaki Hayashi	Assistant to CEO
Executive Officer	Katsufumi Yajima	Assistant to CEO
Executive Officer	Tadashi Hiraoka	GM of Technology Management General Division, Chemicals Company
Executive Officer	Philippe Bastien	Regional President for Europe, Building & Industrial Glass Company

Title	Name	Responsibility
Executive Officer	Toshihiro Ueda	Chief Representative of AGC Group for China
Executive Officer	Atsushi Ichikawa	Senior Vice President of Building & Industrial Glass Company
Executive Officer	Yoshio Takegawa	GM of Mobility Business Development, Automotive Company GM of Mobility General Division, Automotive Company GM of Strategy & Planning Office, Automotive Company
Executive Officer	Satoshi Takada	GM of Business Development Division, GM of Multi-Material General Division, Electronics Company
Executive Officer	Hiroyoshi Kitagawa	GM of Performance Chemicals General Division, Chemicals Company
Executive Officer	Junichi Kobayashi	GM of Legal Division GM of General Affairs Division
Executive Officer	Nobuyuki Suzuki	GM of Applied Glass Materials General Division, Electronics Company
Executive Officer	Hiroki Kamiya	GM of Innovative Technology Laboratories, Technology General Division
Executive Officer	Shinya Mine	GM of Production Technology Division, Technology General Division
Executive Officer	Naoko Araki	GM of Internal Audit Division
Executive Officer	Tadashi Murano	GM of Strategy & Planning Division, Corporate Planning General Division
Executive Officer	Masashi Ohta	President of AGC Ceramics Co., Ltd.
Executive Officer	Noriyuki Komuro	GM of Life Science General Division, Chemicals Company
Executive Officer	Takashi Narushima	GM of Global OEM Management Office, Automotive Company

Note: Executive Officers marked with an asterisk serve concurrently as Directors.

(2) Outline of liability limitation contracts

The Company has executed a contract with each of the Outside Directors and the Audit & Supervisory Board Members to limit his/her liability arising under Article 423, Paragraph 1 of the Companies Act to the sum of the amounts prescribed in each Item of Article 425, Paragraph 1 of the Companies Act.

(3) Outside officers

1) Significant concurrent positions held by outside officers in other companies and the relationships between these companies and the Company (as of December 31, 2020)

Position	Name	Significant concurrent positions
Outside Director	Hiroyuki Yanagi	Chairman and Director of Yamaha Motor Co., Ltd. (representative director) Outside Director of Kirin Holdings Co., Ltd.
	Keiko Honda	Adjunct Professor at Columbia University Outside Director of Mitsubishi UFJ Financial Group, Inc.
Outside Audit & Supervisory Board Member	Akio Sakumiya	Outside Director of UACJ Corporation
	Yaeko Takeoka	Attorney at KOHWA SOHGOH Law offices Outside Director of Mitsubishi Motors Corporation

Notes:

1. Outside Director Yasuchika Hasegawa holds no significant concurrent positions.
2. Outside Audit & Supervisory Board Member Yoshiyuki Morimoto holds no significant concurrent positions.
3. Among the companies in which outside officers hold significant concurrent positions, the Company has business transactions related to sales, etc. of automotive glass with Mitsubishi Motors Corporation, where Yaeko Takeoka serves as an outside director.
4. Other than the company described above in note 3, the Company has no special relationship of interest with the companies in which outside officers hold concurrent positions.
All of the outside officers meet the Company's standards for independence of outside officers. For details of these standards, please refer to page 18.

2) Major activities in the fiscal year under review

a. Outside Directors

Name	Participation in Board of Directors meetings	Activities
Yasuchika Hasegawa	15 times out of 15	By making good use of his abundant experience in corporate management, such as proactive globalization of business operations, Yasuchika Hasegawa, as chairperson of the Board of Directors, actively asked questions and made proposals from his professional viewpoint at Board of Directors meetings. Thus, he fully fulfilled his management oversight function.
Hiroyuki Yanagi	15 times out of 15	By making good use of his abundant experience in corporate management, such as the proactive globalization of business operations in response to changes in the business environment, Hiroyuki Yanagi actively asked questions and made proposals from his professional viewpoint at Board of Directors meetings. Thus, he fully fulfilled his management oversight function. In addition, he served as chairperson of the Nominating Committee and contributed to enhancing objectivity regarding the election of Directors, Audit & Supervisory Board Members and Executive Officers.
Keiko Honda	11 times out of 11	By making good use of her abundant experience in providing advice on corporate strategies, M&A and business alliances, among other matters, and her experience serving as the representative of a multinational organization, Keiko Honda actively asked questions and made proposals from her professional viewpoint at Board of Directors meetings. Thus, she fully fulfilled her management oversight function. In addition, she served as chairperson of the Compensation Committee and contributed to enhancing objectivity regarding the compensation of Directors and Executive Officers.

Note:

Since Keiko Honda only assumed the position of Director on March 27, 2020, the total number of Board of Directors meetings that she was able to attend differs from that of other Directors.

b. Outside Audit & Supervisory Board Members

Name	Participation in Board of Directors meetings	Participation in Audit & Supervisory Board meetings	Activities
Yoshiyuki Morimoto	15 times out of 15	14 times out of 14	By making good use of his abundant experience in corporate management at a global manufacturer promoting global operations, Yoshiyuki Morimoto made comments, when necessary, at Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of the Company's divisions and offices, as well as inspections of subsidiaries, according to the audit policy formulated by the Audit & Supervisory Board. As a full-time Audit & Supervisory Board Member, he fully performed his audit functions.
Akio Sakumiya	15 times out of 15	14 times out of 14	By making good use of his abundant experience in corporate management and experience in promoting corporate governance, Akio Sakumiya made comments, when necessary, at Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of the Company's divisions, according to the audit policy formulated by the Audit & Supervisory Board. Thus, he fully performed his audit functions.
Yaeko Takeoka	15 times out of 15	14 times out of 14	By making good use of her abundant experience in the legal sector, as well as extensive knowledge of laws and compliance, Yaeko Takeoka made comments, when necessary, at Board of Directors meetings and Audit & Supervisory Board meetings. She also conducted audits of the Company's divisions, according to the audit policy formulated by the Audit & Supervisory Board. Thus, she fully performed her audit functions.

(4) Compensation and other emoluments for Directors and Audit & Supervisory Board Members

1) Compensation and other emoluments for Directors and Audit & Supervisory Board Members:
number of recipients and amount of payment

		Number of recipients and amount of payment		Breakdown					
				Fixed compensation		Variable compensation			
				Monthly compensation		Bonus <div>Amount of bonuses for the fiscal year under review</div>		Stock compensation	
		Number of recipients	Amount of payment			Number of recipients	Amount of payment		
Directors		persons 8	¥million 454	persons 8	¥million 286	persons 4	¥million 97	persons 6	¥million 70
	Outside Directors	4	52	4	48	1	1	2	2
Audit & Supervisory Board Members		4	100	4	100	-	-	-	-
	Outside Audit & Supervisory Board Members	3	64	3	64	-	-	-	-

Notes:

1. “Number of recipients and amount of payment” and “Monthly compensation” include compensation for one Director (an Outside Director) who retired from her position as of March 27, 2020.
2. “Bonus” includes the amount paid as an alternative to stock compensation (fixed compensation) for one Outside Director.
3. The amount of payment of “Stock compensation” shows only the amount expensed as the fixed component out of the amount expensed for the fiscal year under review. Regarding the performance-linked component, a reversal of 100 million yen from the amount expensed in the previous fiscal years was recorded separately.
4. The maximum amount, and the composition, of compensation and other emoluments for Directors and Audit & Supervisory Board Members are as follows.
 - (1) Monthly compensation and bonuses of up to 500 million yen per year (including up to 65 million yen for Outside Directors) was approved at the 82nd Ordinary General Meeting of Shareholders held on March 29, 2007 and the 86th Ordinary General Meeting of Shareholders held on March 30, 2011.
 - (2) Regarding stock compensation for Directors and Executive Officers (excluding non-residents of Japan), it was approved at the 93rd Ordinary General Meeting of Shareholders held on March 29, 2018 that, for each period covered by the mid-term management plan (i.e., three fiscal years), the Company will contribute money to the trust of up to a total of 1.5 billion yen (of which the total amount for acquiring the Company’s shares to be delivered, etc. to Outside Directors will be 25 million yen) with the upper limit of 372,000 shares (including the Company’s shares subject to conversion into cash) to be delivered, etc. through the trust (of which the number of shares to be delivered, etc. to Outside Directors will be 6,000 shares).
 - (3) Audit & Supervisory Board Members are only eligible for monthly compensation, and the amount of compensation and other emoluments for Audit & Supervisory Board Members was up to 120 million yen per year as approved at the 93rd Ordinary General Meeting of Shareholders held on March 29, 2018.

2) Policy for Determining Compensation and Other Emoluments for Officers

a. Compensation policy

i. Basic Philosophy on Compensation System

The Company sets out, as its compensation principles, its basic stances and philosophies on overall compensation for officers as follows.

- The compensation system shall be the one that enables the Company to attract, secure and reward diverse and talented personnel, in order to establish and expand the Company's edge over its peers.
- The compensation system shall be the one that promotes continued improvement of corporate value, and in this way allows shareholders and management to share gains.
- The compensation system shall be the one that motivates the management to achieve performance goals based on management strategies for the AGC Group's continuous growth.
- The decision-making process of determining compensations shall be objective and highly transparent.

ii. Composition of Compensation

- (1) Compensation for the Company's officers consists of "Monthly compensation" as fixed compensation and "Bonuses" and "Stock compensation" (※1) as variable compensation. The Company's officers are eligible for the following compensation according to their positions.

Classification	Fixed compensation	Variable compensations	
	Monthly compensation	Bonus	Stock Compensation
Directors who also serve as Executive Officers, and Executive Officers	●	●	●
Directors (including Outside Directors) who do not serve as Executive Officers	●	—	● (※2)
Outside Audit & Supervisory Board Members	●	—	—

※1 If an officer eligible for stock compensation is not a resident of Japan, the Company may, instead of delivering shares, pay the corresponding amount as a bonus.

※2 Stock compensation consists of a performance-linked component and a fixed component.

Directors (including Outside Directors) who do not serve concurrently as Executive Officers are not eligible for the performance-linked component.

- (2) The proportion of each component based on the standard payment amount shall be approximately as follows and is determined by reflecting details of "iii. Scheme of Variable Compensation" below.

Classification (※3)	Fixed compensation : Variable compensation (※4)
Director President and CEO	4 : 6
Directors who serve as Executive Officers (excluding President and CEO)	5 : 5
Directors who do not serve as Executive Officers (Director & Chairman)	6 : 4
Outside Directors	9 : 1

※3 If an officer does not fall under any of the classifications, the matter shall be deliberated by the Compensation Committee and approved by the Board of Directors.

※4 Variable compensation shall be the total of bonuses and amount of stock compensation for a single fiscal year.

iii. Scheme of Variable Compensation

Variable compensation takes into account a balance among each of short-, medium-, and long-term periods, to allow management functions to be carried out from a well-balanced perspective in each term, in order to achieve sustainable growth and enhance the corporate value of the AGC Group.

(1) Bonuses

- Bonuses are designed to be adjusted in accordance with the consolidated business results for a single fiscal year, in order to further enhance the motivation to achieve performance goals for a single fiscal year.
- The indicators of performance shall be Operating Profit and Cash Flow, considering the importance of improving profitability and generating cash flows.
- Bonuses shall, in principle, vary between 0% and 200% of the standard payment amount depending on the level of achievement of operating profit target and improvement of cash flow compared to the previous fiscal year, after taking into consideration significant changes in the AGC Group's overall performance. The amount of bonuses shall be determined by a resolution of the Board of Directors after deliberation by the Compensation Committee.

(2) Stock Compensation

- The Stock compensation plan (the "Plan") is intended to enhance the motivation to contribute to medium- to long-term improvements in the corporate value of the AGC Group, and to promote a sharing of interests with shareholders, as well as to further enhance the motivation to achieve the performance goals in the mid-term management plan (the "mid-term plan").
- Compensation under the Plan consists of a performance-linked component, whereby the Company's shares, etc. to be delivered will vary depending on the position and the level of achievement of targeted consolidated performance indicators for the mid-term plan, and a fixed component, whereby a fixed number of the Company's shares, etc. shall be delivered in accordance with the position.
- The performance indicator shall be a Return on Operating Assets (※5), considering the

importance of increasing asset efficiency as a material manufacturer to achieve its target for ROE, a key performance indicator of the mid-term plan, as well as EBITDA, considering the importance of improving efficiency, while ensuring sustainable corporate growth.

※5 Return on Operating Assets = Business Profit/Operating Assets

- Performance-linked component shall, in principle, vary between 0% and 200% of the standard amount depending on the level of achievement of those targeted performance indicators. The amount of the performance-linked component shall be determined by a resolution of the Board of Directors after deliberation by the Compensation Committee.
- Officers shall continue to hold the Company's shares acquired through the Plan after the end of the mid-term plan period, until they retire from office.

iv. Compensation Level

The Compensation Committee, which is voluntarily established, verifies the level of compensation for the Company's officers by analyzing compensation data of major manufacturing companies obtained from the data compiled by a third-party organization, and comparing the said data with the Company's compensation level.

b. Compensation Determination Method

The Compensation Committee is a voluntary advisory committee chaired by an Outside Director, the majority of whose members are Outside Directors. It deliberates on matters such as the compensation system and the level of compensation of Directors and Executive Officers, based on "i. Basic Philosophy on Compensation System," and makes proposals for a resolution of the Board of Directors. Compensation of Directors shall be resolved at the Board of Directors, within the maximum amount of compensation (total amount) approved at a general meeting of shareholders. The Compensation Committee also verifies the results of compensation payments. Likewise, compensation for Audit & Supervisory Board Members shall be determined through discussions among Audit & Supervisory Board Members, within the maximum amount of compensation (total amount) approved at a general meeting of shareholders. Through such procedures, the Company enhances the objectivity and the transparency of the compensation determination process.

c. The Policy Determination Method

The establishment, revision and abolishment of this Policy shall be subject to a resolution of the Board of Directors following the deliberation and proposal by the Compensation Committee.

5. Matters concerning Accounting Auditors

(1) Name:

KPMG AZSA LLC

(2) Compensation, etc.

Accounting Auditor's compensation for the fiscal year under review	¥128 million
(Amount of compensation for services that do not fall within Article 2, Paragraph 1 of the Certified Public Accountants Law)	(¥1 million)
Total amount of cash and other property profits to be paid by the Company and its subsidiaries to the Accounting Auditors	¥197 million

Notes:

1. The Audit & Supervisory Board examines the Accounting Auditor's audit plan, its performance of duties, and the basis of calculating compensation estimates etc., and after examining these matters in a comprehensive manner, gives consent to the Accounting Auditor's compensation etc. in accordance with Article 399, Paragraph 1 of the Companies Act.
2. In the audit agreement between the Company and the Accounting Auditor, the amounts of compensation for conducting auditing services in accordance with the Companies Act and auditing in accordance with the Financial Instruments and Exchange Law are not separated, and the above amounts contain compensation and other remuneration for auditing services under the Financial Instruments and Exchange Law.
3. The Company pays compensation to the Accounting Auditor for services that have been entrusted and agreed upon as services other than those under Article 2, Paragraph 1 of the Certified Public Accountants Law (i.e., non-audit services).
4. Of the major subsidiaries of the Company, AGC America Inc., AGC Glass Europe S.A. and 16 other companies undergo audits by auditing firms other than the above-named Accounting Auditor of the Company.

(3) Policy on decisions to either dismiss or not reappoint Accounting Auditors

The Audit & Supervisory Board, by unanimous agreement, will dismiss the Accounting Auditor if it is confirmed that the Accounting Auditor falls under any item of Article 340 Paragraph 1 of the Companies Act, and the Audit & Supervisory Board determines it is necessary to dismiss that accountant.

After giving full consideration to the Accounting Auditor's independence, performance of its duties and various circumstances, the Audit & Supervisory Board will determine the contents of an agenda regarding the removal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders (when necessary).

6. Corporate Policy over Internal Control and Operations of Internal Control

The contents of the Board of Directors' resolution on the corporate policy over internal control and the overview of operations of internal control are as follows.

【Corporate Policy over Internal Control】

The Group Vision “Look Beyond” of the AGC Group provides that all members of the AGC Group are expected to adopt and follow the four shared values of “Innovation & Operational Excellence”, “Diversity”, “Environment” and “Integrity”, which shall serve as the basis for every action they take.

In addition to the above, the AGC Group declares its corporate social responsibility in the form of “AGC Group Charter of Corporate Behavior”, which is intended to lead the group members properly toward realization of the Group Vision “Look Beyond.”

The system to ensure the properness of operations is as follows.

(1) System to ensure compliance with relevant laws and the Articles of Incorporation (Compliance Program)

The AGC Group defines “Integrity” as one of the most important shared values in its Group Vision “Look Beyond” and establishes and strengthens its compliance program based thereon.

More specifically, the AGC Group has established the position of CCO (Chief Compliance Officer), responsible for the overall management and promotion of the AGC Group's compliance system, which is served by an executive officer to whom the President & CEO of the Company (hereinafter referred to as the President & CEO) delegates its authority. In addition to this, the Company establishes the Compliance Committee responsible for legal and ethical compliance under the CCO. Chaired by a Global Compliance Leader (Executive Officer in charge), this Committee shall serve as a professional body for legal compliance and corporate ethics. It shall plan, formulate and execute a compliance program. It shall establish global common compliance rules and country/region specific rules in the Code of Conduct (AGC Group Code of Conduct) and establish the compliance system at the AGC Group, as well as promote educational activities in order to ensure business conduct based on laws and corporate ethics.

In order to handle whistle-blowing and consultation on compliance, the AGC Group has set up contact points (helpline). All the corporate officers and employees of the Company and executives of subsidiaries are obligated to submit the personal certificate.

Actual status of compliance and usage of whistle-blowing and consultation system on compliance of the AGC Group shall be reported to the Board of Directors of the Company (hereinafter referred to as the Board of Directors) periodically.

The Company shall also establish a legal administration system of the AGC Group to grasp information on important legal issues, which shall be reported to the Board of Directors periodically.

With regard to internal audit of the AGC Group, the Internal Audit Division and the internal audit staff in each region shall audit managerial and operational systems as well as the legality and rationality of execution of business processes, pursuant to an annual auditing plan. Results of such internal audits shall be timely reported to the President & CEO and further to the Board of Directors periodically.

In accordance with “Financial Instruments and Exchange Act” in Japan, the AGC group shall

establish “AGC Group Internal Control over Financial Reporting Implementation Regulations” and form the compliance system for financial reporting.

(2) Information Retention and Management System with respect to business operations of the AGC Group (Information retention/management system)

Retention and management of important business documents and information shall be made pursuant to the applicable laws and the relevant internal rules of the AGC Group.

Confidentiality and security of important business documents and information shall be maintained in accordance with the applicable procedures provided in the Information Security Policy to be made available through the Company.

(3) System to control risk of damage of the AGC Group (Risk management system)

The AGC Group shall establish “AGC Group Enterprise Risk Management Basic Policies” and form the risk management system and crisis management system.

According to the relevant internal rules, important risk factors for the AGC Group shall be specified, and control of these factors shall be discussed and monitored periodically at the Management Committee of the Company (hereinafter referred to as the Management Committee) and the Board of Directors. As for the risks associated with business activities of the AGC Group, each Corporate Division, in-house Company and Strategic Business Unit (SBU) analyzes the risks of individual operations and projects and discusses necessary countermeasures. If necessary and appropriate, the Management Committee and the Board of Directors deliberate on such matters as well.

Each responsible division provides and announces a respective guideline over those risks associated with compliance, environment, accidents and product quality etc. of the AGC Group and conducts training sessions and/or internal audits if necessary and appropriate.

Preparing for unforeseen events that could seriously affect both the operating results and financial condition of the AGC Group, in accordance with the relevant internal rules, a crisis management report line has been established so that critical information can be reported speedily and surely to the President & CEO, and further distributed and shared among the officers and the employees concerned. The Company shall establish the system where the Group Taskforce Headquarters can be set up immediately upon the President & CEO’s judgment, in order to take initial measures without delay and appropriately.

(4) System to ensure efficient and effective business execution of the AGC Group (System for efficient business operation)

As a basic policy over the corporate governance structure, the Company clearly distinguishes management oversight function and business execution function, aiming at realization of reinforced business oversight and quick decision making for business execution.

As to management oversight, in the Company the Board of Directors including independent directors shall decide on the important business matters and oversee the business performance of the AGC Group. In addition, the Nominating Committee and the Compensation Committee (both non-statutory) are established in order to warrant objectivity of evaluation/selection and compensation

package with respect to Directors and Executive Officers of the Company.

Authorities and duties with respect to business execution are delegated to each in-house Company and SBU in accordance with a certain standard under the in-house Company System and the Executive Officer System in the Company. These business operations are managed and evaluated in accordance with a specific consolidated key performance index established in line with the AGC Group's basic management policy and its performance target.

Business transactions in the AGC Group shall be conducted in accordance with the internal decision making rules including business authorization rules and job descriptions. These operations shall be monitored and verified by internal audit periodically.

(5) System to report matters concerning business execution of executives of subsidiaries to the Company (System for reports to AGC by AGC Group companies)

Subsidiaries shall report certain matters concerning business operations, etc. to the Company. Of such matters, important ones shall be reported to the Management Committee and/or the Board of Directors.

Under the compliance system and legal administration system of the AGC Group, subsidiaries shall quickly report any important compliance issue, important legal issue, etc. of the subsidiaries to the Company. These matters shall be reported to the Board of Directors periodically.

The internal audit division shall timely report the results of internal audit conducted over subsidiaries to the President & CEO and further to the Board of Directors periodically.

(6) Matters related to the audit system of the Audit & Supervisory Board Members

a. Staff to the Audit & Supervisory Board Members

The Company establishes the Staff Office of the Audit & Supervisory Board to support the Audit & Supervisory Board Members activities.

b. Independence of the said Staff from Directors

Change of staff members of the Staff Office of the Audit & Supervisory Board and performance evaluation of such staff members shall be subject to the consent of the Audit & Supervisory Board.

c. Ensuring of effectiveness of Audit & Supervisory Board Members' directions to the said Staff

Staff members of the Staff Office of the Audit & Supervisory Board shall not concurrently serve as employees of other departments. Such staff members shall exclusively perform duties related to the Audit & Supervisory Board and follow directions of the Audit & Supervisory Board Members.

d. System for reports to the Audit & Supervisory Board Members by Directors and employees of the Company, Directors and employees of subsidiaries, or those who received report from them

The Directors and employees of the Company shall report to the Audit & Supervisory Board Members any event that may violate the laws and regulations or articles of incorporation of the Company, or do substantial damage to the Company, and other matters provided in the

relevant internal rules.

Subsidiaries shall report to the Company any event that may violate the laws and regulations or articles of incorporation of the Company, or do substantial damage to the Company. Divisions to which these matters are reported shall quickly report them to the Audit & Supervisory Board Members of the Company.

- e. System to ensure that those who made reports described in the preceding item shall not receive disadvantageous treatments on the ground that they made the said report

The AGC Group shall ban disadvantageous treatments and retaliatory action against those who made reports concerning the violation of the Code of Conduct, etc. under the AGC Group Code of Conduct, and keep employees of the AGC Group well informed.

- f. Matters related to policy on procedures for reimbursement of expenses that occurred from performance of duties of the Audit & Supervisory Board Members

The Company shall quickly handle expenses paid by the Audit & Supervisory Board Members, excluding cases where the said expenses are judged to be unnecessary for performance of duties of the Audit & Supervisory Board Members.

- g. Other system to ensure effective audit by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members shall attend important meetings such as the Management Committee, the Mid-Term Plan & Budget Committee, and the Monthly Performance Monitoring Meeting etc.

In addition, Representative Directors shall have periodical meetings with the Audit & Supervisory Board Members. Meetings between the Audit & Supervisory Board Members and Internal Audit Division etc. shall be held periodically so that the Audit & Supervisory Board Members may have access to information in respect of the results and the proceedings of internal audits. The Company establishes the system where the Audit & Supervisory Board Members may enhance effectiveness of its audits through exchange of views and information with the Internal Audit Division and the Accounting Auditors, etc.

【Overview of Operations of Internal Control】

The overview of operations of internal control is as follows:

(1) System to ensure compliance with relevant laws and the Articles of Incorporation (Compliance Program)

- The AGC Group has established the position of CCO (Chief Compliance Officer) responsible for the overall management and promotion of the AGC Group's compliance system, to whom the President & CEO of the Company delegates its authority. The CCO shall report to the President & CEO regarding the status of execution of his/her duties.
- The Company has established the "AGC Group Code of Conduct," that requires all the corporate officers and employees of the Company and executives of subsidiaries to submit personal certificates that they will comply with the Code of Conduct. It also requires all of them to conduct business activities in compliance with applicable laws and corporate ethics. Furthermore, to

disseminate the Code of Conduct, the Company provides compliance education periodically.

- The Company has established a helpline, as a contact point for whistle-blowing and consulting on compliance matters. The Company strives to prevent and promptly detect misconduct, etc.
- The actual status of compliance, helpline operation matters, important legal issues, etc. at the AGC Group are reported to the Board of Directors periodically.
- The Company and its subsidiaries undergo internal audits based on an annual auditing plan and other programs, and the results of these audits are reported to the Board of Directors periodically.
- The Company strengthens, operates and evaluates its internal control over financial reporting through establishing the “AGC Group Internal Control over Financial Reporting Implementation Regulations.”

(2) Information Retention and Management System with respect to business operations of the AGC Group (Information retention/management system)

- The Company retains and manages important documents and information through establishing the “AGC Group Common Information Security Policy.”
- The Company comprehensively manages information by periodically conducting self-inspection and educating its employees on information security.

(3) System to control risk of damage of the AGC Group (Risk management system)

- In accordance with the “AGC Group Enterprise Risk Management Basic Policies,” the Company specifies risk factors that can seriously affect the AGC Group’s management, and improves the level of management to prevent such risks and improves the level to cope with such risks in the event of their occurrence.
- The Company has formulated a business continuity plan (BCP) to prepare for the occurrence of large-scale accidents, disasters, etc. It strives to make known to every employee the BCP and to improve its effectiveness through conducting earthquake drills, etc.

(4) System to ensure efficient and effective business execution of the AGC Group (System for efficient business execution)

- The Board of Directors consists of 7 members (including 3 Outside Directors), and is chaired by an Outside Director. The Board of Directors held 15 meetings in the fiscal year under review, to make decisions in respect of important AGC Group matters and to oversee its business execution.
- The Company has established the Nominating Committee and the Compensation Committee (both non-statutory), as voluntary advisory committees to the Board of Directors. The majority of the members of each Committee are Outside Directors and each Committee is chaired by an Outside Director. During the fiscal year under review, the Nominating Committee held 10 meetings, and the Compensation Committee held 8 meetings. Through these committees, the Company promotes objectivity in the evaluation and selection of, and decision-making on compensation with respect to, its Directors and Executive Officers.
- The effectiveness of the Board of Directors is analyzed and evaluated in meetings of the Board of Directors.
- As for business execution, authority is broadly transferred to the President & CEO and other

Executive Officers to expedite the decision-making process.

(5) System to report matters concerning business execution of executives of subsidiaries to the Company (System for reports to AGC by AGC Group companies)

- The Company has established a reporting structure, through which important matters regarding its subsidiaries (including certain matters relating to business operations, problems regarding compliance issues, and legal issues etc.) are reported to the Company.
- The Company, based on its annual audit plan, conducts internal audits on its subsidiaries, and the results of such audits are reported as necessary to the President & CEO and periodically to the Board of Directors.

(6) Matters related to the audit system of the Audit & Supervisory Board Members

a. Staff to the Audit & Supervisory Board Members

The Company has set up the Staff Office of the Audit & Supervisory Board and the staff members thereof support the Audit & Supervisory Board Members in their duties.

b. Independence of the said Staff from Directors

Changes of staff members of the Staff Office of the Audit & Supervisory Board and performance evaluation etc. of such staff members are subject to the consent of the Audit & Supervisory Board, pursuant to the Company's internal rules.

c. Ensuring of effectiveness of the Audit & Supervisory Board Members' directions to the said Staff

Staff members of the Staff Office of the Audit & Supervisory Board are appointed on a full-time basis, and perform duties in accordance with Audit & Supervisory Board Members' directions.

d. System for reports to the Audit & Supervisory Board Members by Directors and employees of the Company, Directors and employees of subsidiaries, or those who received report from them

Such reports are made to the Audit & Supervisory Board Members in accordance with the Company's internal rules.

e. System to ensure that those who made reports described in the preceding item shall not receive disadvantageous treatments on the ground that they made the said report

"The AGC Group Code of Conduct" prohibits any disadvantageous treatment and retaliatory action against whistleblowers, and makes such prohibition known to every employee.

f. Matters related to policy on procedures for reimbursement of expenses that occurred from performance of duties of the Audit & Supervisory Board Members

The Company quickly handles the expenses paid by the Audit & Supervisory Board Members in their business operations.

g. Other system to ensure effective audits by the Audit & Supervisory Board Members

- The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings such as those of the Management Committee, where they state opinions when necessary.
- To enhance the effectiveness of audits, Audit & Supervisory Board Members hold periodic meetings etc. with Representative Directors and internal audit divisions etc., to exchange opinions.

(Reference) Status of Corporate Governance

(1) Outline of the Company's Corporate Governance Structure

As its basic policy on corporate governance structure, the Company clearly separates the functions of "oversight" and "execution" of management, aiming to reinforce the management oversight function, and, as for the execution of management, the Company clearly separates corporate functions and business operation functions and ensures quick decision-making in the execution of business operations.

The management oversight function is mainly assumed by the Board of Directors, which is a "body that approves basic policies and oversees the management execution of the AGC Group." The Company enhanced the objectivity and transparency of management and strengthened its corporate governance structure by appointing 3 Outside Directors, out of 7 Directors in total and by the Board of Directors being chaired by an Outside Director. Aiming to further strengthen the management oversight function, the Company established the Nominating Committee and the Compensation Committee, as voluntary advisory committees to the Board of Directors. The majority of members of both Committees are Outside Directors and each Committee is chaired by an Outside Director, in order to enhance the objectivity regarding the evaluations, nominations and compensations for Directors and Executive Officers, etc. In addition, the Company also adopts the Audit & Supervisory Board Member system, and the Audit & Supervisory Board consists of 4 Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members.

The management execution function is assumed by the President & CEO and other Executive Officers. The Company also established the Management Committee as an advisory committee for the President & CEO, and it deliberates on decision making for the management execution and oversight of the business management. With regard to the execution of business operations, the AGC Group introduced the In-House Company system; adopted a globally integrated management system; and transferred significant responsibility and authority for the execution of business operations to each In-House Company and SBU (Strategic Business Unit).

(2) "AGC Group Corporate Governance Basic Policy"

The Company has formulated the "AGC Group Corporate Governance Basic Policy", which sets forth the basic concepts and policies concerning corporate governance, to strengthen and further enhance the Company's corporate governance with the aim of achieving both the AGC Group's sustainable growth and increase of corporate value over medium and long terms.

For further details, please visit the following webpage of the Company.

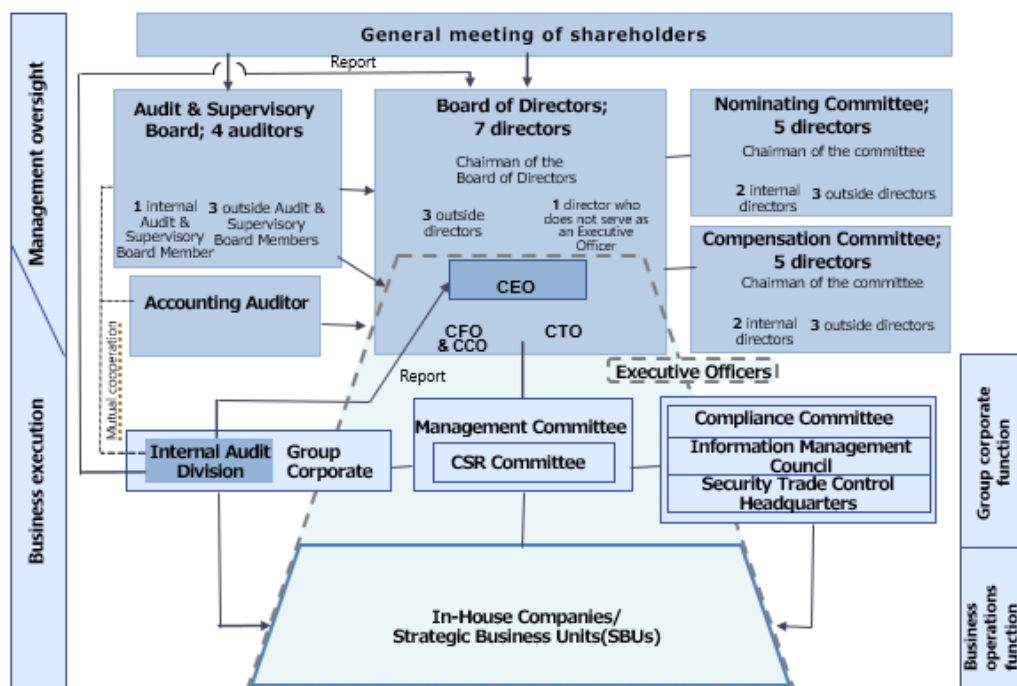
<http://www.agc.com/en/company/governance/index.html>

(3) The Evaluation of Effectiveness of Board of Directors

In order to achieve sustainable growth and increase of corporate value over the medium and long terms, the Company believes that it is important to continuously strengthen and further enhance its corporate governance. As part of this commitment, the Board of Directors analyzes and evaluates its effectiveness each year based on the AGC Group Corporate Governance Basic Policy, in order to improve such effectiveness and to further enhance the confidence of stakeholders in the corporate

governance of the Company. Specifically, all Directors, who compose the Board of Directors, and Audit & Supervisory Board Members evaluate the effectiveness of the Board of Directors by providing responses to questionnaires and through individual interviews with each Director and each Audit & Supervisory Board Member. Following this, the Board of Directors reviews the evaluation results and discusses measures to improve its effectiveness.

(4) Outline Figure of the Company's Corporate Governance Structure (as of December 31, 2020)



*In this Business Report, amounts less than 100 million yen are rounded up or down to the nearest 100 million yen with five one-tenths or more of 100 million yen to be considered 100 million yen when they are indicated by the unit of a billion yen, and amounts less than 1 million yen are discarded when they are indicated by the unit of a million yen.

Consolidated Statements of Financial Position

(Unit: millions of yen)

	96th Fiscal Year (as of Dec. 31, 2020)	(Reference) 95th Fiscal Year (as of Dec. 31, 2019)
Assets	2,534,458	2,335,415
Current Assets	860,962	742,612
Cash and cash equivalents	236,124	113,784
Trade receivables	266,177	264,102
Inventories	274,835	291,224
Other receivables	62,468	46,387
Income tax receivables	5,169	6,849
Other current assets	16,186	20,263
Non-Current Assets	1,673,495	1,592,802
Property, plant and equipment	1,246,885	1,177,691
Goodwill	118,063	103,946
Intangible assets	72,660	69,964
Investments in associates and joint ventures accounted for using equity method	32,014	33,204
Other financial assets	130,919	138,053
Deferred tax assets	25,944	21,297
Other non-current assets	47,008	48,644
Total Assets	2,534,458	2,335,415
Liabilities	1,291,418	1,052,778
Current Liabilities	563,898	482,490
Trade payables	151,874	152,502
Short-term interest-bearing debt	106,884	78,439
Long-term interest-bearing debt due within one year	87,163	80,101
Other payables	186,310	140,722
Income tax payables	12,426	8,867
Provisions	1,563	3,968
Other current liabilities	17,676	17,887
Non-Current Liabilities	727,519	570,288
Long-term interest-bearing debt	593,912	444,301
Deferred tax liabilities	35,153	41,846
Post-employment benefit liabilities	64,736	62,454
Provisions	12,353	8,286
Other non-current liabilities	21,363	13,399
Total Liabilities	1,291,418	1,052,778
Equity	1,243,039	1,282,636
Total Equity Attributable to Owners of the Parent	1,115,142	1,157,097
Share capital	90,873	90,873
Capital surplus	83,501	92,593
Retained earnings	818,701	811,589
Treasury shares	(28,170)	(28,468)
Other components of equity	150,236	190,510
Non-Controlling Interests	127,897	125,538
Total Equity	1,243,039	1,282,636
Total Liabilities and Equity	2,534,458	2,335,415

Consolidated Statements of Profit or Loss

(Unit: millions of yen)

	96th Fiscal Year (from Jan. 1 to Dec. 31, 2020)	(Reference) 95th Fiscal Year (from Jan. 1 to Dec. 31, 2019)
Net Sales	1,412,306	1,518,039
Cost of sales	(1,053,243)	(1,115,323)
Gross Profit	359,062	402,715
Selling, general and administrative expenses	(283,867)	(302,179)
Share of profit (loss) of associates and joint ventures accounted for using equity method	584	1,088
Operating Profit	75,780	101,624
Other income	6,743	12,743
Other expenses	(22,812)	(38,365)
Business Profit	59,711	76,002
Finance income	5,903	13,906
Finance costs	(8,492)	(13,696)
Net finance costs	(2,589)	210
Profit before Tax	57,121	76,213
Income tax expenses	(15,957)	(20,698)
Profit for the year	41,164	55,515
Attributable to:		
Owners of the parent	32,715	44,434
Non-controlling interests	8,448	11,080

Consolidated Statements of Changes in Equity

96th Fiscal Year (from January 1, 2020 to December 31, 2020)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)
Balance at beginning of year	90,873	92,593	811,589	(28,468)	(31,445)	55,786
Changes in equity						
Comprehensive income						
Profit for the year	—	—	32,715	—	—	—
Other comprehensive income	—	—	—	—	241	(3,257)
Total comprehensive income for the year	—	—	32,715	—	241	(3,257)
Transactions with owners						
Dividends	—	—	(26,591)	—	—	—
Acquisition of treasury shares	—	—	—	(13)	—	—
Disposal of treasury shares	—	—	(143)	311	—	—
Changes in ownership interests in subsidiaries without loss of control	—	(1,442)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	1,131	—	—	(1,131)
Share-based payment transactions	—	(218)	—	—	—	—
Others (business combinations and others)	—	(7,431)	—	—	—	—
Total transactions with owners	—	(9,091)	(25,603)	297	—	(1,131)
Balance at end of year	90,873	83,501	818,701	(28,170)	(31,203)	51,397

	Equity attributable to owners of the parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance at beginning of year	(665)	166,833	190,510	1,157,097	125,538	1,282,636
Changes in equity						
Comprehensive income						
Profit for the year	—	—	—	32,715	8,448	41,164
Other comprehensive income	1,104	(37,231)	(39,142)	(39,142)	(5,336)	(44,478)
Total comprehensive income for the year	1,104	(37,231)	(39,142)	(6,426)	3,111	(3,314)
Transactions with owners						
Dividends	—	—	—	(26,591)	(4,291)	(30,883)
Acquisition of treasury shares	—	—	—	(13)	—	(13)
Disposal of treasury shares	—	—	—	167	—	167
Changes in ownership interests in subsidiaries without loss of control	—	—	—	(1,442)	(559)	(2,001)
Transfer from other components of equity to retained earnings	—	—	(1,131)	—	—	—
Share-based payment transactions	—	—	—	(218)	—	(218)
Others (business combinations and others)	—	—	—	(7,431)	4,098	(3,332)
Total transactions with owners	—	—	(1,131)	(35,528)	(753)	(36,281)
Balance at end of year	439	129,602	150,236	1,115,142	127,897	1,243,039

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

(Reference) 95th Fiscal Year (from January 1, 2019 to December 31, 2019)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)
Balance at beginning of year	90,873	94,368	773,760	(28,821)	(37,767)	70,288
Cumulative effect of change in accounting policy	—	—	(168)	—	—	—
Restated balance at beginning of year	90,873	94,368	773,591	(28,821)	(37,767)	70,288
Changes in equity						
Comprehensive income						
Profit for the year	—	—	44,434	—	—	—
Other comprehensive income	—	—	—	—	6,322	5,816
Total comprehensive income for the year	—	—	44,434	—	6,322	5,816
Transactions with owners						
Dividends	—	—	(26,582)	—	—	—
Acquisition of treasury shares	—	—	—	(15)	—	—
Disposal of treasury shares	—	—	(172)	368	—	—
Changes in ownership interests in subsidiaries without loss of control	—	(286)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	20,318	—	—	(20,318)
Share-based payment transactions	—	73	—	—	—	—
Others (business combinations and others)	—	(1,562)	—	—	—	—
Total transactions with owners	—	(1,775)	(6,436)	352	—	(20,318)
Balance at end of year	90,873	92,593	811,589	(28,468)	(31,445)	55,786

	Equity attributable to owners of the parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance at beginning of year	103	174,399	207,023	1,137,204	116,399	1,253,604
Cumulative effect of change in accounting policy	—	—	—	(168)	(117)	(286)
Restated balance at beginning of year	103	174,399	207,023	1,137,035	116,281	1,253,317
Changes in equity						
Comprehensive income						
Profit for the year	—	—	—	44,434	11,080	55,515
Other comprehensive income	(768)	(7,565)	3,804	3,804	1,175	4,980
Total comprehensive income for the year	(768)	(7,565)	3,804	48,239	12,256	60,495
Transactions with owners						
Dividends	—	—	—	(26,582)	(3,529)	(30,112)
Acquisition of treasury shares	—	—	—	(15)	—	(15)
Disposal of treasury shares	—	—	—	195	—	195
Changes in ownership interests in subsidiaries without loss of control	—	—	—	(286)	(480)	(766)
Transfer from other components of equity to retained earnings	—	—	(20,318)	—	—	—
Share-based payment transactions	—	—	—	73	—	73
Others (business combinations and others)	—	—	—	(1,562)	1,009	(552)
Total transactions with owners	—	—	(20,318)	(28,177)	(2,999)	(31,177)
Balance at end of year	(665)	166,833	190,510	1,157,097	125,538	1,282,636

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Notes to the Consolidated Financial Statements

I. Significant Accounting Policies

1. Accounting standards of consolidated financial statements

The consolidated financial statements of AGC Inc. ("the Company") and its consolidated subsidiaries (the "AGC Group" or the "Group"), which comprise the consolidated statements of financial position, the consolidated statements of profit or loss and the consolidated statements of changes in equity, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with Article 120-1 of the Ordinance of Company Accounting. The latter part of Article 120-1 of the Ordinance of Company Accounting prescribes the omission of certain disclosures required by IFRSs.

2. Scope of consolidation

Number of consolidated subsidiaries: 217

Major subsidiaries:

AGC Techno Glass Co., Ltd., Ise Chemicals Corporation, AGC Glass Europe S.A. and AGC Flat Glass North America, Inc.

7 companies were newly consolidated in the fiscal year ended December 31, 2020. Due to absorption and other events, 3 companies were excluded from the scope of consolidation from the fiscal year ended December 31, 2020.

3. Application of equity method

Number of companies using equity method: 35

Major investments in associates and joint ventures accounted for using equity method:

Asahi Tostem Exterior Building Materials Co., Ltd. and Schott-Flat Glass B.V.

4. Accounting standards

(1) Changes in Accounting Policies

The following are the accounting standards applied by the Group from the fiscal year 2020, in compliance with each transitional provision. The effect of the application of the following standards on the Group's consolidated financial statements is immaterial.

IFRS	Title	Summaries of new IFRS and amendments
IFRS 3 (amended in October 2018)	Business Combinations	Clarification of the definition of a business
IAS 1 IAS 8 (amended in October 2018)	Presentation of Financial Statements Accounting Policies, Change in Accounting Estimates and Errors	Clarification of the definition of materiality

(2) Valuation of non-derivative financial assets

1) Financial assets measured at amortized cost:

Financial assets are classified as financial assets measured at amortized cost if the following two conditions are met:

- The foregoing financial assets are held within a Group business model whose objective is to hold the assets in order to collect contractual cash flows from the assets; and
- The contractual terms of the foregoing financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Financial assets measured at fair value through other comprehensive income:

The Group designates equity instruments as financial assets measured at fair value through other comprehensive income when an irrevocable election has been made on initial recognition to measure the gains and losses arising from change in the fair value of such instruments in other comprehensive income, and when such instruments are not classified as financial assets measured at amortized cost.

When the foregoing financial assets measured at fair value through other comprehensive income are derecognized from transactions such as sales, the cumulative gains or losses are reclassified from other components of equity to retained earnings.

3) Financial assets measured at fair value through profit or loss:

The Group measures financial assets at fair value and recognizes any changes in the fair value of such assets as profit or loss, unless the foregoing financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income.

(3) Valuation of non-derivative financial liabilities

The Group recognizes the following as non-derivative financial liabilities: trade payables, other payables, and interest-bearing debt (borrowings, commercial paper, corporate bonds, bonds with subscription rights to shares (excluding share subscription rights)), among other items.

The foregoing financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled or expired.

(4) Valuation of derivative financial instruments

The AGC Group holds derivative financial instruments to hedge foreign exchange risk, interest risk and commodity price risk.

The Group initially recognizes derivative financial instruments at fair value, with the related transaction costs recognized in profit or loss when incurred. After initial recognition, derivative financial instruments are measured at fair value, with changes in fair value accounted for as follows, depending on whether or not derivatives qualify for hedge accounting:

- Derivatives not qualifying for hedge accounting

Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognized in profit or loss.

- Derivatives qualifying for hedge accounting

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The amounts recognized in other comprehensive income are reclassified to profit or loss in the reporting periods when the cash flows of the hedged items affect profit or loss. The ineffective portion of changes in the fair value of hedging instruments is recognized in profit or loss.

(5) Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is measured based on the moving average method and includes costs of purchase and costs of conversion (including fixed and variable manufacturing overheads). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Depreciation and amortization of assets

1) Property, plant and equipment (including Right-of-use assets):

Depreciation of property, plant and equipment is computed by the straight-line method.

2) Intangible assets (including Right-of-use assets):

Amortization of intangible assets is computed by the straight-line method.

(7) Basis for recognizing provisions

A provision is recognized when the AGC Group has a reasonably estimable legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(8) Employment benefits

Post-employment benefit plans comprise defined benefit plans and defined contribution plans.

1) Defined benefit plans

The obligations for defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets.

The present value of defined benefit obligations is calculated annually by qualified actuaries using the projected unit credit method. The discount rates are based on the market yields of high quality corporate bonds at the end of each reporting period that have terms consistent with the discount period, which is established as the estimated term of the post-employment benefit obligations through to the estimated dates for payments of future benefits in every fiscal year.

Actuarial gains and losses are recognized immediately in other comprehensive income when

incurred, while past service costs and gains or losses on settlement are recognized in profit or loss.

2) Defined contribution plans

Expenses related to post-employment benefits for defined contribution plans are recognized as an expense at the time of contribution.

(9) Revenue

The Group adopts IFRS 15 “*Revenue from Contracts with Customers*”, and revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group sells a range of products including architectural glass, automotive glass, glass substrates for displays, electronic materials, chlor-alkali & urethane, fluorochemicals & specialty chemicals, and life science products. For the sales of these products, revenue is recognized upon delivery of these products as its performance obligation is satisfied when customers obtain control over these products at the time of delivery. For revenue associated with construction works such as the installation of architectural glass, revenue is recognized according to the progress toward completion of the performance obligation. Progress toward completion is measured in the input method based on the costs incurred, etc. Also, revenue is measured at the consideration promised in contracts with customers, less discounts, rebates, returned products, and other items.

(10) Operating profit and Business profit

"Operating profit" in the Group's consolidated statements of profit or loss is an indicator that facilitates continuous comparisons and evaluations of the Group's business performance. Main items of "other income" and "other expenses" are foreign exchange gains and losses, gains on sale of non-current assets, losses on disposal of non-current assets, impairment losses and expenses for restructuring programs. "Business profit" includes all income and expenses before finance income, finance costs and income tax expenses.

(11) Translation into Japanese yen of foreign currency denominated assets or liabilities

Foreign currency transactions are translated into the respective functional currencies by applying the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the reporting date. Exchange differences are recognized as profit or loss. Exchange differences for any gains or losses on the assets and liabilities recognized in other comprehensive income are recognized in other comprehensive income.

Non-monetary assets and liabilities are translated at the exchange rate at the date of the transaction.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated into Japanese yen at the exchange rates prevailing at the reporting date. Income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period.

(12) Hedge accounting method

1) Hedge accounting method:

Cash flow hedges

2) Hedging instruments and hedged items:

Hedging instruments: commodity swap contracts, forward exchange contracts

Hedged items: Raw materials and fuel, foreign currency transaction etc.

3) Basic rules and policies for hedging:

The Group uses derivative financial instruments to reduce their exposure to market risks from fluctuation in commodity prices and in foreign exchange rates that may occur in the ordinary course of business.

4) Assessment of hedge effectiveness:

In applying cash flow hedges, the Group evaluates at the inception whether the hedge will be effective. After that, the Group also evaluates continuously whether the derivative will be highly effective in offsetting the effects of changes in future cash flows of the hedged item.

(13) Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment test of goodwill is performed annually, regardless of any indication of impairment. Impairment loss for goodwill is not reversed in subsequent periods.

(14) Others

1) Accounting for consumption tax

Consumption tax is not included in the amounts of respective income and cost or expense items.

2) Application of consolidated taxation system

The Company has adopted the consolidated tax return system for the calculation of income taxes.

3) Amounts concerning financial statements

Amounts below one million yen are rounded down.

II. Notes to the Consolidated Statements of Financial Position

1. Assets pledged as collaterals

Property, plant and equipment:	5,138 million yen
Other financial assets:	180 million yen
Obligation secured by collateral:	61 million yen

2. Allowance for doubtful accounts directly deducted from assets:

Trade receivables:	2,385 million yen
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Other financial assets:	5,430 million yen
3. Accumulated depreciation and impairment losses on property, plant and equipment:	2,153,694 million yen
4. Guaranteed obligation:	71 million yen

III. Notes to the Consolidated Statements of Profit or Loss

1. Other Income

(Unit: millions of yen)	
Foreign exchange gains	3,608
Gains on sale of non-current assets	516
Reversal of provision for restructuring programs	589
Others	2,028
Total	<u>6,743</u>

2. Other Expenses

(Unit: millions of yen)	
Losses on disposal of non-current assets	(9,894)
Impairment losses	(1,213)
Expenses for restructuring programs	(7,951)
Others	(3,752)
Total	<u>(22,812)</u>

IV. Notes to the Consolidated Statements of Changes in Equity

1. Type and number of outstanding shares

Number of outstanding shares as of December 31, 2020:

Ordinary share: 227,441,381 shares

2. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total amount of dividends	Dividends per share	Record date	Effective date
March 27, 2020 Ordinary General Meeting of Shareholders	Ordinary shares	¥13,294 million	¥60.00	December 31, 2019	March 30, 2020
July 31, 2020 Board of Directors meeting	Ordinary shares	¥13,296 million	¥60.00	June 30, 2020	September 8, 2020

*The year-end dividend includes dividend payment of ¥18 million paid for the shares held by the Board Incentive Plan (BIP) Trust.

*The interim dividend includes dividend payment of ¥18 million paid for the shares held by the BIP Trust.

(2) Dividends whose record date is attributable to the year ended December 31, 2020 but to be effective after the said year

An agenda will be submitted, as follows, concerning the year-end dividends in the appropriation of retained earnings for approval at the Ordinary General Meeting of Shareholders to be held on March 30, 2021. Total amount of dividends includes dividend payment of ¥18 million paid for the shares held by the BIP Trust.

Total amount of dividends: 13,297 million yen

Resource of dividends: Retained earnings

Dividends per share:	60.00 yen
Record date:	December 31, 2020
Effective date:	March 31, 2021

3. Share subscription rights

(1) Share subscription rights are presented as a part of capital surplus.

(2) Number of shares subject to the share subscription rights

Category	Share subscription rights issued	Type of shares	Number of shares as of December 31, 2020
The Company	Share subscription rights issued in July 2007 (Compensation-Type Stock Option)	Ordinary shares	8,800 shares
	Share subscription rights issued in July 2008 (Compensation-Type Stock Option)	Ordinary shares	12,200 shares
	Share subscription rights issued in July 2009 (Compensation-Type Stock Option)	Ordinary shares	40,600 shares
	Share subscription rights issued in July 2010 (Compensation-Type Stock Option)	Ordinary shares	47,200 shares
	Share subscription rights issued in July 2011 (Compensation-Type Stock Option)	Ordinary shares	57,000 shares
	Share subscription rights issued in July 2012 (Compensation-Type Stock Option)	Ordinary shares	149,200 shares
	Share subscription rights issued in July 2012 (Ordinary-Type Stock Option)	Ordinary shares	28,400 shares
	Share subscription rights issued in March 2013 (Compensation-Type Stock Option)	Ordinary shares	32,400 shares
	Share subscription rights issued in July 2013 (Compensation-Type Stock Option)	Ordinary shares	92,000 shares
	Share subscription rights issued in July 2013 (Ordinary-Type Stock Option)	Ordinary shares	50,000 shares
	Share subscription rights issued in July 2014 (Compensation-Type Stock Option)	Ordinary shares	113,000 shares
	Share subscription rights issued in July 2014 (Ordinary-Type Stock Option)	Ordinary shares	40,400 shares
	Share subscription rights issued in January 2015 (Compensation-Type Stock Option)	Ordinary shares	4,800 shares
	Share subscription rights issued in July 2015 (Compensation-Type Stock Option)	Ordinary shares	85,200 shares
	Share subscription rights issued in July 2015 (Ordinary-Type Stock Option)	Ordinary shares	68,600 shares
	Share subscription rights issued in February 2016 (Compensation-Type Stock Option)	Ordinary shares	12,200 shares
	Share subscription rights issued in July 2016 (Compensation-Type Stock Option)	Ordinary shares	126,200 shares
	Share subscription rights issued in July 2016 (Ordinary-Type Stock Option)	Ordinary shares	70,200 shares
	Share subscription rights issued in March 2017 (Compensation-Type Stock Option)	Ordinary shares	24,200 shares
	Share subscription rights issued in July 2017 (Compensation-Type Stock Option)	Ordinary shares	58,800 shares

*The shares are calculated based on the number of shares after the share consolidation effective from July 1, 2017.

V. Notes to Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

The AGC Group manages funds using only safe financial assets with high liquidity and implements stable and low-cost fund procurement by utilizing the capital market such as taking out borrowings from financial institutions or issuing corporate bonds. The Group uses derivative transactions only to evade risks accompanying its business activities, including

exchange-rate fluctuation risks, interest-rate fluctuation risks and product price fluctuation risks, and does not enter into derivative transactions for speculative purposes.

(2) Details of financial instruments, their risks and their risk management system

Trade notes and accounts receivable, which are operating receivables, are exposed to the credit risks of customers. To manage these risks, each Group company performs due date controls and balance controls for each customer and identifies and mitigates risks regarding the collection of receivables caused by factors such as deterioration of financial conditions at an early stage, in accordance with each company's credit management rules.

Other receivables are other miscellaneous receivables and others.

Financial assets measured at fair value through other comprehensive income are equity instruments which are included in other financial assets. These are mainly shares of companies which the Group has business relationships with, and such instruments are exposed to the market price fluctuation risks. To manage these risks, the Group regularly monitors the market value condition and whether such securities are necessary for its operations.

Most of the Group's trade notes and accounts payable, which are operating payables, are due within one year.

Other payables are other miscellaneous payables and others.

Borrowings, corporate bonds and the other interest-bearing debts are exposed to liquidity risks. The Group manages these risks by diversifying fund procurement methods, establishing commitment lines with various financial institutions, and keeping an appropriate balance between direct and indirect fund procurements and a proper mixture of short-term and long-term borrowings and corporate bonds. Floating-interest rate borrowings are exposed to interest-rate fluctuation risks.

For some long-term floating-rate borrowings, the Group uses interest rate swap transactions to avoid the interest-rate fluctuation risks and convert the floating rates into fixed rates.

Moreover, the AGC Group operates businesses globally, and is therefore exposed to currency risks associated with transactions undertaken in currencies other than individual functional currency. To manage currency risk, the Group hedges currency risk with forward exchange contracts and currency swap agreements.

Derivative transactions are executed and managed in accordance with the internal rules that stipulate the authority of transactions. Outstanding derivatives and the position of gain or loss on derivatives are regularly reported to the top management. In those derivative transactions, the Group uses only creditworthy financial institutions to reduce credit risks.

(3) Supplementary explanation about fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably calculated values if market prices are unavailable. As variable assumptions are incorporated into the calculation of said values, they may vary if different assumptions are used.

2. Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of December 31, 2020 are as

follows:

(Unit: millions of yen)

	Carrying amount	Fair value
Cash and cash equivalents	236,124	236,124
Trade receivables	266,177	266,177
Other receivables	31,609	31,609
Other financial assets		
Financial assets measured at fair value through other comprehensive income	122,250	122,250
Others	6,887	6,887
Trade payables	151,874	151,874
Other payables	123,379	123,379
Interest-bearing debts		
Borrowings	651,207	654,876
Commercial paper	4,654	4,654
Corporate bonds	59,885	60,548
Derivatives(*)	483	483
Other non-current liabilities	18,276	18,276

(*) Receivables and payables arising from derivative transactions are presented in net values. Amount in parentheses indicate payables.

(Note) Calculation method for the fair values of financial instruments

(Financial assets measured at fair value through other comprehensive income)

When market values are available, such values are used as fair values of the financial instruments. The fair values whose market values are unavailable are measured by using the method of discounted future cash flows, by third party appraisals, or by other appropriate measurement techniques.

(Borrowings)

As short-term borrowings are settled on a short-term basis, their fair values approximate their carrying amounts.

The fair values of long-term borrowings are calculated by the sum of the principal and nominal interest payments that would apply if similar borrowings were conducted anew. For long-term borrowings at floating interest rates, however, the fair values approximate the carrying amounts because the interest rates are adjusted regularly at fixed intervals.

(Corporate bonds)

Fair values of corporate bonds are calculated based on market prices.

(Derivatives)

The prices of derivatives that are calculated by financial institutions with which the Group has signed contracts are used as their fair values.

(Financial instruments other than above mentioned)

Financial instruments other than above mentioned are settled mainly on a short-term basis, and

their fair values approximate their carrying amounts.

VI. Notes to Per Share Information

1. Equity attributable to owners of the parent per share	5,038.52 yen
2. Basic earnings per share	147.84 yen

VII. Notes on Business Combinations

1. Acquisition of US-based Taconic's global operations of the Advanced Dielectric Division

The AGC Group has acquired the US-based Taconic's global operations of the ADD which manufactures and sells high-end rigid CCL and industrial films, on June 11, 2019.

Although a provisional accounting treatment had been applied in the previous fiscal year, the accounting treatment was finalized in the fiscal year ended December 31, 2020.

As a result, primarily intangible assets increased. The provisional calculation of goodwill amounted to 29,545 million yen, which decreased by 7,929 million yen and resulted in the amount of 21,615 million yen.

2. Acquisition of shares of Molecular Medicine S.p.A.

(1) Outline of the acquisition

1) Name of the acquiree and main business

Name of the acquiree: Molecular Medicine S.p.A. (now AGC Biologics S.p.A.)

Main business: Gene / Cell therapy Development / CDMO

2) Main reason for the acquisition

The AGC Group positions the life science business including the biopharmaceutical CDMO business as one of its strategic businesses, and aims to achieve annual sales of more than 100 billion yen by 2025. With this acquisition of Molecular Medicine S.p.A., the AGC Group will newly enter the field of gene and cell therapy, which is an advanced technology field, and expand the scope of CDMO business not only in synthetic and current biopharmaceuticals but also into gene and cell therapy.

3) Acquisition date: July 31, 2020

4) Legal structure of acquisition: Acquisition of shares

5) Voting rights ratio after acquisition of shares: 93.23%

(2) Consideration transferred

(Unit: millions of yen)

Acquisition price :	
Cash consideration	27,782
Total	27,782

(3) Acquisition-related costs are 885 million yen and are recognized in selling, general and administrative expenses in the consolidated statements of profit or loss.

(4) Amount of goodwill and factors that make up the goodwill

1) Amount of goodwill 13,394 million yen

The allocation of the acquisition price has not been completed, therefore the amount of goodwill has not been confirmed.

2) Factors that make up the goodwill

The goodwill was recognized from reasonable estimates of future excess earning power expected to be generated from the business development.

(5) Assets acquired and liabilities assumed as of the acquisition date

(Unit: millions of yen)

	Fair Value
Assets	
Cash and cash equivalents	1,794
Trade receivables	1,358
Inventories	328
Property, plant and equipment	2,358
Intangible assets	9,482
Deferred tax assets	3,813
Others	498
Total Assets	19,634
Liabilities	
Trade payables	1,672
Others	2,528
Total Liabilities	4,200

The fair value of non-controlling interests calculated in proportion to equity in the recognized amounts of the abovementioned assets and liabilities was 1,045 million yen.

- (6) The AGC Group made Molecular Medicine S.p.A a wholly owned subsidiary by additional acquisition of shares on September 30, 2020.

Independent Auditor's Report

February 2, 2021

To the Board of Directors of AGC Inc.:

KPMG AZSA LLC
Tokyo Office, Japan

Atsuji Maeno (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tsutomu Ogawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Kajiwara (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of AGC Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at December 31, 2020 and for the year from January 1, 2020 to December 31, 2020 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial

statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board and its member for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Audit & Supervisory Board and its member are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its member regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its member with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

Balance Sheets

(Unit: millions of yen)

	96th Fiscal Year (as of Dec. 31, 2020)	(Reference) 95th Fiscal Year (as of Dec. 31, 2019)
Assets	1,452,293	1,371,747
Current Assets	401,115	305,458
Cash on hand and in banks	100,487	19,222
Trade notes receivable	5,708	5,840
Trade accounts receivable	119,840	113,686
Finished goods	32,501	30,900
Work in process	31,002	34,766
Raw materials and supplies	25,108	26,337
Prepaid expenses	3,579	3,895
Short-term loans receivable	48,116	38,278
Other accounts receivable	22,822	22,660
Other current assets	11,948	9,870
Non-current Assets	1,051,178	1,066,288
Tangible Fixed Assets	286,740	250,636
Buildings	78,261	60,737
Structures	19,046	17,944
Machinery and equipment	112,516	99,093
Vehicle and other transportation equipment	143	157
Tools, furniture and fixtures	8,565	7,668
Land	26,814	26,972
Leased assets	466	503
Construction in progress	40,926	37,559
Intangible Fixed Assets	7,881	9,505
Software	6,379	7,672
Other intangible fixed assets	1,501	1,832
Investments and Other Assets	756,556	806,146
Investments in securities	114,041	121,227
Investments in subsidiaries and affiliates (stock)	380,366	420,299
Investments in subsidiaries and affiliates (others)	193,508	183,314
Long-term loans receivable	53,624	62,091
Long-term receivables, overdue	4,024	4,031
Long-term prepaid expenses	3,130	3,502
Prepaid pension cost	12,491	15,701
Others	2,592	2,709
Allowance for doubtful debts	(7,222)	(6,731)
Total Assets	1,452,293	1,371,747

Balance Sheets

(Unit: millions of yen)

	96th Fiscal Year (as of Dec. 31, 2020)	(Reference) 95th Fiscal Year (as of Dec. 31, 2019)
Liabilities	770,973	619,680
Current Liabilities	366,629	368,542
Trade accounts payable	89,499	89,765
Short-term borrowings	177,275	176,177
Commercial paper	-	20,000
Other accounts payable	45,751	29,602
Accrued expenses	4,348	4,012
Advances received	802	724
Deposits received	38,699	37,440
Accrued bonuses to employees	4,778	4,651
Accrued bonuses to directors	97	111
Reserve for scheduled repairs	2,905	3,323
Reserve for restructuring programs	231	1,119
Other current liabilities	2,240	1,615
Non-current Liabilities	404,344	251,137
Bonds	60,000	60,000
Long-term borrowings	330,002	174,971
Deferred tax liabilities	6,476	9,107
Accrued retirement benefits for employees	3,767	3,314
Reserve for loss on debt guarantees	37	40
Other non-current liabilities	4,060	3,703
Total Liabilities	770,973	619,680
Net Assets	681,320	752,067
Shareholders' Equity	630,886	697,071
Share capital	90,873	90,873
Capital surplus	91,164	91,164
Additional paid-in capital	91,164	91,164
Retained earnings	477,019	543,502
Legal reserve	22,618	22,618
Other retained earnings	454,401	520,884
Special depreciation reserve	247	522
Reserve for advanced depreciation of tangible fixed assets	8,488	9,169
General reserve	393,000	293,000
Retained earnings carried forward	52,664	218,192
Treasury shares, at cost	(28,170)	(28,468)
Valuation and Translation Adjustments	48,340	52,723
Unrealized gains on securities, net of tax	48,340	52,723
Share Subscription Rights	2,092	2,271
Total Net Assets	681,320	752,067
Total Liabilities and Net Assets	1,452,293	1,371,747

Statements of Operation

(Unit: millions of yen)

	96th Fiscal Year (from Jan. 1, to Dec. 31, 2020)	(Reference) 95th Fiscal Year (from Jan. 1, to Dec. 31, 2019)
Net Sales	505,041	516,708
Cost of sales	384,425	384,710
Gross Profit	120,616	131,998
Selling, general and administrative expenses	120,737	126,077
Operating (Loss)Income	(120)	5,920
Non-operating Income	44,875	170,361
Interest income	1,131	1,420
Dividend income	40,923	163,835
Others	2,821	5,105
Non-operating Expenses	3,409	7,149
Interest expenses	2,592	6,658
Others	817	491
Ordinary Income	41,345	169,132
Extraordinary Gains	1,726	32,625
Gain on sale of properties	-	950
Gain on sale of investments in securities	1,522	30,199
Gain on sale of investments in subsidiaries and affiliates	50	1,473
Reversal of reserve for loss on debt guarantees	3	1
Reversal of reserve for restructuring programs	150	-
Extraordinary Loss	82,892	14,010
Loss on sale of properties	0	-
Loss on disposal of properties	3,667	2,864
Impairment loss on long-lived assets	-	66
Loss on valuation of investments in securities	1,480	499
Loss on valuation of investments in subsidiaries and affiliates	76,983	4,478
Expenses for allowance for doubtful debts	496	3,680
Expenses for restructuring programs	-	2,357
Expenses for special environmental protection measures	263	62
(Loss) Income before Income Taxes	(39,820)	187,747
Income taxes		
Current	762	3,561
Deferred	(833)	5,710
Net (Loss) Income	(39,748)	178,475

Statements of Changes in Net Assets

96th Fiscal Year (from January 1, 2020 to December 31, 2020)

(Unit: millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal reserve	Retained earnings			
		Additional paid-in capital	Other capital surplus		Other retained earnings			
					Special depreciation reserve	Reserve for advanced depreciation of tangible fixed assets	General reserve	Retained earnings carried forward
Balance at beginning of year	90,873	91,164	-	22,618	522	9,169	293,000	218,192
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(274)	-	-	274
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-	(680)	-	680
Provision of general reserve	-	-	-	-	-	-	100,000	(100,000)
Dividends declared	-	-	-	-	-	-	-	(26,591)
Net loss	-	-	-	-	-	-	-	(39,748)
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(143)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(274)	(680)	100,000	(165,527)
Balance at end of year	90,873	91,164	-	22,618	247	8,488	393,000	52,664

	Shareholders' equity		Valuation and translation adjustments	Share subscription rights	Total net assets
	Treasury shares, at cost	Total shareholders' Equity	Unrealized gains on securities, net of tax		
Balance at beginning of year	(28,468)	697,071	52,723	2,271	752,067
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-
Provision of general reserve	-	-	-	-	-
Dividends declared	-	(26,591)	-	-	(26,591)
Net loss	-	(39,748)	-	-	(39,748)
Acquisition of treasury shares	(13)	(13)	-	-	(13)
Disposal of treasury shares	311	167	-	-	167
Net changes other than shareholders' equity	-	-	(4,382)	(178)	(4,561)
Total changes during the current period	297	(66,185)	(4,382)	(178)	(70,747)
Balance at end of year	(28,170)	630,886	48,340	2,092	681,320

(Reference) 95th Fiscal Year (from January 1, 2019 to December 31, 2019)

(Unit: millions of yen)

(Unit: millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Retained earnings				
		Additional paid-in capital	Other capital surplus	Legal reserve	Other retained earnings			
					Special depreciation reserve	Reserve for advanced depreciation of tangible fixed assets	General reserve	Retained earnings carried forward
Balance at beginning of year	90,873	91,164	-	22,618	797	9,638	293,000	65,729
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(274)	-	-	274
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-	(468)	-	468
Dividends declared	-	-	-	-	-	-	-	(26,582)
Net income	-	-	-	-	-	-	-	178,475
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(172)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(274)	(468)	-	152,463
Balance at end of year	90,873	91,164	-	22,618	522	9,169	293,000	218,192

	Shareholders' equity		Valuation and translation adjustments	Share subscription rights	Total net assets
	Treasury shares, at cost	Total shareholders' equity	Unrealized gains on securities, net of tax		
Balance at beginning of year	(28,821)	544,999	66,703	2,482	614,185
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-
Dividends declared	-	(26,582)	-	-	(26,582)
Net income	-	178,475	-	-	178,475
Acquisition of treasury shares	(15)	(15)	-	-	(15)
Disposal of treasury shares	368	195	-	-	195
Net changes other than shareholders' equity	-	-	(13,979)	(211)	(14,190)
Total changes during the current period	352	152,072	(13,979)	(211)	137,881
Balance at end of year	(28,468)	697,071	52,723	2,271	752,067

Notes to the Non-Consolidated Financial Statements

The accompanying financial statements of the Company have been prepared in accordance with the provisions set forth in the Corporation Law and its related accounting regulations, and in conformity with the accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

I. Significant Accounting Policies

1. Valuation of assets

(1) Valuation of securities

Investments in subsidiaries and affiliates:

Investments in subsidiaries and affiliates are stated at cost based on the moving average method.

Other securities:

Securities with market value:

Securities with market value are stated at the quoted market prices prevailing at the end of the fiscal year. Differences between market value and acquisition costs are recorded as “Unrealized gains on securities, net of tax” in Net Assets. The cost of securities sold is calculated by the moving average method.

Securities without market value:

Securities without market value are mainly stated at cost determined by the moving average method.

(2) Valuation of derivative financial instruments

Derivatives are stated at fair value.

(3) Valuation of inventories

Inventories are mainly carried at cost calculated using the moving average method. They are written down to their net realizable value if their profitability declines.

2. Depreciation and amortization of fixed assets

(1) Tangible fixed assets

Depreciation is computed by the straight-line method.

(2) Intangible fixed assets

Amortization of intangible assets is computed by the straight-line method.

(3) Leased assets related to finance lease transactions not involving the transfer of ownership

Depreciation of leased assets related to finance lease transactions not involving the transfer of ownership is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

3. Basis for recognizing certain reserves and accrued expense items

(1) Allowance for doubtful debts

“Allowance for doubtful debts” is provided at an amount sufficient to cover possible losses on the collection of receivables by taking the historical receivables loss ratio. For certain doubtful receivables, the uncollectible amounts are estimated based on the collectability of individual receivables.

(2) Accrued bonuses to employees

“Accrued bonuses to employees” is provided based on the estimated amount to be paid to employees after the balance sheet date for their services rendered during the current period.

(3) Accrued bonuses to directors

“Accrued bonuses to directors” is provided based on the estimated amount to be paid to directors after the balance sheet date for their services rendered during the current period.

(4) Reserve for scheduled repairs

“Reserve for scheduled repairs” is provided based on the estimated amount to be paid for the next periodic inspection of the facilities and estimated costs for repair work considering the service period until the next periodic inspection.

(5) Accrued retirement benefits for employees

Recognition of accrued retirement benefits for employees is based on actuarial valuation of projected benefit obligations and pension assets.

Past service cost is amortized on a straight-line basis over the average remaining service period of employees (13 years), from the year when it is incurred.

Actuarial gain/loss is amortized on a straight-line basis over the average remaining service period of employees (13 years), starting from the following year after incurred.

(6) Reserve for loss on debt guarantees

“Reserve for loss on debt guarantees” is provided based on the estimated value of losses that would accrue from a possible execution of loan guarantees for the Company’s subsidiaries and affiliates.

(7) Reserve for restructuring programs

“Reserve for restructuring programs” is reasonably estimated based on costs arising mainly from additional severance compensation program related to restructuring and restructuring of certain businesses.

4. Other significant matters regarding the preparation of financial statements

(1) Accounting for consumption tax

Consumption tax is not included in the amounts of respective income and cost or expense items.

(2) Application of consolidated taxation system

The Company adopts the consolidated tax return system for the calculation of income taxes.

(3) Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system

Having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect

Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), the Company did not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

(4) Amounts presented in financial statements

Amounts below one million yen are rounded down.

(5) Accounting for retirement benefits for employees

Accounting methods for unrecognized actuarial gains and losses and unrecognized prior service costs related to retirement benefits differ from those applied in the consolidated financial statements.

II. Notes to the Balance Sheet

1. Accumulated depreciation on tangible fixed assets:	671,294 million yen
2. Commitments and contingent liabilities	
Guarantee of loans:	140,039 million yen
3. Monetary receivables from/payables to subsidiaries and affiliates	
Short-term receivables from subsidiaries and affiliates:	104,034 million yen
Long-term receivables from subsidiaries and affiliates:	57,242 million yen
Short-term payables to subsidiaries and affiliates:	71,253 million yen
Long-term payables to subsidiaries and affiliates:	336 million yen

III. Notes to the Statement of Operation

1. Transaction with subsidiaries and affiliates	
Sales to subsidiaries and affiliates:	170,045 million yen
Purchases from subsidiaries and affiliates:	210,349 million yen
Non-operating transactions with subsidiaries and affiliates:	41,302 million yen
2. Loss on valuation of investments in subsidiaries and affiliates	
Loss on valuation of investments in subsidiaries and affiliates is recorded mainly because the substantial value of shares of AGC Glass Europe S.A., a consolidated subsidiary, decreased significantly due to the deterioration of business performance.	

IV. Notes to the Statement of Changes in Net Assets

Type and number of treasury shares as of December 31, 2020:

Common stock:	6,117,995 shares
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Note: The number of treasury shares at the end of the period includes 304,830 shares owned by the Board Incentive Plan (BIP) Trust.

V. Notes to Tax Effect Accounting

Major components of deferred tax assets include loss on devaluation of investments in subsidiaries and affiliates and accrued retirement benefits for employees. The major components of deferred tax liabilities are unrealized gains on securities and gains on establishment of trust for retirement benefits.

VI. Notes to Fixed Assets used under Lease Contracts

In addition to the leased assets recorded in the Balance Sheet, office equipment such as computers are accounted for using the same method as operating lease transactions.

VII. Related Party Transactions

(Unit: millions of yen)

Attribute	Company name	Voting right ratio held	Relationship with related party	Transaction	Transaction amount	Account item	Year-end balance
Subsidiary	AGC America Inc.	Possession; Directly 100%	Holding of shares in affiliates in North America, and information collection	Lending (Note)	3,634	Sort-term loans Long-term loans	19,665
Subsidiary	AGC Glass Europe	Possession; Directly 100% Indirectly 0%	Production and sales of flat glass	Lending (Note)	-	Long-term loans	34,911
Subsidiary	AGC Electronics Co., Ltd.	Possession; Directly 100%	Manufacturing and sales of semiconductor processing materials and Optoelectronic materials	Lending (Note)	8,800	Sort-term loans Long-term loans	18,797

Transaction amounts are exclusive of consumption tax, while year-end balances are inclusive of consumption tax.

In addition to the above, the Company uses deposits held by its subsidiaries at financial institutions as the Company's operating funds through the cash management services offered by financial institutions. The average balance is 99,782 million yen, and year-end balance is 93,109 million yen.

Notes:

Interest rates on loans are determined based on the market interest rates at the time of financing.

VIII. Notes to Per Share Information

1. Net assets per share 3,068.94 yen

Note: Upon calculating net assets per share, the number of treasury shares subtracted from the

total number of issued shares at the end of the period includes the Company's stock owned by the BIP Trust (number of shares at the end of period: 304,830).

2. Net loss per share (179.61) yen

Note: Upon calculating earnings per share, the number of treasury shares subtracted in computing the average number of shares outstanding includes the Company's stock owned by the BIP Trust (the average number of issued shares outstanding during the period: 307,472).

Independent Auditor's Report

February 2, 2021

To the Board of Directors of AGC Inc.:

KPMG AZSA LLC
Tokyo Office, Japan

Atsuji Maeno (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tsutomu Ogawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Kajiwara (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of operation, the statement of changes in net assets and the related notes, and the supplementary schedules of AGC Inc. ("the Company") as at December 31, 2020 and for the year from January 1, 2020 to December 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audi & Supervisory Board and its member for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audi & Supervisory Board and its member are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audi & Supervisory Board and its member regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audi & Supervisory Board and its member with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Audit & Supervisory Board's Report

Audit & Supervisory Board's Audit Report

Regarding the execution of duties by the Directors for the 96th fiscal year (from January 1, 2020 to December 31, 2020), the Audit & Supervisory Board has prepared this audit report upon deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows.

1. Methods and details of audits by Audit & Supervisory Board Member and the Audit & Supervisory Board
 - (1) The Audit & Supervisory Board formulated an audit policy, audit plan, and other relevant matters, and received reports from each Audit & Supervisory Board Member on the implementation and results of audits, as well as reports from the Directors, the Accounting Auditor, and other relevant personnel on the status of execution of their duties, and requested explanations from them when necessary.
 - (2) In accordance with the Standards for Auditing established by the Audit & Supervisory Board, the audit policy, plan, and other relevant matters, each Audit & Supervisory Board Member communicated well with the Directors, internal audit divisions, and other relevant personnel; endeavored to gather information and to maintain and improve the audit environment, as well as implemented audit through the following methods.
 - (i) Each Audit & Supervisory Board Member; attended the Board of Directors meetings and other important meetings; received reports from the Directors, employees and relevant personnel on the status of execution of their duties; requested explanations when necessary; reviewed significant approval documents and relevant documents; and inspected the status of operations and assets at the Company's head office and other principal offices. In addition, each Audit & Supervisory Board Member endeavored to communicate well and exchange information with the Directors and the Audit & Supervisory Board Members of the subsidiaries, received reports from the subsidiaries on their business when necessary, as well as conducted inspections at some subsidiaries.
 - (ii) Concerning the content of the resolution of the Board of Directors regarding the establishment of the system to ensure that the execution of duties by the Directors complies with laws, regulations and the Articles of Incorporation, and other systems necessary to ensure the appropriateness of operations of the corporate group comprising the Company and its subsidiaries; and concerning the systems that are maintained based on such resolution (Internal Control Systems): each Audit & Supervisory Board Member received reports regarding the status of establishment and operation from the Directors, employees and others on a regular basis, and verified such status of establishment and operation. Regarding internal control over financial reporting, we received reports from the Directors, etc. and KPMG AZSA LLC on the evaluation of the said internal control and audit status, as well as requested explanations when necessary.
 - (iii) We monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, received reports from the Accounting Auditor on the status of execution of its duties, and requested explanations when necessary. We also received notification from the Accounting Auditor, stating that it had established the "Systems to Ensure the Appropriate Execution of Duties by the Accounting Auditor" (Article 131 of the Ordinance of Companies Accounting), and we requested explanations when necessary.

Through these methods, we reviewed the business report and supplementary schedules thereof, non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in net assets and notes) and their supplementary schedules, and the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes in accordance with the latter part of Article 120, Paragraph 1 of the Ordinance of Companies Accounting that prescribes some omissions of

disclosure items required by International Financial Reporting Standards), for the fiscal year under review.

2. Result of the audit

(1) Business report, etc.

- (i) We acknowledge that the business report and its supplementary schedules present the situation of the Company correctly in accordance with applicable laws and regulations and the Articles of Incorporation.
- (ii) We acknowledge that there was no wrongful act or material fact of violation of either applicable laws or regulations, or the Articles of Incorporation with respect to the execution of duties by the Directors.
- (iii) We acknowledge that the content of the resolutions of the Board of Directors regarding the internal control system is appropriate. Furthermore, we find nothing that needs to be pointed out concerning the contents of business report and the execution of duties by the Directors regarding the internal control system.

We received reports from the Directors, etc. and KPMG AZSA LLC stating that internal control over financial reporting was effective at the time of preparing this Audit & Supervisory Board's Report.

(2) Non-consolidated financial statements and supplementary schedules

We acknowledge the methods and the results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC are appropriate.

(3) Consolidated financial statements

We acknowledge the methods and the results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC are appropriate.

February 4, 2021

Board of Corporate Auditors
AGC Inc.

Yoshiyuki Morimoto
Full-time Audit & Supervisory Board Member

Tetsuo Tatsuno
Full-time Audit & Supervisory Board Member

Akio Sakumiya
Audit & Supervisory Board Member

Yaeko Takeoka
Audit & Supervisory Board Member

Note: Audit & Supervisory Board Members, Yoshiyuki Morimoto, Akio Sakumiya and Yaeko Takeoka are outside Audit & Supervisory Board Members set forth in Article 2-16 and Article 335, Paragraph 3 of the Companies Act.

Note: The Audit & Supervisory Board's Report herein is the English translation of the original report issued in the Japanese language.

Reference

Overview of Consolidated Statements of Cash Flows

(Unit: millions of yen)

	96th Fiscal Year (from Jan.1 to Dec.31, 2020)	95th Fiscal Year (from Jan.1 to Dec.31, 2019)
Net Cash From Operating Activities	225,392	191,906
Net Cash Used in Investing Activities	(230,248)	(182,636)
Net Cash Used in Financing Activities	128,443	(17,284)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,246)	(1,704)
Changes in Cash and Cash Equivalents	122,340	(9,719)
Cash and Cash Equivalents at Beginning of Year	113,784	123,503
Cash and Cash Equivalents at End of Year	236,124	113,784

Brand statement “Your Dreams, Our Challenge.”

“Your Dreams, Our Challenge” is the AGC Group’s brand statement, which was created to fulfill “Our Mission” under the Group Vision of “Look Beyond.” Since its foundation, the AGC Group has maintained its corporate stance to take up new challenges to make people’s lives better. Working as one team, we will strive to further enhance the corporate value of the AGC Group.

Never take the easy way out, but confront difficulties

Trust is the best way to inspire people

Strive to develop technologies that will change the world

A sense of mission leads us to advance

For more than a century, AGC has been guided by these founding spirits.

Our unique materials, solutions and reliable partnerships have facilitated leading innovations across diverse industries and markets.

Today, by working with others to combine knowledge and advanced technology, we help make ever greater achievements possible, and bring bolder ideas to life.

Your Dreams, Our Challenge