



AGC Inc.

Financial Results for FY2022 2nd Quarter

August 2, 2022

Event Summary

[Company Name]	AGC Inc.	
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[Event Name]	Financial Results for FY2022 2nd Quarter	
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[Number of Speakers]	4	
	Yoshinori Hirai	Representative Director President & CEO
	Shinji Miyaji	Representative Director, Senior Executive Vice President, CFO
	Toshiro Kasuya	Executive Officer, General Manager of Finance & Control Division
	Chikako Ogawa	General Manager of Corporate Communications & Investor Relations Division

Presentation

Ogawa: Hello, everyone. Thank you for joining us today. We will start the Earnings Briefing of AGC for Q2 of FY2022 ending December 2022. I am Chikako Ogawa, General Manager, Corporate Communications, and Investor Relations Division serving as the moderator.

Today's participants are Yoshinori Hirai, Representative Director, President, and CEO; Shinji Miyaji, Representative Director, Senior Executive Vice President, CFO; and Toshiro Kasuya, Managing Executive Officer, General Manager of Finance and Control Division.

First, CFO Miyaji will give an overview of the financial results for Q2 2022. After that, CEO Hirai will explain the progress of the medium-term management plan.

The scheduled time is 17:45 Japan Standard Time.

Key points for today



■ Financial Results for 2Q FY2022 :

(YoY) [unit: 100 million JPY]

Net Sales	9,783	(+1,670)
Operating profit	1,153	(+201)
Profit for the period		
Attributable to owners of the parent	712	(+74)

- Both net sales and operating profit reached record highs for the first half of the year.

■ Outlook for FY2022 :

(vs. Feb 8 Forecast) (YoY) [unit: 100 million JPY]

Net Sales	20,500	(+2,500)	(+3,526)
Operating profit	2,300	(+200)	(+238)

- Despite the rising prices of fuels and raw materials, we upwardly revised the financial forecasts for the factors such as the steady growth of strategic businesses, the increases of products' selling prices, and the depreciation of the Japanese yen.
- Net sales will exceed 2 trillion yen for the first time in AGC's history. Both net sales and operating profit are expected to hit record highs.

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Miyaji: This is CFO, Miyaji.

Please turn to page three, the key points of today's briefing.

Cumulative Q2 sales were JPY978.3 billion, and the operating profit was JPY115.3 billion, both reaching record highs.

As for the full-year forecast, while we expect the impact of the soaring fuel and material prices, in light of the steady expansion of the strategic businesses, the rise in product sales prices, and the depreciation of the yen, we expect net sales to exceed JPY2 trillion for the first time at JPY2.5 trillion, up JPY250 billion from the previous forecast.

We expect the operating profit at JPY230 billion, up JPY20 billion from the previous forecast. Both will be the highest ever.

Highlights of the Financial Results for 2Q FY2022



	FY2021		FY2022		Change	Main factors in the change (+) Increasing factors (-)Decreasing factors
	1-2Q Total		1-2Q Total			
Net Sales	8,113		9,783		+ 1,670*	(+) Shipments of architectural glass, chlor-alkali products, fluorochemicals-related products, electronic materials and life science increased. (+) Sales price of chlor-alkali products and architectural glass increased. (+) Weaker yen.
Operating profit	952		1,153		+ 201	In addition to the above, (+) Manufacturing costs decreased as the utilization rate of fluorochemicals-related manufacturing facilities improved. (-) Increased in natural gas prices in Europe. (-) Depreciation expenses increased due to factors such as new facility launch for LCD glass substrate. (-) Manufacturing costs of display increased as affected by higher fuel & raw materials prices and foreign exchange fluctuation.
Profit before tax	971		1,176		+ 205	In addition to the above, (+) Gain on sale of subsidiaries (-) Business structure improvement costs was posted.
Profit for the period Attributable to owners of the parent	638		712		+ 74	
FOREX (Average)	JPY/USD	107.70	122.89			
	JPY/EUR	129.83	134.25			
Crude Oil (Dubai, Average)	USD/BBL	63.47	101.81			

* FOREX impact was +66.5 billion JPY, change in the scope of consolidation was ▲17.4 billion JPY

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Please turn to page five.

Net sales increased by JPY167 billion due to increased shipments of architectural glass, Chlor-alkali products, fluorochemicals-related products, electronic materials, and life science, as well as higher sales prices for Chlor-alkali products and architectural glass, and the impact of the depreciation of the yen.

In addition to these factors, lower manufacturing costs from improved utilization rates of fluorochemicals-related manufacturing facilities pushed up operating profit for the period by JPY20.1 billion YoY.

Despite higher natural gas prices in Europe, increased depreciation due to the new facility launch for LCD glass substrates, a rise in fuel and material prices, and a rise in display manufacturing cost due to the exchange rate effects.

Profit before tax was JPY117.6 billion, up JPY20.5 billion, while recruiting business structure improvement cost in the European automotive glass and other expenses, we saw the gain on the sale of subsidiaries and other income.

Profit attributable to owners of the parent was JPY71.2 billion.

Next, results by segment.

YoY Performance Comparison by Business Segment



(100 million JPY)

	FY2021		FY2022		Change	
	1-2Q Total		1-2Q Total		(b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass *	3,717	201	4,149	114	+ 431	▲ 87
Electronics *	1,385	142	1,481	92	+ 96	▲ 50
Chemicals	2,881	595	4,011	926	+ 1,130	+ 331
Ceramics/Other	367	16	435	25	+ 67	+ 9
Elimination	▲ 238	▲ 2	▲ 293	▲ 3	▲ 55	▲ 2
Total	8,113	952	9,783	1,153	+ 1,670	+ 201

*Figures for FY2021.1-2Q have been retroactively adjusted due to the transfer of a portion of the automotive display cover glass business from electronics to glass business.

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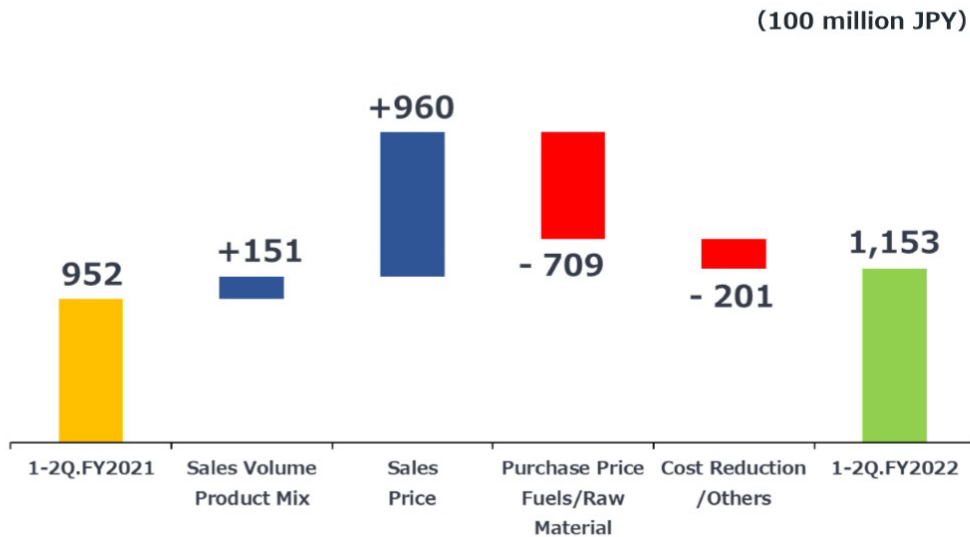
Please turn to page six.

For the first six months, glass and electronics posted higher sales and lower profit YoY.

All chemicals recorded an increase in both sales and profit YoY.

Variance analysis on OP (1-2Q.FY2022 vs. 1-2Q.FY2021) **AGC** You-Dreams, Our Challenge

201 (100 million JPY) up YoY



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Please turn to page seven.

YoY variance analysis of operating profit.

Sales volume and product mix, plus JPY15.1 billion, with increased shipments of life science products, electronic materials, architectural glass, and fluorochemicals-related products. Sales price, plus JPY96 billion with higher prices for caustic soda and architectural glass.

Purchase price of fuels and raw materials, minus JPY70.9 billion, as prices increased for natural gas in Europe and electricity. Cost reduction and others, minus JPY20.1 billion.

While manufacturing costs were reduced due to the improved utilization rate of fluorochemicals-related manufacturing equipment, depreciation costs increased following the launch of a new facility for LCD glass substrates, and display manufacturing costs increased due to the exchange rates effect.

Profit increased by JPY20.1 billion YoY from JPY95.2 billion to JPY115.3 billion.

Consolidated Statement of Financial Position

	(100 million JPY)		
	2021/12	2022/6	Change
Cash and cash equivalents	1,958	2,555	+ 597
Inventories	3,301	4,187	+ 886
Property, plant and equipment, Goodwill and Intangible assets	15,067	16,602	+ 1,535
Other assets	6,334	6,558	+ 224
Total assets	26,660	29,903	+ 3,242
Interest-bearing debt	6,032	6,603	+ 571
Other liabilities	5,815	6,130	+ 316
Liabilities	11,847	12,734	+ 887
Total equity attributable to owners of the parent	13,142	15,144	+ 2,002
Non-controlling interests	1,672	2,025	+ 353
Equity	14,814	17,169	+ 2,355
Total liabilities and equity	26,660	29,903	+ 3,242
D/E ratio	0.41	0.38	

Foreign exchange
fluctuation
+248.1 billion yen

Please turn to page eight.

Financial position compared to the end of December 2021. Total assets were JPY2,903 billion, an increase of JPY324.2 billion from the end of December. The impact of foreign exchange was plus JPY248.1 billion. Debt-to-equity ratio was 0.38.

Consolidated Statement of Cash Flow



(100 million JPY)

1-2Q Total

	FY2021	FY2022
Profit before tax	971	1,176
Depreciation and amortization	796	902
Increase(decrease) in working capital	▲ 175	▲ 527
Others	97	▲ 321
Cash flows from operating activities	1,690	1,230
Cash flows from investing activities	▲ 925	▲ 667
Free cash flow	765	562
Changes in interest-bearing debt	▲ 515	182
Dividends paid	▲ 133	▲ 289
Others	▲ 53	▲ 130
Cash flows from financing activities	▲ 701	▲ 237
Effect of exchange rate changes on cash and cash equivalents	56	272
Net increase(decrease) in cash and cash equivalents	119	597

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Please turn to page nine.

The consolidated cash flow statement for its first [three] months or first six months. Operating cash flow was JPY121.4 billion and investing cash flow was JPY66.7 billion. Pre-cash flow, as a result, was JPY54.6 billion.

CAPEX, Depreciation and R&D

(100 million JPY)		
1-2Q Total		
	FY2021	FY2022
CAPEX *	1,033	1,051
Glass	252	189
Electronics	341	416
Chemicals	431	443
Ceramics/Other	12	6
Elimination	▲ 3	▲ 2
Depreciation *	796	902
Glass	275	278
Electronics	275	337
Chemicals	236	277
Ceramics/Other	10	10
Elimination	▲ 0	▲ 1
R&D	238	249

Main projects for CAPEX

- Repairment for Automotive glass furnace (Glass)
- Repairment for display glass furnace (Electronics)
- G11 investment in China (Electronics)
- Production facility enhancement for semiconductor-related products (Electronics)
- Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement for fluorochemicals-related (Chemicals)
- Capacity enhancement for biopharmaceuticals (Chemicals)

etc.

Main factors for increase in depreciation cost

- Production facility enhancement for electronic materials (Electronics)
- G11 investment in China (Electronics)

etc.

*Figures for FY2021.1-2Q have been retroactively adjusted due to the transfer of a portion of the automotive display cover glass business from electronics to glass business.

Page 10, CapEx, depreciation, and R&D expenses. CapEx totaled JPY105.1 billion, depreciation expenses JPY90.2 billion, and R&D expenses JPY24.9 billion.

Next Q2 results by business and geographic segments.

Glass Segment



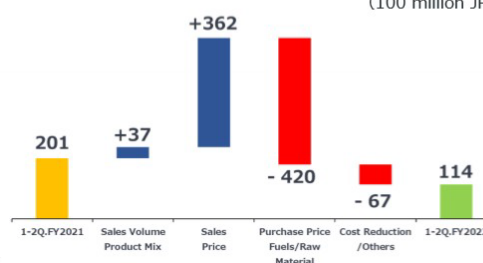
(100 million JPY)

	1-2Q Total		Change
	FY2021	FY2022	
Net sales **	3,717	4,149	+ 431*
Architectural Glass	1,883	2,252	+ 370
Automotive Glass (Inter-segment)	1,822	1,891	+ 69
	12	5	
Operating profit **	201	114	▲ 87

* FOREX impact: +29.6 billion yen,
Change in the Scope of Consolidation: ▲17.4 billion yen
** Figures for FY2021.1-2Q have been retroactively adjusted due to the transfer of a portion of the automotive display cover glass business from electronics to glass business.

Variance Analysis on OP

(100 million JPY)



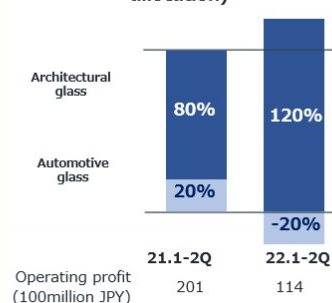
[Architectural glass]

- Shipments increased in all regions except South America.
- The rise in the sales prices in all regions, particularly in Europe, offset the decrease of income due to transfer of architectural glass business in North America.
- Natural gas prices increased in Europe.

[Automotive glass]

- Despite the shortage of components such as semiconductor, net sales increased thanks to the impact of the weaker yen.
- Manufacturing costs increased due to factors such as higher fuel and raw materials prices and lower utilization of manufacturing.

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



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Please turn to page 12.

The first is the glass segment. Sales were JPY414.9 billion, up JPY43.1 billion, and operating profit was JPY11.4 billion, down JPY8.7 billion. Architectural glass posted a sales increase of JPY37 billion at JPY225.2 billion, as a decrease in sales due to the transfer of the North American architectural glass was more than offset by increased shipments in regions other than South America and higher sales prices in all regions, mainly in Europe.

Sales of automotive glass increased by JPY6.9 billion to JPY189.1 billion due to the depreciation of the yen and other factors, despite decreased shipments due to parts and component shortages, including semiconductors.

Operating profit decreased, despite the sales increase due to higher fuel and material prices, such as natural gas in Europe, and higher manufacturing costs due to lower utilization rates of facilities for automotive glass.

The ratio of subsegment to the operating profit was 120% for architectural glass and minus 20% for automotive glass.

Electronics Segment



(100 million JPY)

	1-2Q Total		Change
	FY2021	FY2022	
Net sales **	1,385	1,481	+ 96*
Display	889	870	▲ 19
Electronic Materials (Inter-segment)	487	600	+ 113
Operating profit **	142	92	▲ 50

* FOREX impact: +5.5billion yen,
Change in the Scope of Consolidation: +0.9 billion yen
** Figures for FY2021.1-2Q have been retroactively adjusted due to the transfer of a portion of the automotive display cover glass business from electronics to glass business.

Variance Analysis on OP
(100 million JPY)



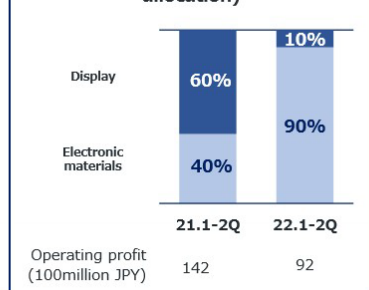
(Display)

- Shipments of LCD glass substrates and specialty glass for display applications decreased.
- Depreciation expenses increased because of the new facility launch for LCD glass substrates.
- Manufacturing costs increased as affected by higher fuel & raw materials prices and foreign exchange fluctuations.

(Electronic materials)

- Shipments of semiconductor-related products, optoelectronic materials and circuit board materials increased.

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



Please turn to page 13. Next is the electronics segment.

Net sales for FY2022 up to Q2 were JPY148.1 billion. Operating profit was JPY9.2 billion, while net sales increased by JPY9.6 billion YoY, and profit declined by JPY5 billion.

In the display business, the shipments of LCD glass substrates and specialty glass for display applications decreased, and sales declined by JPY1.9 billion YoY to JPY87 billion. The shipment volume of LCD glass substrates declined by early single-digit percentage points QoQ.

Sales pricing decreased slightly compared to the previous quarter.

In the electronic materials business, shipments of semiconductor-related products, optoelectronic materials, and circuit board materials increased. Accordingly, net sales went up by JPY11.3 billion YoY to JPY60 billion.

Although the top line grew in the LCD glass substrate business, depreciation increased due to the start-up of new capacity as manufacturing costs increased due to raw material, fuel costs increased, and the exchange rate impact.

As a result, operating profit declined by JPY5 billion YoY to JPY9.2 billion.

The ratio of the subsegments in operating profit in this electronic segment was 10% for display and 90% for electronic materials.

(100 million JPY)

	1-2Q Total		
	FY2021	FY2022	Change
Net sales	2,881	4,011	+ 1,130*
Chlor-alkali & Urethane	1,762	2,515	+ 753
Fluorochemicals & Specialty	568	749	+ 181
Life science	545	739	+ 194
(Inter-segment)	7	9	
Operating profit	595	926	+ 331

* FOREX impact: +30.5 billion yen,
Change in the Scope of Consolidation: ▲0.9 billion yen

Variance Analysis on OP
(100 million JPY)



[Chlor-alkali/urethane]

- Shipments of PVC, caustic soda and other products remained steady and sales prices of such products increased.

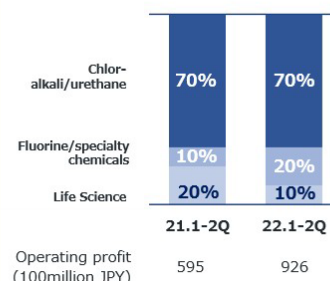
[Fluorine/specialty chemicals]

- Shipments of fluorochemical-related products, mainly for semiconductor applications, and other products increased significantly.

[Life science]

- The number of contracts of synthetic pharmaceuticals and agrochemicals CDMO increased.
- The number of contracts of biopharmaceuticals CDMO increased with the addition of anti-coronavirus applications.

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



Please turn to page 14. Turning to the chemicals segment.

Net sales of the first two quarters of this fiscal year were JPY401.1 billion, and operating profit was JPY92.6 billion. Net sales and operating profit grew YoY by JPY113 billion and JPY33.1 billion, respectively.

In the Chlor-alkali & urethane subsegment, shipment of PVC, caustic soda, and other products were strong, and sales prices went up, leading to net sales growing by JPY75.3 billion YoY to JPY251.5 billion.

In the fluorine specialty chemicals business, shipment of fluorochemicals-related products, mainly for semiconductor applications, grew strongly. As a result, net sales increased from JPY18.1 billion YoY to JPY74.9 billion.

In the life science subsegment, the CDMO business for synthetic drugs and agrochemicals grew. Additionally, CDMO contracts of biopharmaceuticals increased, which included COVID-related applications.

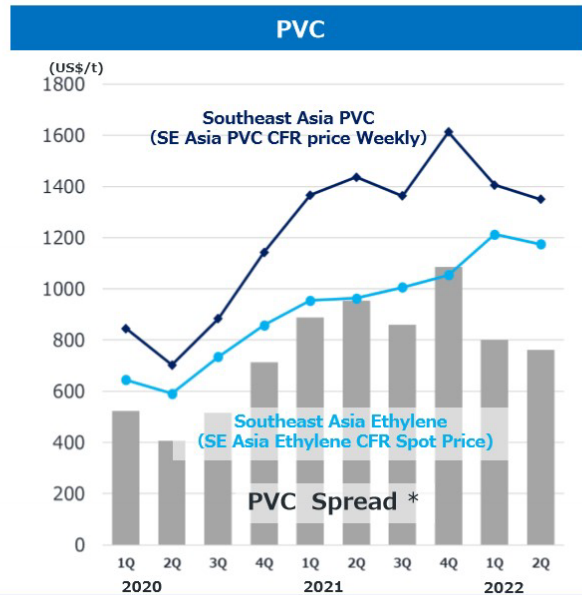
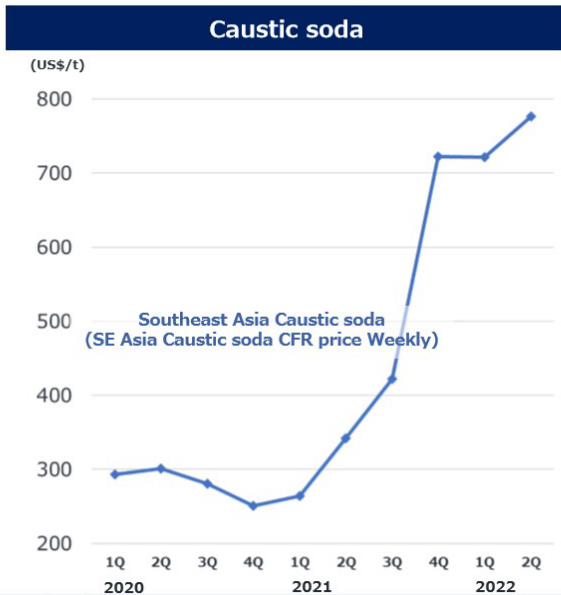
Accordingly, net sales increased by JPY19.4 billion YoY, reaching JPY73.9 billion. Operating profit increased by JPY33.1 billion to JPY92.6 billion. The ratio systemic to operating profit was Chlor-alkali & urethane 70%, fluorine specialty, 20%, and life science, 10%.

The profit contribution of life science has gone down compared to the previous year, but this was due to the concentration of high-margin contracts in Q1 of last year, and fixed cost has been booked ahead of the additional capacity, and the launch of new sites.

For this reason, the ratio has declined, while the overall chemical segment's profit increased substantially. The life science business in itself continues to be stable, so there is no reason for concern.

Reference: Market trend of Caustic soda and PVC in Southeast Asia

- Caustic soda prices remain high
- PVC prices are softening from the peak in the fourth quarter of last year. Market conditions remains at a historically high level, although the spread between PVC and ethylene is narrowing, due in part to higher ethylene prices



Source : Bloomberg

*PVC-ethylene spread calculation; PVC spot market price - (ethylene market price X 0.5)

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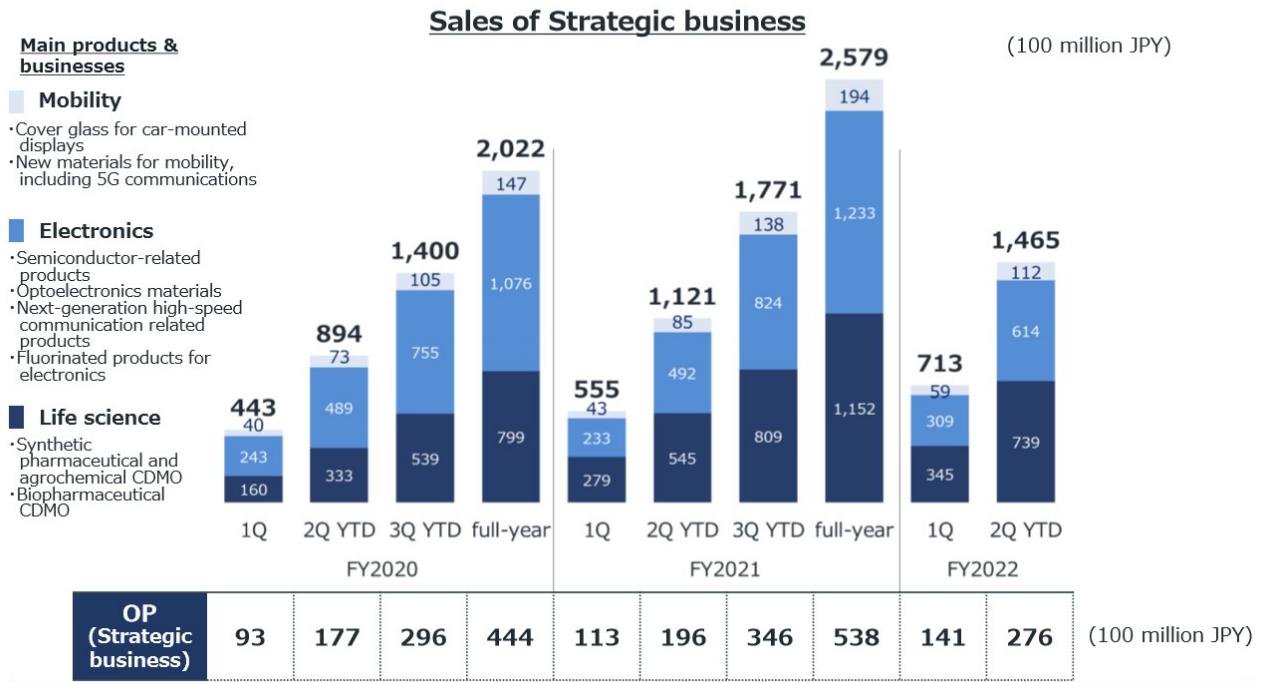
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For your reference, I would like to follow up on the caustic soda and PVC market trend in Southeast Asia. Caustic soda prices remained high. PVC and ethylene prices softened. Although the spread between PVC and ethylene is narrowing, it is still at a historically high level.

Profit contribution of Strategic business

■ OP growing steadily



Turning to page 16, this slide shows the performance of the strategic businesses. Net sales of the overall strategic business up to Q2 were JPY146.5 billion. The operating profit was JPY27.6 billion. Both sales and profit increased from the previous year by JPY34.4 billion and JPY8 billion, respectively. The business is expanding steadily, mainly in life science and electronics.

YoY Performance Comparison by Geographic Segment



	1-2Q Total		Change
	FY2021	FY2022	
	(100 million JPY)		
Net sales	8,113	9,783	+ 1,670
Japan &Asia	5,257	6,347	+ 1,090
Americas	895	971	+ 76
Europe	1,961	2,465	+ 504
Operating profit	952	1,153	+ 201
Japan &Asia	837	1,137	+ 301
Americas	72	43	▲ 29
Europe	231	172	▲ 59
Cross-regional common expenses	▲ 187	▲ 199	▲ 12

FOREX impact :
+66.5 billion JPY

Change in the scope of consolidation :
▲17.4 billion JPY

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Turning to page 17. Next,

I will explain the YoY performance comparison by geographic segments. In Japan and Asia, although business was impacted by the rise of raw material and fuel prices, as well as manufacturing cost increases in the LCD glass substrate and automotive glass business, both net sales and profit increased due to the sales price increase, such as in caustic soda.

Although there were negative factors for the top line in the Americas, such as business transfer of the North America architectural glass business, the CDMO business for biopharmaceuticals increased. On the other hand, the fixed cost was booked ahead of capacity addition in the biopharmaceuticals business and for the startup of new sites. As a result, net sales increased, while operating profit declined. In Europe, the sales price of architectural glass increased.

On the other hand, the impact was seen from the sharp rise of natural gas prices that led to an increase in sales, but a decline in profit.

(100 million JPY)

	FY2021	FY2022e As of Feb 8, 2022	FY2022e As of Aug 2, 2022
Net sales	16,974	18,000	20,500
Operating profit	2,062	2,100	2,300
Profit before tax	2,100	1,970	2,170
Profit for the year attributable to owners of the parent	1,238	1,150	1,200
Dividend (JPY/share)	210	210	210
	(Ordinary 160)		
	(Special 50)		
Operating profit margin	12.1%	11.7%	11.2%
ROE	10.2%	8.8%	9.1%*
FOREX (Average)			
	JPY/USD	109.8	115.0
	JPY/EUR	129.9	129.0
Crude Oil (Dubai, Average)	USD/BBL	69.2	80.0
Ethylene (CFR SEA)	USD/MT	1,141	1,070

* ROE of FY2022e is calculated using the figures of Profit for the year attributable to owners of the parent as of Dec 31, 2021.

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Please turn to page 19.

This is the outlook for FY2022.

Although there will be an impact coming from the sharp rise in raw material and fuel prices, due to the steady expansion of strategic business, increase in our sales prices, and the weaker yen, we will make an upward revision from the announcement on February 8.

The sales outlook is a JPY352.6 billion increase YoY to JPY2.050 trillion. The outlook for operating profit is a JPY23.8 billion increase to JPY230 billion. Both sales and profit are expected to increase substantially. Both net sales and operating profit will be a record high, with sales exceeding JPY2 trillion for the first time.

The outlook for profit before tax is a JPY7 billion increase from the previous year to JPY217 billion, while profit attributable to owners of the parent is expected to decline by JPY3.8 billion to JPY120 billion. We are planning the dividend to be JPY210 per share.

The full-year assumption for the dollar is JPY131; JPY138 to the euro. This we have revised as such.

The assumption for crude oil is USD103 per barrel for the full year.

Outlook breakdown by Segment (Net sales and Operating profit)



(100 million JPY)

	FY2021		FY2022e As of Aug 2		Change (b)-(a)		FY2022e As of Feb 8		Change (b)-(c)	
	(a)		(b)		(b)-(a)		(c)		(b)-(c)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass*	7,343	273	8,700	300	+ 1,357	+ 27	7,650	360	+ 1,050	▲ 60
Electronics*	3,050	368	3,300	300	+ 250	▲ 68	3,450	420	▲ 150	▲ 120
Chemicals	6,308	1,388	8,100	1,670	+ 1,792	+ 282	6,600	1,300	+ 1,500	+ 370
Ceramics/Other	794	35	900	30	+ 106	▲ 5	800	20	+ 100	+ 10
Elimination	▲ 520	▲ 2	▲ 500	0	+ 20	+ 2	▲ 500	0	+ 0	+ 0
Total	16,974	2,062	20,500	2,300	+ 3,526	+ 238	18,000	2,100	+ 2,500	+ 200

*Figures for FY2021 have been retroactively adjusted due to the transfer of a portion of the automotive display cover glass business from electronics to the automotive glass business.

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Going to page 20, this is the breakdown of the outlook by segment.

Compared to the previous outlook for the glass segment, net sales will increase, while profit will decline, and as per chemicals, both sales and profit will increase.

2022 1H vs 2022 2H	
Glass	<p>(Architectural glass)</p> <ul style="list-style-type: none"> Impacts of a fuel and raw materials price hike will be a concern. <p>(Automotive glass)</p> <ul style="list-style-type: none"> Global vehicle production will gradually recover from the component supply shortages including semiconductor. Impacts of a fuel and raw materials price hike will be a concern, but the effects of the revised pricing policy are expected to emerge.
Electronics	<p>(Display)</p> <ul style="list-style-type: none"> Concerns regarding LCD glass substrates include the impact of LCD panel production adjustments and high manufacturing costs associated with higher fuel & raw materials prices and yen depreciation. Shipments of specialty glass for display applications will increase as the impact of the lockdown in China eases. <p>(Electronic materials)</p> <ul style="list-style-type: none"> Despite temporary inventory adjustment takes place for some of the products, overall shipments of semiconductor-related products will increase. Shipments of optoelectronics materials will increase. There is a concern that the ongoing semiconductor shortages will impact circuit board materials.
Chemicals	<p>(Chlor-alkali/urethane)</p> <ul style="list-style-type: none"> Shipments will increase due to the capacity expansion of the PVC manufacturing facilities in Indonesia. Caustic soda prices will remain high, and the PVC market will remain at a high level, although the sharp rise in PVC prices will ease. <p>(Fluorine/specialty chemicals)</p> <ul style="list-style-type: none"> Shipments will increase following the strong demand for fluorine-related products mainly for semiconductor-related applications. <p>(Life science)</p> <ul style="list-style-type: none"> Shipments of biopharmaceuticals CDMO will increase because of the capacity increase.

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Please turn to page 21.

I will explain the H2 outlook by business segment compared to H1.

The glass segment impact of the rising raw material and fuel prices is a concern for the architectural glass business. But the automotive glass business, although the impact of raw material and fuel prices are concerned, the global unit output is going to gradually recover from the component of power supply shortages, such as in semiconductors.

Additionally, the effects of a revised pricing policy can be expected.

In the electronics segment, the display subsegment has concerns in the LCD glass substrate business, such as the impact of production adjustment for panels and high manufacturing costs due to rising raw material, fuel prices, and a weaker yen.

Shipments are expected to increase for specialty glass for display applications as the impact of lockdowns in China will ease. In our electronic materials subsegment for the semiconductor-related applications, despite temporary inventory adjustments in some products, overall, shipment is expected to increase.

Shipment is expected to increase for optoelectronics as well. On the other hand, there is a concern the semiconductor shortages will impact the circuit board materials business. As for the chemicals business in Chlor-alkali & Urethane business, PVC shipment will increase due to capacity expansion in Indonesia.

PVC prices are anticipated to continue to be high, despite an easing in the market. Caustic soda prices are anticipated to stay at a high level.

For fluorine specialty chemicals, shipment is expected to increase due to the strong demand for whole-line related products, mainly for semiconductor-related applications. In the life science business, shipments of biopharmaceutical CDMO will increase due to capacity expansion.

CAPEX, Depreciation and R&D



(100 million JPY)
Full year

	FY2021	FY2022e
CAPEX*	2,165	2,800
Glass	509	500
Electronics	696	880
Chemicals	942	1,400
Ceramics/Other	22	20
Elimination	▲ 3	▲ 0
Depreciation*	1,668	1,800
Glass	546	540
Electronics	603	680
Chemicals	500	560
Ceramics/Other	20	20
Elimination	▲ 1	▲ 0
R&D	494	540

【Main projects for CAPEX】

- Capacity enhancement of Electronic materials (Electronics)
- Repairment for display glass furnace (Electronics)
- Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement on fluorochemical (Chemicals)
- Capacity enhancement of biopharmaceuticals (Chemicals)

etc.

*Figures for FY2021 have been retroactively adjusted due to the transfer of a portion of the automotive display cover glass business from electronics to the automotive glass business.

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Turning to page 22.

There is no change in the outlook for CapEx, depreciation, and R&D. CapEx for the year will be JPY280 billion, while depreciation will be JPY180 billion.

R&D will be JPY54 billion.

That is all from me. Thank you.

Ogawa: Thank you. That was CFO Miyaji.

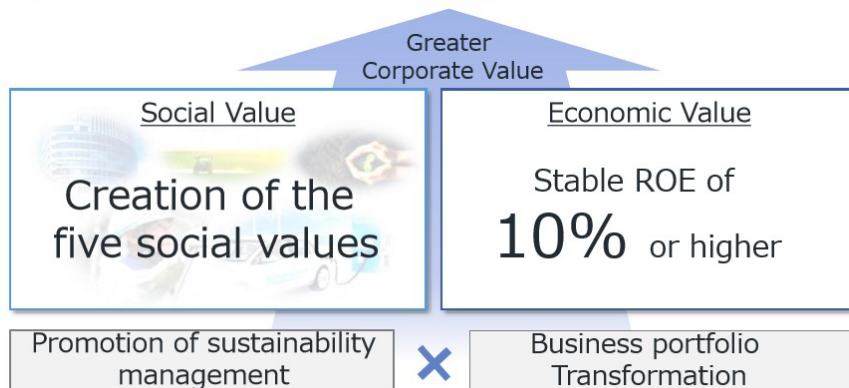
Next, CEO Hirai.

Hirai: This is Hirai, the CEO. I would like to talk about the progress towards the realization of Vision 2030, including the initiatives currently being implemented.

Vision 2030 was announced in February of last year at the time of the earnings briefing as the new long-term vision. By providing differentiated materials and solutions, we are striving to help realize a sustainable society and become an excellent company that grows and evolves continuously.

- Grow through well-balanced creation of social and economic value

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



That is the vision for 2030. We are to create both social value and economic value in a well-balanced manner for growth, so as to enhance our corporate value. The main strategies for this are the promotion of sustainability management and business portfolio transformation.

Direction of the Business Portfolio Transformation

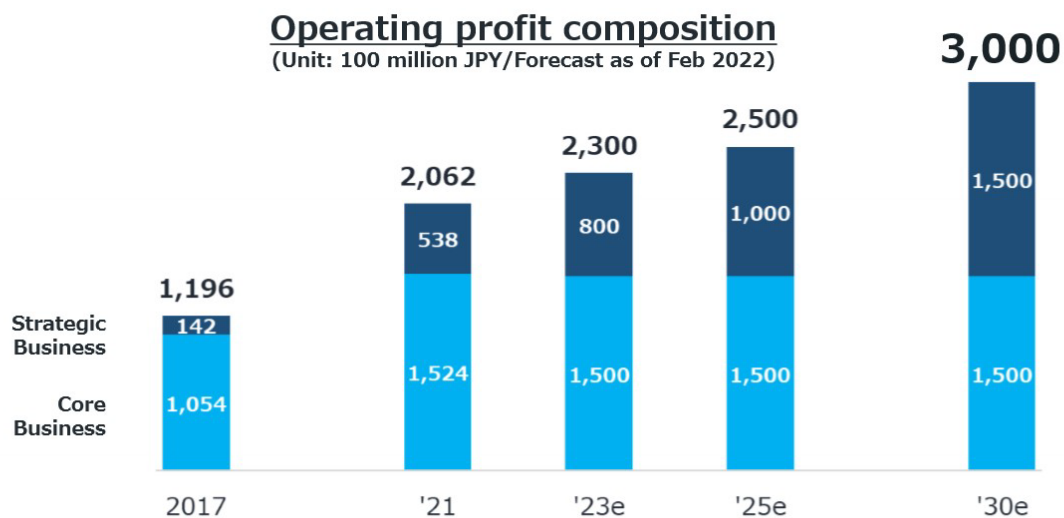
- Through the practice of ambidextrous management, we aim to build a business portfolio that is resilient to market fluctuations and has high asset efficiency, growth potential, and carbon efficiency.



Let me first talk about the direction of the business portfolio transformation. In 2016, as a long-term vision, we put together Vision 2025. We classified the conventional business as the core businesses and the new areas with high growth potential as the strategic businesses. Through the practice of ambidextrous management, we aim to build a business portfolio that is resilient to market fluctuation and has high asset efficiency, growth potential, and carbon efficiency. We are to promote strategic businesses that are resilient to market fluctuations and to create multiple diverse businesses to become more resilient to market fluctuations. We are to focus on high asset efficiency, growth potential, and carbon efficiencies.

Business Portfolio Reform (To-be image)

- Core businesses to become a long-term stable source of earnings
- Develop the strategic businesses so that they will account for more than half of the group's operating profit in 2030.



This is the to-be image of the business portfolio reform.

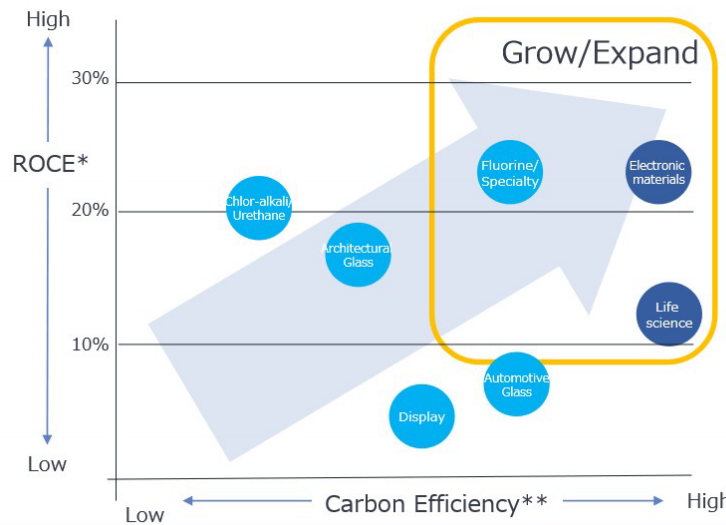
Core businesses are positioned as a long-term stable source of earnings. We will develop the strategic businesses so that they will account for more than half of the Group's operating profit in 2030.

In 2016, we defined core businesses and strategic businesses. The strategic businesses have increased the operating profit by JPY10 billion each year, and we want to accelerate this growth going forward.

Carbon efficiency and Asset efficiency

- Expand the strategic businesses that have high carbon efficiency and asset efficiency, and at the same time increase the carbon efficiency and asset efficiency of other businesses

Direction of the AGC Group's business portfolio

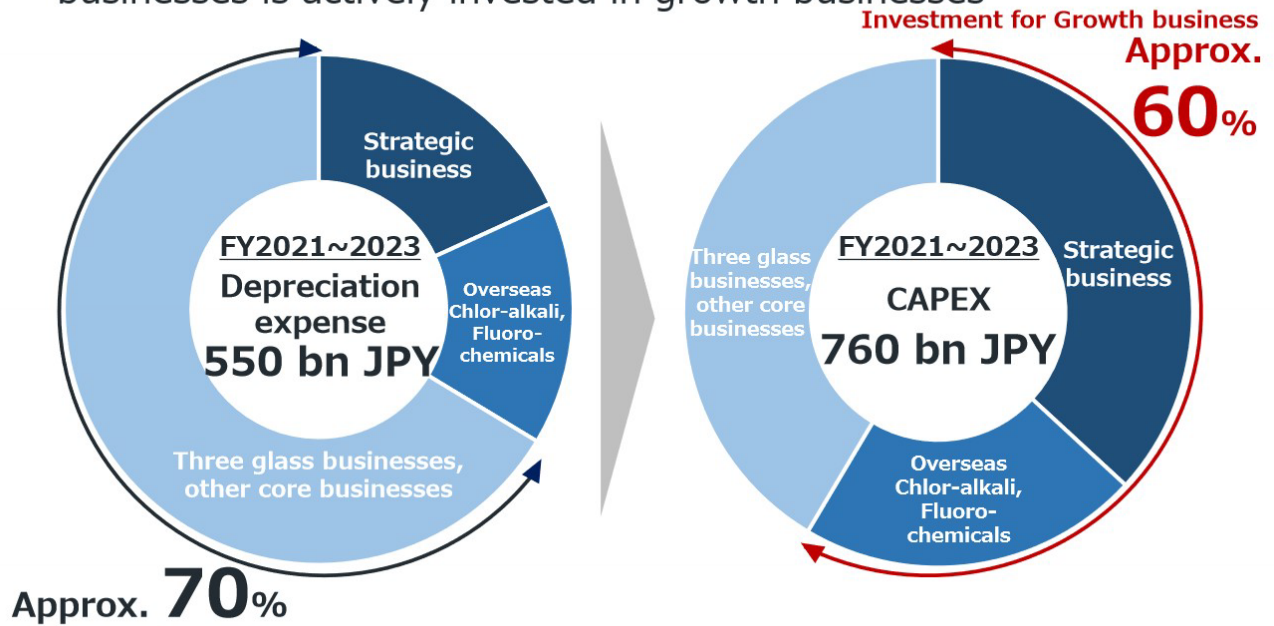


* : Created based on the 2023 Target ** : Created Actual emissions per net sales in 2020 ● Core Business ● Strategic Business ©AGC Inc. 27

Here, you can see our structure of carbon efficiency and asset efficiency business portfolio.

As a direction of business portfolio transformation, we are showing the carbon efficiency as the X axis and the asset efficiency as the Y axis. The dark blue bubbles represent electronic materials and life science, which are strategic businesses with high carbon efficiency and high ROCE. So, by promoting these strategic businesses, we can achieve both high carbon efficiency and high asset efficiency. We will also promote the asset efficiency of other businesses as well, as well as carbon efficiency as well.

- Cash generated from the three Glass businesses* and other core businesses is actively invested in growth businesses



Depreciation of the three glass businesses and other core businesses

*Architectural glass, Automotive glass, Display

This is about the resource allocation policy. On the left-hand side, the pie graph shows the depreciation expense. About 70% of depreciation is coming from three glass businesses and other core businesses. On the other hand, on the right-hand side, the pie chart shows the three-year CapEx plan for the three years of the midterm plan. In terms of depreciation, about 30% is taken up by the growing business that is the static business and the overseas Chlor-alkali and fluorochemicals. But basically, 60% of the CapEx will be spent in these businesses.

Progress toward the Realization of Vision 2030

- **Active investment in growth businesses**
 - Life science
 - Chlor-alkali in Southeast Asia
- **Progress of improving automotive glass business profitability**
- **Progress of sustainability management**

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Talking about the progress towards the realization of Vision 2030, first of all, we will actively invest in growth businesses, the life science business, and the Chlor-alkali business in Southeast Asia. After that, I would like to explain the progress of improving automotive glass business profitability. Lastly, I would like to talk about the progress of our sustainability management.

Active investment in growth businesses: Business characteristics of the life sciences business (pharmaceutical CDMO)



- Establish business relationships based on trust in a multi-product market
- Securely capture the high growth of the pharmaceutical CDMO market

Market	Industrial structure	Company
<p><u>Active pharmaceutical ingredients CDMO market size trend</u></p> <p>FY2020-FY2026</p> <p>CAGR</p> <p>8.5%</p> <ul style="list-style-type: none"> • The CDMO market is steadily expanding in response to the pharmaceutical industry's move towards outsourcing. 	<p><u>Share of commercial active pharmaceutical ingredients contracts (number of products)*</u></p> <p>Top 30 companies market share</p> <p>Approx. 60%</p> <ul style="list-style-type: none"> • The CDMO market is highly fragmented because of highly fragmented customer base. Unlike the semiconductor industry, the CDMO industry is not converged into a small number of companies. • Commercial pharmaceutical contracts generally last for 10 years or more 	<p><u>Strength of AGC</u></p> <ul style="list-style-type: none"> • Pioneer of single-use bag technology that is ideal for small quantities and high-mix production. Also has the capacity for production on a large scale using large SUS vessels. • The company provides integrated services from early development to commercial operations under a high-level cGMP production system in Japan, the US and Europe. • Extensive inspection experience based on advanced quality and technological development capabilities.
<p>* Source: based on Evaluate Pharma, GlobalData 2022/2/25 data. ©AGC Inc. 30</p>		

First of all, this is about active investment in growth business.

This is the life science business, specifically the pharmaceutical CDMO, which is a strategic business. We focus on the multi-product market, and we have established a trust to expand the business relations. We want to securely capture the high growth of the pharmaceutical CDMO market. The market attribute, I see on the lower left-hand side graph. So, the active pharmaceutical ingredients CDMO market size trend is shown here. From 2020 to 2026, the CAGR growth will be 8.5%. In the pharmaceutical industry, outsourcing is progressing. Based on this trend, the CDMO market is steadily expanding.

What stands out is the industrial structure. Please turn to the middle of the slide. So, the share of commercial active pharmaceutical in the grid contract is shown here. This is broken down in the number of products and shows the share. The top 30 companies' market share is about 60%. So, you can see that the market is highly fragmented. Because the customer base is highly fragmented, the CDMO market is highly fragmented. Unlike the semiconductor industry, it is not concentrated in a small number of companies.

The other point is that the commercial pharmaceutical contract generally lasts for 10 years or more. So, this attribute of the market is what stands out in the life science business.

In terms of AGC, specifically for the biopharmaceutical CDMO business, we had the pioneer of single-use bag technology. At the same time, we have large-scale seamless production. So, we have committed in terms of the front end and the back end, we can support the production. At the same time, we have a high level of the cGMP production system in Japan, the US, and Europe. From the beginning of the research, and from the commercial production, we can offer end-to-end support.

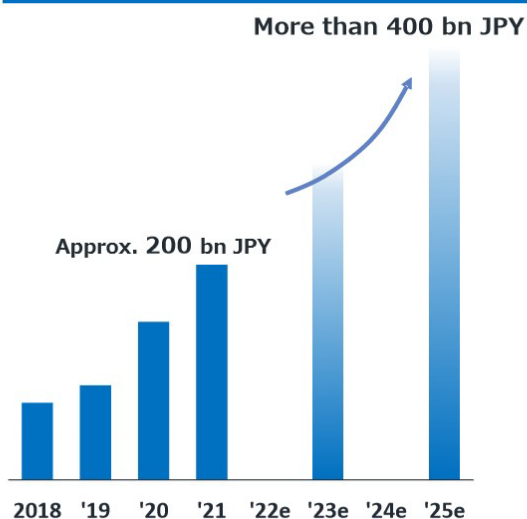
At the same time, we have extensive inspection experience based on advanced quality and technological development capabilities. And we have a high level of trust from the customers. We have been expanding our pharmaceutical CDMO business.

Active investment in growth businesses : Further expansion of the life sciences business

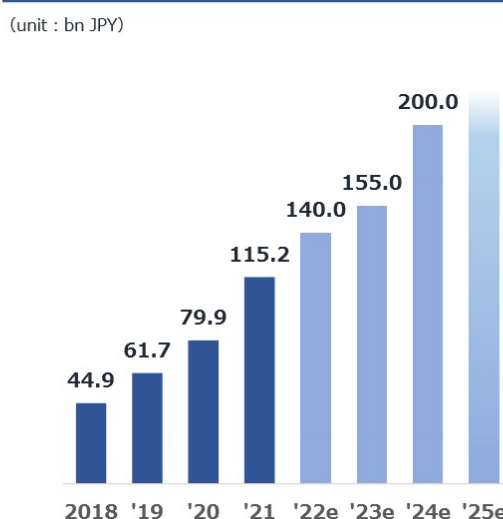


- Decided to invest a cumulative total of approx. 200 billion yen by 2021, aiming to achieve sales of 200 billion yen in 2024, one year ahead of schedule.
- Investing a total of more than 200 billion yen from 2022 to 2025 to further expand the business.

Cumulative investment in life sciences *



Life sciences sales trend



* Life sciences total investment decisions from FY2016 to FY2021

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After 2021, we have approved the JPY200 billion investment. So, in 2024, more ahead than a year, we are aiming to exceed JPY20 billion ahead of schedule. In 2022 to 2025, a commodity of JPY20 billion is going to be invested and further expand the business.

Active investment in growth businesses : Changes in the Chlor-alkali market structure in Southeast Asia

- Despite certain market fluctuations, the Chlor-alkali market structure in Southeast Asia has changed significantly with the limited inflows of PVC from China and the United States.

China	Southeast Asia	United States
<ul style="list-style-type: none"> Overcapacity with Carbide method facilities 	<ul style="list-style-type: none"> Strong infrastructure demand ensures stable an annual 4% growth 	<ul style="list-style-type: none"> Highly efficient production by utilizing low electricity cost
<p>Before</p> <ul style="list-style-type: none"> Production increased when the market prices exceeded costs and some exported to Southeast Asia. <p>After</p> <ul style="list-style-type: none"> Due to environmental issues, the capacity for exports has decreased. 	<p>Before</p> <ul style="list-style-type: none"> The market prices do not exceed a certain level as imports from China and other countries increased when the market prices are favorable. <p>After</p> <ul style="list-style-type: none"> With reduced inflow from outside, the market prices will stay at a high level. AGC has overwhelming shares (over 50%) for caustic soda and PVC. No large capacity expansion in the region except for AGC. 	<p>Before</p> <ul style="list-style-type: none"> Although limited, inflow occurs when the market prices exceeded import cost. <p>After</p> <ul style="list-style-type: none"> With strong domestic demand, not much export to Southeast Asia. Excess capacity is allocated to Europe which is losing cost competitiveness

AGC has established a solid, highly profitable Chlor-alkali business in Southeast Asia.

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Next is the Chlor-alkali market structure in Southeast Asia. Despite certain market fluctuations, the market structure in South Asia has changed significantly, with limited inflow from China and the US.

First, looking at Southeast Asia, it has a strong infrastructure demand, which ensures stable annual 4% growth. It used to be the market price would not exceed a certain level as imports from China and other countries increased when the market prices are favorable. Whereas, today, reduced inflow from outside the market prices are expected to remain at a high level. AGC enjoys overwhelming market shares for caustic soda and PVC, and there are no large capacity expansions in the region expected other than AGC.

As for China on the left, the carbon method facilities are the main method in China. It used to be the production increased in China when the market prices in Southeast Asia exceeded costs and some exported to Southeast Asia, whereas this carbon method has environmental issues. Due to this issue, the capacity for exports has decreased. The US, with low electricity costs, enjoys highly efficient production.

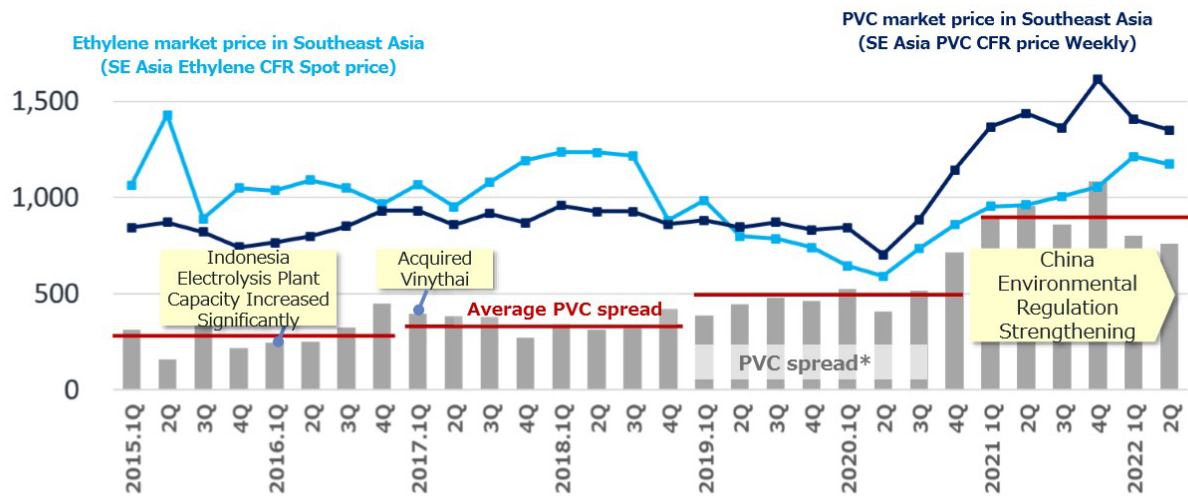
Previously, when the market prices increase, there was some inflow into Southeast Asia, whereas today, with very strong domestic demand, not much export to Southeast Asia. It is expected that the excess capacity will be allocated to Europe, which is losing cost competitiveness, which means that AGC has established a solid, highly profitable chlor-alkali business in Southeast Asia.

Active investment in growth businesses : Improvement of profit level of Chlor-alkali business in Southeast Asia



- Significant capacity expansion in Indonesia and acquisition of Vinythai in Thailand to increase market presence
- Although the PVC spread is expected to soften moderately after peaking in 4Q2021, it is expected to remain high and not return to previous levels due to changes in the market structure caused by tighter environmental regulations in China, etc.

PVC market



Sources : based on Bloomberg data

*PVC spread: PVC market price- (Ethylene market price×0.5)

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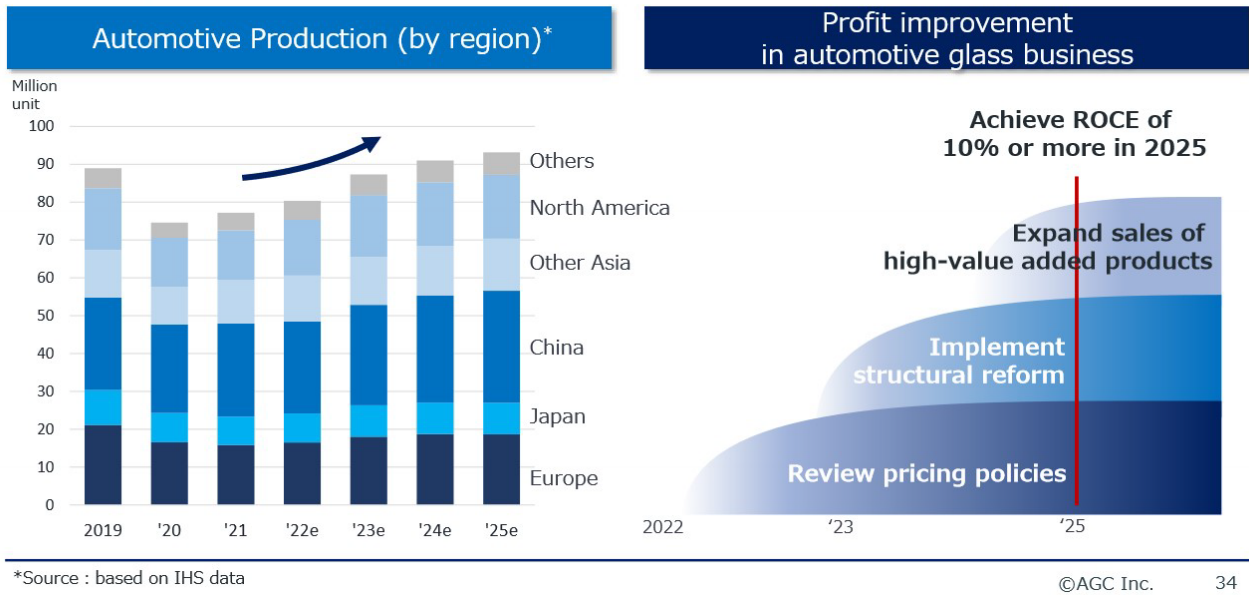
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Here, you can see the profit level of our chlor-alkali business, the price spread of PVC, and the market price of PVC and ethylene. In 2016, we expanded our capacity in Indonesia. In 2017, we acquired Vinythai in Thailand to increase our market presence. Today, we enjoy over 50% market share. The PVC price spread is expected to soften moderately after peaking in Q4 2021. However, given the environmental regulations in China, it is expected to remain high and not return to the previous levels.

Progress of improving automotive glass business profitability



- Market recovery trend from the second half of 2022, recover to 2019 level in 2024.
- Steady progress in reviewing pricing policy (effect will mainly emerge in and after 2H 2022)
- Build resilience to the business environment with structural reforms and high-value added products.



*Source : based on IHS data

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Thirdly, I'd like to talk about the progress in improving the automotive glass business profitability.

In 2021 or in 2020, the automotive industry dropped dramatically. In 2021, it did not recover much, and confusion continues to this year. Given the lockdown in China, we have yet to see a recovery in that industry. However, from H2 of this fiscal year, we expect the market to return to the recovery trend. However, it's going to take some time before returning to the 2019 level. We expect that to happen only in 2024.

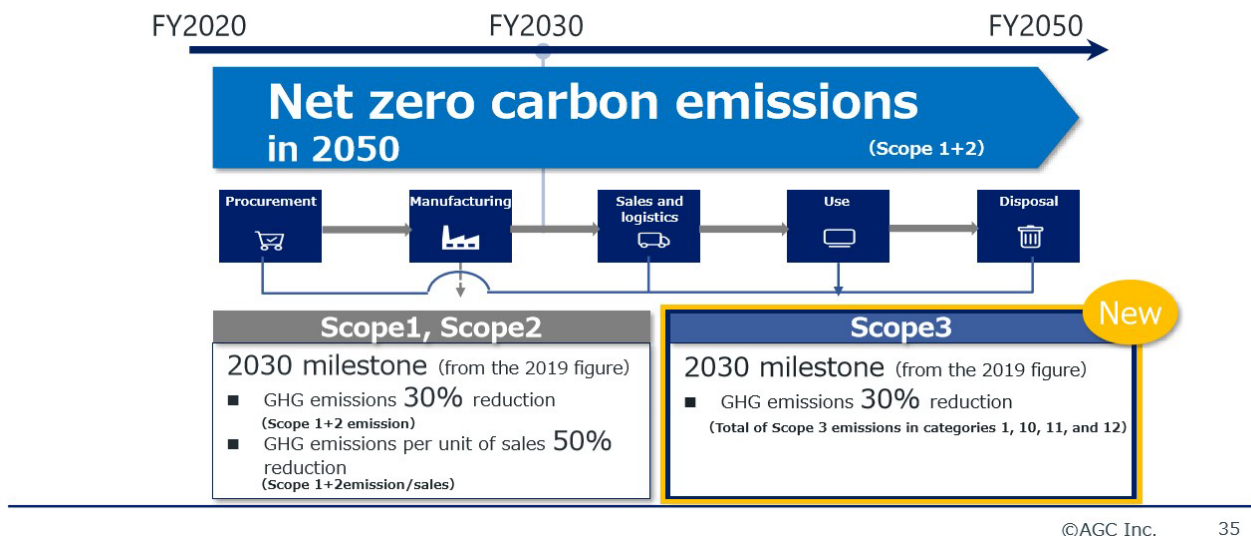
We are focusing on three measures against this backdrop. One is the pricing policy. We have a new pricing policy. Second is the improved cost competitiveness through structural reform. And the third is launching high-value-added products through better quality, and their respective effects are to be felt at different timing.

As for the pricing policy, we expect the effect to be felt in H2 of this year. With regards to the structural reforms, we have already worked on consolidating the production line and others, but we expect the effect to be felt in 2023 when the volume returns.

As for the high-value-added products, we expect the effect to be felt from 2013 to 2023. We expect a ROCE of 10% or higher in 2025.

Progress of sustainability management : Set target of Scope 3

- Set net carbon zero target by 2050 in **AGC-plus 2023**
- A new Scope 3 reduction target has been set as a milestone for 2030, in addition to the Scope 1 and 2 targets.
- Aim for a 30% reduction (compared to 2019) by 2030 by focusing on promoting the AMOLEA series of next-generation refrigerants, which have an extremely low global warming potential, and strengthening supplier engagement activities.



At last the progress of sustainability management in the announcement of the medium-term management plan last year, we declared to achieve a net carbon zero by 2050 in AGC-plus 2023. We set targets for Scope 1 and Scope 2.

This year, we also expanded the target for Scope 3, which will include activities outside of the Company. The next-generation refrigerant, the AMOLEA series, will be promoted, and we will enhance the supplier engagement so that by 2030, we are to achieve 30% reduction compared to 2019.

First of all, this is the outlook of our strategic business. This year's H1 results, Mr. Miyaji has already explained. The 2022 full year outcome outlook, we have made an upward revision. For this February, we announced sales of JPY10 billion and JPY65 billion of operating profit. But through the upward revision, the sales is JPY320 billion. Operating profit, JPY70 billion is the outlook for this year. As I have explained, in terms of the life science business, in 2024, sales of JPY200 billion are expected to be achieved. Toward 2025, the growth is going to be accelerated. Today, in terms of the target for 2025, we have not conducted any revision.

In 2025, the target business will be JPY200 billion or more. The operating profit contribution will be JPY100 billion or more. So, 2023 midterm plan targets in February, we have updated these targets. But the operating profit target, JPY230 billion, we think we'll be able to achieve this one year ahead of our plan. In terms of strategic business operating profit, it is expected to be JPY70 billion. Compared to last year, there will be a JPY24 billion increase. In terms of the strategic business contribution, it will be an increase of about JPY 16 billion. So, through the creation of social values, we want to create economic value. And the growth, we want to achieve the vision of 2030.

In 2018, we changed our corporate name from Asahi Glass to AGC and we have come out with this brand statement "Your Dreams, Our Challenge".

Our founder's spirit "Never take these ways out but confront difficulties" is the base of a brand statement. We would like to realize our dreams, and society's dreams, and we want to take on challenges.

Under this brand statement, our AGC group will continue to grow.

That's all for me. Thank you very much for your attention.

[END]