



AGC Inc.

Financial Results for FY2023

February 7, 2024

Event Summary

[Company Name]	AGC Inc.
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[Venue]	Webcast
[Number of Speakers]	3
	Shinji Miyaji Representative Director, Senior Executive Vice President, CFO
	Toshiro Kasuya Senior Executive Officer, General Manager of Finance & Control Division
	Chikako Ogawa General Manager of Corporate Communications & Investor Relations Division

Presentation

Ogawa: The time has arrived and we will now begin the AGC Inc. 2023 full year financial results briefing. My name is Ogawa from the Corporate Communications & Investor Relations Division, and I will be your moderator today. Here are today's attendees.

Shinji Miyaji, Representative Director, Senior Executive Vice President, CFO.

Toshiro Kasuya, Senior Executive Officer, General Manager of Finance & Control Division.

First, Mr. Miyaji, CFO, will give an overview of the financial results for the full year 2023, followed by a Q&A session. The event is scheduled to end at 5:00 PM. We appreciate your cooperation. Now, Mr. Miyaji, please.

Key points for today



Financial Results for FY2023

(YoY)

Net sales	2,019.3 bn JPY (▲16.6 bn JPY)
Operating profit	128.8 bn JPY (▲55.2 bn JPY)

- Net sales decreased due to the impact of the decline in sales prices for PVC and decrease in sales of biopharmaceuticals CDMO, despite higher sales in Automotive glass and the impact of foreign exchange rates.
- Operating profit decreased due to the above-mentioned lower sales factors and deteriorating manufacturing costs, despite lower raw materials and fuel costs.

Outlook for FY2024

(YoY)

Net sales	2,100.0 bn JPY (+80.7 bn JPY)
Operating profit	150.0 bn JPY (+21.2 bn JPY)

- Sales and operating profit will increase due to recovery in Electronics and Life Science.

Miyaji: My name is Miyaji. Thank you for your cooperation. Please see page 3.

This is a key point of explanation. The full-year results for 2023 show a decrease of JPY16.6 billion to JPY2,019.3 billion mainly due to a decline in sales prices of PVC and a decrease in sales in Life science, despite an increase in sales of Automotive glass and other products and the impact of foreign exchange rates.

Operating income decreased by 55.2 billion yen to 128.8 billion yen due to the impact of deteriorated manufacturing costs, in addition to the factors for the decrease in sales as mentioned above, despite the decline in raw materials and fuel prices. For 2024, we forecast net sales of JPY2,100.0 billion and operating income of JPY150.0 billion, mainly due to the recovery in Electronics and Life science.

Highlights of the Financial Results for FY2023







* FOREX impact was +99.2 billion JPY, change in the scope of consolidation was ▲4.8 billion JPY (100 million JPY)

	FY2022 Full-year	FY2023 Full-year	Change	Main factors in the change	
				(+) Increasing factors	(-) Decreasing factors
Net sales	20,359	20,193	▲ 166*	(+) Increase in sales prices of Automotive glass (+) Increase in shipments of Automotive glass (+) Yen depreciation (-) Decline in sales prices of PVC (-) Decrease in sales of Biopharmaceuticals CDMO and shipments of Fluorochemical-related products	
Operating profit	1,839	1,288	▲ 552	In addition to the above, (+) Decrease in raw materials and fuel prices (-) Deterioration in manufacturing costs	
Profit before tax	585	1,228	+ 643	In addition to the above, (+) Impairment loss was recorded in the same period of the previous year (-) Gain on sales of land recorded in the same period of the previous year	
Profit for the period Attributable to owners of the parent	▲ 32	658	+ 690		
FOREX (Average)	1USD	JPY 131.43	JPY 140.56		
	1EUR	JPY 138.04	JPY 152.00		
Crude oil (Dubai, Average)	USD/BBL	96.34	82.10		

Please see page 6. Profit before tax increased by JPY64.3 billion to JPY122.8 billion compared to the previous year, as a large impairment loss was recorded in the same period of the previous year. Profit attributable to owners of the parent increased JPY69.0 billion to JPY65.8 billion.

YoY Performance Comparison by Business Segment

(100 million JPY)

	FY2022 Full-year (a)		FY2023 Full-year (b)		Change (b) - (a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
	 Architectural Glass	4,837	327	4,763	328	▲ 74
 Automotive	4,178	▲ 98	4,997	218	+ 819	+ 316
 Electronics	3,072	147	3,132	184	+ 60	+ 37
 Chemicals	6,604	1,261	5,741	648	▲ 863	▲ 613
 Life Science	1,418	169	1,268	▲ 124	▲ 150	▲ 292
 Ceramics/Other	866	37	834	33	▲ 32	▲ 3
Elimination	▲ 616	▲ 3	▲ 542	1	+ 74	+ 4
Total	20,359	1,839	20,193	1,288	▲ 166	▲ 552

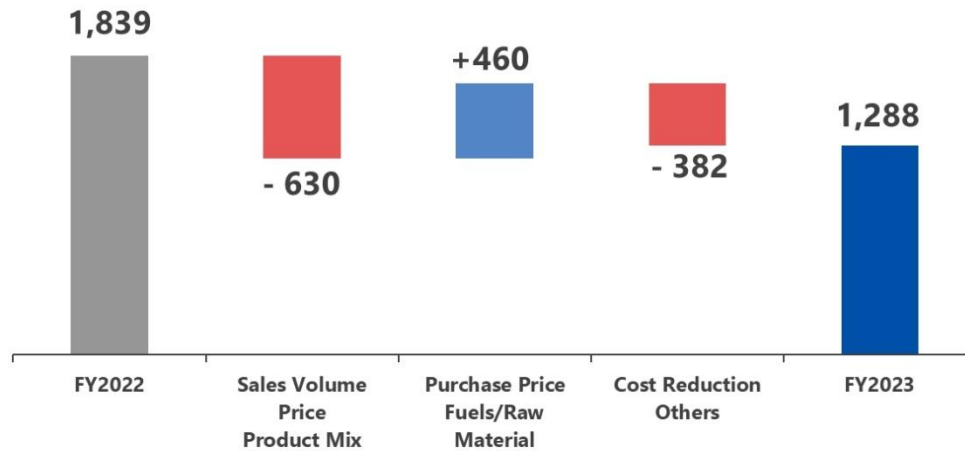
Next, please see page 7 for an explanation of business results by segment.

In Architectural glass, net sales was down and operating profit was flat from the previous year. Net sales and operating profit rose in Automotive and Electronics, while net sales and operating profit fell in Chemicals and Life science.

Variance Analysis on OP (FY2023 vs. FY2022)

55.2 bn JPY down from last year

(100 million JPY)



Please see page 8. I will now explain the factors behind the difference in operating income compared with the previous year.

Sales volume, sales price, and product mix differences were negative JPY63.0 billion. Sales prices of Automotive glass increased, but sales prices of PVC and other products declined. Contracts for biopharmaceuticals CDMO decreased.

The raw material and fuel price difference was a positive JPY46.0 billion. Prices for raw materials and fuel, such as natural gas, declined.

Cost and other differences were negative JPY38.2 billion. Manufacturing costs deteriorated in all segments except Electronics. As a result of the above, operating profit decreased by JPY55.2 billion from JPY183.9 billion in the previous year to JPY128.8 billion.

Consolidated Statement of Financial Position

	2022/12	2023/12	Change	
	(100 million JPY)			
Cash and cash equivalents	2,097	1,461	▲ 637	
Inventories	4,365	4,541	+ 175	
Property, plant and equipment, Goodwill and Intangible assets	15,148	16,312	+ 1,163	Foreign exchange fluctuation + 83.3 billion yen
Other assets	6,530	7,017	+ 487	
Total assets	28,140	29,330	+ 1,190	Foreign exchange fluctuation + 142.6 billion yen
Interest-bearing debt	6,502	6,950	+ 448	
Other liabilities	5,782	5,836	+ 54	
Liabilities	12,284	12,787	+ 502	
Total equity attributable to owners of the parent	13,903	14,471	+ 568	
Non-controlling interests	1,953	2,073	+ 119	Foreign exchange fluctuation
Equity	15,856	16,543	+ 687	+ 78.4 billion yen
Total liabilities and equity	28,140	29,330	+ 1,190	
D/E ratio	0.41	0.42		

Please see page 9. This is the balance sheet.

Total assets amounted to JPY2,933.0 billion, an increase of JPY119.0 billion from December 31, 2022. The D/E ratio was 0.42.

Consolidated Statement of Cash Flow

(100 million JPY)

Full-year	FY2022	FY2023
Profit before tax	585	1,228
Depreciation and amortization	1,857	1,753
Increase(decrease) in working capital	▲ 854	▲ 280
Others	584	▲ 576
Cash flows from operating activities	2,171	2,125
Cash flows from investing activities	▲ 1,453	▲ 1,798
Free cash flow	718	328
Changes in interest-bearing debt	17	93
Dividends paid	▲ 522	▲ 460
Others	▲ 277	▲ 713
Cash flows from financing activities	▲ 782	▲ 1,080
Effect of exchange rate changes on cash and cash equivalents	203	116
Net increase(decrease) in cash and cash equivalents	139	▲ 637

Share repurchases
▲ 50 billion yen

Please see page 10. This is the cash flow.

Operating cash flow for the period was JPY212.5 billion, while investing cash flow was negative JPY179.8 billion. As a result, free cash flow was JPY32.8 billion. Other cash flow from financing activities includes 50.0 billion yen for the purchase of treasury stock.

CAPEX, Depreciation and R&D

(100 million JPY)

Full-year	FY2022	FY2023
CAPEX	2,366	2,317
Architectural Glass	175	247
Automotive	298	263
Electronics	800	514
Chemicals	649	877
Life Science	431	399
Ceramics/Other	14	18
Elimination	▲ 2	▲ 1

	FY2022	FY2023
Depreciation	1,857	1,753
Architectural Glass	239	244
Automotive	325	319
Electronics	684	532
Chemicals	475	501
Life Science	115	139
Ceramics/Other	19	21
Elimination	▲ 1	▲ 2

	FY2022	FY2023
R&D	523	573

Main projects for CAPEX

- Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
- G11 investment in China (Electronics)
- Capacity enhancement for Biopharmaceuticals CDMO and Small Molecule Pharmaceuticals and Agrochemicals CDMO (Life Science)
- Capacity enhancement of Electronic materials (Electronics)
- Capacity enhancement for Fluorochemical-related products (Chemicals)
- Repairment for Display glass furnace (Electronics) etc.

Please see page 11. Capital expenditures totaled JPY231.7 billion, depreciation expenses JPY175.3 billion, and R&D expenses JPY57.3 billion.

Architectural Glass Segment

Full-year	FY2022	FY2023	Change
Net sales	4,837	4,763	▲ 74*
Asia	1,469	1,584	+ 115
Europe & Americas	3,358	3,163	▲ 195
(Inter-segment)	10	16	+ 7
Operating profit	327	328	+ 0

* FOREX impact: +32.7 billion yen, Change in the Scope of Consolidation: +0.7 billion yen (100 million JPY)



Asia

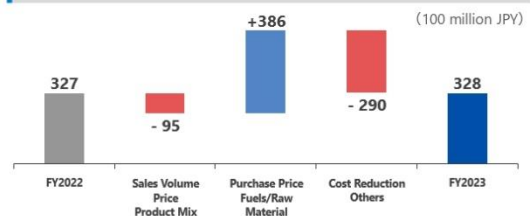
- Despite shipments declined in all regions except Japan, net sales increased thanks to the rise in sales prices.



Europe & Americas

- Shipments declined in Europe, affected by the economic slowdown, and net sales decreased due to lower selling prices.
- Despite natural gas prices declined, manufacturing costs deteriorated.

Variance Analysis on OP



Ratio of sub-segment to the operating profit

(before common expense allocation)



Please see page 13 for explanation of each segment.

First, the Architectural glass segment sales were JPY476.3 billion and operating profit of JPY32.8 billion. In Asia, net sales increased JPY11.5 billion to JPY158.4 billion due to higher sales prices, although shipments declined in all regions except Japan. In Europe and Americas, sales declined JPY19.5 billion to JPY316.3 billion as a result of lower shipments and sales prices in Europe affected by the economic slowdown.

Operating profit was affected by lower natural gas prices, while manufacturing costs deteriorated due to the impact of inventory drawdowns in Europe from last year's high-cost production. The operating profit composition of the Architectural glass segment was approximately 40% in Asia and 60% in Europe and Americas.

Automotive Segment

Full-year	FY2022	FY2023	Change
Net sales	4,178	4,997	+ 819*
Automotive	4,176	4,994	+ 818
(Inter-segment)	2	3	+ 1
Operating profit	▲ 98	218	+ 316

* FOREX impact: +25.7 billion yen,
Change in the Scope of Consolidation: No impact

(100 million JPY)

Variance Analysis on OP



Automotive Glass

- The Group's shipments increased as the automobile production increased.
- Net sales and operating profit increased thanks to the rise in sales prices, improvement of product mix and foreign exchange effects.

Please see page 14. As for the Automotive segment, net sales were JPY499.7 billion and operating profit was JPY21.8 billion. Shipments increased due to an increase in global automobile production. Higher sales prices, improved product mix, and the impact of foreign exchange rates also contributed to the increase in both sales and operating profit.

Electronics Segment

Full-year	FY2022	FY2023	Change
Net sales	3,072	3,132	+ 60*
Display	1,554	1,607	+ 53
Electronic Materials	1,495	1,513	+ 17
(Inter-segment)	23	12	▲ 11
Operating profit	147	184	+ 37

* FOREX impact: +7.1 billion yen, Change in the Scope of Consolidation: ▲4.7 billion yen (100 million JPY)

Variance Analysis on OP



Display

- Net sales increased mainly due to increase in shipments of LCD glass substrates.

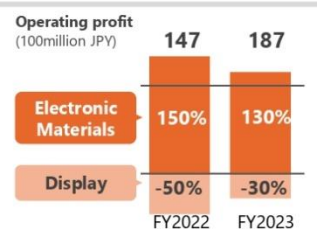


Electronic Materials

- Despite a decrease in shipments of optoelectronic materials, net sales increased thanks to the increased shipments of semiconductor-related products such as EUV mask blanks, as well as the impact of foreign exchange rates.

Ratio of sub-segment to the operating profit

(before common expense allocation)



Please see page 15. As for the Electronics segment, net sales were JPY313.2 billion and operating profit was JPY18.4 billion.

Sales of Display increased JPY5.3 billion to JPY160.7 billion, mainly due to an increase in shipments of LCD glass substrates. The shipment volume of LCD glass substrates for the last three months decreased by a single-digit percentage compared to Q3. Sales prices were up by single-digit percentage.

Sales of Electronic materials increased JPY1.7 billion to JPY151.3 billion due to an increase in shipments of semiconductor-related products such as photomask blanks for EUV lithography and the effect of foreign exchange rates, despite a decrease in shipments of optoelectronics materials due to the slowdown in the smartphone market. As for the composition of operating profit in the Electronics segment, both electronic materials accounted for about 130% and Display accounted for about 30% negative of the total.

Launch the Display Business Structural Reform Project

- In addition to the existing earnings improvement measures, a project led by the CFO was launched to speed up and ensure the implementation of structural reforms.
- Target 10% ROCE in Display business during the new medium-term management plan



Please see page 16. The Display business is facing a challenge in improving profitability, and we have been working on measures to improve profitability as mentioned previously. In addition to this, we have launched a structural reform project headed by me, the CFO, with the aim of ensuring the swiftly implementation of structural reforms.

We would like to achieve a 10% ROCE in the Display business during the period of our new medium-term management plan, which start this fiscal year.

Full-year	FY2022	FY2023	Change
Net sales	6,604	5,741	▲ 863 *
Essential Chemicals	4,898	4,028	▲ 870
Performance Chemicals	1,652	1,669	+ 17
(Inter-segment)	54	45	▲ 9
Operating profit	1,261	648	▲ 613

* FOREX impact: +25.4 billion yen, Change in the Scope of Consolidation: No impact (100 million JPY)



Essential Chemicals

- Sales prices of PVC and other products declined.



Performance Chemicals

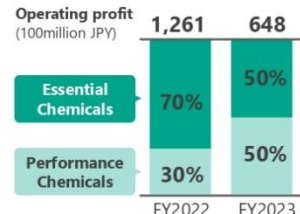
- Net sales remained at the same level as the previous year due to the rise in sales prices and foreign exchange effects, despite a decrease in shipments of Fluorochemical-related products.

Variance Analysis on OP



Ratio of sub-segment to the operating profit

(before common expense allocation)



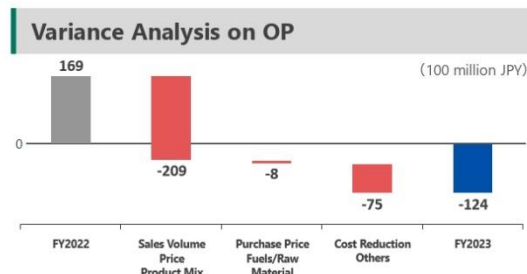
Please see page 17. In the Chemicals segment, net sales were JPY574.1 billion and operating profit was JPY64.8 billion.

Sales of Essential chemicals decreased by JPY87.0 billion to JPY402.8 billion due to a decline in sales prices of PVC and other products. In Performance chemicals, net sales were flat YoY at JPY166.9 billion due to higher sales prices and the impact of foreign exchange rates, despite a decrease in shipments of fluorochemical-related products. As for the composition of operating profit in the Chemicals segment, Essential chemicals and Performance chemicals each account for about 50% of total operating profit.

In the market for caustic soda and PVC in Southeast Asia, PVC prices remained sluggish due to the slow economic recovery in China. The caustic soda market also remained at a low level compared to the previous year.

Full-year	FY2022	FY2023	Change
Net sales	1,418	1,268	▲ 150*
Life Science	1,381	1,239	▲ 142
(Inter-segment)	36	29	▲ 8
Operating profit	169	▲ 124	▲ 292

* FOREX impact: +8.0 billion yen, Change in the Scope of Consolidation: No impact (100 million JPY)



Life Science

- Net sales decreased due to the disappearance of Covid-related special demand, reduced inflows of funds into biotech ventures, as well as the delay in launching new lines and review of production schedule, etc. of Biopharmaceuticals CDMO in the U.S.
- Upfront costs incurred associated with capacity expansion in the biopharmaceutical field.

Please see page 19. As for the Life science segment, net sales were JPY126.8 billion and operating loss was JPY12.4 billion.

Sales of biopharmaceuticals CDMO were affected by the disappearance of special demand due to COVID-related and a decrease in inflows of funds to biotech ventures, in addition to delays in launching of new lines for biopharmaceuticals CDMO in the U.S. and adjustments to operations to improve facilities in the U.S. As a result, contract sales decreased, and net sales declined by JPY15.0 billion. Operating profit decreased due to the previously mentioned factors of lower sales as well as upfront expenses incurred in connection with the expansion of biopharmaceuticals CDMO capacity.

- Business environment is recovering, but the **recovery is expected to be only moderate in 2024, with a full recovery in 2025.**
- New lines in the U.S. has **resumed full-scale commercial operations and is expected to contribute to earnings improvement from 2024.**

Issues	Current Situation*	Outlook
<p>Business situation</p> <p>Temporary leveling off due to repercussions of Covid-related special demand and reduced inflows of funds into biotech ventures.</p>	<p>Continued to be affected by reduced inflows of funds to biotech ventures, but signs of recovery</p>	<p>Market recovery slowly continues and full recovery is expected in 2025</p>
<p>Launch of new lines in the U.S.</p> <p>Delay in launching new lines at Boulder plant in the U.S.</p>	<p>Implemented drastic measures and commercial operation has begun by the end of 2023</p>	<p>Full-scale resumption of commercial operations in 2024, contributing to improved profitability</p>

*As of February 7, 2024

Please see page 20. I would like to explain the current status and outlook of the biopharmaceuticals CDMO business.

The market is currently continuing to be negatively impacted by reduced inflows of funds from biotech ventures. The situation is not getting worse, but it is not very good. A full-fledged recovery is expected in 2025, with only a moderate recovery in 2024.

As for the new lines in the U.S., for which there was a delay in launching, we have implemented drastic measures and have reached the point of starting commercial operation at the end of last year. Full-scale commercial operations are expected to resume in 2024, which will contribute to improved earnings.

Profit contribution of Strategic Businesses

- Biopharmaceuticals CDMO especially in the U.S. have been sluggish.
- Electronics also sluggish due to adjustments in the semiconductor and smartphone markets.

Sales of Strategic business

(100 million yen)



Main products & businesses

- Mobility**
 - Cover glass for car-mounted displays
 - New materials for mobility, including 5G communications
- Electronics**
 - Semiconductor-related products
 - Optoelectronics materials
 - Next-generation high-speed communication related products
 - Fluorinated products for electronics
- Life Science**
 - Small Molecule Pharmaceuticals and Agrochemicals CDMO
 - Biopharmaceutical CDMO
 - Other life science products

Please see page 21. The overall sales of the strategic businesses in FY2023 amounted to JPY314.9 billion, a decrease of JPY9.4 billion from the previous year.

Operating profit was JPY38.2 billion, a decrease of JPY32.7 billion. The decrease in profit was largely due to the impact of the poor performance of biopharmaceuticals CDMO, especially in the U.S., as I explained earlier. In the Electronics sector, growth was also sluggish due to adjustments in the semiconductor and smartphone markets.

YoY Performance Comparison by Geographic Segment

Full-year	(100 million JPY)		
	FY2022	FY2023	Change
Net sales	20,359	20,193	▲ 166
Japan &Asia	13,027	12,734	▲ 293
Americas	2,078	2,191	+ 114
Europe	5,254	5,267	+ 13
Operating profit	1,839	1,288	▲ 552
Japan &Asia	1,871	1,526	▲ 345
Americas	72	▲ 99	▲ 172
Europe	314	335	+ 22
Cross-regional common expenses	▲ 417	▲ 474	▲ 57

FOREX impact :

+99.2 bn JPY

Change in the scope of consolidation :

▲4.8 bn JPY

Please see page 22. The results by region were affected by the decline in the chlor-alkali market in Japan and Asia, and by the slump in the biopharmaceuticals CDMO business in the U.S.

FY2024 Outlook

- Net sales and Operating profit increased mainly due to recovery in Electronics and Life sciences.

		(100 million JPY)	
		FY2023	FY2024e
Net sales		20,193	21,000
	(First half)	9,853	10,000
Operating profit		1,288	1,500
	(First half)	643	600
Profit before tax		1,228	1,050
Profit for the year attributable to owners of the parent		658	530
Dividend (JPY/share)		210	210
Operating profit margin		6.4%	7.1%
ROE		4.6%	3.7%*
FOREX (Average)	1 USD	JPY 140.6	JPY 140.0
	1 EUR	JPY 152.0	JPY 160.0
Crude oil (Dubai, Average)	USD/BBL	82.1	85.0
Ethylene (CFR SEA)	USD/MT	889	980







* ROE of FY2024e is calculated using the figures of Profit for the year attributable to owners of the parent as of Dec 31, 2023

Please see page 24. This is our forecast for FY2024.

Sales will increase by JPY80.7 billion from 2023 to JPY2.1 trillion. Operating profit is expected to increase by JPY21.2 billion to JPY150 billion. Both sales and profit are expected to increase due to the recovery of Electronics and Life science businesses. The exchange rate is assumed to be JPY140 per dollar and JPY160 per euro, and Dubai crude oil at USD85 per barrel.

Outlook breakdown by Segment (Net sales and Operating profit)

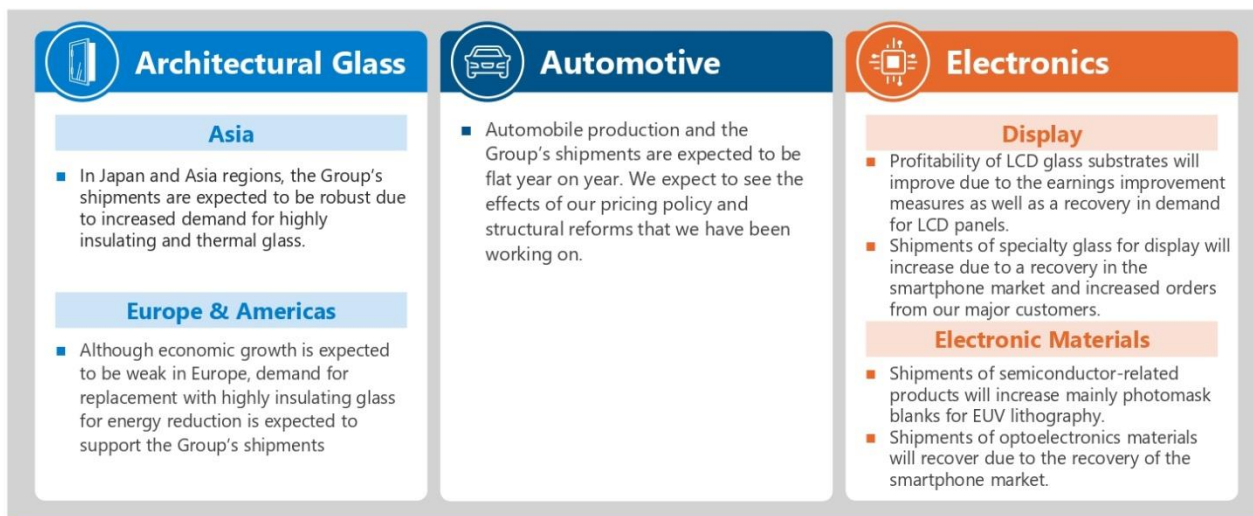
(100 million JPY)

	FY2023 (a)		FY2024e (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
 Architectural Glass	4,763	328	4,600	300	▲ 163	▲ 28
 Automotive	4,997	218	5,100	230	+ 103	+ 12
 Electronics	3,132	184	3,300	330	+ 168	+ 146
 Chemicals	5,741	648	6,200	600	+ 459	▲ 48
 Life Science	1,268	▲ 124	1,400	30	+ 132	+ 154
 Ceramics/Other	834	33	800	10	▲ 34	▲ 23
Elimination	▲ 542	1	▲ 400	0	+ 142	▲ 1
Total	20,193	1,288	21,000	1,500	+ 807	+ 212

Please see page 25. The forecast by segment for the FY2024 is shown.

Please see page 26 for details, which will be explained on the next page.

Outlook for FY2024





In the Architectural glass business, shipments are expected to be strong in Asia, mainly due to increased demand for highly insulating and heat-shielding glass. In Europe, shipments are expected to be supported by replacement demand for highly insulating glass to reduce energy consumption, despite the impact of the economic slowdown.

Next is Automotive. Automobile production and our shipments are expected to be at the same level as in 2023. The effects of the pricing policy and the structural reforms that have been implemented are also expected to materialize.

Next, in Electronics, among Display, earnings of glass substrates for LCDs are expected to improve due to a recovery in demand, in addition to the promotion of earnings improvement measures. In the area of display specialty glass, shipments are expected to increase due to a recovery in the smartphone market and an increase in orders from our major customers.

Among Electronic materials, shipments of semiconductor-related products, mainly photomask blanks for EUV lithography, are expected to increase. Shipments of optoelectronics materials are expected to recover due to the recovery of the smartphone market.

Outlook for FY2024

 Chemicals	 Life Science
<p>Essential Chemicals</p> <ul style="list-style-type: none">■ Demand in Southeast Asia will remain strong, but there are concerns that market recovery will take time due to the sluggish Chinese economy.	<ul style="list-style-type: none">■ Contract sales of synthetic pharmaceuticals and agrochemicals CDMO are expected to remain flat year on year.■ Although biopharmaceuticals CDMO business will be affected by reduced inflow of funds to biotech ventures, contract sales will increase due to the resumption of commercial operation of a new line in the U.S., which had been delayed.
<p>Performance Chemicals</p> <ul style="list-style-type: none">■ Shipment will increase due to higher demand for Fluorochemical-related products for semiconductors and transportation application.	

Please see page 27. As for Chemicals, we are concerned that it will take time for the market for Essential chemicals to recover due to the sluggish Chinese economy, although demand in Southeast Asia will remain strong. Shipments of Performance chemicals are expected to increase due to higher demand for fluorochemical-related products for semiconductor and transportation applications.

As for Life science, contract sales of synthetic pharmaceuticals and agrochemicals CDMO are expected to be at the same level as in 2023. In the biopharmaceuticals CDMO business, although the business will be affected by reduced inflow of funds to biotech ventures, contract sales are expected to increase due to the resumption of commercial operation of a new line in the U.S., which had been delayed.

Please note that we plan to disclose the outlook for our strategic businesses for 2024 in tomorrow's presentation of the new medium-term management plan.

Outlook of CAPEX, Depreciation and R&D

Full year	FY2023	FY2024e
CAPEX	2,317	2,500
Architectural Glass	247	350
Automotive	263	200
Electronics	514	400
Chemicals	877	1,160
Life Science	399	370
Ceramics/Other	18	20
Elimination	▲ 1	0

	FY2023	FY2024e
Depreciation	1,753	1,850
Architectural Glass	244	250
Automotive	319	340
Electronics	532	550
Chemicals	501	530
Life Science	139	170
Ceramics/Other	21	10
Elimination	▲ 2	0

(100 million JPY)

	FY2023	FY2024e
R&D	573	600

Main projects for CAPEX

- Capacity enhancement for chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement for fluorochemical-related products (Chemicals)
- Capacity enhancement for biopharmaceuticals CDMO (Life Science)
- Capacity enhancement for electronic materials (Electronics) etc.

Please see page 28. Capital expenditures for 2024 are expected to be JPY250.0 billion, and depreciation and amortization expenses are expected to be JPY185.0 billion. Research and development are expected to amount to JPY60.0 billion.

Overall capital expenditures are expected to increase due to the expansion of chlor-alkali capacity in Southeast Asia, capacity expansion of fluorochemical-related products, capacity expansion of biopharmaceuticals CDMO, and expansion of manufacturing facilities related to electronic materials.

Change in Shareholder Return Policy (1)

- In order to further strengthen our existing stance of maintaining stable dividends, we will change the index used for shareholder return from consolidated dividend payout ratio to the dividend on equity ratio (DOE), which is less affected by single-year operating results.

Current policy

- Maintain stable dividends with a **consolidated dividend payout ratio of 40%**
- Flexibly conduct share buyback

New policy

- Maintain stable dividends with a target of approx. **3% dividend on equity ratio (DOE)**
- Share buyback decisions are based on comprehensive consideration of investment projects, cash position, and other factors

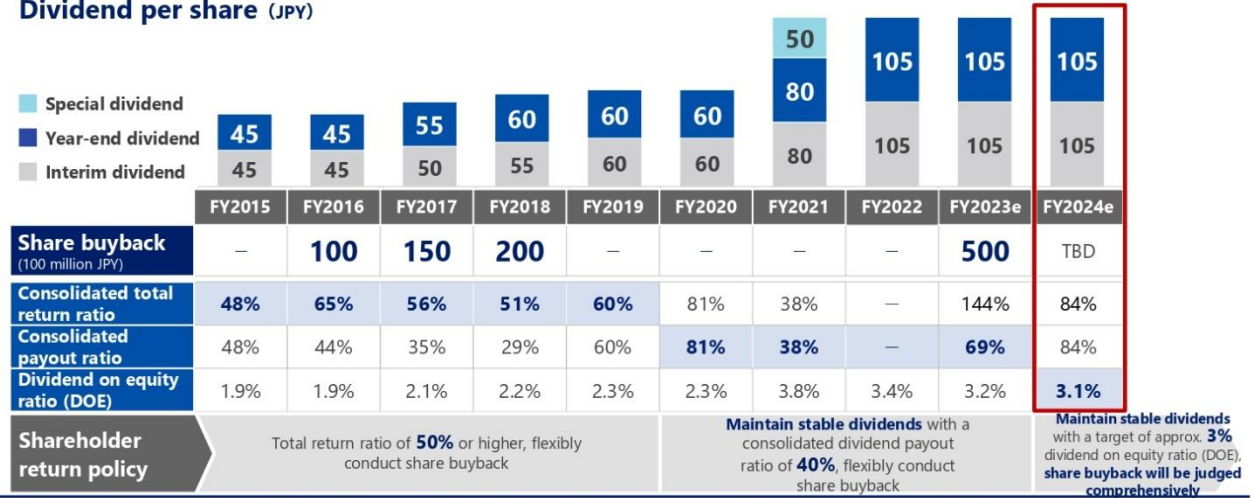
Please see page 29. Next, I will explain the changes in our shareholder return policy. The Company previously used the consolidated dividend payout ratio as an indicator for shareholder return, but will now use the ratio of dividends on equity, which is less affected by single-year operating results.

This is to further strengthen the Company's existing stance of maintaining stable dividends. The new policy is to maintain stable dividends with a target dividend on equity ratio of approximately 3%. Regarding the acquisition of treasury stock, we would like to make a decision on implementation after comprehensively considering investment projects, cash situation, and other factors.

Change in Shareholder Return Policy(2)

- In 2024, the dividend amount will be the same as 2023.

Dividend per share (JPY)



* The Company consolidated its common shares at a ratio of 5 shares to 1 share on July 1, 2017, and per-share data is recalculated.

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Please see page 30. This is the amount of dividend. As you can see. For 2024, we plan to pay the same dividend amount as last year.

This ends my explanation. Thank you very much.

Ogawa: Thank you, Mr. Miyaji.