



**AGC Inc.**

IR Day 2024 <Day 2> Life Science

June 4, 2024

# Event Summary

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[Company Name]	AGC Inc.	
[Company ID]	5201-QCODE	
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[Event Name]	IR Day 2024 <Day 2>	
[Date]	June 4, 2024	
[Venue]	Webcast	
[Number of Speakers]	2	
	Tadashi Murano	Senior Executive Officer, President of Life Science Company
	Chikako Ogawa	General Manager of Corporate Communications & Investor Relations Division

## Presentation

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**Ogawa:** The time has arrived, and Mr. Murano, President of Life Science Company, will give a presentation on the business strategy of the life science business. Mr. Murano, please go ahead.

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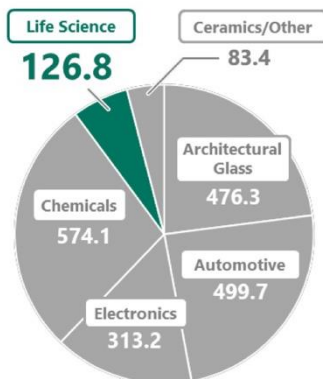
**Murano:** I am Murano of the life science company. Thank you.

I will now give a brief overview of our life science business.

# Business Overview

## FY2023 Sales (Billion Yen)

**AGC Group** **2019.3 billion yen**



## Main Life Science businesses

Business domain		Service overview
Small molecule pharmaceuticals and agrochemicals CDMO	Small molecule pharmaceuticals CDMO	Contract development and manufacturing of small molecule pharmaceuticals
	Agrochemicals CDMO	Contract development and manufacturing of agrochemicals
Biopharmaceuticals CDMO		Contract development and manufacturing of biopharmaceuticals (microbial, mammalian cell culture, gene and cell therapy, pDNA, mRNA, exosomes)

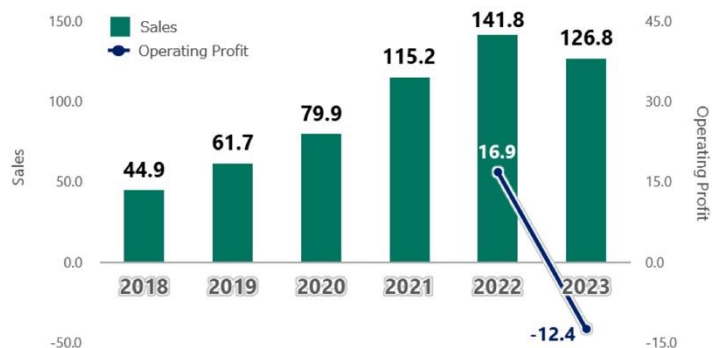
The AGC group's life science business is as you can see here.

Sales are on the left. To the right are the two main businesses of the life science business. One is the small molecule pharmaceuticals and agrochemicals CDMO, and the other is biopharmaceuticals CDMO. The details of the service are as described here.

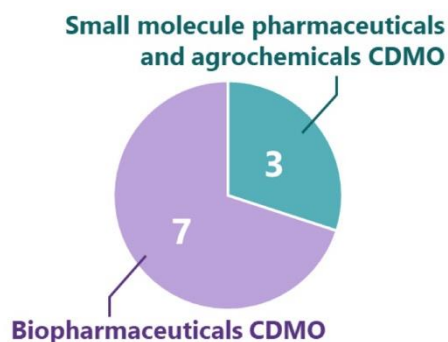
# Financial Performance

- In 2023, sales and profits declined due to the delay in the launch of new US lines and the deterioration in the market environment, but the scale of the business increased steadily thanks to intensive investment.

**Sales and Operating Profit** (Billion Yen)



**FY2023 Sales Breakdown**



\*Sub-segment information within the Chemicals segment is disclosed before 2021 (sales only), and on a stand-alone segment basis after 2022 (2022 figures are for reference only).

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Next page, please. This is the performance trend of the life science company segment.

The graph from 2018 shows that we have achieved a growth rate of over 30% per year until 2022. However, if you look at 2023, the reality is that the brakes have been applied.

The contents are described here. Both sales and performance have temporarily deteriorated in 2023. The main reasons for this are the deterioration of the biopharmaceuticals CDMO market environment, the delay in the launch of a new line of biopharmaceuticals CDMO in the US, and the cost of large, aggressive investments that we had already prepared for.

As for the sales breakdown of the life science company, as shown in the graph on the right, 70% are biopharmaceuticals CDMO and 30% are small molecule pharmaceuticals and agrochemicals CDMO.

# History of Life Science Business

- In 1973, the Life Science Team was launched as a research unit, and commercial operations began in the 80s.

**1973 Launched The Life Science Team to investigate the applicability of AGC's fluorination technology to pharmaceutical & agrochemical production**

Small molecule pharmaceuticals/agrochemicals	Biopharmaceuticals
<b>1985</b> Started contract manufacture/supply of fluorinated intermediates for use in antibiotics	<b>1984</b> Formed the Biochemical Group focused on biopharmaceutical development
<b>1997</b> Established AGC Wakasa Fine Chemicals (currently AGC Wakasa Chemicals)	<b>2000</b> Formally launched the protein contract manufacturing business
<b>2003</b> Established a GMP-compliant manufacturing facility for clinical stage drug substances & intermediates at Chiba Plant	<b>2008</b> Established a new facility at Chiba Plant with 10-fold higher capacity
<b>2008</b> Obtained marketing approval for tafluprost, an anti-glaucoma drug substance	<b>2016 Acquired</b> biopharmaceuticals CDMO in German (currently Heidelberg site)
<b>2013</b> Established a new plant, Kaminaka Plant, in the Wakasa Techno-Valley (AGC Wakasa Chemicals)	<b>2017 Acquired</b> biopharmaceuticals CDMO with sites in Europe and US (currently Seattle & Copenhagen sites)
<b>2019 Acquired</b> drug substance manufacturing plant in Spain (currently AGC Pharma Chemicals Europe)	<b>2020</b> Established new mammalian cell culture facility at Chiba Plant
<b>2019</b> Increased GMP compliant production capacity 10-fold at Chiba Plant	<b>2020 Acquired</b> biopharmaceutical drug substance manufacturing plant in US (currently Boulder site)
<b>2020</b> Decided to expand facilities at AGC Pharma Chemicals Europe	<b>2020 Acquired</b> gene/cell therapy CDMO in Italia (currently Milan site)
<b>2021</b> Decided to expand facilities at Kaminaka Plant of AGC Wakasa Chemicals	<b>2021 Acquired</b> U.S. gene therapy manufacturing plant (currently Longmont site)
<b>2022</b> Decided to expand facilities at AGC Pharma Chemicals Europe	<b>2023</b> Started mRNA CDMO service (Heidelberg site)

Next page, please. Here is the history of the AGC group's life science business.

As you can see in the various details, in 1973, the life science team was launched, and commercial operations began in the '80s. In particular, with regard to biopharmaceuticals, our history is that in 2000, we formally launched the protein contract manufacturing business at our Chiba Plant, and since 2016, we have been expanding our biopharmaceuticals CDMO business, mainly through M&A.

## Current Situation and Outlook of Biopharmaceuticals CDMO



- The impact of the reduced capital inflows into biotech ventures continues. Although the business environment is recovering, **its recovery pace requires close monitoring. The situation going forward will be assessed and necessary measures will be taken.**
- New lines in the U.S. has **resumed commercial operations and is expected to contribute to improvement in earnings from 2024.**

	Business environment		Launch of new lines in the U.S.
Issues	Temporary leveling off due to repercussions of Covid-related special demand and reduced capital inflows into biotech ventures		Delay in launching new lines at Boulder site in the U.S.
Current Situation*	Continue to be affected by reduced capital inflows into biotech ventures, but recovery signs are seen. Implemented a rationalization to improve business performance		Drastic measures implemented and resumed commercial operations in end of 2023
Outlook	Business environment is recovering, but the recovery pace will be closely monitored to consider and take additional measures according to market situation		Slowly contributes to improvement in earnings from 2024

\* As of June 4, 2024

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Let me explain the current situation on page eight. I touched on this a little earlier, but I would like to explain the status of biopharmaceuticals CDMO in particular.

The impact of the decrease in capital inflows with respect to the main customers of the AGC group biopharmaceuticals CDMO, which is called biotech ventures, had started in 2023, and we now see that it is still continuing to some extent. The business environment itself is recovering on the actual front, but we are not very optimistic about the pace of recovery.

We believe that in the medium to long term, there will be a definite recovery, including the supply-demand balance, but we think that we need to be more cautious about the pace of recovery this year. We will take various measures according to the situation.

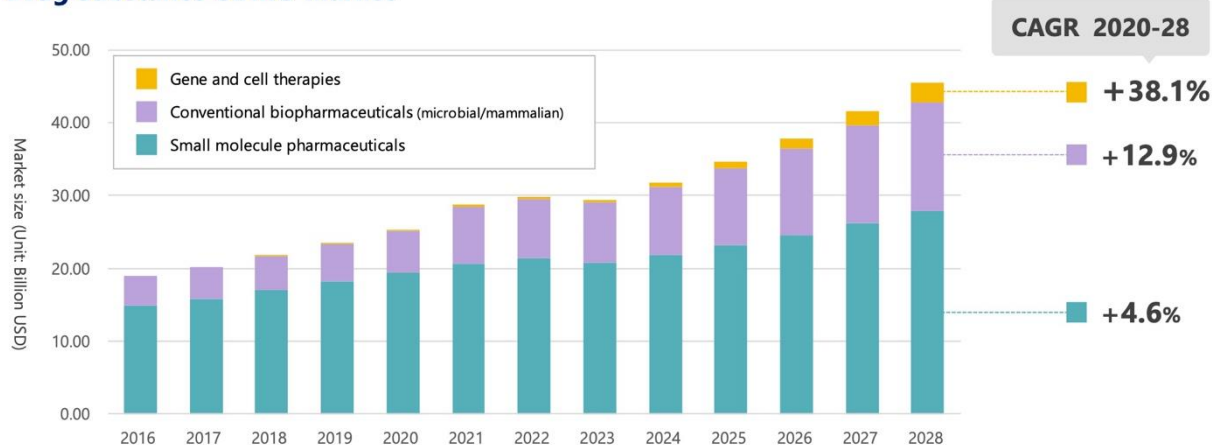
The new biopharmaceuticals CDMO line in the US, which had a large impact on our business performance last year, is located at our plant in Colorado, and last year, it was barely in operation, which had a considerable impact on our business performance. This line has resumed commercial operation this year, and we expect it to contribute to improved business performance this year and next.

Those things are written here, and as I have just told you about the launch of the new line, we expect it to make a significant contribution to our business performance from now on into next year.

## Business Environment Outlook

- With the trend towards increased outsourcing, the CDMO market is expanding steadily.

### Drug Substance CDMO Market



Source: Estimated by AGC based on EvaluatePharma®

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I will now explain our business performance and business strategy starting from the next page.

First, the business environment. Page 10 is the market for drug substance CDMO, which is our industry. This is the assumption of the market size.

Although there was a temporary problem with the capital inflows from biotech ventures, etc. in 2023, we are almost certain that the CDMO business will grow in the mid- to long-term as the pharmaceutical industry moves to outsource production to CDMO companies like AGC.

The CAGR is shown on the right side of the chart and looking at the investment by CDMO companies and the expansion of supply capacity, we expect that the demand-supply balance will remain quite strong at least until 2030. In particular, the small molecule pharmaceuticals at the bottom are expected to show stable growth, while the purple and orange biopharmaceuticals products above are expected to grow significantly.





## Vision

**To contribute to bettering the world, by providing high-quality life-science related services & products, that require high-level expertise & competence**



## Strengths

- 1. Providing a high standard of services integrated from 10 sites in three regions of Japan, the US, and Europe**
- 2. Flexible production system providing services from early-stage development to commercial phase**
- 3. Extensive Manufacturing and Inspection Track Record**

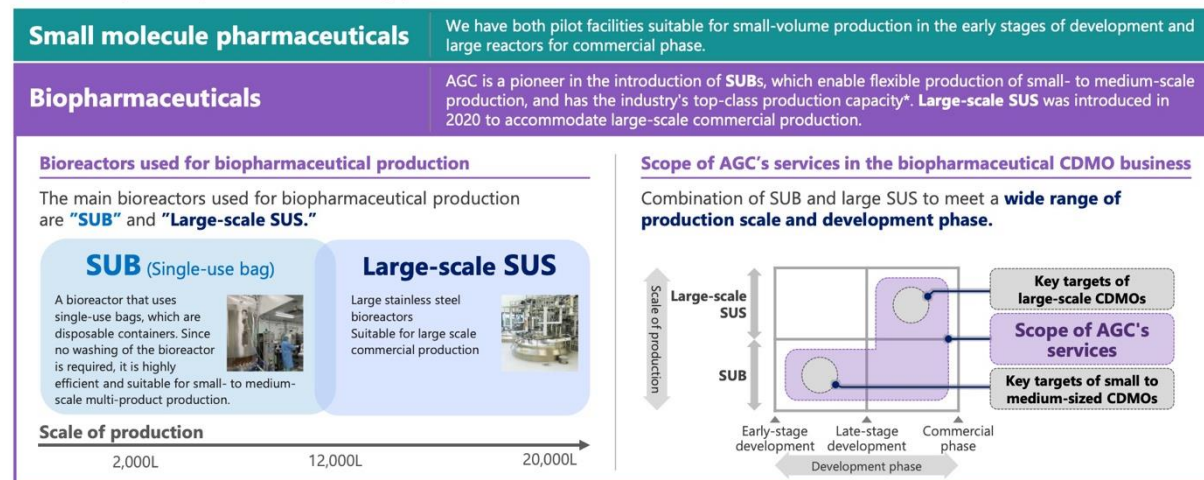
The next page shows AGC's strengths.

Our strengths include the ability to provide a high standard of CDMO services at 10 sites in three regions, Japan, the US, and Europe, and to handle everything from early-stage development to commercial phase. We believe that each of our global sites has strengths as a trusted CDMO because of their extensive manufacturing experience and track record of inspections called FDA and EMA.

The AGC group is a materials manufacturer, and in the mid- to long-term, we believe that we can differentiate ourselves from our competitors by applying technologies that are unique to the AGC group, such as digital or materials informatics.

## Strengths | Flexible to production needs from early-stage development to commercial scale

- Addresses a wide range of production scale needs that vary in accordance with the progress of the development phase of the drug product



\* AGC estimates

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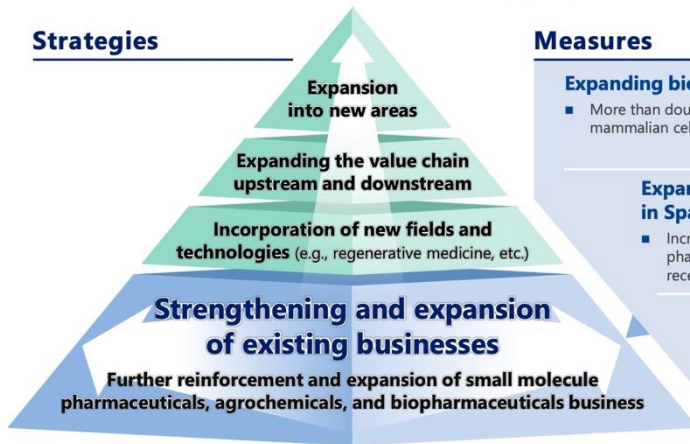
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The page 12 shows what I have just discussed.

One of our characteristics is that we are engaged in both small molecule pharmaceuticals and biopharmaceuticals, and we have a flexible production system from early-stage development to commercial scale.

- **Further strengthen and expand the core CDMO business for small molecule pharmaceuticals, agrochemicals, and biopharmaceuticals** and consider expansion of services and business areas at an appropriate timing

## Strategies



## Measures

### Expanding biopharmaceuticals CDMO capabilities in Denmark

- More than doubling the manufacturing capacity of the site with the addition of SUB mammalian cell culture bioreactors\* Targeted to start operation in 2024.

### Expanding small molecule pharmaceuticals CDMO capabilities in Spain

- Increasing manufacturing capacity by 30%. Facilities for highly potent active pharmaceutical ingredients (HPAPI), for which demand has been increasing in recent years, will also be added. Targeted to start operation in 2025.

### Expanding biopharmaceuticals CDMO capabilities in Japan

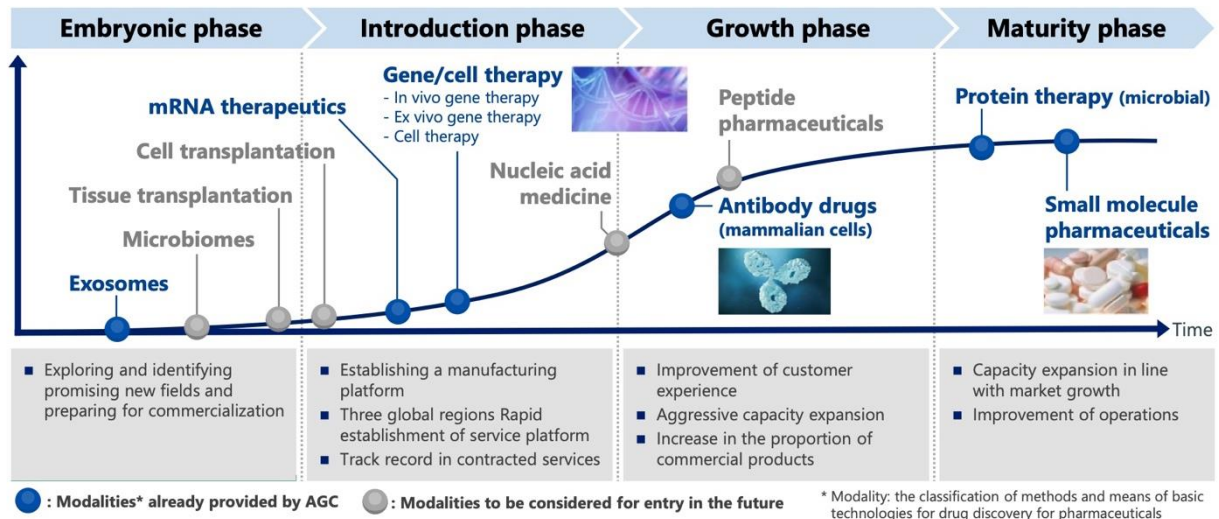
- In addition to mammalian cell culture bioreactors which have one of the largest capacity as a CDMO in Japan, the expansion will also include facilities for leading-edge field of mRNA pharmaceuticals and gene and cell therapies. Services are targeted to start gradually in 2025.

\*Bioreactors using disposable containers called single-use bags

Next page, please. This is a short- and medium-term strategy.

Basically, we are planning to further expand small molecule pharmaceuticals, agrochemicals, and biopharmaceuticals business, as well as to expand our modality in terms of technology.

## Business strategy based on the market maturity of each modality



Reference: Arthur D Little, December 23, 2020, Pharmaceutical Development Council document, "Survey on Issues and Initiatives Necessary to Resolve Issues Toward the Industrialization of Pharmaceutical-Related Industries."

The next page is specifically for modalities.

We are aggressively investing in our mature small molecule pharmaceuticals and proteins, as well as in growing antibody drugs, future gene/cell therapy, and mRNA, and we intend to adopt business strategies accordingly.

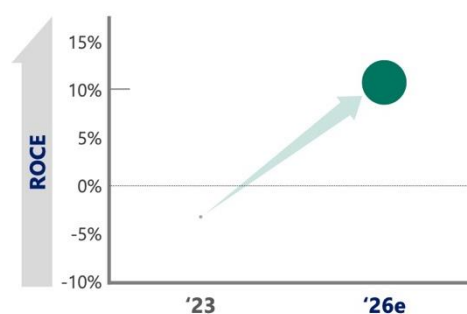
# Life Science Segment Performance Targets

- We aim to achieve operating profit of over 30 billion yen and ROCE of over 10% by 2026.
- Continue to consider and take measures to improve business performance based on the current extremely severe business environment.

**Image of business performance** (Billion Yen)



**Change in ROCE and EBITDA\*\***



\* Sub-segment information within the Chemicals segment is disclosed before 2021 (sales only), and on a stand-alone segment basis after 2022 (2022 figures are for reference only).

\*\*Diameter of each circle : the size of EBITDA

Finally, our medium- to long-term performance targets.

As I mentioned earlier, in 2023, sales were temporarily affected by the market environment and capital investment was made here, resulting in a one-time drop in operating profit, but we believe that the market will recover in the mid- to long term and we will grow in this manner.

By 2026, we intend to achieve performance targets on the scale described here. That is all the explanation from me.

**Ogawa:** Thank you very much, Mr. Murano.

[END]