

Minutes of Briefings on Operating Results for 1Q FY2022

(for analysts and institutional investors)

Corporate Communications & Investor Relations Div.

[Overall company]

Q: Could you tell us about the positives and negatives of the Q1 results compared to the plan?

A: The overall performance was positive as net sales and operating profit reached record highs for a first quarter. However, looking at our businesses individually, we recognize there were positive and negative aspects. The chlor-alkali business continued to perform very well as market conditions were favorable. In terms of strategic businesses, Life science recorded a slight decline in profit compared to Q1, but the business itself grew, and Electronics also remained strong. In addition, there was considerable growth in fluorochemical-related products and specialty chemicals in this quarter. Profitability had declined due to the impact of COVID-19, which coincided with capacity expansion, but has now recovered to turning a profit. The architectural glass business was negatively impacted by the price of natural gas in Europe, but performed reasonably well overall. On the negative side, the impact of the semiconductor shortage on the automotive glass business was greater than expected. The depreciation in the value of the yen also had a negative effect on manufacturing costs for display glass.

Q: I'd like to ask about the status of AGC's earnings and supply chain in China and the impact of lockdowns.

A: China accounts for roughly 10% of AGC's net sales. Display glass and automotive glass are the main businesses the Company operates in China. At present, there has been no impact on company-wide performance. Although there is some impact from lockdowns on the supply chain, it is not that significant.

Q: What will be the impact of rising crude oil, natural gas, and coal prices on the full-year performance?

A: Natural gas prices in Europe are having the most immediate impact. The largest number of the Company's furnaces are located in Europe, which has a big effect on costs. In response to the soaring price of natural gas, we introduced an energy surcharge on architectural glass in Europe in February. There is a mechanism that automatically adds a surcharge to product prices when natural gas prices rise above a certain level, and we have recovered a significant portion of the cost. On the other hand, the price pass-through for automotive glass is still insufficient, and there is a big impact. The chlor-alkali business in Asia has also been impacted by the increases in energy prices, but the cost has been recovered through pricing as market conditions are tight.

The Company's sensitivity to crude oil prices is a JPY0.3 billion decrease in profit for a USD1/barrel increase. Sensitivity to natural gas prices in Europe is an approximate JPY0.7 billion decrease in profit for an EUR1/MWh increase. We are recovering these impacts through hedges, surcharges and other means, so they are not a direct factor in decreasing profit.

Q: Are there any gains or losses on hedges for crude oil or other commodities in the Q1 results?

A: We have hedges on natural gas and heavy oil. We don't apply hedges across the board, partly because hedging is difficult in some regions. We recorded gain on valuation due to hedges in the Q1 financial statements.

Q: When was the record high profit for a first quarter?

A: JPY39.7 billion in 2010.

Q: How do you see Q2 by segment?

A: It is difficult to comment as the outlook has not changed. However, at this point we have not revised our full-year forecasts, so we have also left our 1H forecasts unchanged. Operating profit in Q1 progressed steadily to around 60% of the 1H level. The Q2 balance will be JPY37.2 billion, but there is unlikely to be a significant decline in profit QoQ. In terms of the outlook for each business, we believe that same trends as Q1 will continue. The Chemicals segment will remain strong, while there will be no significant changes from the trends in Q1 for the Glass and Electronics segments.

[Glass]

Q: To what extent does the pricing policy for automotive glass envisage price revisions? Have you already seen the results of the policy?

A: Increasing prices has continued to be difficult in the unique business environment of the automotive industry. The current situation is that costs are rising, and the business is in the red, so there is no choice but to increase prices. I'm not able to comment on where and how much prices will increase, but we will be implementing an entirely different level of pricing policy than in the past. We have already made efforts to increase prices, mainly in Europe, but they are completely inadequate, so we will implement increases vigorously.

Q: I'd like to ask about the current status and future prospects of the Russian business, any changes in its position in the business portfolio, and any possible withdrawal from the business.

A: The company operates the architectural glass and automotive glass businesses in Russia, with architectural glass being the bigger business. The automotive glass business is experiencing low utilization as Western automakers have halted production. On the other hand, utilization has not declined as much in the architectural glass business, which has always been based on local demand. It is very difficult to answer the question of whether the business will continue in the future. We will consider the risk of continuing business in Russia and make the appropriate decision, taking into account the situation in Russia and the international situation.

Q: Do you feel there are any signs of stagnation in the European economy since Russia invaded Ukraine? What is the situation regarding demand for glass and market conditions in Europe?

A: I don't feel there are any signs of stagnation. There is very little information on the impact of the invasion. If things continue as they are now, there will be no major change in tone. Over the long term, concerns about natural gas and other energy supplies could be a tailwind. Insulation of buildings will be important to reduce natural gas consumption, and this may accelerate the expansion of the high-performance glass market.

Q: What would be the impact if Russia stopped supplying natural gas to Europe?

A: As you probably know from news reports, natural gas is an important source of foreign currency income for Russia, while it is also an important part of the basic infrastructure for life in Europe, so I believe the risk of a complete suspension is small. In the unlikely event of a complete suspension of natural gas supply, we could use alternative means in the short term, but a long-term shutdown would affect the operation of about one-

third of the furnaces in Europe. In such an event, we would respond by optimizing the operations of furnaces across Europe to meet demand.

[Electronics]

Q: Why has the OPM fallen sharply for the display business? Why has the OPM increased for the electronic materials business?

A: The amount of profit in the Electronics segment hardly changed YoY, but the composition was different. Electronic materials recorded profit growth because shipments of semiconductor and optoelectronics-related products increased.

The display business is denominated in yen, and the depreciation in the yen had a negative effect on manufacturing costs at overseas sites. In addition, transport and other costs have been rising. As a result, the display business is facing a challenging environment. Costs will gradually fall as we are rolling out furnaces with high production efficiency. We expect profitability in the display business will recover after bottoming out last year and this year.

Q: AGC has reported lower sales in display business while some competitors have announced QoQ sales volume growth for Q1 in the low single digits as a percentage and modest price increases. What was the situation with regard to volume and pricing? What is the future outlook?

A: Prices have risen slightly, due in part to the impact of the product mix. Volume has fallen slightly, due in part to the impact of the composition of customers and the product mix. We think volume will increase by around the low single-digits as a percentage from Q2, on par with other competitors.

Q: Is the peaking of the semiconductor cycle a concern for AGC's semiconductor-related business?

A: It is not a particular concern. We recognize that demand is very strong. Many of AGC's products are aimed at high-end applications, such as EUVs and CMPs. We are not worried about demand falling for these products.

Q: Could you tell me the YoY and QoQ growth for EUV mask blanks?

A: The figures are not explained in detail individually. We expect net sales to grow by about 40% YoY, and there is no change in that outlook. Although there are quarterly fluctuations due to customer conditions, annual growth will be solid.

[Chemicals]

Q: What will market conditions for vinyl chloride resin and caustic soda be like in the future?

A: The spread for vinyl chloride resin and ethylene has peaked, but caustic soda has remained at a high level. We think it will fall gradually, but don't believe there are any factors that would cause it to drop significantly. It is difficult to predict factors such as Chinese environmental regulations and the impact of COVID-19, but it is difficult to imagine a sharp decline.

Q: The expansion of the chlor-alkali plant in Thailand is an expansion in capacity on the same scale as Indonesia Phase 6. Why is the amount of investment in the project nearly double?

A: The expansion in Indonesia and the one in Thailand differ in the extent of expansion in vinyl chloride resin capacity. To be specific, the capacity expansion in Indonesia was 250,000 tones, while the current capacity

expansion in Thailand is bigger at 400,000 tons. The investment is also larger because of the weaker yen and higher labor costs than there were at the time of the Indonesia project, in addition to the fact that the Vinythai project includes investment in environmental measures, while the Indonesian project was a series of in-house enhancements within a single company, among other factors.

Q: What is the target IRR for chlor-alkali investment? Will the effect outweigh the negative impact of share price valuations for businesses with market volatility?

A: The Company uses ROCE to manage its businesses, and chlor-alkali is a very good business in terms of ROCE. Although I cannot tell you anything specific about IRR, the investment will increase ROCE for the company as a whole and for the Chemicals segment.

Q: Why was OPM in Life science lower than Q1 in the previous year? Also, what is capacity utilization in the CDMO business?

A: Firstly, there was a rebound from Q1 2021, which was a particularly strong first quarter with a concentration of high profitability projects. Secondly, there were significant costs, due in part to the impact of planned repairs and other factors in Q1 in addition to the fact that costs preceded a considerable expansion of capacity, mainly in the U.S. Thirdly, the Chemicals segment recorded a large growth in profit, so the profit in Life science appears relatively low. We are not at all concerned about the future.

Capacity utilization is not disclosed, but the Colorado facility is at the full-scale start-up stage. We have also expanded capacity in Europe. As soon as facilities are up and running, capacity is filled, and utilization at existing facilities is already high.

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