



**AGC Inc.**

Financial Results for FY2022 Third Quarter

November 2, 2022

## Event Summary

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[Company Name]	AGC Inc.	
[Company ID]	5201-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results for FY2022 Third Quarter	
[Fiscal Period]	FY2022 Q3	
[Date]	November 2, 2022	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Shinji Miyaji	Representative Director, Senior Executive Vice President, CFO, CCO, GM of Corporate Planning General Division
	Toshiro Kasuya	Senior Executive Officer, General Manager of Finance and Control Division
	Chikako Ogawa	General Manager of Corporate Communications and Investor Relations Division

## Presentation

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**Ogawa:** Good afternoon, ladies and gentlemen. Thank you very much for joining us.

My name is Ogawa. I'm with Communications and IR.

Today, we have CFO, Senior Executive Vice President, Shinji Miyaji; and also, Senior Executive Officer and GM of the Finance Control Division, Toshiro Kasuya to talk to you.

The Q3 earnings announcement will be explained by our CFO, Miyaji-san, followed by a Q&A session. We are scheduled to finish at 5:00 PM.

Thanks for your support, and Miyaji-san, please begin.

### ■ Financial Results for 3Q FY2022 (YTD) :

(YoY) [unit: 100 million JPY]

**Net Sales** **14,989** (+2,653 )

**Operating profit** **1,521** (+37 )

Profit for the period

**Attributable to owners of the parent** **988** (▲307 )

- Net sales reached record high for the nine months of the year.

### ■ Outlook for FY2022 (Revised) :

(vs. Aug 2 Forecast)

(YoY) [unit: 100 million JPY]

**Net Sales** **20,500** ( - ) (+3,526 )

**Operating profit** **1,900** (▲400 ) (▲162 )

Profit for the period

**Attributable to owners of the parent** **920** (▲280 ) (▲318 )

- A downward revision was made due to high raw materials and fuel prices, as well as the effects of a decline in the PVC market in the chlor-alkali business and a sharp drop in demand in the display business.

**Miyaji:** This is Miyaji speaking. Thank you.

Please turn to page three. These are today's key points.

For the first nine months of FY2022, net sales was JPY1.4989 trillion. Operating profit was JPY152.1 billion. Net profit attributable to owners of the parent company was JPY98.8 billion. Net sales reached a record high.

The outlook for the full year is net sales of JPY2.05 trillion, operating profit of JPY190 billion, lower than the previous forecast by JPY40 billion, and net income attributable to owners of the parent company is JPY92 billion, lower by JPY28 billion, both due to high raw materials and fuel prices declined in PVC market in the chlor-alkali business, and a sharp decline in demand in the display business.

# Highlights of the Financial Results for 3Q FY2022



(100 million JPY)

	FY2021 1-3Q Total	FY2022 1-3Q Total	Change	Main factors in the change (+) Increasing factors (-) Decreasing factors
<b>Net Sales</b>	12,335	<b>14,989</b>	+ 2,653*	(+) Shipments of life science, fluorochemicals-related products, electronic materials and architectural glass increased (+) Sales price of chlor-alkali products and architectural glass increased (+) Weaker yen
<b>Operating profit</b>	1,484	<b>1,521</b>	+ 37	In addition to the above, (-) Increased in raw materials and fuel prices primarily in Europe
<b>Profit before tax</b>	1,851	<b>1,652</b>	▲ 199	In addition to the above, (+) Gain on sales of land (+) Gain on sale of subsidiaries (-) Gain on sale of North American architectural glass business recorded in the same period of the previous year
<b>Profit for the period Attributable to owners of the parent</b>	1,294	<b>988</b>	▲ 307	
<b>FOREX (Average)</b>				
JPY/USD	108.50	<b>128.05</b>		
JPY/EUR	129.83	<b>135.95</b>		
<b>Crude Oil (Dubai, Average)</b>				
USD/BBL	66.19	<b>100.17</b>		

\* FOREX impact was +116.6 billion JPY, change in the scope of consolidation was ▲20.3 billion JPY

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Please turn to page five.

I'll now explain the results for the first nine months of FY2022.

Sales were boosted by increased shipments of life sciences, fluorochemicals-related products, electronic materials, and architectural glass, and higher sales prices for chlor-alkali products and architectural glass. In addition, the impact of weaker yen contributed to an increase in sales of JPY265.3 billion compared with the same period of the previous year.

Operating profit increased by JPY3.7 billion YoY due to the revenue increase factors mentioned earlier, despite the impact of higher raw materials and fuel prices, particularly in Europe. Profit before tax decreased by JPY19.9 billion to JPY165.2 billion due to a gain on sale of a North American architectural glass business in the same period of the previous year, despite gains on the sales of land and subsidiaries as other income. Net profit attributable to owners of the parent company was JPY98.8 billion.

## YoY Performance Comparison by Business Segment



(100 million JPY)

	FY2021 1-3Q Total (a)		FY2022 1-3Q Total (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass*	5,447	252	6,507	137	+ 1,060	▲ 115
Electronics*	2,182	245	2,258	123	+ 76	▲ 122
Chemicals	4,508	960	5,991	1,229	+ 1,484	+ 269
Ceramics/Other	561	28	648	34	+ 87	+ 6
Elimination	▲ 362	▲ 2	▲ 416	▲ 2	▲ 54	+ 0
Total	12,335	1,484	14,989	1,521	+ 2,653	+ 37

\*Figures for FY2021 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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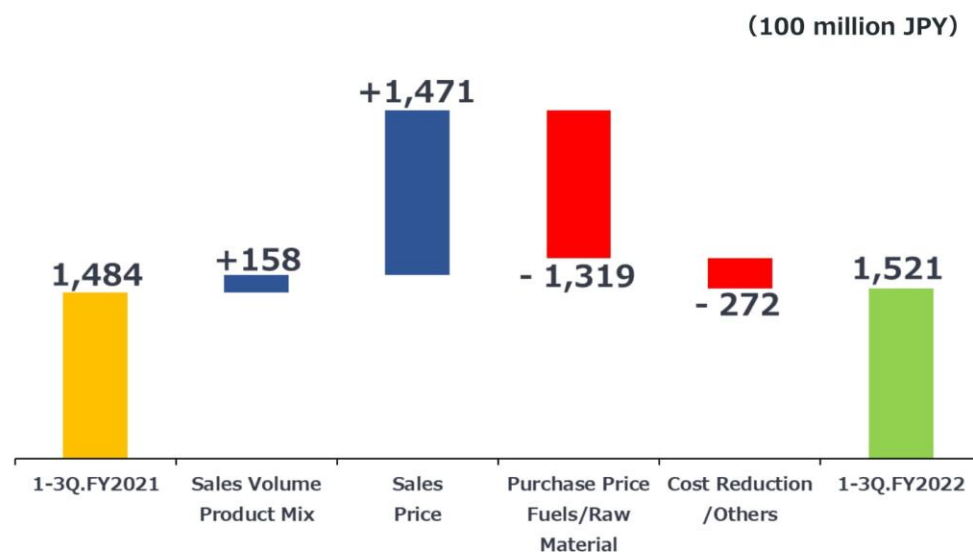
Next, I will explain the results by segment.

Please turn to page six.

In the first nine months of FY2022, glass and electronics saw sales increase and profits decrease, with sales and profits both increasing in chemicals.

## Variance analysis on OP (1-3Q.FY2022 vs. 1-3Q.FY2021) **AGC** Your Dreams, Our Challenge

**37 (100 million JPY) up YoY**



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Please turn to page seven.

This section explains the variance in operating profit in the first nine months of FY2022 compared with the same period of the previous year.

Sales volume and product mix accounts for JPY15.8 billion. Shipments of life science products, fluorochemical-related products, electronic materials, and architectural glass increased. The difference in sales price is JPY147.1 billion. Selling prices of caustic soda and architectural glass increased. The raw material and fuel price differences is minus JPY131.9 billion. Raw materials and fuel prices increased mainly in Europe.

The cost and other differences is minus JPY27.2 billion. The manufacturing cost of displays increased due to the impact of foreign exchange rates. In addition, fixed costs and other costs in life sciences rose.

As a result, the Group recorded an increase in OP of JPY3.7 billion to JPY152.1 billion compared with JPY148.4 billion in the prior year.

# Consolidated Statement of Financial Position



(100 million JPY)

	2021/12	2022/9	Change
Cash and cash equivalents	1,958	<b>2,641</b>	+ 682
Inventories	3,301	<b>4,505</b>	+ 1,204
Property, plant and equipment, Goodwill and Intangible assets	15,067	<b>16,634</b>	+ 1,567
Other assets	6,334	<b>6,382</b>	+ 48
<b>Total assets</b>	26,660	<b>30,162</b>	+ 3,502
Interest-bearing debt	6,032	<b>6,689</b>	+ 658
Other liabilities	5,815	<b>6,072</b>	+ 258
<b>Liabilities</b>	11,847	<b>12,762</b>	+ 915
Total equity attributable to owners of the parent	13,142	<b>15,271</b>	+ 2,129
Non-controlling interests	1,672	<b>2,129</b>	+ 457
<b>Equity</b>	14,814	<b>17,400</b>	+ 2,587
<b>Total liabilities and equity</b>	26,660	<b>30,162</b>	+ 3,502
<b>D/E ratio</b>	0.41	<b>0.38</b>	

Foreign exchange  
fluctuation  
+260.1billion JPY

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Please turn to page eight.

This is the balance sheet, and the comparison with December 2021.

Total assets amounted to JPY3.0162 trillion, an increase of JPY350.2 billion compared to the end of December 2021. There was a foreign exchange impact of JPY260.1 billion. D/E ratio was 0.38.



# Consolidated Statement of Cash Flow



(100 million JPY)

1-3Q Total

	FY2021	FY2022
Profit before tax	1,851	<b>1,652</b>
Depreciation and amortization	1,219	<b>1,375</b>
Increase(decrease) in working capital	▲ 306	<b>▲ 852</b>
Others	▲ 409	<b>▲ 595</b>
<b>Cash flows from operating activities</b>	<b>2,354</b>	<b>1,580</b>
<b>Cash flows from investing activities</b>	<b>▲ 953</b>	<b>▲ 791</b>
<b>Free cash flow</b>	<b>1,401</b>	<b>789</b>
Changes in interest-bearing debt	▲ 915	<b>224</b>
Dividends paid	▲ 310	<b>▲ 522</b>
Others	▲ 54	<b>▲ 98</b>
<b>Cash flows from financing activities</b>	<b>▲ 1,280</b>	<b>▲ 395</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>37</b>	<b>289</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>158</b>	<b>682</b>

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Please turn to page nine.

This section explains the cash flow statement for the first nine months of FY2022.

Operating cash flow was JPY158 billion. Investment cash flow, JPY79.1 billion.

As a result, free cash flow amounted to JPY78.9 billion.

# CAPEX, Depreciation and R&D

(100 million JPY)		
1-3Q Total		
	FY2021	FY2022
<b>CAPEX *</b>	1,511	<b>1,502</b>
Glass	367	<b>295</b>
Electronics	489	<b>553</b>
Chemicals	644	<b>645</b>
Ceramics/Other	15	<b>10</b>
Elimination	▲ 3	▲ 2
<b>Depreciation *</b>	1,219	<b>1,375</b>
Glass	410	<b>420</b>
Electronics	435	<b>513</b>
Chemicals	359	<b>430</b>
Ceramics/Other	15	<b>14</b>
Elimination	▲ 1	▲ 1
<b>R&amp;D</b>	361	<b>382</b>

## 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 electronic materials (Electronics)
  - Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
  - Capacity enhancement for fluorochemicals-related products (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)
  - Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
  - Capacity enhancement for 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 glass business.

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Please turn to page 10.

I will now explain capital expenditure, depreciation, and R&D.

In the first nine months of FY2022, capital expenditure was JPY150.2 billion. Depreciation was JPY137.5 billion, and our R&D was JPY38.2 billion.

## Glass Segment



(100 million JPY)

	1-3Q Total		
	FY2021	FY2022	Change
<b>Net sales**</b>	5,447	<b>6,507</b>	+ 1,060*
Architectural Glass	2,799	<b>3,497</b>	+ 698
Automotive Glass	2,630	<b>3,002</b>	+ 372
(Inter-segment)	17	<b>8</b>	
<b>Operating profit**</b>	252	<b>137</b>	▲ 115

\* FOREX impact: +53.4 billion JPY,

Change in the Scope of Consolidation: ▲15.7 billion JPY

\*\* Figures for FY2021 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)



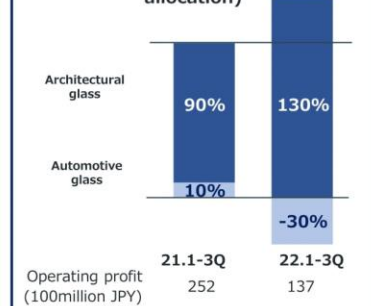
#### [ Architectural glass ]

- Shipments increased in Japan/Asia.
- 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.
- Impact of high natural gas prices in Europe was absorbed by energy surcharges but still affected by other raw materials and energy price hikes.

#### [ Automotive glass ]

- Shipments increased due to easing effects of component supply shortages, including semiconductors.
- Effects of price revisions begin to emerge but affected by further increased raw materials and fuel prices.

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



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I will now move on to explanation of each segment.

Please turn to page 12.

First, let's take a look at the glass segment.

For Q3 of 2022, net sales were up YoY by JPY106 billion to JPY650.7 billion. Operating profit was down YoY by JPY11.5 billion to JPY13.7 billion. Architectural glass net sales increased by JPY69.8 billion to JPY349.7 billion due to increased shipments in Japan and Asia, as well as higher selling prices in all regions, especially in Europe, despite lower sales due to the divestiture of the North American architectural glass business.

Net sales of automotive glass increased by JPY37.2 billion YoY to JPY300.2 billion due to an increase in shipments, as the effects of the price revision began to emerge, in addition to an easing and the impact of the shortfall in the supply of parts, including semiconductors. Operating profit decreased by JPY11.5 billion from the same period last year due to the impact of higher raw material prices, which was partially but not completely offset by the increase in revenues mentioned abroad. Other ratio of the operating profit in the glass segment was 130% for architectural glass and minus 30% for automotive glass.

## Reference: Architectural glass business situation

- Japan, Asia and South America remains robust.
- Europe has been in adjustment phase due to high energy prices and economic slowdown.

### Europe

- Introduction of energy surcharge to absorb natural gas price increases, but can not cover electricity and other cost increases.
- Shipments down YoY from 3Q onwards due to the impact of the economic slowdown.

### Japan

- Steady growth thanks to improved supply and demand.

### South America

- Demand remains strong.

### Southeast Asia

- Demand is recovering thanks to economic recovery.

\*The area of the circle represents the size of the sales

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Please turn to page 13.

I would now like to make some additional comments on the architectural glass.

Demand in Japan, Asia, and South America remain robust.

On the other hand, Europe is in an adjustment phase, affected by higher energy prices and economic slowdown.

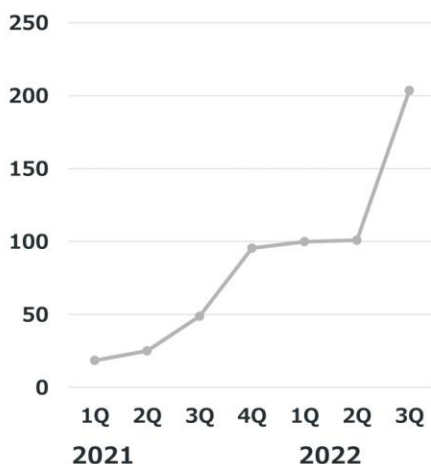
## Reference: Architectural glass business situation in Europe



- Temporary operational adjustments were made due to current signs of economic slowdown in Europe.
- Profitability is expected to recover in the medium term thanks to increased demand for energy-saving glass.

### TTF gas price trend\*

(EUR/MWh)



### AGC initiatives

#### FY2022

- Feb** Energy surcharges introduced to pass on increased natural gas prices to the selling price.
- Jun** A BCP developed for natural gas supply insecurity.
- Jul** Low carbon glass is released.
- Oct** Temporary furnace stop at the Boussois plant (France) in response to decreasing demand caused by the economic slowdown. Operational adjustments were also made at several other sites.

Quick response to European market trends

\*Based on Bloomberg data

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I will now touch on the initiatives taken in Europe.

Please turn to page 14.

As you can tell from the graph on the left-hand side, in Europe, the price of natural gas has been rising since 2021. In response to this, in February 2022, we introduced an energy surcharge in our architectural glass business to pass on the higher price of natural gas to the selling price.

In addition, in June, we formulated a BCP, a business continuity plan, in response to natural gas supply disruptions. In July, we launched the low carbon glass product. In October, we temporarily halted operations of our furnace in France and began adjusting operations at several sites, thereby responding swiftly to the ever-changing trends in the European market

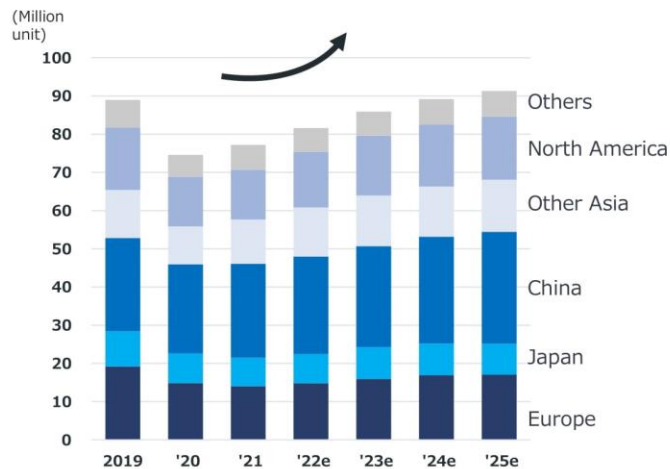
The operations in Europe are in a temporary adjustment phase due to the emerging economic downturn. However, we expect profitability to recover in the medium- to long-term basis due to an increase in demand for energy-saving glass. Therefore, our profitability should improve, as we see recovery in the market.



## Reference: Automotive glass business situation

- Markets, mainly in Asia, are on the recovery trend from the second half of 2022 up to the 2019 levels by 2024.
- Further price revisions are underway, mainly in Europe, in response to a sharp rise in gas prices.

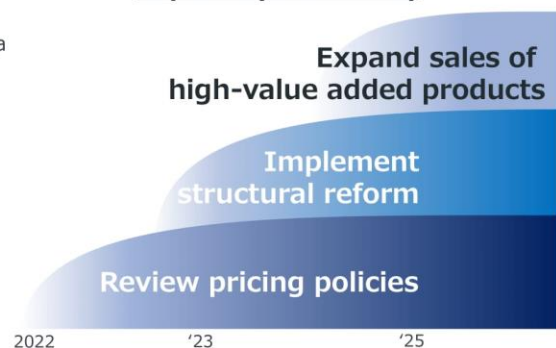
### Vehicle Production (by region)\*



\*Based on IHS data

### Profit improvement in automotive glass business

#### Three pillars to improve profitability



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Next, I would like to explain the situation of automotive glass.

Please turn to page 15.

The business performance of automotive glass is in a very challenging situation. We have been explaining this to you from the past. This is due to the decline in the number of automobiles produced as a result of COVID-19, followed by a continued slump in the number of units produced due to supply chain disruptions, inclusive of semiconductors.

In response, we have revised our pricing policy, lowered fixed costs through structural reforms, and increased added value through the development of high-performance products. We have already implemented a wide range of price revisions. In response to rising gas prices in Europe and other regions, we are proceeding with further price revisions. Gas prices are still increasing, so we are ongoing with the additional price revisions.

Also, in H2 of 2022, the number of automobiles produced has already begun to recover moderately, especially in Asia. We believe, therefore, that the automotive glass, our worst situation is over. We will continue to implement measures to improve profitability.

## Electronics Segment

(100 million JPY)

	1-3Q Total		
	FY2021	FY2022	Change
<b>Net sales**</b>	<b>2,182</b>	<b>2,258</b>	<b>+ 76*</b>
Display	1,363	<b>1,216</b>	▲ 147
Electronic Materials	805	<b>1,025</b>	+ 220
(Inter-segment)	14	<b>17</b>	
<b>Operating profit**</b>	<b>245</b>	<b>123</b>	<b>▲ 122</b>

\* FOREX impact: +9.8 billion JPY,

Change in the Scope of Consolidation: ▲3.6 billion JPY

\*\* Figures for FY2021 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)



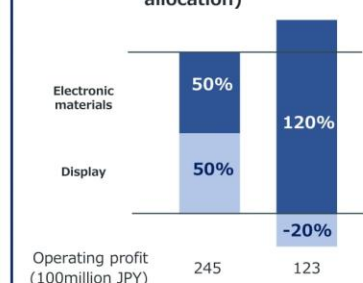
### [ Display ]

- 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 weaker yen.

### [ Electronic materials ]

- Shipments of optoelectronic materials and semiconductor-related products increased.

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



Next, I will explain about the electronics segment.

Please refer to page 16.

Cumulative sales for Q3 for FY2022 increase by JPY7.6 billion to JPY225.8 billion, and OP decreased by JPY12.2 billion to JPY12.3 billion.

In the display business, net sales decreased by JPY14.7 billion to JPY121.6 billion due to a decrease in shipments of glass substrates for LCDs and specialty glass for displays. The shipment volume of glass substrates for LCDs decreased by a high teens percentage. The sales price of glass substrates for LCDs fell slightly compared to the previous quarter. Net sales of electronic materials increased by JPY22 billion to JPY102.5 billion due to an increase in shipments of electronic materials.

Operating profit decreased by JPY12.2 billion to JPY12.3 billion due to an increase in depreciation expenses for glass substrates for LCDs, accompanying the startup of new facilities, and an increase in manufacturing costs resulting from the higher raw material and fuel cost and the effect of foreign exchange rates. The operating profit for the segment, the composition, is electronic materials, 120% and display accounted for minus 20%.

## Reference: Display glass business situation

- Demand is in a temporary adjustment phase, but stable growth is expected in the medium- to long-term, partly due to progress in the shift to larger displays.
- Asset efficiency improvement efforts are being accelerated in addition to the conversion of production facilities optimized for large panel production.

### Supply-demand adjustment for display panels

- Stagnant demand for TVs, etc.

### Inefficient production facilities

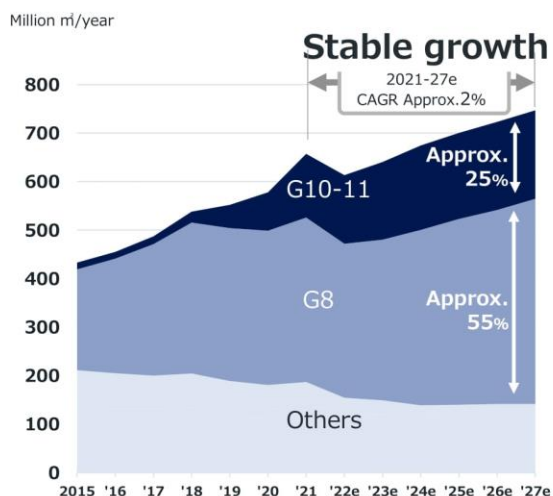
- Lines not optimized for large panels (G11)

### Rising prices of raw materials and fuel and rapid weakening of the yen

- Rise in manufacturing costs due to high raw materials and fuel prices and strong Asian currencies

- Demand is expected to return to stable growth in the medium- to long-term.
- Conversion to production facilities optimal for large panel production
- Consideration of drastic measures to improve profitability

Demand for LCD Glass\* (by generation)



\*AGC's estimate

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Please turn to page 17.

Now I'd like to give you an additional explanation of the status of display business.

Currently, panel makers are in an inventory adjustment phase due to the rebound in demand from the stay-at-home demand under COVID-19. In addition, as we have explained to you beforehand, we still have production lines that have not been optimized for large-sized panels.

So, while we are still facing the challenge of an inefficient production system, the rise in price of raw materials, and fuel, and the sharp depreciation of the yen have increased production costs and worsened our business performance, making the situation extremely severe.

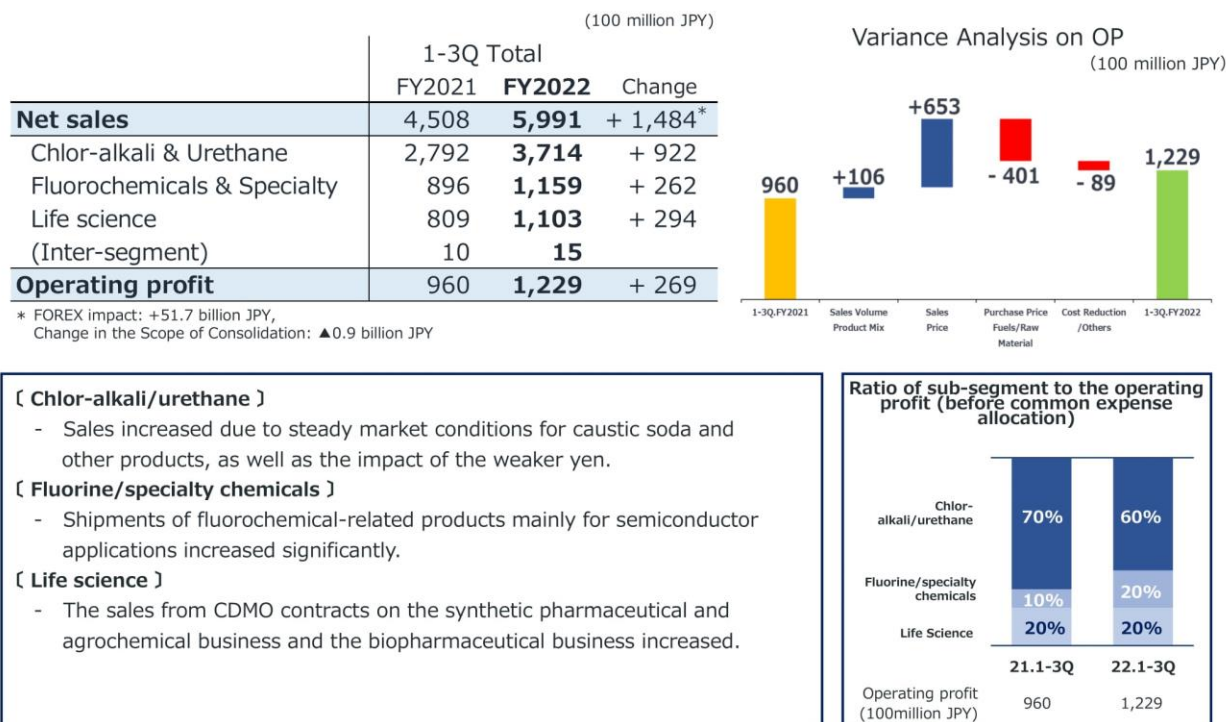
Although the demand is on the level of a temporary adjustment, stable growth is expected in the medium to long-term basis, because the TV demand, we expect about 200 million units or so. Of course, as we see the display panels getting larger, we do believe we should get back on the steady trajectory.

In addition to the ongoing conversion to optimal facilities for large-sized panel production, we will accelerate efforts to improve asset efficiency, including the consideration of fundamental measures to improve profitability.

We will accelerate efforts to improve asset efficiency, including the ongoing conversion to optimal facilities for large size panel production and consideration of drastic profit improvement measures.



## Chemicals Segment



Next is the chemicals segment.

Please turn to page 18.

In the first nine months of FY2022, net sales amounted to JPY599.1 billion; operating profit, JPY122.9 billion, representing an increase of JPY148.4 billion in sales and JPY26.9 billion in profit compared to the same period last year.

In chlor-alkali/urethane, sales increased by JPY92.2 billion to JPY371.4 billion due to steady market conditions for caustic soda, as well as the impact of foreign exchange rates. Fluorochemicals and specialty, sales increased by JPY26.2 billion to JPY115.9 billion due to significant increase in shipments for fluorochemical-related products, mainly for semiconductor-related applications.

Life science sales increased by JPY29.4 billion YoY to JPY110.3 billion due to an increase in contract sales for both synthetic pharmaceutical, agrochemical CDMOs, and biopharmaceutical CDMOs.

Operating profit increased by JPY26.9 billion to JPY122.9 billion compared with the same period of the prior year. The composition of operating profit in the chemical segment was 60% for chlor-alkali/urethane, 20% for fluorochemical and specialty, and 20% life sciences.

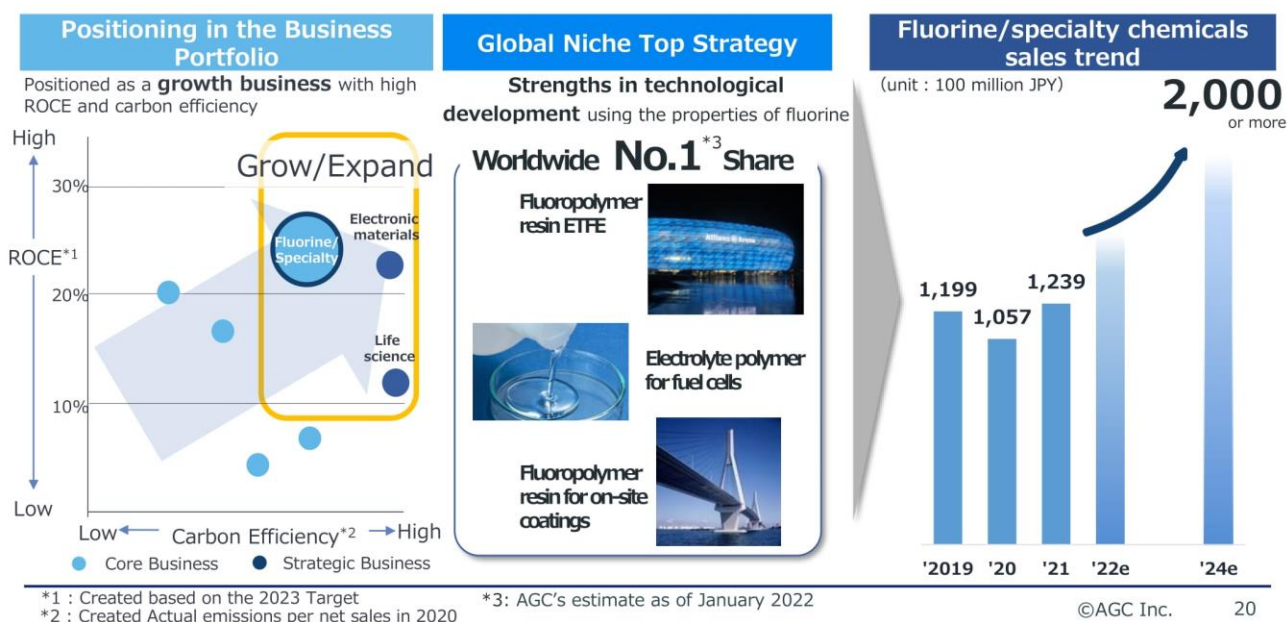
The caustic soda market remained at a high level partly because of high level of electricity charges in Europe, and some of this impact basically made the global market for caustic soda quite tight. The natural gas prices was also high in terms of PVC spread, there was a long-term impact of the lockdown in China, and the monsoon in India also lasted longer than usual.

Therefore, there was a fall in the PVC business in Southeast Asia, and the spread was narrowed in Q3. We believe that the PVC market is expected to cease the fall of the course in Q4, but we cannot expect a sudden or rapid recovery in this area.

## Reference: Strengths of Fluorine/specialty chemicals



- Growing business with high asset and carbon efficiency.
- Highly rated in global niche markets requiring high technical characteristics.
- Sales are expected to exceed 200 billion yen by 2024.



Please turn to page 20.

Next, I would like to talk about fluorochemical and specialty business, which is growing in both sales and operating profit.

AGC has positioned fluorochemicals and special business as you can see to the left of this panel, as a growing business with high asset and carbon efficiency. Overall, this is not part of a strategic business. We do have high expectations for these businesses of high growth. Our group's strength is shown in the middle of this slide. We have long-term experience with chemical technology.

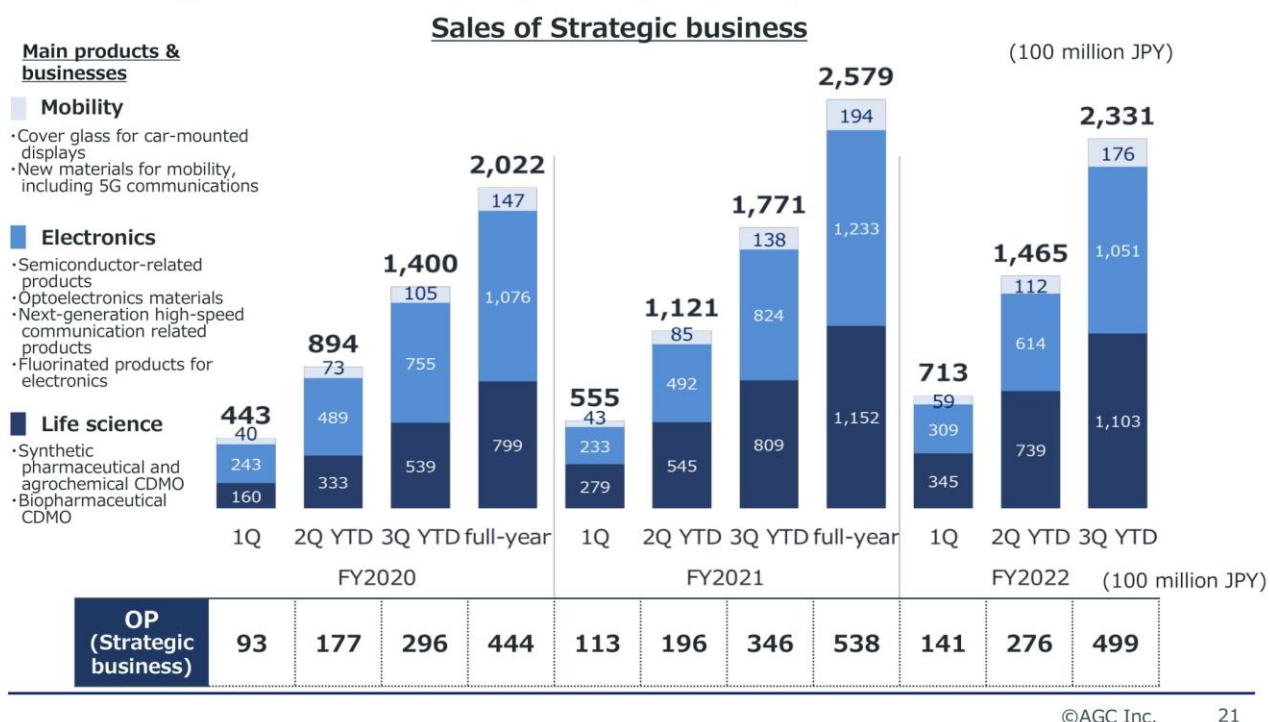
Now, in the market, the demand is expanding, and there are many niche markets, and our products are very specialized. We have many number one market share products, and we are growing very fast in this area.

Based on this trend, we would like to achieve sales of more than JPY200 billion by 2024. Life science, by 2024, would achieve or exceed the sales of JPY200 billion. Almost at the same time, we would expect the core chemicals and specialty to reach the same size in terms of business.

So, we would like to ask you to focus on this segment.

## Profit contribution of Strategic business

■ Strategic businesses are growing steadily.



Please turn to page 21.

This is the strategic business.

Overall, this business recorded sales of JPY233.1 billion and operating profit of JPY49.9 billion in the first nine months of FY2022. This is a YoY increase of JPY56 billion and JPY15.3 billion, respectively.

Q3 Group profit versus the ratio of strategic business. Basically, 60% of the profit is coming from the strategic business in Q3. Therefore, the business is steadily expanding, particularly in life sciences and electronics.

## YoY Performance Comparison by Geographic Segment



	1-3Q Total (100 million JPY)		
	FY2021	FY2022	Change
<b>Net sales</b>	12,335	<b>14,989</b>	+ 2,653
Japan &Asia	8,118	<b>9,673</b>	+ 1,555
Americas	1,316	<b>1,523</b>	+ 207
Europe	2,901	<b>3,792</b>	+ 892
<b>Operating profit</b>	1,484	<b>1,521</b>	+ 37
Japan &Asia	1,351	<b>1,533</b>	+ 183
Americas	99	<b>66</b>	▲ 33
Europe	321	<b>222</b>	▲ 99
Cross-regional common expenses	▲ 287	▲ <b>301</b>	▲ 14

FOREX impact :  
+116.6 billion JPY

Change in the scope of consolidation :  
▲20.3 billion JPY

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This is the performance by region of comparing the first nine months of FY2022, the same period of the prior year.

In Japan and Asia, sales and profits increased due to higher sales prices for caustic soda, despite the impact of higher raw materials and fuel prices, as well as higher production costs for glass substrates for LCDs and automotive glass.

In the Americas, sales of contract by pharmaceutical increased, although the transfer of the North American architectural glass business had a negative impact on the revenues. Sales increased, and profit decreased mainly due to the upfront fixed costs for the expansion of the biopharmaceuticals business and start-up of new sites.

In Europe, sales prices increased in architectural glass. Sales increased, but profit decreased mainly due to the impact of higher natural gas prices.

## FY2022 Outlook



- We downwardly revised earnings forecast announced in August this year.

(100 million JPY)

	FY2021	FY2022e As of Aug 2, 2022	FY2022e As of Nov 2, 2022
<b>Net sales</b>	16,974	20,500	<b>20,500</b>
<b>Operating profit</b>	2,062	2,300	<b>1,900</b>
<b>Profit before tax</b>	2,100	2,170	<b>1,770</b>
<b>Profit for the year attributable to owners of the parent</b>	1,238	1,200	<b>920</b>
<b>Dividend (JPY/share)</b>	210	210	<b>210</b>
	(Ordinary 160)		
	(Special 50)		
<b>Operating profit margin</b>	12.1%	11.2%	9.3%
<b>ROE</b>	10.2%	9.1%	7.0% *
<b>FOREX (Average)</b>			
<b>JPY/USD</b>	109.8	131.0	132
<b>JPY/EUR</b>	129.9	138.0	137
<b>Crude Oil (Dubai, Average)</b>			
<b>USD/BBL</b>	69.2	103.4	100
<b>Ethylene (CFR SEA)</b>			
<b>USD/MT</b>	1,141	1,165	1,053

\* 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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I'll now explain the full year forecast for the fiscal year ending December 2022.

As I mentioned at the beginning, the forecast for the full year operating income and the items below has been revised downwards from the August 2 announcement.

Net sales are expected to rise by JPY352.6 billion to JPY2.05 trillion, while operating profit will decrease by JPY16.2 billion. Profit before tax will decrease by JPY33.0 billion to JPY177 billion. Profit attributable to owners of the parent is expected to decrease by JPY31.8 billion to JPY92 billion.

We have also revised our full year exchange rate forecast to JPY132 to the US dollar and JPY137 to the Euro. The full year forecast for Dubai crude oil prices has been revised to USD100 per barrel.



## Outlook breakdown by Business Segment (Net sales and Operating profit)



- Net sales forecast remains unchanged due to price revisions in the glass segment and the impact of the yen's depreciation.
- Operating profit forecast was revised downward in all segments due to high raw materials and fuel costs, a decline in the PVC market, and a sharp drop in demand in the display business.

(100 million JPY)

	FY2021		FY2022e As of Nov 2		Change		FY2022e As of Aug 2		Change	
	(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	9,000	190	+ 1,657	▲ 83	8,700	300	+ 300	▲ 110
Electronics*	3,050	368	3,100	160	+ 50	▲ 208	3,300	300	▲ 200	▲ 140
Chemicals	6,308	1,388	8,000	1,520	+ 1,692	+ 132	8,100	1,670	▲ 100	▲ 150
Ceramics/Other	794	35	900	30	+ 106	▲ 5	900	30	+ 0	+ 0
Elimination	▲ 520	▲ 2	▲ 500	0	+ 20	+ 2	▲ 500	0	+ 0	+ 0
Total	16,974	2,062	20,500	1,900	+ 3,526	▲ 162	20,500	2,300	+ 0	▲ 400

\*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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Please refer to page 25.

Next, I will explain the key points of the revised forecast by segment.

We have left the previous forecast for net sales unchanged due to price revisions in the glass segment and the impact of the yen depreciation.

The forecast for operating profit is revised downwards in all segments due to the rise in raw material and fuel prices, impact of the decline in the PVC market in the chlor-alkali business, and sharp decline in demand in display business.

## 4Q Outlook by Business Segment

2022 4Q Outlook	
<b>Glass</b>	<p><b>(Architectural glass)</b></p> <ul style="list-style-type: none"> <li>Concerns over continued high raw materials and fuel prices and the impact of the economic slowdown, particularly in Europe.</li> </ul> <p><b>(Automotive glass)</b></p> <ul style="list-style-type: none"> <li>Global vehicle production will gradually recover from the component supply shortages including semiconductor.</li> <li>Although there is concern about the impact of persistently high raw materials and fuel prices, the effect of the price increase is expected to emerge.</li> </ul>
<b>Electronics</b>	<p><b>(Display)</b></p> <ul style="list-style-type: none"> <li>Concerns regarding LCD glass substrates include the impact of LCD panel production adjustments and high manufacturing costs associated with higher fuel &amp; raw materials prices and yen depreciation.</li> <li>Shipments of specialty glass for display applications will increase due to demand season.</li> </ul> <p><b>(Electronic materials)</b></p> <ul style="list-style-type: none"> <li>Shipments of optoelectronics materials and semiconductor-related products will increase.</li> <li>There is a concern that the economic slowdown will impact circuit board materials demand.</li> </ul>
<b>Chemicals</b>	<p><b>(Chlor-alkali/urethane)</b></p> <ul style="list-style-type: none"> <li>Caustic soda market prices will remain high.</li> <li>PVC market is expected to stop falling in 4Q.</li> </ul> <p><b>(Fluorine/specialty chemicals)</b></p> <ul style="list-style-type: none"> <li>Shipments will increase following the strong demand for fluorine-related products mainly for semiconductor-related applications.</li> </ul> <p><b>(Life science)</b></p> <ul style="list-style-type: none"> <li>The number of contracts of synthetic pharmaceuticals and agrochemicals CDMO will increase.</li> <li>The sales from CDMO contracts on Biopharmaceuticals in 4Q are expected to be affected by the concentration of sales in 3Q.</li> </ul>

Please turn to page 26.

I will now explain the forecast for each business segment for Q4 of FY2022.

In the glass segment, there are concerns about the impact of continued strong raw material price and the economic slowdown in Europe and other regions on architectural glass. In automotive glass, moderate recovery is expected in global auto manufacturing volume, recovering from the impact of shortfalls in component supply, including semiconductors.

Although there are concerns about the impacts of higher and staying raw materials and fuel prices, the effect of the revised pricing policy is expected to emerge. In the electronics segment, with regards to displays, sales of glass substrates for LCDs are expected to be affected by the impact of capacity utilization adjustments by LCD panel manufacturers. The impact of the rise in raw materials and fuel prices, and the weakening of the yen, which will lead to higher manufacturing costs.

In the specialty glass for display, shipments are expected to increase due to the demand season. In electronic materials, shipments of optoelectronics materials and semiconductor-related products are expected to increase. In circuit board materials, there are concerns about the impact of economic slowdown on demand. In the chemicals, chlor-alkali/urethanes, market prices for caustic soda will remain at a high level.

Although the PVC spread contracted in Q3, the PVC market is expected to bottom out in Q4. And fluorochemicals and specialty demand for fluorochemical-related products, particularly for semiconductor applications, is expected to remain strong, and shipments are expected to increase.

In the life science business, CDMO demand for synthetics and agrochemical is expected to be strong. In biopharmaceutical CDMO, a reactionary downturn is expected in Q4 due to the concentration of contract

sales in Q3. Specifically, this is due to the temporary occurrence in the biopharmaceutical cancellation fees in Q3.

## Outlook of Strategic business



- Steady growth is expected.

### Main products & businesses

#### Mobility

- Cover glass for car-mounted displays
- New materials for mobility, including 5G communications

#### Electronics

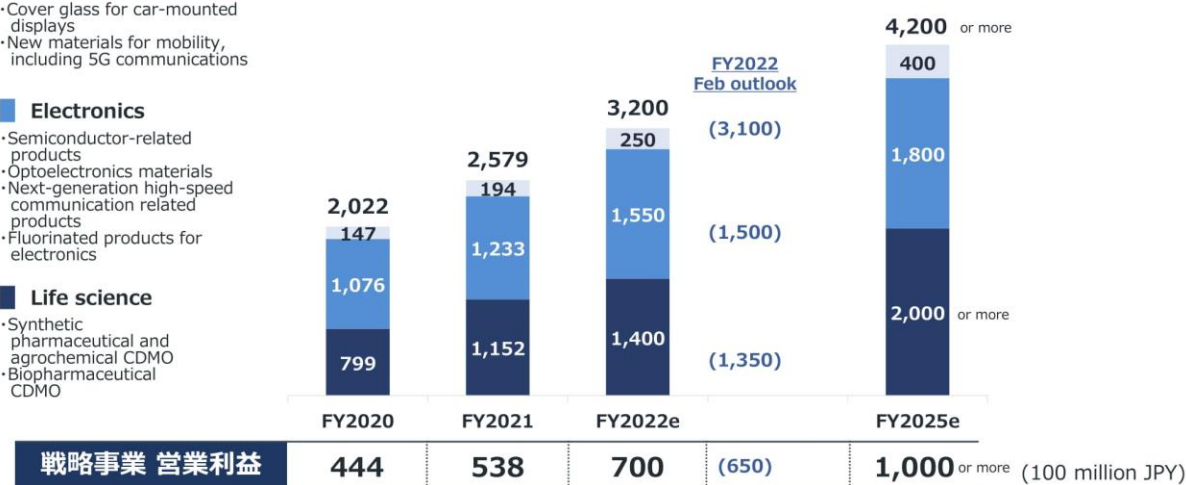
- Semiconductor-related products
- Optoelectronics materials
- Next-generation high-speed communication related products
- Fluorinated products for electronics

#### Life science

- Synthetic pharmaceutical and agrochemical CDMO
- Biopharmaceutical CDMO

### Sales of Strategic business

(100 million JPY)



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There's no change in the outlook for our strategic business. As a result of steady growth of business, we expect net sales of JPY320 billion and operating profit of JPY70 billion for the full year.



Full year (100 million JPY)

	FY2021	FY2022e	
<b>CAPEX *</b>	2,165	<b>2,400 **</b>	<b>【Main projects for CAPEX】</b> <ul style="list-style-type: none"> <li>Capacity enhancement of Electronic materials (Electronics)</li> <li>Repairment for display glass furnace (Electronics)</li> <li>G11 investment in China (Electronics)</li> <li>Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)</li> <li>Capacity enhancement on fluorochemical-related products (Chemicals)</li> <li>Capacity enhancement of biopharmaceuticals (Chemicals)</li> <li>etc.</li> </ul>
Glass	509	<b>430</b>	
Electronics	696	<b>850</b>	
Chemicals	942	<b>1,100</b>	
Ceramics/Other	22	<b>20</b>	
Elimination	▲ 3	▲ 0	
<b>Depreciation *</b>	1,668	<b>1,850 ***</b>	
Glass	546	<b>560</b>	<p>*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.</p> <p>**Changed from the February 8, 2022 forecast of 280.0 billion JPY (Before change: Glass 50.0 billion JPY, Electronics 88.0 billion JPY, Chemicals 140.0 billion JPY)</p> <p>***Change from the February 8, 2022 forecast of 180.0 billion JPY (Before change: Glass 54.0 billion JPY, Electronics 68.0 billion JPY, Chemicals 56.0 billion JPY)</p>
Electronics	603	<b>690</b>	
Chemicals	500	<b>580</b>	
Ceramics/Other	20	<b>20</b>	
Elimination	▲ 1	▲ 0	
<b>R&amp;D</b>	494	<b>540</b>	

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The annual Capex and depreciation forecast have been revised from those announced at the beginning of the fiscal year to JPY240 billion and JPY185 billion, respectively.

R&D expenses unchanged for the initial forecast of JPY54 billion.

That will be the end of my presentation. Thank you very much.

**Ogawa:** Thank you, Miyaji-san. Now we would like to open the floor for questions.

[END]