



AGC Inc.

Financial Results for FY2024 Second Quarter

August 1, 2024

Event Summary

[Company Name]	AGC Inc.	
[Company ID]	5201-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results for FY2024 Second Quarter	
[Fiscal Period]	FY2024 Q2	
[Date]	August 1, 2024	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Yoshinori Hirai	Representative Director, President & CEO
	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: We will now begin the FY2024 Q2 financial results presentation of AGC Inc.

I am Ogawa of Corporate Communications & Investor Relations Division, and I will serve as today's moderator.

In attendance today are Yoshinori Hirai, Representative Director, President & CEO; Shinji Miyaji, Representative Director, Senior Executive Vice President, CFO; and Toshiro Kasuya, Senior Executive Officer, General Manager of Finance & Control Division.

First, CFO Miyaji will give an overview of the financial results for Q2 of FY2024. CEO Hirai will then explain the progress of the medium-term management plan, followed by a Q&A session.

Now, Mr. Miyaji, please.

Key Points① : Financial Results for 2Q FY2024 (cumulative)



Financial Results for 2Q FY2024 (cumulative)

(100 million JPY)
(YoY)

Net sales	10,152	(+299)
Operating profit	567	(-76)
Profit for the period attributable to owners of the parent	- 1,145	(-1,551)

Main reasons for the net loss for the period attributable to owners of the parent

(100 million JPY)

■ Losses on sale of shares of subsidiaries and associates incurred in connection with the transfer of the Russian business (Booked in 1Q)	-360
■ Impairment losses related to Biopharmaceuticals CDMO business (Booked in 2Q)	-1,183

- Net sales increased thanks to the positive effect of foreign exchange rates and increase in sales in Electronics, despite the decline in sales prices for Architectural Glass, Caustic soda and PVC in Chemicals and decline in sales of the Biopharmaceuticals CDMO business in Life Science.
- Operating profit decreased due to factors such as the above-mentioned lower sales prices and decline in sales of the Biopharmaceuticals CDMO business, despite lower raw materials and fuel costs.
- Profit for the period attributable to owners of the parent decreased significantly and turned into a loss due to the impact of other expenses incurred, including impairment losses related to Biopharmaceuticals CDMO business in Life Science and losses on sale of shares of subsidiaries and associates incurred in connection with the transfer of the Russian business.

Miyaji: Thank you.

First, please see page three for today's key points. Net sales for Q2 of 2024 increased by JPY29.9 billion to JPY1,015.2 billion due to the positive effect of foreign exchange and higher sales of the Electronics segment, despite lower sales prices for the Architectural Glass segment and caustic soda and PVC in the Chemicals segment, as well as lower sales of the Biopharmaceuticals CDMO business in the Life Science segment.

Operating profit decreased by JPY7.6 billion to JPY56.7 billion, despite lower raw material and fuel prices, due to the aforementioned sales price decline and lower sales in the Biopharmaceuticals CDMO business.

Profit for the period attributable to owners of the parent decreased by JPY155.1 billion to a loss of JPY114.5 billion, mainly due to a loss of JPY36 billion on the sale of shares in affiliates associated with the transfer of the Russian business, which was recorded as other expenses in Q1, and an impairment loss of JPY118.3 billion related to Life Science.

Key Points② : Outlook for FY2024



Outlook for FY2024 (Revised)

		(vs. Feb. 7)	(100 million JPY) (YoY)
Net sales	21,000	-	(+807)
Operating profit	1,300	(-200)	(+12)
Profit for the period attributable to owners of the parent	- 950	(-1,480)	(-1,608)

Dividend Forecast

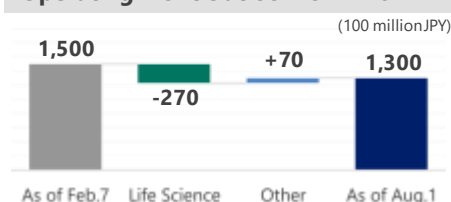
■ No change

Interim dividend 105 JPY
Year-end dividend 105 JPY

Major Factors in the Revision of Outlook

- Revised operating profit downward as Life Science fell far short of expectations and could not be covered by other businesses.

Operating Profit Outlook for FY2024



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Page four is the full-year forecast. Due to the fact that the performance of Life Science is expected to be much lower than our initial plan and that it is not expected to be covered by other businesses, the operating profit forecast has been lowered by JPY20 billion from the initial forecast to JPY130 billion. The dividend forecast remains unchanged from the beginning of the fiscal year.

Highlights of the Financial Results for 2Q FY2024 (cumulative)



* FOREX impact was +723, change in the scope of consolidation was -110 (100 million JPY)

(100 million JPY)

		FY2023 1-2Q Total	FY2024 1-2Q Total	Change	Main factors in the change (+) Increasing factors (-) Decreasing factors
Net sales		9,853	10,152	+ 299*	(+) Yen depreciation (+) Increase in shipments of Electronic Materials and higher sales prices of LCD glass substrates (-) Decline in sales prices of Architectural Glass (-) Decline in sales prices of caustic soda and PVC (-) Decline in sales of Biopharmaceuticals CDMO
Operating profit		643	567	- 76	(+) Decline in raw materials and fuel costs (-) Decline in sales prices mentioned above (-) Decline in sales of Biopharmaceuticals CDMO
Profit before tax		660	- 924	- 1,584	In addition to the above, (+) Foreign exchange gain (-) Other expenses related to Life Science (biopharmaceuticals CDMO) (-) Other expenses related to transfer of Architectural Glass and Automotive Glass business in Russia
Profit for the period attributable to owners of the parent		406	- 1,145	- 1,551	
FOREX (Average)	1USD	JPY 134.85	JPY 152.25		
	1EUR	JPY 145.79	JPY 164.60		
Crude oil (Dubai, Average)	USD/BBL	79.05	83.27		

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Please see page seven. Net sales, operating profit, and profit for the period attributable to owners of the parent are as explained earlier. Profit before tax was negative JPY92.4 billion.

Other Income/Expenses Breakdown for 2Q FY2024



- Losses recorded not accompanying cash outflows

(100 million JPY)

	FY2024 1-2Q Total	Factors
Other income	152	
Other expenses	-1,624	
Impairment losses	-1,192	Life Science Biopharmaceuticals CDMO business (-1,183) - Goodwill -606 (Denmark, Italy and the U.S.) - Fixed and other intangible assets -577 (the U.S.)
Losses on sale of shares of subsidiaries and associates	-365	Business transfer of Russian subsidiaries (-360)
Losses on disposal of fixed assets	-17	
Expenses for restructuring programs	-13	
Others	-38	

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Next, I will explain the breakdown of other expenses, which is the reason for the loss for the period attributable to owners of the parent company. See page eight. Most of the JPY162.4 billion in other expenses is for impairment losses and losses on sale of shares of subsidiaries and associates, both of which do not involve cash outflows.

Impairment losses of JPY119.2 billion were mainly due to impairment losses of JPY60.6 billion on goodwill and JPY57.7 billion on property, plant and equipment and intangible assets excluding goodwill related to the Biopharmaceuticals CDMO business in the Life Science segment.

The main reason for the JPY36.5 billion of losses on sale of shares of subsidiaries and associates was the loss of JPY36 billion from the business transfer of Russian subsidiaries in Q1.

YoY Performance Comparison by Business Segment



(100 million JPY)

	FY2023 1-2Q Total (a)		FY2024 1-2Q Total (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Architectural Glass	2,398	186	2,247	102	- 151	- 84
Automotive	2,407	102	2,519	106	+ 112	+ 3
Electronics	1,419	29	1,693	200	+ 274	+ 171
Chemicals	2,828	309	2,904	277	+ 77	- 32
Life Science	680	6	636	-141	- 44	- 147
Ceramics/Other	394	14	424	24	+ 30	+ 10
Elimination	-273	-3	-271	0	+ 2	+ 3
Total	9,853	643	10,152	567	+ 299	- 76

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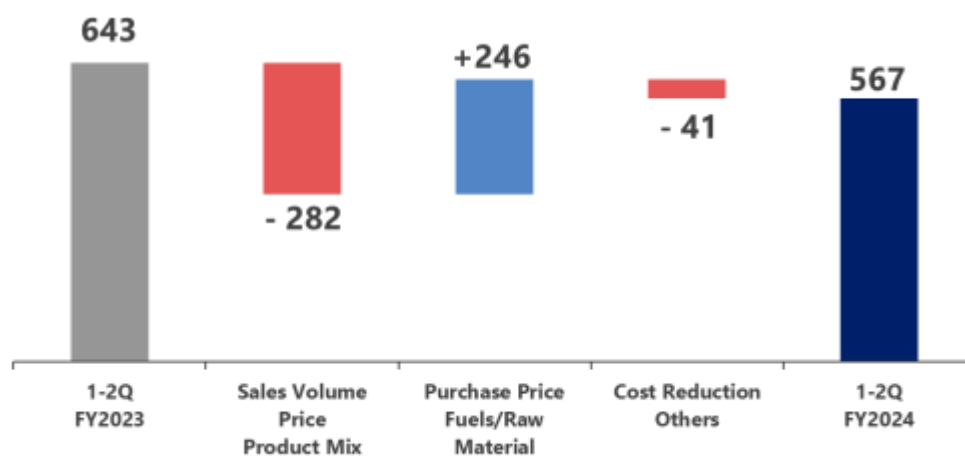
Next, I will explain our performance by segment. See page nine. Net sales and operating profit were down in Architectural Glass and Life Science, and up in Automotive and Electronics. In Chemicals, net sales increased and operating profit decreased.

Variance Analysis on OP (1-2Q FY2024 vs. 1-2Q FY2023)



-76 down from last year

(100 million JPY)



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See page 10. Here you see an analysis of operating profit by factor compared to the same period last year.

The difference in sales volume, sales price, and product mix was a negative factor of JPY28.2 billion. In addition to lower sales prices for Architectural Glass and caustic soda and vinyl chloride resin in Chemicals, operating profit was affected by a decline in sales of the Biopharmaceuticals CDMO business in Life Science.

The raw material and fuel price difference was a positive factor of JPY24.6 billion. Raw materials and fuel prices, such as natural gas and electricity, declined.

Cost and others contributed negatively by JPY4.1 billion.

As a result of the above, operating profit decreased JPY7.6 billion to JPY56.7 billion.

Consolidated Statement of Financial Position



	2023/12	2024/6	Change	
(100 million JPY)				
Cash and cash equivalents	1,461	1,089	- 372	
Inventories	4,541	4,731	+ 190	
	16,312	16,368	+ 57	Foreign exchange fluctuation +1,102 Effect of impairment loss -1,192
Other assets	7,017	7,387	+ 370	
Total assets	29,330	29,576	+ 246	Foreign exchange fluctuation +1,767
Interest-bearing debt	6,950	6,530	- 420	
Other liabilities	5,836	6,017	+ 180	
Liabilities	12,787	12,547	- 240	
Total equity attributable to owners of the parent	14,471	14,770	+ 299	
Non-controlling interests	2,073	2,259	+ 186	
Equity	16,543	17,029	+ 485	Foreign exchange fluctuation +1,112
Total liabilities and equity	29,330	29,576	+ 246	
D/E ratio	0.42	0.38		

Page 11 is the balance sheet. Total assets amounted to JPY2,957.6 billion, up JPY24.6 billion from the end of last year. The D/E ratio was 0.38.

Consolidated Statement of Cash Flow



	FY2023	FY2024	
(100 million JPY)			
1-2Q Total			
Profit before tax	660	-924	
Depreciation and amortization	859	915	
Increase(decrease) in working capital	-403	-145	
Others	-221	1,575	
Cash flows from operating activities	894	1,422	Effect of impairment loss +1,192
Cash flows from investing activities	-881	-782	Effect of loss on sale of subsidiaries and associates not accompanying cash outflow +365
Free cash flows	13	640	
Changes in interest-bearing debt	222	-770	
Dividends paid	-233	-223	
Others	-525	-80	
Cash flows from financing activities	-536	-1,072	Cash inflow effect from sale of subsidiaries and associates +221
Effect of exchange rate changes on cash and cash equivalents etc.	115	61	
Net increase(decrease) in cash and cash equivalents	-409	-372	

Page 12 is the statement of cash flows. Operating cash flow for the period was JPY142.2 billion and investing cash flow was negative JPY78.2 billion, resulting in free cash flow of JPY64 billion.

Others in operating cash flows includes JPY119.2 billion impact from impairment losses and JPY36.5 billion impact from losses from sales of subsidiaries and affiliates. Sales of affiliates are mainly related to Russia.

In addition, investment cash flow includes JPY22.1 billion in cash inflows from the sale of affiliated companies in Russia.

CAPEX, Depreciation and R&D



1-2Q Total			1-2Q Total			1-2Q Total		
	FY2023	FY2024		FY2023	FY2024		FY2023	FY2024
CAPEX	1,052	1,196	Depreciation	859	915	R&D	270	293
Architectural Glass	100	119	Architectural Glass	119	127			
Automotive	116	132	Automotive	156	161			
Electronics	293	215	Electronics	258	266			
Chemicals	396	552	Chemicals	248	265			
Life Science	139	160	Life Science	68	87			
Ceramics/Other	10	18	Ceramics/Other	10	9			
Elimination	- 1	- 0	Elimination	- 1	- 1			

(100 million JPY)

Main projects for CAPEX

- Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement for Biopharmaceuticals CDMO and Small Molecule Pharmaceuticals and Agrochemicals CDMO (Life Science)
- Capacity enhancement for Electronic Materials (Electronics)
- Capacity enhancement for fluorochemical-related products (Chemicals)
- Repairment for Display glass furnace (Electronics) etc.

Page 13 explains capital expenditures, depreciation and R&D. Capital expenditures totaled JPY119.6 billion, depreciation and amortization expenses JPY91.5 billion, and R&D expenses JPY29.3 billion.

Architectural Glass Segment

1-2Q Total	FY2023	FY2024	Change
Net sales	2,398	2,247	- 151*
Asia	759	739	- 20
Europe & Americas	1,633	1,496	- 137
(Inter-segment)	6	12	+ 6
Operating profit	186	102	- 84

* FOREX impact: +196
Change in the Scope of Consolidation: -60 (100 million JPY)



Asia

- Net sales decreased due to lower shipments.



Europe & Americas

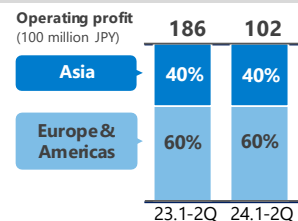
- Net sales decreased due to lower sales prices in Europe and the negative impact from the transfer of the Russian business, despite the positive effect of foreign exchange rates.

Variance Analysis on OP



Sub-segment ratio to the operating profit

(before common expense allocation)



Next, I will explain by segment. See page 15. In the Architectural Glass segment, net sales were JPY224.7 billion and operating profit was JPY10.2 billion. Sales in Asia decreased JPY2 billion to JPY73.9 billion due to a decrease in shipments. Sales in Europe and the Americas increased due to foreign exchange effects, but total sales decreased by JPY13.7 billion to JPY149.6 billion due to the impact of the transfer of the Russian business, in addition to a decline in sales prices in Europe.

As for the operating profit composition of the Architectural Glass segment, as in the previous year, 40% of profits were generated in Asia and 60% in Europe and the United States.

Automotive Segment

1-2Q Total	FY2023	FY2024	Change
Net sales	2,407	2,519	+ 112*
Automotive	2,405	2,518	+ 113
(Inter-segment)	2	1	- 1
Operating profit	102	106	+ 3

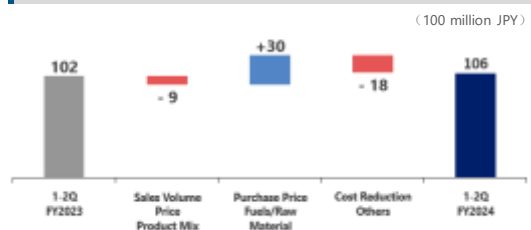
* FOREX impact: +210
Change in the Scope of Consolidation: -18 (100 million JPY)



Automotive Glass

- The Group's shipments decreased as the automobile production decreased mainly in Japan.
- Net sales increased due to positive effect of foreign exchange rates and higher sales prices.

Variance Analysis on OP



See page 16. In the Automotive segment, net sales were JPY251.9 billion and operating profit was JPY10.6 billion. Although the Group's shipments decreased due to a decline in automobile production, mainly in Japan, net sales increased by JPY11.2 billion due to the revenue increase effect of foreign exchange and higher selling prices.

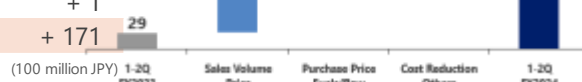
Electronics Segment



1-2Q Total	FY2023	FY2024	Change	Variance Analysis on OP
Net sales	1,419	1,693	+ 274 [*]	
Display	783	901	+ 118	
Electronic Materials	631	785	+ 154	
(Inter-segment)	5	7	+ 1	
Operating profit	29	200	+ 171	

* FOREX impact: +61,
Change in the Scope of Consolidation: -25

(100 million JPY)



Display

- Net sales increased due to increase in shipments and higher sales prices of LCD glass substrates.



Electronic Materials

- Net sales increased due to higher shipments of semiconductor-related products such as EUV mask blanks and optoelectronic materials, as well as the positive effect of foreign exchange rates.

Sub-segment ratio to the operating profit

(before common expense allocation)

Operating profit (100 million JPY)		29	200
Electronic Materials	140%	20%	
Display	-40%	80%	
		23.1-2Q	24.1-2Q

See page 17. In the Electronics segment, net sales were JPY169.3 billion and operating profit was JPY20 billion.

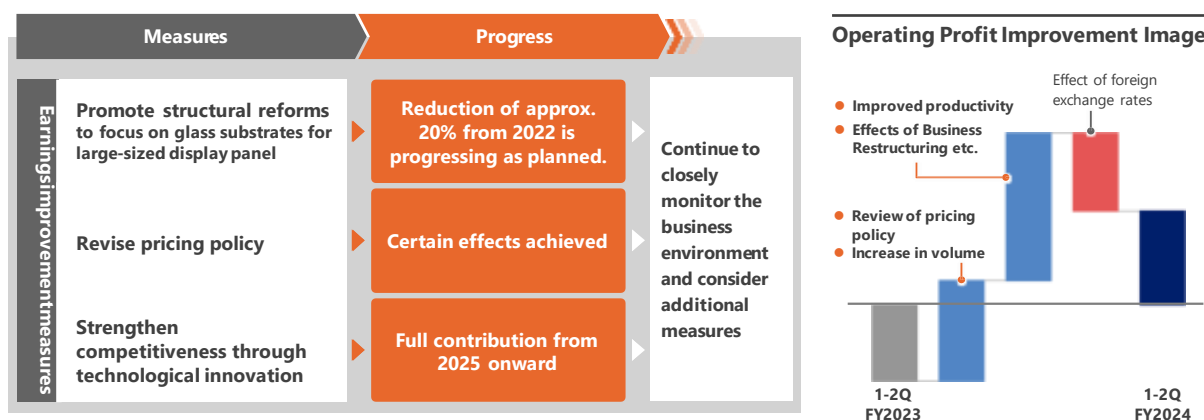
In the Display business, sales increased by JPY11.8 billion to JPY90.1 billion due to increased shipments of LCD glass substrates and higher sales prices.

In the Electronic Materials business, sales increased by JPY15.4 billion to JPY78.5 billion due to an increase in shipments of semiconductor-related products such as EUV mask blanks and optoelectronic materials, as well as the effect of foreign exchange rates.

As for the operating profit composition of the Electronics segment, operating profit from Display accounted for 20% and that from Electronic Materials accounted for 80%.

Progress of the Display Business Earnings Improvement

- Business structural reforms, pricing policy, and other measures progressed as planned.
- Profitability improved, partly due to improved productivity, offsetting the negative effect of foreign exchange rates.



Page 18 shows the progress in improving the Display business. We are accelerating the optimization of production capacity to concentrate on glass substrates for large panels, and are trying to reduce production capacity by about 20% from the FY2022 level by the end of FY2024, which is progressing as planned.

Earnings improved significantly, despite the negative impact of foreign exchange rate fluctuations, due to a significant improvement in productivity as well as an increase in volume, and certain effects of the pricing policy.

Furthermore, from 2025, measures to strengthen competitiveness through technological innovation will make a full-fledged contribution to our business performance, and we expect to make further progress in improving profitability.

We are in the process of considering and continuing additional measures while closely monitoring the demand environment. We are aiming to achieve a 10% ROCE in the Display business during the current medium-term management plan period.

Chemicals Segment

1-2Q Total	FY2023	FY2024	Change
Net sales	2,828	2,904	+ 77*
Essential Chemicals	2,008	2,012	+ 4
Performance Chemicals	798	874	+ 76
(Inter-segment)	22	19	- 3
Operating profit	309	277	- 32

* FOREX impact: +192.
Change in the Scope of Consolidation: No impact
(100 million JPY)



Essential Chemicals

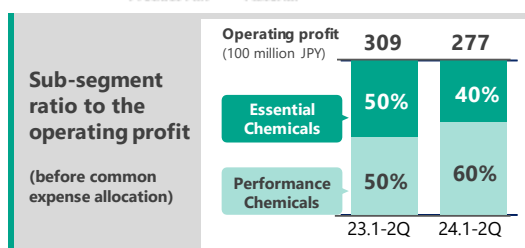
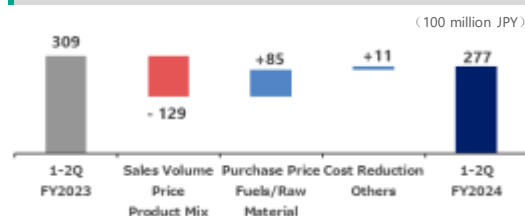
- Net sales remained flat due to lower sales prices of caustic soda and PVC, despite the positive effect of foreign exchange rates.



Performance Chemicals

- Net sales increased due to positive effect of foreign exchange rates and the rise in sales prices.

Variance Analysis on OP



See page 19. In the Chemicals segment, net sales were JPY290.4 billion and operating profit was JPY27.7 billion.

In the Essential Chemicals business, sales increased JPY0.4 billion to JPY201.2 billion, flat from the same period of the previous year, due to a decline in sales prices of caustic soda and PVC, despite the positive effect of foreign exchange rates on sales.

In the Performance Chemicals business, sales increased JPY7.6 billion to JPY87.4 billion due to the impact of foreign exchange rates and higher sales prices.

As for the composition of operating profit in the Chemicals segment, the Essential Chemicals business accounted for 40% and the Performance Chemicals business accounted for 60%.

Life Science Segment

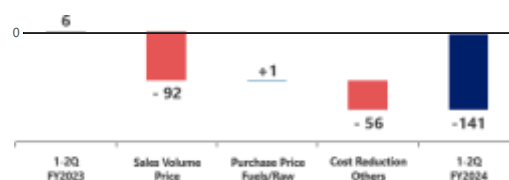
1-2Q Total	FY2023	FY2024	Change
Net sales	680	636	- 44*
Life Science	667	616	- 51
(Inter-segment)	13	20	+ 6
Operating profit	6	-141	- 147

* FOREX impact: +57,
Change in the Scope of Consolidation: No impact

(100 million JPY)

Variance Analysis on OP

(100 million JPY)



Life Science

- Net sales decreased due to the disappearance of Covid-related special demand, reduced capital inflows into biotech ventures, as well as the negative effect of inventory adjustments in the agrochemicals market.
- Upfront costs incurred associated with capacity expansion in the Biopharmaceuticals CDMO business.

See page 20. The Life Science segment reported net sales of JPY63.6 billion and an operating loss of JPY14.1 billion. Net sales decreased by JPY5.1 billion due to the disappearance of special demand caused by COVID-19 and the impact of reduced inflows of funds to biotech ventures in the Biopharmaceuticals CDMO business, and inventory adjustments in the agrochemical market in Small Molecule Pharmaceuticals and Agrochemicals CDMO, despite the effect of increased sales due to foreign exchange rate fluctuations.

Operating profit decreased due to the previously mentioned factors of lower sales as well as upfront costs incurred in connection with capacity expansion of the Biopharmaceuticals CDMO business.

Profit contribution of Strategic Businesses

- Sales of semiconductor-related products in Electronics and Performance Chemicals were strong, but profits declined YoY due to deteriorating earnings in Biopharmaceuticals CDMO.

Sales of Strategic business

(100 million JPY)



Main products & businesses

Mobility

- Cover glass for car-mounted displays
- High value-added products for CASE

Electronics

- Semiconductor-related products
- Optoelectronic materials
- Next-generation high-speed communication materials

Life Science

- CDMO for synthetic pharmaceuticals and agrochemicals
- CDMO for biopharmaceuticals

Performance Chemicals

- High performance fluorine products for various industries

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See page 21. Here you see the performance of the strategic businesses. Overall sales of strategic businesses increased by JPY16.6 billion to JPY229.1 billion. Operating profit decreased JPY3.7 billion to JPY22.3 billion.

Although sales of semiconductor-related products in the Electronics segment and the Performance Chemicals business were strong, operating profit declined due to the deteriorating profitability of the Biopharmaceuticals CDMO business in the Life Science segment, as explained earlier.

YoY Performance Comparison by Geographic Segment

	(100 million JPY)		
1-2Q Total	FY2023	FY2024	Change
Net sales	9,853	10,152	+ 299
Japan & Asia	6,055	6,268	+ 213
Americas	1,098	1,285	+ 187
Europe	2,700	2,598	- 102
Operating profit	643	567	- 76
Japan & Asia	631	795	+ 163
Americas	-4	-63	- 60
Europe	243	81	- 162
Cross-regional common expenses	-227	-245	- 18

FOREX impact
+723

Change in the scope of consolidation
-110

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See page 22. The results by region are shown in the table.

Outlook for FY2024



- Profit for the year attributable to owners of the parent is expected to decrease from the previous year and from the initial forecast due to the impact of significantly lower-than-expected performance and impairment losses in the Biopharmaceuticals CDMO business.

		(100 million JPY)		
		FY2023	FY2024e (As of Aug. 1)	FY2024e (As of Feb. 7)
Net sales		20,193	21,000	21,000
	(First half)	9,853	10,152	10,000
Operating profit		1,288	1,300	1,500
	(First half)	643	567	600
Profit before tax		1,228	- 420	1,050
Profit for the year attributable to owners of the parent		658	- 950	530
Dividend (JPY/share)		210	210	210
Operating profit margin		6.4%	6.2%	7.1%
ROE		4.6%	▲ 6.6%*	3.7%*
FOREX (Average)	1 USD	JPY 140.6	JPY 151.0	JPY 140.0
	1 EUR	JPY 152.0	JPY 163.0	JPY 160.0
Crude oil (Dubai, Average)	USD/BBL	82.1	85.0	85.0
Ethylene (CFR SEA)	USD/MT	889	980	980

* ROE of FY2024e is calculated using the figures of Total equity attributable to owners of the parent as of Dec. 31, 2023

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Page 24 is the forecast of full-year results. As mentioned at the beginning, we have revised downward the earnings forecast announced on February 7, 2024. We project net sales of JPY2,100 billion, up JPY80.7 billion from the previous year, operating profit of JPY130 billion, up JPY1.2 billion, profit before tax of JPY42 billion, down JPY164.8 billion, and profit for the period attributable to owners of the parent of JPY95 billion, down JPY160.8 billion.

We have revised our full-year exchange rate assumptions to JPY151 to the US dollar and JPY163 to the euro.

Outlook Breakdown by Segment (Net sales and Operating profit)



(100 million JPY)

	FY2023 (a)		FY2024e As of Aug. 1 (b)		Change (b)-(a)		FY2024e As of Feb. 7 (c)		Change (b)-(c)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
	4,763	328	4,600	230	- 163	- 98	4,600	300	+ 0	- 70
	4,997	218	5,100	230	+ 103	+ 12	5,100	230	+ 0	+ 0
	3,132	184	3,500	450	+ 368	+ 266	3,300	330	+ 200	+ 120
	5,741	648	6,200	600	+ 459	- 48	6,200	600	+ 0	+ 0
	1,268	- 124	1,300	- 240	+ 32	- 116	1,400	30	- 100	- 270
	834	33	900	30	+ 66	- 3	800	10	+ 100	+ 20
Elimination	- 542	1	- 600	0	- 58	- 1	- 400	0	- 200	+ 0
Total	20,193	1,288	21,000	1,300	+ 807	+ 12	21,000	1,500	+ 0	- 200

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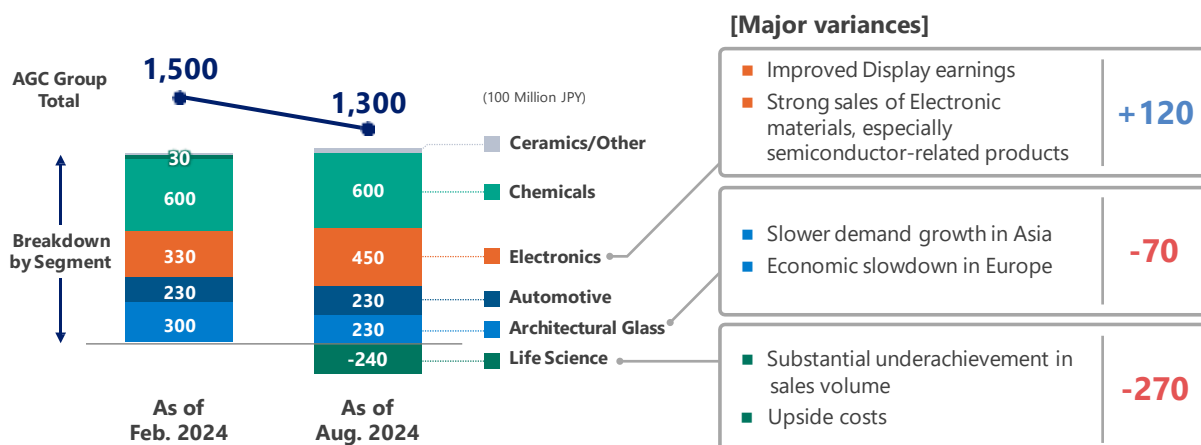
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See page 25. The following is an explanation of the key points of the revision to the earnings forecast by segment. Regarding the sales forecast, the sales forecast for the Electronics segment and others was revised upward, while the sales forecast for the Life Science and others was revised downward, leaving the consolidated total sales forecast unchanged from the initial forecast.

Breakdown of Revised Operating Profit Forecast by Segment



- Operating profit forecast was revised downward due to lower-than-expected results in Life Science and Architectural Glass, despite higher-than-expected results in Electronics.



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For operating profit, please see the page 26. The full-year forecast for operating profit has been lowered by JPY20 billion from the initial forecast of JPY150 billion to JPY130 billion. Compared to the assumption at the beginning of the fiscal year, demand for Electronics is expected to be higher due to improved profitability of Displays and growth in Electronic Materials, mainly semiconductor-related materials, but operating profit is

expected to be lower in Architectural Glass, which was affected by sluggish demand in Asia and economic slowdown in Europe, and in Life Science, where profitability has deteriorated significantly.

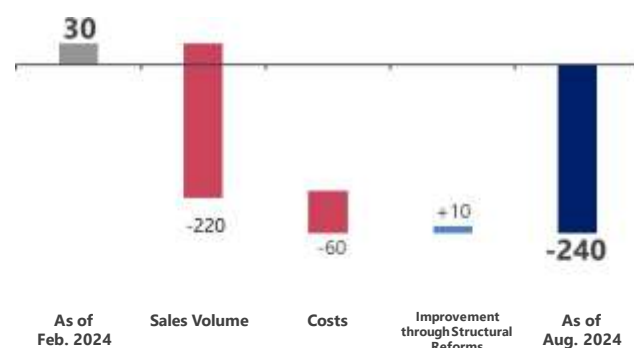
Supplement: Factors behind the Downward Revision of Life Science Business Outlook for FY2024



- Revised down the operating profit forecast for FY2024 due to a significant decrease in sales volume and unexpected increase in costs in the Biopharmaceuticals CDMO business from the initial forecast.

Life Science operating profit forecast for FY2024

(100 Million JPY)



- Sales volume significantly underachieved due to delays in contracted projects and sluggish orders for new projects, caused by the prolonged decrease in capital inflows to biotech ventures and delays in the construction of the capacity expansion at Denmark site.
- Costs increased due to revision of costs reduction targets with higher labor costs.
- Headcount reductions, mainly in the U.S., but the effect in FY2024 will be limited to about 1 billion JPY.

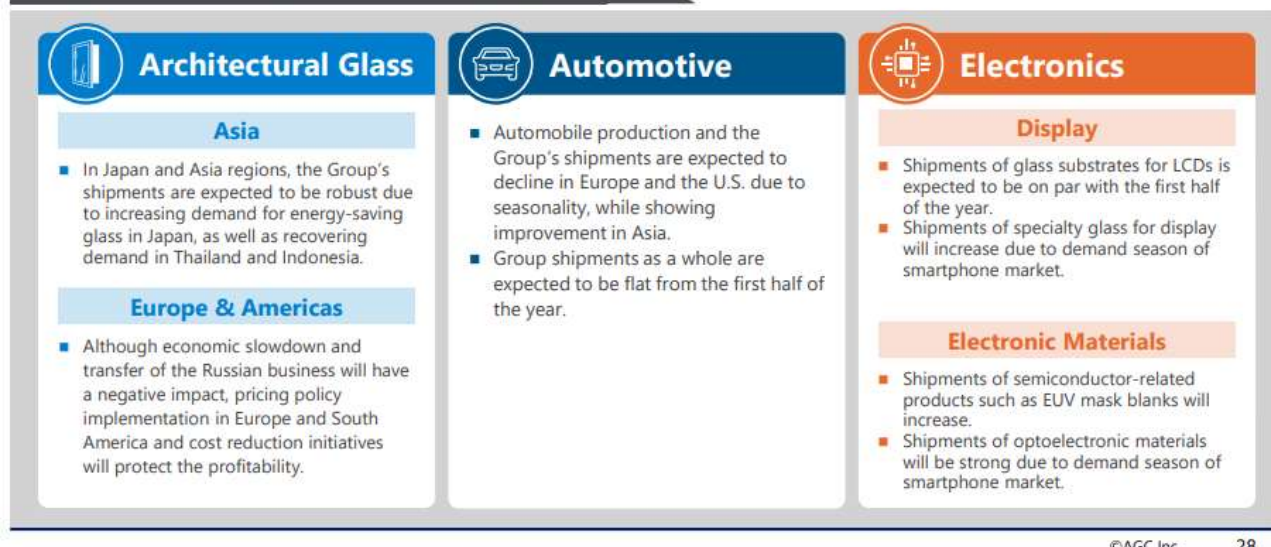
See page 27. I would like to explain in some detail factors behind the large downward revision in Life Science.

In addition to the prolonged decline in the inflow of funds to biotech ventures, delays in the start-up of expanded lines in Europe and other factors have caused sales volumes to be much lower than initially expected. In addition, costs are expected to increase as a result of revising the cost reduction target that was initially incorporated into the plan to a more accurate one based on the current situation.

We are reducing our workforce mainly in the US, but the effect on this fiscal year's performance is expected to be limited to approximately JPY1 billion. Due to the above factors, the operating profit forecast has been revised downward.

Outlook for 2H FY2024 by Business Segment (1)

Outlook for 2H FY2024 (vs 1H FY2024)



Page 28 shows the H2 forecast for each segment. In Architectural Glass, shipments are expected to be firm in Asia due to increased demand for energy-saving glass in Japan, as well as recovering demand in Thailand and Indonesia.

In Europe, the economic slowdown and the transfer of the Russian business will have a negative impact on sales, but pricing policies and cost reductions are expected to support earnings.

In Automotive, automobile production and our shipments are expected to decrease in Europe and the US due to seasonal factors, while improving in Asia, and overall shipments are expected to be on par with H1.

In Electronics, as for Display business, shipments of LCD glass substrates are expected to remain flat from H1. Shipments of specialty glass for display are expected to increase due to the recovery of the smartphone market and increased demand from our major customers.

As for Electronic Materials, shipments of semiconductor-related products are expected to increase, centering on EUV mask blanks. Shipments of optoelectronic materials are expected to remain steady due to the recovery of the smartphone market.

Outlook for 2H FY2024 by Business Segment (2)

Outlook for 2H FY2024 (vs 1H FY2024)



Chemicals

Essential Chemicals

- Demand in Southeast Asia will remain strong, but market conditions will remain low due to the sluggish Chinese economy.

Performance Chemicals

- Shipment will increase due to higher demand for Fluorochemical-related products for semiconductors and transportation application.



Life Science

- Contract sales of small molecule pharmaceuticals and agrochemicals CDMO are expected to increase.
- As for the biopharmaceuticals CDMO, despite the continued impact of reduced capital inflow to biotech ventures, sales are expected to increase due to increased operation of the new line in the U.S., whose start-up had been delayed, and the commencement of operations of expanded facilities in Europe.

See page 29. In the Chemicals segment, in the Essential Chemicals business, demand in Southeast Asia is expected to remain firm, but market conditions are expected to remain low due to economic stagnation in China.

In Performance Chemicals, shipments are expected to increase due to higher demand for fluorochemical-related products for transportation equipment for semiconductors.

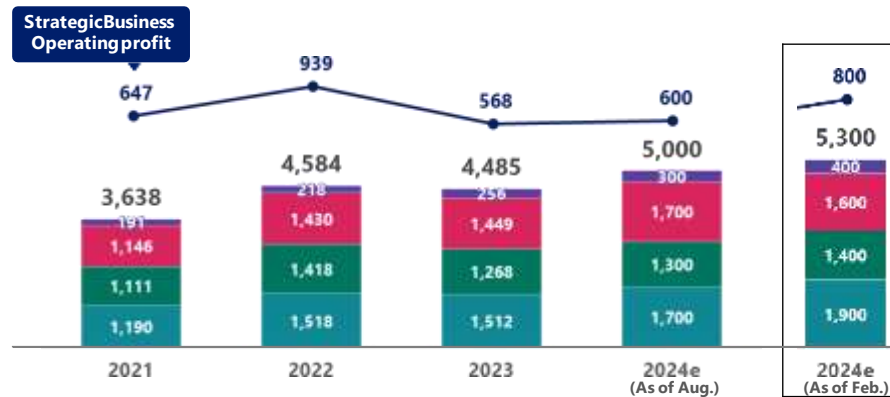
In the Life Science segment, contract sales of Small Molecule Pharmaceuticals and Agrochemicals CDMO are expected to increase. In the Biopharmaceuticals CDMO business, although the impact of reduced inflows of funds to biotech ventures will continue, contract sales are expected to increase due to the increased operation of the new line in the US, whose start-up had been delayed, and the commencement of operation of expanded facilities in Europe.

Outlook of Strategic Businesses

- Sales growth mainly in semiconductor-related products in Electronics and Performance Chemicals.
- Operating profit will increase only slightly YoY due to deteriorating profit/loss in Life Science.

Sales of Strategic business

(100 Million JPY)



Main products & businesses

Mobility

- Cover glass for car-mounted displays
- High value-added products for CASE

Electronics

- Semiconductor-related products
- Optoelectronic materials
- Next-generation high-speed communication materials

Life Science

- CDMO for synthetic pharmaceuticals and agrochemicals
- CDMO for biopharmaceuticals

Performance Chemicals

- High performance fluorine products for various industries

See page 30. For strategic businesses, sales are expected to increase due to YoY sales growth mainly in semiconductor-related products in Electronics and Performance Chemicals.

Operating profit is expected to increase only slightly from the previous year, affected by the deteriorating earnings of Life Science.

In response to the revised forecast, the full-year forecast for strategic businesses has also been revised downward from the initial forecast.

Outlook of CAPEX, Depreciation and R&D



Full year	FY2023	FY2024e	Full year	FY2023	FY2024e	Full year	FY2023	FY2024e
CAPEX	2,317	2,500	Depreciation	1,753	1,850	R&D	573	600
Architectural Glass	247	350	Architectural Glass	244	250			
Automotive	263	200	Automotive	319	340			
Electronics	514	400	Electronics	532	550			
Chemicals	877	1,160	Chemicals	501	530			
Life Science	399	370	Life Science	139	170			
Ceramics/Other	18	20	Ceramics/Other	21	10			
Elimination	- 1	0	Elimination	- 2	0			

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.

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See page 31. The initial forecasts for capital expenditures, depreciation and R&D expenses remain unchanged.

Shareholder Return Policy



- No change from the forecast announced in February 2024

Dividend per share (JPY)

- Special dividend
- Year-end dividend
- Interim dividend

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e	FY2024e
Special dividend							50			
Year-end dividend	45	45	55	60	60	60	80	105	105	105
Interim dividend	45	45	50	55	60	60	80	105	105	105
Share buyback (100 million JPY)	—	100	150	200	—	—	—	—	500	TBD
Consolidated total return ratio	48%	65%	56%	51%	60%	81%	38%	—	144%	—
Consolidated payout ratio	48%	44%	35%	29%	60%	81%	38%	—	69%	—
Dividend on equity ratio (DOE)	1.9%	1.9%	2.1%	2.2%	2.3%	2.3%	3.8%	3.4%	3.2%	3.1%

policy

Total return ratio of **50%** or higher, flexibly conduct share buyback

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

Maintain stable dividends with a target of approx. **3%** dividend on equity ratio (DOE), share buyback will be judged comprehensively

* 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.

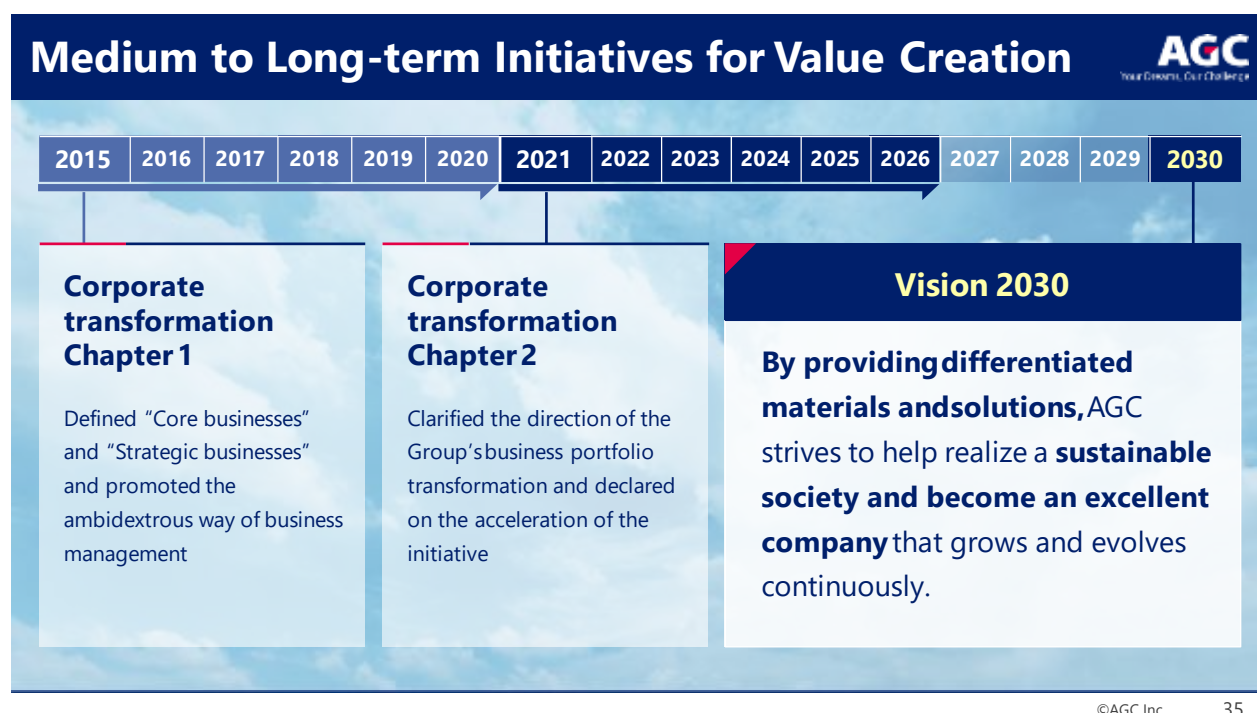
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See page 32. Regarding shareholder returns, although a final loss is expected for the current fiscal year, we have not changed our dividend forecast because the loss is associated with non-cash expenses that do not involve cash outflows and we have changed to a stable dividend policy with a target capital dividend ratio of approximately 3% from the current fiscal year.

That is all from me. Thank you very much.

Ogawa: Thank you, Mr. Miyaji. Next, Mr. Hirai, please.



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Hirai: I am CEO Hirai. I will explain the progress of our medium-term management plan "AGC plus 2026."

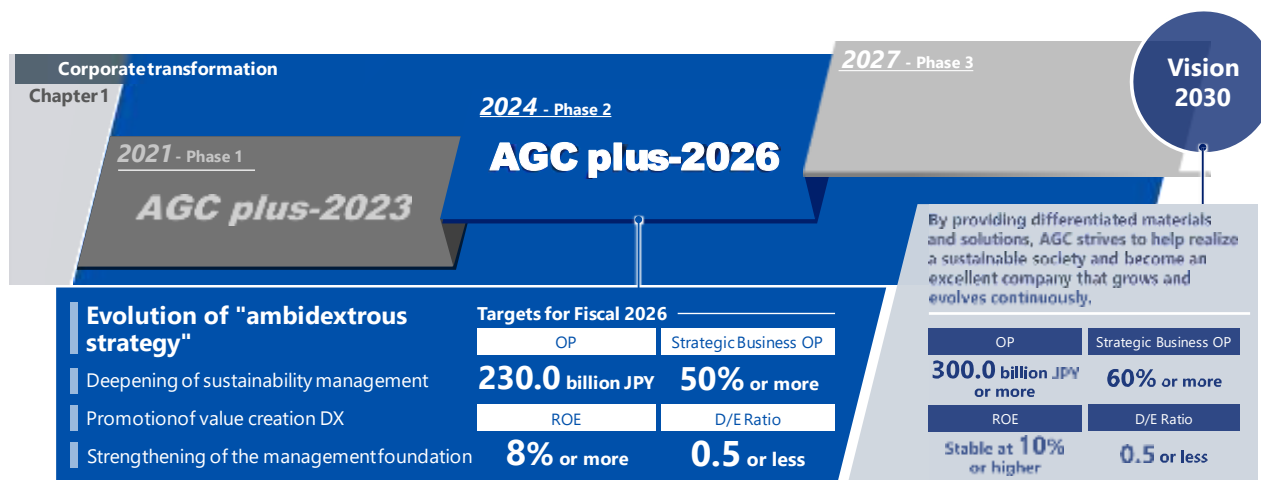
As part of the AGC Group's efforts to create value, we established a new management policy when my predecessor, Mr. Shimamura, took over as CEO in 2015. We have started what is called ambidextrous way of management, in which existing businesses are our core businesses and new business groups in growth areas are our strategic businesses.

When I took over as CEO in 2021, we declared that we would enter the second chapter of the corporate transformation, and that we would accelerate it with a clearer direction for the reform of our business portfolio. At the same time, we presented our vision for 2030, showing the future state and the future vision of the AGC Group.

Steps toward Realization of Vision 2030



- Under **AGC plus-2026** we will accelerate corporate transformation (CX) and maximize corporate value to realize Vision 2030.

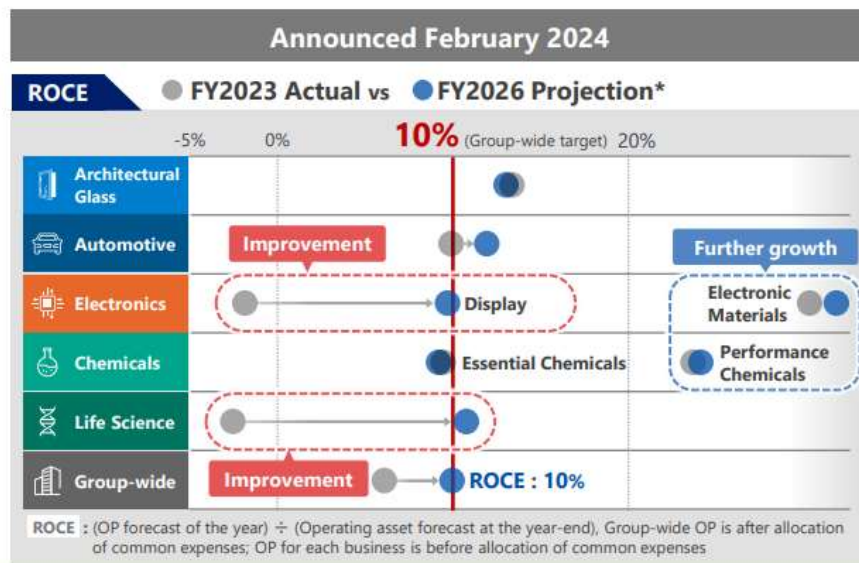


Under its "AGC plus 2026" plan, we will accelerate corporate transformation and maximize corporate value to realize our vision for 2030. In this context, we have set targets in our new medium-term management plan for the three years from 2024 to 2026 to achieve operating profit of at least JPY230 billion and ROE of at least 8% by FY2026, and to have our strategic businesses generate at least 50% of the Company's operating profit.

Beyond that, we have to realize the vision 2030. We have a medium-term management plan and a new vision of what we want to be.

AGC plus-2026 : Progress on “Ambidextrous Strategy”

AGC
Your Dreams, Our Challenge



Current Situation

- Electronic Materials and Performance Chemicals, which are categorized as Growth and Strategic businesses, performed well.
- Other businesses progressed roughly as planned, including improved profitability in the Display business.
- **The biggest challenge is to bring Life Science business back on a growth trajectory.**

*As of February 2024

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With regard to the progress of the ambidextrous strategy, which was announced in February of this year, the figure shows ROCE, a ratio of operating profit to operating asset. We aim to achieve ROCE of 10% or more in each of our businesses. As stated to the right, we have already achieved very high ROCE in Electronic Materials and Performance Chemicals, which we have positioned as strategic businesses, and we expect them to continue to do well in the future because they are in growth areas.

The businesses that we have identified as challenges are the Display business in the Electronics segment and the Life Science business. Other businesses are generally progressing as planned, including improved profitability in the Display business. On the other hand, we recognize that the biggest challenge now is to return the Life Science business to a growth trajectory.

Current Status of Major Issues

- Steady progress in improvement of Display business earnings, but **Life Science business fell far short of expectations.**

Business		Current conditions	
	Display	<div> <div>2023</div>  </div> <div> <div>Latest</div>  </div>	Progress in pricing policy, structural reforms, and productivity improvements
	Life Science	<div> <div>2023</div>  </div> <div> <div>Latest</div>  </div>	Biopharmaceuticals CDMO underperformed. Although the start-up of new production lines in the U.S. is progressing, <u>profitability deteriorated</u> due to sluggish growth of contracts and increased costs from the capacity expansion of Denmark site.

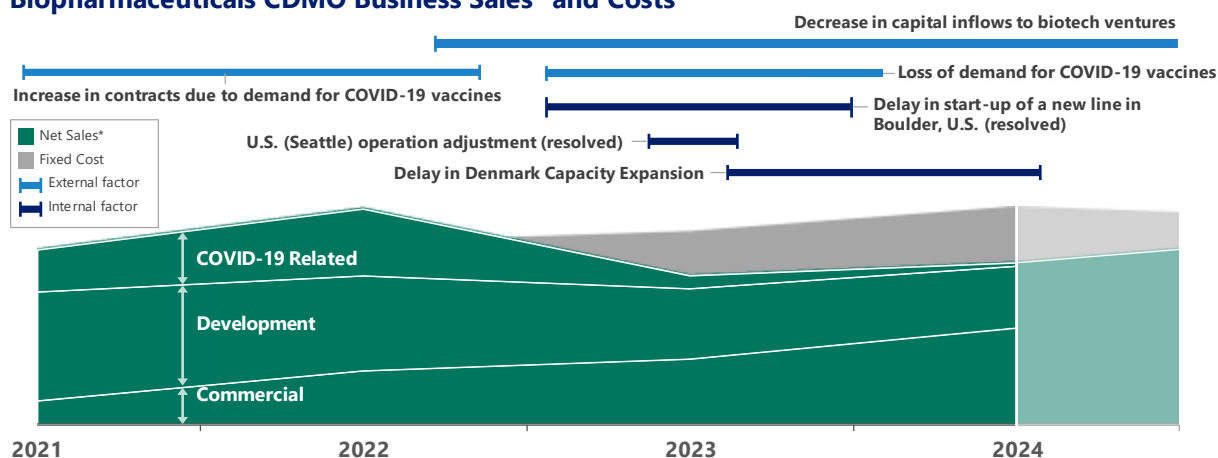
With regard to the improvement of earnings in the Display business, progress has been made in pricing policy, structural reforms, and productivity improvement, and earnings are moving in the direction of improvement. On the other hand, the Life Science business fell far short of expectations. Business deteriorated rapidly in H2 of last year and has continued to do so this year.

This is primarily due to the poor performance of the Biopharmaceuticals CDMO. Although progress is being made in launching new lines in the US, overall contracting is still sluggish. Profitability deteriorated due in part to increased expenses resulting from the new line expansion in Denmark.

Factors behind the Deterioration in the Performance of Biopharmaceuticals CDMO business

- Fixed costs increased due to capacity expansion, while earnings deteriorated due to lack of sales growth.

Biopharmaceuticals CDMO Business Sales* and Costs



* Sales of raw materials are not included.

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I would like to explain more clearly the factors behind the deterioration in the performance of the Biopharmaceuticals CDMO business. Fixed costs increased due to increased business capacity of the Biopharmaceuticals CDMO, while at the same time sales did not grow, resulting in a decline in earnings.

See figure at bottom of page. The green hatched area shows sales and the gray hatched area behind it shows fixed costs.

Sales are divided into three categories: commercial, development, and COVID-19 related. As you can see, the commercial products already administered to patients are performing well.

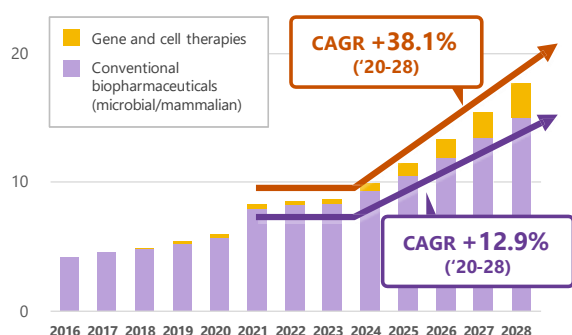
On the other hand, in 2022, orders for COVID-19-related pharmaceuticals have decreased significantly. At about the same time, high interest rates in the US led to a sharp decline in the inflow of funds into biotech ventures. This has led to a decrease in orders for developed products starting in 2022.

Meanwhile, at the same time, fixed costs of production are rising due to the launch of new lines in Seattle site and Boulder site in the US, and this year in Denmark. Although we have expanded our manufacturing capacity, we are now making losses because our sales have not reached a level to compensate for this.

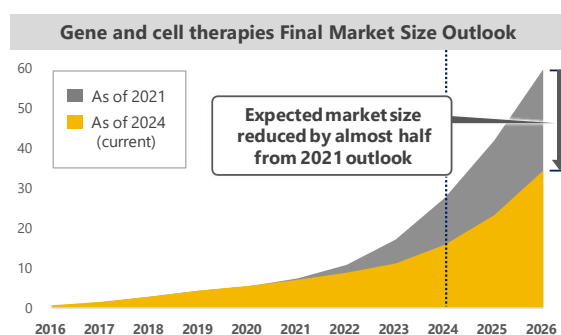
Biopharmaceuticals CDMO Market Outlook

- Slow recovery in the Biopharmaceuticals CDMO market, but there is no change in the long-term trend of market expansion.
- As for gene and cell therapies, the market start up has been significantly slow.

Biopharmaceuticals CDMO Market Size* (Billion USD)



Changes in Gene and Cell Therapies Market Outlook* (Billion USD)



*Source: Estimated by AGC based on EvaluatePharma *, Globaldata etc.

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Although the recovery of the Biopharmaceuticals CDMO market has been slow, we believe that there will be no change in the long-term trend of market expansion. However, the gene and cell therapies market has been much slower to get off the ground, with a delay of about two years. The expected market size for 2026 has been reduced by approximately half compared to the expectation at the beginning of 2021.

Measures to Improve Profitability

- Implement drastic measures to increase sales and reduce costs in the Biopharmaceuticals CDMO business.
- Maximize the utilization of the industry's second-largest SUB* capacity.

Fixed cost reduction through structural reforms, etc.

- Headcount reduction mainly in the U.S.
- Optimization of production capacity

Operational improvements

- Stabilization of U.S. operations (already implemented)
- Start operation of expanded capacity in Denmark
- Utilization of AGC Group's resources for development, engineering, etc.

Strengthen management and sales organization structure

- Reinforcement of the organization through change of managements
- Market intelligence enhancement
- Improve competitiveness by adding aseptic filling services (already implemented)

*Single-use bags

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This page shows measures to improve profitability. Drastic measures are being implemented to increase sales and reduce costs in the CDMO business. In particular, we will continue to develop our business by taking full advantage of our single-use bags capabilities, which are the second largest in the industry.

The first measure is to reduce fixed costs through structural reforms, etc. We are already reducing the number of headcounts, mainly in the U.S.

The second measure is to improve operations. The instability of our operations in the U.S. was one factor this time, and we have already taken measures to stabilize them. We also believe it is important to quickly put into operation the additional facilities that will be launched this year in Denmark. To this end, the AGC Group as a whole is utilizing development engineering and other group resources in a coordinated effort to make improvements.

The third measure is to strengthen the management and sales structure. We are currently strengthening our organization by renewing our executive management, enhancing market intelligence to strengthen sales, and increasing our competitiveness by adding aseptic filling services. By doing so, we hope to increase sales orders and improve profitability in addition to achieving stable operations.

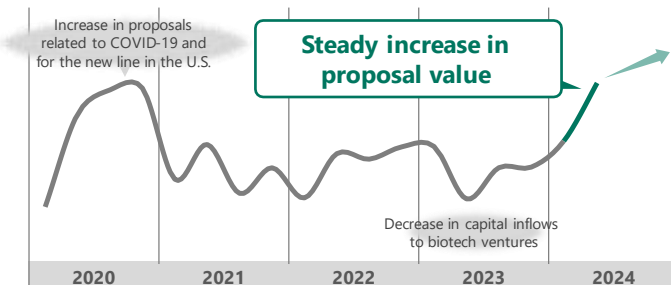
Medium- to Long-Term Outlook for Life Science Business



- Proposal value to customers, a leading indicator of future sales, is on the rise, showing signs of recovery.
- We will bring the Biopharmaceuticals CDMO business to a steadily profitable structure by 2026, aiming to achieve an operating profit level of over 30 billion JPY in the Life Science business **early during the next medium-term management plan period.**

Proposal to Customers (value)* Trend

* A leading indicator of sales. Sales will be recorded after a certain period of time (usually 1-2 years) after signature of contracts.



Recovery is expected to bottom out in the second half of 2023 and the first half of 2024

Return to profitability during the current medium-term management plan period

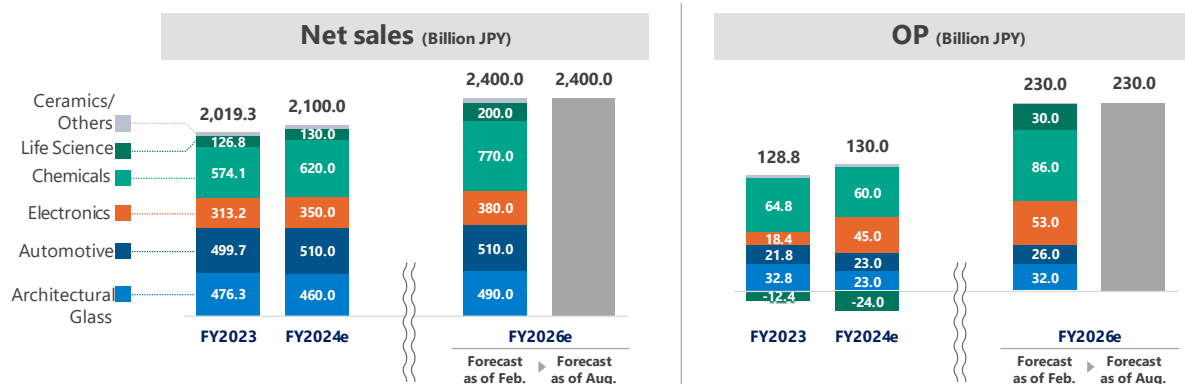
Achieve operating profit of 30 billion JPY early in the next medium-term management plan period

This is our current outlook. The graph below shows the estimated proposal value, which is a leading indicator of future sales. There was significant COVID-19-related demand in 2020. Once that slumped, and sales declined sharply in 2023 due to a decrease in the inflow of funds to biotech ventures, but since the end of last year, sales have been on a recovery track, and especially since the beginning of this year, the proposal value has been increasing steadily.

We aim to transform our Biopharmaceuticals CDMO business into a steadily profitable structure by 2026, and to achieve an operating profit of over JPY30 billion in the Life Science business as early as possible during the next medium-term management plan period.

Performance Image by Segment

- Company-wide operating profit target for the final year of the current medium-term management plan (**AGC plus2026**) remains unchanged.
- Life Science business fell far short of the initial plan, but aim to achieve the target by making it up with Electronics, etc.



Here is an image of performance by segment. This is AGC plus 2026, announced in February of this year, our target of sales and operating profit by segment for the year 2026. Although the revision has not yet been completed, we intend to maintain the total operating profit target of JPY230 billion, the breakdown by segment will change. Although the performance of Life Science will deteriorate, we hope to achieve the goal by offsetting this by growth in Electronics and other areas.

This concludes my explanation. Thank you very much.

Ogawa: Thank you very much, Mr. Hirai.

[END]