AGC Inc.

Financial Results for FY2024

February 7, 2025

Event Summary

[Company Name]	AGC Inc.
[Company ID]	5201-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Results for FY2024
[Fiscal Period]	FY2024 Annual
[Date]	February 7, 2025
[Time]	15:15 – 16:15 (Total: 60 minutes, Presentation: 31 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	4

Yoshinori Hirai	Representative Director, President & CEO
Shinji Miyaji	Representative Director, Senior Executive Vice President, CFO
Tomoyuki Shiokawa	Executive Officer, General Manager of Finance & Control Div.
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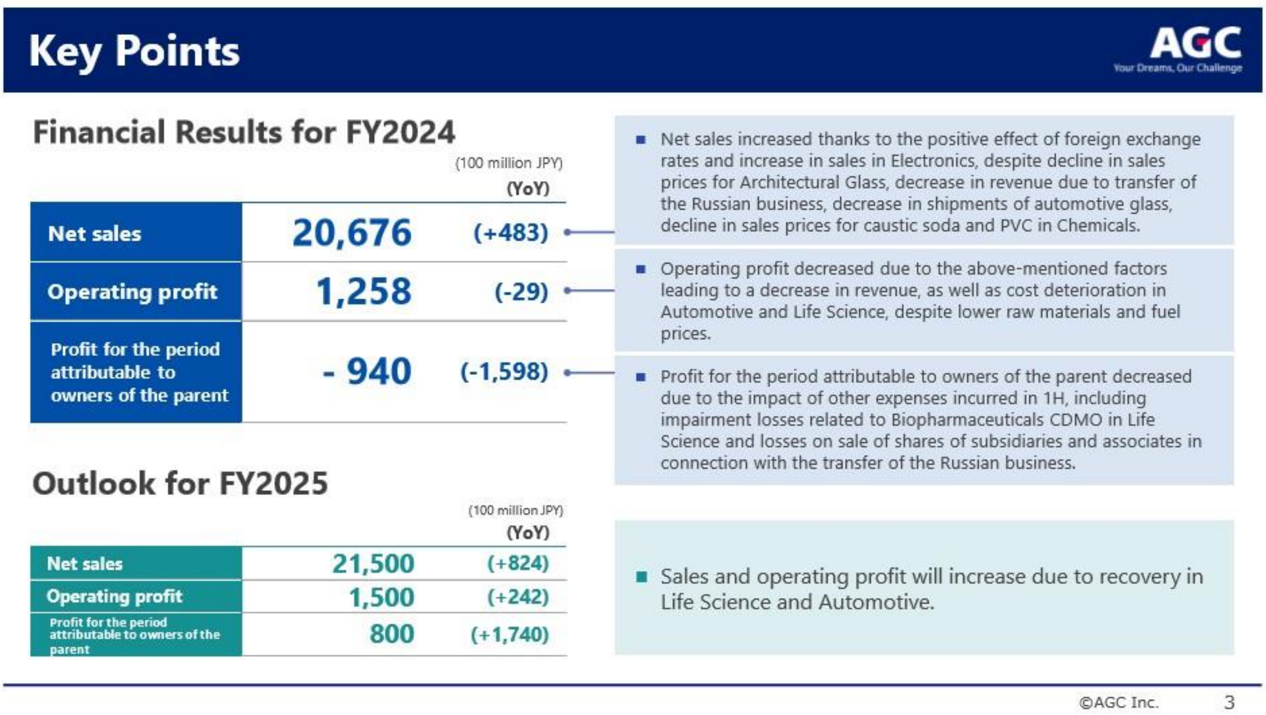
Presentation



Miyaji: Let's start with page 3. Here are the key points for today. Regarding net sales for FY2024, despite a decrease in selling prices for Architectural glass, revenue reduction due to withdrawal from the Russian operations and the business transfers, decreased shipments of automotive glass, and lower selling prices of caustic soda and PVC in Chemicals, we achieved JPY2,067.6 billion in net sales, an increase of JPY48.3 billion, due to the positive effects of foreign exchange rates and increased sales in Electronics. This is a record high.

As for operating profit, despite a decrease in raw material and fuel prices, it decreased by JPY2.9 billion to JPY125.8 billion due to the aforementioned revenue decrease and cost deterioration in Automotive and Life Science.

Profit for the period attributable to owners of the parent resulted in a loss of JPY94 billion, a decrease of JPY159.8 billion, due to other expenses including impairment losses related to Life Science and losses on sale of shares of subsidiaries and associates related to the transfer of the Russian business, which occurred in H1.

For 2025, we expect net sales of JPY2,150 billion and operating profit of JPY150 billion, driven by the recovery in Life Science and Automotive.

Highlights of the Financial Results for FY2024

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(100 million JPY)

		FY2023 Full-year	FY2024 Full-year	Change	Main factors in the change (+) Increasing factors (-) Decreasing factors
Net sales		20,193	**20,676**	+ 483*	(+) Yen depreciation (+) Increase in shipments of Electronic Materials and higher sales prices of LCD glass substrates (-) Decline in sales prices and decrease in revenue due to transfer of the Russian business in Architectural Glass (-) Decrease in shipments of Automotive (-) Decline in sales prices of caustic soda and PVC
Operating profit		1,288	**1,258**	- 29	(+) Decline in raw materials and fuel costs (-) Decline in sales prices and decrease in shipments mentioned above (-) Cost deterioration in Automotive and Life Science
Profit before tax		1,228	**- 501**	- 1,728	In addition to the above, (-) Other expenses related to Life Science (Biopharmaceuticals CDMO) (-) Other expenses related to transfer of Architectural Glass and Automotive businesses in Russia
Profit for the period attributable to owners of the parent		658	**- 940**	- 1,598	
FOREX (Average)	1USD	JPY 140.56	**JPY 151.58**		
	1EUR	JPY 152.00	**JPY 163.95**		
Crude oil (Dubai, Average)	USD/BBL	82.10	**79.61**		

* FOREX impact was +941, change in the scope of consolidation was -290

Please look at page 6. Net sales, operating profit, and profit for the period attributable to owners of the parent are as I mentioned earlier. Profit before tax resulted in a loss of JPY50.1 billion.

Other Income/Expenses Breakdown for FY2024

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- Impairment losses related to Life Science (Biopharmaceuticals CDMO) and losses on sale of shares of subsidiaries and associates accompanying the transfer of the Russian business were recorded in the first half of the year.

(100 million JPY)

	FY2024	Factors
Other income	172	
Other expenses	-1,877	
Impairment losses	-1,248	**Life Science Biopharmaceuticals CDMO (-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	-65	
Expenses for restructuring programs	-106	
Others	-93	

Next, I will explain the breakdown of other expenses. Please look at page 7. The JPY187.7 billion in other expenses includes impairment losses related to Life Science and losses on sale of shares of subsidiaries and associates related to the transfer of the Russian business, which were recorded in H1.

The main factor of the JPY124.8 billion impairment losses is JPY118.3 billion related to Biopharmaceuticals CDMO in Life Science, which was recorded in Q2. The main factor of the JPY36.5 billion losses on sale of shares of subsidiaries and associates is the JPY36 billion loss associated with the transfer of the Russian subsidiaries' business, which was recorded in Q1.

Performance Comparison by Business Segment

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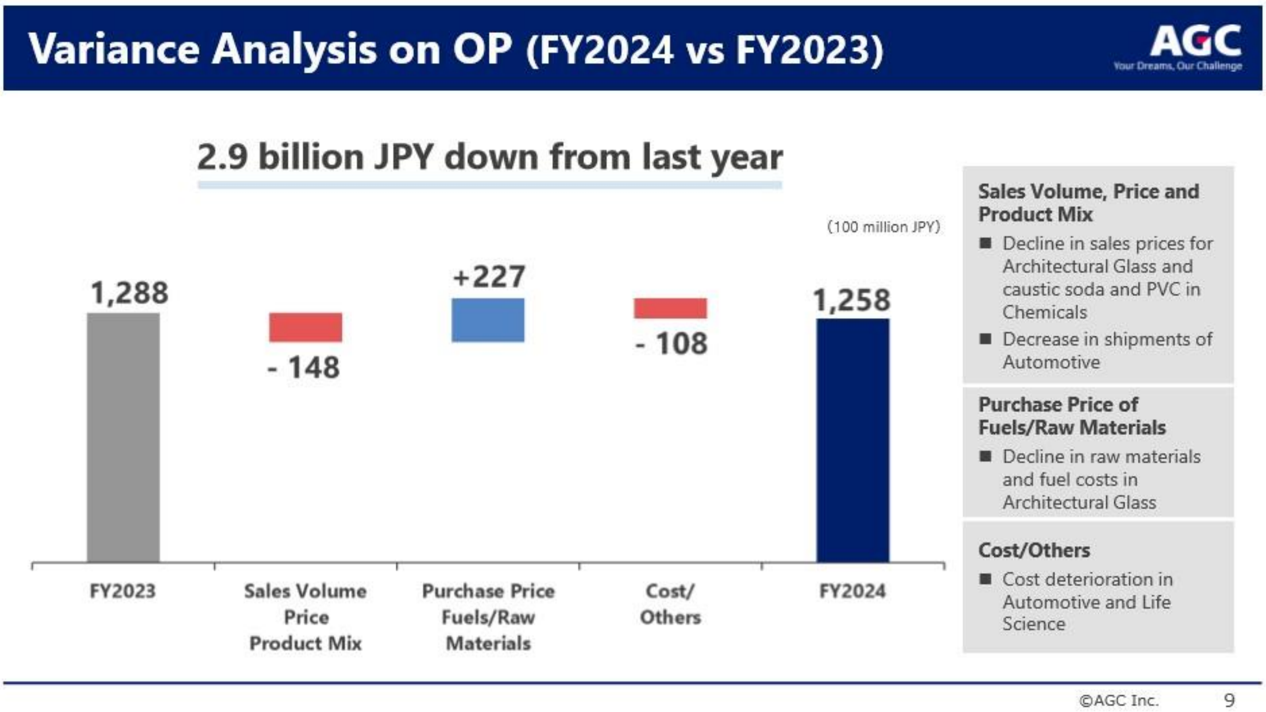
(100 million JPY)

	FY2023 Full-year (a)		FY2024 Full-year (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Architectural Glass	4,763	328	**4,380**	**164**	- 383	- 164
Automotive	4,997	218	**4,988**	**139**	- 9	- 79
Electronics	3,132	184	**3,645**	**545**	+ 514	+ 361
Chemicals	5,741	648	**5,936**	**568**	+ 195	- 80
Life Science	1,268	- 124	**1,412**	**- 212**	+ 144	- 88
Ceramics/Other	834	33	**791**	**51**	- 42	+ 18
Elimination	- 542	1	**- 477**	**4**	+ 65	+ 2
Total	20,193	1,288	**20,676**	**1,258**	+ 483	- 29

Next, I will explain the performance by segment, so please look at page 8. Architectural Glass and Automotive saw decreases in both net sales and operating profit, Electronics saw increases in both, while Chemicals and Life Science saw increases in net sales but decreases in operating profit.



Please look at page 9. This is about operating profit. I will explain the factors of difference compared to the previous period. The difference in sales volume, selling price, and product mix was a negative JPY14.8 billion. In addition to the decline in selling prices for Architectural Glass and caustic soda and PVC in Chemicals, shipments of automotive glass decreased.

The difference in raw material and fuel prices was a positive JPY22.7 billion. Raw material and fuel prices for Architectural Glass decreased. The difference in costs and others was a negative JPY10.8 billion. Costs deteriorated in Automotive, Life Science, and others.

As a result, operating profit decreased by JPY2.9 billion to JPY125.8 billion.

Consolidated Statement of Financial Position

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(100 million JPY)

	2023/12	2024/12	Change
Cash and cash equivalents	1,461	**1,080**	- 381
Inventories	4,541	**4,541**	+ 1
Property, plant and equipment, Goodwill and Intangible assets	16,312	**16,529**	+ 218
Other assets	7,017	**6,746**	- 271
Total assets	29,330	**28,897**	- 433
Interest-bearing debt	6,950	**6,497**	- 453
Other liabilities	5,836	**5,682**	- 154
Liabilities	12,787	**12,180**	- 607
Total equity attributable to owners of the parent	14,471	**14,358**	- 113
Non-controlling interests	2,073	**2,359**	+ 287
Equity	16,543	**16,717**	+ 174
Total liabilities and equity	29,330	**28,897**	- 433
D/E ratio	0.42	**0.39**	

Foreign exchange fluctuation
+894
Effect of impairment loss
-1,248

Foreign exchange fluctuation
+1,401

Foreign exchange fluctuation
+966

Please look at page 10. Regarding the balance sheet, total assets were JPY2,889.7 billion, a decrease of JPY43.3 billion from the end of last year. The D/E ratio was 0.39.

Consolidated Statement of Cash Flow

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(100 million JPY)

Full-year	FY2023	FY2024
Profit before tax	1,228	- 501
Depreciation and amortization	1,753	1,813
Increase(decrease) in working capital	- 280	94
Others	- 576	1,442
Cash flows from operating activities	2,125	2,848
Cash flows from investing activities	- 1,798	- 1,956
Free cash flows	328	892
Changes in interest-bearing debt	93	- 790
Dividends paid	- 460	- 446
Others	- 713	- 84
Cash flows from financing activities	- 1,080	- 1,319
Effect of exchange rate changes on cash and cash equivalents etc.	116	46
Net increase(decrease) in cash and cash equivalents	- 637	- 381

Effect of impairment loss
+1,248

Effect of loss on sale of subsidiaries and associates not accompanying cash outflow
+365

Cash inflow effect from sale of subsidiaries and associates
+221

Please look at page 11. Regarding cash flow, operating cash flow for the period was JPY284.8 billion, investment cash flow was negative JPY195.6 billion, resulting in a free cash flow of JPY89.2 billion.

Note that the "others" in cash flow from operating activities includes the impact of impairment losses of JPY124.8 billion and the impact of losses on sale of affiliates of JPY36.5 billion. Also, investment cash flow includes cash inflows of about JPY22.1 billion from the sale of affiliates in Russia and other countries.

CAPEX, Depreciation and R&D

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(100 million JPY)

Full-year	FY2023	FY2024
CAPEX	2,317	**2,575**
Architectural Glass	247	**338**
Automotive	263	**355**
Electronics	514	**406**
Chemicals	877	**1,082**
Life Science	399	**358**
Ceramics/Other	18	**37**
Elimination	- 1	**- 0**

Full-year	FY2023	FY2024
Depreciation	1,753	**1,813**
Architectural Glass	244	**249**
Automotive	319	**324**
Electronics	532	**532**
Chemicals	501	**535**
Life Science	139	**157**
Ceramics/Other	21	**18**
Elimination	- 2	**- 2**

Full-year	FY2023	FY2024
R&D	573	**618**

FY2024 Main projects for CAPEX

- Repairment for architectural glass furnace (Architectural Glass)
- Repairment for display glass furnace (Electronics)
- Capacity enhancement for Electronic Materials (Electronics)
- Capacity enhancement for chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement for fluorine-related products (Chemicals)
- Capacity enhancement for Biopharmaceuticals CDMO and Small molecule pharmaceuticals and agrochemicals CDMO (Life Science)

etc.

Please look at page 12. Capital expenditure, depreciation, and R&D expenses were JPY257.5 billion, JPY181.3 billion, and JPY61.8 billion respectively. The main capital expenditure projects were as listed.

Architectural Glass Segment

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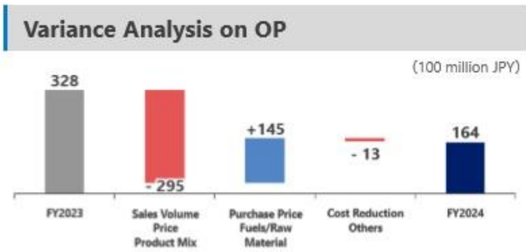
Full-year	FY2023	FY2024	Change
Net sales	4,763	**4,380**	- 383*
Asia	1,584	**1,579**	- 5
Europe & Americas	3,163	**2,777**	- 386
(Inter-segment)	16	**24**	+ 8
Operating profit	328	**164**	- 164

* FOREX impact: +223,
Change in the Scope of Consolidation: -202

(100 million JPY)



Asia

- Net sales remained flat due to positive effect of foreign exchange rates, despite decrease in shipments.

Europe & Americas

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

Now, moving on to the explanation by segment, please look at page 14. For the Architectural Glass segment, net sales were JPY438 billion and operating profit was JPY16.4 billion. In Asia, although shipments decreased, net sales remained at the same level as the previous year at JPY157.9 billion due to the positive effect of foreign exchange rates. In Europe and the Americas, despite the positive effect of foreign exchange rates, net sales decreased by JPY38.6 billion to JPY277.7 billion due to the decline in selling prices in Europe and the impact of the transfer of the Russian business.

Operating profit decreased by JPY16.4 billion despite the positive effect of lower raw material and fuel prices, due to the aforementioned factors causing a decrease in revenue. The composition of operating profit was about 50% for Asia and about 50% for Europe and the Americas.

Automotive Segment

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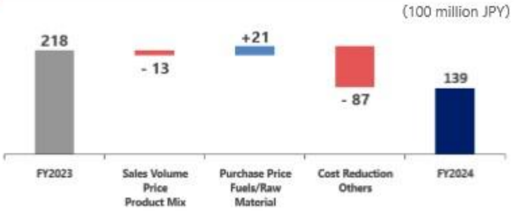
Full-year	FY2023	FY2024	Change
Net sales	4,997	**4,988**	- 9*
Automotive	4,994	**4,986**	- 8
(Inter-segment)	3	**2**	- 1
Operating profit	218	**139**	- 79

* FOREX impact: +269,
Change in the Scope of Consolidation: -56

(100 million JPY)

Variance Analysis on OP



Automotive

- Net sales remained flat due to positive effect of foreign exchange rates, etc., despite decrease in Group’s shipments as the automobile production decreased mainly in Japan and Europe.
- Operating profit deteriorated due to increase in manufacturing costs mainly caused by production and shipping issues in the U.S.

Please look at page 15. For the Automotive segment, net sales were JPY498.8 billion and operating profit was JPY13.9 billion. Although the Group's shipments decreased as a result of decreased automobile production mainly in Japan and Europe, net sales remained at the same level as the previous year due to the positive effect of foreign exchange rates and other factors.

Operating profit decreased by JPY7.9 billion mainly due to deterioration in manufacturing costs caused by production and shipment issues in North America.

Electronics Segment

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Full-year	FY2023	FY2024	Change
Net sales	3,132	**3,645**	+ 514*
Display	1,607	**1,792**	+ 185
Electronic Materials	1,513	**1,836**	+ 323
(Inter-segment)	12	**18**	+ 6
Operating profit	184	**545**	+ 361

* FOREX impact: +88,
Change in the Scope of Consolidation: -25

(100 million JPY)

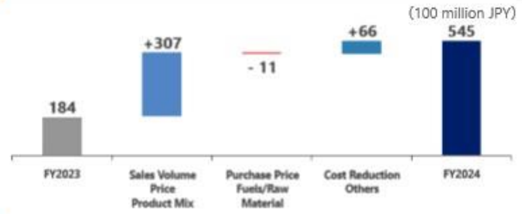
Display

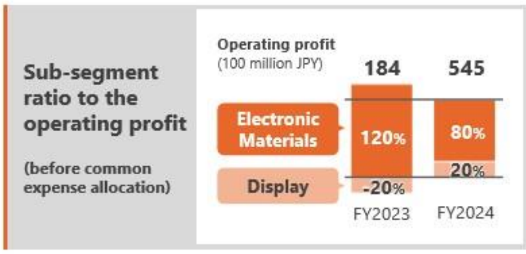
- Net sales increased due to increase in shipments and pricing policy revision of LCD glass substrates.

Electronic Materials

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

Variance Analysis on OP





Please look at page 16. For the Electronics segment, net sales were JPY364.5 billion and operating profit was JPY54.5 billion. Display net sales increased by JPY18.5 billion to JPY179.2 billion due to increased shipments of LCD glass substrates and revision of pricing policies.

Electronic Materials net sales increased by JPY32.3 billion to JPY183.6 billion, exceeding Display, due to increased shipments of semiconductor-related materials such as EUV mask blanks and optoelectronic materials, as well as the effect of foreign exchange rates.

As a result, operating profit significantly increased by JPY36.1 billion. The composition of operating profit was about 80% for Electronic Materials and about 20% for Display.

Chemicals Segment

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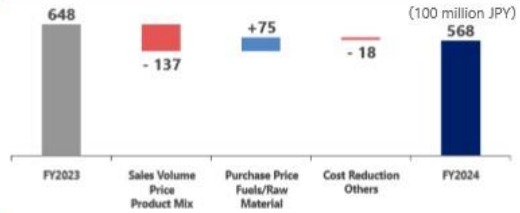
Full-year	FY2023	FY2024	Change
Net sales	5,741	**5,936**	+ 195*
Essential Chemicals	4,028	**4,118**	+ 90
Performance Chemicals	1,669	**1,780**	+ 111
(Inter-segment)	45	**39**	- 6
Operating profit	648	**568**	- 80

* FOREX impact: +274,
Change in the Scope of Consolidation: No impact

(100 million JPY)

Variance Analysis on OP



Essential Chemicals

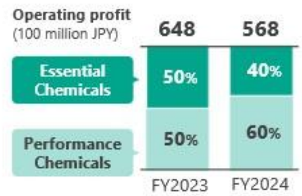
- Net sales remained flat due to positive effect of foreign exchange rates despite lower sales prices of caustic soda and PVC.

Performance Chemicals

- Net sales increased due to higher sales prices and positive effect of foreign exchange rates.

Sub-segment ratio to the operating profit

(before common expense allocation)



Please look at page 17. For Chemicals segment, net sales were JPY593.6 billion and operating profit was JPY56.8 billion. In Essential Chemicals, although selling prices of caustic soda and PVC decreased, net sales remained at the same level as the previous year at JPY411.8 billion due to the positive effect of foreign exchange rates. In Performance Chemicals, net sales increased by JPY11.1 billion to JPY178 billion due to rising selling prices and the impact of foreign exchange rates.

Operating profit decreased by JPY8 billion due to the decline in selling prices for Essential Chemicals and the impact of reduced operations due to production issues (this was the issue that occurred domestically last year). The composition of operating profit was about 40% for Essential Chemicals and about 60% for Performance Chemicals.

Life Science Segment

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Full-year	FY2023	FY2024	Change
Net sales	1,268	1,412	+ 144*
Life Science	1,239	1,373	+ 134
(Inter-segment)	29	39	+ 10
Operating profit	-124	-212	- 88

* FOREX impact: +75,
Change in the Scope of Consolidation: No impact

(100 million JPY)

Variance Analysis on OP

Life Science

- Despite the impact of disappearance of Covid-related special demand, net sales increased due to the impact of foreign exchange rates, one-off revenues associated with the settlement of contracted projects, and increase in contracts.
- Upfront costs incurred associated with capacity expansion in Biopharmaceuticals CDMO.

Please look at page 18. Lastly, for Life Science segment, net sales were JPY141.2 billion, and operating profit was a loss of JPY21.2 billion. Net sales increased by JPY14.4 billion despite the impact of the disappearance of special demand for COVID-19 related products, due to the positive effect of foreign exchange rates, as well as one-off revenues associated with the settlement of contracted projects and an increase in contracts.

Operating profit decreased by JPY8.8 billion due to upfront costs associated with capacity expansion in Biopharmaceuticals CDMO.

Strategic Businesses’ contribution

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- Net sales and operating profit increased YoY driven by sales growth of semiconductor-related products in Electronics, despite lower profitability in Life Science.

Please look at page 19. Regarding the performance of strategic businesses, net sales for all strategic businesses increased by JPY54.8 billion to JPY503.3 billion. Operating profit increased by JPY10.5 billion to JPY67.3 billion. Although the profitability in Life Science deteriorated, sales growth in semiconductor-related materials in Electronics drove the increase in both net sales and operating profit.

ROCE and EBITDA by Segment

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(100 million JPY)

	Operating profit		EBITDA*		ROCE		Operating assets	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Architectural Glass	328	**164**	572	**413**	10.6%	**5.5%**	3,100	**3,000**
Automotive	218	**139**	537	**464**	6.4%	**4.2%**	3,400	**3,350**
Electronics	184	**545**	715	**1,076**	3.1%	**9.2%**	6,000	**5,950**
Chemicals	648	**568**	1,148	**1,102**	10.4%	**7.8%**	6,200	**7,250**
Life Science	- 124	**- 212**	15	**- 55**	- 4.3%	**- 10.1%**	2,900	**2,100**
Ceramics/Others	33	**51**	55	**69**	16.7%	**25.6%**	200	**200**
Elimination	1	**4**	- 0	**2**	-	-	-	-
Total	1,288	**1,258**	3,041	**3,071**	5.9%	**5.8%**	21,800	**21,850**

* EBITDA=Operating profit + Depreciation

Please look at page 20. EBITDA, ROCE, and operating assets by segment are as shown.

Assumptions for Major Economies and Markets in 2025

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- Although the overall economic environment will continue to be sluggish, positive effects are expected in some markets.

Economies and Markets	Assumptions for 2025	Businesses Particularly Affected
Global Economy	**More uncertainty** over geopolitical risks such as trade friction between US and China, and trends in exchange rates and interest rates	All businesses (+ -)
European Economy	Economy **stagnation continues**	Architectural Glass, Automotive (-)
Chinese Economy	Economy **remains at a low level**	Essential Chemicals (-)
US Economy	Economy **continues to be strong**	Electronics (+)
Automobile Market	**Demand for high-functional products continues** despite **weaker automobile production**	Automotive (+ -)
Caustic Soda and PVC Market	PVC price in Southeast Asia **remains at a low level**	Essential Chemicals (-)
Semiconductor Market	Demand for semiconductors **grows**	Electronics and Performance Chemicals (+)
Smartphone Market	**Demand for high-functional products continues** while **smartphone production remains flat**	Electronics (+)
TV Market	**Demand for larger-size TV screen continues** while **TV sales volume remains flat**	Display (+)
Biopharmaceuticals CDMO Market	On a **gradual recovery** track bottoming out in 2023	Life Science (+)

Now, let's move on to the outlook for FY2025 full-year performance, so please look at page 22. First, I will explain our view on the major economic and market assumptions for 2025. We expect the overall economic environment to remain challenging, but there are some positive aspects depending on the market.

For the global economy, geopolitical risks such as US-China friction and uncertainties in exchange rates and interest rate trends are increasing. By region, we expect the US economy to remain relatively strong, but we assume that the European and Chinese economies will stagnate.

Regarding the market environment, we expect production volumes of final products in the automotive, smartphone, and TV markets to struggle, but trends towards higher functionality and larger sizes are expected to continue.

The market conditions for caustic soda and PVC in Southeast Asia are expected to continue at low levels in terms of prices.

On the other hand, we expect the semiconductor market to continue growing due to strong demand.

Also, for the Biopharmaceuticals CDMO market, we expect a gradual recovery trend to continue, with 2023 as the bottom.

Outlook for FY2025

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- Net sales and operating profit will increase thanks to improvements in Automotive and Life Science amongst a challenging business environment.

(100 million JPY)

		FY2024	FY2025e
Net sales		20,676	**21,500**
	(First half)	10,152	10,500
Operating profit		1,258	**1,500**
	(First half)	567	650
Profit before tax		- 501	**1,350**
Profit for the year attributable to owners of the parent		- 940	**800**
Dividend (JPY/share)		210	**210**
Operating profit margin		6.1%	7.0%
ROE *		- 6.5%	5.6%
FOREX (Average)	**1 USD**	JPY 151.6	JPY 150.0
	1 EUR	JPY 164.0	JPY 160.0
Crude oil (Dubai, Average)	**USD/BBL**	79.6	80.0

* ROE of FY2025e is calculated using the figures of Total equity attributable to owners of the parent as of Dec. 31, 2024

Please look at page 23. For the FY2025 outlook, net sales are expected to increase by JPY82.4 billion from 2024 to JPY2,150 billion, and operating profit is expected to increase by JPY24.2 billion to JPY150 billion due to improvements in Automotive and Life Science, among others.

We assume exchange rates of JPY150 to the US dollar and JPY160 to the euro.

Outlook Breakdown by Segment (Net sales and Operating profit)

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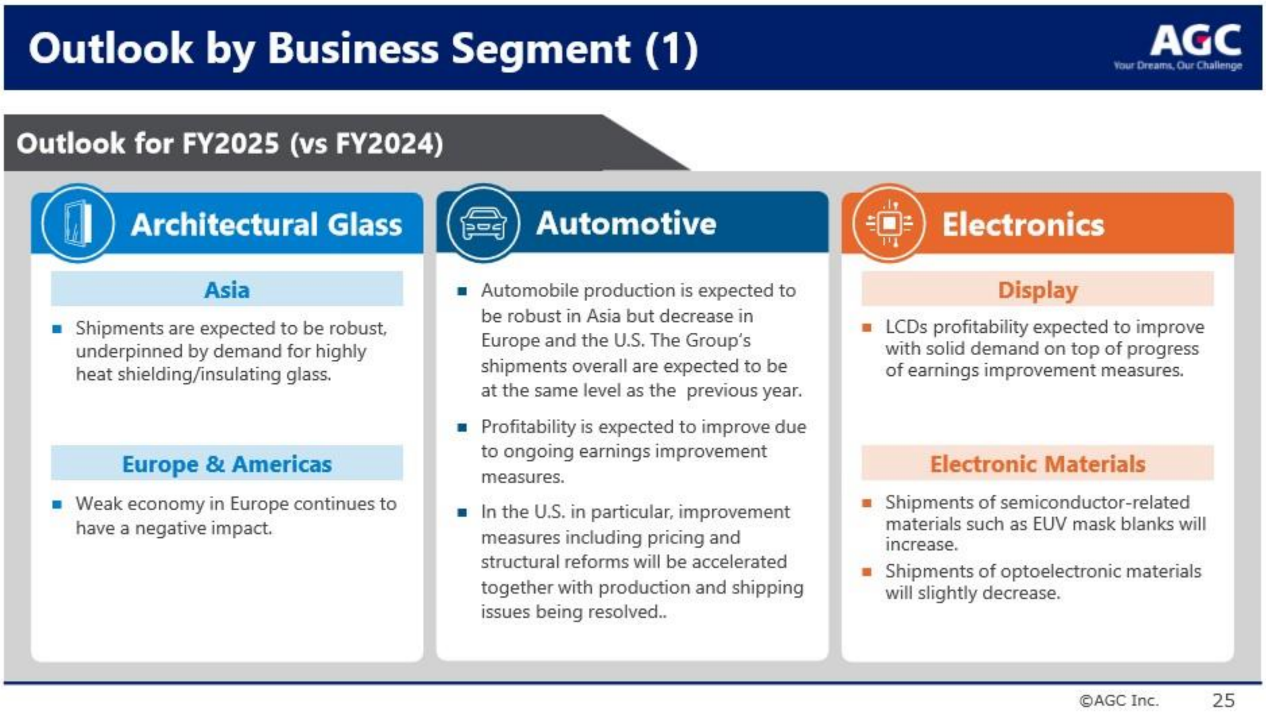
(100 million JPY)

	FY2024 (a)		FY2025e		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Architectural Glass	4,380	164	**4,400**	**160**	+ 20	- 4
Automotive	4,988	139	**5,000**	**220**	+ 12	+ 81
Electronics	3,645	545	**3,700**	**580**	+ 55	+ 35
Chemicals	5,936	568	**6,500**	**600**	+ 564	+ 32
Life Science	1,412	- 212	**1,500**	**- 100**	+ 88	+ 112
Ceramics/Other	791	51	**700**	**40**	- 91	- 11
Elimination	- 477	4	**- 300**	**0**	+ 177	- 4
Total	20,676	1,258	**21,500**	**1,500**	+ 824	+ 242

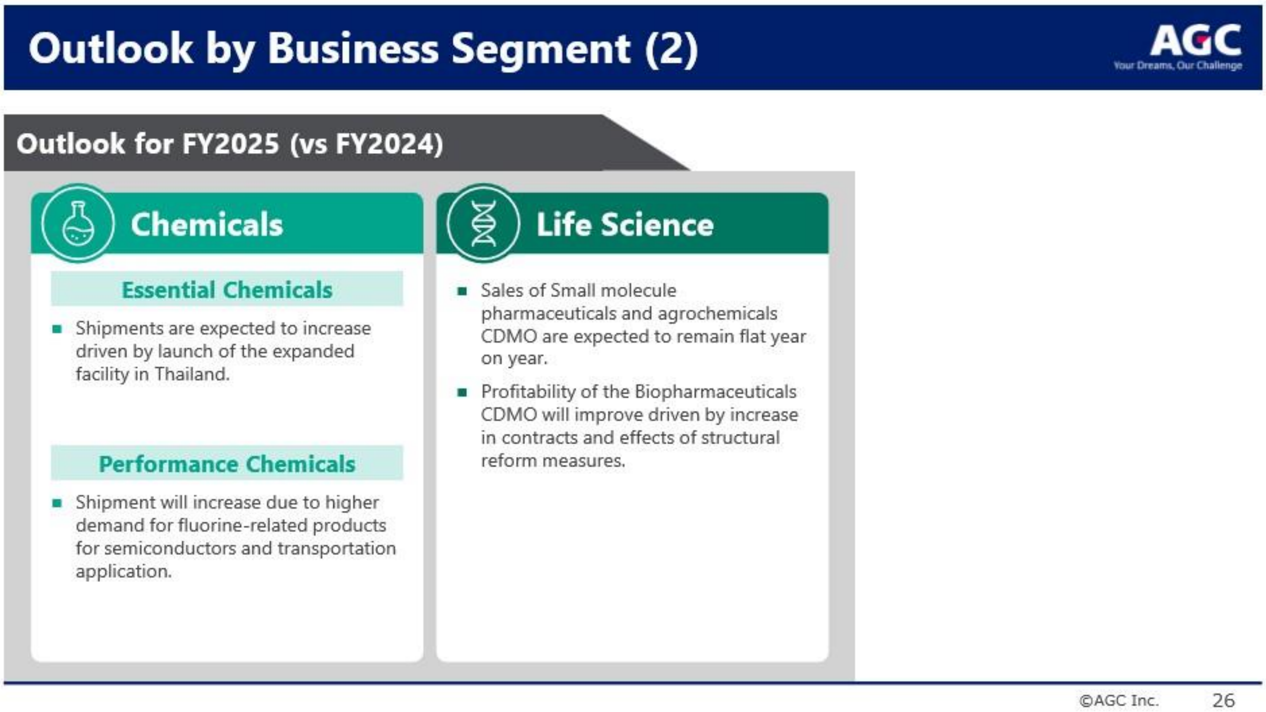
Please look at page 24. The performance by segment for FY2025 is as shown. I will explain the details in the following pages.



Please look at page 25. For Architectural Glass, in Asia, demand for high thermal insulation and heat-shielding glass is expected to support our shipments, which are expected to remain steady. In Europe, the impact of economic stagnation is expected to continue.

For Automotive, while automobile production volumes are expected to remain steady in Asia, they are expected to decrease in Europe and North America, with our group's shipments expected to be at the same level as the previous year. Profitability is expected to improve due to the progress of revenue improvement measures that we have been working on. In particular, in addition to resolving the production and shipment issues in North America, we are accelerating efforts including reviewing pricing policies and business structures.

For Electronics, LCD glass substrates are expected to further improve in profitability due to the promotion of profit improvement measures and steady demand. For Electronic Materials, shipments of semiconductor-related materials such as EUV mask blanks are expected to increase. On the other hand, shipments of optoelectronic materials are expected to decrease slightly.



Please look at page 26. For Chemicals, Essential Chemicals shipments are expected to increase due to the start of operations of expanded facilities in Thailand. Performance Chemicals shipments are expected to increase due to increased fluorine-related products demand for semiconductors, transportation equipment, and.

For Life Science, sales of Small molecule pharmaceuticals and agrochemicals CDMO are expected to be at the same level as the previous period. For Biopharmaceuticals CDMO, in addition to increased sales, profitability is expected to improve due to the effects of structural reform measures.

Please look at page 27. This is the performance outlook for strategic businesses in FY2025. We expect net sales to increase for all strategic businesses to JPY530 billion, and operating profit to reach JPY80 billion, driven by profit improvement in Life Science.

Outlook of CAPEX, Depreciation and R&D

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(100 million JPY)

Full-year	FY2024	FY2025e
CAPEX	2,575	**2,400**
Architectural Glass	338	**350**
Automotive	355	**330**
Electronics	406	**560**
Chemicals	1,082	**800**
Life Science	358	**330**
Ceramics/Other	37	**30**
Elimination	- 0	**0**

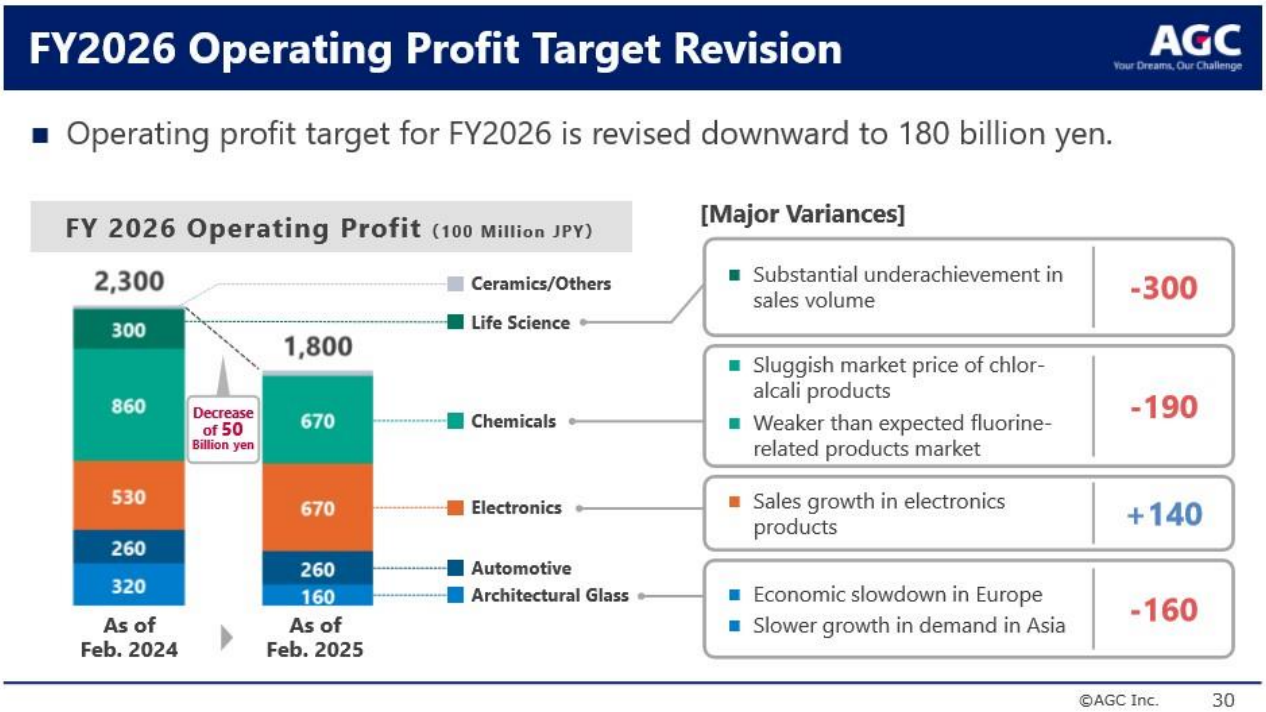
Full-year	FY2024	FY2025e
Depreciation	1,813	**1,870**
Architectural Glass	249	**260**
Automotive	324	**330**
Electronics	532	**540**
Chemicals	535	**570**
Life Science	157	**150**
Ceramics/Other	18	**20**
Elimination	- 2	**0**

Full-year	FY2024	FY2025e
R&D	618	**620**

FY2025 Main projects for CAPEX

- Repairment for architectural glass furnace (Architectural Glass)
- Repairment for display glass furnace (Electronics)
- Capacity enhancement for Electronic Materials (Electronics)
- Capacity enhancement for chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement for fluorine-related products (Chemicals)
- Capacity enhancement for Biopharmaceuticals CDMO and Small molecule pharmaceuticals and agrochemicals CDMO (Life Science)

Please look at page 28. For capital expenditure in 2025, we expect capital expenditure to be JPY240 billion, depreciation to be JPY187 billion, and R&D expenses to be JPY62 billion. Capital expenditure is expected to decrease due to the completion of capacity expansion investments for chlor-alkali products in Southeast Asia.

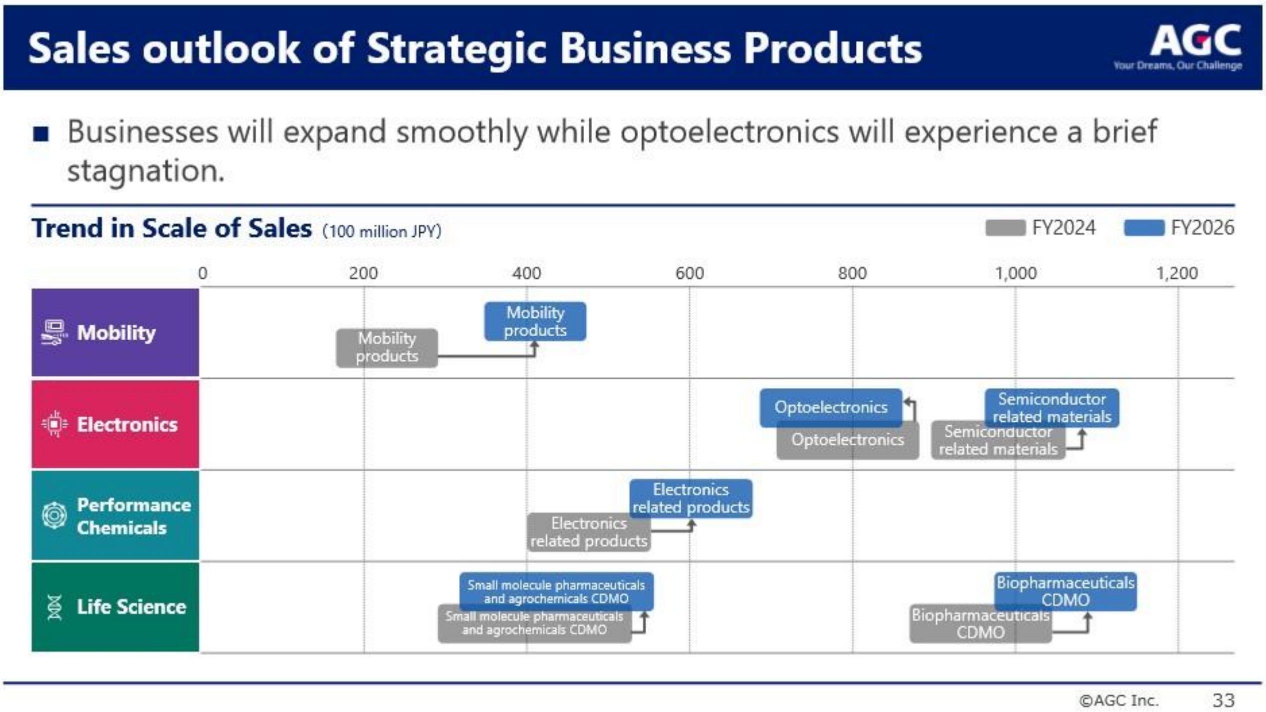


Now, please look at page 30 for an explanation of the 2026 targets. The operating profit target for 2026, which was set at JPY230 billion as of February 2024, has been revised downward by about JPY50 billion to JPY180 billion.

Regarding the details, Electronics is expected to exceed the initial target due to growth in electronics-related products, but Life Science is expected to fall significantly short of the initial target in terms of sales volume. Chemicals is also affected by the sluggish prices of chlor-alkali products and a slightly weaker fluorine-related market than initially expected. Architectural glass is also expected to struggle due to the significant impact of economic slowdown in Europe. For these reasons, all segments except electronics are expected to fall short of their initial targets.

Please look at page 31. This is the image of the medium-term management plan performance based on the revised operating profit target. Operating profit itself is expected to increase by about 40% compared to 2024. Life science, which is a challenging business, is expected to turn profitable in 2026.

Please look at page 32. Regarding the outlook for strategic businesses, net sales of all strategic businesses are expected to increase, with driving the Company's overall net sales growth. Operating profit for strategic businesses in 2026 is expected to be JPY100 billion, an increase of about 50% compared to 2024.



Please look at page 33. Regarding the outlook for net sales of major products in strategic businesses, sales growth of optoelectronics is expected to reach a temporary plateau. Other major products in strategic businesses are expected to expand steadily.

This concludes my explanation. Thank you.

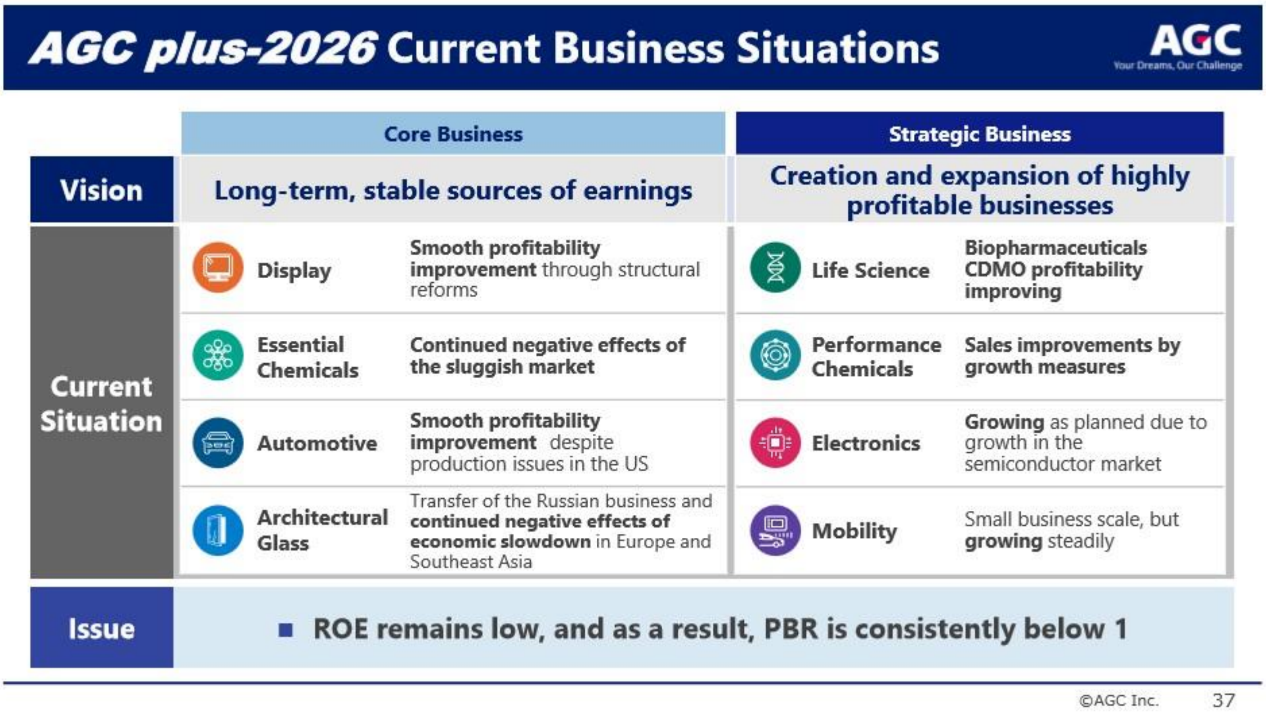
Tamaki: Thank you, Mr. Miyaji. Now, Mr. Hirai, please proceed.

Hirai: Thank you very much for today. I am Hirai, the CEO. I will explain the progress of the current medium-term management plan, titled "Towards Achievement of Profitability that Exceeds Cost of Shareholders' Equity."

The medium-term plan, AGC plus-2026, announced in February last year, aims to accelerate corporate transformation and maximize corporate value towards realizing our Vision 2030.

At the center of this is the evolution of ambidextrous strategy, accelerating business portfolio transformation. For core businesses, we aim to solidify the profit base and generate cash, while accelerating the business growth of strategic businesses. We want to proceed with these two wheels.

The direction of business portfolio transformation that we announced previously aims to build a business portfolio that is resilient to market fluctuations and has high asset efficiency, growth potential, and high carbon efficiency through the promotion of ambidextrous strategy.



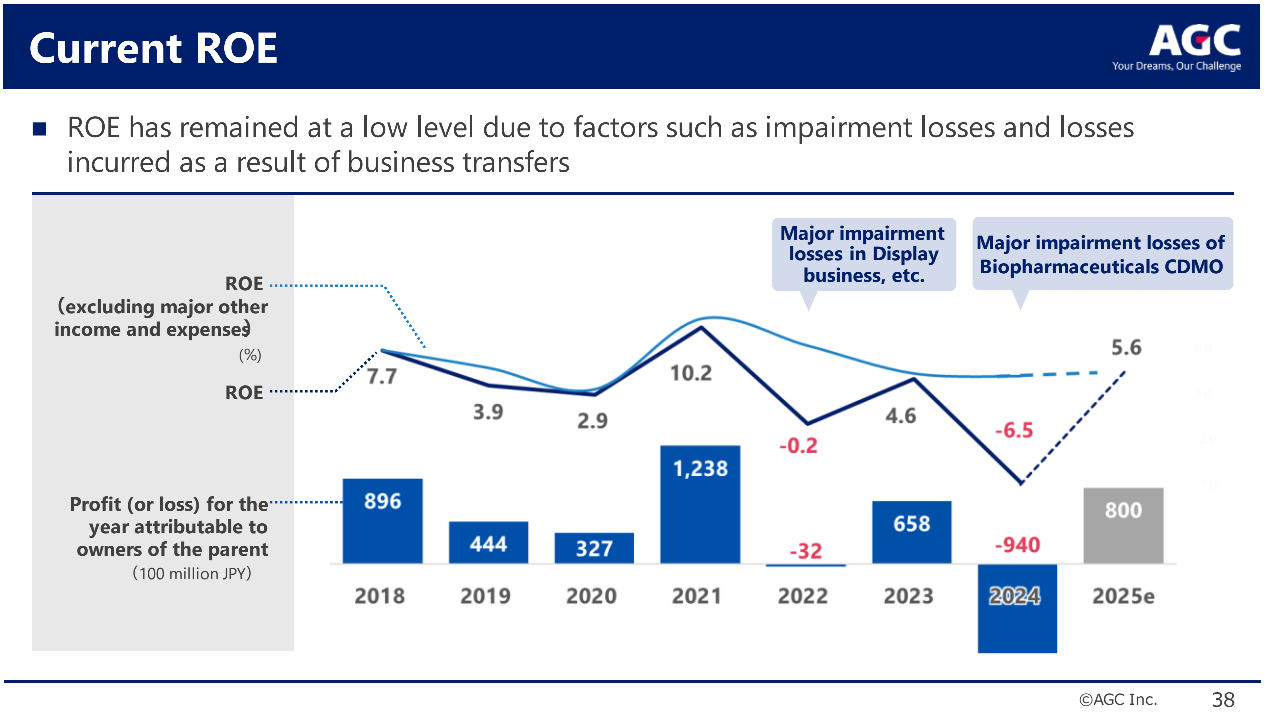
Now, let's look back at where we are now. In our vision, core businesses aim for a strong and long-term stable sources of earnings. Strategic businesses aim to create and expand highly profitable businesses.

In core businesses, although the Display and Automotive businesses have been in a difficult situation for the past few years, we have been improving profitability steadily by promoting structural reforms and reviewing pricing policies, including price increases in an industry where prices were expected to decrease every year.

On the other hand, Essential Chemicals is still affected by the market downturn, and Architectural Glass is affected by the economic slowdown in Europe and Southeast Asia.

Regarding strategic businesses, as announced previously, Life Science grew steadily every year from 2016, when it was defined, until 2022, but it has turned to a loss in the past two years due to rapid market changes. We are currently pushing forward with profit improvement measures.

Other strategic businesses, such as Performance Chemicals, Electronics, and Mobility, are growing steadily according to the basic plan.



Now, looking at the current state of ROE, this is a major issue for our company. Due to the occurrence of impairment losses and losses associated with business transfers, ROE has been at a low level. After achieving record-high profits in 2021, we had a large impairment in Display in 2022, and in 2024, we had a large impairment in Biopharmaceutical CDMO and losses associated with the transfer of the Russian businesses, which significantly lowered the ROE level.

However, the black solid line is ROE, but if there were no large-scale losses, as shown by the lighter blue line, it's still not at a high level. We recognize that the challenge is that the original profit level is not yet sufficient.

ROCE status

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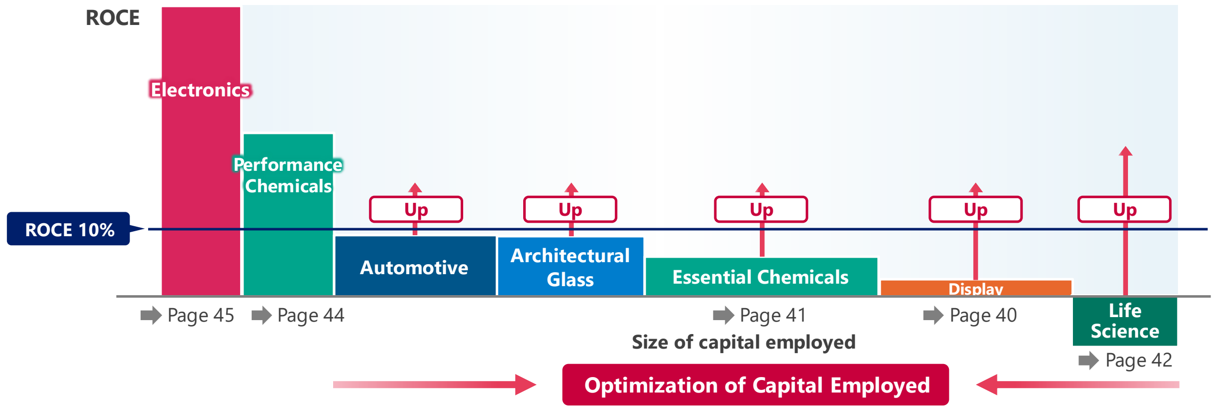
- Low-profit businesses with large capital employed are dragging downAGC Group's ROCE.
- Urgent need to improve profitability and asset efficiency of these businesses.

FY2024 ROCE and Size of Capital Employed by Business (before common expense allocation)

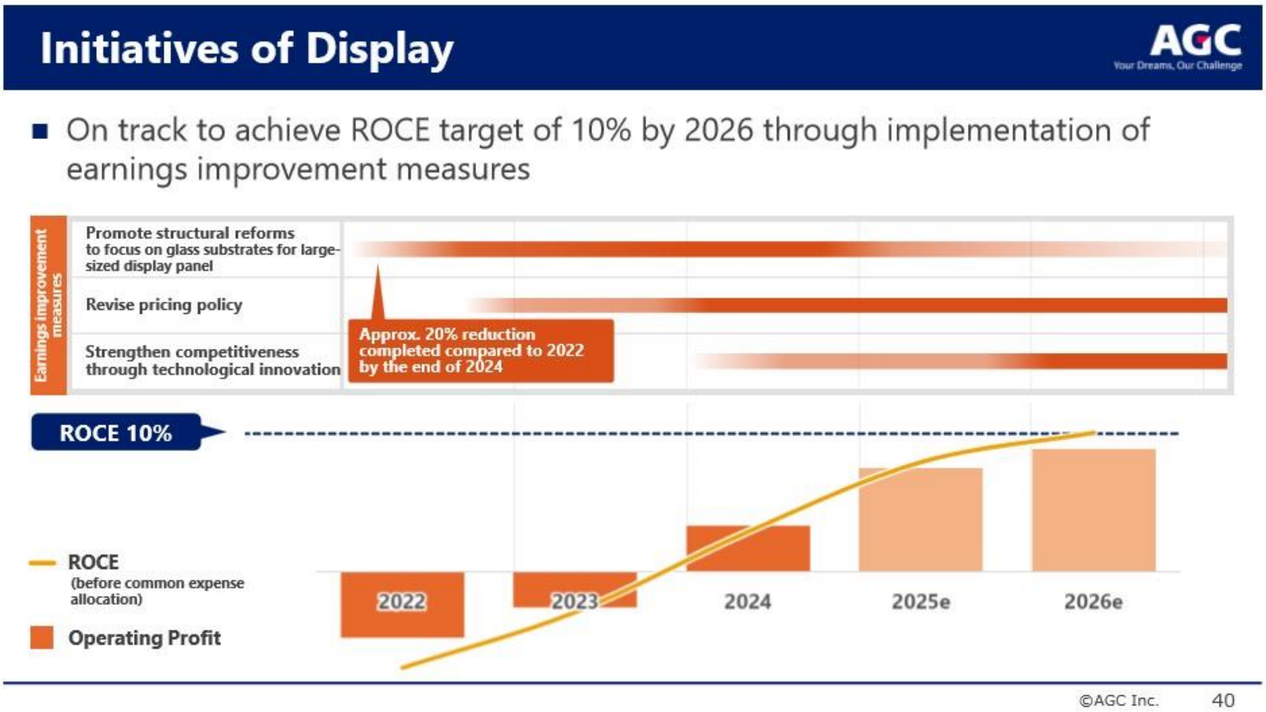


ROCE = FY 2024 operating profit / Capital employed at the year -end; operating profit for each business is before allocation of c ommon expenses

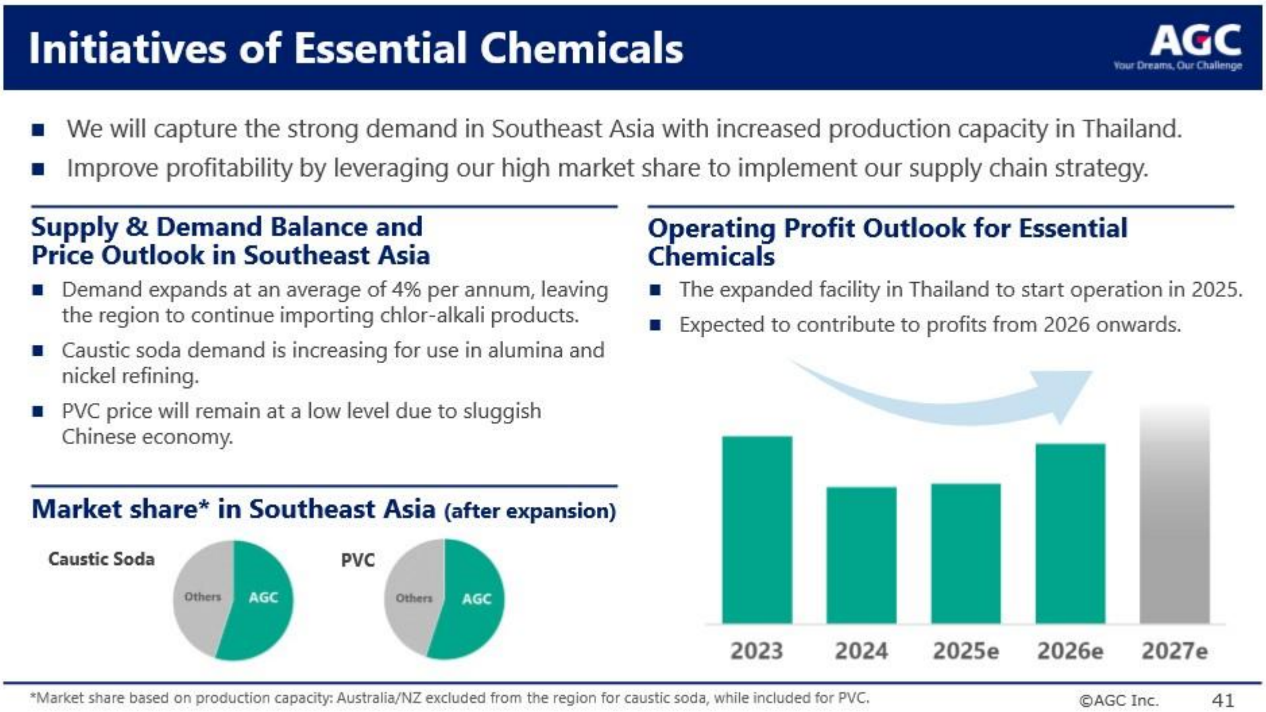
When expressed in terms of ROCE, it looks like this figure. The horizontal axis is the scale of operating assets, capital employed. The vertical axis is ROCE, which is operating profit per capital employed. In other words, the area of each box corresponds to operating profit.

The 2 boxes on the left, Electronics and Performance Chemicals, show very high ROCE with relatively small operating assets. Life Science on the far right was originally expected to have high ROCE as a strategic business, with ROCE of 15% or more achievable, but it is currently in the red, and it is important to raise this as soon as possible.

The four boxes in the middle, from Automotive to Display, correspond to core businesses, and as you can see, core businesses have a long width, indicating large operating assets. On the other hand, on the vertical side, all businesses are below the ROCE level of 10% necessary for ROE of 8% or more, indicating that both compressing operating assets as much as possible and raising profit levels are necessary for these businesses.



Regarding Display, although it has been in a very difficult situation for the past three years, profits are rapidly recovering due to bold structural reforms, focusing on glass for large display substrates, and actively implementing pricing policies in an industry where prices were expected to decrease every year. By introducing new technologies to increase competitiveness, we aim to achieve ROCE of 10% in 2026.



Essential Chemicals is currently expanding facilities in Thailand. Southeast Asia is the main market, and in terms of supply and demand in Southeast Asia, demand is stronger, meaning it's a market where imports are inevitable, not a market where demand is insufficient.

For caustic soda, demand for alumina and nickel is expanding in particular. The challenge is PVC. As you know, China is currently in a real estate recession, resulting in excess PVC, which is flowing into Southeast Asia as cheap PVC, causing a situation where volume is not decreasing, but only prices are falling.

However, based on high market share, we aim to improve profitability strongly. The facility expansion in Thailand will start operations from 2025, so it is expected to contribute fully from 2026 onwards.

Initiatives of Biopharmaceuticals CDMO

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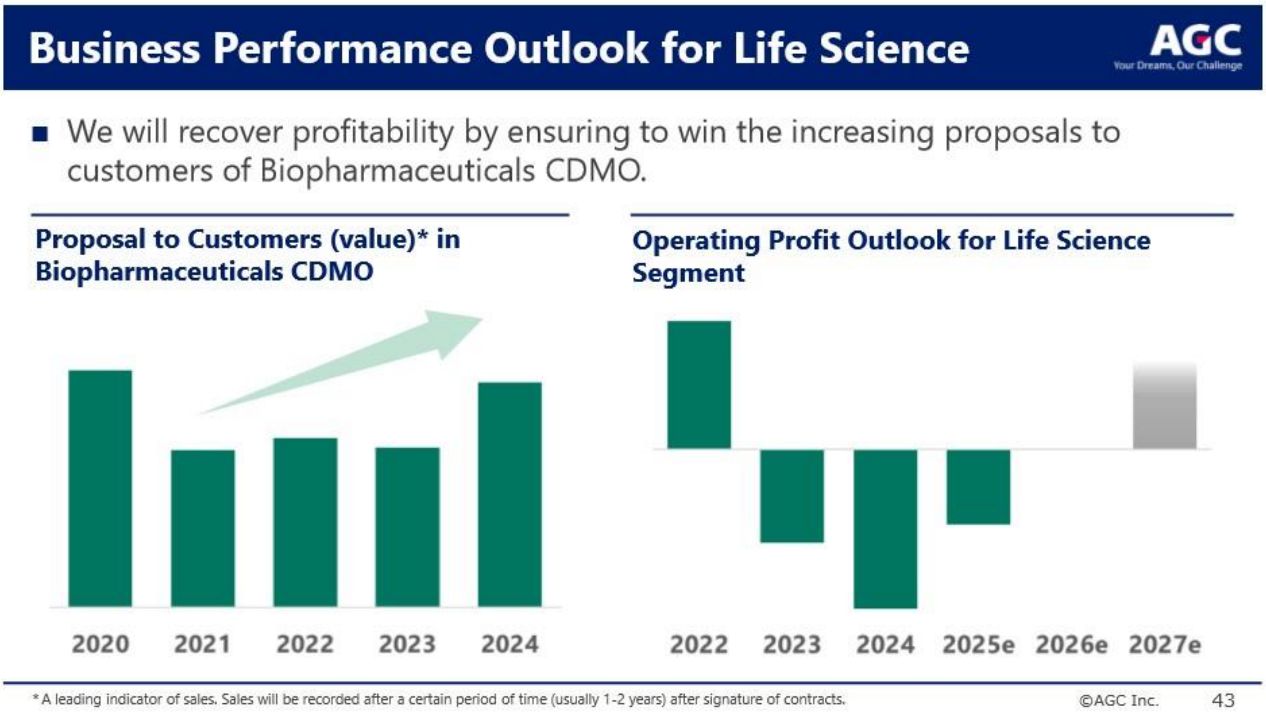
- Business situation has improved after implementation of profit improvement measures at each site.

Regions	Sites	Modalities	Previous Situations	Progress of Measures	Effects
U.S.	Seattle	Microbial/ Mammalian cell	1 Substantial underachievement in sales volume	Headcount reduction completed	**1.7 billion JPY** per year fixed cost reduction (1 billion JPY in 2024)
				Improved operations and 3 FDA approvals obtained	Positive impact on future sales and order-taking activities
	Longmont	Gene and Cell Therapy	2 Orders fell short of expectations driven by slow market growth of gene and cell therapy market	Idled production	**2.5 billion JPY** per year fixed cost reduction (effective from 2025)
	Boulder	Mammalian cell	3 Delay in start-up of a new line	Commercial production already started	Gradual increase in utilization. Improved profitability, to return to profit in 2027
Europe	Copenhagen	Microbial/ Mammalian cell	4 Expansion delayed due to construction labor shortage	Expanded facilities already in operation	Smooth increase in contracts

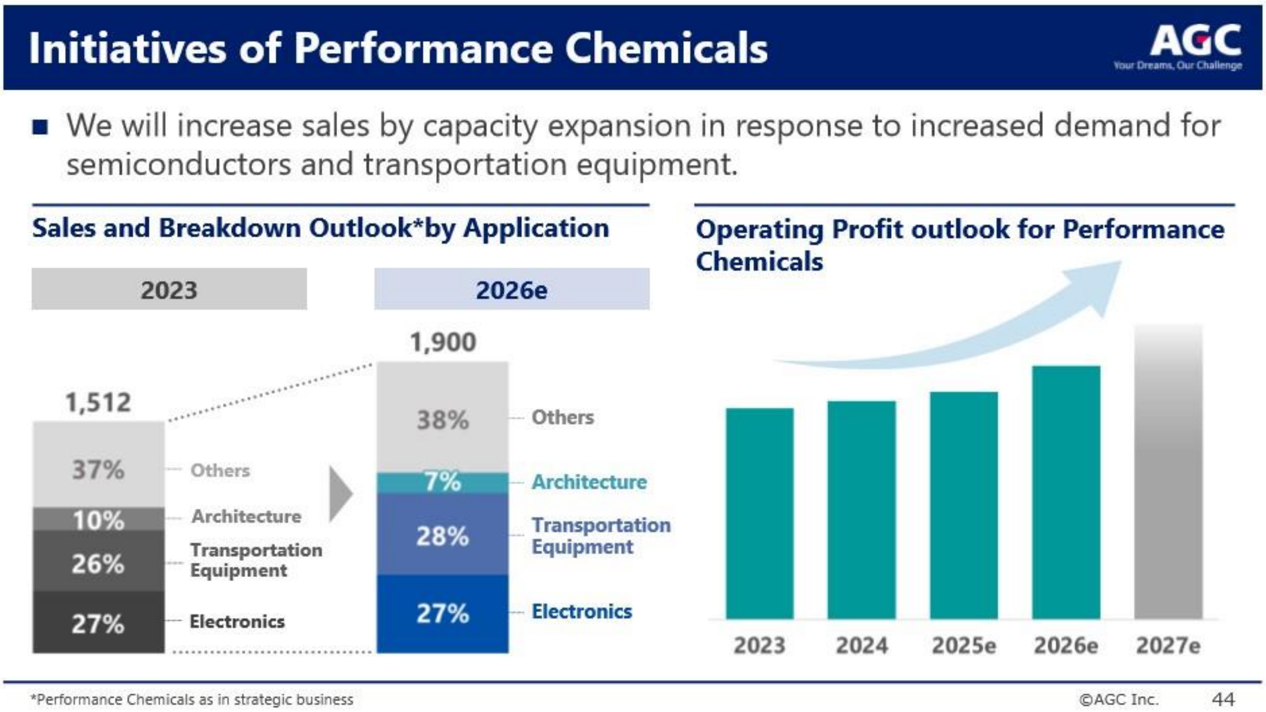
Regarding Biopharmaceuticals CDMO, basically, with the loss of special demand due to the COVID-19 pandemic and the halt of fund inflows to bioventures due to high interest rates in the US, our expanded facilities started depreciation, leading to the current difficult situation.

First, we are reducing costs by cutting personnel and stopping production lines for gene and cell therapy while improving operations and aiming to increase new orders. On the other hand, commercial production has started at the large-scale facility in Boulder, which had been taking some time.

In Europe, the launch of facilities was delayed, but now they have been launched and orders are steadily expanding.



Overall, the total amount of quotations to customers, which had been at a low level for three years from 2021, has been increasing since last year. It takes one to two years from the timing of these quotations to actual sales and profits, so we aim to turn profitable in 2026.



Performance Chemicals is steadily increasing sales as demand for semiconductor-related and transportation equipment is growing steadily.

Initiatives of Electronics

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- EUV mask blanks achieved sales of 40 billion yen in 2024, one year ahead of the initial target
- Semiconductor-related materials will continue to grow driven by AI demand while Optoelectronics will experience a brief stagnation

Market Trends and Strategies

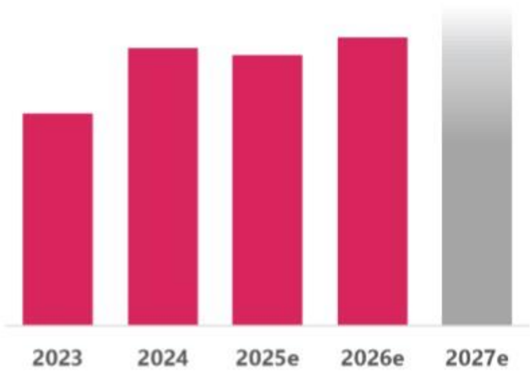
Semiconductor-related materials

Market Trend	Market is expanding due to increased demand for cutting-edge semiconductors for AI etc.
Strategy	**Expand sales to high-end market**

Optoelectronics

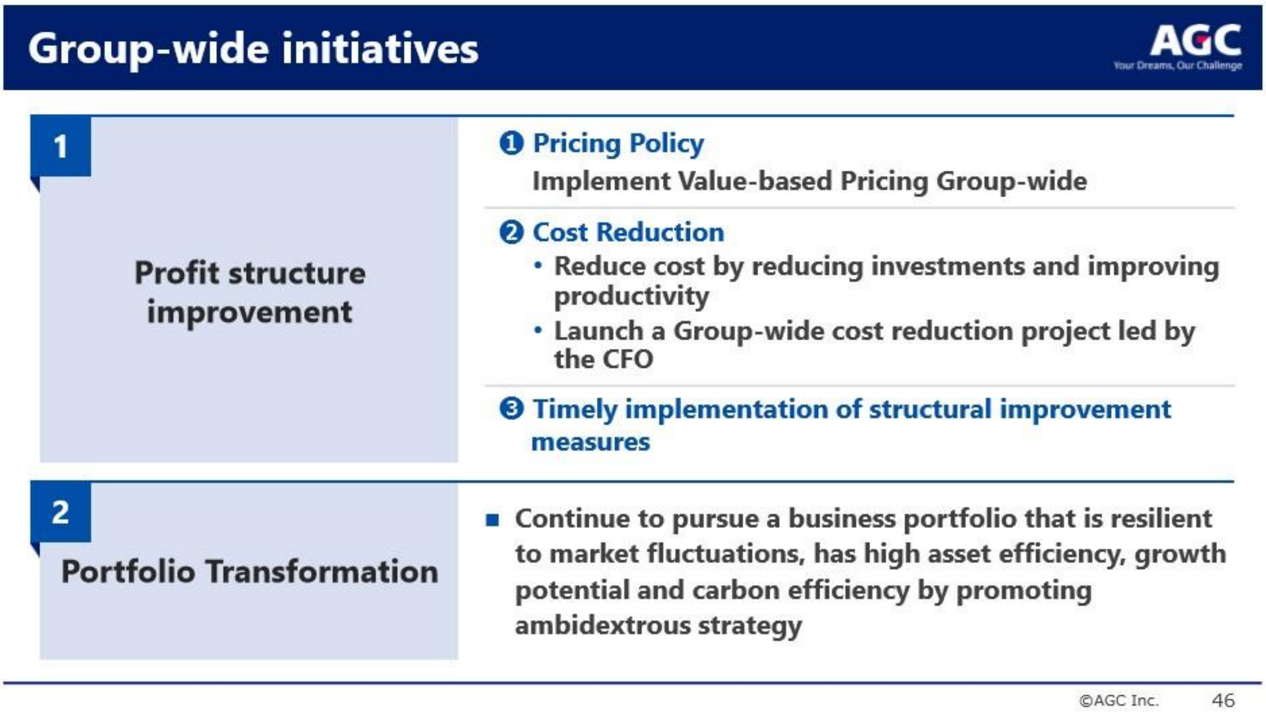
Market Trend	Growth slows due to saturation of smartphone market
Strategy	**Launch differentiated products combining high-performance and composite technologies**

Operating Profit Outlook for Electronics



Electronics saw significant growth last year, but this year, optoelectronics is temporarily reaching a plateau, mainly due to stagnant smartphone demand.

For semiconductors, EUV mask blanks are expected to continue growing steadily. Overall, we expect this year to be a temporary plateau before returning to a growth trajectory.

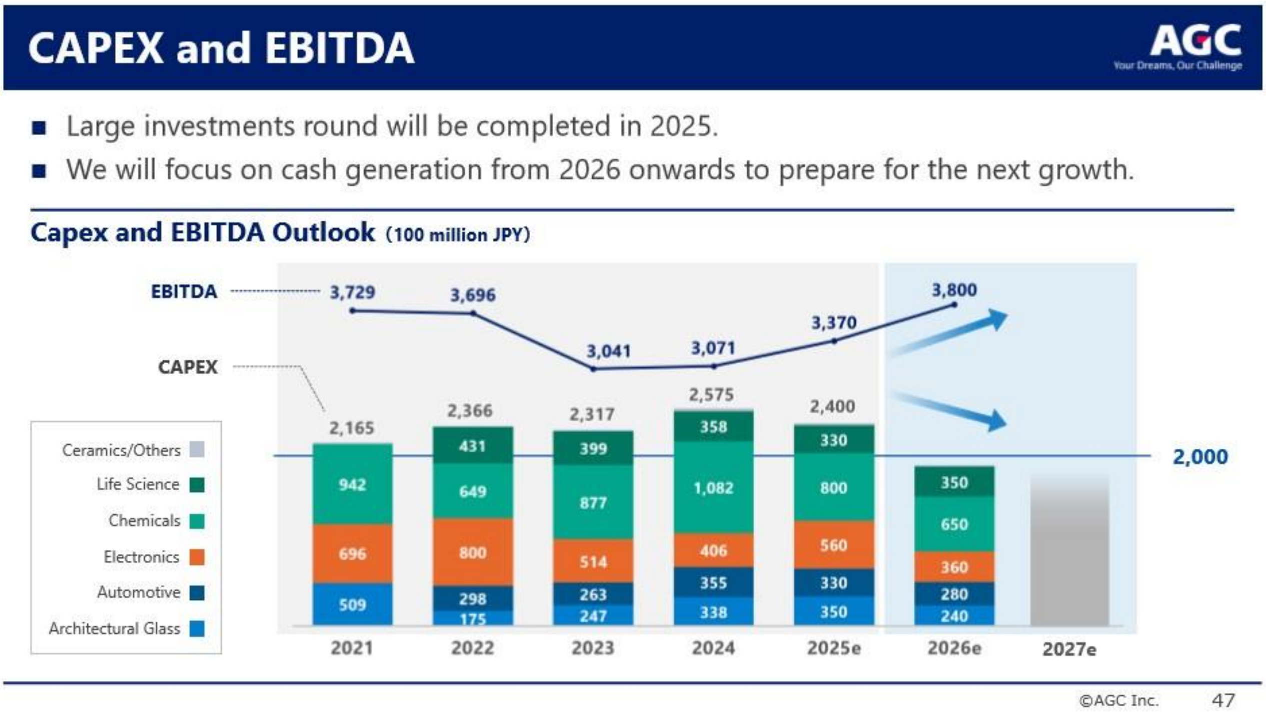


As a Group-wide initiative, we are considering changing our pricing approach from cost-based to entirely value-based Pricing. We also believe this is a necessary condition to create pricing that is resilient to market fluctuations.

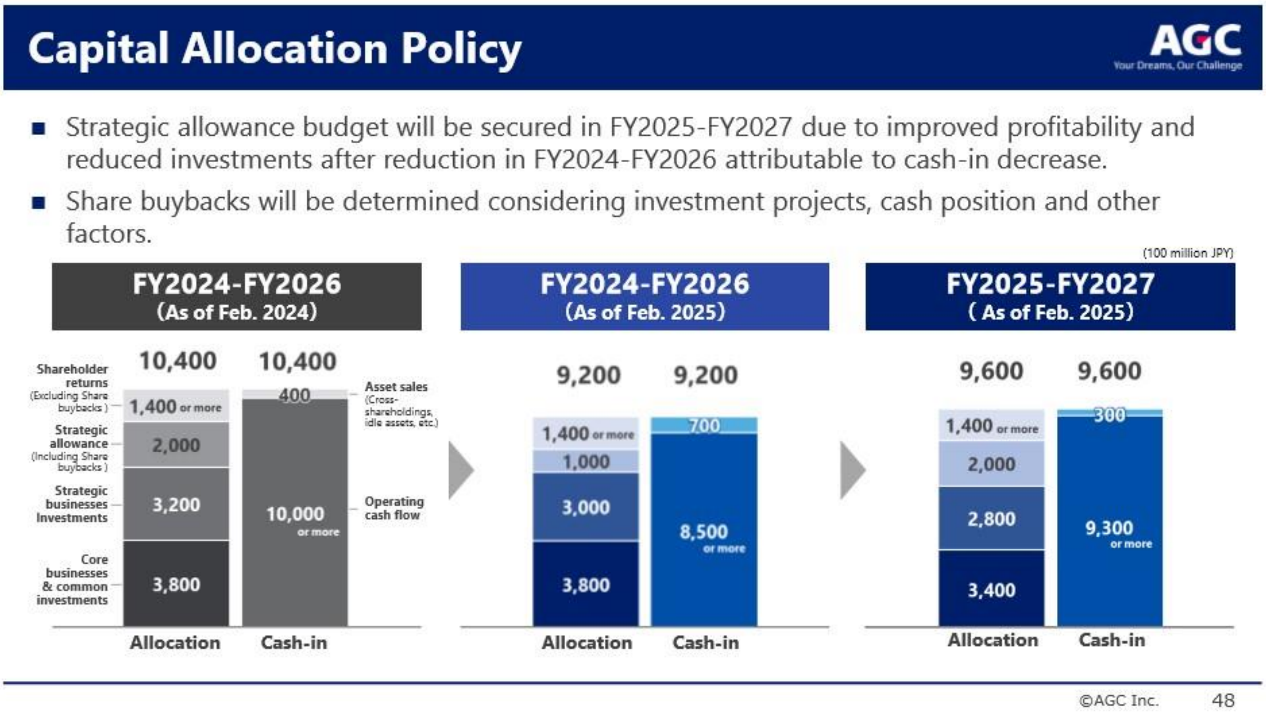
Cost reduction involves reducing costs through reducing investments and productivity improvement, as well as promoting Group-wide cost reduction. We have launched a project led by CFO Miyaji to proceed this.

Reflecting on the large-scale impairments we have caused, we want to proceed with timely structural reforms more quickly from now on.

Regarding portfolio transformation, as we have been saying, we want to proceedquickly in the desired direction through the promotion of ambidextrous strategy.



Regarding capital investment, large-scale capacity expansion investments will be completed in 2025. From next year onwards, the investment amount will decrease significantly, generating cash and preparing for the next growth period. For example, after the expansion in Thailand in 2025, there will be no large investments for a while in the chlor-alkali business of Essential Chemicals, as shown in this picture.



Regarding the capital allocation, the strategic allowance will temporarily shrink due to reduced cash inflow from 2024 to 2026, but from 2025 to 2027, we expect to secure a new strategic allowance of JPY200 billion due to performance recovery and the aforementioned reduced investments.

Regarding the use of this JPY200 billion, share buybacks are one option, and growth investments including new M&A are another option. We want to make a comprehensive judgment looking at various situations.

Medium-term Management Plan *AGC plus-2026* Financial KPIs （Revised）

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- Toward the achievement of profitability that exceeds cost of shareholders' equity, we aim to achieve an ROE of 8% or more as early as possible from 2027 onwards, despite the downward revision to the 2026 initial targets.

Financial KPIs (100 Million JPY)	2025 Outlook	2026 Targets As of Feb. 2024	2026 Targets As of Feb. 2025	2030 Targets
Operating Profit (100 million JPY)	1,500	2,300	1,800	3,000 or higher
Strategic Business Operating Profit (100 million JPY)	800	1,300	1,000	1,900 or higher
EBITDA* (100 million JPY)	3,370	4,400	3,800	
ROE	5.6%	8% or higher	7% or higher	10% or higher
D/E Ratio	0.5 or less			

* EBITDA＝Operating profit + Depreciation

Although we are revising downward the initial targets made in 2024, we aim to achieve ROE of 8% as early as possible from 2027, preferably in 2027, towards realizing profitability exceeding the cost of shareholders' equity.

Shareholder Return Policy

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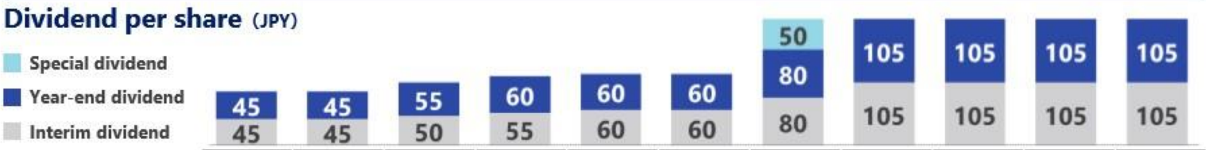
- The company's shareholder return policy of paying a stable dividend with a target of approx. 3% dividend on equity ratio remains unchanged.
- The dividend per share in 2025 is scheduled to be maintained at the same level as in 2024.

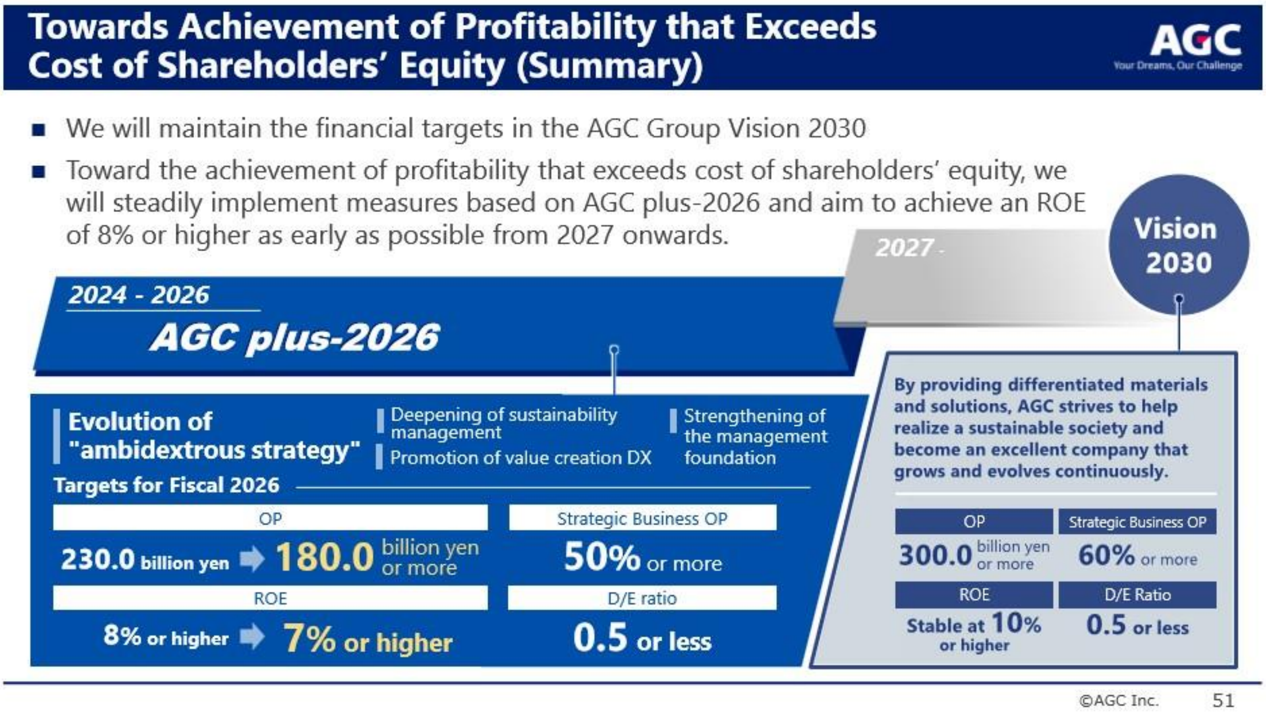


	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024e	FY2025e
Share buyback (100 million JPY)	–	**100**	**150**	**200**	–	–	–	–	**500**	–	TBD
Consolidated total return ratio	**48%**	**65%**	**56%**	**51%**	**60%**	81%	38%	–	144%	–	56%
Consolidated payout ratio	48%	44%	35%	29%	60%	**81%**	**38%**	–	**69%**	–	56%
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%**	**3.1%**
Shareholder return 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.

Regarding shareholder returns, our shareholder return policy of stable dividends with a target of dividend on equity ratio of around 3% remains unchanged. We plan to maintain the dividend per share for 2025 at the 2024 level.



In summary, the financial targets in the AGC Group Vision 2030 remains unchanged. We will maintain our financial targets. We want to transform into a company that can achieve ROE of 10% by 2030. To this end, we aim to achieve operating profit of JPY180 billion or more and ROE of 7% or more in the final year of 2026 through business portfolio transformation by promoting ambidextrous strategy in this medium-term plan.

That's all. Thank you very much.

Tamaki: Thank you, Mr. Hirai.