AGC Inc.

Financial Results for FY2023 Second Quarter

August 2, 2023

Event Summary

[Company Name]	AGC Inc.
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[Event Type]	Earnings Announcement
[Event Name]	Financial Results for FY2023 Second Quarter
[Fiscal Period]	FY2023 Q2
[Date]	August 2, 2023
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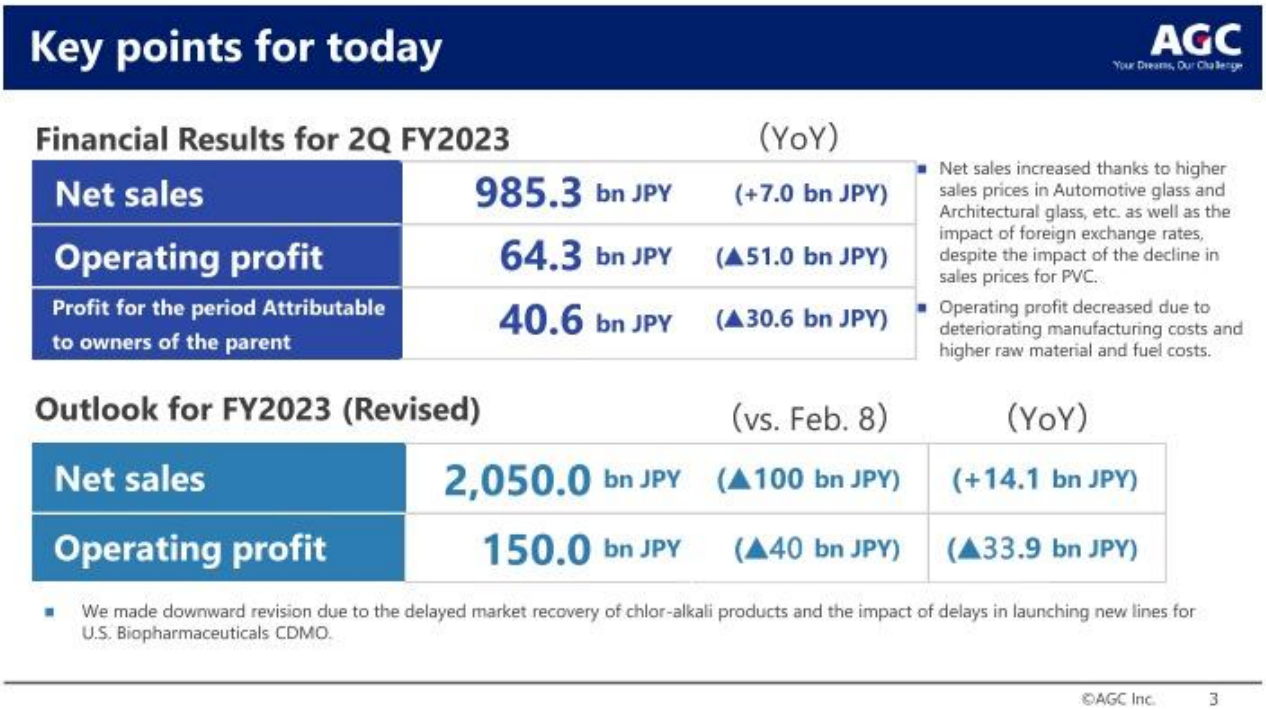
[Venue]	Webcast
[Number of Speakers]	4

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: It is now time to start AGC Inc.'s financial results briefing for Q2 of the fiscal year ending December 31, 2023. I'm Chikako Ogawa from Corporate Communications & Investor Relations, serving as the moderator. Today's participants are Representative Director, President & CEO, Yoshinori Hirai; Representative Director, Senior Executive Vice President & CFO, Shinji Miyaji; and Managing Executive Officer, General Manager of Finance & Control, Toshiro Kasuya.

We will first have CFO, Miyaji, go over the financial results for Q2 FY2023. After that, CEO Hirai will explain AGC's initiatives and corporate value enhancement. We will then take your questions. We are planning to end at 5:30 PM. Your understanding and cooperation are appreciated. First, CFO, Miyaji.



Miyaji: Good afternoon. I'm Miyaji, the CFO. Please turn to page three. These are the key points of today's briefing. Results for H1 FY2023 were affected by a decline in sales prices of PVC. But thanks to rising sales prices of automotive glass and architectural glass as well as the impact of exchange rates, net sales totaled JPY985.3 billion, an increase of JPY7 billion YoY. Operating profit decreased by JPY51 billion to JPY64.3 billion due to deterioration in manufacturing costs and the impact of higher raw materials and fuel costs. Net profit attributable to owners of the parent decreased by JPY30.6 billion to JPY40.6 billion. The sales forecast for the fiscal year has been lowered by JPY100 billion from the previous forecast to JPY2,050 billion in light of the delayed market recovery for chlor-alkali products and the delay in launching the new CDMO lines for biopharmaceuticals in the US. The operating profit forecast has been revised downward by JPY40 billion to JPY150 billion.

Highlights of the Financial Results for 2Q FY2023 (cumulative)

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* FOREX impact was +51.9 billion JPY, change in the scope of consolidation was +0.7 billion JPY

(100 million JPY)

		FY2022 1-2Q Total	FY2023 1-2Q Total	Change	Main factors in the change (+) Increasing factors (-)Decreasing factors
Net sales		9,783	**9,853**	+ 70*	(+) Increase in sales prices of Automotive glass and Architectural glass (+) Increase in shipments of Automotive glass (+) Yen depreciation (-) Decline in sales prices of PVC (-) Decrease in sales of Biopharmaceuticals CDMO and shipments of Fluorochemical-related products
Operating Profit		1,153	**643**	▲ 510	In addition to the above, (-) Deterioration in manufacturing costs (-) Increase in raw materials and fuel prices
Profit before tax		1,176	**660**	▲ 516	In addition to the above, (+) FOREX gain (+) Gain on sale of shares of subsidiaries and associates (-)Business structure improvement costs regarding Display business (Takasago site in Kansai Plant)
Profit for the period Attributable to owners of the parent		712	**406**	▲ 306	
FOREX (Average)	1USD	JPY 122.89	**JPY 134.85**		
	1EUR	JPY 134.25	**JPY 145.79**		
Crude oil (Dubai, Average)	USD/BBL	101.81	**79.05**		

Page five. Net sales and operating profit were explained earlier.

Profit before tax decreased by JPY51.6 billion to JPY66 billion. Profit for the period attributable to owners of the parent was JPY40.6 billion.

YoY Performance Comparison by Business Segment

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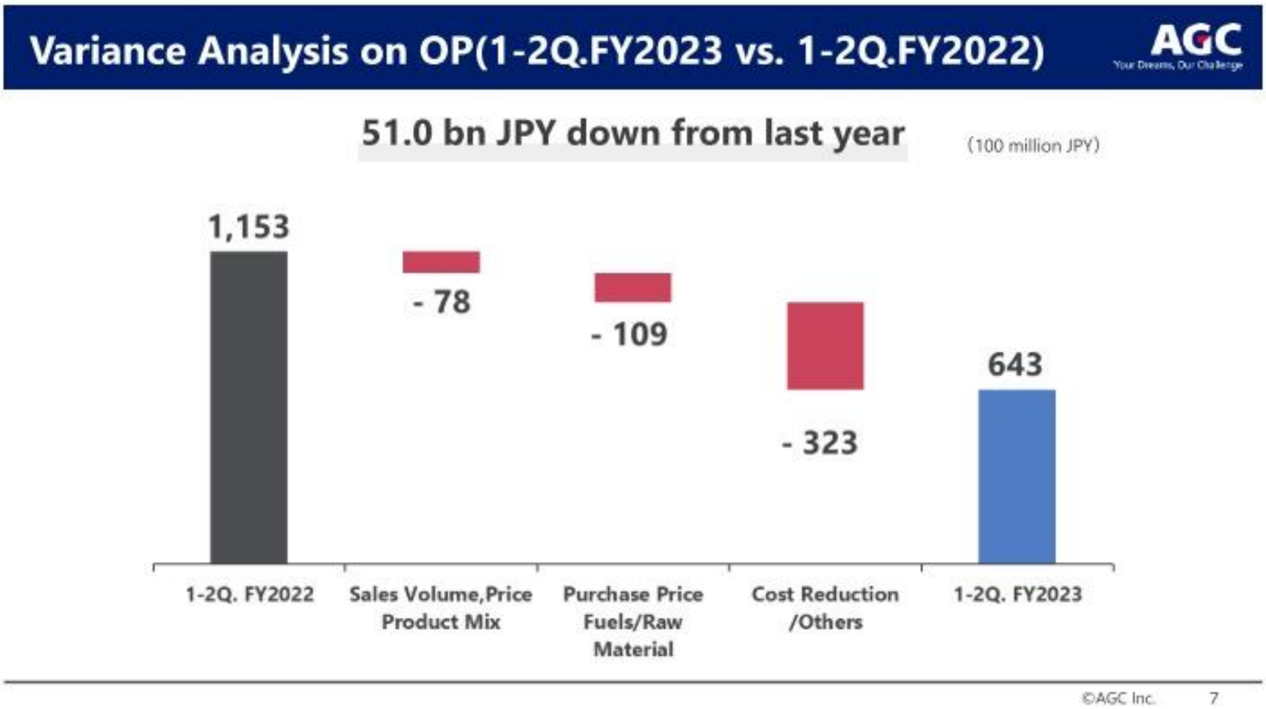
(100 million JPY)

	FY2022 1-2Q Total (a)		FY2023 1-2Q Total (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Architectural Glass	2,257	205	**2,398**	**186**	+ 141	▲ 19
Automotive	1,892	▲ 91	**2,407**	**102**	+ 515	+ 193
Electronics	1,481	92	**1,419**	**29**	▲ 62	▲ 63
Chemicals	3,336	824	**2,828**	**309**	▲ 509	▲ 514
Life Science	710	102	**680**	**6**	▲ 30	▲ 97
Ceramics/Other	435	25	**394**	**14**	▲ 41	▲ 11
Elimination	▲ 328	▲ 3	**▲ 273**	**▲ 3**	+ 55	+ 0
Total	9,783	1,153	**9,853**	**643**	+ 70	▲ 510

Next, results by segment, please turn to page six. Architectural glass posted higher sales and lower profit.

Automotive posted higher sales and profit, and electronics, chemicals, and life science posted lower sales and profit.



Page seven. This is the YoY variance analysis of operating profit.

Sales volume, price, and product mix, minus JPY7.8 billion, while sales prices of automotive glass and architectural glass grew, sales prices of PVC declined. The purchase price of fuels and raw materials, minus JPY10.9 billion, reflecting an increase in prices of raw materials and fuels, including soda ash. Cost reduction and others, minus JPY32.3 billion. Manufacturing costs worsened in all segments other than electronics. Operating profit decreased from JPY115.3 billion to JPY64.3 billion, down JPY51 billion.

Consolidated Statement of Financial Position

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(100 million JPY)

	2022/12	2023/6	Change	
Cash and cash equivalents	2,097	**1,688**	▲ 409	
Inventories	4,365	**4,741**	+ 376	
Property, plant and equipment, Goodwill and Intangible assets	15,148	**16,151**	+ 1,003	Foreign exchange fluctuation **+94.8 billion yen**
Other assets	6,530	**6,998**	+ 469	
Total assets	28,140	**29,579**	+ 1,438	Foreign exchange fluctuation **+158.8billion yen**
Interest-bearing debt	6,502	**7,083**	+ 580	
Other liabilities	5,782	**5,741**	▲ 41	
Liabilities	12,284	**12,824**	+ 539	
Total equity attributable to owners of the parent	13,903	**14,718**	+ 816	
Non-controlling interests	1,953	**2,037**	+ 83	
Equity	15,856	**16,755**	+ 899	Foreign exchange fluctuation **+89.3 billion yen**
Total liabilities and equity	28,140	**29,579**	+ 1,438	
D/E ratio	0.41	**0.42**		

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Page eight. Consolidated statements of our financial position comparing with the end of December 2022, total assets were JPY2,957.9 billion, an increase of JPY143.8 billion. The D/E ratio was 0.42.

Consolidated Statement of Cash Flow

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(100 million JPY)

1-2Q Total	FY2022	FY2023
Profit before tax	1,176	**660**
Depreciation and amortization	902	**859**
Increase(decrease) in working capital	▲ 527	**▲ 403**
Others	▲ 321	**▲ 221**
Cash flows from operating activities	1,230	**894**
Cash flows from investing activities	▲ 667	**▲ 881**
Free cash flow	562	**13**
Changes in interest-bearing debt	182	**222**
Dividends paid	▲ 289	**▲ 233**
Others	▲ 130	**▲ 525**
Cash folws from financing activities	▲ 237	**▲ 536**
Effect of exchange rate changes on cash and cash equivalents	272	**115**
Net increase(decrease) in cash and cash equivalents	597	**▲ 409**

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Page nine, consolidated statement of cash flow.

Operating cash flow was JPY89.4 billion. Investing cash flow was negative JPY88.1 billion. Free cash flow as a result was JPY1.3 billion. Others in cash flows from financing activities which include a JPY31.5 billion expense for the acquisition of treasury stock.

CAPEX, Depreciation and R&D

(100 million JPY)

1-2Q Total	FY2022	FY2023
CAPEX	1,051	**1,052**
Architectural Glass	75	**100**
Automotive	114	**116**
Electronics	416	**293**
Chemicals	314	**396**
Life Science	128	**139**
Ceramics/Other	6	**10**
Elimination	▲ 2	**▲ 1**
Depreciation	902	**859**
Architectural Glass	124	**119**
Automotive	154	**156**
Electronics	337	**258**
Chemicals	223	**248**
Life Science	54	**68**
Ceramics/Other	10	**10**
Elimination	▲ 1	**▲ 1**
R&D	249	**270**

Main projects for CAPEX

- G11 investment in China (Electronics)
- Repairment for Display glass furnace (Electronics)
- Capacity enhancement of Electronic materials (Electronics)
- Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement for Fluorochemical-related products (Chemicals)
- Capacity enhancement for Biopharmaceuticals CDMO and Small Molecule Pharmaceuticals and Agrochemicals CDMO (Life Science)

etc.

Page 10. CapEx, depreciation, and R&D expenses. CapEx totaled JPY105.2 billion. Depreciation was JPY85.9 billion, and R&D expenses were JPY27 billion.

Architectural Glass Segment

(100 million JPY)

1-2Q Total	FY2022	FY2023	Change
Net sales	2,257	**2,398**	+ 141*
Asia	681	**759**	+ 78
Europe & Americas	1,572	**1,633**	+ 61
(Inter-segment)	4	**6**	+ 2
Operating profit	205	**186**	▲ 19

* FOREX impact: +15.2 billion yen, Change in the Scope of Consolidation: +0.7 billion yen

Asia

- Despite shipments declined in all regions except Japan, net sales increased thanks to the rise in sales prices.

Europe & Americas

- Shipments declined in Europe, which was affected by the economic slowdown, but net sales increased thanks to the rise in sales prices and the impact of foreign exchange rates.
- Manufacturing costs deteriorated.

Next, some details by segment. Please turn to page 12.

Starting with architectural glass, net sales for the first six months totaled JPY239.8 billion; operating profit, JPY18.6 billion. In Asia, shipments decreased in regions other than Japan. But through the increase in sales prices, sales increased by JPY7.8 billion YoY at JPY75.9 billion. In Europe and Americas saw the shipments decreased in Europe due to the economic slowdown. Sales increased by JPY6.1 billion to JPY163.3 billion due to higher sales prices and the impact of exchange rates. As for operating profit, manufacturing costs worsened due to an increase in the unit price of inventory due to last year's operation adjustment in Europe. As for segment profit, Asia accounted for 40% and Europe and the Americas, 60%.

Automotive Segment

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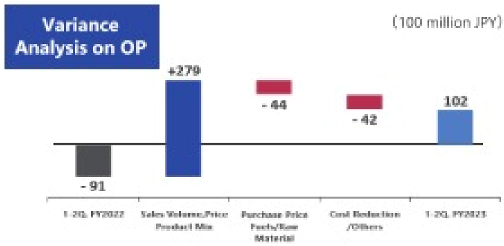
(100 million JPY)

1-2Q累計	FY2022	FY2023	Change
Net sales	1,892	2,407	+ 515*
Automotive	1,891	2,405	+ 514
(Inter-segment)	1	2	+ 1
Operating profit	▲ 91	102	+ 193

* FOREX impact: +13.3 billion yen, Change in the Scope of Consolidation: No impact



Automotive Glass

- The group's shipments increased as the automobile production increased.
- Net sales and operating profit increased thanks to the rise in sales prices, improvement of product mix and foreign exchange effects.

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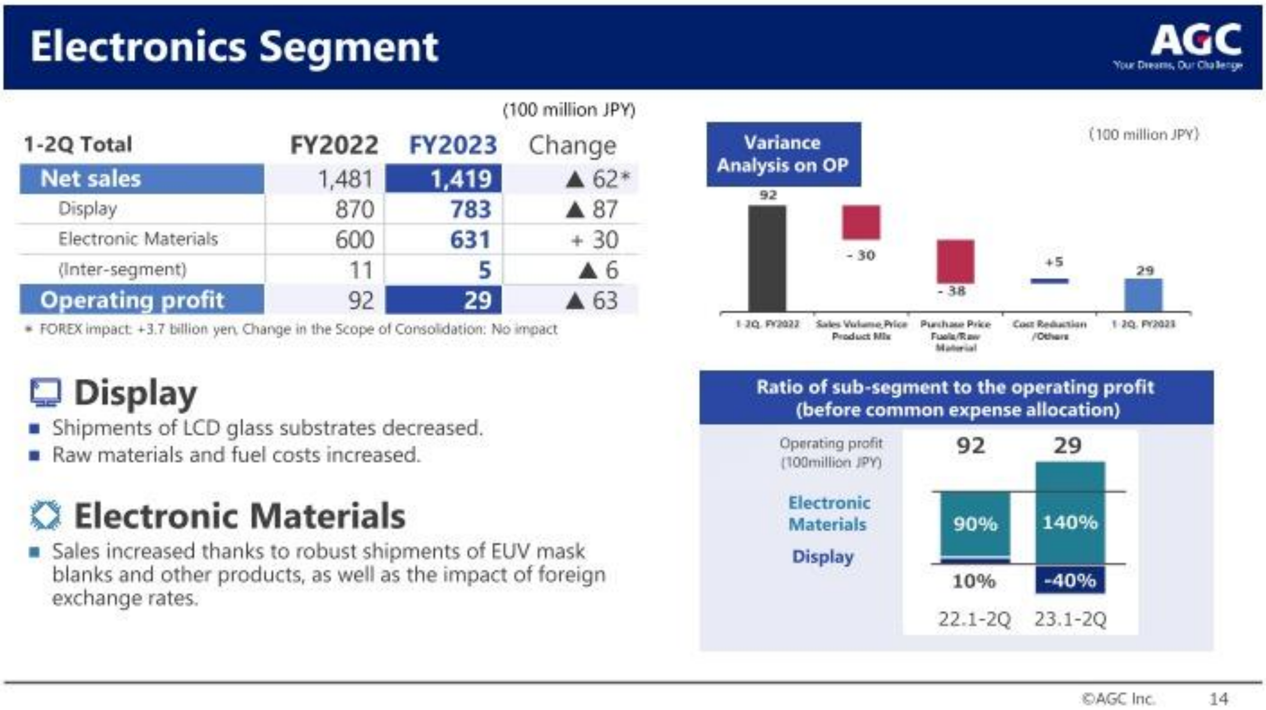
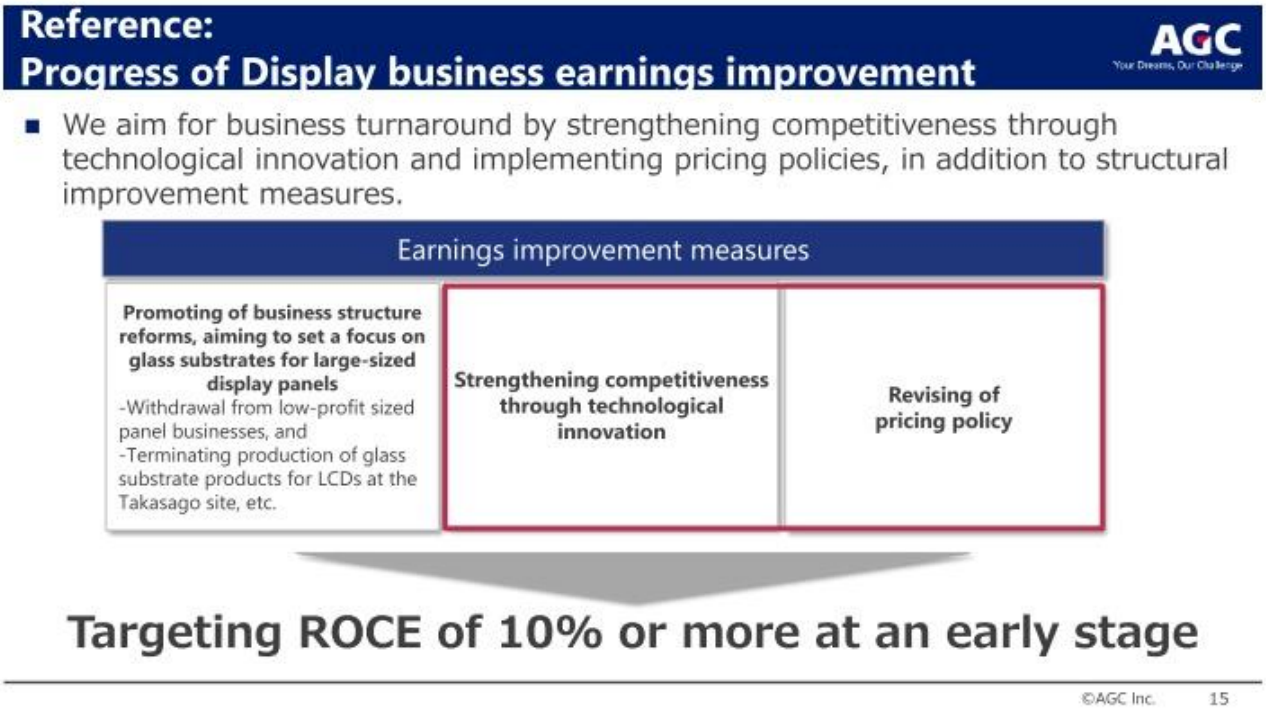
Page 13. Automotive. Net sales, JPY240.7 billion; operating profit, JPY10.2 billion. Shipments from the AGC Group increased as the number of automobile production increased globally. In addition, higher sales prices and improvements in the product mix and the impact of exchange rates contributed to a YoY increase in both sales and profit.



Page 14. Electronics.

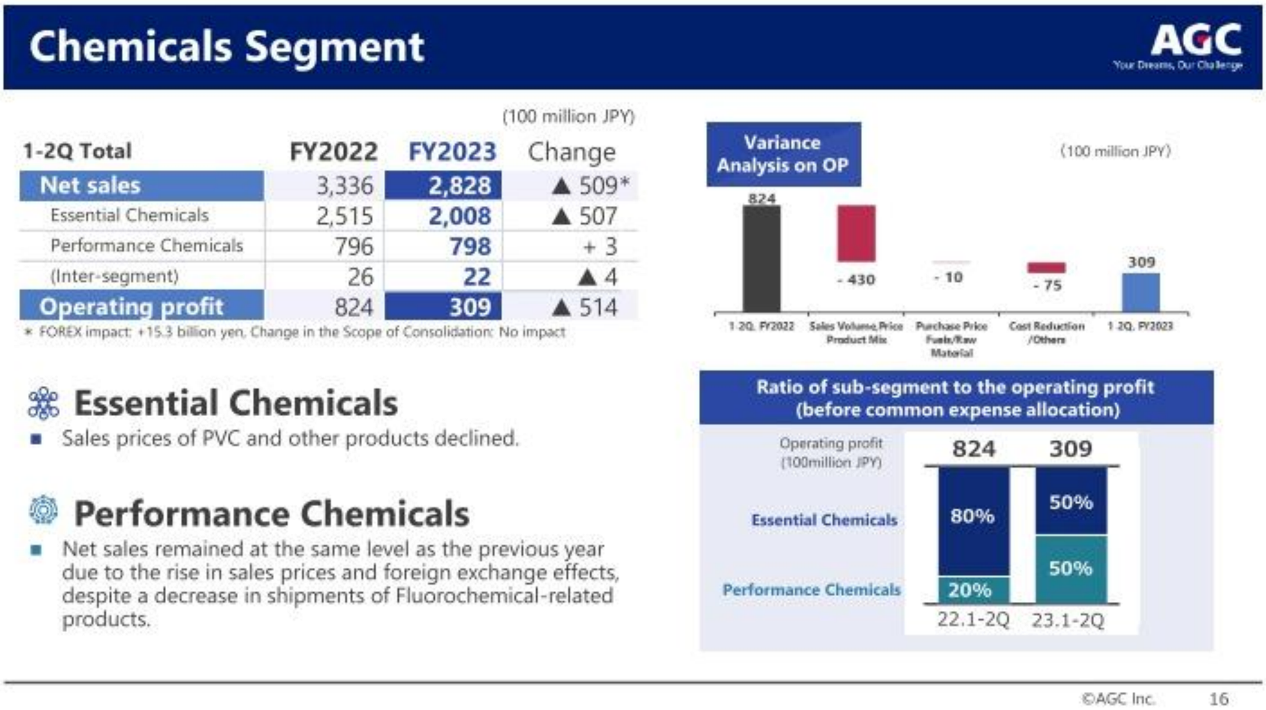
Net sales, JPY141.9 billion; operating profit JPY2.9 billion. Sales of displays decreased by JPY8.7 billion to JPY78.3 billion due to declining shipments of LCD glass substrates. The shipments of LCD glass substrates for the latest three months increased by around 10% over Q1, while sales prices remained almost unchanged. Electronic materials were affected by the slump in the semiconductor and smartphone markets but continued strong shipments of EUV photomask and the impact of exchange rates led to a YoY increase in net sales of JPY3 billion at JPY63.1 billion. Operating profit declined YoY due to such factors as the impact of higher fuel and raw materials costs despite steady sales of electronic materials.

Due to the impairment loss in the display business last year, depreciation expenses decreased significantly this fiscal year but impact from the deterioration in manufacturing costs due to lower facility utilization rates, improvements in cost reduction, and others was limited. The ratio of sub-segment to operating profit was electronic materials, 140%, and displays minus 40%.



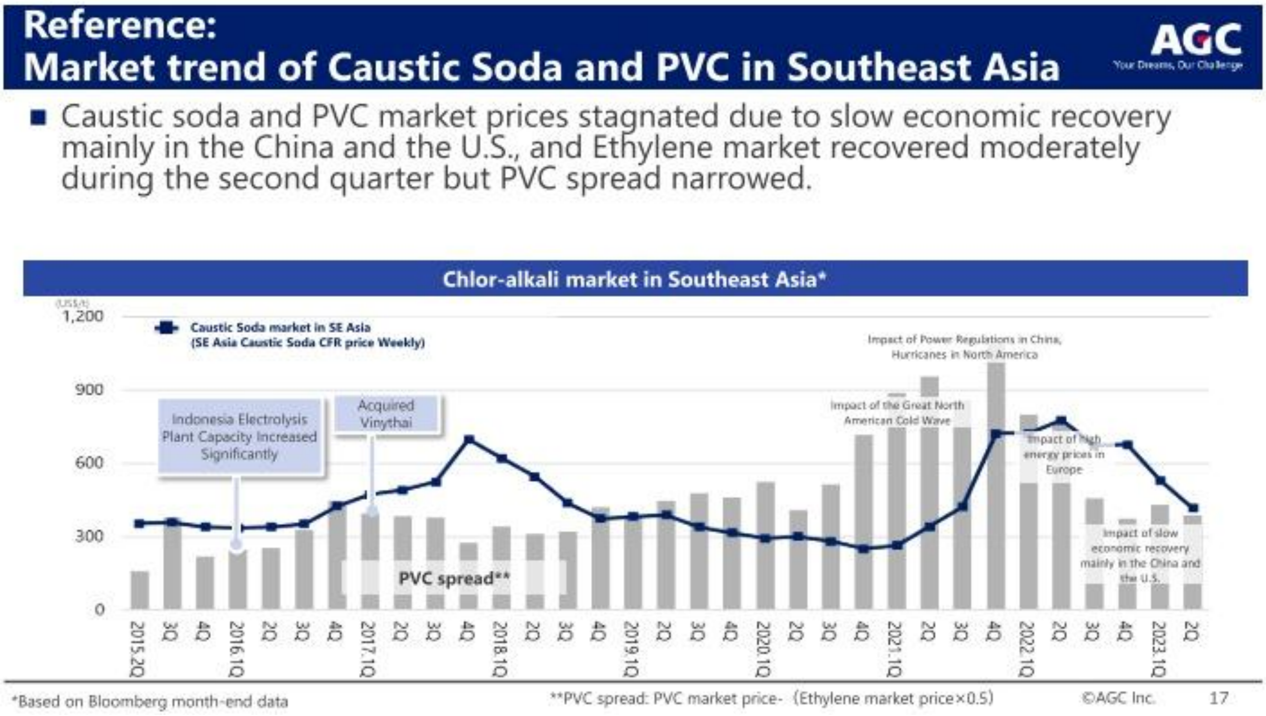
Please turn to page 15. The progress of measures to improve display business earnings improvement.

As you can see on the left-hand side, we are implementing business structure reforms based on the policies already announced. In addition, we will strengthen our competitiveness through technological innovation and also, we'll work on revisiting and revising our policy on pricing. By steadily promoting these three pillars, we aim to achieve a ROCE of 10% or higher at an early stage.



Please turn to page 16. Next, I will discuss the chemicals segment.

Net sales were JPY282.8 billion, and operating profit was JPY30.9 billion. Sales of essential chemicals decreased JPY50.7 billion to JPY200.8 billion due to lower sales price of PVCs and other products. Performance chemicals sales increased JPY300 million to JPY79.8 billion due to higher sales price and the effect of FX, despite a decrease in shipments of fluorochemical-related products. The ratio of the subsegment to OP and chemicals was 50% for essential chemicals and 50% for performance chemicals.



Please turn to page 17. I would like to provide a supplemental explanation of the market for chlorine alkaline in Southeast Asia.

The market for caustic soda and PVC declined due to the slow economic recovery, mainly in China and the United States. Although the price of ethylene, the raw material, declined, the PVC spread narrowed due to the significant impact of the sluggish product market.

Life Science Segment

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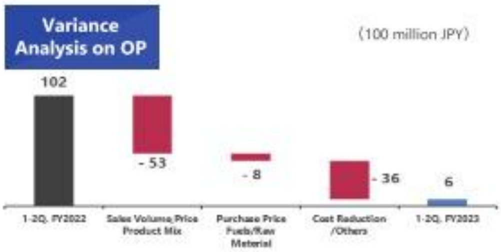
(100 million JPY)

1-2Q Total	FY2022	FY2023	Change
Net sales	710	**680**	▲ 30*
Life Science	692	**667**	▲ 25
(Inter-segment)	18	**13**	▲ 5
Operating profit	102	**6**	▲ 97

* FOREX impact: +4.2 billion yen, Change in the Scope of Consolidation: No impact



Life Science

- Sales of Biopharmaceuticals CDMO decreased due to the disappearance of special demand for products related to the anti-coronavirus applications, reduced inflows of funds into biotech ventures and delays in launching new lines for Biopharmaceuticals CDMO in the U.S.
- Upfront costs incurred associated with capacity expansion in the biopharmaceutical field.

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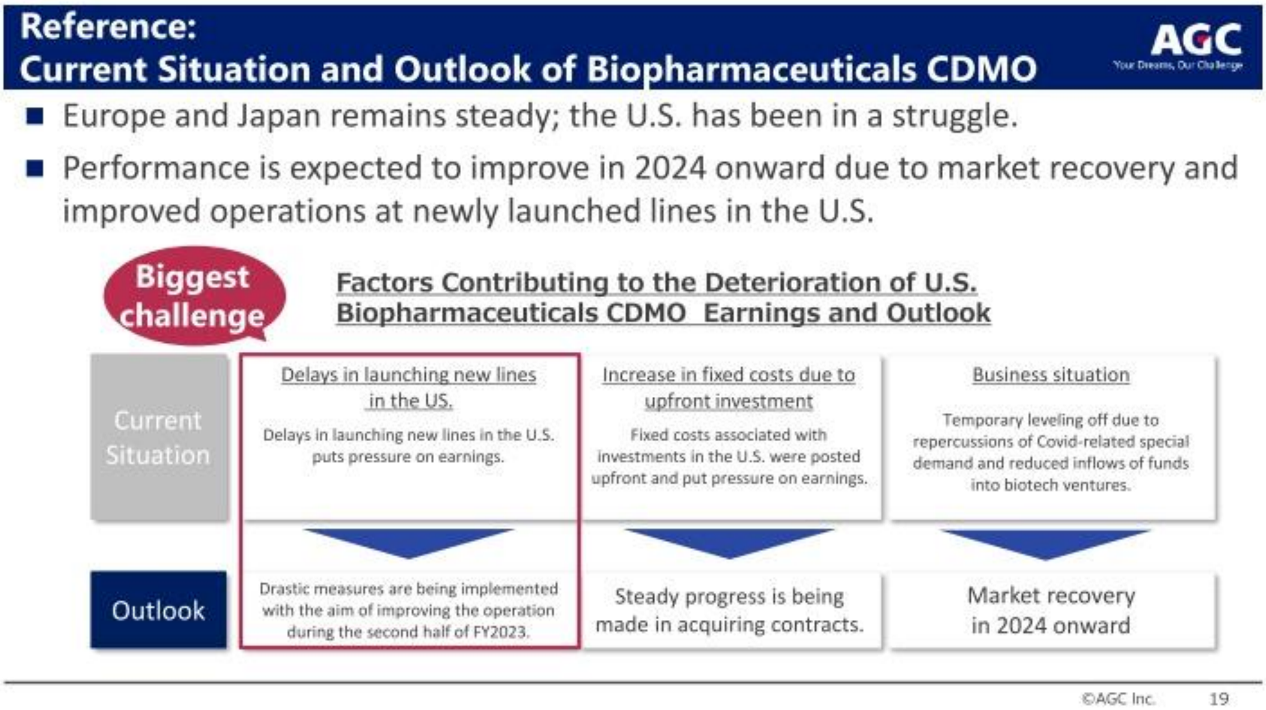
Please refer to page 18. Finally, let me talk about life science.

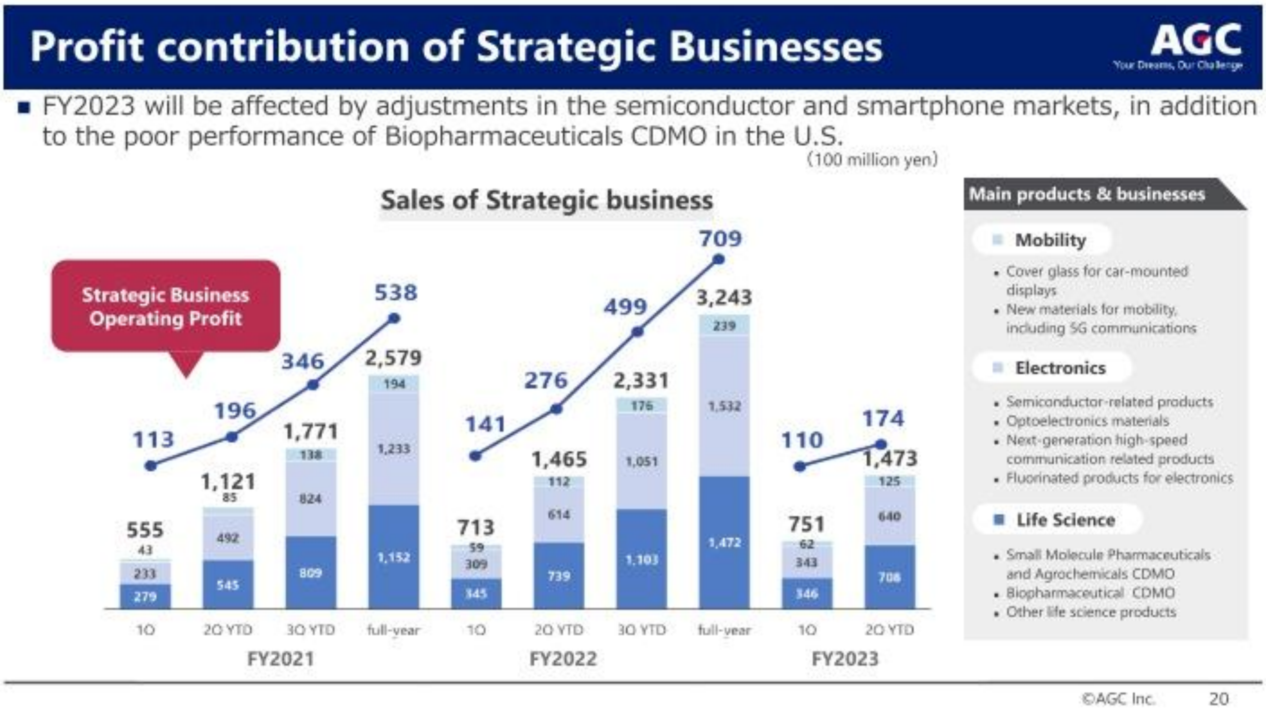
Sales in this segment totaled JPY68 billion, and operating profit was JPY600 million. Sales of biopharmaceutical CDMO decreased by JPY3 billion to JPY68 billion due to the loss of special demand for COVID-19, a decrease in funding for bioventures and a decline in contract sales due to a delay in the launch of a new biopharmaceutical CDMO production line in the US. Operating profit decreased due to the previously mentioned decline in sales as well as the upfront costs associated with the expansion of biopharmaceutical CDMO capacity.

On the next page, I will explain the current situation and business forecast for our biopharmaceutical CDMO business.



Please turn to page 19.

The biopharmaceutical CDMO business is performing well in Europe and Japan. However, it is struggling in the US, which is the largest issue. The biggest issue is the delay in the launch of new production lines in the US. We are taking drastic measures to normalize sales by the end of H2. We expect business performance to improve in 2024 and beyond as the market recovery shall also contribute to this improvement.



Please turn to page 20. Next, I will explain the performance of the strategic business.

Overall sales of the strategic businesses for H1 totaled JPY147.3 billion, an increase of JPY800 million. On the other hand, operating profit was JPY17.4 billion, a decrease of JPY10.3 billion. In addition to the poor performance of the Biopharmaceutical CDMO in the US, which I explained earlier, electronics was affected by the sluggish semiconductor and smartphone markets.

YoY Performance Comparison by Geographic Segment

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(100 million JPY)

1-2Q Total	FY2022	FY2023	Change
Net sales	9,783	**9,853**	+ 70
Japan &Asia	6,347	6,055	▲ 292
Americas	971	1,098	+ 127
Europe	2,465	2,700	+ 235
Operating profit	1,153	**643**	▲ 510
Japan &Asia	1,137	631	▲ 506
Americas	43	▲ 4	▲ 46
Europe	172	243	+ 71
Cross-regional common expenses	▲ 199	▲ 227	▲ 28

FOREX impact :
+51.9 bn JPY

Change in the scope of consolidation :
+0.7 bn JPY

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Please turn to page 21. This page shows the performance comparison by geographic segment.

FY2023 Outlook

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- Operating profit is expected to decrease from the previous year and from the initial forecast due to the delayed market recovery of chlor-alkali products, as well as the significant impact of delay in launching new lines for U.S. Biopharmaceuticals CDMO.

(100 million JPY)

		FY2022	FY2023e As of Aug 2, 2023	FY2023e As of Feb 8, 2023
Net sales		20,359	**20,500**	21,500
	(First half)	9,783	9,853	10,300
Operating profit		1,839	**1,500**	1,900
	(First half)	1,153	643	750
Profit before tax		585	**1,070**	1,470
Profit for the year attributable to owners of the parent		▲ 32	**590**	870
Dividend (JPY/share)		210	**210**	210
Operating profit margin		9.0%	7.3%	8.8%
ROE		-	4.2%	6.3% *
FOREX (Average)	**1 USD**	JPY 131.4	JPY 135.0	JPY 125.0
	1 EUR	JPY 138.0	JPY 150.0	JPY 135.0
Crude oil (Dubai, Average)	**USD/BBL**	96.3	81.0	85.0
Ethylene (CFR SEA)	**USD/MT**	1,054	870	1,000

* ROE of FY2023e is calculated using the figures of Profit for the year attributable to owners of the parent as of Dec 31, 2022

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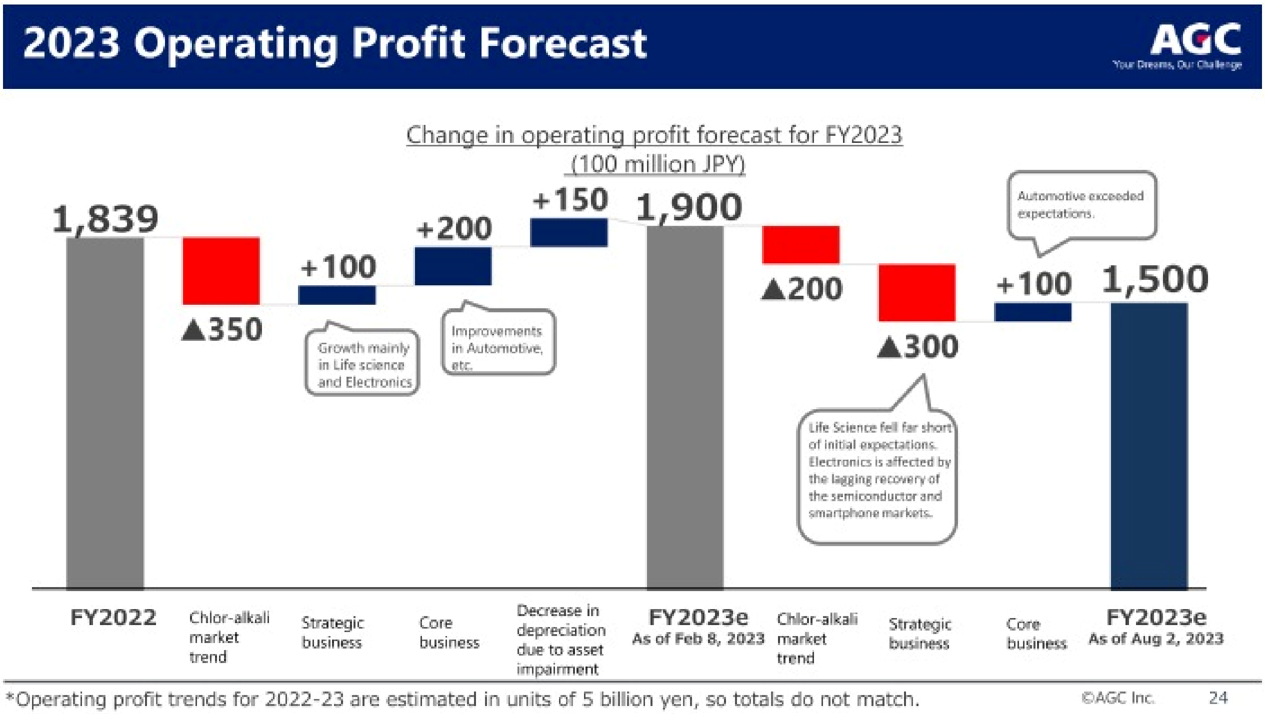
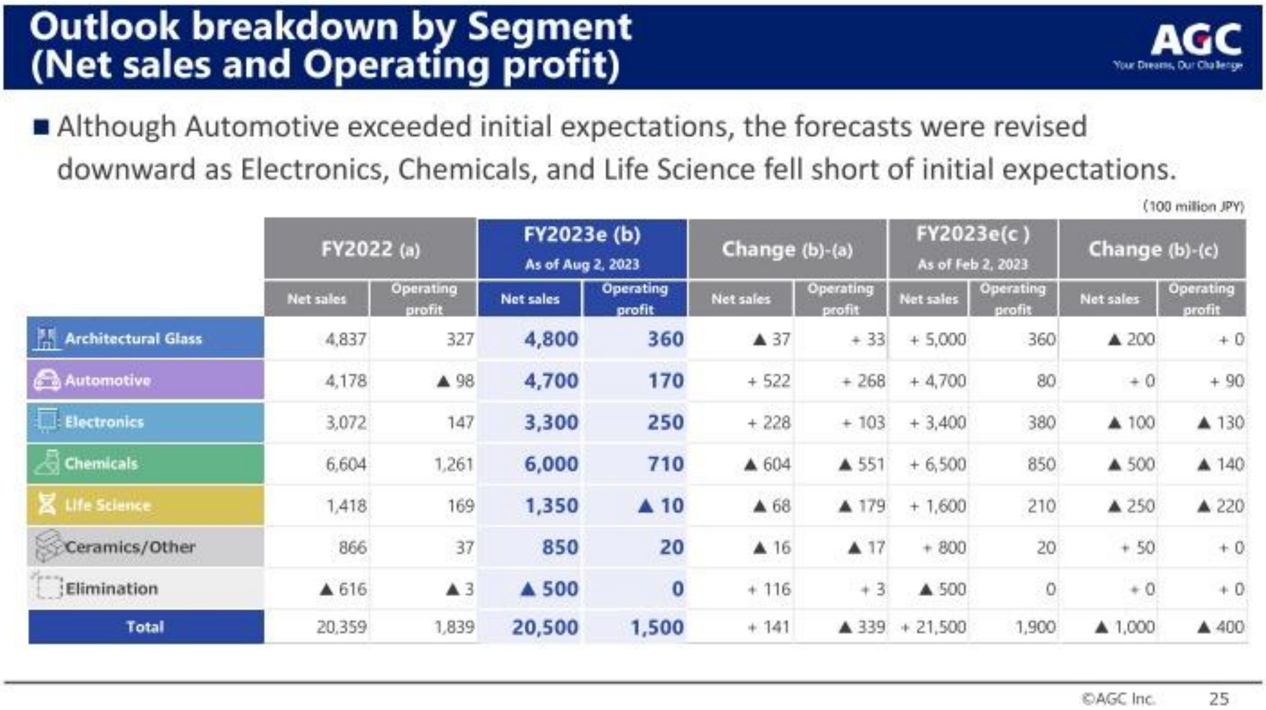
Please move on to page 23. I will now explain the full-year forecast.

As mentioned at the beginning of this presentation, we have made a downward revision to net sales and operating profit against the announcement from February 8. We now forecast sales of JPY2.05 trillion, up JPY14.1 billion; an operating profit of JPY150 billion, down JPY33.9 billion; profit before tax as JPY107 billion, up JPY48.5 billion; and profit attributable to owners of the parent, JPY59 billion, up JPY62.2 billion. FX assumption for the full year was revised to JPY135 to the US dollar and JPY150 to the euro. We also revised our full-year forecast for Dubai crude oil price to USD81 per barrel.



Please move on to page 24. Now I would like to explain the change in the operating profit forecast more in detail.

Compared to the forecast announced on February 8, the automotive business is expected to exceed the forecast. However, the chlor-alkali market and strategic business are expected to fall short of the forecast. Please be aware that the forecast figures in the waterfall chart are estimates and units of JPY5 billion, and so the totals may not necessarily add up.



Outlook breakdown by Segment (Net sales and Operating profit)

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- Although Automotive exceeded initial expectations, the forecasts were revised downward as Electronics, Chemicals, and Life Science fell short of initial expectations.

(100 million JPY)

	FY2022 (a)		FY2023e (b) As of Aug 2, 2023		Change (b)-(a)		FY2023e(c) As of Feb 2, 2023		Change (b)-(c)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Architectural Glass	4,837	327	**4,800**	**360**	▲ 37	+ 33	+ 5,000	360	▲ 200	+ 0
Automotive	4,178	▲ 98	**4,700**	**170**	+ 522	+ 268	+ 4,700	80	+ 0	+ 90
Electronics	3,072	147	**3,300**	**250**	+ 228	+ 103	+ 3,400	380	▲ 100	▲ 130
Chemicals	6,604	1,261	**6,000**	**710**	▲ 604	▲ 551	+ 6,500	850	▲ 500	▲ 140
Life Science	1,418	169	**1,350**	**▲ 10**	▲ 68	▲ 179	+ 1,600	210	▲ 250	▲ 220
Ceramics/Other	866	37	**850**	**20**	▲ 16	▲ 17	+ 800	20	+ 50	+ 0
Elimination	▲ 616	▲ 3	**▲ 500**	**0**	+ 116	+ 3	▲ 500	0	+ 0	+ 0
Total	20,359	1,839	**20,500**	**1,500**	+ 141	▲ 339	+ 21,500	1,900	▲ 1,000	▲ 400

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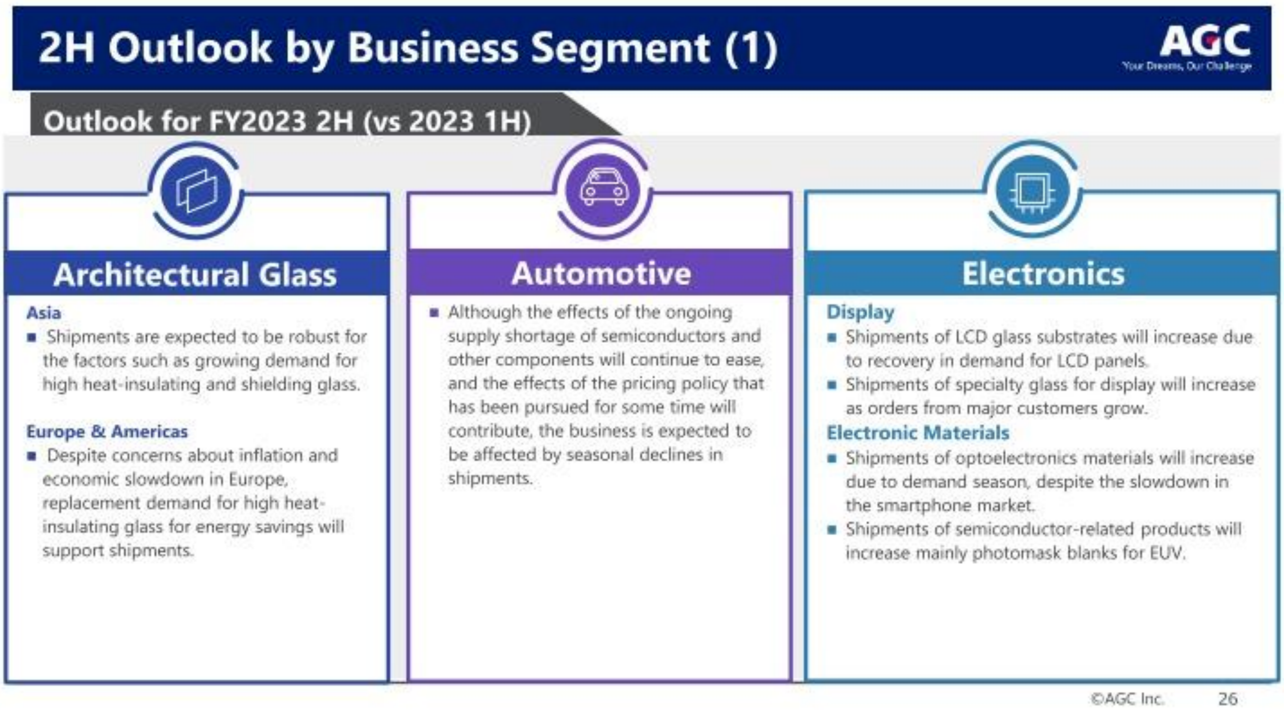
Please turn to page 25. Next, I will explain the key points of the revised forecast by segment.

We have lowered our consolidated sales forecast by JPY100 billion with downward provisions in architectural glass, electronics, chemicals, and life science. We have lowered our consolidated OP forecast by JPY40 billion with an upward revision in automotive and a downward revision in electronics, chemicals, and life science.



2H Outlook by Business Segment (1)

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Outlook for FY2023 2H (vs 2023 1H)

Architectural Glass

Asia
- Shipments are expected to be robust for the factors such as growing demand for high heat-insulating and shielding glass.

Europe & Americas
- Despite concerns about inflation and economic slowdown in Europe, replacement demand for high heat-insulating glass for energy savings will support shipments.

Automotive
- Although the effects of the ongoing supply shortage of semiconductors and other components will continue to ease, and the effects of the pricing policy that has been pursued for some time will contribute, the business is expected to be affected by seasonal declines in shipments.

Electronics

Display
- Shipments of LCD glass substrates will increase due to recovery in demand for LCD panels.
- Shipments of specialty glass for display will increase as orders from major customers grow.

Electronic Materials
- Shipments of optoelectronics materials will increase due to demand season, despite the slowdown in the smartphone market.
- Shipments of semiconductor-related products will increase mainly photomask blanks for EUV.

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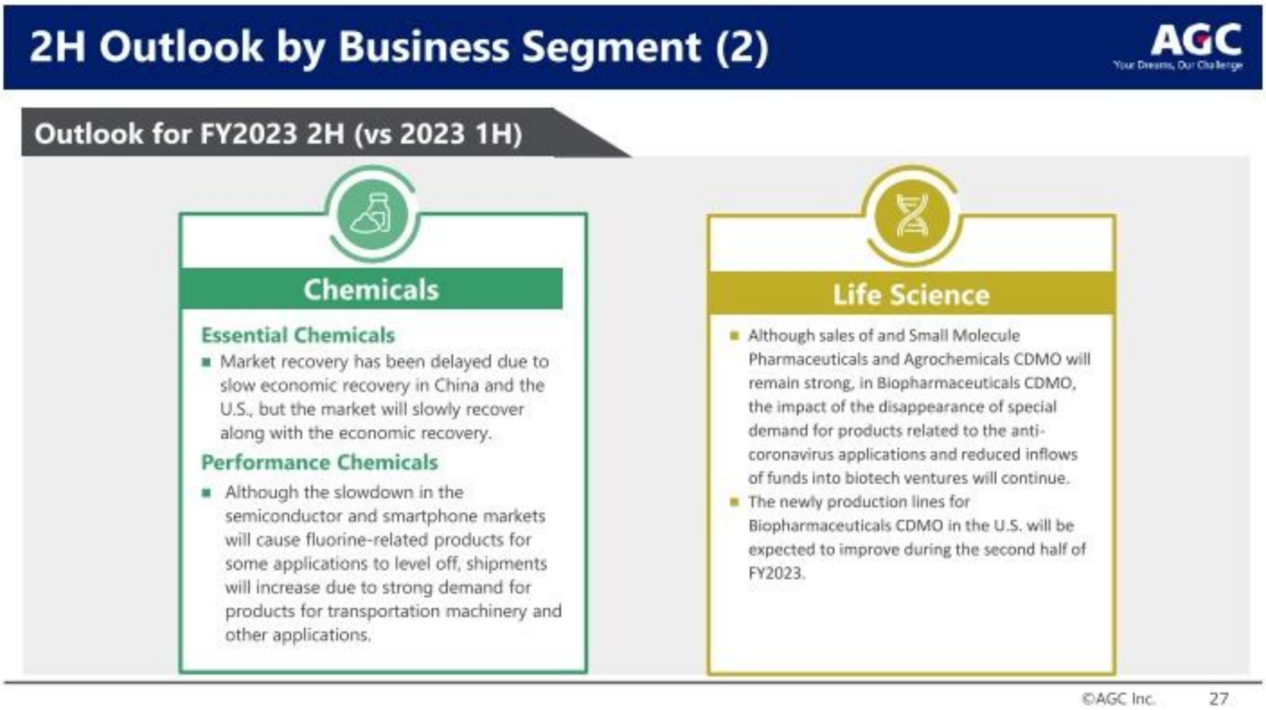
Please turn to page 26. I will now explain the key points of the H2 forecast for each segment.

For architectural glass in Asia, shipments are expected to remain firm due to increased demand for high heat insulating and shielding glass. In Europe, despite concerns about inflation and economic slowdown, we expect shipments to be supported by demand for replacement with high heat insulating glass to reduce energy consumption.

Next is automotive. The continued recovery from the supply shortage of components for semiconductors and other products as well as the effects of our ongoing pricing policy will contribute. But we expect shipments to be impacted by seasonal declines.

Next is electronics and display. Shipments of LCD glass substrates are expected to increase due to a recovery in demand. The shipment volume of LCD glass substrates in Q3 is expected to increase by a low single-digit percentage compared with Q2. Shipments of specialty glass for display are expected to increase due to an expansion of orders from major customers. Among electronic materials, shipments of optoelectronics components are expected to increase during the demand season despite the slowdown in the smartphone market. In semiconductor-related products, shipments are expected to increase, centered on photomask blanks for EUV.



Please turn to page 27. Next is chemicals.

In essential chemicals, the market is expected to recover gradually as the economy recovers. However, not a dramatic recovery. In performance chemicals, the semiconductor and smartphone markets are slowing down, and the demand for fluorochemical-related products is expected to reach a standstill. However, the product demand for the transportation equipment sector is expected to increase.

Next is life science. Although small molecule pharmaceuticals and agrochemical CDMO are expected to remain firm, the impact of the disappearance of special demand for COVID-19 in biopharmaceutical CDMO and reduced funding for bioventures is expected to continue. In addition, as explained earlier, the new production line for biopharmaceutical CDMO in the US is expected to improve, i.e., normalize in H2.

Outlook of Strategic businesses

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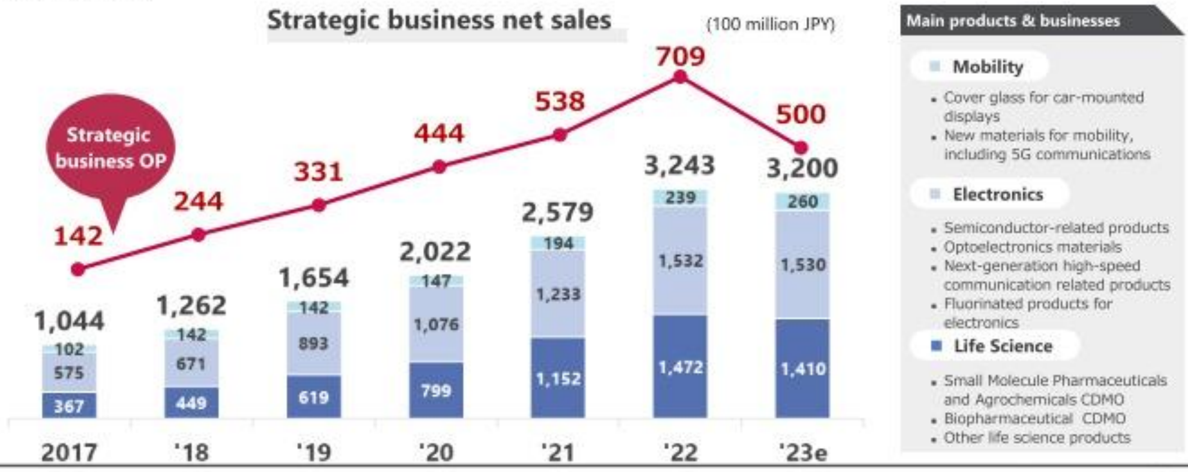
- Sales growth is expected to be sluggish and profit is expected to decline in 2023.
- The businesses will return to growth trajectory after 2024 along with a recovery in biopharmaceutical CDMO and expansion of semiconductor-related products such as EUV mask blanks.



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Please turn to page 28. In strategic businesses, sales are expected to be sluggish, and earnings are expected to decline in 2023. But from 2024 onwards, we expect to return to our growth trajectory due to a recovery in biopharmaceutical CDMO sales and expansion of semiconductor-related products, such as photomask blanks for EUV.

CAPEX, Depreciation and R&D

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(100 million yen)

Full year	FY2022	FY2023e
CAPEX	2,366	**3,000**
Architectural Glass	175	**250**
Automotive	298	**270**
Electronics	800	**930**
Chemicals	649	**950**
Life Science	431	**580**
Ceramics/Other	14	**20**
Elimination	▲2	**0**
Depreciation	1,857	**1,880**
Architectural Glass	239	**240**
Automotive	325	**330**
Electronics	684	**620**
Chemicals	475	**520**
Life Science	115	**150**
Chemicals	19	**20**
Elimination	▲1	**0**
R&D	523	**580**

Main projects for CAPEX

- G11 investment in China (Electronics)
- Capacity enhancement of Electronic materials (Electronics)
- Capacity enhancement for Chlor-alkali in Southeast Asia (Chemicals)
- Capacity enhancement of Biopharmaceuticals CDMO (Life Science)

etc.

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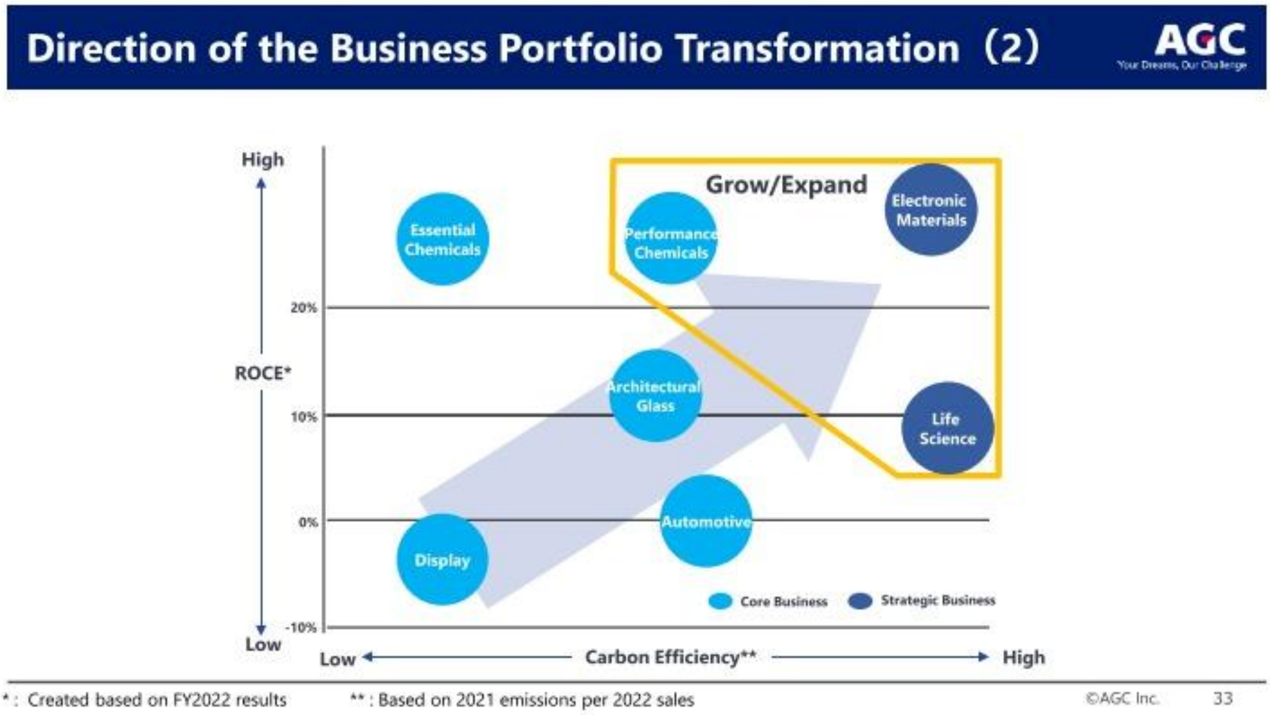
Please turn to page 29. CapEx, depreciation, and R&D expenses remain unchanged from the initial forecast.

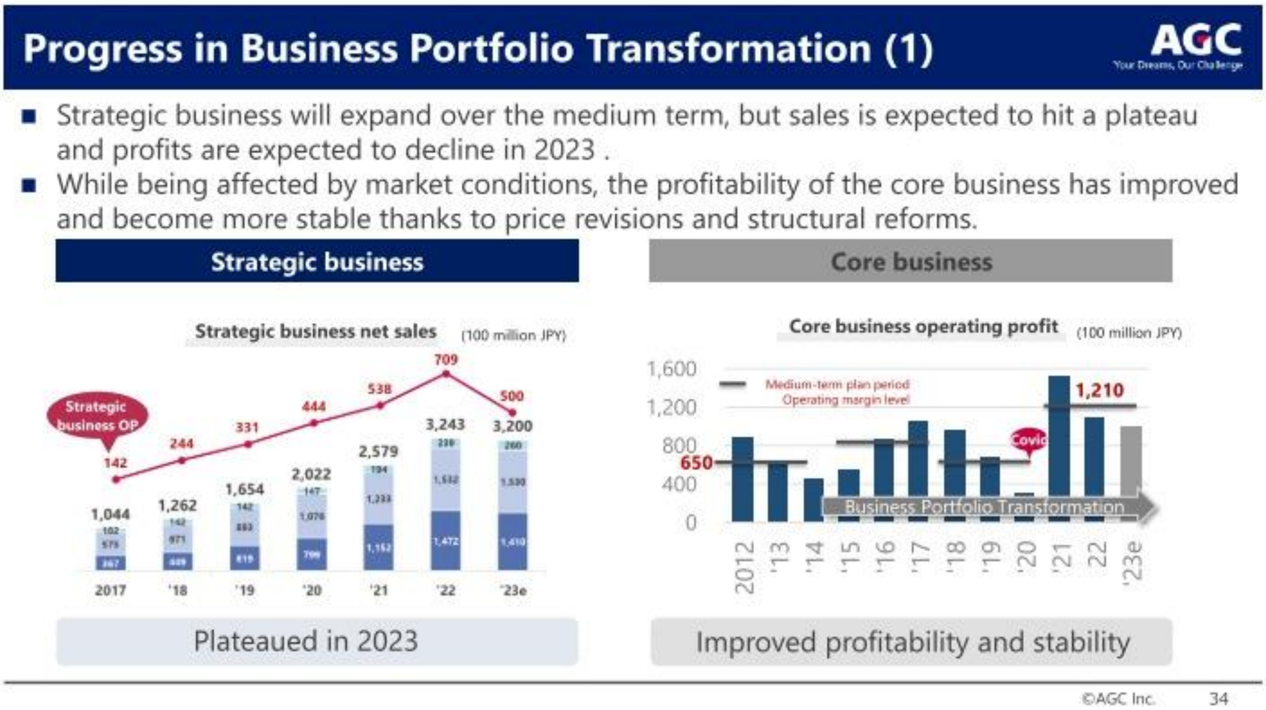
This concludes my explanation. Thank you very much.

Ogawa: Thank you. We now move on to CEO Hirai.

Hirai: I'm Hirai, CEO. I'd like to go over the initiatives for corporate value enhancements, including the forecast for the future. In 2021, I assumed this position of CEO, and I announced the vision for 2030. By providing differentiated materials and solutions, we strive to help realize a sustainable society and become an excellent company that grows and evolves continuously. That is what we aspire to be. To realize this, we are providing both well-balanced creation and social and economic value for growth. Sustainability management and business portfolio transformation are the two important parts of this. In terms of business portfolio transformation, by promoting the ambidextrous approach, we are trying to build a business that is resilient to market fluctuations and has high asset efficiency, growth potential, and carbon efficiency.



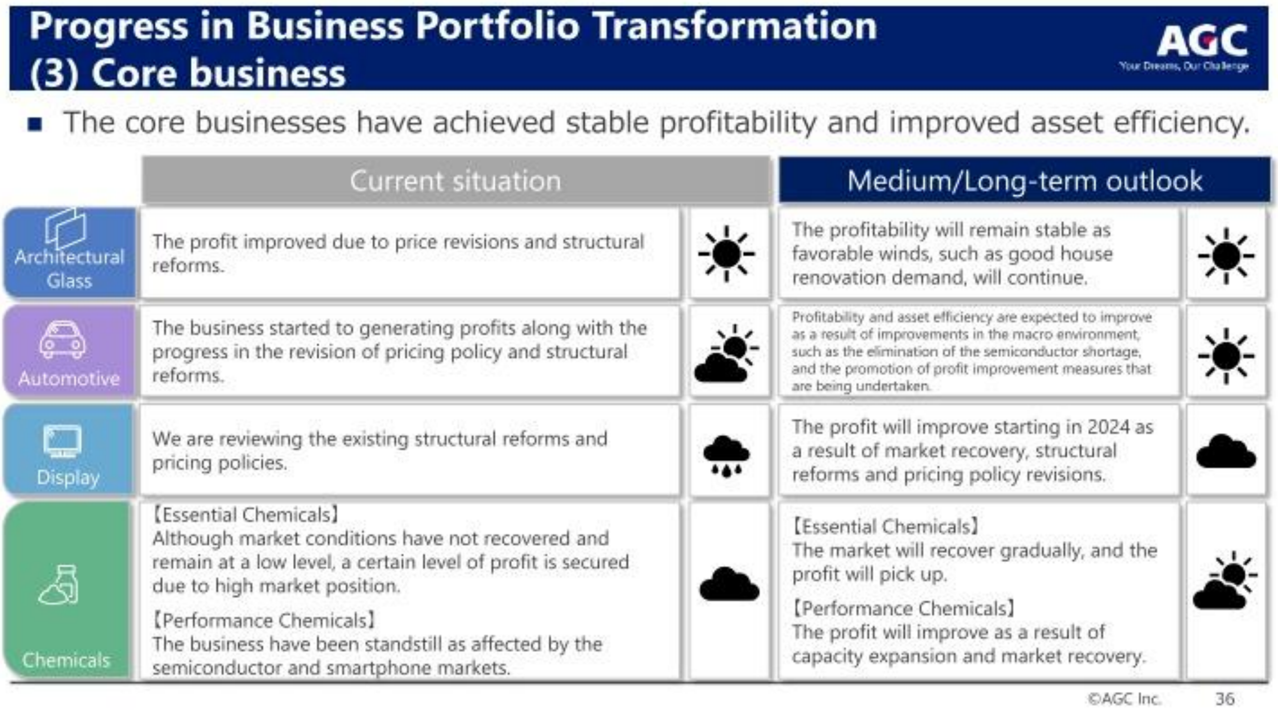
Now on the horizontal axis, we have carbon efficiency. We have ROCE, which is a capital efficiency on the vertical axis. The navy blue, these are the strategic businesses, which are on the top right. Both in terms of carbon efficiency as well as ROCE, it is in a desirable state. As we grow the strategic businesses, in addition to that, we intend to enhance the carbon efficiency and the capital efficiency of other businesses. This is how we intend to make a business portfolio transformation. Now as a result of these initiatives, I'd like to show this slide to you. As our CFO, Miyaji, has mentioned, in terms of strategic business, 2016 onwards, on a consecutive basis, we've been able to increase the sales and profit. However, this fiscal term, we expect to see a dip. However, on a mid- to long-term basis, we do believe the strategic business will grow. Now in terms of the core businesses, they are bound to be affected by market conditions. However, we believe profitability has been on the rise, thanks to price revisions and structural reforms, as you can tell on the bottom right.



Here, I'd like to focus on the medium- to long-term prospects of each business. First, in the strategic business overall for 2023, there will be adjustments due to market conditions, but in the medium to long term, we expect these businesses to grow along with the market expansion. For electronics, EUV mass blanks are robust, but overall business, especially semiconductor and smartphone markets are being affected. We believe that in 2023, we'll see a standstill. As for next year onward, in addition to growth of EUV mask blanks, with the recovery of the semiconductor market, we expect the trajectory to return to growth.

As for life science for this fiscal year, with the loss of the special demand related to the COVID-19-related products as well as reduced inflows of funds for bioventures and a decline in contract sales due to a delay in the launch of a new biopharmaceutical CDMO production line in the US. We'll normalize the new line in the U.S. this year and from 2024 onwards, with the market recovers, we expect the growth trajectory to return to what it used to be.

As for mobility, there has been a delay in the business expansion in terms of CASE technology, but we expect growth with the recovery.


Progress in Business Portfolio Transformation (3) Core business

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■ The core businesses have achieved stable profitability and improved asset efficiency.

	Current situation	Medium/Long-term outlook
Architectural Glass	The profit improved due to price revisions and structural reforms.	The profitability will remain stable as favorable winds, such as good house renovation demand, will continue.
Automotive	The business started to generating profits along with the progress in the revision of pricing policy and structural reforms.	Profitability and asset efficiency are expected to improve as a result of improvements in the macro environment, such as the elimination of the semiconductor shortage, and the promotion of profit improvement measures that are being undertaken.
Display	We are reviewing the existing structural reforms and pricing policies.	The profit will improve starting in 2024 as a result of market recovery, structural reforms and pricing policy revisions.
Chemicals	【Essential Chemicals】 Although market conditions have not recovered and remain at a low level, a certain level of profit is secured due to high market position. 【Performance Chemicals】 The business have been standstill as affected by the semiconductor and smartphone markets.	【Essential Chemicals】 The market will recover gradually, and the profit will pick up. 【Performance Chemicals】 The profit will improve as a result of capacity expansion and market recovery.

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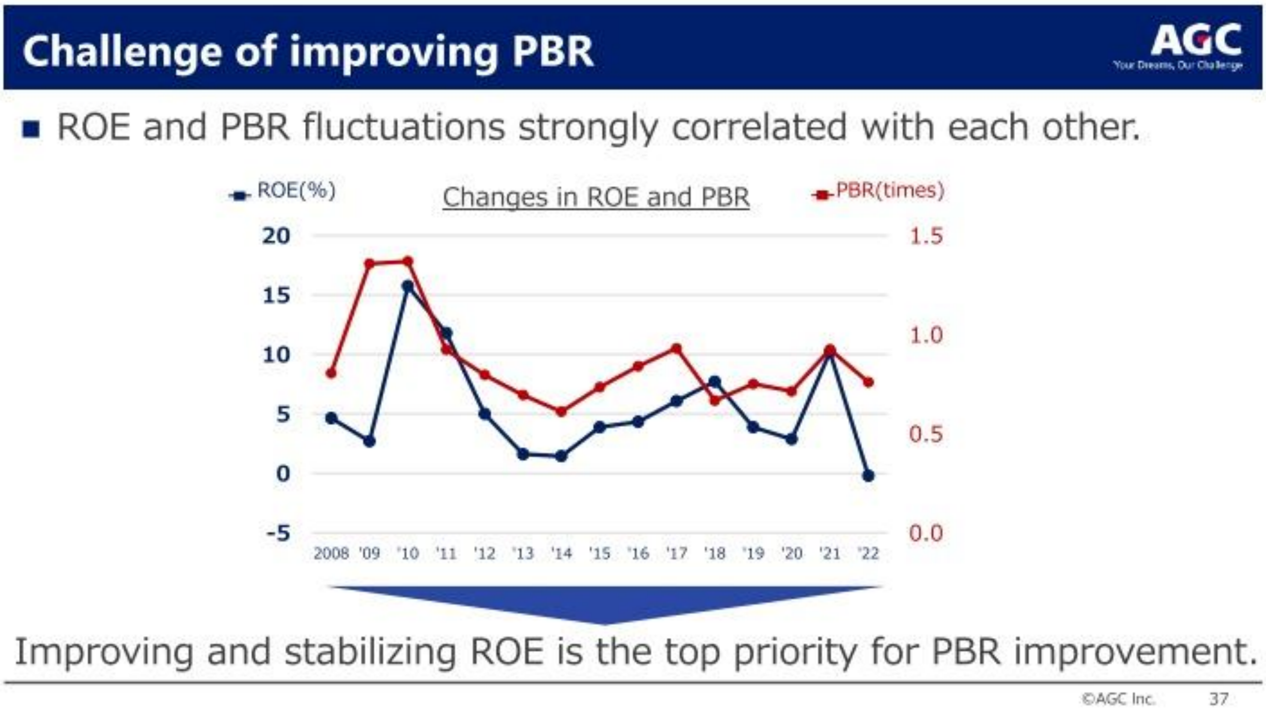
As for core businesses, as for architectural glass, it used to be we were suffering in this business. But with the price revisions and structural reform, we are seeing a stable situation in terms of earnings, and we are seeing a tailwind for renovation in Europe and Japan. Earnings are expected to remain stable in the future too.

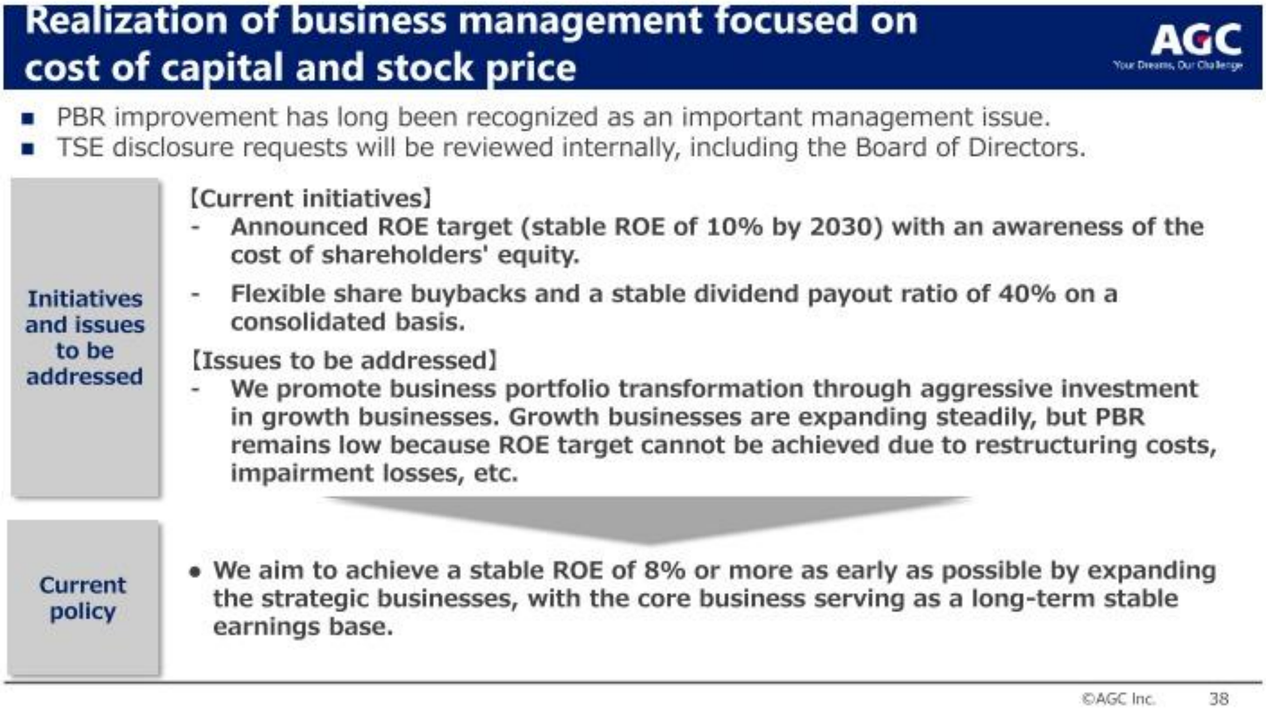
As for automotive, after COVID-19, the difficult situation continued. But from the start of this year, the semiconductor shortage impact on the production delay is gradually recovering. Through the pricing reform and the structural reform, we are seeing the effect of the measures to enhance the profitability that we have implemented in the past. As a result, the asset efficiency improvement and profitability improvement are expected in the future.

As for display, since H2 last year, we have seen a big drop in production volume. But starting this year, we are seeing a gradual recovery in volume. Structural reform is being implemented against that backdrop, and we are also revising our pricing policy so that with the recovery in the market in 2024 onward, we should see the result of the measures.

As for chemicals and essential chemicals, the markets, especially given the situation of the China market — we have not been able to see the recovery. But even in these market conditions, we see a certain level of operating profit. As for performance chemicals, we have been affected by the semiconductor and smartphone markets up to this year, but starting next year for essential chemicals, a gradual recovery in the China and US markets is expected. With that, we expect a gradual recovery. As for performance chemicals, in addition to the market recovery, the capacity expansion is to contribute to the improved profit.



Now what is under focus is the P/B ratio and the issue, the discount of the P/B ratio. In terms of AGC's PBR, we have not been able to exceed 1.0. We have been trying to look at the correlation between ROE and P/B ratio since 2008. As you can tell, these are the plotted ROE and P/B ratios. As you can tell, there's a fairly strong correlation with each other. For P/B ratio improvement, it is essential that we improve and stabilize ROE. We do believe this is a top priority. P/B ratio improvement has long been recognized as an important management issue. In terms of the TSE disclosure request, we have been conducting discussions, including at BOD. Some of the current initiatives are listed here. We announced a ROE target with an awareness of the cost of shareholders' equity, so a stable ROE of 10% by 2030. Also, flexible share buybacks and a stable dividend payout ratio of 40% on a consolidated basis. These have been announced already as current initiatives.



Now issues to be addressed are listed here. Through our aggressive investment into growth businesses, we have been conducting business portfolio transformation. Growth businesses are expanding steadily. However, the P/B ratio remains low because the ROE target cannot be achieved due to restructuring costs, impairment losses, and et cetera. The current policy is in the bottom. We aim to achieve a stable ROE of 8% or more as early as possible by expanding the strategic businesses with the core business serving as a long-term stable earnings base.

Next slide, please. We operate with this AGC Brands brand statement, "Your dreams, our challenge." We will continue to make our challenge to contribute to society. We ask for your continued support. Thank you very much.

[END]