



AGC Inc.

Financial Results for FY2023 Third Quarter

November 2, 2023

Event Summary

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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	3
	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: The time has arrived and we will now begin the briefing on the financial results of AGC for the third quarter of the fiscal year ending December 31, 2023. I am Ogawa from the Public Relations & Investor Relations Department and I will be your moderator today. I am Ogawa of the Public Relations & Investor Relations Department, and I will be your moderator today.

The following are the attendees for today's meeting. Representative Director, Senior Executive Vice President, CFO, Shinji Miyaji, Senior Executive Officer, General Manager of Finance & Control Division, Toshiro Kasuya.

First, CFO Miyaji will give an overview of the financial results for the third quarter of 2023, followed by a Q&A session. The session is scheduled to end at exactly 5:00 p.m. Thank you for your cooperation.

Now, Mr. Miyaji, please.

Key points for today



Financial Results for 3Q FY2023

(YoY)

Net sales	1,483.8 bn JPY	(▲15.0 bn JPY)
Operating profit	95.5 bn JPY	(▲56.6 bn JPY)
Profit for the period Attributable to owners of the parent	57.5 bn JPY	(▲41.2 bn JPY)

- Net sales decreased due to the impact of the decline in sales prices for PVC and decrease in sales of Biopharmaceuticals CDMO, despite higher sales in Automotive glass and the impact of foreign exchange rates.
- Operating profit decreased due to the above-mentioned lower sales factors and deteriorating manufacturing costs, despite lower raw materials and fuel costs.

Outlook for FY2023

(YoY)

Net sales	2,050.0 bn JPY	(+14.1 bn JPY)
Operating profit	150.0 bn JPY	(▲33.9 bn JPY)

- No change was made from the forecast announced in August 2023.

Miyaji: My name is CFO Miyaji. I look forward to working with you.

Please see page 3 first. This is the point of explanation.

For the nine months ended December 31, 2023, net sales decreased by 15.0 billion yen to 1,483.8 billion yen, mainly due to lower sales prices of PVC and lower contract sales in life sciences, despite higher sales of automotive glass and the impact of foreign exchange rates.

Operating income decreased by 56.6 billion yen to 95.5 billion yen and net income attributable to owners of the parent decreased by 41.2 billion yen to 57.5 billion yen, despite lower raw materials and fuel prices, due to the impact of the deteriorated production costs in addition to the revenue decline factors mentioned earlier.

The forecast for the full year remains unchanged from that announced in August.

Highlights of the Financial Results for 3Q FY2023 (cumulative)



* FOREX impact was +75.7 billion JPY, change in the scope of consolidation was ▲2.1 billion JPY (100 million JPY)

	FY2022		FY2023		Change	Main factors in the change (+) Increasing factors (-) Decreasing factors
	1-3Q Total		1-3Q Total			
Net sales	14,989		14,838		▲ 150*	(+) Increase in sales prices of Automotive 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	1,521		955		▲ 566	In addition to the above, (+) Decrease in raw materials and fuel prices (-) Deterioration in manufacturing costs
Profit before tax	1,652		992		▲ 660	In addition to the above, (+) FOREX gain (-) Gain on sales of land recorded in the same period of the previous year
Profit for the period Attributable to owners of the parent	988		575		▲ 412	
FOREX (Average)	1USD	JPY 128.05	JPY 138.11			
	1EUR	JPY 135.95	JPY 149.62			
Crude oil (Dubai, Average)	USD/BBL	100.17	81.61			

See page 5.

Net sales, operating income, and net income attributable to owners of the parent are as explained earlier. Income before income taxes decreased by 66.0 billion yen to 99.2 billion yen.

YoY Performance Comparison by Business Segment



(100 million JPY)

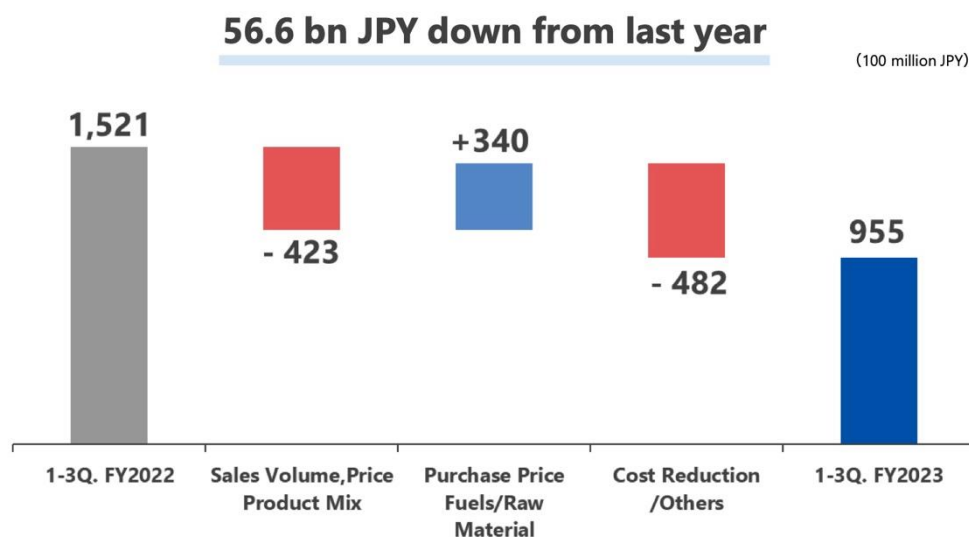
	FY2022 1-3Q Total (a)		FY2023 1-3Q Total (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Architectural Glass	3,503	291	3,547	269	+ 44	▲ 22
Automotive	3,004	▲ 154	3,662	162	+ 658	+ 316
Electronics	2,258	123	2,254	98	▲ 4	▲ 24
Chemicals	4,978	1,074	4,255	479	▲ 722	▲ 595
Life Science	1,066	155	918	▲ 77	▲ 148	▲ 232
Ceramics/Other	648	34	601	26	▲ 47	▲ 8
Elimination	▲ 469	▲ 2	▲ 400	▲ 1	+ 69	+ 0
Total	14,989	1,521	14,838	955	▲ 150	▲ 566

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Please refer to page 6 for an explanation of our business results by segment.

Segment results were as follows: Architectural Glass reported higher revenues and lower earnings; Automotive reported higher revenues and higher earnings; and Electronics, Chemicals, and Life Sciences reported lower revenues and lower earnings.

Variance Analysis on OP (1-3Q.FY2023 vs. 1-3Q.FY2022)



Please see page 7. Operating income is explained in terms of the difference factors compared to the same period of the previous year.

Sales volume, sales price, and product mix were negative 42.3 billion yen. Sales prices of automotive glass and other products increased, but sales prices of PVC and other products declined. In addition, CDMO contract sales for biopharmaceuticals and shipments of fluorine-related products declined.

The price difference of raw materials and fuel materials was a positive 34.0 billion yen. Prices for raw materials and fuel such as natural gas improved.

The cost/other difference was negative 48.2 billion yen. Manufacturing costs deteriorated in all segments except Electronics.

As a result of the above, net sales decreased by 56.6 billion yen from 152.1 billion yen for the same period last year to 95.5 billion yen.

Consolidated Statement of Financial Position

	2022/12	2023/9	Change	
	(100 million JPY)			
Cash and cash equivalents	2,097	1,639	▲ 459	
Inventories	4,365	4,736	+ 371	
Property, plant and equipment, Goodwill and Intangible assets	15,148	16,285	+ 1,137	Foreign exchange fluctuation + 107.2 billion yen
Other assets	6,530	7,217	+ 687	
Total assets	28,140	29,876	+ 1,736	Foreign exchange fluctuation + 178.9 billion yen
Interest-bearing debt	6,502	7,330	+ 828	
Other liabilities	5,782	5,789	+ 7	
Liabilities	12,284	13,120	+ 835	
Total equity attributable to owners of the parent	13,903	14,648	+ 745	
Non-controlling interests	1,953	2,109	+ 156	Foreign exchange fluctuation + 105.8 billion yen
Equity	15,856	16,757	+ 901	
Total liabilities and equity	28,140	29,876	+ 1,736	
D/E ratio	0.41	0.44		

Please see page 8. This is the balance sheet.

Total assets amounted to 2,987.6 billion yen, an increase of 173.6 billion yen from December 31, 2022, and the D/E ratio was 0.44.

Consolidated Statement of Cash Flow

	FY2022	FY2023	
	(100 million JPY)		
1-3Q Total			
Profit before tax	1,652	992	
Depreciation and amortization	1,375	1,309	
Increase(decrease) in working capital	▲ 852	▲ 521	
Others	▲ 595	▲ 319	
Cash flows from operating activities	1,580	1,462	
Cash flows from investing activities	▲ 791	▲ 1,293	
Free cash flow	789	169	
Changes in interest-bearing debt	224	421	
Dividends paid	▲ 522	▲ 460	
Others	▲ 98	▲ 715	Share repurchases ▲ 50 billion yen
Cash flows from financing activities	▲ 395	▲ 753	
Effect of exchange rate changes on cash and cash equivalents	289	126	
Net increase(decrease) in cash and cash equivalents	682	▲ 459	

See page 9. Statement of Cash Flows.

Operating cash flow for the period was 146.2 billion yen, while investing cash flow was negative 129.3 billion yen. As a result, free cash flow was 16.9 billion yen. Other" under cash flow from financing activities includes 50.0 billion yen for the purchase of treasury stock.

CAPEX, Depreciation and R&D



1-3Q Total	FY2022	FY2023
CAPEX	1,502	1,542
Architectural Glass	111	160
Automotive	184	165
Electronics	553	385
Chemicals	440	579
Life Science	205	234
Ceramics/Other	10	20
Elimination	▲ 2	▲ 1

	FY2022	FY2023
Depreciation	1,375	1,309
Architectural Glass	186	182
Automotive	234	236
Electronics	513	395
Chemicals	347	376
Life Science	83	106
Ceramics/Other	14	16
Elimination	▲ 1	▲ 1

(100 million JPY)

	FY2022	FY2023
R&D	382	414

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.

See page 10. Capital Expenditures, Depreciation, and R&D Expenses.

Capital expenditures totaled 154.2 billion yen, depreciation and amortization expenses 130.9 billion yen, and R&D expenses 41.4 billion yen.

Architectural Glass Segment

1-3Q Total	FY2022	FY2023	Change
Net sales	3,503	3,547	+ 44*
Asia	1,064	1,160	+ 96
Europe & Americas	2,433	2,378	▲ 55
(Inter-segment)	6	10	+ 3
Operating profit	291	269	▲ 22

* FOREX impact: +24.5 billion yen, Change in the Scope of Consolidation: +0.7 billion yen (100 million JPY)



Asia

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



Europe & Americas

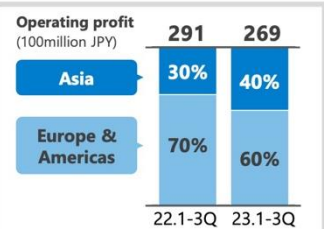
- Shipments declined in Europe, which was affected by the economic slowdown, and net sales decreased due to the decline in sales prices.
- Despite natural gas prices declined, manufacturing costs deteriorated.

Variance Analysis on OP



Ratio of sub-segment to the operating profit

(before common expense allocation)



We will now move on to the description of each segment.

Please see page 12. First, let's look at the Architectural Glass segment. Net sales were 354.7 billion yen and operating income was 26.9 billion yen.

In Asia, sales increased 9.6 billion yen to 116.0 billion yen due to higher sales prices, despite a decrease in shipments in all regions except Japan.

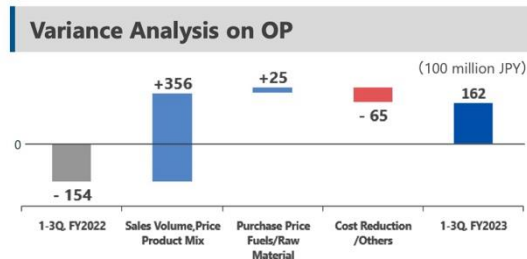
In Europe and Americas, sales decreased by 5.5 billion yen to 237.8 billion yen as a result of a decline in shipments and sales prices in Europe due to the economic slowdown. Operating income was affected by the drop in natural gas prices, but manufacturing costs worsened in Europe, due to the effects of inventory payouts from last year's high-cost production.

The operating income composition of the Architectural glass segment was approximately 40% in Asia and 60% in Europe and Americas.

Automotive Segment

1-3Q Total	FY2022	FY2023	Change
Net sales	3,004	3,662	+ 658*
Automotive	3,002	3,659	+ 657
(Inter-segment)	1	3	+ 2
Operating profit	▲ 154	162	+ 316

* FOREX impact: +19.2 billion yen, Change in the Scope of Consolidation: No impact (100 million JPY)



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.

See page 13. Automotive Segment. Net sales were 366.2 billion yen and operating income was 16.2 billion yen.

This was due to an increase in global automobile production, which also led to an increase in the Group's shipments. In addition, higher sales prices, an improved product mix, and the impact of foreign exchange rates also contributed to the increase in sales and income.

Electronics Segment

1-3Q Total	FY2022	FY2023	Change
Net sales	2,258	2,254	▲ 4*
Display	1,216	1,201	▲ 16
Electronic Materials	1,025	1,045	+ 20
(Inter-segment)	17	8	▲ 8
Operating profit	123	98	▲ 24

* FOREX impact: +5.5 billion yen, Change in the Scope of Consolidation: ▲2.6 billion yen (100 million JPY)

Variance Analysis on OP

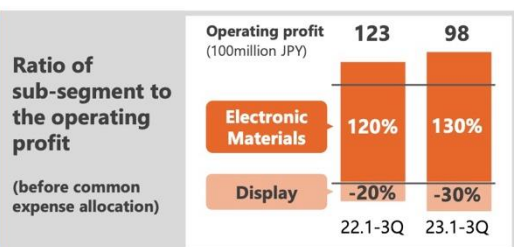


Display

- Although an increase in shipments of LCD glass substrates, net sales decreased due to change in scope of consolidation, etc.
- Raw materials and fuel costs increased.

Electronic Materials

- Despite a decrease in shipments of optoelectronic materials, net sales increased thanks to robust shipments of semiconductor-related products such as EUV mask blanks, as well as the impact of foreign exchange rates.



Please see page 14. Next is the Electronics Segment. Net sales were 225.4 billion yen and operating income was 9.8 billion yen.

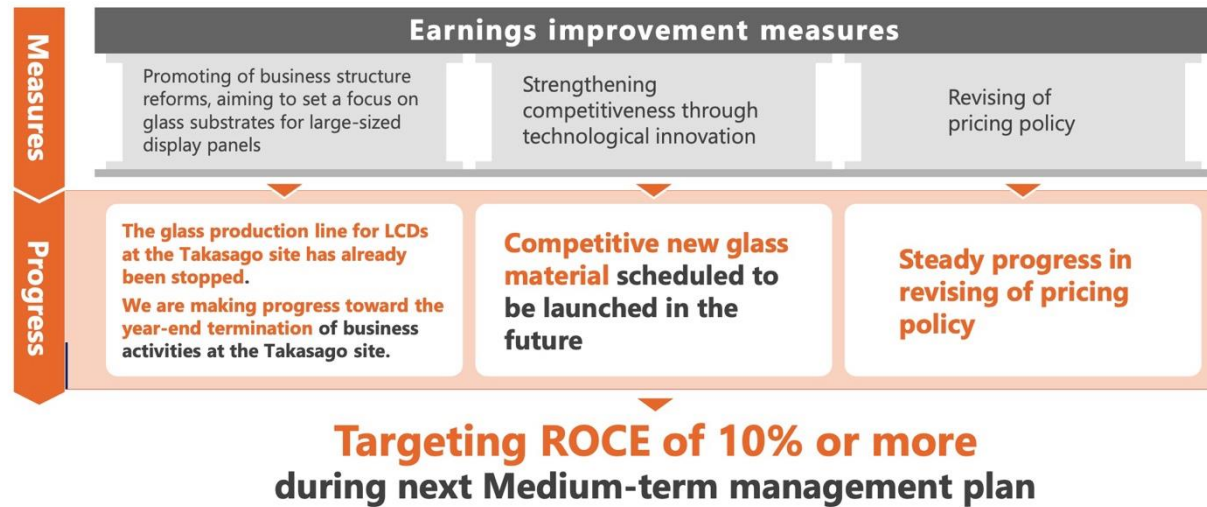
In the display business, although shipments of glass substrates for LCDs increased, sales decreased by 1.6 billion yen to 120.1 billion yen, mainly due to the change in the scope of consolidation as well as slumping prices in the first half of the period compared to the same period last year. The shipment volume of glass substrates for LCDs for the most recent three months decreased by low single-digit percent and the sales price increased by low single-digit percent compared to the second quarter.

In Electronic Materials, shipments of optoelectronics components declined due to the slowdown in the smartphone market, but shipments of semiconductor-related products such as photomask blanks for EUV lithography remained strong, and the impact of foreign exchange rates resulted in a ¥2.0 billion increase in sales to ¥104.5 billion.

Operating income decreased due to the impact of high raw material and fuel costs, in addition to the factors for the revenue decline mentioned earlier. The operating income composition of the electronics segment was approximately 130% for electronic materials and 30% for displays, a negative figure.

Reference:
Progress of Display business earnings improvement

- Steady progress in each of the profit improvement measures



Please see page 15. This is an explanation of the progress of measures to improve profitability in the display business.

With regard to business restructuring, the glass substrate manufacturing line for LCDs at the Takasago Plant has already ceased operations, and we are well on our way toward the year-end termination of business activities at this plant.

As for strengthening competitiveness through technological innovation, we are preparing to launch competitive new glass materials in the future.

Steady progress has also been made in revising pricing policies.

By promoting these three pillars of profit improvement, we hope to achieve a ROCE of 10% or more during the next mid-term management plan period.

1-3Q Total	FY2022	FY2023	Change
Net sales	4,978	4,255	▲ 722*
Essential Chemicals	3,714	3,010	▲ 704
Performance Chemicals	1,223	1,212	▲ 11
(Inter-segment)	40	33	▲ 7
Operating profit	1,074	479	▲ 595

* FOREX impact: +20.5 billion yen, Change in the Scope of Consolidation: No impact (100 million JPY)



Essential Chemicals

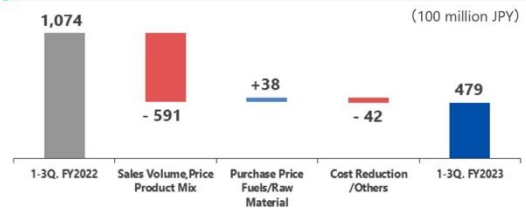
- Sales prices of PVC and other products declined.



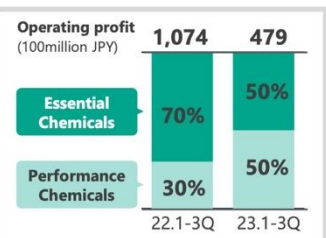
Performance Chemicals

- Net sales remained at the same level as the previous year due to the rise in sales prices and foreign exchange effects, despite a decrease in shipments of Fluorochemical-related products.

Variance Analysis on OP



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



See page 16. Chemicals Segment. Net sales were 425.5 billion yen and operating income was 47.9 billion yen.

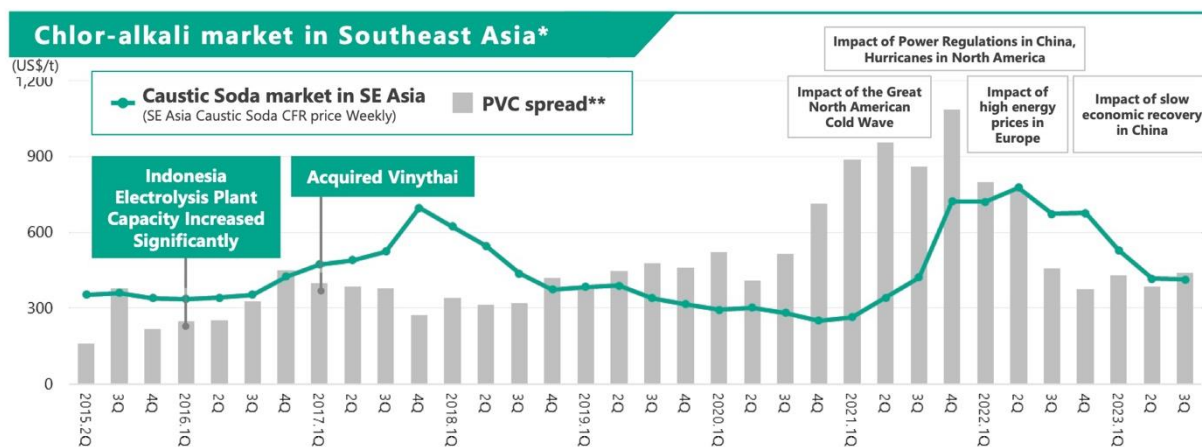
Sales of Essential Chemicals decreased by 70.4 billion yen to 301.0 billion yen due to lower sales prices of PVC and other products.

Sales of Performance Chemicals were flat year on year at 121.2 billion yen due to a decrease in shipments of fluorine-related products, despite higher sales prices and the impact of foreign exchange rates.

The composition of operating income in the Chemicals segment was approximately 50% for Essential Chemicals and 50% for Performance Chemicals.

Reference: Market trend of Caustic Soda and PVC in Southeast Asia

- PVC market prices remained sluggish due to slow economic recovery in China



*Based on Bloomberg month-end data

**PVC spread: PVC market price - (Ethylene market price × 0.5)

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See page 17. Chlor-alkali market conditions in Southeast Asia.

Against the backdrop of the slow economic recovery in China, the PVC market remained sluggish.

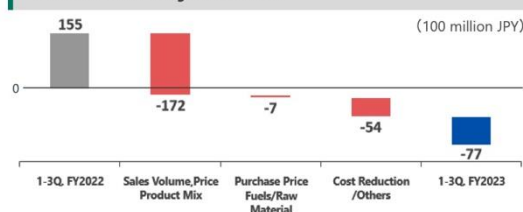
Life Science Segment

1-3Q Total	FY2022	FY2023	Change
Net sales	1,066	918	▲ 148*
Life Science	1,039	902	▲ 137
(Inter-segment)	27	16	▲ 11
Operating profit	155	▲ 77	▲ 232

* FOREX impact: +5.8 billion yen,
Change in the Scope of Consolidation: No impact

(100 million JPY)

Variance Analysis on OP



Life Science

- Net sales decreased due to the disappearance of Covid-related special demand, reduced inflows of funds into biotech ventures, as well as the delay in launching new lines and review of production schedule, etc. of Biopharmaceuticals CDMO in the U.S.
- Upfront costs incurred associated with capacity expansion in the biopharmaceutical field.

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See page 18. Life Science Segment. Net sales were 91.8 billion yen and operating loss was 7.7 billion yen.

Net sales were affected by the disappearance of special demand for Corona in biopharmaceutical CDMO, reduced inflows of funds into bio-venture companies, and delays in launching of new lines of biopharmaceutical CDMO in the U.S. In addition, the Company made operational adjustments to improve its facilities in the U.S. during the third quarter. In addition, in the third quarter, the Company made adjustments to its operations in the U.S. in order to improve its facilities. As a result, overall contract sales decreased, resulting in a decline of 14.8 billion yen.

Operating income decreased due to the previously mentioned factors of lower sales as well as upfront expenses incurred in connection with the capacity expansion of biopharmaceutical CDMO.

Reference:
Current Situation and Outlook of Biopharmaceuticals CDMO



- Negative impact of reduced inflows of funds into biotech ventures have exceeded expectation.
- **Although there is a slightly delay in launching plan** for new lines in the U.S., **the lines expect to normalize by the end of the year.**

Issues	Current Situation	Outlook
<p>Business situation</p> <p>Temporary leveling off due to repercussions of Covid-related special demand and reduced inflows of funds into biotech ventures.</p>	<p>Negative impact of reduced inflows of funds into biotech ventures have exceeded expectation</p>	<p>Gradual market recovery in 2024 onward</p>
<p>Launch of new line in the U.S.</p> <p>Delay in launching new lines at Boulder plant in the U.S.</p>	<p>Drastic measures being implemented and progressing toward commercial operations</p>	<p>Although there is a slightly delay in launching plan, the lines expect to normalize by the end of the year and contribute to earnings in 2024</p>

Please see page 19. This section provides an overview of the current status and outlook of the biopharmaceutical CDMO business.

Regarding the business environment, the negative impact of the current decrease in inflows of funds to biotech ventures is continuing. In addition, together with the reaction to the special demand for Corona, this has exceeded our expectations. We expect this market condition to gradually recover from 2024 onward.

As for the delay in the launching of the new line, as I mentioned previously, we have implemented drastic measures and are now making steady progress toward commercial operation. Although the launching of the new line is slightly behind schedule, it is expected to normalize by the end of this year and to contribute to earnings from 2024 onward.

Profit contribution of Strategic Businesses



- Biopharmaceutical CDMO especially in the U.S. have been sluggish this fiscal year.
- Electronics also sluggish due to adjustments in the semiconductor and smartphone markets.

Sales of Strategic business

(100 million yen)



Main products & businesses

Mobility

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

Electronics

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

Life Science

- Small Molecule Pharmaceuticals and Agrochemicals CDMO
- Biopharmaceutical CDMO
- Other life science products

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Please see page 20. I will explain the performance of our strategic businesses.

Cumulative sales of the strategic business through the third quarter totaled 222.1 billion yen, a decrease of 11.0 billion yen. Meanwhile, operating income was 23.9 billion yen, a decrease of 26.0 billion yen.

The decline in profits was largely due to the impact of the slump in biopharmaceutical CDMO, especially in the U.S., as I explained earlier. In addition, the electronics business was also affected by adjustments in the semiconductor and smartphone markets, resulting in sluggish growth.

YoY Performance Comparison by Geographic Segment

1-3Q Total	FY2022	FY2023	Change
	(100 million JPY)		
Net sales	14,989	14,838	▲ 150
Japan &Asia	9,673	9,321	▲ 352
Americas	1,523	1,623	+ 100
Europe	3,792	3,893	+ 101
Operating profit	1,521	955	▲ 566
Japan &Asia	1,533	1,077	▲ 456
Americas	66	▲ 53	▲ 119
Europe	222	273	+ 51
Cross-regional common expenses	▲ 301	▲ 342	▲ 41

FOREX impact :
+75.7 bn JPY

Change in the scope of consolidation :
▲2.1 bn JPY

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Please see page 21. As you can see, the results by region are as follows.

In Japan and Asia, the market for chlor-alkali was down, and the U.S. was affected by the bio-CDMO business slump.

FY2023 Outlook

- No change was made from the forecast announced in August 2023.

		FY2022	FY2023e
	(100 million JPY)		
Net sales		20,359	20,500
	(First half)	9,783	9,853
Operating profit		1,839	1,500
	(First half)	1,153	643
Profit before tax		585	1,070
Profit for the year attributable to owners of the parent		▲ 32	590
Dividend (JPY/share)		210	210
Operating profit margin		9.0%	7.3%
ROE		-	4.2%*
FOREX (Average)	1 USD	JPY 131.4	JPY 135.0
	1 EUR	JPY 138.0	JPY 150.0
Crude oil (Dubai, Average)	USD/BBL	96.3	81.0
Ethylene (CFR SEA)	USD/MT	1,054	870







* 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 see page 23. The full-year forecast remains unchanged from that announced in August.

Outlook breakdown by Segment (Net sales and Operating profit)

(100 million JPY)




	FY2022 (a)		FY2023e (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
 Architectural Glass	4,837	327	4,800	360	▲ 37	+ 33
 Automotive	4,178	▲ 98	4,700	170	+ 522	+ 268
 Electronics	3,072	147	3,300	250	+ 228	+ 103
 Chemicals	6,604	1,261	6,000	710	▲ 604	▲ 551
 Life Science	1,418	169	1,350	▲ 10	▲ 68	▲ 179
 Ceramics/Other	866	37	850	20	▲ 16	▲ 17
Elimination	▲ 616	▲ 3	▲ 500	0	+ 116	+ 3
Total	20,359	1,839	20,500	1,500	+ 141	▲ 339

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Please see page 24. Segment results have not changed since the August announcement.

4Q Outlook by Business Segment (1)

Outlook for FY2023 4Q (vs 2023 3Q)

 Architectural Glass	 Automotive	 Electronics
<p>Asia</p> <ul style="list-style-type: none"> Shipments are expected to be robust for the factors such as growing demand for high heat-insulating and shielding glass, but demand related to government subsidy programs in Japan is expected to slow down. <p>Europe & Americas</p> <ul style="list-style-type: none"> Despite concerns about economic slowdown due to inflation in Europe, replacement demand for high heat-insulating glass for energy savings will support shipments. 	<ul style="list-style-type: none"> Along with the recovery of production due to the normalization of the supply chain and the effects of the pricing policy that has been pursued for some time will contribute, the business in some regions are expected to be affected by seasonal decline in shipments. 	<p>Display</p> <ul style="list-style-type: none"> Despite the contribution of price policy effects, shipments of LCD glass substrates will decrease due to production adjustments by LCD panel manufacturers. Shipments of specialty glass for display will increase as orders from major customers grow. <p>Electronic Materials</p> <ul style="list-style-type: none"> 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 see page 25. Here is the forecast for the fourth quarter of 2023 for each segment.

In the Architectural glass market, shipments in Asia are expected to be strong due to demand for high-insulation and thermal barrier glass, but demand related to subsidy programs in Japan is expected to slow down in the fourth quarter. In Europe, although there are concerns about economic slowdown due to inflation, replacement demand for highly insulating glass to reduce energy consumption is expected to support shipments.



In the Automotive business, production is expected to recover due to the normalization of the supply chain, and the effects of the pricing policy that we have been working on will contribute to the recovery. However, some regions are expected to be affected by lower shipments due to seasonal factors.

As for electronics, among displays, shipments of glass substrates for LCDs are expected to decline due to capacity utilization adjustments by LCD panel manufacturers, although the effects of pricing policies will contribute to the performance. The shipment volume of LCD glass substrates in the fourth quarter is expected to decrease by late single-digit percent compared to the third quarter. Shipments of specialty glass for displays are expected to increase as orders from major customers expand.

Among electronic components, shipments of optoelectronics components are expected to increase since the fourth quarter is a demand period, although they will be affected by the slowdown in the smartphone market. In semiconductor related products, shipments are expected to increase mainly for photomask blanks for EUV lithography.

4Q Outlook by Business Segment (2)

Outlook for FY2023 4Q (vs 2023 3Q)

 Chemicals	 Life Science
Essential Chemicals <ul style="list-style-type: none">Market prices will remain sluggish due to slow economic recovery in China.	<ul style="list-style-type: none">Although sales of and Small Molecule Pharmaceuticals and Agrochemicals CDMO will remain strong, in Biopharmaceuticals CDMO, the impact of the disappearance of Covid-related special demand and reduced inflows of funds into biotech ventures will continue.Although there is a slightly delay than expected in launching plan for new lines of Biopharmaceuticals CDMO in the U.S., the lines will be expected to normalize by the end of the year.
Performance Chemicals <ul style="list-style-type: none">Demand for fluorine-related products for semiconductor-related applications has bottomed out and shipments will increase.Demand for products for transportation machinery applications will returns to a recovery trend.	

See page 26.

Chemicals, the market for Essential Chemicals is expected to remain sluggish against the backdrop of delayed economic recovery in China. In performance chemicals, demand for fluorine products for semiconductor-related applications has bottomed out and shipments are expected to increase. Demand for products for transportation equipment is expected to return to a recovery trend.

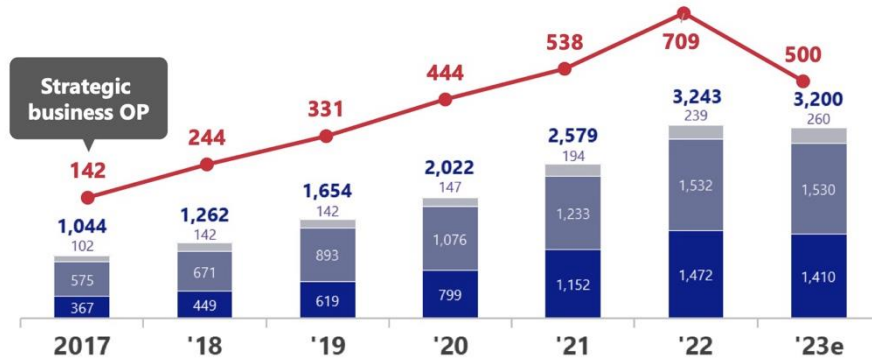
In life sciences, contract sales of synthetic pharmaceuticals and agrochemicals CDMO will remain firm, but the impact of the disappearance of special demand for Corona in biopharmaceutical CDMO and reduced inflow of funds to biotech ventures is expected to continue. In addition, as I mentioned earlier, the launch of new lines in the U.S. biopharmaceutical CDMO is expected to normalize by the end of the year, albeit slightly later than expected.

Outlook of Strategic businesses

- 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.

Strategic business net sales

(100 million JPY)



Main products & businesses

Mobility

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

Electronics

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

Life Science

- Small Molecule Pharmaceuticals and Agrochemicals CDMO
- Biopharmaceutical CDMO
- Other life science products

See page 27.

As for the outlook for strategic businesses, we expect sluggish sales and lower profits in 2023, but from 2024 onward, we expect to be back on a growth track due to the recovery of biopharmaceutical CDMO and the expansion of semiconductor-related products such as photomask blanks for EUV lithography.

CAPEX, Depreciation and R&D

Full year	FY2022	FY2023e
CAPEX	2,366	2,400 *
Architectural Glass	175	210
Automotive	298	250
Electronics	800	650
Chemicals	649	900
Life Science	431	370
Ceramics/Other	14	20
Elimination	▲ 2	0

	FY2022	FY2023e
Depreciation	1,857	1,780 **
Architectural Glass	239	240
Automotive	325	330
Electronics	684	540
Chemicals	475	510
Life Science	115	140
Chemicals	19	20
Elimination	▲ 1	0

(100 million JPY)

	FY2022	FY2023e
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.

*Changed from the forecast of 300 billion yen as of February 8, 2023 (Before change: Building Glass 25 billion yen, Automotive 27 billion yen, Electronics 93 billion yen, Chemicals 95 billion yen, Chemicals 95 billion yen, Life Science 58 billion yen)

**Changed from the February 8, 2023 forecast of 188.0 billion yen (Before change: Building Glass 24 billion yen, Automotive 33 billion yen, Electronics 62.0 billion yen, Chemicals 52.0 billion yen, Chemicals 52.0 billion yen, Life Science 15.0 billion yen)

See page 28.

We have pushed back some of our capital expenditures for 2023, taking into account the impact of the economic slowdown in China, Europe, and the United States, as well as changes in the current situation in the life science field. As a result, the initial estimate of 300 billion yen has been changed to 240 billion yen.

Depreciation and amortization expenses have also been revised to 178.0 billion yen from the original estimate of 188.0 billion yen due to the change in the amount of capital investment. There is no change in R&D expenses.

The forecast for the full year remains unchanged, despite a decrease in depreciation, due to deteriorating chemical market conditions and other factors, as well as some very uncertainties.

That is all I have to say. Thank you very much.

Ogawa: Thank you, Mr. Miyaji.