TRANSLATION FOR REFERENCE PURPOSES ONLY

This is a translation of the Materials for the 99th Ordinary General Meeting of Shareholders (Matters Not Delivered in Hard Copy), dated March 5, 2024, which is prepared for reference purposes only. In the event of any discrepancy between the original Japanese text and this translated English text, the original Japanese text shall prevail.

AGC

March 5, 2024

Dear Shareholders:

Materials for the 99th Ordinary General Meeting of Shareholders (Matters Not Delivered in Hard Copy)

Matters provided by electronic measures that are not delivered in hard copy to the shareholders, based on the laws and regulations and Article 15 of the Company's Articles of Incorporation, are stated in this document.

AGC Inc.

3. Matters Concerning Stock Acquisition Rights of the Company

(1) Outline of Stock Acquisition Rights Held by the Officers (as of December 31, 2023)

The outline of the stock acquisition rights held by the officers is as follows:

Issue Date	Issue Price per Share	Exercise Price per Share	Term to Exercise the Rights	Officers' Status of Holding	Type and Number of Shares Envisaged
July 1, 2009 (Stock Compensation-type Stock Option)	JPY 2,435	JPY 1	July 2, 2009 through July 1, 2039	Director: 18 for 1 person; Audit & Supervisory Board Member: 13 for 1 person	Company's ordinary shares: 6,200 shares
July 1, 2010 (Stock Compensation-type Stock Option)	JPY 3,100	JPY 1	July 2, 2010 through July 1, 2040	Directors: 25 for 2 persons	Company's ordinary shares: 5,000 shares
July 1, 2011 (Stock Compensation-type Stock Option)	JPY 3,100	JPY 1	July 2, 2011 through July 1, 2041	Directors: 30 for 2 persons	Company's ordinary shares: 6,000 shares
July 2, 2012 (Stock Compensation-type Stock Option)	JPY 1,265	JPY 1	July 3, 2012 through July 2, 2042	Directors: 110 for 3 persons	Company's ordinary shares: 22,000shares
March 26, 2013 (Stock Compensation-type Stock Option)	JPY 1,770	JPY 1	March 27, 2013 through March 26, 2043	Audit & Supervisory Board Member: 64 for 1 person	Company's ordinary shares: 12,800 shares
July 1, 2013 (Stock Compensation-type Stock Option)	JPY 1,775	JPY 1	July 2, 2013 through July 1, 2043	Directors: 65 for 3 persons; Audit & Supervisory Board Member: 22 for 1 person	Company's ordinary shares: 17,400 shares
July 1, 2014 (Stock Compensation-type Stock Option)	JPY 1,940	JPY 1	July 2, 2014 through July 1, 2044	Directors: 73 for 3 persons; Audit & Supervisory Board Member: 24 for 1 person	Company's ordinary shares: 19,400 shares
July 1, 2015 (Stock Compensation-type Stock Option)	JPY 2,590	JPY 1	July 2, 2015 through July 1, 2045	Directors: 97 for 3 persons; Audit & Supervisory Board Member: 15 for 1 person	Company's ordinary shares: 22,400 shares
July 1, 2016 (Stock Compensation-type Stock Option)	JPY 1,710	JPY 1	July 2, 2016 through July 1, 2046	Directors: 137 for 3 persons; Audit & Supervisory Board Member: 22 for 1 person	Company's ordinary shares: 31,800 shares
July 3, 2017 (Stock Compensation-type Stock Option)	JPY 3,555	JPY 1	July 4, 2017 through July 3, 2047	Directors: 102 for 3 persons	Company's ordinary shares: 20,400 shares

Notes:

1. As Outside Directors do not hold the Company's stock acquisition rights, the Directors in the table above do not include Outside Directors.
2. Every stock acquisition right held by the Audit & Supervisory Board Member was granted while in the post of the Executive Officer.

(2) Total Number of Stock Acquisition Rights, etc. (as of December 31, 2023)

The total number of the stock acquisition rights, etc. at the end of this business year, are as follows.

a. Total number of the stock acquisition rights: 2,617
b. Type and number of the shares envisaged by the stock acquisition rights: Company's ordinary shares: 523,400 shares

6. Basic Policy Concerning Internal Control and Operational Status of Internal Control

The contents of the resolution of the Company's Board of Directors of the basic policy concerning internal control and the outline of the operational status of internal control are as below. Furthermore, the outline of the operational status of internal control is stated in pages 47-49 of the "Notice to Convene the 99th Ordinary General Meeting of Shareholders and Materials for the General Meeting of Shareholders" as well.

(1) Basic Policy Concerning Internal Control

The AGC Group positions, in the Group Vision ***"Look Beyond"***, the four values of "Innovation & Operational Excellence," "Diversity," "Environment" and "Integrity" as the most important values that should be shared in the whole AGC Group as the basis of every conduct.
In addition, as the norm to lead the pursuit of the Group Vision ***"Look Beyond"*** correctly, the social responsibilities that an enterprise should fulfill are established as the "AGC Group Charter of Corporate Behavior."

The systems for ensuring the properness of operations are as follows.

a. System for Ensuring that the Performance of the Duties by the Directors and Personnel of the AGC Group Complies with the Laws and Regulations and the Articles of Incorporation (Compliance Program)

The AGC Group sets out, in its Group Vision ***"Look Beyond"***, "Integrity" as one of the most important values to be shared by the whole Group and works on the preparation and strengthening of the compliance program.
Specifically, CCO (Chief Compliance Officer) is placed as the person in charge of the preparation of AGC Group's compliance program and the promotion of it, which is served by an Executive Officer to whom the authority is delegated from the President & CEO of the Company (hereinafter referred to as the "President & CEO"). Furthermore, the Global Compliance Leader and Compliance Committee are in place under the CCO as the specialized organization for legal & enterprise ethics compliance, which conduct planning and practice of the compliance initiatives in the AGC Group. In addition, for conducts to be thoroughly in line with the laws and regulations and the enterprise ethics, compliance matters globally common and compliance matters for each country and each region are set in the Code of Conduct (AGG Group Code of Conduct), the compliance program of the AGC Group is prepared, and the development of providing education and training, etc. is sought.
In order to handle whistleblowing and consultation concerning compliance, the AGC Group sets a call desk & consultation desk (helpline) in place. Further, all employees of the Company and executives of the subsidiaries are obligated to submit a pledge to comply with the Code of Conduct. The compliance status of compliance and operational status of whistleblowing and consultation system concerning compliance of the AGC Group are reported to the Board of Directors of the Company (hereinafter referred to as the "Board of Directors") regularly.
In addition, the Company establishes a legal management system of the AGC Group, comprehends information on important legal issues, and reports to the Board of Directors regularly.
On the internal audit of the AGC Group, the Internal Audit Division and the internal audit staff deployed in each region perform, based on the annual audit plan, etc., internal audits concerning the legality, rationality, etc. of the status of establishing systems for the management & operation and the status of the execution of operation, and the audit results are reported to the President & CEO timely and reported to the Board of Directors regularly.
Based on the "Financial Instruments and Exchange Act," the AGC Group establishes the "AGC Group Internal Control over Financial Reporting Implementation Regulations" for ensuring the reliability of AGC Group's financial reporting and prepares the system for internal control over financial reporting.

b. System Concerning Retention and Management of Information Regarding the Performance of the Duties by the Directors of the AGC Group (Information Retention/Management System)

The AGC Group retains and manages important documents & information in accordance with the laws and regulations and the internal rules.
On maintaining confidentiality of important documents & information, the basic policy concerning information security is disseminated internally, and it is implemented in accordance with the prescribed procedures.

c. Rules and Other System Concerning Risk Management of Loss of the AGC Group (Risk Management System)

The "AGC Group Enterprise Risk Management Basic Policies" which are the basic policies concerning the risk management system of the AGC Group have been established, and the system for risk management and crisis response is prepared.

On the risk management, important risk factors in the AGC Group are set based on the internal rules, and the status of risk management is discussed and monitored regularly by the Management Committee of the Company (hereinafter referred to as the "Management Committee") and the Board of Directors. In addition, on the individual, operational risks of AGC Group's businesses, the corporate function divisions, In-house Companies and SBU (Strategic Business Unit) study the risk analyses and countermeasures business by business and case by case, which are deliberated by the Management Committee and the Board of Directors as necessary.
On the risk concerning compliance, environment, disaster, quality, etc. of the AGC Group, each of the Company's division in charge establishes and disseminates guidelines, etc., provides training, conducts audits and so on appropriately.
On crisis handling, based on the internal rules and in preparation of the occurrence of unforeseen events that could have an important impact on the management results and financial condition of the AGC Group, reporting lines for crisis management have been set in place in order to swiftly and certainly report to and share with the President & CEO the information, and a system to set in place the Group Taskforce Headquarters immediately, at the discretion of the President & CEO, has been prepared which enables to take initial response swiftly and appropriately.

d. System for Ensuring Efficient Performance of the Duties by the Directors of the AGC Group (System for Efficient Performance of Duties)

As the basic policy of preparing corporate governance structure, the Company clearly separates management monitoring function and management execution function, strengthens the management monitoring function, and seeks swift decision-making in the management execution.
On the management monitoring, in terms of the Company, the Board of Directors meeting, which is composed of the Directors, including Outside Directors, is held to make decisions of important matters and conduct oversight of the status of the operation execution of the AGC Group. In addition, the voluntary Nominating Committee and Compensation Committee are set in place to warrant the objectivity concerning evaluation & appointment and compensation of the Directors and Executive Officers of the Company.
On the management execution, in terms of the Company, the responsibility and authority of execution are delegated to each In-house Company and SBU by a certain standard under the In-house Company system and Executive Officer system; business operations are conducted and evaluated under specific performance management indicators on the consolidated basis that are in line with the AGC Group's management policy and performance targets.
Performance of duties in the AGC Group are implemented in accordance with the decision-making rules based on the authority matrix and organizational segregation of duties, and their operational status is checked by internal audit regularly.

e. System Concerning the Report to the Company on Matters Regarding the Performance of the Duties by the Directors of Subsidiaries (System for Reports to the Company from the Subsidiaries)

Subsidiaries report certain matters concerning business operation, etc. to the Company. On important matters out of them, reports are made to the Management Committee and the Board of Directors.
Under the compliance system and legal management system of the AGC Group, subsidiaries promptly report to the Company important issues concerning compliance, important legal issues, etc. that occurred in the subsidiaries. On these matters, reports are made to the Board of Directors regularly.
On the results of internal audits conducted for subsidiaries, the internal audit division reports to the President & CEO timely and reports to the Board of Directors regularly.

f. Matters Concerning the Audit System of the Audit & Supervisory Board Members

(a) Matters concerning staff to support the duties of the Audit & Supervisory Board Members in case placing such staff is requested

The Company places the Staff Office of the Audit & Supervisory Board as the organization to support the duties of the Audit & Supervisory Board Members.

(b) Matters concerning independence of said staff from the Directors

On the personnel change, appraisal, etc. of staff members of the Staff Office of the Audit & Supervisory Board, the consent of the Audit & Supervisory Board is required.

(c) Matters concerning ensuring the effectiveness of the Audit & Supervisory Board Member's instructions to said staff

Staff members of the Staff Office of the Audit & Supervisory Board do not concurrently serve as personnel of other divisions, exclusively perform duties concerning the Audit & Supervisory Board and follow the instructions of the Audit & Supervisory Board Members.

(d) System to report to the Company's Audit & Supervisory Board Members from the Directors and personnel of the Company, the directors and personnel of the subsidiaries, or those

who received reports from them

The Directors and personnel of the Company report to the Audit & Supervisory Board Members facts that violate the laws and regulations or the Articles of Incorporation, facts that could cause significant damage to the Company, and any other matter set in the internal rules.

Subsidiaries report to the Company facts that violate the laws and regulations or the articles of incorporation, facts that could cause significant damage to the company, etc. On these matters, the divisions that receive a report promptly report to the Audit & Supervisory Board Members of the Company.

(e) System for ensuring that those who made the preceding reports shall not receive disadvantageous treatments on the ground that such reports were made

The AGC Group prohibits, in the AGC Group Code of Conduct, disadvantageous treatments and retaliatory actions against those who made reports concerning the violation of the Code of Conduct, etc., which is disseminated to the employees of the AGC Group and thoroughly implemented.

(f) Matters concerning the policy regarding procedures, etc. for reimbursement of expenses incurred on the performance of the duties by the Audit & Supervisory Board Members

On the expenses paid by the Audit & Supervisory Board Members, the Company promptly processes them except in case where such expenses are found unnecessary for the performance of the duties by the Audit & Supervisory Board Members.

(g) Other systems for ensuring that the audits are conducted effectively by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members attend important meetings, such as the Management Committee, the Mid-Term Plan & Budget Council, and the Business Performance Monitoring Meeting, etc., and hold meetings with the Representative Directors regularly.

Meetings between the Audit & Supervisory Board Members and Internal Audit Division that has the internal audit function, etc. are held regularly, which is a system that enables the Audit & Supervisory Board Members to get information of the internal audit process conducted, its results, etc. Furthermore, a system is prepared that enables the Audit & Supervisory Board Members to heighten the effectiveness of audits by coordination through the exchange of views and reports from the Internal Audit Division, Accounting Auditors, etc.

(2) Outline of the Operational Status of Internal Control

a. System for Ensuring that the Performance of the Duties by the Directors and Personnel of the AGC Group Complies with the Laws and Regulations and the Articles of Incorporation (Compliance Program)

On the preparation and promotion of the AGC Group's compliance program, the position of the CCO (Chief Compliance Officer) in charge of it and to whom the President & CEO delegates the authority has been placed, and the CCO reports on its performance of duties to the President & CEO.

The "AGG Group Code of Conduct" has been established, and all employees of the Company and executives of the subsidiaries are obligated to submit a pledge concerning the Code of Conduct so that their conduct is thoroughly in line with the laws and regulations and corporate ethics. In addition, compliance training is provided regularly so that the Code of Conduct is familiarized.

A helpline has been set in place as the call desk and consultation desk concerning compliance, and the prevention and early detection of misconduct, etc. are endeavored.

On the compliance status of compliance, operational status of the helpline, important legal issues, etc. in the AGC Group, reports are made to the Board of Directors regularly.

Internal audits of the Company and subsidiaries are conducted based on the annual audit plan, etc., and reports on the audit results are made to the Board of Directors regularly.

The "AGC Group Internal Control over Financial Reporting Implementation Regulations" have been established, and internal control over financial reporting is prepared, operated and assessed.

b. System Concerning Retention and Management of Information Regarding the Performance of the Duties by the Directors of the AGC Group (Information Retention/Management System)

The "AGC Group Common Information Security Policy" has been established, and the retention and management of important documents & information are implemented.

Thorough information management sought, self-inspection, training for employees, etc. concerning information security are implemented regularly.

c. Rules and Other System Concerning Risk Management of Loss of the AGC Group (Risk Management System)

In accordance with the "AGC Group Enterprise Risk Management Basic Policies," the risk factors that could seriously impact the management of the AGC Group are set, and the enhancement and improvement of the management level to suppress the emergence of risks and the handling level upon the emergence of risks are sought.

To prepare for the occurrence of large-scale accidents, disasters, etc., a business continuity plan

(BCP) has been formulated. In addition, earthquake drills, etc. are conducted, and the dissemination, thorough implementation and enhancement of the effectiveness of BCP are sought.

d. System for Ensuring Efficient Performance of the Duties by the Directors of the AGC Group (System for Efficient Performance of Duties)

The Board of Directors consists of 7 members, including 3 Outside Directors, and is chaired by an Outside Director. In this business year, 14 meetings were held in total, which made decisions on important matters and conducted oversight of the status of the operation execution of the AGC Group.

The Nominating Committee and Compensation Committee have been set in place voluntarily as advisory committees to the Board of Directors, the majority of the members of each of which are composed of Outside Directors and the chairperson of each of which is assumed by an Outside Director. In this business year, the Nominating Committee held 11 meetings and the Compensation Committee held 8 meetings, which heightened the objectivity concerning the evaluation, appointment and compensation of the Directors and Executive Officers of the Company.

The effectiveness of the Board of Directors is analyzed and evaluated in the Board of Directors meetings.

On the management execution, the authority is broadly delegated to Executive Officers starting with the President & CEO, and the speed-up of decision making is sought in practice.

e. System Concerning the Report to the Company on Matters Regarding the Performance of the Duties by the Directors of Subsidiaries (System for Reports to the Company from the Subsidiaries)

A system to report to the Company from the subsidiaries has been prepared, and, in accordance with such system, important matters concerning the subsidiaries (certain matters concerning business operations, etc., issues concerning compliance, legal issues, etc.) are reported to the Company.

Based on the annual audit plan, internal audits of the subsidiaries are conducted, the results of which are reported timely to the President & CEO and reported regularly to the Board of Directors.

f. Matters Concerning the Audit System of the Audit & Supervisory Board Members

(a) Matters concerning staff to support the duties of the Audit & Supervisory Board Members in case placing such staff is requested

The Staff Office of the Audit & Supervisory Board has been set in place, which supports the duties of the Audit & Supervisory Board Members.

(b) Matters concerning independence of said staff from the Directors

On the personnel change, appraisal, etc. of staff members of the Staff Office of the Audit & Supervisory Board, the consent of the Audit & Supervisory Board is required by internal rules.

(c) Matters concerning ensuring the effectiveness of the Audit & Supervisory Board Member's instructions to said staff

Staff members of the Staff Office of the Audit & Supervisory Board are assigned exclusively to the Audit & Supervisory Board and follow the instructions of the Audit & Supervisory Board Members in their assignment.

(d) System to report to the Company's Audit & Supervisory Board Members from the Directors and personnel of the Company, the directors and personnel of the subsidiaries, or those who received reports from them

Reports are made to the Audit & Supervisory Board Members in accordance with internal rules.

(e) System for ensuring that those who made the preceding reports shall not receive disadvantageous treatments on the ground that such reports were made

In the "AGC Group Code of Conduct," disadvantageous treatments and retaliatory actions against whistleblowers are prohibited, which is disseminated to the employees.

(f) Matters concerning the policy regarding procedures, etc. for reimbursement of expenses incurred on the performance of the duties by the Audit & Supervisory Board Members

On the expenses paid by the Audit & Supervisory Board Members for their duties, the processing is prompt.

(g) Other systems for ensuring that the audits are conducted effectively by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members attend the Board of Directors meetings and other important internal meetings, such as the Management Committee, where they state opinions when necessary.

The Audit & Supervisory Board Members hold regular meetings, etc. and exchange opinions with the Representative Directors, internal audit divisions, etc. and heighten the effectiveness of audits.

Consolidated Statements of Changes in Equity

99th Fiscal Year (from January 1, 2023 to December 31, 2023)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in revaluation of financial assets measured at FVTOCI (Note)
Balance as of January 1, 2023	90,873	97,094	889,827	(26,586)	9,405	27,294
Changes in equity						
Comprehensive income						
Profit for the year	-	-	65,798	-	-	-
Other comprehensive income	-	-	-	-	20,331	9,792
Total comprehensive income for the year	-	-	65,798	-	20,331	9,792
Transactions with owners						
Dividends	-	-	(45,982)	-	-	-
Acquisition of treasury shares	-	-	-	(50,021)	-	-
Disposal of treasury shares	-	-	(257)	661	-	-
Cancellation of treasury shares	-	-	(48,608)	48,608	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control	-	(108)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	11,769	-	-	(11,769)
Share-based payment transactions	-	82	-	-	-	-
Others (business combinations and others)	-	(12)	-	-	-	-
Total transactions with owners	-	(37)	(83,078)	(752)	-	(11,769)
Balance as of December 31, 2023	90,873	97,056	872,547	(27,338)	29,737	25,317

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of January 1, 2023	2,321	300,024	339,046	1,390,254	195,335	1,585,590
Changes in equity						
Comprehensive income						
Profit for the year	-	-	-	65,798	16,685	82,484
Other comprehensive income	(8,489)	65,029	86,664	86,664	12,485	99,150
Total comprehensive income for the year	(8,489)	65,029	86,664	152,463	29,170	181,634
Transactions with owners						
Dividends	-	-	-	(45,982)	(16,097)	(62,080)
Acquisition of treasury shares	-	-	-	(50,021)	-	(50,021)
Disposal of treasury shares	-	-	-	404	-	404
Cancellation of treasury shares	-	-	-	-	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(108)	(1,150)	(1,258)
Transfer from other components of equity to retained earnings	-	-	(11,769)	-	-	-
Share-based payment transactions	-	-	-	82	-	82
Others (business combinations and others)	-	-	-	(12)	-	(12)
Total transactions with owners	-	-	(11,769)	(95,638)	(17,248)	(112,886)
Balance as of December 31, 2023	(6,167)	365,053	413,941	1,447,080	207,258	1,654,338

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

(Reference) 98th Fiscal Year (from January 1, 2022 to December 31, 2022)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in revaluation of financial assets measured at FVTOCI (Note)
Balance as of January 1, 2022	90,873	81,621	927,830	(26,933)	(6,927)	43,896
Changes in equity						
Comprehensive income						
Profit (loss) for the year	-	-	(3,152)	-	-	-
Other comprehensive income	-	-	-	-	16,363	932
Total comprehensive income for the year	-	-	(3,152)	-	16,363	932
Transactions with owners						
Dividends	-	-	(52,162)	-	-	-
Acquisition of treasury shares	-	-	-	(342)	-	-
Disposal of treasury shares	-	-	(221)	689	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control	-	(3,110)	-	-	(30)	(0)
Transfer from other components of equity to retained earnings	-	-	17,534	-	-	(17,534)
Share-based payment transactions	-	(22)	-	-	-	-
Others (business combinations and others)	-	18,605	-	-	-	-
Total transactions with owners	-	15,472	(34,849)	347	(30)	(17,534)
Balance as of December 31, 2022	90,873	97,094	889,827	(26,586)	9,405	27,294

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total		
Balance as of January 1, 2022	4,952	198,847	240,769	1,314,161	167,219	1,481,380
Changes in equity						
Comprehensive income						
Profit (loss) for the year	-	-	-	(3,152)	25,657	22,505
Other comprehensive income	(3,052)	105,358	119,601	119,601	17,774	137,376
Total comprehensive income for the year	(3,052)	105,358	119,601	116,449	43,431	159,881
Transactions with owners						
Dividends	-	-	-	(52,162)	(12,786)	(64,948)
Acquisition of treasury shares	-	-	-	(342)	-	(342)
Disposal of treasury shares	-	-	-	468	-	468
Changes in ownership interests in subsidiaries that do not result in loss of control	422	(4,182)	(3,790)	(6,901)	(2,529)	(9,431)
Transfer from other components of equity to retained earnings	-	-	(17,534)	-	-	-
Share-based payment transactions	-	-	-	(22)	-	(22)
Others (business combinations and others)	-	-	-	18,605	-	18,605
Total transactions with owners	422	(4,182)	(21,325)	(40,356)	(15,315)	(55,671)
Balance as of December 31, 2022	2,321	300,024	339,046	1,390,254	195,335	1,585,590

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Notes to the Consolidated Financial Statements

I. Significant Accounting Policies

1. Accounting standards of consolidated financial statements

The consolidated financial statements of AGC Inc. (“the Company”) and its consolidated subsidiaries (the "AGC Group" or the "Group"), which comprise the consolidated statements of financial position, the consolidated statements of profit or loss and the consolidated statements of changes in equity, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with Article 120-1 of the Ordinance of Company Accounting. The latter part of Article 120-1 of the Ordinance of Company Accounting prescribes the omission of certain disclosures required by IFRSs.

2. Scope of consolidation

Number of consolidated subsidiaries: 194

Major subsidiaries:

AGC Techno Glass Co., Ltd., Ise Chemicals Corporation, AGC Glass Europe and AGC Flat Glass North America, Inc.

2 companies were newly consolidated in the fiscal year ended December 31, 2023. Due to liquidation and other events, 9 companies were excluded from the scope of consolidation from the fiscal year ended December 31, 2023.

3. Application of equity method

Number of companies using equity method: 22

Major investments accounted for using equity method:

Asahi India Glass, Ltd. and Schott-Flat Glass B.V.

4. Accounting standards

(1) Changes in Accounting Policies

The following are the accounting standards applied by the Group from the fiscal year 2023, in compliance with each transitional provision. The effect of the application of the following standards on the Group's consolidated financial statements is immaterial.

IFRS	Title	Summaries of new IFRS and amendments
IAS 1 (amended in February 2021)	Presentation of Financial Statements	Disclosure of Accounting Policies
IAS 8 (amended in February 2021)	Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates
IAS 12 (amended in May 2021)	Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has applied the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)” issued on May 23, 2023, from the fiscal year 2023. This amendment provides an exception rule that temporarily exempts the recognition and disclosure of deferred taxes related to taxes arising from the taxation system on the pillar two model rules published by the Organisation for Economic Co-operation and Development (OECD) (hereinafter, the "Pillar Two Income Taxes"). The Group has applied the said exception rule retroactively from the fiscal year 2023 and has not recognized and disclosed the deferred taxes related to the Pillar Two Income Taxes.

(2) Valuation of non-derivative financial assets

1) Financial assets measured at amortized cost:

Financial assets are classified as financial assets measured at amortized cost if the following two conditions are met:

- The foregoing financial assets are held within a Group business model whose objective is to hold the assets in order to collect contractual cash flows from the assets; and
- The contractual terms of the foregoing financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Financial assets measured at fair value through other comprehensive income:

The Group designates equity instruments as financial assets measured at fair value through other comprehensive income when an irrevocable election has been made on initial recognition to measure the gains and losses arising from change in the fair value of such instruments in other comprehensive income, and when such instruments are not classified as financial assets measured at amortized cost.

When the foregoing financial assets measured at fair value through other comprehensive income are derecognized from transactions such as sales, the cumulative gains or losses are reclassified from other components of equity to retained earnings.

3) Financial assets measured at fair value through profit or loss:

The Group measures financial assets at fair value and recognizes any changes in the fair value of such assets as profit or loss, unless the foregoing financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income.

(3) Valuation of non-derivative financial liabilities

The Group recognizes the following as non-derivative financial liabilities: trade payables, other payables, and interest-bearing debt (borrowings, commercial paper, corporate bonds, bonds with subscription rights to shares (excluding share subscription rights)), among other items.

The foregoing financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled or expired.

(4) Valuation of derivative financial instruments

The AGC Group holds derivative financial instruments to hedge foreign exchange risk, interest risk and commodity price risk.

The Group initially recognizes derivative financial instruments at fair value, with the related transaction costs recognized in profit or loss when incurred. After initial recognition, derivative financial instruments are measured at fair value, with changes in fair value accounted for as follows, depending on whether or not derivatives qualify for hedge accounting:

- Derivatives not qualifying for hedge accounting

  Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognized in profit or loss.

- Derivatives qualifying for hedge accounting

  The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The amounts recognized in other comprehensive income are reclassified to profit or loss in the reporting periods when the cash flows of the hedged items affect profit or loss. The ineffective portion of changes in the fair value of hedging instruments is recognized in profit or loss.

(5) Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is measured based on the moving average method and includes costs of purchase and costs of conversion (including fixed and variable manufacturing overheads). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Depreciation and amortization of assets

1) Property, plant and equipment (including Right-of-use assets):

Depreciation of property, plant and equipment is computed by the straight-line method.

2) Intangible assets (including Right-of-use assets):

Amortization of intangible assets is computed by the straight-line method.

(7) Basis for recognizing provisions

A provision is recognized when the AGC Group has a reasonably estimable legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(8) Employment benefits

Post-employment benefit plans comprise defined benefit plans and defined contribution plans.

1) Defined benefit plans

The obligations for defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets.

The present value of defined benefit obligations is calculated annually by qualified actuaries using the projected unit credit method. The discount rates are based on the market yields of high quality corporate bonds at the end of each reporting period that have terms consistent with the discount period, which is established as the estimated term of the post-employment benefit obligations through to the estimated dates for payments of future benefits in every fiscal year.

Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, while past service costs and gains or losses on settlement are recognized in profit or loss.

2) Defined contribution plans

Expenses related to post-employment benefits for defined contribution plans are recognized as an expense at the time of contribution.

(9) Revenue

The Group adopts IFRS 15 "*Revenue from Contracts with Customers*", and revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group sells a range of products including architectural glass, automotive glass, glass substrates for displays, electronic materials, chlor-alkali & urethane, fluorochemicals & specialty chemicals, and life science products. For the sales of these products, revenue is recognized upon delivery of these products as its performance obligation is satisfied when customers obtain control over these products at the time of delivery. For revenue associated with construction works such as the installation of architectural glass and contract development and manufacturing services for biological active pharmaceutical ingredient (API), revenue is recognized according to the progress toward completion of the performance obligation. Progress toward completion is measured in the input method based on the costs incurred, etc. Also, revenue is measured at the consideration promised in contracts with customers, less discounts, rebates, returned products, and other items.

(10) Operating profit and Business profit

"Operating profit" in the Group's consolidated statements of profit or loss is an indicator that facilitates continuous comparisons and evaluations of the Group's business performance. Main items of "other income" and "other expenses" are foreign exchange gains and losses, gains on sale of non-current assets, losses on disposal of non-current assets, impairment losses and expenses for restructuring programs. "Business profit" includes all income and expenses before finance income, finance costs and income tax expenses.

(11) Translation into Japanese yen of foreign currency denominated assets or liabilities

Foreign currency transactions are translated into the respective functional currencies by applying the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the reporting date. Exchange differences are recognized as profit or loss. Exchange differences for any gains or losses on the assets and liabilities recognized in other comprehensive income are recognized in other comprehensive income.

Non-monetary assets and liabilities are translated at the exchange rate at the date of the transaction.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated into Japanese yen at the exchange rates prevailing at the reporting date. Income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period.

(12) Hedge accounting method

1) Hedge accounting method:

Cash flow hedges

2) Hedging instruments and hedged items:

Hedging instruments: commodity swap contracts, forward exchange contracts

Hedged items: Raw materials and fuel, foreign currency transaction etc.

3) Basic rules and policies for hedging:

The Group uses derivative financial instruments to reduce their exposure to market risks from fluctuation in commodity prices and in foreign exchange rates that may occur in the ordinary course of business.

4) Assessment of hedge effectiveness:

In applying cash flow hedges, the Group evaluates at the inception whether the hedge will be effective. After that, the Group also evaluates continuously whether the derivative will be highly effective in offsetting the effects of changes in future cash flows of the hedged item.

(13) Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment test of goodwill is performed annually, regardless of any indication of impairment. Impairment loss for goodwill is not reversed in subsequent periods.

(14) Others

1) Application of Japanese Group Relief System

The Company and some consolidated subsidiaries apply the Japanese Group Relief System.

2) Amounts concerning financial statements

Amounts below one million yen are rounded down.

II. Notes to accounting estimates

The following is a list of items for which the amount was recorded in the consolidated financial statements for the fiscal year ended December 31, 2023 based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year.

1. Impairment losses on non-financial assets

Property, plant and equipment	1,457,950 million yen
Goodwill	101,130 million yen
Intangible assets	72,093 million yen

For non-financial assets other than inventories and deferred tax assets, the AGC Group assesses at the end of each fiscal year whether there is any indication of impairment for each asset or the cash-generating unit to which the asset belongs. An impairment test is performed if there is any indication of impairment. Goodwill is tested for impairment once a year, regardless of whether there is any indication of impairment. The recoverable amount of an asset or cash-generating unit is calculated based on the higher of its value in use or its fair value less costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the asset. In calculating the fair value less costs of disposal, cost approach or market approach, etc. are used. If the recoverable amount of property, plant and equipment, goodwill, and intangible assets recorded in the Group's consolidated statement of financial position falls below the book value due to a decline in profitability or other reasons, an impairment loss may be recognized, which may have a significant impact on the amount of property, plant and equipment, goodwill, and intangible assets in the Group's consolidated financial statements for the following fiscal year.

2. Estimates of the useful lives and residual values of property, plant and equipment and intangible assets

Property, plant and equipment	1,457,950 million yen
Intangible assets	72,093 million yen

Property, plant and equipment, except for land and other non-depreciable tangible fixed assets, are depreciated using the straight-line method over their estimated useful lives, based on the maximum depreciable amount, which is the acquisition cost minus the residual value. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary. Due to changes in the business environment and other factors, it may be necessary to revise useful lives and residual values, which may have a significant impact on the amounts of property, plant and equipment and intangible assets in the consolidated financial statements for the next fiscal year.

3. Recoverability of deferred tax assets

Deferred tax assets	39,677 million yen

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and tax credit carryforwards to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized, and are reviewed at the end of each fiscal period to determine whether deferred tax assets are recognized only to the extent that it is probable that tax benefits will be realized. The recoverability of such assets is determined by taking into account future taxable income plan and tax planning. Estimates of future taxable income may be affected by a decline in profitability and other factors, which may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

4. Actuarial assumptions for defined benefit plans

Prepaid pension cost (Note)	94,339 million yen
Liabilities for retirement benefits	50,026 million yen

(Note) Prepaid pension cost is included in "Other current assets" or "Other non-current assets" in the consolidated statement of financial position.

The amount of obligation for defined benefit pension plans is recognized as the present value of the defined benefit obligation less the plan assets. The present value of the defined benefit obligation and service cost, etc. are calculated based on actuarial assumptions. Actuarial assumptions require estimates and judgments about various variables such as discount rates. Actuarial assumptions may be affected by consequences of uncertain economic conditions changes in the future or by the revision or promulgation of related laws and regulations. If a review becomes necessary, it may have a significant impact on the amount of defined benefit obligations in the consolidated financial statements for the following fiscal year.

III. Notes to the Consolidated Statements of Financial Position

1. Assets pledged as collaterals

Property, plant and equipment:	208 million yen
Obligation secured by collateral:	40 million yen

2. Allowance for doubtful accounts directly deducted from assets:

Trade receivables:	2,944 million yen
Other financial assets:	1,539 million yen

3. Accumulated depreciation and impairment losses on property, plant and equipment:

2,890,633 million yen

4. Guaranteed obligation: 1 million yen

Ⅳ. Notes to the Consolidated Statements of Profit or Loss

1. Other Income

	(Unit: millions of yen)
Foreign exchange gain	8,583
Gains on sale of fixed assets	563
Gains on sale of shares of subsidiaries and Associates	3,333
Others	7,054
Total	19,535

2. Other Expenses

	(Unit: millions of yen)
Losses on disposal of fixed assets	(4,717)
Impairment losses	(605)
Expenses for restructuring programs	(11,490)

Others		(3,224)
	Total	(20,036)

(Note) The total amount of impairment losses included in expenses for restructuring programs was 8,104 million yen. Expenses for restructuring programs includes 7,890 million yen incurred in relation to the termination of the production of LCD glass substrate products at Kansai Plant (Takasago Factory) in Japan.

V. Notes to the Consolidated Statements of Changes in Equity

1. Type and number of outstanding shares

Number of outstanding shares as of December 31, 2023:

Ordinary share: 217,434,681 shares

2. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total amount of dividends	Dividends per share	Record date	Effective date
March 30, 2023 Ordinary General Meeting of Shareholders	Ordinary shares	¥23,316 million	¥105.00	December 31, 2022	March 31, 2023
August 2, 2023 Board of Directors meeting	Ordinary shares	¥22,666 million	¥105.00	June 30, 2023	September 8, 2023

*The year-end dividend includes dividend payment of ¥39 million paid for the shares held by the Board Incentive Plan (BIP) Trust.

*The interim dividend includes dividend payment of ¥38 million paid for the shares held by the BIP Trust.

(2) Dividends whose record date is attributable to the year ended December 31, 2023 but to be effective after the said year

An agenda will be submitted, as follows, concerning the year-end dividends in the appropriation of retained earnings for approval at the Ordinary General Meeting of Shareholders to be held on March 28, 2024. Total amount of dividends includes dividend payment of ¥38 million paid for the shares held by the BIP Trust.

Total amount of dividends: 22,278million yen

Resource of dividends: Retained earnings

Dividends per share: 105.00 yen

Record date: December 31, 2023

Effective date: March 29, 2024

3. Share subscription rights

(1) Share subscription rights are presented as a part of capital surplus.

(2) Number of shares subject to the share subscription rights

Category	Share subscription rights issued	Type of shares	Number of shares as of December 31, 2023
The Company	Share subscription rights issued in July 2009 (Compensation-Type Stock Option)	Ordinary shares	6,200 shares
	Share subscription rights issued in July 2010 (Compensation-Type Stock Option)	Ordinary shares	7,400 shares

	Share subscription rights issued in July 2011 (Compensation-Type Stock Option)	Ordinary shares	12,800 shares
	Share subscription rights issued in July 2012 (Compensation-Type Stock Option)	Ordinary shares	57,800 shares
	Share subscription rights issued in March 2013 (Compensation-Type Stock Option)	Ordinary shares	12,800 shares
	Share subscription rights issued in July 2013 (Compensation-Type Stock Option)	Ordinary shares	47,200 shares
	Share subscription rights issued in July 2014 (Compensation-Type Stock Option)	Ordinary shares	68,800 shares
	Share subscription rights issued in July 2015 (Compensation-Type Stock Option)	Ordinary shares	60,000 shares
	Share subscription rights issued in July 2015 (Ordinary-Type Stock Option)	Ordinary shares	32,600 shares
	Share subscription rights issued in February 2016 (Compensation-Type Stock Option)	Ordinary shares	12,200 shares
	Share subscription rights issued in July 2016 (Compensation-Type Stock Option)	Ordinary shares	102,000 shares
	Share subscription rights issued in July 2016 (Ordinary-Type Stock Option)	Ordinary shares	35,800 shares
	Share subscription rights issued in March 2017 (Compensation-Type Stock Option)	Ordinary shares	23,600 shares
	Share subscription rights issued in July 2017 (Compensation-Type Stock Option)	Ordinary shares	44,200 shares

*The shares are calculated based on the number of shares after the share consolidation (5 shares for 1 share) effective from July 1, 2017.

Ⅵ. Notes to the Revenue

1. Disaggregation of revenue

The Group has five reportable segments: Architectural Glass, Automotive, Electronics, Chemicals and Life Science.

The reportable segments have been reorganized from the fiscal year ended December 31, 2023. Glass was split into Architectural Glass and Automotive, while Chemicals was split into Chemicals and Life Science.

In addition, net sales are broken down by product group and region.

The reconciliations of the disaggregated revenue with the Group's sales components are as follows.

(1) Disaggregation by product groups

(Unit: millions of yen)

Architectural Glass		474,646
Automotive		499,392
Electronics	Display	160,680
	Electronics materials	151,283
	Subtotal	311,964
Chemicals	Essential Chemicals	402,796
	Performance Chemicals	166,855
	Subtotal	569,652
Life Science		123,933
Ceramics/Others		39,665
Total		2,019,254

(2) Disaggregation by geographical segments

(Unit: millions of yen)

	Architectural Glass	Automotive	Electronics	Chemicals	Life Science	Ceramics /Others	Total
Japan/Asia	158,381	256,389	277,026	511,134	30,796	39,665	1,273,395
America	29,537	101,182	33,849	31,978	22,571	-	219,118
Europe	286,727	141,821	1,088	26,539	70,565	-	526,741
Total	474,646	499,392	311,964	569,652	123,933	39,665	2,019,254

Note: Sales by region are based on the location of each company, and "Brazil" is included in "America."

In the Architectural Glass segment, the Group sells architectural glass, etc., and supplies and installs related products. Main customers are domestic and overseas residential and office building-related companies.

In the Automotive segment, the Group supplies automotive glass, automotive display cover glass, etc. Main customers are domestic and overseas automobile manufacturers.

In the Electronics segment, the Group delivers glass for display such as LCD glass, optoelectronics materials, semiconductor-related products, etc. Main customers are domestic and overseas panel manufactures and electronics companies.

In the Chemicals segment, the Group supplies essential chemicals, performance chemical products, etc., and sells them globally, mainly through wholesalers such as trading companies, as well as the sales bases of the Group, etc.

In the Life Science segment, the Group performs contract development and manufacturing for synthetic pharmaceutical and agrochemical intermediates and active ingredients, biopharmaceuticals, etc. Main customers are domestic and overseas pharmaceutical and agrochemical-related companies.

These are accounted for in accordance with the policies described in “4. Accounting Standards” under “I. Significant Accounting Policies”. The consideration for performance obligations is mainly recovered within one year after performance obligations are satisfied. In addition, the consideration for performance obligations does not include a significant financing component.

2. Contract balances

Information on contract assets and liabilities arising from contracts with customers is as follows:

(Unit: millions of yen)

	FY2023 (as of January 1, 2023)	FY2023 (as of December 31, 2023)
Contract Assets	5,829	4,718
Contract Liabilities	53,413	57,906

Contract assets primarily relate to the Group’s rights to receive consideration for performance obligations that have been completed, but not yet billed for, as of the reporting date. Contract assets are reclassified as receivables when the Group’s right to payment becomes unconditional. Contract liabilities mainly relate to consideration received from customers before the Group delivers products to them, based on receivables management and other considerations. The revenue recognized during the fiscal year ended December 31, 2023, included balance of contract liabilities at the beginning of the fiscal year of ¥38,895 million.

3. Transaction price allocated to the remaining performance obligations

The Group applies the practical expedients for exemption on disclosure of information on remaining performance obligations that have original expected duration of one year or less. The Group has no significant transactions with original expected duration exceeding one year. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

4. Assets recognized from the costs of obtaining or fulfilling contracts with customers

There are no assets recognized from the costs of obtaining or fulfilling contracts with customers as of the year ended December 31, 2023. In addition, if the amortization period of the assets that the Group otherwise would have recognized is one year or less, the Group applies the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

Ⅶ. Notes to Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

The AGC Group manages funds using only safe financial assets with high liquidity and implements stable and low-cost fund procurement by utilizing the capital market such as taking out borrowings from financial institutions or issuing corporate bonds. The Group uses derivative transactions only to evade risks accompanying its business activities, including exchange-rate fluctuation risks, interest-rate fluctuation risks and product price fluctuation risks, and does not enter into derivative transactions for speculative purposes.

(2) Details of financial instruments, their risks and their risk management system

Trade notes and accounts receivable, which are operating receivables, are exposed to the credit risks of customers. To manage these risks, the Group performs due date controls and balance controls for each customer and identifies and mitigates risks regarding the collection of receivables caused by factors such as deterioration of financial conditions at an early stage, in accordance with credit management rules.

Other receivables are accounts receivable, etc.

Among other financial assets, equity instruments, which are financial assets measured at fair value through other comprehensive income, and debt instruments, which are financial assets measured at fair value through profit or loss, are mainly shares of companies with which the Group has business relationships, and are exposed to the risk of market price fluctuations. The Group exams trend of market values and business needs as appropriate.

Most of the Group's trade notes and accounts payable, which are operating payables, are due within one year.

Other payables are other miscellaneous payables and others.

Borrowings, corporate bonds and the other interest-bearing debts are exposed to liquidity risks. The Group manages these risks by diversifying fund procurement methods, establishing commitment lines with various financial institutions, and keeping an appropriate balance between direct and indirect fund procurements and a proper mixture of short-term and long-term borrowings and corporate bonds. Floating-interest rate borrowings are exposed to interest-rate fluctuation risks.

For some long-term floating-rate borrowings, the Group uses interest rate swap transactions to avoid the interest-rate fluctuation risks and convert the floating rates into fixed rates.

Moreover, the AGC Group operates businesses globally, and is therefore exposed to currency risks associated with transactions undertaken in currencies other than individual functional currency. To manage currency risk, the Group hedges currency risk with forward exchange contracts and currency swap agreements.

Derivative transactions are executed and managed in accordance with the internal rules that stipulate the authority of transactions. Outstanding derivatives and the position of gain or loss on derivatives are regularly reported to the top management. In those derivative transactions, the Group uses only creditworthy financial institutions to reduce credit risks.

(3) Supplementary explanation about fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably calculated values if market prices are unavailable. As variable assumptions are incorporated into the calculation of said values, they may vary if different assumptions are used.

2. Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of December 31, 2023 are as follows:

(Unit: millions of yen)

	Carrying amount	Fair value
Cash and cash equivalents	146,061	146,061
Trade receivables	338,850	338,850
Other receivables	23,114	23,114
Other financial assets		
Financial assets measured at FVTOCI (*1)	54,339	54,339
Financial assets measured at FVTPL (*1)	4,000	4,000
Others	17,202	17,202
Trade payables	206,566	206,566
Other payables	138,357	138,357
Interest-bearing debts (short-term, long-term)		
Borrowings	505,488	506,184
Commercial paper	43,064	43,064
Corporate bonds	69,869	69,599
Derivatives (*2)	2,029	2,029
Other current liabilities	384	384
Other non-current liabilities	2,326	2,326

(*1) FVTOCI: Fair Value Through Other Comprehensive Income / FVTPL: Fair Value Through Profit or Loss

(*2) Receivables and payables arising from derivative transactions are presented in net values. Amounts in parentheses indicate payables.

(Note) Calculation method for the fair values of financial instruments

The fair value of financial instruments is categorized into three levels based on inputs used to measure fair value, as follows:

Inputs include stock prices, exchange rates, and interest rates as well as indexes related to commodity prices, etc.

- Level 1: Quoted prices in active markets
- Level 2: Observable prices other than quoted prices included within Level 1
- Level 3: Inputs not based on observable market data

i) Financial assets and liabilities measured at fair value.

The fair value of financial assets and financial liabilities is determined as follows.

(Derivatives)

Foreign exchange contracts are mainly based on forward exchange rates and prices quoted by financial institutions with which contracts are concluded. Interest rate contracts are mainly based on prices quoted by financial institutions with which contracts are concluded.

Commodity contracts are mainly based on prices quoted by counterparties with whom contracts are concluded. In each case, the financial instruments are classified as Level 2 in the fair value hierarchy.

(Financial assets measured at fair value through other comprehensive income)

The Group measures financial assets at fair value when market values are available, and classifies such assets as Level 1 in the fair value hierarchy. The Group estimates fair values of financial instruments whose market values are unavailable using either the discounted future cash flows method, third-party appraisal, or another appropriate measurement technique. Such financial instruments are classified as Level 3 in the fair value hierarchy.

(Financial assets measured at fair value through profit or loss)

The Group measures financial assets at fair value when market values are available, and classifies such assets as Level 1 in the fair value hierarchy. The Group estimates fair values of financial instruments whose market values are unavailable using either the discounted future cash flows method, third-party appraisal, or another appropriate measurement technique. Such financial instruments are classified as Level 3 in the fair value hierarchy.

ii) Financial assets and liabilities measured at amortized cost

The fair value of financial assets and liabilities measured at amortized cost is determined as follows.

(Financial assets measured at amortized cost)

Each receivable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(Loans payable)

As short-term loans payable is settled on a short-term basis, their fair values approximate their carrying amounts.

The fair values of long-term loans payable are calculated by the total sum of the principal and interest discounted by the interest rates that would apply if similar borrowings were conducted anew. For long-term loans payable at floating interest rates, however, the fair values approximate the carrying amounts because the interest rates are adjusted regularly at fixed intervals.

(Corporate bonds)

Fair values of corporate bonds are calculated based on market prices.

(Financial liabilities measured at amortized cost other than the above)

Each payable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

Financial assets and financial liabilities measured at amortized cost are classified as Level 2 in the fair value hierarchy.

3. Fair value hierarchy

The following table is an analysis of financial instruments measured at fair value by valuation methods.

(Unit: millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	12,952	-	12,952
Derivatives not designated as hedges	-	12,378	-	12,378
Derivatives designated as hedges	-	573	-	573
Equity instruments	43,171	-	11,168	54,339
Financial assets measured at FVTOCI(Note)	43,171	-	11,168	54,339
Debt instruments	-	-	4,000	4,000
Financial assets measured at FVTPL(Note)	-	-	4,000	4,000
Derivative financial liabilities	-	10,923	-	10,923
Derivatives not designated as hedges	-	4,291	-	4,291
Derivatives designated as hedges	-	6,631	-	6,631

Note: FVTOCI: Fair Value Through Other Comprehensive Income / FVTPL: Fair Value Through Profit or Loss

The presence of any financial instruments subject to significant transfers between fair value hierarchy levels is determined at the end of every period. There were no financial instruments subject to significant transfers between the fair value hierarchy levels during the fiscal year ended December 31, 2023.

There were no significant changes in “Financial assets measured at fair value through other comprehensive income” classified as Level 3 during the fiscal year ended December 31, 2023.

Derivative financial assets are included in “Other current assets” and “Other financial assets” in the consolidated statements of financial position.

Equity instruments and debt instruments are included in “Other financial assets” in the consolidated statements of financial position.

Derivative financial liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statements of financial position.

Changes in financial instruments categorized within Level 3 of the fair value hierarchy during the year are as follows:

(Unit: millions of yen)

Balance as of January 1	14,819
Purchases	1,248
Sales	(1,158)
Other comprehensive income	(235)
Other changes	493
Balance as of December 31	15,168

Ⅷ. Notes to Per Share Information

1. Equity attributable to owners of the parent per share 6,831.89 yen
2. Basic earnings per share 304.73 yen

Ⅸ. Notes to Business Combinations

There are no significant transactions to disclose.

Ⅹ. Notes to Significant Subsequent Events

There are no items to disclose.

Statements of Changes in Net Assets

99th Fiscal Year (from January 1, 2023 to December 31, 2023)

(Unit: millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Share capital	Additional paid-in capital	Other capital surplus	Legal reserve	Special depreciation reserve	Reserve for advanced depreciation of tangible fixed assets	General reserve	Retained earnings carried forward
Balance at beginning of year	90,873	91,164	-	22,618	-	15,423	393,000	127,892
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	-	-	-	-
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	-	-	-
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	(1,084)	-	1,084
Reversal of general reserve	-	-	-	-	-	-	(50,000)	50,000
Dividends declared	-	-	-	-	-	-	-	(45,982)
Net income	-	-	-	-	-	-	-	112,906
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(257)
Cancellation of treasury shares	-	-	-	-	-	-	-	(48,608)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	-	(1,084)	(50,000)	69,142
Balance at end of year	90,873	91,164	-	22,618	-	14,338	343,000	197,035

	Shareholders' equity		Valuation and translation adjustments	Share subscription rights	Total net assets
	Treasury shares, at cost	Total shareholders' Equity	Unrealized gains and loss on securities, net of taxes		
Balance at beginning of year	(26,586)	714,385	23,163	1,258	738,806
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Reversal of general reserve	-	-	-	-	-
Dividends declared	-	(45,982)	-	-	(45,982)
Net income	-	112,906	-	-	112,906
Acquisition of treasury shares	(50,021)	(50,021)	-	-	(50,021)
Disposal of treasury shares	661	404	-	-	404
Cancellation of treasury shares	48,608	-	-	-	-
Net changes other than shareholders' equity	-	-	(2,077)	(242)	(2,320)
Total changes during the current period	(752)	17,306	(2,077)	(242)	14,986
Balance at end of year	(27,338)	731,691	21,086	1,015	753,793

(Reference) 98th Fiscal Year (from January 1, 2022 to December 31, 2022)

(Unit: millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Share capital	Additional paid-in capital	Other capital surplus	Legal reserve	Special depreciation reserve	Reserve for advanced depreciation of tangible fixed assets	General reserve	Retained earnings carried forward
Balance at beginning of year	90,873	91,164	-	22,618	123	8,814	393,000	138,125
Cumulative Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	1,943
Restated balance (at beginning of year)	90,873	91,164	-	22,618	123	8,814	393,000	140,068
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(123)	-	-	123
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	7,922	-	(7,922)
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	(1,314)	-	1,314
Dividends declared	-	-	-	-	-	-	-	(52,162)
Net income	-	-	-	-	-	-	-	46,693
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(221)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(123)	6,608	-	(12,175)
Balance at end of year	90,873	91,164	-	22,618	-	15,423	393,000	127,892

	Shareholders' equity		Valuation and translation adjustments	Share subscription rights	Total net assets
	Treasury shares, at cost	Total shareholders' Equity	Unrealized gains and loss on securities, net of taxes		
Balance at beginning of year	(26,933)	717,786	38,574	1,532	757,892
Cumulative Effects of Changes in Accounting Policies	-	1,943	-	-	1,943
Restated balance (at beginning of year)	(26,933)	719,729	38,574	1,532	759,835
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Dividends declared	-	(52,162)	-	-	(52,162)
Net income	-	46,693	-	-	46,693
Acquisition of treasury shares	(342)	(342)	-	-	(342)
Disposal of treasury shares	689	468	-	-	468
Net changes other than shareholders' equity	-	-	(15,410)	(273)	(15,684)
Total changes during the current period	347	(5,344)	(15,410)	(273)	(21,028)
Balance at end of year	(26,586)	714,385	23,163	1,258	738,806

Notes to the Non-Consolidated Financial Statements

The accompanying financial statements of the Company have been prepared in accordance with the provisions set forth in the Corporation Law and its related accounting regulations, and in conformity with the accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

I. Significant Accounting Policies

1. Valuation of assets

(1) Valuation of securities

Investments in subsidiaries and affiliates:

Investments in subsidiaries and affiliates are stated at cost based on the moving average method. Valuation losses are recognized when the real value of subsidiaries and affiliates that do not have a market price has declined significantly.

Other securities:

Other than securities without market value:

Securities other than securities without market value are stated at the quoted market prices. Differences between market value and acquisition costs are recorded as "Unrealized gains on securities, net of taxes" in Net Assets. The cost of securities sold is calculated by the moving average method.

Securities without market value:

Securities without market value are mainly stated at cost determined by the moving average method.

(2) Valuation of derivative financial instruments

Derivatives are stated at fair value.

(3) Valuation of inventories

Inventories are mainly carried at cost calculated using the moving average method. They are written down to their net realizable value if their profitability declines.

2. Depreciation and amortization of fixed assets

(1) Tangible fixed assets

Depreciation is computed by the straight-line method.

(2) Intangible fixed assets

Amortization of intangible assets is computed by the straight-line method.

(3) Leased assets related to finance lease transactions not involving the transfer of ownership

Amortization of leased assets related to finance lease transactions not involving the transfer of ownership is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

3. Basis for recognizing certain reserves and accrued expense items

(1) Allowance for doubtful accounts

"Allowance for doubtful accounts" is provided at an amount sufficient to cover possible losses on the collection of receivables by taking the historical receivables loss ratio. For certain doubtful receivables, the uncollectible amounts are estimated based on the collectability of individual receivables.

(2) Accrued bonuses to employees

"Accrued bonuses to employees" is provided based on the estimated amount to be paid to employees after the balance sheet date for their services rendered during the current period.

(3) Accrued bonuses to directors

"Accrued bonuses to directors" is provided based on the estimated amount to be paid to directors after the balance sheet date for their services rendered during the current period.

(4) Reserve for scheduled repairs

"Reserve for scheduled repairs" is provided based on the estimated amount to be paid for the next periodic inspection of the facilities and estimated costs for repair work considering the service period until the next periodic inspection.

(5) Accrued retirement benefits for employees

Recognition of accrued retirement benefits for employees is based on actuarial valuation of projected benefit obligations and pension assets.

Past service cost is amortized on a straight-line basis over the average remaining service period of employees (13 years), from the year when it is incurred.

Actuarial gain/loss is amortized on a straight-line basis over the average remaining service period of employees (13 years), starting from the following year after incurred.

(6) Reserve for loss on debt guarantees

"Reserve for loss on debt guarantees" is provided based on the estimated value of losses that would accrue from a possible execution of loan guarantees for the Company's subsidiaries and affiliates.

(7) Reserve for restructuring programs

"Reserve for restructuring programs" is reasonably estimated based on costs arising mainly from additional severance compensation program related to restructuring and restructuring of certain businesses.

4. Accounting standards for revenue and expenses

Revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company sells a range of products including architectural glass, automotive glass, glass substrates for displays, electronic materials, chlor-alkali & urethane, fluorochemicals & specialty chemicals, and life science products. For the sales of these products, revenue is recognized upon delivery of these products as its performance obligation is satisfied when customers obtain control over these products at the time of delivery. For contract development and manufacturing services for biological active pharmaceutical ingredient (API), revenue is recognized according to the progress toward completion of the performance obligation. Progress is measured by the input method based on the costs incurred, etc. based on the costs incurred. Also, revenue is measured at the consideration promised in contracts with customers, less discounts, rebates, returned products, and other items.

5. Other significant matters regarding the preparation of financial statements

(1) Application of Japanese Group Relief System

The Company adopts Japanese Group Relief System.

(2) Amounts presented in financial statements

Amounts below one million yen are rounded down.

(3) Accounting for retirement benefits for employees

Accounting methods for unrecognized actuarial gains and losses and unrecognized prior service costs related to retirement benefits differ from those applied in the consolidated financial statements.

Ⅱ. Notes to accounting estimates

Items for which the amount was recorded in the financial statements for the fiscal year ended December 31, 2023 based on accounting estimates, and which may have a significant impact on the financial statements for the following fiscal year, are as follows.

(1) Valuation of investments in and loans to subsidiaries and affiliates

Investments in subsidiaries and affiliates (stock)	387,685 million yen
Investments in subsidiaries and affiliates (others)	156,706 million yen

The Company recognizes valuation losses on shares and investments in affiliates that do not have a market price when the real value has declined significantly. In the event of a deterioration in the business performance of an affiliate, the real value of the company may decline significantly, and a valuation loss may be incurred, which may have a significant impact on the amount of investments in subsidiaries and affiliated companies in the Company's financial statements for the following fiscal year.

Loans to subsidiaries and affiliates	110,480 million yen

Loans to subsidiaries and affiliates are individually evaluated for collectability and the estimated uncollectible amount is recorded as allowance for doubtful accounts. In the event of a deterioration in the business performance of an affiliate, it may have a significant impact on the amount of loans to affiliated companies in the Company's financial statements for the following fiscal year.

(2) Impairment losses on tangible fixed assets

Tangible fixed assets	307,225 million yen

Information on the content of accounting estimates is omitted, as the same content is provided in the notes to the consolidated financial statements.

Ⅲ. Notes to the Balance Sheet

1. Accumulated depreciation on tangible fixed assets: 687,517 million yen
2. Commitments and contingent liabilities

Guarantee of loans:	157,609 million yen

3. Monetary receivables from/payables to subsidiaries and affiliates

Short-term receivables from subsidiaries and affiliates:	122,022 million yen
Long-term receivables from subsidiaries and affiliates:	58,154 million yen
Short-term payables to subsidiaries and affiliates:	130,742 million yen

Ⅳ. Notes to the Statement of Operation

1.Transaction with subsidiaries and affiliates

Sales to subsidiaries and affiliates:	217,387 million yen
Purchases from subsidiaries and affiliates:	275,399 million yen
Non-operating transactions with subsidiaries and affiliates:	96,105 million yen

2. Expenses for restructuring programs

Information on expenses for restructuring programs is omitted, as the same content is provided in the notes to the consolidated financial statements.

Ⅴ. Notes to the Statement of Changes in Net Assets

Type and number of treasury shares as of December 31, 2023:

Common stock:	5,622,165 shares

Note: The number of treasury shares at the end of the period includes 365,985 shares owned by the Board Incentive Plan (BIP) Trust.

Ⅵ. Notes to Tax Effect Accounting

Major components of deferred tax assets include loss on devaluation of investments in subsidiaries and affiliates and accrued retirement benefits for employees. The major components of deferred tax liabilities are unrealized gains on securities and gains on establishment of trust for retirement benefits.

From the fiscal year under review, the Company adopts Japanese Group Relief System. Accordingly, the accounting treatment of corporate and local income taxes and disclosure of related tax effect accounting are in accordance with the

"Practical Solution on the Accounting and Disclosure Under Japanese Group Relief System of Accounting and Disclosure for Group Companies" (ASBJ Practical Solution No. 42, August 12, 2021).

Ⅶ. Notes to Fixed Assets used under Lease Contracts

In addition to the leased assets recorded in the Balance Sheet, office equipment such as computers are accounted for using the same method as operating lease transactions.

Ⅷ. Related Party Transactions

(Unit: millions of yen)

Attribute	Company name	Voting right ratio held	Relationship with related party	Transaction	Transaction amount	Account item	Year-end balance
Subsidiary	AGC Electronics Co., Ltd.	Possession; Directly 100%	Manufacturing and sales of semiconductor processing materials and Optoelectronic materials	Lending (Note)	13,400	Long-term loans	33,132
Subsidiary	AGC Biologics A/S.	Possession; Directly 100%	Contract development and manufacturing for biological active pharmaceutical ingredients (APIs)	Lending (Note)	19,586	Short-term loans and Long-term loans	19,168
Subsidiary	AGC Singapore Services Pte.Ltd.	Possession; Directly 100%	Procurement of funds and financing services for affiliates in Asia, and holding of shares in affiliates	Borrowing (Note)	53,872	Short-term borrowings	52,902

The Company uses deposits held by its subsidiaries at financial institutions as the Company's operating funds through the cash management services offered by financial institutions. The average balance is 35,771 million yen, and year-end balance is 14,486 million yen.

Note:
Interest rates on loans and borrowings are determined based on the market interest rates at the time of financing.

Ⅸ. Notes to Revenue Recognition

The information that forms the basis for understanding revenues from contracts with customers is identical in the "Notes to Consolidated Financial Statements VI, Notes to the Revenues," and therefore, notes have been omitted.

Ⅹ. Notes to Per Share Information

1. Net assets per share 3,553.98 yen

Note: Upon calculating net assets per share, the number of treasury shares subtracted from the total number of issued shares at the end of the period includes the Company's stock owned by the BIP Trust (number of shares at the end of period: 365,985).

2. Net income per share 522.90 yen

Note: Upon calculating earnings per share, the number of treasury shares subtracted in computing the average number of shares outstanding includes the Company's stock owned by the BIP Trust (the average number of issued shares outstanding during the period: 369,343).

ＸＩ. Notes to Significant Subsequent Events

There are no items to disclose.