



**AGC Inc.**

IR DAY 2022 <DAY 2> First Half

June 16, 2022

## Event Summary

---

<b>[Company Name]</b>	AGC Inc.	
<b>[Company ID]</b>	5201-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Analyst Meeting	
<b>[Event Name]</b>	IR DAY 2022 <DAY 2> First Half	
<b>[Fiscal Period]</b>		
<b>[Date]</b>	June 16, 2022	
<b>[Number of Pages]</b>	52	
<b>[Time]</b>	16:00 – 17:09 (Total: 69 minutes, Presentation: 41 minutes, Q&A: 28 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	3	
	Shinji Miyaji	Executive Vice President & CFO
	Kenzo Moriyama	President of Electronics Company
	Chikako Ogawa	General Manager of Corporate Communications & Investor Relations Division
<b>[Analyst Names]*</b>	Yoshihiro Azuma	Jefferies Japan Limited
	Yasuhiro Nakada	Macquarie Capital Securities (Japan) Limited

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)



## Presentation

---

**Ogawa:** For this live briefing, simultaneous interpretation in English will be provided.

Ladies and gentlemen, it's time to start AGC IR Day 2022 day two. I'll be serving as moderator today. I am Ogawa from Public Relations and IR.

Let me introduce you to the schedule today. From 16:00, for those of you who have participated on the other day, Mr. Miyaji, CFO, will talk about company-wide strategy; from 16:10, Mr. Moriyama, President of Electronics company, will talk about the Electronics business strategy; from 17:20, Mr. Nemoto, President of Chemicals company, will talk about the strategy of Chemicals; and there will be Q&A after each presentation.

Now let me move to Mr. Miyaji, CFO, for company-wide strategy. Mr. Miyaji, over to you.

**Miyaji:** Miyaji speaking. Thank you very much for joining us today. I'll be spending 10 minutes to talk about the whole strategy.

If you can move to page three. Are you ready? I don't see the change of the PowerPoint, so the page is not shown here, but this is the portfolio.

There has been a transformation of the portfolio in the Company. The business mix has changed significantly. The change itself may not have been communicated well enough to investors in our view, so for the first time, we have held two days of IR Day.

Today, this is day two, so we'll talk about Electronics and Chemicals presented by the presidents of each company. If you have any clarifications or questions on a day-to-day basis, please just ask them directly.

I don't see the PowerPoint deck shown on the screen. May I just proceed? The slides are not shown on the screen, but Mr. Moriyama, the President of the Electronics company, will talk about EUV, which is of interest to you, and electronics materials are growing rapidly. For Chemicals, chlor-alkali, fluorochemicals, and specialty, CDMO and Life Science that you are paying attention to will be presented. I think these are of high interest to you, so I hope you can look forward to them.

On the left top corner, can we see the screen or the PowerPoint? I'm not sure if everyone can see this. Okay. I think that we can see it.

---

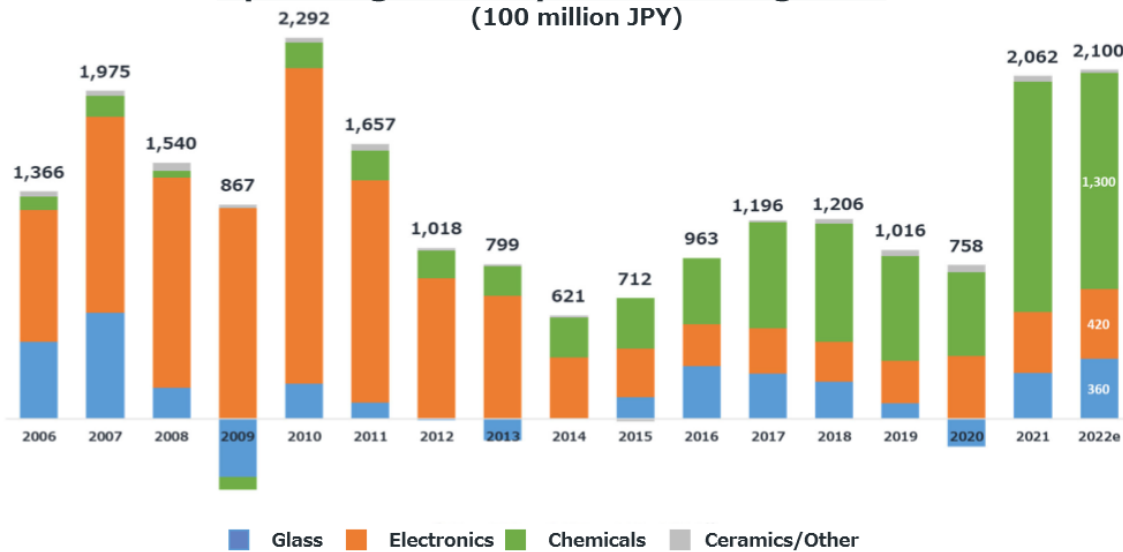
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Operating Profit by Business Segment (100 million JPY)



\*JGAPP in 2005 - 2011, and IFRS in 2012 - 2022e

©AGC Inc. 4

As I said, the operating profit by business segment.

Previously, Displays has earned a lot, indicated by orange, but now Chemicals are the great earner. The presentation today will be on 2022 and 2021. The green and orange are earning the biggest amount of money and will be the ones that will be presented today.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Toward the Realization of Vision 2030

©AGC Inc. 5

Moving on, 2030, Vision 2030. This is what we are aiming for.

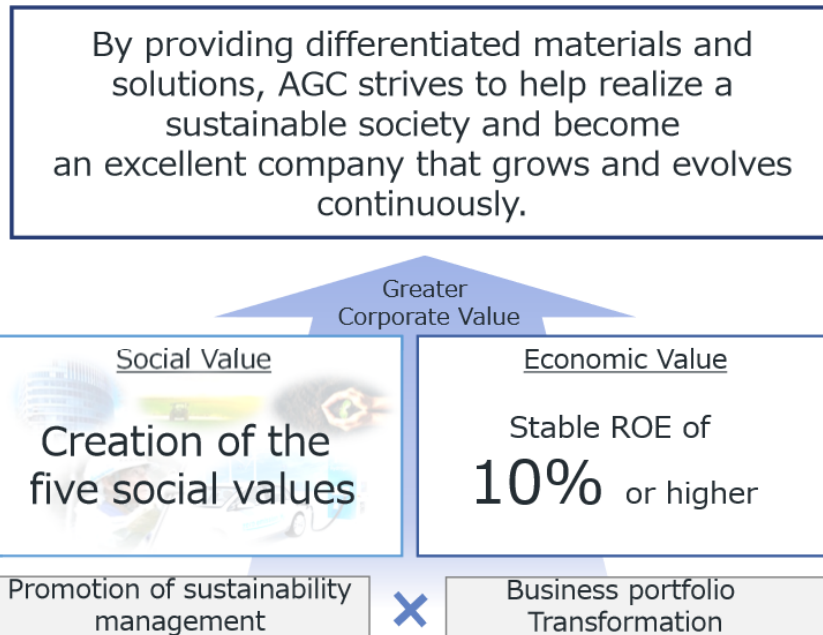
---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)

- Grow through well-balanced creation of social and economic value



We would like to grow through well-balanced creation of social and economic value. Especially in our case, we would like to make sure a stable ROE of 10% or higher, but that has not been successful. Of course, social values are important, but in my perspective as CFO, we like to have a business mix that will bring about stable ROE of 10% or higher.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## Direction of the Business Portfolio Transformation **AGC** Your Dreams, Our Challenge

- Through the practice of ambidextrous management, we aim to build a business portfolio that is resilient to market fluctuations and has high asset efficiency, growth potential, and carbon efficiency.



©AGC Inc.

7

The portfolio transformation is shown here. With regard to directions, this slide is important.

As we change portfolio, we would like to have a business mix that will be resilient to market fluctuations with high asset efficiency. Also, we'd like to have high growth rate as well. High carbon efficiency is what we are also aiming for in the business mix.

As we consider these, the strategic businesses have to have growth rate, asset efficiency, resiliency, and high carbon efficiency. All of these have to be satisfied and we'd like to grow such businesses.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

**SCRIPTS**  
Asia's Meetings, Globally

7



## Overall Strategy

Leveraging the core businesses and the strategic businesses as two wheels, we will shift to an optimal business portfolio and continuously create economic and social value.

### Core Businesses

Establishing long-term, stable sources of earnings by increasing competitiveness of each business



Architectural Glass



Automotive Glass (existing)



Display



Chlor-Alkali/Urethane



Fluorochemicals & Specialty



Ceramics

### Strategic Businesses

Create and expand highly profitable businesses that will become future pillars by using AGC's strengths in high-growth fields



Electronics



Life Science



Mobility

8

This is the ambidextrous management that has been attracting attention, the core businesses and strategic businesses.

In the core business, we earn cash, and that will be taken advantage of to grow strategic business. Electronics, Life science, and Mobility are the ones that we have expectations on. Electronics and Life science will be presented by the Company presidents themselves.

Next, growing the strategic business.

We want to produce about JPY300 million from these businesses. We believe that this is progressing quite steadily. We have confidence.

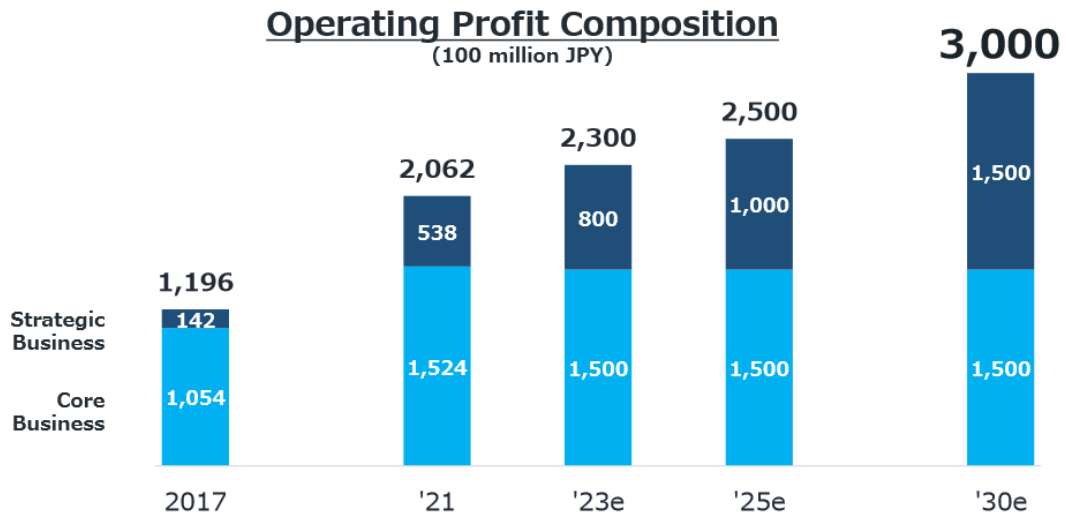
#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## Business Portfolio Reform (To-be image)

- Core businesses to become a long-term stable source of earnings
- Develop the strategic businesses so that they will account for more than half of the group's operating profit in 2030.



The portfolio direction is translating into this graph.

Along the horizontal axis, this is carbon efficiency, vertical axis, ROCE.

### Support

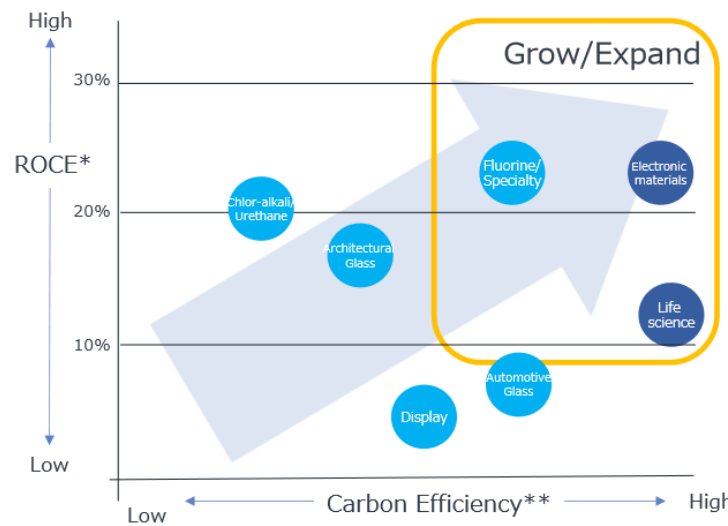
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Carbon efficiency and asset efficiency

- Expand the strategic businesses that have high carbon efficiency and asset efficiency, and at the same time increase the carbon efficiency and asset efficiency of other businesses

## Direction of the AGC Group's business portfolio



\* : Created based on the 2023 Target \*\* : Created Actual emissions per net sales in 2020 ● Core Business ● Strategic Business ©AGC Inc. 10

We want to achieve a higher level of ROCE and capital efficiency as a whole company. This is the general direction of the business portfolio.

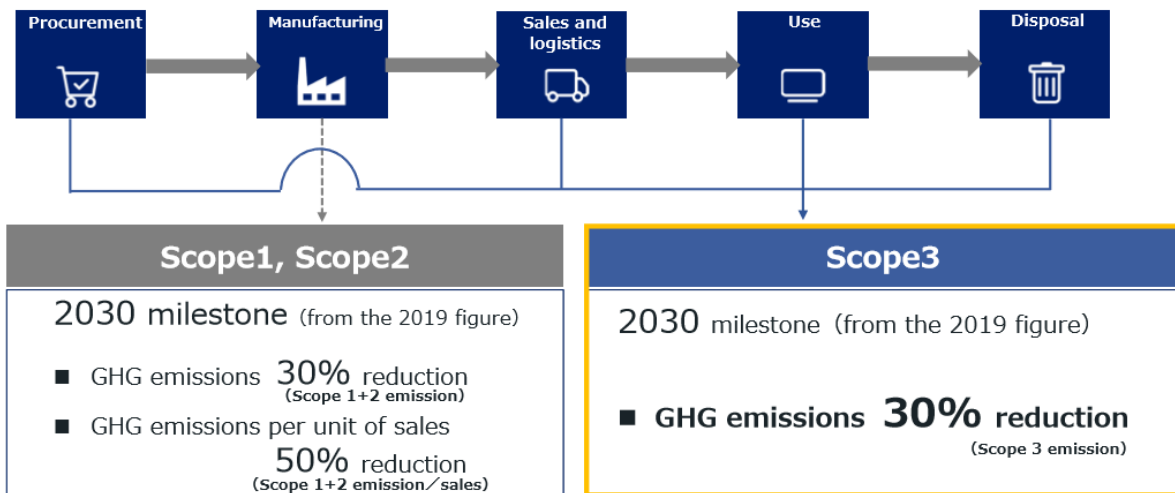
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Reference : Scope3 2030 milestone

- **AGC-plus2023** sets 2050 net zero carbon target
- In addition to Scope 1 and 2 targets, set a new Scope 3 reduction target as a milestone in 2030.
- Aim for a 30% reduction (compared to 2019) of Scope 3 GHG emission by 2030.
- Focus on promoting the AMOLEAT™ series of next-generation refrigerants with extremely lower global warming potential and strengthening supplier engagement activities.



This is just for your reference. Including Scope 3, we have made some announcement about the milestone.

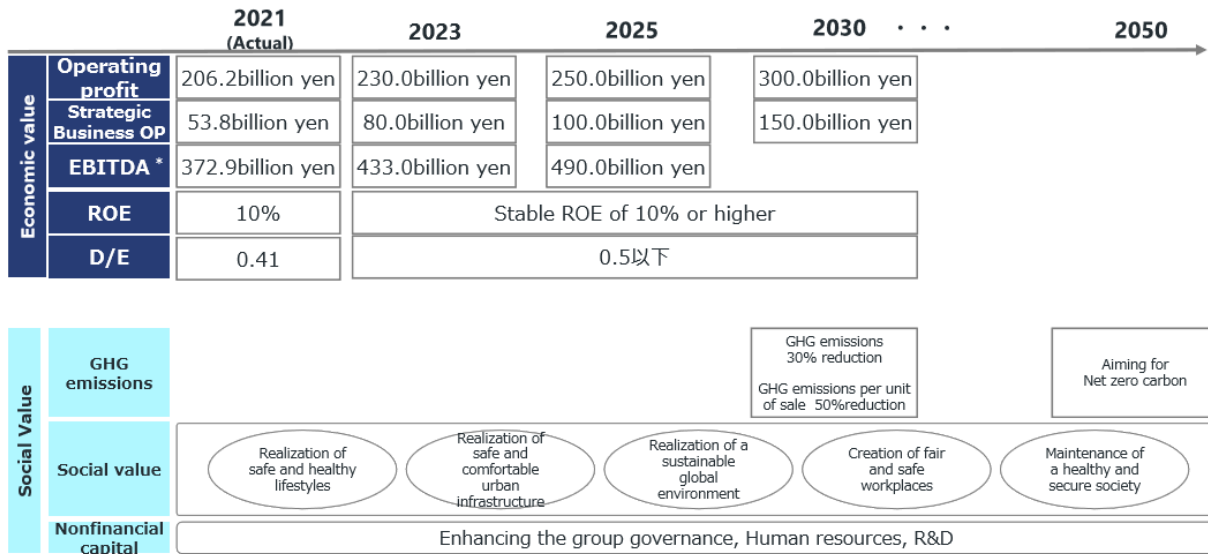
## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Grow by creating both social value and economic value

- Achieve through the portfolio transformation and the pursuit of sustainability management



\* EBITDA=Operating profit +Depreciation

©AGC Inc.

12

And as I've just explained, this is just a one-page summary.

So 2025 and 2030 numbers are here just for your reference. If we continue to execute on our plan, we believe that we can achieve these numbers.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Medium-term Management Plan

## *AGC-plus2023*

©AGC Inc. 13

For 2023, we're actually in the second year of the midterm plan, so I would like to explain the midterm plan just very briefly.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)

 **SCRIPTS**  
Asia's Meetings, Globally

## AGC plus-2023 Financial Targets

- The **AGC plus-2023** financial targets have been achieved well ahead of schedule as structural reforms and business growth resulted in the profit increase in the core businesses and the growth of the strategic businesses.
- A drastic upward revision has been made to the FY2023 financial targets.

	FY2021 Actual	FY2023 Target (Feb 2021)	FY2023 Target (Feb 2022)
OP	206.2 billion yen	160.0 billion yen	230.0 billion yen
ROE	10 %	8 %	10 %
Strategic Business OP	53.8 billion yen	70.0 billion yen	80.0 billion yen
D/E	0.41	0.5 or less	0.5 or less

In the first year, which was last year, we set the objective of FY2023, JPY160 billion of OP, but as you can see, we have actually overachieved the target and now we have a higher target of JPY230 billion. We believe that this number is fully achievable. We are very confident with this.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

	<u>Business</u>	<u>Key issues</u>	<u>Direction</u>
<b>Strategic Business</b>	<b>Electronics</b>	<ul style="list-style-type: none"> <li>Expand value-added products including EUV mask blanks</li> <li>Constantly generate new businesses</li> </ul>	<b>Further accelerate growth</b>
	<b>Life Science</b>	<ul style="list-style-type: none"> <li>Expand business through timely investments</li> <li>Achieve high growth based on the Group's global operations and technical-support capabilities</li> </ul>	
	<b>Mobility</b>	<ul style="list-style-type: none"> <li>Steadily capture business opportunities amid market changes in the CASE era</li> <li>Start the mass production of car-mounted display glass in China to contribute to profit increase.</li> </ul>	
<b>Core Business</b>	<b>Display</b>	<ul style="list-style-type: none"> <li>Respond to the continuing demand increase in the Chinese market to build a long-term stable business foundation</li> </ul>	<b>Unchanged from the previous basic strategies</b>
	<b>Chlor-Alkali</b>	<ul style="list-style-type: none"> <li>Further strengthen the business foundation in S.E. Asia through capacity enhancement in Thailand and Indonesia</li> </ul>	
	<b>Fluorochemicals &amp; Specialty</b>	<ul style="list-style-type: none"> <li>Capture the demand in global niche markets by adding value to products and domain expansion</li> <li>Change environmental challenges to business opportunities</li> </ul>	<b>Accelerate structural reform</b>
	<b>Architectural glass Automotive glass</b>	<ul style="list-style-type: none"> <li>Structural reforms toward the industrial realignment</li> <li>Minimize investments and integrate production to increase asset efficiency</li> <li>Steadily pursuing productivity improvement and cost reduction to improve profitability and capability for cash generation</li> </ul>	

On this slide, you can see the key issues of each business.

Today, we will be focusing on Electronics, strategic businesses, and also the chlor-alkali and also specialty from the core businesses. We'll be looking forward to your questions today.

**Support**

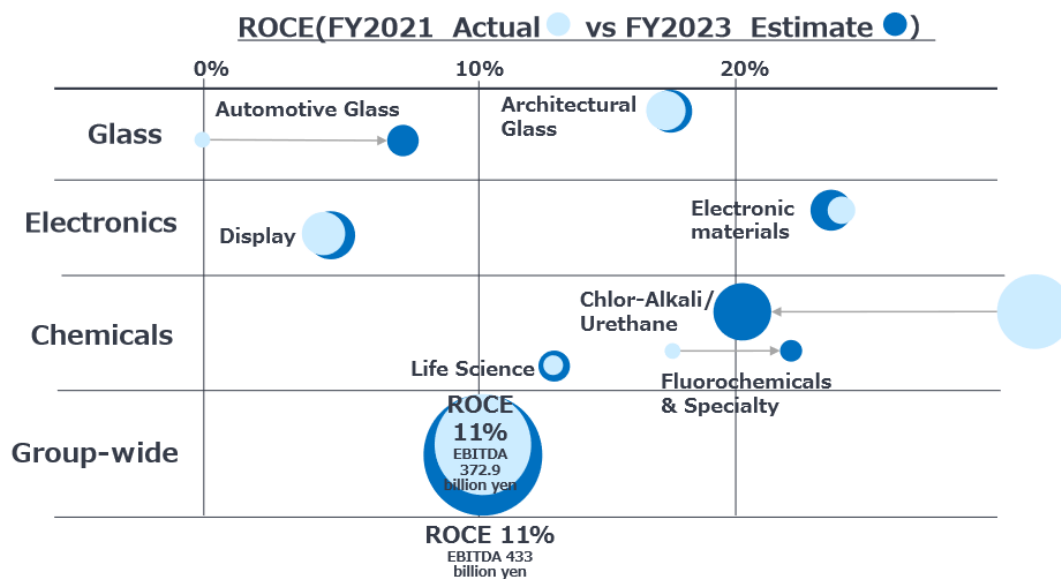
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## ROCE by Segment (To-be image)

- Maintain the group-wide ROCE at 10% or higher
- Increase EBITDA\* by approx. 60 billion yen (372.9 billion yen to 433 billion yen)



Next page, page 16 shows overall ROCE at 10% or higher.

This is something that we would want to achieve, and there are some challenges to overcome. Automotive and Display, we will talk about Display. Asset efficiency is relatively low. We want to bring these businesses as much to the right as possible. The ones that are already to the right, we want to bring it even further to the right or expand the scope of the business.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## AGC Group's Brand Statement

Never take the easy way out, but confront difficulties  
Trust is the best way to inspire people  
Strive to develop technologies that will change the world  
A sense of mission leads us to advance

For more than a century, AGC has been guided by these founding spirits. Our unique materials, solutions and reliable partnerships have facilitated leading innovations across diverse industries and markets.

Today, by working with others to combine knowledge and advanced technology, we help make ever greater achievements possible, and bring bolder ideas to life

# Your Dreams, Our Challenge

And the last slide, this is our brand statement.

This is the value that is concentrated in the brand statement that is shared with the investors and analysts.

That was a very quick look at the overall business. It's going to be a long program today, but I hope that you will stay until the end. Thank you.

**Ogawa:** Thank you very much Mr. Miyaji. We'd like to move to the Electronics business strategy, which will be presented by President of the Company. Mr. Moriyama, over to you.

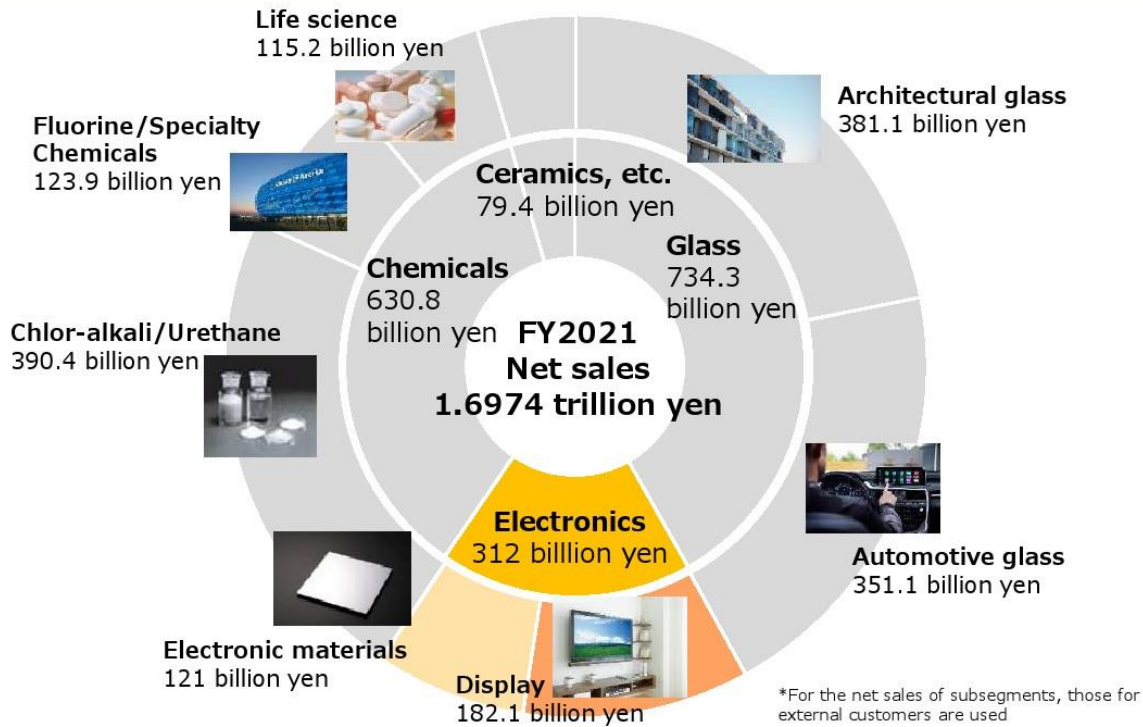
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

 **SCRIPTS**  
Asia's Meetings, Globally

# The Electronics Business within the AGC Group



©AGC Inc. 3

**Moriyama:** I am the President of the Electronics company, Moriyama. I'll be talking about Electronics business overview and priority issues for the major products.

Next page, please. First, the Electronics business within the AGC Group, the positioning of the business. This is one slide that shows that.

As you know, shown in this chart, Electronics business in sales, JPY312 billion last fiscal year. It was first time in seven years, since 2014, for the first time, we have achieved JPY300 billion. Back then, LCD glass was the mainstay, but we hit the bottom in 2018 and then Electronic materials started to grow. That has brought us back to the JPY312 billion last year for Electronics.

For the breakdown, Display, JPY182.1 billion and JPY121 billion for Electronic materials, so 60 to 40 is the sales mix.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



# Main products



<p>Glass substrates for TFT liquid crystal/organic EL</p>  <p>AN Wizus™</p> <p>AN100, AN Wizus™, AN Rezosta™</p>	<p>Semiconductor-related products</p>  <p>Synthetic quartz lens materials    SiC thermal treatment jigs    CMP slurry</p>  <p>EUV blanks    Glass frit and paste</p>	<p>Optoelectronic materials</p>  <p>Infrared cut filter    DOE (diffractive element) diffuser (diffuser plate)    Highly refractive glass</p>  <p>Glass ceramics substrates    Glass mold lenses</p>
<p>Specialty glass for display application</p>  <p>Dragontrail™ series, AS2</p>	<p>Multi-material</p>  <p>Copper clad laminate materials    Industrial PTFE composite materials</p>	<p>Others</p>  <p>Lighting materials    Laboratory glass products    Heat resistant glass dishes</p> <p>Cell cultural containers    Polycarbonate film</p>

4

These are main products. There are six categories. On the left, two are for Display business, as you know, TFT liquid crystal and OLED glass substrates, so glass substrates for LCD. And then left-bottom, specialty glass for display applications, chemically tempered ones, the cover glass for smartphone or Dragontrail in brand name is well known, and two left ones are for displays.

And then for Electronic materials, there are four categories. The top two are the mainstays, semiconductor-related products and optoelectronic materials. These are the two groups that are the main in the Electronic materials.

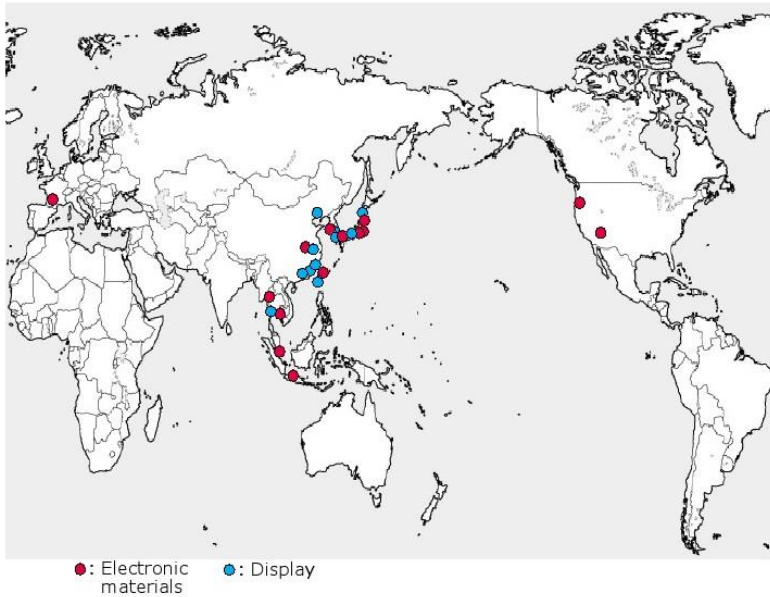
## Support

Japan            050.5212.7790  
Tollfree        0120.966.744

North America    1.800.674.8375  
Email Support    support@scriptasia.com



# Geographical coverage



Manufacturing sites	
Europe and the United States	AGC Electronics America AGC Multi-Material (United States and Europe)
Thailand	AGC Micro Glass Thailand AGC Flat Glass Thailand AGC Techno Glass Thailand
Indonesia	Iwaki Glass Indonesia
Singapore	AGC Multi-Material (Singapore)
China	AGC Display Glass (Kunshan, Shenzhen, Huizhou) AGC Flat Glass AGC Advanced Electronics Display Glass AGC Flat Glass Protech AGC Multi-Material
Korea	AGC Fine Techno Korea AGC Display Glass Ochang Korea Taconic
Taiwan	AGC Electronics Taiwan AGC Display Glass Taiwan
Japan	Kansai Plant AGC Electronics AGC Seimi Chemical AGC Techno Glass AGC Micro Glass AGC Polycarbonate Optical Coatings Japan AGC Display Glass Yonezawa

5

The next one, please. What I'm responsible for is the Electronics company. These are the main manufacturing sites. Let me explain about this.

Globally, as you see, there are more than 25 locations, and there's a difference from other companies in AGC. First of all, East Asia, Korea, China, and Taiwan, we have a list of manufacturing sites. Especially for Display business, in terms of customer relations, we are having locations in East Asia, especially China, Korea, Taiwan, that is the distinctive feature of our company.

In Japan, there are eight locations. In Japan, the development and production functions are in each of the sites, and we have eight of them. I'm responsible for Electronics company. And this company is quite a technology-oriented segment, so we have a high technological capability in our products.

In each of these Japanese sites, we develop products as well as production technologies. And then once we are ready with the finished products, these will be transferred to overseas locations. In that sense, we have eight locations domestically. That is one of the distinctive features.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Under the division policy “Stay in front with SDGs,” we will continue to contribute to a sustainable society as a leading supplier of differentiated material solutions.**

Next page, please. As an electronics company, this is division policy.

Actually, since 2019, I have been the President and the Japanese and non-Japanese staff members, in 2020, we had in-depth discussion to come up with this division policy, and that is “Stay in front with SDGs”.

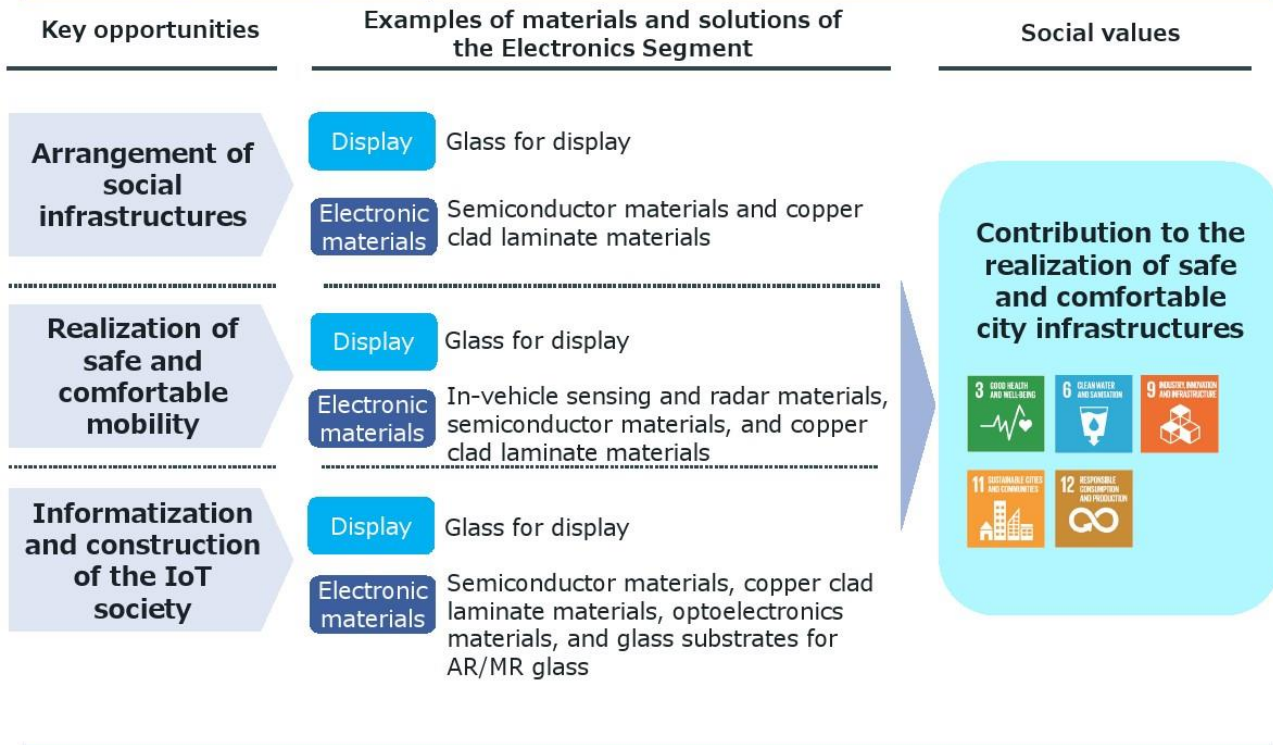
SDGs, as mentioned, was sustainability. Within Electronics company, sustainability term is the one where we have identified 10 issues that Electronics company need to address. And we share them and run businesses. And we like to become a leading supplier of differentiated material solutions to contribute to sustainable society. That's our policy.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Example of contribution to the realization of a sustainable society



©AGC Inc. 7

Next page, please. This is one of the examples, sustainable society to be realized, what we need to do.

On the left, you see various key opportunities for demand. And then what we have as materials or solutions are listed here. By providing these to society and enhance social values, we would like to address these.

Going forward, we'd like to address the needs of society and take advantage of high technological capabilities and develop new products and meet the needs of society to enhance the values.

## Support

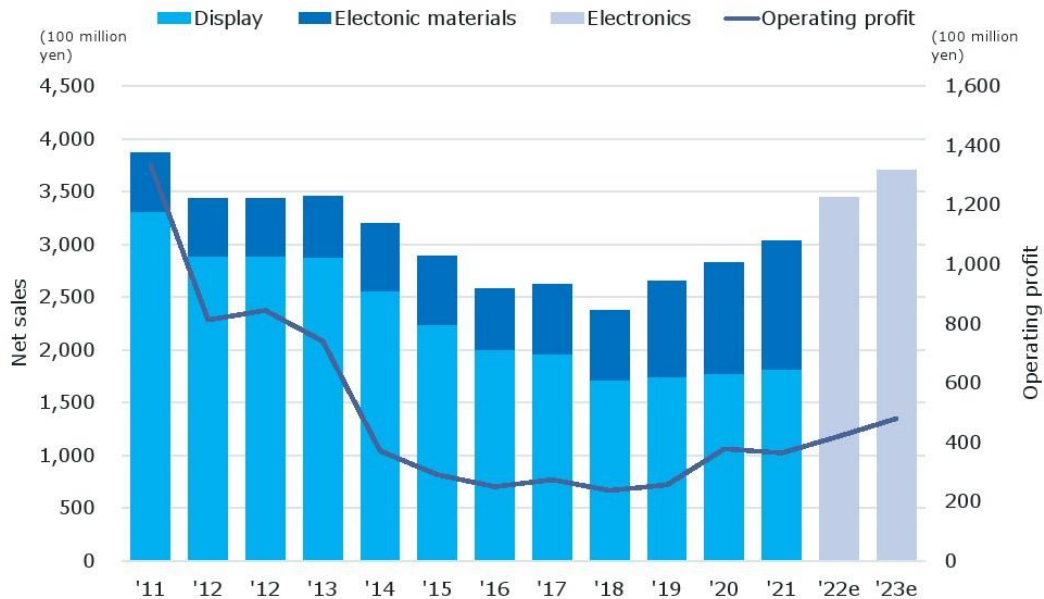
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



# Net sales by segment

- Electronic materials have been expanding smoothly and have been on a growing trend since 2018



8

Then this is the financial figures. These are net sales by segment since 2011 for our Electronics company.

Bar chart indicates sales. Line chart is operating profit. As I said earlier, in 2018, we hit the bottom. For the past three years, we have been recovering. But in 2011, between 2011 and 2018, basically, we've seen a decline in both sales and profits.

The light blue in the bar chart is the display and darker blue is the Electronic materials. As you know, in the past, Display has had a greater portion, but with the price decline, which has continued until 2018, sales have declined and so has profit.

For the past three years, first of all, the darker blue, which is Electronic materials, is increasing in sales and strategic businesses are growing. Also, the Display, which is light blue, the sales have become flat or slightly increasing. The prices have hit the bottom and stopped declining. And actually, last year, we raised prices, so sales are increasing and operating profit are on the upward trend effectively.

## Support

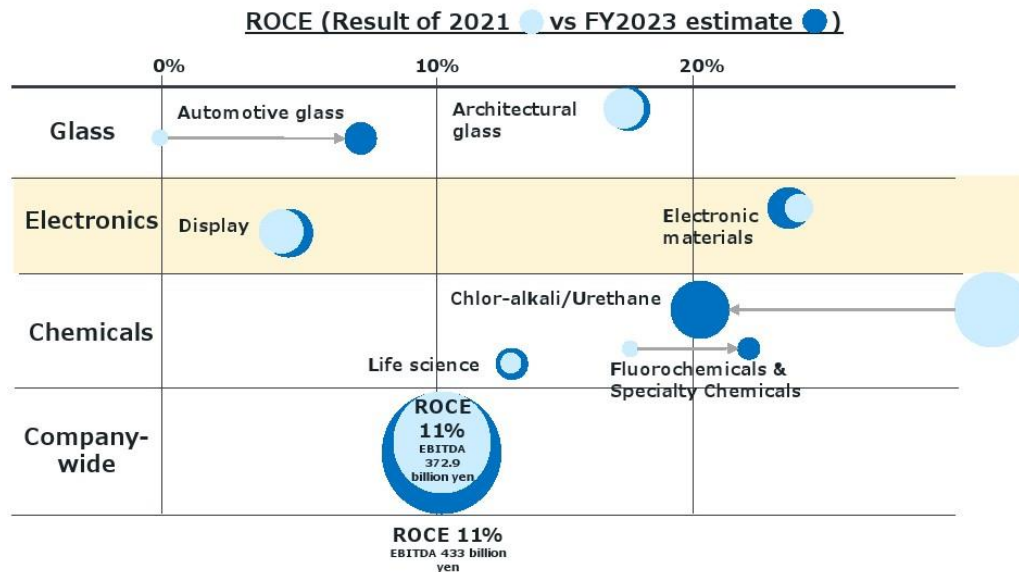
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## ROCE by Segment (To-be image)

- Maintain the group-wide ROCE at 10% or higher
- Increase EBITDA\* by approx. 60 billion yen (372.9 billion yen to 433 billion yen)



ROCE: (OP forecast of the year) ÷ (Operating asset forecast at the year end), OP by business is before allocation of common expenses  
Diameter of each circle (excluding those of the group-wide section): the size of EBITDA \* EBITDA=Operating profit + Depreciation

©AGC Inc.

10

Next, the priority issues of Electronics business is what I'm going to talk about next.

CFO Miyaji showed this slide. Electronics business, Display and Electronic materials are the two segments. And you can see the ROCE on the horizontal axis. And EBITDA is the size of the circle.

In terms of the size of the circle, in AGC, the chlor-alkali is the largest and the second largest is the Electronics. And so, cash-generating business, that is what we are going to contribute to.

At the same time, there's a challenge. ROCE, that needs to be enhanced to reach 10% for Display. That is what we're trying to do through several initiatives. I'm going to explain about them later.

As for Electronic materials, this is a strategic business within the Electronics company. Within the Electronics company, we are running the portfolio well, and the cash generated by display will be invested into the growth of electronic materials so that the EBIT itself will grow for Electronic materials. This is quite good asset efficiency, so we'd like to increase the portion of Electronic materials in our business.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

	Business	Key issues	Direction
Strategic Business	Electronics	<ul style="list-style-type: none"> <li>Expand value-added products including EUV mask blanks</li> <li>Constantly generate new businesses</li> </ul>	Further accelerate growth
	Life science	<ul style="list-style-type: none"> <li>Expand business through timely investments</li> <li>Achieve high growth based on the Group's global operations and technical-support capabilities</li> </ul>	
	Mobility	<ul style="list-style-type: none"> <li>Steadily capture business opportunities amid market changes in the CASE era</li> <li>Start the mass production of car-mounted display glass in China to contribute to profit increase.</li> </ul>	
Core Business	Display	<ul style="list-style-type: none"> <li>Respond to the continuing demand increase in the Chinese market to build a long-term stable business foundation</li> </ul>	Unchanged from the previous basic strategies
	Chlor-alkali/Urethane	<ul style="list-style-type: none"> <li>Further strengthen the business foundation in S.E. Asia through capacity enhancement in Thailand and Indonesia</li> </ul>	
	Fluorochemicals & Specialty Chemicals	<ul style="list-style-type: none"> <li>Capture the demand in global niche markets by adding value to products and domain expansion</li> <li>Change environmental challenges to business opportunities</li> </ul>	
	Architectural glass Automotive glass	<ul style="list-style-type: none"> <li>Structural reforms toward the industrial realignment</li> <li>Minimize investments and integrate production to increase asset efficiency</li> <li>Steadily pursuing productivity improvement and cost reduction to improve profitability and capability for cash generation</li> </ul>	Accelerate structural reform

This is also what was shown by CFO, Miyaji. Electronics and Display are the businesses and Electronics as a strategic business has those key issues.

EUV mask blanks, which is a cutting-edge product, starting with these, the products that need high technological capabilities and are high value added, these are going to be expanded. In Electronic materials, the industry changes are quite fast. In the past, I was responsible for Architectural glass and the sense of speed is quite different in this business. And so, on a timely basis, you need to capture the needs of society, and you have to constantly generate new businesses, which is quite important. In the marketing sales, we are globally organized.

And as for core business, Display, the cash generator is the positioning and the demand is shifting to the Chinese market. In order to address this demand, we need to establish a long-term stable business foundation. And this, I would like to explain more on the next slides.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## 1. Response to increasing demand in the Chinese market

## 2. Build a long-term and stable revenue foundation

---

©AGC Inc. 13

Next one, please. Now I'd like to talk about strategies for major business divisions in more detail. First, the Display business strategies.

We need to respond to the increasing demand in the Chinese market and need to build a long-term and stable revenue foundation. I'd like to explain about these.

---

### Support

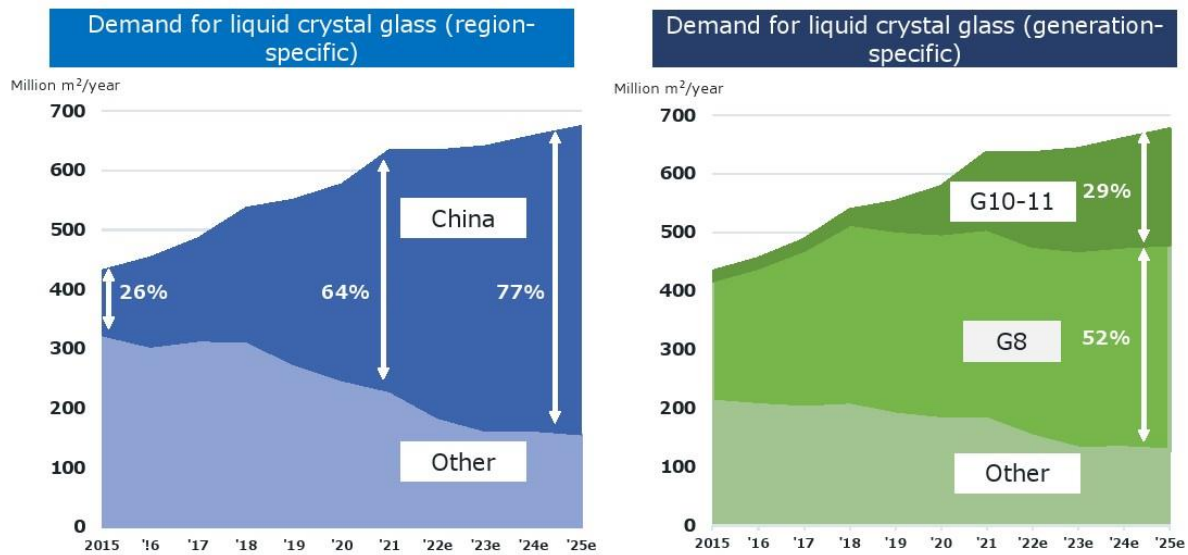
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasia.com

 **SCRIPTS**  
Asia's Meetings, Globally

# Display: Business environment

- Demand in China will expand further up to 2025
- Demand for large substrates of G11 size will increase



Source: AGC estimate

©AGC Inc.

14

Next page, please. First, the business environment for display business.

On the left in the graph, you can see the demand for LCD glass by region. And demand itself is growing. But if you look at this by region, China, back in 2015, represented only 26%. But last year, it accounted for 64%, so presence has increased. In the future, it will account for more than 3/4. That is our estimate.

And on the right, this is the liquid crystal glass by size and the demand for the glass. Conventionally, G8 and G6 are the mainstream, but in 2018 and 2019, around from these years, G10-11 has emerged. Per panel, 3 meters by 3 meters, or 10 square meters, large size thin glass substrate, the demand for these is increasing. Our Chinese customers are saying that G11 production line has been increasing in capacity, and we are addressing that need.

But two or three years ago, when G11 emerged, many panel manufacturers got interested. However, the G11 panel line would require a huge amount of investment. Now only limited top manufacturers are investing and holding G11 production lines. In that sense, for the past two, three years, G11 has been growing substantially, but the growth rate may a bit slow down. But even in that context, in 2025, it is going to represent about 30%, so larger-sized panels represent 30%.

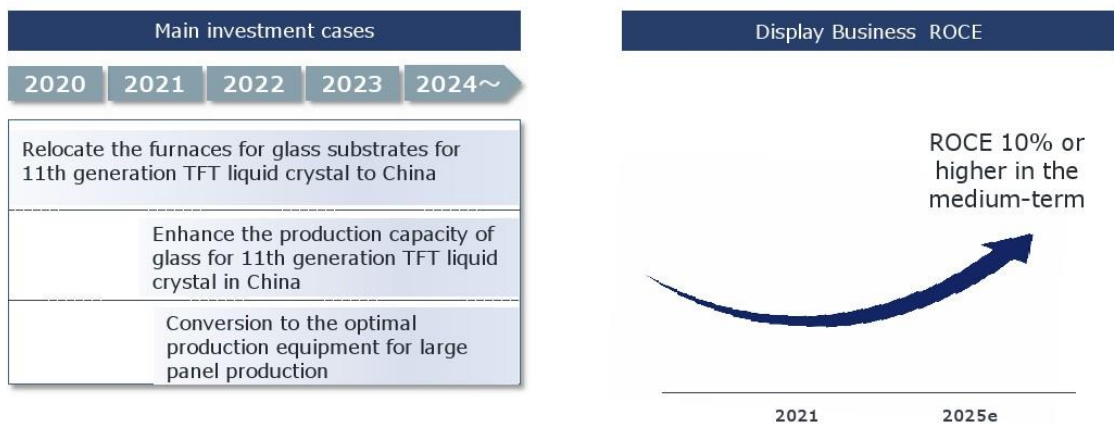
## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## Construction of a long-term and stable revenue foundation

- With the maturing TV market, the glass demand is shifting to a stable growth due to a trend for larger-sized TV panels
- Promote the shift to the manufacturing structure to fit large-sized panel production and aim ROCE of 10% or higher by improved manufacturing efficiency
- Promote the introduction of technologies to improve carbon efficiency



Next, in this context, how are we going to proceed? That's what I'm going to explain.

As you can see on the right, the TV market itself is maturing. Actually, TV market is quite susceptible to economic situation. But on the average, 1% to 2% growth rate has been seen. But TV panels are getting larger in size, and that is for certain. And for that, glass demand has been growing 2% or 3% on an annual basis. That is what we expect this to be, so this is going to be a stable growth.

As you can see on the left-bottom, there are major investment cases, and G11 or generation 11, larger-sized panels, is something that we need to address. For the past few years, we have been relocating the furnaces from other places.

Also, we enhanced the production capacity. One more, which has been promoted since last fiscal year, we have been converting existing production equipment to optimal production equipment for large panel production, and this is going to be continued, the conversion work will continue. This has been going on since last fiscal year, and we hope that production efficiency will be improved so that we can reach ROCE 10% or higher.

The high carbon efficiency improvement is going to be pursued by technological development.

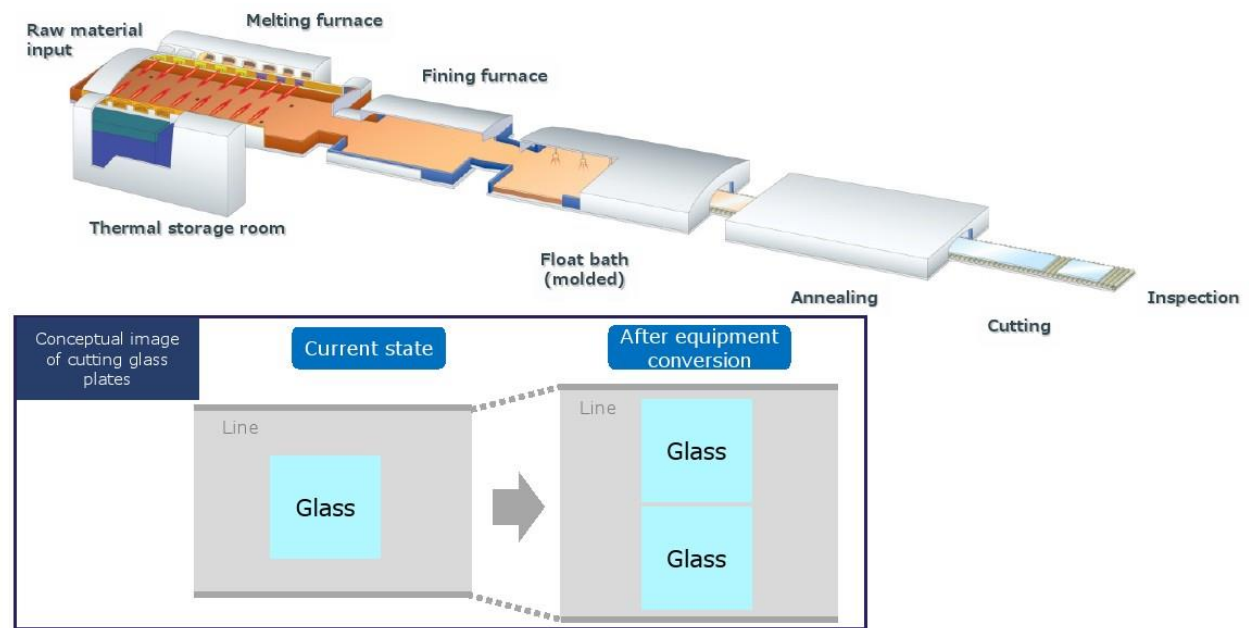
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## (Reference) Conversion to the optimal production equipment for large panel production

- Proceed with conversion to production equipment in order to cut out glass plates more efficiently



This is one example. Large panel production equipment or conversion to the optimal production equipment for large panel production.

There is a floating panel. You put the raw materials in, the raw materials are melted, and then there are cutting and annealing processes. G11 has a greater width, 3 meters by 3 meters. Compared to G6 and G8, there's a wider width for G11, so in that sense, demand from customers has increased significantly.

We are just cutting one sheet of glass from one raw material. But with the conversion, we have made it possible to cut out two pieces of glass from one. This has been done since last year. Of course, we cannot do this overnight because of the supply, but gradually, we are going to go through this conversion work so that we can enhance productivity. From last year until next year, this conversion work will be ongoing.

But this is just one example. In addition to this, there are measures taken to enhance time efficiency as well for the line. Through these measures, we are hoping to increase ROCE to 10%.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

Aim at sustainable growth based on two operations



## Semiconductor-related products

- Semiconductor market is expected to grow stably in long term mainly thanks to demand for high-tech semiconductors
- Aim at steady expansion of operations focusing on EUV blanks and high-performance slurry based on the semiconductor development roadmap



## Optoelectronic materials

- The current main product, namely infrared cut filters for cameras, continues to grow as cameras installed in smartphones increase
- Deploy a variety of optical parts for new devices expected to grow in the future such as AR/VR, in-vehicle products, and 3D sensing
- Release new innovative products for new applications

18

Now next is growing businesses of electronics materials. As a direction, as I said earlier, there are two businesses that are mainstreams to grow this business.

The first one is semiconductor-related products and mainly, to semiconductor customers, the process materials that are used in the production processes, we are going to develop these and sell them.

Especially digitalization, 5G, high-tech semiconductors are now being required. And so, we will focus on high-tech semiconductors, where we can expect long-term stable growth. These are the products that we're going to sell. And based on the semiconductor development roadmap, EUV blanks and high-performance slurry will be the core products, and we'd like to grow this business further.

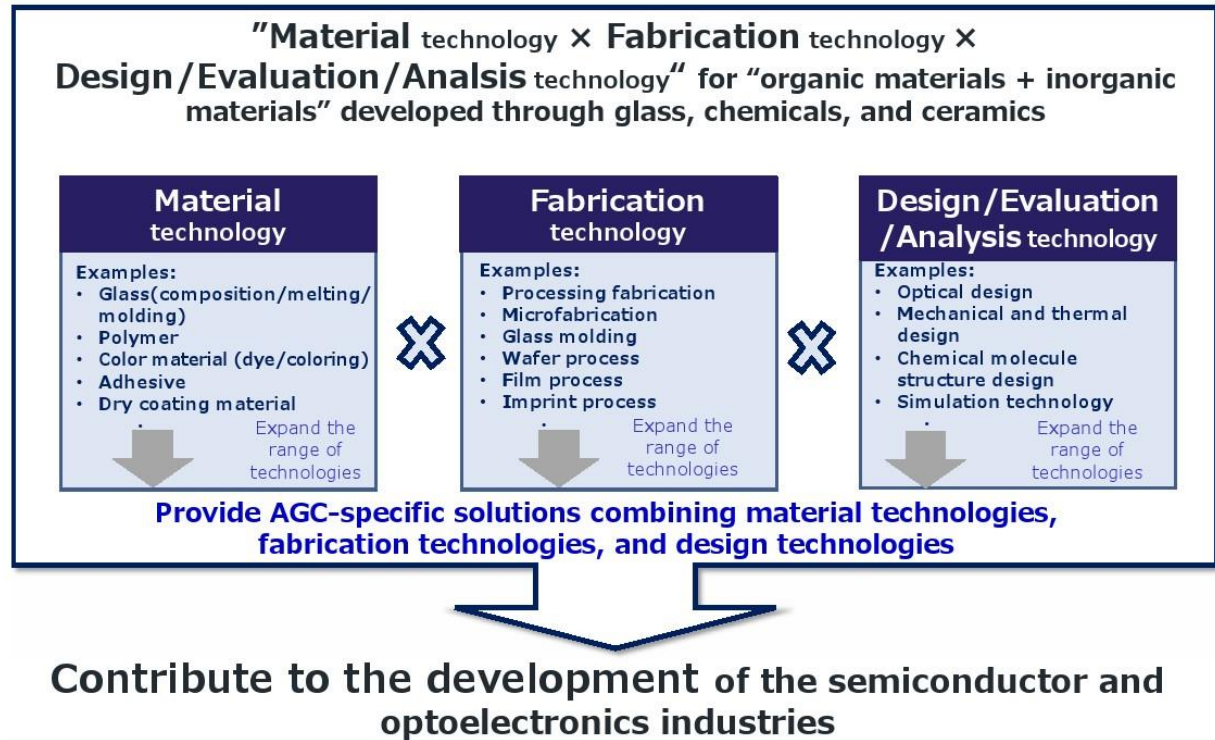
The second one is optoelectronic materials. At present, infrared cut filters are the main ones. They are mainly for smartphones. The number of cameras installed in smartphones is increasing, and there are more requirements for higher functions.

For the next few years, there is going to be a steady growth expected. But beyond that, there will be AR and VR, or in-vehicle products for automated driving, or 3D sensing for automated driving. There will be a variety of optical parts required and we'd like to make this leading to the business growth.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



Some people ask about our strengths in electronic materials. We have Material technology and Fabrication technology and Design/Evaluation/Analysis technology for organic materials and inorganic materials developed through glass, chemicals, and ceramics. Our strength is a broad range of technologies.

From Material, Fabrication, and also Evaluation, we have integrated a uniform platform, all of this. I have told you that we have eight different sites within Japan and some of them were grown by AGC and others came in through mergers and acquisitions.

Through M&A, we have obtained a wide variety of different technologies. By combining them, high performance and high functionality products can be produced, and it is really flourishing recently.

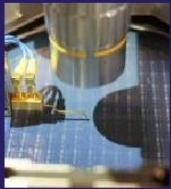
**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



Semiconductor materials

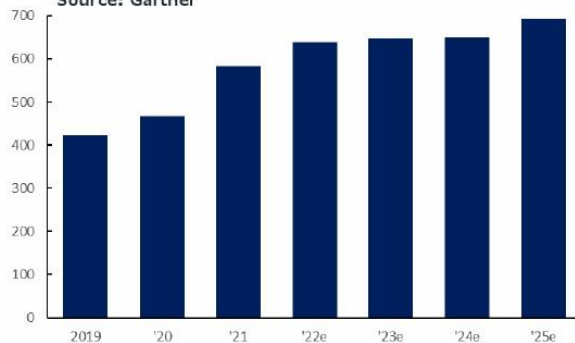


## Market overview

- Though COVID-19 related demand in the semiconductor market has passed its peak, the demand increasing thanks to investments in data centers and communication infrastructures for the metaverse expected to appear from 2022 to 2024, so the market is expected to keep growing even after 2022
- As the semiconductor market grows and diversifies, the semiconductor manufacturing equipment market is expected to keep growing even after 2022

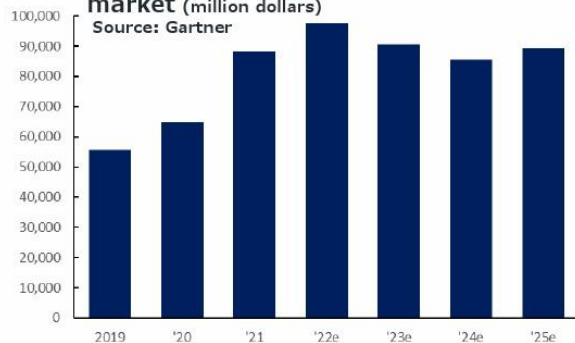
**Semiconductors (billion dollars)**

Source: Gartner



**Semiconductor manufacturing equipment market (million dollars)**

Source: Gartner



21

Next, I would like to talk about the two areas. But starting with the key products in semiconductor-related products, this is the overview of the market.

As you may know, and you can see on the left-bottom, the semiconductor market is steadily growing. In terms of communication and also data center for metaverse, demand will continue to increase, and growth is expected beyond 2022.

As you can see to the right-hand side, semiconductor manufacturing equipment market, according to the market survey companies, beyond 2022, still high level will be maintained and they would require process materials.

## Support

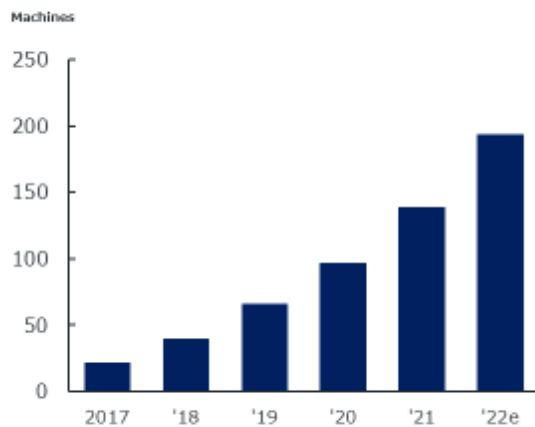
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

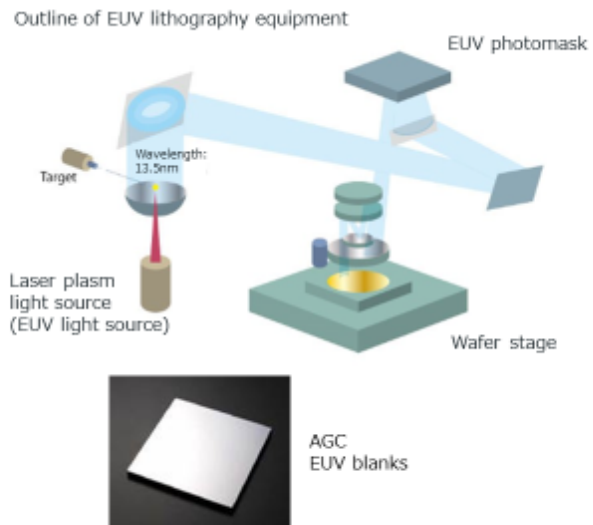
# EUV mask blanks: Business environment

- EUV lithography equipment rapidly diffused because of miniaturization of semiconductor chip circuit patterns
- The demand for EUV blanks greatly increased as the shipped number of EUV lithography equipment increases

Cumulative number of EUV lithography equipment



Source: The number of EUV exposure machines is based on material published by ASML



I would like to talk about two specific products here. First one, you may be familiar with this, EUV mask blanks.

In the last several years, it has become one of the key products for us. Semiconductors' functionalities are increasing and also the semiconductor chip circuit patterns are miniaturizing. EUV exposure lithography became available around 2017 and photomask substrate that is used for this lithographic equipment is EUV mask blanks.

We have seen several dozens of percentage of growth over the last several years. This is about 15 centimeters squared and there is very little strain. This is provided to the customer and then the circuit is written and then transferred. This is the original glass substrate that is used for the EUV lithography.

## Support

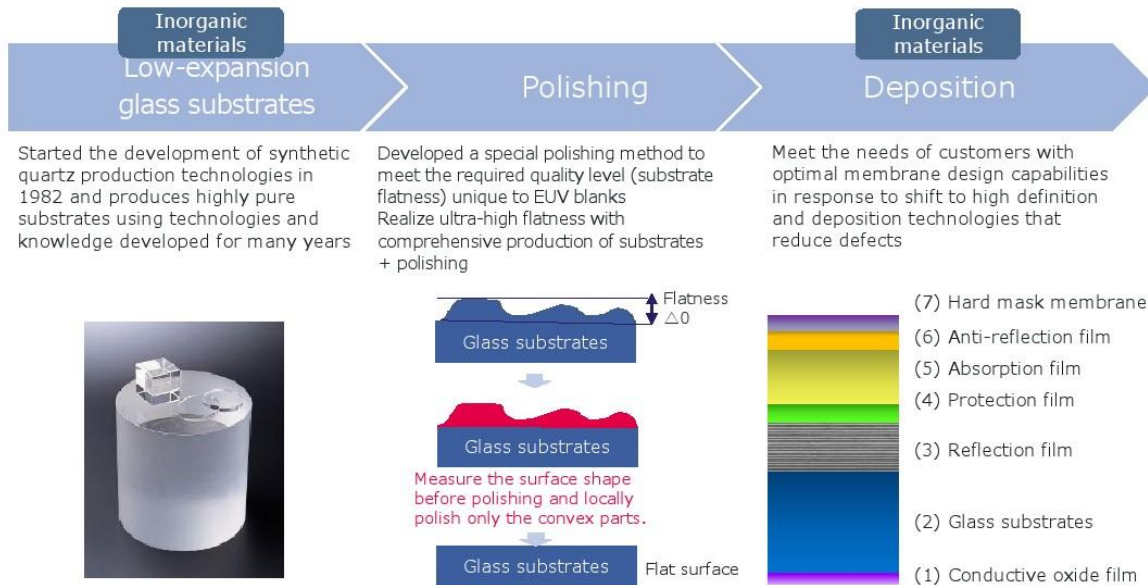
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# EUV mask blanks: Strengths

## The only blanks manufacturer in the world that covers the whole production process from glass materials to polishing and deposition

Started development in 2003 and realized technologies that can meet the strict quality standard



23

As I said before, our strength in electronic materials, specifically in EUV mask blanks, is that we can manufacture everything from glass materials to polishing to deposition and we're the only one in the world who can do this.

We started development in 2003. We have gone through a lot of things and 2017, we commercialized this. And looking at the substrate, 40 years ago, we started the production for this synthesized quartz and we increased the purification.

And in terms of polishing, we have decades of experience in terms of polishing technology, so we take advantage of that. We have a very specialized polishing process for high flatness. And then a deposition goes on top of this polished substrate.

These three technologies are combined and, more recently, customers are looking for next-generation products. A broad range of generations and broad range of customers are evaluating our products, and this is really proof of our strengths of combining these three different types of technologies.

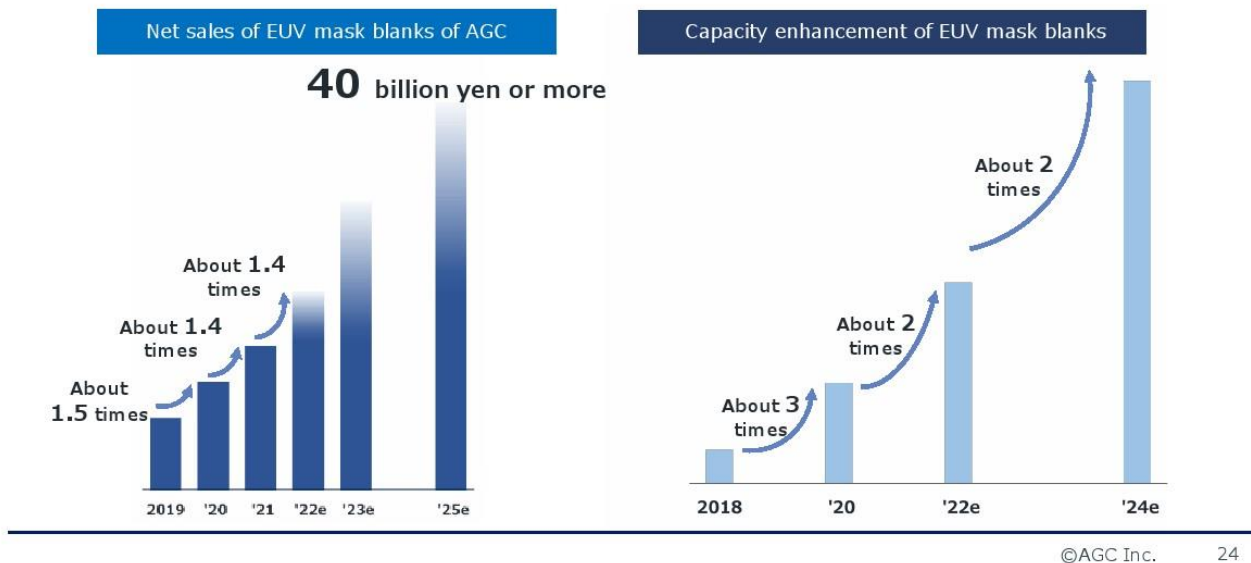
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# EUV mask blanks: Strategy

- EUV mask blanks are increasingly adopted for memory chips in addition to logic ICs
- Double the production capacity of EUV mask blanks in 2022. Double it again in 2024
- Continue active investments along with market growth



©AGC Inc. 24

I would like to provide some explanation about EUV mask blanks.

I am talking about broader customer base. And EUV mask blanks are increasingly adopted in memory chips in addition to logic ICs. In order to deal with this increase in demand, in the beginning of this year, we made an announcement about doubling production capacity in 2022 and also double it again in 2024.

On the left, you can see revenue is going up by several dozens of percentages. We want to achieve JPY40 billion by 2023 end. And capacity increase has just doubled so far twice. It will be doubling twice, but we believe that further investments may be needed in the future.

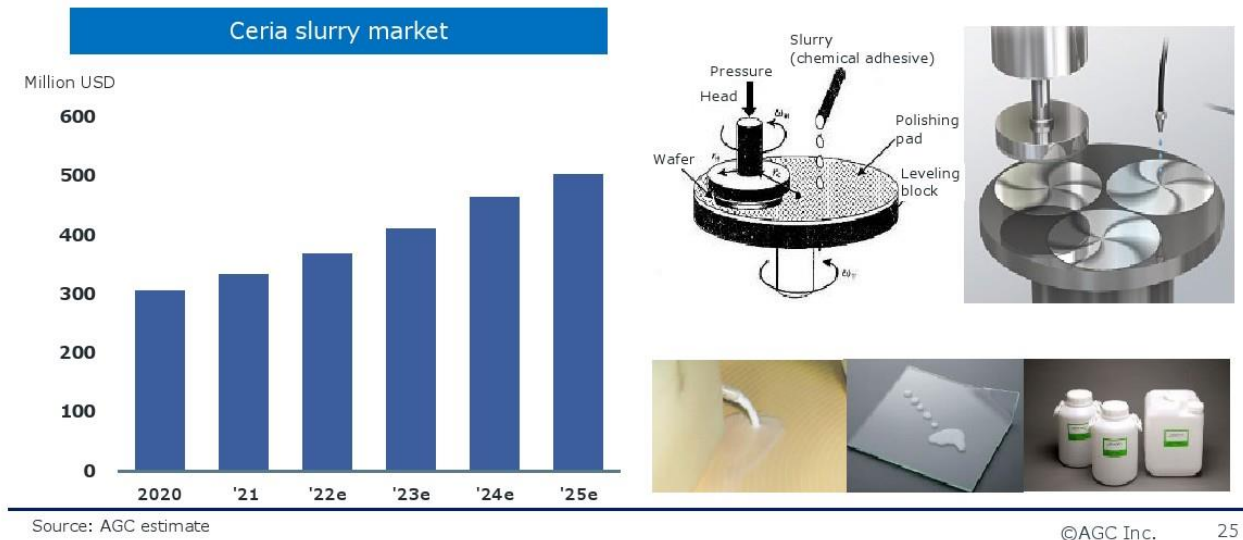
## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# CMP slurry: Business environment

- The scale of ceria slurry grew from about 30 billion yen in 2021 to about 50 billion yen in 2025
- One of the reasons is that applied layers of ceria are increasing especially in the front-end process of advanced semiconductors
- If ceria is adopted more for the next-generation 3D package process, the market scale may expand greatly



Another key product, CMP slurry. This is the next one that I would like to explain, chemical, mechanical, and polishing, CMP slurry.

The chemical and the mechanical, polishing maximum is the [posting] functionality. This is used in the semiconductor process. We have developed this, and we are selling this product. And the ceria slurry, because of higher level of functionality and miniaturization, we are gaining more inquiries about this product. And JPY30 billion market last year, and by 2025, we believe the market will grow to about JPY50 billion.

This is mostly used in the processing, manufacturing, front-end process of semiconductors. But if ceria is adopted for the next generation 3D packaging process, which is a possibility, the market may expand even more.

## Support

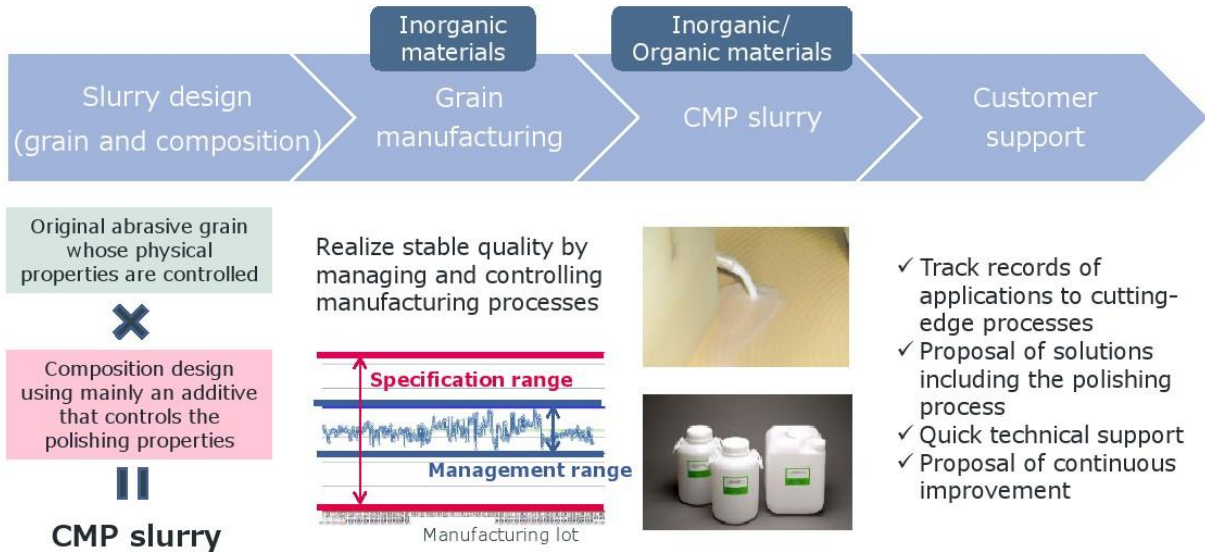
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# CMP slurry: Strengths and strategy

## Slurry solution manufacturer that has entire production capability from abrasive grain to slurry

Provide "high-quality slurry" + "solutions" customized for customers' design rules and processes



26

Again, our strength is that we are a slurry solution manufacturer that has entire production capability from abrasive grain all the way to slurry. And depending on what kind of design the customer has, we can provide that in a very flexible manner. We can design the slurry, grain, and composition. Depending on the grain composition and also design and manufacturing combination, we can respond to various needs of different types of customers. We have positioned slurry as a growth business.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## Optoelectronics materials

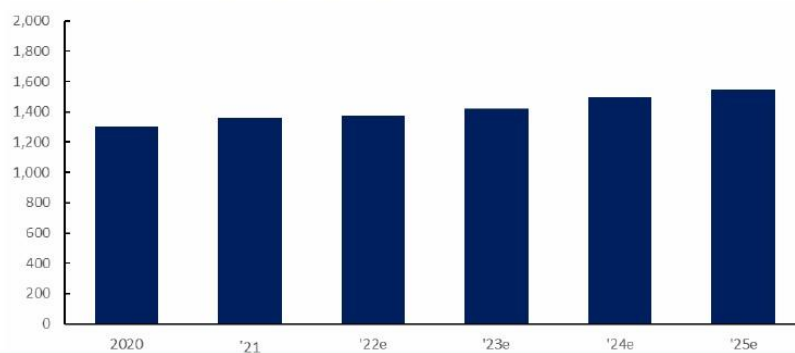


### Market overview

- The growth rate of smartphones dropped in 2020 due to COVID-19 but got back to a growing trend in 2021
- Demand for smartphones is expected to remain stable beyond 2022 due to the spread of 5G and replacement of smartphone as a daily necessity

### Number of smartphones (million unit)

Source: AGC estimate value based on the IDC information



28

Moving on to the second business optoelectronics materials.

Key product in this area is infrared cut filter. This is mostly used in smartphones and the smartphone growth rate.

As you can see on the slide, because of COVID-19 pandemic in 2020, it was just under 1.3 billion. It was slow. 1.4 billion units global sales is usual, but in 2020, it was around 1.3 billion. And from 2021, we have started to see some recovery. We have a 5G adoption in smartphones and also smartphones are already part of daily necessity, which means that it will be placed steadily as supporting the demand in the future.

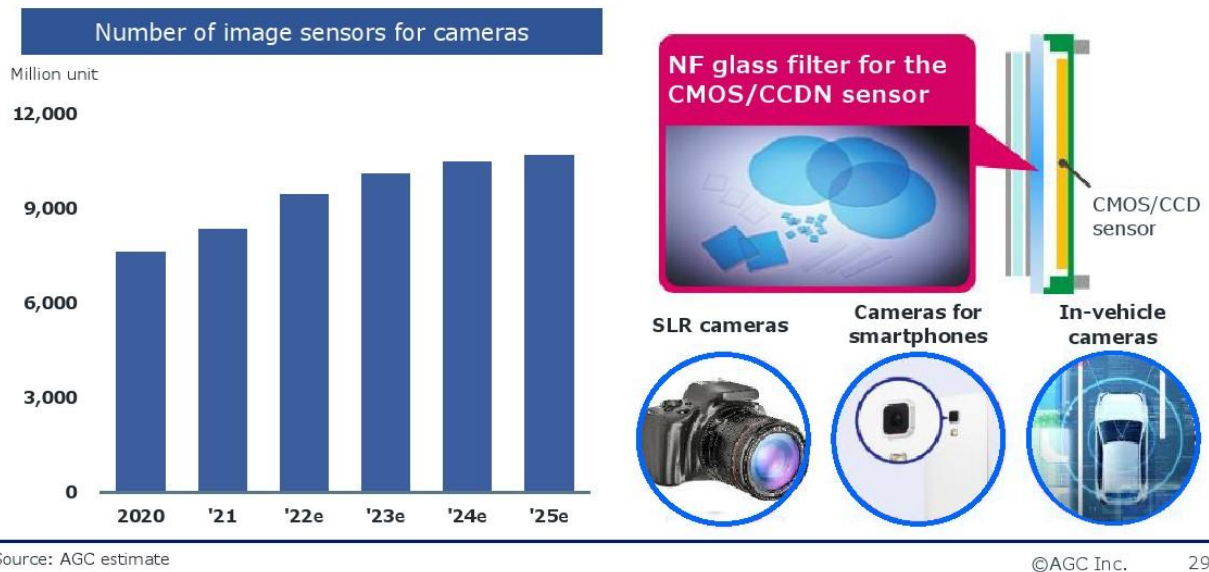
## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

# Infrared cut filter: Business environment

- Though the growth rate of smartphones has peaked out, the number of built-in cameras continues to grow thanks to advancement of conversion to compound eye cameras
- The role of the infrared cut filter will continue to grow as the size of the image sensor grows and the needs for video shooting increase
- As the size of the filter grows, the total square-meter shipped will increase faster than unit-based shipment



Smartphone growth is stable, although it's a little bit slower. If you look at the number of cameras installed in smartphone, it is increasing. It's sometimes double, even triple. Number of cameras installed in a smartphone is increasing over time and the image sensors are getting larger, and there are increasing needs for video shooting, which means that more infrared cut filters with higher level of functionality would be needed.

With larger size, it means that the square meters shipped of our glass will increase and the high functionality means that we can develop something of a higher value and sell them.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

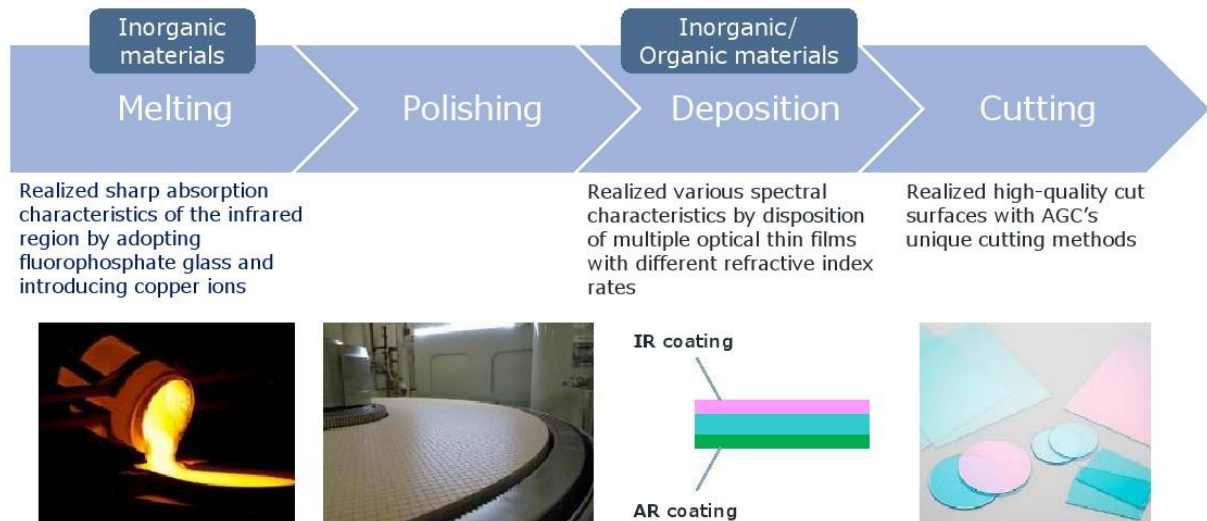


# Infrared cut filter: Strengths and strategy



## Filter manufacturer that covers the whole production process from glass melting to molding and fabrication

Realized spectral characteristics that are difficult to realize by combining glass, disposition and optical design technologies, contributing to a better image quality for cameras



30

The strengths and strategy, again, I may be sounding like I'm repeating myself, but we can do everything all the way from melting, molding, fabrication, and also polishing. We can do everything from the material to polishing, deposition, and processing fabrication.

We also have technology to design the optoelectronics, controlling various types of wavelengths and different types of refraction characteristics. Infrared cut filter will be more advanced in terms of functionality and that means that we can leverage our technologies even further.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Activities for creation of new business: AR/MR glass

- Although the AR market has been slow to take off, the AR glass market is expected to grow at a high rate along with the expansion of 5G communication. We also expect to see new devices such as AR glass with smartphone functions attached to them.
- AGC will contribute to the development of the market with advanced refractive and transmission glass manufacturing technologies, high-precision glass microfabrication technologies, etc.



Source: AGC estimate

32

In the near future, AR, VR, and also automotive in-vehicle products, and 3D sensing are expected to grow in the future, so I would like to talk about those now.

Our activities for creation of new businesses, AR and MR, this is the reality through glass and digital information overlaid on top of each other.

Because of the COVID-19 pandemic, the start is a little bit slow. But recently, we have received many inquiries and we expect high growth rate for this product in the future.

With regard to this demand, we will be focusing on advanced refractive and transmission glass and also high-precision glass that we can provide to the world.

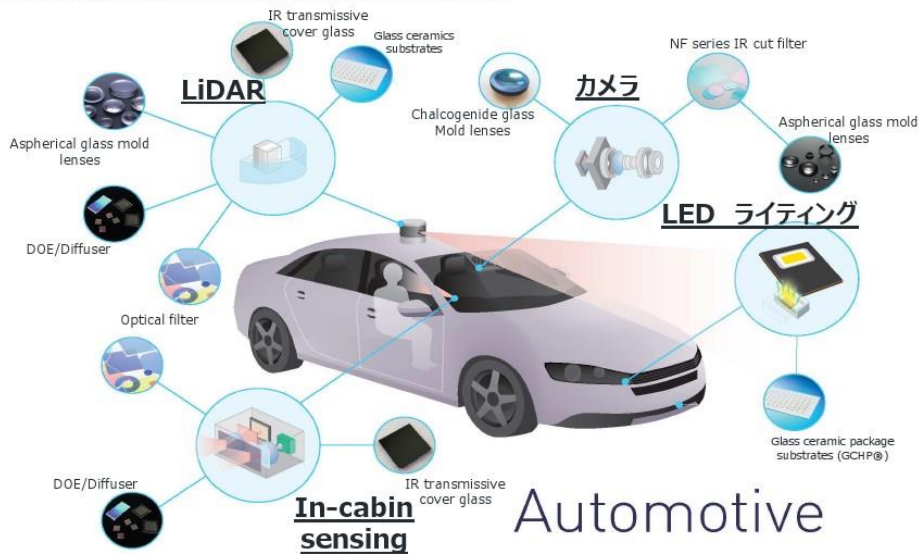
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## Activities for creation of new business: ADAS\* and self-driving

- Diverse optical sensors will be installed in self-driving cars such as cameras that digitize vision and LiDAR that allows the driver to grasp three-dimensional positioning of people and objects around the car.
- AGC will contribute to the widespread use of ADAS and self-driving cars by providing optical materials that constitute these sensors.



Source: AGC estimate \*: Advanced Driver-Assistance Systems

©AGC Inc. 33

Another new business, new domain is automotive, mobility, ADAS, and also self-driving.

Self-driving vehicles would require digitized utilization of the vision. You may know LiDAR, but various optoelectronics products will have to be developed. There's already a need for that. These sensors are composed of optoelectronic materials. We can develop them and launch them so that we can contribute to the dissemination of self-driving vehicles. And we have global marketing structure, and we're receiving inquiries at a global level.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Under the division policy “Stay in front with SDGs,” we will continue to contribute to a sustainable society as a leading supplier of differentiated material solutions.**

Lastly, this is a quick recap of our company or division policy, “Stay in front with SDGs.”

I have spoken about the differentiation of various technologies. We will continue to contribute to sustainable society as a leading supplier, with differentiated material solutions according to a whole variety of different needs.

That concludes my explanation. Thank you very much for your kind attention.

**Ogawa:** Thank you very much.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## Question & Answer

---

**Ogawa [Q]:** Now we'd like to move to Q&A time. We'd like to pick up the questions that have been sent beforehand. The first question, if you look at the business environment, Display, from 2021 to 2022, prices have not gone down, which is quite favorable. But the raw materials prices are going up, but unit price decline is a concern. In your Display business, profitability has been declining significantly.

The future of the market is going to be increasingly uncertain. And ahead of 2025, you are going to aim for ROCE 10%, which is quite a far stretch. Can you give us your thoughts?

**Company Representative [A]:** Thank you very much for your question. With regard to business environment of Display, with regard to prices, as I said earlier, until around 2019, the prices had been declining, but that has mostly stopped. As you know, last year, we raised prices. And at present, the prices are stable. That's the assumption, first and foremost.

Profitability deteriorated, that's what was said. But there are two reasons for that. Firstly, it is related to foreign exchanges. As you know, the LCD glass is sold in yen. And in our operation, one of the features is that we like to produce products closer to the customers. Compared to other companies, China and Taiwan, where we are closer to the customers, we have more manufacturing done. For the past one year or two, yen has been depreciating so that in terms of yen, the cost is increasing. That is one of the reasons.

Secondly, especially from 2019, we have turned into a positive growth in profits. That is because of the contribution from the Electronic materials, but that is from the last year. In 2020, Display has also contributed to increased profit.

Firstly, in terms of production system, the G11-dedicated furnace was used to produce G11 panels, so the production system was optimal level for G11. But from last year to this year, G11 demand from customers has increased. As I showed you earlier, we were taking out one sheet of glass from one raw material sheet instead of two and so efficiency has been declining a bit.

We're going to convert this equipment from this year to next year so that we can optimize our production system to meet the needs of the customers. The 2020 level, where ROCE was higher, we would like to go back to that level. In the last half of last year or maybe this year, we're going to hit the bottom. And with these investments, we'd like to optimize our production system.

That's all. Thank you.

**Ogawa [Q]:** Thank you. We have a related question about G11 to sheets cuts that we're doing good productivity and profitability. But on page 10, ROCE for the big glass is only about 5%. It doesn't really improve very much. Are there any other factors pushing the profitability down? Or are you being conservative? And when do you think it will reach ROCE of 10%?

**Company Representative [A]:** May I answer? As I mentioned before, from last year until the end of next year, we will do some modifications. So end of 2023 or 2024 will be when we see the increase in ROCE. We have new investments as well. In 2025, we want to achieve ROCE of 10% as our plan.

**Ogawa [Q]:** Thank you very much. Next question. A NF glass filter is dependent on smartphones in my understanding. The filters are getting larger, but there is a limit to that. Until when do you think this growth for smartphones will continue?

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Company Representative [A]:** [speaks Japanese]

**Ogawa [Q]:** Next question. In image sensor miniaturization and larger size are the technological trends. For infrared cut filter, what is required to increase the functionality to make it more high functionality or cross-functionality?

**Moriyama [A]:** May I answer? This is similar to my earlier question, larger size and also visibility and also in the video shooting need, removing ghosting as much as possible. Those are some of the requirements that we're beginning to see. And we would like to respond to those requests or demands.

**Ogawa [Q]:** Thank you very much. Moving to the next question. As for infrared cut filter, from smartphones, there will be AR, VR, and automotive use. There'll be more use. But what is the biggest obstacle at present? For smartphones and automotive use, is there any great gap in precision that is required as for performance?

**Moriyama [A]:** Well, as for smartphones, as I said, the development requirements from customers is quite visible. But honestly speaking, for automotive applications, for example, in sensing, there are various methods. Honestly speaking, for automotive use, what sort of technologies will be used for sensing is not clear.

For example, you upgraded a raise to the target and then you recognize that through the time that is where the image is coming back, but there's others as well, so honestly speaking, it's very difficult to answer that question now.

**Ogawa [Q]:** Thank you. Next question. EUV mask blanks and CMP slurry, what is your market share for these two products?

**Moriyama [A]:** One thing I can say about the CMP slurry is, well, JPY30 billion is the market size. It will increase to JPY50 billion in the future and slurry manufacturers, ceria slurry, this is increasing from JPY30 billion to JPY50 billion. We are one of the top groups, one of the best companies.

And for EUV mask blanks, it's difficult to say, but there are only two companies who can do this globally, which means that our market share is quite sizable.

**Ogawa [Q]:** Thank you very much. Let us move to the next question. Recently, for EUV mask blanks, there is quite an intention to buy EUV mask blanks from the semiconductor manufacturers. The multiple of those that are being required, is it favorable or not favorable?

And we believe that you have a vertical integration in the production, so the profitability, is it better than competitors?

**Company Representative [A]:** Well, I would like to take this as a tailwind, but there are specific customers. So it's very difficult to answer this question, but I would like to take this as a tailwind.

As for the profitability, well, in my view, the integrated production actually brings us the technological capability to address these. That's what I believe. It's better for us. There's substrate and processing and deposition, the combination of all of these will determine the performance. Whether we can respond to the specific needs of the customers in terms of technologies, I think we are more excellent.

**Ogawa [Q]:** Thank you. Next question. EUV mask blanks, 40% per annum growth. Do you think we can expect the same level of growth beyond 2025 and EUV mask blanks customer, do they put pressure on you to lower the price? If they do, how much percentage decrease do they demand every year?

---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Moriyama [A]:** I'll start with the second half of the question, pressure to lower the price. Mask blanks means that we are developing new ones or the customers are developing new ones all the time, so the product continues to change. We are not selling the same thing all the time.

This is a B2B business, so if it's the same product all the time, the price would go down by several percentage points, but every year, the main product, the premium product keeps changing. In terms of average selling price, it is actually increasing over time. That is my answer to the second half of the question.

**Miyaji [A]:** And the first half of the question, this is very difficult to answer. Yes, 40% increase would be very nice. But looking at what happened in the industry in the past, sustaining 40% may be challenging, but the growth rate will be high because this is not just logic IC but also memory. Several dozens of percentage of growth rate can be expected is my answer.

**Ogawa [Q]:** Next question. The EUV mask blanks, the new entry risk. What is your view on the risk for new entries?

**Moriyama [A]:** Well, as for EUV mask blanks, as I said maybe earlier, from 2003, for the past 20 years, there has been progress in the industry, and this product has been developed, so we have higher technological capability. There are only a few that can provide this in the world. There is an entry barrier which is quite high for this industry or this product. Technologically speaking, it's very difficult for other companies to catch up from now. I think that will be extremely difficult.

**Ogawa [Q]:** Thank you. Moving to the next question. EUV mask blanks, business expansion with companies other than the North American logic players would be important. What is the progress of business with manufacturers in Korea and Taiwan? And what is the outlook?

**Company Representative [A]:** I'm sorry. I cannot really talk about what we're discussing with our customers. But in terms of the broadness of types of customers and the generations, things are constantly expanding. We're getting more inquiries. And they're really appreciating the diversity of technologies, and that's all I can say to you. I'm sorry.

**Ogawa [Q]:** Thank you. Next question. This week, the LSI Forum that is underway in Honolulu, a North American company has said that it has updated the process using cutting-edge EUV. And the mass production is going to start from the last half of this year. Is it going to be positive for your company?

**Company Representative [A]:** Well, obviously, from a longer-term perspective, the industry itself is going to have more miniaturization with more of these products. Then EUV blanks and higher function in CMP slurry will be the ones that benefit, so we would like to capture demands like this.

**Ogawa [Q]:** Thank you. Next question. CMP slurry, what is your differentiation against your competitors?

**Moriyama [A]:** Silica and ceria, these are two types of CMP slurries and we do ceria mostly. Within the ceria type, end-to-end processing from grain, well, we're not the only one, but we also have a chemical-related technology, which we can take advantage of. In that sense, we can differentiate ourselves from the competition.

CMP slurry, you have to understand the chemical characteristics of the material and also mechanical polishing technology will determine the quality. We have a chemical department, we have a synergy, which means that we are at an advantage compared to the competition.

---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Ogawa [Q]:** Thank you very much. Next question. The semiconductor-related materials like EUV mask blanks and CMP slurry, with the increase in input cost, were you able to raise your prices to customers? And has there been any opposition from the customers for raising prices? Moriyama-san?

**Moriyama [A]:** Well, rather than talking about raising prices, we have a higher value-added high-function products addressing that part of this market, so there will be more performance required from the customers. That is what is requested quite often.

Rather than talking about pricing price increase, we are going to increase our performance, and then we can ask for more prices. Of course, in the negotiations with customers, these are determined. So once they are convinced with the performance that we provide, then we don't have any problem in terms of price negotiation.

**Ogawa [Q]:** Next question. What are the current development challenges for EUV mask blanks? And on what points can you differentiate yourself against other companies?

**Company Representative [A]:** I would like to refrain from talking about the specifics of the development, but the development request is very advanced. Whether we can address those is one of the focuses, but I need to refrain from talking about the specifics of the development because it involves our customers.

**Ogawa [Q]:** Next question. EUV mask blanks and CMP slurry. What is the capacity utilization ratio for these products? For the next 12 months or longer, have you been able to secure the use, to use the production capacity?

**Company Representative [A]:** I think production capacity utilization is close to full. So for mask blanks and CMP slurry, we have already announced a production capacity increase. And for slurry, we are now preparing for production capacity increase. And the roadmap and production plans are provided by customers, so based on that, we are securing production capacity.

**Ogawa [Q]:** Next question. What will be the impact of introduction of [perico]? Will it push down the demand for EUV mask blanks?

**Company Representative [A]:** [Perico] has been talked about from last year and some of the customers have already introduced this in some of their lines. Looking at those lines, we believe that there is hardly any impact.

Mask blanks is consumable and some people said that the consumption of EUV mask blanks would reduce, but that is not the case. By introducing [perico], throughput becomes lower, which means that maybe more mask blanks would be needed. That is being suggested. And it is used for various purposes, so we will continuously monitor the demand trend, but so far, we have not seen any impact.

**Ogawa [Q]:** Next question. EUV mask blanks production capacity increase. Do you already have the orders that you can receive for production capacity increase?

**Company Representative [A]:** For order estimate, well, there's a forecast from customers that is being provided to us. Without forecasts, we cannot do anything. So we do have forecasts provided from the customers. Based on that, we are proceeding with the production capacity increase.

**Ogawa [Q]:** Next question. EUV mask blanks, it's basically one company for one node. Do you think it's possible for two companies to go into one node? And does it mean a potential market share increase for you?

---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





**Company Representative [A]:** Well, for one single node, I believe that only one company, that would be the trend, at least for the time being. But the next generation is coming, node itself may change in the future, and based on that, there may be some switches.

**Ogawa [Q]:** Next question. As for the LCD panel price decline and demand decline that is being heard, is there any impact on the demand for glass?

**Company Representative [A]:** Well, more recently, of course, we need to examine this more closely, but the LCD panel demand decline is now being heard more recently. But there's no such demand decline that is seen in glass yet, but we cannot rule out the possibility. In that sense, the panel demand trend is something that we need to keep an eye on. There is a possibility that there could be an impact. We have to be closely watching that.

**Ogawa [M]:** Next question. There's a person raising hand in the venue. Ikeda-san from Goldman Sachs.

**Ikeda [Q]:** Thank you. This is Ikeda speaking from Goldman Sachs. I have a question about slurry. Like you said, you have end-to-end production with slurry, which is very strong. For logic SDI, I understand you have special strength. Is my understanding correct?

And going forward, surface area per wafer will expand. Accordingly, what kind of growth do you expect?

And ILDA, so other SDI areas, what kind of business potential do you expect in those areas? That's my question. Thank you.

**Company Representative [A]:** It's true that we're strong with SDI. Yes, we are very strong in that area. Your question is about the future growth. Yes, with size growth, so maybe the usage per wafer will increase.

**Ikeda [Q]:** So how do we expect that? And also outside of logic, in memory, what kind of opportunities do you see?

**Company Representative [A]:** Logic still is a big portion. And in terms of productivity for wafer, I will not go into details. But there may be a possibility for growth depending on the wafer situation, but I cannot really talk about the details.

**Ikeda [M]:** Understand. Thank you. That's all from me.

**Ogawa [M]:** Thank you very much, Mr. Ikeda. From Jefferies Securities, Mr. Azuma, would you please ask questions?

**Azuma [Q]:** Azuma from Jefferies. Thank you very much for your presentation. I have a question on CMP slurry as well. In your presentation, you said that 3D packaging process, if there is adoption in this process for ceria, that will be favorable. When you say 3D, I think there are so many different definitions depending on the person that is talking about that, so are you talking about [EMIV] or some sort of development form of [EMIV] or something else?

**Moriyama [A]:** May I? Okay. The production processes themselves, it is possible that it's going to be used. In the back end of the semiconductor manufacturing process, well, one of the back-end processes may adopt this area.

**Azuma [Q]:** Well, it's not clear what you said. So the production processes themselves, meaning before you go to back end on the wafer level, the 3D packaging is done. Is that what you're talking about?

---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



On the wafer level, 3D packaging is being done. Maybe this is not called 3D packaging, but TSV and something that is done on the wafer level like stacking vertically. Is that the process that you're talking about?

**Moriyama [A]:** Yes, vertically stacking, the process to vertically stack them. Yes.

**Azuma [Q]:** So whether this area is going to be used for that, when are you going to find out?

**Moriyama [A]:** Well, we don't know. There is just a possibility. That's what I'm saying. So it's just still that early stage of the development.

**Azuma [Q]:** Maybe we should look at 2025 as a time frame?

**Moriyama [A]:** That is correct. It is just possible. We're not talking about near future.

**Azuma [Q]:** It is going to be logic, right?

**Moriyama [A]:** Well, for details...

**Ogawa [M]:** Mr. Azuma, there's only one question that one person can ask. I'd like to move to the next person.

**Azuma [M]:** Thank you.

**Ogawa [M]:** From Macquarie Capital, Nakada-san, please.

**Nakada [Q]:** This is Nakada, Macquarie Capital. I'd like to ask about EUV mask blanks. You said there is not much yet of new entrants. There is a big chemical company that has been developing this for several years and they're saying they are very close to entering the market.

Is that not a direct competition? Why do you think there is not much threat? Or are they targeting different customers? Or are they targeting different process node? You're taking the leading edge and the other company's doing something else?

**Company Representative [A]:** Well, I cannot really comment on other company's opinions or statement. I'm sorry. Please understand.

**Nakada [Q]:** Right. But you still don't see them as a big threat. Is that correct?

**Company Representative [A]:** That is the correct understanding. Yes.

**Nakada [M]:** Thank you.

**Ogawa [M]:** Thank you very much for your questions. It's now time to conclude Q&A time. We'd like to take a 10-minute break. We will resume the session at 5:20 PM, and there will be Chemicals company business strategy presented by the president. Please wait until then. Thank you.

[END]

---

### **Document Notes**

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*

---

### **Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been transcribed based on interpreted audio provided by the Company.*

---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)



## Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2022 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasias.com

