

**Progress of the AGC Group
Medium-term Management Plan
*“AGC plus-2023”***



AGC Inc.

February 8, 2022

Your Dreams, Our Challenge

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

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

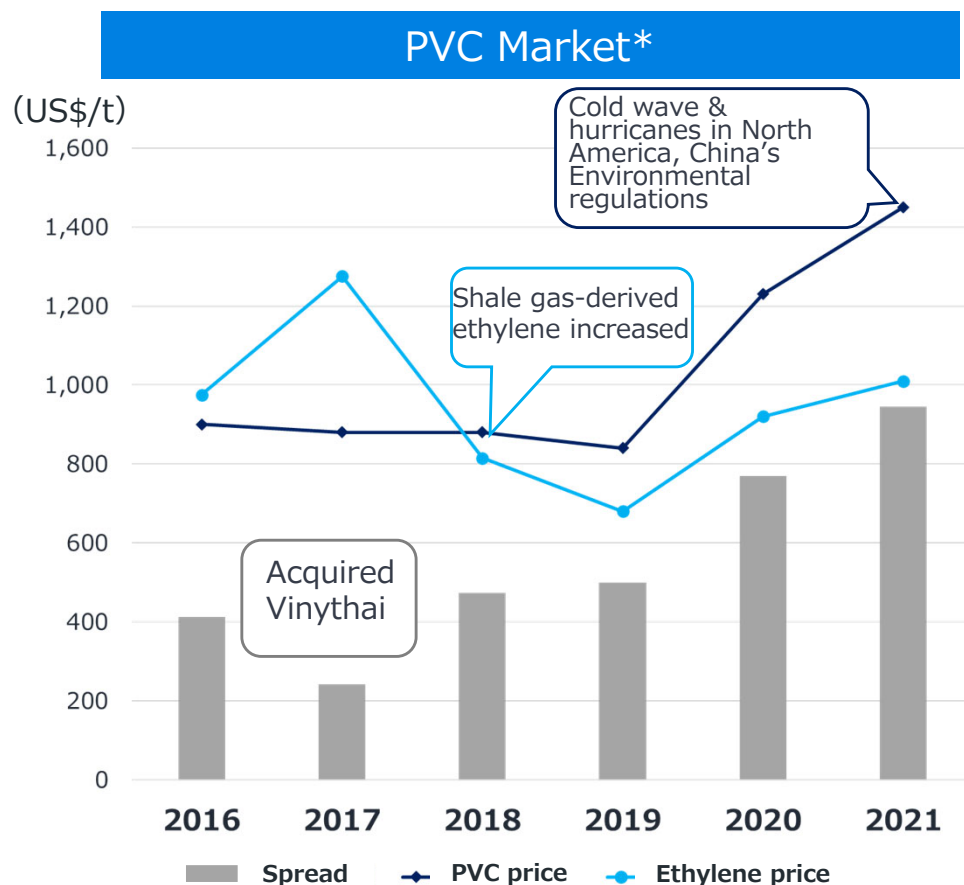
Structural Reform in Glass Businesses

- Initial target of the 15 billion yen reduction of fixed costs, etc. will be achieved as planned.
- Promote further structural reforms to improve profitability.

	FY2020-21	FY2022-23
Architectural Glass	<p><Reduction of fixed costs></p> <ul style="list-style-type: none"> • Streamlining at the Europe HQ (including early retirement) • Closed a furnace in France <p><Structural reform></p> <ul style="list-style-type: none"> • Transferred the architectural glass business in North America • Transferred all the shares of Schott Gemtron Corporation 	<ul style="list-style-type: none"> • Structural reforms toward the industrial realignment • Thorough cost reduction through productivity improvement and fixed cost reduction
Automotive Glass	<p><Reduction of fixed costs></p> <ul style="list-style-type: none"> • Streamlining at the Europe HQ and Czech production sites • Production consolidation by introducing high-efficiency facilities (Reduced some production lines) 	<ul style="list-style-type: none"> • Promote production consolidation by introducing high-efficiency facility and thereby reducing production lines
Cost reduction	Approx. 12 billion yen/year (from FY2019)	3 billion yen + a

Chlor-Alkali Business: PVC market

- In FY2021, the supply-demand balance in the PVC market tightened dramatically as affected by the cold wave and hurricanes in North America and stricter environmental regulations in China.
- In FY2022 onward, the PVC market is expected to gradually soften. Yet, the supply-demand balance in Southeast Asia will remain tight.



China's Climate Change Policies

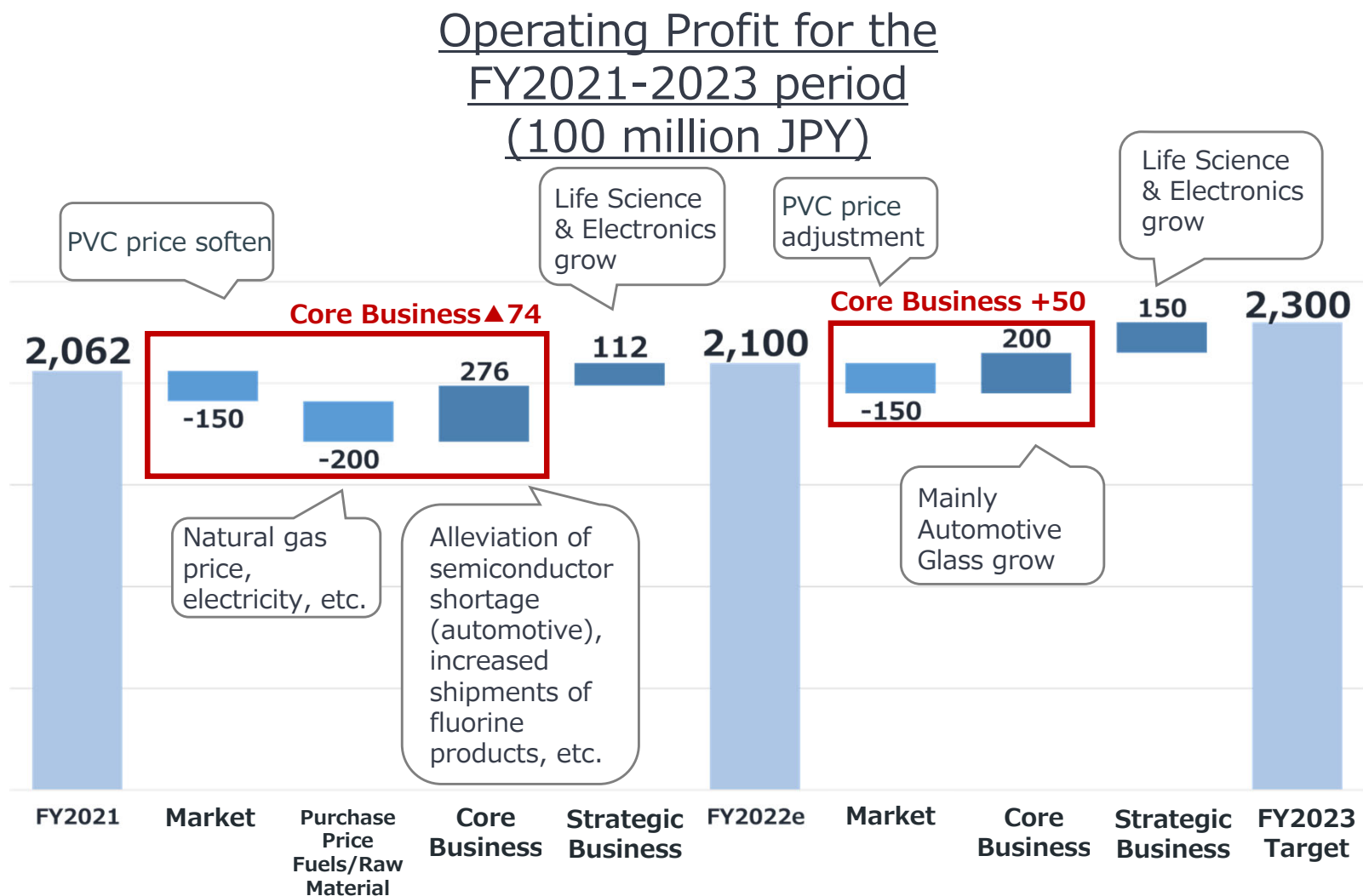
- 2021 Energy consumption reduction per unit of GDP by approx. 3%**
- 2025 Raise non-fossil fuel use to 20%***
- 2030 CO₂ emission peaking out
- 2030 Energy consumption reduction per unit of GDP by 65% or more
- 2030 Boost non-fossil fuel use to 25%
- 2060 Carbon neutrality

** : Compared with year 2005

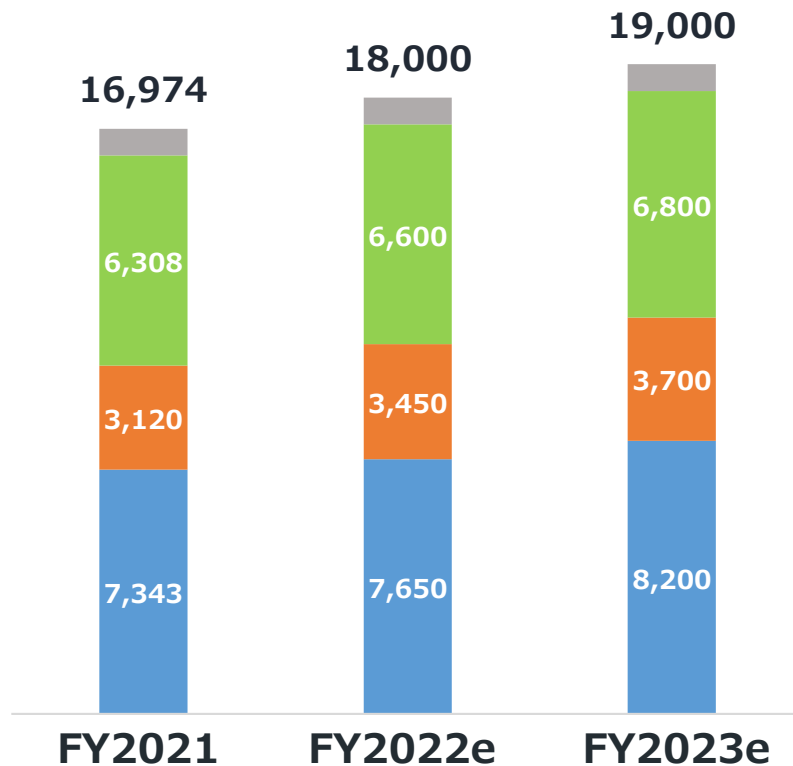
***: Percentage of primary energy consumption

OP Target Achievement (To-be image)

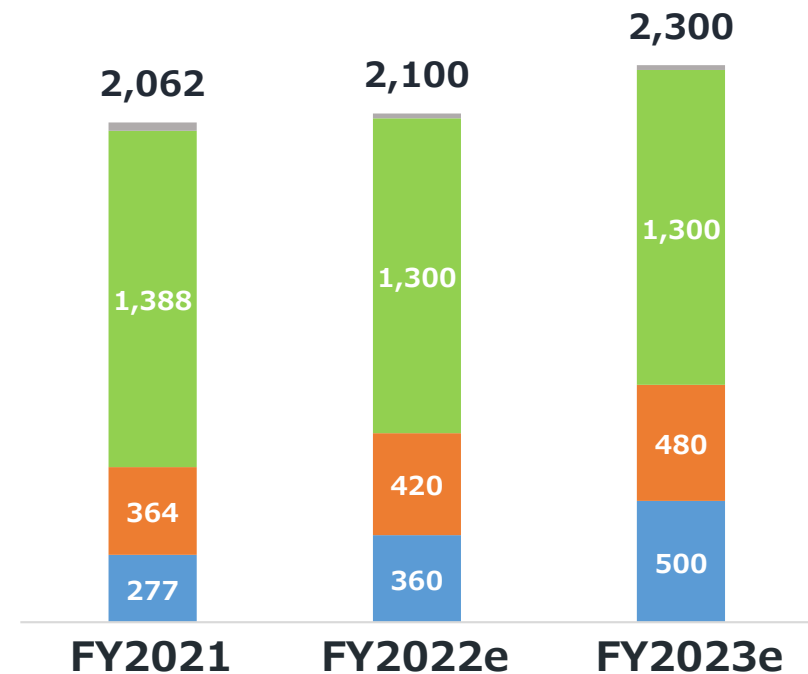
- While affected by the softening of the PVC Market, the operating profit will grow in both the strategic & core businesses.



Net Sales (100 million JPY)



Operating Profit (100 million JPY)



■ Glass ■ Electronics ■ Chemicals ■ Ceramics/others

CAPEX

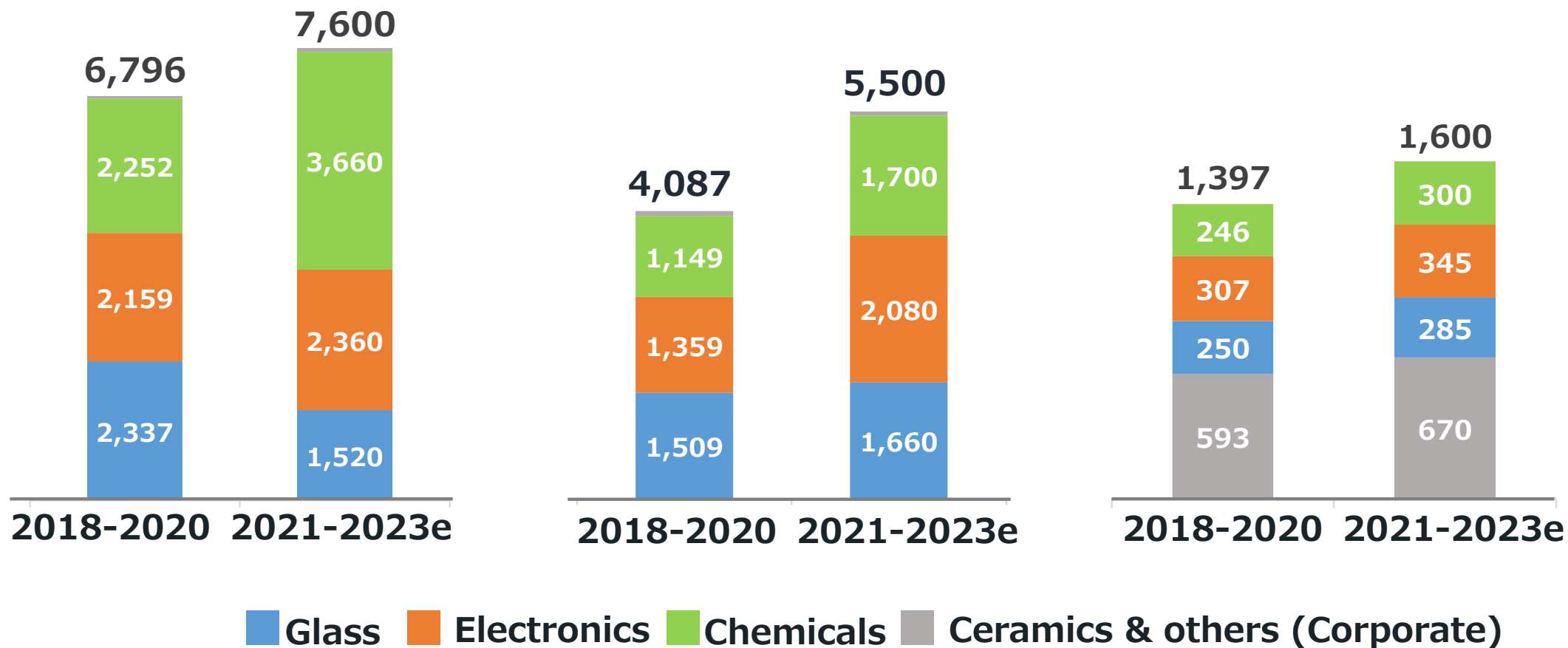
(100 million JPY)

Depreciation

(100 million JPY)

R&D

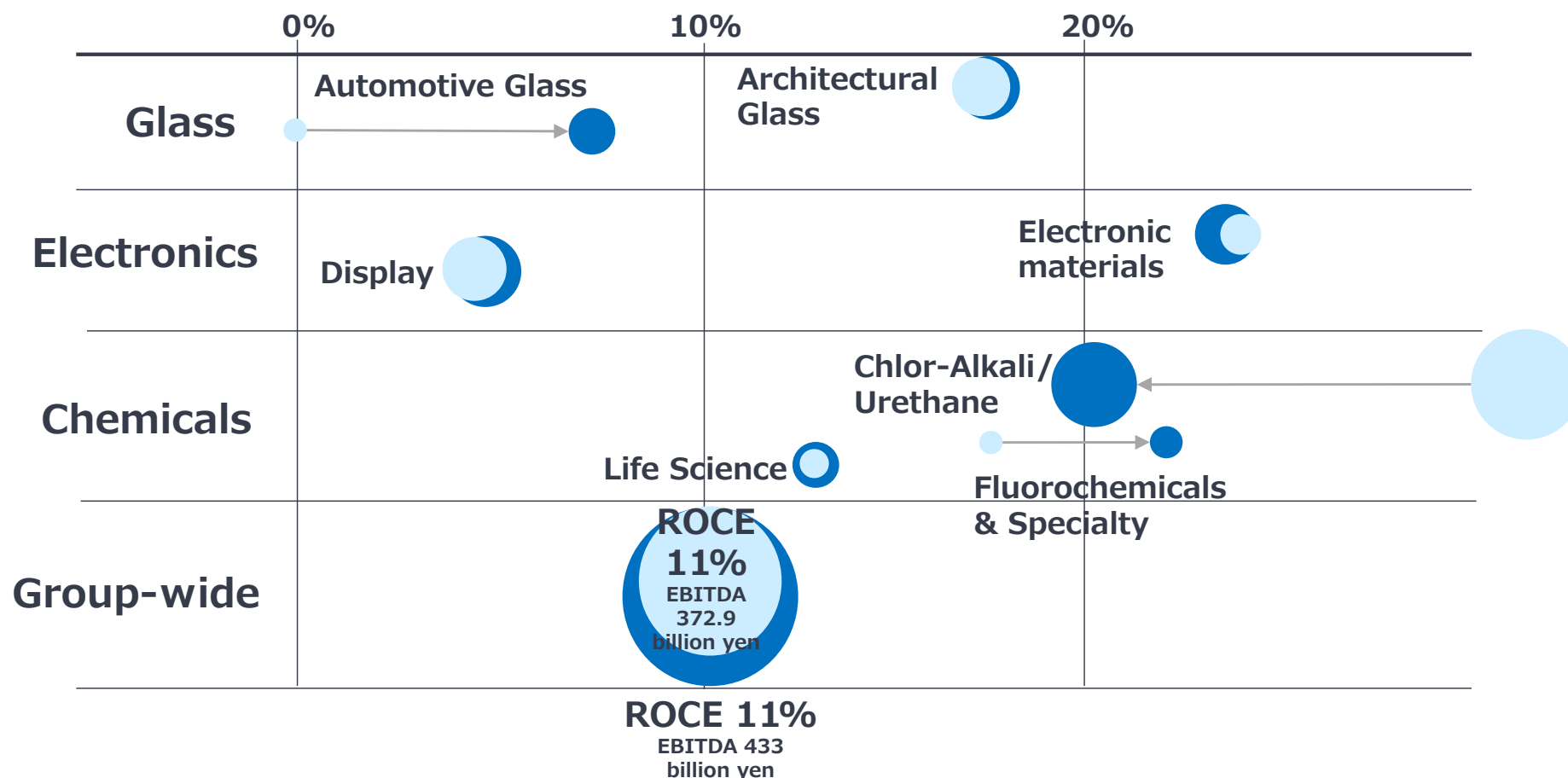
(100 million JPY)



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)

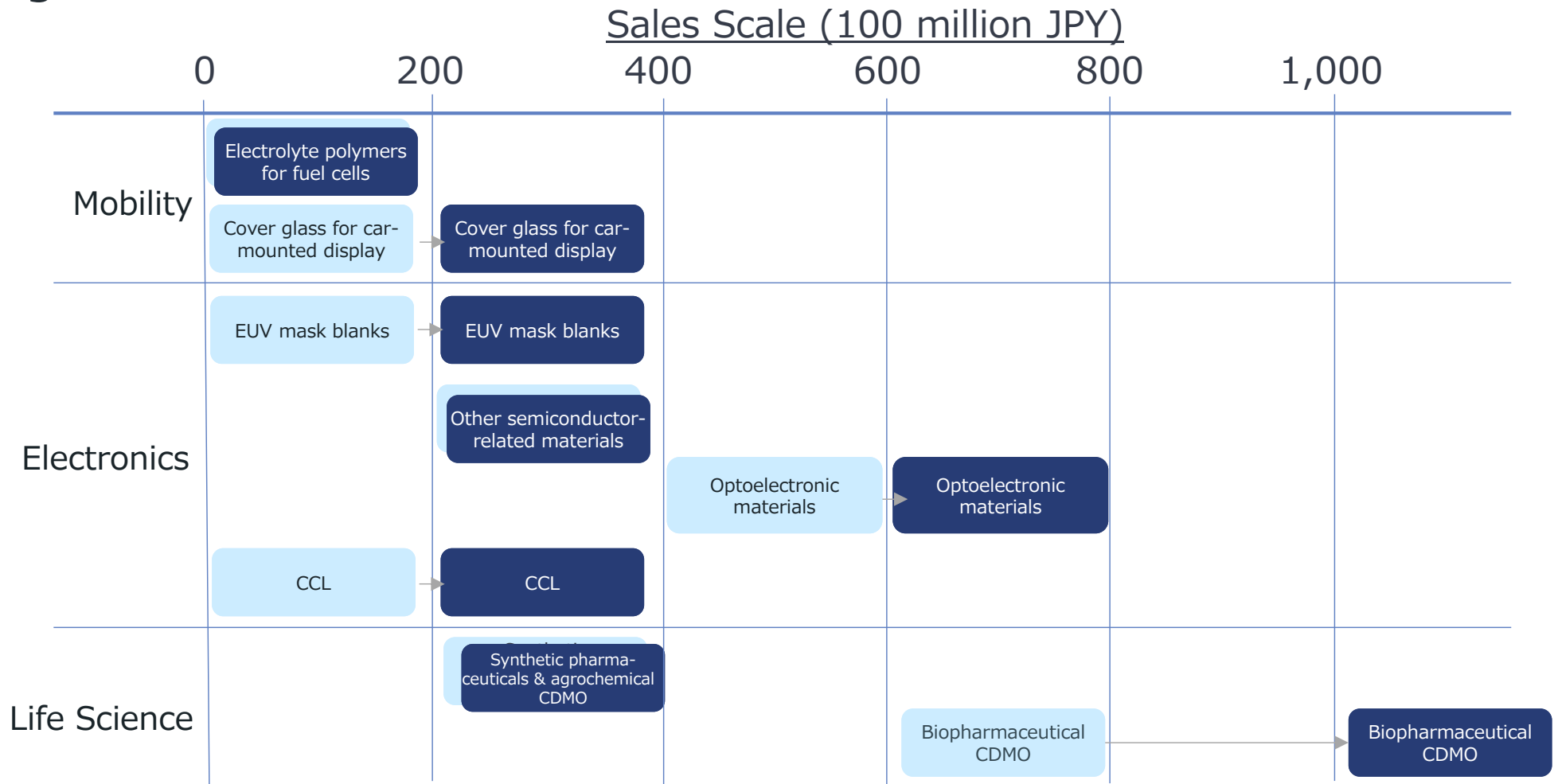
ROCE(FY2021 Actual ● vs FY2023 Estimate ●)



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

Sales Outlook for Strategic Business Products

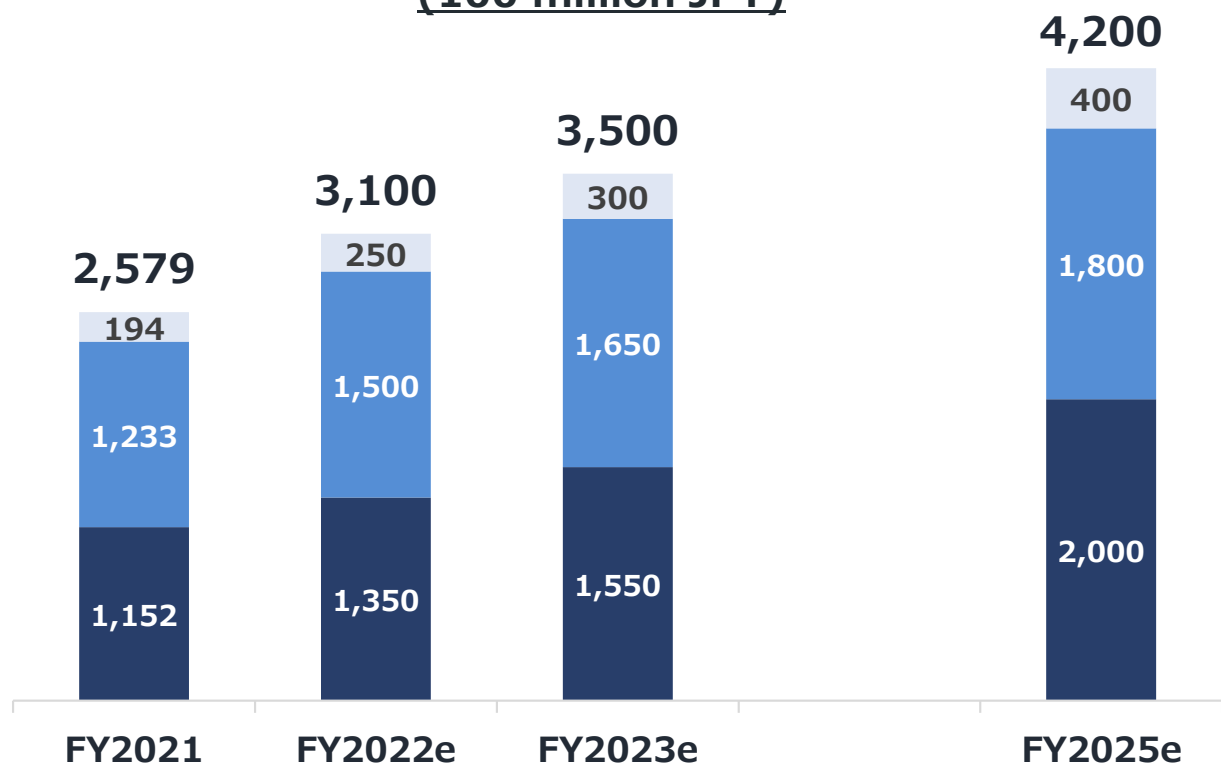
- Every business will expand its scale of sales.
- Particularly biopharmaceutical CDMO will make a significant growth.



Outlook for Strategic Businesses

- The strategic businesses are expected to grow steadily.

Net sales of Strategic Businesses (100 million JPY)



Main products/ businesses

Mobility

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

Electronics

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

Life Science

- Synthetic pharmaceutical and agrochemical CDMO
- Biopharmaceutical CDMO

(100 million JPY)

Strategic Business Operating Profit

538

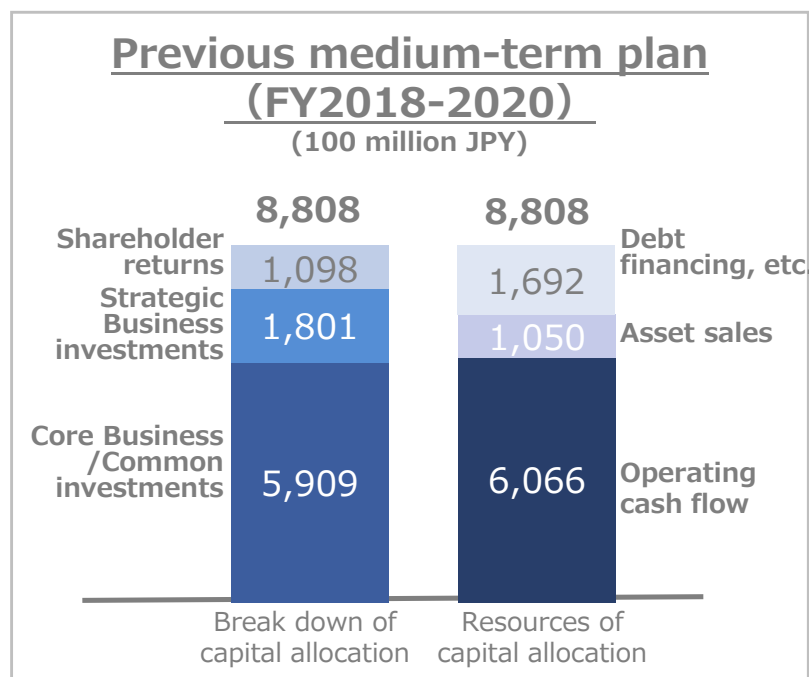
650

800

1,000

Capital Allocation Policy

- Increase the investments in the strategic businesses by 100 billion yen as compared to the previous plan.
- Accelerate asset sales, including all the available cross-held shares

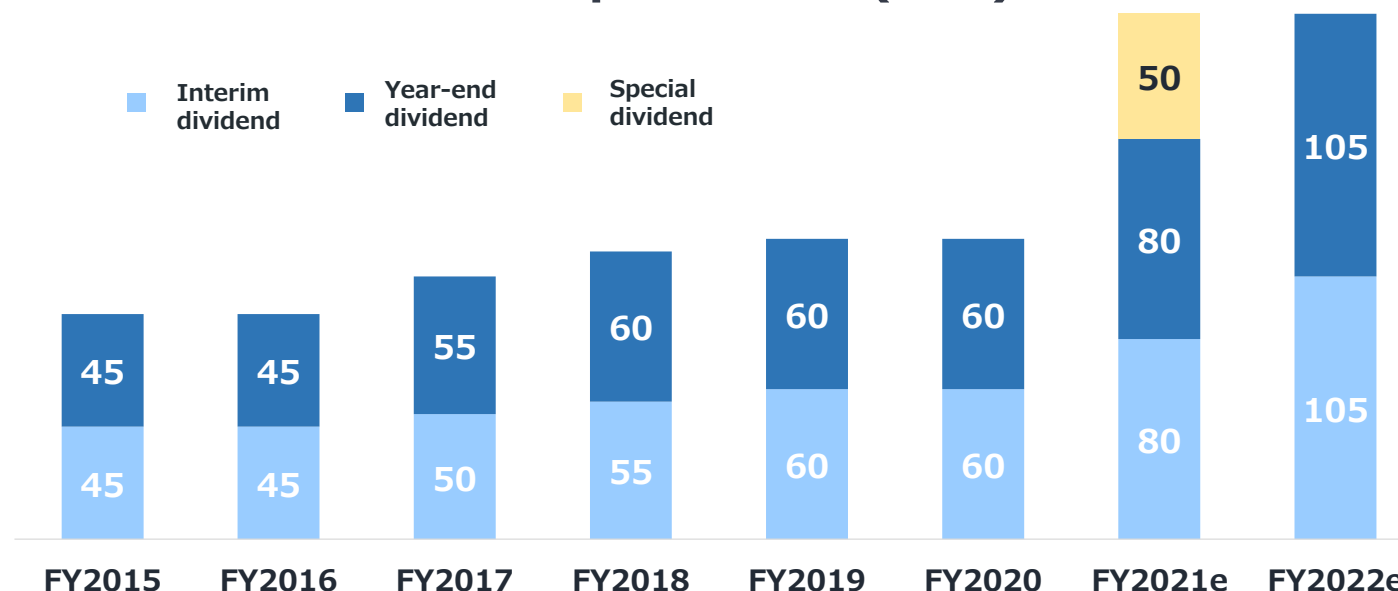


*:Including payment of dividend to non-controlling interest shareholders

Shareholder Return

- Steadily implement shareholder returns
- As stated in the Group's policy, flexibly implement share buyback while maintaining financial soundness and ensuring investment opportunities for growth businesses

Dividend per share (JPY)



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021e	FY2022e
Consolidated payout ratio	48%	44%	35%	29%	60%	81%	38%	40%
Share buyback (100 million JPY)	—	100	150	200	—	—	—	TBD
Consolidated total return ratio	48%	65%	56%	51%	60%	81%	38%	40%

Shareholder return policy

Total return ratio of 50% or higher

Maintain stable dividends with a consolidated dividend payout ratio of 40%, flexibly conduct share buyback

*The Company consolidated its common shares at a ratio of 5 shares to 1 share on July 1, 2017, and per-share data is recalculated.

Appendix

Risk factors	Impact on OP	Rate used	Supplementary info
Dubai crude oil	<u>260 million yen * loss</u> if increased by 1 dollar per barrel	80USD	*excluding impact of oil hedging
Chemicals market	1) Caustic soda: \$ <u>1 M loss</u> if the international market down by \$ 1 2) PVC spread: \$ <u>1.2M loss</u> * if decreased by \$ 1	—	*PVC spread: PVC market - (ethylene market×0.5)
Exchange rate	<u>700 million yen*loss</u> if yen appreciated by 1%	1USD =115 yen	*Impact when all currencies fluctuate at the same proportion against JPY

	2020	2021	2022	2023	2024-
Glass				China: New facility for car-mounted display cover glass	
Electronics		China: Relocate furnace for 11 th generation TFT LCD glass substrates	China: Capacity enhancement for 11 th generation TFT LCD glass substrates	Japan: Drastic capacity enhancement for EUV photomask blanks	Japan: Double the capacity of EUV mask blanks
			Indonesia: PVC capacity enhancement		Thailand: Capacity enhancement of Chlor-alkali electrolytic facilities
			Japan: Capacity enhancement for fluorine products		
Chemicals			U.S.A.(Seattle): Capacity enhancement for biopharmaceuticals		
			U.S.A.(Boulder): Acquired biopharmaceuticals active ingredient plant of AstraZeneca		
				Denmark: Capacity enhancement for biopharmaceuticals	
			Italy: Acquired Molecular Medicine S.p.A, a developer of gene/cell therapy		
				Italy: Capacity expansion of Genetic/Cell therapy CDMO	
				U.S.A. (Longmont): Acquired cell and gene therapy manufacturing facility	
					Germany: Newly built mRNA manufacturing facility
			Spain: Capacity enhancement for synthesis pharmaceuticals		Japan: Production capacity enhancement of synthetic pharmaceuticals & agrochemicals

※Listed those announced in new releases



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END

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