



**AGC Inc.**

ESG Online Briefing Session

September 11, 2024

# Event Summary

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[Date]	September 11, 2024	
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[Number of Speakers]	2	
	Kazumi Tamaki	Executive Officer, General Manager of Sustainability Division, Corporate Planning General Division
	Chikako Ogawa	General Manager of Corporate Communications & Investor Relations Division

## Presentation

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**Ogawa:** We will now begin the ESG briefing of AGC Inc. I am Ogawa of the Corporate Communications and Investor Relations Division, and I will be your moderator today. Thank you for your cooperation.

Today's speaker is Kazumi Tamaki, General Manager of the Sustainability Division, Corporate Planning General Division.

Ms. Tamaki will first explain the promotion of sustainability management, followed by a Q&A session. The event is scheduled to end at 17:00. We appreciate your cooperation.

Now, Ms. Tamaki, could you, please?

**Tamaki:** I am Tamaki from AGC. Thank you.

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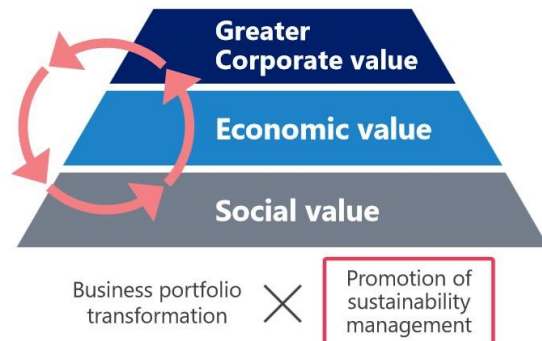
Today, as you can see, I would like to introduce the AGC Group's long-term management strategy, the social values we create, one of which is Blue planet, and our efforts to enhance the effectiveness of our social value creation.

- The AGC Group will enhance corporate value by creating economic value through the creation of social value.

## Long-Term Management Strategy

### Vision 2030

**By providing differentiated materials and solutions**, AGC strives to help realize a **sustainable society and become an excellent company** that grows and evolves continuously.



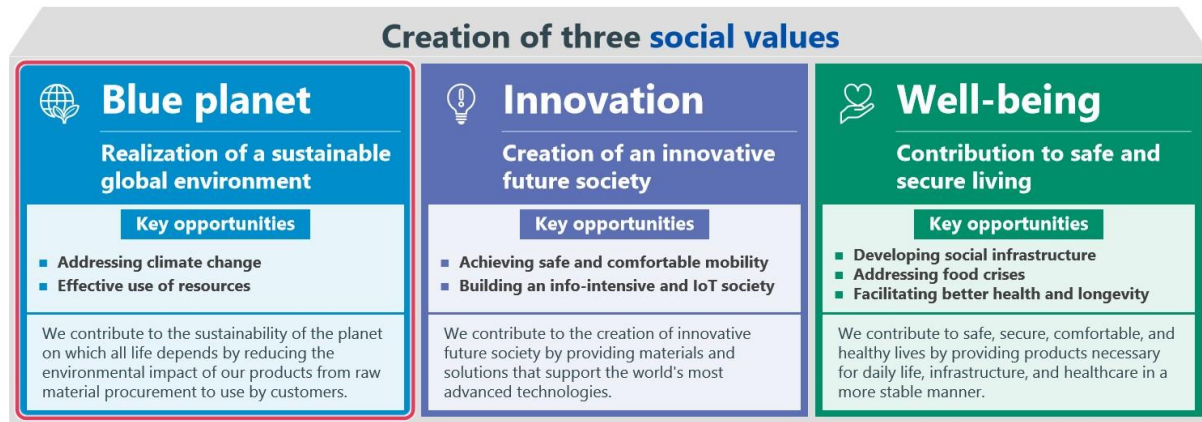
First, let me talk about the AGC Group's long-term management strategy and Vision 2030.

The AGC Group's vision for 2030 is “By providing differentiated materials and solutions, AGC strives to help realize a sustainable society and become be an excellent company that grows and evolves continuously”.

The AGC Group hopes to approach its Vision 2030 through the spiral of creating economic value through the creation of social value, enhancement of corporate value, and reinvestment in our business in the business portfolio transformation and the promotion of sustainability management.

# Creation of Three Social Values

- In line with the launch of the new medium-term management plan **AGC plus-2026**, the AGC Group has redefined the social values it provides into the three categories of “Blue planet,” “Innovation,” and “Well-being.”



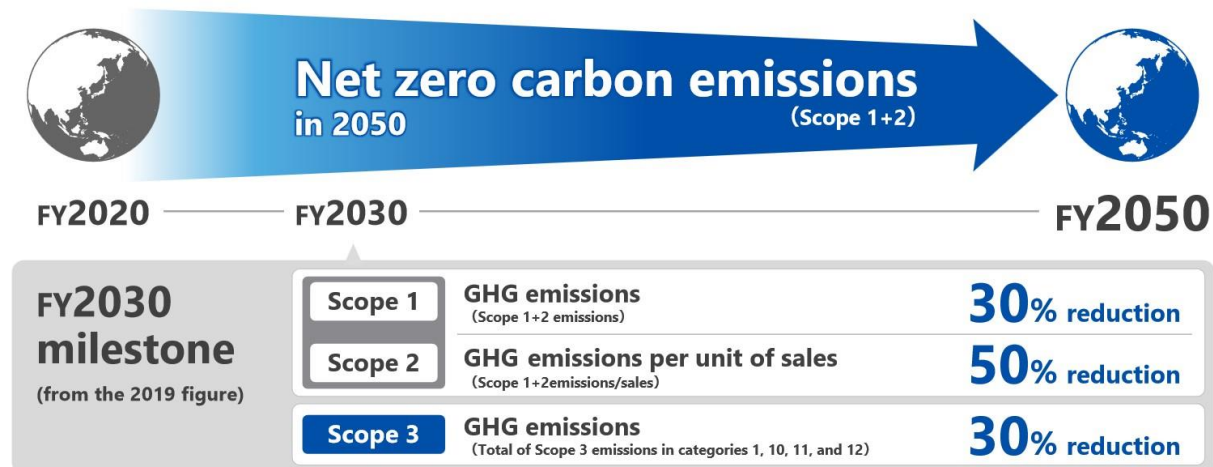
I will talk about the creation of three social values.

The medium-term management plan, AGC plus-2026, launched this year, defines three social values that the AGC Group hopes to provide to the world through its products and technologies.

The three are: Blue planet, the realization of a sustainable global environment; Innovation, the creation of an innovative future society; and Well-being, the contribution to safe and secure living.

Today, I would like to introduce Blue planet, our effort to contribute to the sustainability of the planet, on which all life depends, by reducing our environmental impact, from the procurement of raw materials to the use of our products by our customers.

- Mid- to long-term GHG emissions reduction targets was set in 2021, making steady progress



\*The electricity CO<sub>2</sub> emissions factor for 2030 is based on the figures set based on the Sustainable Development Scenarios (SDS) published by the IEA.

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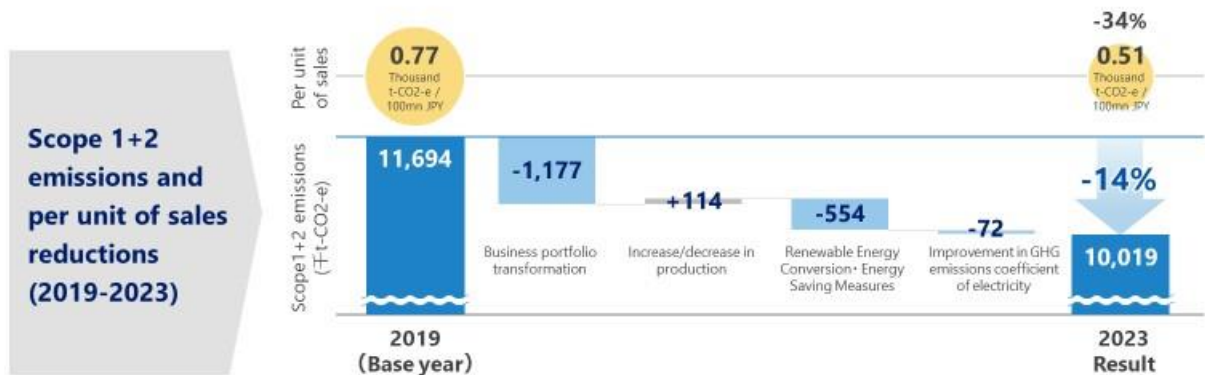
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Blue planet, the realization of a sustainable global environment.

First, let me explain how we are addressing the issue of climate change.

We aim to achieve net-zero carbon emissions by 2050, and as a milestone, we have set the goals of reducing Scope 1+2 and Scope 3 GHG emissions by 30% and reducing Scope 1+2 emissions per unit of sales by 50% from the 2019 level by 2030.

- Results in 2023 were 14% lower than in 2019, mostly in line with the plan for the 2030 milestone.
- To achieve the milestone, we will work on technological innovation of the glass melting process, conversion to renewable energy as a source of electricity for the chlor-alkali business, and use of biomass fuel for in-house power generation, etc.



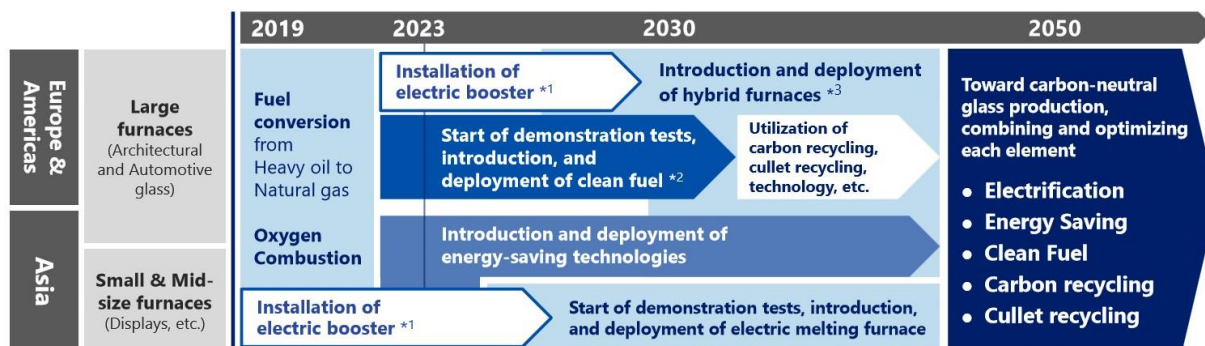
The 2023 results for Scope 1+2 show 14% reduction in emissions and 34% reduction in emissions per unit of sales compared to 2019, and the reduction is progressing according to plan.

The most significant contribution to the reduction was from business portfolio transformation, while the effects of renewable energy conversion and the energy saving measures also contributed to the reduction.

To achieve the 2030 milestone, we will work on technological innovation in the glass melting process, conversion to renewable energy as a source of electricity for the chlor-alkali business, and use of biomass fuel for in-house power generation.

## Technology Roadmap for Reducing GHG Emissions in Float Glass Melting Process

- **By 2023** : Progress in fuel conversion, electric booster installation, clean fuel demonstration, carbon recycling, and cullet recycling development
- **By 2030** : Implement priority measures in line with regional characteristics (Europe & Americas: electrification, Asia: energy saving)
- **By 2050** : Combining multiple technologies focusing on electrification



\*1 : Energized auxiliary heating \*2 : Ammonia, Hydrogen etc. \*3 : Energy sources are provided by a combination of electricity and fuel

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For GHG emissions reduction in the float glass melting process, which account for 40% of Scope 1+2 GHG emissions, we have placed a technology road map.

We have been working on fuel conversion from heavy oil to natural gas, the installation of electric booster, demonstration tests for the introduction of clean fuels, and the study of expansion of cullet recycling.

As a medium-term initiative through 2030, we will actively promote electrification in Europe and Americas, where the GHG emissions total for electricity is lower than in other regions. We will accelerate energy saving measures in Asia, including Japan.

In the long term, we will focus on electrification while combining this with the use of clean fuels, cullet recycling, and carbon recycling.



- Developing “Implementation Strategy for Technology to Reduce GHG Emissions from Float Glass Melting Furnaces” as a cross-business project under the leadership of CTO.

### Initiatives and Considerations

Future cost simulation of energy prices, carbon costs, etc. in each country up to 2050

Verification of economic rationale and prioritization of mass production for elemental technologies

Formulate optimal technology implementation strategies for the Group, including global technology deployment and resource allocation



The specifics of the implementation strategy are being worked out in a project under the leadership of CTO across the business.

We will formulate the optimal technology implementation strategy for the AGC Group, including technical verification of fuel conversion and raw material melting methods for the float glass melting process of architectural, automotive, and display applications, equipment specifications, economic costs such as energy prices and carbon costs in each country, technical and procurement issues when using cullet, and trends in customer requests.

## Progress examples: Conversion to Clean Fuels in Float Glass Melting Furnaces

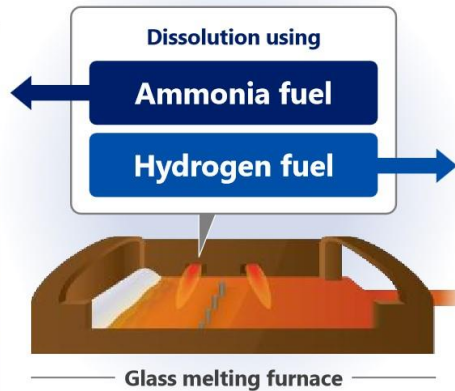


- Successful demonstration test of clean fuels (ammonia and hydrogen)

2023

### World's first successful demonstration test in an actual production furnace

We will also consider expanding its application beyond glass to other materials, such as steel and aluminum, **to widely help reduce GHG emissions in the production process of the materials industry.**



2023

### Successful demonstration test in an actual production furnace

We will conduct scaled-up tests of combustion capacity and consider demonstration tests at global sites, with the aim for full-scale deployment.



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One of the technology verification efforts we are undertaking is the conversion to clean fuels.

In 2023, we successfully conducted a demonstration test using ammonia and hydrogen as fuels in glass melting furnaces.

## Progress examples: Joint development with Saint-Gobain to help decarbonize the industry



- Joint development with Saint-Gobain (France), a major glass company, to reduce GHG emissions in the manufacturing process
  - Demonstration testing to begin in the second half of 2024
  - Funded by the European Union's Innovation Fund



### Details of the Demonstration Test

- Natural gas air combustion ⇒ electric melting **50%** + oxy-gas combustion **50%**
  - Recycled cullet\* ratio ⇒ maximum up to **100%**
- ⇒ **Compared to a conventional furnace, Scope 1 and 3 emissions are reduced by 75% each**

\*Cullet : glass scrap

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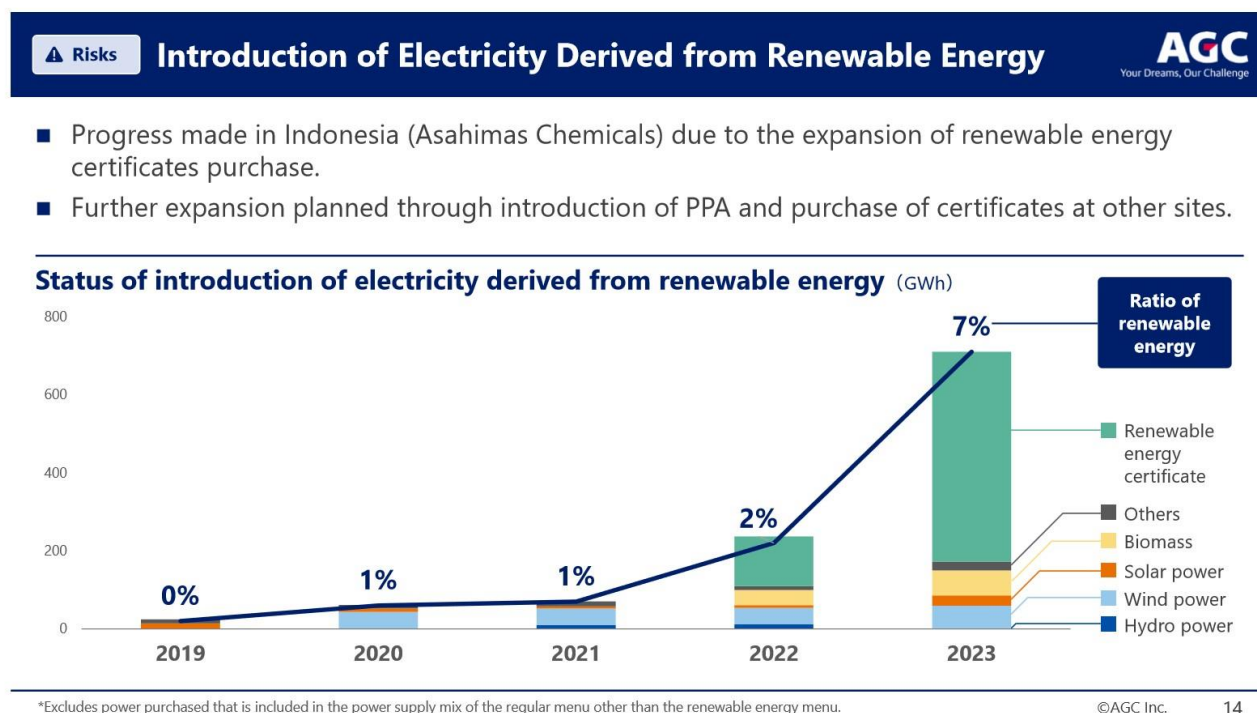
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In collaboration with Saint-Gobain, we have also initiated joint development efforts to decarbonize the glass manufacturing process.

This is being done with funding from the European Union's Innovation Fund.

This is a demonstration test to convert from air combustion to an oxy-gas combustion method, introducing 50% electric melting and using up to 100% glass cullet as a raw material.

We estimate that this demonstration test will reduce Scope 1 and Scope 3 emissions by 75% each.



Next, I will talk about the introduction of electricity derived from renewable energy sources.

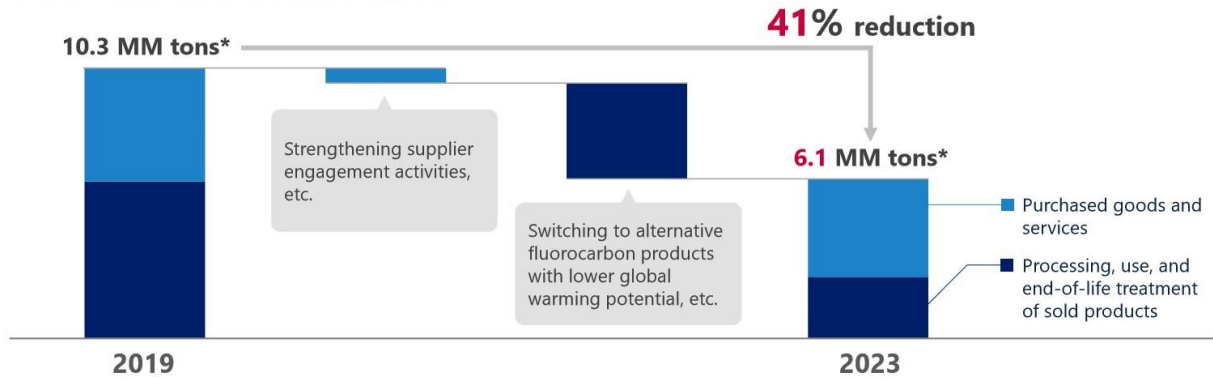
In 2023, the rate of renewable energy adoption increased significantly compared to the previous year due to the expansion of renewable energy certificates purchase for our chemicals business in Indonesia.

This equates to 7% of our electricity use.

We plan to introduce more PPAs and purchase more certificates at other sites.

- GHG emissions reduction by strengthening supplier engagement activities and switching to alternative fluorocarbon products with lower global warming potential

## GHG emissions reduction (Scope3)



\*Sum of Scope 3 emissions in categories 1, 10, 11, and 12

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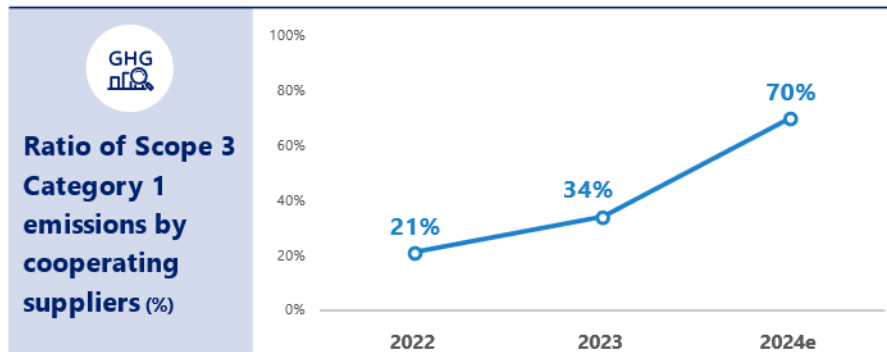
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I will now explain the status of Scope 3 GHG emissions.

Switching to alternative fluorocarbon products with lower global warming potential and strengthening supplier engagement activities have enabled us to reduce emissions by 41% in 2023 compared to 2019.

By 2030, we expect to achieve our goal of a 30% reduction from the 2019 level, although we anticipate an increase in Scope 3 due to higher sales.

- In collaboration with our major suppliers, we have established a reduction plan by 2030 in Europe, also developing similar strategies in Japan and Asia.
- Instead of using industry averages, we are planning to calculate emissions intensity of raw materials based on each supplier's situations.



To promote this Scope 3 GHG emissions reduction, we have also strengthened our supplier engagement activities year after year.

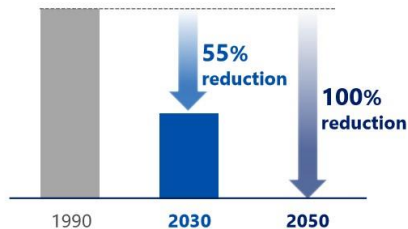
In Scope 3 Category 1, we plan to increase the share of emissions from cooperating suppliers to 70% of the emissions from purchased products and services.

Our Scope 3 reduction plan for Europe has already been established and is in the process for Japan and Asia.

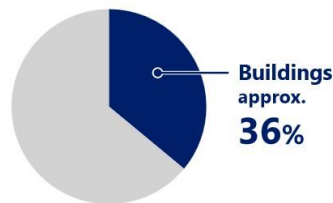
We plan to conduct detailed dialogues and activities by using emissions intensity that is tailored to each supplier's situations rather than industry averages.

- The European Commission targets a 55% reduction in GHG emissions in Europe by 2030\*<sup>1</sup>. (32% reduction as of 2022)
- Buildings account for about 36% of GHG emissions\*<sup>2</sup>.
- It is important to improve energy consumption efficiency and insulation of buildings.

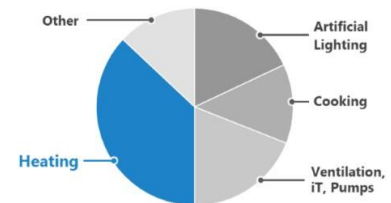
## Europe GHG emissions reduction targets\*<sup>1</sup>



## Proportion of GHG emissions\*<sup>2</sup>



## Building energy consumption breakdown\*<sup>3</sup>



\*1: Renovation Wave Strategy and Green Deal by the European Commission

\*2: EC, EU Energy Figures – "Statistical Pocket Book 2021" and Glazing Potential – Energy Savings & CO<sub>2</sub> Emissions Reduction, Glass for Europe

\*3: Based on section "2.5.3 Final Energy Consumption BY SECTOR" in file 'EU energy in figures - Statistical pocketbook 2021'

Now, I would like to introduce some of the situations in which the AGC Group's products can contribute to reducing environmental impact when they are used.

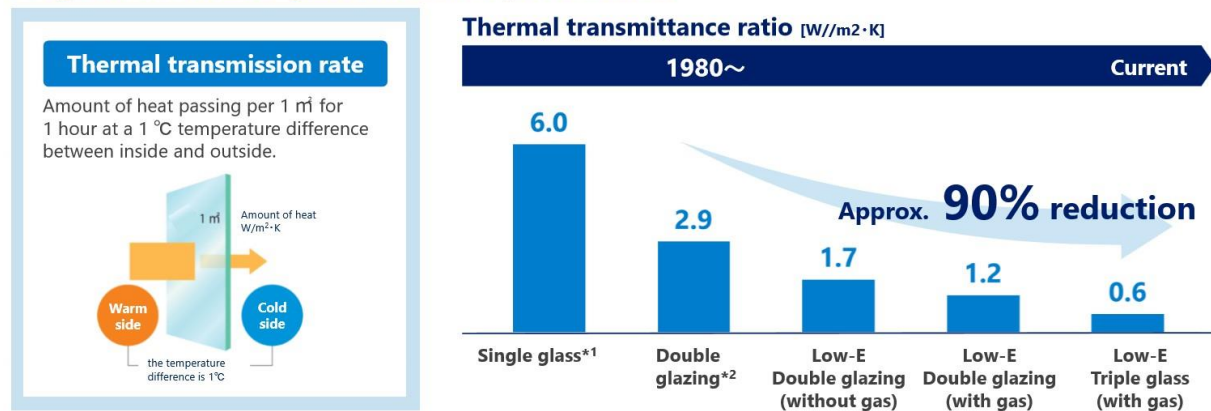
The European Commission has set a goal of reducing European GHG emissions by at least 55% from the 1990 level by 2030.

Approximately 36% of GHG emissions come from buildings, so improving the energy consumption efficiency and insulation of buildings is extremely important.



- AGC high-performance window glass products help reduce GHG emissions from buildings.

### Progress of window glass insulation performance



\*1 3mm float glass \*2 transparent double glazing with a 12mm hollow layer

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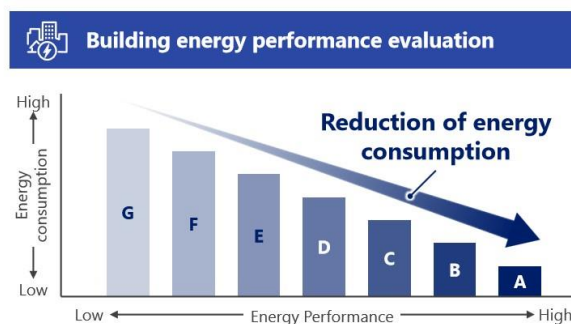
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To improve the heating and cooling efficiency of buildings, the AGC Group has been developing and supplying high-performance window glass for many years. This contributes to GHG emissions reduction.

Low-E triple glass, which has the highest thermal insulation performance, can reduce the amount of heat transferred by 90% compared to a single glass.

### Europe

Mandatory retrofitting is enforced for some low-performance buildings under the Energy Performance Rating System for Buildings\*1. Subsidies and preferential interest rates are implemented for renovations.



\*1: Energy Performance of Buildings Directive (EPBD) \*2: Energy-saving performance indication system

### Japan

Energy-saving performance labeling becomes mandatory\*2. "Advanced Window Renovation Subsidy" will continue in 2024 with an expanded budget.



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In Europe, under the Energy Performance Rating System for Buildings, retrofitting obligations have been imposed on buildings with low energy efficiency, and subsidies and preferential interest rates are implemented for renovations.

In Japan, the government has announced that all suppliers are required to make their best efforts to label their products to display energy efficiency performance. The Advanced Window Renovation Subsidy was allocated a supplemental budget of JPY100 billion in FY2023 and has been expanded to JPY135 billion this year, FY2024, showing the continuous implementation.

Considering that Europe's GHG emissions reduction targets are still halfway there and that governments are promoting GHG emissions reduction, we expect demand for high-performance window glass to remain strong in the future.

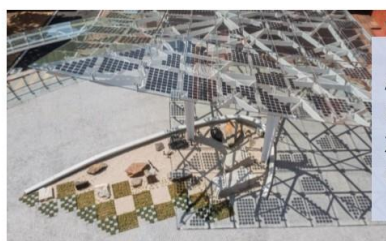


## Expand Introduction of Renewable Energy



- Securing locations for solar panel installation in urban areas is a key issue.
- **Building Integrated Photovoltaics enable energy generation through windows** and reduce installation site constraints.
- It realizes both energy generation performance and design flexibility and contribute to the realization of a carbon-neutral society.

### Building Integrated Photovoltaics (BIPV)



AIST International  
Research Center for  
Zero Emissions  
Entrance Canopy



New Punggol  
Campus of  
Singapore Institute  
of Technology

In addition, solar power generation as a renewable energy source is expanding, but securing locations for installing solar panels in urban areas is becoming an issue.

We believe that building integrated photovoltaic glass, which can generate electricity through windows, will contribute to eliminating restrictions on installation locations.



- **Demand for high value-added automotive glass will increase** along with the expansion of the EV/FCV market toward a carbon-net-zero society.

**Panorama Sunroof Demand forecast**  
(AGC's estimate)



### Low-emissivity glass



High solar control and insulation properties reduce air conditioner load and improve fuel efficiency

**In addition to improving comfort, contributes to extending the cruising range of EVs and reducing CO<sub>2</sub> emissions**

### Light control glass



Providing new value for panoramic sunroofs, which are enjoying growing demand due to the introduction of EVs

**Further improved comfort and openness and an advanced cabin**

### Sound insulation glass



In addition to the windshield glass, the side window glass is laminated to further improve sound insulation

**A quiet and comfortable cabin space is created in EVs, which are free of engine noise**

We predict that high-performance glass will contribute to the reduction of environmental impact not only in buildings, but also in the automotive sector.

As the market for electric vehicles (EV) and fuel cell vehicles (FCV) expands, more and more Low-E glass is expected to be installed to reduce the load on air conditioners, improve fuel efficiency, and reduce GHG emissions.

This not only contributes to environmental aspects, but also improves comfort. Light control glass, panorama sunroof contribute to comfort and a openness in the cabin.

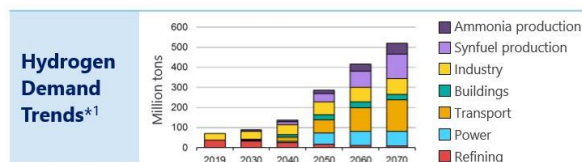
We also expect an increase in the installation of sound insulating glass, which provides a quiet and comfortable cabin space.

- As products become more functional with the expansion of the hydrogen market, the specifications required for materials are becoming more sophisticated.
- Developing new products and technologies with fluorine technology cultivated over many years to respond to customer requirements.

## Fluorinated Ion Exchange Membrane for Water Electrolysis

Integrating electrolyte technologies for fuel cells and ion exchange membrane technologies for chlor-alkali electrolysis

⇒ **Supplying electrolyte membranes for water electrolysis with the world's highest efficiency and safety performance**

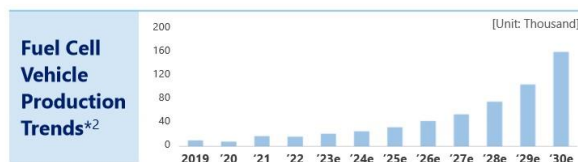


Hydrogen-related: including ammonia and synthetic fuels derived from methanation processes

## Fluorinated Electrolyte Polymers for Fuel Cells

High power generation performance and durability achieved by differentiated technology

⇒ **Established an overwhelming No. 1 position**



\*1: Ministry of Economy, Trade and Industry Future Hydrogen Policy Issues and Directions for Response (2021) \*2: Based on S&P Global data

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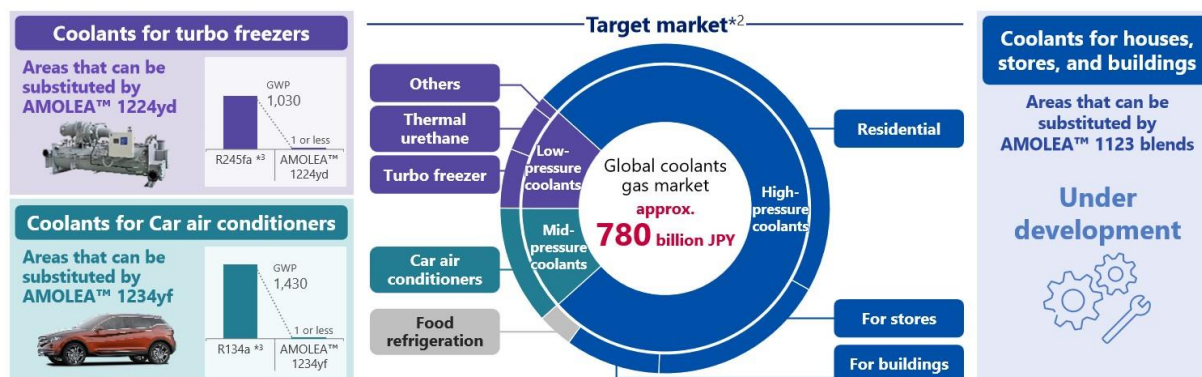
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Expansion of production equipment and facilities related to the growing demand for hydrogen, including fuel cell vehicles, is also expected.

We will expand the supply of electrolyte polymers, in which we have established the overwhelming number one position for fuel cells, and fluorinated ion exchange membranes for water electrolysis with the world's top efficiency and safety performance by integrating our technologies cultivated in the manufacture for chlor-alkali electrolysis.

In order to increase in production, we decided in January of this year to build a new facility at our Kitakyushu site, with the aim of starting operation in June 2026.

- Accelerated conversion from existing coolants to **new eco-friendly, next-generation coolants and solvents** with low global warming potential (GWP\*) from 2025 onward toward a net-zero carbon society.
- Low-GWP coolants market will expand to about 2.2 times its 2022 level by around 2030\*4.



\*1 : GWP (Global Warming Potential) is a coefficient that expresses the greenhouse effect as a multiple of that of CO<sub>2</sub>.

\*2 : 2020 AGC estimates \*3 : Existing products \*4 Based on TCFD scenario analysis

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The market for eco-friendly products for coolants and solvents used in air conditioners and refrigeration equipment is also expected to expand.

We have developed coolants for turbo freezers with a global warming potential (GWP) of less than 1/1,000 of conventional products and new coolants for car air conditioners with a GWP of less than 1/1,400 of conventional products, and we are working on switching to these products.

As a result, Scope 3 GHG emissions in our company have decreased, as I mentioned earlier.

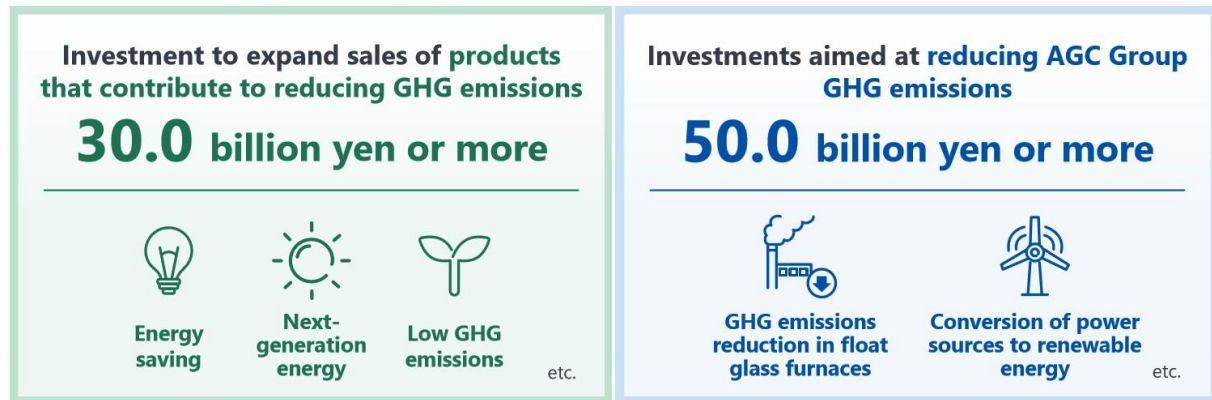
We estimate that the market for these small GWP coolants will expand to approximately 2.2 times its 2022 level by around 2030.

Coolants for houses, stores, buildings, and air conditioning are currently under development.

## Future Investment Plans for Addressing Overall Climate Change

- Investing more than 80 billion yen over three years from 2024 to 2026 to address climate change

### Cumulative investments plan related to climate change response



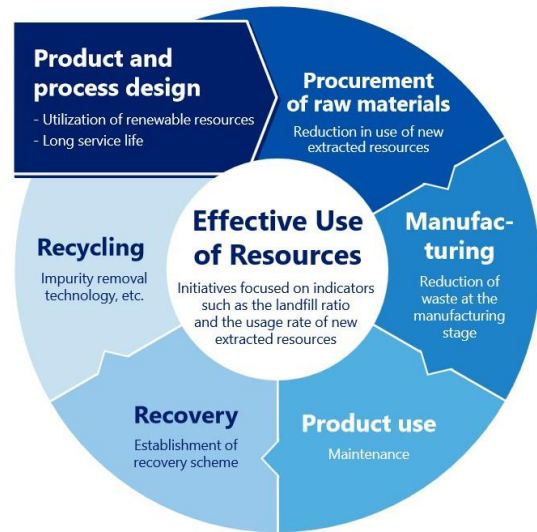
In order to respond to climate change, we plan to invest a total of more than JPY80 billion over the three years from 2024 to 2026, including more than JPY30 billion to expand sales of products that contribute to GHG emissions reduction and more than JPY50 billion for our own emissions reduction efforts.

We are firmly committed to both seizing opportunities and reducing risks related to climate change.

- Promote the use of recycled resources and reduce the use of raw materials derived from natural resources.
- Aiming to establish resource recycling in all phases of business

## Targets

- **Landfill ratio: less than 1%**
- **Effective Utilization of Resources**
- **Improved resource reuse rate**
- **Introduction of non-fossil-derived materials**



Next, I would like to introduce the effective use of resources.

We are also making efforts to promote the use of recycled resources and reduce the use of raw materials derived from natural resources, or in other words, natural capital.

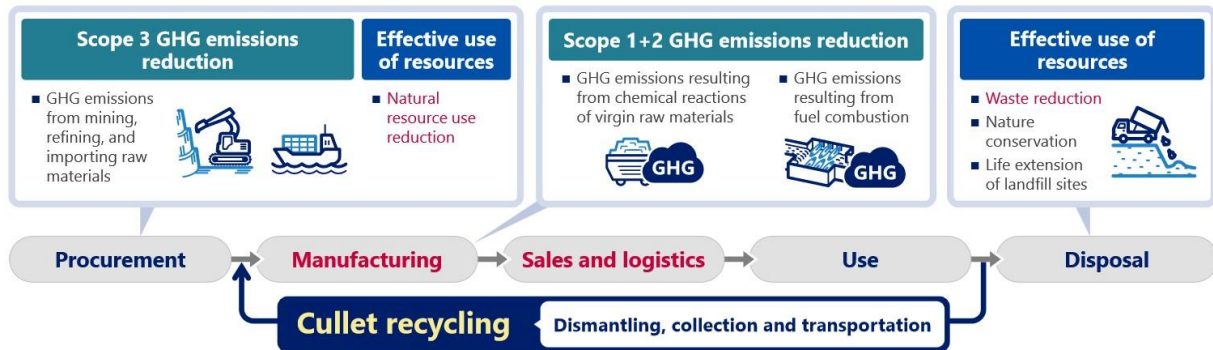
We will put in place a system for resource recycling in all phases, from product design and manufacturing process design to raw material procurement, manufacturing, product use, collection, and recycling.



# Cullet (Glass Waste) Recycling

- Recycle waste glass that would otherwise be sent to landfill as raw materials.
- Cullet recycling contributes to **both reducing the use of natural resources and reducing GHG emissions in Scope 1 to 3**

**1 ton of cullet recycled = approx. 1.2 tons of virgin material saved, GHG emissions reduced by 0.5 to 0.7 tons (CO<sub>2</sub> equivalent)**



Let me explain about the cullet recycling.

Used glass is most often disposed of in landfills after disposal. We are working to recycle these as raw materials rather than disposing of them in landfills and to increase the recycling rate.

Since glass cullet is more soluble than virgin raw materials, the use of cullet instead of virgin raw materials can reduce the energy required to dissolve raw materials during production. This will reduce our Scope 1+2 GHG emissions.

1 ton of cullet reduces virgin raw materials by approximately 1.2 tons. Scope 3 GHG emissions generated during resource mining, refining, and transportation are also reduced, resulting in a total reduction of 0.5 ton to 0.7 ton of GHG emissions from Scope 1 to Scope 3.

Promoting cullet recycling is an initiative of social significance on many aspects, including reducing GHG emissions, preserving natural capital, reducing waste, and extending the life of landfill sites.

## Progress examples: Cullet Recycling (Construction Glass)

- In partnership with major general contractors and various business partners, we're promoting the recycling of waste glass from building demolition - a feat that was previously considered challenging
- Successful recycling of glass for convenience stores

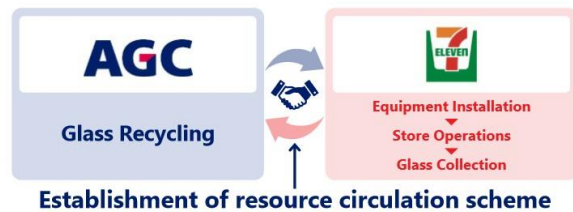
### Europe

- We've managed to collect 130 tons of waste glass from a large building in Brussels. This will then be recycled at AGC and is planned to be repurposed as Low-Carbon glass.



### Japan

- Collaborated with 7-Eleven to collect 4 tons of shelf glass and succeeded in recycling into raw material cullet (Japan's first in 2024)
- Plans to expand recycling to store glass in the future



The AGC Group has long been involved in recycling cullet generated in its manufacturing plants. Efforts are gradually beginning to be made to recycle glass after it has been used as a product, such as window glass.

In collaboration with diverse business partners, including several major general contractors, we have also begun experiments in recycling waste glass generated during building demolition.

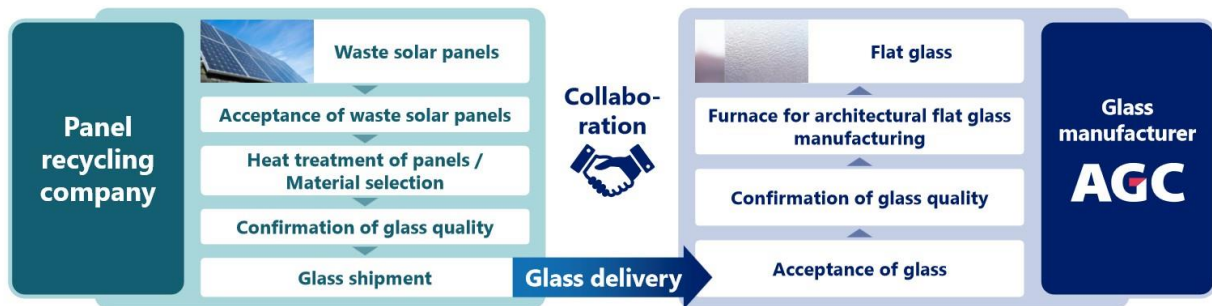
In Brussels, 130 tons of waste glass from large buildings will be collected and reused as low-carbon glass.

Recently, in collaboration with 7-Eleven, we have succeeded in resource recycling by collecting discarded shelf glass used in stores, recycling it into new flat glass products, and then using it again in 7-Eleven stores. We plan to continue to develop this type of resource cycle.

## Progress examples:

### Cullet Recycling (Cover Glass for Solar Panels)

- Hundreds of thousands of tons of solar panels are expected to be disposed of annually in the late 2030s\*, and recycling of cover glass is an important issue.
- Successful demonstration test of float glass production using collected cover glass as raw material (first in Japan in 2023). Scheduled to begin use as a raw material for the manufacture of figured glass (planned from the end of 2024 onwards).



### Recycling process for solar panel cover glass (an example)

\*Assumptions for the Japanese market based on NEDO data

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Another important issue is the recycling of solar panels, which are expected to be disposed of in large quantities in the late 2030s.

We have also succeeded in a demonstration test to separate panel components, sort materials, and recycle cover glass to produce flat glass.



## Progress examples: Fluorinated Products Recycling

- Promoting recycling of fluorocarbons since 1997. Used products are collected and reused as raw materials.
- The company aims to further expand the fields of recycling, such as fluoropolymers used in the manufacture of semiconductors.



This section will introduce the recycling of fluorine products.

Since 1997, the AGC Group has been engaged in chemical recycling, in which collecting fluorocarbons, obtain calcium fluoride through a destruction process, and reuse as a raw material.

In the future, we intend to expand our target fields to include fluoropolymers used in semiconductor manufacturing and to engage in material recycling.

## Examples of Products Contributing to Effective Use of Resources

### Long Life

**Fluoropolymer film for greenhouse that lasts for over 30 years without being replaced**

- Longer life than ordinary products that has a life span of between 3 and 5 years
- Waste plastic emissions are also reduced

**F-CLEAN**



### Easy to Recycle

**Easily recyclable Double-Glazing Glass**

- Easily disassembled for horizontal recycling
- Contributes to CO<sub>2</sub> reduction throughout the product life cycle by extending service life

**Thermocline**



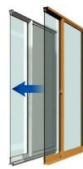
### Waste Reduction

**Glass for renovations that can be retrofitted**

- Enables high-performance windows without disposal of existing glass and sashes

**Mado2™**  
Double-glazing window for a comfortable environments

Insulation Heat shielding  
Anti-condensation Soundproof



### Bio-Based

**100% bio-based epichlorohydrin**

- In addition to reducing new resource extraction, GHG emissions are up to 67% less than conventional petroleum-derived ECH

**epinity**

Examples of products that make effective use of resources and contribute to GHG emissions reduction are shown here.

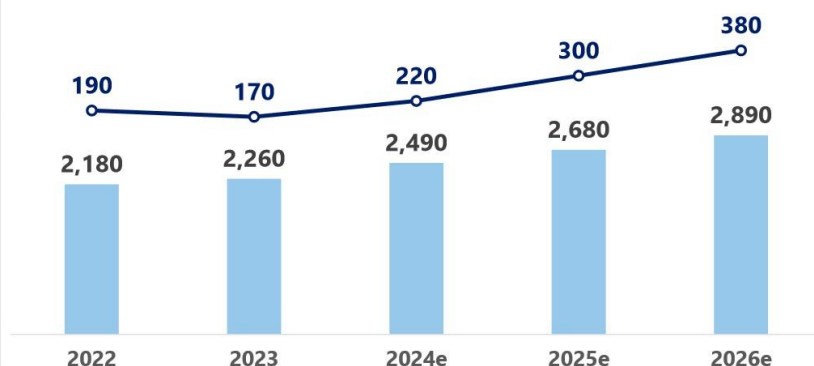
We are working to expand product sales in terms of long life, waste reduction, ease of recycling, and use of bio-based by-products.

## Net Sales and Operating Profit of Products Contributing to the Environment and Energy Field

- Net sales of products contributing to the environment and energy fields account for about 10% of the Group's total sales.
- While seizing opportunities for market expansion, AGC Group will continue to leverage its technological capabilities to contribute to further GHG emissions reductions and business growth.

**Overview of Business Performance Contribution of Products Benefiting the Environment and Energy Fields** (Unit: 100 million yen)

Net Sales Operating Profit



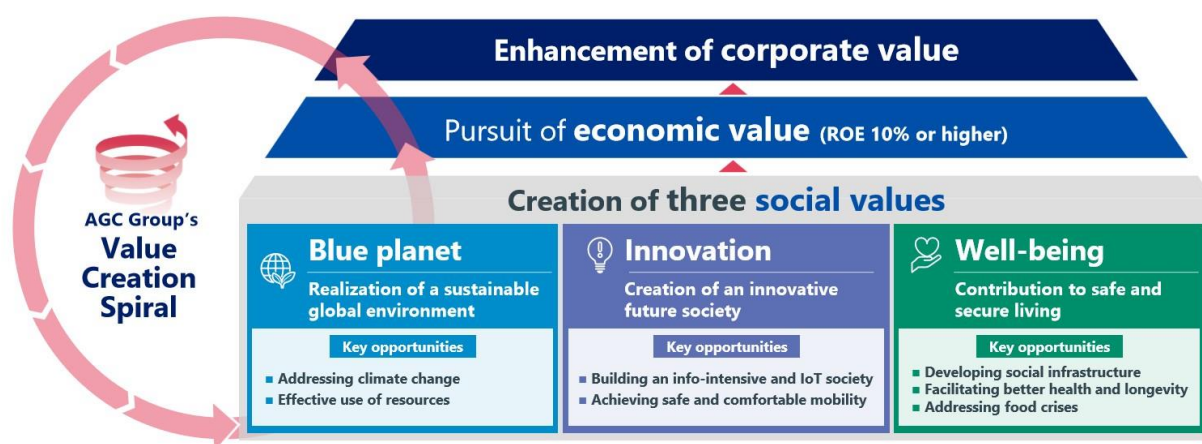
Net sales of products that contribute to the environment and energy fields amounted to JPY226 billion, or more than 10% of total group sales, and operating profit amounted to approximately JPY17 billion.

We will continue to seize opportunities for market expansion, aiming for net sales of JPY289 billion and an operating profit of JPY38 billion by 2026.

## AGC Group's Value Creation Spiral



- The AGC Group will create economic value through the creation of social value to achieve a spiral of enhanced corporate value.



At last, I would like to explain our efforts to enhance the effectiveness of the creation of the three social values.

As I explained at the beginning of this presentation, the AGC Group will continue to pursue economic value and enhance corporate value through the creation of three social values, thus creating a spiral of value creation.

# Sustainability Committee

- Positioned equivalent with the Management Committee
- Held four times a year, reporting to the Board of Directors twice a year



## Agenda for the 2023 Sustainability Committee meeting

### Examples

- **Internal carbon pricing system operational Review**
- **GHG emissions reduction**  
Scope 1, 2, 3 reduction roadmap  
Emissions reduction results
- **Initiatives to address human rights issues**  
Identification of salient human rights issues and establishment of human rights policies  
Supply chain human rights due diligence
- **Matters related to worker safety**
- **Employee engagement surveys and improvement**

In order to enhance the effectiveness of this social value creation, we have established the Sustainability Committee, which is positioned equivalent with the Management Committee and holds committee meetings attended by the CXO and all division heads four times a year.

Twice a year, we report on these activities to the Board of Directors and receive advice.

In 2023, we discussed matters related to GHG emissions reduction and initiatives to address human rights issues.

## Environmental Response Meeting

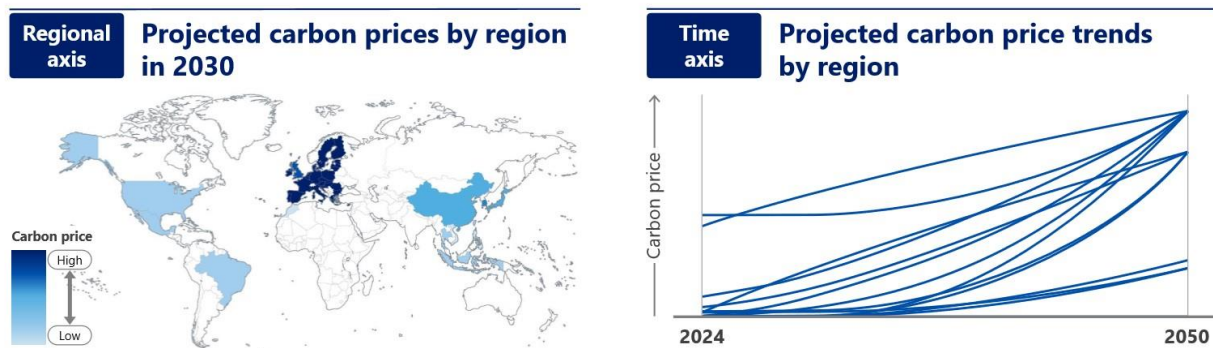
- Renewed the structure in 2024 to discuss not only GHG emissions reduction but also the environment in general.
- Establish global and cross-business thematic projects in order to address issues



We have also established the Environmental Response Meeting under the umbrella of the Sustainability Committee and are working globally and across businesses to establish a system for discussing not only GHG emissions reduction, but also the environment in general.

## GHG Emissions Reduction Strategies that Take into Account Carbon Cost

- Reviewed the Internal Carbon Pricing System\*.
  - Reflecting the policy landscape of each country and region in the carbon cost for climate change, future carbon costs are calculated based on both regional and time Axis.
  - Consider social and economic value and apply them to investment decisions



Starting in 2022, the AGC Group has introduced the Internal Carbon Pricing System. At its meeting earlier this year, the Sustainability Committee decided to review this ICP system.



Although a single price has been set since the time of commencement in 2022, we have decided to calculate the future carbon cost at the time of investment decisions based on the time axis for each region in which the Group operates.

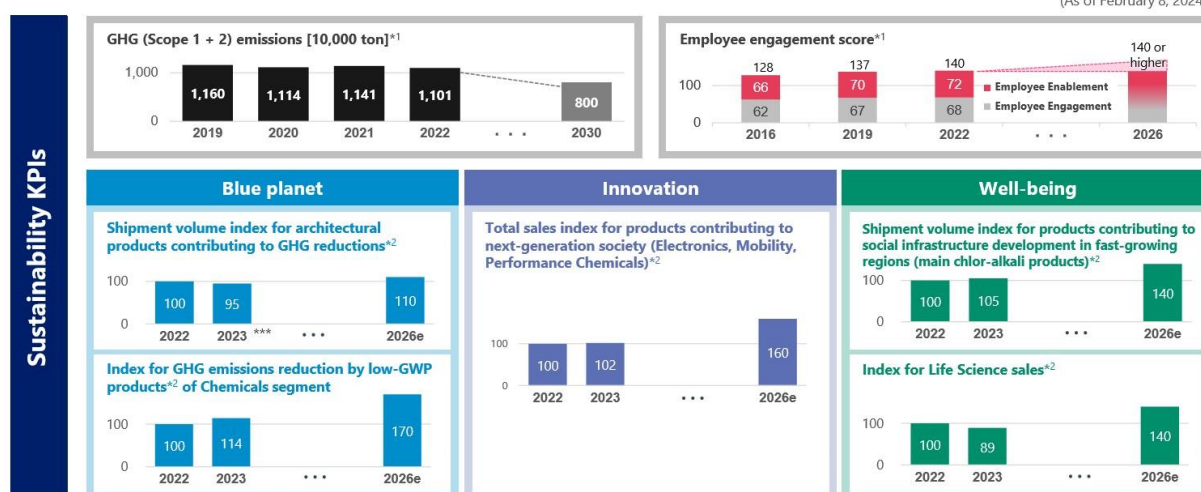
We will be able to make investment decisions and timing decisions that take into account both the social value of reducing GHG emissions and the economic value of bearing the carbon cost.

## Sustainability KPIs



### ■ Establish sustainability KPIs and monitor sustainable growth

(As of February 8, 2024)



\*1: Items reflected in executive remuneration. However, for GHG emissions, GHG emissions per unit of GHG emissions sales are used in the calculation of executive remuneration.

\*2: Indexes: Figures converted from 2023 on using 2022 as a base of 100.

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In the mid-term management plan started this year, we have established sustainability KPIs to check the status of social value creation.

We will monitor the status of sustainable growth based on these indicators.

## Reflection in executive compensation system

- Sustainability KPI adopted as a non-financial indicator for executive stock compensation for the period covered by the new medium-term management plan **AGC plus-2026**.

Category	Performance Indicators	Reason for Selection	Weight
Financial Indicators	ROE	Important Performance Objectives for Long-term and Medium-term Plan Periods	30%
	EBITDA	To improve cash generation capacity and profitability	30%
Stock Price Indicator	Relative TSR (vs TOPIX)	More profit sharing with shareholders	20%
Non-Financial Indicators	GHG Emissions per unit of sales	Aiming to contribute to the realization of a sustainable global environment	10%
	Employee Engagement	Aiming for the growth of the company through the growth of each employee and the exercise of his or her abilities.	10%

Note 1: Relative TSR (vs. TOPIX): TSR stands for Total Shareholder Return and refers to the total investment yield (total shareholder return) for shareholders, including capital gains and dividends. Relative TSR (vs. TOPIX) compares the Company's TSR for the subject period to the average TSR of TOPIX component stocks.

Note 2 GHG emissions per unit of sales: GHG emissions per unit of sales is an index of the amount of GHG (greenhouse gases) emitted by AGC group divided by net sales, and indicates the carbon efficiency of our business activities.

In addition, some sustainability KPIs are reflected as non-financial evaluation indicators for executive compensation.

For the period covered by the medium-term management plan, 20% of the evaluation indicators for equity compensation, which are incentives to improve corporate value over the medium to long term and to achieve the medium-term plan targets, are non-financial indicators: GHG emissions per unit of sales and employee engagement score.

In order to enhance the effectiveness of sustainability management and social value creation, we have put in place the systems and executive compensation system as introduced so far.

We are committed to fulfilling our social responsibilities, continuing to provide products of social value, achieving economic value, and continuing the spiral of corporate value enhancement.

This is the end of the explanation. Thank you very much.

[END]