



Your Dreams, Our Challenge

IR DAY 2024

Shinji Miyaji, CFO

AGC Inc.
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Status quo analysis, direction, and key strategies

Status quo analysis

- PER in line with industry average, but ROE well below capital cost and has higher priority for improvement
- First, achieve and establish a state of $x1 > P/B$ ratio by achieving ROE 8%

Direction

- Accelerate corporate transformation and maximize corporate value
- Target ROE 8% by 2026 to cover the capital cost

Key Strategies

- **Evolution of "ambidextrous strategy"**
- **Deepening of Sustainability Management**
- **DX Promotion**
- **Strengthening of management foundation**

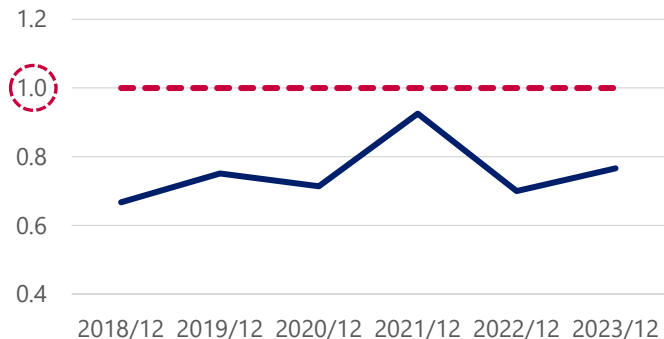
Capital cost and capital return analysis

- PER in line with industry average, but ROE well below capital cost and has higher priority for improvement
- First, achieve and establish a state of 1 > P/B ratio by achieving ROE 8%

Price book-value ratio (PBR)

(Unit: times)

$$\text{PBR} = \text{ROE} \times \text{PER}$$



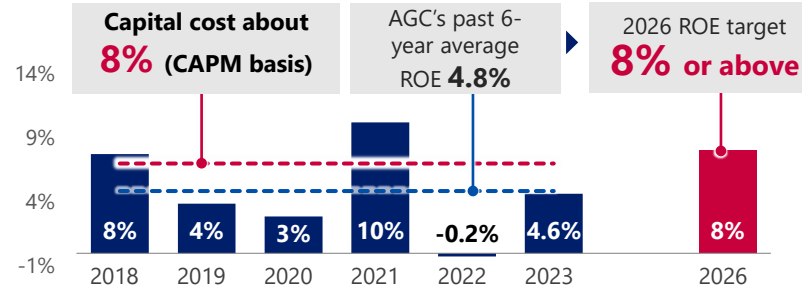
(Reference) Average of 123 chemical companies listed on TSE Prime (December 2023)

Simple average
PBR 1.1x

Weighted average
PBR 1.5x

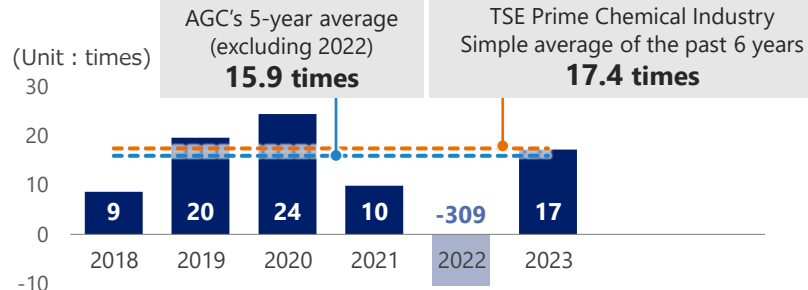
ROE

Return on Equity Ratio



PER

Price Earnings Ratio



Specific measures of key strategies to enhance corporate value

- “Solid growth in strategic businesses” and “acceleration of structural reforms in core businesses” is the most important measure to improve ROE

Improve and stabilize ROE

- Accelerate portfolio transformation through ambidextrous strategy
- Carefully select investments and implement structural reforms at an early stage
- Continuously improve asset efficiency, including the sale of cross-shareholdings

- **Achieve steady growth in strategic businesses**

- **Accelerate structural reforms of core businesses**

- Sustainability KPI setting, DX promotion

Improve PER

- Continuation of stable dividend (Dividend on equity ratio of approx. 3%)

- Strengthen dialogue with investors (360 individual meetings/year, financial results briefings, business briefings, ESG briefings, meetings with outside directors, etc.)

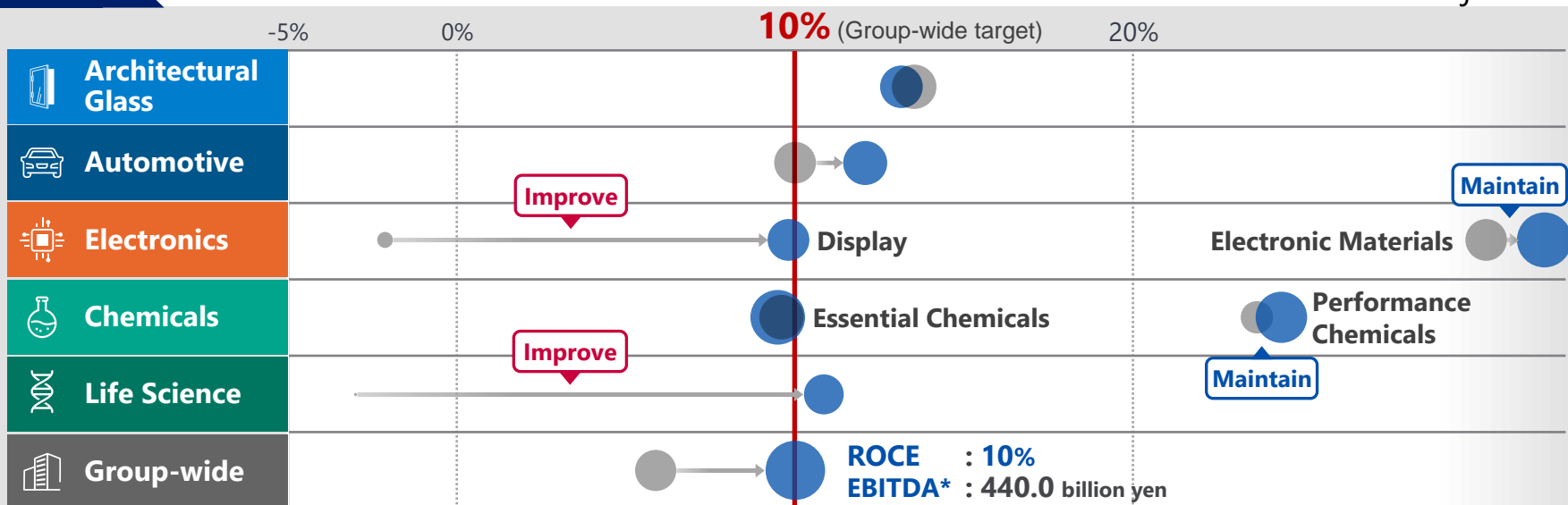
Improve
Corporate
Value
PBR > 1

Business Indicators for achieving 8% ROE

- Aim for company-wide **ROCE of 10%** or more, which is **equivalent to ROE of 8%**.
- Work to maintain and raise ROCE levels for each business
- Key points are to improve Display and Life Sciences, and maintain the level of Electronic Materials and Performance Chemicals.

ROCE

● 2023 Actual vs ● FY2026 Projection



ROCE : (OP forecast of the year) ÷ (Operating asset forecast at the year-end),

Group-wide OP by business is after allocation of common expenses; OP for each business is before allocation of common expenses

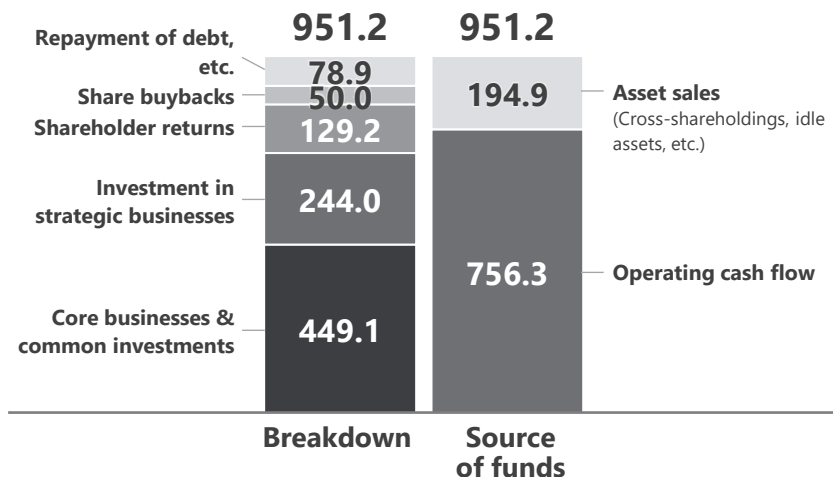
Diameter of each circle (excluding those of the group-wide section) : the size of EBITDA * **EBITDA** = Operating profit + Depreciation

Capital Allocation Policy

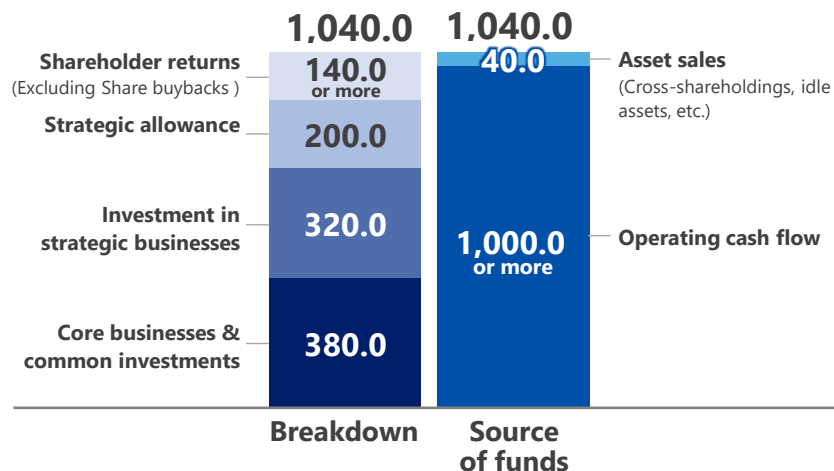
- Strategic investment budget will be set at 200 billion yen for proactive investment in strategic and growth businesses.
- Regarding shareholder returns, stable dividends will be maintained with a target of approx. 3% Dividend on Equity (DOE), and share buybacks will be determined based on a comprehensive consideration of investment projects, cash position and other factors.

(Unit: Billion yen)

Previous Mid-term Plan period (FY2021-FY2023)



FY2024-FY2026



New Medium-term Management Plan *AGC plus-2026*: Financial KPIs

- We will continuously grow and evolve our businesses to achieve **stable ROE of 8% or higher**
- We will expand **strategic businesses** to account for the majority of **Group-wide** operating profit by 2026.

		2023 (Actual)	2024 (Estimate)	2026	2030	2050
Financial KPIs	OP	128.8 billion yen	150.0 billion yen	230.0 billion yen	300.0 billion yen or higher	
	Strategic Business OP	56.8 billion yen	80.0 billion yen	130.0 billion yen	190.0 billion yen or higher	
	EBITDA*	304.1 billion yen	335.0 billion yen	440.0 billion yen		
	ROE	4.6%	3.7%	8% or higher	10% or higher	
	D/E Ratio	0.42		0.5 or less		

* EBITDA = Operating profit + Depreciation



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END

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