



AGC Inc.

IR DAY 2024 <DAY 1> Automotive

June 3, 2023

Event Summary

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	Yoshio Takegawa	Senior Executive Officer, President of Automotive Company
	Chikako Ogawa	General Manager of Corporate Communications & Investor Relations Division

Presentation

Ogawa: Next, Mr. Takegawa, President of Automotive Company, will explain the business strategy of the automotive business. Mr. Takegawa, please.

Takegawa: My name is Takegawa, President of Automotive Company. Today, I would like to give you an overview of the company's business.

Agenda

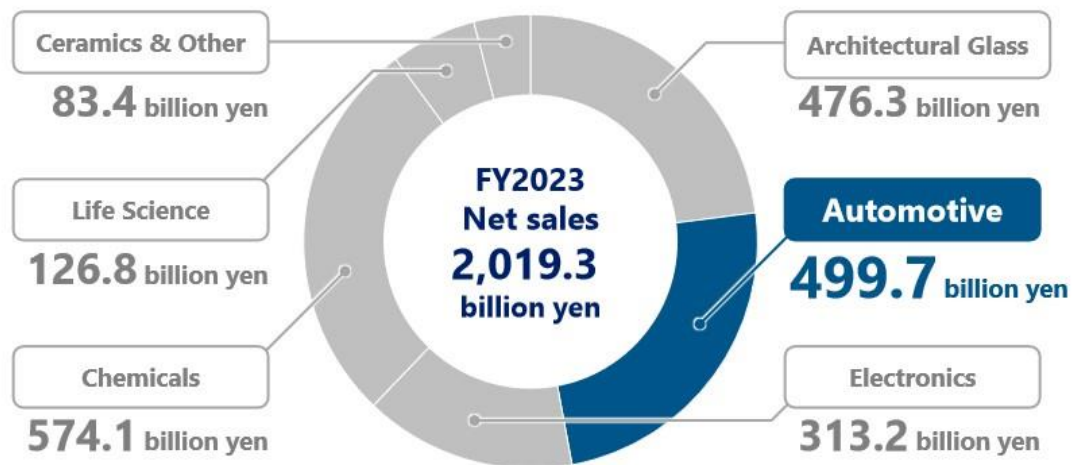


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Here, you see today's agenda.

First, let me give you an overview of the automotive business as a whole. Next, I would like to explain the three measures we are taking to improve profitability in order to realize our mid- to long-term goal of Vision 2030. I will also explain our initiatives for higher functionality and high added value, particularly those related to mobility, which is a medium- to long-term issue among the three measures. Finally, I would like to discuss our medium- and long-term business outlook.

Position in the AGC Group



* As net sales by business are figures before eliminations of intersegment sales, the sum of net sales by business does not equal Companywide net sales.

First, this page describes the positioning of the automotive business in the Group.

This business accounts for approximately 25% of consolidated sales.

Main Products

- Lineup of high-value-added and high-performance products utilizing AGC's comprehensive technological capabilities in coatings and glass processing

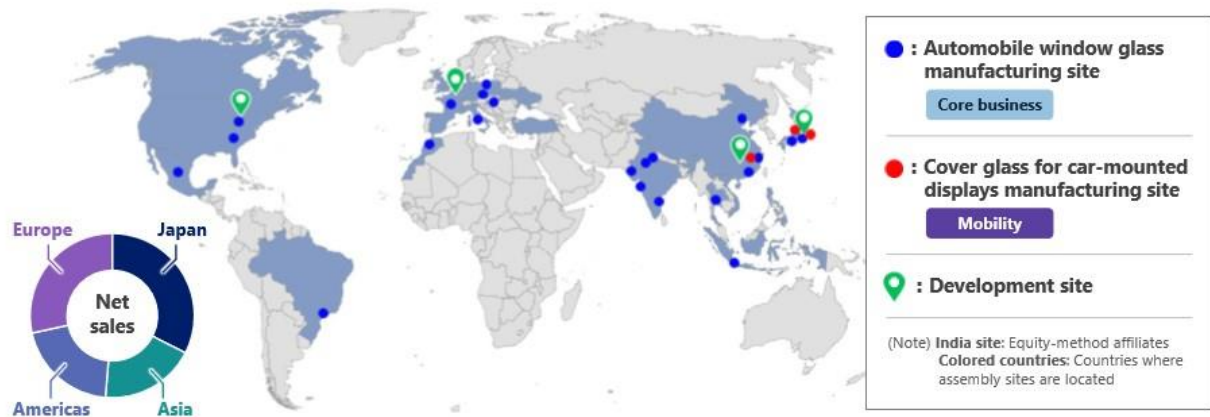
Main products



Our main products are related to automotive window glass, which falls under our core business, and in addition, we engage in the mobility business, our strategic business. I will add to this later.

Group site expansion

- Global network across Asia, Europe, and the Americas
- Pursuing market trends in the R&D sites in Japan, the US, and Europe as well as China







We have a global network within three regions: Asia, Europe, and the Americas.

The areas with blue circles are manufacturing sites for automotive window glass, our core business, and the areas with red circles are manufacturing sites for cover glass for car-mounted displays, one of our strategic businesses.

In addition to manufacturing sites, we also have a global network of development sites. In addition to Japan, the US, and Europe, we have an R&D base in China to capture the fast-growing Chinese market trend.

Strengths of the Automotive business

 Distinguished customer base	Relationships built on trust with global OEMs leading the EV and mobility market
 Global production, sales, and development system	Global network capable of providing high quality products and services
 The collective technological capability of the AGC Group	Business development utilizing "materials technology," "functional design," and "production technology"
 Synergies generated by automotive window glass + Mobility	Increase added value by combining Mobility products and technologies

Here is a summary of our strengths.

The first is the customer base. We have established trusted relationships with many of the global OEMs that are leading the EV and mobility markets, and through these relationships, we have access to opportunities in new mobility markets.

Next is a global production, sales, and development system. Our global network of high-quality products and services is of great value to our global customers.

The third is AGC Group's comprehensive technological capabilities. The AGC Group possesses a wide range of material technologies, functional design capabilities that meet the needs of the mobility society, and production technology that stably produces high-quality products, which is the value we provide to our customers.

The fourth is the synergy between automotive window glass and mobility. We have both a core automotive window business and a strategic mobility business. We are seeing an increasing number of cases of business creation through synergies, such as collaboration on new mobility products through relationships of trust with customers who have a relationship with us in the window glass business.

Vision and Mission



Vision

We will earn the trust of society by enabling a safe, comfortable and connected mobile community

Mission

Continue to create new business (products, technologies and services) on the global scale for advancement of mobility community

COLLABORATIVE

INTELLIGENT

ENABLER

Diverse people in different organizations, interacting and influencing each other, pooling their wisdom to create problem-solving methods and effective business solutions

Vision 2030

Continue to evolve and lead the way in realizing a sustainable mobility society (CASE) through differentiated components and solutions

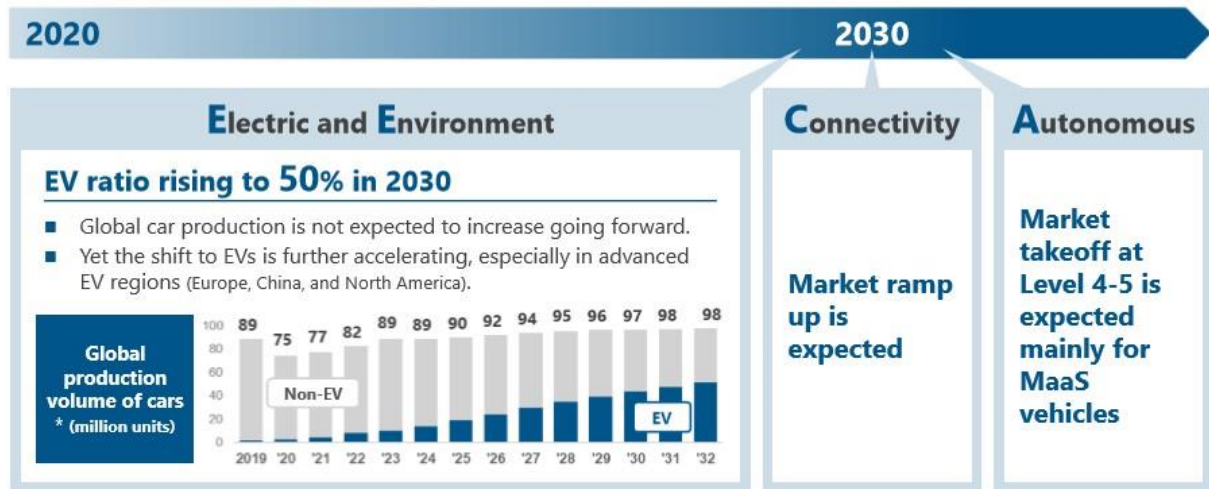
Here is Automotive Company's vision, mission, and what it wants to be by 2030.

We believe that our business has the potential to create a variety of social values in many areas in preparation for the great transformation of the mobility society.

We will continue to create and expand a wide range of new businesses through new products, technologies, and services that leverage our strengths to realize our vision for the year 2030.

Market trends

- Transformation in the automotive industry, as exemplified by CASE, is steadily under way



* Based on S&P global

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Next is the outlook for market trends.

Changes in the automotive industry, as represented by CASE, are steadily underway.

For example, in terms of connectivity, we assume that the market for 5G communications will be fully established around 2030.

In terms of autonomous driving, we have the prospect that Level 4 to Level 5 autonomous driving will be launched mainly with MaaS vehicles.

In addition, the shift to EVs and environmental responsiveness is accelerating, and there are many business opportunities in this area.

On the other hand, as shown in the lower left graph, we do not expect global automobile production to increase in the future. Therefore, we are shifting our operations to a business that is less dependent on increasing sales volume and more focused on increasing value.

Background of Initiatives to Improve Earnings

- In the years leading to FY2023, a decline in auto production volume due to the pandemic and semiconductor supply shortages as well as soaring raw material and fuel costs affected the Automotive business. Impairment losses were booked and restructuring measures implemented.
- In FY2023, the company's performance returned to a recovery track due to an increase in shipments resulting from a rebound in automobile production and a review of selling prices, but improving profitability remains an issue.

	Business environment	Recording of impairment losses	Implementation of structural reforms
2018			
2019	■ Slowdown in Europe & US auto sales	■ North American automotive glass	■ Reduction of headcount in Europe and US headquarters and Czech plant, etc.
2020			■ Start of production consolidation by introducing high-efficiency facilities
2021	■ Decline in auto production volume due to pandemic	■ European automotive glass	■ Consolidation of assembly sites and reduction of old lines
2022	■ Shortage of semiconductor supply	■ Automotive glass in Russia	■ Reduction of Belgian plant and German assembly site
2023	■ Prolonged Russia-Ukraine situation	■ European automotive glass (Excluding Russia)	
		Total 52.1 billion yen	

We are working on the three measures shown on the next page. Let me touch on the background that led to these measures.

For a long time, Automotive Company has operated its business based on the assumption that global automobile production would increase.

We have achieved business growth by increasing production and expanding capacity in line with our customers' global expansion. In the second half of the 2010s, however, the profit environment began to deteriorate rapidly in Europe and the US, as growth in automobile sales slowed.

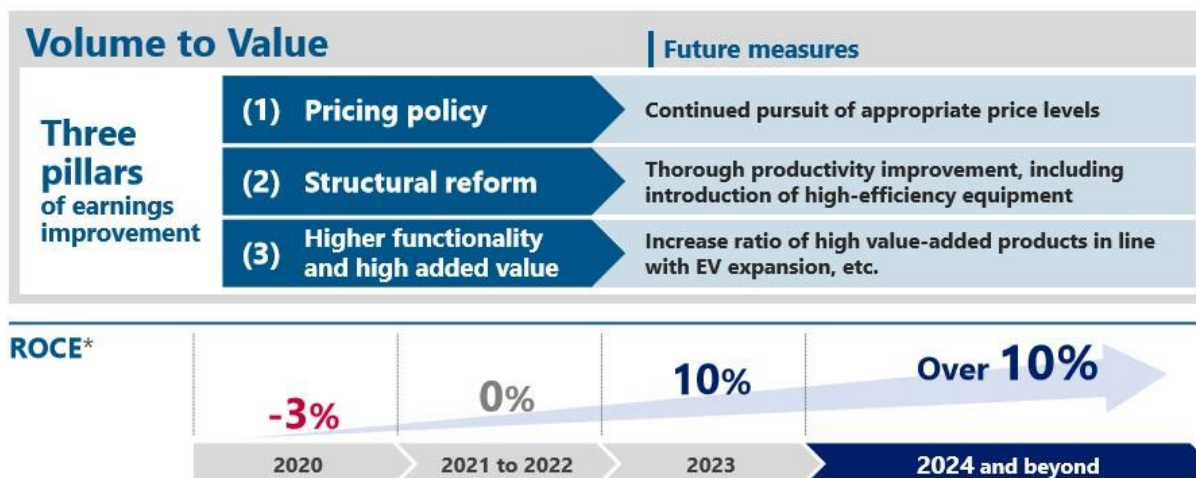
In North America, impairment losses were recorded in 2019. In Europe, the earnings environment has further deteriorated due to sluggish automobile production caused by the COVID-19 pandemic and semiconductor shortages, and an impairment loss was recorded at the end of 2021. Subsequently, the sharp rise in European energy prices and the slump in the Russian business forced the company to record another impairment loss at the end of 2022 in Europe.

In addition, globally, the company's overall earnings declined significantly due to sluggish production caused by a shortage of semiconductors and other factors and soaring raw fuel prices.

Under these circumstances, we have begun to implement the various measures described on the right in response to the inevitable need for rapid improvement in profitability.

Basic Strategy

- Further solidify the earnings base and achieve a stable ROCE of over 10%



* ROCE : (OP before allocation of common expenses of the year) ÷ (Operating asset at the year-end)

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We are taking these measures to improve profitability.

First, a short-term review of selling prices was essential to improve the profitability of automotive window glass.

Next, in the medium to long term, in addition to structural reforms mainly in Europe, we are continuing to implement measures to improve profitability by increasing productivity, including the introduction of highly efficient equipment.

In addition, in our core business of automotive window glass, we are not enforcing the expansion of sales volume but are focusing on the expansion of high-function, high value-added products and the mobility business.

Last year, in 2023, we were able to improve our ROCE to 10%, partly due to the effects of short-term measures, mainly pricing policies. We will continue our efforts to improve stable asset efficiency.

(1) Pricing Policy

Price increases in response **to higher costs due to soaring raw material and fuel prices and other cost increases**

Price increases in response to higher costs **due to rapid changes in automobile production plans**

Review of price levels in consideration of model profitability

Continued pursuit of appropriate price levels

First, I would like to discuss the pricing policy.

To date, price increases have been implemented mainly in response to soaring raw fuel prices and cost increases due to fluctuations in production volume.

Furthermore, through price improvements in low-profit models and new model sourcing, we will continue to pursue further appropriate price levels for sound business operations.

(2) Structural reform

	Implemented	To come
Europe	<ul style="list-style-type: none"> ■ Reduction of Belgian plant and German assembly site ■ Reduction of old lines and cuts to headquarters headcount 	<ul style="list-style-type: none"> ■ Reduction of old lines and conversion to production lines for Mobility products
North America	<ul style="list-style-type: none"> ■ Reduction of old lines and streamlining of assembly sites 	<ul style="list-style-type: none"> ■ Reduction of old lines and streamlining of assembly sites
Global	<ul style="list-style-type: none"> ■ Global deployment and standardization of high-efficiency facility installation ■ Consolidation and closure of low-utilization and low-productivity lines ■ Review of production and supply systems in response to regional market trends 	

Next, I would like to discuss structural reforms.

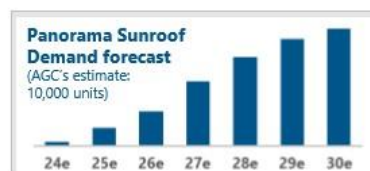
To date, the company has been streamlining multiple sites in Belgium, Germany, and the United States to reduce production capacity as well as costs.

In addition, we are preparing for higher functionality and production by sequentially deploying high-efficiency equipment on a global basis while continuing to consolidate low-productivity lines. We have also started to transform our business from a manufacturing base for automotive window glass to a manufacturing base for mobility. We will continue to realize an appropriate production and supply system in response to market trends in each region.

(3) Higher Functionality and High Added Value:

1. Increase in Demand for Products Through EV Expansion

- With the expansion of EVs, demand for **sunroofs utilizing heat-insulating and light control glass and sound-insulation glass** is expected to grow in addition to existing high-value-added products*.
- Demand for sunroofs is expected to grow, particularly in Europe and China



Low-emissivity glass

Apply special metal coating to glass to block solar radiation heat in summer and keep heat in winter. Also contribute to extending the travel distance of EV and reducing CO₂ emissions.



Light control glass

Insert a special film between two sheets of glass to control transmission of light so that the optimal amount of light falls into the car.



Sound insulation glass

Insert a special sound insulation membrane between two sheets of glass to reduce noise from outside vehicles. Realize a comfortable in-vehicle environment without increasing the weight (thickness) of glass.

* Products with added functions and value such as IR cut and HUD

The third measure is the development of higher functionality and high added value.

With the expansion of EVs, demand for high-performance products, such as sunroofs utilizing heat-insulating and light-dimming glass and sound-insulation glass, is expected to grow.

In particular, demand for large-area panoramic sunroofs with a sense of openness is expected to grow, especially in Europe and China.

(3) Higher Functionality and High Added Value: 2. Expand Business Opportunities by Realizing CASE



- Focusing on market changes through CASE to **ensure that business opportunities are seized**
- **Cover glass for car-mounted displays** are used in over 100 models, mainly for European luxury cars

Providing not only materials but also solutions through the conversion of glass into displays and the addition of communication functionality



Cover glass for car-mounted display

World's top share thanks to adoption for LEXUS RX released in 2019, etc

Glass antenna for next-generation automobiles

Antenna installation position

Succeeded in 5G communication with **glass-integrated 5G antenna**, jointly with NTT DoCoMo and Ericsson

Next, we will further promote higher value-added products through mobility products to realize a CASE society, including EVs.

We have the world's number one market share in cover glass for automotive displays, and the number of vehicles equipped with our products is expected to increase in the future.

In addition, products related to sensors required for autonomous driving, etc., are moving into the mass production phase, and we will grow them as the second pillar of mobility products.

Furthermore, we will explore and strengthen business opportunities, including antennas as a next-generation strategic business.

(Reference)

Comprehensive Technological Capabilities of the AGC Group

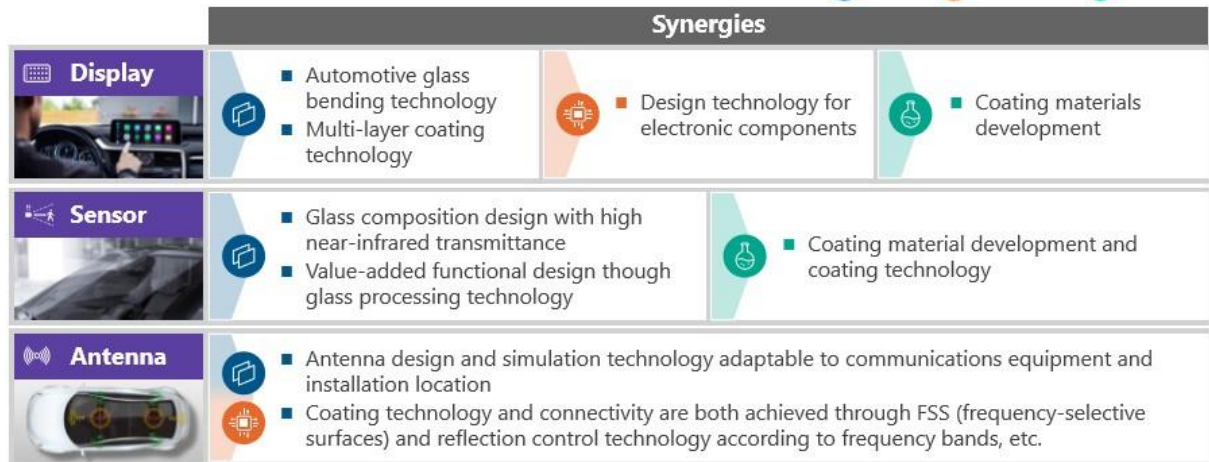


- Expanding businesses on the strength of AGC's unique and comprehensive technological capabilities

 : Glass

 : Electronics

 : Chemicals



This page is for your reference. It summarizes the synergies within the Group in the three areas of mobility products.

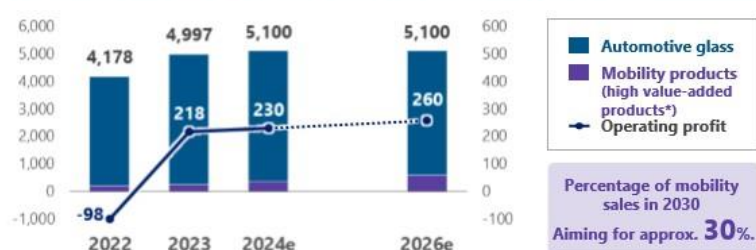
Medium- and long-term earnings outlook

- Mobility products will capture market demand and expand in scale
- In automotive glass, pursue value, not volume (sales and scale)

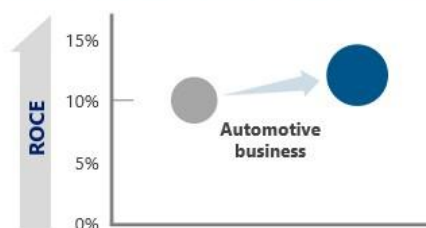
Achieve a stable earnings structure through the effects of various improvement measures and a better product mix

Aim to maintain and further improve the current ROCE 10%

Automotive business Sales and Operating profit trend



ROCE (Diameter of each circle : the size of EBITDA)



*Car mounted Display Glass, sensor, antennas, products with added functions and values such as Low-E, light control etc.

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Finally, here is our medium- to long-term business outlook.

As I have mentioned, we aim to expand the scale of our mobility products by capturing market demand, while in our core business of automotive window glass, our policy is to pursue value without pursuing volume.

Under this policy, we aim to increase the share of mobility products in the company's overall sales to 30% by 2030.

In addition, by steadily implementing various improvement measures and improving the product mix as explained today, we aim to achieve a stable profit structure and further improve the current ROCE of 10%.

This concludes today's presentation. Thank you very much.

Ogawa: Thank you very much, Mr. Takegawa.

[END]