



AGC Inc.

IR Day 2024 <Day 2> Electronics

June 4, 2024

Event Summary

[Company Name]	AGC Inc.	
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[Date]	June 4, 2024	
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[Number of Speakers]	2	
	Nobuyuki Suzuki	Senior Executive Officer, President of Electronics Company
	Chikako Ogawa	General Manager of Corporate Communications & Investor Relations Division

Presentation

Ogawa: The time has arrived and Mr. Suzuki, President of Electronics Company, will give a presentation on the business strategy of the electronics business. Mr. Suzuki, please go ahead.

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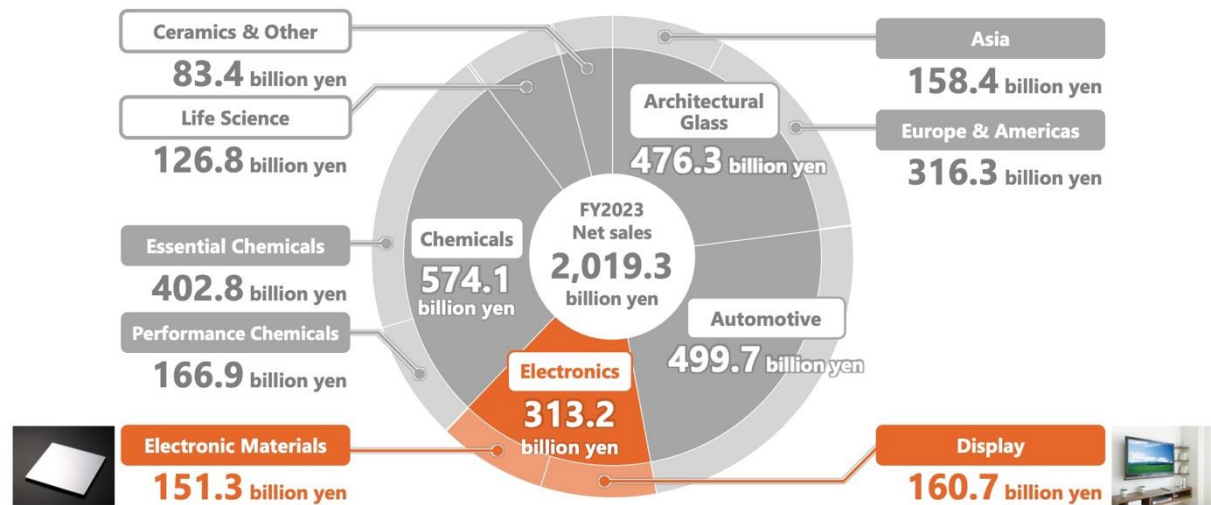


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Suzuki: Hello, everyone. I would like to explain our electronics business.

Here is today's content. I will explain accordingly.

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. Sub-segment sales figures are based on sales to external customers.

First, an overview of the electronics business.

Last year, the electronics business had sales of JPY313.2 billion. It accounts for 16% of the AGC group's total sales. The electronics business includes the display and electronic materials segments, and last year sales were slightly higher in the display segment.

Electronics Company Earnings

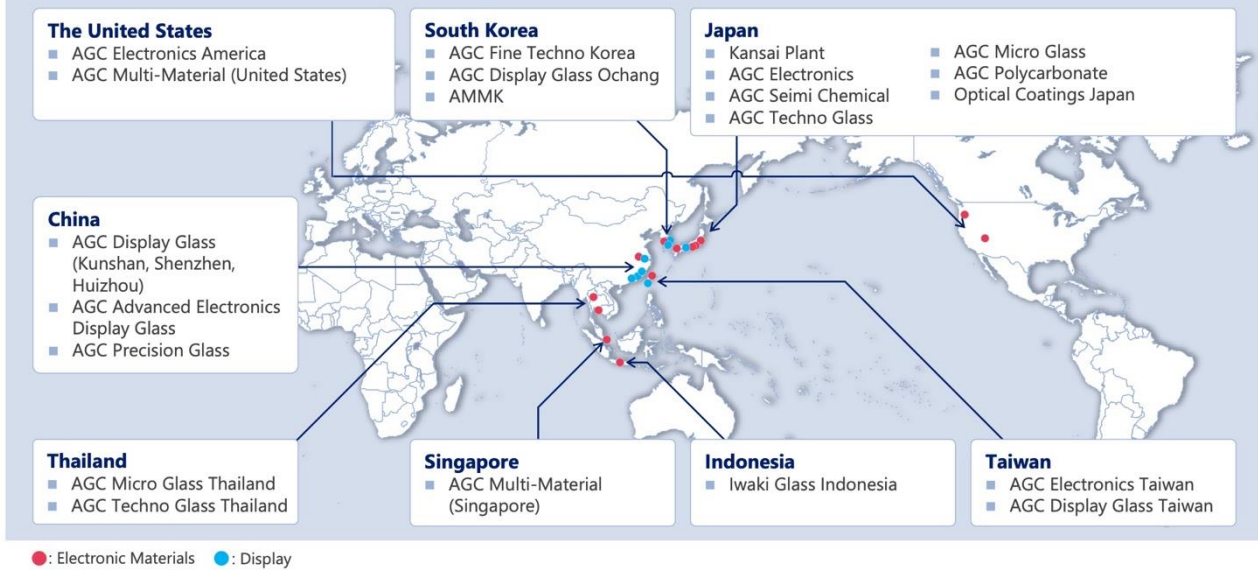
- Electronic Materials are expanding steadily
- Display is struggling due to the reversion of stay-at-home demand seen during the pandemic



The graph shows the performance of the electronics company. Historical sales are shown by segment. The line graph shows operating profit.

In the past few years, we have been steadily expanding our business in the electronic materials, this dark orange area. Display, on the other hand, continued to struggle in the last two years due to the reversion of stay-at-home demand seen during the pandemic. The display business incurred a loss, resulting in a large drop in profit in 2022, but last year, we saw a slight improvement.

Geographical Coverage



This is the electronics company's main manufacturing sites.

Our sites for TFT display glass are located in China, Taiwan, Korea, and Japan. In addition, we have many sites for electronic materials in the US, Thailand, and Japan, and we are expanding globally.

As for the main products of electronic materials, optoelectronics products are mainly manufactured in Thailand and Japan. In addition, the blanks are manufactured in Japan. CMP slurry is also expanding its business to the US and other countries, although it is mainly manufactured in Japan.

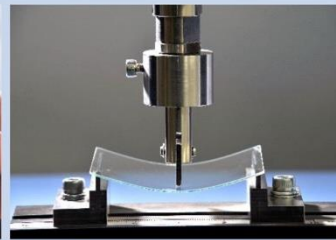
Main Products: Display

**Glass substrates for
TFT liquid crystal /
organic EL Display**



AN100, AN
Wizus™, AN
Rezosta™

**Specialty glass for
chemical
strengthening**



Dragontrail™
series, AS2

We will now move on to a description of the issues and strategies for the display.

The display segment includes glass substrates for TFT and organic EL display and specialty glass for chemical strengthening used in smartphone cover glass.

- Sales are sluggish due to the reversion of stay-at-home demand seen during the pandemic. In addition, higher raw materials and fuel prices and the yen's depreciation have worsened profitability, resulting in an impairment loss of more than 70 billion yen in FY2022.
- We aim to achieve 10% ROCE by steadily implementing measures to improve profitability during the current medium-term management plan period, thereby generating stable cash flow.



These are the issues and strategies of the display business.

The challenge is clear: improve profitability and asset utilization efficiency. From 2022 to 2023, earnings deteriorated due to lower sales as a result of the reversion of stay-at-home demand seen during the pandemic, higher prices for raw materials and other items, and the depreciation of the yen.

We are working on three earnings improvement measures, which are listed here: revise pricing policy, strengthen competitiveness through technological innovation, and structural reforms to focus on large-sized display panel glass substrates. We will explain in detail on the next page and beyond.

Revise pricing policy

- Significant increases in production costs have continued over the long term due to high raw materials and fuel prices and the appreciation of Asian currencies

**Implemented price revision
last year
Continue to request customers
to review prices**

Strengthen competitiveness through technological innovation

- Mass production of the competitive new product AN Rezosta™ and deployment of equipment with high combustion efficiency
- Technology development has already been completed and is being progressively rolled out since the beginning of the year
- Expected to contribute to earnings in stages starting in 2024

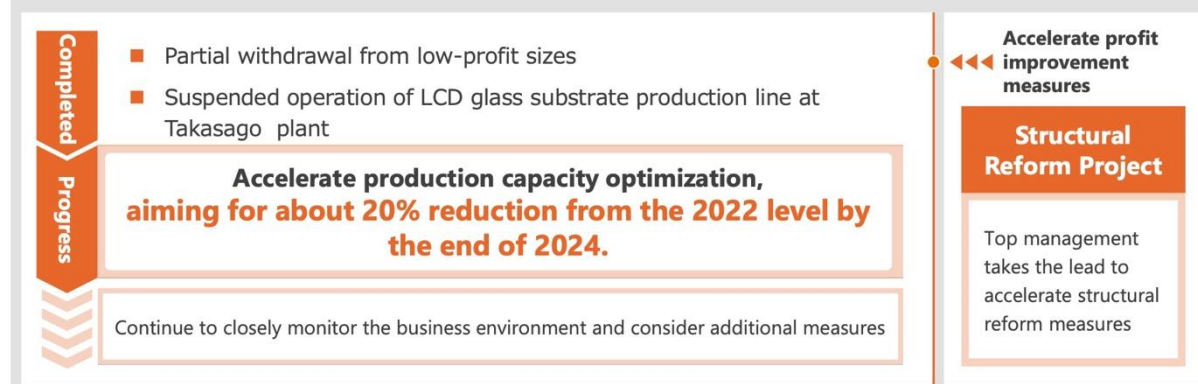


First, let's talk about price and technological innovation.

Prices were raised last year in response to a sharp rise in raw material and fuel costs and a significant increase in production costs due to the exchange rate. We continue to request our customers to review prices in this fiscal year.

Meanwhile, with regard to technological innovation, we aim to strengthen our competitiveness by launching competitive new products and deploying equipment with higher combustion efficiency than ever before.

Promote structural reforms to focus on large-sized display panel glass substrates



* Compared to 2022

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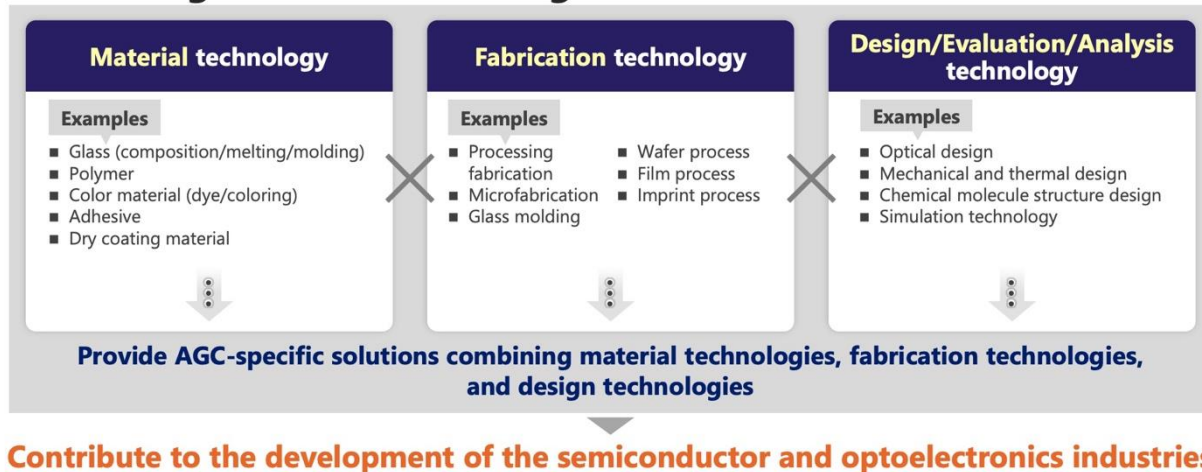
With respect to business structure reforms to focus on large-sized panel substrates, we have been implementing profit improvement measures for some time, and as announced in February of this year, we have launched a project headed by the CFO to accelerate business structure reforms in the display business.

We have already decided to reduce our production capacity by 20% from the 2022 level by the end of this year, including the partial withdrawal from small- and medium-sized, low-profit sizes and the suspension of operations of the LCD display glass substrate production line at Takasago plant.

We will continue to closely monitor the business environment and implement structural reforms with a sense of speed, aiming to achieve a 10% ROCE in the display business during the current medium-term management plan period.

Strengths of the Electronic Materials business

Three technologies developed based on “organic materials + inorganic materials” of glass, chemicals, and ceramics



Next, I will explain our business strategy for electronic materials.

The strength of AGC's electronic materials is that we have organic and inorganic materials, material and fabrication technologies, and superior design/evaluation/analysis technologies, which can be combined to provide unique and original solutions.

For example, we were able to commercialize blanks by having synthetic quartz as a material, then precision coating process, membrane design capability, and superior analysis. We also manufacture slurries for semiconductors from materials, and we believe we maintain our superiority by having both organic and inorganic materials.

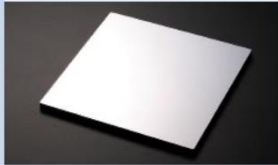
We also believe that glass core substrates for semiconductor packaging, which are expected to grow in the future, are another product where these strengths can be utilized.

Main Products

Semiconductor-related Materials

EUV mask blanks

High-quality photomask blanks for cutting-edge lithography



CMP slurry

One of the top manufacturers in the ceria slurry market



Synthetic quartz lens materials



Copper clad laminates



SiC thermal treatment jigs



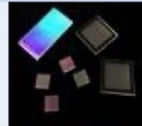
Optoelectronic Materials

IR-cut filter

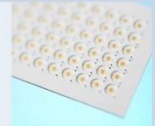
Industry leader in high-performance IR absorbing glass filters



DOE (diffractive optical element) Diffusers



Glass ceramic substrates



High refractive glass



Aspherical glass mold lenses



Here is the description of main products.

In semiconductor-related materials, we handle EUV mask blanks, CMP slurry, synthetic quartz, which has a large share of the market for semiconductor lithography equipment, and copper-clad laminates used for circuit boards.

In the field of optoelectronic materials, in addition to IR-cut filter used for color correction, our mainstay products, we also handle DOEs and diffusers used in sensors, etc., high refractive glass expected to be used in AR and VR, and aspheric lenses used in cameras.

Semiconductor-related Materials: EUV Mask Blanks



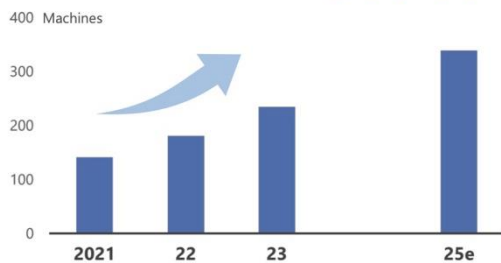
Strengths

- The sole blanks manufacturer in the world that covers the whole production process from glass materials to polishing and deposition
- Strengths include flexibility to customer requests, technical proposals and support to customers

Strategy

- Continue to invest intensively in line with market growth
- Securing competitive advantage in the next generation area with AGC's high technological capabilities

Cumulative number of EUV lithography equipment*



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

Net sales of EUV mask blanks of AGC



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In terms of individual products, I will first explain the situation regarding EUV mask blanks.

We are the world's only manufacturer for EUV mask blanks that covers the whole production process from materials. For all processes, our strength lies in our ability to respond to customer requests and make proposals. We will continue to invest aggressively to respond to demand and ensure our superiority by leveraging our advanced technologies in the next generation area too.

The market for EUV mask blanks is correlated with the number of lithography equipment, and we expect the market to grow in the future because shipments of lithography equipment are strong now and the number of EUV lithography layers will increase as the level of semiconductor integration increases. As for sales, we originally expected to sell more than JPY40 billion in 2025, but we now see the possibility of achieving this goal one year ahead of schedule.

Semiconductor-related Materials: CMP Slurry

Strengths

- Technological development capabilities that enable integrated production from raw material abrasive powder to slurry
- Providing high-quality slurry and solutions to meet customers' design rules and processes

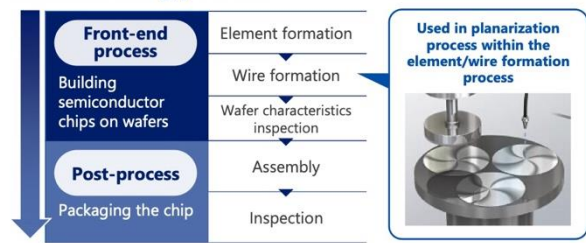
Strategy

- Maintains leading position in ceria slurry
- Expanding sales to new applications (3D mounting, etc.)

Business environment: Ceria slurry market



Use case of CMP slurry in semiconductor manufacturing process



Next, I will explain the CMP slurry.

In the area of CMP slurry, our ability to provide solutions in partnership with our customers is highly regarded for our entire production capability from raw material abrasive powder to slurry, as well as for our high quality.

Since slurries are used in semiconductor process, they are affected by semiconductor utilization rates and the market. However, since our products are widely used in next-generation semiconductors, we aim to grow faster than the growth of the overall CMP slurry market.

Optoelectronic Materials: IR-cut Filters

Strengths

- Realize spectral characteristics that are challenging to achieve by combining glass, disposition and optical design technologies, contributing to a better image quality for cameras

Strategy

- Build strong partnerships with influential customers by leveraging our advanced technological capabilities
- Aiming for even higher added value as mobile camera units become more advanced

Glass filter to match image sensor sensitivity to human visual sensitivity



Product use cases



Cameras for smartphones



SLR cameras



In-vehicle cameras

We will continue with the IR-cut filter.

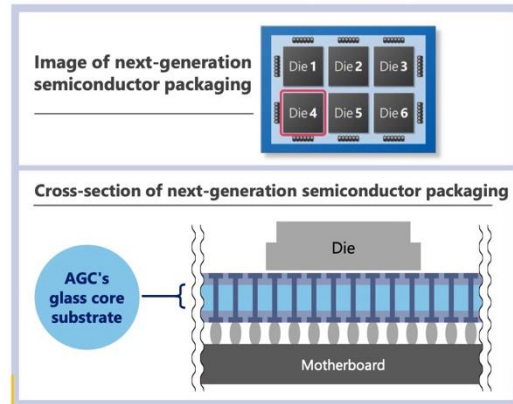
The typical example of our optoelectronic materials is the IR-cut filter. I will explain its strategy. As explained below, the image received by the image sensor used in a camera has different tints from those visible to the human eye. The role of the IR-cut filters is to compensate for this as the human eye sees it. They are used in various types of cameras, including smartphones and digital cameras.

Our strategy is to build partnerships with our highly demanding customers by leveraging our technological capabilities to obtain information about new products. In addition, the camera unit is now increasingly used for moving images, etc., and its high functionality, including moving image performance, is advancing. By proposing technology that matches these needs, we are able to achieve even higher added value, which is helping to increase sales.

New Business Creation Initiatives

Semiconductor-related materials

Full-scale development of glass core substrates for next-generation semiconductor packaging



Optoelectronic materials

Provision of AR/MR glass and other high-performance, high-value-added products



Providing optoelectronic materials necessary for the spread of ADAS and automated driving



Next, here is an example of new business initiatives.

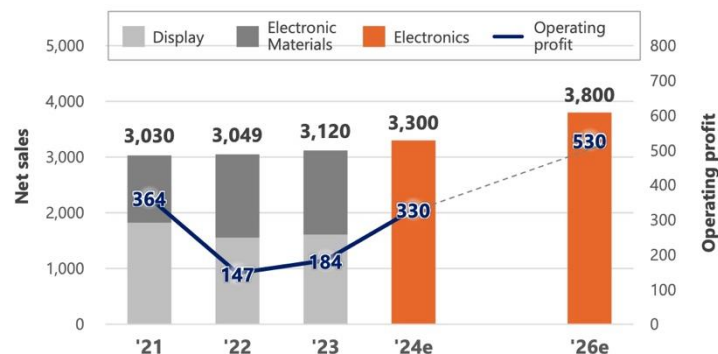
First, the semiconductor-related materials on the left. In this area, we are focusing on exploring business in the packaging field, which will become even more important in the future. Introduced here are glass core substrates that are expected to be widely used for future chiplet substrates. Currently, resin is used, but it is said that this will be replaced by glass in future next-generation products.

In the optoelectronic products on the right, we are focusing on the search for optoelectronic materials required in the new fields of AR/MR, etc., as well as the spread of automated driving and higher performance of automobiles.

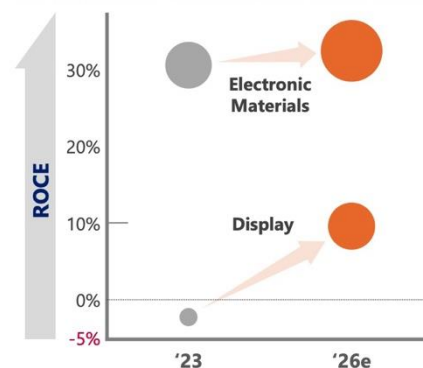
Medium- to Long-Term Performance Image

- In Display, we aim to achieve a 10% ROCE toward 2026 by improving profitability through the three pillar measures while reducing operating assets
- In Electronic Materials, we aim to maintain the 2023 ROCE level by expanding the business centered on semiconductor-related products

Net sales, Operating profit (100 million yen)



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



Next, I will explain our targets.

Last year, sales were JPY312 billion, and operating profit was JPY18.4 billion. This year, we expect sales of JPY330 billion and operating profit of JPY33 billion, an increase in both sales and profit compared to last year. We plan to increase this to JPY380 billion in sales and JPY53 billion in operating profit by 2026.

Regarding ROCE, we are targeting a 10% ROCE by 2026, as display will be improved through the implementation of the measures I just explained, while operating assets will be reduced.

In electronic materials, the business already has a high ROCE, but we have set a target to expand the business during this medium-term management plan period while maintaining ROCE, especially in semiconductor-related products.

This concludes the description of the electronics business. Thank you for your attention.

Ogawa: Thank you very much, Mr. Suzuki.

[END]