



**AGC Inc.**

Financial Results for FY2021

February 8, 2022

## Event Summary

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[Company Name]	AGC Inc.	
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[Event Name]	Financial Results for FY2021	
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[Date]	February 8, 2022	
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[Venue]	Webcast	
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[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Yoshinori Hirai	Representative Director, President, CEO
	Shinji Miyagi	Representative Director, Senior Executive Vice President, CFO
	Toshiro Kasuya	Executive Officer, General Manager of Finance and Control Division
	Chikako Ogawa	General Manager of Corporate Communication and Investor Relations Division

## Presentation

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**Ogawa:** Good afternoon. We now start the online earnings briefing of AGC, Inc. for the fiscal year ending December 2021. I am Ogawa from the Corporate Communications and Investor Relations Division, serving as the moderator.

We are holding this online in light of the pandemic infection of COVID-19. Here in this room, we are operating with the minimal number of staff members with social distance being secured with regular ventilation to prevent infection. The speakers will be speaking without the mask, with a certain distance.

Today's participants are Yoshinori Hirai, Representative Director, Senior Executive, President, CEO; Shinji Miyaji, Representative Director, Senior Executive Vice President, CFO; and Toshiro Kasuya, Executive Officer, General Manager of the Finance and Control Division.

First, CFO, Miyaji, will go over the results for fiscal 2021 as well as the progress on the medium-term management plan. After that, the CEO Hirai will speak under the title "Toward the Realization of Vision 2030." We will then take questions.

We are scheduling until 6:30 PM. for the whole session. Your cooperation is appreciated.

Now, the CFO, Miyaji.

**Miyaji:** Thank you. Good afternoon. This is CFO, Miyaji.

## Key points for today

### ■ Financial Results for FY2021 :

(YoY)

<b>Net Sales</b>	<b>1,697.4 bn JPY</b>	<b>(+285.1 bn JPY)</b>
<b>Operating profit</b>	<b>206.2 bn JPY</b>	<b>(+130.4 bn JPY)</b>
Profit for the period		
Attributable to owners of the parent	<b>123.8 bn JPY</b>	<b>(+91.1 bn JPY)</b>

- Net sales and operating profit increased significantly owing to the increased sales prices and the growth of the strategic businesses.
- Profit attributable to owners of the parent company achieved the record high.

### ■ Outlook for FY2022 :

(YoY)

<b>Net Sales</b>	<b>1,800.0 bn JPY</b>	<b>(+102.6 bn JPY)</b>
<b>Operating profit</b>	<b>210.0 bn JPY</b>	<b>(+3.8 bn JPY)</b>

- Net sales and operating profit will increase together with the growth of the strategic & core businesses while the soaring chlor-alkali market is expected to calm down.

Please turn to page three, highlights of today's presentation.

For FY2021, with the rise in sales prices and the growth of strategic businesses, net sales increased by JPY285.1 billion YoY to JPY1,697.4 billion. Operating income was up JPY130.4 billion at JPY206.2 billion. Net income attributable to owners of the parent was up JPY91.1 billion at JPY123.8 billion, resulting in a significant increase in sales and profit YoY.

Both net sales and net income were record highs and operating income was second only to the record high in 2010.

For FY2022, although the market prices for chlor-alkali products are expected to settle down, both strategic and core businesses are expected to grow for the sales of JPY1.8 trillion and operating income of JPY210 billion.

# Highlights of the Financial Results for FY2021



		FY2020 Full-year	FY2021 Full-year	Change	Main factors in the change (+) Increasing factors (-) Decreasing factors
(100 million JPY)					
Net Sales		14,123	16,974	+ 2,851*	(+) Shipments of architectural glass, automotive glass, life science products and semiconductor-related products increased. (+) Sales prices of PVC and architectural glass increased. (+) Appreciation of Euro.
Operating Profit		758	2,062	+ 1,304	In addition to the above, (+) Manufacturing costs decreased as the operating efficiency of glass manufacturing facilities improved. (-) Increase in natural gas prices in Europe. (-) Depreciation expenses increased due to factors such as new facility launch for LCD glass substrate and semiconductor-related products. (-) Manufacturing costs of display increased as affected by foreign exchange fluctuation.
Profit before tax		571	2,100	+ 1,529	In addition to the above, (+) Gain on transfer of architectural glass business in North America was posted, etc. (-) Impairment losses for automotive glass business in Europe and printed circuit board materials business was recorded.
Profit for the period Attributable to owners of the parent		327	1,238	+ 911	
FOREX (Average)	JPY/USD	106.82	109.80		
	JPY/EUR	121.81	129.89		
Crude Oil (Dubai, Average)	USD/BBL	42.20	69.23		

\* FOREX impact was +49.8 billion JPY, change in the scope of consolidation was ▲6.3 billion JPY

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Page six, here, you can see the highlights of the full-year results.

In terms of sales, shipments of architectural glass, automotive glass, life science products, and semiconductor-related products increased and selling prices of PVC and architectural glass increased. With the impact of the stronger yen sales, or stronger euro, rather, sales increased by JPY285.1 billion YoY.

Operating profit increased despite rising natural gas prices in Europe, increased depreciation costs associated with the launch of manufacturing facilities for LCD glass substrates and semiconductor-related products and higher display manufacturing costs due to the foreign exchange effect. Profit increased by JPY130.4 billion due to reduction in manufacturing costs associated with the improvements in the operating rate of facilities for architectural glass and automotive glass in addition to the factors mentioned earlier.

Profit before tax was JPY210 billion, which exceeded operating income due to gain on the transfer of the North American architectural glass business, although we recorded an impairment loss related to the European automotive glass business and the printed circuit board materials businesses as other expenses. Net income was JPY123.8 billion.

## YoY Performance Comparison by Business Segment



(100 million JPY)

	FY2020 Full-year (a)		FY2021 Full-year (b)		Change (b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass	6,510	▲ 166	7,343	277	+ 833	+ 443
Electronics	2,894	378	3,120	364	+ 227	▲ 14
Chemicals	4,512	505	6,308	1,388	+ 1,796	+ 883
Ceramics/Other	811	42	794	35	▲ 17	▲ 7
Elimination	▲ 603	▲ 1	▲ 591	▲ 2	+ 12	▲ 1
Total	14,123	758	16,974	2,062	+ 2,851	+ 1,304

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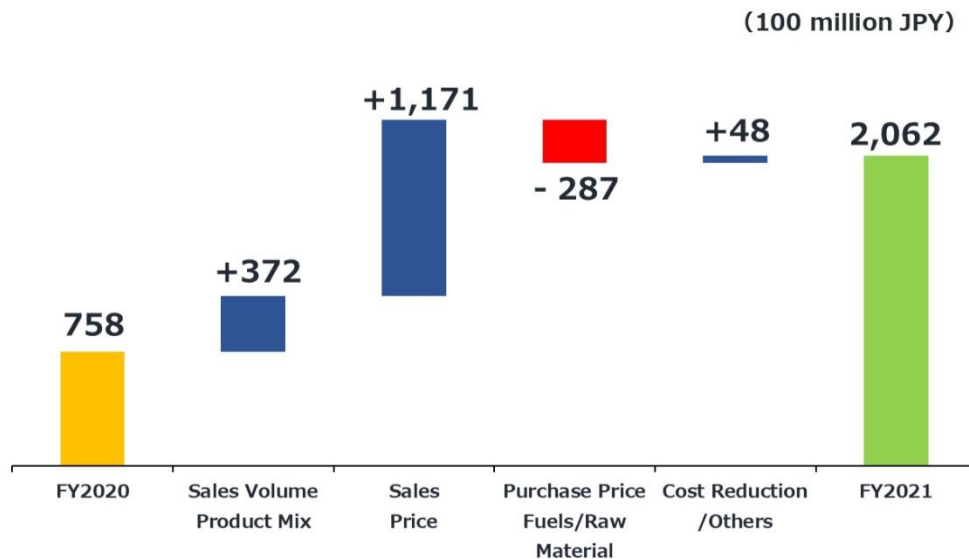
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Next, the results by segment. Please turn to page seven.

For the full year, sales and profits were higher for glass and chemicals, while electronics posted higher sales and lower profit.

## Variance Analysis on (FY2021 vs. FY2020)

130.4 bn JPY up from last year



Please turn to page eight, various analysis of operating income comparing to the previous year, where the operating profit was JPY75.8 billion.

Sales volume and product mix, plus JPY37.2 billion; selling price, plus JPY117.1 billion; price difference of fuels and materials, minus JPY28.7 billion; cost and others, plus JPY48 million.

In total, profit increased by JPY130.4 billion to JPY206.2 billion.

# Consolidated Statement of Financial Position



- D/E ratio improved with the repayment of the Covid-caused interest-bearing debt.

(100 million JPY)

	2020/12	2021/12	Change	
Cash and cash equivalents	2,361	<b>1,958</b>	▲ 403	
Inventories	2,748	<b>3,301</b>	+ 553	
Property, plant and equipment, Goodwill and Intangible assets	14,376	<b>15,067</b>	+ 691	Foreign exchange fluctuation +78.9billion yen
Other assets	5,859	<b>6,334</b>	+ 475	
<b>Total assets</b>	25,345	<b>26,660</b>	+ 1,316	Foreign exchange fluctuation +119.5billion yen
Interest-bearing debt	7,880	<b>6,032</b>	▲ 1,848	
Other liabilities	5,035	<b>5,815</b>	+ 780	
<b>Liabilities</b>	12,914	<b>11,847</b>	▲ 1,068	
Total equity attributable to owners of the parent	11,151	<b>13,142</b>	+ 1,990	
Non-controlling interests	1,279	<b>1,672</b>	+ 393	
<b>Equity</b>	12,430	<b>14,814</b>	+ 2,383	
<b>Total liabilities and equity</b>	25,345	<b>26,660</b>	+ 1,316	
<b>D/E ratio</b>	0.63	<b>0.41</b>		

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Next is balance sheet.

Compared to the end of December 2020, total assets stood at JPY2.666 trillion, which is an increase of JPY131.6 billion compared to year-end of 2020. Including the impact of Forex with JPY119.5 billion, and D/E ratio was 0.41. We repaid the interest-bearing debt, which was accumulating during the coronavirus pandemic and we have made major improvements compared to the end of December 2020.

## Consolidated Statement of Cash Flow



- Significant decrease in cash flow from investing activities due to transfer of architectural glass business in North America and sale of strategic holdings.

(100 million JPY)

	Full-year	
	FY2020	FY2021
Profit before tax	571	<b>2,100</b>
Depreciation and amortization	1,437	<b>1,668</b>
Increase(decrease) in working capital	78	<b>▲ 307</b>
Others	168	<b>▲ 194</b>
<b>Cash flows from operating activities</b>	<b>2,254</b>	<b>3,267</b>
<b>Cash flows from investing activities</b>	<b>▲ 2,302</b>	<b>▲ 1,238</b>
<b>Free cash flow</b>	<b>▲ 49</b>	<b>2,029</b>
Changes in interest-bearing debt	1,578	<b>▲ 2,158</b>
Dividends paid	<b>▲ 266</b>	<b>▲ 310</b>
Others	<b>▲ 28</b>	<b>▲ 54</b>
<b>Cash flows from financing activities</b>	<b>1,284</b>	<b>▲ 2,523</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>▲ 12</b>	<b>90</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>1,223</b>	<b>▲ 403</b>

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Please turn to page 10. This is the FY2021 cash flow statement.

Operating cash flow, major improvement from YoY, JPY326.7 billion and the investment cash flow trunk and stood at JPY123.8 billion because of the business transfer of US architectural glass.

Free cash flow was JPY202.9 billion.

# CAPEX, Depreciation and R&D

(100 million JPY)				
Full-year				
	FY2020	FY2021		
<b>CAPEX</b>	2,413	<b>2,165</b>	<b>Main projects for CAPEX</b> <ul style="list-style-type: none"> <li>G11 investment in China (Electronics)</li> <li>Repairment for display glass furnace (Electronics)</li> <li>Production facility enhancement for semiconductor-related products (Electronics)</li> <li>Capacity enhancement for PVC in Southeast Asia (Chemicals)</li> <li>Capacity enhancement for fluorochemicals (Chemicals)</li> <li>Acquisition of a cell and gene therapy manufacturing facility (Chemicals)</li> <li>Capacity enhancement for bio-pharmaceuticals (Chemicals)</li> </ul> etc.	
Glass	641	<b>503</b>		
Electronics	807	<b>702</b>		
Chemicals	952	<b>942</b>		
Ceramics/Other	15	<b>22</b>		
Elimination	▲ 2	▲ 3		
<b>Depreciation</b>	1,437	<b>1,668</b>	<b>Main factors for increase in depreciation cost</b> <ul style="list-style-type: none"> <li>Production facility enhancement for semiconductor-related products (Electronics)</li> <li>G11 investment in China (Electronics)</li> </ul> etc.	
Glass	510	<b>537</b>		
Electronics	479	<b>612</b>		
Chemicals	430	<b>500</b>		
Ceramics/Other	19	<b>20</b>		
Elimination	▲ 1	▲ 1		
<b>R&amp;D</b>	464	<b>494</b>		

Page 11, CapEx depreciation and R&D expenses.

For FY2021, CapEx was JPY216.5 billion; depreciation, JPY166.8 billion; and R&D expenditure, JPY49.4 billion.







# Profit contribution of Strategic Business

## ■ OP growing steadily

(100 million JPY)

### Sales of Strategic business



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Next, page 17, the results of the strategic businesses.

Sales were JPY257.9 billion, up JPY55.7 billion YoY. Operating income was JPY53.8 billion, up JPY9.4 billion YoY. Electronics and life sciences are steadily expanding the businesses.

## ROCE & EBITDA by Segment



(100 million yen)

	Operating profit		EBITDA*		ROCE		Operating assets	
	2020	2021	2020	2021	2020	2021	2020	2021
Glass	▲166	277	344	815	-	4.6%	6,400	6,000
Electronics	378	364	857	976	6.3%	5.8%	6,000	6,250
Chemicals	505	1,388	935	1,887	8.9%	21.5%	5,700	6,450
Ceramics/Others	42	35	62	55	14.1%	14.0%	300	250
Elimination	▲1	▲2	▲2	▲3	-	-	-	-
Total	758	2,062	2,195	3,729	4.1%	10.9%	18,400	18,950

\* EBITDA=Operating profit +Depreciation

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Page 18, operating assets, and ROCE by segment.

Operating assets at the end of 2021 increased by JPY55 billion to JPY1,895 billion.

As for glass, operating assets are declining due to the transfer of the architectural glass business in North America, structural reforms in Europe and impairment of automotive glass.

With regards to electronics and chemicals, operating assets increased due to aggressive capital investment, primarily in strategic businesses.

ROCE in 2021, with these operating assets as the denominator, was 10.9%.

## FY2022 Outlook

- Despite the impact of softening PVC market and rising raw material and fuel prices, we expect to maintain a high level of profitability due to growth in core and strategic businesses.

		(100 million JPY)	
		FY2021	FY2022e
<b>Net sales</b>		16,974	<b>18,000</b>
	(First half	8,113	8,700 )
<b>Operating profit</b>		2,062	<b>2,100</b>
	(First half	952	950 )
<b>Profit before tax</b>		2,100	<b>1,970</b>
<b>Profit for the year attributable to owners of the parent</b>		1,238	<b>1,150</b>
<b>Dividend (JPY/share)</b>		210	<b>210</b>
	(Ordinary 160)		
	(Special 50)		
<b>Operating profit margin</b>		12.1%	11.7%
<b>ROE</b>		10.2%	8.8%*
<b>FOREX (Average)</b>	<b>JPY/USD</b>	109.8	115.0
	<b>JPY/EUR</b>	129.9	129.0
<b>Crude Oil (Dubai, Average)</b>	<b>USD/BBL</b>	69.2	80.0
<b>Ethylene (CFR SEA)</b>	<b>USD/MT</b>	1,141	1,070

\* ROE of FY2022e is calculated using the figures of Profit for the year attributable to owners of the parent as of Dec 31, 2021

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Page 20. Now the full-year outlook for FY2022.

Sales are expected to increase by JPY102.6 billion, at JPY1.8 trillion, and operating income is expected to increase by JPY3.8 billion, at JPY210 billion.

Although it will be affected by the softening of PVC market prices and the rise in raw material prices, the core business and strategic businesses are expected to grow and we expect to maintain a high level of profitability.

## Outlook breakdown by Segment (Net sales and Operating profit)



(100 million JPY)

	FY2021		FY2022e		Change	
	(a)		(b)		(b)-(a)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Glass	7,343	277	7,650	360	+ 307	+ 83
Electronics	3,120	364	3,450	420	+ 330	+ 56
Chemicals	6,308	1,388	6,600	1,300	+ 292	▲ 88
Ceramics/Other	794	35	800	20	+ 6	▲ 15
Elimination	▲ 591	▲ 2	▲ 500	0	+ 91	+ 2
Total	16,974	2,062	18,000	2,100	+ 1,026	+ 38

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Because of the chlor-alkali market situation, we expect the sales to go up, but the profit to go down for chemicals.

Outlook for FY2022	
<b>Glass</b>	<p><b>(Architectural glass)</b></p> <ul style="list-style-type: none"> <li>Steady performance is expected as a good supply-demand balance will continue mainly in Europe.</li> <li>Impacts of a fuel price hike will be a concern.</li> </ul> <p><b>(Automotive glass)</b></p> <ul style="list-style-type: none"> <li>Global vehicle production will gradually recover from the component supply shortages including semiconductor.</li> <li>Impacts of a fuel price hike will be a concern.</li> </ul>
<b>Electronics</b>	<p><b>(Display)</b></p> <ul style="list-style-type: none"> <li>Shipments of LCD glass substrates will increase for China.</li> <li>Shipments of specialty glass for display applications will increase due to the growth of the smartphone market.</li> </ul> <p><b>(Electronic materials)</b></p> <ul style="list-style-type: none"> <li>Shipments of semiconductor-related products and optoelectronics materials will increase.</li> <li>Shipments of circuit board materials will increase due to the growth of the communication infrastructure and the in-vehicle market.</li> </ul>
<b>Chemicals</b>	<p><b>(Chlor-alkali/urethane)</b></p> <ul style="list-style-type: none"> <li>Shipments will increase as the PVC manufacturing facilities in Indonesia starts operations.</li> <li>The chlor-alkali market will be softening after the surge in 2021.</li> </ul> <p><b>(Fluorine/specialty chemicals)</b></p> <ul style="list-style-type: none"> <li>Shipments will increase following the strong demand for semiconductor/automotive applications.</li> </ul> <p><b>(Life science)</b></p> <ul style="list-style-type: none"> <li>Shipments of both synthetic pharmaceuticals CDMO &amp; agrochemicals and bio-pharmaceuticals CDMO will increase because of the capacity increase.</li> </ul>

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For architectural glass, good demand and supply balance will continue, mainly in Europe.

For automotive glass, manufacturing volume will be recovering from the negative impact of component shortage, including semiconductor, globally. Therefore, we expect our shipment to recover as well. But the impact of increased fuel prices may be a concern.

In terms of the electronics segment, shipment to China for LCD glass substrate will increase. In terms of total demand, we expect a decline of a low single-digit percentage but our shipment to China will increase in low single-digit percentage.

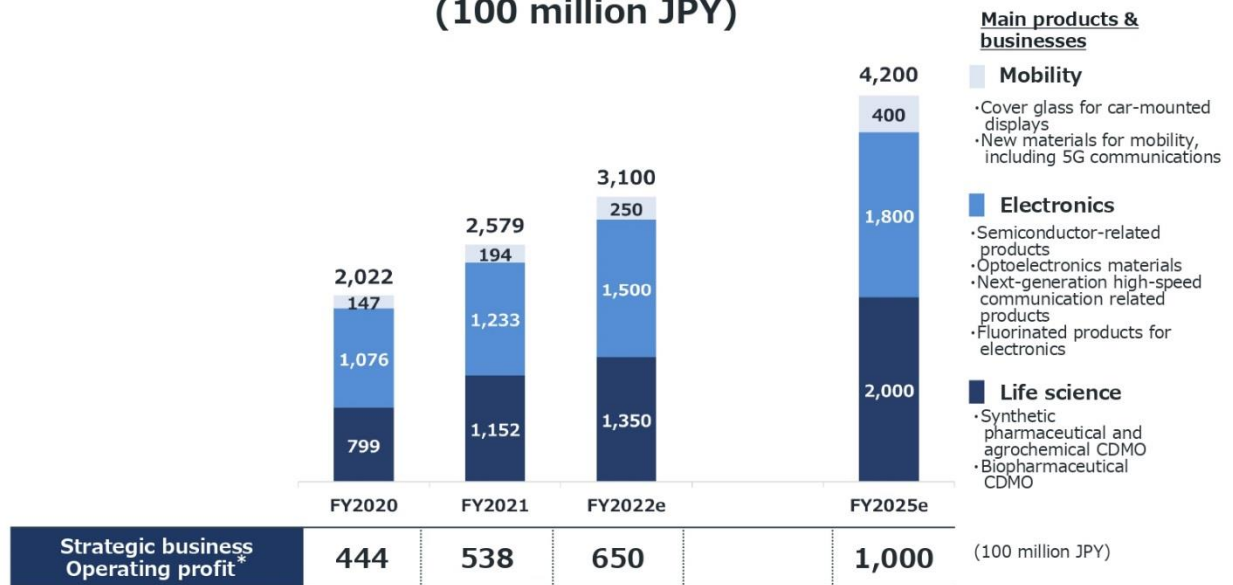
Electronic materials, we expect the shipment for semiconductor and optoelectronics to increase. EUV and mask blanks shipment will increase in line with the expansion of the market, and we expect our net sales for 2022 to be approximately 1.4 times of that of last year.

Out of the chemicals segment, chlor-alkali and everything, well, in 2021, we saw the market heating up, but we believe that the market will soften over time. Due to capacity increase in life science, we expect the shipment in synthetic as well as biopharmaceuticals to increase.

## Profit contribution of Strategic Business

- Strategic businesses are expected to grow steadily.

### Sales of Strategic Businesses (100 million JPY)



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Strategic business will continue to expand its performance and the forecast for FY2022 is JPY310 billion of net sales and JPY65 billion of operating profit.

# CAPEX, Depreciation and R&D

(100 million JPY)

Full year

	FY2021	FY2022e
<b>CAPEX</b>	2,165	<b>2,800</b>
Glass	503	<b>500</b>
Electronics	702	<b>880</b>
Chemicals	942	<b>1,400</b>
Ceramics/Other	22	<b>20</b>
Elimination	▲ 3	<b>0</b>
<b>Depreciation</b>	1,668	<b>1,800</b>
Glass	537	<b>540</b>
Electronics	612	<b>680</b>
Chemicals	500	<b>560</b>
Ceramics/Other	20	<b>20</b>
Elimination	▲ 1	<b>0</b>
<b>R&amp;D</b>	494	<b>540</b>

## 【Main projects for CAPEX】

- Capacity enhancement of Electronic materials (Electronics)
  - Repairment for display glass furnace (Electronics)
  - Capacity enhancement of PVC in Southeast Asia (Chemicals)
  - Capacity enhancement on fluorochemical (Chemicals)
  - Capacity enhancement of bio pharmaceutical (Chemicals)
- and others

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CapEx for the full year is JPY280 billion; depreciation, JPY180 billion; R&D expenditure, JPY54 billion.

CapEx amount is going to be much higher than the previous year due to increased capacity for electronic materials, alkaline capacity in Southeast Asia and also increase of capacity in biopharmaceuticals. Depreciation is also expected to increase due to manufacturing facility for semiconductor and also a biopharmaceutical manufacturing facility coming online.

## 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

Moving on to the next presentation, the progress of AGC Group medium-term management plan, AGC plus-2023. First, the financial targets.

Where we put these together last year, the targets for FY2023 were as follows.

Operating profits growing from JPY160 billion to JPY230 billion. You can see the actual results for the initial year for FY2021. In most of the items, we have already achieved the targets for the final year of the plan, so we set new targets for FY2023. Operating profit JPY230 billion, as you can see, which would be over the 2010 level, the previous record. So, we are envisioning setting a new record, ROE 10%, strategic business operating profit of JPY80 billion and debt-to-equity ratio of 0.5% or less.

These are the newly set targets for FY2023, the final year of the current medium-term plan.

## AGC plus-2023 Key Issues by Segment

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

These are the major issues by segment.

Last year, we already went over the key issues, no major changes to the overall direction. For architectural glass, structural reform has made progress. Also, [TD]structural reforms of architectural glass is progressing, but the automotive glass continue to suffer. So, for the glass business, we will continue to promote drive the structural reform.

## 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.

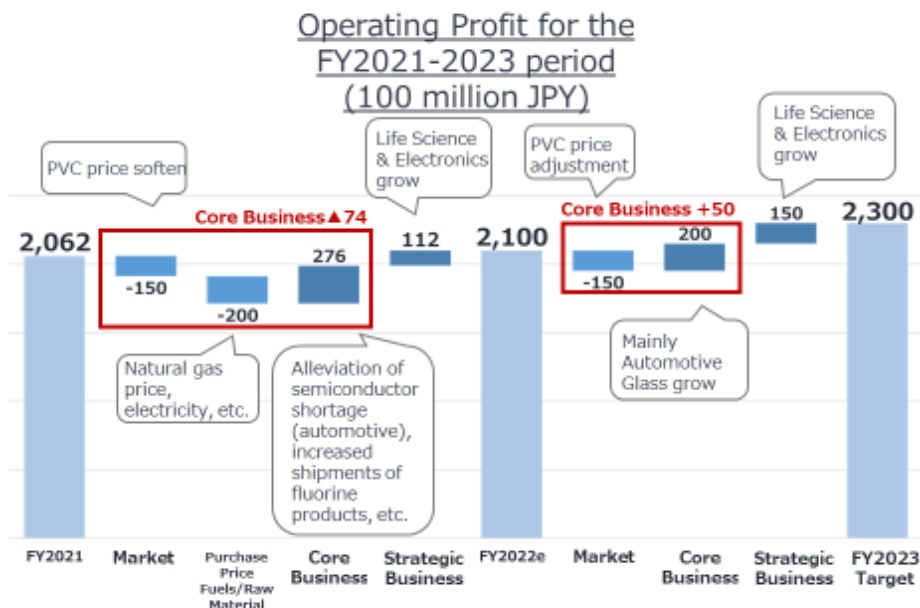
	FY2020-21	FY2022-23
Architectural Glass	<b>&lt;Reduction of fixed costs&gt;</b> <ul style="list-style-type: none"> <li>• Streamlining at the Europe HQ (including early retirement)</li> <li>• Closed a furnace in France</li> </ul> <b>&lt;Structural reform&gt;</b> <ul style="list-style-type: none"> <li>•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

Next, for the glass business, the structural reform, the progress. During the plan, JPY15 billion reduction, primarily in fixed costs, is what we set out. In FY2020 and FY2021, already JPY12 billion reduction compared to 2019. Furthermore, for FY2022 and FY2023, over JPY3 billion cost reduction increment. Especially for automotive in Europe, with the decrease in volume, the cost reduction is not showing as much effect as we hope but we would like to continue to drive these efforts.

For chlor-alkali business as well as PVC, the market itself, in FY2021, in spring, there was a cold wave in North America and then hurricanes. And then, towards the fall, there was the electric power restrictions in China, which affected the market price, pushed up the market price, of PVC. The tight supply continues in the market. As for the peak of the market price, it was already felt in October but the peak out, the rate of peak out is rather moderate. So, for FY2022, we expect the tight supply situation to continue.

## 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.



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Next, the operating profit achievement. JPY210 billion this year and JPY230 billion next year. How are we to achieve that? The overall perception is shown here. From 2020 to 2021, slight increase, the PVC about JPY15 billion impact. Gas prices and other raw material prices are high today, and we will be affected but we are to make up for that difference in core businesses.

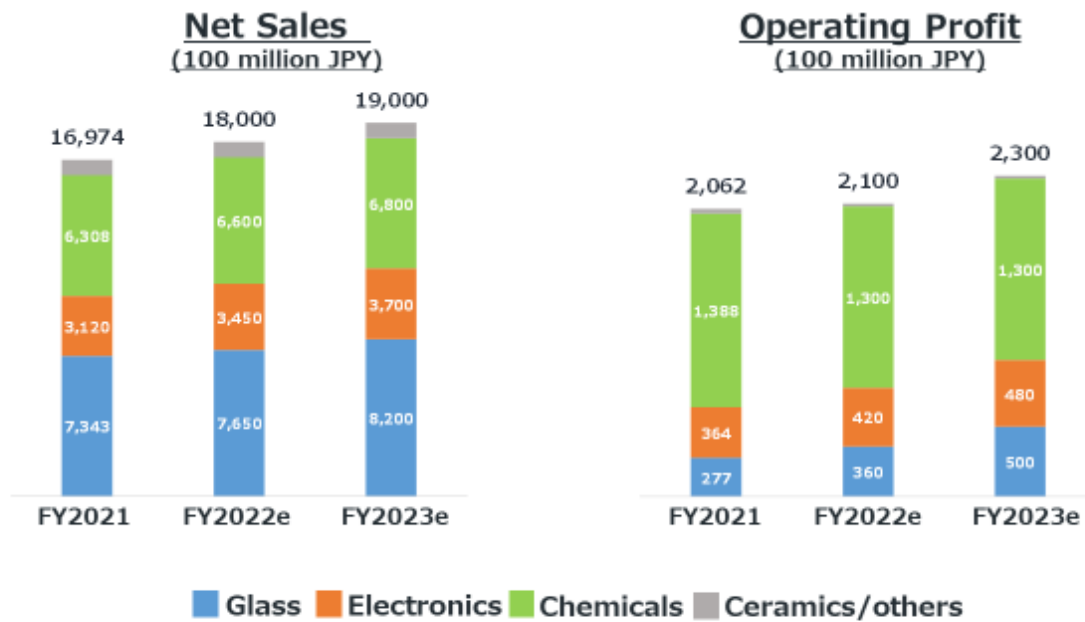
One factor is that, in the automotive class. We are not making profit and so we expect the market to recover and we expect the growth in automotive. And as for fluorinated products, we do see the recovery as well. So, within the core businesses, we are already addressing the factors for decline in profit.

Also, in strategic businesses, we expect steady progress in FY2022. Therefore, JPY210 billion is the target that we set. So, there is an additional JPY20 billion up to JPY230 billion.

The PVC market price is rather high. Towards the end of this year, we expect the softening of the prices. And with that, if that continues, then maybe a JPY15 billion impact. We're not expecting further decline from there. That is how tight the market is for PVC. And with the full-scale recovery in the automobile market, we expect additional contribution.

In the strategic businesses, we see acceleration in growth, so we believe that JPY15 billion increase could be achieved. Therefore, we believe that this could be achieved.

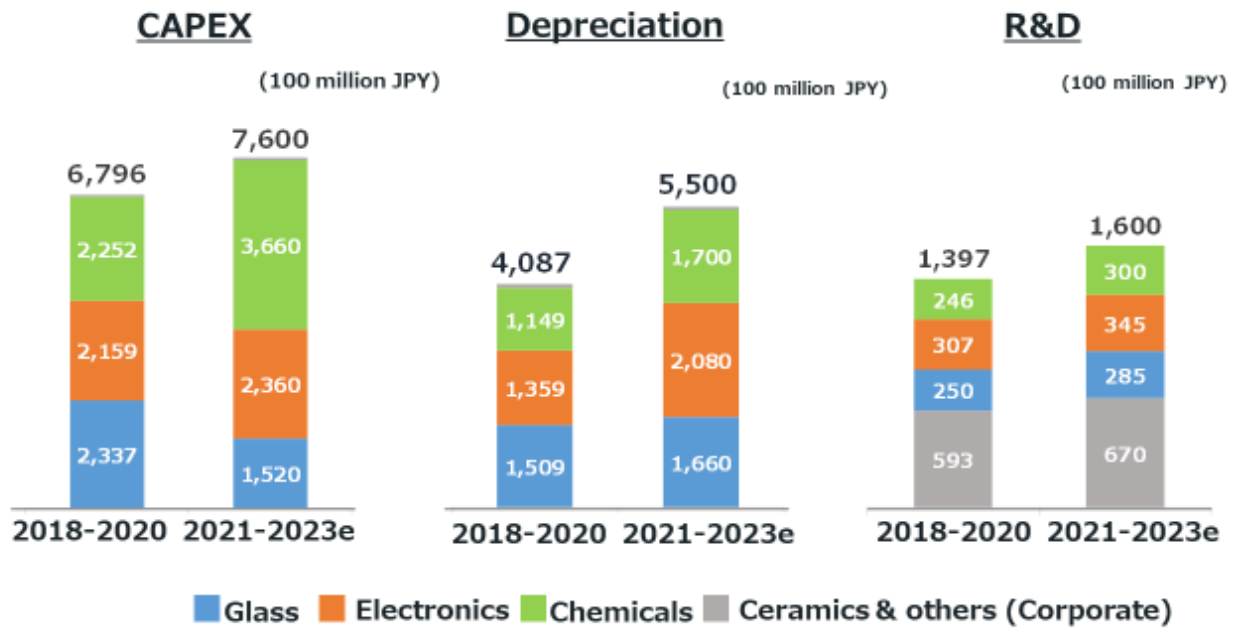
## AGC plus-2023 Performance by Segment (To-be image)



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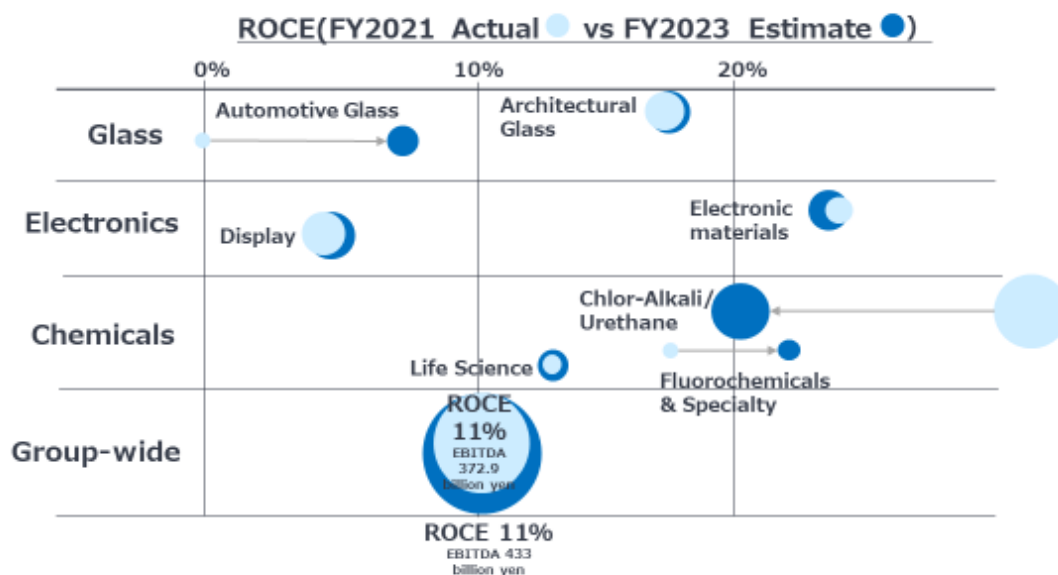
This is the performance by segment. Left is net sales; right is operating profit. For net sales, we expect a steady growth in each of these different segments. In terms of operating profit, softening of the market for chlor-alkaline will have to be offset by fluorine and life science, but the profit amount coming from the chlor-alkaline is quite big. Maybe there is a slight decline in operating profit but we will try to make up for that with electronics and glass.



CapEx depreciation and R&D, these are the assumptions which we will come back to later on.

## 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: (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

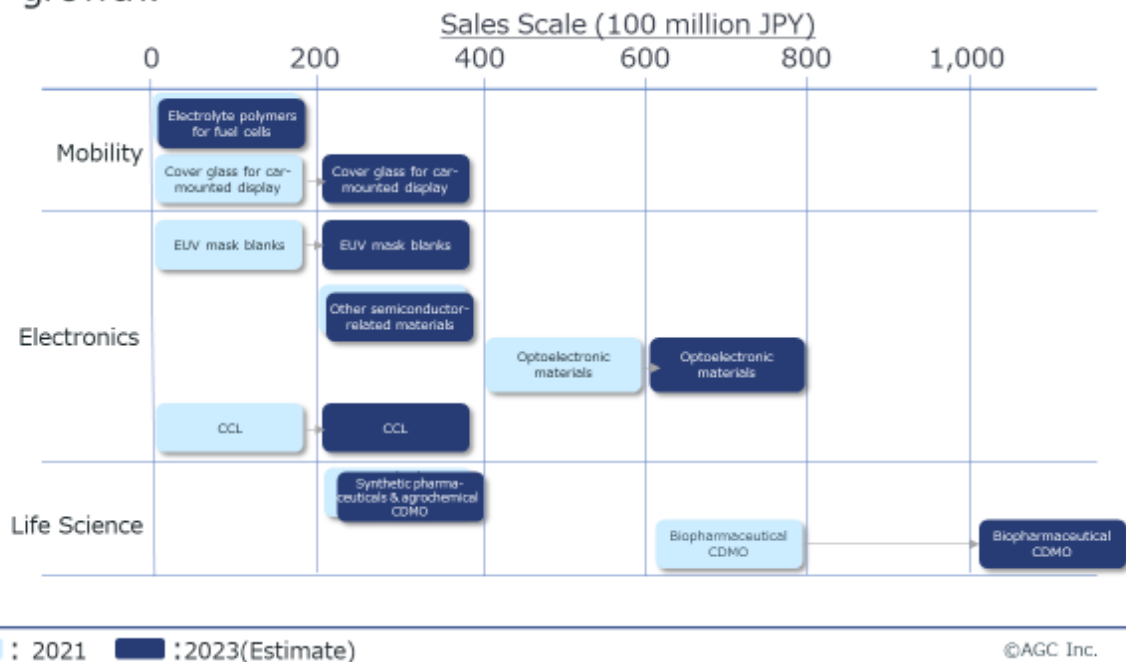
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This is the ROCE by segment. ROCE of 11% was for this fiscal year and we would like to try to maintain. And we believe we can sustain 11%. Light blue is actual FY2021, and dark blue is FY2023 estimate. You can see chlor-alkali, automotive and all the other businesses. We will see increase in profit, so we can maintain. ROCE and EBITDA can be improved by about JPY60 billion between JPY372.9 billion to JPY433 billion.

# Sales Outlook for Strategic Business Products

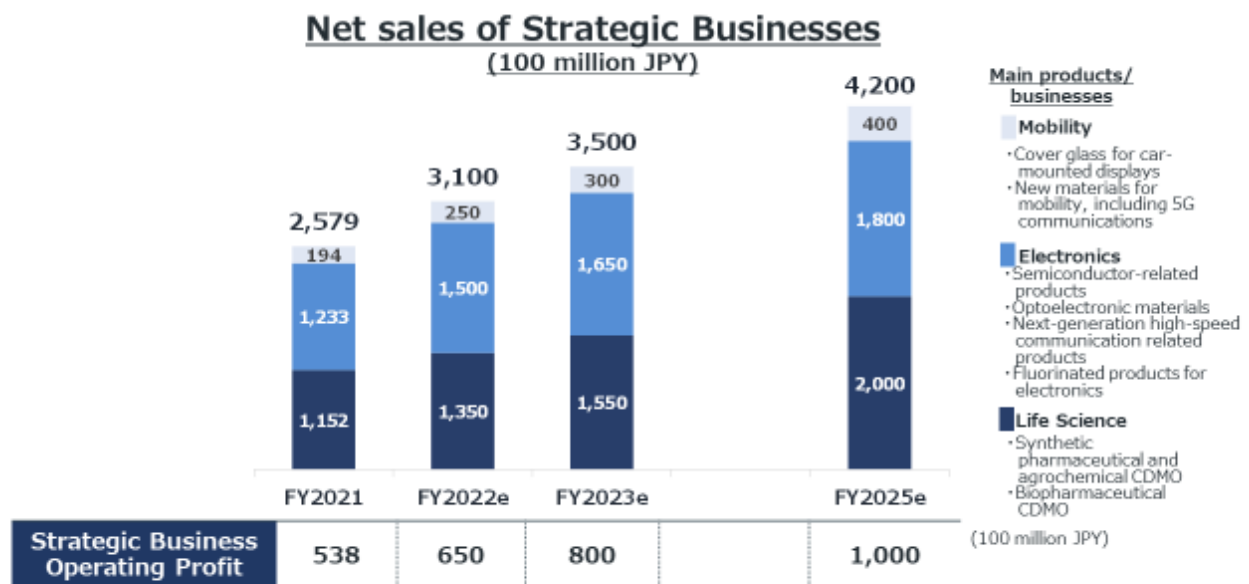
- Every business will expand its scale of sales.
- Particularly biopharmaceutical CDMO will make a significant growth.



This is sales outlook for strategic business products. Light blue is actual and that is the 2023 estimate. As you can see from this slide, among electronics, for example, EUV and photoelectronics, will see big growth in life science. Biopharmaceuticals will exceed the JPY100 billion level.

# Outlook for Strategic Businesses

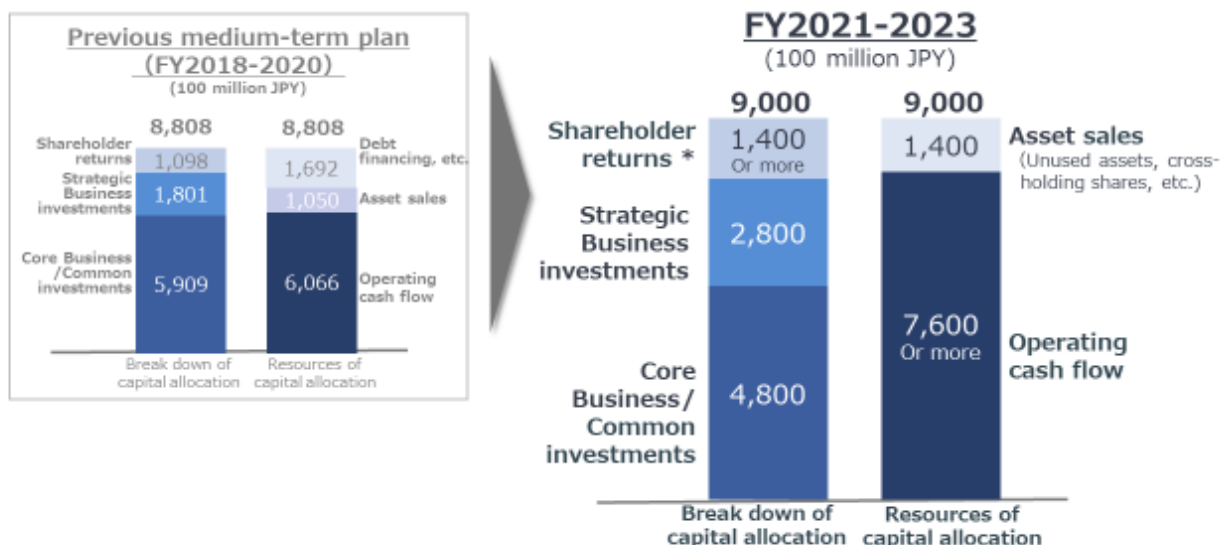
- The strategic businesses are expected to grow steadily.



This is the outlook of strategic business. As you can see on the slide, things are moving on quite smoothly.

## 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

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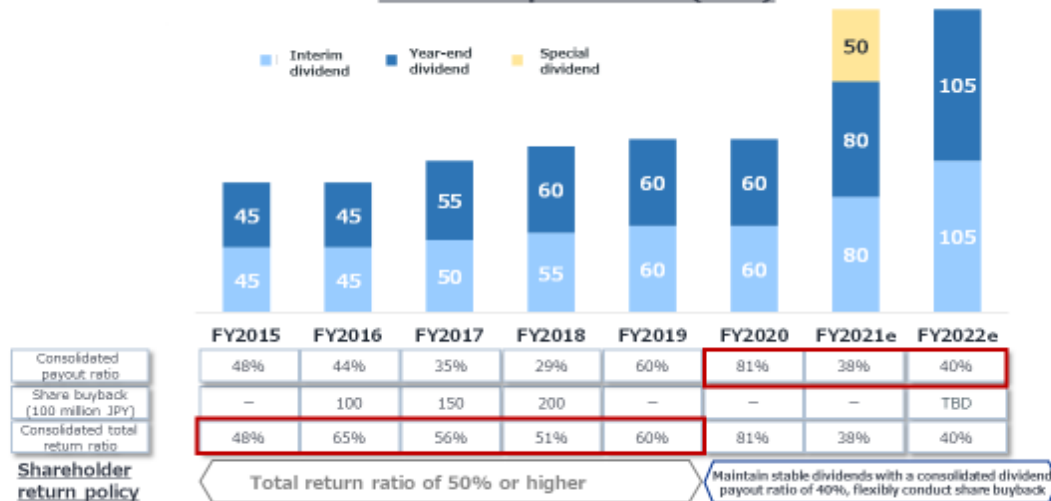
This is capital allocation policy. On the left, you can see what happened over the last three years in terms of location and where there sourcing of this application is coming from. You can see the comparison for the current period to the right. As you can see, shareholder returns will be strongly maintained above JPY140 billion more. This doesn't really include share buyback, but we may consider depending on the situation. In the core business, we have a call on investments. This is actually lower by about JPY100 billion. The strategic business investments will go up by about the same amount.

Now, operating cash flow is quite high. We expect JPY760 billion or more. And we also have asset sales for unused assets and we will be selling off our cross-holding shares as well. Approximately JPY100 billion in the previous term but this time around, we want to do JPY140 billion minimum. So, we will be looking at all the cross-holdings across the board.

## 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)



\*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.

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Moving on to shareholder return. Stable dividend looking at 40%. Also, we will try to do share buyback with our opportunities. The JPY210 is the amount that we are looking at. In FY2021, well, I said JPY210 and, actually, this was JPY50. This is related to the sales of, or selling off of Artificial Glass business in the US, and there was a special dividend that came in. So this was added and the total amount was JPY210. But for this fiscal year, there is no special dividend. We will just maintain the same level as the previous year. So JPY210 dividend is in the plan.

That's all from me. Thank you very much for your kind attention.

**Ogawa:** Thank you. That was CFO, Miyaji. We now invite our President and CEO, Hirai.

**Hirai:** Thank you. This is Hirai, the CEO. Thank you for attending this briefing. Following, I would like to talk about Vision 2030. Towards the realization of Vision 2030, what are the initiatives that are being implemented and what Vision do we have?

- Countries/companies are accelerating their efforts toward the realization of a sustainable society.



Source: based on external information

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Toward the realization of Vision 2030, the important factors would be the business portfolio transformation as well as promotion of sustainability management. I'd like to focus on those two key aspects.

Looking at the current situation in the world today, sustainability is attracting a lot of attention. Sustainable society to be realized is gaining momentum in countries and companies and there are many global initiatives being announced towards sustainability. There is a strong call for companies to realize sustainable society.

# AGC, an everyday essential part of our world

AGC's unique materials and solutions make  
people's lives better around the world every day.

On the part of AGC, "Look Beyond" is the corporate principle. We have our mission statement, "AGC, an everyday essential part of our world." AGC's unique materials and solutions, making people's lives better around the world every day, we consider this to be our mission.

- Grow through well-balanced creation of social and economic value



Last year, we announced Vision 2030, our aspiration for 2030. By providing differentiated materials and solutions, we strive to help realize a sustainable society and become an excellent company that grows and evolves continuously. So, both social value and economic value are to be developed. To realize this is what we aspire and promotion of sustainable management and business portfolio transformation are the two major drivers for this.

## Solving social issues with differentiated materials and solutions



- Provide the necessary materials and solutions in line with changes of the times



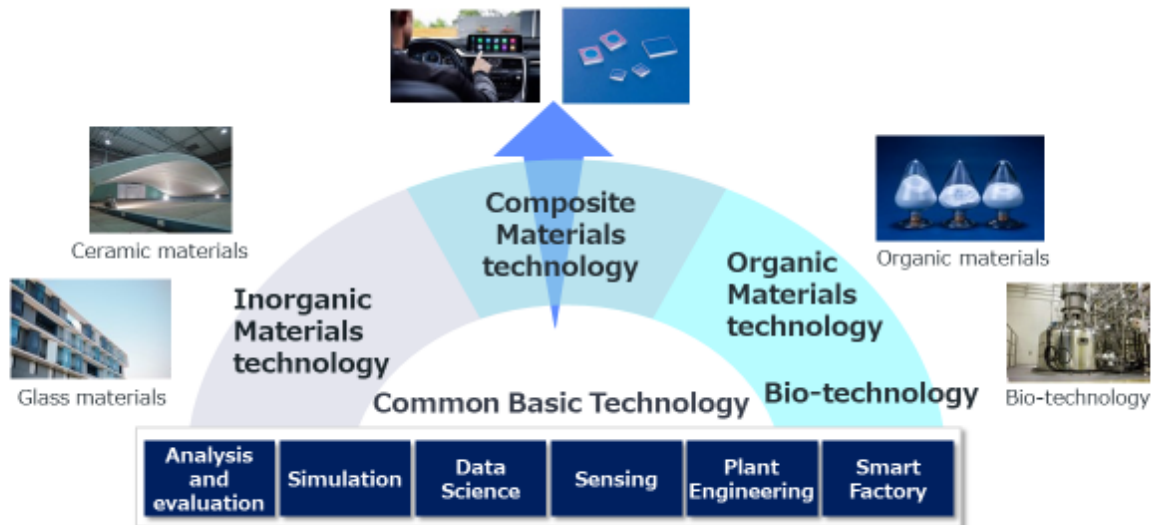
Since the establishment of the Company in 1907, we have been providing necessary materials and solutions to the changing society. Initially, the construction boom was taking place in Japan, so architectural glass, up until that point in time, had to be imported, but we succeeded in the very first production of glass in Japan. Then, in the 1950s, motorization, coming of the area of TV, as well as the expansion of environmental conscious business and products. Along with these changes in society, we have been providing various materials and solutions.

Since the beginning of the 21st Century, we have been responding to the advancement of IT and arrival of the use of IoT era through various solutions. Also, we have started the CDMO business and growing that. In addition to the conventional chemical compounding, we are increasing the biotechnology areas of business as well.

## AGC Group's differentiated materials and solutions



- Achieve competitive advantage with its differentiated materials and solutions based on the combination of its organic/inorganic material technologies, bio-technology and common basic technology
- Contribute to solving social issues by meeting needs for more advanced material functions



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Organic materials, inorganic materials added with biotechnology and analysis, analytics, data science and other technologies, we are providing unique solutions. We are providing even greater demand through advanced technologies and advanced material functions and we will continue to do so going forward.

## Economic value to be created by AGC Group

- Make a drastic upward revision to operating profit and set a target for 2030
- In 2030, the strategic businesses account for more than half of the group's operating profit.
- Continuously grow/evolve to achieve stable ROE of 10% or higher

		2021 (Actual)	2023	2025	2030 . . .	2050
Economic Value	Operating profit	206.2 billion yen	230.0 billion yen	250.0 billion yen	300.0 billion yen	
	Strategic Business OP	53.8 billion yen	80.0 billion yen	100.0 billion yen	150.0 billion yen	
	EBITDA*	372.9 billion yen	433.0 billion yen	490.0 billion yen		
	ROE	10%	Stable ROE of 10% or higher			
	D/E	0.41	0.5 or less			

\* EBITDA=Operating profit +Depreciation

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Here, you can see the economic value to be created by the Group. 2050 targets for operating profit has been increased and we have a new set for 2030. We are to achieve the highest-ever profit in 2023, 2025, as well as 2030, JPY300 billion. This will be driven by strategic business and JPY80 billion in 2023, JPY100 billion in 2025 and JPY150 billion in 2030. So, overall, half should come from strategic business. Through continued growth, we are to stably achieve the ROE of 10% or higher. That's the vision that we have for the Group.

## Social Value to be created by AGC



- AGC creates the following five social values through its business activities.



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On the other hand, we have a social value that we want to create, create the following five social values through the business activities. On this slide, you can see five values that we aspire to. Below that, you can see the pictures of the technologies that we have, products that we have and the activities that we are promoting that will lead to creation of relevant values.

## Overall Strategy

Leveraging the core businesses and the strategic businesses as two wheels, we will shift to an optimal business portfolio and continuously create economic and social value.

### Core Businesses

Establishing long-term, stable sources of earnings by increasing competitiveness of each business



Architectural Glass



Automotive Glass (existing)



Display



Chlor-Alkali/  
Urethane



Fluorochemicals  
& Specialty



Ceramics

### Strategic Businesses

Create and expand highly profitable businesses that will become future pillars by using AGC's strengths in high-growth fields



Electronics



Life Science



Mobility

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One aspect of the business pillar is the business portfolio transformation. Let me elaborate. We have the ambidextrous management being promoted. We have core businesses and strategic businesses to have the optimal business portfolio so that we can continuously create the economic and social values.

In the core business, we are establishing long-term stable sources of earnings by increasing competitiveness of each business. As for strategic business, in the highly profitable businesses, we are creating and expanding them so as to become the future pillars.

## Direction of the Business Portfolio Transformation **AGC** Your Dreams. Our Challenge

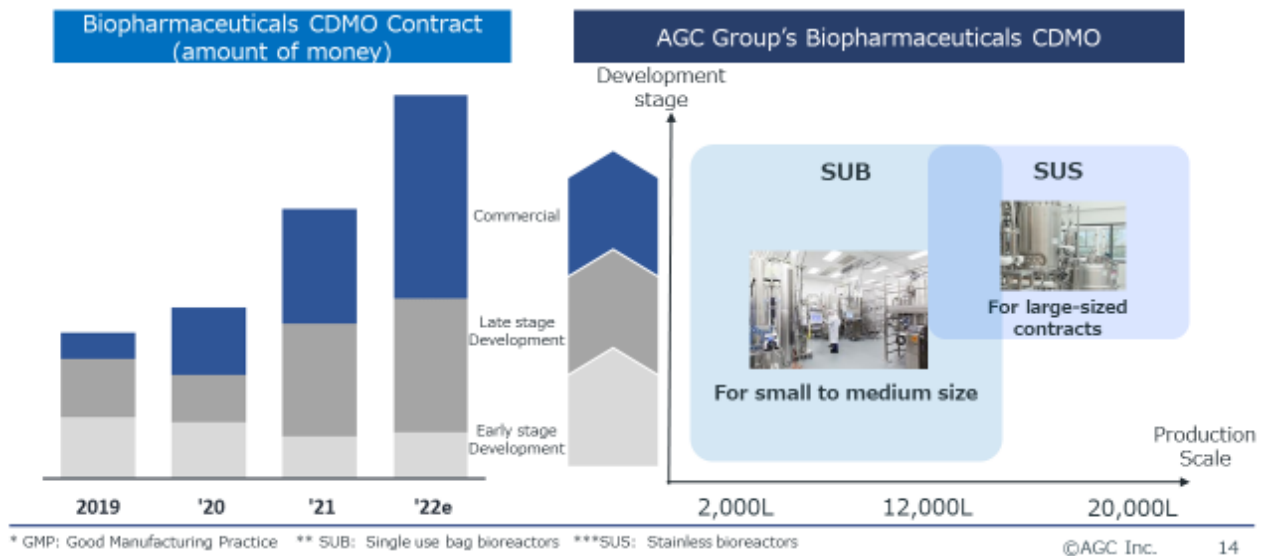
- Through the practice of ambidextrous management, we aim to build a business portfolio that is resilient to market fluctuations and has high asset efficiency, growth potential, and carbon efficiency.



Next, the direction of the transformation of the business portfolio, we are driving the ambidextrous management so that we are resilient to market fluctuations and have high asset efficiency, growth potential and carbon efficiency.

## Strategic Business Initiatives: Life Science (1)

- With GMP\* facilities and inspection experiences in Japan, North America and Europe, AGC provides high-quality and consistent CDMO services.
- By combining SUB\*\*, suitable for small quantity & large variety, and SUS\*\*\*, suitable for large-sized contracts, AGC responds to needs from development stages to commercial production.



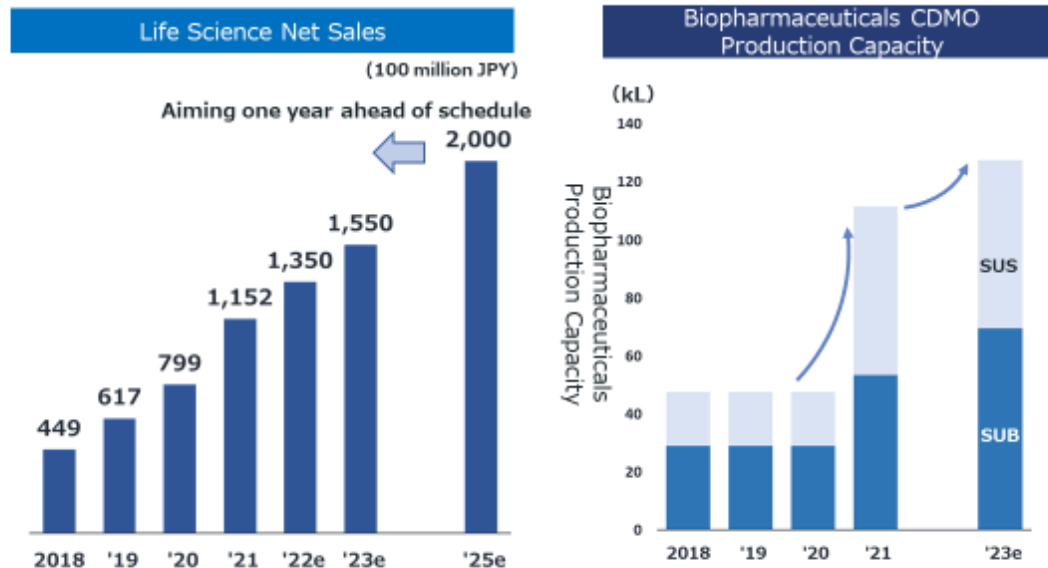
As for the strategic business, I'd like to focus on Life Science here. With GMP facilities and inspection experiences in Japan, North America and Europe, we are providing high-quality and consistent CDMO services

SUB suitable for small quantity and large variety and SUS steel, stainless bioreactors suitable for large size contracts. We have both. So, we can respond to the needs from development stages to commercial production.

On the left-hand side, you can see the biopharmaceuticals CDM contract by different stages. Until 2020, the development stages were the majority whereas, in the ensuing years, we see an increase in the commercial stage contracts increasing, as you can see. To respond to these changes, we are providing both single-use bags and SUB, the production capabilities with different scopes so that we can have the optimal production depending on the stages of the product.

## Strategic Business Initiatives: Life Science (2)

- Supplement the growth of the bio CDMO industry through timely capacity expansion



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There is a very strong request coming from the customers for mass production. We are expanding our capacity. Last year, the bio CDMO capacity had been more than doubled last year. In FY2023, we are to further increase the capacity.

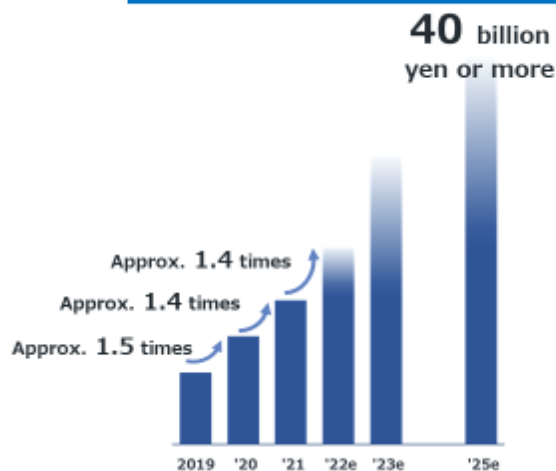
The market has been growing very strongly. Through the capacity increase, we said that we will aim at JPY200 billion in 2025. It now appears that we can achieve that a year earlier, in 2024. That is our current target.

## Strategic Business Initiatives: Electronics

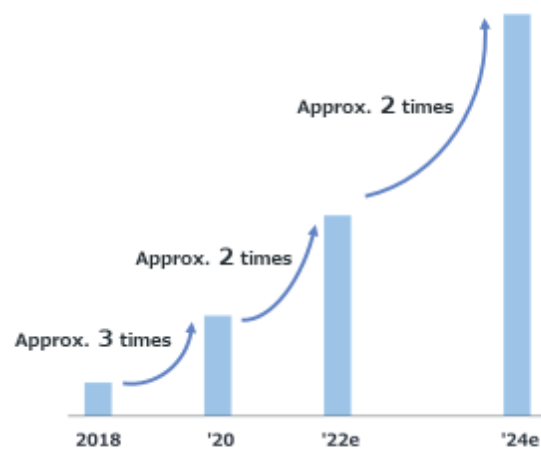


- Applications of AGC's EUV mask blanks are expanding to include memory, in addition to logic.
- In 2022, the manufacturing capacity for EUV mask blanks doubled, and will further double in 2024.
- Will continue aggressive investments along with the market growth

AGC Group's EUV Mask Blanks  
Net Sales



EUV Mask Blanks Capacity Expansion



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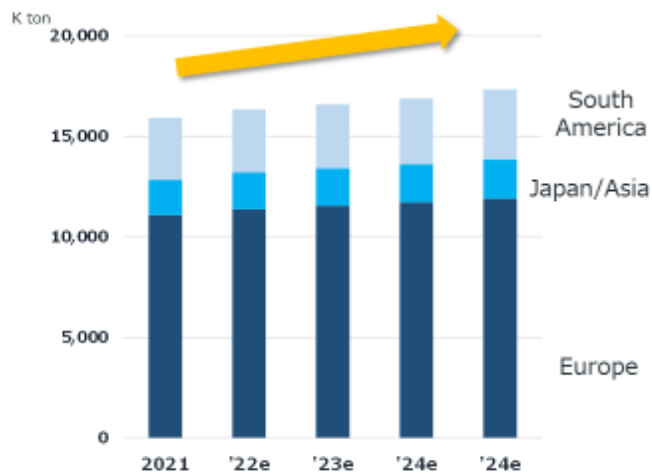
Next, in the area of electronics, EUV mask blanks are now expanding to memory in addition to conventional logic area. Going forward, with the rapid expansion this year, we will be doubling the manufacturing capacity. Also in 2024, we are to further double the capacity, so we will continue the aggressive investments in line with the market growth so that, in 2025, we'll have the sales of JPY40 billion or higher.

## Core Business Initiatives: Architectural Glass



- Amid demand for environmental responsiveness, renovation demand and demand for environmentally friendly products are increasing.
- With a focus on high value-added products that lead to energy saving & creation, AGC aims to build businesses that are less susceptible to economic fluctuations.

### Architectural Glass Demand Outlook\*



### Environmentally Friendly Products (examples)



Warm-edge highly insulated double glazing



Vacuum insulated Glass



BIPV module\*\*

\*: AGC's estimate (only regions where AGC operates)

\*\* : PV glass to be installed at Singapore Institute of Technology

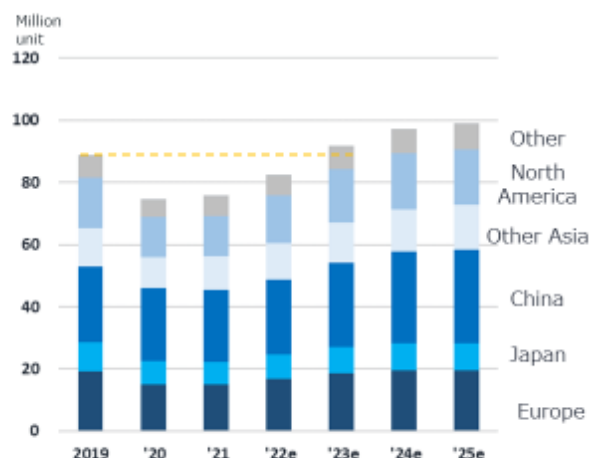
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Next, focusing on the core businesses. First, architectural glass, the environmental responsiveness is now being required. Renovation demand and demand for environmentally friendly products are increasing accordingly. We are focusing on high value-added products that lead to energy saving and creation. We will build businesses that are resilient to economic fluctuations.

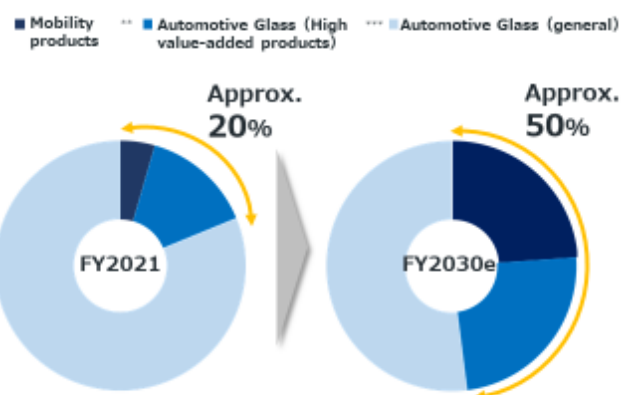
## Core Business Initiatives: Automotive Glass

- Lower the break-even point and strengthen the resilience against market fluctuations by realigning its manufacturing structure, converting facilities to those with higher efficiency and promoting DX initiatives
- Increase the percentage of high value-added products such as CASE-related applications to improve the profitability

Automobile Production (by region) \*



AGC's High value-added products (%)



\*: Based on IHS data

\*\* : Car mounted Display Glass, sensor, etc.

\*\*\*: Value-added products such as light adjustment, sound-insulation and HUD

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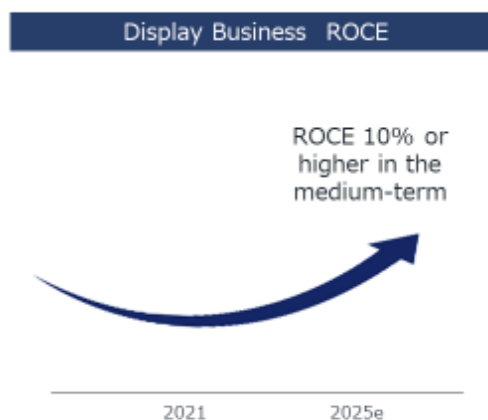
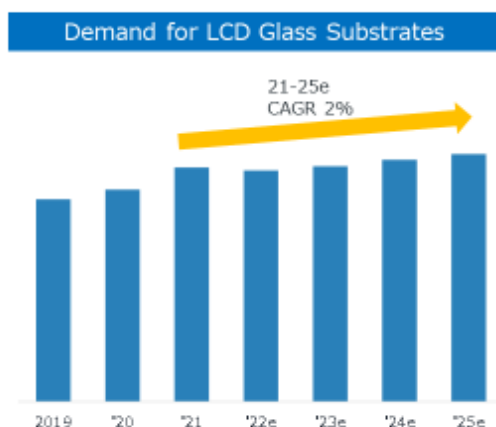
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As for automotive glass, in 2020, the production volume decreased due to COVID-19 and then, during FY2021, due to the semiconductor supply issues, the production volume didn't recover. This is where we really need to focus. Over the next two years or so, that is by 2023, we expect things to go back to the 2019 level. Using this low production period, we shifted to a more efficient production structure and we also promoted the digital transformation so as to lower the breakeven point to be more resilient to economic fluctuations. The production team hasn't recovered yet. Therefore, we don't see the profit realized but we are seeing an improvement.

Going forward, we want to increase the percentage of case-related application with higher profitability in order to improve the profitability. You can see, to the right, how the high value-added products will grow. It's not just mobility products but also automotive glass. This is where we will see more high value-added products.

## Core Business Initiatives: Display

- With the maturing TV market, the glass demand is shifting to a stable growth due to a trend for larger-sized TV panels
- Promote the shift to the manufacturing structure to fit large-sized panel production and aim ROCE of 10% or higher by improved manufacturing efficiency
- Promote the introduction of technologies to improve carbon efficiency



Source: AGC's estimate

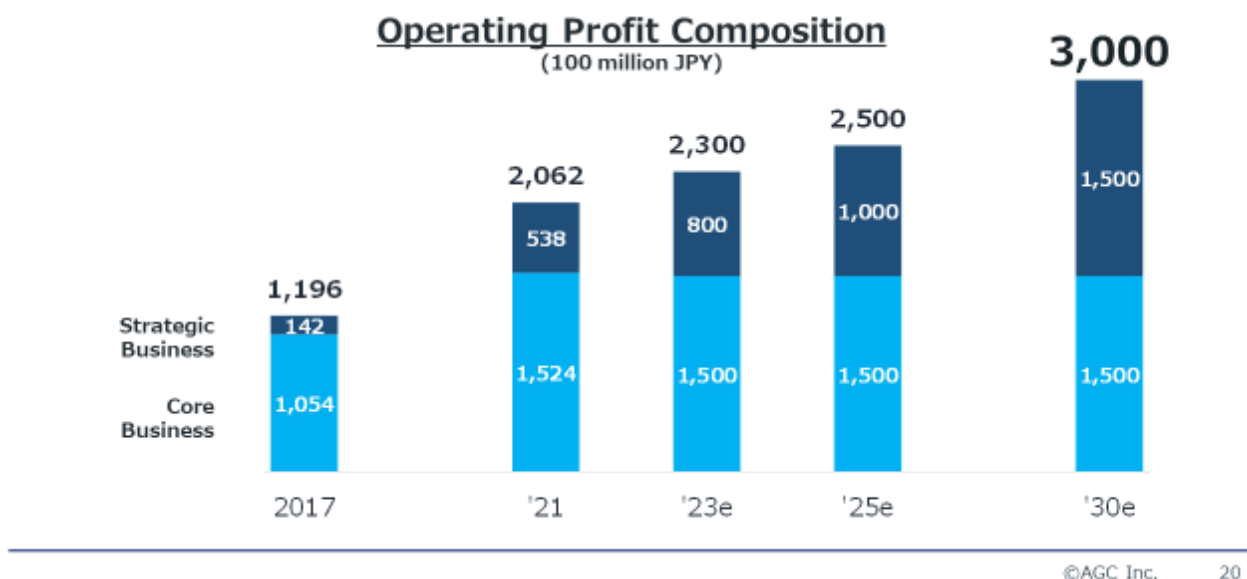
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Moving on to display. The TV market will normalize, and we believe that we're shifting to stable growth due to trend of large-sized TV panels. We're promoting shift to the manufacturing structure for large-sized panel production. From G8 to G11, shift is continuing. In terms of manufacturing facility, we will continue to use G8, the conventional lines, but also G11, large-panel manufacturing line was also used, which meant that production productivity was low, leading to high cost of production.

Going forward, we will continue to take opportunities of repairs and optimize the manufacturing process to be fit to the large-sized panels in order to achieve our CE of 10% or higher. And cold repair means that we can improve carbon efficiency and introduce new technologies.

## Business Portfolio Reform (To-be image)

- Core businesses to become a long-term stable source of earnings
- Develop the strategic businesses so that they will account for more than half of the group's operating profit in 2030.



In this portfolio reform, we want our core business to become a long-term, stable source of earnings. This is the same concept as before.

Strategic business and core business was defined in 2016. In 2017, we only had about JPY100 billion operating profit in core business and JPY14 billion in strategic business. But Southeast Asia chlor-alkali business, which was heavily invested into grew and, by 2021, our operating profit reached JPY150 billion for core business.

Because of softening of the market of our chlor-alkali, profit level may go down but automotive glass has not really fully recovered from the COVID-19 pandemic and fluorine specialty is still in the recovery process, which means that we can make up for this lack of profit in the segment and JPY150 billion level has been basically established.

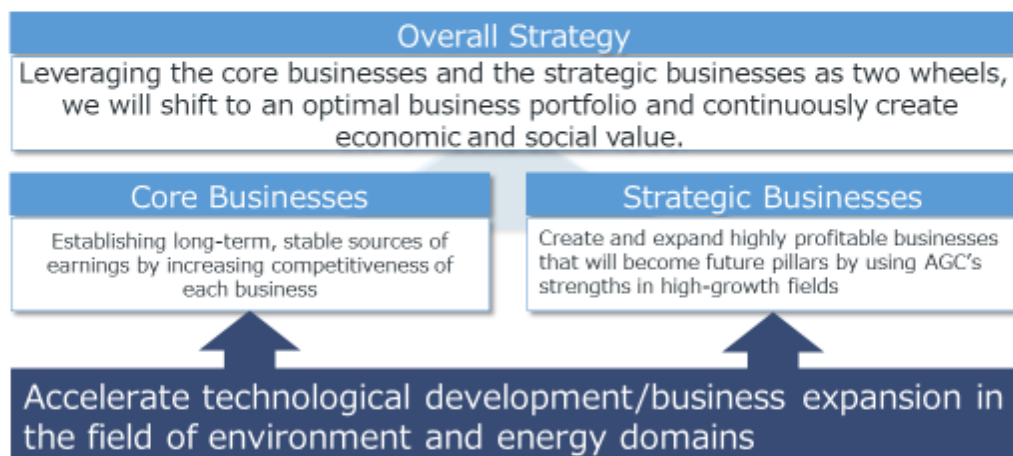
For strategic business, in 2017, operating profit was only JPY14 billion. Every year, we have increased this by about JPY10 billion. By 2021, we achieved JPY53.8 billion. And our assumption is to continue this pace of growth into the future, as you can see on this slide. [Inaudible] and chlor-alkali further growth and profitability improvement of automotive is not included in here.

In 2023 and 2024 and beyond, bio CDMO business and EUV mask blank semiconductor-related business will grow at an accelerated pace. That growth will be captured, in which case we should be able to achieve more than what we are indicating on this slide.

Although not clearly indicated on the slide, over the last several years, [inaudible] has grown by more than JPY300 billion. We struggled with a low top-line growth for a very long time but, thanks to chlor-alkali business growth and the strategic business growth, the top line is also growing. By 2025, we believe that both net sales and OP will increase and we should be able to achieve a JPY2 trillion level of net sales.

## Pursue Ambidextrous Management for Sustainable Society

- Enhance the creation of social value in addition to economic value
- Incorporate the technological development/business expansion in the environment and energy domains into the core businesses and strategic businesses



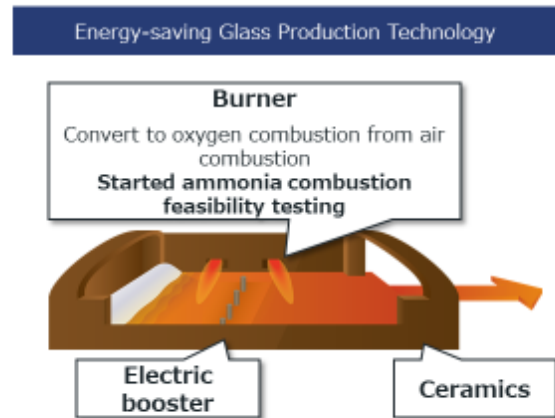
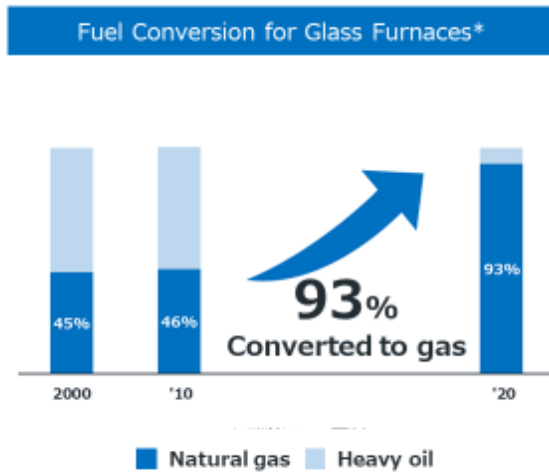
Moving on to the second pillar, promotion of Sustainability Management, last year, at this meeting, I spoke about the candidate for next strategic business and I talked about environment and energy. It's not just a strategic business but also it's effective for core businesses as well. Technology development for this is now going to be part of both core business and strategic business. This is a change from the last time I spoke to you about this.

## Examples of GHG Emission Reduction

(Core Businesses: Architectural Glass/Automotive Glass/Display)



- Promote fuel conversion from heavy oil to natural gas that can achieve an approx. 20% reduction of CO<sub>2</sub> emissions at the time of combustion
- Develop and implement the world's top-class energy-saving glass production technology as an industrial leader
- Promote cutting-edge manufacturing technology development such as carbon-free ammonia combustion toward net zero carbon emissions



\*Including float furnace for architectural glass, automotive glass, display glass

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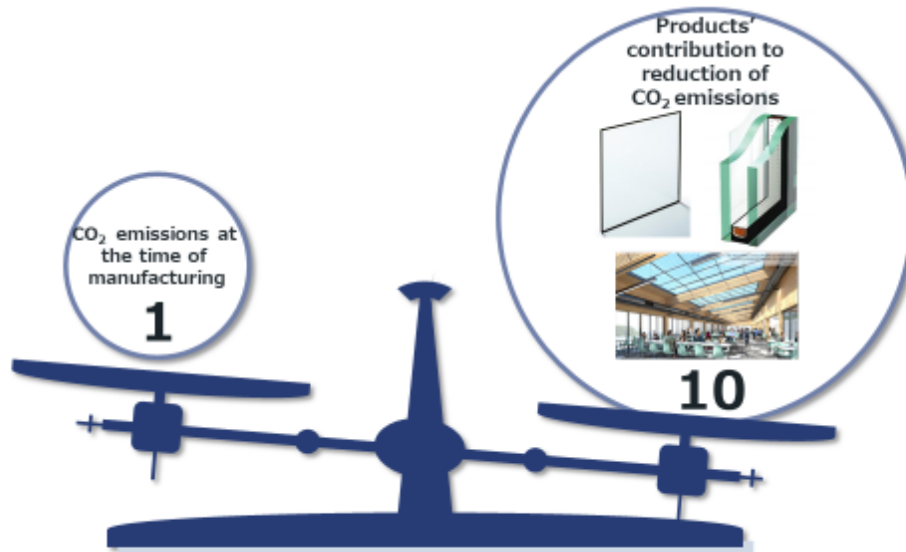
23

GHG emission reduction in a materials business like ours, we do consume a lot of energy. This is a very important initiative. In Glass business, we want to promote fuel conversion from heavy oil to natural gas. That can achieve approximately 20% reduction of CO<sub>2</sub> emissions at the time of combustion. Also, we are trying to develop energy-saving glass so that we can continue to develop and introduce top-class energy-saving glass production technology. And carbon-free ammonia combustion and other types of technology development is also underway.

## Reduction of GHG Emissions in Business (Core Businesses: Architectural Glass)



- Developed a number of environmentally friendly products such as vacuum insulated glass, building integrated photovoltaic power generation glass
- Architectural glass contributes to reduction of CO<sub>2</sub> emissions during product use by 10 times the amount emitted during manufacturing.



\* Architectural Glass business in Europe (actual)

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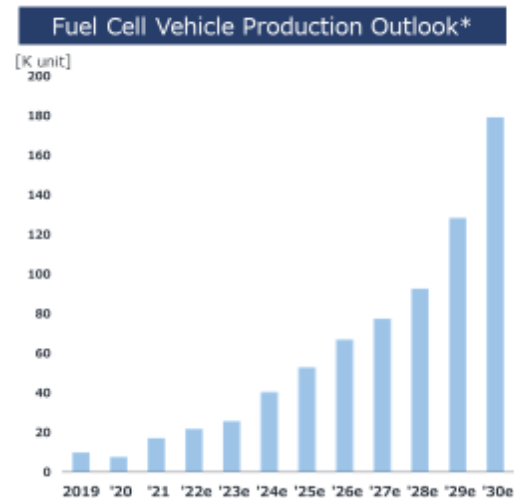
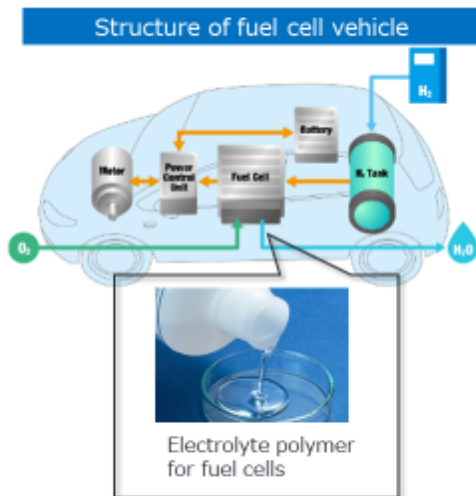
24

[TD] For architectural glass, highly insulated glass, and also integrating into building materials. We are developing many such things and we will be deploying them as well in the future. High insulation glass for construction, we know that this can contribute to initial reduction of a 10 times higher level than the conventional manufacturing process, so we would like to continue to contribute in this way.

## Reduction of GHG Emissions in Business (Strategic Businesses: Mobility)

### <Electrolyte polymer for fuel cells>

- Demand growth will accelerate together with the increased use of fuel cell vehicles and technological advancement toward the realization of a hydrogen society.
- Overwhelming No.1 position by realizing both high power generation and high durability



\*: Based on IHS data

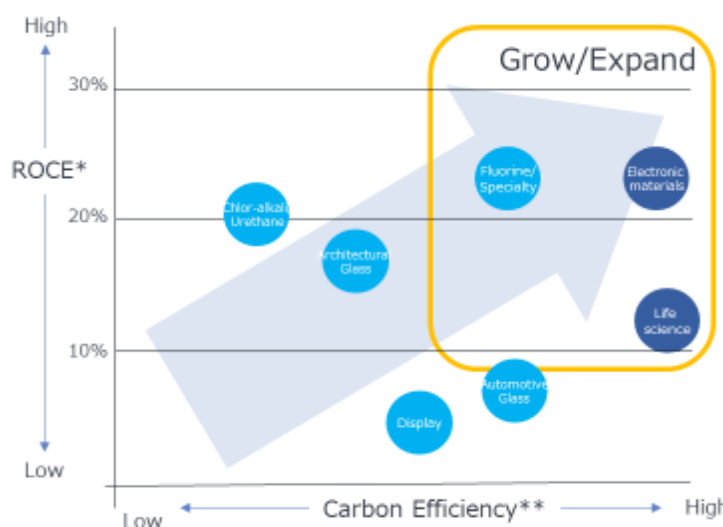
25

Moving on to mobility example, electrolyte polymer for fuel cells, demand growth will accelerate with increased use of fuel cell vehicles, technological advancement for [hydrogen] society. We have an overwhelming number one position by realizing both high-power generation and high durability. We will continue to contribute in the growth and expansion of this technology.

## Carbon efficiency and asset efficiency

- Expand the strategic businesses that have high carbon efficiency and asset efficiency, and at the same time increase the carbon efficiency and asset efficiency of other businesses

### Direction of the AGC Group's business portfolio



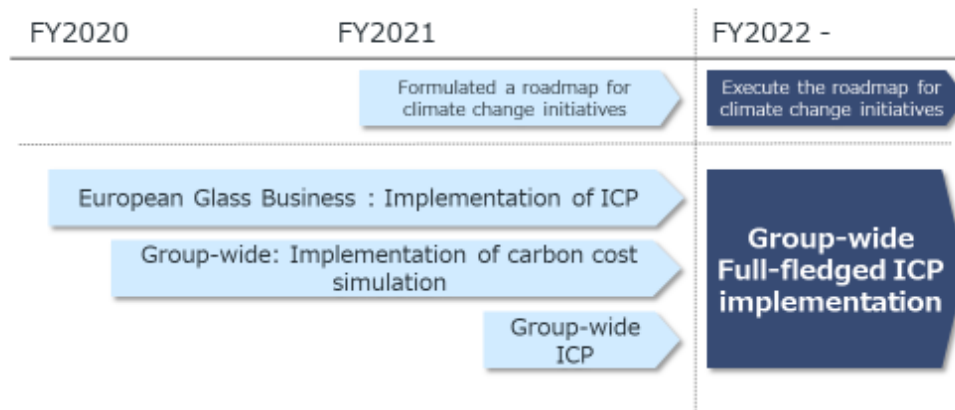
\* : Created based on the 2023 Target \*\* : Created Actual emissions per net sales in 2020 ● Core Business ● Strategic Business ©AGC Inc. 26

In terms of business portfolio direction, strategic businesses have a high level of asset efficiency but also high carbon efficiency. So we will be expanding such strategic business but also we want to improve the carbon efficiency and asset efficiency of other businesses so that we can build a new portfolio for our group.

## Internal Carbon Pricing (ICP)

- Full-fledged implementation of ICP from February 2022 and accelerate AGC's GHG reduction initiatives

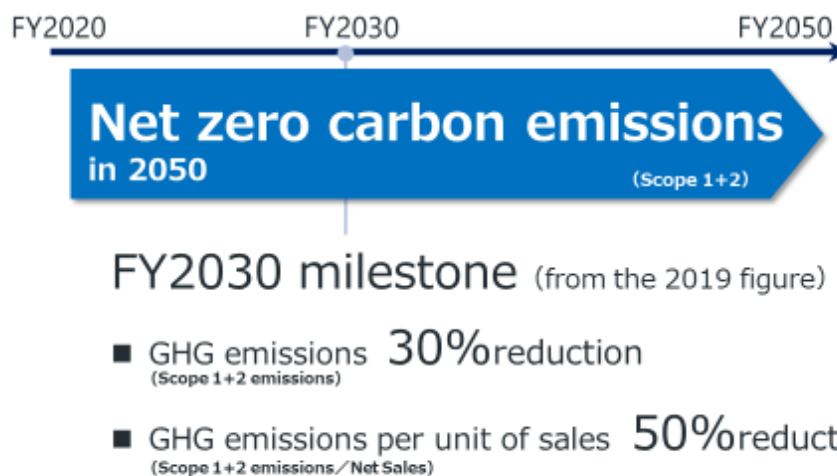
### Internal Carbon Pricing Introduction Plan



Internal carbon pricing started from February 2022 in order to reduce GHG further. So, ICP was applied to Europe alone [before] but a GHG reduction is a major trend globally. In order to contribute to the reduction, we have decided a full-fledged implementation for ICP internally.

## Net Zero Carbon Target (FY2050)

- Mostly achieved the CO<sub>2</sub> reduction target “of reducing annual CO<sub>2</sub> emissions by 6 times by 2020 through energy-saving and energy-creating products” set in 2014
- Will continue to focus on GHG reduction through products and technology
- Aiming to achieve net zero carbon in 2050



Last year, we indicated that, by 2050, we want to achieve net carbon zero, or net zero carbon. So, we have the milestone at 2030, 30% reduction in GHG emissions and 50% reduction in GHG emissions per unit of sales. We will continue to focus on GHG reduction through our technology and products.

## AGC People: the driver of our growth!



- Continuously grow and evolve by pursuing diversity, human resources development, and continuous improvement of work engagement



\*By enabling each and every employee to fully demonstrate their capabilities, we are creating an organization that is stronger than the sum of its parts, as we achieve our business strategies and organizational targets while delivering corporate and individual growth

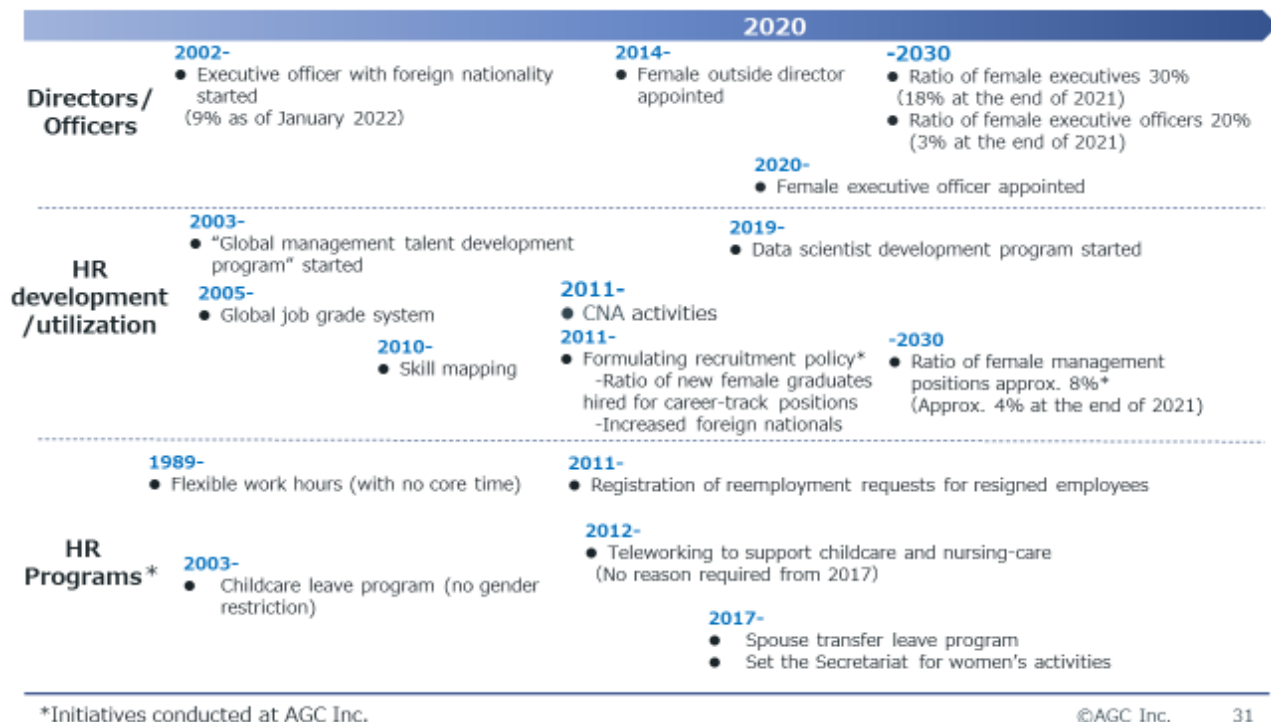
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The next important aspect of management is human resource initiatives. Human resource is a very important asset for the Company. We have AGC people that drive our growth. We pursue diversity, strength in individual capabilities and HR development, we have prepared various personnel systems.

# Greater Diversity/Human Resources Development

## ■ Establish and improve the personnel system for greater diversity HR development



In 2002, we introduced a directorship and hired an Executive Officer with foreign nationality and we also had female outside directors and executive directors. By 2030, we want to increase the ratio of female executives to 30%.

In terms of HR development, job grade system, Global One was implemented in 2005 and we have introduced many other new systems. Also, we are providing a lot of learning opportunities to our employees, including skill mapping and also CNA initiatives. If you have the same level of skill, you can connect horizontally globally and improve each other, strengthen each other.

In 2019, we started a data scientist development program internally. Currently, ratio of female management positions is approximately 4%. By 2030, we want to increase this to approximately 8%.

As for HR programs, no core time was introduced in 1989, which was cutting edge at the time. More recently, we are supporting diversity of work styles. We are improving upon these systems and programs to encourage employees to be more autonomous and to develop themselves.

## Engagement Initiative: Employee Dialogues with Top Management



- Communication with top management and employees started globally in 2015.
- With the purpose of encouraging independent action
- Amid the Covid pandemic, dialogue sessions are held online.



### CEO Dialogue Sessions (Global)

FY2018:	135	times (45 sites)
FY2019:	120	times (40 sites)
FY2020:	52	times (12 sites in Japan)
FY2021:	63	times (21 sites)

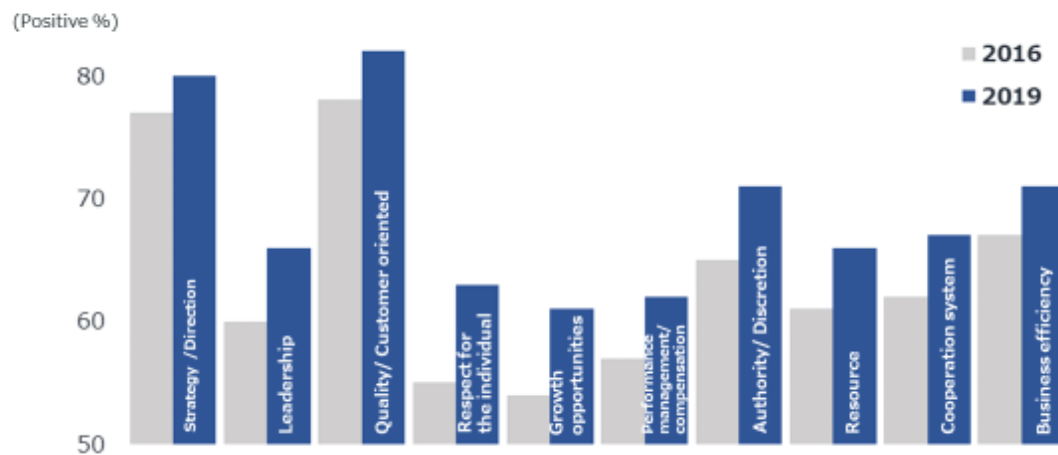
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We are working to enhance engagement. Under Mr. Shimamura, the previous CEO, we decided to promote more dialogue so that the management vision, strategy and others would be well communicated. Top ten is not good enough. So how to overcome that so that all could be shared by the employees we've considered as a major management challenge. Therefore, we decided to have a direct communication between the top management and employees so as to motivate the employees to be more forthcoming, proactive.

We had over 100 dialogue sessions before the COVID-19 pandemic. In 2020, we had online once and, last year, we had online and the face-to-face combined in Japan. As for overseas, we had online meetings many, many times.

# Engagement Survey Results

■ In the 2019 results, all categories exceeded the previous results.



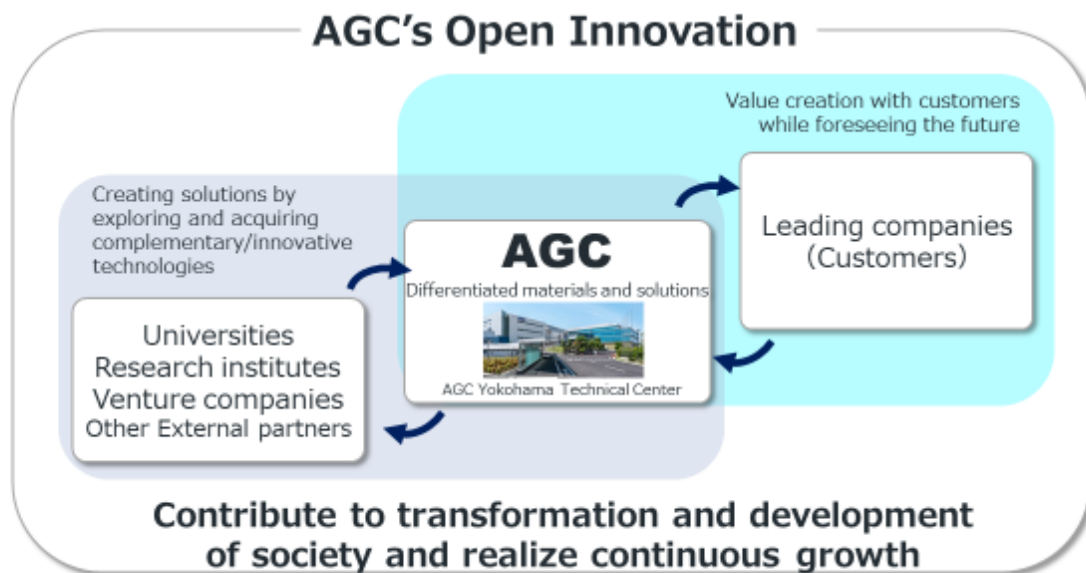
## Engagement Survey Overview

- Conducted 6 times since 2005
- 22 languages, 43 countries and regions (FY2019)
- All group members (FY2019 42,000 respondents with 88% response)

As a result of such initiatives to improve the engagement, in our engagement survey conducted once every three years, we were able to compare 2016 and 2019. In the 2019 survey, in all categories, results were better in all items compared to three years before. We will continue to work on these.

## Acceleration of Open Innovation (1)

- Constantly creating social value and economic value through open innovation with customers and external partners



Finally, but not the least, for the continued growth, we need to open innovation. One is value creation with the customers for the future. That is co-creation with the customers. The second pillar is to explore solutions with complementary technologies and knowledge.

The speed of change is getting faster in society, so the customer collaboration and the solution collaboration, we believe, will contribute to accelerating the speed of innovation.

## Acceleration of Open Innovation (2)



- Accelerate innovation by strengthening collaboration with customers and external institutions

### Initiatives (examples)



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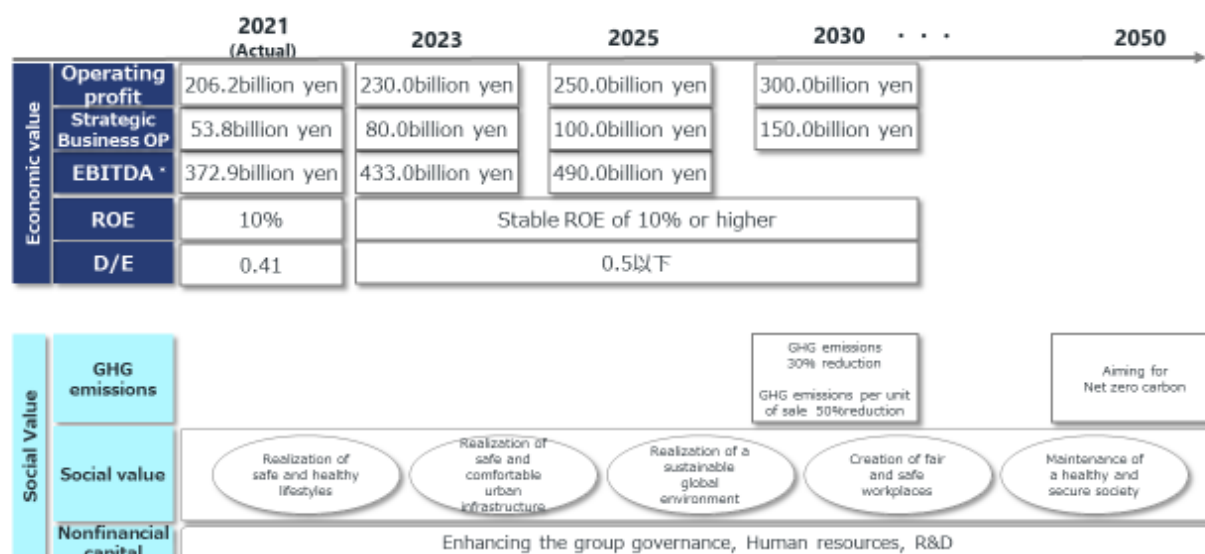
More specifically, in terms of co-creation of value with customers, we are working with the leading companies and leading industry so as to predict the next changes.

For the strategic technology, in terms of acquisition of innovative technologies, first, the M&A and venture-related investments are being actively promoted. Since 2016, there have been 9 acquisitions, of which 8 are in the area of strategic businesses. Mergers and acquisitions are making a great contribution in terms of promoting strategic businesses.

As for a more basic research and development, we are incorporating the knowledge expertise in the academia universities. We are enhancing the collaboration with universities. In terms of large-scale collaborations already for such large-scale collaborations have started and collaboration with companies and our own global technology network activities are being promoted for further acceleration of open innovation.

## Grow by creating both social value and economic value

- Achieve through the portfolio transformation and the pursuit of sustainability management



\* EBITDA=Operating profit +Depreciation

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Now, the summary. We are working on the portfolio transformation and the pursuit of sustainability management so as to create both social value and economic value for growth. As for economic value, in 2023, the highest-ever profit is to be achieved, JPY250 billion in 2025, JPY300 billion in 2030 in terms of operating profit is our target. Strategic businesses will be the drivers, JPY80 in 2023, JPY100 billion in 2025, JPY150 billion in 2030. So half of the operating profit should come from the strategic businesses. Through this type of growth, we are to achieve a stable ROE of 10% or higher.

In terms of social value, we are aggressively work on carbon net zero. So, the milestone in 2030, 30% reduction in GHG and GHG emissions per unit of sale, 50% reduction are the targets. Towards that, we will implement various measures.

As for the five social values that we will pursue, technology products and business activities will be promoted so as to make respective contribution.

## AGC Group's Brand Statement

Never take the easy way out, but confront difficulties  
Trust is the best way to inspire people  
Strive to develop technologies that will change the world  
A sense of mission leads us to advance

For more than a century, AGC has been guided by these founding spirits. Our unique materials, solutions and reliable partnerships have facilitated leading innovations across diverse industries and markets.

Today, by working with others to combine knowledge and advanced technology, we help make ever greater achievements possible, and bring bolder ideas to life

# Your Dreams, Our Challenge

Finally but not the least, in 2018, we changed the Company name from Asahi Glass to AGC. At that time, we adopted the brand statement. "Never take the easy way out" is how it starts, and this is the spirit since day one of the Company. And we are to build the unwavering relationship with our customers and we have been supporting the top runner. We will continue with this endeavor, working together with the customers in society by combining our expertise so as to realize our dream. That, in a nutshell, is [your dreams], our challenge, our brand statement.

Thank you for your kind attention.

[END]