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AGC Formulates New Management Policy, Long-term Strategy, and Medium-term Management Plan

AGC Inc. (Headquarters: Tokyo; President: Yoshinori Hirai) has formulated its new management policy **AGC plus 2.0**, long-term management strategy **Vision 2030**, and medium-term management plan **AGC plus-2023**. An overview is provided below.

<AGC Group's Group Vision, Mid/Long-term Management Policy and Management Strategy>



1. The new management policy **AGC plus 2.0** and the new long-term strategy "Vision 2030"

The AGC Group has formulated a new management policy, **AGC plus 2.0**, and a long-term management strategy **Vision 2030** as described below.

New management policy **AGC plus 2.0**

The AGC Group add a "plus" by:

- Providing safety, security and comfort to society,
- Creating new value and functions for customers and business partners and building trust with them,
- Enhancing job satisfaction among employees,
- Increasing the Group's corporate value for investors, and
- Building a better future for coming generations.

New Long-term management strategy: Vision 2030

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

To realize our **Vision 2030**, the AGC Group aims to create sustainable economic and social value by transforming our business portfolio with both *core* and *strategic* businesses playing an integral role.

In our *core* businesses, such as architectural glass, automotive glass, display, essential chemicals, and fluorochemicals, we will enhance the competitiveness of each business and build a solid and long-term stable earnings base.

In the *strategic* businesses of Electronics, Life Science and Mobility, which are high-growth fields, we will create and expand high-profit businesses that will be the pillars of our Group's future by leveraging our strengths.

By implementing various measures based on this strategy, we aim to achieve the following financial targets.

	FY2020 Actual	FY2023 Target	FY2025 Target	FY2030 Target
Operating profit	75.8 billion yen	160.0 billion yen	200.0 billion yen	By 2030, we will achieve record profit* and ensure a stable ROE of 10% or higher.
ROE	2.9%	8%	9%	
Operating Profit of <i>strategic</i> business	44.4 billion yen	70.0 billion yen	100.0 billion yen	
D/E ratio	0.63	0.5 or less	0.5 or less	

*Record profit: Operating profit in fiscal 2010: 229.2 billion yen

In addition to achieving our financial targets, we are required to achieve a balance between "business growth" and "realization of a sustainable society." In light of major opportunities and risks that the AGC Group faces, we will strive to achieve sustainability targets in all our business activities and contribute to the resolution of the following five social issues.

- **Contributing to the realization of a sustainable global environment**
- **Contributing to the realization of safe and comfortable urban infrastructure**
- **Contributing to the realization of safe and healthy lifestyles**
- **Contributing to the realization of a healthy and secure society**
- **Contributing to the realization of fair and safe workplaces**

2. Looking back on the Medium-term Management plan *AGC plus-2020*

		FY2017 Actual	FY2020 Target	FY2020 Actual	Excluding the impact of COVID-19 (estimate)
Operating profit		119.6 billion yen	160.0 billion yen or more	75.8 billion yen	125.0 billion yen
ROE		6.1%	8% or more	2.9%	6%
<i>Strategic business</i>	Contribution ratio	12%	25% or more	59%	36%
	Operating profit	14.2 billion yen	40.0 billion yen	44.4 billion yen	No impact
D/E ratio		0.38	0.5 or less	0.63	0.53

When the medium-term management plan, *AGC plus-2020*, was formulated in 2018, asset efficiency was low and the proportion of businesses affected by market fluctuations was high. Based on the recognition that portfolio reform was an issue for improving ROE, we established the following four strategies and managed our business in pursuit of them.

- Strengthen high-value-added businesses that are resilient to market fluctuations
- Promote growth strategies of *strategic* businesses
- Concentrate management resources in growing and winnable regions
- Achieve sustainable growth through *strategic* M&A

As a result, in the glass business, which was also affected by the coronavirus disaster, many issues remained unresolved, and operating profit, ROE, and D/E ratio targets were not achieved. However, among *strategic* business, Electronics and Life Sciences expanded faster than expected, achieving the initial targets.

3. The New Medium-term Management Plan *AGC plus-2023*

To steadily implement its long-term strategy **Vision 2030**, AGC has formulated a new medium-term management plan *AGC plus-2023*. The management financial targets and key strategies are as follows.

<Management financial targets>

	FY2020 Actual	FY2023 Target
Operating profit	75.8 billion yen	160.0 billion yen
ROE	2.9%	8%
OP (<i>Strategic</i> business)	44.4 billion yen	70.0 billion yen
D/E ratio	0.63	0.5 or less

<To-be Image of performance by business segment>

(Unit : billion yen)

	Net sales			Operating profit		
	FY2019 Actual	FY2020 Actual	FY2023 Target	FY2019 Actual	FY2020 Actual	FY2023 Target
Glass	742.9	651.0	710.0	9.3	▲16.6	33.0
Electronics	276.7	289.4	350.0	25.6	37.8	40.0
Chemicals	475.8	451.2	560.0	63.0	50.5	85.0
Other	22.6	20.7	30.0	3.7	4.1	2.0
Total	1,518.0	1,412.3	1,650.0	101.6	75.8	160.0

<Key strategies>

Pursuing ambidextrous management	
<ul style="list-style-type: none"> •We will accelerate the growth in the strategic business area, and at the same time explore new business areas including those related to energy. •In the core business, we will conduct a structural reform in the architectural glass and automotive glass businesses that need improvements in profitability and asset efficiency. •For other businesses in the core business area, we will strengthen their profit foundation and cash generation. 	
Promotion of sustainability management	Gaining competitiveness by accelerating digital transformation
<ul style="list-style-type: none"> •Propelling materials innovation to help solve social issues •Aiming for net-zero carbon in 2050 •Strengthening human resources and group-wide governance 	<ul style="list-style-type: none"> •Taking a transformation of the business model itself into consideration, leverage digital technologies to improve the process from product development to sales activities •Use digital technologies to provide value to customers and society and gain competitiveness 

(1) Pursuing *Ambidextrous Management*

Direction of each business

Under its management policy, **AGC plus**, AGC has been implementing *ambidextrous management* to deepen *core businesses* and explore *strategic businesses*. The major issues and directions of each business under **AGC plus-2023** are as follows.

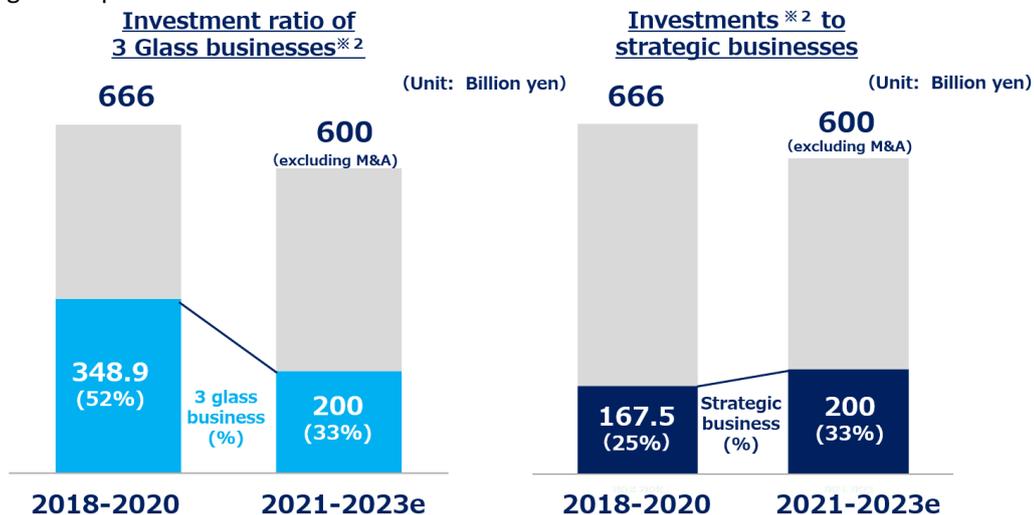
	Business	Key issues	Direction
Strategic Business	Electronics	<ul style="list-style-type: none"> Expand value-added products including EUV photomask blanks Constantly generate new businesses 	Further accelerate growth
	Life Science	<ul style="list-style-type: none"> Expand business through timely investments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

AGC plus-2023 will further pursue its *ambidextrous management* style and accelerate growth in *strategic business* areas while exploring new business areas such those related to energy. By 2023, we aim to achieve sales of 300 billion yen and operating profit of 70 billion yen in *strategic businesses*.

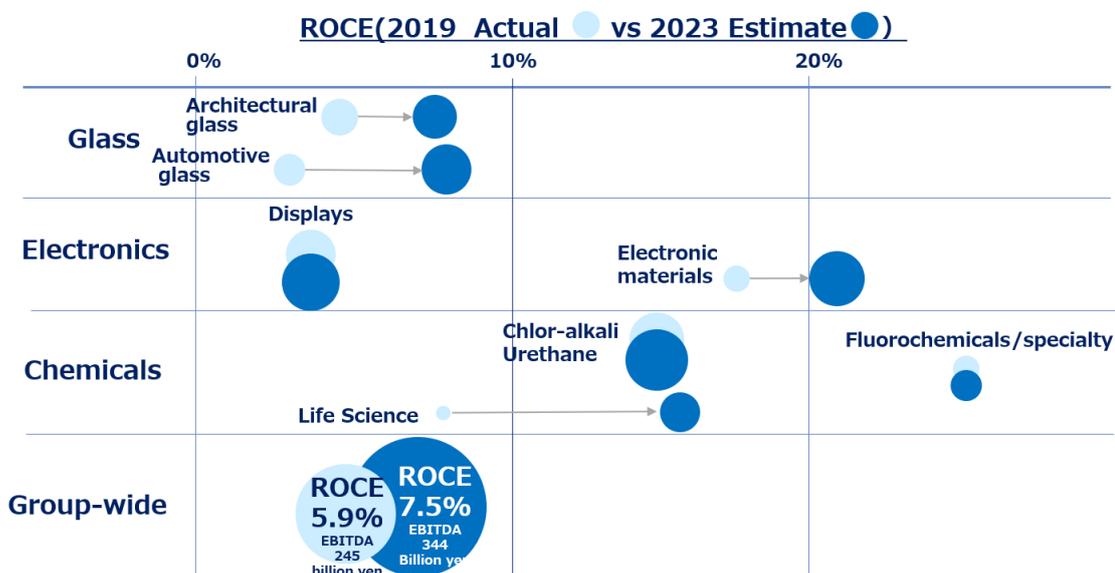
On the other hand, in architectural glass and automotive glass, by 2023, we will reduce fixed costs and other costs under both businesses by 15 billion yen from the 2019 level, by shifting to production capacity that correspond to demand, concentrating production through the introduction of highly efficient facilities and reducing headcount, and reducing investment to 80% or less of depreciation costs. In addition, as an industry leader, we launched a structural reform project for architectural glass headed by the CFO to carry out structural reforms with a sense of urgency and a view to reorganizing the industry.

Initiatives to allocate investment resources and improve asset efficiency

Regarding the allocation of investment resources, we will strengthen investments in growth and *strategic businesses* and plan to invest 200 billion yen in *strategic businesses*, which is equivalent to 33% of the total investment. We also plan to reduce the ratio of investment in the three glass businesses (architectural glass, automotive glass, and display) in our total investment to 33% from 52% set during the previous medium-term management plan.



Through these initiatives, we will improve the asset efficiency of all our businesses and reform our business portfolio, aiming to achieve Group-wide ROCE (return on capital employed) of 7.5% and EBITDA of 344 billion by 2023.



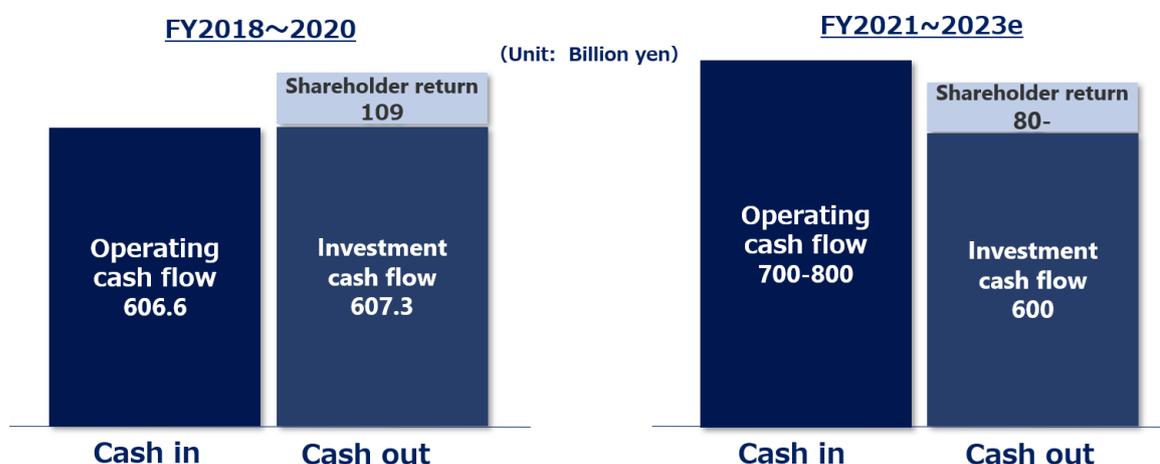
Change in shareholder return policy and cash flow plan

We have decided to change our shareholder return policy as follows to secure investment opportunities in growth businesses while maintaining mid/long-term financial soundness.

<Current policy>
 Maintain a consolidated total return ratio of 50% or higher, including share buybacks, on the basis of maintaining at least the current annual dividend per share.

<New policy>
 Maintain stable dividends with a consolidated dividend payout ratio aiming for 40%. Share buybacks will be implemented flexibly.

The cash flow plan for **AGC plus-2023** based on the above business plan, investment plan, and shareholder return policy is as follows.



We will achieve growth by prioritizing the allocation of cash generated to businesses with high asset efficiency and growth businesses on the premise of ensuring financial soundness.

(2) Promoting Sustainability Management

Since its foundation, AGC has been working to solve social issues in response to the demands of the times through long-term R&D and taking on the challenges of commercialization based on a relationship of trust with customers.

We will continue to fulfill our mission of "AGC, an everyday essential part of our world" and contribute to the realization of global and social sustainability through our unique materials and solutions.

In 2014, AGC set a goal of reducing its annual CO₂ emissions by six-fold in 2020 through energy-saving and energy-creating products. We have generally achieved our targets through initiatives to reduce CO₂ emissions in our business activities and to promote and expand sales of energy-saving and energy-creating products such as energy-saving glass and environmentally friendly, next-generation low-GWP refrigerants.

For realizing a sustainable global environment, we have set a new goal of achieving net zero carbon in 2050. As milestones, we aim for a GHG emission reduction rate of 30% in 2030 and a rate of improvement in GHG emissions per unit of sales* of 50%.

*GHG emissions per unit of sales = GHG emissions/net sales

To achieve this goal, AGC is promoting the introduction of energy-efficient oxygen combustion methods and electric melting boosters that will lead to reduced fuel consumption in the glass melting process and accelerate the electrification of melting heat sources going forward. We will also contribute to the realization of net zero carbon in the world by supplying high-performance, energy-saving glass and fluorine-based electrolyte polymers for fuel cell membranes.

(3) Strengthening Competitiveness by Accelerating Digital Transformation (DX)

Until now, AGC has used digitization to transform business processes in areas such as development and manufacturing, sales and marketing, and logistics. We are also focusing on the cultivation of digital talent who can wield two swords, that is those who possess both highly specialized business knowledge and advanced data analysis skills to support our transformation. By end-2020, through our own development programs we had trained 1,600 data scientists and 40 data experts capable of solving their division's problems using data science. By 2025, we plan to train 5,000 data scientists and 100 data experts.

Going forward, the AGC Group will transform its business model by further advancing and combing the initiatives which it has cultivated up to this point. In this way, we will build a competitive advantage and provide new added value to our customers and society.

The AGC Group will add value to all stakeholders, including society, customers, business partners, employees, investors, and future generations, by achieving its management and financial targets and promoting sustainable management through the implementation of the strategies set forth in the new **AGC plus-2023** medium-term management plan.