

*TRANSLATION FOR REFERENCE PURPOSES ONLY*

*This is a translation of the Notice to Convene the 98<sup>th</sup> Ordinary General Meeting of Shareholders, dated March 7, 2023, which is prepared for reference purposes only. In the event of any discrepancy between the original Japanese text and this translated English text, the original Japanese text shall prevail.*



**Notice to Convene the  
98<sup>th</sup> Ordinary General  
Meeting of Shareholders**

**Date and Time:**

**Thursday, March 30, 2023**

**at 10:00 a.m.** (Reception begins at 9:00 a.m.)

**Place:**

**Rose, 3<sup>rd</sup> Floor, Tokyo Kaikan**

3-2-1, Marunouchi, Chiyoda-ku, Tokyo

**Resolution Matters:**

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Seven Directors

Proposal No. 3: Election of Two Audit &  
Supervisory Board Members

**Attention:**

- The scene of the General Meeting of Shareholders may be viewed by relayed live Internet streaming.
- When you attend the General Meeting of Shareholders, please cooperate with infection prevention measures.
- In the event changes concerning the operation of the General Meeting of Shareholders, etc. are decided, notice will be given promptly on the Company's website, etc.  
<https://www.agc.com/en/ir/index.html>

**AGC Inc.**

(Security Code: 5201)

Your Dreams, Our Challenge

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\* The contents of the Audit & Supervisory Board’s audit report regarding the Consolidated Financial Statements are included in the Audit & Supervisory Board’s Audit Report (page 93).

## AGC Group Vision

# “Look Beyond”

Three elements that structure **“Look Beyond”**

### Our Mission

**AGC,  
an everyday essential part of our world**

AGC’s unique materials and solutions enrich people’s lives around the world every day.

### Our Shared Values

**Innovation & Operational Excellence**

**Diversity**

**Environment**

**Integrity**

### Our Spirit

**“Never take the easy way out, but confront difficulties.”**

March 7, 2023

Yoshinori Hirai  
Representative Director

**AGC Inc.**

1-5-1, Marunouchi, Chiyoda-ku, Tokyo

Dear Shareholders:

### **Notice to Convene the 98<sup>th</sup> Ordinary General Meeting of Shareholders**

Notice is served that the 98<sup>th</sup> Ordinary General Meeting of Shareholders of AGC Inc. (“Company”) is to be held as below. The scene on the day of the General Meeting of Shareholders may be viewed by relayed live Internet streaming as well. (For how to view, please see the enclosed appendix “Guide to the Live Relay of the General Meeting of Shareholders.”)

**In case you do not attend in person on the day, you may exercise your voting rights in writing (through postal mail) or via the Internet in advance. So please exercise your voting rights by no later than 5:00 p.m. on Wednesday, March 29, 2023, (local time) after reviewing the attached Reference Documents for the General Meeting of Shareholders.**

**1. Date and Time:** Thursday, March 30, 2023, at 10:00 a.m. (Reception begins at 9:00 a.m.)

**2. Place:** Rose, 3<sup>rd</sup> Floor, Tokyo Kaikan  
3-2-1, Marunouchi, Chiyoda-ku, Tokyo

### **3. Meeting Agenda:**

#### **Report Matters:**

- (1) The Business Report, Consolidated Financial Statements, and Accounting Auditors’ and Audit & Supervisory Board’s Audit Reports of the Consolidated Financial Statements for the 98<sup>th</sup> Fiscal Year (from January 1, 2022, to December 31, 2022)
- (2) The Non-Consolidated Financial Statements for the 98<sup>th</sup> Fiscal Year (from January 1, 2022, to December 31, 2022)

#### **Resolution Matters:**

**Proposal No. 1: Appropriation of Surplus**

**Proposal No. 2: Election of Seven Directors**

**Proposal No. 3: Election of Two Audit & Supervisory Board Members**

#### 4. Matters Concerning Exercise of Voting Rights

- (1) In case the voting rights are exercised both by sending the voting form through postal mail and via the Internet, the voting rights exercised via the Internet will be considered as valid.
- (2) In case the voting rights are exercised multiple times via the Internet, the last exercise of the voting rights will be considered as valid.
- (3) In case your approval or disapproval of each proposal is not indicated in the voting form returned, it will be treated as if your approval has been indicated.

#### 5. Matters Provided by Electronic Measures

- (1) On the occasion of convening this General Meeting of Shareholders, measures for electronic provision are taken on information contained in the Reference Documents for the General Meeting of Shareholders, etc. (matters provided by electronic measures), which is posted on the Company's website on the Internet as the "Notice to Convene the 98<sup>th</sup> Ordinary General Meeting of Shareholders and Materials for the General Meeting of Shareholders," so please access and check the Company's website below.

Company's website: <https://www.agc.com/en/ir/index.html>

Matters provided by electronic measures are posted not only on the website above but also on the Tokyo Stock Exchange (TSE) website, so please access the TSE website (TSE Listed Company Announcements Service) below, enter and search for the issue name (AGC Inc.) or code (5201), select "Basic information" and "Documents for public inspection/PR information," and check them.

TSE website (TSE Listed Company Announcements Service):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

- (2) At this General Meeting of Shareholders, regardless of whether or not request for document delivery has been made, documents stating the matters provided by electronic measures are equally sent. However, the following matters, among the matters provided by electronic measures, are not stated on this document based on the laws and regulations and Article 15 of the Company's Articles of Incorporation.
  - (i) "3. Matters Concerning Stock Acquisition Rights of the Company" and the "Basic Policy Concerning Internal Control" in "6. Basic Policy Concerning Internal Control and Operational Status of Internal Control" of the Business Report
  - (ii) "Consolidated Statements of Changes in Equity" and "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements
  - (iii) "Statements of Changes in Net Assets" and "Notes to the Non-Consolidated Financial Statements" of the Non-Consolidated Financial Statements

The Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit & Supervisory Board Members are those attached to this notice to convene as well as the matters (i) to (iii) above.

The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditors are those attached to this notice to convene as well as the matters (ii) and (iii) above.

END

- If any correction to the matters provided by electronic measures occurs, such occurrence, matters before the correction and matters after the correction will be posted on the above Company's website and TSE website on the Internet.

## ■ Information on How to Exercise Voting Rights

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If exercised **in writing** (through postal mail)

Deadline to exercise

**Voting forms must arrive by no later than 5:00 p.m. on Wednesday, March 29, 2023 (local time)**

Please indicate your approval or disapproval of each proposal on the enclosed voting form and return it through postal mail so that it is received by the deadline.

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If exercised via the **Internet**

Deadline to exercise

**Acceptable until 5:00 p.m. on Wednesday, March 29, 2023 (local time)**

Please access the voting website (<https://evote.tr.mufg.jp/>) and enter your approval or disapproval of each proposal by no later than the deadline.

For “Information on Exercising Voting Rights via the Internet,” please refer to page 5.

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If attending the **General Meeting of Shareholders** in person

Open Date and Time

**Thursday, March 30, 2023, at 10:00 a.m. (Reception begins at 9:00 a.m.) (local time)**

Please submit the enclosed voting form to the reception desk.

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## Information on Exercising Voting Rights via the Internet

### By scanning the QR code\*

The voting website can be logged in without entering the login ID and password.

1. Please scan the QR code provided at the lower right of the voting form with a smartphone.
2. Thereafter, please input for or against by following the instructions on the screen.

\* “QR Code” is the registered trademark of DENSO WAVE INCORPORATED.

### By entering the login ID and password

Voting website: <https://evote.tr.mufg.jp/>

1. Please access the above voting website from a computer or smartphone.
2. Please enter the login ID and temporary password stated on the voting form.
3. Please change the temporary password to a new password.
4. Thereafter, please input for or against by following the instructions on the screen.

**The above way to exercise the voting rights using the QR code is available only once.**

To re-exercise the voting rights, or to exercise the voting rights without using the QR code, please check “By entering the login ID and password” stated on the right.

Contact information concerning exercise of voting rights via the Internet:

**Securities Agency Division (Help Desk)**  
**Mitsubishi UFJ Trust and Banking Corporation**  
Telephone: **0120-173-027** (toll free in Japan)  
Operating hours: 9:00 a.m. - 9:00 p.m. (local time)

Institutional investors may use the “Electronic Voting Platform for Foreign and Institutional Investors” operated by ICJ, Inc.

- \* Treatment of exercising voting rights will be suspended from 2:00 a.m. to 5:00 a.m. daily (local time).
- \* Please note that the shareholder needs to bear the Internet connection fees, communication fees, etc. incurred upon access to the voting website.

## **Reference Documents for the General Meeting of Shareholders**

### **Proposals and Reference Matters**

#### **Proposal No. 1: Appropriation of Surplus**

The AGC Group will, while maintaining financial soundness, prioritize the use of cash generated from core businesses for capital investment in strategic businesses and other areas necessary for future growth, M&A, R&D, etc.

On shareholder return, the Company will maintain stable dividends with a target consolidated dividend payout ratio of 40% while comprehensively taking account of the consolidated business performance in the fiscal year ended December 31, 2022, future demand for funds, etc. In addition, the policy is to implement flexible acquisition of treasury shares as a shareholder return measure that contributes to enhancing capital efficiency.

On the appropriation of surplus for the fiscal year ended December 31, 2022, the proposal is made under this basic policy as follows:

#### **1. Matters concerning year-end dividends**

Taking into account the business performance for the fiscal year ended December 31, 2022, managerial environment, future business development, etc., the proposal is 105 yen per share.

- (1) Matters concerning the allocation of dividend property for shareholders and their total amount

105 yen per ordinary share of the Company

Total amount: 23,316,032,985 yen

- (2) Effective date of payment of dividends

March 31, 2023

If this Proposal is approved and adopted as proposed, the annual dividends per share for the fiscal year ended December 31, 2022, including the interim dividends, will be 210 yen per share, which is the same amount as the previous fiscal year.

#### **2. Matters concerning appropriation of other surplus**

- (1) Item of surplus to increase and its amount

Retained earnings carried forward: 50,000,000,000 yen

- (2) Item of surplus to decrease and its amount

General reserve: 50,000,000,000 yen

## Proposal No. 2: Election of Seven Directors


As the tenures of all (seven) Directors will expire at the conclusion of this General Meeting of Shareholders, seven Directors are proposed for election.


The Director candidates are as follows:


Candidate No.	Name	Gender	Posts and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Takuya Shimamura <a href="#">Reappointment</a>	Male	Director & Chairman	100% (14 out of 14 times)
2	Yoshinori Hirai <a href="#">Reappointment</a>	Male	Director President & CEO	100% (14 out of 14 times)
3	Shinji Miyaji <a href="#">Reappointment</a>	Male	Director Senior Executive Vice President CFO and CCO	100% (14 out of 14 times)
4	Hideyuki Kurata <a href="#">Reappointment</a>	Male	Director Executive Vice President CTO and GM of Technology General Division	100% (14 out of 14 times)
5	Hiroyuki Yanagi <a href="#">Reappointment</a> Outside Independent	Male	Director	100% (14 out of 14 times)
6	Keiko Honda <a href="#">Reappointment</a> Outside Independent	Female	Director	100% (14 out of 14 times)
7	Isao Teshirogi <a href="#">Reappointment</a> Outside Independent	Male	Director	100% (11 out of 11 times)


Note: Since Dr. Isao Teshirogi assumed the position of Director on March 30, 2022, the number of Board of Directors meetings that he is eligible to attend differs from that of other Directors.





No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
1	 <p>Takuya Shimamura (Born on Dec. 25, 1956)</p> <p><a href="#">Reappointment</a></p>	<p>Apr. 1980    Joined the Company Jan. 2009    Executive Officer and GM of Planning &amp; Coordination Office, Chemicals Company Jan. 2010    Executive Officer and President of Chemicals Company Jan. 2013    Senior Executive Officer and President of Electronics Company Jan. 2015    President &amp; CEO Mar. 2015    Director and President &amp; CEO Jan. 2021    Director &amp; Chairman (incumbent)</p> <p>[Important concurrent positions] Outside Director, EBARA CORPORATION Outside Audit &amp; Supervisory Board Member, JFE Holdings, Inc.</p>	27,800
<p><b>【Reasons for the nomination as Director candidate】</b></p> <ul style="list-style-type: none"> <li>Mr. Takuya Shimamura, who has considerable experience in sales at the Chemicals Division, has served as, among others, the President of one of the Company's overseas subsidiaries, President of Chemicals Company, and President of Electronics Company. He served as the Director and President &amp; CEO from March 2015 following his appointment as the President &amp; CEO in January 2015. Since January 2021, he has served as the Director &amp; Chairman. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Applying this experience, he is expected to fully perform his directorship role through decision-making on key matters of the AGC Group and by overseeing its management execution. Accordingly, he is nominated as a Director candidate.</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 14 out of 14 times</p>			


No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
2	 Yoshinori Hirai (Born on Aug. 19, 1959) <a href="#">Reappointment</a>	Apr. 1987    Joined the Company Jan. 2012    Executive Officer and GM of Business Development Office Jan. 2014    Senior Executive Officer and GM of Technology General Division Mar. 2014    Director, Senior Executive Officer and GM of Technology General Division Jan. 2016    Director, Senior Executive Officer, CTO and GM of Technology General Division Jan. 2018    Director, Executive Vice President, CTO and GM of Technology General Division Jan. 2019    Director, Executive Vice President and CTO Jan. 2021    Director and President & CEO (incumbent)	14,400
<p><b>【Reasons for the nomination as Director candidate】</b></p> <ul style="list-style-type: none"> <li>• Dr. Yoshinori Hirai has considerable experience at the R&amp;D Division in areas including liquid crystal devices. He has served as, among others, the Senior Executive Vice President of one of the Company's subsidiaries, General Manager of the Business Planning Office of Electronics Company, General Manager of the Business Development Office, General Manager of Technology General Division, and Director, Executive Vice President and CTO. He has served as the Director and President &amp; CEO since January 2021. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Applying this experience, he is expected to fully perform his directorship roles through decision-making on key matters of the AGC Group and by overseeing its management execution. Accordingly, he is nominated as a Director candidate.</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 14 out of 14 times</p>			

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
3	 <p>Shinji Miyaji (Born on Nov. 4, 1958)</p> <p><a href="#">Reappointment</a></p>	<p>Aug. 1990    Joined the Company</p> <p>Jan. 2010    Executive Officer and Group Leader of Corporate Planning Group, Office of the President</p> <p>Nov. 2012    Executive Officer; Senior Vice President, AGC Flat Glass North America, Inc.</p> <p>Feb. 2013    Executive Officer and Regional President of North America, Glass Company</p> <p>Oct. 2013    Executive Officer and GM of Strategy Office, Glass Company</p> <p>Jan. 2014    Executive Officer and GM of Electronics General Division, Electronics Company</p> <p>Jan. 2015    Senior Executive Officer and GM of Office of the President</p> <p>Mar. 2015    Director, Senior Executive Officer and GM of Office of the President</p> <p>Jan. 2016    Director, Senior Executive Officer, CFO and GM of Corporate Planning Division</p> <p>Jan. 2018    Director, Executive Vice President, CFO and CCO</p> <p>Oct. 2019    Director, Executive Vice President, CFO, CCO and GM of Corporate Planning General Division</p> <p>Mar. 2020    Director, Senior Executive Vice President, CFO, CCO and GM of Corporate Planning General Division</p> <p>Jan. 2023    Director, Senior Executive Vice President, CFO and CCO (incumbent)</p>	10,100
<p><b>【Reasons for the nomination as Director candidate】</b></p> <ul style="list-style-type: none"> <li>Mr. Shinji Miyaji has served in the Information Systems Division and as the President of one of the Company's subsidiaries. He has been active in, among others, the New Business Promotion Division and the Corporate Planning Division and served as the General Manager of the Glass and Electronics Divisions. Currently, he serves as the Director, Senior Executive Vice President, CFO and CCO. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Applying this experience, he is expected to fully perform his directorship roles through decision-making on key matters of the AGC Group and by overseeing its management execution. Accordingly, he is nominated as a Director candidate.</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 14 out of 14 times</p>			

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
4	 <p>Hideyuki Kurata (Born on Nov. 11, 1961)</p> <p><a href="#">Reappointment</a></p>	<p>Apr. 1987    Joined the Company</p> <p>Jan. 2018    Executive Officer and GM of Life Science General Division, Chemicals Company</p> <p>Jan. 2019    Senior Executive Officer and GM of Technology General Division</p> <p>Jan. 2021    Senior Executive Officer, CTO and GM of Technology General Division</p> <p>Mar. 2021    Director, Senior Executive Officer, CTO and GM of Technology General Division</p> <p>Jan. 2022    Director, Executive Vice President, CTO and GM of Technology General Division</p> <p>Apr. 2022    Director, Executive Vice President, CTO, GM of Technology General Division and GM of Business Development Division</p> <p>Jan. 2023    Director, Executive Vice President, CTO and GM of Technology General Division (incumbent)</p>	5,500
<p><b>【Reasons for the nomination as Director candidate】</b></p> <ul style="list-style-type: none"> <li>Mr. Hideyuki Kurata has considerable experience in the areas of production and new business promotion at the Chemicals Division. He has served as, among others, the President of one of the Company's overseas subsidiaries, General Manager of Business Development Office, General Manager of Strategy Planning Office of the Chemicals Company, and General Manager of Life Science General Division of the Chemicals Company. Currently, he serves as the Executive Vice President, CTO and General Manager of Technology General Division. Therefore, he has extensive experience with the AGC Group's businesses and corporate management. Applying this experience, he is expected to fully perform his directorship roles through decision-making on key matters of the AGC Group and by overseeing its management execution. Accordingly, he is nominated as a Director candidate.</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 14 out of 14 times</p>			

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
5	 <p>Hiroyuki Yanagi (Born on Nov. 20, 1954)</p> <div style="border: 1px solid black; padding: 2px;"> <span style="border: 1px solid blue; padding: 1px;">Reappointment</span>  Candidate for  Outside  Director  Independent  Officer </div>	<p>Apr. 1978    Joined Yamaha Motor Co., Ltd.  Mar. 2007    Executive Officer, said company  Mar. 2009    Senior Executive Officer, said company  Mar. 2010    President and Director, said company  Jan. 2018    Chairman and Director, said company  Mar. 2019    Director of the Company (incumbent)  Jan. 2022    Director, Yamaha Motor Co., Ltd.  Mar. 2022    Adviser, said company (incumbent)</p> <p>[Important concurrent positions]  Adviser, Yamaha Motor Co., Ltd.  Outside Director, Kirin Holdings Co., Ltd.  Outside Director, Japan Airlines Co., Ltd.  Outside Director, Mitsubishi Electric Corporation</p>	3,400
<p><b>【Reasons for the nomination as Outside Director candidate and expected roles, etc.】</b></p> <ul style="list-style-type: none"> <li>Mr. Hiroyuki Yanagi has served as the President and Director, and Chairman and Director, of Yamaha Motor Co., Ltd. and has extensive experience in overall corporate management, including branding strategies and the use of digital technology, at the company which vigorously promotes global operations. Applying this experience, he is expected to strengthen the corporate governance of the Company by overseeing and monitoring the management of the Company from an independent standpoint and by making proposals on the overall management of the Company, including the strengthening of the global development of its businesses. Accordingly, he is nominated as an Outside Director candidate.</li> </ul> <p><b>【Matters concerning independency】</b></p> <ul style="list-style-type: none"> <li>Mr. Hiroyuki Yanagi meets the Company's standards for independence of outside officers (page 19). The Company has reported him to Tokyo Stock Exchange, Inc. as an independent officer. If his election is approved and adopted in terms of this Proposal, he will remain appointed as an independent officer.</li> </ul> <p><b>【Tenure of office of Outside Director from the time of assumption of office】</b></p> <ul style="list-style-type: none"> <li>4 years (at the conclusion of this General Meeting of Shareholders)</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 14 out of 14 times</p>			

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
	 <p>Keiko Honda (Born on Sep. 27, 1961)</p> <p>Reappointment Candidate for Outside Director Independent Officer</p>	<p>Apr. 1984    Joined Bain &amp; Company Japan, Incorporated May 1986    Joined Shearson Lehman Brothers Securities Co., Ltd. Jul. 1989    Joined McKinsey &amp; Company, Inc. Japan Jul. 1999    Partner, said company Jul. 2007    Director (Senior Partner), said company Jul. 2013    Executive Vice President &amp; CEO, Multilateral Investment Guarantee Agency (World Bank Group) Oct. 2019    Retired from said agency Mar. 2020    Director of the Company (incumbent)</p> <p>[Important concurrent positions] Adjunct Professor, Columbia University Outside Director, Mitsubishi UFJ Financial Group, Inc. Outside Director, Recruit Holdings Co., Ltd.</p>	0
6	<p><b>【Reasons for the nomination as Outside Director candidate and expected roles, etc.】</b></p> <ul style="list-style-type: none"> <li>Ms. Keiko Honda has been engaged in consulting services for many years and has experience in providing advice on management and financial strategies, M&amp;A, alliances, etc. She has also served as the representative of a multinational organization; based on this experience, she has taught ESG investment at universities and has extensive knowledge concerning management and sustainability of enterprises and global organizations. Applying these experiences, she is expected to strengthen the corporate governance of the Company by overseeing and monitoring the management of the Company from an independent standpoint and by making proposals on the overall management of the Company from her professional viewpoint. Accordingly, she is nominated as an Outside Director candidate. While she has not been directly involved in corporate management other than by being an outside director in the past, by the above reasons, it is judged that she is capable of properly executing her duties as the Outside Director.</li> </ul> <p><b>【Matters concerning independency】</b></p> <ul style="list-style-type: none"> <li>Ms. Keiko Honda meets the Company's standards for independence of outside officers (page 19). The Company has reported her to Tokyo Stock Exchange, Inc. as an independent officer. If her election is approved and adopted in terms of this Proposal, she will remain appointed as an independent officer.</li> </ul> <p><b>【Tenure of office of Outside Director from the time of assumption of office】</b></p> <ul style="list-style-type: none"> <li>3 years (at the conclusion of this General Meeting of Shareholders)</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 14 out of 14 times</p>		

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
	 <p>Isao Teshirogi (Born on Dec. 12, 1959)</p> <p>Reappointment Candidate for Outside Director Independent Officer</p>	<p>Apr. 1982    Joined Shionogi &amp; Co., Ltd.  Jun. 2002    Director, said company  Apr. 2004    Director and Executive Officer, said company  Apr. 2006    Director and Senior Executive Officer, said company  Apr. 2008    Director, President and CEO, said company  Mar. 2022    Director of the Company (incumbent)  Jul. 2022    Chairman of the Board, Director, President and CEO, Shionogi &amp; Co., Ltd. (incumbent)</p> <p>[Important concurrent positions]  Chairman of the Board, Director, President and CEO, Shionogi &amp; Co., Ltd.  Outside Director, Sumitomo Mitsui Banking Corporation</p>	0
7	<p><b>【Reasons for the nomination as Outside Director candidate and expected roles, etc.】</b></p> <ul style="list-style-type: none"> <li>• Dr. Isao Teshirogi serves as the Chairman of the Board, Director, President and CEO of Shionogi &amp; Co., Ltd. and has extensive experience in overall corporate management, including overseas business operations, at the company which is promoting high value-added business as a drug discovery-oriented pharmaceutical company. Applying this experience, he is expected to strengthen the corporate governance of the Company by overseeing and monitoring the management of the Company from an independent standpoint and by making proposals on the overall management of the Company, including the development of the Company's strategic businesses. Accordingly, he is nominated as an Outside Director candidate.</li> </ul> <p><b>【Matters concerning independency】</b></p> <ul style="list-style-type: none"> <li>• Dr. Isao Teshirogi meets the Company's standards for independence of outside officers (page 19). The Company has reported him to Tokyo Stock Exchange, Inc. as an independent officer. If his election is approved and adopted in terms of this Proposal, he will remain appointed as an independent officer.</li> <li>• The Company has a business relationship in connection with pharmaceutical intermediates with Shionogi &amp; Co., Ltd., where Dr. Teshirogi serves as a business executing person; however, the transaction amount accounts for less than 0.1 percent of the Company's net sales.</li> </ul> <p><b>【Tenure of office of Outside Director from the time of assumption of office】</b></p> <ul style="list-style-type: none"> <li>• 1 year (at the conclusion of this General Meeting of Shareholders)</li> </ul> <p><b>【Attendance at Board of Directors meetings (The fiscal year ended December 31, 2022)】</b> 11 out of 11 times (since the assumption of office on March 30, 2022)</p>		

Notes:

1. While Dr. Isao Teshirogi serves as the Chairman of the Board, Director, President and CEO (Representative Director) of Shionogi & Co., Ltd., there are no special conflicts of interest between the Company and him that should be stated other than the matters stated in the matters concerning independency. There are no special conflicts of interest between the Company and other Director candidates.
2. Outline of the liability limitation contract  
The Company has executed a contract with each of Mr. Hiroyuki Yanagi, Ms. Keiko Honda and Dr. Isao Teshirogi to limit their liability arising under Article 423, Paragraph 1, of the Companies Act, to the sum of the amounts prescribed in each Item of Article 425, Paragraph 1, of the Companies Act. If their election is approved and adopted in terms of this Proposal, the Company will continue those contracts.
3. Outline of the directors' and officers' liability insurance contracts  
The Company has executed a liability insurance contract (an insurance contract stipulated in Article 430-3, Paragraph 1, of the Companies Act) with an insurance company naming the Company's Directors, Audit & Supervisory Board Members, and Executive Officers as insureds, which covers liabilities borne by the insureds, including the Company's Directors, concerning the execution of their duties or from claims received regarding the pursuit of such liabilities. Insurance premiums are fully borne by the Company. If this Proposal is approved and adopted and each candidate is elected as a Director and assumes office, each candidate will become an insured under such insurance policy. Furthermore, the policy is scheduled to be renewed in April 2023 under the same terms.





### Proposal No. 3: Election of Two Audit & Supervisory Board Members

As the tenure of Mr. Yoshiyuki Morimoto and Ms. Yaeko Takeoka, Audit & Supervisory Board Members, will expire at the conclusion of this General Meeting of Shareholders, two Audit & Supervisory Board Members are proposed for election.

The Audit & Supervisory Board has consented to this Proposal.

The Audit & Supervisory Board Member candidates are as follows:

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
1	 Isamu Kawashima (Born on Feb. 20, 1959)  <div style="border: 1px solid black; padding: 2px;"> <p style="background-color: #0070C0; color: white; margin: 0;">New Appointment</p> <p style="background-color: #808080; color: white; margin: 0;">Candidate for Outside Audit &amp; Supervisory Board Member</p> <p style="margin: 0;">Independent Officer</p> </div>	Apr. 1981    Joined NEC Corporation Jun. 2011    General Manager, Corporate Controller Division, General Manager, Internal Control over Finance Reporting Division and Member of the Board, said company Jul. 2011    Senior Vice President, CFO and Member of the Board, said company Apr. 2015    Executive Vice President, CFO and Member of the Board, said company Jun. 2018    Audit & Supervisory Board Member, said company Jun. 2022    Retired from said company  [Important concurrent positions] Outside Director, JAPAN PURE CHEMICAL CO.,LTD. Outside Director, Sansei Technologies, Inc.	0
<p><b>【Reasons for the nomination as Outside Audit &amp; Supervisory Board Member candidate】</b></p> <ul style="list-style-type: none"> <li>Mr. Isamu Kawashima has served as the Executive Vice President, CFO and Member of the Board as well as the Audit &amp; Supervisory Board Member of NEC Corporation and has many years of experience in the accounting division and extensive knowledge as an Audit &amp; Supervisory Board Member at the company that is aggressively promoting M&amp;A whether inside or outside the country in the IT industry, where change is always required. Applying this experience and knowledge, he is expected to strengthen the Company's audit system. Accordingly, he is nominated as an Outside Audit &amp; Supervisory Board Member candidate.</li> </ul> <p><b>【Matters concerning independency】</b></p> <ul style="list-style-type: none"> <li>Mr. Isamu Kawashima meets the Company's standards for independence of outside officers (page 19). If his election is approved and adopted in terms of this Proposal, he will be appointed as an independent officer as prescribed by Tokyo Stock Exchange, Inc.</li> <li>The Company has a business relationship with NEC Corporation, where he served as a business executing person in the past; however, the transaction amount accounts for less than 0.1 percent of said company's net sales.</li> </ul>			

No.	Name (Date of Birth)	Career Profile, Posts, Responsibilities and Important Concurrent Positions	Number of the Company's Shares Owned
2	 Haruka Matsuyama * Registered name is Haruka Kato (Born on Aug 22, 1967)  <div style="border: 1px solid black; padding: 2px;"> <p style="background-color: #0070C0; color: white; margin: 0;">New Appointment</p> <p style="background-color: #808080; color: white; margin: 0;">Candidate for Outside Audit &amp; Supervisory Board Member</p> <p style="background-color: #D3D3D3; margin: 0;">Independent Officer</p> </div>	Apr. 1995 Appointed as Assistant Judge, Tokyo District Court Jul. 2000 Registered as Lawyer (Daini Tokyo Bar Association) Jul. 2000 Joined Hibiya Park Law Offices Jan. 2002 Partner, Hibiya Park Law Offices (incumbent)  [Important concurrent positions] Lawyer, Hibiya Park Law Offices	0
<p><b>【Reasons for the nomination as Outside Audit &amp; Supervisory Board Member candidate】</b></p> <ul style="list-style-type: none"> <li>Ms. Haruka Matsuyama has years of experience as a lawyer and specialized knowledge concerning law and compliance. Also, she has served as an outside officer at other companies and has deep insight into corporate management. Applying this experience and knowledge, she is expected to strengthen the Company's audit system. Accordingly, she is nominated as an Outside Audit &amp; Supervisory Board Member candidate.</li> </ul> <p>While she has not been involved directly in corporate management except in the manner as an outside director, it is judged that she is capable of duly performing the duties of the Outside Audit &amp; Supervisory Board Member for the reasons above.</p> <p><b>【Matters concerning independency】</b></p> <ul style="list-style-type: none"> <li>Ms. Haruka Matsuyama meets the Company's standards for independence of outside officers (page 19). If her election is approved and adopted in terms of this Proposal, she will be appointed as an independent officer as prescribed by Tokyo Stock Exchange, Inc.</li> </ul>			

Notes:

- There are no special conflicts of interest between the Company and the Audit & Supervisory Board Member candidate.
- Outline of the liability limitation contract  
If this Proposal is approved and adopted as proposed, the Company will execute a contract with each of Mr. Isamu Kawashima and Ms. Haruka Matsuyama to limit their liability arising under Article 423, Paragraph 1, of the Companies Act, to the sum of the amounts prescribed in each Item of Article 425, Paragraph 1, of the Companies Act.
- Outline of the directors' and officers' liability insurance contracts  
The Company has executed a liability insurance contract (an insurance contract stipulated in Article 430-3, Paragraph 1, of the Companies Act) with an insurance company naming the Company's Directors, Audit & Supervisory Board Members, and Executive Officers as insureds, which covers liabilities borne by the insureds, including the Company's Audit & Supervisory Board Members, concerning the execution of their duties or from claims received regarding the pursuit of such liabilities. Insurance premiums are fully borne by the Company. If this Proposal is approved and adopted and the candidates, Mr. Isamu Kawashima and Ms. Haruka Matsuyama, are elected as Audit & Supervisory Board Members and assume office, both of them will become the insured under such insurance policy. Furthermore, the policy is scheduled to be renewed in April 2023 under the same terms.

Reference: Composition of the Board of Directors and Audit & Supervisory Board  
 If Proposals No. 2 and No. 3 are approved and adopted as proposed, the composition of the Board of Directors and Audit & Supervisory Board will be as follows:

- Board of Directors

Name	Posts and Responsibilities at the Company	Representative Director	Outside Director	Independent Officer	Nominating Committee	Compensation Committee
Takuya Shimamura	Director & Chairman				✓	✓
Yoshinori Hirai	Director and President & CEO	✓			✓	✓
Shinji Miyaji	Director, Senior Executive Vice President, CFO and CCO	✓				
Hideyuki Kurata	Director, Executive Vice President, CTO and GM of Technology General Division	✓				
Hiroyuki Yanagi	Director		✓ (Chairperson of the Board of Directors)	✓	✓	✓
Keiko Honda	Director		✓	✓	✓ (Chairperson)	✓
Isao Teshirogi	Director		✓	✓	✓	✓ (Chairperson)

Note: The Company, classified as a corporation with an audit & supervisory board, maintains a Nominating Committee and a Compensation Committee as voluntary advisory committees to the Board of Directors.

- Audit & Supervisory Board

Name	Posts at the Company	Full-time Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Independent Officer
Tetsuo Tatsuno	Audit & Supervisory Board Member	✓		
Isamu Kawashima	Audit & Supervisory Board Member	✓	✓	✓
Tatsuro Ishizuka	Audit & Supervisory Board Member		✓	✓
Haruka Matsuyama	Audit & Supervisory Board Member		✓	✓

## Reference: Policy and Procedures for Deciding Candidates for Officers and Standards for Independence of Outside Officers

### **1. Policy and Procedures for Deciding Candidates for Officers**

With regards to the appointment of candidates for Directors, the Nominating Committee shall deliberate on and nominate, and the Board of Directors shall decide, the candidates.

The candidates shall be individuals having sufficient track records, experience and knowledge, etc. for carrying out the approval of material matters of the Company's management execution and for conducting monitoring of the Company's management execution and shall be deliberated on and decided by also taking into consideration balance and diversity of expertise on the Board of Directors. In addition, with respect to candidates for Outside Directors, the candidates shall be individuals who also satisfy the "Standards for independence of outside officers"

With regards to the appointment of candidates for Audit & Supervisory Board Members, the Nominating Committee shall deliberate on and, with the consent of the Audit & Supervisory Board, nominate, and the Board of Directors shall decide, the candidates.

The candidates shall be individuals having sufficient track records, experience and knowledge, etc. for conducting audits of the Company. In addition, with respect to candidates for Outside Audit & Supervisory Board Members, the candidates shall be individuals who also satisfy the "Standards for independence of outside officers". One or more Audit & Supervisory Board Member(s) shall be an individual or individuals having a considerable degree of financial and accounting knowledge.

### **2. Standards for Independence of Outside Officers**

The Company has set the following standards to ensure the Independence of outside officers.

- (1) An outside officer shall not be a business executing person (referring to a director except an outside director, an executive officer or an employee; hereinafter the same) of any company of a group of consolidated companies (a "consolidated corporate group", which consists of a parent company and its subsidiaries, excluding the AGC Group) to which a company competing with the AGC Group in the AGC Group's key business areas belongs. In addition, an outside officer shall not hold 10% or more of the voting rights of a company belonging to such consolidated corporate group and shall not be a business executing person of a company which holds 10% or more of voting rights of a company belonging to such consolidated corporate group.
- (2) An outside officer shall not have received 10.0 million yen or more per year, except for officers' remuneration\*, from the AGC Group in the past three years.  
\* Officers' remuneration refers to, with respect to outside directors, directors' remuneration and, with respect to outside Audit & Supervisory Board Members, Audit & Supervisory Board Members' remuneration.
- (3) An outside officer shall not have been a business executing person of a company belonging to a consolidated corporate group which has the AGC Group as a main business counterparty, in the past three years. A consolidated corporate group which has the AGC Group as a main business counterparty shall be one with sales to the AGC Group exceeding 2% of consolidated net sales of the said consolidated corporate group for its most recent fiscal year.
- (4) An outside officer shall not have been a business executing person of a company belonging to a consolidated corporate group which is a main business counterparty of the AGC Group, in the past three years. A consolidated corporate group which is a main business counterparty of the AGC Group shall be one with sales of the AGC Group to such consolidated corporate group exceeding 2% of the AGC Group's consolidated net sales for the most recent fiscal year.
- (5) An outside officer shall not have been an employee of auditing firms that conduct audits on the AGC Group in the past three years.
- (6) An outside officer shall not be a main shareholder of the Company (who owns 10% or more of the voting rights in the Company) nor a business executing person of any of the main shareholders.
- (7) In addition to above, the absence of serious conflicts of interest between the Company and an outside officer, or any matter between the Company and an outside officer that may damage his or her independence.

Reference: Skill Matrix

The AGC Group’s approach concerning the balance, diversity and size of the Board of Directors, as a whole, which are necessary for its sustainable growth and enhancement of corporate value over the medium to long term, is as stated in the “Policy and Procedures for Deciding Candidates for Officers” (previous page). Given this policy, the Company endeavors to ensure diversity and provide good balance of the Directors and Audit & Supervisory Board Members with skills in light of the skill matrix which clarifies the skills that the Board of Directors and Audit & Supervisory Board should possess.

On the skills, they are identified from the viewpoint of the functions required in the Board of Directors and Audit & Supervisory Board, consistency with management strategies, and business characteristics. For each skill, its definition and the guidance to judge its possession are set. Upon judging the presence of each skill, particularly high track record, abundant experience, advanced insight, etc. are used as the guidance.

If Proposals No. 2 and No. 3 are approved and adopted as proposed, the skills of each Director and each Audit & Supervisory Board Member will be as follows:

Name	Posts	Global Business Management	Legal & Internal Control	Finance & Accounting	Sales & Marketing	Manufacturing & R&D	IT, DX	Sustainability	Business Development
Takuya Shimamura	Director & Chairman	✓			✓			✓	
Yoshinori Hirai	Director and CEO	✓			✓	✓	✓	✓	✓
Shinji Miyaji	Director, CFO and CCO	✓	✓	✓			✓	✓	✓
Hideyuki Kurata	Director and CTO	✓			✓	✓	✓	✓	✓
Hiroyuki Yanagi	Outside Director	✓			✓	✓	✓	✓	
Keiko Honda	Outside Director	✓		✓				✓	
Isao Teshirogi	Outside Director	✓			✓	✓		✓	✓
Tetsuo Tatsuno	Full-time Audit & Supervisory Board Member	✓	✓	✓					
Isamu Kawashima	Full-time Audit & Supervisory Board Member	✓	✓	✓				✓	
Tatsuro Ishizuka	Audit & Supervisory Board Member	✓				✓	✓	✓	
Haruka Matsuyama	Audit & Supervisory Board Member		✓					✓	

## **Business Report** (From January 1, 2022, to December 31, 2022)

### **1. Matters Concerning the Current Status of the AGC Group**

#### **(1) Process and Results of Business**

During the consolidated fiscal year ended December 31, 2022, the global economy surrounding the AGC Group (the Company and its subsidiaries) continued to see a resumption in economic activities as movement and other restrictions caused by the COVID-19 pandemic were eased in many countries. However, the growth rate of the global economy slowed due to the impact of rising energy prices caused by the situation in Russia and Ukraine, global monetary tightening aimed at curbing inflation, and suppression of economic activity due to the re-spread of COVID-19 in China.

Under this environment, in strategic businesses of the AGC Group, the performance of life science products and electronics products expanded steadily. In core businesses, the market for chlor-alkali and urethane, including caustic soda, was strong in the first half of the fiscal year. In architectural glass, sales prices rose mainly in Europe. In automotive glass, following the moderate recovery of automobile production due to the easing of the impact from the shortage of parts supplies, mainly semiconductors, the AGC Group's shipments also rose. Furthermore, sales prices rose mainly in Europe. In fluorine and specialty chemicals, shipments of fluorine-related products increased, mainly for semiconductor-related applications. On the other hand, shipments of glass for displays decreased, but sales increased in core businesses as a whole.

As a result of above, for the consolidated fiscal year ended December 31, 2022, net sales increased compared to the previous fiscal year by 338.5 billion yen (19.9%) to 2,035.9 billion yen due to the impact of foreign exchange rates as well; operating profit decreased compared to the previous fiscal year by 22.2 billion yen (10.8%) to 183.9 billion yen due to higher prices for raw materials, fuel, and electric power in all businesses, as well as a significant decrease in demand for LCD glass substrates; profit before tax decreased compared to the previous fiscal year by 151.5 billion yen (72.1%) to 58.5 billion yen due to impairment losses in the display business, printed circuit board materials business, architectural and automotive glass business in Russia, and the automotive glass business in Europe (excluding Russia); and profit for the year attributable to owners of the parent decreased compared to the previous fiscal year by 127.0 billion yen to a loss of 3.2 billion yen.

(Consolidated business results for the fiscal year ended December 31, 2022)

Net sales:	2,035.9 billion yen	(up 19.9% from the previous fiscal year)
Operating profit:	183.9 billion yen	(down 10.8% from the previous fiscal year)
Profit before tax:	58.5 billion yen	(down 72.1% from the previous fiscal year)
Profit for the year attributable to owners of the parent:	(3.2 billion yen)	

Below is the report of the overview by segment for the consolidated fiscal year ended December 31, 2022.

### **Glass**

In architectural glass, shipments increased in Japan and Asia regions as demand recovered, but declined in Europe and South America, which were affected by the economic slowdown. Sales prices rose in all regions, mainly in Europe, on the back of high prices of raw materials and fuel. While the architectural glass business in North America has been transferred in August 2021, in addition to the above revenue increase factors, the foreign exchange rates also had an impact on the sales of architectural glass, which increased compared to the previous fiscal year. In automotive glass, following the moderate recovery of automobile production due to the easing of the impact from the shortage of parts supplies, mainly semiconductors, the AGC Group's shipments also rose. Sales increased from the previous fiscal year due to higher sales prices mainly in Europe and the impact of foreign exchange rates.

As a result of above, for the consolidated fiscal year ended December 31, 2022, net sales of the Glass segment increased compared to the previous fiscal year by 167.3 billion yen (22.8%) to 901.5 billion yen; operating profit decreased compared to the previous fiscal year by 4.4 billion yen (16.2%) to 22.9 billion yen primarily owing to the rise in natural gas price in Europe.

### **Electronics**

In display, demand for LCD glass substrates decreased more than expected from the second half of the fiscal year ended December 31, 2022. Sales decreased significantly from the previous fiscal year due to a decrease in shipments of special glass for displays as well. In electronic materials, sales increased from the previous fiscal year due to firm shipments of optoelectronics materials and semiconductor process materials as well as the impact mainly of foreign exchange rates.

As a result of above, for the consolidated fiscal year ended December 31, 2022, net sales of the Electronics segment increased compared to the previous fiscal year by 2.2 billion yen (0.7%) to 307.2 billion yen; despite the foregoing factors underlying the increase in sales, operating profit decreased compared to the previous fiscal year by 22.1 billion yen (60.1%) to 14.7 billion yen primarily owing to a significant decrease in demand for LCD glass substrates, an increase in depreciation costs associated mainly with the start-up of new facilities, and high raw material and fuel costs.

### **Chemicals**

In chlor-alkali and urethane, sales increased from the previous fiscal year due to strong market conditions for caustic soda and other products and the impact of foreign exchange rates as well. In fluorine and specialty chemicals, sales increased from the previous fiscal year due to a large increase in shipments of fluorine-related products, mainly for semiconductor-related application. In life science, sales increased from the previous fiscal year due to an increase in contracts for synthetic agrochemicals and pharmaceuticals and biopharmaceuticals.

As a result of above, for the consolidated fiscal year ended December 31, 2022, net sales of the Chemicals segment increased compared to the previous fiscal year by 164.4 billion yen (26.1%) to 795.2 billion yen; operating profit increased compared to the previous fiscal year by 4.2 billion yen (3.0%) to 142.9 billion yen.

## Ceramics/Others

On ceramics products and others, for the consolidated fiscal year ended December 31, 2022, net sales increased compared to the previous fiscal year by 7.2 billion yen (9.1%) to 86.6 billion yen; operating profit increased compared to the previous fiscal year by 0.2 billion yen (5.2%) to 3.7 billion yen.

(Net sales and operating profit by segment)

(Unit: billions of yen)

Segment	Net Sales	Comparison with the Previous Fiscal Year	Operating Profit	Comparison with the Previous Fiscal Year
Glass	901.5	+22.8%	22.9	-16.2%
Electronics	307.2	+0.7%	14.7	-60.1%
Chemicals	795.2	+26.1%	142.9	+3.0%
Ceramics/Others	86.6	+9.1%	3.7	+5.2%
(Adjustments)	(54.7)		(0.3)	
Total (Consolidated Basis)	2,035.9	+19.9%	183.9	-10.8%

Notes:

1. Due to a change of corporate structure, the Company integrated the reportable segment of cover glass for car-mounted displays, which used to be included in the “Electronics” and “Glass” segment, to the “Glass” segment from the consolidated fiscal year ended December 31, 2022. On the comparison with the previous fiscal year, calculation is made by reclassifying the amounts of the previous fiscal year to the same segment as the fiscal year ended December 31, 2022.
2. Adjustments include the eliminations of net sales and operating profit regarding intersegment transactions.

## (2) Status of Capital Investment

During the consolidated fiscal year ended December 31, 2022, the AGC Group made capital investments totaling 236.6 billion yen, including the expansion of LCD glass substrate manufacturing facilities in China, the expansion of EUV lithography photomask blanks manufacturing facilities in Japan (Electronics), the expansion of synthetic pharmaceutical and biopharmaceutical manufacturing facilities in Europe, and the expansion of manufacturing facilities of chlor-alkali products in Southeast Asia (Chemicals).

## (3) Status of Funding

In the consolidated fiscal year ended December 31, 2022, the AGC Group financed its necessary fund by using its own capital, through bank borrowings and by issuing commercial paper.



#### (4) Status of Corporate Reorganizations, etc.

##### a. Establishment of New Corporation

The Company established AGC Vinythai Public Company Limited as a subsidiary as of July 1, 2022, to integrate and reorganize its three chlor-alkali business subsidiaries in the Indochinese Peninsula (AGC Chemicals (Thailand) Co., Ltd., Vinythai Public Company Limited, and AGC Chemicals Vietnam Co., Ltd.). This aims to achieve further growth and strengthen its foundation of chlor-alkali business in Southeast Asia.

##### b. Disposal of Shares in Other Corporations

- (i) The Company transferred as of May 4, 2022, following the transfer of its North American architectural glass business (2021), all the shares to American Soda LLC. that it held in Solvay Soda Ash Joint Venture and Solvay Soda Ash Extension Joint Venture, which manufacture and sell soda ash, a raw material for glass production, in the United States.
- (ii) The Company executed an agreement with Shanghai Yaohua Pilkington Glass Group Co. Ltd. (SYP Group) as of December 23, 2022, to transfer all of its shares in AGC Flat Glass (Dalian) Inc., which manufactures and sells glass for architectural, automotive, and industrial use in China, to SYP Group in order to improve the profitability and asset efficiency of its architectural and industrial glass business.

#### (5) Trends in the Status of Property and Profits and Losses

(Unit: billions of yen except per share amounts)

	IFRSs			
	95 <sup>th</sup> Fiscal Year (January 2019 through December 2019)	96 <sup>th</sup> Fiscal Year (January 2020 through December 2020)	97 <sup>th</sup> Fiscal Year (January 2021 through December 2021)	98 <sup>th</sup> Fiscal Year (the fiscal year ended December 31, 2022) (January 2022 through December 2022)
Net Sales	1,518.0	1,412.3	1,697.4	2,035.9
Operating Profit	101.6	75.8	206.2	183.9
Profit Before Tax	76.2	57.1	210.0	58.5
Profit for the Year Attributable to Owners of the Parent	44.4	32.7	123.8	(3.2)
Basic Earnings Per Share (yen)	200.85	147.84	559.11	(14.22)
Equity Attributable to Owners of the Parent	1,157.1	1,115.1	1,314.2	1,390.3
Equity Attributable to Owners of the Parent per Share (yen)	5,229.58	5,038.52	5,930.27	6,271.35
Total Assets	2,335.4	2,534.5	2,666.0	2,814.0

Note: Pursuant to the provisions of Article 120, Paragraph 1, of the Ordinance on Companies Accounting, the Consolidated Financial Statements are prepared based on the IFRSs.

**(6) Tasks to be Addressed**

**<Progress Status of the medium-term management plan *AGC plus-2023*>**

In February 2021, the AGC Group formulated the long-term management strategy “Vision 2030” and the medium-term management plan ***AGC plus-2023*** to achieve this vision.

In the fiscal year ended December 31, 2022, the second year of ***AGC plus-2023***, the main tasks set for each of the strategic and core businesses were worked on. In strategic businesses, decisions were made to increase production capacities for photomask blanks for EUV lithography (Japan), synthetic pharmaceuticals (Spain) and CDMO services for gene and cell therapy (US), and aggressive investments were made mainly in electronics and life science. In core businesses, on the other hand, decisions were made to integrate the business subsidiaries in the Indochinese Peninsula and expand production capacity on a large scale (Thailand) to strengthen the business foundation in the Southeast Asian chlor-alkali business. In addition, sales of the production and sales subsidiary for soda ash, a raw material for glass production (US), and structural reforms in automotive glass business were implemented.

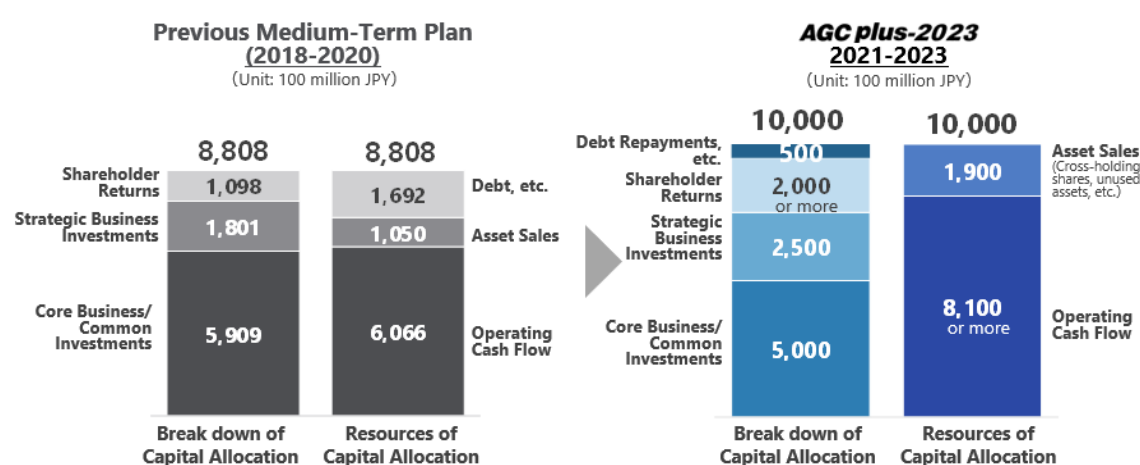
In fiscal year 2023, the final year of ***AGC plus-2023***, the main tasks in each business will continue to be addressed.

<b>Strategic business</b>	<b>Electronics</b>	<b>Continue to expand high value-added products Printed circuit board materials to improve earnings drastically</b>
	<b>Life Science</b>	<b>Continue to invest aggressively in line with market growth</b>
	<b>Mobility</b>	<b>Grow business with a focus on cover glass for car-mounted displays</b>
<b>Core business</b>	<b>Display</b>	<b>Improve earnings drastically</b>
	<b>Essential Chemicals</b>	<b>Continue to strengthen competitiveness in Southeast Asia</b>
	<b>Performance Chemicals</b>	<b>Expand business aggressively to meet demand growth</b>
	<b>Architectural Glass</b>	<b>Continue to build resilience to market fluctuations</b>
	<b>Automotive</b>	<b>Continue to implement aggressive pricing policies and improve production efficiency</b>

In addition to expanding operating cash flow through business portfolio transformation, cash generated from the sale of assets such as cross-held shares will be intensively allocated to investments in strategic businesses and growth businesses.

Furthermore, the basic policy on shareholder return is to maintain stable dividends with a consolidated payout ratio aiming for 40% while flexibly implementing share buybacks. In line with this policy, the plan is to secure investment opportunities in growth businesses and implement dividend payments and share buybacks while maintaining medium/long-term financial soundness.

The capital allocation plan for **AGC plus-2023** based on the foregoing is as follows:



As a result of the initiatives above, on the financial targets set out in **AGC plus-2023**, the initial targets (2021) are expected to be significantly exceeded except for ROE; however, it is estimated that the operating profit and ROE will fall short of the targets revised up last year (2022).

	Targets for FY 2023		FY2023 Estimate
	Announced in 2021 (Initial)	Announced in 2022 (Upward revision)	
Operating Profit	160.0 billion yen	230.0 billion yen	190.0 billion yen
ROE	8%	10%	6.3%
Strategic Business Operating Profit	70.0 billion yen	80.0 billion yen	80.0 billion yen
D/E Ratio	0.5 or less	0.5 or less	0.5 or less

## <Toward realization of “Vision 2030”>

In order to realize the long-term management strategy “Vision 2030,” the AGC Group aims to grow by coping with social and economic values by addressing the “business portfolio transformation” and “promotion of sustainability management.”

### 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.



- \* The “five social values” are (i) Realization of safe and comfortable urban infrastructure, (ii) Realization of secure and healthy lifestyles, (iii) Maintenance of sound and secure society, (iv) Creation of fair and safe workplaces, and (v) Realization of a sustainable global environment.

#### (i) Business portfolio transformation

Through the promotion of “ambidextrous management” by deepening core businesses and exploring strategic businesses, the AGC Group aims to build a business portfolio that is strong against market fluctuations and has high asset efficiency, growth potential, and carbon efficiency. In the long-term management strategy “Vision 2030,” the direction of the business portfolio transformation is clarified, and further acceleration of the initiatives is declared.

On strategic businesses of electronics, life science and mobility that are strong against market fluctuations and have high asset efficiency, growth potential, and carbon efficiency, growth will be accelerated by working on continued aggressive expansion, and operating profit of 100 billion yen in fiscal year 2024 is aimed.

On core businesses, asset efficiency and stability in chemicals and architectural glass have improved significantly compared to those before the implementation of portfolio transformation as the result of the successful expansion investments so far in chemicals, which is positioned as a growth business, and the progress in structural reforms in architectural glass such as the transfer of business in North America. Meanwhile, profitability and asset efficiency remain issues for automotive and display.

While continuing the initiatives in chemicals and architectural glass, pricing policy changes and

abolition and integration of European production bases and lines will be implemented in automotive. In display, drastic business structure reform, including the abolition and integration of production lines, will be pursued such as withdrawing from glass substrate of sizes with low profitability and focusing on glass substrates for large-sized display panels. Through these initiatives, it is aimed to further improve and stabilize the profitability of core businesses as a whole.

By the initiatives above in strategic and core businesses, it is aimed to achieve Group-wide operating profit of 300 billion yen in fiscal year 2030 and to increase the ratio of strategic businesses with high carbon efficiency and asset efficiency to over 50%.

(ii) Promotion of sustainability management: Continuous evolution of human capital and corporate culture

The AGC Group has valued “human capital” since its foundation for 115 years. Under the corporate culture encouraging the taking up of “challenges,” which has been cultivated since the foundation, competitive advantage has been built and growth of corporations and individuals has been generated as the result of each one of employees exercising their competencies to the greatest extent, creating strong organizations by summing them up, and achieving business goals and organizational goals.

To this day, further pursuit of a culture that encourages the taking up of challenges is positioned as a top priority of management. It is aimed to continuously evolve this corporate culture through the commitment of the leadership team to various activities, such as CEO dialogue sessions with employees worldwide.

In relation to gender issues, which have become a social issue in Japan, numerical targets for the advancement of women have been set, such as a 30% ratio of female officers (Directors and Audit & Supervisory Board Members) and a 20% ratio of female Executive Officers by 2030. Various measures are promoted toward this achievement, including the implementation of training programs based on individual development plans.

Furthermore, the Diversity Council, chaired by the CEO, has been established in 2022 to prepare an environment in which diverse human capital may make the most of their individual competencies. Measures to promote diversity will be accelerated toward achievement of the targets.

The AGC Group will realize its “Vision 2030” by the pursuit of sustainability management and portfolio transformation and add various values to all stakeholders, including the society, customers, business partners, employees, investors and future generations, through the creation of social values and economic values.

**(7) Main Businesses (as of December 31, 2022)**

Segment	Main Products
Glass	Float flat glass, figured glass, polished wired glass, Low-E (Low-Emissive) glass, decorative glass, fabricated glass for architectural use (heat insulating/shielding glass, disaster-resistant/security glass, fire-resistant glass, etc.), automotive glass, cover glass for car-mounted displays, etc.
Electronics	LCD glass substrates, glass substrates for OLED displays, specialty glass for display applications, display related materials, glass for solar power system, fabricated glass for industrial use, semiconductor process materials, optoelectronics materials, printed circuit board materials, lighting glass products, laboratory use ware, etc.
Chemicals	Polyvinyl chloride, vinyl chloride monomer, caustic soda, urethane raw materials, fluorinated resins, water and oil repellents, gases, solvents, pharmaceutical and agrochemical intermediates and active ingredients, biotechnological products, iodine products, etc.
Ceramics/Others	Ceramic products, etc.

**(8) Main Places of Business (as of December 31, 2022)**

The Company's main places of business are as follows. On the Company's subsidiaries, they are stated in "(9) Important Subsidiaries."

Name	Location	Name	Location
Head Office	Tokyo Prefecture	Chiba Plant	Chiba Prefecture
Kansai Plant	Amagasaki Factory	Aichi Plant	Aichi Prefecture
	Takasago Factory	Kashima Plant	Ibaraki Prefecture
AGC Yokohama Technical Center	Kanagawa Prefecture	Sagami Plant	Kanagawa Prefecture

**(9) Status of Important Subsidiaries (as of December 31, 2022)**

Subsidiary Name	Location	Capital	Voting Rights Held by the Company	Main Businesses
Glass				
AGC Glass Kenzai Co., Ltd.	Tokyo, Japan	JPY 450 million	100.0%	Production, construction and sales of flat glass, fabricated glass for architectural use and building materials
AGC Glass Products Co., Ltd.	Tokyo, Japan	JPY 1,287 million	100.0%	Production and sales of fabricated glass for architectural use, and cutting and sales of flat glass
AGC Automotive (Suzhou) Inc.	China	USD 236 million	100.0%	Production and sales of automotive glass
PT Asahimas Flat Glass Tbk	Indonesia	IDR 217.0 billion	44.5%	Production and sales of flat glass, automotive glass and fabricated glass for industrial use
AGC Flat Glass North America, Inc.	U.S.A.	USD 54 million	(*) 100.0%	Production and sales of automotive glass
AGC Automotive Europe	Belgium	EUR 105 million	(*) 100.0%	Production and sales of automotive glass
AGC Glass Europe	Belgium	EUR 346 million	100.0%	Production and sales of flat glass
Electronics				
AGC Electronics Co., Ltd.	Fukushima, Japan	JPY 300 million	100.0%	Production of semiconductor process materials and optoelectronics materials
AGC Techno Glass Co., Ltd.	Shizuoka, Japan	JPY 300 million	100.0%	Production and sales of glass products for illumination, industrial use, laboratory and other medical uses, and production of optoelectronics materials
AGC Display Glass Taiwan, Inc.	Taiwan	NTD 3,120 million	(*) 100.0%	Production and sales of glass for electronics
AGC Display Glass (Huizhou) Co., Ltd.	China	JPY 45,800 million	100.0%	Production and sales of glass for electronics
AGC Advanced Electronics Display Glass (Shenzhen) Co., Ltd.	China	JPY 33,700 million	63.0%	Production and sales of glass for electronics
AGC Fine Techno Korea Co., Ltd.	South Korea	KRW 227,000 million	(*) 100.0%	Production and sales of glass for electronics

Subsidiary Name	Location	Capital	Voting Rights Held by the Company	Main Businesses
Chemicals				
Ise Chemicals Corporation	Tokyo, Japan	JPY 3,599 million	53.2%	Production and sales of iodine products and metallic compounds and extraction and sales of natural gas
PT Asahimas Chemical	Indonesia	USD 84 million	52.5%	Production and sales of polyvinyl chloride, vinyl chloride monomer and caustic soda
AGC Vinythai Public Company Limited	Thailand	THB 9,435 million	65.0%	Production and sales of polyvinyl chloride, vinyl chloride monomer and caustic soda
AGC Biologics Inc.	U.S.A.	USD 130 million	(*) 100.0%	Contracted development and manufacturing of active biopharmaceutical ingredients
AGC Biologics A/S	Denmark	DKK 42 million	100.0%	Contracted development and manufacturing of active biopharmaceutical ingredients
Ceramics/Others				
AGC Ceramics Co., Ltd.	Tokyo, Japan	JPY 3,500 million	100.0%	Production and sales of various ceramic products
AGC Singapore Services Pte. Ltd.	Singapore	USD 88 million	100.0%	Procurement of funds and provision of financing for affiliates in Asia, and holding of shares in affiliates
AGC America, Inc.	U.S.A.	USD 0 million	100.0%	Holding of shares in affiliates in North America, and information collection
AGC Capital, Inc.	U.S.A.	USD 0 million	(*) 100.0%	Procurement of funds and provision of financing for affiliates in North America

Note: (\*) indicates that the ratio includes investment through subsidiaries.



**(10) Status of Employees (as of December 31, 2022)**

Segment	Number of Employees
Glass	31,682
Electronics	12,828
Chemicals	9,332
Ceramics/Others	3,767
Total (Consolidated basis)	57,609

Note: Number of employees of the Company is 7,412.

**(11) Main Lenders (as of December 31, 2022)**

(Unit: billions of yen)

Lenders	Outstanding Balance of Debt
MUFG Bank, Ltd.	102.0
Mizuho Bank, Ltd.	101.1
The Norinchukin Bank	62.0

## 2. Matters Concerning the Company Shares (as of December 31, 2022)

(1) Total Number of Authorized Shares: 400,000,000 shares

(2) Total Number of Issued Shares: 227,441,381 shares (including 5,383,924 shares of treasury shares)

(3) Total Number of Shareholders: 120,086

### (4) Large Shareholders (Top 10)

Shareholder Name	Number of Shares Held	Percentage of Shares Held
The Master Trust Bank of Japan, Ltd. (Trust account)	31,696,700	14.27%
Custody Bank of Japan, Ltd. (Trust account)	16,583,800	7.47%
Meiji Yasuda Life Insurance Company	7,692,600	3.46%
The Asahi Glass Foundation	6,219,781	2.80%
Barclays Securities Japan Limited BNYM	6,000,000	2.70%
JP Morgan Securities Japan Co., Ltd.	4,791,331	2.16%
Asahi Glass Business Partner Shareholding Association	4,536,233	2.04%
Japan Securities Finance Co., Ltd.	3,974,400	1.79%
SMBC Nikko Securities Inc.	3,889,540	1.75%
Nippon Life Insurance Company	3,662,941	1.65%

Notes:

- In addition to the above, there are 5,383,924 shares of treasury shares.
- Percentage of shares held is calculated by excluding treasury shares and rounding to the nearest two decimal places.

### (5) Status of Shares Delivered to Company Officers During the Fiscal Year Ended December 31, 2022, as Compensation for the Execution of their Duties

Category	Number of Shares	Number of Eligible Persons
Directors (excluding Outside Directors)	—	—
Outside Directors	200 shares	1
Audit & Supervisory Board Members	—	—

Note:

- The above includes the status of shares delivered to the Director who has resigned.
- The above number of shares is the number of shares actually delivered to the Directors.
- In addition to the above, the total of the number of shares for which cash equivalent to the value of the shares was paid after they were converted in the trust is 223 shares for one Outside Director.
- On the contents of the Company's Stock Compensation Plan, they are as stated in the "Policy for Determining Compensation and Other Emoluments for Officers" on page 39. Audit & Supervisory Board Members are not eligible for the Stock Compensation Plan.

### 3. Matters Concerning Stock Acquisition Rights of the Company

#### (1) Outline of Stock Acquisition Rights Held by Company Officers (as of December 31, 2022)

Outline of the stock acquisition rights held by officers is as follows:

Date of Issue	Issue Price per Share	Exercise Price per Share	Term to Exercise Rights	Status of Rights Held by Officers	Type and Number of Shares to be Granted upon Exercise of Rights
July 1, 2009 (Stock Compensation-type Stock Option)	¥2,435	¥1	July 2, 2009 through July 1, 2039	Director: 18 for 1 person; Audit & Supervisory Board Member: 13 for 1 person	Company's ordinary shares: 6,200 shares
July 1, 2010 (Stock Compensation-type Stock Option)	¥3,100	¥1	July 2, 2010 through July 1, 2040	Directors: 25 for 2 persons	Company's ordinary shares: 5,000 shares
July 1, 2011 (Stock Compensation-type Stock Option)	¥3,100	¥1	July 2, 2011 through July 1, 2041	Directors: 30 for 2 persons	Company's ordinary shares: 6,000 shares
July 2, 2012 (Stock Compensation-type Stock Option)	¥1,265	¥1	July 3, 2012 through July 2, 2042	Directors: 110 for 3 persons	Company's ordinary shares: 22,000 shares
March 26, 2013 (Stock Compensation-type Stock Option)	¥1,770	¥1	March 27, 2013 through March 26, 2043	Audit & Supervisory Board Member: 64 for 1 person	Company's ordinary shares: 12,800 shares
July 1, 2013 (Stock Compensation-type Stock Option)	¥1,775	¥1	July 2, 2013 through July 1, 2043	Directors: 65 for 3 persons; Audit & Supervisory Board Member: 22 for 1 person	Company's ordinary shares: 17,400 shares
July 1, 2014 (Stock Compensation-type Stock Option)	¥1,940	¥1	July 2, 2014 through July 1, 2044	Directors: 73 for 3 persons; Audit & Supervisory Board Member: 24 for 1 person	Company's ordinary shares: 19,400 shares
July 1, 2015 (Stock Compensation-type Stock Option)	¥2,590	¥1	July 2, 2015 through July 1, 2045	Directors: 97 for 3 persons; Audit & Supervisory Board Member: 15 for 1 person;	Company's ordinary shares: 22,400 shares
July 1, 2016 (Stock Compensation-type Stock Option)	¥1,710	¥1	July 2, 2016 through July 1, 2046	Directors: 137 for 3 persons; Audit & Supervisory Board Member: 22 for 1 person	Company's ordinary shares: 31,800 shares
July 3, 2017 (Stock Compensation-type Stock Option)	¥3,555	¥1	July 4, 2017 through July 3, 2047	Directors: 102 for 3 persons	Company's ordinary shares: 20,400 shares

Notes:

1. Outside Directors are not included as Directors in the table above because Outside Directors do not hold stock acquisition rights issued by the Company.
2. All of the stock acquisition rights held by the Audit & Supervisory Board Member were granted to him when he was an Executive Officer.

#### (2) Total Number of Stock Acquisition Rights, etc. (as of December 31, 2022)

The total number of stock acquisition rights, etc. at the end of the fiscal year ended December 31, 2022, is as follows:

- a. Total number of stock acquisition rights: 3,312
- b. Type and number of shares to be granted upon exercise of stock acquisition rights:  
Company's ordinary shares: 662,400 shares

## 4. Matters Concerning the Company Officers

### (1) Status of Directors and Audit & Supervisory Board Members (as of December 31, 2022)

Posts	Name	Responsibilities and Important Concurrent Positions
Director & Chairman	Takuya Shimamura	Outside Director, EBARA CORPORATION Outside Audit & Supervisory Board Member, JFE Holdings, Inc.
*Director (President)	Yoshinori Hirai	CEO
*Director (Senior Executive Vice President)	Shinji Miyaji	CFO, CCO and GM of Corporate Planning General Division
*Director (Executive Vice President)	Hideyuki Kurata	CTO, GM of Technology General Division and GM of Business Development Division
Director 〈Outside Director〉	Hiroyuki Yanagi	Adviser, Yamaha Motor Co., Ltd. Outside Director, Kirin Holdings Co., Ltd. Outside Director, Japan Airlines Co., Ltd. Outside Director, Mitsubishi Electric Corporation
Director 〈Outside Director〉	Keiko Honda	Adjunct Professor, Columbia University Outside Director, Mitsubishi UFJ Financial Group, Inc. Outside Director, Recruit Holdings Co., Ltd.
Director 〈Outside Director〉	Isao Teshirogi	Chairman of the Board, Director, President and CEO (Representative Director), Shionogi & Co., Ltd. Outside Director, Sumitomo Mitsui Banking Corporation
Full-time Audit & Supervisory Board Member 〈Outside Audit & Supervisory Board Member〉	Yoshiyuki Morimoto	
Full-time Audit & Supervisory Board Member	Tetsuo Tatsuno	
Audit & Supervisory Board Member 〈Outside Audit & Supervisory Board Member〉	Yaeko Takeoka	Lawyer, KOHWA SOHGOH Law Offices Outside Director, Mitsubishi Motors Corporation
Audit & Supervisory Board Member 〈Outside Audit & Supervisory Board Member〉	Tatsuro Ishizuka	Outside Director, K&O Energy Group Inc. Outside Director, Tadano Ltd.

Notes:

- \* denotes a Representative Director of the Company.
- As of March 30, 2022, Dr. Isao Teshirogi, Director, newly assumed the position.
- As of March 30, 2022, Mr. Tatsuro Ishizuka, Audit & Supervisory Board Member, newly assumed the position.
- Mr. Tetsuo Tatsuno, Audit & Supervisory Board Member, has considerable knowledge of finance and accounting through his extensive experience in the accounting sector of the Company.
- The Company has reported Directors Mr. Hiroyuki Yanagi, Ms. Keiko Honda and Dr. Isao Teshirogi as well as Audit & Supervisory Board Members Mr. Yoshiyuki Morimoto, Ms. Yaeko Takeoka and Mr. Tatsuro Ishizuka to Tokyo Stock Exchange, Inc. as independent officers. All outside officers meet the Company's standards for independence of outside officers. On these standards, please refer to page 19.

Reference: Status of Executive Officers (as of January 1, 2023)

Posts	Name	Responsibilities
* President	Yoshinori Hirai	CEO
* Senior Executive Vice President	Shinji Miyaji	CFO and CCO
Executive Vice President	Masao Nemoto	President of Chemicals Company
Executive Vice President	Kenzo Moriyama	President of Electronics Company
* Executive Vice President	Hideyuki Kurata	CTO and GM of Technology General Division
Senior Executive Officer	Shigekuni Inoue	GM of EHSQ General Division and GM of AGC Yokohama Technical Center
Senior Executive Officer	Toshiro Kasuya	GM of Finance & Control Division
Senior Executive Officer	Yoshio Takegawa	President of Automotive Company
Senior Executive Officer	Junichi Kobayashi	GM of Human Resources Division
Senior Executive Officer	Nobuyuki Suzuki	GM of Electronic Materials General Division, Electronics Company
Senior Executive Officer	Tadashi Murano	GM of Corporate Planning General Division
Senior Executive Officer	Noriyuki Komuro	President of Life Science Company
Senior Executive Officer	Davide Cappellino	President of Architectural Glass Europe & Americas Company
Executive Officer	Seigo Washinoue	Assistant to President, Electronics Company
Executive Officer	Tatsuo Sugiyama	GM of Technology Office, Automotive Company
Executive Officer	Jean-Marc Meunier	Regional President for Europe, Automotive Company
Executive Officer	Naoki Sugimoto	Assistant to CEO
Executive Officer	Toshihiro Ueda	Chief Representative of AGC Group for China
Executive Officer	Atsushi Ichikawa	Senior Vice President of Architectural Glass Europe & Americas Company
Executive Officer	Satoshi Takada	GM of Multi-Material General Division, Electronics Company
Executive Officer	Hiroki Kamiya	GM of Innovative Technology Laboratories, Technology General Division
Executive Officer	Shinya Mine	GM of Production Technology Division, Technology General Division
Executive Officer	Naoko Araki	GM of Internal Audit Division
Executive Officer	Masaru Ohta	President, AGC Ceramics Co., Ltd.
Executive Officer	Takashi Narushima	GM of Global OEM Management Office, Automotive Company
Executive Officer	Hiroyuki Ohtani	Regional President for Asia, Automotive Company
Executive Officer	Shigeki Yoshiba	President of Architectural Glass Asia Pacific Company
Executive Officer	Shunsuke Yokotsuka	GM of Materials Integration Laboratories, Technology General Division
Executive Officer	Seigo Iwakura	GM of Purchase & Logistics Division
Executive Officer	Tatsuo Momii	GM of Performance Chemicals General Division, Chemicals Company
Executive Officer	Yasuyuki Ueda	GM of Production Management General Division, Chemicals Company
Executive Officer	Yoshihisa Horibe	GM of Essential Chemicals General Division, Chemicals Company
Executive Officer	Mitsuru Furuta	GM of Display Glass General Division, Electronics Company
Executive Officer	Hiroaki Sano	GM of Corporate Administration Division, Corporate Planning General Division
Executive Officer	Yuriko Kaida	GM of Planning Division, Technology General Division
Executive Officer	Hiroshi Wakatsuki	GM of Business Development Division
Executive Officer	Patricio Massera	AGC Biologics CEO, Life Science Company

Note: Executive Officers marked with an asterisk serve concurrently as Directors.

## (2) Outline of Liability Limitation Contracts

The Company has executed a contract with each of the Outside Directors and the Audit & Supervisory Board Members to limit their liability arising under Article 423, Paragraph 1, of the Companies Act to the sum of the amounts prescribed in each Item of Article 425, Paragraph 1, of the Companies Act.

## (3) Outline of Directors' and Officers' Liability Insurance Contracts

The Company has executed a liability insurance contract (an insurance contract stipulated in Article 430-3, Paragraph 1, of the Companies Act) with an insurance company naming the Company's Directors, Audit & Supervisory Board Members, and Executive Officers as insureds that covers liabilities borne by the insureds concerning the execution of their duties or from claims received regarding the pursuit of such liabilities. Insurance premiums are fully borne by the Company.

## (4) Matters Concerning Outside Officers

### a. Status of important concurrent positions held by outside officers in other companies and the relationships between these companies and the Company (as of December 31, 2022)

Category	Name	Important Concurrent Positions
Outside Director	Hiroyuki Yanagi	Adviser, Yamaha Motor Co., Ltd. Outside Director, Kirin Holdings Co., Ltd. Outside Director, Japan Airlines Co., Ltd. Outside Director, Mitsubishi Electric Corporation
	Keiko Honda	Adjunct Professor, Columbia University Outside Director, Mitsubishi UFJ Financial Group, Inc. Outside Director, Recruit Holdings Co., Ltd.
	Isao Teshirogi	Chairman of the Board, Director, President and CEO (Representative Director), Shionogi & Co., Ltd. Outside Director, Sumitomo Mitsui Banking Corporation
Outside Audit & Supervisory Board Member	Yaeko Takeoka	Attorney at KOHWA SOHGOH Law Offices Outside Director, Mitsubishi Motors Corporation
	Tatsuro Ishizuka	Outside Director, K&O Energy Group Inc. Outside Director, Tadano Ltd.

Notes:

1. Mr. Yoshiyuki Morimoto, Outside Audit & Supervisory Board Member, holds no important concurrent positions.
2. Among the companies in which outside officers hold important concurrent positions, the Company has a business relationship in connection with pharmaceutical intermediates with Shionogi & Co., Ltd., where Dr. Isao Teshirogi serves as the Chairman of the Board, Director, President and CEO (Representative Director) and has business transactions related to sales, etc. of automotive glass with Mitsubishi Motors Corporation, where Ms. Yaeko Takeoka serves as an outside director.
3. Other than the companies described above in note 2, the Company has no special relationship with the companies in which outside officers hold concurrent positions.

## b. Status of main activities in the fiscal year ended December 31, 2022

### (i) Outside Directors

Name	Attendance at Board of Directors Meetings	Status of Comments at the Board of Directors Meetings Outline of Duties Performed Concerning the Roles Expected to be Fulfilled
Hiroyuki Yanagi	14 out of 14 times	By applying abundant experience concerning overall corporate management, starting with branding strategies and the use of digital technology, Mr. Yanagi raised questions precisely and provided recommendations from his professional viewpoint at the Board of Directors meetings. Thus, he duly fulfilled his management oversight role. In addition, he served as the chairperson of the Board of Directors and contributed to strengthening the Company's corporate governance by, among others, improving the operation of our Board of Directors meeting along with leading discussions at the Board of Directors meeting.
Keiko Honda	14 out of 14 times	By applying abundant experience concerning management and sustainability of enterprises and global organizations, Ms. Honda proactively raised questions and provided recommendations from her professional viewpoint at the Board of Directors meetings. Thus, she duly fulfilled her management oversight role. In addition, she served as the chairperson of the Nominating Committee and contributed to strengthening the Company's corporate governance by, among others, enhancing objectivity concerning the appointment of Directors, Audit & Supervisory Board Members and Executive Officers.
Isao Teshirogi	11 out of 11 times	By applying abundant experience concerning overall corporate management as an incumbent Chairman of the Board, Director, President and CEO of a drug discovery-oriented pharmaceutical company, Dr. Teshirogi proactively raised questions and provided recommendations from his professional viewpoint at the Board of Directors meetings. Thus, he duly fulfilled his management oversight role. In addition, he served as the chairperson of the Compensation Committee and contributed to strengthening the Company's corporate governance by, among others, enhancing objectivity concerning the compensation of Directors and Executive Officers.

Note: Since Dr. Isao Teshirogi assumed the position of Director on March 30, 2022, the number of Board of Directors meetings that he is eligible to attend differs from that of other Directors.

### (ii) Outside Audit & Supervisory Board Members

Name	Attendance at Board of Directors Meetings	Attendance at Audit & Supervisory Board Meetings	Status of Comments at the Board of Directors Meetings and Audit & Supervisory Board Meetings Outline of Duties Performed Concerning the Roles Expected to be Fulfilled
Yoshiyuki Morimoto	14 out of 14 times	14 out of 14 times	By applying abundant experience in corporate management at a global manufacturer promoting global business development, Mr. Morimoto made comments, as necessary, at the Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of the Company's divisions and offices, as well as inspections of subsidiaries, according to the audit policy formulated by the Audit & Supervisory Board. As a full-time Audit & Supervisory Board Member, he duly performed his audit roles.
Yaeko Takeoka	14 out of 14 times	14 out of 14 times	By applying abundant experience in the legal community, as well as extensive knowledge of laws and compliance, Ms. Takeoka made comments, as necessary, at the Board of Directors meetings and Audit & Supervisory Board meetings. She also conducted audits of the Company's divisions according to the audit policy formulated by the Audit & Supervisory Board. Thus, she duly performed her audit roles.
Tatsuro Ishizuka	11 out of 11 times	11 out of 11 times	By applying abundant experience in corporate management at a global manufacturer that has been addressing the switch to sustainable business models early on, Mr. Ishizuka made comments, as necessary, at the Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of the Company's divisions according to the audit policy formulated by the Audit & Supervisory Board. Thus, he duly performed his audit roles.

Note: Since Mr. Tatsuro Ishizuka assumed the position of Audit & Supervisory Board Member on March 30, 2022, the number of Board of Directors meetings and Audit & Supervisory Board meetings that he is eligible to attend differs from that of other Audit & Supervisory Board Members.

## (5) Compensation and Other Emoluments for Directors and Audit & Supervisory Board Members

### a. Policy for Determining Compensation and Other Emoluments for Officers

#### (i) Compensation policy

At the Board of Directors meeting held on February 5, 2021, the Company established the policy concerning the determination of compensation and other emoluments for individual Directors and Audit & Supervisory Board Members as follows:

##### i. Basic Approach to Compensation System

The Company sets out, as its compensation principles, its basic stances and approach to overall compensation for officers as follows.

- The compensation system shall be the one that enables the Company to attract, secure and reward diverse and talented personnel in order to establish and enhance competitive advantage.
- The compensation system shall be the one that promotes continued enhancement of corporate value, in a way which allows shareholders and management to share gains.
- The compensation system shall be the one that motivates the achievement of management strategic performance goals aiming at the AGC Group's sustainable development.
- The decision-making process of determining compensations shall be objective and highly transparent.

##### ii. Composition of Compensation

(1) Compensation for the Company's officers consists of "Monthly compensation" as fixed compensation and "Bonuses" and "Stock compensation" (※1) as variable compensation. The Company's officers are eligible for the following compensation according to their positions.

Category	Fixed Compensation	Variable Compensation		
	Monthly Compensation	Bonus	Performance-linked Component	Fixed Component (※2)
Directors who also serve as Executive Officers, and Executive Officers	✓	✓	✓	✓
Directors (including Outside Directors) who do not serve as Executive Officers	✓			✓
Audit & Supervisory Board Members	✓			

※1 If a person eligible for stock compensation is a non-resident of Japan, the Company may, instead of delivering shares, pay the equivalent amount in cash as a bonus.

※2 The fixed component of stock compensation is not linked to the Company's business performance but linked only to the Company's share price.



(2) On the Directors, the proportion of each component in the total compensation based on the standard payment amount shall be approximately as follows and is determined by reflecting details of “iii. Scheme of Variable Compensation” below.

Category (※3)	Fixed Compensation	Variable Compensation (※4)	
	Monthly Compensation	Bonus	Stock Compensation
Director and President & CEO	40	: 30	: 30
Directors who serve as Executive Officers (excluding President & CEO)	50	: 25	: 25
Directors who do not serve as Executive Officers (Director & Chairman)	60	: 0	: 40
Outside Directors	90	: 0	: 10

※3 If none of the above applies, it shall be deliberated by the Compensation Committee and resolved by the Board of Directors.

※4 Variable compensation shall be the total of bonuses and amount of stock compensation for a single fiscal year.

### iii. Scheme of Variable Compensation

Variable compensation takes into account a balance among each of the short-, medium- and long-term periods, to allow management functions to be carried out from a well-balanced perspective in each of such terms, in order to realize sustainable development and enhance the corporate value of the AGC Group.

#### (1) Bonuses

- An amount according to each officer’s position is adjusted in accordance with the consolidated performance indicators for a single fiscal year in order to further enhance the motivation to achieve performance goals for a single fiscal year.
- Return (Operating Profit) on Capital Employed (※5) and Cash Flow are adopted as indicators of performance because of the importance to generate cash as well as to improve business profitability and asset efficiency.
- The amount will vary depending on the level of achievement against the target for “Return (Operating Profit) on Capital Employed” and level of improvement of “Cash Flow” compared to the previous fiscal year. In addition, the amount will vary in principle between 0% and 200% of the standard payment amount after the status of strengthening of non-financial capital, progress on portfolio shift, etc. are also taken into account together with individual performance. The amount shall be determined by a resolution of the Board of Directors after deliberation by the Compensation Committee.

- Bonuses cover the period from the first day of the fiscal year to the final day of the fiscal year, and Bonuses corresponding to such period are paid after the end of the Ordinary General Meeting of Shareholders immediately after such period ends.

※5  $\text{Return (Operating Profit) on Capital Employed} = \text{Operating Profit} / \text{Operating Assets}$

## (2) Stock Compensation

- The Stock compensation plan (the “Plan”) is intended to improve the motivation to contribute toward medium- to long-term enhancement of the corporate value, promote a sharing of interests with shareholders, and further improve the motivation to achieve the performance goals in the medium-term management plan (the “mid-term plan”).
- The Plan consists of a “performance-linked component,” whereby the Company’s shares, etc. to be delivered will vary depending on the position and the level of achievement of targeted consolidated performance indicators for the mid-term plan, and a “fixed component,” whereby a fixed number of the Company’s shares, etc. shall be delivered in accordance with the position.
- “Return (Business Profit) on Capital Employed” (\*6) is adopted as an indicator of performance because of the importance to increase asset efficiency as a materials manufacturer in order to achieve ROE, which is one of its important performance target of the period of the mid-term plan. In addition, “EBITDA” is adopted because of the importance to achieve efficiency enhancement while realizing sustainable growth of the enterprise.
- The “performance-linked component” is calculated as a weighted average with prescribed ratios (\*7) of the level of achievement of the targets for these indicators in each fiscal year during the mid-term plan period. In principle, the amount will vary between 0% and 200% of the standard payment amount, and the amount shall be determined by a resolution of the Board of Directors after deliberation by the Compensation Committee.
- Officers shall continue to hold the Company’s shares acquired through the Plan after the end of the mid-term plan period until they retire from office.

※6  $\text{Return (Business Profit) on Capital Employed} = \text{Business Profit} / \text{Operating Assets}$

※7 25% for the first fiscal year, 25% for the next fiscal year, and 50% for the final fiscal year

## iv. Compensation Level

On the compensation level, the Compensation Committee verifies it by analyzing and comparing compensation data of major manufacturing companies obtained from the data compiled by a third-party organization.

(ii) Compensation Determination Method

The compensation system and the level of compensation of Directors and Executive Officers are deliberated and proposed by the Compensation Committee, which is a voluntary advisory committee chaired by an Outside Director and has the majority of its members as Outside Directors, based on “i. Basic Approach to Compensation System,” and the Board of Directors resolves on the compensation for Directors within the maximum amount of compensation (total amount) approved in advance at the General Meeting of Shareholders. The Compensation Committee also checks on the results of compensation payments. Likewise, compensation for Audit & Supervisory Board Members are to be determined through discussions among Audit & Supervisory Board Members within the maximum amount of compensation (total amount) approved in advance at the General Meeting of Shareholders. Through such procedures the objectivity and the transparency of the compensation determination process are enhanced.

(iii) The Policy Determination Method

This Policy is deliberated and proposed in the Compensation Committee and resolved by the Board of Directors.

**b. Amount of compensation and other emoluments for Directors and Audit & Supervisory Board Members regarding the fiscal year ended December 31, 2022**

	Number of Eligible Persons and Total Amount of Compensation, etc.		Breakdown					
			Fixed Compensation		Variable Compensation			
			Monthly Compensation		Bonus		Stock Compensation (non-monetary compensation, etc.)	
	Number of Persons	Amount of Money	Number of Persons	Amount of Money	Number of Persons	Amount of Money	Number of Persons	Amount of Money
Directors	persons	¥million	persons	¥million	persons	¥million	persons	¥million
	8	662	8	333	3	110	7	218
Including Outside Directors	4	57	4	51	-	-	3	6
Audit & Supervisory Board Members	5	100	5	100	-	-	-	-
Including Outside Audit & Supervisory Board Members	4	64	4	64	-	-	-	-

Notes:

1. “Number of Eligible Persons and Total Amount of Compensation, etc.” and “Monthly Compensation” include compensation for one Director and one Audit & Supervisory Board Member who retired from their positions as of March 30, 2022.
2. The contents of “Stock Compensation” are as stated in the “Policy for Determining Compensation and Other Emoluments for Officers” on page 39. Stock compensation (fixed component) to be delivered or provided to Outside Directors and the cash equivalent thereto (4 million yen for two persons and 2 million yen for one person, respectively) are not linked to the Company’s business performance. The amount of money of “Stock Compensation” is the amount posted for the fiscal year ended December 31, 2022.

3. The amount of “Bonus” and “Stock Compensation (performance-linked component),” which are performance-linked compensation, etc. for three Directors is 168 million yen. Outside Directors and Audit & Supervisory Board Members are not eligible for performance-linked compensation, etc.
4. The calculation method of “Bonus” and “Stock Compensation (performance-linked component),” which are performance-linked compensation, etc., as well as the performance indicators used as the basis for the calculation and the reasons for the selection of such performance indicators are as stated in the “Policy for Determining Compensation and Other Emoluments for Officers” on page 39. The results of each indicator for the fiscal year ended December 31, 2022, are as follows:

Bonus	<ul style="list-style-type: none"> <li>• Return (Operating Profit) on Capital Employed: 8.4% (Adjusted Amount)</li> <li>• Cash flow indicator decreased compared to the previous year.</li> </ul>
Stock Compensation (performance-linked component)	<ul style="list-style-type: none"> <li>• Return (Business Profit) on Capital Employed: 2.9%</li> <li>• EBITDA: 369.6 billion yen (calculated simply by adding operating profit and depreciation and amortization)</li> </ul>

5. The maximum amount, and the composition, of compensation and other emoluments for Directors and Audit & Supervisory Board Members is as follows:
  - (1) At the 97<sup>th</sup> Ordinary General Meeting of Shareholders held on March 30, 2022, it was resolved to set the amount of compensation, etc. for Directors’ monthly compensation and bonuses at 750 million yen or less per year (including 67 million yen or less per year for Outside Directors). As of the conclusion of the 97<sup>th</sup> Ordinary General Meeting of Shareholders, the number of Directors eligible for the monthly compensation and bonuses were seven (including three Outside Directors).
  - (2) Stock compensation for Directors and Executive Officers (excluding non-residents of Japan) was resolved at the 97<sup>th</sup> Ordinary General Meeting of Shareholders held on March 30, 2022, that for every three fiscal years, the Company will contribute money to a trust with the upper limit at 2.25 billion yen in total (including 25 million yen in total for Outside Directors), and the upper limit of the number of the Company’s shares (including the Company’s shares subject to conversion into cash) to be delivered or provided through such trust to be 495,000 shares (including 6,000 shares in total for Outside Directors). As of the conclusion of the 97<sup>th</sup> Ordinary General Meeting of Shareholders, the number of persons eligible for the Plan was 31, of which six were Directors (including two Outside Directors).
  - (3) Audit & Supervisory Board Members are eligible only for monthly compensation, and it was resolved to set the amount of compensation and other emoluments for Audit & Supervisory Board Members at 120 million yen or less per year at the 93<sup>rd</sup> Ordinary General Meeting of Shareholders held on March 29, 2018. As of the conclusion of the 93<sup>rd</sup> Ordinary General Meeting of Shareholders, the number of Audit & Supervisory Board Members eligible for the monthly compensation was four (including three outside Audit & Supervisory Board Members).

**c. Reasons to conclude that the contents of the compensation and other emoluments for each Director regarding the fiscal year ended December 31, 2022, are in line with the policies resolved by the Board of Directors**

On the compensation, etc. of each of the Directors, the Compensation Committee, which is chaired by an Outside Director and the majority of the members of which are made up by Outside Directors, deliberates and proposes, given the “Policy for Determining Compensation and Other Emoluments for Officers” on page 39, and the Board of Directors resolves following the report of the Compensation Committee; thus, its contents are judged to be in line with this policy.

## 5. Matters Concerning Accounting Auditors

### (1) Name

KPMG AZSA LLC

### (2) Amount of Compensation, etc.

Amount of compensation, etc. as the Accounting Auditor regarding the fiscal year ended December 31, 2022	JPY 132 million
(including the amount of compensation, etc. for services that do not fall within Article 2, Paragraph 1, of the Certified Public Accountants Act)	JPY 1 million
Total amount of monetary or other economic benefit to be paid by the Company and its subsidiaries to the Accounting Auditor	JPY 209 million

Notes:

1. The Audit & Supervisory Board examines the Accounting Auditor's audit plan, its performance of duties, and the basis of calculating compensation estimates etc., and after examining these matters in a comprehensive manner, gives consent to the Accounting Auditor's compensation, etc. in accordance with Article 399, Paragraph 1, of the Companies Act.
2. In the audit agreement between the Company and the Accounting Auditor, the amount for audit in accordance with the Companies Act and audit in accordance with the Financial Instruments and Exchange Act are not separated; thus, the above amount contains compensation and other remuneration for audit under the Financial Instruments and Exchange Act.
3. The Company pays compensation to the Accounting Auditor for services that have been entrusted and agreed upon as services other than those under Article 2, Paragraph 1, of the Certified Public Accountants Act (i.e., non-audit services).
4. Out of the important subsidiaries of the Company, AGC Glass Europe and 14 other companies undergo audits by auditing firms other than the Company's Accounting Auditor.

### (3) Policy on Decisions to Dismiss or not Reappoint the Accounting Auditors

The Audit & Supervisory Board, by unanimous agreement, will dismiss the Accounting Auditor if it is affirmed that the Accounting Auditor falls under the grounds stipulated in Items of Article 340, Paragraph 1, of the Companies Act and merits dismissal.

In addition, the Audit & Supervisory Board will, after comprehensively taking account of the Accounting Auditor's independence, performance of its duties and various circumstances, determine the contents of an agenda concerning the removal or non-reappointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders (when judged necessary).

## **6. Basic Policy Concerning Internal Control and Operational Status of Internal Control**

The Company has resolved and established on the basic policy concerning internal control by the Board of Directors. The contents of the Company's Board of Directors' resolution of the basic policy concerning internal control and the outline of the operational status of internal control are as follows:

### **(1) Basic Policy Concerning Internal Control**

The AGC Group positions, in the Group Vision "Look Beyond," the four values of "Innovation & Operational Excellence," "Diversity," "Environment" and "Integrity" as the most important values that should be shared in the whole AGC Group as the basis of every conduct.

In addition, as the norm to properly lead the pursuit of the Group Vision "Look Beyond," the social responsibilities of the enterprise to be undertaken are established as the "AGC Group Charter of Corporate Behavior."

The systems to ensure the properness of operations are as follows:

#### **a. System to Ensure that the Execution of the Duties by Directors, Employees and other Relevant Personnel of the AGC Group Complies with the Laws and Regulations and the Articles of Incorporation (Compliance Program)**

The AGC Group sets out, in its Group Vision "Look Beyond," "Integrity" as one of the most important values to be shared by the whole Group and works on to develop and strengthen the compliance program.

More specifically, the AGC Group establishes the position of CCO (Chief Compliance Officer) who controls the development of the AGC Group's compliance system and promotes it as the person in charge, which is assumed by an Executive Officer to whom the President & CEO of the Company (hereinafter referred to as the "President & CEO") delegates its authority. Furthermore, the AGC Group establishes the position of the Global Compliance Leader and Compliance Committee under the CCO as the specialized organization for legal and ethical compliance, which plans and implements compliance measures in the AGC Group. In addition, in order to ensure that business is conducted in line with the laws and regulations and the corporate ethics, the Company establishes global common compliance rules and country/region specific rules in the Code of Conduct (AGG Group Code of Conduct), develops the compliance program of the AGC Group, and intends to launch educational and training operations, etc.

In order to handle whistleblowing and consultation on compliance, the AGC Group sets up

contact points (helpline). Further, all employees of the Company and executives of subsidiaries are obligated to submit a pledge to comply with the Code of Conduct.

Compliance status of compliance and operational status of whistleblowing and consultation system involving compliance of the AGC Group are reported to the Board of Directors of the Company (hereinafter referred to as the “Board of Directors”) regularly.

In addition, the Company builds a legal management system of the AGC Group, comprehends information on important legal issues, and reports them to the Board of Directors regularly.

On internal audit of the AGC Group, the Internal Audit Division and the internal audit staff deployed in each region perform internal audits, based on the annual auditing plan, concerning the development status of managerial and operational systems as well as the legality, rationality, etc. of the status of the business execution, and the audits results are timely reported to the President & CEO and regularly reported to the Board of Directors.

In accordance with “Financial Instruments and Exchange Act,” the AGC Group establishes the “AGC Group Internal Control over Financial Reporting Implementation Regulations” and form the compliance system for financial reporting.

**b. System Concerning Retention and Management of Information Regarding the Execution of the Duties by the Directors of the AGC Group (Information Retention/Management System)**

The AGC Group retains and manages important documents and information in accordance with the laws and regulations and the internal rules.

On maintaining confidentiality of important documents and information, the basic policy concerning information security is announced internally, and it is implemented pursuant to certain procedures.

**c. Rules and Other System Concerning Risk Management of Loss of the AGC Group (Risk Management System)**

The AGC Group establishes the “AGC Group Enterprise Risk Management Basic Policies” and develops the risk management and crisis response system.

On the risk management, the AGC Group specifies important risk factors for the AGC Group in accordance with internal rules, and the status of risk management is discussed and monitored regularly by the Management Committee of the Company (hereinafter referred to as the “Management Committee”) and the Board of Directors. In addition, on the individual risks associated with the business operations of the AGC Group, the Corporate Division, In-House Company and SBU (Strategic Business Unit) analyze the risks of each operation and project and study countermeasures, and, if necessary, the Management Committee and the Board of

Directors deliberate on such matters.

On the risk concerning compliance, environment, disaster, quality, etc. of the AGC Group, each of the Company's division in charge provides and announces guidelines, etc. and conducts training, audits, etc. as appropriate.

On the crisis response, in accordance with the internal rules and in preparation of the occurrence of unforeseen events that could seriously affect the management results and financial status of the AGC Group, the AGC Group establishes a crisis response report line in order to swiftly and surely report information to the President & CEO and share it and establishes a system that enables, by the President & CEO's judgment, to immediately set up the Group Taskforce Headquarters and to take initial response swiftly and appropriately.

**d. System to Ensure Efficient Execution of the Duties by the Directors of the AGC Group (System for Efficient Execution of Duties)**

As the basic policy of corporate governance structure, the Company clearly distinguishes management oversight function and management execution function, strengthens the management oversight function, and intends to swiftly make decisions in the management execution.

On the management oversight, in terms of the Company, the Board of Directors meeting, which is composed of Directors, including Outside Directors, is held to make decisions of important matters and conduct oversight of the operation execution status of the AGC Group. In addition, the voluntary Nominating Committee and Compensation Committee are established to warrant the objectivity concerning evaluation/nomination and compensation of the Directors and Executive Officers of the Company.

On the management execution, in terms of the Company, the responsibility and authority of execution are delegated to each In-House Company and SBU under a certain standard by the In-House Company system and the Executive Officer system. These business operations are managed and evaluated under a specific performance management index on the consolidated basis that is in line with the AGC Group's management policy and performance target.

Execution of duties in the AGC Group are conducted in accordance with the decision-making rules based on the authority matrix and organizational segregation of duties, and their operational status is verified by internal audit regularly.

**e. System Concerning the Report to the Company on Matters Regarding the Execution of the Duties by the Directors of Subsidiaries (System for Reports to the Company from the Subsidiaries)**

Subsidiaries report certain matters concerning business operations, etc. to the Company. On



important matters out of them, reports are made to the Management Committee and the Board of Directors.

Under the compliance system and legal management system of the AGC Group, subsidiaries promptly report to the Company important issues concerning compliance, important legal issues, etc. that occurred in the subsidiaries. On these matters, reports are made to the Board of Directors regularly.

On the results of the internal audit conducted for subsidiaries, the internal audit division, timely, reports to the President & CEO and reports to the Board of Directors regularly.

**f. Matters Concerning the Audit System of the Audit & Supervisory Board Members**

**(i) Matters concerning staff to support the duties of the Audit & Supervisory Board Members in case placing such staff is requested**

The Company establishes the Staff Office of the Audit & Supervisory Board as the organization to support the Audit & Supervisory Board Members in their duties.

**(ii) Matters concerning independence of said staff from Directors**

On the personnel change, appraisal, etc. of staff members of the Staff Office of the Audit & Supervisory Board, the consent of the Audit & Supervisory Board is required.

**(iii) Matters concerning ensuring the effectiveness of the Audit & Supervisory Board Member's directions to said staff**

Staff members of the Staff Office of the Audit & Supervisory Board do not concurrently serve as employees of other divisions, exclusively perform duties concerning the Audit & Supervisory Board and follow the directions of the Audit & Supervisory Board Members.

**(iv) System to report to the Company's Audit & Supervisory Board Members from the Directors, employees and other relevant personnel of the Company; directors, employees and other relevant personnel of subsidiaries; or those who received reports from them**

The Directors, employees and other relevant personnel of the Company report to the Audit & Supervisory Board Members any event that may violate the laws and regulations or the Articles of Incorporation, any event that could cause significant damage to the Company, and any other event that is provided in the internal rules.

Subsidiaries report to the Company on the events that may violate the laws and regulations or its articles of incorporation, events that could cause significant damage to it, etc. On these events, the divisions that received a report promptly reports to the Audit & Supervisory Board Members of the Company.

**(v) System to ensure that those who made the preceding reports shall not receive disadvantageous treatments on the ground that they made such reports**

The AGC Group prohibits disadvantageous treatments and retaliatory actions against those who made reports concerning the violation of the Code of Conduct, etc. in the AGC Group Code of Conduct and announces and familiarizes the employees of the AGC Group with it.

**(vi) Matters concerning the policy regarding procedures, etc. for reimbursement of expenses incurred on the execution of duties by the Audit & Supervisory Board Members**

On the expenses paid by the Audit & Supervisory Board Members, the Company promptly handles them except in case where such expenses are affirmed to be unnecessary for the execution of duties by the Audit & Supervisory Board Members.

**(vii) Other systems to ensure that the audits are conducted effectively by the Audit & Supervisory Board Members**

The Audit & Supervisory Board Members attend important meetings, such as the Management Committee, the Mid-Term Plan & Budget Council, and the Business Performance Monitoring Meeting, etc., and hold meetings with the Representative Directors regularly.

Meetings between the Audit & Supervisory Board Members and Internal Audit Division, etc. that has the internal audit function are held regularly, so there is a system where the Audit & Supervisory Board Members may get information of the internal audit process conducted, its results, etc. Furthermore, the system is developed where the Audit & Supervisory Board Members may coordinate to raise the effectiveness of audits through exchange of views and reports from the Internal Audit Division, Accounting Auditors, etc.

**(2) Outline of the Operational Status of Internal Control**

**a. System to Ensure that the Execution of the Duties by Directors, Employees and other Relevant Personnel of the AGC Group Complies with the Laws and Regulations and the Articles of Incorporation (Compliance Program)**

On the development and promotion of the AGC Group's compliance system, the position of CCO (Chief Compliance Officer) who controls it and to whom the President & CEO delegates the authority is established, and the CCO reports on its execution of duties to the President & CEO.

"AGG Group Code of Conduct" is established and all employees of the Company and executives of subsidiaries are obligated to submit a pledge to comply with the Code of Conduct so as to ensure that their conduct is in line with the laws and regulations and the corporate ethics. In addition, compliance education is provided regularly so that the Code of Conduct is

familiarized.

A helpline is set up as the contact point concerning compliance, and the prevention and early detection of misconduct is endeavored.

On the compliance status of compliance, operational status of the helpline, important legal issues, etc. in the AGC Group, reports are made to the Board of Directors regularly.

Internal audit of the Company and subsidiaries is conducted based on the annual auditing plan, etc., and reports on the audit results are made to the Board of Directors regularly.

The “AGC Group Internal Control over Financial Reporting Implementation Regulations” are established, and internal control regarding financial reporting is developed, operated and evaluated.

**b. System Concerning Retention and Management of Information Regarding the Execution of the Duties by the Directors of the AGC Group (Information Retention/Management System)**

The “AGC Group Common Information Security Policy” is established, and important documents and information are retained and managed.

Aiming to ensure information management, self-inspection, education for employees and other measures concerning information security are conducted regularly.

**c. Rules and Other System Concerning Risk Management of Damage of the AGC Group (Risk Management System)**

In accordance with the “AGC Group Enterprise Risk Management Basic Policies,” the risk factors that could seriously affect the management of the AGC Group are specified, and it is aimed that the management level to suppress the emergence of risks and the level to deal with risks upon their emergence are enhanced and improved.

In preparation of the occurrence of large-scale accidents, disasters, etc., a business continuity plan (BCP) is established. In addition, earthquake drills, etc. are conducted, and it is aimed that the BCP is announced, familiarized and enhanced of its effectiveness.

**d. System to Ensure Efficient Execution of the Duties by the Directors of the AGC Group (System for Efficient Execution of Duties)**

The Board of Directors consists of 7 members, including 3 Outside Directors, and is chaired by an Outside Director. The Board of Directors held 14 meetings in total in the fiscal year ended December 31, 2022, and made decisions on important matters and conducted oversight of the operation execution status of the AGC Group.

The Nominating Committee and Compensation Committee are voluntarily established as

advisory committees to the Board of Directors, the majority of the members of each of which are composed of Outside Directors and the chairperson of each of which is assumed by an Outside Director. During the fiscal year ended December 31, 2022, the Nominating Committee held 10 meetings and the Compensation Committee held 9 meetings, which have raised the objectivity concerning the evaluation, nomination and compensation of the Directors and Executive Officers of the Company.

The effectiveness of the Board of Directors is analyzed and evaluated in the Board of Directors meetings.

On the management execution, the authority is broadly delegated to Executive Officers starting from the President & CEO with the aim to expedite decision making.

**e. System Concerning the Report to the Company on Matters Regarding the Execution of the Duties by the Directors of Subsidiaries (System for Reports to the Company from the Subsidiaries)**

A system to report to the Company from subsidiaries is developed, through which important matters concerning the subsidiaries (certain matters concerning business operations, etc., issues concerning compliance, legal issues, etc.) are reported to the Company.

Based on the annual auditing plan, internal audits of the subsidiaries are conducted, the results of which are timely reported to the President & CEO and regularly reported to the Board of Directors.

**f. Matters Concerning the Audit System of the Audit & Supervisory Board Members**

**(i) Matters concerning staff to support the duties of the Audit & Supervisory Board Members in case placing such staff is requested**

The Staff Office of the Audit & Supervisory Board has been set up, which supports the Audit & Supervisory Board Members in their duties.

**(ii) Matters concerning independence of said staff from Directors**

On the personnel change, appraisal, etc. of staff members of the Staff Office of the Audit & Supervisory Board, the consent of the Audit & Supervisory Board is required by internal rules.

**(iii) Matters concerning ensuring the effectiveness of the Audit & Supervisory Board Member's directions to said staff**

Staff members of the Staff Office of the Audit & Supervisory Board are assigned exclusively for and perform duties following the directions of the Audit & Supervisory Board Members.

**(iv) System to report to the Company’s Audit & Supervisory Board Members from the Directors, employees and other relevant personnel of the Company; the directors, employees and other relevant personnel of subsidiaries; or those who received reports from them**

Reports are made to the Audit & Supervisory Board Members in accordance with the internal rules.

**(v) System to ensure that those who made the preceding reports shall not receive disadvantageous treatments on the ground that they made such reports**

In the “AGC Group Code of Conduct,” disadvantageous treatments and retaliatory actions against whistleblowers are prohibited, which is announced to the employees.

**(vi) Matters concerning the policy regarding procedures, etc. for reimbursement of expenses incurred on the execution of duties by the Audit & Supervisory Board Members**

On the expenses paid by the Audit & Supervisory Board Members for their duties, handling is prompt.

**(vii) Other systems to ensure that the audits are conducted effectively by the Audit & Supervisory Board Members**

The Audit & Supervisory Board Members attend the Board of Directors meetings and other important internal meetings, such as the Management Committee, where they state opinions when necessary.

In order to raise the effectiveness of audits, the Audit & Supervisory Board Members hold regular meetings etc. with the Representative Directors, internal audit divisions, etc. and exchange opinions.

## **Reference: Status of Corporate Governance**

### **(1) Outline of the Company's Corporate Governance Structure**

The Company clearly separates the management oversight function and management execution function, strengthens the management oversight function, and, on the management execution function, clearly separates corporate functions and business operation functions and intends to swiftly make decisions in the management execution as its basic policy on the development of corporate governance structure.

The management oversight function is mainly assumed by the Board of Directors, which is the “body that approves basic policies and oversees the management execution of the AGC Group.” The Company enhances the objectivity and transparency of management and strengthens the corporate governance structure by appointing 3 Outside Directors out of 7 Directors and by an Outside Director assuming the chairperson of the Board of Directors. In addition, in order to further strengthen the management oversight function, the Company establishes the Nominating Committee and Compensation Committee, as voluntary advisory committees to the Board of Directors, which raises the objectivity concerning the evaluation, nomination and compensation for Directors and Executive Officers, etc. by composing the majority of each member with Outside Directors and by an Outside Director assuming each chairperson. Furthermore, the Company also adopts the Audit & Supervisory Board Member system, and the Audit & Supervisory Board consists of 4 Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members.

The management execution function is assumed by the President & CEO and other Executive Officers. The Company establishes the Management Committee as an advisory committee for the President & CEO, which deliberates on decision making for the management execution and oversight of the business management. In terms of business execution, the Company introduces the In-House Company system (*quasi* internal spin-off), adopts a globally consolidated management system, and delegates significant responsibility and authority for business execution to the In-House Company and SBU (Strategic Business Unit).

### **(2) “AGC Group Corporate Governance Basic Policy”**

In order to realize the AGC Group's sustainable growth and enhancement of corporate value over the medium to long term, the Company has formulated the “AGC Group Corporate Governance Basic Policy,” which sets forth the basic approach and policies concerning corporate governance, with the aim of strengthening and further enriching the Company's corporate governance.

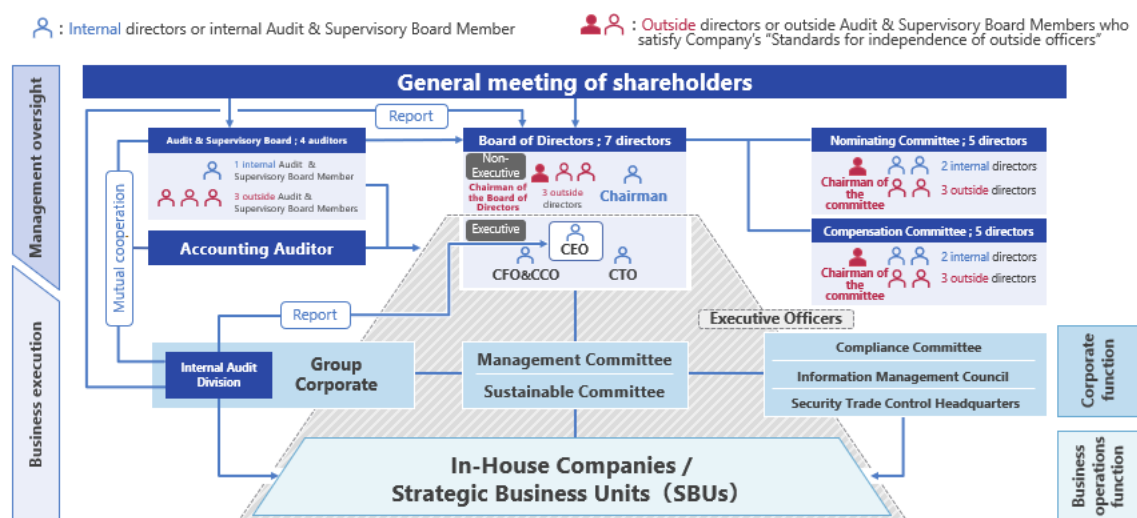
For details, please visit the following website of the Company.

**<https://www.agc.com/en/company/governance/index.html>**

### (3) Evaluation of Effectiveness of Board of Directors

Based on the “AGC Group Corporate Governance Basic Policy,” AGC analyzes and evaluates the effectiveness of the Board of Directors every year to further enhance stakeholder confidence in our corporate governance as well as to improve the effectiveness of the Board of Directors. Specifically, the effectiveness of the Board of Directors is evaluated based on the responses to the questionnaires by all Directors and Audit & Supervisory Board Members and the responses to individual interviews covering all Directors and Audit & Supervisory Board Members. Afterward, the Board of Directors verifies the evaluation results and discusses measures to improve its effectiveness. In the fiscal year ended December 31, 2022, an external agency was appointed to analyze and evaluate the effectiveness of the Board of Directors, which confirmed that high effectiveness has been secured in general. Moreover, measures were developed to secure high effectiveness going forward, including measures to further utilize the knowledge of outside directors and others concerning important medium- to long-term management themes.

### (4) Outline Figure of the Company’s Corporate Governance Structure (as of December 31, 2022)



\* In this Business Report, amounts less than 100 million yen are rounded to the nearest 100 million yen when they are indicated by the unit of a billion yen, and amounts less than 1 million yen are discarded when they are indicated by the unit of a million yen.

## Consolidated Statements of Financial Position

(Unit: millions of yen)

	98th Fiscal Year (as of Dec. 31, 2022)	(Reference) 97th Fiscal Year (as of Dec. 31, 2021)
<b>Assets</b>	<b>2,814,029</b>	<b>2,666,031</b>
<b>Current Assets</b>	<b>1,063,009</b>	<b>915,271</b>
Cash and cash equivalents	209,716	195,830
Trade receivables	315,808	295,161
Inventories	436,516	330,101
Other receivables	60,614	65,472
Income tax receivables	5,094	3,518
Other current assets	35,260	25,186
<b>Non-Current Assets</b>	<b>1,751,019</b>	<b>1,750,759</b>
Property, plant and equipment	1,350,769	1,323,868
Goodwill	92,768	112,916
Intangible assets	71,290	69,913
Investments accounted for using equity method	24,609	31,197
Other financial assets	94,075	116,624
Deferred tax assets	40,778	27,611
Other non-current assets	76,728	68,628
<b>Total Assets</b>	<b>2,814,029</b>	<b>2,666,031</b>
<b>Liabilities</b>	<b>1,228,439</b>	<b>1,184,650</b>
<b>Current Liabilities</b>	<b>669,999</b>	<b>599,408</b>
Trade payables	214,332	196,435
Short-term interest-bearing debt	69,750	36,820
Long-term interest-bearing debt due within one year	122,254	88,599
Other payables	211,855	199,169
Income tax payables	27,283	42,411
Provisions	1,310	1,207
Other current liabilities	23,211	34,764
<b>Non-Current Liabilities</b>	<b>558,439</b>	<b>585,241</b>
Long-term interest-bearing debt	458,237	477,774
Deferred tax liabilities	28,851	35,814
Post-employment benefit liabilities	45,578	53,805
Provisions	17,783	12,064
Other non-current liabilities	7,989	5,782
<b>Total Liabilities</b>	<b>1,228,439</b>	<b>1,184,650</b>
<b>Equity</b>	<b>1,585,590</b>	<b>1,481,380</b>
<b>Total Equity Attributable to Owners of the Parent</b>	<b>1,390,254</b>	<b>1,314,161</b>
Share capital	90,873	90,873
Capital surplus	97,094	81,621
Retained earnings	889,827	927,830
Treasury shares	(26,586)	(26,933)
Other components of equity	339,046	240,769
<b>Non-Controlling Interests</b>	<b>195,335</b>	<b>167,219</b>
<b>Total Equity</b>	<b>1,585,590</b>	<b>1,481,380</b>
<b>Total Liabilities and Equity</b>	<b>2,814,029</b>	<b>2,666,031</b>



## Consolidated Statements of Profit or Loss

(Unit: millions of yen)

	98th Fiscal Year (from Jan. 1 to Dec. 31, 2022)	(Reference) 97th Fiscal Year (from Jan. 1 to Dec. 31, 2021)
<b>Net Sales</b>	<b>2,035,874</b>	<b>1,697,383</b>
Cost of sales	(1,506,492)	(1,184,383)
<b>Gross Profit</b>	<b>529,381</b>	<b>512,999</b>
Selling, general and administrative expenses	(346,675)	(309,123)
Share of profit (loss) of associates and joint ventures accounted for using equity method	1,236	2,292
<b>Operating Profit</b>	<b>183,942</b>	<b>206,168</b>
Other income	27,156	56,672
Other expenses	(153,892)	(52,592)
<b>Business Profit</b>	<b>57,206</b>	<b>210,247</b>
Finance income	10,603	6,533
Finance costs	(9,297)	(6,735)
Net finance income (costs)	1,306	(202)
<b>Profit before Tax</b>	<b>58,512</b>	<b>210,045</b>
Income tax expenses	(36,007)	(50,982)
<b>Profit (loss) for the year</b>	<b>22,505</b>	<b>159,062</b>
Attributable to:		
Owners of the parent	(3,152)	123,840
Non-controlling interests	25,657	35,222

## Consolidated Statements of Changes in Equity

98th Fiscal Year (from January 1, 2022 to December 31, 2022)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit plans	Net change in revaluation of financial assets measured at FVTOCI (Note)
Balance as of January 1, 2022	90,873	81,621	927,830	(26,933)	(6,927)	43,896
Changes in equity						
Comprehensive income						
Profit (loss) for the year	-	-	(3,152)	-	-	-
Other comprehensive income	-	-	-	-	16,363	932
Total comprehensive income for the year	-	-	(3,152)	-	16,363	932
Transactions with owners						
Dividends	-	-	(52,162)	-	-	-
Acquisition of treasury shares	-	-	-	(342)	-	-
Disposal of treasury shares	-	-	(221)	689	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control	-	(3,110)	-	-	(30)	(0)
Transfer from other components of equity to retained earnings	-	-	17,534	-	-	(17,534)
Share-based payment transactions	-	(22)	-	-	-	-
Others (business combinations and others)	-	18,605	-	-	-	-
Total transactions with owners	-	15,472	(34,849)	347	(30)	(17,534)
Balance as of December 31, 2022	90,873	97,094	889,827	(26,586)	9,405	27,294

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Other components of equity			Total	Total			
	Cash flow hedges	Exchange differences on translation of foreign operations	Total					
Balance as of January 1, 2022	4,952	198,847	240,769	1,314,161	167,219	1,481,380		
Changes in equity								
Comprehensive income								
Profit (loss) for the year	-	-	-	(3,152)	25,657	22,505		
Other comprehensive income	(3,052)	105,358	119,601	119,601	17,774	137,376		
Total comprehensive income for the year	(3,052)	105,358	119,601	116,449	43,431	159,881		
Transactions with owners								
Dividends	-	-	-	(52,162)	(12,786)	(64,948)		
Acquisition of treasury shares	-	-	-	(342)	-	(342)		
Disposal of treasury shares	-	-	-	468	-	468		
Changes in ownership interests in subsidiaries that do not result in loss of control	422	(4,182)	(3,790)	(6,901)	(2,529)	(9,431)		
Transfer from other components of equity to retained earnings	-	-	(17,534)	-	-	-		
Share-based payment transactions	-	-	-	(22)	-	(22)		
Others (business combinations and others)	-	-	-	18,605	-	18,605		
Total transactions with owners	422	(4,182)	(21,325)	(40,356)	(15,315)	(55,671)		
Balance as of December 31, 2022	2,321	300,024	339,046	1,390,254	195,335	1,585,590		

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

**(Reference) 97th Fiscal Year (from January 1, 2021 to December 31, 2021)**

(Unit: millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit plans	Net change in revaluation of financial assets measured at FVTOCI (Note)
Balance as of January 1, 2021	90,873	83,501	818,701	(28,170)	(31,203)	51,397
Changes in equity						
Comprehensive income						
Profit for the year	-	-	123,840	-	-	-
Other comprehensive income	-	-	-	-	24,276	9,370
Total comprehensive income for the year	-	-	123,840	-	24,276	9,370
Transactions with owners						
Dividends	-	-	(31,045)	-	-	-
Acquisition of treasury shares	-	-	-	(586)	-	-
Disposal of treasury shares	-	-	(537)	1,823	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control	-	1,242	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	16,870	-	-	(16,870)
Share-based payment transactions	-	(655)	-	-	-	-
Others (business combinations and others)	-	(2,467)	-	-	-	-
Total transactions with owners	-	(1,879)	(14,712)	1,237	-	(16,870)
Balance as of December 31, 2021	90,873	81,621	927,830	(26,933)	(6,927)	43,896

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of January 1, 2021	439	129,602	150,236	1,115,142	127,897	1,243,039
Changes in equity						
Comprehensive income						
Profit for the year	-	-	-	123,840	35,222	159,062
Other comprehensive income	4,513	69,245	107,404	107,404	8,934	116,338
Total comprehensive income for the year	4,513	69,245	107,404	231,244	44,156	275,401
Transactions with owners						
Dividends	-	-	-	(31,045)	(3,821)	(34,867)
Acquisition of treasury shares	-	-	-	(586)	-	(586)
Disposal of treasury shares	-	-	-	1,285	-	1,285
Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	1,242	(1,012)	230
Transfer from other components of equity to retained earnings	-	-	(16,870)	-	-	-
Share-based payment transactions	-	-	-	(655)	-	(655)
Others (business combinations and others)	-	-	-	(2,467)	-	(2,467)
Total transactions with owners	-	-	(16,870)	(32,226)	(4,834)	(37,060)
Balance as of December 31, 2021	4,952	198,847	240,769	1,314,161	167,219	1,481,380

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

I. Significant Accounting Policies

1. Accounting standards of consolidated financial statements

The consolidated financial statements of AGC Inc. (“the Company”) and its consolidated subsidiaries (the "AGC Group" or the "Group"), which comprise the consolidated statements of financial position, the consolidated statements of profit or loss and the consolidated statements of changes in equity, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with Article 120-1 of the Ordinance of Company Accounting. The latter part of Article 120-1 of the Ordinance of Company Accounting prescribes the omission of certain disclosures required by IFRSs.

2. Scope of consolidation

Number of consolidated subsidiaries: 201

Major subsidiaries:

AGC Techno Glass Co., Ltd., Ise Chemicals Corporation, AGC Glass Europe and AGC Flat Glass North America, Inc.

4 companies were newly consolidated in the fiscal year ended December 31, 2022. Due to liquidation and other events, 9 companies were excluded from the scope of consolidation from the fiscal year ended December 31, 2022.

3. Application of equity method

Number of companies using equity method: 24

Major investments accounted for using equity method:

Asahi Tostem Exterior Building Materials Co., Ltd. and Schott-Flat Glass B.V.

4. Accounting standards

(1) Changes in Accounting Policies

The following are the accounting standards applied by the Group from the fiscal year 2022, in compliance with each transitional provision. The effect of the application of the following standards on the Group's consolidated financial statements is immaterial.

IFRS	Title	Summaries of new IFRS and amendments
IAS 16 (amended in May 2020)	Property, Plant and Equipment	Property, Plant and Equipment - Proceeds before Intended Use
IAS 37 (amended in May 2020)	Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts - Cost of Fulfilling a Contract
IFRS 3 (amended in May 2020)	Business Combinations	Reference to the Conceptual Framework

(2) Valuation of non-derivative financial assets

1) Financial assets measured at amortized cost:

Financial assets are classified as financial assets measured at amortized cost if the following

two conditions are met:

- The foregoing financial assets are held within a Group business model whose objective is to hold the assets in order to collect contractual cash flows from the assets; and
- The contractual terms of the foregoing financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Financial assets measured at fair value through other comprehensive income:

The Group designates equity instruments as financial assets measured at fair value through other comprehensive income when an irrevocable election has been made on initial recognition to measure the gains and losses arising from change in the fair value of such instruments in other comprehensive income, and when such instruments are not classified as financial assets measured at amortized cost.

When the foregoing financial assets measured at fair value through other comprehensive income are derecognized from transactions such as sales, the cumulative gains or losses are reclassified from other components of equity to retained earnings.

3) Financial assets measured at fair value through profit or loss:

The Group measures financial assets at fair value and recognizes any changes in the fair value of such assets as profit or loss, unless the foregoing financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income.

(3) Valuation of non-derivative financial liabilities

The Group recognizes the following as non-derivative financial liabilities: trade payables, other payables, and interest-bearing debt (borrowings, commercial paper, corporate bonds, bonds with subscription rights to shares (excluding share subscription rights)), among other items.

The foregoing financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled or expired.

(4) Valuation of derivative financial instruments

The AGC Group holds derivative financial instruments to hedge foreign exchange risk, interest risk and commodity price risk.

The Group initially recognizes derivative financial instruments at fair value, with the related transaction costs recognized in profit or loss when incurred. After initial recognition, derivative financial instruments are measured at fair value, with changes in fair value accounted for as follows, depending on whether or not derivatives qualify for hedge accounting:

- Derivatives not qualifying for hedge accounting

Changes in the fair value of derivative financial instruments which do not qualify for

hedge accounting are recognized in profit or loss.

- Derivatives qualifying for hedge accounting

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The amounts recognized in other comprehensive income are reclassified to profit or loss in the reporting periods when the cash flows of the hedged items affect profit or loss. The ineffective portion of changes in the fair value of hedging instruments is recognized in profit or loss.

(5) Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is measured based on the moving average method and includes costs of purchase and costs of conversion (including fixed and variable manufacturing overheads). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Depreciation and amortization of assets

1) Property, plant and equipment (including Right-of-use assets):

Depreciation of property, plant and equipment is computed by the straight-line method.

2) Intangible assets (including Right-of-use assets):

Amortization of intangible assets is computed by the straight-line method.

(7) Basis for recognizing provisions

A provision is recognized when the AGC Group has a reasonably estimable legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(8) Employment benefits

Post-employment benefit plans comprise defined benefit plans and defined contribution plans.

1) Defined benefit plans

The obligations for defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets.

The present value of defined benefit obligations is calculated annually by qualified actuaries using the projected unit credit method. The discount rates are based on the market yields of high quality corporate bonds at the end of each reporting period that have terms consistent with the discount period, which is established as the estimated term of the post-employment benefit obligations through to the estimated dates for payments of future benefits in every fiscal year.

Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, while past service costs and gains or losses on settlement are recognized in profit or loss.

## 2) Defined contribution plans

Expenses related to post-employment benefits for defined contribution plans are recognized as an expense at the time of contribution.

## (9) Revenue

The Group adopts IFRS 15 “*Revenue from Contracts with Customers*”, and revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group sells a range of products including architectural glass, automotive glass, glass substrates for displays, electronic materials, chlor-alkali & urethane, fluorochemicals & specialty chemicals, and life science products. For the sales of these products, revenue is recognized upon delivery of these products as its performance obligation is satisfied when customers obtain control over these products at the time of delivery. For revenue associated with construction works such as the installation of architectural glass and contract development and manufacturing services for biological active pharmaceutical ingredient (API), revenue is recognized according to the progress toward completion of the performance obligation. Progress toward completion is measured in the input method based on the costs incurred, etc. Also, revenue is measured at the consideration promised in contracts with customers, less discounts, rebates, returned products, and other items.

## (10) Operating profit and Business profit

"Operating profit" in the Group's consolidated statements of profit or loss is an indicator that facilitates continuous comparisons and evaluations of the Group's business performance. Main items of "other income" and "other expenses" are foreign exchange gains and losses, gains on sale of non-current assets, losses on disposal of non-current assets, impairment losses and expenses for restructuring programs. "Business profit" includes all income and expenses before finance income, finance costs and income tax expenses.

## (11) Translation into Japanese yen of foreign currency denominated assets or liabilities

Foreign currency transactions are translated into the respective functional currencies by applying the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the reporting date. Exchange differences are recognized as profit or loss. Exchange differences for any gains or losses on the assets and liabilities recognized in other comprehensive income are recognized in other comprehensive income.

Non-monetary assets and liabilities are translated at the exchange rate at the date of the transaction.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated into Japanese yen at the exchange

rates prevailing at the reporting date. Income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period.

(12) Hedge accounting method

1) Hedge accounting method:

Cash flow hedges

2) Hedging instruments and hedged items:

Hedging instruments: commodity swap contracts, forward exchange contracts

Hedged items: Raw materials and fuel, foreign currency transaction etc.

3) Basic rules and policies for hedging:

The Group uses derivative financial instruments to reduce their exposure to market risks from fluctuation in commodity prices and in foreign exchange rates that may occur in the ordinary course of business.

4) Assessment of hedge effectiveness:

In applying cash flow hedges, the Group evaluates at the inception whether the hedge will be effective. After that, the Group also evaluates continuously whether the derivative will be highly effective in offsetting the effects of changes in future cash flows of the hedged item.

(13) Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment test of goodwill is performed annually, regardless of any indication of impairment. Impairment loss for goodwill is not reversed in subsequent periods.

(14) Others

1) Application of consolidated taxation system

The Company has adopted the consolidated tax return system for the calculation of income taxes.

2) Amounts concerning financial statements

Amounts below one million yen are rounded down.

II. Notes to accounting estimates

The following is a list of items for which the amount was recorded in the consolidated financial statements for the fiscal year ended December 31, 2022 based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year.

1. Impairment losses on non-financial assets

Property, plant and equipment	1,350,769 million yen
Goodwill	92,768 million yen
Intangible assets	71,290 million yen

For non-financial assets other than inventories and deferred tax assets, the AGC Group assesses at the end of each fiscal year whether there is any indication of impairment for each asset or the



cash-generating unit to which the asset belongs. An impairment test is performed if there is any indication of impairment. Goodwill is tested for impairment once a year, regardless of whether there is any indication of impairment. The recoverable amount of an asset or cash-generating unit is calculated based on the higher of its value in use or its fair value less costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to the present value using a pre-tax rate that reflects the time value of money and the risks specific to the asset. In calculating the fair value less costs of disposal, cost approach or market approach, etc. are used. If the recoverable amount of property, plant and equipment, goodwill, and intangible assets recorded in the Group's consolidated statement of financial position falls below the book value due to a decline in profitability or other reasons, an impairment loss may be recognized, which may have a significant impact on the amount of property, plant and equipment, goodwill, and intangible assets in the Group's consolidated financial statements for the following fiscal year.

2. Estimates of the useful lives and residual values of property, plant and equipment and intangible assets

Property, plant and equipment	1,350,769 million yen
Intangible assets	71,290 million yen

Property, plant and equipment, except for land and other non-depreciable tangible fixed assets, are depreciated using the straight-line method over their estimated useful lives, based on the maximum depreciable amount, which is the acquisition cost minus the residual value. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary. Due to changes in the business environment and other factors, it may be necessary to revise useful lives and residual values, which may have a significant impact on the amounts of property, plant and equipment and intangible assets in the consolidated financial statements for the next fiscal year.

3. Recoverability of deferred tax assets

Deferred tax assets	40,778 million yen
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Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and tax credit carryforwards to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized, and are reviewed at the end of each fiscal period to determine whether deferred tax assets are recognized only to the extent that it is probable that tax benefits will be realized. The recoverability of such assets is determined by taking into account future taxable income plan and tax planning. Estimates of future taxable income may be affected by a decline in profitability and other factors, which may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

4. Actuarial assumptions for defined benefit plans

Prepaid pension cost (Note)	68,179 million yen
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Liabilities for retirement benefits 45,578 million yen

(Note) Prepaid pension cost is included in "Other current assets" or "Other non-current assets" in the consolidated statement of financial position.

The amount of obligation for defined benefit pension plans is recognized as the present value of the defined benefit obligation less the plan assets. The present value of the defined benefit obligation and service cost, etc. are calculated based on actuarial assumptions. Actuarial assumptions require estimates and judgments about various variables such as discount rates. Actuarial assumptions may be affected by consequences of uncertain economic conditions changes in the future or by the revision or promulgation of related laws and regulations. If a review becomes necessary, it may have a significant impact on the amount of defined benefit obligations in the consolidated financial statements for the following fiscal year.

### III. Notes to the Consolidated Statements of Financial Position

#### 1. Assets pledged as collaterals

Property, plant and equipment:	203 million yen
Obligation secured by collateral:	43 million yen

#### 2. Allowance for doubtful accounts directly deducted from assets:

Trade receivables:	2,455 million yen
Other financial assets:	1,569 million yen

#### 3. Accumulated depreciation and impairment losses on property, plant and equipment:

2,668,892 million yen

#### 4. Guaranteed obligation:

6 million yen

### IV. Notes to the Consolidated Statements of Profit or Loss

#### 1. Other Income

(Unit: millions of yen)

Gains on sale of fixed assets	14,786
Gains on sale of shares of subsidiaries and Associates	8,556
Others	3,813
Total	<u>27,156</u>

(Note) Gains on sale of fixed assets includes a gain of 14,263 million yen from the sale of land the Company owned in Amagasaki City, Hyogo Prefecture.

#### 2. Other Expenses

(Unit: millions of yen)

Foreign exchange loss	(4,025)
Losses on disposal of fixed assets	(8,635)
Impairment losses	(128,447)
Expenses for restructuring programs	(9,641)
Others	(3,142)
Total	<u>(153,892)</u>

(Note) In the fiscal year ended December 31, 2022, due to sluggish sales of TVs and PCs and cost increases resulting from the weak yen and soaring raw material and fuel prices, signs of impairment, such as a significant decline in profitability, were recognized for mainly for property, plant and equipment

related to the display business included in the Electronics segment, and an impairment loss of 73,673 million yen was recognized by comparing their book value and recoverable amount. The recoverable amount is based on the fair value less disposal costs.

In addition, due to the deterioration of the Russia-Ukraine situation, transactions of products, etc., and provision of information technology and other services between the AGC Group companies in West Central Europe and Russia were significantly restricted. Accordingly, the cash generation unit was changed from the current consolidated fiscal year, and the architectural glass business and the automotive glass business in Russia were separated from the European architectural glass business and the European automotive glass business, respectively. Due to the sluggish demand for automobiles triggered by the situation in Russia and Ukraine, the Group recognized an impairment loss of 6,700 million yen for mainly for property, plant and equipment related to the automotive glass business in Europe (Western and Central Europe) included in the Glass segment, based on a comparison of the book value and recoverable amount, as there were signs of impairment, including a decline in future profitability. In addition, due to the deterioration in the economic environment caused by the protracted situation in Russia and Ukraine, the Group recognized impairment losses on mainly for property, plant and equipment related to the architectural glass and automotive glass businesses in Russia, including a decline in future profitability. As a result of comparing the book value with the recoverable amount, the Group recognized impairment losses of 9,922 million yen in the architectural glass business and 3,664 million yen in the automotive glass business. In addition, in light of the decline in demand affected by U.S.-China trade function and COVID-19 pandemic in China, the AGC Group recognized impairment losses of 32,223 million yen in property, plant and equipment, goodwill, and intangible assets related to a portion of the super high-end CCL business and the industrial film business (printed circuit board materials business, etc.) included in the Electronics segment, as a result of comparing their book values and recoverable amounts, due to signs of impairment such as a significant decline in profitability. The recoverable amounts are based on the value in use.

## V. Notes to the Consolidated Statements of Changes in Equity

### 1. Type and number of outstanding shares

Number of outstanding shares as of December 31, 2022:

Ordinary share: 227,441,381 shares

### 2. Dividends

#### (1) Dividend payments

Date of approval	Type of shares	Total amount of dividends	Dividends per share	Record date	Effective date
March 30, 2022 Ordinary General Meeting of Shareholders	Ordinary shares	¥28,850 million	¥130.00	December 31, 2021	March 31, 2022
August 2, 2022 Board of Directors meeting	Ordinary shares	¥23,312 million	¥105.00	June 30, 2022	September 8, 2022

\*The year-end dividend includes dividend payment of ¥41 million paid for the shares held by the Board Incentive Plan (BIP) Trust.

\*The interim dividend includes dividend payment of ¥39 million paid for the shares held by the BIP Trust.

- (2) Dividends whose record date is attributable to the year ended December 31, 2022 but to be effective after the said year

An agenda will be submitted, as follows, concerning the year-end dividends in the appropriation of retained earnings for approval at the Ordinary General Meeting of Shareholders to be held on March 30, 2023. Total amount of dividends includes dividend payment of ¥39 million paid for the shares held by the BIP Trust.

Total amount of dividends:	23,316 million yen
Resource of dividends:	Retained earnings
Dividends per share:	105.00 yen
Record date:	December 31, 2022
Effective date:	March 31, 2023

### 3. Share subscription rights

- (1) Share subscription rights are presented as a part of capital surplus.

- (2) Number of shares subject to the share subscription rights

Category	Share subscription rights issued	Type of shares	Number of shares as of December 31, 2022
The Company	Share subscription rights issued in July 2008 (Compensation-Type Stock Option)	Ordinary shares	400 shares
	Share subscription rights issued in July 2009 (Compensation-Type Stock Option)	Ordinary shares	19,600 shares
	Share subscription rights issued in July 2010 (Compensation-Type Stock Option)	Ordinary shares	23,000 shares
	Share subscription rights issued in July 2011 (Compensation-Type Stock Option)	Ordinary shares	23,000 shares
	Share subscription rights issued in July 2012 (Compensation-Type Stock Option)	Ordinary shares	75,000 shares
	Share subscription rights issued in March 2013 (Compensation-Type Stock Option)	Ordinary shares	25,400 shares
	Share subscription rights issued in July 2013 (Compensation-Type Stock Option)	Ordinary shares	58,600 shares
	Share subscription rights issued in July 2014 (Compensation-Type Stock Option)	Ordinary shares	77,600 shares
	Share subscription rights issued in July 2014 (Ordinary-Type Stock Option)	Ordinary shares	23,200 shares
	Share subscription rights issued in July 2015 (Compensation-Type Stock Option)	Ordinary shares	64,400 shares
	Share subscription rights issued in July 2015 (Ordinary-Type Stock Option)	Ordinary shares	47,400 shares
	Share subscription rights issued in February 2016 (Compensation-Type Stock Option)	Ordinary shares	12,200 shares
	Share subscription rights issued in July 2016 (Compensation-Type Stock Option)	Ordinary shares	102,000 shares
	Share subscription rights issued in July 2016 (Ordinary-Type Stock Option)	Ordinary shares	41,800 shares
	Share subscription rights issued in March 2017 (Compensation-Type Stock Option)	Ordinary shares	24,200 shares
Share subscription rights issued in July 2017 (Compensation-Type Stock Option)	Ordinary shares	44,600 shares	

\*The shares are calculated based on the number of shares after the share consolidation (5 shares for 1 share) effective from July 1, 2017.

## VI. Notes to the Revenue

### 1. Disaggregation of revenue

The Group has three reportable segments: Glass, Electronics, and Chemicals. In addition, sales are disaggregated by product groups and geographical segments. The reconciliations of the disaggregated revenue with the Group's sales components are as follows.

#### (1) Disaggregation by product groups

(Unit: millions of yen)

Glass	Architectural glass	482,714
	Automotive glass	417,639
	Subtotal	900,354
Electronics	Display	155,369
	Electronics materials	149,548
	Subtotal	304,918
Chemicals	Chlor-alkali & urethane	489,810
	Fluorochemical & specialty	156,148
	Life science	147,200
	Subtotal	793,159
Ceramics/Others		37,442
Total		2,035,874

#### (2) Disaggregation by geographical segments

(Unit: millions of yen)

	Glass	Electronics	Chemicals	Ceramics /Others	Total
Japan/Asia	360,081	277,087	628,101	37,442	1,302,712
America	116,983	26,730	64,035	-	207,750
Europe	423,288	1,101	101,022	-	525,412
Total	900,354	304,918	793,159	37,442	2,035,874

Note: Sales by region are based on the location of each company, and "Brazil" is included in "America."

In the Glass segment, the Group sells architectural glass and automotive glass and delivers and installs related products, etc. Main customers are domestic and overseas housing, building and automotive companies.

In the Electronics segment, the Group delivers glass for display such as LCD glass, optoelectronics materials, semiconductor-related products, etc. Main customers are domestic and overseas panel manufactures and electronics companies.

In the Chemicals segment, the Group delivers chlor-alkali & urethane, fluorochemical & specialty chemicals, and life science products, etc. and sells products worldwide through trading companies and the Group's sales companies.

These are accounted for in accordance with the policies described in "4. Accounting Standards" under "I. Significant Accounting Policies". The consideration for performance obligations is mainly recovered within one year after performance obligations are satisfied. In addition, the consideration for performance obligations does not include a significant financing component.

## 2. Contract balances

Information on contract assets and liabilities arising from contracts with customers is as follows:

(Unit: millions of yen)

	FY2022 (as of January 1, 2022)	FY2022 (as of December 31, 2022)
Contract Assets	4,556	5,829
Contract Liabilities	52,587	53,413

Contract assets primarily relate to the Group's rights to receive consideration for performance obligations that have been completed, but not yet billed for, as of the reporting date. Contract assets are reclassified as receivables when the Group's right to payment becomes unconditional. Contract liabilities mainly relate to consideration received from customers before the Group delivers products to them, based on receivables management and other considerations. The revenue recognized during the fiscal year ended December 31, 2022, included balance of contract liabilities at the beginning of the fiscal year of ¥48,611 million.

## 3. Transaction price allocated to the remaining performance obligations

The Group applies the practical expedients for exemption on disclosure of information on remaining performance obligations that have original expected duration of one year or less. The Group has no significant transactions with original expected duration exceeding one year. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices

## 4. Assets recognized from the costs of obtaining or fulfilling contracts with customers

There are no assets recognized from the costs of obtaining or fulfilling contracts with customers as of the year ended December 31, 2022. In addition, if the amortization period of the assets that the Group otherwise would have recognized is one year or less, the Group applies the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

## VII. Notes to Financial Instruments

### 1. Status of financial instruments

#### (1) Policy for financial instruments

The AGC Group manages funds using only safe financial assets with high liquidity and implements stable and low-cost fund procurement by utilizing the capital market such as taking out borrowings from financial institutions or issuing corporate bonds. The Group uses derivative transactions only to evade risks accompanying its business activities, including exchange-rate fluctuation risks, interest-rate fluctuation risks and product price fluctuation risks, and does not enter into derivative transactions for speculative purposes.

#### (2) Details of financial instruments, their risks and their risk management system

Trade notes and accounts receivable, which are operating receivables, are exposed to the credit risks of customers. To manage these risks, the Group performs due date controls and balance controls for each customer and identifies and mitigates risks regarding the collection of receivables caused by factors such as deterioration of financial conditions at an early stage, in accordance with credit management rules.

Other receivables are accounts receivable, etc.

Among other financial assets, equity instruments, which are financial assets measured at fair value through other comprehensive income, and debt instruments, which are financial assets measured at fair value through profit or loss, are mainly shares of companies with which the Group has business relationships, and are exposed to the risk of market price fluctuations. The Group exams trend of market values and business needs as appropriate.

Most of the Group's trade notes and accounts payable, which are operating payables, are due within one year.

Other payables are other miscellaneous payables and others.

Borrowings, corporate bonds and the other interest-bearing debts are exposed to liquidity risks. The Group manages these risks by diversifying fund procurement methods, establishing commitment lines with various financial institutions, and keeping an appropriate balance between direct and indirect fund procurements and a proper mixture of short-term and long-term borrowings and corporate bonds. Floating-interest rate borrowings are exposed to interest-rate fluctuation risks.

For some long-term floating-rate borrowings, the Group uses interest rate swap transactions to avoid the interest-rate fluctuation risks and convert the floating rates into fixed rates.

Moreover, the AGC Group operates businesses globally, and is therefore exposed to currency risks associated with transactions undertaken in currencies other than individual functional currency. To manage currency risk, the Group hedges currency risk with forward exchange contracts and currency swap agreements.

Derivative transactions are executed and managed in accordance with the internal rules that stipulate the authority of transactions. Outstanding derivatives and the position of gain or loss on derivatives are regularly reported to the top management. In those derivative transactions, the Group uses only creditworthy financial institutions to reduce credit risks.

(3) Supplementary explanation about fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably calculated values if market prices are unavailable. As variable assumptions are incorporated into the calculation of said values, they may vary if different assumptions are used.

2. Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of December 31, 2022 are as follows:

(Unit: millions of yen)

	Carrying amount	Fair value
Cash and cash equivalents	209,716	209,716
Trade receivables	315,808	315,808
Other receivables	22,320	22,320
Other financial assets		
Financial assets measured at FVTOCI <sup>(*1)</sup>	67,677	67,677
Financial assets measured at FVTPL <sup>(*1)</sup>	4,000	4,000
Others	16,870	16,870
Trade payables	214,332	214,332
Other payables	131,800	131,800
Interest-bearing debts (short-term, long-term)		
Borrowings	508,200	508,750
Commercial paper	1,853	1,853
Corporate bonds	59,935	59,848
Derivatives <sup>(*2)</sup>	12,438	12,438
Other non-current liabilities	2,479	2,479

(\*1) FVTOCI: Fair Value Through Other Comprehensive Income / FVTPL: Fair Value Through Profit or Loss

(\*2) Receivables and payables arising from derivative transactions are presented in net values. Amounts in parentheses indicate payables.

(Note) Calculation method for the fair values of financial instruments

The fair value of financial instruments is categorized into three levels based on inputs used to measure fair value, as follows:

Inputs include stock prices, exchange rates, and interest rates as well as indexes related to commodity prices, etc.

- Level 1: Quoted prices in active markets
- Level 2: Observable prices other than quoted prices included within Level 1
- Level 3: Inputs not based on observable market data



i) Financial assets and liabilities measured at fair value.

The fair value of financial assets and financial liabilities is determined as follows.

(Derivatives)

Foreign exchange contracts are mainly based on forward exchange rates and prices quoted by financial institutions with which contracts are concluded. Interest rate contracts are mainly based on prices quoted by financial institutions with which contracts are concluded.

Commodity contracts are mainly based on prices quoted by counterparties with whom contracts are concluded. In each case, the financial instruments are classified as Level 2 in the fair value hierarchy.

(Financial assets measured at fair value through other comprehensive income)

The Group measures financial assets at fair value when market values are available, and classifies such assets as Level 1 in the fair value hierarchy. The Group estimates fair values of financial instruments whose market values are unavailable using either the discounted future cash flows method, third-party appraisal, or another appropriate measurement technique. Such financial instruments are classified as Level 3 in the fair value hierarchy.

(Financial assets measured at fair value through profit or loss)

The Group measures financial assets at fair value when market values are available, and classifies such assets as Level 1 in the fair value hierarchy. The Group estimates fair values of financial instruments whose market values are unavailable using either the discounted future cash flows method, third-party appraisal, or another appropriate measurement technique. Such financial instruments are classified as Level 3 in the fair value hierarchy.

ii) Financial assets and liabilities measured at amortized cost

The fair value of financial assets and liabilities measured at amortized cost is determined as follows.

(Financial assets measured at amortized cost)

Each receivable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(Loans payable)

As short-term loans payable is settled on a short-term basis, their fair values approximate their carrying amounts.

The fair values of long-term loans payable are calculated by the total sum of the principal and interest discounted by the interest rates that would apply if similar borrowings were conducted anew. For long-term loans payable at floating interest rates, however, the fair values approximate the carrying amounts because the interest rates are adjusted regularly at fixed intervals.

(Corporate bonds)

Fair values of corporate bonds are calculated based on market prices.

(Financial liabilities measured at amortized cost other than the above)

Each payable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

Financial assets and financial liabilities measured at amortized cost are classified as Level 2 in the fair value hierarchy.

### 3. Fair value hierarchy

The following table is an analysis of financial instruments measured at fair value by valuation methods.

(Unit: millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	18,935	-	18,935
Derivatives not designated as hedges	-	15,749	-	15,749
Derivatives designated as hedges	-	3,185	-	3,185
Equity instruments	56,857	-	10,819	67,677
Financial assets measured at FVTOCI <sup>(Note)</sup>	56,857	-	10,819	67,677
Debt instruments	-	-	4,000	4,000
Financial assets measured at FVTPL <sup>(Note)</sup>	-	-	4,000	4,000
Derivative financial liabilities	-	6,496	-	6,496
Derivatives not designated as hedges	-	6,454	-	6,454
Derivatives designated as hedges	-	41	-	41

Note: FVTOCI: Fair Value Through Other Comprehensive Income / FVTPL: Fair Value Through Profit or Loss

The presence of any financial instruments subject to significant transfers between fair value hierarchy levels is determined at the end of every period. There were no financial instruments subject to significant transfers between the fair value hierarchy levels during the fiscal year ended December 31, 2022.

There were no significant changes in “Financial assets measured at fair value through other comprehensive income” classified as Level 3 during the fiscal year ended December 31, 2022. Derivative financial assets are included in “Other current assets” and “Other financial assets” in the consolidated statements of financial position.

Equity instruments and debt instruments are included in “Other financial assets” in the consolidated statements of financial position.

Derivative financial liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statements of financial position.

Changes in financial instruments categorized within Level 3 of the fair value hierarchy during the year are as follows:

(Unit: millions of yen)

Balance as of January 1	12,761
Purchases	1,316
Sales	(1,014)
Other comprehensive income	1,871
Other changes	(116)
Balance as of December 31	14,819

VIII. Notes to Per Share Information

1. Equity attributable to owners of the parent per share	6,271.35 yen
2. Basic earnings (loss) per share	(14.22) yen

IX. Notes to Business Combinations

There are no significant transactions to disclose.

X. Notes to Significant Subsequent Events

There are no items to disclose.

# Accounting Auditor's Report on Consolidated Financial Statements

## Independent Auditor's Report

February 6, 2023

To the Board of Directors of AGC Inc.:

KPMG AZSA LLC  
Tokyo Office, Japan

Noriaki Habuto  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tsutomu Ogawa  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Takahiro Kajiwara  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of AGC Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Statements**

Other statements are the business report and the annexed detailed statements thereof. Management is responsible for the preparation and disclosure of other statements. The Audit & Supervisory Board and its Members are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the reporting process for other statements.

Our opinion on the consolidated financial statements does not cover other statements, and we do not express any opinion on other statements.

Our responsibility for the audit of the consolidated financial statements is to read through other statements and to consider during such process whether or not material inconsistency exists between other statements and the consolidated financial statements or our knowledge obtained during the audit and pay attention to whether or not any sign of material error in other statements exists other than such inconsistency.

If we conclude that material misstatement exists in other statements based on the work exercised, we are required to report such fact.

We have nothing to report concerning other statements.

### **Responsibilities of Management and Audit & Supervisory Board and its Members for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Ordinance of Company Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Audit & Supervisory Board and its members are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the reporting standards conforming to the latter part of Article 120-1 of the Ordinance of Company Accounting that omits part of disclosure items required by International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Note to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

- (\*) The contents of the Audit & Supervisory Board's audit report regarding the Consolidated Financial Statements are included in the Audit & Supervisory Board's Audit Report (page 93).

## **Balance Sheets**

(Unit: millions of yen)

	98th Fiscal Year (as of Dec. 31, 2022)	(Reference) 97th Fiscal Year (as of Dec. 31, 2021)
<b>Assets</b>	<b>1,339,262</b>	<b>1,363,848</b>
<b>Current Assets</b>	<b>412,133</b>	<b>349,598</b>
Cash on hand and in banks	9,748	28,704
Trade notes receivable	5,638	5,099
Trade accounts receivable	142,134	136,973
Merchandise and finished goods	46,324	38,214
Work in process	76,804	38,163
Raw materials and supplies	35,499	28,160
Prepaid expenses	4,577	3,516
Short-term loans receivable	50,611	36,822
Other accounts receivable	28,664	22,007
Allowance for doubtful accounts	(4,241)	-
Other current assets	16,370	11,936
<b>Non-current Assets</b>	<b>927,129</b>	<b>1,014,249</b>
<b>Tangible Fixed Assets</b>	<b>305,940</b>	<b>306,917</b>
Buildings	81,701	77,069
Structures	19,572	19,978
Machinery and equipment	148,824	142,675
Vehicle and other transportation equipment	143	130
Tools, furniture and fixtures	8,668	8,893
Land	26,951	26,969
Leased assets	721	324
Construction in progress	19,357	30,874
<b>Intangible Fixed Assets</b>	<b>9,797</b>	<b>9,513</b>
Software	8,921	8,316
Other intangible fixed assets	875	1,197
<b>Investments and Other Assets</b>	<b>611,391</b>	<b>697,818</b>
Investments in securities	58,638	91,990
Investments in subsidiaries and affiliates (stock)	346,681	367,039
Investments in subsidiaries and affiliates (others)	150,265	191,096
Long-term loans receivable	28,949	35,964
Long-term receivables, overdue	96	3,876
Long-term prepaid expenses	2,286	2,520
Prepaid pension cost	11,287	7,741
Deferred tax assets	6,460	-
Others	8,049	5,192
Allowance for doubtful accounts	(1,324)	(7,604)
<b>Total Assets</b>	<b>1,339,262</b>	<b>1,363,848</b>

**Balance Sheets**

(Unit: millions of yen)

	98th Fiscal Year (as of Dec. 31, 2022)	(Reference) 97th Fiscal Year (as of Dec. 31, 2021)
<b>Liabilities</b>	<b>600,455</b>	<b>605,955</b>
<b>Current Liabilities</b>	<b>358,991</b>	<b>311,919</b>
Trade accounts payable	136,347	108,897
Short-term borrowings	116,827	99,395
Current portion of bonds payable	20,000	-
Other accounts payable	29,194	35,007
Accrued expenses	5,277	4,211
Income taxes payable	11,494	18,818
Advances received	-	1,429
Deposits received	28,249	33,179
Accrued bonuses to employees	5,238	5,064
Accrued bonuses to directors	110	165
Reserve for scheduled repairs	4,090	3,998
Other current liabilities	2,162	1,751
<b>Non-current Liabilities</b>	<b>241,464</b>	<b>294,035</b>
Bonds	40,000	60,000
Long-term borrowings	191,560	226,517
Deferred tax liabilities	-	519
Accrued retirement benefits for employees	4,608	4,199
Reserve for loss on debt guarantees	421	28
Other non-current liabilities	4,873	2,771
<b>Total Liabilities</b>	<b>600,455</b>	<b>605,955</b>
<b>Net Assets</b>	<b>738,806</b>	<b>757,892</b>
<b>Shareholders' Equity</b>	<b>714,385</b>	<b>717,786</b>
Share capital	90,873	90,873
Capital surplus	91,164	91,164
Additional paid-in capital	91,164	91,164
Retained earnings	558,933	562,682
Legal reserve	22,618	22,618
Other retained earnings	536,315	540,064
Special depreciation reserve	-	123
Reserve for advanced depreciation of tangible fixed assets	15,423	8,814
General reserve	393,000	393,000
Retained earnings carried forward	127,892	138,125
Treasury shares, at cost	(26,586)	(26,933)
<b>Valuation and Translation Adjustments</b>	<b>23,163</b>	<b>38,574</b>
Unrealized gains and loss on securities, net of taxes	23,163	38,574
<b>Share Subscription Rights</b>	<b>1,258</b>	<b>1,532</b>
<b>Total Net Assets</b>	<b>738,806</b>	<b>757,892</b>
<b>Total Liabilities and Net Assets</b>	<b>1,339,262</b>	<b>1,363,848</b>



## Statements of Operation

(Unit: millions of yen)

	98th Fiscal Year (from Jan. 1, to Dec. 31, 2022)	(Reference) 97th Fiscal Year (from Jan. 1, to Dec. 31, 2021)
<b>Net Sales</b>	<b>631,791</b>	<b>566,777</b>
Cost of sales	463,254	410,797
<b>Gross Profit</b>	<b>168,536</b>	<b>155,979</b>
Selling, general and administrative expenses	135,182	129,423
<b>Operating Income</b>	<b>33,354</b>	<b>26,555</b>
<b>Non-operating Income</b>	<b>74,464</b>	<b>99,906</b>
Interest income	997	802
Dividend income	70,348	93,772
Others	3,118	5,331
<b>Non-operating Expenses</b>	<b>4,035</b>	<b>2,456</b>
Interest expenses	3,119	2,029
Loss on valuation of interest rate swaps	779	46
Others	136	380
<b>Ordinary Income</b>	<b>103,783</b>	<b>124,006</b>
<b>Extraordinary Gains</b>	<b>39,257</b>	<b>29,340</b>
Gain on sale of properties	14,248	4,110
Gain on sale of investments in securities	24,437	22,109
Gain on sale of investments in subsidiaries and affiliates	261	1,623
Reversal of allowance for doubtful accounts	309	-
Reversal of reserve for restructuring programs	-	75
Compensation for expropriation	-	1,420
<b>Extraordinary Loss</b>	<b>79,830</b>	<b>18,362</b>
Loss on disposal of properties	2,928	3,563
Impairment losses	447	-
Loss on valuation of investments in securities	247	156
Loss on valuation of investments in subsidiaries and affiliates	74,329	13,489
Reserve for loss on debt guarantees	393	3
Provision for allowance for doubtful accounts	1,382	532
Expenses for special environmental protection measures	101	617
<b>Income before Income Taxes</b>	<b>63,209</b>	<b>134,984</b>
Income taxes		
Current	17,837	19,377
Deferred	(1,320)	(1,639)
<b>Net Income</b>	<b>46,693</b>	<b>117,246</b>

## Statements of Changes in Net Assets

98th Fiscal Year (from January 1, 2022 to December 31, 2022)

(Unit: millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal reserve	Retained earnings			
		Additional paid-in capital	Other capital surplus		Other retained earnings			
					Special depreciation reserve	Reserve for advanced depreciation of tangible fixed assets	General reserve	Retained earnings carried forward
Balance at beginning of year	90,873	91,164	-	22,618	123	8,814	393,000	138,125
Cumulative Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	1,943
Restated balance (at beginning of year)	90,873	91,164	-	22,618	123	8,814	393,000	140,068
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(123)	-	-	123
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	7,922	-	(7,922)
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	(1,314)	-	1,314
Dividends declared	-	-	-	-	-	-	-	(52,162)
Net income	-	-	-	-	-	-	-	46,693
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(221)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(123)	6,608	-	(12,175)
Balance at end of year	90,873	91,164	-	22,618	-	15,423	393,000	127,892

	Shareholders' equity		Valuation and translation adjustments	Share subscription rights	Total net assets
	Treasury shares, at cost	Total shareholders' Equity	Unrealized gains and loss on securities, net of taxes		
Balance at beginning of year	(26,933)	717,786	38,574	1,532	757,892
Cumulative Effects of Changes in Accounting Policies	-	1,943	-	-	1,943
Restated balance (at beginning of year)	(26,933)	719,729	38,574	1,532	759,835
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Dividends declared	-	(52,162)	-	-	(52,162)
Net income	-	46,693	-	-	46,693
Acquisition of treasury shares	(342)	(342)	-	-	(342)
Disposal of treasury shares	689	468	-	-	468
Net changes other than shareholders' equity	-	-	(15,410)	(273)	(15,684)
Total changes during the current period	347	(5,344)	(15,410)	(273)	(21,028)
Balance at end of year	(26,586)	714,385	23,163	1,258	738,806

**(Reference) 97th Fiscal Year (from January 1, 2021 to December 31, 2021)**

(Unit: millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal reserve	Retained earnings			
		Additional paid-in capital	Other capital surplus		Other retained earnings			
					Special depreciation reserve	Reserve for advanced depreciation of tangible fixed assets	General reserve	Retained earnings carried forward
Balance at beginning of year	90,873	91,164	-	22,618	247	8,488	393,000	52,664
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(123)	-	-	123
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	1,376	-	(1,376)
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	(1,050)	-	1,050
Dividends declared	-	-	-	-	-	-	-	(31,045)
Net income	-	-	-	-	-	-	-	117,246
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(537)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(123)	326	-	85,460
Balance at end of year	90,873	91,164	-	22,618	123	8,814	393,000	138,125

	Shareholders' equity		Valuation and translation adjustments	Share subscription rights	Total net assets
	Treasury shares, at cost	Total shareholders' Equity	Unrealized gains and loss on securities, net of taxes		
Balance at beginning of year	(28,170)	630,886	48,340	2,092	681,320
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Provision of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-
Dividends declared	-	(31,045)	-	-	(31,045)
Net income	-	117,246	-	-	117,246
Acquisition of treasury shares	(586)	(586)	-	-	(586)
Disposal of treasury shares	1,823	1,285	-	-	1,285
Net changes other than shareholders' equity	-	-	(9,766)	(560)	(10,327)
Total changes during the current period	1,237	86,900	(9,766)	(560)	76,572
Balance at end of year	(26,933)	717,786	38,574	1,532	757,892

## Notes to the Non-Consolidated Financial Statements

The accompanying financial statements of the Company have been prepared in accordance with the provisions set forth in the Corporation Law and its related accounting regulations, and in conformity with the accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

### I. Significant Accounting Policies

#### 1. Valuation of assets

##### (1) Valuation of securities

Investments in subsidiaries and affiliates:

Investments in subsidiaries and affiliates are stated at cost based on the moving average method. Valuation losses are recognized when the real value of subsidiaries and affiliates that do not have a market price has declined significantly.

Other securities:

Other than securities without market value:

Securities other than securities without market value are stated at the quoted market prices. Differences between market value and acquisition costs are recorded as “Unrealized gains on securities, net of taxes” in Net Assets. The cost of securities sold is calculated by the moving average method.

Securities without market value:

Securities without market value are mainly stated at cost determined by the moving average method.

##### (2) Valuation of derivative financial instruments

Derivatives are stated at fair value.

##### (3) Valuation of inventories

Inventories are mainly carried at cost calculated using the moving average method. They are written down to their net realizable value if their profitability declines.

#### 2. Depreciation and amortization of fixed assets

##### (1) Tangible fixed assets

Depreciation is computed by the straight-line method.

##### (2) Intangible fixed assets

Amortization of intangible assets is computed by the straight-line method.

##### (3) Leased assets related to finance lease transactions not involving the transfer of ownership

Amortization of leased assets related to finance lease transactions not involving the transfer of ownership is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

### 3. Basis for recognizing certain reserves and accrued expense items

#### (1) Allowance for doubtful accounts

“Allowance for doubtful accounts” is provided at an amount sufficient to cover possible losses on the collection of receivables by taking the historical receivables loss ratio. For certain doubtful receivables, the uncollectible amounts are estimated based on the collectability of individual receivables.

#### (2) Accrued bonuses to employees

“Accrued bonuses to employees” is provided based on the estimated amount to be paid to employees after the balance sheet date for their services rendered during the current period.

#### (3) Accrued bonuses to directors

“Accrued bonuses to directors” is provided based on the estimated amount to be paid to directors after the balance sheet date for their services rendered during the current period.

#### (4) Reserve for scheduled repairs

“Reserve for scheduled repairs” is provided based on the estimated amount to be paid for the next periodic inspection of the facilities and estimated costs for repair work considering the service period until the next periodic inspection.

#### (5) Accrued retirement benefits for employees

Recognition of accrued retirement benefits for employees is based on actuarial valuation of projected benefit obligations and pension assets.

Past service cost is amortized on a straight-line basis over the average remaining service period of employees (13 years), from the year when it is incurred.

Actuarial gain/loss is amortized on a straight-line basis over the average remaining service period of employees (13 years), starting from the following year after incurred.

#### (6) Reserve for loss on debt guarantees

“Reserve for loss on debt guarantees” is provided based on the estimated value of losses that would accrue from a possible execution of loan guarantees for the Company’s subsidiaries and affiliates.

### 4. Accounting standards for revenue and expenses

Revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company sells a range of products including architectural glass, automotive glass, glass substrates for displays, electronic materials, chlor-alkali & urethane, fluorochemicals & specialty chemicals, and life science products. For the sales of these products, revenue is recognized upon delivery of these products as its performance obligation is satisfied when customers obtain control over these

products at the time of delivery. For contract development and manufacturing services for biological active pharmaceutical ingredient (API), revenue is recognized according to the progress toward completion of the performance obligation. Progress is measured by the input method based on the costs incurred, etc. based on the costs incurred. Also, revenue is measured at the consideration promised in contracts with customers, less discounts, rebates, returned products, and other items.

## 5. Other significant matters regarding the preparation of financial statements

### (1) Application of consolidated taxation system

The Company adopts the consolidated tax return system for the calculation of income taxes.

### (2) Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system

Having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), the Company did not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system. Effective from the beginning of the next fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where the group tax sharing system is applied.

### (3) Amounts presented in financial statements

Amounts below one million yen are rounded down.

### (4) Accounting for retirement benefits for employees

Accounting methods for unrecognized actuarial gains and losses and unrecognized prior service costs related to retirement benefits differ from those applied in the consolidated financial statements.

## II. Notes to Changes in Accounting Policies

### (Application of accounting standards for revenue recognition)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the “Accounting Standard for Revenue Recognition”) and “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) have been applied from the beginning of the fiscal year ended December 31, 2022. When controls of the

promised goods or services are transferred to the customer, revenue is recognized at the amount expected to be received in exchange. In line with this, licenses of the Company's intellectual property grant the right to use its intellectual property as it exists at the time it is granted. The Company recognizes revenue as the amount it expects to receive over the period the customer gains control and the right to benefit from the license.

In adopting the Accounting Standard for Revenue Recognition, the Company followed the transitional treatment stipulated in the provision of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the start of the fiscal year ended December 31, 2022 has been added to or subtracted from retained earnings, and the new accounting policy has been applied effective from the beginning balance for the fiscal year ended December 31, 2022. As a result, the impact on the Statements of Operation for the fiscal year ended December 31, 2022 is immaterial. Retained earnings in the Statements of Changes in Net Assets increased by 1,943 million yen after retrospective application. Furthermore in accordance with the application of the Accounting Standard for Revenue Recognition, "contract assets" included as "trade accounts receivable" under "current assets" in the balance sheet is presented as "other current assets" under "current assets" in the fiscal year ended December 31, 2022, and "contract liabilities" included as "trade accounts payable" under "current liabilities" is presented as "other current liabilities" under "current liabilities" in the fiscal year ended December 31, 2022.

(Application of accounting standards for calculation of market value)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, 4 July 2019. "Accounting Standard for Fair Value Calculation") is applied from the beginning of the fiscal year ended December 31, 2022. In accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraphs 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, 4 July 2019), the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation are to be applied prospectively. This has no impact on the financial statements for the fiscal year ended December 31, 2022.

### III. Notes to accounting estimates

Items for which the amount was recorded in the financial statements for the fiscal year ended December 31, 2022 based on accounting estimates, and which may have a significant impact on the financial statements for the following fiscal year, are as follows.

#### (1) Valuation of investments in and loans to subsidiaries and affiliates

Investments in subsidiaries and affiliates (stock)	346,681 million yen
Investments in subsidiaries and affiliates (others)	150,265 million yen

The Company recognizes valuation losses on shares and investments in affiliates that do not have a market price when the real value has declined significantly. In the event of a deterioration in the business performance of an affiliate, the real value of the company may decline significantly, and

a valuation loss may be incurred, which may have a significant impact on the amount of investments in subsidiaries and affiliated companies in the Company's financial statements for the following fiscal year.

Loans to subsidiaries and affiliates 79,445 million yen

Loans to subsidiaries and affiliates are individually evaluated for collectability and the estimated uncollectible amount is recorded as allowance for doubtful accounts. In the event of a deterioration in the business performance of an affiliate, it may have a significant impact on the amount of loans to affiliated companies in the Company's financial statements for the following fiscal year.

(2) Impairment losses on tangible fixed assets

Tangible fixed assets 305,940 million yen

Information on the content of accounting estimates is omitted, as the same content is provided in the notes to the consolidated financial statements.

IV. Notes to the Balance Sheet

1. Accumulated depreciation on tangible fixed assets:	697,819 million yen
2. Commitments and contingent liabilities	
Guarantee of loans:	145,224 million yen
3. Monetary receivables from/payables to subsidiaries and affiliates	
Short-term receivables from subsidiaries and affiliates:	122,612 million yen
Long-term receivables from subsidiaries and affiliates:	28,855 million yen
Short-term payables to subsidiaries and affiliates:	104,116 million yen
Long-term payables to subsidiaries and affiliates:	378 million yen

V. Notes to the Statement of Operation

1. Transaction with subsidiaries and affiliates	
Sales to subsidiaries and affiliates:	201,795 million yen
Purchases from subsidiaries and affiliates:	306,567 million yen
Non-operating transactions with subsidiaries and affiliates:	70,420 million yen

2. Gain on sale of properties

Information on gain on sale of properties is omitted, as the same content is provided in the notes to the consolidated financial statements.

3. Loss on valuation of investments in subsidiaries and affiliates

The Company recorded a valuation loss of 29,850 million yen, 22,896 million yen, and 21,279 million yen, respectively, on shares of and investments in affiliates. This is due to deteriorating business performance which led to a significant decline in the real values of shares of a consolidated subsidiary engaged primarily in the super high-end CCL business and industrial films business (including printed circuit board business), AGC Glass Europe, and certain consolidated subsidiaries engaged in the display business.



## VI. Notes to the Statement of Changes in Net Assets

Type and number of treasury shares as of December 31, 2022:

Common stock: 5,757,879 shares

Note: The number of treasury shares at the end of the period includes 373,955 shares owned by the Board Incentive Plan (BIP) Trust.

## VII. Notes to Tax Effect Accounting

Major components of deferred tax assets include loss on devaluation of investments in subsidiaries and affiliates and accrued retirement benefits for employees. The major components of deferred tax liabilities are unrealized gains on securities and gains on establishment of trust for retirement benefits.

## VIII. Notes to Fixed Assets used under Lease Contracts

In addition to the leased assets recorded in the Balance Sheet, office equipment such as computers are accounted for using the same method as operating lease transactions.

## IX. Related Party Transactions

(Unit: millions of yen)

Attribute	Company name	Voting right ratio held	Relationship with related party	Transaction	Transaction amount	Account item	Year-end balance
Subsidiary	AGC Glass Europe	Possession; Directly 100%	Production and sales of flat glass	Lending (Note)	(12,144)	Long-term loans	13,015
Subsidiary	AGC Electronics Co., Ltd.	Possession; Directly 100%	Manufacturing and sales of semiconductor processing materials and Optoelectronic materials	Lending (Note)	16,400	Long-term loans	30,031
Subsidiary	AGC Display Glass (Shenzhen) Inc.	Possession; Directly 100%	Manufacturing and sales of LCD glass substrates	Borrowing (Note)	16,770	Short-term borrowings	17,191

The Company uses deposits held by its subsidiaries at financial institutions as the Company's operating funds through the cash management services offered by financial institutions. The average balance is 52,176 million yen, and year-end balance is 61,599 million yen.

Note:

Interest rates on loans and borrowings are determined based on the market interest rates at the time of financing.

## X. Notes to Revenue Recognition

The information that forms the basis for understanding revenues from contracts with customers is identical in the "Notes to Consolidated Financial Statements VI, Notes to the Revenues," and therefore, notes have been omitted.

## XI. Notes to Per Share Information

1. Net assets per share 3,327.03 yen

Note: Upon calculating net assets per share, the number of treasury shares subtracted from the total number of issued shares at the end of the period includes the Company's stock owned by the BIP Trust (number of shares at the end of period: 373,955).

2. Net income per share 210.66 yen

Note: Upon calculating earnings per share, the number of treasury shares subtracted in computing the average number of shares outstanding includes the Company's stock owned by the BIP Trust (the average number of issued shares outstanding during the period: 354,888).

## XII. Notes to Significant Subsequent Events

There are no items to disclose.

## Accounting Auditor's Report

### Independent Auditor's Report

February 6, 2023

To the Board of Directors of AGC Inc.:

KPMG AZSA LLC  
Tokyo Office, Japan

Noriaki Habuto  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tsutomu Ogawa  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Takahiro Kajiwara  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

#### **Opinion**

We have audited the financial statements, which comprise the balance sheet, the statement of operation, the statement of changes in net assets and the related notes, and the supplementary schedules of AGC Inc. ("the Company") as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Statements**

Other statements are the business report and the annexed detailed statements thereof. Management is responsible for the preparation and disclosure of other statements. The Audit & Supervisory Board and its Members are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the reporting process for other statements.

Our opinion on the non-consolidated financial statements does not cover other statements, and we do not express any opinion on other statements.

Our responsibility for the audit of the non-consolidated financial statements is to read through other statements and to consider during such process whether or not material inconsistency exists between other statements and the non-consolidated financial statements or our knowledge obtained during the audit and pay attention to whether or not any sign of material error in other statements exists other than such inconsistency.

If we conclude that material misstatement exists in other statements based on the work exercised, we are required to report such fact.

We have nothing to report concerning other statements.

### **Responsibilities of Management and Audit & Supervisory Board and its Members for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board and its members are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Note to the Reader of Independent Auditor's Report:**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## **Audit & Supervisory Board's Audit Report**

### **Audit & Supervisory Board's Audit Report**

Concerning the execution of duties by the Directors for the 98<sup>th</sup> fiscal year (from January 1, 2022, to December 31, 2022), the Audit & Supervisory Board has prepared this audit report upon deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows.

#### **1. Methods and details of audits by Audit & Supervisory Board Members and the Audit & Supervisory Board**

- (1) The Audit & Supervisory Board formulated an audit policy, audit plan, and other relevant matters, received reports from each Audit & Supervisory Board Member on the implementation and results of audits, as well as reports from the Directors, Accounting Auditor, employees and other relevant personnel on the status of execution of their duties, and requested explanations from them as necessary.
- (2) In accordance with the Standards for Auditing established by the Audit & Supervisory Board, the audit policy, audit plan, and other relevant matters, each Audit & Supervisory Board Member communicated well with the Directors, internal audit divisions, and other relevant personnel; endeavored to gather information and to maintain and improve the audit environment; and implemented audit through the following methods.
  - (i) Each Audit & Supervisory Board Member attended the Board of Directors meetings and other important meetings; received reports from the Directors, employees and other relevant personnel on the status of execution of their duties; requested explanations as necessary; reviewed significant approval documents and relevant documents; and inspected the status of operations and assets at the Company's head office and other principal offices. In addition, on subsidiaries, each Audit & Supervisory Board Member endeavored to communicate well and exchange information with the Directors and Audit & Supervisory Board Members of the subsidiaries, received reports from the subsidiaries on their business as necessary, and conducted inspections at some subsidiaries.
  - (ii) On the contents of the resolution of the Board of Directors concerning the establishment of the system to ensure that the execution of duties by the Directors complies with the laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the appropriateness of operations of the corporate group comprising the Company and its subsidiaries and the systems that are maintained based on such resolution (Internal Control Systems), each Audit & Supervisory Board Member received reports on the status of their establishment and operation from the Directors, employees and other relevant personnel on a regular basis and verified such status of establishment and operation. On internal control over financial reporting, we received reports from the Directors, etc. and KPMG AZSA LLC on the evaluation and audit status of the said internal control as well as requested explanations as necessary.
  - (iii) We monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, received reports from the Accounting Auditor on the status of execution of its duties, and requested explanations as necessary. We also received notification from the Accounting Auditor stating that it has established the "Systems to Ensure the Appropriate Execution of Duties by the Accounting Auditor" (Article 131 of the Ordinance of Companies Accounting), and we requested explanations as necessary.

Through these methods, we reviewed on the business report and its supplementary schedules, non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in net assets and notes) and their supplementary schedules, and the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes in accordance with the latter part

of Article 120, Paragraph 1, of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards) for the fiscal year ended December 31, 2022.

## 2. Result of the audit

### (1) Audit result of the business report, etc.

(i) We acknowledge that the business report and its supplementary schedules present the situation of the Company correctly in accordance with the laws and regulations and the Articles of Incorporation.

(ii) We acknowledge that there was no wrongful act or material fact of violation of the laws or regulations or the Articles of Incorporation concerning the execution of duties by the Directors.

(iii) We acknowledge that the contents of the resolution of the Board of Directors concerning the internal control system is appropriate. Furthermore, we also acknowledge that nothing needs to be pointed out on the stated contents of the business report concerning such internal control system and the execution of duties by the Directors concerning such internal control system.

We received reports from the Directors, etc. and KPMG AZSA LLC stating that on internal control over financial reporting, it is effective at the time of preparing this Audit & Supervisory Board's audit report.

### (2) Audit result of the non-consolidated financial statements and their supplementary schedules

We acknowledge that the methods and the results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC, are appropriate.

### (3) Audit result of the consolidated financial statements

We acknowledge that the methods and the results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC, are appropriate.

February 7, 2023

Audit & Supervisory Board  
AGC Inc.

Yoshiyuki Morimoto  
Full-time Audit & Supervisory Board  
Member

Tetsuo Tatsuno  
Full-time Audit & Supervisory Board  
Member

Yaeko Takeoka  
Audit & Supervisory Board Member

Tatsuro Ishizuka  
Audit & Supervisory Board Member

Note: Audit & Supervisory Board Members, Yoshiyuki Morimoto, Yaeko Takeoka and Tatsuro Ishizuka, are outside Audit & Supervisory Board Members prescribed in Article 2-16 and Article 335, Paragraph 3, of the Companies Act.

Note: The Audit & Supervisory Board's Audit Report herein is the English translation of the original report issued in the Japanese language.

## Reference (Overview of Consolidated Statements of Cash Flows)

(Unit: millions of yen)

	98 <sup>th</sup> Fiscal Year ( From Jan. 1, 2022 To Dec. 31, 2022 )	97 <sup>th</sup> Fiscal Year ( From Jan. 1, 2021 To Dec. 31, 2021 )
Cash Flows from Operating Activities	217,146	326,713
Cash Flows from Investing Activities	(145,312)	(123,787)
Cash Flows from Financing Activities	(78,206)	(252,259)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	20,257	9,039
Net Increase (Decrease) in Cash and Cash Equivalents	13,885	(40,294)
Cash and Cash Equivalents at Beginning of Year	195,830	236,124
Cash and Cash Equivalents at End of Year	209,716	195,830





## **On the brand statement “Your Dreams, Our Challenge”**

The AGC Group introduced the brand statement “Your Dreams, Our Challenge” toward fulfilling “Our Mission” presented in the Group Vision “Look Beyond.” The corporate stance of the AGC Group to keep challenging in all ages in order to enrich people’s lives has been inherited since its foundation. With all employees as one team, we will endeavor to further enhance our corporate value.

- 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.

Built on these founding spirits, AGC has been supporting top runners of the era with unique materials and solutions while building solid trusted relationship with our customers.

We will combine the knowledge and technology of each other and continue challenging to realize dreams beyond people’s beliefs.

# Your Dreams, Our Challenge