

Corporate Governance / Internal Control / Risk Management

Approach to Corporate Governance

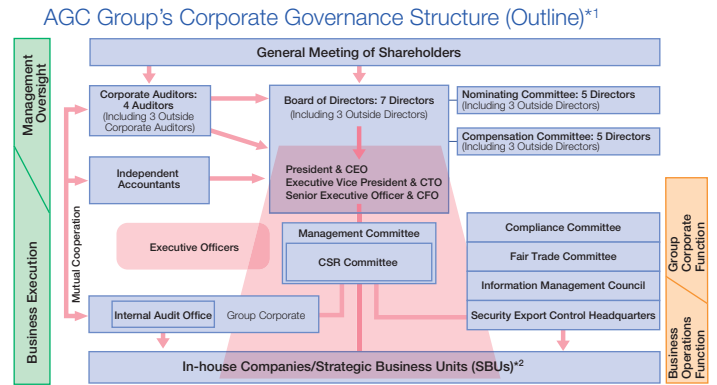
As stated in its basic policy on corporate governance, Asahi Glass clearly separates the function of “oversight” and “execution” of management, aiming to reinforce the management oversight function while ensuring quick decision-making in management execution.

Under this policy, we have been implementing measures to further improve both our management system and internal control system in order to ensure highly transparent and efficient management.

Corporate Governance Structure

The Board of Directors of Asahi Glass comprised seven directors, including three outside directors. In order to ensure the independence of outside directors, we have established our own selection criteria. We comply with these inhouse criteria as well as the provisions on outside directors set forth in the Companies Act.

For the selection and evaluation of directors and executive officers and for their compensation, we have respectively established the Nominating Committee and the Compensation Committee. We entrust these non-statutory advisory committees to deliberate related matters, thereby ensuring the objectivity of any decisions made. As to the compensation of directors (excluding outside directors) and executive officers, we have introduced stock compensation-type stock options allowing them to share benefits with shareholders, and have also introduced performance-linked bonuses for executive officers (including directors who serve also as executive officers). Outside directors, on the other hand, are paid only monthly compensation.



*1. As of March 30, 2010

*2. An In-house Company is defined as a business unit with net sales exceeding 200 billion yen which conducts its business globally. At present, there are three In-house Companies: Glass Company, Electronics Company, and Chemicals Company. Business units of smaller sizes are defined as Strategic Business Units (SBUs).

Internal Control

In response to the enforcement of the Companies Act, Asahi Glass decided on its corporate policy over internal control at the Board of Directors meeting held in May 2006, aiming to review its business operation systems, including the compliance system based on the policy, to ensure their appropriateness.

After introducing the internal control reporting system in compliance with the Financial Instruments and Exchange Act, we set the AGC

Group's rules for internal control over financial reporting. Based on these rules, we proceeded with the documentation of process-level controls over financial reporting, identification of risks and organization of controls, and assessment of the implementation of controls. We then started the full implementation of internal control over financial reporting in fiscal 2009.

Risk Management

Based on its corporate policy over internal control, the AGC Group makes it a rule to identify important risk factors and monitor and discuss the state of risk control periodically at meetings of the Management Committee and the Board of Directors.

In identifying important risk factors, we conduct questionnaire surveys across the Group to create risk maps and assess risks. The Management Committee and the Board of Directors then discuss the factors at their

meetings, and the related organizations formulate action plans to implement the Plan, Do, Check, and Act (PDCA) cycle for the continuous improvement of their risk control levels. Additionally, for important risk factors which might cause large-scale accidents and disasters, we are implementing measures to formulate and operate business continuity plans (BCPs). Specifically, we are taking countermeasures against the new type influenza and natural disasters such as earthquakes.

Internal Audit

The AGC Group has established a global internal audit system to manage its organization in Asia including Japan, Europe and North America. Through this system, independent monitoring is conducted on internal control and risk management measures implemented throughout the Group's organizations in the regions to ensure the effectiveness and efficiency of the measures.

Under this system, the audit departments in each region monitor the progress made in establishing systems of internal control and risk management within their regions, and the legality and rationality of the implementation of the above systems for further improvement.

The internal audit results are reported to the AGC Group's CEO as necessary as well as its Board of Directors on a periodic basis.

CSR Promotion System

The AGC Group established its CSR Committee in 2005. This Committee, which serves as an organization to lead the fulfillment of CSR by the Group, is chaired by the CEO and composed of the CTO, CFO, and the heads of the in-house organizations. It discusses the Group's CSR-

related policies and issues. In addition, the Group Corporate CSR Office, which is led by a dedicated executive officer, serves as the secretariat for the Committee and its monthly meetings, while taking charge of CSR activity planning and CSR communications for the entire Group.