Corporate Governance

The AGC Group is Raising the Transparency and Agility of Management Oversight and Execution.

Approach to Corporate Governance

Under the AGC Group Corporate Governance Basic Policy, AGC Asahi Glass strives to strengthen and improve its corporate governance with a view to ensuring its sustainable growth and raising the AGC Group's corporate value over the medium and long term.

The Company is responsible for managing the AGC Group as a whole, beyond the conventional framework of a parent company and subsidiaries. On that basis, the following is the Company’s basic approach to its corporate governance system:

- The management oversight function and management execution function shall be clearly separated
- In the execution of management, corporate functions and the business execution function shall be clearly separated

Framework for Management Oversight

Structure and Role of the Board of Directors

The Board of Directors of AGC Asahi Glass consists of seven directors, each appointed to a one-year term, and includes three outside directors, including one female director. The Board is responsible for the approval of the AGC Group’s basic policies and monitoring its management.

The Company first employed outside directors in 2002 in an effort to enhance the management oversight function. Outside directors are appointed in compliance with the requirements under the Companies Act of Japan as well as the Company’s own selection criteria designed to ensure director independence.

Outside directors monitor issues concerning the Group’s business management and offer advice to the Board of Directors from an independent and objective standpoint, based on their extensive experience in global corporate

Overview of Corporate Governance Structure (as of March 30, 2017)

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 four In-house Companies: the Building & Industrial Glass Company, the Automotive Company, the Electronics Company and the Chemicals Company. Business units smaller than this are defined as Strategic Business Units (SBUs).
management and knowledge of corporate governance related issues. In principle, meetings of the Board of Directors are chaired by an outside director.

As of March 30, 2017

Meetings of the Board of Directors in Fiscal 2016

<table>
<thead>
<tr>
<th>Meetings held</th>
<th>Attendance rate of members of the Board of Directors</th>
<th>Attendance rate of corporate auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>100%</td>
<td>98%</td>
</tr>
</tbody>
</table>

Assessment of the Effectiveness of the Board of Directors Evaluating the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors of AGC Asahi Glass is subject to annual assessment and evaluation.

Evaluation of the effectiveness of the Board of Directors in 2016 took the form of self-evaluation by all members comprising the Board.

First, each director evaluated the effectiveness of the Board by responding to the questionnaire and answering questions in an individual interview. The Board then examined the evaluation results and discussed measures to improve the effectiveness of the Board of Directors.

Outline of the Evaluation Results and Future Efforts

The results of the above evaluation showed that the Board of Directors and the Advisory Committee of AGC Asahi Glass, among others, were conducting appropriate management and securing adequate performance through active and frank discussion in a small group.

It was also clarified that there is room for improvement on reporting of IR activities to outside directors and enhancement of strategic discussions.

The AGC Group will continue to maintain the appropriate management system and an environment to ensure frank discussions within the Board of Directors and the Advisory Committee, working diligently on the issues clarified by the effectiveness evaluation. This will continuously improve the functions of the Board of Directors, Advisory Committee and other parties.

Structure and Roles of the Nominating Committee and Compensation Committee

AGC Asahi Glass established its Nominating and Compensation Committees in 2003 as voluntary advisory committees of the Board of Directors.

Committee Activities in Fiscal 2016

<table>
<thead>
<tr>
<th>Committee</th>
<th>Number of members</th>
<th>Duties</th>
<th>Number of meetings held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominating Committee</td>
<td>5 Directors (of which 3 are outside directors)</td>
<td>Deliberate on candidates for director and executive officer positions, and make recommendations to the Board of Directors</td>
<td>3 times</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>5 Directors (of which 3 are outside directors)</td>
<td>Deliberate on the compensation system for directors and executive officers, directors’ compensation limits and bonuses to be reported to the general shareholders meeting, and the amount of compensation for executive officer</td>
<td>9 times</td>
</tr>
</tbody>
</table>

Structure and Role of the Board of Corporate Auditors

The Board of Corporate Auditors audits the performance of directors by attending important meetings, including meeting of the Board of Directors and the Management Committee, and by holding regular meetings with representative directors. The corporate auditors also enhance the effectiveness of auditing by exchanging views and checking information concerning audit results and other matters in cooperation with accounting auditor and the Internal Audit Division. As of March 30, 2017, AGC Asahi Glass employed four corporate auditors in total, of which three were outside corporate auditors.

Meetings of the Board of Corporate Auditors in Fiscal 2016

<table>
<thead>
<tr>
<th>Meetings held</th>
<th>Attendance rate of members of the Board of Corporate Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>96%</td>
</tr>
</tbody>
</table>

Framework for Management Execution

At AGC Asahi Glass, the management execution function is the responsibility of executive officers below the president & CEO. As an advisory committee to the president & CEO, the Company establishes the Management Committees and discusses business management monitoring and decisions regarding management execution. A system of In-house Companies (quasi-subsidiaries within the Group) has been introduced and a global consolidated management system is adopted with regard to business execution. Much of the responsibility and authority for business execution has been delegated to the In-house Companies and Strategic Business Units.
Compensation System

Basic Philosophy on Compensation System for Directors and Corporate Auditors

AGC Asahi Glass sets out its principles which consist of the basic stance and philosophy on overall compensation for directors and corporate auditors as follows.

- The compensation system shall be one that enables the Company to attract, secure and reward diverse and talented personnel, in order to establish and expand the Company's edge over its peers.
- The compensation system shall be one that promotes continued improvement of corporate value, and in this way allows shareholders and management to share gains.
- The compensation system shall be one that gives motivations to achieve performance goals relating to management strategies for the AGC Group’s continuous development.
- The decision-making process of determining compensation shall be objective and highly transparent.

Composition of Compensation for Directors and Corporate Auditors

The compensation for directors and corporate auditors is as follows.

<table>
<thead>
<tr>
<th>Type of compensation</th>
<th>Eligible persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td></td>
</tr>
<tr>
<td>Fixed compensation</td>
<td>All directors</td>
</tr>
<tr>
<td>Performance-based compensation</td>
<td>Directors who also serve as executive officers</td>
</tr>
<tr>
<td>Performance-based bonuses</td>
<td>Outside directors only</td>
</tr>
<tr>
<td>Stock compensation-type stock options</td>
<td>Outside corporate auditors only</td>
</tr>
<tr>
<td>Corporate auditors</td>
<td></td>
</tr>
<tr>
<td>Fixed compensation</td>
<td>All corporate auditors</td>
</tr>
<tr>
<td>Monthly compensation</td>
<td></td>
</tr>
</tbody>
</table>

Compensation System

Of the performance-based compensation for directors, the amount of the Bonuses varies depending on consolidated business results for a single fiscal year and a period covered by the mid-term management plan, with the aim of further encouraging directors to achieve performance goals for both the single fiscal year and the medium term. This amount may, in principle, fluctuate between plus and minus 100% of the standard amount of payment. Moreover, the Stock Compensation-Type Stock Options are intended to allow recipients to share benefits and risks associated with stock price fluctuations with our shareholders, and enhance their motivation and morale so as to raise business results and corporate value on a medium to long term basis.

Compensation to Directors and Corporate Auditors in Fiscal 2016

<table>
<thead>
<tr>
<th>Number of recipients</th>
<th>Total payment (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All directors</td>
<td>7</td>
</tr>
<tr>
<td>Outside directors only</td>
<td>3</td>
</tr>
<tr>
<td>All corporate auditors</td>
<td>4</td>
</tr>
<tr>
<td>Outside corporate auditors only</td>
<td>3</td>
</tr>
</tbody>
</table>

Internal Control

In response to the enactment of the Companies Act of Japan, AGC Asahi Glass established a basic policy for internal control in May 2006, with the aim of confirming that its business execution systems, including the compliance system, were functioning appropriately.

Furthermore, the Company adopted an internal control reporting system in compliance with Japan’s Financial Instruments and Exchange Act, and on that basis, created the AGC Group Internal Control over Financial Reporting Implementation Regulations, and is maintaining and implementing the system to ensure sound financial reporting.

Directors of AGC Asahi Glass are responsible for management of the AGC Group from a short-, medium- and long-term perspective, and aim to realize the sustainable growth of the Group and enhance its corporate value. The company's performance-based compensation system is calculated in consideration of the balance of the short-, medium- and long-term perspectives. As a part of total compensation, performance-based compensation is calculated based on the standard amount of payment, approximately in a 2:1:1 ratio of Monthly compensation: Bonuses: Stock Compensation-Type Stock Options, respectively.
Composition of Compensation for Directors and Corporate Auditors

The compensation for directors and corporate auditors of AGC Asahi Glass is calculated in consideration of the company's performance and the AGC Group's continuous development. The compensation system is designed to motivate and enhance corporate value, while aiming to realize sustainable growth in the medium and long term.

Type of compensation Eligible persons

- **Fixed compensation:**
  - Monthly compensation: All directors
  - Monthly compensation-type stock options: Directors excluding those who serve as executive officers

- **Bonuses:**
  - Stock Compensation-Type Stock Options: Directors who also serve as executive officers

- **Performance-based compensation:**
  - The amount may fluctuate depending on the company's performance and the performance goals for the single fiscal year and the medium term.
  - Covered by the mid-term management plan.

### Compensation System

- **Objective and transparency:** The compensation system shall be objective and highly transparent to align with AGC's basic stance and philosophy on overall compensation for directors and corporate auditors as follows.
- **Performance-based compensation:**
  - Bonuses are intended to enhance motivation and morale, leading to improved business results for a single fiscal year and a period of 100% of the standard amount of payment. Moreover, the amount may fluctuate between plus and minus for both the single fiscal year and the medium term. This further encourages directors to achieve performance goals.

### Performance-Based Compensation System

<table>
<thead>
<tr>
<th>Type of compensation</th>
<th>Eligible persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed compensation</td>
<td>All directors</td>
</tr>
<tr>
<td>Bonuses</td>
<td>Directors, those who also serve as executive officers</td>
</tr>
<tr>
<td>Performance-based compensation</td>
<td>Directors, those who also serve as executive officers</td>
</tr>
</tbody>
</table>

### Compensation to Directors and Corporate Auditors in Fiscal 2016

<table>
<thead>
<tr>
<th>Number of recipients</th>
<th>Total payment (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>57</td>
</tr>
<tr>
<td>4</td>
<td>93</td>
</tr>
<tr>
<td>7</td>
<td>46</td>
</tr>
</tbody>
</table>

### Corporate Auditors

- **CEO:** Takuya Shimamura
- **President & CEO:** Hiroshi Kimura (Outside)
- **Senior Executive Officers:**
  - Marehisa Ishiko (Outside)
  - Jean-François Heris (Outside)
  - Yoshinori Hirai (Outside)
  - Shinji Miyaji (Outside)
- **Directors:**
  - Kazuhiro Ishimura
  - Takuya Shimamura
  - Yoshinori Hirai
  - Shinji Miyaji
  - Hiroshi Kimura

### Executive Officers

- **President & CEO:** Takuya Shimamura
- **Senior Executive Officers:**
  - Marehisa Ishiko (Outside)
  - Jean-François Heris (Outside)
  - Yoshinori Hirai (Outside)
  - Shinji Miyaji (Outside)
- **Executive Officers:**
  - Kazuhiro Ishimura: Representative Director & Chairman
  - Takuya Shimamura: Representative Director, President & CEO
  - Yoshinori Hirai: Director, Senior Executive Officer & CTO
  - Shinji Miyaji: Director, Senior Executive Officer & CFO
  - Masako Egawa: Director (Outside)
  - Yasuchika Hasegawa: Director (Outside)

### Note

AGC Report 2017

As of 30 March, 2017

**Corporate Auditors**

- **Tetsuo Tatsuno** (Outside)
- **Yasuhiro Marumori** (Outside)
- **Toru Hara** (Outside)
- **Hiromi Kawamura** (Outside)

**Executive Officers**

- **President & CEO:** Takuya Shimamura
- **Senior Executive Officers:**
  - Marehisa Ishiko (Outside)
  - Jean-François Heris (Outside)
  - Yoshinori Hirai (Outside)
  - Shinji Miyaji (Outside)
- **Directors:**
  - Kazuhiro Ishimura
  - Takuya Shimamura
  - Yoshinori Hirai
  - Shinji Miyaji
  - Hiroshi Kimura

**Note**

GM: General Manager