TRANSLATION FOR REFERENCE PURPOSES ONLY

This is a translation of the Notice of Ordinary General Meeting of Shareholders dated March 7, 2018, and is prepared for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

Notice of the 93rd Ordinary General Meeting of Shareholders

(Held on March 29, 2018)

Asahi Glass Company, Limited

(Security Code: 5201)

Contents

Notice of the 93rd Ordinary General Meeting of Shareholders ・・・・・・・・・・・・ 3
Information on Exercising Voting Rights via the Internet ・・・・・・・・・・・・・・・・ 5

Attachment to the Notice of the 93rd Ordinary General Meeting of Shareholders:
Business Report ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・ **7**

Consolidated Financial Statements ・・・・・・・・・・・・・・・・・・・・・・・・ 41
Accounting Auditors' Report on Consolidated Financial Statements ・・・・・・・・・・ 57
※Contents of Audit & Supervisory Board's Audit Report on Consolidated Financial Statements are included in Audit & Supervisory Board's Audit Report (page 70)

Non-Consolidated Financial Statements ・・・・・・・・・・・・・・・・・・・・・・ 59
Accounting Auditors' Report on Non-Consolidated Financial Statements ・・・・・・・・ 68
Audit & Supervisory Board's Audit Report ・・・・・・・・・・・・・・・・・・・・・ 70

Reference（Overview of Consolidated Statements of Cash Flows）・・・・・・・・・・・・ 72

Reference Documents for the General Meeting of Shareholders:
Agenda Items and Reference Items ・・・・・・・・・・・・・・・・・・・・・・・・ 73

March 7, 2018

Takuya Shimamura
Representative Director,
Asahi Glass Co., Ltd.
1-5-1, Marunouchi, Chiyoda-ku, Tokyo

Notice of the 93rd Ordinary General Meeting of Shareholders

To Our Shareholders;

It is our pleasure to invite you to the 93rd Ordinary General Meeting of Shareholders of Asahi Glass Co., Ltd. (hereinafter the "Company") to be held as described below. If you are unable to attend the meeting in person, you may exercise your voting rights either through postal mail or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders first and then exercise your voting rights by no later than 5:00 p.m. on Wednesday March 28, 2018 (Japan Time).

Meeting Details

1. Date and time: 10:00 a.m. on Thursday, March 29, 2018
(Reception for attendees begins at 9:00 a.m.)

2. Place: Aoi, 2nd Floor, Palace Hotel Tokyo
1-1-1, Marunouchi, Chiyoda-ku, Tokyo

3. Agenda:

Items to be Reported:

(1) The Business Report and the Consolidated Financial Statements for the 93rd Fiscal Year (from January 1 to December 31, 2017), and audit reports with respect to the Consolidated Financial Statements by the Company's Accounting Auditors and the Audit & Supervisory Board

(2) The Non-Consolidated Financial Statements for the 93rd Fiscal Year (from January 1 to December 31, 2017)

Items to be Resolved:

Item No. 1: Appropriation of retained earnings

Item No. 2: Partial Amendment to the Articles of Incorporation

Item No. 3: Election of Seven Directors

Item No. 4: Election of an Audit & Supervisory Board Member

Item No. 5: Decision on Amounts and Details of Stock Compensation, etc. for Directors, etc.

Item No. 6: Revision of the Amount of Compensation etc. for Audit & Supervisory Board Members

4. Exercise of Voting Rights

If you exercise your voting rights both by postal mail and via the Internet, the vote you enter via the Internet shall be considered the valid vote. In the event that you exercise your voting rights multiple times via the Internet, the last vote you enter shall be considered the valid vote.

・If any corrections to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Financial Statements are made, such corrections shall be posted on the Internet at the Company's website (http://www.agc.com/en/ir/index.html).

Information on Exercising Voting Rights

- If you are to attend the General Meeting of Shareholders
  Time and date of the General Meeting of Shareholders: 10:00 a.m. on Thursday, March 29, 2018 (Japan Time). The Reception for attendees begins at 9:00 a.m.
  Please submit the enclosed voting form to the reception desk.
- If you exercise the voting rights through Postal Mail
  Due date of exercise: Voting forms that arrive by no later than 5:00 p.m. on Wednesday, March 28, 2018(Japan Time).
  Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it through postal mail so that it is received by the due date.
- If you exercise the voting rights via the Internet
  Due date of exercise: Acceptable until 5:00 p.m. on Wednesday, March 28, 2018 (Japan Time).
  Please access the voting website (https://evote.tr.mufg.jp//) and enter your approval or disapproval of the proposals by no later than the due date.
  >>>Please see the following for details.

Information on Exercising Voting Rights via the Internet

If you exercise your voting rights via the Internet, please exercise the voting rights by no later than 5:00 p.m. on Wednesday, March 28, 2018 (Japan Time) after confirming the following items.

1. About the Internet Voting Website

Voting Website: https://evote.tr.mufg.jp/

(1) You can exercise your voting right via the Internet by accessing the voting website (https://evote.tr.mufg.jp/) from a computer, smartphone or mobile phone.
(Please note that the site cannot be accessed between 2:00 a.m. and 5:00 a.m. daily in Japan time.)

(2) Depending on the Internet usage environment of your computer, smartphone or mobile phone, the service you subscribe to, the type of device you are using or other factors, you may not be able to properly access the website to exercise your voting right. Please contact the help desk (please refer to information below) if you have any questions.

2. How to Exercise Your Voting Rights via the Internet

(1) Once you have accessed the Internet voting website (http://evote.tr.mufg.jp/), please enter your login ID and temporary password shown on the voting form. Please cast your vote by following the directions on the screen.

(2) To avoid unauthorized access (e.g., spoofing) and tampering your vote, the website will ask you to set a new password once you log on to the website.

3. How We Process Multiple Votes

(1) In the event you exercise your voting rights both by postal mail and via the Internet, the vote you enter via the Internet shall be considered the valid vote.

(2) In the event you exercise your voting rights multiple times via the Internet, the last vote you enter shall be considered the valid vote.

4. Fees For Accessing the Internet Voting Website

The shareholder will pay all fees arising from accessing the Internet voting website (Internet connection fees, communications fees, etc.) via a computer, smartphone or mobile phone.

<Institutional Investors>

Please exercise your voting right using the voting platform operated by ICJ, Inc. if you have applied to use it in advance.

Please contact the help desk if you have any questions.

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

(Attachment to the Notice of the 93rd Ordinary General Meeting of Shareholders)

Business Report

(from January 1 to December 31, 2017)

1. Current Status of the AGC Group

(1) Business summary and results

During the fiscal year under review, the global economic environment surrounding the AGC Group (the Company and its consolidated subsidiaries) remained on a gradual recovery track on the whole. In Japan, the economy showed a gradual upward trend thanks to factors such as the economic measures taken by the government. The European economy continued to make a gradual recovery and the United States continued its economic recovery along with increased consumer spending and other factors. The economy was picking up in Russia, Brazil, China and other emerging countries.

Under such a business environment, due to the increase of the volume of shipments from each business section as well as the consolidation of acquired companies, the AGC Group posted net sales of 1,463.5 billion yen for the period under review, an increase of 181.0 billion yen, or up 14.1% from the previous fiscal year. Operating profit was 119.6 billion yen, an increase of 23.4 billion yen, or up 24.3% from the previous fiscal year, and profit before tax was 114.4 billion yen, an increase of 46.9 billion yen or up 69.4% from the previous fiscal year. Profit for the fiscal year under review attributable to owners of the parent was 69.2 billion yen, an increase of 21.8 billion yen or up 45.9% from the previous fiscal year.

(Consolidated business results for the fiscal year under review)

Net sales:	1,463.5 billion yen	(up 14.1% from the previous year)
Operating profit:	119.6 billion yen	(up 24.3% from the previous year)
Profit before tax:	114.4 billion yen	(up 69.4% from the previous year)
Profit for the year attributable to owners of the parent:	69.2 billion yen	(up 45.9% from the previous year)

An overview by segment for the fiscal year under review is as follows.

Glass

Sales of architectural glass increased from the previous fiscal year, mainly because selling prices increased in Europe as compared to the previous year and shipments of architectural glass remained favorable in North America.

Sales of automotive glass increased from the previous fiscal year, because overall automobile production remained favorable despite the slowdown of automobile production in North America, and consequently, the AGC Group's shipments increased.

As a result, net sales from the Glass Operations for the fiscal year under review were 735.1 billion yen, an increase of 55.1 billion yen or up 8.1% from the previous fiscal year. Operating profit was 27.1 billion yen, a decrease of 4.8 billion yen or down 15.0% from the previous fiscal year mainly due to the increase of prices of raw materials and fuels, and logistic costs, as well as the impact of the previous year's temporary gain from a revision of a pension plan at a subsidiary in the United States even though the selling prices of architectural glass increased in Europe.

Electronics

Regarding LCD glass substrate, the selling prices decreased but shipments increased from the previous fiscal year. Shipments of specialty glass for display applications and cover glass for car-mounted displays increased from the previous fiscal year. Shipments of electronic materials such as optoelectronic materials as well as semiconductor-related products increased from the previous fiscal year.

As a result, net sales from the Electronics Operations for the fiscal year under review were 262.4 billion yen, an increase of 4.3 billion yen or up 1.6% from the previous fiscal year, and operating profit was 27.3 billion yen, an increase of 2.3 billion yen or up 9.4% from the previous fiscal year.

Chemicals

Sales of chlor-alkali products and urethane materials increased from the previous fiscal year mainly because of the consolidation of Vinythai Public Company Limited, which the Company acquired, the increase of shipments due to the growing demand in South East Asia, and the rising international market prices. Sales of fluorine products and specialty products increased from the previous fiscal year resulting from the consolidation of CMC Biologics, which the Company acquired, and favorable shipments of existing fluorine chemical products.

As a result, net sales from the Chemicals Operations for the fiscal year under review were 437.6 billion yen, an increase of 121.0 billion yen or up 38.2% from the previous fiscal year. Operating profit was 63.7 billion yen, an increase of 23.7 billion yen or up 59.2% from the previous fiscal year.

Net sales of ceramics products and others were 75.4 billion yen, an increase of 4.6 billion yen or up 6.6 % from the previous fiscal year, and operating profit was 1.4 billion yen, an improvement of 1.6 billion yen from the previous fiscal year.

(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	735.1	+8.1%	27.1	-15.0%
Electronics	262.4	+1.6%	27.3	+9.4%
Chemicals	437.6	+38.2%	63.7	+59.2%
Ceramics /Others	75.4	+6.6%	1.4	
(Adjustments)	▲ 47.0		0.1	
Total (Consolidated basis)	1,463.5	+14.1%	119.6	+24.3%

Note: Adjustments include the eliminations of net sales and operating profit related to intersegment transactions.

(2) Capital investment

In the fiscal year under review, the AGC Group conducted capital investment totaling 165.1 billion yen, which were spent on the establishment of the first automotive glass production base in Morocco (Glass segment), the construction of a LCD glass substrate production facility in China (Electronics segment), and the construction of a power generation station to increase the profitability of the chlor-alkali business in Indonesia (Chemicals segment), etc.

(3) Funding

In the fiscal year under review, the AGC Group managed funding by using its own capital, through bank borrowings, as well as by issuing commercial paper and corporate bond.

The corporate bond the Company issued is as follows.

Name	Total issue amount	Issue date	Maturity date
15th Unsecured Corporate Bond	20.0 billion yen	May 29, 2017	May 28, 2027

(4) Corporate Reorganizations, etc.

1) **Acquisition of shares of other companies**

The Company acquired shares in Kinestral Technologies, Inc., a smart-tinting glass developer

based in California, the United States, representing 11,964,584 shares on January 26, 2017 and 2,991,146 shares on October 16, 2017. The total number of shares of Kinestral Technologies held by the Company, including the number of shares already held by the Company, is 27,549,685 (27.6% of the voting rights). In addition, the Company and Kinestral Technologies have entered into an agreement on December 7, 2017 to establish joint venture companies in the Usinted States, China and Europe to increase the sales of next generation smart-tinting glass system Halio™. Through these efforts, the Company aims to achieve high functionalization for glass and develop a new business model for glass.

2) **Disposal of shares in other company**

The Company has entered into an agreement on June 19, 2017 to transfer all (100%) shares of AGC Flat Glass Philippines, Inc. to TQMP Glass Manufacturing Corp. The transfer was completed on January 17, 2018 in accordance with the agreement.

(5) Trends in assets and gains/losses

(Unit: billions of yen except per share amounts)

	IFRSs			
	90th Fiscal Year (January 2014 through December 2014)	91st Fiscal Year (January 2015 through December 2015)	92nd Fiscal Year (January 2016 through December 2016)	93rd Fiscal Year (for the fiscal year under review) (January 2017 through December 2017)
Net sales	1,348.3	1,326.3	1,282.6	1,463.5
Operating profit	62.1	71.2	96.3	119.6
Profit before tax	41.2	84.5	67.6	114.4
Profit for the year attributable to owners of the parent	15.9	42.9	47.4	69.2
Basic earnings per share (yen)	13.77	37.12	41.03	302.12
Equity attributable to owners of the parent	1,113.1	1,094.2	1,095.4	1,184.0
Equity attributable to owners of the parent per share (yen)	963.04	946.48	947.32	5239.70
Total assets	2,077.3	1,991.3	1,981.5	2,228.6

Note:

1. The AGC Group has prepared the Consolidated Financial Statements based on the IFRSs, pursuant to the provision of Article 120, Paragraph 1 of the Ordinance on Companies Accounting.
2. The Company implemented a share consolidation on July 1, 2017, whereby 5 shares of the Company were consolidated into 1 share.

(6) Issues to be addressed

<<Taking a look back on Mid-term management plan AGC plus-2017 >>

Under the 2015 to 2017 mid-term Management Plan ***AGC plus-2017***, the AGC Group implemented the pursuit of portfolio management centered on the profitability and growth potential of each business, and allocated management resources in a well-focused manner. In each business, the AGC Group continuously increased sales volume, reduced costs, and made investments in growth fields and implemented M&As in such fields. As a result, despite being unable to reach the sales targets because of exchange rate fluctuations, the AGC Group continued a profit growth trend throughout the mid-term management plan period, and achieved the management financial targets of ***AGC plus 2017*** for operating profit, ROE (Return on Equity), and D/E (Debt/Equity ratio).

	AGC plus-2017 **FY 2017 Management Financial Targets**	**FY 2017 Actual**
Sales	1.6 trillion yen	1.4635 trillion yen
Operating profit	100 billion yen or more	119.6 billion yen
ROE	5% or more	6.1%
D/E	0.5 or less	0.38

<<About “Vision 2025” and the new mid-term management plan ***AGC plus-2020*** >>

We have established "Vision 2025" and a long-term management strategy to achieve the following goal as below.



The AGC Group has set its 2025 management financial targets at an all-time high operating profit of 229.2 billion yen or more, an ROE of 10% or more, a strategic business profit contribution

ratio of 40% or more, and a D/E of 0.5 or less. In addition, the period from 2018 to 2020 is positioned as "**a period for laying the foundation to achieve Vision 2025**." To cover these three years the AGC Group's newly established mid-term management plan AGC plus-2020, which sets 2020 management financial targets of an operating profit of 160.0 billion yen or more, an ROE of 8% or more, a strategic business profit contribution ratio of 25% or more, and a D/E of 0.5 or less.

	FY2017 Actual	**FY2020 Target**	**FY2025 Target**
Operating profit	119.6 billion yen	160.0 billion yen or more	229.2 billion yen or more (record high)
ROE	6.1%	8% or more	10% or more
Strategic business profit contribution ratio	10%	25% or more	40% or more
D/E	0.38	0.5 or less	0.5 or less

In order to lay the foundation for "Vision 2025" and achieve our 2020 management financial targets, the AGC Group has set key action items of AGC plus-2020 which is as follows.

- ✓ Develop high-value added businesses that are resilient to market fluctuations
- ✓ Promote growth strategies for strategic businesses
- ✓ Concentrate management resources in growth regions/where the AGC Group can win
- ✓ Achieve sustainable growth through strategic M&As

Based on these key action items, each business will implement the following measures.

● Glass business

In the building & industrial glass business, the AGC Group will focus on growth regions/where the AGC Group can win, and promote highly functional glass for the upcoming smart-city era.

In the automotive glass business, the AGC Group will respond to needs for highly functional products designed for eco-friendly cars/automated driving.

● Electronics business

In the LCD glass business, the AGC Group will achieve a smooth shift of production to China, and implement measures in response to larger-sized products and further cost reduction.

In the electronics materials business, the AGC Group will preemptively respond to needs in industries and provide differentiated products, mainly in optoelectronic materials and semiconductor-related products businesses.

● Chemicals business

In the chlor-alkali business, in addition to maximizing the effects of M&As, the AGC Group will strive for further growth in Southeast Asia with a perspective to increase its capacity.

In the fluoro chemicals business, the AGC Group will steadily capture niche global markets by taking advantage of AGC's unique technologies.

In the life science business, the AGC Group will expand the business base globally by maximizing the effect of M&As.

Furthermore, to achieve further growth, in addition to making an investment for the establishment of a stable earnings base in the AGC Group's core business, the AGC Group will seek to seize opportunities from changes in macro environment such as the evolution of traffic infrastructure including automated driving, the advent of the IoT and AI era, and longer life expectancies and booming population around the world, and invest aggressively in strategic businesses.

Each field of strategic businesses will move forward as follows.

● Mobility: In step with changes in the environment and infrastructure surrounding transportation systems, the AGC Group will promote multi-functional glass such as glass with next-generation communication antennas and heads-up displays, and the AGC Group will continue to explore opportunities to offer its electronic and chemical products in the mobility field.

●Electronics: In anticipation of sustainable growth in the electronics parts and materials market with the background of the advent of IoT and AI era, next generation high speed communications, and progress in self-driving vehicles, etc., the AGC Group will provide advanced and differentiated products typified by EUVL mask blanks.

●Life Science: Based on increasing need for safe and secure treatment, longer life expectancies, and increasing world population, the AGC Group aims to expand and develop existing business such as pharmaceuticals, agrochemicals, and biopharmaceuticals, as well as to make such materials applicable to multidisciplinary areas. The AGC Group will also explore business opportunities in advanced fields such as regenerative medicine and immunotherapy.

The AGC Group will achieve sustainable growth and add value to all stakeholders by executing the strategies in its new mid-term management plan ***AGC plus-2020*** and achieving its management financial targets.

(7) Main business (as of December 31, 2017)

Segment	Main Products
Glass	Float flat glass, Figured glass, Polished wired glass, Low-E glass, Decorative glass, Fabricated glass for architectural use (Heat Insulating/shielding glass, Disaster-resistant/Security glass, Fire-resistant glass, etc.), Automotive glass, etc.
Electronics	LCD glass substrates, Specialty glass for display applications, Cover glass for car-mounted displays, Display related materials, Glass for solar power system, Fabricated glass for industrial use, Semiconductor process materials, Optoelectronic materials, Lighting glass products, Laboratory use ware, etc.
Chemicals	Polyvinyl chloride, Vinyl chloride monomer, Caustic soda, Urethane, Fluorinated resins, Water and oil repellents, Gases, Solvents, Pharmaceutical and agrochemical intermediates and active ingredients, Iodine-related products, etc.
Ceramics/ Others	Ceramic products, etc.

(8) Major offices and plants of the AGC Group (as of December 31, 2017)

The Company's major offices and plants are as follows. The Company's subsidiaries are as described in "(9) Major subsidiaries."

Name		Location	Name	Location
Head Office		Tokyo Prefecture	Aichi Plant	Aichi Prefecture
Kansai Plant	Amagasaki Factory	Hyogo Prefecture	Kashima Plant	Ibaraki Prefecture
	Takasago Factory	Hyogo Prefecture		
Keihin Plant		Kanagawa Prefecture	Sagami Plant	Kanagawa Prefecture
Chiba Plant		Chiba Prefecture	Research Center	Kanagawa Prefecture

(9) Major subsidiaries (as of December 31, 2017)

Subsidiary name	Location	Capital	Voting rights held by the Company (%)	Main business
Glass				
AGC Glass Kenzai Co., Ltd.	Tokyo Prefecture	¥450 million	100.0	Production and sales of flat glass, fabricated glass for architectural use and building materials
AGC Glass Products Co., Ltd.	Tokyo Prefecture	¥1,287 million	70.0	Production and sales of fabricated glass for architectural use, and cutting and sales of flat glass
AGC Automotive China	China	542 million renminbi	100.0	Production and sales of automotive glass
Asahimas Flat Glass	Indonesia	217 billion rupiah	43.9	Production and sales of flat glass, automotive glass and fabricated glass for industrial use
AGC Flat Glass North America	U.S.A.	US$250 million	100.0 (*)	Production and sales of flat glass and automotive glass
AGC Glass Brazil	Brazil	851 million real	100.0 (*)	Production and sales of flat glass and automotive glass
AGC Automotive Europe	Belgium	68 million euros	100.0 (*)	Production and sales of automotive glass
AGC Glass Europe	Belgium	346 million euros	100.0 (*)	Production and sales of flat glass
AGC Flat Glass Czech	Czech Republic	3,560 million koruna	100.0 (*)	Production and sales of flat glass
AGC Flat Glass Klin	Russia	4,259 million rubles	100.0 (*)	Production and sales of flat glass
AGC Bor Glassworks	Russia	418 million rubles	93.8 (*)	Production and sales of flat glass and automotive glass

Subsidiary name	Location	Capital	Voting rights held by the Company (%)	Main business
Electronics				
AGC Techno Glass Co., Ltd.	Shizuoka Prefecture	¥7,233 million	100.0	Production and sales of glass products for illumination, industrial use, laboratory and other medical uses, and production of optical membranes
AGC Display Glass Taiwan	Taiwan	NT$3,120 million	100.0 (*)	Production and sales of glass for electronics
AGC Display Glass (Shenzhen)	China	¥14,200 million	100.0	Production and sales of glass for electronics
Asahi Glass Fine Techno Korea	South Korea	227,000 million won	100.0 (*)	Production and sales of glass for electronics
Chemicals				
Ise Chemicals Corporation	Tokyo Prefecture	¥3,599 million	53.2	Production and sales of iodine-related products and metallic compounds, extraction and sales of natural gas
Asahimas Chemical	Indonesia	US$84 million	52.5	Production and sales of polyvinyl chloride, vinyl chloride monomer, and caustic soda
Vinythai	Thailand	THB7,111 million	58.8 (*)	Production and sales of polyvinyl chloride, vinyl chloride monomer, and caustic soda
Ceramics/Others				
AGC Ceramics Co., Ltd.	Tokyo Prefecture	¥3,500 million	100.0	Production and sales of various ceramic products
AGC Singapore Services	Singapore	US$88 million	100.0	Procurement of funds and provision of financing for affiliates in Asia, and holding of shares in affiliates
AGC America	U.S.A.	US$603 million	100.0	Holding of shares in affiliates in North America, and information collection
AGC Capital	U.S.A.	US$20 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) Employees (as of December 31, 2017)

Segment	Number of employees
Glass	33,384
Electronics	9,881
Chemicals	6,676
Ceramics/Others	3,283
Total (Consolidated basis)	53,224

Note: Number of employees of the Company is 6,401.

(11) Major Lenders (as of December 31, 2017)

(Unit: billions of yen)

Lenders	Outstanding balance of debt
Mitsubishi UFJ Trust and Banking Corporation	68.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	67.7
Mizuho Bank, Ltd.	46.3
Meiji Yasuda Life Insurance Company	37.1

2. Matters concerning the Company Shares (as of December 31, 2017)

(1) Number of authorized shares: 400,000,000 shares

(2) Number of outstanding shares: 235,177,781 shares

Note: The number of outstanding shares includes 9,204,032 shares of treasury shares.

(3) Number of shareholders: 56,770

(4) Major shareholders (Top 10)

Shareholder	Number of shares held	Percentage of shares held
	1,000 shares	%
The Master Trust Bank of Japan, Ltd. (Trust account)	14,610	6.47
Japan Trustee Services Bank, Ltd. (Trust account)	10,868	4.81
Meiji Yasuda Life Insurance Company	9,615	4.26
Barclays Securities Japan Limited	6,048	2.68
The Asahi Glass Foundation	5,020	2.22
Mitsubishi Estate Co., Ltd.	4,540	2.01
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,393	1.94
Asahi Glass Business Partner Shareholding Association	4,136	1.83
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,977	1.76
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,898	1.73

Notes:
1. In addition to the above, there are 9,204,032 shares of treasury shares.
2. Percentage of shares held is calculated excluding treasury shares.

(5) Other important matters concerning the Company Shares

1) Change in the number of shares constituting one unit and share consolidation

On July 1, 2017, the number of shares constituting one unit was changed from 1,000 shares to 100 shares. On the same day, the Company also implemented a share consolidation, whereby 5 shares of the Company were consolidated into 1 share.

2) Share repurchases

The Company, in accordance with the resolution of the Board of Directors, repurchased its shares during the fiscal year under review as follows:

i. Shares repurchased from February 8, 2017 to March 23, 2017

Total number of shares repurchased 10,817,000 shares

Total repurchase amount 9,999,119,115 yen

ii. Shares repurchased from November 1, 2017 to December 18, 2017

Total number of shares repurchased 3,199,600 shares

Total repurchase amount 14,999,680,500 yen

3) Cancelation of Treasury Shares

On May 31, 2017, the Company canceled 10,817,000 treasury shares in accordance with the resolution of the Board of Directors.

3. Matters concerning Stock Acquisition Rights of the Company

(1) Outline of stock acquisition rights held by officers (as of December 31, 2017)

An outline of stock acquisition rights held by officers is as follows.

Date of issue	Issue price per share	Exercise price per share	Exercise period for the stock acquisition rights	Status of rights held by officers	Type and number of shares to be granted upon exercise of rights
July 2, 2007 (Stock Compensation-type Stock Option)	¥7,230	¥1	July 3, 2007 through July 2, 2037	Director: 1 person; 10 stock acquisition rights	Company's ordinary shares: 2,000 shares
July 1, 2008 (Stock Compensation-type Stock Option)	¥5,030	¥1	July 2, 2008 through July 1, 2038	Director: 1 person; 30 stock acquisition rights	Company's ordinary shares: 6,000 shares
July 1, 2009 (Stock Compensation-type Stock Option)	¥2,435	¥1	July 2, 2009 through July 1, 2039	Directors: 2 persons; 93 stock acquisition rights Audit & Supervisory Board Member : 1 person; 18 stock acquisition rights	Company's ordinary shares: 22,200 shares
July 1, 2010 (Stock Compensation-type Stock Option)	¥3,100	¥1	July 2, 2010 through July 1, 2040	Directors: 3 persons; 79 stock acquisition rights	Company's ordinary shares: 15,800 shares
July 1, 2011 (Stock Compensation-type Stock Option)	¥3,100	¥1	July 2, 2011 through July 1, 2041	Directors: 3 persons; 95 stock acquisition rights	Company's ordinary shares: 19,000 shares
July 1, 2011 (Ordinary-type Stock Option)	Gratis	¥4,820	July 1, 2014 through June 30, 2020	Director: 1 person; 5 stock acquisition rights	Company's ordinary shares: 1,000 shares
July 2, 2012 (Stock Compensation-type Stock Option)	¥1,265	¥1	July 3, 2012 through July 2, 2042	Directors: 4 persons; 269 stock acquisition rights	Company's ordinary shares: 53,800shares
March 26, 2013 (Stock Compensation-type Stock Option)	¥1,770	¥1	March 27, 2013 through March 26, 2043	Audit & Supervisory Board Member: 1 person; 64 stock acquisition rights	Company's ordinary shares: 12,800 shares

Date of issue	Issue price per share	Exercise price per share	Exercise period for the stock acquisition rights	Status of rights held by officers	Type and number of shares to be granted upon exercise of rights
July 1, 2013 (Stock Compensation-type Stock Option)	¥1,775	¥1	July 2, 2013 through July 1, 2043	Directors: 4 persons; 159 stock acquisition rights Audit & Supervisory Board Member: 1 person; 22 stock acquisition rights	Company's ordinary shares: 36,200 shares
July 1, 2014 (Stock Compensation-type Stock Option)	¥1,940	¥1	July 2, 2014 through July 1, 2044	Directors: 4 persons; 180 stock acquisition rights Audit & Supervisory Board Member: 1 person; 24 stock acquisition rights	Company's ordinary shares: 40,800 shares
July 1, 2015 (Stock Compensation-type Stock Option)	¥2,590	¥1	July 2, 2015 through July 1, 2045	Directors: 4 persons; 151 stock acquisition rights Audit & Supervisory Board Member: 1 person; 15 stock acquisition rights	Company's ordinary shares: 33,200 shares
July 1, 2016 (Stock Compensation-type Stock Option)	¥1,710	¥1	July 2, 2016 through July 1, 2046	Directors: 4 persons; 214 stock acquisition rights Audit & Supervisory Board Member: 1 person; 22 stock acquisition rights	Company's ordinary shares: 47,200 shares
July 3, 2017 (Stock Compensation-type Stock Option)	¥3,555	¥1	July 4, 2017 through July 3, 2047	Directors: 4 persons; 151 stock acquisition rights	Company's ordinary shares: 30,200 shares

Notes:

1. No Outside Directors are included in the Directors of the above table, as no Outside Directors 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.
3. The Company implemented a share consolidation on July 1, 2017, whereby 5 shares of the Company were consolidated into 1 share. In association with this, the number of shares to be granted upon exercise of stock acquisition rights, issue price and exercise price per share have been adjusted accordingly.

(2) Stock acquisition rights granted to employees and other persons during the fiscal year under review

An outline of stock acquisition rights granted by the Company to employees and other persons during the fiscal year under review is as follows.

Date of issue	Issue price per share	Exercise price per share	Exercise period for the stock acquisition rights	Status of grant to employees and other parties	Type and number of shares to be granted upon exercise of rights
March 24, 2017 (Stock Compensation-type Stock Option)	¥3,380	¥1	March 25, 2017 through March 24, 2047	Executive Officer who does not serve concurrently as a Director of the Company: 1 person; 121 stock acquisition rights	Company's ordinary shares: 24,200 shares
July 3, 2017 (Stock Compensation-type Stock Option)	¥3,555	¥1	July 4, 2017 through July 3, 2047	Executive Officers who do not serve concurrently as Directors of the Company: 20 persons; 150 stock acquisition rights	Company's ordinary shares: 30,000 shares

Note: The Company implemented a share consolidation on July 1, 2017, whereby 5 shares of the Company were consolidated into 1 share. In association with this, the number of shares to be granted upon exercise of stock acquisition rights, issue price per share have been adjusted accordingly.

(3) Total number of stock acquisition rights, etc. (as of December 31, 2017)

The total number of stock acquisition rights, etc. at the end of the fiscal year under review is as follows.

a. Total number of stock acquisition rights: 7,007

b. Type and number of shares to be granted upon exercise of stock acquisition rights:
Company's ordinary shares: 1,401,400 shares

4. Matters concerning the Company Officers

(1) Directors and Audit & Supervisory Board Members (as of December 31, 2017)

Title	Name	Responsibility and Significant Concurrent Positions
* Director & Chairman	Kazuhiko Ishimura	Outside Director of TDK Corporation Outside Director of IHI Corporation
*Director President & CEO	Takuya Shimamura	
Director (Senior Executive Officer)	Yoshinori Hirai	CTO; GM of Technology General Division
Director (Senior Executive Officer)	Shinji Miyaji	CFO; GM of Corporate Planning Division
Director 〈Outside Director〉	Hiroshi Kimura	Adviser of Japan Tobacco Inc.
Director 〈Outside Director〉	Masako Egawa	Professor, Graduate School of Commerce and Management, Hitotsubashi University
Director 〈Outside Director〉	Yasuchika Hasegawa	Corporate Counselor of Takeda Pharmaceutical Company Limited
Audit & Supervisory Board Member (full-time)	Tetsuo Tatsuno	
Audit & Supervisory Board Member (full-time) 〈Outside Audit & Supervisory Board Member〉	Yasushi Marumori	
Audit & Supervisory Board Member 〈Outside Audit & Supervisory Board Member〉	Toru Hara	
Audit & Supervisory Board Member 〈Outside Audit & Supervisory Board Member〉	Hiroshi Kawamura	Professor, Faculty of Law, Doshisha University

Notes:

1. * denotes a Representative Director of the Company.
2. Yasuchika Hasegawa, newly assumed the position of Director and Tetsuo Tatsuno, newly assumed the position of Audit & Supervisory Board Member on March 30, 2017.
3. Audit & Supervisory Board Member Tetsuo Tatsuno has considerable knowledge about finance and accounting through extensive experience in the accounting sector of the Company.
4. Audit & Supervisory Board Member Yasushi Marumori has considerable knowledge about finance and accounting through extensive experience in financial institutions.
5. Audit & Supervisory Board Member Toru Hara has considerable knowledge about finance and accounting through extensive experience in the Bank of Japan.
6. The details of significant concurrent positions held by outside officers are specified in “(3) Outside officers.”
7. Masahiro Sakane retired from his position of Director on March 30, 2017, and Shukichi Umemoto retired from his position of Audit & Supervisory Board Member on the same day.
8. The Company has reported Directors of the Company, Hiroshi Kimura, Masako Egawa and Yasuchika Hasegawa and Audit & Supervisory Board Members of the Company, Yasushi Marumori, Toru Hara and Hiroshi Kawamura to Tokyo Stock Exchange, Inc. as independent officers.
9. The title and responsibility of the Directors have been changed on January 1, 2018 as follows:

Title	Name	Responsibility and Significant Concurrent Positions
Director & Chairman	Kazuhiko Ishimura	Outside Director of TDK Corporation Outside Director of IHI Corporation
* Director (Executive Vice President)	Yoshinori Hirai	CTO, GM of Technology General Division
* Director (Executive Vice President)	Shinji Miyaji	CFO, CCO

Note: * denotes a Representative Director of the Company.

(Reference) Executive Officers (as of January 1, 2018)

Title	Name	Responsibility
* President & CEO	Takuya Shimamura	
* Executive Vice President	Yoshinori Hirai	CTO; GM of Technology General Division
* Executive Vice President	Shinji Miyaji	CFO, CCO
Senior Executive Officer	Marehisa Ishiko	President of Automotive Company
Senior Executive Officer	Jean-François Heris	President of Building & Industrial Glass Company
Senior Executive Officer	Yoshinori Kobayashi	President of Electronics Company
Senior Executive Officer	Masao Nemoto	President of Chemicals Company
Senior Executive Officer	Kenzo Moriyama	GM of Corporate Planning General Division
Executive Officer	Tadayuki Oi	Senior Vice President of Building & Industrial Glass Company
Executive Officer	Shinichi Kawakami	Assistant to CEO
Executive Officer	Akinobu Shimao	Assistant to CEO
Executive Officer	Tomoya Takigawa	Assistant to CEO
Executive Officer	Kimikazu Ichikawa	Chief Representative of AGC Group for Asia Pacific
Executive Officer	Shigekuni Inoue	GM of Production Technology Div., Technology General Division
Executive Officer	Hiroyuki Watanabe	Assistant to CEO
Executive Officer	Seigo Washinoue	GM of Display Glass General Div. , Electronics Company;
Executive Officer	Kazuaki Koga	GM of Essential Chemicals General Div., Chemicals Company
Executive Officer	Takashizu Minato	GM of Performance Chemicals General Div., Chemicals Company
Executive Officer	Masahiro Takeda	Regional President for Asia Pacific, Building & Industrial Glass Company
Executive Officer	Takashi Misu	GM of Human Resources Division
Executive Officer	Tatsuo Sugiyama	Regional President for Americas, Automotive Company
Executive Officer	Takahisa Sugiyama	GM of Electronic Materials General Div., Electronics Company
Executive Officer	Jean-Marc Meunier	Regional President for Europe, Automotive Company
Executive Officer	Naoki Sugimoto	GM of New Product R&D Center, Technology General Division

Title	Name	Responsibility
Executive Officer	Fumiaki Hayashi	GM of Purchase & Logistics Division
Executive Officer	Katsufumi Yajima	Senior Vice President of Automotive Company
Executive Officer	Toshiro Kasuya	GM of Finance & Control Division
Executive Officer	Tadashi Hiraoka	GM of Technology Management General Div., Chemicals Company
Executive Officer	Philippe Bastien	Regional President for Europe, Building & Industrial Glass Company
Executive Officer	Toshihiro Ueda	Chief Representative of AGC Group for China
Executive Officer	Hideyuki Kurata	GM of Life Science General Div., Chemicals Company
Executive Officer	Atsushi Ichikawa	GM of Innovative Technology Research Center, Technology General Division

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 Outside Directors and Audit & Supervisory Board Members to limit his/her 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) Outside officers

1) Significant concurrent positions held by outside officers in other companies and the relationships between these companies and the Company (as of December 31, 2017)

Position	Name	Significant concurrent positions
Outside Directors	Hiroshi Kimura	Adviser of Japan Tobacco Inc. Outside Director of Nomura Holdings, Inc. Outside Director of IHI Corporation
	Masako Egawa	Professor, Graduate School of Commerce and Management, Hitotsubashi University Outside Director of Tokio Marine Holdings, Inc. Outside Director of Mitsui Fudosan Co., Ltd.
	Yasuchika Hasegawa	Corporate Counselor of Takeda Pharmaceutical Company Limited
Outside Audit & Supervisory Board Member	Toru Hara	Outside Audit & Supervisory Board Member of The Toho Bank, Ltd.
	Hiroshi Kawamura	Professor, Faculty of Law, Doshisha University Outside Director (Audit and Supervisory Committee Member) of Ishii Iron Works Co., Ltd.

Notes:

1. Outside Audit & Supervisory Board MemberYasushi Marumori holds no significant concurrent positions.
2. Among the companies in which outside officers hold significant concurrent positions, the Company has business relations with Takeda Pharmaceutical Company Limited. However, the annual transaction amount between Takeda Pharmaceutical Company Limited and the Company accounts for less than 0.1 % of the net sales of the Company. Other than Takeda Pharmaceutical Company Limited, the Company has no special relationships of interest with the companies in which outside officers hold concurrent positions.
   All of the outside officers meet the Company's standards for independence of outside officers. For details of these standards, please refer to page 81.

2) Major activities in the fiscal year under review

a. Outside Directors

Name	Participation in Board of Directors meetings	Activities
Hiroshi Kimura	14 times out of 14	By making good use of his abundant experience in corporate management, such as vigorously expanding operations globally corresponding to changes in the business environment, Hiroshi Kimura, as the chairperson of Board of Directors, actively asked questions and made proposals from his professional viewpoint at Board of Directors meetings. Thus, he fully fulfilled his management oversight function.
Masako Egawa	13 times out of 14	By making good use of her abundant experience at global financial institutions and extensive knowledge of corporate management, such as the experience of research on the management and corporate governance of Japanese companies, Masako Egawa actively asked questions and made proposals from her professional viewpoint at Board of Directors meetings. Thus, she fully fulfilled her management oversight function. In addition, she served as the chairperson of the Nomination Committee and contributed to enhance the objectivity regarding the election of Directors, Audit & Supervisory Board Members and Executive Officers.
Yasuchika Hasegawa	11 times out of 11	By making good use of his abundant experience in corporate management, such as vigorous globalization of business operations, Yasuchika Hasegawa actively asked questions and made proposals from his professional viewpoint at Board of Directors meetings. Thus, he fully fulfilled his management oversight function. In addition, he served as a chairperson of the Compensation Committee and contributed to enhance the objectivity regarding the compensations for respective Directors and Executive Officers.

Note: Since Yasuchika Hasegawa assumed the position of Director on March 30, 2017, the total number of Board of Directors meetings that he was able to attend is different from that of other Directors.

b. Outside Audit & Supervisory Board Members

Name	Participation in Board of Directors meetings	Participation in Audit & Supervisory Board meetings	Activities
Yasushi Marumori	14 times out of 14	14 times out of 14	By making good use of many years of experience in financial institutions and extensive knowledge of financial and other matters, Yasushi Marumori made comments, when necessary, at Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of every division and office as well as inspected every subsidiary, according to the audit policy formulated by the Audit & Supervisory Board. As a full-time Audit & Supervisory Board Member, he fully performed his audit functions.
Toru Hara	14 times out of 14	14 times out of 14	By making good use of many years of experience in the Bank of Japan, experience in a financial institution as a full-time Audit & Supervisory Board Member and extensive knowledge of financial and other matters, Toru Hara made comments, when necessary, at Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of every division, according to the audit policy formulated by the Audit & Supervisory Board. Thus, he fully performed his audit functions.
Hiroshi Kawamura	14 times out of 14	14 times out of 14	By making good use of abundant experience in the legal sector, as well as a high degree of knowledge about laws and compliance, Hiroshi Kawamura made comments, when necessary, at Board of Directors meetings and Audit & Supervisory Board meetings. He also conducted audits of every division, according to the audit policy formulated by the Audit & Supervisory Board. Thus, he fully performed his audit functions.

(4)Compensation and other emoluments for Directors and Audit & Supervisory Board Members

1) Compensation and other emoluments for Directors and Audit & Supervisory Board Members: number of recipients and amount of payment

	Number of recipients and amount of payment		Breakdown					
			Fixed compensation		Performance-linked compensation			
			Monthly compensation		Bonus (Amount of bonuses for the fiscal year under review)		Stock Compensation-type stock options	
	Number of recipients	Amount of payment	Number of recipients	Amount of payment	Number of recipients	Amount of payment	Number of recipients	Amount of payment
	persons	¥million	persons	¥million	persons	¥million	persons	¥million
Directors	8	510	8	291	3	111	4	107
Outside Directors	4	48	4	48	—	—	—	—
Audit & Supervisory Board Members	5	93	5	93	—	—	—	—
Outside Audit & Supervisory Board Members	3	57	3	57	—	—	—	—

Note:

1. "Number of recipients and amount of payment" and "Monthly compensation" include compensation for one Director (an Outside Director) who retired from his position as Outside Director and one Audit & Supervisory Board Member who retired from his position as Audit & Supervisory Board Member on March 30, 2017.
2. Composition of compensation for Directors and Audit & Supervisory Board Members is as follows.

	Type of compensation		Eligible persons	Maximum compensation
Directors	Fixed compensation	Monthly compensation	All Directors	Up to ¥500 million per year (Approved at the 82nd Ordinary General Meeting of Shareholders on March 29, 2007) (Of the above maximum compensation, ¥65 million per year for outside Directors. Approved at the 86th Ordinary General Meeting of Shareholders on March 30, 2011)
	Performance-linked compensation	Performance-linked bonus	Directors who also serve as executive officers	
		Stock Compensation-type stock options	Directors excluding outside Directors	Up to ¥130 million per year (Approved at the 82nd Ordinary General Meeting of Shareholders on March 29, 2007)
Audit & Supervisory Board Members	Fixed compensation	Monthly compensation	All Audit & Supervisory Board Members	Up to ¥96 million per year (Approved at the 82nd Ordinary General Meeting of Shareholders on March 29, 2007)

2) Policy for determining compensation and other emoluments for officers

a. Details of compensation policy

i. Basic philosophy on compensation system

In its Compensation Principles, the Company sets out its basic stances and philosophies on overall compensation for officers 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 compensations shall be objective and highly transparent.

ii. Composition of compensation

- Compensation for the Company's officers consists of "Monthly compensation" as a fixed compensation and performance-linked compensation, such as "Bonuses" and "Stock Compensation-Type Stock Options."
- As for Directors who also serve as Executive Officers, compensation consists of monthly compensation, Bonuses and Stock Compensation-Type Stock Options, and for Directors who do not serve as Executive Officers and are not outside Directors, compensation consists of monthly compensation and Stock Compensation-Type Stock Options. Meanwhile, only monthly compensation is paid for outside Directors and Audit & Supervisory Board Members.
- As for Directors who also serve as Executive Officers, the proportion of each components shall approximately be as follows based on the standard payment amount, and is determined by reflecting the details of "iii. Scheme of Performance-linked Compensation" below.

Monthly compensation : Bonuses : Stock Compensation-Type Stock Options＝2 : 1 : 1

iii. Scheme of Performance-linked Compensation

- Performance-linked compensation for the Company's Directors (excluding Outside Directors) and Executive Officers takes into account the balance between each of short-, medium-, and long-terms, intending to allow them to carry out management functions with a well-balanced perspective of each of such terms, in order to realize sustainable growth and corporate value enhancement of the AGC Group.
- Bonuses are arranged to fluctuate in accordance with consolidated business results (cash flow and operating profit, etc.) for a single fiscal year and consolidated business results

(return on operating assets) for a period covered by mid-term management plan so as to further enhance the motivation for achieving performance goals for both single fiscal year and medium term. Bonuses may, in principle, fluctuate between plus or minus 100% of the standard payment amount according to the business performance for the applicable period.

- 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.

ⅳ. Compensation level

The Compensation Committee (which is voluntary established) verifies the level of compensation for the Company's officers by analyzing compensation data of major manufacturing companies obtained from the data compiled by a third-party organization, and comparing the said data with the Company's compensation level.

b. Compensation determination method

The Compensation Committee deliberates on matters such as the compensation system and level for Directors and Executive Officers, based on the Compensation Principles, makes proposals regarding them to the Board of Directors, and verifies the results of compensation payment, in order to increase the objectivity and transparency of the compensation determination process.

5. Matters concerning Accounting Auditors

(1) Name:

KPMG AZSA LLC

(2) Compensation, etc.

Accounting Auditor's compensation for the fiscal year under review	¥98 million
(Amount of compensation for services that do not fall within Article 2, Paragraph 1 of the Certified Public Accountants Law)	(¥2 million)
Total amount of cash and other property profits to be paid by the Company and its subsidiaries to the Accounting Auditors	¥165 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 amounts of compensation for conducting auditing services in accordance with the Companies Act and auditing in accordance with the Financial Instruments and Exchange Law are not separated, and the above amounts contain compensation and other remuneration for auditing services under the Financial Instruments and Exchange Law.
3. The Company pays compensation to the Accounting Auditor for services such as those of issuing comfort letters in connection with the issuance of corporate bond, which do not fall within Article 2, Paragraph 1 of the Certified Public Accountants Law (i.e., non-audit services).
4. Of the major subsidiaries of the Company, AGC America, AGC Glass Europe and 15 other companies undergo audits by auditing firms other than the above-named Accounting Auditor of the Company.

(3) Policy on decisions to either dismiss or not reappoint Accounting Auditors

The Audit & Supervisory Board, by unanimous agreement, will dismiss the Accounting Auditor if it is confirmed that the Accounting Auditor falls under any item of Article 340 Paragraph 1 of the Companies Act, and the Audit & Supervisory Board determines it is necessary to dismiss that accountant.

After giving full consideration to the Accounting Auditor's independence, performance of its duties and various circumstances, the Audit & Supervisory Board will determine the contents of an agenda regarding the removal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders (when necessary) .

6. Corporate Policy over Internal Control and Operations of Internal Control

The contents of the Board of Directors' resolution on the corporate policy over internal control and the overview of operations of internal control are as follows.

【Corporate Policy over Internal Control】(as of January 1, 2018)

The Group Vision "Look Beyond" of the AGC Group provides that all members of the AGC Group are expected to adopt and follow the four shared values of "Innovation & Operational Excellence", "Diversity", "Environment" and "Integrity", which shall serve as the basis for every action they take.

In addition to the above, the AGC Group declares its corporate social responsibility in the form of "AGC Group Charter of Corporate Behavior", which is intended to lead the group members properly toward realization of the Group Vision "Look Beyond."

The system to ensure the properness of operations is as follows.

(1) System to ensure compliance with relevant laws and the Articles of Incorporation (Compliance Program)

The AGC Group defines "Integrity" as one of the most important shared values in its Group Vision "Look Beyond" and establishes and strengthens its compliance program based thereon.

More specifically, the AGC Group has established the position of CCO (Chief Compliance Officer), responsible for the overall management and promotion of the AGC Group's compliance system, which is served by an executive officer to whom the President & CEO of the Company (hereinafter referred to as the President & CEO) delegates its authority. In addition to this, the Company establishes the Compliance Committee responsible for legal and ethical compliance under the CCO. Chaired by a Global Compliance Leader (Executive Officer in charge), this Committee shall serve as a professional body for legal compliance and corporate ethics. It shall plan, formulate and execute a compliance program. It shall establish global common compliance rules and country/region specific rules in the Code of Conduct (AGG Group Code of Conduct) and establish the compliance system as AGC Group as well as promote educational activities therefore to ensure business conduct based on laws and corporate ethics.

In order to handle whistle-blowing and consultation on compliance, the AGC Group sets up contact points (helpline). All the corporate officers and employees of the Company and executives of subsidiaries are obligated to submit the personal certificate.

Actual status of compliance and usage of whistle-blowing and consultation system on compliance of the AGC Group shall be reported to the Board of Directors of the Company (hereinafter referred to as the Board of Directors) periodically.

The Company shall also establish a legal administration system of the AGC Group to grasp information on important legal issues, which shall be reported to the Board of Directors periodically.

With regard to internal audit of the AGC Group, the Internal Audit Division and the internal audit staff in each region shall audit managerial and operational systems as well as legality and rationality of execution of business process, pursuant to an annual auditing plan. Results of such

internal audits shall be timely reported to the President & CEO and further to the Board of Directors periodically.

In accordance with "Financial Instruments and Exchange Act" in Japan, the AGC group shall establish "AGC Group Internal Control over Financial Reporting Implementation Regulations" and form the compliance system for financial reporting.

(2) Information Retention and Management System with respect to business operations of the AGC Group (Information retention/management system)

Retention and management of important business documents and information shall be made pursuant to the applicable laws and the relevant internal rules of the AGC Group.

Confidentiality and security of important business documents and information shall be maintained in accordance with the applicable procedures provided in the Information Security Policy to be made available through the Company.

(3) System to control risk of damage of the AGC Group (Risk management system)

The AGC Group shall establish "AGC Group Enterprise Risk Management Basic Policies" and form the risk management system and crisis management system.

According to the relevant internal rules, important risk factors for the AGC Group shall be specified and control of these factors shall be discussed and monitored periodically at the Management Committee of the Company (hereinafter referred to as the Management Committee) and the Board of Directors. As for the risks associated with business activities of the AGC Group, each Corporate Division, in-house Company and SBU analyzes the risks of individual operations and projects and discusses necessary countermeasures. If necessary and appropriate, the Management Committee and the Board of Directors deliberate the matters as well.

Each responsible division provides and announces a respective guideline over those risks associated with compliance, environment, accidents and product quality etc. of the AGC Group and conducts training sessions and/or internal audits if necessary and appropriate.

Preparing for unforeseen events that could seriously affect both operating results and financial condition of the AGC Group, in accordance with the relevant internal rules, a crisis management report line has been established so that critical information can be reported speedily and surely to the President & CEO, and further distributed and shared among the officers and the employees concerned. The Company shall establish the system where the Group Taskforce Headquarters can be set up immediately upon the President & CEO's judgment, in order to take initial measures without delay and appropriately.

(4) System to ensure efficient and effective business execution of the AGC Group (System for efficient business operation)

As basic policy over corporate governance structure, the Company clearly distinguishes management oversight function and business execution function, aiming at realization of reinforced

business oversight and quick decision making at the business execution.

As to management oversight, in the Company the Board of Directors including independent directors shall decide on the important business matters and oversee the business performance of the AGC Group. In addition, the Nomination Committee and the Compensation Committee (both non-statutory) are established in order to warrant objectivity of evaluation/selection and compensation package with respect to Directors and Executive Officers of the Company.

Authorities and duties with respect to business execution are delegated to each in-house Company and SBU in accordance with a certain standard under the in-house Company System and the Executive Officer System in the Company. These business operations are managed and evaluated in accordance with specific consolidated key performance index established in line with the AGC Group's basic management policy and its performance target.

Business transactions in the AGC Group shall be conducted in accordance with the internal decision making rules including business authorization rules and job descriptions. These operations shall be monitored and verified by internal audit periodically.

(5) System to report matters concerning business execution of executives of subsidiaries to the Company (System for reports to AGC by AGC Group companies)

Subsidiaries shall report certain matters concerning business operations, etc. to the Company. Of such matters, important ones shall be reported to the Management Committee and/or the Board of Directors.

Under the compliance system and legal administration system of the AGC Group, subsidiaries shall quickly report any important compliance issue, important legal issue, etc. of the subsidiaries to the Company. These matters shall be reported to the Board of Directors periodically.

The internal audit division shall timely report the results of internal audit conducted over subsidiaries to the President & CEO and further to the Board of Directors periodically.

(6) Matters related to the audit system of the Audit & Supervisory Board Members

a. Staff to the Audit & Supervisory Board Members

The Company establishes the Staff Office of Audit & Supervisory Board to support the Audit & Supervisory Board Members activities.

b. Independence of the said Staff from Directors

Change of staff members of the Staff Office of the Audit & Supervisory Board and performance evaluation of such staff members shall be subject to the consent of the Audit & Supervisory Board.

c. Ensuring of effectiveness of Audit & Supervisory Board Members' directions to the said Staff

Staff members of the Staff Office of the Audit & Supervisory Board shall not concurrently serve as employees of other departments. Such staff members shall exclusively perform duties

related to the Audit & Supervisory Board and follow directions of the Audit & Supervisory Board Members.

d. System for reports to the Audit & Supervisory Board Members by Directors and employees of the Company, Directors and employees of subsidiaries, or those who received report from them

The Directors and employees of the Company shall report to the Audit & Supervisory Board Members any event that may violate the laws and regulations or articles of incorporation of the Company, or do substantial damage to the Company, and other matters provided in the relevant internal rules.

Subsidiaries shall report to the Company any event that may violate the laws and regulations or articles of incorporation of the Company, or do substantial damage to the Company. Divisions to which these matters are reported shall quickly report them to the Audit & Supervisory Board Members of the Company.

e. System to ensure that those who made reports described in the preceding item shall not receive disadvantageous treatments on the ground that they made the said report

The AGC Group shall ban disadvantageous treatments and retaliatory action against those who made reports concerning the violation of Code of Conduct, etc. under the AGC Group Code of Conduct, and keep employees of the AGC Group well informed.

f. Matters related to policy on procedures for reimbursement of expenses that occurred from performance of duties of the Audit & Supervisory Board Members

The Company shall quickly handle expenses paid by the Audit & Supervisory Board Members, excluding cases where the said expenses are judged to be unnecessary for performance of duties of the Audit & Supervisory Board Members.

g. Other system to ensure effective audit by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members shall attend at the important meeting such as the Management Committee, the Mid-Term Plan & Budget Committee, and the Monthly Performance Monitoring Meeting etc.

In addition, Representative Directors shall have periodical meetings with the Audit & Supervisory Board Members Meetings between the Audit & Supervisory Board Members and Internal Audit Division etc. shall be held periodically so that the Audit & Supervisory Board Members may have access to information respecting the results and the proceedings of internal audit. The Company establishes the system where the Audit & Supervisory Board Members may enhance effectiveness of its audit through exchange of views and information with the Internal Audit Division and the Accounting Auditors, etc.

【Overview of Operations of Internal Control】

The overview of operations of internal control is as follows:

(1) System to ensure compliance with relevant laws and the Articles of Incorporation (Compliance Program)

- The AGC Group has established the position of CCO (Chief Compliance Officer) responsible for the overall management and promotion of the AGC Group's compliance system, to whom the President & CEO of the Company delegates its authority. The CCO shall report to the President & CEO regarding the status of execution of his/her duties.
- The Company has established the "AGC Group Code of Conduct," that requires all the corporate officers and employees of the Company and executives of subsidiaries to submit the personal certificate that they will comply with the Code of Conduct. It also requires all of them to conduct business activities in compliance with applicable laws and corporate ethics. Furthermore, to disseminate the Code of Conduct, the Company provides compliance education periodically.
- The Company has established a helpline, as a contact point for whistle-blowing and consulting on compliance matters. The Company strives to prevent and promptly detect misconduct, etc.
- The actual status of compliance, helpline operation matters, important legal issues, etc. at the AGC Group are reported to the Board of Directors periodically.
- The Company and its subsidiaries undergo internal audits based on an annual auditing plan and other programs, and the results of these audits are reported to the Board of Directors periodically.
- The Company strengthens, operates and evaluates its internal control over financial reporting through establishing the "AGC Group Internal Control over Financial Reporting Implementation Regulations."

(2) Information Retention and Management System with respect to business operations of the AGC Group (Information retention/management system)

- The Company retains and manages important documents and information through establishing the "AGC Group Common Information Security Policy."
- The Company comprehensively manages information by periodically conducting self-inspection and educating its employees on information security.

(3) System to control risk of damage of the AGC Group (Risk management system)

- In accordance with the "AGC Group Enterprise Risk Management Basic Policies," the Company specifies risk factors that can seriously affect the AGC Group's management, and improves the level of management to prevent such risks and the level to cope with such risks in the event of their occurrence.
- The Company has formulated a business continuity plan (BCP) to prepare for the occurrence of large-scale accidents, disasters, etc. It strives to make known to every employee the BCP and to improve its effectiveness through conducting earthquake drills, etc.

(4) System to ensure efficient and effective business execution of the AGC Group (System for

efficient business execution)

- 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 the fiscal year under review, to make decisions in respect of important AGC Group matters and to oversee its business execution.
- The Company has established the Nomination Committee and the Compensation Committee (both non-statutory), as voluntary advisory committees to the Board of Directors. The majority of the members of each Committee are Outside Directors and each Committee is chaired by an Outside Director. During the fiscal year under review, the Nomination Committee held 7 meetings, and the Compensation Committee held 9 meetings. Through these committees, the Company promotes objectivity in the evaluation and selection of, and decision-making on compensation with respect to, its Directors and Executive Officers.
- The effectiveness of the Board of Directors is analyzed and evaluated in meetings of the Board of Directors.
- As for business execution, authority is broadly transferred to the President & CEO and other Executive Officers to expedite the decision-making process.

(5) System to report matters concerning business execution of executives of subsidiaries to the Company (System for reports to AGC by AGC Group companies)

- The Company has established a reporting structure, through which important matters regarding its subsidiaries (including certain matters relating to business operations, problems regarding compliance issues, and legal issues etc.) are reported to the Company.
- The Company, based on its annual audit plan, conducts internal audits on its subsidiaries, and the results of such audits are reported as necessary to the President & CEO and periodically to the Board of Directors.

(6) Matters related to the audit system of the Audit & Supervisory Board Members

a. Staff to the Audit & Supervisory Board Members

The Company has set up the Staff Office of the Audit & Supervisory Board and the staff members thereof support the Audit & Supervisory Board Members in their duties.

b. Independence of the said Staff from Directors

Changes of staff members of the Staff Office of the Audit & Supervisory Board and the performance evaluation etc. of such staff members are subject to the consent of the Audit & Supervisory Board, pursuant to the Company's internal rules.

c. Ensuring of effectiveness of the Audit & Supervisory Board Members' directions to the said Staff

Staff members of the Staff Office of the Audit & Supervisory Board are appointed on a full-time basis, and perform duties in accordance with Audit & Supervisory Board Members' directions.

d. System for reports to the Audit & Supervisory Board Members by Directors and employees of the Company, Directors and employees of subsidiaries, or those who received report from them

Such reports are made to the Audit & Supervisory Board Members in accordance with the Company's internal rules.

e. System to ensure that those who made reports described in the preceding item shall not receive disadvantageous treatments on the ground that they made the said report

"The AGC Group Code of Conduct" prohibits any disadvantageous treatment and retaliatory action against whistleblowers, and makes such prohibition known to every employee.

f. Matters related to policy on procedures for reimbursement of expenses that occurred from performance of duties of the Audit & Supervisory Board Members

The Company quickly handles the expenses paid by the Audit & Supervisory Board Members in their business operations.

g. Other system to ensure effective audits by the Audit & Supervisory Board Members

- The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings such as those of the Management Committee, where they state opinions when necessary.
- To enhance the effectiveness of audits, Audit & Supervisory Board Members hold periodic meetings etc. with Representative Directors and internal audit divisions etc., to exchange opinions.

(Reference) Status of Corporate Governance

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

As its basic policy on corporate governance structure, the Company clearly separates the functions of "oversight" and "execution" of management, aiming to reinforce the management oversight function, and, as for the execution of management, the Company clearly separates corporate functions and business operation functions and ensures quick decision-making in the execution of business operations.

The management oversight function is mainly shouldered by the Board of Directors, which is a "body that approves basic policies and oversees the management execution of the AGC Group." The Company enhanced the objectivity and transparency of management and strengthened its corporate governance structure by appointing 3 Outside Directors, out of 7 Directors in total and by the Board of Directors being chaired by an Outside Director. Aiming to further strengthen the management oversight function, the Company established the Nominating Committee and the Compensation Committee, as voluntary advisory committees to the Board of Directors. The majority of members of both Committees are Outside Directors and each Committee is chaired by an Outside Director, in order to enhance the objectivity regarding the evaluations, nominations and compensations for Directors and Executive Officers, etc. In addition,

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 also established the Management Committee as an advisory committee for the President & CEO, and it deliberates on decision making for the management execution and oversight of the business management. With regard to the execution of business operations, the AGC Group introduced the In-House Company system; adopted a globally integrated management system; and transferred significant responsibility and authority for the execution of business operations to each In-House Company and SBU (Strategic Business Unit).

(2) "AGC Group Corporate Governance Basic Policy"

The Company has formulated the "AGC Group Corporate Governance Basic Policy", which sets forth the basic concepts and policies concerning corporate governance, to strengthen and further enhance the Company's corporate governance with the aim of achieving both the AGC Group's sustainable growth and increase of corporate value over medium and long terms.

For further details, please visit the following webpage of the Company.

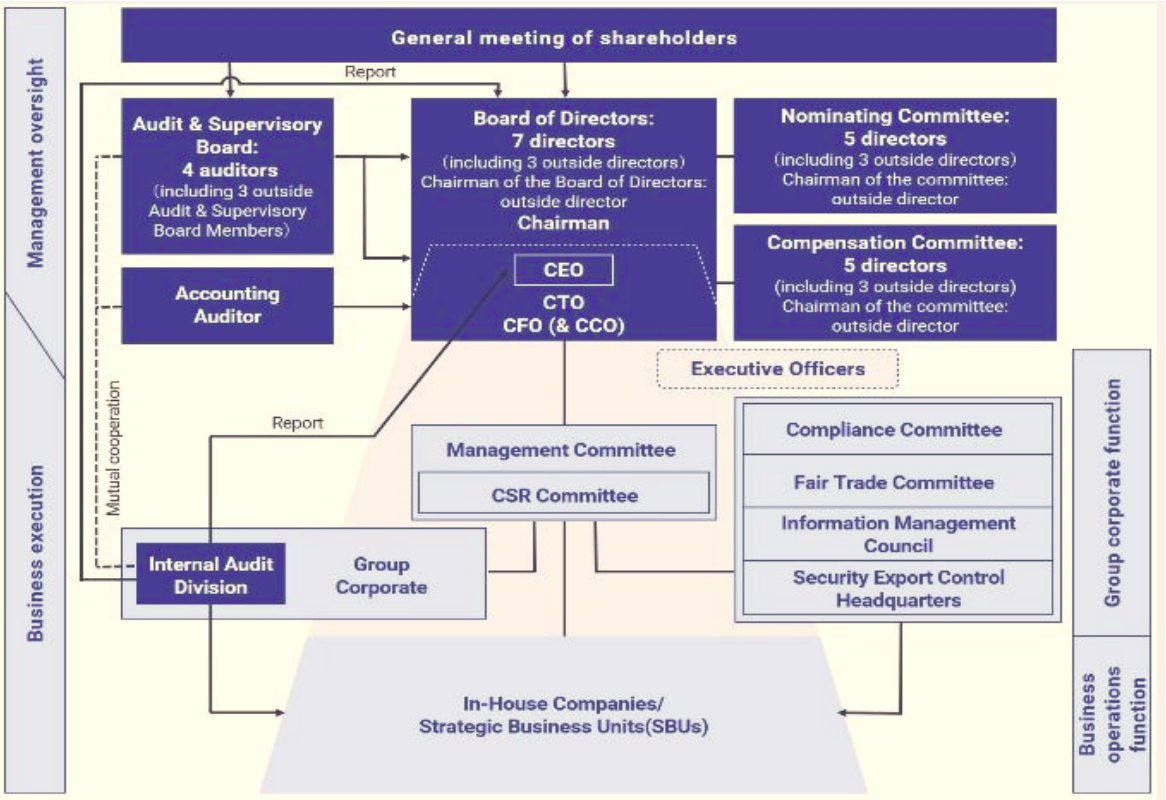
http://www.agc.com/en/company/governance/index.html

(3) The Evaluation of Effectiveness of Board of Directors

In order to achieve sustainable growth and increase of corporate value over the medium and long terms, the Company believes that it is important to continuously strengthen and further enhance its corporate governance. As a part of this commitment, the Board of Directors analyzes and evaluates its effectiveness each year.

Specifically, all Directors, who compose the Board of Directors evaluate the effectiveness of the Board of Directors by providing responses to questionnaires and individual interviews. Following this, the Board of Directors reviews the evaluation results and discusses measures to improve its effectiveness.

(4) Outline Figure of the Company's Corporate Governance Structure (as of January 1, 2018)



*In this Business Report, amounts less than 100 million yen are rounded up or down to the nearest 100 million yen with five one-tenths or more of 100 million yen to be considered 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)

	93rd Fiscal Year (as of Dec. 31, 2017)	(Reference) 92nd Fiscal Year (as of Dec. 31, 2016)
Assets	**2,228,560**	**1,981,451**
Current Assets	**722,522**	**673,436**
Cash and cash equivalents	126,417	147,325
Trade receivables	260,497	241,476
Inventories	261,708	227,284
Other receivables	43,774	37,972
Income tax receivables	5,570	7,201
Other current assets	24,554	12,176
Non-Current Assets	**1,506,038**	**1,308,015**
Property, plant and equipment	1,060,601	937,869
Goodwill	78,757	34,859
Intangible assets	58,038	27,400
Investments accounted for using equity method	39,575	36,889
Other financial assets	234,896	232,216
Deferred tax assets	23,157	29,421
Other non-current assets	11,011	9,358
Total Assets	**2,228,560**	**1,981,451**
Liabilities	**938,665**	**812,707**
Current Liabilities	**455,288**	**377,490**
Trade payables	159,489	137,590
Short-term interest-bearing debt	73,666	36,689
Long-term interest-bearing debt due within one year	63,629	66,669
Other payables	127,580	110,829
Income tax payables	12,210	10,173
Provisions	1,893	4,259
Other current liabilities	16,819	11,279
Non-Current Liabilities	**483,376**	**435,216**
Long-term interest-bearing debt	351,789	330,609
Deferred tax liabilities	59,492	22,110
Post-employment benefit liabilities	50,585	66,865
Provisions	10,045	10,701
Other non-current liabilities	11,463	4,929
Total Liabilities	**938,665**	**812,707**
Equity	**1,289,895**	**1,168,743**
Total Equity Attributable to Owners of the Parent	**1,184,034**	**1,095,438**
Share capital	90,873	90,873
Capital surplus	101,420	101,237
Retained earnings	735,653	690,890
Treasury shares	(43,629)	(29,259)
Other components of equity	299,716	241,696
Non-Controlling Interests	**105,860**	**73,305**
Total Equity	**1,289,895**	**1,168,743**
Total Liabilities and Equity	**2,228,560**	**1,981,451**

Consolidated Statements of Profit or Loss

(Unit: millions of yen)

	93rd Fiscal Year (from Jan. 1 to Dec. 31, 2017)	(Reference) 92nd Fiscal Year (from Jan. 1 to Dec. 31, 2016)
Net Sales	**1,463,532**	**1,282,570**
Cost of Sales	(1,060,587)	(933,623)
Gross Profit	**402,945**	**348,946**
Selling, General and Administrative Expenses	(285,051)	(254,469)
Share of Profit (Loss) of Associates and Joint Ventures Accounted for Using Equity Method	1,753	1,815
Operating Profit	**119,646**	**96,292**
Other Income	6,979	4,078
Other Expenses	(12,711)	(31,534)
Business Profit	**113,915**	**68,837**
Finance Income	8,262	6,127
Finance Costs	(7,752)	(7,401)
Net Finance Costs	509	(1,274)
Profit before Tax	114,424	67,563
Income Tax Expenses	(35,127)	(14,200)
Profit for the year	**79,297**	**53,362**
Attributable to:		
Owners of the Parent	69,225	47,438
Non-Controlling Interests	10,071	5,923

Consolidated Statements of Changes in Equity

93rd Fiscal Year (from January 1, 2017 to December 31, 2017)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
					Other Components of Equity	
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)
Balance at beginning of year	90,873	101,237	690,890	(29,259)	(45,106)	95,891
Changes in equity						
Comprehensive income						
Profit for the year	—	—	69,225	—	—	—
Other comprehensive income	—	—	—	—	12,626	17,223
Total comprehensive income for the year	—	—	69,225	—	12,626	17,223
Transactions with owners						
Dividends	—	—	(21,864)	—	—	—
Acquisition of treasury shares	—	—	—	(25,069)	—	—
Disposal of treasury shares	—	—	(126)	383	—	—
Cancellation of treasury shares	—	—	(10,315)	10,315	—	—
Transfer from other components of equity to retained earnings	—	—	7,843	—	—	(7,843)
Share-based payment transactions	—	182	—	—	—	—
Others (business combinations and others)	—	—	—	—	—	—
Total transactions with owners	—	182	(24,463)	(14,369)	—	(7,843)
Balance at end of year	90,873	101,420	735,653	(43,629)	(32,480)	105,270

	Equity Attributable to Owners of the Parent				Non-Controlling Interests	Total Equity
	Other Components of Equity			Total		
	Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance at beginning of year	225	190,686	241,696	1,095,438	73,305	1,168,743
Changes in equity						
Comprehensive income						
Profit for the year	—	—	—	69,225	10,071	79,297
Other comprehensive income	323	35,691	65,864	65,864	306	66,170
Total comprehensive income for the year	323	35,691	65,864	135,090	10,377	145,468
Transactions with owners						
Dividends	—	—	—	(21,864)	(2,802)	(24,667)
Acquisition of treasury shares	—	—	—	(25,069)	—	(25,069)
Disposal of treasury shares	—	—	—	256	—	256
Cancellation of treasury shares	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(7,843)	—	—	—
Share-based payment transactions	—	—	—	182	—	182
Others (business combinations and others)	—	—	—	—	24,980	24,980
Total transactions with owners	—	—	(7,843)	(46,494)	22,177	(24,316)
Balance at end of year	548	226,377	299,716	1,184,034	105,860	1,289,895

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

(Reference) 92nd Fiscal Year (from January 1, 2016 to December 31, 2016)

(Unit: millions of yen)

	Equity attributable to owners of the parent					
					Other Components of Equity	
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Remeasurement of net defined benefit liability (asset)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)
Balance at beginning of year	90,873	100,802	663,874	(29,576)	(35,003)	91,408
Changes in equity						
Comprehensive income						
Profit for the year	—	—	47,438	—	—	—
Other comprehensive income	—	—	—	—	(10,102)	4,998
Total comprehensive income for the year	—	—	47,438	—	(10,102)	4,998
Transactions with owners						
Dividends	—	—	(20,811)	—	—	—
Acquisition of treasury shares	—	—	—	(24)	—	—
Disposal of treasury shares	—	—	(126)	341	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	323	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	515	—	—	(515)
Share-based payment transactions	—	112	—	—	—	—
Others (business combinations and others)	—	—	—	—	—	—
Total transactions with owners	—	435	(20,422)	316	—	(515)
Balance at end of year	90,873	101,237	690,890	(29,259)	(45,106)	95,891

	Equity Attributable to Owners of the Parent				Non-Controlling Interests	Total Equity
	Other Components of Equity			Total		
	Net gain (loss) in fair value of cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance at beginning of year	(2,563)	214,357	268,198	1,094,172	69,594	1,163,767
Changes in equity						
Comprehensive income						
Profit for the year	—	—	—	47,438	5,923	53,362
Other comprehensive income	2,788	(23,671)	(25,986)	(25,986)	(1,182)	(27,169)
Total comprehensive income for the year	2,788	(23,671)	(25,986)	21,452	4,740	26,193
Transactions with owners						
Dividends	—	—	—	(20,811)	(542)	(21,354)
Acquisition of treasury shares	—	—	—	(24)	—	(24)
Disposal of treasury shares	—	—	—	214	—	214
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	323	(620)	(297)
Transfer from other components of equity to retained earnings	—	—	(515)	—	—	—
Share-based payment transactions	—	—	—	112	—	112
Others (business combinations and others)	—	—	—	—	132	132
Total transactions with owners	—	—	(515)	(20,185)	(1,030)	(21,216)
Balance at end of year	225	190,686	241,696	1,095,438	73,305	1,168,743

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Notes to the Consolidated Financial Statements

I. Significant Accounting Policies

1. Accounting standards of consolidated financial statements

The consolidated financial statements of 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 Paragraph 1 of Article 120 of the Company Accounting Regulations. The second sentence of Paragraph 1 of Article 120 prescribes the omission of certain disclosures required by IFRSs.

2. Scope of consolidation

Number of consolidated subsidiaries: 210

Major subsidiaries:

AGC Techno Glass Corporation, Ise Chemicals Corporation, AGC Glass Europe S.A. and AGC Flat Glass North America, Inc.

13 companies including CMC Biologics and Vinythai Public Company Limited were newly consolidated from the fiscal year ended December 31, 2017. Due to absorption and other events, 7 companies were excluded from the scope of consolidation from the fiscal year ended December 31, 2017.

3. Application of equity method

Number of companies using equity method: 37

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 amended accounting standards adopted by the Group from the fiscal year 2017, in compliance with each transitional provision. The impact of the adoption of these standards on the Group's consolidated financial statements is immaterial.

IFRS	Title	Summaries of new IFRS and amendments
IAS7 (amended in January 2016)	Statement of Cash Flows	Additional disclosure of changes in liabilities arising from financing activities
IAS12	Income Taxes	Clarification of recognition of deferred tax assets related unrealized loss

(2) Early adoption of new standards

The AGC Group has early adopted IFRS 9 *Financial Instruments* (published in November 2009, amended in November 2013).

(3) 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.

(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 leased assets):

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

2) Intangible assets (including leased 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

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, less returns, trade discounts and volume rebates. The Group recognizes revenue from the sale of goods when: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; it is probable that the economic benefits associated with the transaction will flow to the Group; the costs incurred or to be incurred in respect of the transaction and the possibility of product returns can be estimated reasonably; the Group does not retain continuing managerial involvement over the goods sold; the amount of revenue can be measured reliably.

(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

Hedged items: Raw materials and fuel 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 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) Accounting for consumption tax

Consumption tax is not included in the amounts of respective income and cost or expense items.

2) Application of consolidated taxation system

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

3) Amounts concerning financial statements

Amounts below one million yen are rounded down.

II. Notes to the Consolidated Statements of Financial Position

1. Assets pledged as collaterals

Property, plant and equipment:	16,899 million yen
Debt secured by collateral:	9,108 million yen

2. Allowance for doubtful accounts directly deducted from assets:

Trade receivables:	2,808 million yen
Other financial assets:	5,259 million yen

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

2,040,895 million yen

4. Guaranteed obligation: 154 million yen

III. Notes to the Consolidated Statements of Profit or Loss

1. Other Income

(Unit: millions of yen)

Gains on sale of non-current assets	2,773
Reversal of provision for restructuring programs	917
Others	3,288
Total	6,979

2. Other Expenses

(Unit: millions of yen)

Foreign exchange losses	(986)
Losses on disposal of non-current assets	(5,664)
Impairment losses	(2,885)
Expenses for restructuring programs	(1,992)
Others	(1,183)
Total	(12,711)

IV. Notes to the Consolidated Statements of Changes in Equity

1. Type and number of outstanding shares

Number of outstanding shares as of December 31, 2017:

Ordinary share: 235,177,781 shares

*The Company consolidated its common share at a ratio of five shares to one share on the effective date of July 1, 2017.

*The Company canceled 10,817,000 treasury shares (before the share consolidation) in accordance with the resolution of the Board of Directors meeting held on May 9, 2017.

2. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total amount of dividends	Dividends per share	Record date	Effective date
March 30, 2017 Ordinary General Meeting of Shareholders	Ordinary shares	¥10,407 million	¥9.00	December 31, 2016	March 31, 2017
August 1, 2017 Board of Directors meeting	Ordinary shares	¥11,457 million	¥10.00	June 30, 2017	September 8, 2017

*The interim dividend was paid out based on the number of shares before the share consolidation.

(2) Dividends whose record date is attributable to the year ended December 31, 2017 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 29, 2018.

Total amount of dividends: 12,428 million yen
Resource of dividends: Retained earnings
Dividends per share: 55.00 yen
Record date: December 31, 2017
Effective date: March 30, 2018

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, 2017
The Company	Share subscription rights issued in July 2007 (Compensation-Type Stock Option)	Ordinary shares	15,200 shares
	Share subscription rights issued in July 2008 (Compensation-Type Stock Option)	Ordinary shares	20,600 shares
	Share subscription rights issued in July 2009 (Compensation-Type Stock Option)	Ordinary shares	72,800 shares
	Share subscription rights issued in July 2010 (Compensation-Type Stock Option)	Ordinary shares	62,200 shares
	Share subscription rights issued in September 2010 (Ordinary-Type Stock Option)	Ordinary shares	36,000 shares
	Share subscription rights issued in July 2011 (Compensation-Type Stock Option)	Ordinary shares	73,800 shares
	Share subscription rights issued in July 2011 (Ordinary-Type Stock Option)	Ordinary shares	35,200 shares
	Share subscription rights issued in July 2012 (Compensation-Type Stock Option)	Ordinary shares	186,000 shares
	Share subscription rights issued in July 2012 (Ordinary-Type Stock Option)	Ordinary shares	33,800 shares
	Share subscription rights issued in March 2013 (Compensation-Type Stock Option)	Ordinary shares	45,400 shares
	Share subscription rights issued in July 2013 (Compensation-Type Stock Option)	Ordinary shares	107,400 shares
	Share subscription rights issued in July 2013 (Ordinary-Type Stock Option)	Ordinary shares	59,200 shares
	Share subscription rights issued in July 2014 (Compensation-Type Stock Option)	Ordinary shares	123,800 shares
	Share subscription rights issued in July 2014 (Ordinary-Type Stock Option)	Ordinary shares	49,600 shares
	Share subscription rights issued in January 2015 (Compensation-Type Stock Option)	Ordinary shares	4,800 shares
	Share subscription rights issued in July 2015 (Compensation-Type Stock Option)	Ordinary shares	90,200 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	139,200 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	60,200 shares

*The shares are calculated based on the number of shares after the share consolidation.

V. 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, each Group company 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 each company's credit management rules.

Other receivables are other miscellaneous receivables and others.

Financial assets measured at fair value through other comprehensive income are equity instruments which are included in other financial assets. These are mainly shares of companies which the Group has business relationships with, and such instruments are exposed to the market price fluctuation risks. To manage these risks, the Group regularly monitors the market value condition and whether such securities are necessary for its operations.

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 and corporate bonds 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, 2017 are as follows:

(Unit: millions of yen)

	Carrying amount	Fair value
Cash and cash equivalents	126,417	126,417
Trade receivables	260,497	260,497
Other receivables	24,461	24,461
Other financial assets		
Financial assets measured at fair value through other comprehensive income	224,688	224,688
Others	9,948	9,948
Trade payables	159,489	159,489
Other payables	99,447	99,447
Interest-bearing debts		
Borrowings	385,417	391,671
Commercial paper	30,593	30,593
Corporate bonds	69,876	71,467
Lease obligations	3,199	3,199
Derivatives(*)	(384)	(384)
Other non-current liabilities		
Contingent consideration liabilities	6,768	6,768
Other financial liabilities	576	576

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

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

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

When market values are available, such values are used as fair values of the financial instruments. The fair values whose market values are unavailable are measured by using the method of discounted future cash flows, by third party appraisals, or by other appropriate measurement techniques.

(Borrowings)

As short-term borrowings are settled on a short-term basis, their fair values approximate their carrying amounts.

The fair values of long-term borrowings are calculated by the sum of the principal and nominal interest payments that would apply if similar borrowings were conducted anew. For long-term borrowings 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.

(Derivatives)

The prices of derivatives that are calculated by financial institutions with which the Group has signed contracts are used as their fair values.

(Contingent consideration liabilities)

Contingent consideration liabilities are calculated based on the estimated amount of payment by taking future elements such as earnings into consideration.

(Financial instruments other than above mentioned)

Financial instruments other than above mentioned are settled mainly on a short-term basis, and their fair values approximate their carrying amounts.

VI. Notes to Per Share Information

1. Equity attributable to owners of the parent per share 5,239.70yen
2. Basic earnings per share 302.12yen

VII. Notes on Business Combinations

1. Acquisition of Shares of Vinythai Public Company Limited

(1) Outline of the acquisition

1) Name of the acquiree and main business

Name of the acquiree: Vinythai Public Company Limited

Main business: Manufacturing and sales of chemicals products

2) Main reason for the acquisition

The AGC Group puts strategic focus on the enhancement of its Chlor-Alkali business in Southeast Asia. The caustic soda and polyvinyl chloride (PVC) markets in Southeast Asia are projected to grow at around 5% per year. The acquisition of Vinythai will give the AGC Group a PVC production base in Thailand, following Indonesia and Vietnam.

3) Acquisition date: February 22, 2017

4) Legal structure of acquisition: Acquisition of shares

5) Name of the acquiree after acquisition of shares: No change

6) Voting rights ratio after acquisition of shares: 58.77%

(2) Consideration transferred

(Unit: millions of yen)

Acquisition price:	
Cash consideration	33,097
Total	33,097

(3) Acquisition-related costs are 811 million yen and are recognized in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.

(4) Amount of goodwill and factors that make up the goodwill

1) Amount of goodwill 1,237 million yen

The amount of goodwill has been confirmed after allocating the acquisition price.

2) Factors that make up the goodwill

The goodwill was recognized from reasonable estimates of future excess earning power expected to be generated from the business development. None of the goodwill recognized is expected to be deductible for tax purposes.

(5) Assets acquired and liabilities assumed as of the acquisition date

(Unit: millions of yen)

	Fair Value
Assets	
Cash and cash equivalents	10,396
Trade receivables	8,506
Property, plant and equipment	35,051
Intangible assets	2,001
Others	7,782
Total Assets	63,739
Liabilities	
Trade payables	5,641
Long-term interest-bearing debt due within one year	1,632
Others	2,251
Total Liabilities	9,525

2. Acquisition of Shares of CMC Biologics

(1) Outline of the acquisition

1) Name of the acquiree and main business

Name of the acquiree: CMC Biologics

Main business: Offering contract services for the development and manufacturing of biologics APIs

2) Main reason for the acquisition

The AGC Group launched the biopharmaceuticals contract manufacturing business in the early 2000s and has since been engaged in the microbial CMO business mainly in Japan. The acquisition of CMC is part of AGC's strategy to expand its biologics CDMO operations by acquiring its mammalian biopharmaceuticals manufacturing technologies as well as its customer base in Europe and the U.S., the major markets for biopharmaceuticals. The business integration with CMC will enable AGC to offer world-leading biologics CDMO API services globally, backed by advanced technologies and reliable quality, and contribute to pharmaceutical manufacturers, patients, and society.

3) Acquisition date: February 1, 2017

4) Legal structure of acquisition: Acquisition of shares

5) Name of the acquiree after acquisition of shares: No change

6) Voting rights ratio after acquisition of shares: 100.0%

(2) Consideration transferred

(Unit: millions of yen)

Acquisition price:	
Cash consideration (*)	55,870
Contingent consideration	6,139
Total	62,010

(*) Cash consideration includes deferred consideration which is recognized in other non-current liabilities in the Consolidated Statements of Financial Position.

(3) Contingent consideration in a business combination shall be determined by future earnings, etc. of CMC Biologics, and the acquisition price may be subject to certain adjustments.
The maximum potential future amount the AGC Group may be required to pay based on the contingent consideration agreement is 50 million euros (undiscounted).
The contingent consideration is classified in level 3 of the fair value hierarchy, and the fair value measurement of the contingent consideration has been completed.

(4) Acquisition-related costs are 698 million yen and are recognized in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.

(5) Amount of goodwill and factors that make up the goodwill

1) Amount of goodwill 36,766 million yen
The amount of goodwill has been confirmed after allocating the acquisition price.

2) Factors that make up the goodwill
The goodwill was recognized from reasonable estimates of future excess earning power expected to be generated from the business development. None of the goodwill recognized is expected to be deductible for tax purposes.

(6) Assets acquired and liabilities assumed as of the acquisition date

(Unit: millions of yen)

	Fair Value
Assets	
Cash and cash equivalents	1,236
Trade receivables	2,172
Other receivables	2,725
Property, plant and equipment	9,563
Intangible assets	29,719
Others	2,315
Total Assets	47,732
Liabilities	
Other payables	7,646
Short-term interest-bearing debt	4,433
Deferred tax liabilities	9,182
Others	1,225
Total Liabilities	22,488

VIII. Others

Refund for withholding tax

AGC's subsidiary in Singapore has claimed a refund for part of the withholding tax related to the dividend paid by AGC's subsidiary in Taiwan under the Double Taxation Avoidance Agreement between Taiwan and Singapore. The withholding tax was paid to the Taiwan Government from 2014 to 2016. This claim was accepted and the AGC Group received

notification of the tax refund on March 10, 2017. The amount of tax refund received was 5,947 million yen, and therefore the income tax expenses in the fiscal year 2017 has decreased.

Independent Auditor's Report

February 2, 2018

The Board of Directors
Asahi Glass Co., Ltd.

KPMG AZSA LLC

Atsuji Maeno
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ayumu Nakajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Mitsutake Mamiya
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising 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 Asahi Glass Co., Ltd. as at December 31, 2017 and for the year from January 1, 2017 to December 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility 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 on 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes 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.

Balance Sheets

(Unit: millions of yen)

	93rd Fiscal Year (as of Dec. 31, 2017)	(Reference) 92nd Fiscal Year (as of Dec. 31, 2016)
Assets	**1,340,163**	**1,272,447**
Current Assets	**332,237**	**409,624**
Cash on hand and in banks	6,084	72,343
Trade notes receivable	5,553	4,869
Trade accounts receivable	119,624	111,058
Finished goods	25,839	23,247
Work in process	38,723	25,727
Raw materials and supplies	20,702	20,714
Prepaid expenses	2,564	2,002
Deferred tax assets	5,747	5,261
Short-term loans receivable	83,508	121,829
Other accounts receivable	17,033	17,932
Other current assets	6,856	4,637
Non-current Assets	**1,007,925**	**862,823**
Tangible Fixed Assets	**232,748**	**231,996**
Buildings	60,427	61,701
Structures	17,908	17,843
Machinery and equipment	102,416	104,649
Vehicle and other transportation equipment	117	94
Tools, furniture and fixtures	6,809	5,935
Land	27,483	27,541
Leased assets	1,224	1,574
Construction in progress	16,361	12,654
Intangible Fixed Assets	**7,552**	**8,284**
Software	7,295	7,966
Other intangible fixed assets	256	318
Investments and Other Assets	**767,624**	**622,542**
Investments in securities	216,440	213,558
Investments in affiliates (stock)	426,709	249,957
Investments in affiliates (others)	107,293	97,422
Long-term loans receivable	10,977	55,551
Long-term receivables, overdue	4,107	4,047
Long-term prepaid expenses	2,312	2,014
Other investments	2,858	2,944
Allowance for doubtful debts	(3,074)	(2,953)
Total Assets	**1,340,163**	**1,272,447**

Balance Sheets

(Unit: millions of yen)

	93rd Fiscal Year (as of Dec. 31, 2017)	(Reference) 92nd Fiscal Year (as of Dec. 31, 2016)
Liabilities	**696,892**	**632,652**
Current Liabilities	**419,482**	**368,574**
Trade accounts payable	95,727	89,256
Short-term borrowings	214,998	185,351
Commercial paper	27,000	-
Current portion of bonds	-	20,000
Other accounts payable	23,186	21,827
Accrued expenses	4,087	3,857
Income tax payables	4,727	3,483
Advances received	189	98
Deposits received	38,495	37,199
Accrued bonuses to employees	4,443	4,278
Accrued bonuses to directors	111	70
Reserve for scheduled repairs	2,334	1,801
Reserve for restructuring programs	596	387
Provision for loss on liquidation of affiliates	726	-
Other current liabilities	2,857	961
Non-current Liabilities	**277,410**	**264,077**
Bonds	70,000	50,000
Long-term borrowings	163,429	173,000
Deferred tax liabilities	24,966	18,440
Accrued retirement benefits for employees	13,842	16,082
Reserve for loss on debt guarantees	46	45
Reserve for restructuring programs	-	552
Other non-current liabilities	5,124	5,958
Total Liabilities	**696,892**	**632,652**
Net Assets	**643,271**	**639,795**
Shareholders' Equity	**539,192**	**545,679**
Share capital	90,873	90,873
Capital surplus	91,164	91,164
Additional paid-in capital	91,164	91,164
Retained earnings	400,784	392,901
Legal reserve	22,618	22,618
Other retained earnings	378,165	370,283
Special depreciation reserve	1,071	1,345
Reserve for advanced depreciation of tangible fixed assets	10,192	10,741
General reserve	323,000	323,000
Retained earnings carried forward	43,902	35,196
Treasury share, at cost	(43,629)	(29,259)
Valuation and Translation Adjustments	**101,475**	**91,695**
Unrealized gains on securities, net of tax	101,475	91,695
Share Subscription Rights	**2,603**	**2,420**
Total Net Assets	**643,271**	**639,795**
Total Liabilities and Net Assets	**1,340,163**	**1,272,447**

Statements of Income

(Unit: millions of yen)

	93rd Fiscal Year (from Jan. 1, to Dec. 31, 2017)	(Reference) 92nd Fiscal Year (from Jan. 1, to Dec. 31, 2016)
Net Sales	**496,067**	**483,078**
Cost of Sales	362,805	350,489
Gross Profit	**133,262**	**132,588**
Selling, General and Administrative Expenses	111,048	101,803
Operating Income	**22,214**	**30,784**
Non-operating Income	**24,409**	**24,568**
Interest income	2,180	1,872
Dividend income	19,799	21,119
Others	2,430	1,577
Non-operating Expenses	**4,834**	**6,065**
Interest expenses	4,440	3,632
Others	394	2,433
Ordinary Income	**41,789**	**49,288**
Extraordinary Gains	**14,212**	**4,416**
Gain on sale of properties	940	683
Gain on sale of investments in securities	10,832	281
Gain on sale of investments in affiliates	2,209	-
Reversal of allowance for doubtful debts	-	1,206
Reversal of reserve for loss on debt guarantees	-	2,245
Reversal of reserve for restructuring programs	229	-
Extraordinary Loss	**7,388**	**27,457**
Loss on disposal of properties	3,777	3,956
Impairment loss on long-lived assets	1,013	1,967
Loss on valuation of investments in securities	204	-
Loss on valuation of investments in affiliates	1,554	17,087
Loss on sale of investments in affiliates	-	87
Provision for loss on liquidation of affiliates	726	-
Reserve for loss on debt guarantees	1	-
Expenses for allowance for doubtful debts	56	84
Expenses for restructuring programs	-	3,596
Expenses for special environmental protection measures	55	679
Income before Income Taxes	**48,612**	**26,246**
Income Taxes		
Current	6,611	5,327
Deferred	1,811	(3,234)
Net Income	**40,190**	**24,153**

Statements of Changes in Net Assets

93rd Fiscal Year (from January 1, 2017 to December 31, 2017)

(Unit: millions of yen)

	Shareholders' Equity							
	Share capital	Capital Surplus		Retained Earnings				
					Other retained earnings			
		Additional paid-in capital	Other capital surplus	Legal reserve	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	1,345	10,741	323,000	35,196
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(273)	-	-	273
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-	(548)	-	548
Dividends declared	-	-	-	-	-	-	-	(21,864)
Net income	-	-	-	-	-	-	-	40,190
Acquisition of treasury share	-	-	-	-	-	-	-	-
Disposal of treasury share	-	-	-	-	-	-	-	(126)
Cancellation of treasury share	-	-	-	-	-	-	-	(10,315)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(273)	(548)	-	8,705
Balance at end of year	90,873	91,164	-	22,618	1,071	10,192	323,000	43,902

	Shareholders' Equity		Valuation and Translation Adjustments	Share Subscription Rights	Total Net Assets
	Treasury share, at cost	Total Shareholders' Equity	Unrealized gains on securities, net of tax		
Balance at beginning of year	(29,259)	545,679	91,695	2,420	639,795
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-
Dividends declared	-	(21,864)	-	-	(21,864)
Net income	-	40,190	-	-	40,190
Acquisition of treasury share	(25,069)	(25,069)	-	-	(25,069)
Disposal of treasury share	383	256	-	-	256
Cancellation of treasury share	10,315	-	-	-	-
Net changes other than shareholders' equity	-	-	9,779	182	9,962
Total changes during the current period	(14,369)	(6,487)	9,779	182	3,475
Balance at end of year	(43,629)	539,192	101,475	2,603	643,271

(Reference) 92nd Fiscal Year (from January 1, 2016 to December 31, 2016)

(Unit: millions of yen)

	Shareholders' Equity							
		Capital Surplus		Retained Earnings				
					Other retained earnings			
	Share capital	Additional paid-in capital	Other capital surplus	Legal reserve	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	1,581	11,152	307,000	47,332
Changes during the current period								
Reversal of special depreciation reserve	-	-	-	-	(236)	-	-	236
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-	(411)	-	411
Provision for general reserve	-	-	-	-	-	-	16,000	(16,000)
Dividends declared	-	-	-	-	-	-	-	(20,811)
Net income	-	-	-	-	-	-	-	24,153
Acquisition of treasury share	-	-	-	-	-	-	-	-
Disposal of treasury share	-	-	-	-	-	-	-	(126)
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes during the current period	-	-	-	-	(236)	(411)	16,000	(12,135)
Balance at end of year	90,873	91,164	-	22,618	1,345	10,741	323,000	35,196

	Shareholders' Equity		Valuation and Translation Adjustments	Share Subscription Rights	Total Net Assets
	Treasury share, at cost	Total Shareholders' Equity	Unrealized gains on securities, net of tax		
Balance at beginning of year	(29,576)	542,147	88,570	2,308	633,026
Changes during the current period					
Reversal of special depreciation reserve	-	-	-	-	-
Reversal of reserve for advanced depreciation of tangible fixed assets	-	-	-	-	-
Provision for general reserve	-	-	-	-	-
Dividends declared	-	(20,811)	-	-	(20,811)
Net income	-	24,153	-	-	24,153
Acquisition of treasury share	(24)	(24)	-	-	(24)
Disposal of treasury share	341	214	-	-	214
Net changes other than shareholders' equity	-	-	3,124	112	3,236
Total changes during the current period	316	3,532	3,124	112	6,769
Balance at end of year	(29,259)	545,679	91,695	2,420	639,795

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.

Other securities:

Securities with market value:

Securities with market value are stated at the quoted market prices prevailing at the end of the fiscal year. Differences between market value and acquisition costs are recorded as “Unrealized gains on securities, net of tax” 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

Depreciation 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 debts

"Allowance for doubtful debts" is provided at an amount sufficient to cover possible losses on the collection of receivables by taking the historical loan loss ratio. For certain doubtful receivables, the uncollectible amounts are estimated based on a review of 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 fund 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 affiliates.

(7) Reserve for restructuring programs

"Reserve for restructuring programs" is reasonably estimated based on costs arising from additional severance compensation program related to restructuring and restructuring of certain businesses.

(8) Provision for loss on liquidation of affiliates

"Provision for loss on liquidation of affiliates" is provided based on losses expected to be incurred in connection with liquidation of the business of the Company's affiliates.

4. Other significant matters regarding the preparation of financial statements

(1) Accounting for consumption tax

Consumption tax is not included in the amounts of respective income and cost or expense items.

(2) Application of consolidated taxation system

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

(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. Additional Information

Adoption of implementation guidance on recoverability of deferred tax assets

The company has adopted the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year 2017.

III. Notes to the Balance Sheet

1. Accumulated depreciation on tangible fixed assets:	651,060 million yen
2. Commitments and contingent liabilities	
Guarantee of loans:	105,817 million yen
3. Monetary receivables from/payables to subsidiaries and affiliates	
Short-term receivables from subsidiaries and affiliates:	132,857 million yen
Long-term receivables from subsidiaries and affiliates:	14,590 million yen
Short-term payables to subsidiaries and affiliates:	89,135 million yen
Long-term payables to subsidiaries and affiliates:	425 million yen

IV. Notes to the Statement of Income

Transaction with subsidiaries and affiliates

Sales to subsidiaries and affiliates:	145,276 million yen
Purchases from subsidiaries and affiliates:	205,998 million yen
Non-operating transactions with subsidiaries and affiliates:	17,722 million yen

V. Notes to the Statement of Changes in Net Assets

Type and number of outstanding treasury share as of December 31, 2017:

Common stock:	9,204,032 shares

VI. Notes to Tax Effect Accounting

Major components of deferred tax assets include loss on devaluation of investments in 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.

VII. 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.

VIII. 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 America Inc.	Possession; Directly 100%	Holding of shares in affiliates in North America, and information collection	Lending (Note1)	(85,526)	Short-term loans	15,820
Subsidiary	AGC Glass Europe	Possession; Directly 100% Indirectly 0%	Production and sales of flat glass	Lending (Note2)	-	Long-term loans	46,235
Subsidiary	AGC Finance Co., Ltd.	Possession; Directly 100%	Factoring services for domestic affiliates	Factoring (Note3)	15,645	Trade accounts payable	25,591

Transaction amounts are exclusive of consumption tax, while year-end balances are inclusive of consumption tax.

In addition to the above, 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 177,565 million yen, and year-end balance is 199,998 million yen.

Notes:

1. Interest rates on loans are determined based on the market interest rates at the time of financing.
   The transaction amount represents the net amount of increase or decrease.
2. Interest rates on loans are determined based on the market interest rates at the time of financing.
3. The amount of factoring transactions represents the monthly average transaction amount.

IX Notes to Per Share Information

1. Net assets per share 2,835.14 yen
2. Net income per share 175.40 yen

Accounting Auditor's Report on Non-Consolidated Financial Statements

Independent Auditor's Report

February 2, 2018

The Board of Directors
Asahi Glass Co., Ltd.

KPMG AZSA LLC

Atsuji Maeno
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ayumu Nakajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Mitsutake Mamiya
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Asahi Glass Co., Ltd. as at December 31, 2017 and for the year from January 1, 2017 to December 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our

judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Asahi Glass Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes 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.

Audit & Supervisory Board's Audit Report

Regarding the execution of duties by the Directors for the 93rd fiscal year (from January 1, 2017 to December 31, 2017), 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 the Audit & Supervisory Board Member and the Audit & Supervisory Board

(1) The Audit & Supervisory Board formulated an audit policy, audit plan, and other relevant matters, and received reports from each Audit & Supervisory Board Member on the implementation and results of audits, as well as reports from the Directors, the Accounting Auditor, and other relevant personnel on the status of execution of their duties, and requested explanations from them when necessary.

(2) In accordance with the Standards for Auditing established by the Audit & Supervisory Board, the audit policy, 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, as well as 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 relevant personnel on the status of execution of their duties; requested explanations when 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, each Audit & Supervisory Board Member endeavored to communicate well and exchange information with the Directors and the Audit & Supervisory Board Members of the subsidiaries, received reports from the subsidiaries on their business when necessary, as well as conducted inspections at some subsidiaries.

(ii) Concerning the content of the resolution of the Board of Directors regarding the establishment of the system to ensure that the execution of duties by the Directors complies with laws, 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 concerning the systems that are maintained based on such resolution (Internal Control Systems): each Audit & Supervisory Board Member received reports regarding the status of establishment and operation from the Directors, employees and others on a regular basis, and verified such status of establishment and operation. Regarding internal control over financial reporting, we received reports from the Directors, etc. and KPMG AZSA LLC on the evaluation of the said internal control and audit status, as well as requested explanations when 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 when necessary. We also received notification from the Accounting Auditor, stating that it had 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 when necessary.

Through these methods, we reviewed the business report and supplementary schedules thereof, 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 under review.

2. Result of the audit

(1) Business report, etc.
(i) We acknowledge that the business report and its supplementary schedules present the situationof the Company correctly in accordance with applicable laws and regulations and the Articles of Incorporation.
(ii) We acknowledge that there was no wrongful act or material fact of violation of either applicable laws or regulations, or the Articles of Incorporation with respect to the execution of duties by the Directors.
(iii) We acknowledge that the content of the resolutions of the Board of Directors regarding the internal control system is appropriate. Furthermore, we find nothing that needs to be pointed out concerning the contents of business report and the execution of duties by the Directors regarding the internal control system.
We received reports from the Directors, etc. and KPMG AZSA LLC stating that internal control over financial reporting was effective at the time of preparing this Audit & Supervisory Board's Report.

(2) Non-consolidated financial statements and supplementary schedules
We acknowledge the methods and the results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC are appropriate.

(3) Consolidated financial statements
We acknowledge the methods and the results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC are appropriate.

February 6, 2018

Audit & Supervisory Board
Asahi Glass Co., Ltd.

Tetsuo Tatsuno
Full-time Audit & Supervisory Board Member

Yasushi Marumori
Full-time Audit & Supervisory Board Member

Toru Hara
Audit & Supervisory Board Member

Hiroshi Kawamura
Audit & Supervisory Board Member

Note: Audit & Supervisory Board Members, Yasushi Marumori, Toru Hara and Hiroshi Kawamura are outside Audit & Supervisory Board Members set forth in Article 2-16 and Article335,Paragraph 3 of the Companies Act.

Note: The Audit & Supervisory Board's 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)

	93rd Fiscal Year (from Jan.1 to Dec.31, 2017)	92nd Fiscal Year (Reference) (from Jan.1 to Dec.31, 2016)
Net Cash From Operating Activities	203,504	203,637
Net Cash Used in Investing Activities	(209,560)	(113,596)
Net Cash Used in Financing Activities	(18,720)	(46,450)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,868	(1,098)
Changes in Cash and Cash Equivalents	(20,907)	42,493
Cash and Cash Equivalents at Beginning of Year	147,325	104,831
Cash and Cash Equivalents at End of Year	126,417	147,325

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Items

Item No. 1: Appropriation of retained earnings

As for the distribution of profits, the Company targets a consolidated total return ratio, inclusive of the acquisition of treasury shares, of 50% or more, with the continued payment of not less than the current annual dividend per share as the basis of profit distribution. In this way, the Company is doing its utmost to proactively return profits to shareholders, while giving comprehensive consideration to consolidated business results and future investment plans, among others. As its basic policy on retained earnings, the Company will allocate retained earnings to R&D and investment in facilities/debt and equity investment, as well as merger and acquisition activities, to strengthen its financial position and continuously improve its corporate value.

Retained earnings for the fiscal year under review are proposed to be appropriated under this basic policy as follows.

1. Year-end dividends

In consideration of the business results for the fiscal year under review, the business environment, the outlook for future operations and other factors, the Company proposes that year-end dividends be 55 yen per share.

(1) Matters related to the allocation of dividend assets for shareholders and the total amount
55 yen per ordinary share of the Company
Total amount: 12,428,556,195yen

(2) Effective date of payment of dividends
March 30, 2018

The Company implemented a share consolidation on July 1, 2017, whereby 5 shares of the Company were consolidated into 1 share. The interim dividends per share for the fiscal year under review (10 yen) was 50 yen per share when converted to reflect the share consolidation. Accordingly, if this proposal is approved as proposed, annual dividends per share for the fiscal year under review, including the interim dividends, will increase by 15 yen per share from the previous fiscal year (90 yen per share when converted to reflect the share consolidation) to become 105 yen per share.

2. Other matters concerning the appropriation of retained earnings

(1) Item of retained earnings to be increased and the amount thereof
Retained earnings carried forward: 30,000,000,000 yen

(2) Item of retained earnings to be decreased and the amount thereof
General reserve: 30,000,000,000 yen

Item No. 2: Partial Amendment to the Articles of Incorporation

1. Reason for the amendment

The Company proceeded the global, integrated management of the AGC Group from 2002 and when it marked its 100th anniversary in 2007, the Company unified its group brand as "AGC" and its consolidated subsidiaries changed, in principle, their corporate names to incorporate "AGC" in their trade names. Since the Company, which marked its 110th anniversary in 2017, aims to further enhance the global integrated management of the AGC Group, the Company will amend Article 1 of the current Articles of Incorporation and change the trade name of Asahi Glass Company, which constitutes the core of the AGC group, to AGC Inc. effective July 1, 2018.

A supplementary provision will be established to provide that the partial amendment to the Articles of Incorporation shall become effective on July 1, 2018, and this supplementary provision shall be deleted after the effective date.

2. Contents of the Amendment

The contents of the proposed Amendment are as follows:

(All amendments to the Article are shown as underlined text.)

Current version	Proposed Amendment
Article 1, (Trade Name) The name of the Company shall be Asahi Garasu Kabushiki Kaisha, and in English, shall be Asahi Glass Company, Limited.	Article 1 (Trade Name) The name of Company shall be AGC Kabushiki Kaisha, and in English, shall be AGC Inc.
（New）	Supplementary Provision The amendment to Article 1 shall take effect on July 1, 2018. Note that this supplementary provision shall be deleted after the date when the amendment to Article 1 takes effect.

Item No. 3: Election of Seven Directors

As the tenures of all seven Directors will expire at the end of this general meeting, we request that seven Directors be elected.

The Director candidates are as follows:

Candidate No.	Name	Post and Responsibilities in the Company	Participation in Board of Directors meeting
1	Kazuhiko Ishimura Reappointment	Director & Chairman	100% （14 times out of 14）
2	Takuya Shimamura Reappointment	Director and President & CEO	100% （14 times out of 14）
3	Yoshinori Hirai Reappointment	Director and Executive Vice President, CTO, GM of Technology General Division	100% （14 times out of 14）
4	Shinji Miyaji Reappointment	Director and Executive Vice President, CFO, CCO	100% （14 times out of 14）
5	Hiroshi Kimura Reappointment Outside Independent	Director	100% （14 times out of 14）
6	Masako Egawa Reappointment Outside Independent	Director	93% （13 times out of 14）
7	Yasuchika Hasegawa Reappointment Outside Independent	Director	100% （11 times out of 11）

Note: Since Yasuchika Hasegawa assumed the position of Director on March 30, 2017, the total number of Board of Directors meetings that he was able to attend is different from that of other Directors.

	Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
1	Kazuhiko Ishimura (born Sep. 18, 1954) 〈Reappointment〉	Apr., 1979 Joined the Company Jan., 2006 Executive Officer Jan., 2007 Senior Executive Officer and GM of Electronics & Energy General Division. Mar., 2008 Director and President & COO Jan., 2010 Director and President & CEO Jan., 2015 Director & Chairman (incumbent) [significant concurrent positions] Outside Director of TDK Corporation Outside Director of IHI Corporation	28,300
	【Reasons for the nomination as Director candidate】 Kazuhiko Ishimura, who was originally in the Company's Engineering Division, has served as, among others, President of one of the Company's subsidiaries, General Manager of the Company's plant, and General Manager of the Company's Electronics Division. Between March 2008 and December 2014, he served as a Director and the President. Since January 2015, he has been serving as Director & Chairman of the Company. He therefore has abundant experience in the AGC Group's business and corporate management. With such experience, he is expected to fully perform his directorship role through decisions in respect of key matters relating to the AGC Group and overseeing its business operations. We have accordingly nominated him as a Director candidate. 【Participation in Board of Directors meetings (The fiscal year under review)】14 times out of 14		

	Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
2	Takuya Shimamura (born Dec. 25, 1956) 〈Reappointment〉	Apr., 1980 Joined the Company Jan., 2009 Executive Officer and GM of Planning & 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 & CEO Mar. 2015 Director and President & CEO (incumbent)	9,000
	【Reasons for the nomination as Director candidate】 Takuya Shimamura, who has long been engaged in sales of the Company's Chemicals Division, has served as, among others, President of one of the Company's overseas subsidiaries, and President of Chemicals Company and Electronics Company. He has been serving as Director and President & CEO of the Company since March 2015, after being appointed President & CEO in January 2015. He therefore has abundant experience in the AGC Group's business and corporate management. With such experience, he is expected to fully perform his directorship role through decisions in respect of key matters relating to the AGC Group and overseeing its business operations. We have accordingly nominated him as a Director candidate. 【Participation in Board of Directors meetings (The fiscal year under review)】14 times out of 14		

	Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
3	Yoshinori Hirai (born Aug. 19, 1959) 〈Reappointment〉	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 and Senior Executive Officer and GM of Technology General Division Jan., 2016 Director and Senior Executive Officer, CTO, GM of Technology General Division Jan., 2018 Director and Executive Vice President, CTO, GM of Technology General Division (incumbent)	5,700
	【Reasons for the nomination as Director candidate】 Yoshinori Hirai has long been engaged in the Company's R&D Division, in areas including liquid crystal devices. He has served as, among others, Senior Vice President of one of the Company's subsidiaries, General Manager of the Business Planning Office of Electronics Company and General Manager of the Business Development Office. Currently, he serves as Director and Executive Vice President & CTO. He therefore, has abundant experience in the AGC Group's business and corporate management. With such experience, he is expected to fully perform his directorship roles through decisions in respect of key matters relating to the AGC Group and overseeing its business operations. We have accordingly nominated him as a Director candidate. 【Participation in Board of Directors meetings (The fiscal year under review)】14 times out of 14		

	Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
4	Shinji Miyaji (born Nov. 4, 1958) 〈Reappointment〉	Aug., 1990 Joined the Company Jan., 2010 Executive Officer and Group Leader of Corporate Planning Group, Office of the President Nov., 2012 Executive Officer; Senior Vice President of AGC Flat Glass North America Feb., 2013 Executive Officer and Regional President of North America, Glass Company Oct., 2013 Executive Officer and GM of Strategy Office, Glass Company Jan., 2014 Executive Officer and GM of Electronics General Division, Electronics Company Jan., 2015 Senior Executive Officer and GM of Office of the President Mar., 2015 Director and Senior Executive Officer and GM of Office of the President Jan., 2016 Director and Senior Executive Officer, CFO and GM of Corporate Planning Division Jan., 2018 Director and Executive Vice President, CFO, CCO (incumbent)	5,200
	【Reasons for the nomination as Director candidate】 Shinji Miyaji has been engaged in the Company's Information System Division, served as President of one of the Company's subsidiaries, been involved in, among others, the New Business Promotion Division and the Corporate Planning Division, and served as General Manager of the Glass and Electronics Divisions. Currently, he serves as a Director and Executive Vice President & CFO, CCO. He therefore has abundant experience in the AGC Group's business and corporate management. With such experience, he is expected to fully perform his directorship roles through decisions in respect of key matters relating to the AGC Group and overseeing its business operations. We have accordingly nominated him as a Director candidate. 【Participation in Board of Directors meetings (The fiscal year under review)】14 times out of 14		

	Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
5	Hiroshi Kimura (born Apr. 23, 1953) 〈Reappointment Candidate for Outside Director position〉	Apr., 1976 Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.) Jun., 1999 Director of said company Jun., 2001 Retired as Director of said company Jun., 2005 Director of said company Jun., 2006 President & CEO of said company Jun., 2012 Chairman of the Board of said company Mar., 2013 Director of the Company (incumbent) Jun., 2014 Special Advisor of Japan Tobacco Inc. Jul, 2016 Advisor of said company (incumbent) [significant concurrent position] Advisor of Japan Tobacco Inc. Outside Director of Nomura Holdings, Inc. Outside Director of IHI Corporation	3,200
	【Reasons for the nomination as Outside Director candidate】 Hiroshi Kimura has served as President & CEO and Chairman of the Board of Japan Tobacco Inc. and has abundant experience in corporate management at Japan Tobacco Inc., which is vigorously expanding operations globally corresponding to changes in the business environment. With such experience, it is believed that he will be able to make proposals to the Company's overall management, which is expected to enhance its corporate governance. We have accordingly nominated him as an Outside Director candidate. 【Matters regarding independency】 Hiroshi Kimura meets the Company's standards for independence of outside officers (please refer to page 81). The Company has reported him to Tokyo Stock Exchange, Inc. as an independent officer. If he is elected as proposed, he will continue his service as an independent officer. 【Tenures of office of Outside Directors from the time of appointment】 5 years (at the close of this general meeting of shareholders) 【Participation in Board of Directors meetings (The fiscal year under review)】 14 times out of 14		

	Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
6	Masako Egawa (born Sep. 7, 1956) 〈Reappointment candidate for Outside Director position〉	Apr., 1980 Joined Citibank, N.A. Tokyo Branch Sep., 1986 Joined Salomon Brothers Inc. New York Head Office Jun., 1988 Joined Salomon Brothers Asia Ltd. Tokyo Branch Dec., 1993 Joined S.G. Warburg & Co., Ltd. Tokyo Branch Nov., 2001 Executive Director of the Harvard Business School Japan Research Center Apr., 2009 Executive Vice President of the University of Tokyo Mar., 2014 Director of the Company (incumbent) Sep., 2015 Professor, Graduate School of Commerce and Management, Hitotsubashi University (incumbent) [significant concurrent position] Professor, Graduate School of Commerce and Management, Hitotsubashi University Outside Director of Tokio Marine Holdings, Inc. Outside Director of Mitsui Fudosan Co., Ltd.	400
	【Reasons for the nomination as Outside Director candidate】 Masako Egawa has experience in university management in the position of executive vice president and also has abundant experience at global financial institutions and extensive knowledge about corporate management through, among others, her experience of research on the management and corporate governance of Japanese companies. With such experience, it is believed that she will be able to make proposals to the Company's overall management, which is expected to enhance its corporate governance. We have accordingly nominated her as an Outside Director candidate. While she has not been involved directly in corporate management except for as an Outside Director or an Outside Audit & Supervisory Board Member, we have concluded that she is able to duly perform the duties of an Outside Director for the reasons mentioned above. 【Matters regarding independency】 Masako Egawa meets the Company's standards for independence of outside officers (please refer to page 81). The Company has reported her to Tokyo Stock Exchange, Inc. as an independent officer. If she is elected as proposed, she will continue her service as an independent officer. 【Tenures of office of Outside Directors from the time of appointment】 4 years (at the close of this general meeting of shareholders) 【Participation in Board of Directors meetings (The fiscal year under review)】 13 times out of 14		

<table>
<tr><th colspan="2">Name
(Date of birth)</th><th>Brief personal history, title, responsibility and significant concurrent positions</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">7</td><td>Yasuchika Hasegawa
(born Jun. 19, 1946)

〈Reappointment candidate for Outside Director position〉</td><td>Apr., 1970 Joined Takeda Pharmaceutical Company Limited
Jun., 1999
Jun., 2003 Director of said company
Jun., 2014 Director and President & CEO of said company
Mar., 2017 Director and Chairman of the Board of said company
Jun., 2017 Director of the Company (incumbent)
Corporate Counselor of Takeda Pharmaceutical Company Limited (incumbent)

[significant concurrent position]
Corporate Counselor of Takeda Pharmaceutical Company Limited</td><td>600</td></tr>
<tr><td colspan="3">【Reasons for the nomination as Outside Director candidate】
Yasuchika Hasegawa serves as Director and Chairman of the board of Takeda Pharmaceutical Company Limited and has abundant experience in corporate management at Takeda Pharmaceutical Company Limited, which is vigorously promoting global operations. With such experience, it is believed that he will be able to make proposals to the Company's overall management, which is expected to enhance its corporate governance. We have accordingly nominated him as an Outside Director candidate.
Takeda Pharmaceutical Company Limited where Yasuchika Hasegawa serves as Corporate Counselor, received an order to improve business operation from Ministry of Health, Labor and Welfare in June 2015 based on the "Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, etc." on the grounds that some of its promotional material targeting medical professionals for its hypertension medicine fell under an exaggerated advertisement.
【Matters regarding independency】
・Yasuchika Hasegawa meets the Company's standards for independence of outside officers (please refer to page 81). The Company has reported him to Tokyo Stock Exchange, Inc. as an independent officer. If he is elected as proposed, he will continue his service as an independent officer.
・The annual transaction amount between Takeda Pharmaceutical Company Limited, where Yasuchika Hasegawa served as a business executing person in the past, and the Company accounts for less than 0.1 % of the net sales of the Company.
【Tenures of office of Outside Directors from the time of appointment】1 year (at the close of this general meeting of shareholders)
【Participation in Board of Directors meetings (The fiscal year under review)】11 times out of 11 (since the appointment on March 30, 2017)</td></tr>
</table>

Notes:

1. There are no special conflicts of interest between the Company and Director candidates.
2. Outline of the liability limitation contract

   The Company has executed a contract with each of Hiroshi Kimura, Masako Egawa and Yasuchika Hasegawa 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 they are elected as proposed, the Company will continue the said contracts.

Reference: 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; the same hereinafter) 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 Member, 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 major business counterparty, in the past three years. A consolidated corporate group which has the AGC Group as a major 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 major business counterparty of the AGC Group, in the past three years. A consolidated corporate group which is a major 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 major 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 major 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.

Item 4: Election of an Audit & Supervisory Board Member

As the tenure of Toru Hara, the Audit & Supervisory Board Member of the Company, will expire at the end of this general meeting, we request that one Audit & Supervisory Board Member be elected.

This agenda item has been consented by the Audit & Supervisory Board.

The Audit & Supervisory Board Member candidate is as follows:

Name (Date of birth)	Brief personal history, title, responsibility and significant concurrent positions	Number of the Company's shares owned
Akio Sakumiya (born Sep.10, 1952) (newly nominated) 〈Candidate for Outside Audit & Supervisory Board Member position〉	Apr., 1975 Joined Tateisi Electric Manufacturing Company (currently OMRON Corporation) Jun., 2003 Executive Officer of said company Jun., 2010 Managing Executive Officer of said company Jun., 2011 Senior Managing Director of said company Jun., 2014 Director and Executive Vice President of said company Jun., 2017 Retired said company	0
【Reasons for the nomination as Outside Audit & Supervisory Board Member candidate】 Akio Sakumiya has abundant experience in corporate management as Director of OMRON Corporation and also led efforts to improve corporate governance at OMRON Corporation as Vice Chairman of various advisory committees. Thus, he is expected to fulfill the role of Audit & Supervisory Board Member for the Company. We have accordingly nominated him as an Outside Audit & Supervisory Board Member candidate. 【Matters regarding independency】 Akio Sakumiya meets the Company's standards for independence of outside officers (please refer to page 81). If he is elected as proposed, he will be an independent officer as defined by Tokyo Stock Exchange, Inc.		

Notes:
1. There are no special conflicts of interest between the Company and Audit & Supervisory Board Member candidate.
2. Outline of the liability limitation contract
   If Akio Sakumiya is elected as proposed, the Company will execute a contract with him to limit his 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.

Item 5: Decision on Amounts and Details of Stock Compensation, etc. for Directors, etc.

1. Reason for the Proposal and Reason Justifying such Compensation, etc.

This proposal is to request shareholders to approve the introduction of a new stock compensation plan (hereinafter referred to as the "Plan") under which the Company's shares and the amount of money equivalent to the conversion value of the Company's shares (hereinafter referred to as the "Company's Shares, etc.") will be delivered and provided (hereinafter referred to as the "Delivery, etc." or "delivered, etc.") to the Company's Directors and Executive Officers (excluding non-residents of Japan; hereinafter referred to as "Directors, etc."). This proposal is to provide stock compensation to Directors, etc. separately and in addition to the amount of Director compensation, etc. consisting of monthly compensation and bonuses (up to 500 million yen per year, including up to 65 million yen for Outside Directors) that was approved at the 82nd Ordinary General Meeting of Shareholders held on March 29, 2007 and the 86th Ordinary General Meeting of Shareholders held on March 30, 2011.

The Plan is designed to increase the motivation of Directors, etc. to contribute to the medium- to long-term improvement of corporate value of the Group and to promote sharing of interests with shareholders. In addition, the number of shares to be delivered to Directors who serve concurrently as Executive Officers and to Executive Officers will be linked to the level of achievement of performance targets in the medium-term management plan and other factors to further increase their motivation to achieve performance targets. The number of shares to be delivered to Directors (including Outside Directors; the same shall apply hereinafter) who do not serve concurrently as Executive Officers will not be linked to performance, as they serve the function of management supervision to determine the adequacy of business execution from an objective standpoint. In light of the above, the Company considers that the introduction of the Plan is appropriate.

The Company has established the Compensation Committee as a voluntary advisory committee of the Board of Directors, which is chaired by an Outside Director and whose majority members are Outside Directors, to ensure the objectivity and transparency of the determination process regarding compensation. The introduction of the Plan was deliberated on at the Compensation Committee.

If Item No. 3 is approved as proposed, the number of Directors covered by the Plan will be seven (including three Outside Directors). By taking into account the possibility that an Executive Officer covered by the Plan will be newly appointed as a Director during the Covered Period (as specified in 2. (2) below), this proposal includes compensation for Executive Officers (the number of Executive Officers covered by the Plan who do not serve concurrently as Directors will be 18 at the end of the 93rd Ordinary General Meeting of Shareholders.)

Subject to the approval of this proposal as originally proposed, stock compensation-type stock options (stock acquisition rights), which were approved at the 82nd Ordinary General Meeting of Shareholders (held on March 29, 2007), will no longer be newly issued from 2018. As a result,

compensation for Directors, etc. will be paid in the form of monthly compensation, bonuses and stock-based compensation.

2. Amounts and Details of Compensation, etc. under the Plan

(1) Outline of the Plan

The Plan is a stock-based compensation plan under which the Company's shares will be acquired through trust using money contributed by the Company, and delivered, etc. to Directors, etc. through the said trust. Compensation under the Plan will consist of a performance-linked component whereby the Company's Shares, etc. will be delivered, etc. in accordance with the position and the level of achievement of performance targets and other factors, and a fixed component in accordance with the position whereby the Company's Shares, etc. will be delivered, etc. without being linked to performance. (See (2) onward for the details.)

(i) Persons eligible for the Delivery, etc. of the Company's Shares, etc. subject to this proposal (as specified in (3) below)	Performance-linked component	· Directors who serve concurrently as Executive Officers; and Executive Officers
	Fixed component	· Directors who serve concurrently as Executive Officers; and Executive Officers · Directors who do not serve concurrently as Executive Officers

Note: The ratio of the performance-linked component and the fixed component of compensation for Directors who serve concurrently as Executive Officers and for Executive Officers will be 50 percent each. Directors who do not serve concurrently as Executive Officers will only be eligible to receive the fixed component of compensation.

(ii) The effect on the number of outstanding shares from the Company's shares that will be subject to the Delivery, etc. in this proposal	
Upper limit of trust money to be contributed by the Company (as specified in (2) below)	· Total of 1.5 billion yen over the period of three fiscal years Of this amount, the total amount of money to be contributed to acquire the Company's shares to be delivered to Outside Directors will be 25 million yen over the period of three fiscal years (If Item No. 3 is approved as proposed, the upper limit for contribution for one Outside Director for each single fiscal year will be about 2.7 million yen.)
The upper limit of the Company's shares to be delivered, etc. to Directors, etc. (including shares	· Total of 372,000 shares over the period of three fiscal years (of this, the number of shares to be delivered, etc. to Outside Directors will be 6,000 shares over the period of three fiscal years)

subject to conversion into cash) (as specified in (3) below)	· The average number of the Company's shares to be delivered to Directors, etc. for each single fiscal year will be 124,000 shares, which accounts for approximately 0.05% of the number of outstanding shares of the Company (as at December 31, 2017, after deducting treasury shares). · There will be no dilution effect on the Company's shares as those shares are planned to be acquired from the stock market.

(iii) The details of performance achievement conditions with respect to the performance-linked component (as specified in (3) below)	· Performance-linked coefficient will vary between 0% and 200% depending on the level of achievement of performance targets in the medium-term management plan and other factors. · The indicators for evaluating the level of achievement, etc. of performance targets will be consolidated return on capital employed and EBITDA (earnings before interest, tax, depreciation and amortization), etc.

(iv) Timing of the Delivery, etc. of the Company's Shares, etc. to Directors, etc. (as specified in (4) below)	· After the end of the Covered Period (three fiscal years) Provided, however, that Directors, etc. will continue to hold the Company's shares acquired through the Plan until they retire from office.

(2) Upper Limit of Money to be Contributed by the Company

The period covered by the Plan will be three fiscal years, covered by the medium-term management plan set out by the Company (hereinafter referred to as the "Covered Period"). The initial Covered Period will be the three fiscal years starting from the fiscal year ending December 31, 2018 to the fiscal year ending December 31, 2020.

The Company will contribute trust money (*1) up to a total of 1.5 billion yen for each Covered Period as compensation for Directors, etc., and establish a trust with a trust period of three years wherein Directors, etc. who meet the beneficiary requirements will be the beneficiaries (hereinafter referred to as the "Trust"). The Trust will acquire the Company's shares from the stock market using the trust money in accordance with instructions of the Trust administrator. During the Covered Period, the Company will grant points to Directors, etc. as specified in (3) below, and the Company's Shares, etc. equivalent to such points will be delivered, etc. to Directors, etc. from the Trust.

The Trust may be continued by modifying the Trust Agreement and entrusting additional money at the expiry of the Trust period, in lieu of creating a new Trust. In such case, the Trust period

will be extended for a further three years, and the Company will make additional contributions of trust money within the limit of 1.5 billion yen in total, and continue to grant points and make Delivery, etc. of the Company's Shares, etc. to Directors, etc. for each extended Trust period; provided, however, that in cases where such additional contributions are to be made, where there are any of the Company's shares (excluding the Company's shares equivalent to points granted to Directors, etc. that are yet to be delivered, etc.) and money remaining in the trust property (hereinafter referred to as the "Residual Shares, etc.") as of the last day of the Trust period prior to the extension, the sum of the amount of the Residual Shares, etc. and additional trust money to be contributed will be within the upper limit of 1.5 billion yen.

(*1) The amount of trust money will include the funds for the Trust to acquire the Company's shares, trust fees and trust expenses during the Trust period. The upper limit of the total amount of trust money used to acquire the Company's shares to be delivered to Outside Directors will be 25 million yen for each Covered Period.

(3) Calculation Formula and the Upper Limit of the Company's Shares to be Delivered, etc. to Directors, etc.

The number of the Company's shares (including shares subject to conversion into cash) to be delivered, etc. to Directors, etc. will be determined by the number of "share delivery points."

Share delivery points will be calculated in accordance with the following formula based on the base points to be granted to Directors, etc. in accordance with their positions for each fiscal year during the Covered Period. The base points to be granted to Directors who serve concurrently as Executive Officers and to Executive Officers will consist of the performance-linked component and the fixed component, while the base points to be granted to Directors who do not serve concurrently as Executive Officers will consist solely of the fixed component. One share of the Company will be delivered for one share delivery point, and fractions less than one point will be disregarded. However, in cases where the Company conducts a share split or share consolidation, etc. for its shares during the Trust period, the number of the share delivery point and the upper limit of the number of shares to be delivered, etc. as specified below will be adjusted according to the share split ratio or share consolidation ratio, etc.

(i) Performance-linked component

Share delivery points with respect to the performance-linked component to be granted to Directors who serve concurrently as Executive Officers and to Executive Officers will be calculated by cumulating the points equivalent to 50% of the base points to be granted for each fiscal year during the Covered Period and multiplying such cumulative total by the performance-linked coefficient, after the end of the Covered Period.

Cumulative total of 50% of the base points to be granted for each fiscal year × Performance-linked coefficient (*2)

(*2) Performance-linked coefficient will vary between 0% and 200% depending on the level of achievement of performance targets in the medium-term management plan and other factors. The indicators for evaluating the level of achievement, etc. of performance targets will be consolidated return on capital employed and EBITDA (earnings before interest, tax, depreciation and amortization), etc., which are important indicators to achieve performance targets in the medium-term management plan.

(ii) Fixed component

Share delivery points with respect to the fixed component to be granted to Directors who serve concurrently as Executive Officers and to Executive Officers, and to Directors who do not serve concurrently as Executive Officers, respectively, will be calculated as follows:

(Directors who serve concurrently as Executive Officers, and Executive Officers)
Cumulative total of 50% of the base points to be granted for each fiscal year
(Directors who do not serve concurrently as Executive Officers)
Cumulative total of the base points to be granted for each fiscal year

(iii) Share delivery points

Based on (i) and (ii) above, the share delivery points to be granted to Directors who serve concurrently as Executive Officers and to Executive Officers, and to Directors who do not serve concurrently as Executive Officers, respectively, will be calculated as follows.

(Directors who serve concurrently as Executive Officers, and Executive Officers)
Points with respect to the performance-linked component as specified in (i) above
+ Points with respect to the fixed component as specified in (ii) above
(Directors who do not serve concurrently as Executive Officers)
Points with respect to the fixed component as specified in (ii) above

The upper limit of the number of shares (including the Company's shares subject to conversion into cash) to be delivered, etc. to Directors, etc. from the Trust for each Covered Period will be 372,000 shares (*3). This upper limit of the number of shares to be delivered, etc. is set by using the latest share price and other factors as reference in consideration of the upper limit of the amount of trust money as specified in (2) above.

(*3) Of this, the upper limit of the number of the Company's shares to be delivered to Outside Directors will be 6,000 shares for each Covered Period.

(4) Method and Timing of Delivery, etc. of the Company's Shares, etc. to Directors, etc.

Directors, etc. who meet the beneficiary requirements for Beneficiaries will receive the delivery of the Company's shares in the number equivalent to 50% of the share delivery points (shares constituting less than one share unit will be rounded disregarded) after the end of the Covered Period, and receive money equivalent to the Company's shares corresponding to the number of remaining share delivery points that are converted into cash in the Trust. Directors, etc. will continue to hold the Company's shares delivered through the Plan until they retire from office.

If a Director, etc. who meets the beneficiary requirements were to die during the Trust period, the Company's shares that correspond to the share delivery points at the time of his/her death will be converted entirely into cash in the Trust, and the heir of said Director, etc. will receive such cash.

(5) Voting Rights Pertaining to the Company's Shares under the Trust

Voting rights pertaining to the Company's shares under the Trust will not be exercised during the Trust Period to ensure the neutrality of the Company's management.

(6) Other Details of the Plan

Other details of the Plan will be determined at the Board of Directors each time the Trust is established, the Trust Agreement is amended and additional contributions to the Trust are made.

Item 6: Revision of the amount of compensation etc. for Audit & Supervisory Board Member

At the 82nd Ordinary General Meeting of Shareholders held on March 29, 2007, it was resolved that compensation etc. paid to Audit & Supervisory Board Member will be no more than 96 million yen per year, which has been in effect till date. However, taking into account changes in economic condition, levels of compensation in our industry and other factors, we request to revise the amount of compensation etc. for Audit & Supervisory Board Member to be no more than 120 million yen per year.

If Item 4 is approved as proposed, the number of Audit & Supervisory Board Member will be four (4).

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