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ITEMS DISCLOSED ON INTERNET CONCERNING NOTICE OF CONVOCATION OF THE 106TH ANNUAL SHAREHOLDERS' MEETING

- **Business Report**
Basic Policy Regarding Control of the Company

- **Consolidated Financial Statements**
Notes to Consolidated Financial Statements

- **Non-consolidated Financial Statements**
Notes to Non-consolidated Financial Statements

(From April 1, 2019 to March 31, 2020)

Central Glass Co., Ltd.

“Basic Policy Regarding Control of the Company,” “Notes to Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” are provided to shareholders on the Company’s website, pursuant to the provisions of laws and regulations as well as Article 15 of the Company’s Articles of Incorporation.
(<http://www.cgco.co.jp/ir/stockinfo/generalmeeting.html>)

Basic Policy Regarding Control of the Company

(1) Basic policy regarding parties who control decisions on the Company's financial and business policies

(i) Outline of contents of basic policy

The Company believes the shareholders of the Company should be determined through free trading on the market. The Company therefore believes that the judgment on any proposed acquisition of the Company's shares that would involve a transfer of corporate control of the Company should ultimately be based on the free decisions of the shareholders.

However, the Company envisages that the following risks are inherent in a Large-Scale Purchase (defined in (3) (i) below; the same shall apply hereinafter) of the Company's shares: i) the risk that the common interests of its shareholders (hereinafter referred to as the "Shareholder Common Interests") will be clearly damaged in view of the motives of the purchase, the management policies after the purchase and other issues; ii) the risk that shareholders will be, in effect, forced to sell their shares; iii) the risk that the Board of Directors of the Company shall not be given the time reasonably required to provide an alternative business plan, etc. (hereinafter referred to as the "Alternative Plan") to the purchase proposal and business plan proposed by the Large-Scale Purchaser (defined in (3) (i) below; the same shall apply hereinafter); iv) the risk that the Large-Scale Purchase will be conducted without sufficiently providing the information and time reasonably required for shareholders to reach a decision about the contents of the purchase; and v) the risk that the purchase conditions, etc. (including the amount and kind of consideration, the timeframe for the purchase, the legality of the purchase method, the probability of execution of the purchase) are unsatisfactory or inappropriate considering the enterprise value of the Company. Taking the viewpoint that it is important to maximize the Shareholder Common Interests, the Company believes that a Large-Scale Purchaser conducting a Large-Scale Purchase in the manner described above would be an exceptional case, and would be unsuitable as a party that controls the financial and business policy decisions of the Company.

The Company believes it has a duty to maximize the Shareholder Common Interests by returning profit generated by the Company to the shareholders, and that as a general rule, the Company shall be supported by individuals and institutions that have become its shareholders through free trading on the market. However, the Company holds the basic policy that whenever such Shareholder Common Interests are damaged through a Large-Scale Purchase, the Company shall regard the Large-Scale Purchaser conducting the Large-Scale Purchase to be inappropriate as a party that controls the financial and business policy decisions of the Company and it shall take appropriate measures to protect and enhance the Shareholder Common Interests to the extent permitted by laws and regulations and the Articles of Incorporation.

(ii) Background of basic policy's formulation

The Company's business operations consist of a glass business in which it conducts manufacturing, sales and other business related to architectural glass, and automotive glass, glass fibers, among others, and a chemicals business in which it conducts manufacturing, sales and other business related to basic chemical products, fertilizers, and fine chemical products. In order to manage the Company, it is essential to have an understanding of the specialized knowledge, experience and know-how that the Company has accumulated since its establishment in 1936; of the employees; and of the regional communities where the plants and production facilities are located. It is also essential to understand the long-term business relationships that have been built with customers and business partners in

Japan and overseas. Furthermore, the Company is seeking to expand its enterprise value from a medium- to long-term viewpoint through high-priority investment of management resources into high-performance and high-value-added product fields, where growth is expected, particularly fine chemical products. Without an understanding of such business characteristics of the Company, it would be difficult to enhance the Company's enterprise value. Moreover, the Company believes it is necessary to take measures to prevent an abusive purchase in order to maintain and enhance the Shareholder Common Interests, and that it is essential to conduct stable management from a medium- to long-term viewpoint. The Company works to enhance the overall capabilities of the corporate group by improving efficiency throughout all business operations through such measures as the strengthening of production and sales systems and promotion of cost reduction as well as carrying out structural reform in its core businesses, strengthening its R&D and technical development, concentrating management resources on growth sectors and accelerating its overseas business development.

However, in recent times, against the backdrop of developments including the introduction of new legal systems, the situation of the capital market, the changing economic structure and corporate culture, there has been a spate of forcibly executed, unilateral purchases of large quantities of shares that have been carried out without obtaining the consent from the top management of the target company. As a result, the current climate is one in which there is a clear risk that something may occur to impede the maintenance and enhancement of sustainable enterprise value of the Company based on the above-mentioned business relationships, management resources, and the formation of an appropriate corporate group.

Considering these trends, the Company believes that it is necessary to constantly assume that a Large-Scale Purchaser may emerge. Please note that the Company does not hold a negative opinion towards all Large-Scale Purchases.

In light of the aforementioned circumstances, the Company formulated the basic policy as stated in (i) above.

(2) Outline of special efforts contributing to realization of basic policy

As efforts to continue receiving investment in the Company in the medium- to long-term from multiple investors and to enhance the Shareholder Common Interests, the Company makes efforts to enhance the enterprise value through the medium-term plan, etc. as described in (i) below. It also makes efforts to enhance corporate governance based on the basic rationale for corporate governance, etc. as described in (ii) below. By carrying out these efforts, the Shareholder Common Interests are enhanced, and this will be appropriately reflected in the Company's share value. Through doing so, the Company believes it will be difficult for a Large-Scale Purchase that damages the Shareholder Common Interests as mentioned above to occur, and the Company believes these efforts will contribute to the realization of the basic policy mentioned in (1) above.

(i) Efforts to enhance the enterprise value through the medium-term plan, etc.

(a) Basic policy on management of the Central Glass Group

The Central Glass Group has a basic philosophy of "Creating a Better Future through Monozukuri—The Central Glass Group will contribute to the establishment of a truly prosperous Society through the Spirit of Monozukuri." The Group combines this with its basic policy, which prescribes the specific direction in which the Group ought to proceed in order to realize this vision, and together this forms the corporate philosophy of the Central Glass Group.

Monozukuri, meaning product engineering, has been at the heart of the company's business operations since the Central Glass Group's origins. This term is used to convey the common spirit of sincerity that is present throughout the product manufacturing cycle from research and development, to manufacturing and through to sales. We believe it is also fundamental for our efforts to realize further great achievements in the future.

The Group makes every effort to reinforce the underlying strength of its core glass and chemicals businesses, while enhancing and expanding its high-performance and high-value-added lineup by utilizing the Group's own original technology. The Group's basic policy is to enhance corporate value of the Group based on a stable financial position, by promoting the trend toward environmentally-friendly and energy-efficient products, and focusing on improvement of profitability by global business development.

With this policy in mind, the Central Glass Group intends to reform its corporate structure by increasing management efficiency on a Group-wide basis. It also plans to strengthen its R&D capabilities and concentrate management resources on growth sectors in order to enhance the Group's overall capabilities. In addition, based on its policy of Responsible Care, the Central Glass Group fulfills its social responsibilities through its commitment to protecting the environment and ensuring people's safety and health throughout the lifecycle of its products from development through to disposal.

(b) Medium- to long-term management strategy of the Company

The Central Glass Group has formulated a medium-term plan beginning fiscal year 2018. The details of the basic policy and basic strategies are as follows.

Basic policy

Realize new growth through a stronger business foundation and original technology

Basic strategies

- i) Return to a medium- to long-term growth path
- ii) Allocate cash flows based on a well-balanced consideration of shareholder returns, investments and financial discipline
- iii) Continue to strengthen R&D to ensure future growth

(ii) Basic rationale for corporate governance, etc.

(a) Basic rationale for corporate governance

Aiming to further enhance enterprise value and expand revenue, the Company continually works to raise transparency and fairness on a Group-wide basis while working to establish an efficient and logically structured organization that can rapidly respond to changes in the business environment.

(b) Status of the Company's organs and internal control systems, etc.

The Company adopted an executive officer system under which the Board of Directors and the Board of Corporate Auditors forms the basis of corporate governance. By adopting this system, the Company aims to reduce the size of the Board of Directors and realize more efficient and expeditious business operation by separating the function of supervising the decision making and execution of business concerning important business operation from the function of executing business.

In addition, with the aim of enhancing the auditing and supervisory function, Outside Directors and Outside Corporate Auditors, who possess an independent status that ensures no conflicts of interest with general shareholders, are assigned the function and the role of ensuring the fairness of

decision making by the Board of Directors and eliminating arbitrary decision making by the Board of Directors.

At a meeting of the Company's Board of Directors held on May 15, 2006, the Company resolved a basic policy relating to the structure of the internal control system prescribed by the Companies Act. It has been making efforts to establish the internal control system on a Group-wide basis. Partial amendments to the following items of the policy shall be implemented as needed, and the Company applies the policy appropriately.

- Establishment of the Compliance Promotion Committee
- Elimination of unlawful groups
- Election of Outside Directors
- Expansion of the Whistle Blowing System
- Establishment of the system for the appropriate management of confidential information
- The rules concerning the relaying of non-publicly disclosed inside information and the conduct of providing trading recommendations in line with the revised Financial Instruments and Exchange Act
- Maintenance of systems for protecting the appropriateness of business operations within the Group, and maintenance of systems, etc. supporting the audits of Corporate Auditors in line with the revised Companies Act and Regulation for Enforcement of the Companies Act

(3) Outline of framework to prevent parties deemed inappropriate based on the basic policy from taking control of the financial and business policy decisions of the Company

The Company had adopted a basic policy on persons who control decisions on the Company's financial and business policies for the purpose of protecting and enhancing the enterprise value of the Company and, consequently, the Shareholder Common Interests. In light of the policy, the Company had implemented a Countermeasure Policy Against Large-Scale Purchases of the Company's Shares (hereinafter the "Plan") in an effort to prevent decisions on the Company's financial and business policies from being controlled by inappropriate persons.

However, economic conditions, market trends, and the business environment surrounding the Company, including its shareholder composition, have changed since the introduction of the Plan, and discussions about takeover defense measures have progressed since the establishment of the Corporate Governance Code and the Japanese version of the Stewardship Code. After carefully considering these changes, the Company decided to abolish the Plan, instead of continuing it, as of the conclusion of the 105th Annual Shareholders' Meeting of the Company held on June 27, 2019, upon its expiration. Even after the abolishment of the Plan, the Company will continue to endeavor to enhance its enterprise value and, ultimately, the Shareholder Common Interests. In addition, if any parties try to make a Large-Scale Purchase of shares, the Company will request that the Large-Scale Purchaser provide the necessary and sufficient information while implementing proper measures based on the Financial Instruments and Exchange Act, Companies Act, and other applicable laws and regulations such as disclosing the opinions of the Board of Directors and ensuring the time necessary for the shareholders to examine the purchase so that they can make an appropriate decision whether to accept such a purchase.

(4) Opinions of the Company's Board of Directors on (2) and (3) above

The Board of Directors considers that the implementations stated in (2) and (3) above both comply with the basic policy stated in (1) above, and they are consistent with the enterprise value of the Company and Shareholder Common Interests. Accordingly, the Company believes that these efforts do not

damage the Shareholder Common Interests, and that they are not intended to maintain the positions of the Company's Directors.

Notes to Consolidated Financial Statements

I Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 25

Names of major consolidated subsidiaries:

Carlex Glass America, LLC and 24 other companies

Central Glass Sales Co., Ltd., a consolidated subsidiary of the Company, carried out an absorption-type merger of Takada Co., Ltd., which was an unconsolidated subsidiary of the Company, during the fiscal year under review.

- (2) Number of unconsolidated subsidiaries and names, etc. of major unconsolidated subsidiaries

Number of unconsolidated subsidiaries: 12

Names of major unconsolidated subsidiaries:

Central Glass Korea Co., Ltd. and 11 other companies

Reason for exclusion from the scope of consolidation:

Since the amounts of the accounts of the unconsolidated subsidiaries, such as total assets and net sales after elimination of inter group company transactions, etc., as well as profit or loss (amount corresponding to the Company's interest) and retained earnings (amount corresponding to the Company's interest) are all minimal, their impacts on the Company's consolidated financial statements are immaterial.

2. Application of the equity method

- (1) Number of unconsolidated subsidiaries and associates accounted for by the equity method and names of major such companies

Number of associates accounted for by the equity method: 6

Names of major such associates:

Saint-Gobain Central Sekurit (Qingdao) Co., Ltd. and 5 other companies

Changes during the fiscal year:

Change from associates not accounted for by the equity method due to materiality 1
Jiangxi Tinci Central advanced materials Co., Ltd.

- (2) Number of unconsolidated subsidiaries and associates not accounted for by the equity method and names of major such companies

Number of unconsolidated subsidiaries not accounted for by the equity method: 12

Names of major such unconsolidated subsidiaries:

Central Glass Korea Co., Ltd. and 11 other companies

Number of associates not accounted for by the equity method: 12

Names of major such associates:

Takara Kasei Chemical Industry Co., Ltd. and 11 other companies

Reason for not applying equity method:

Since the unconsolidated subsidiaries and associates to which the equity method was not applied would give only a minimal impact on the consolidated financial statements when removed, judging from profit or loss (amount corresponding to the Company's interest), retained earnings (amount corresponding to the Company's interest) and the like, and they are not material as a whole, they are removed from the scope to which the equity method is applied.

3. Fiscal year-ends, etc. of consolidated subsidiaries

The fiscal year of Carlex Glass America, LLC and other thirteen consolidated subsidiaries ends on December 31.

In the preparation of the consolidated financial statements, the financial statements as of the balance sheet date of each of these subsidiaries are used. However, adjustments necessary for consolidation are made for any significant transactions occurring between January 1 and the consolidated balance sheet date of March 31.

4. Accounting policies

(1) Bases and methods of valuation for significant assets

(i) Securities

Available-for-sale securities (securities classified as other securities)

Available-for-sale securities with readily determinable fair values

Stated at fair value based on the market price or the like on the balance sheet date, with related unrealized valuation gains or losses included in a separate component of net assets, and the cost of securities sold determined by the moving-average method (gross average method for some consolidated subsidiaries).

Available-for-sale securities without readily determinable fair values

Stated at cost determined by the moving-average method (stated at cost determined by the gross average method for some consolidated subsidiaries).

(ii) Derivatives

Stated at fair value.

(iii) Inventories

Mainly stated at cost determined by the gross average method (amounts on the balance sheet are calculated based on the method of reducing the book value in accordance with the declining in profitability of assets).

(2) Depreciation methods for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Depreciated by the straight-line method.

Useful lives of principal property, plant and equipment are primarily as follows:

Buildings and structures: 2 to 60 years

Machinery, equipment and vehicles: 2 to 22 years

(ii) Intangible assets (excluding leased assets)

Depreciated by the straight-line method.

Software for internal use is depreciated over the internally useful period of five years.

(iii) Leased assets

Depreciation is calculated by the straight-line method assuming the lease periods as useful lives with zero residual value.

(3) Accounting for significant allowances and provisions

(i) Allowance for doubtful accounts

To prepare for loss from uncollectible credits including notes and accounts receivable - trade and loans receivable, the estimated uncollectible amount is provided using past experience of

uncollectible credits in the case of general credits, or by basing estimations on individual considerations of collectability in the case of specific credits such as highly doubtful credits.

(ii) Provision for bonuses

To make an allocation for bonuses to be paid to employees, the amount to be borne during the fiscal year under review is provided based on an estimated payment amount. However, for some consolidated subsidiaries, an estimated payment amount based on actual payments is provided.

(iii) Provision for retirement benefits for directors (and other officers)

To prepare for the payment of retirement benefits for directors (and other officers), the amount required to be paid at the end of the fiscal year under review based on internal regulations is provided.

(iv) Provision for special repairs

To prepare for expenditure on periodical repairs including those for glass melting furnaces, an amount is provided that takes into consideration the estimated cost of the next repair and the projected operating period until such next repair.

(v) Provision for business restructuring

A reasonable estimate is recorded regarding expenses and losses that are expected to be generated in connection with the business restructuring.

(vi) Provision for environmental measures

To prepare for expenditure on the disposal of polychlorinated-biphenyl (PCB), a reasonable estimate is recorded.

(vii) Provision for customer compensation expenses

An amount that can be reasonably estimated is recorded regarding expenses and losses on compensation for customers, etc. that are expected to be incurred going forward.

(4) Other significant matters forming the basis of preparation of consolidated financial statements

(i) Accounting method pertaining to retirement benefits

(a) Method of attributing expected retirement benefits to periods

When calculating retirement benefit obligations, the benefit formula basis is used to allocate expected retirement benefit payments to the period as of the end of the fiscal year under review.

(b) Amortization of actuarial gains and losses

Actuarial gains or losses are amortized by the straight-line method (principally over thirteen years) based on the average remaining employees' service years at each fiscal year, and their amortizations start from the following fiscal year of the respective accrual years.

(c) Application of simplified accounting method used by small companies

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of retirement benefit liability and retirement benefit expenses is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

(ii) Standards on recognition of significant revenues and expenses

Standards for recognizing sales and cost of sales of completed construction contracts

For construction contracts whose outcome by the end of the fiscal year under review is deemed

to be certain during the course of the activity, the percentage of completion method is applied, while the completed contract method is applied for other construction contracts.

Estimates of percentage of outcomes at the end of the fiscal year under review for construction to which the percentage of completion method is applied are made using the cost-to-cost method.

(iii) Policy for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates prevailing at the consolidated balance sheet date, and the effects of such spot exchange rates are charged or credited to income.

The assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date, while revenues and expenses thereof are translated into Japanese yen at the average exchange rate for the fiscal year, and the translation differences are included in foreign currency translation adjustments and non-controlling interests under net assets.

(iv) Method of significant hedge accounting

(a) Method of hedge accounting

In principle, deferred hedge accounting is applied. Regarding the interest swaps that satisfy the requirements for special treatment, such special treatment is applied.

(b) Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting is applied are as follows:

1. Hedging instruments: commodity swap contracts

Hedged items: fuel oil

2. Hedging instruments: interest swap

Hedged items: borrowings

(c) Hedging policy

Hedges carried out are limited to receivables, payables and transactions within the range of actual demand for the purpose of avoiding future fluctuations risks in interest rates, exchange rates, product prices, and so on, and transactions for speculative purposes are not carried out.

(d) Evaluation of hedge effectiveness

The effectiveness of hedging is evaluated by comparing, on a quarterly basis, changes in the fair values of hedged items or cumulative changes in cash flows of the hedged items, with changes in the fair values of hedging instruments or cumulative changes in cash flows of the hedging instruments, and basing the evaluation on the amounts of both changes. However, regarding interest-rate swaps subject to special treatment, the evaluation of their effectiveness has not been made.

(v) Method and period for amortization of goodwill

Goodwill is amortized over twenty years or less under the straight-line method depending on the reasons for recognition of goodwill; provided, however, that goodwill of immaterial amounts is written off in one lump sum.

(vi) Accounting treatment of consumption taxes

Consumption taxes are accounted for using the tax exclusion method.

(vii) Application of consolidated taxation system

The consolidated taxation system is applied.

(viii) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established by the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in accordance with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries do not apply the provision of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision, pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, issued on March 31, 2020).

II Change in Accounting Policies

Change in the method of converting revenues and expenses of foreign subsidiaries into Japanese Yen

Although revenues and expenses of foreign subsidiaries were previously converted into Japanese Yen at the spot exchange rates of the settlement date, starting from the fiscal year ended March 31, 2020, revenues and expenses are calculated based on the average exchange rate for the applicable period. The Company made the above change to mitigate the effect of temporary exchange rate fluctuations on profit or loss due to the increased importance of foreign subsidiaries, thereby reflecting the results of foreign subsidiaries more appropriately in the Consolidated Financial Statements.

This change in accounting policies was retrospectively applied and its cumulative effect reflected in the book value of net assets at the beginning of the fiscal year under review. As a result, retained earnings at the beginning of this period decreased by 60 million Japanese Yen and foreign currency translation adjustments at the beginning of this period increased by the same amount in the Consolidated Statement of Changes in Equity.

III Notes to Consolidated Statement of Income

1. Business restructuring expenses

The breakdown of business restructuring expenses recorded in the current fiscal year is as follows.

Loss on abandonment of non-current assets	¥197 million
Loss on sale of businesses	¥197 million
Site closure expenses	¥123 million
Impairment loss on non-current assets (Note)	¥51 million
Other	¥31 million
Total	¥602 million

Note: The details of the impairment loss on non-current assets included in business restructuring expenses are provided in “2. Impairment loss.”

2. Impairment loss

During the fiscal year under review, the Group recorded impairment loss on the following asset groups.

Place	Purpose	Asset category	Impairment loss (Millions of yen)	Accounting items in Consolidated Statement of Income
Ube City, Yamaguchi Prefecture and other	Idle assets	Buildings and structures, Machinery, equipment and vehicles, Land, and other	150	Impairment loss
–	–	Goodwill and other	51	Business restructuring expenses

For properties for business use, the Group groups properties according to the business relationship based on the business unit and for idle assets, the Group groups properties on an individual basis.

Concerning idle assets that are not expected to be used in the future, the Group reduced their book values to recoverable values. This reduction is recognized as an impairment loss under extraordinary losses, and consists of 41 million Japanese Yen for buildings and structures, 97 million Japanese Yen for machinery, equipment and vehicles, and 11 million Japanese Yen for other. The recoverable value is measured at net realizable value, to be zero.

Concerning the goodwill, their book values were reduced to recoverable values as excess earning power has been lost, and the reduction is recognized as business restructuring expenses under extraordinary losses. The recoverable value is measured at use value, to be zero, because no future cash flow is expected.

IV Notes to Consolidated Statement of Changes in Equity

1. Class and total number of shares issued at end of fiscal year under review

	Number of shares at beginning of fiscal year under review (shares)	Number of shares increased in fiscal year under review (shares)	Number of shares decreased in fiscal year under review (shares)	Number of shares at end of fiscal year under review (shares)
Shares issued				
Common shares	42,975,995	–	–	42,975,995

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 22, 2019 (Note 1)	Common shares	2,023	50.00	March 31, 2019	June 6, 2019
Meeting of Board of Directors held on October 31, 2019 (Note 2)	Common shares	1,517	37.50	September 30, 2019	December 2, 2019

(Note 1) Total amount of dividends does not include 1 million Japanese Yen dividends payable to subsidiaries and associates.

(Note 2) Total amount of dividends does not include 1 million Japanese Yen dividends payable to subsidiaries and associates.

(2) Dividend payments for which the record date is in the fiscal year under review and the effective date is in the following fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 21, 2020 (Note)	Common shares	1,517	Retained earnings	37.50	March 31, 2020	June 5, 2020

(Note) Total amount of dividends does not include 1 million Japanese Yen dividends payable to subsidiaries and associates.

V Financial Instruments

1. Conditions of financial instruments

The Group limits its investments to short-term deposits, etc., and its policy is to carry out procurement of funds by means of bank loans and bonds.

For customer credit risk pertaining to notes and accounts receivable - trade, the Group works to reduce risk in accordance with its credit control regulations. Investment securities mainly consist of shares, and for listed shares the market price is monitored every quarter.

Loans payable are used for working capital (primarily short-term) and capital investments (long-term).

Derivatives are used within the range of actual demand, in accordance with internal management regulations.

2. Fair values of financial instruments

The values recorded on the consolidated balance sheet, the fair values, and the differences between the two values as of March 31, 2020 (the account closing date for consolidated financial statements for the fiscal year under review), are as follows. Items whose fair values are deemed extremely difficult to determine are not included in the following table (please refer to Note 2).

(Millions of yen)

	Value recorded on consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Cash and deposits	26,256	26,256	—
(2) Notes and accounts receivable - trade	50,933	50,933	—
(3) Investment securities	23,328	23,328	—
(4) Notes and accounts payable - trade	(20,779)	(20,779)	—
(5) Short-term loans payable	(14,399)	(14,399)	—
(6) Bonds payable	(30,400)	(30,391)	8
(7) Long-term loans payable	(16,310)	(16,274)	35
(8) Derivatives (*2)	(535)	(535)	—

(*1) Items recorded under liabilities are shown in parentheses.

(*2) Receivables and payables arising out from derivative transactions are shown on the net basis.

Notes: 1. Method of fair value measurement of financial instruments and matters regarding securities and derivative transactions

(1) Cash and deposits and (2) Notes and accounts receivable - trade

Since these items are settled in a short period of time, their fair values are close to their book values. Accordingly, their fair values are determined to be their book values.

(3) Investment securities

The fair values of shares are based on the prices traded at the stock exchange.

(4) Notes and accounts payable - trade and (5) Short-term loans payable

Since these items are settled in a short period of time, their fair values are close to their book values. Accordingly, their fair values are determined to be their book values.

(6) Bonds payable

Regarding the fair values of bonds issued by the Company, those with market value are determined to be the market value, and those without market value are recorded at a present value derived by discounting the aggregate value of principal and interest using the interest rate that would be applicable for similar bonds to be issued.

(7) Long-term loans payable

The fair values of long-term loans payable are recorded at a present value derived by discounting the aggregate value of principal and interest using the interest rate that would be applicable for similar new loans.

The long-term loans payable subject to the special treatment of interest-rate swap are determined by discounting the aggregate value of principal and interest that was treated together with the said interest-rate swap using the interest rate that would be reasonably applicable for similar borrowings.

(8) Derivatives

The fair values of derivative transactions are based on prices indicated by financial institutions and other such entities with which the Company does business.

2. Since unlisted shares, etc. (consolidated balance sheet value: 10,902 million Japanese Yen) do not have market prices and thus their fair values are deemed extremely difficult to determine, they are not included in “(3) Investment securities.”

VI Investment and Rental Properties

1. Conditions of investment and rental properties

The Company and some of its subsidiaries own, in Tokyo and other regions, logistics warehouses for rental purposes, commercial facilities (including land) for rental purposes, and idle properties.

2. Fair value of investment and rental properties

(Millions of yen)

Value recorded on consolidated balance sheet	Fair value
2,877	8,824

Notes: 1. The value recorded on consolidated balance sheet is calculated by subtracting accumulated depreciation and accumulated impairment loss from acquisition cost.

2. The fair value for major properties as of the end of the fiscal year under review is measured based on the appraisal report prepared by an outside real estate appraiser, and for other properties, which have low significance, values, etc. the deemed fair value therefor is based on certain estimated amounts and indicators thought to appropriately reflect the market.

VII Per-Share Information

- | | |
|-------------------------|-----------|
| 1. Net assets per share | ¥3,978.44 |
| 2. Earnings per share | ¥ 158.59 |

VIII Significant Subsequent Events

No items to report.

IX Others

Amounts are rounded down to the nearest million yen.

Notes to Non-consolidated Financial Statements

I Significant Accounting Policies

1. Bases and methods of valuation for assets

(1) Securities

Shares of subsidiaries and shares of associates

Stated at cost determined by the moving-average method.

Available-for-sale securities (securities classified as other securities)

Available-for-sale securities with readily determinable fair values

Stated at fair value based on the market price or the like on the balance sheet date, with related unrealized valuation gains or losses included in a separate component of net assets, and the cost of securities sold determined by the moving-average method.

Available-for-sale securities without readily determinable fair values

Stated at cost determined by the moving-average method.

(2) Derivatives

Stated at fair value.

(3) Inventories

Mainly stated at cost determined by the gross average method (amounts on the balance sheet are calculated based on the method of reducing the book value in accordance with the declining in profitability of assets).

2. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciated by the straight-line method.

Useful lives of principal property, plant and equipment are primarily as follows:

Buildings:	3 to 50 years
Machinery and equipment:	4 to 22 years

(2) Intangible assets (excluding leased assets)

Depreciated by the straight-line method.

Software for internal use is depreciated over the internally useful period of five years.

(3) Leased assets

Depreciation is calculated by the straight-line method assuming the lease periods as useful lives with zero residual value.

3. Accounting for allowances and provisions

(1) Allowance for doubtful accounts

To prepare for loss from uncollectible credits including notes and accounts receivable - trade and loans receivable, the estimated uncollectible amount is provided using past experience of uncollectible credits in the case of general credits, or by basing estimations on individual considerations of collectability in the case of specific credits such as highly doubtful credits.

(2) Provision for bonuses

To make an allocation for bonuses to be paid to employees, the amount to be borne during the fiscal year under review is provided based on an estimated payment amount.

(3) Provision for retirement benefits

To prepare for employees' retirement benefits, an amount is provided based on the estimated amounts of retirement benefit obligations and pension assets as of the end of the fiscal year under review.

Please note that in calculating retirement benefits, the standard benefit formula is used as the method that imputes the expected amount of the benefits to the periods up to the fiscal year under review. Actuarial gains or losses are amortized using the straight-line method over a certain number of years (thirteen years) set within the average remaining service period of employees as occurred, starting in the respective following fiscal years.

Accounting treatment of unrecognized actuarial gains or losses related to retirement benefits is different from the accounting treatment used in the consolidated financial statements.

(4) Provision for special repairs

To prepare for expenditure on periodical repairs including those for flat glass manufacturing facilities including glass melting furnaces, an amount is provided that takes into consideration the estimated cost of the next repair and the projected operating period until such next repair.

(5) Provision for business restructuring

A reasonable estimate is recorded regarding expenses and losses that are expected to be generated in connection with the business restructuring.

(6) Provision for environmental measures

To prepare for expenditure on the disposal of polychlorinated-biphenyl (PCB), a reasonable estimate is recorded.

(7) Provision for customer compensation expenses

An amount that can be reasonably estimated is recorded regarding expenses and losses on compensation for customers, etc. that are expected to be incurred going forward.

4. Other significant matters forming the basis of preparation of non-consolidated financial statements

(1) Policy for translation of foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date, and the effects of such spot exchange rates are charged or credited to income.

(2) Method of hedge accounting

In principle, deferred hedge accounting is applied. Regarding the interest swaps that satisfy the requirements for special treatment, such special treatment is applied.

(3) Accounting treatment of consumption taxes

Consumption taxes are accounted for using the tax exclusion method.

(4) Application of consolidated taxation system

The consolidated taxation system is applied.

(5) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established by the "Act Partially Amending the

Income Tax Act” (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in accordance with the transition to the group tax sharing system, the Company does not apply the provision of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision, pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, issued on March 31, 2020).

II Notes to Non-consolidated Balance Sheet

1. Guarantee obligation

Joint guarantee obligation for bank loans, etc.

Central Glass America, Inc.	¥6,938 million
Others (5 contracts)	¥3,105 million
Total	¥10,044 million

2. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables:	¥29,211 million
Long-term monetary receivables:	¥6,168 million
Short-term monetary payables:	¥13,903 million
Long-term monetary payables:	¥30 million

III Notes to Non-consolidated Statement of Income

1. Amount of business with subsidiaries and associates

Net sales:	¥45,044 million
Purchase of goods:	¥22,619 million
Amount of non-operational transactions:	¥3,073 million

2. Business restructuring expenses

Loss on abandonment of non-current assets	¥197 million
Site closure expenses	¥122 million
Other	¥80 million
Total	¥401 million

IV Notes to Non-consolidated Statement of Changes in Equity

Class and number of treasury shares at the end of the fiscal year under review

Common shares:	2,474,443 shares
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V Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for retirement benefits	¥1,063 million
Provision for special repairs	¥1,954 million

Impairment loss	¥3,213 million
Others	¥2,416 million
Subtotal deferred tax assets	<u>¥8,647 million</u>
Valuation allowance	(¥1,217 million)
Total deferred tax assets	<u>¥7,430 million</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(¥4,463 million)
Others	(¥618 million)
Total deferred tax liabilities	<u>(¥5,081 million)</u>
Net deferred tax assets	<u>¥2,349 million</u>

VI Related Party Transactions

(Millions of yen)

Attribute	Name	Ratio of voting rights holding	Business relationship	Transaction contents	Transaction amount	Account item	Balance at end of period
Subsidiaries	Central Glass Sales Co., Ltd.	100% holding directly	Sale of products	Sale of products (Note 1)	13,390	Accounts receivable - trade	6,071
	Central Saint-Gobain Co., Ltd.	65% holding directly	Sale of products	Sale of products (Note 1)	22,699	Accounts receivable - trade	7,940
				Borrowing of money (Note 2)	4,045	Short-term loans payable	4,220
	Central Chemical Co., Ltd.	100% holding directly	Purchase of products	Lending of money (Note 2)	6,895	Short-term loans receivable	4,560
						Long-term loans receivable	2,747
Central Glass America, Inc.	100% holding directly	—	Debt guarantee (Note 3)	6,938	—	—	

Notes: 1. Conditions of sale of products are determined through negotiations taking general trading conditions into account. The transaction amount does not include consumption tax, etc., but the balance at the end of the period includes consumption tax, etc.

2. Lending and borrowing of money pertains to loans between Group companies, and interest rates are determined reasonably in consideration of market interest rates. For transaction amounts, the average balance during the fiscal year is indicated.

Collateral is not provided or received for such loans.

3. Debt guarantees consist of guarantees on borrowings, etc. from financial institutions.

VII Per-Share Information

1. Net assets per share	¥3,691.97
2. Earnings per share	¥126.04

VIII Significant Subsequent Events

No items to report.

IX Others

Amounts are rounded down to the nearest million yen.