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## **ITEMS DISCLOSED ON INTERNET CONCERNING NOTICE OF CONVOCATION OF THE 107<sup>TH</sup> 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, 2020 to March 31, 2021)**

**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.  
(<https://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 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; 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, automotive glass and 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 high-priority investment of management resources into 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 covering fiscal year 2018 to fiscal year 2020. 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\*

\*Due to the difficulty in anticipating special factors such as the impact of COVID-19 and the progress of structural reforms in the glass business, the Company plans to formulate its next medium-term plan covering the period 2022 to 2024.

(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 form 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 will endeavor to enhance its enterprise value and, ultimately, protect and enhance the Shareholder Common Interests based on the basic policy of the Company. 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:                        | 26 |
| Names of major consolidated subsidiaries:                   |    |
| Carlex Glass America, LLC and 25 other companies            |    |
| Changes during the fiscal year:                             |    |
| Change from non-consolidated subsidiary due to materiality: | 1  |
| Central Glass Korea Co., Ltd.                               |    |
- (2) Number of unconsolidated subsidiaries and names, etc. of major unconsolidated subsidiaries
- |   |    |
|---|----|
| Number of unconsolidated subsidiaries:  | 10 |
| Names of major unconsolidated subsidiaries:   |    |
| Sowa Transportation Warehouse Co., Ltd. and 9 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 |   |
- (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:   | 10 |
| Names of major unconsolidated subsidiaries:   |    |
| Sowa Transportation Warehouse Co., Ltd. and 9 other companies   |    |
| Number of associates not accounted for by the equity method:  | 12 |
| Names of major such associates:   |    |
| Zhejiang Britech Central Glass 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 fourteen 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.

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.
- (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 net 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 adjustment 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) Accounting treatment of consumption taxes

Consumption taxes are accounted for using the tax exclusion method.

- (vi) Application of consolidated taxation system

The consolidated taxation system is applied.

- (vii) 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 Notes to Changes in Presentation Method**

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review, and Notes on Accounting Estimates has been provided under Notes to Consolidated Financial Statements.

## **III Notes on Accounting Estimates**

### **Impairment of non-current assets**

#### **1. Amount recorded in consolidated financial statements for the consolidated fiscal year under review**

Impairment loss: 3,350 million yen

Note: Part of the impairment loss above is included in business restructuring expenses.

#### **2. Information to help understand accounting estimates**

In principle, when declaring impairment of non-current assets, the Group groups business properties according to relationships to business units, while the Group groups idle assets by individual unit. The Group then determines whether or not there are signs of impairment of each asset group and recognizes and measures any impairment loss. When recognizing and measuring impairment, the Group compares the book value and the recoverable value. In the case that the recoverable value is below the book value, the book value of the non-current assets is impaired to the recoverable value, and the decrease is recorded as an impairment loss. The recoverable value of each asset group is calculated based on net realizable value or use value, whichever is higher. When calculating use value, the current value is calculated each year by estimating future cash flow based on a business plan that takes into account the latest budget, business growth, and a certain level of uncertainty and applies an appropriate discount rate.

In the consolidated fiscal year under review, losses generated by sales activities in the domestic architectural glass business are expected to continue. In addition, there were signs of impairment of glass manufacturing facilities, and after considering the recoverability, an impairment loss was recognized. When calculating future cash flow, structural improvement measures including reducing the production scale are incorporated as the market surrounding the domestic architectural glass business is expected to shrink.

Additionally, an impairment loss has been recognized for idle assets not expected to be used in the future.

The recoverable value of non-current assets is calculated based on assumptions that include future cash flow, discount rate, and business growth according to management’s judgment. In the event that changes in the business plan or the market environment affect those assumptions, impairment loss may occur in the following fiscal year or thereafter.

The Group judges that at this point in time, COVID-19 is not exerting any significant impact on accounting estimates.

#### IV Notes to Consolidated Statement of Income

##### 1. Business restructuring expenses

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

|  |                |
|--|----------------|
| Impairment losses  | ¥535 million   |
| Loss on withdrawal from business   | ¥364 million   |
| Business integration expenses related to domestic architectural glass business | ¥111 million   |
| Loss on abandonment of non-current assets                                      | ¥98 million    |
| Loss on sale of businesses   | ¥22 million    |
| Site closure expenses  | ¥17 million    |
| Other  | ¥11 million    |
| Total  | ¥1,161 million |

Note: The details of the impairment losses included in business restructuring expenses are provided in “2. Impairment losses.”

##### 2. Impairment losses

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

| Place                                    | Purpose                        | Asset category   | Impairment losses (Millions of yen) | Accounting items in Consolidated Statement of Income |
|--|--------------------------------|--|-------------------------------------|--|
| Matsusaka City, Mie Prefecture and other | Glass manufacturing facilities | Buildings and structures, Machinery, equipment and vehicles, Land, and other | 2,767                               | Impairment losses                                    |
| Sakai City, Osaka and others             | Idle assets                    | Buildings and structures, Machinery, equipment and vehicles, and other       | 583                                 | Business restructuring expenses and impairment loss  |

In principle, the Group groups business properties according to the business relationship based on the business unit and the Group groups idle assets by individual basis.

Concerning glass manufacturing facilities, for asset groups whose earning capacity has significantly lowered and whose recoverable value is less than their book value, the Group reduced their book values to recoverable values and recorded the decrease under extraordinary losses as impairment loss. The recoverable values for the said asset groups are estimated based on the use value, discounting the future cash flow by 4.88%.

Concerning idle assets that are not expected to be used in the future, the Group reduced their book values to recoverable values and recorded the decrease under extraordinary losses as business restructuring expenses and impairment loss. The recoverable value is measured at use value, and the book value is reduced to memorandum value because no future cash flow is not expected.

The breakdown of impairment loss is as follows:

|                                   |                |
|-----------------------------------|----------------|
| Buildings and structures          | ¥1,832 million |
| Machinery, equipment and vehicles | ¥1,151 million |
| Other                             | ¥366 million   |
| <hr/>                             |                |
| Total                             | 3,350          |

## V 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 21, 2020 (Note 1)     | Common shares   | 1,517                                       | 37.50                     | March 31, 2020     | June 5, 2020     |
| Meeting of Board of Directors held on October 30, 2020 (Note 2) | Common shares   | 1,517                                       | 37.50                     | September 30, 2020 | December 1, 2020 |

(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 24, 2021 (Note) | Common shares   | 1,517                                       | Retained earnings   | 37.50                     | March 31, 2021 | June 8, 2021   |

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

## VI 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 borrowings and bonds.

For customer credit risk pertaining to notes and accounts receivable - trade, which are operating receivables, the Group works to reduce risk in accordance with its sales control regulations. Investment securities mainly consist of shares, and we examine each individual issue and consider selling issues that do not contribute to the enhancement of the Company's corporate value over the medium- to long-term, to promote the reduction of investment securities.

Notes and accounts payable - trade that are operating payables have payment dates due within one year.

For borrowings and bonds payable, short-term borrowings are mainly for raising funds related to operating activities, while long-term borrowings and bonds payable are mainly for raising funds related to capital investment.

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

### 2. Fair values of financial instruments

The value recorded on consolidated balance sheet, the fair values, and the differences between the two values as of March 31, 2021 (the consolidated balance sheet date 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).

|   | Value recorded on consolidated balance sheet (*1) | Fair value (*1) | Difference |
|---|---|-----------------|------------|
| (1) Cash and deposits                     | 27,975  | 27,975          | -          |
| (2) Notes and accounts receivable - trade | 47,470  | 47,470          | -          |
| (3) Investment securities                 | 31,152  | 31,152          | -          |
| (4) Notes and accounts payable - trade    | (18,493)  | (18,493)        | -          |
| (5) Short-term borrowings                 | (8,419)   | (8,419)         | -          |
| (6) Current portion of bonds payable      | (10,400)  | (10,400)        | -          |
| (7) Bonds payable                         | (20,000)  | (19,947)        | 53         |
| (8) Long-term loans payable               | (23,884)  | (23,858)        | 25         |
| (9) Derivatives (*2)                      | 181   | 181             | -          |

(\*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, (5) Short-term loans payable, (6) Current portion of bonds 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.

(7) Bonds payable

The fair values of bonds issued by the Company are calculated using market value.

(8) Long-term loans payable

The fair values of long-term borrowings 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 borrowings.

The long-term borrowings 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.

(9) 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: 11,362 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.”

## VII 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 |
|--|------------|
| 2,509  | 9,391      |

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

2. The fair value for major properties as of the end of the fiscal year under review is measured by the Company based on the appraisal report prepared by an outside real estate appraiser (including those which are estimated by employing the land price index with necessary adjustments, if any), 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.

## VIII Per-Share Information

|                         |           |
|-------------------------|-----------|
| 1. Net assets per share | ¥4,091.41 |
| 2. Earnings per share   | ¥30.40    |

## IX Significant Subsequent Events

No items to report.

## X 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.

**4. Other significant matters forming the basis of preparation of 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 Changes in Presentation Method

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied from the current fiscal year, and (Notes on Accounting Estimates) has been provided under Notes to Consolidated Financial Statements.

## III Accounting Estimates

### Impairment of non-current assets

#### 1. Amount recorded in financial statements for fiscal year under review

Impairment loss: 2,857 million yen

Note: Part of the impairment loss above is included in business restructuring expenses.

#### 2. Information to help understand accounting estimates

Omitted here as it is provided under Notes to Consolidated Financial Statements.

## IV Notes to Non-consolidated Balance Sheet

### 1. Guarantee obligation

Joint guarantee obligation for bank borrowings, etc.

|                            |                |
|----------------------------|----------------|
| Central Glass Germany GmbH | ¥1,258 million |
| Others (1 contract)        | ¥194 million   |
| Total                      | ¥1,453 million |

### 2. Monetary receivables from and payables to subsidiaries and associates

|                                  |                 |
|----------------------------------|-----------------|
| Short-term monetary receivables: | ¥31,190 million |
| Long-term monetary receivables:  | ¥4,365 million  |
| Short-term monetary payables:    | ¥12,978 million |
| Long-term monetary payables:     | ¥2 million      |

## V Notes to Non-consolidated Statement of Income

### 1. Amount of business with subsidiaries and associates

|   |                 |
|---|-----------------|
| Net sales:                              | ¥40,695 million |
| Purchase of goods:                      | ¥19,233 million |
| Amount of non-operational transactions: | ¥2,636 million  |

## 2. Business restructuring expenses

|  |                     |
|--|---------------------|
| Impairment losses  | ¥391 million        |
| Business integration expenses related to domestic architectural glass business | ¥111 million        |
| Loss on abandonment of non-current assets                                      | ¥108 million        |
| Site closure expenses  | ¥17 million         |
| Other  | ¥11 million         |
| Total  | <u>¥640 million</u> |

## VI Notes to Statement of Changes in Equity

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

|               |                  |
|---------------|------------------|
| Common shares | 2,475,671 shares |
|---------------|------------------|

## VII Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

|   |                         |
|---|-------------------------|
| Deferred tax assets                                   |                         |
| Provision for retirement benefits                     | ¥1,046 million          |
| Provision for special repairs                         | ¥944 million            |
| Impairment losses                                     | ¥3,650 million          |
| Others  | ¥2,201 million          |
| Subtotal deferred tax assets                          | <u>¥7,843 million</u>   |
| Valuation allowance                                   | <u>(¥1,257 million)</u> |
| Total deferred tax assets                             | ¥6,585 million          |
| Offset to deferred tax liabilities                    | (¥6,585 million)        |
| Net deferred tax assets                               | -                       |
| Deferred tax liabilities                              |                         |
| Valuation difference on available-for-sale securities | (¥7,244 million)        |
| Others  | (¥675 million)          |
| Total deferred tax liabilities                        | <u>(¥7,919 million)</u> |
| Offset to deferred tax assets                         | <u>(¥6,585 million)</u> |
| Net deferred tax liabilities                          | <u>(¥1,334 million)</u> |

## VIII 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) | 11,355             | Accounts receivable - trade | 5,229                    |
|              | Central Saint-Gobain Co., Ltd. | 65% holding directly           | Sale of products      | Sale of products (Note 1) | 18,803             | Accounts receivable - trade | 5,746                    |
|              | Central Chemical Co., Ltd.     | 100% holding directly          | Purchase of products  | Lending of money (Note 2) | 6,772              | Short-term loans receivable | 5,480                    |
|              |                                |                                |                       |                           |                    | Long-term loans receivable  | 2,095                    |
|              | Central Glass America, Inc.    | 100% holding directly          | Lending of money      | Lending of money (Note 2) | 3,672              | Short-term loans receivable | 4,291                    |
|              | Central Glass Czech s.r.o.     | 100% holding directly          | Sale of products      | Lending of money (Note 2) | 2,377              | Short-term loans receivable | 2,788                    |

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 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 received for such loans.

## IX Per-Share Information

- |                         |           |
|-------------------------|-----------|
| 1. Net assets per share | ¥3,915.22 |
| 2. Earnings per share   | ¥127.51   |

## X Significant Subsequent Events

No items to report.

## XI Others

Amounts are rounded down to the nearest million yen.