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ITEMS DISCLOSED ON INTERNET CONCERNING NOTICE OF CONVOCATION OF THE 108TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

- **Business Report**
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(From April 1, 2021 to March 31, 2022)

Central Glass Co., Ltd.

The content of this document is 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.

(Company's website: https://www.cgco.co.jp/)

System to Ensure Appropriate Business Conduct

I System to ensure that the execution of business activities by Directors and employees of the Company and its subsidiaries comply with laws and regulations and Articles of Incorporation

1. The Board of Directors deliberates and resolves legal and important managerial issues and supervises the execution of business operations by Directors and Executive Officers in accordance with the rules on the Board of Directors.
2. The Company has established the Compliance Promotion Committee, and provides compliance training programs and other relevant activities for Directors, Executive Officers and Corporate Auditors of the Company through the Committee to deepen their understanding of compliance and to foster their awareness of compliance.
3. With the establishment of the Internal Reporting System, the Company provides contacts for internal reporting not only inside but also outside the Company at a law firm. With this structure, the Company works to enhance compliance by seeking to detect organizational or individual violations of laws and regulations at an early stage and correct them.
4. The Audit Department, which serves as an internal audit division, conducts audits on the status of compliance with laws and regulations, Articles of Incorporation, and internal company rules. The Department reports the status of the audits to Representative Directors, as well as to Corporate Auditors as appropriate, in order to further improve the effectiveness of internal audits.

II System for retention and management of information pertaining to execution of business activities by Directors

1. Particulars about the preparation of minutes of meetings of the Board of Directors, committees and other bodies are specified in the relevant rules. The preparation of documents regarding other important decision-making is covered by the internal rules for managerial decisions. Regarding the arrangement, retention and disposal of documents, the Company has formulated document retention and management rules in order to properly manage information.
2. Directors and Corporate Auditors may inspect those minutes and important documents at any time.

III Rules and other systems for management of risk of loss for the Company and its subsidiaries

1. With regard to risks recognized as particularly significant, the Company sets up individual committees and establishes relevant rules. Each business division and administration division conducts risk-management activities tailored to its respective needs including those of subsidiaries.
2. If new risk factors occur or are expected to occur, an Executive Officer is promptly assigned to lead the handling of the matter. The Board of Directors of the Company receives or requests reports from the relevant committees and the Executive Officer in charge in order to identify the risks, including social responsibilities, and implement necessary countermeasures.

IV System to ensure the efficiency of Directors' duties

1. The Company has adopted an executive officer system, which separates decision-making regarding important business matters, the supervision of business execution, and the actual execution of business, thereby reducing the size of the Board of Directors. In line with this system, the Company apportions authority; defines business structures, divisions of duties and the organization of offices; and also clarifies the chain of command to develop a system that facilitates prompt and appropriate decision making.

2. The Management Committee consists of Executive Officers with special titles and Executive Officers with responsibilities specified by the Board of Directors. Those Executive Officers deliberate and resolve important matters on the execution of business operations, and they deliberate on proposals to be presented to the Board of Directors.

V System to ensure appropriate business operations within the Group (System to ensure reporting matters that relate to performance of duties by Directors of subsidiaries; system to ensure the effectiveness of Directors of subsidiaries)

1. The Company shall specify subsidiary company rules to exercise necessary management based on the situations of subsidiaries.
2. In accordance with the subsidiary company rules, the Company shall appoint one officer as the Project Director in charge of a subsidiary and designate a managing department of the Company to be responsible to give direction and supervise duties carried out by the subsidiary. The managing department shall report to and discuss with the Project Director regarding the business conditions of the respective subsidiary as necessary.
3. In accordance with the subsidiary company rules, subsidiaries shall obtain approval from the Company for decisions on important business matters and report financial results and details on business at the Company’s important meetings as necessary.

VI Allocation of Employees who are requested to assist Corporate Auditors with their duties

An administrative office has been established in the Board of Corporate Auditors that consists of corporate auditor staff who assist the Corporate Auditors in their duties. To this end, the necessary personnel are allocated to the administrative office to serve as corporate auditor staff. The internal audit, finance & accounting, general administration and legal divisions also assist the Corporate Auditors.

VII Independence of employees who assist Corporate Auditors with their duties from Directors

1. While taking into consideration ensuring the independence of the corporate auditor staff from the Directors and Executive Officers, the Corporate Auditors must hold consultations with Directors and Executive Officers when necessary.
2. Regarding the transfer or discipline of employees assisting the Corporate Auditors, the prior agreement of the Corporate Auditors must be secured.

VIII Ensuring effective direction to employees who assist Corporate Auditors with their duties

1. In order to ensure effective audits, the Company endeavors to strengthen the system for allocating employees to assist Corporate Auditors with their duties, while taking into consideration the size and type of business, business risks and other situations specific to the Company.
2. When there is a special situation regarding the assisting employees that impairs an effective audit by Corporate Auditors, the Corporate Auditors shall request the representatives of the Directors or the Board of Directors to conduct the necessary actions.

IX System for Directors and employees reporting to Corporate Auditors; and system for Directors, Corporate Auditors, and employees of subsidiaries, or those who received reports from those persons, reporting to Corporate Auditors

1. The Corporate Auditors attend meetings of the Board of Directors and other important meetings or meetings of committees in order to monitor the processes by which important decisions are made as well as the execution of relevant business activities. When the Corporate Auditors are unable to attend such meetings, they receive explanations on the matters discussed in those meetings and inspect the relevant materials.
2. When a Director or an Executive Officer finds a fact that may cause significant damage to the Company, the person shall report it immediately.
3. The Directors, Executive Officers and employees, as well as the Directors, Corporate Auditors and employees of subsidiaries and those who received reports from those persons, must promptly report to the Corporate Auditors when requested by the Corporate Auditors for investigation, report or explanation.

X System to ensure that Directors, employees, and Directors, Corporate Auditors, and employees of subsidiaries as well as those who received reports from those persons are not treated unfavorably due to their reports to Corporate Auditors

Directors, Executive Officers and employees, as well as Directors, Corporate Auditors and employees of subsidiaries and those who received reports from those persons who reported to Corporate Auditors shall not be treated unfavorably because of the reporting.

XI Other systems to ensure the effectiveness of audits by Corporate Auditors

1. The Corporate Auditors exchange opinions, when necessary, with the Representative Directors, internal audit departments, and the accounting auditor by holding periodical meetings or through other methods.
2. Corporate Auditors may demand the procedure for advance payment or redemption of expenses incurred in connection with performance of their duties, or other accounting of expenses or liabilities accrued in connection with the said performance of duties.

XII Management status of system for ensuring appropriate business operations

1. System for ensuring appropriate business operations of the Group

The Central Glass Group has established the Code of Conduct under the Corporate Philosophy in order to ensure sincere business activities for stakeholders of the Company. The Group-wide practice of the Code is encouraged including at the Company’s subsidiaries.

The Board of Directors consists of nine Directors (including three Outside Directors), and it generally meets once a month or when necessary to deliberate and resolve legal and important managerial issues, and supervise the execution of business by the Directors and Executive Officers, including the President, in accordance with the rules covering the Board of Directors.

The managing departments of the Company give direction and supervise duties to be executed by the relevant subsidiaries, and report to and discuss with the Project Director on the business conditions of the subsidiaries as necessary. The subsidiaries shall obtain approval from the Company for decisions on important business matters and report financial results and details on business at the Company’s important meetings.

The Presidents of the subsidiaries and affiliates attend a meeting which offers an opportunity to share information on business issues of the Group.

The Audit Department, which serves as an internal audit division, conducts audits on the status of compliance with laws and regulations, Articles of Incorporation, and internal company rules. The Department reports the status of audits to Representative Directors, as well as Corporate Auditors as appropriate.

2. System for ensuring compliance

The Company held a meeting of the Compliance Promotion Committee one time this fiscal year to report on the Committee's activities to the Board of Directors. In addition, compliance training programs and other relevant activities were provided through the Committee to deepen the members' understanding of compliance and encourage adherence to compliance.

Specifically, the Company offers compliance education to its officers and ensures that the employees are aware of the Internal Reporting System through the President's Message as needed.

3. System related to risk management

Various committees held meetings as appropriate this fiscal year to deliberate, investigate, give guidance and carry out awareness-promotion activities on the topics that each of those committees specializes in, as well as reported the status of activities to the Board of Directors. Each business division and administration department conducts risk management activities tailored to its respective needs including those of subsidiaries.

In addition, the Company has prepared "Trade Secrets Management Rules," "Standards for Trade Secrets Management," "Document Retention and Management Rules," "Information Security Rules," etc. to ensure proper protection and management of information assets, including trade secrets and important documents.

4. System related to the execution of duties of Directors

The Company has adopted an executive officer system with the aim of clearly distinguishing the supervisory function of Directors from the business execution function of Executive Officers. The Directors receive reports on the execution of business from Executive Officers at regular meetings of the Board of Directors. These measures allow the Company to streamline and improve its supervision system of business execution.

The Board of Directors met 17 times this fiscal year to deliberate and resolve legal and important managerial issues, and supervise the execution of business operations by Directors and Executive Officers including the President.

5. System related to the execution of duties of Corporate Auditors

The Board of Corporate Auditors met 15 times this fiscal year to deliberating and resolve important matters regarding audits.

The Corporate Auditors of the Company attend important meetings, including meetings of the Board of Directors, and audit the performance of duties by the Directors and Executive Officers as well as the business execution status of each department, subsidiary, etc.

The Corporate Auditors hold periodic meetings with the Representative Directors to exchange opinions on important managerial and auditing issues.

They periodically exchange opinions with the Audit Department and the accounting auditor to cooperate with each other.

Basic Policy Regarding Control of the Company

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

1. 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. 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.

2. 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, processed glass for automobiles 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 1. above.

II 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 1. below. It also makes efforts to enhance corporate governance based on the basic rationale for corporate governance, etc. as described in 2. 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 I above.

1. Efforts to enhance the enterprise value through the medium-term plan, etc.

(1) 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.

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

The Central Glass Group has formulated a new medium-term management plan covering fiscal year 2022 to fiscal year 2024. An overview of the plan is described below.

<Basic policy>

i) Achieve new growth by strengthening our business foundations and original technologies

A. Return to a growth path

- Concentrate managerial resources to the businesses to be grown in order to accelerate establishment of profitable business models and business expansion to growth markets
- In the chemicals business, harvest the fruits of previous investments and continue further investment for the future
- In the glass business, complete structural reform and evolve toward profitable business
- In other businesses, further increase earning capability and maximize free cash flow

B. Continue strengthening R&D to ensure future growth

C. Provide stakeholders with reassurance and reliability by increasing all employees' quality awareness

ii) Maintain a healthy financial base

A. Distribute cash flows based on a well-balanced consideration of shareholder returns, investments, and financial discipline

iii) Contribute to the global environment

A. Reduce greenhouse gas emissions

B. Provide products and technologies that contribute to reducing environmental burden

<Financial Targets (fiscal year 2024)>

Operating profit	14.0 billion yen
Operating profit ratio	8%
ROE (Return on equity)	8%
Total return ratio	At least 30%
DOE (dividend on equity ratio)	2.4%

2. Basic rationale for corporate governance, etc.

(1) 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.

(2) 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 role of ensuring the fairness of decision making by the Board of Directors and eliminating arbitrary decision making.

At a meeting of the 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

III 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.

IV Opinions of the Company's Board of Directors on II and III above

The Board of Directors considers that the implementations stated in II and III above both comply with the basic policy stated in I 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 Trading (Shanghai) Co., Ltd.

Liquidation complete: 1

Northwestern Industries, Inc.

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

Number of unconsolidated subsidiaries not accounted for by the equity method: 8

Names of major unconsolidated subsidiaries:

Sowa Transportation Warehouse Co., Ltd. and 7 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: 8

Names of major unconsolidated subsidiaries:

Sowa Transportation Warehouse Co., Ltd. and 7 other companies

Number of associates not accounted for by the equity method: 8

Names of major such associates:

Zhejiang Britech Central Glass Co., Ltd. and 7 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)

Securities other than shares and other securities with no market value

Stated at fair value based on the market price or the like at the end of the fiscal year 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.

Shares and other securities with no market value

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 50 years
Machinery, equipment and vehicles:	2 to 31 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 business restructuring

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

(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 environmental measures

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

(vi) Provision for loss on business of subsidiaries and associates

To prepare for losses from the transfer of shares of subsidiaries and associates, an amount is provided based on expected transfer losses.

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

(i) Accounting treatment of 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

Based on the following 5-step approach, the Central Glass Group recognizes revenues as the amount including the right to compensation expected to be received in exchange for the transfer of assets and services to customers.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue as each performance obligation is satisfied

The Central Glass Group is engaged in the manufacture and sale of chemical and glass products. With regards to the sale of these products, the customer acquires control of the relevant products upon delivery, shipment, or acceptance. At this point, the performance obligations are determined to have been satisfied, and so revenue is recognized upon delivery, shipment, or acceptance.

Further, revenue is measured minus the discounts, rebates, and incentives, etc., from the compensation agreed with the customer in the contract.

(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 end of the fiscal year, and the effects of such spot exchange rates are recorded as profit and loss.

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.

B. Hedging instruments and hedged items

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

Hedging instruments: commodity swap contracts

Hedged items: fuel oil

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 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.

(v) Application of consolidated taxation system

The consolidated taxation system is applied.

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

From the following fiscal year, the Central Glass Group will transition from the consolidated taxation system to the group tax sharing system. However, for the transition to the group tax sharing system established by the “Act Partially Amending the Income Tax Act and Other Acts” (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).

From the beginning of the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, issued on August 12, 2021), which describes the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting when applying the group tax sharing system.

II Change in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020) from the beginning of the current fiscal year, under which revenues are recognized at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers.

Consequently, for transactions where the Company serves as an agent in selling products to customers, the Company has changed to a method of recognizing revenues from customers on a net basis, whereas it previously recognized revenue based on a gross basis. In addition, a part of sales promotion expenses which had conventionally been included in selling, general and administrative expenses have been shifted to be deducted from net sales.

The Accounting Standard for Revenue Recognition is applied according to the transitional treatment as stipulated in the provision of Paragraph 84 of the standard. In the case where the new accounting policy was retroactively applied before the beginning of the current fiscal year, the amount of the cumulative effect was added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy was applied from the relevant initial balance of retained earnings. In accordance with the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the current fiscal year according to the former treatment. Applying the method as stipulated in the supplementary provision (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was applied retroactively to contracts based on the terms of the contracts after all modifications made up until the start of the current fiscal year had been reflected. The amount of the cumulative effect of the relevant changes was added to or deducted from retained earnings at the beginning of the current fiscal year.

As a result of applying the new accounting policy, the balance of retained earnings at the beginning of the current fiscal year declined by 40 million yen.

2. Application of Accounting Standard for Fair Value Measurement

The Company decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019) from the beginning of the current fiscal year, and will continue to apply this standard in the future in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, revised on July 4, 2019). The application of the relevant accounting standards has no effect on the consolidated financial statements.

III Accounting Estimates

Impairment of non-current assets

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

Impairment losses: 606 million yen

Note: Part of the impairment losses 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 fiscal year under review, for glass manufacturing facilities, which are business properties, losses generated by sales activities in the domestic architectural glass business and domestic automotive glass business are expected to continue. Although there were signs of impairment, after considering the recoverability, impairment losses were not recognized.

Additionally, impairment losses have been recognized for idle assets not expected to be used in the future, having reduced their book values to recoverable values.

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 losses may occur in the following fiscal year or thereafter.

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.

Provision for business restructuring	2,348 million yen
Site closure expenses, etc.	1,752 million yen
Loss on abandonment of assets	1,096 million yen
Impairment losses	591 million yen
Loss on sale of non-current assets	410 million yen
Loss on withdrawal from business	45 million yen
Total	6,245 million yen

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
Tsukuba City, Ibaraki Prefecture and other	Idle assets	Buildings and structures, Machinery, equipment and vehicles, and other	606	Business restructuring expenses and impairment losses

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 losses. 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 losses is as follows:

Buildings and structures	8 million yen
Machinery, equipment and vehicles	594 million yen
Other	3 million yen
Total	606 million yen

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 24, 2021 (Note)	Common shares	1,517	37.50	March 31, 2021	June 8, 2021
Meeting of Board of Directors held on November 1, 2021 (Note)	Common shares	1,517	37.50	September 30, 2021	December 1, 2021

(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, 2022 (Note)	Common shares	1,517	Retained earnings	37.50	March 31, 2022	June 8, 2022

(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 payable.

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, 2022 (the consolidated balance sheet date for the fiscal year under review), are as follows.

Shares, etc., without a market price (value recorded on consolidated balance sheet: 12,328 million Japanese Yen) are not included in available-for-sale securities (securities classified as other securities). Notes on cash have been omitted. Further, notes on deposits, notes and accounts receivable - trade, notes and accounts payable - trade, and short-term borrowings have been omitted as they are settled in a short period of time and their fair values are close to their book values.

(Millions of yen)

	Value recorded on consolidated balance sheet (*)	Fair value (*)	Difference
(1) Investment securities Available-for-sale securities	26,289	26,289	–
(2) Bonds payable	(20,000)	(19,897)	103
(3) Long-term loans payable	(17,198)	(17,156)	42
(4) Derivatives	364	364	–

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

3. Conditions on the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is divided into three levels based on the observability and importance of inputs used in its calculation.

Level 1: Fair values calculated based on quotes for identical assets or liabilities in active markets, that have not been adjusted

Level 2: Fair values calculated based on inputs other than level 1 inputs that are directly or indirectly observable

Level 3: Fair values calculated based on unobservable important inputs. When using multiple inputs that have a major impact on fair value calculation, the fair value is placed in the level of the input with the least priority on fair value calculation.

(1) Financial assets and liabilities recorded on consolidated balance sheet based on fair values

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	26,289			26,289
Derivatives		364		364

(2) Financial assets and liabilities based on fair values not recorded on consolidated balance sheet

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable		19,897		19,897
Long-term borrowings		17,156		17,156

Notes: Description of assessment methods and inputs used in fair value calculation

Investment securities

Listed shares are assessed based on the prices traded at the stock exchange. As listed shares are traded on an active market, fair values of listed share transactions are placed in level 1.

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, and so are placed in level 2.

Bonds payable

The fair values of bonds payable issued by the Company are based on prices indicated by financial institutions and other such entities with which the Company does business, and so are placed in level 2.

Long-term borrowings

The fair values of long-term borrowings are recorded at a current value derived by discounting the aggregate value of principal and interest with the interest rate that would be applicable for similar new borrowings, and so are placed in level 2.

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
2,431	9,767

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 Notes to Revenue Recognition

1. Revenue analysis information

(Millions of yen)

Reported segments	Major businesses	Net sales to external customers
Glass Business	Architectural Glass	27,873
	Automotive Glass	76,802
	Glass Fiber	7,159
	Others	2
	Total	111,838
Chemicals Business	Basic Chemicals	13,300
	Fine Chemicals	65,512
	Fertilizers	11,176
	Others	4,355
	Total	94,345
Total		206,184

2. Basic information for understanding revenue

Information is as per “4. (4) (ii) Standards on recognition of significant revenues and expenses” under “I Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements.”

IX Per-Share Information

1. Net assets per share 3,115.69 yen
2. Loss per share 984.58 yen

X Significant Subsequent Events

1. Acquisition of treasury shares

At the Board of Directors meeting held on May 11, 2022, the Company determined the following matters regarding the acquisition of treasury shares in accordance with Article 459, paragraph 1 of the Companies Act of Japan and Article 39 of the Company's Articles of Incorporation.

(1) Reasons for the acquisition of treasury shares

Treasury shares acquisition is being undertaken in an effort to increase shareholder returns and to improve capital efficiency through the exercise of flexible capital asset policies in response to changes in the corporate environment.

(2) Details of the acquisition of treasury shares

(i) Type of shares

Common shares

(ii) Total number of shares

5,000,000 shares (upper limit) (Ratio to total outstanding issued (less treasury shares): 12.34%)

(iii) Acquisition amount

10.0 billion yen (upper limit)

(iv) Acquisition period

May 12, 2022 through March 24, 2023

2. Company split

At the Board of Directors meeting held on May 11, 2022, the Company announced the adoption of a resolution to conclude an absorption-type company split agreement with its wholly owned subsidiary Central Glass Products Co., Ltd. (hereinafter "CGP" or the "Successor Company") with a (planned) effective date of April 1, 2023 to transfer the Company's business of the manufacture, processing, and sale of flat glass and related products (hereinafter the "Business") to CGP, as explained below.

The simplified absorption-type split represents the succession of the business segment to the Company's wholly owned subsidiary, therefore part of the matters to be disclosed and details are withheld.

(1) Purpose of the company split

The Company has decided to transfer the glass businesses in Europe and the US and focus on improving the domestic glass business as announced in the "Notice regarding the Structural Improvement of the Glass Business" dated April 1, 2022. The Company is implementing measures to improve the profitability of the domestic glass business, including adjusting production to match demand, reducing fixed costs by establishing a sales structure, and passing on the increase in raw material and fuel costs to product prices. To turn the domestic glass business into an independent and profitable business, the Company concluded that it was necessary to unify the architectural glass and automotive glass businesses, divide the capital relevant to the business segments, and drastically shift to a system specializing in earnings improvement. The company split is designed to achieve the management goals of the Central Glass Group by building a stable revenue base for the Business through the synergy generated from the unified operation of both business segments.

(2) Summary of the company split

(i) Schedule of the company split

Date of resolution by the Board of Directors concerning the conclusion of the absorption-type company split agreement (the Company)	May 11, 2022
Date of resolution by the Board of Directors concerning the conclusion of the absorption-type company split agreement (CGP)	May 11, 2022
Conclusion of absorption-type company split agreement	May 23, 2022
Date of Extraordinary General Meeting of Shareholders to approve the absorption-type company split agreement (CGP)	June 29, 2022 (planned)
Effective date of company split agreement	April 1, 2023 (planned)

* As the company split is a simplified absorption-type company split in accordance with the Companies Act Article 784, Paragraph 2, the Company does not plan to obtain approval through a resolution of the General Meeting of Shareholders.

(ii) Method of company split

The company split represents an absorption-type company split with the Company being the splitting company and CGP being the Successor Company.

(iii) Details of allotment concerning the company split

CGP will issue 9,000 shares in common stock to the Company as consideration for the absorption-type company split.

(iv) Treatment on stock acquisition rights and bonds with stock acquisition rights related to the company split

Not applicable.

(v) Increase or decrease in capital arising from the company split

There is no increase or decrease in the capital of the Company arising from the company split.

(vi) Rights and obligations that the Successor Company will take over

CGP will succeed the rights and obligations of assets and liabilities related to the Business on the effective date in accordance with the absorption-type company split agreement with the Company to be concluded on May 23, 2022.

(vii) Prospect for performance of obligations

The Company believes that after the effective date of the company split, there will be no problem in the prospects for the performance of obligations incurred by the Company and CGP as a result of the company split.

(3) Profile of the parties to the company split

	Splitting Company (As of March 31, 2022)	Successor Company (As of April 1, 2022)
Corporate name	Central Glass Co., Ltd.	Central Glass Products Co., Ltd.
Location	5253, Okiube, Ube City, Yamaguchi Prefecture	1521-2, Okuchi-cho, Matsusaka City, Mie Prefecture
Name and position of representative	Tadashi Shimizu, Representative Director, President & CEO	Minoru Irisawa, Representative Director & President
Business activities	Manufacture, processing, and sale of glass and chemical products	Manufacture, processing, and sale of flat glass and its related products
Capital	18,168 million yen	10 million yen
Established	October 10, 1936	April 1, 2022
Total number of outstanding shares	42,975,995 shares	1,000 shares
Fiscal period	March 31	March 31
Principal shareholders and equity ratio	The Master Trust Bank of Japan, Ltd. (Trust Account) 10.79% City Index Eleventh Co., Ltd. 9.86% S-GRANT. CO., LTD. 9.78% Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Custody Bank of Japan, Ltd.) 4.98% Custody Bank of Japan, Ltd. (Trust Account) 4.59%	Central Glass Co., Ltd. 100%
Financial status and business performance for the previous fiscal year		
	Financial Year ended March 31, 2022 (consolidated)	Initial financial condition (non-consolidated)
Net assets	130,063 million yen	10 million yen
Total assets	290,696 million yen	10 million yen
Net assets per share	3,115.69 yen	10,000.00 yen
Net sales	206,184 million yen	—
Operating profit	7,262 million yen	—
Ordinary profit	11.936 million yen	—
Profit (loss) attributable to owners of parent	(39,844 million yen)	—
Loss per share	(984.58 yen)	—

Note: The Successor Company was established on April 1, 2022 and did not exist during the previous fiscal year. Therefore, net assets, total assets and net assets per share for the previous fiscal year are described as the financial status and business performance of the Successor Company as of its date of establishment.

(4) Overview of business segment to be split

(i) Business activities of business segment to be split

Manufacture, processing, and sale of flat glass and related products

(ii) Business performance of the business segment to be split (for the fiscal year ended March 31, 2022)

Net sales	36,230 million yen

(iii) Assets and liabilities to be split and their amounts

Assets		Liabilities	
Items	Book Value	Items	Book Value
Current assets:	23,908 million yen	Current liabilities:	8,996 million yen
Non-current assets:	17,417 million yen	Non-current liabilities:	7,202 million yen
Total	41,325 million yen	Total	16,198 million yen

*The book value of assets and liabilities to be split is stated as the estimated amount based on the balance sheet as of the end of March 2022. The actual amounts to be split and succeeded will incorporate any increases and decreases that occur until the day immediately before the effective date.

(5) Status of the Company after the company split (As of March 31, 2023: Planned)

	Splitting Company	Successor Company
Corporate Name	Central Glass Co., Ltd.	Central Glass Products Co., Ltd.
Location	5253, Okiube, Ube City, Yamaguchi Prefecture	1521-1, Okuchi-cho, Matsusaka City, Mie Prefecture
Name and position of representative	Tadashi Shimizu, Representative Director, President & CEO	Minoru Irisawa, Representative Director & President
Business activities	Manufacture, processing, and sale of glass and chemical products etc.	Manufacture, processing, and sale of flat glass and its related products
Capital	18,168 million yen	100 million yen
Fiscal period	March 31	March 31

(6) Outlook

Since the Successor Company is a wholly owned subsidiary of the Company, the company split will have negligible material effect on the consolidated business results

3. Expected recording of gain on sale of investment securities (extraordinary income)

At the Board of Directors meeting held on May 11, 2022, the Company announced that it has forecasted that it will record gain on sale of investment securities as extraordinary income due to the decision to sell a portion of investment securities held by the Company, as explained below.

(1) Reason for the sale of investment securities

The Company reported its policy concerning the reduction of cross-shareholdings in the corporate governance code report, and has appropriately proceeded with sales while taking into consideration the business environment, financial position and the progress of structural reform. The Company aims to respond to the acquisition of treasury shares, as announced above, and the recording of a significant amount of deductible expenses in the next fiscal year as well as to further reduce cross-shareholdings.

(2) Period of sale of investment securities (planned)

May 2022 through March 2023

(3) Overview of sale of investment securities

(i) Shares to be sold

The marketable securities of ten listed companies held by the Company

(ii) Gain on sale

¥16.0 billion (estimated expectation based on fair value on March 31, 2022)

XI Others

1. Amounts

Amounts are rounded down to the nearest million yen.

2. Additional Information

As announced in the "Notice regarding the disposal of shares of designated subsidiary" dated April 1, 2022, the Company entered into a share transfer agreement on March 31, 2022 with ACR II Glass Holdings Inc., a special purpose company established in the U.S., and ACR II Glass Holding B.V., a special purpose company established in the Netherlands, respectively, both of which are owned by private investment funds managed by Atlas Holdings LLC, for the transfer of all shares of the Company's U.S. consolidated subsidiary, Carlex Glass America, LLC, and its European consolidated subsidiary, Carlex Glass Luxembourg S.A.; and recorded extraordinary losses of 48,404 million yen as a provision for the loss on the transfer of shares of affiliates in the consolidated financial statement.

The share transfer was executed on May 7, 2022.

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)

Securities other than shares and other securities with no market value

Stated at fair value based on the market price or the like at the end of the fiscal year 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.

Shares and other securities with no market value

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 business restructuring

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

(4) 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.

(5) 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.

(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) Standards on recognition of revenues and expenses

Based on the following 5-step approach, the Company recognizes revenues as the amount including the right to compensation expected to be received in exchange for the transfer of assets and services to customers.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue as each performance obligation is satisfied

The Company is engaged in the manufacture and sale of chemical and glass products. With regards to the sale of these products, the customer acquires control of the relevant products upon delivery, shipment, or acceptance. At this point, the performance obligations are determined to have been satisfied, and so revenue is recognized upon delivery, shipment, or acceptance. Further, revenue is measured minus the discounts, rebates, and incentives, etc., from the compensation agreed with the customer in the contract.

(2) 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 end of the fiscal year, and the effects of such spot exchange rates are recorded as profit or loss.

(3) Method of hedge accounting
In principle, deferred hedge accounting is applied.

(4) Application of consolidated taxation system
The consolidated taxation system is applied.

(5) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
From the following fiscal year, the Company will transition from the consolidated taxation system to the group tax sharing system. However, for the transition to the group tax sharing system established by the "Act for Partial Revision of the Income Tax Act and Other Acts" (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).
From the beginning of the following fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, issued on August 12, 2021), which describes the treatment of accounting and disclosure for corporation tax, regional corporation tax, and tax effect accounting when applying the group tax sharing system.

II Change in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020) from the beginning of the current fiscal year, under which revenues are recognized at the amount expected to be received in exchange for promised goods or services at the time when control of the relevant goods or services is transferred to customers. Consequently, a part of sales promotion expenses which had conventionally been included in selling, general and administrative expenses have been shifted to be deducted from sales.

The Accounting Standard for Revenue Recognition is applied according to the transitional treatment as stipulated in the provision of Paragraph 84 of the standard. In the case where the new accounting policy was retroactively applied before the beginning of the current fiscal year, the amount of the cumulative effect was added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy was applied from the relevant initial balance of retained earnings. In accordance with the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the current fiscal year according to the former treatment. Applying the method as stipulated in the supplementary provision (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was applied retroactively to contracts based on the terms of the contracts after all modifications made up until the start of the current fiscal year had been reflected. The amount of the cumulative effect of the relevant changes was added to or deducted from retained earnings at the beginning of the current fiscal year.

As a result of applying the new accounting policy, the balance of retained earnings at the beginning of the current fiscal year declined by 29 million Japanese yen.

2. Application of Accounting Standard for Fair Value Measurement

The Company decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019) from the beginning of the current fiscal year, and will continue to apply this standard in the future in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, revised on July 4, 2019). The application of the relevant accounting standards has no effect on the financial statements.

III Accounting Estimates

Impairment of non-current assets

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

Impairment losses: 10 million yen

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	1,463 million yen
Others (2 contracts)	709 million yen
Total	2,172 million yen

2. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables:	35,173 million yen
Long-term monetary receivables:	2,504 million yen
Short-term monetary payables:	15,069 million yen

V Notes to Non-consolidated Statement of Income

1. Amount of business with subsidiaries and associates

Net sales	37,000 million yen
Purchase of goods:	19,068 million yen
Amount of non-operational transactions:	2,912 million yen

2. Business restructuring expenses

Site closure expenses, etc.	2,584 million yen
Provision for business restructuring	2,348 million yen
Loss on abandonment of assets	1,048 million yen
Loss on sale of non-current assets	233 million yen
Total	6,214 million yen

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	2,476,441 shares

VII Tax Effect Accounting

Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Allowance for doubtful accounts	2,917 million yen
Loss on valuation of shares of subsidiaries and associates	13,336 million yen
Impairment losses	3,045 million yen
Others	4,014 million yen
Subtotal deferred tax assets	23,313 million yen
Valuation allowance	(13,798 million yen)
Total deferred tax assets	9,515 million yen
Offset to deferred tax liabilities	(6,597 million yen)
Net deferred tax assets	2,917 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	5,870 million yen
Others	727 million yen
Total deferred tax liabilities	6,597 million yen
Offset to deferred tax assets	(6,597 million yen)
Net deferred tax liabilities	—

VIII Notes to Revenue Recognition

Information is as per “4. (1) Standards on recognition of revenues and expenses” under “I Significant Accounting Policies.”

IX 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)	10,080	Accounts receivable - trade	4,261
				Borrowing of money (Note 2)	2,170	Short-term borrowings	3,140
	Central Saint-Gobain Co., Ltd.	65% holding directly	Sale of products	Sale of products (Note 1)	17,441	Accounts receivable - trade	4,946
	Tosho Central Co., Ltd.	100% holding directly	Sale of products	Sale of products (Note 1)	5,555	Accounts receivable - trade	2,266
	Central Chemical Co., Ltd.	100% holding directly	Purchase of products	Lending of money (Note 2)	6,432	Short-term loans receivable	4,780
						Long-term loans receivable	1,364
	Central Glass America, Inc.	100% holding directly	Lending of money	Lending of money (Note 2)	5,948	Short-term loans receivable (Note 3)	9,503
	Central Glass Czech s.r.o.	100% holding directly	Sale of products	Lending of money (Note 2)	3,653	Short-term loans receivable	4,083

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 received for such loans.

3. For the current fiscal year, regarding short-term loans to Central Glass America, Inc., 9,503 million Japanese Yen is recorded as allowance for doubtful accounts and provision of allowance for doubtful accounts.

X Per-Share Information

1. Net assets per share 2,749.94 yen

2. Loss per share 1,015.34 yen

XI Significant Subsequent Events

1. Acquisition of treasury shares

At the Board of Directors meeting held on May 11, 2022, the Company determined the conditions for the purchase of treasury shares based on Article 459, paragraph 1 of the Companies Act and Article 39 of the Company's Articles of Incorporation.

An overview can be seen in "1. Acquisition of treasury shares" of "X Significant Subsequent Events" under "Notes to Consolidated Financial Statements."

2. Company split

At the Board of Directors meeting held on May 11, 2022, the Company determined to transfer its manufacture, processing, and sales operations for flat glass and related products to its wholly owned subsidiary Central Glass Products Co., Ltd. The Company and CGP resolved to conclude an absorption-type company split agreement effective April 1, 2023 (scheduled).

An overview can be seen in “2. Company split” of “X Significant Subsequent Events” under “Notes to Consolidated Financial Statements.”

3. Expected recording of gain on sale of investment securities (extraordinary income)

At the Board of Directors meeting held on May 11, 2022, the Company forecasted that it will record gain on sale of investment securities as extraordinary income due to the decision to sell a portion of investment securities held by the Company.

An overview can be seen in “3. Expected recording of gain on sale of investment securities (extraordinary income)” of “X Significant Subsequent Events” under “Notes to Consolidated Financial Statements.”

XII Others

Amounts are rounded down to the nearest million yen.