



Corporate Governance and Compliance

Increasing the Transparency and Fairness of Overall Management

Central Glass has established a corporate governance structure to increase the transparency and fairness of its overall management and to improve efficiency and speed. We are also carrying out initiatives to raise all employees' awareness of compliance in order to practice honest corporate activities.

➤ Corporate Governance

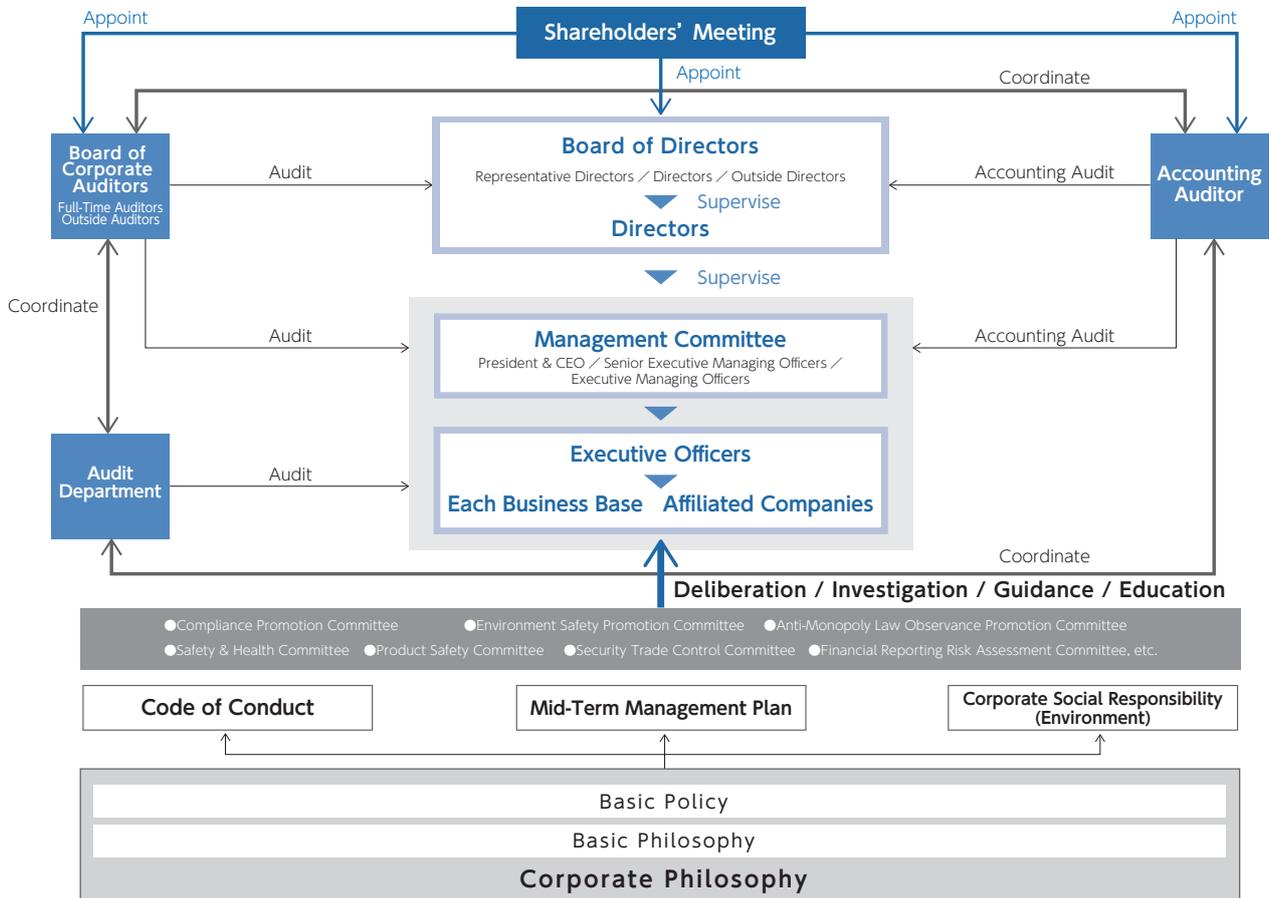
Central Glass is continually increasing the transparency and fairness of its overall management and strives to establish an efficient, rational organizational structure that can respond swiftly to changes in the business environment in order to further enhance its corporate value and expand its revenue.

➤ Status of Corporate Body and Internal Control System

The Board of Directors and the Board of Corporate Auditors are the foundation of Central Glass's corporate governance. In addition, we have adopted an executive officer system. By separating decision-making regarding important business matters, the supervision of business execution, and the actual execution of business, we have slimmed down the Board of Directors to make management more efficient

and prompt. Moreover, in order to enhance auditing and supervisory functions, independent outside directors and outside auditors who pose no risk of a conflict of interest with general shareholders ensure the fairness of decisions made by the Board of Directors and play a role in eliminating arbitrary decisions by the Board of Directors. See the chart below for details of our corporate governance structure.

Organizational Chart for Corporate Governance



Status of Internal Control System

Year	Status
May 2006	The Board of Directors decides on a basic policy regarding the establishment of an internal control system stipulated in Japan's Companies Act.
April 2008	The system is partially revised with content to exclude antisocial forces.
April 2009	The system is partially revised with regard to internal information management and insider trading rules as well as an internal control system concerning financial reporting and a financial reporting risk assessment committee.
April 2010	The system is partially revised with regard to appointment of outside directors, enhancement of the internal whistleblowing system, and a compliance promotion committee.
April 2012	The system is partially revised with regard to an appropriate management system for confidential information and measures against persons from crime syndicates when making contracts.
April 2014	The Board of Directors makes partial revisions with regard to the communication of undisclosed internal information and regulation of acts that recommend trade in line with an amendment to Japan's Financial Instruments and Exchange Act, and to prevent unforeseen damages to the company and involvement in unanticipated scandals due to the spread and use of social media.
April 2015	The system is partially revised with regard to the development of a system to ensure reasonable business practices in corporate groups and a system to support auditing by auditors in line with amendments to Japan's Companies Act and Ordinance for Enforcement of the Companies Act, as well as personal information protection and prevention of sexual and power harassment.

► Compliance

In order to establish corporate governance*¹, it is essential to raise our awareness of compliance*² in addition to upgrading and reinforcing our corporate governance framework. To fulfill this purpose, the Central Glass Group established the "Central Glass Group's Code of Conduct" as the internal code for conducting faithful business activities with stakeholders such as business partners, concerned organizations, customers, consumers, and employees. Every employee carries a card displaying this Code of Conduct to constantly enhance awareness of compliance. The top executives also strive to set a good example through their actions.

We also created a "Compliance Manual" to serve as a guide on dictating social norms and corporate ethics. This manual covers a wide range of fields including, among others: anti-monopoly law; independence from

antisocial forces; intellectual property rights; regulations on insider trading; environmental conservation; the workplace environment; the protection and management of information; and respect for human rights. The Central Glass Group also established and started operating a Whistle Blowing System so that all employees can obtain guidance and consult on issues.

The effective use of these systems, together with regular education through internal training seminars, helps each employee gain a deeper understanding of relevant laws and regulations and take appropriate action when conducting business. Through these activities, the Central Glass Group aims to enhance both awareness and compliance.

* 1 Corporate governance: The way a corporation should be governed

* 2 "Compliance" refers not only to the observance of laws and regulations in a limited sense, but also includes the observance of a wide range of social norms when conducting business activities.

In April 2014, Central Glass underwent a walk-in inspection by the Japan Fair Trade Commission (JFTC) resulting from an alleged violation of the Antimonopoly Act in the trading of polyaluminum chloride. We cooperated fully with the JFTC's investigation from that time forward. In February 2016, we received a cease-and-desist order and a surcharge payment order from the JFTC due to a violation of Article 3 (prohibition of unreasonable restraints on trade) of the Antimonopoly Act. Central Glass takes this incident with the utmost seriousness and will strive to ensure more thorough compliance to prevent recurrence.