



President's Message

“Creating a Better Future Through *Monozukuri*”

The Central Glass Group will overcome the drastically changing business environment and take a new step forward as an R&D-oriented company.

Tadashi Shimizu
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Central Glass Co., Ltd.

Contributing to the Establishment of a Truly Prosperous Society Through *Monozukuri*

Under the Basic Philosophy of “Creating a Better Future Through *Monozukuri*,” the Central Glass Group has been engaging in various businesses to contribute to realizing a truly prosperous society through *Monozukuri*. I believe that to achieve a truly prosperous society, the ability of a company to adapt to every change in society as well as to the needs of consumers in particular is required, and is constantly being evaluated by society.

The business environment surrounding Central Glass Co., Ltd. (the “Company”) is changing day by day from moment to moment. Currently, COVID-19 has had a major impact on our social life and just as we are finally beginning to see signs of breaking out from its influence, a shortage of semiconductors is causing restrictions on production activities. The crisis in Ukraine and lockdowns in Shanghai have also triggered a global energy price surge, logistical disruptions and shortages of goods, a complex combination of which is causing an unprecedented wave of inflation. In the midst of such drastic changes, I believe that it is my responsibility as the head of the Company to indicate how we should develop our business and where we should steer our management.

A Big Decision to Downsize and Restructure the Glass Business

For a long time, we have aimed for growth through two businesses, the Glass business and the Chemicals business. However, while businesses in Chemicals have grown to become new core businesses and the Group's mainstay businesses have been significantly shifting toward a focus on Chemicals, the Glass business has continued to stagnate. As the recovery of the Glass business did not progress and the Company's performance deteriorated, a major and unprecedented change in the business environment occurred and eliminated the option of taking a wait-and-see approach.

As such, we had to make a big decision to ensure that we could continue to be a company of sustainable growth: the decision to overhaul the Glass business. We decided to withdraw from the underperforming overseas glass business and make drastic structural improvements to the remaining domestic business in order to return it to profitability by reducing the size of our operation. We intend to take a new step forward as an R&D-oriented corporate group by concentrating our management resources on business fields where further growth is expected, such as electronic materials for semiconductors and electrolytes for lithium-ion batteries.

Solving Climate Change and Other Environmental Issues with Technology

These structural reforms are being carried out firmly based on our philosophy. As I mentioned at the beginning, we need to be agile and responsive to the changes of the times and determine what society truly requires to achieve a truly prosperous society. Digital transformation (DX) has attracted interest in the business world, and a concept called green transformation (GX) is now beginning to spread in Japan as well. GX is an initiative to realize a sustainable society by reforming the entire economic and social system with the power of advanced technology to address various issues such as environmental issues like climate change.

Our basic policy of concentrating management resources on electronic materials for semiconductors, which are indispensable for improving energy efficiency, and on electrolytes for lithium-ion batteries, which are essential for the electrification of vehicles, is one important initiative to achieve our long-term vision to transform ourselves into an R&D-oriented company that meets the environmental needs of society. It is also in line with the new social movement GX.

As we confront the global issue of climate change with the power of advanced technology, we believe that the Company can contribute with products that have a low Global Warming Potential (GWP). For example, until recently, foaming agents used at construction sites and solvents used to clean machine parts had GWPs that were nearly 1,000 times that of CO₂ and were used in large quantities. We developed products with GWPs of less than 1 relative to CO₂ more than 10 years ago and introduced them to the market as alternatives. In the early days, society as a whole was less environmentally conscious than today, and we struggled with low sales volumes. Since GX began being discussed, however, sales have increased, and the products have now become an important pillar of our business. Given that further advancement of environmental technologies will be required in the future, we will focus on the development of various products with low GWPs. In keeping with our Basic Philosophy, “Creating a Better Future Through *Monozukuri*,” we will help realize a sustainable society by actively developing new products with new value that cannot be developed by just anyone and offering our products as replacements in fields where products with high GWPs are still used.

I believe that the key to future business success in the Glass business will also be the improvement of technology with the environment as a central concept. For example, glass windows in old houses used only one pane of glass, whereas today's new houses have insulating glass with improved thermal insulation performance due to the



layer of air inside. With current demand for even greater energy savings, however, there is an accelerating trend to improve further on this insulation performance. Since there is a limit to what can be achieved with basic insulated glass, we can anticipate demand for insulating glass with greater heat insulation performance. Such improvements could be made by increasing the heat-shielding performance of the glass itself and by sealing a special gas between the glass panes that prevents heat transfer. Even as we consolidate our management resources, we will continue to invest in R&D, not to pursue expansion of business scale, but to ensure the future success of our Glass business by creating products possessing the dramatically improved environmental performance needed by society.

A Commitment to Social Contribution Since our Founding

While serving as the mayor of Ube City in Yamaguchi Prefecture, our founder, Nobuyoshi Kuniyoshi, established Ube Soda Industry Co., Ltd. 86 years ago out of a desire to continue doing his utmost in the service of his hometown after retiring from public office. He wanted to contribute to the development of the local community by starting a new business there.

In the industrial structure of the time, the soda industry was an important key industry of Japan, but no factories had yet been built in Ube City. By establishing a soda industry company in Ube City, he both contributed to

the local community as well as to the industry in Japan. That was the founding spirit of our company, and from then until now, we have continued to fulfill our mission of contributing to the local community and to society as a whole.

Our Corporate Philosophy expresses in words this commitment which has continued since our founding, and the first of the four Basic Policies that accompany the philosophy states, “Create new value through innovative technologies.” Based on the history through which we have journeyed, it is the “innovative technologies” part of the Basic Policies upon which we should place the greatest emphasis today. If asked about the future direction in which I would like to lead the Central Glass Group, I would say without hesitation that it must be toward contributing to society as a company with unique technologies. I believe this should be the basis of the Central Glass Group.

Making Compliance an Integral Part of Our Corporate Culture

To be a sustainable company, we must be a company trusted by everyone. The Code of Conduct accompanying our Corporate Philosophy includes the requirement to “Be responsible for one's own actions and engage in corporate activities with integrity and sincerity.” In keeping with this, we have always aspired to be a compliance-conscious organization that adheres to laws, regulations, and social norms. In recent years, however, there have unfortunately been incidents that violated this spirit. In FY2021, a defect was found at one of our group companies due to inadequate quality control, resulting in the suspension of JIS standard certification. Although we have repeatedly made the importance of compliance known to our employees, it is truly regrettable that such an incident occurred. We believe it is of utmost importance to use this as an opportunity to address aspects of our corporate culture. We are asking all employees to act with integrity, implementing new guidelines established in response to this incident, and educating and raising awareness among employees in the Group. We are aiming to share awareness among all employees that following rules and manuals are part of our corporate culture so that we thoroughly prevent recurrence.

Against the reality of recent noncompliance incidents, we are risking falling behind in our efforts toward sustainable management, which has become an indispensable part of corporate operations in recent years. For this reason, we are determined to ensure compliance at all costs, especially at production sites.

Strengthening Governance as a Prime Market Listed Company

Under the reorganization of the Tokyo Stock Exchange in April 2022, we transitioned to the new Prime Market section. The Prime Market section requires a higher standard of governance, and we are in compliance with all principles of the revised 2021 Corporate Governance Code. Going forward, we will further strengthen our governance and actively promote sustainability initiatives.

As a response to climate change in particular, we aim to set a long-term goal of becoming carbon neutral, reducing CO₂ emissions to effectively zero by 2050, and a short-term goal of reducing emissions by 40% from FY2013 levels by 2030.

As for the current situation, we believe that the possibility of achieving our short-term target has become extremely high due to the reduction in the number of domestic flat glass production lines, the most CO₂ emission-intensive facilities, from four to two as a result of the restructuring of the Glass business last year.

We will also focus on enhancing disclosure based on the Task Force on Climate-related Financial Disclosures (TCFD) and other frameworks, as well as focus on carbon capture and utilization among our research themes to contribute to the decarbonization of society as a whole. This will serve as one of the pathways through which we become an R&D-oriented company. Along with the development of products with smaller global warming potential, we will continue to take on the challenge of seeking out the possibilities of carbon capture and effective utilization by applying our technological capabilities to the fullest extent.

In terms of ensuring diversity in the core human resources of the Company, we have set goals for increasing the ratio of female managers and are accelerating and strengthening our efforts to further improve this ratio by raising awareness of work styles and enhancing systems related to childbirth and childcare.

We newly established the Sustainability Committee in FY2021 to further strengthen our sustainable management. In order to deepen sustainable management throughout the Group, the Committee is chaired by an Executive Officer and its members consist of the heads of major business sites who are located at the headquarters, and it is positioned as an advisory body on overall sustainability activities in the Group. The Committee is responsible for sharing information across the companies based on a multifaceted vision and values, analyzing and reviewing information gathered from each department and reporting the results to the Board of Directors, and advising on the direction that the Company should take in the future.

Moving forward, we will continue to provide information that we would like to communicate to our stakeholders, and we also intend to actively provide information that our stakeholders desire from us.

To Our Stakeholders

In the past few years, Central Glass and the Group have struggled to adapt to major changes in the business environment. We have made a big decision to restructure the Glass business and accelerate investment in growth areas. We believe this will allow us to focus more of our management resources on businesses that we expect to grow for a long time to come. In particular, we believe that the market for environmental measures and other fields that contribute to the sustainability of society will continue to grow on a global scale, along with the recognition and penetration of GX and the SDGs.

The Group will move forward as an R&D-oriented company toward the emergence of a decarbonized society and aim to sustainably develop both the Group's financial and non-financial activities. We look forward to the ongoing understanding and support from all of our stakeholders as we move into the future.

