

May 10, 2024
Central Glass Co., Ltd.

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Actions to Achieve Management Conscious of Cost of Capital and Stock Price

Central Glass Co., Ltd. (hereinafter the Company) announces that, at a meeting of the Board of Directors held on May 10, 2024, the Company has analyzed and evaluated the current situation of our actions to realize management conscious of the cost of capital and stock price in order to achieve sustainable growth of the Company and increase corporate value over the medium to long term, and that the Company have formulated a policy for future actions for improvement.

For details, please refer to the attached document titled, "Actions to Achieve Management Conscious of Cost of Capital and Stock Price."



Actions to Achieve Management Conscious of Cost of Capital and Stock Price

May 10, 2024

1 Recognition of Current Situation (1) Cost of Capital vs. Return on Equity (ROE)

Our cost of equity to be recognized is estimated to be 7-8% based on CAPM estimates and investors' expected returns. ROE has been below cost of capital for a prolonged period, except for the recent special circumstances, and we have been unable to consistently maintain a positive equity spread.

Our Cost of Equity (CAPM Estimate)

7.4%

Assumptions for calculating cost of equity

Element	Figure
(1) Risk-free rate	0.62%
(2) Beta value	0.91
(3) Risk premium	7.4%
Cost of equity (1) + (2) x (3)	7.4%

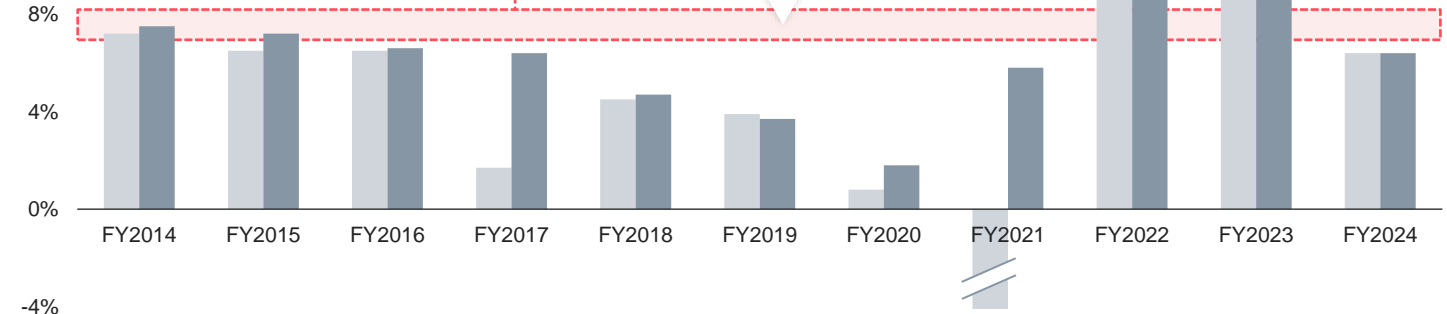
ROE

ROE on a performance basis, excluding extraordinary items and adjusted for the steady-state tax rate (23%), has not consistently exceeded the cost of equity

ROE
Performance-based ROE
(Ordinary profit after tax ÷ Equity)

Cost of equity to be recognized

7 - 8%



Tax burden reduced by carrying forward large losses

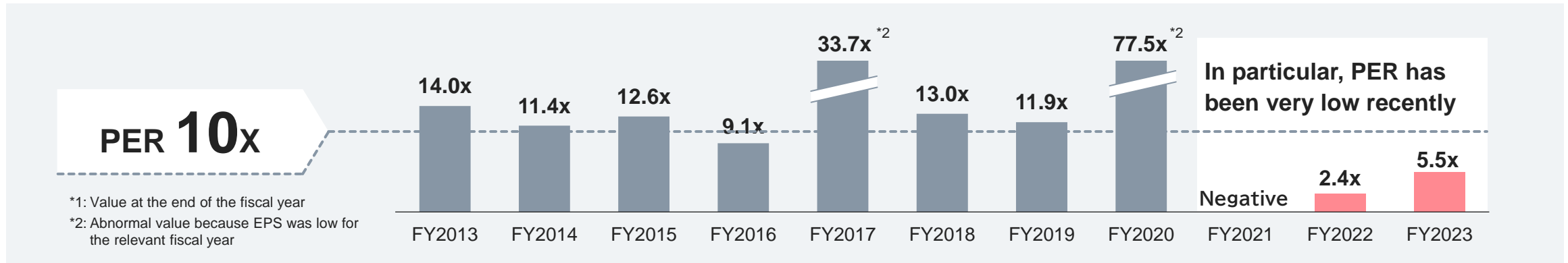
Increase in profit (ROE)

1 Recognition of Current Situation (2) PER and PBR

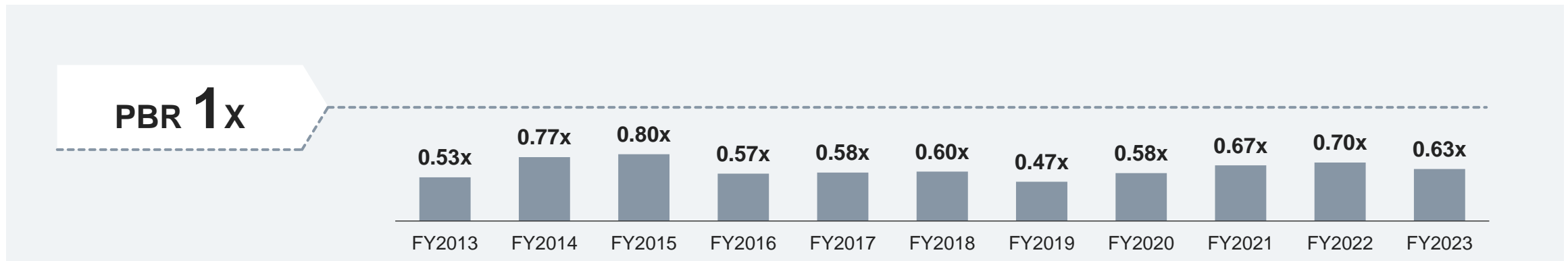
PER has been low at 10x or less in recent years.

PBR has remained below 1x in the range from 0.5x to 0.8x.

PER*1

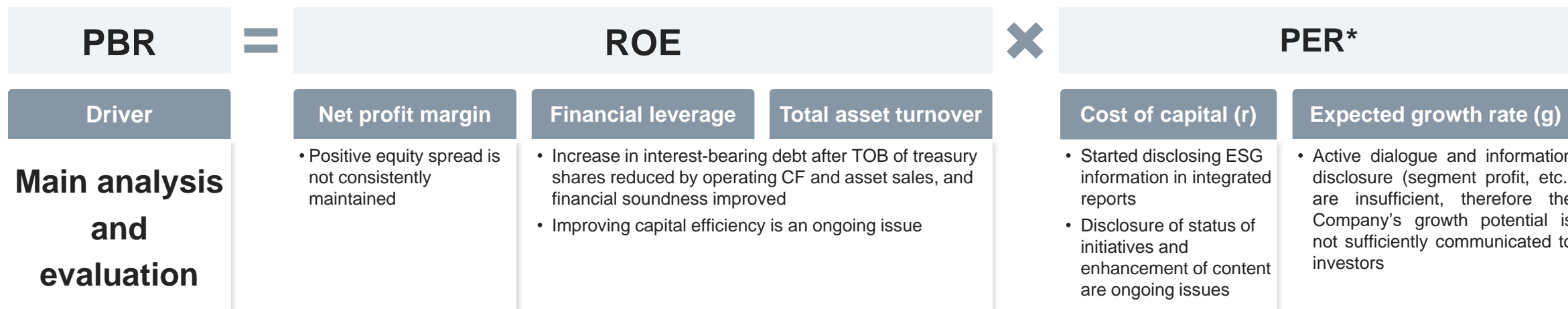


PBR



2 Analysis Results and Improvement Measures

Based on the analysis results tied to ROE and PER, we will execute five measures leading to PBR improvement.



Execution of improvement measures



* If a clean surplus relationship (a state in which "profit for the period" (profit) on the income statement and "change in equity" on the balance sheet are equal) is assumed, PER converges to the inverse of the difference between the cost of capital and the expected growth rate (r-g). Therefore, cost of capital and expected growth rate are set as the drivers of PER.

3 Improvement Measures (1) Realization of VISION 2030

Achieve ROE of 10% or more by 2030 and realize ROE in excess of expected cost of equity.

Also, expand earnings to achieve 20 billion yen in operating profit and gain investor confidence in growth potential.

Business strategies

Expansion of Specialty Products

- Creation of new value
- Creation of a strong business model

Strengthening of Essential Products

- Strengthening of earning capacity
- Creation of high added value

VISION 2030

Become a Specialty Materials Company
contributing to the realization of a sustainable society

Numerical targets

Operating profit 20 billion yen × **ROE At least 10%**
(Highest earnings on record)

Business strategies

Expansion of specialty products

- Creation of new value
- Creation of a strong business model

Strengthening of essential products

- Strengthening of earning capacity
- Creation of high added value

Optimization of business portfolio

Promotion of human capital management

- Promotion of diversity, equity and inclusion
- Increasing engagement
- Promotion of health and productivity management

Response to environmental issues

- Initiatives for the reduction of GHG emissions
- Initiatives for the realization of a recycling-oriented society
- Initiatives for the reduction of environmental impact

Promotion of utilization of digital technology

- Improvement of efficiency of operations
- Enhancement of management foundations
- Digital human resource development aimed at DX

Strengthening of business foundations through ESG management

3 Improvement Measures (2) B/S Management and Optimization of Capital Structure

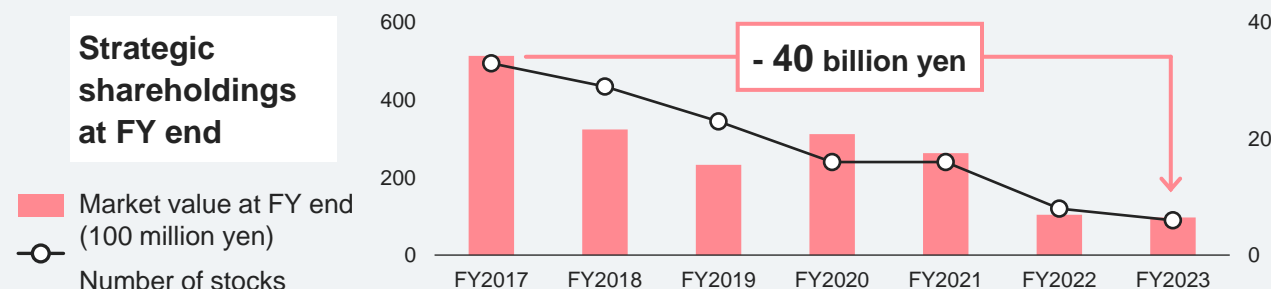
With a view to achieving ROE of 10% or more as soon as possible, we will thoroughly manage the balance sheet to optimize equity as well as profit growth (improvement of R).

Consolidated Balance Sheet (As of March 31, 2024)

Total assets	2,144
Business assets	2,033
Inventories	491
Non-business assets	111
Strategic shareholdings	97
Total liabilities	944
Interest-bearing debt (D/E ratio)	533 (0.46)
Net assets	1,200
Equity	1,149

Management Policy

- Further optimize working capital by reducing inventories, etc., while promoting multiple lines of procurement for de-risking
- Continuously reduce strategic shareholdings to streamline total assets



- Control D/E ratio at 0.5 or less to ensure financial soundness necessary to maintain the company's rating (A-/JCR)

- Secure economic capital* (approx. 100 billion yen at the end of FY2023) and appropriately control excess equity

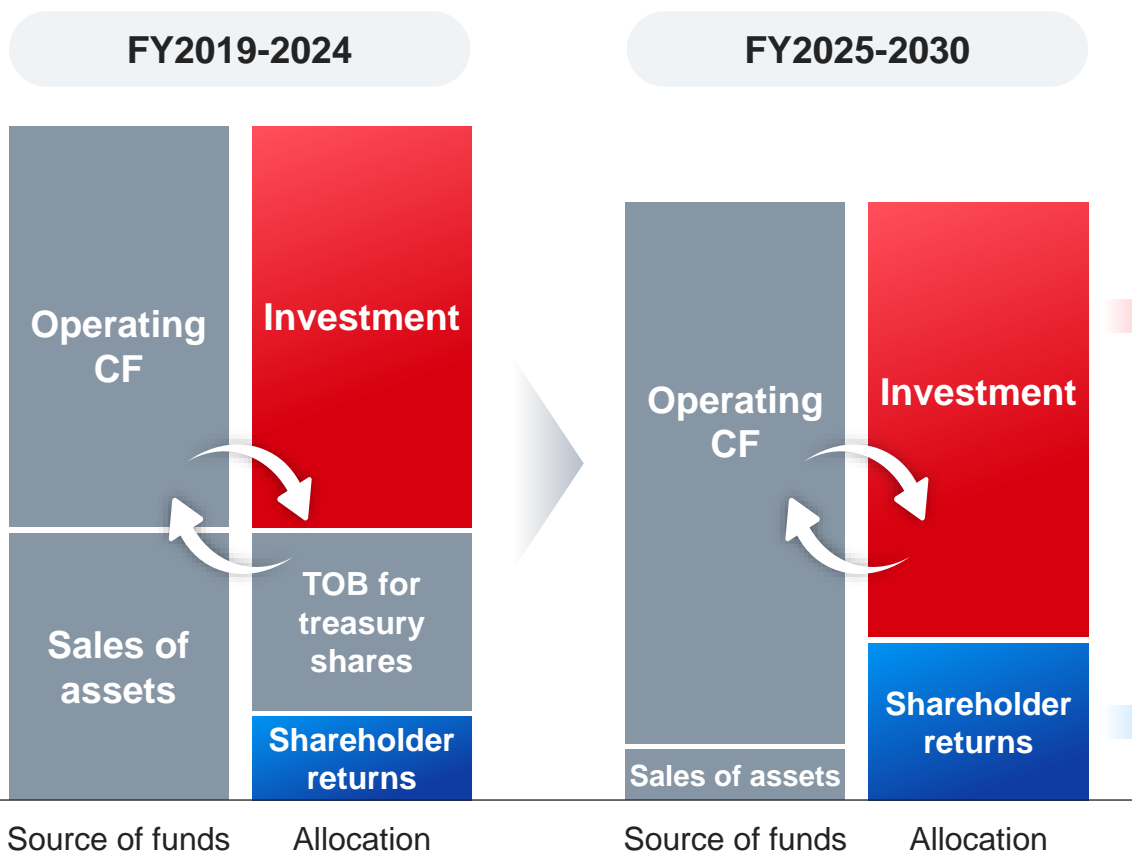
* Calculated using Moody's asset leverage coefficient

3 Improvement Measures (3) Optimization of Capital Allocation

Assume strategic spending and investment while maintaining financial soundness.

Allocate cash generated/increased by operating activities to growth investment and shareholder returns in accordance with the key strategies of VISION 2030.

Image of Allocation



Policies

Specific plans and shareholder return targets will be announced in the next Medium-Term Management Plan (scheduled for May 2025).

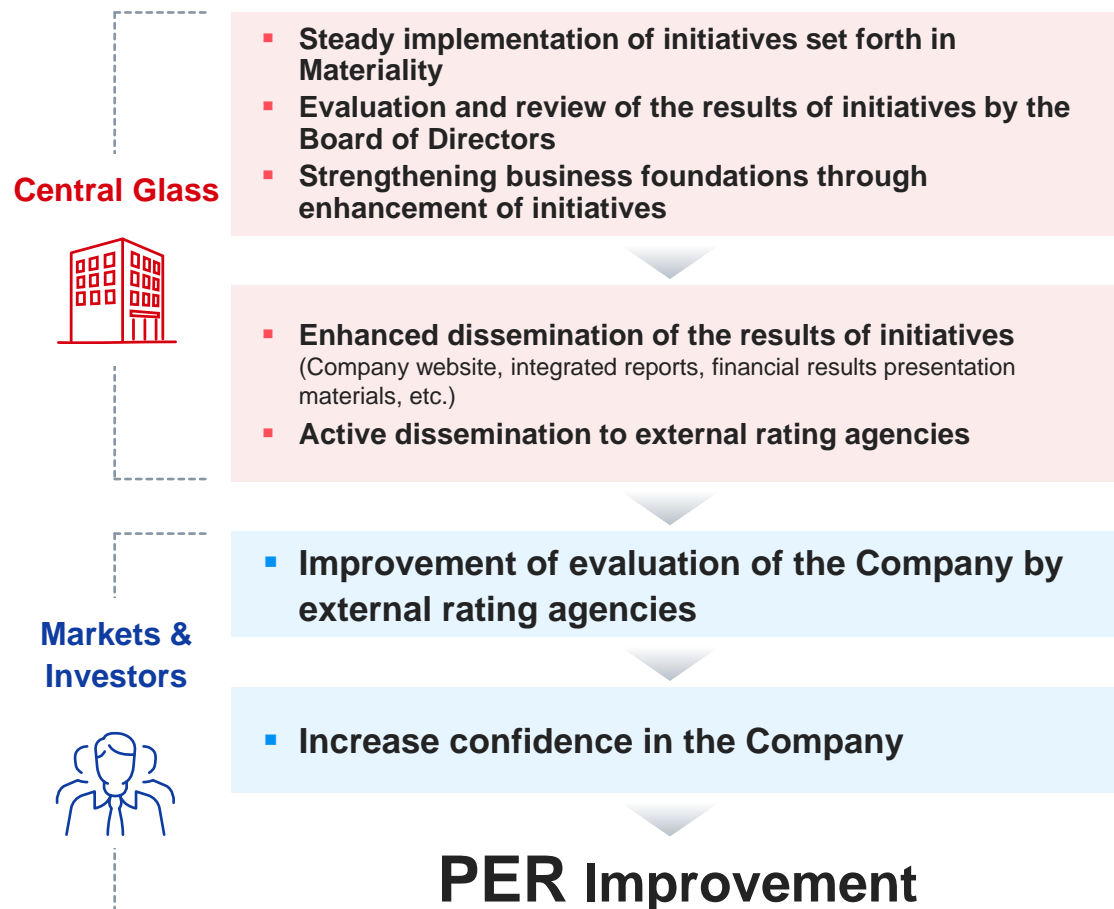
- Focus allocation on specialty products (semiconductors, power semiconductors, batteries, life sciences, lifestyle, environment, and food etc.)
- Balanced allocation to R&D/environmental/digital/essential products areas
- Maintain a total return ratio of 30% or more and DOE of 3.6% during the current Medium-Term Management Plan (until FY2024)
- Consider expansion during the next Medium-Term Management Plan



3 Improvement Measures (4) Strengthening of ESG Management

Aim to improve PER by steadily implementing the initiatives set forth in Materiality to obtain an improvement in ESG evaluation of the Company by external rating agencies.

Flow of Initiatives Aimed at Strengthening ESG Management



Performance and Targets of ESG Evaluation by External Rating Agencies

Results

Received a B- rating in the areas of Climate Change and Water Security



Future Targets

Aim to obtain high ratings from other rating agencies

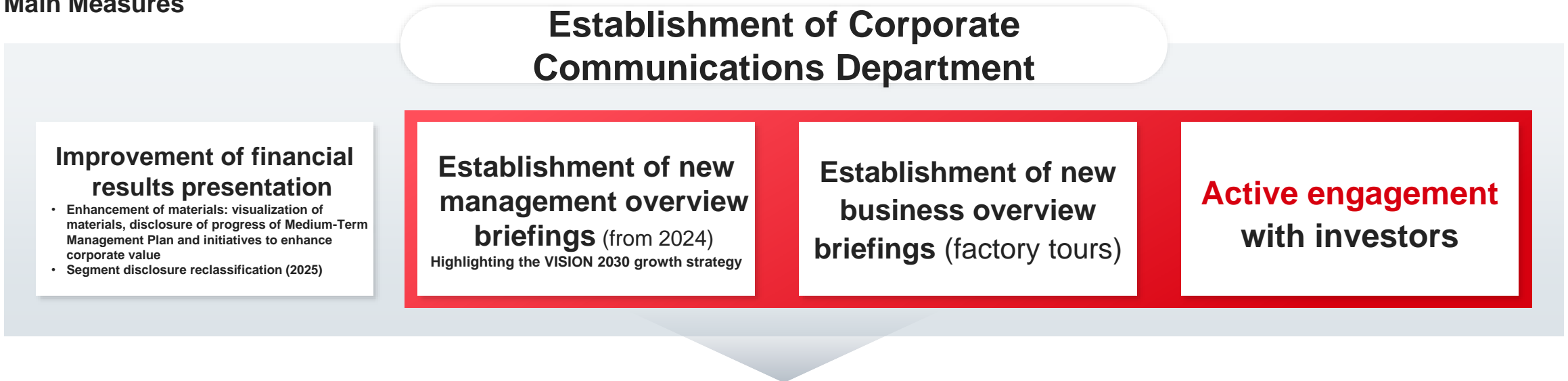
MSCI

FTSE

3 Improvement Measures (5) Strengthening of Engagement

Implement measures to strengthen engagement with investors and promote corporate value enhancement through disclosure in a cycle based on feedback.

Main Measures



Cycle of improvement and disclosure through investor feedback

