

# **S.T. Corporation and Subsidiaries**

**Consolidated Financial Statements  
for the Year Ended March 31, 2023,  
and Independent Auditor's Report**

# Consolidated Balance Sheets

S.T.CORPORATION and Consolidated Subsidiaries  
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets	2023	2022	2023
<b>Current assets:</b>			
Cash and time deposits (Notes 8, 12 and 18)	¥ 14,150	¥ 11,888	\$ 105,965
Notes receivable - trade (Notes 8)	200	82	1,501
Accounts receivable - trade (Notes 8)	5,879	5,721	44,030
Merchandise and finished goods	5,956	6,617	44,606
Work in process	201	187	1,504
Raw materials and supplies	1,110	989	8,311
Other current assets	692	657	5,183
Less - allowance for doubtful accounts	(34)	(34)	(253)
Total current assets	28,154	26,106	210,848
<b>Property, plant and equipment, at cost:</b>			
Land (Notes 11)	3,600	3,594	26,958
Buildings and structures	9,014	8,886	67,504
Machinery, equipment and vehicles	8,465	8,079	63,390
Tools, furniture and fixtures	2,806	2,734	21,017
Construction in progress	76	157	571
Leased assets (Note 19)	894	744	6,692
Less - accumulated depreciation	(15,199)	(14,072)	(113,825)
Property, plant and equipment, net	9,655	10,120	72,308
<b>Intangible assets, net of accumulated amortization</b>			
Other intangible assets	1,359	1,445	10,176
Total intangible assets	1,359	1,445	10,176
<b>Investments and other assets:</b>			
Investments in non-consolidated subsidiaries and affiliates	274	277	2,049
Investment securities (Notes 8 and 10)	5,522	5,377	41,351
Long-term loans	4	5	30
Net defined benefit asset (Notes 1 and 14)	6	7	48
Deferred tax assets other than unrealized revaluation loss on land (Note 13)	557	452	4,172
Other assets	585	613	4,382
Total investments and other assets	6,948	6,732	52,033
Total assets	¥ 46,116	¥ 44,402	\$ 345,364

Millions of yen

Thousands of  
U.S. dollars (Note 2)

Liabilities and net assets	2023	2022	2023
<b>Current liabilities:</b>			
Trade payables	¥ 2,884	¥ 2,195	\$ 21,596
Electronically recorded obligations-operating	3,151	2,835	23,598
Short-term borrowings	497	413	3,724
Lease liabilities	62	50	467
Other payables	1,222	1,802	9,154
Accrued expenses	620	685	4,641
Electronically recorded obligations-non-operating	20	179	152
Income taxes payable	646	423	4,841
Consumption taxes payable	209	93	1,565
Other current liabilities	2,082	2,024	15,592
Total current liabilities	11,394	10,701	85,331
<b>Long-term liabilities:</b>			
Lease liabilities	79	94	595
Provision for directors' retirement and severance benefits	101	108	754
Provision for executive officers' incentive plan (Note 6)	87	82	649
Net defined benefit liability (Notes 1 and 14)	1,216	1,301	9,110
Deferred tax liabilities - unrealized revaluation gain on land (Note 11)	262	262	1,963
Other non-current liabilities	15	7	114
Total long-term liabilities	1,761	1,854	13,186
<b>Net assets (Note 15):</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 96,817,000 shares in 2023 and 2022			
Issued and outstanding - 23,000,000 shares in 2023 and 2022	7,066	7,066	52,913
Capital surplus	7,047	7,047	52,776
Retained earnings	17,929	16,978	134,268
Treasury stock, at cost	(1,003)	(1,021)	(7,511)
Total shareholders' equity	31,039	30,070	232,446
<b>Accumulated other comprehensive income (loss):</b>			
Unrealized holding gain on other securities, net of taxes	1,975	1,867	14,790
Unrealized revaluation loss on land, net of taxes (Note 11)	(537)	(537)	(4,023)
Translation adjustments	(120)	(178)	(897)
Remeasurements of defined benefit plans	34	52	258
Total accumulated other comprehensive income (loss)	1,352	1,204	10,128
<b>Non-controlling interests</b>	570	573	4,272
Total net assets	32,961	31,848	246,847
Total liabilities and net assets	¥ 46,116	¥ 44,402	\$ 345,364

See notes to consolidated financial statements.

# Consolidated Statements of Income

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
<b>Net sales (Note 20)</b>	¥ 45,576	¥ 45,470	\$ 341,317
<b>Cost of sales (Notes 17 and 23)</b>	28,621	27,665	214,342
Gross profit	16,955	17,805	126,975
<b>Selling, general and administrative expenses (Note 17)</b>	14,539	14,554	108,881
Operating income	2,416	3,251	18,094
<b>Non-operating income (expenses):</b>			
Interest income	7	6	53
Dividend income	114	113	850
Interest expense	(6)	(5)	(45)
Purchase discounts	120	126	896
Share of loss of entities accounted for using equity method	(11)	(69)	(83)
Other, net	91	59	684
Total non-operating income (expenses)	315	231	2,356
Ordinary income	2,731	3,481	20,450
<b>Special gains (losses), net:</b>			
Gain on sale of non-current assets	0	0	3
Loss on disposition of property, plant and equipment, net	(8)	(27)	(58)
Impairment loss (Note 24)	—	(1,665)	—
Gain on sales of investment securities, net	17	44	131
Gain on redemption of investment securities	—	12	—
Loss on sale of shares of subsidiaries and associates	—	(144)	—
Gain on reversal of subscription rights to shares	—	0	—
Loss on disaster	(34)	—	(251)
Total special gains (losses), net	(23)	(1,781)	(175)
Profit before income taxes	2,707	1,700	20,275
<b>Income taxes (Note 13):</b>			
Current	948	837	7,096
Deferred	(127)	(347)	(951)
Total income taxes	820	490	6,144
<b>Profit</b>	1,887	1,210	14,131
<b>Profit attributable to non-controlling interests</b>	58	101	436
<b>Profit attributable to owners of parent</b>	¥ 1,829	¥ 1,109	\$ 13,695

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
<b>Profit</b>	¥ 1,887	¥ 1,210	\$ 14,131
<b>Other comprehensive income (Note 7)</b>			
Unrealized holding gain on other securities, net of taxes	108	(1,019)	807
Translation adjustments	79	130	594
Remeasurements of defined benefit plans, net of tax	(18)	41	(132)
Share of other comprehensive income (loss) of entities accounted for using equity method	8	70	58
Total other comprehensive income	177	(779)	1,327
<b>Comprehensive income</b>	¥ 2,064	¥ 431	\$ 15,458
Total comprehensive income attributable to:			
Owners of parent	1,977	267	14,806
Non-controlling interests	87	164	652

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2023 and 2022

	Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at April 1, 2022</b>	23,000	¥ 7,066	¥ 7,047	¥ 16,978	¥ (1,021)	¥ 30,070
Cash dividends paid by distribution of retained earnings				(878)		(878)
Profit attributable to owners of parent				1,829		1,829
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock					18	18
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2023</b>	23,000	¥ 7,066	¥ 7,047	¥ 17,929	¥ (1,003)	¥ 31,039

	Millions of yen						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 11)	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2022</b>	¥ 1,867	¥ (537)	¥ (178)	¥ 52	¥ 1,204	¥ 573	¥ 31,848
Cash dividends paid by distribution of retained earnings							(878)
Profit attributable to owners of parent							1,829
Purchases of treasury stock							(0)
Disposal of treasury stock							18
Net changes in items other than those in shareholders' equity	108	—	58	(18)	148	(3)	145
<b>Balance at March 31, 2023</b>	¥ 1,975	¥ (537)	¥ (120)	¥ 34	¥ 1,352	¥ 570	¥ 32,961

	Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at April 1, 2021</b>	23,000	¥ 7,066	¥ 7,036	¥ 16,982	¥ (1,040)	¥ 30,044
Cumulative effects of changes in accounting policies				(256)		(256)
<b>Restated balance</b>	23,000	7,066	7,036	16,726	(1,040)	29,787
Cash dividends paid by distribution of retained earnings				(852)		(852)
Profit attributable to owners of parent				1,109		1,109
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock				11	20	25
Net changes in items other than those in shareholders' equity				(5)		
<b>Balance at March 31, 2022</b>	23,000	¥ 7,066	¥ 7,047	¥ 16,978	¥ (1,021)	¥ 30,070

	Millions of yen							
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 11)	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Non-controlling interests	Total net assets
<b>Balance at April 1, 2021</b>	¥ 2,886	¥ (537)	¥ (314)	¥ 11	¥ 2,046	¥ 2	¥ 541	¥ 32,633
Cumulative effects of changes in accounting policies								(256)
<b>Restated balance</b>	2,886	(537)	(314)	11	2,046	2	541	32,376
Cash dividends paid by distribution of retained earnings								(852)
Profit attributable to owners of parent								1,109
Purchases of treasury stock								(0)
Disposal of treasury stock								25
Net changes in items other than those in shareholders' equity	(1,020)	—	137	41	(842)	(2)	33	(812)
<b>Balance at March 31, 2022</b>	¥ 1,867	¥ (537)	¥ (178)	¥ 52	¥ 1,204	¥ —	¥ 573	¥ 31,848

	Thousands of U.S. dollars (Note 2)					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at April 1, 2022</b>	23,000	\$ 52,913	\$ 52,776	\$ 127,148	\$ (7,644)	\$ 225,193
Cash dividends paid by distribution of retained earnings				(6,575)		(6,575)
Profit attributable to owners of parent				13,695		13,695
Purchases of treasury stock					(1)	(1)
Disposal of treasury stock					134	134
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2023</b>	23,000	\$ 52,913	\$ 52,776	\$ 134,268	\$ (7,511)	\$ 232,446

	Thousands of U.S. dollars (Note 2)						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 11)	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2022</b>	\$ 13,980	\$(4,023)	\$(1,330)	\$ 391	\$ 9,018	\$ 4,294	\$ 238,505
Cash dividends paid by distribution of retained earnings							(6,575)
Profit attributable to owners of parent							13,695
Purchases of treasury stock							(1)
Disposal of treasury stock							134
Net changes in items other than those in shareholders' equity	809	—	433	(132)	1,111	(22)	1,088
<b>Balance at March 31, 2023</b>	\$ 14,790	\$(4,023)	\$(897)	\$ 258	\$ 10,128	\$ 4,272	\$ 246,847

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 2,707	¥ 1,700	\$ 20,275
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,407	1,197	10,538
Amortization of goodwill	—	97	—
Impairment loss	—	1,665	—
Loss on disaster	34	—	251
Gain on reversal of subscription rights to shares	—	(0)	—
Loss on sales of property, plant and equipment	7	27	55
Loss (gain) on sales and valuation of investment securities	(17)	(44)	(131)
Loss (gain) on redemption of investment securities	—	(12)	—
Loss (gain) on sale of shares of subsidiaries and associates	—	144	—
Increase (decrease) in allowance for doubtful receivables	(1)	(0)	(5)
Increase (decrease) in net defined benefit asset and liability	(94)	(44)	(706)
Increase (decrease) in provision for directors' retirement and severance benefits	(7)	—	(51)
Increase (decrease) in provision for executive officers' incentive plan	5	13	35
Interest and dividends received	(121)	(119)	(903)
Interest expenses	6	5	45
Foreign exchange losses (gains)	3	10	22
Share of (profit) loss of entities accounted for using equity method	11	69	83
Changes in operating assets and liabilities:			
Receivables	(238)	(312)	(1,780)
Inventories	575	640	4,305
Payables and accrued expenses	1,000	(1,100)	7,486
Accrued consumption taxes	116	(305)	867
Increase (decrease) in lease and guarantee deposits	18	5	136
Other, net	(440)	99	(3,296)
Subtotal	4,971	3,736	37,225
Interest and dividends received	120	119	897
Interest paid	(6)	(5)	(42)
Income taxes paid	(722)	(1,184)	(5,409)
Net cash provided by operating activities	4,362	2,666	32,670
<b>Cash flows from investing activities:</b>			
Payments into deposits (more than three months)	(106)	(0)	(790)
Purchases of property, plant and equipment	(877)	(864)	(6,569)
Proceeds from sales of property, plant and equipment	0	0	3
Purchase of intangible assets	(266)	(895)	(1,995)
Purchases of investment securities	(21)	(54)	(154)
Proceeds from sales of investment securities	25	62	189
Proceeds from redemption of investment securities	—	78	—
Proceeds from sale of shares of subsidiaries and associates	—	3	—
Other investments, net	1	1	9
Net cash used in investing activities	(1,243)	(1,670)	(9,308)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	39	(50)	295
Purchases of treasury stock	(0)	(0)	(1)
Proceeds from disposal of treasury stock	18	23	134
Payments of dividends	(878)	(852)	(6,575)
Payments of dividends to non-controlling interests	(90)	(131)	(674)
Other finance, net	(73)	(65)	(547)
Net cash used in financing activities	(984)	(1,076)	(7,369)
Effect of exchange rate changes on cash and cash equivalents	26	90	193
Net increase (decrease) in cash and cash equivalents	2,161	11	16,187
Cash and cash equivalents at beginning of year	11,843	11,832	88,692
Cash and cash equivalents at end of year (Note 18)	¥ 14,005	¥ 11,843	\$ 104,879

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

S.T. CORPORATION and Consolidated Subsidiaries  
March 31, 2023

## 1 Summary of Significant Accounting Policies

### (a) Basis of presentation

S.T. CORPORATION (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, issued by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006). The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for readers outside Japan. The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. Furthermore, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted by Financial Instruments and Exchange Act, amounts are rounded to the nearest million. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

### (b) Scope of consolidation

(1) Number of consolidated subsidiaries:  
7 companies

(2) Names of consolidated subsidiaries:  
S.T. PRO Co., Ltd., S.T. Business Support Co., Ltd., S.T. MYCOAL CO., LTD., S.T. (Thailand) Co., Ltd., Family Glove Co., Ltd. (Taiwan), S.T. Korea Corporation (South Korea), and Shaldan (Thailand) Co., Ltd.

(3) Name of non-consolidated subsidiary:  
JAPAN AROMA LABORATORY CO., LTD.

(Reasons for exclusion from scope of consolidation)

The non-consolidated subsidiary has been excluded from the scope of consolidation because the total amounts of its assets, net sales, profit or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other amounts are limited, and the effect on the consolidated financial statements as a whole is not significant.

### (c) Scope of application of equity-method accounting

(1) Number of affiliated companies accounted for by the equity method:  
2 companies

(2) Names of companies accounted for by the equity method:  
Aekyung S.T. Co., Ltd., and NS FaFa Japan Co., Ltd.  
We sold all the shares we owned for Shaldan (Philippines), Inc., which was the affiliated company accounted for by the equity method, as of March 31, 2023 and therefore it is excluded from the scope of consolidation.

(3) Name of non-consolidated subsidiary for which equity method is not applied  
The non-consolidated subsidiary to which the equity method does not apply (JAPAN AROMA LABORATORY CO., LTD) is accounted for using the cost method rather than the equity method because the total amounts of its profit or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other amounts are limited, and the effect on the consolidated financial statements as a whole is not significant.

### (d) Accounting period

The accounting period of the Company begins on April 1 and ends on March 31 of the following year. The four overseas subsidiaries have fiscal years ending on December 31. The necessary adjustments for significant transactions, if any, during the intervening period are made on consolidation.

### (e) Translation of foreign currency transactions and financial statements

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and the accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. Foreign exchange gains and losses are credited or charged to income and translation adjustments are included in net assets.

### (f) Securities

Other securities having market value available are recorded at market value with fluctuations in unrealized gains and losses after deducting the associated deferred tax assets or liabilities contained in net assets. Other securities having no market value available are stated at cost determined by the moving average method, and the cost of other securities sold is calculated based on the moving average method. During the years ended March 31, 2023 and 2022, the Company and its consolidated subsidiaries did not have any trading securities.

### (g) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined by the average method.

### (h) Property, plant and equipment, except for leased assets, and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries, except for buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, and facilities attached to the buildings and structures acquired on or after April 1, 2016, is computed by the declining-balance method in conformity with the Corporation Tax Law of Japan. Depreciation of property and equipment of overseas subsidiaries and buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998 and facilities attached to the buildings and structures acquired on or after April 1, 2016 of the Company and domestic subsidiaries is computed by the straight-line method.

The estimated useful lives of the major depreciable assets are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years

### (i) Intangible assets, except for leased assets, and amortization

Intangible assets, except for leased assets, are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over a period of mainly 5 years, the useful life applicable to commercially available software.

### (j) Leases

Non-cancelable lease transactions that transfer substantially all the risks and rewards associated with the ownership of the leased assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

Depreciation is computed by the straight-line method over the respective lease terms assuming a nil residual value.

### (k) Allowance for doubtful receivables

The allowance for doubtful receivables is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

**(l) Provision for directors' retirement and severance benefits**

The Company has accrued provision for directors' retirement and severance benefits at the amount which would be required to be paid if all directors resigned from their positions and left the Company as of the balance sheet date in accordance with its internal regulations.

**(m) Provision for executive officers' incentive plan**

The Company has established an executive officers' incentive plan trust and a provision is made at the amount required for stock awards based on the Company's internal regulations for awarding stock.

**(n) Employees' retirement and severance benefits**

- (1) Method of attributing expected benefit payments to the period  
In calculating the retirement benefit obligation, the method of attributing expected benefit payments to periods is based on the benefit formula.
- (2) Amortization method of actuarial gains/losses  
Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of a certain number of years (5 years) which is shorter than the average remaining years of service of the employees.
- (3) Adoption of a simplified method in some consolidated subsidiaries  
Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the end of fiscal year for the calculation of net defined benefit liability and retirement benefit expenses.

**(o) Standards for recording important income and expenses**

The Company and domestic consolidated subsidiaries have recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The time when the customer gains control of the

product is determined to be the time when the product arrives at the customer in domestic sales and the time when the product arrives at the point agreed with the customer in export sales.

These revenues are measured by deducting rebates and returns from the consideration promised in the contract with the customer.

The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include important financial factors.

**(p) Accounting for significant hedges**

- (1) Hedge accounting  
The Company mainly applies the deferred hedged accounting method. Foreign exchange contracts have applied the appropriation process.
- (2) Hedging instrument and risk hedged  
Hedging instrument: Forward exchange contracts  
Risk hedged: Foreign currency-denominated forecasted transactions
- (3) Hedging policy  
The Company mainly applies forward exchange contracts to avoid the risk of short-term exchange fluctuations on foreign currency-denominated forecasted transactions.

**(q) Cash and cash equivalents**

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and liquid short-term investments with a maturity of three months or less from their respective dates of acquisition.

## 2 Basis of Translation

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The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥133.53 = U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2023. This

translation should not be construed as a representation that all amounts shown could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

## 3 Significant Accounting Estimates

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(Years ended March 31, 2023)

Not applicable

(Years ended March 31, 2022)

Not applicable



## 4 Change in Accounting Policies (Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

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As of the beginning of the current consolidated fiscal year under review, we applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021, hereinafter, "Implementation Guidance on Fair Value Measurement Accounting Standard"). In accordance with transitional treatment as prescribed in

Section 27-2 of the Implementation Guidance on Fair Value Measurement Accounting Standard prospectively. As such, there is no significant impact on financial statements for the current consolidated fiscal year under review.

## 5 Accounting Standards Issued but not yet Effective

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- Accounting standards for Current Income Taxes (Statement No.27, October 28, 2022 issued by the Accounting Standards Board of Japan (ASBJ))
- Accounting Standard for Presentation of Comprehensive Income (Statement No.25, October 28, 2022 issued by the Accounting Standards Board of Japan (ASBJ))
- Guidance on Accounting Standard for Tax Effect Accounting (Guidance No.28, October 28, 2022 issued by the ASBJ)

### (1) Summary

When ASBJ Statement No. 28, "Partial Amendments to Accounting Standards for Tax Effective Accounting" , etc. (hereinafter ASBJ Statement No. 28, etc.) was issued in February 2018 in order to transfer practical guidance for tax effective accounting issued by the Japanese institute of Certified Public Accountants to ASBJ Statements, discussions about following two issues were ongoing. The Accounting Standards were updated to reflect the results of the discussions.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on the sale of subsidiary shares, etc. (subsidiary shares or affiliated company shares) under Japanese Group Relief System

### (2) Scheduled date of application

The accounting standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

### (3) Impact of application

The impact of applying the accounting standards and guidance on the accompanying consolidated financial statements is under evaluation.

## 6 Additional Information

### (Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

#### (a) Board Benefit Trust (BBT)

The Company introduced a "Board Benefit Trust" with the goal of increasing awareness of the importance of contributing to further enhancing the Company's corporate value and performance over the medium-to-long-term.

##### (1) Summary

The Company awards the Company's stock to the executive officers who satisfy certain requirements based on predetermined regulations for awarding stocks. Executive officers are granted a certain number of points depending on the financial results, and upon their retirement, the officers will receive stock depending on the number of points they have accumulated.

The Company has established the Trust by contributing funds to be used for the acquisition of the Company's stock on behalf of executive officers. The Trust will acquire the Company's stock to be awarded to the executive officers in the future, and the shares are managed as trust assets.

##### (2) The Company's stock in the Trust

The Company's own stock in the Trust is recorded in treasury shares under net assets based on the book value of the shares in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2023 were ¥96 million (U.S. \$1,468 thousand) and 150,400 shares, respectively.

#### (b) Employee Stock Ownership Plan (ESOP) Trust

The Company introduced an Employee Stock Ownership Plan (ESOP) Trust as an employee incentive plan with the aim of raising awareness of the Company's share price and strengthening financial performance.

##### (1) Summary

The Company awards the Company's stock to the employees who satisfy certain requirements based on predetermined regulations for awarding stocks.

If the Company's profit is higher than a pre-determined standard, the Company awards a certain number points to employees. Upon their retirement, employees will receive the Company's stock depending on the number of points they have accumulated.

The Company has established the Trust by contributing funds to be used for the acquisition of the Company's stock on behalf of participating employees. The Trust will acquire the Company's stock to be awarded to employees in the future, and the shares are managed as trust assets.

##### (2) The Company's stock in the Trust

The Company's own stock in the Trust is recorded in treasury shares under net assets based on the book value of the shares in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2023 were ¥126 million (U.S. \$941 thousand) and 120,000 shares, respectively.

## 7 Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized holding gain (loss) on other securities, net of taxes			
Amount recognized in the year	¥ 149	¥ (1,440)	\$ 1,119
Reclassification adjustments included in the statement of income	(17)	(55)	(131)
Before income tax effect adjustment	132	(1,495)	989
Amount of income tax effect	(24)	475	(181)
Unrealized holding gain (loss) on other securities, net of taxes	108	(1,019)	807
Translation adjustments			
Amount recognized in the year	79	130	594
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the year	(14)	59	(103)
Reclassification adjustments included in the statement of income	(12)	0	(89)
Before income tax effect adjustment	(26)	59	(192)
Amount of income tax effect	8	(18)	59
Remeasurements of defined benefit plans, net of tax	(18)	41	(132)
Other comprehensive income (loss) on equity method companies			
Amount recognized in the year	8	5	58
Reclassification adjustments included in the statement of income	—	65	—
Other comprehensive income (loss) on equity method companies	8	70	58
Total other comprehensive income	¥ 177	¥ (779)	\$ 1,327

## 8 Financial Instruments

### (1) Current status of financial instruments

- (a) Policy in relation to financial instruments  
The Company and its consolidated subsidiaries (collectively, the "Group") raise necessary funds following capital investment plans for undertaking the manufacturing-and-selling businesses. Surplus funds of the Group are only invested in highly secure financial assets.
- (b) Details of financial instruments and related risk  
Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, receivables denominated in foreign currencies are exposed to foreign currency exchange risk.  
Marketable securities and investment securities, most of which are stocks of other companies with which the Group has business relationships, are exposed to market price fluctuation risk.  
Substantially all trade payables—notes and accounts payable—trade, electronically recorded obligations—operating and other payables—have payment due dates within one year. In addition, payables denominated in foreign currencies are exposed to foreign currency exchange risk.
- (c) Risk management system for financial instruments  
(Credit risk management—the risk that customers or counterparties may default)  
The Company has established a management policy whereby the Company evaluates the financial conditions of its customers and

monitors due dates and outstanding balances regularly to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The consolidated subsidiaries perform equivalent management procedures as the Company.

(Market risk management—the risk arising from fluctuations in exchange rates and interest rates)

The Company uses forward exchange contract transactions with the aim of avoiding risk related to fluctuation in future foreign exchange. For marketable securities and investment securities, the Company periodically confirms the market value of such financial instruments and reports to the director in charge. The Company reviews the status of these investments on a continuing basis.

(Liquidity risk management—the risk that the Group may not be able to meet its payment obligations on the schedule dates)

The Company manages liquidity risk by means of preparing monthly financial plans.

- (d) Supplementary explanation of items relating to the fair value of financial instruments

Because estimation of fair values incorporates variable factors, adopting different assumptions can change the value.

### (2) Estimated fair value of financial instruments

The carrying value of financial instruments recognized on the consolidated balance sheets as of March 31, 2023 and 2022, the estimated fair value of such items and the differences between them are shown below.

Year ended March 31, 2023	Millions of yen		
	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥ 5,387	¥ 5,387	—
Year ended March 31, 2022	Millions of yen		
	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥ 5,252	¥ 5,252	—
Year ended March 31, 2023	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Investment securities			
Other securities	\$ 40,340	\$ 40,340	—

(\*1) "Cash and time deposits", "Notes receivable - trade", "Accounts receivable - trade", "Trade payables", "Electronically recorded obligations—operating", and "Other payables" have been omitted because these are settled within a short period of time and their fair values approximate book values.

(\*2) "Investment securities" does not include unlisted stocks with no market value. The consolidated balance sheet amount of this financial instrument is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unlisted equity securities	¥ 135	¥ 125	\$ 1,011

## Notes to Consolidated Financial Statements

Notes. Redemption schedule for receivables and other securities with maturity dates at March 31, 2023 and 2022 are summarized as follows:

Year ended March 31, 2023	Millions of yen			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	¥ 14,148	—	—	—
Notes receivable - trade	200	—	—	—
Accounts receivable - trade	5,879	—	—	—
Total	¥ 20,228	—	—	—

Year ended March 31, 2022	Millions of yen			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	¥ 11,886	—	—	—
Notes receivable - trade	82	—	—	—
Accounts receivable - trade	5,721	—	—	—
Total	¥ 17,689	—	—	—

Year ended March 31, 2023	Thousands of U.S. dollars			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	\$ 105,954	—	—	—
Notes receivable - trade	1,501	—	—	—
Accounts receivable - trade	44,030	—	—	—
Total	\$ 151,485	—	—	—

### (3) The details related to each level of fair value of financial instruments

There are three levels to the fair value hierarchy (Level 1 is the highest priority and Level 3 is the lowest priority) based on the observability and materiality.

Level 1: Of the inputs related to the observable market value calculation, the market price calculated based on the market price of the asset or liability for which the market value is calculated, which is formed in an active market.

Level 2: Of the inputs related to the calculation of the observable market value, the market value calculated using the inputs related to the calculation of the market value other than the inputs categorized within Level 1.

Level 3: Market value calculated using inputs related to the calculation of unobservable market value.

When multiple inputs that have a significant influence on the market value calculation are used, the market value is classified into the lowest priority level in the market value calculation among the levels to which those inputs belong.

(a) Financial instruments recorded on the consolidated balance sheet at market value

Year ended March 31, 2023	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 5,290	—	—	¥ 5,250
Other	—	96	—	96
Total	¥ 5,290	¥ 96	—	¥ 5,387

Year ended March 31, 2022	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 5,150	—	—	¥ 5,150

(\*) In accordance with the transitional treatment prescribed in Paragraph 26 of "Implementation Guidelines on Accounting Standard for Fair Value Measurement" (ASBJ Guideline No. 31, July 4, 2019), investment trusts are not included in the above table. The amount of the investment trust on the consolidated balance sheet is ¥102 million.

Year ended March 31, 2023	Fair value			
	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	\$ 39,619	—	—	\$ 39,619
Other	—	721	—	721
Total	\$ 39,619	\$ 721	—	\$ 40,340

(b) Financial instruments other than those listed on the consolidated balance sheet at market value

(Years ended March 31, 2023)

It is omitted because it is not important.

(Years ended March 31, 2022)

It is omitted because it is not important.

Notes. Explanation of the valuation technique used to calculate the market value and the inputs related to the calculation of the market value

#### Investment securities

Listed stocks are valued using market prices. Listed stocks are traded in active markets, so their market value is classified into Level 1.

Investment trusts are evaluated based on published reference prices or prices presented by financial institutions. The fair value is classified as Level 2 fair value because it is not recognized as a quoted price in an active market.

## 9 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2023 and 2022.

## 10 Investment Securities

### (1) Other securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2023 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Acquisition cost	¥ 2,589	¥ 2,586	\$ 19,386
Carrying value	5,387	5,252	40,340
Total unrealized gain	2,819	2,680	21,114
Total unrealized loss	(21)	(14)	(160)

At March 31, 2023 and 2022, unlisted stocks (whose carrying value was ¥135 million (U.S.\$1,011 thousand) and ¥125 million, respectively) are not included in the above table because they have no quoted market price.

### (2) Sales of other securities

Year ended March 31, 2023	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 25	¥ 17	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 25	¥ 17	—

Year ended March 31, 2022	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 62	¥ 44	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 62	¥ 44	—

Year ended March 31, 2023	Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	\$ 190	\$ 131	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	\$ 190	\$ 131	—

### (3) Impairment of investment securities

There were no significant impairment losses on investment securities for the years ended March 31, 2023 and 2022.

## 11 Land Revaluation

In accordance with the Land Revaluation Law (Proclamation No. 34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The revaluation difference, net of taxes, is stated as "Unrealized revaluation loss on land, net of taxes" in net assets. Deferred tax liabilities arising from this revaluation difference are presented separately from

deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2023 and 2022 decreased by ¥178 million (U.S.\$1,332 thousand) and ¥197 million, respectively, after the revaluation.

## 12 Pledged Assets

Pledged assets at March 31, 2023 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Time deposits	¥ 5	¥ 5	\$ 38

Time deposits were pledged as collateral mainly for leased office space at March 31, 2023 and 2022.

## 13 Income Taxes

At March 31, 2023 and 2022, the tax effect of the temporary differences which gave rise to a significant portion of the deferred tax assets (excluding deferred taxes on unrealized revaluation loss on land) was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Accrued business taxes	¥ 50	¥ 41	\$ 371
Accrued employees' bonuses	146	139	1,097
Refund liabilities	164	145	1,227
Loss on valuation of inventories	157	8	1,176
Tax loss carryforwards	126	92	946
Net defined benefit liability	355	374	2,661
Provision for directors' retirement and severance benefits	31	33	234
Provision for executive officers' incentive plan	27	25	201
Impairment losses	436	499	3,264
Write-downs of securities	53	53	393
Other	199	195	1,493
Gross deferred tax assets	1,744	1,605	13,063
Valuation allowance for tax loss carryforwards	(126)	(92)	(946)
Valuation allowance for the total of future deductible temporary differences etc.	(70)	(115)	(528)
Valuation allowance	(197)	(208)	(1,474)
Total deferred tax assets	1,547	1,398	11,589
Deferred tax liabilities:			
Deferred gain on sales of property	(10)	(10)	(73)
Net defined benefit asset	(2)	(2)	(15)
Returns assets	(106)	(87)	(791)
Undistributed earnings of controlled foreign companies	(49)	(42)	(365)
Unrealized holding gain on other securities, net of taxes	(821)	(797)	(6,150)
Other	(3)	(8)	(24)
Total deferred tax liabilities	(990)	(946)	(7,417)
Net deferred tax assets	¥ 557	¥ 452	\$ 4,172

At March 31, 2023 and 2022, net deferred tax assets and net deferred tax liabilities were included in the following items in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Non-current assets - deferred tax assets	¥ 557	¥ 452	\$ 4,172

Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward for the year end March 31, 2023 and 2022, were as follows:

Year ended March 31, 2023	Millions of yen						Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	
Tax loss carryforwards	¥ 17	¥ 51	¥ 18	¥ 16	¥ 19	¥ 5	¥ 126
Valuation allowance	(17)	(51)	(18)	(16)	(19)	(5)	(126)
Deferred tax assets	—	—	—	—	—	—	—

Year ended March 31, 2022	Millions of yen						Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	
Tax loss carryforwards	—	¥ 15	¥ 46	¥ 16	¥ 14	—	¥ 92
Valuation allowance	—	(15)	(46)	(16)	(14)	—	(92)
Deferred tax assets	—	—	—	—	—	—	—

Year ended March 31, 2023	Thousands of U.S. dollars						Total
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	
Tax loss carryforwards	\$ 126	\$ 384	\$ 136	\$ 119	\$ 141	\$ 41	¥ 946
Valuation allowance	(126)	(384)	(136)	(119)	(141)	(41)	(946)
Deferred tax assets	—	—	—	—	—	—	—

Note: Figures for tax loss carryforward were the amounts multiplied by effective statutory tax rate.

A reconciliation of the statutory tax rates to the Company's effective tax rates for the years ended March 31, 2023 and 2022 is summarized as follows:

	2023	2022
Japanese statutory tax rate	31.00%	31.00%
Permanent differences, such as entertainment expenses, etc.	0.40	0.55
Permanent differences, such as dividend income	(0.34)	(0.52)
Tax credit	(1.41)	(7.68)
Undistributed earnings of controlled foreign companies	0.25	(0.97)
Equity in loss of affiliates	(0.12)	(1.26)
Increase in valuation allowance	(1.15)	1.64
Other	1.68	6.07
Effective tax rate	30.31%	28.83%

## 14 Employees' Retirement and Severance Benefits

The Company and its consolidated subsidiaries have defined benefit plans for payments of employees' retirement (either funded or unfunded), the Company and some consolidated subsidiaries have a defined contribution pension plan.

The Group pays a pension or lump sum based on length of service and salary in the defined benefit corporate pension plan.

In unfunded retirement benefit plans, the Company pays a lump sum

based on length of service and salary as a retirement benefit.

Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end for the calculation of net defined benefit liability and retirement benefit expenses.

## Notes to Consolidated Financial Statements

### (1) Defined benefit plans

Adjustments of beginning and ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥ 1,338	¥ 1,386	\$ 10,018
Service cost	73	66	550
Interest cost	9	10	71
Actuarial gain or loss	12	(59)	93
Payment of retirement benefits	(199)	(73)	(1,490)
Other	11	8	79
Balance at the end of the year	¥ 1,245	¥ 1,338	\$ 9,321

Adjustments of beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥ 44	¥ 57	\$ 330
Expected return on plan assets	1	1	4
Actuarial loss	(1)	(1)	(10)
Payment of retirement benefits	(9)	(13)	(64)
Balance at the end of the year	¥ 35	¥ 44	\$ 259

Adjustments of ending balance of retirement benefit obligations and plan assets, and net defined benefit asset and liability on consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligations	¥ 28	¥ 37	\$ 211
Plan assets	(35)	(44)	(259)
	(6)	(7)	(48)
Unfunded retirement benefit obligations	1,216	1,301	9,110
Net defined benefit asset and liability on consolidated balance sheet	1,210	1,294	9,062
Net defined benefit liability	1,216	1,301	9,110
Net defined benefit asset	(6)	(7)	(48)
Net defined benefit asset and liability on consolidated balance sheet	¥ 1,210	¥ 1,294	\$ 9,062

The following table summarizes the components of net retirement benefit expenses:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 73	¥ 66	\$ 550
Interest cost on benefit obligation	9	10	71
Expected return on plan assets	(1)	(1)	(4)
Amortization of actuarial loss	(12)	0	(89)
Extraordinary additional retirement payments	12	12	90
Net retirement benefit expenses	¥ 82	¥ 88	\$ 618

Remeasurements of defined benefit plans, before tax, in the consolidated statements of comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial gain (loss)	¥ (14)	¥ 59	\$ (103)

Remeasurements of defined benefit plans, before tax, in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized actuarial gain (loss)	¥ (50)	¥ (76)	\$ (374)



Plan assets

(a) Plan assets

The fair value of plan assets, by major category, as a percentage of total plan assets is as follows:

	2023	2022
General accounts	100.0%	100.0%
Total	100.0	100.0

(b) Calculation method of expected long-term rate of return on plan assets

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in the actuarial calculation

The main assumptions used in the actuarial calculation (presented as a weighted average) are as follows:

	2023	2022
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	1.3%	1.3%

## (2) Other retirement benefits

Contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries for the years ended March 31, 2023 and 2022 amounted to ¥125 million (U.S. \$939 thousand) and ¥129 million, respectively.

## 15 Net Assets

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Capital surplus and the legal reserve are not available for the distribution of dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital. At March 31, 2023, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$4,118 thousand).

The maximum amount which the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Corporation Law of Japan.

## 16 Amounts per Share

Net assets per share as of March 31, 2023 and 2022 were ¥1,456.38 (U.S.\$10.91) and ¥1,407.03, respectively. Basic earnings per share for the years ended March 31, 2023 and 2022 were ¥82.22 (U.S.\$0.62) and ¥49.91, respectively.

Diluted earnings per share for the years ended March 31 2022 were ¥49.91, respectively.

(\*) Diluted net income per share for the year ended March 31, 2023 is not presented because latent shares do not exist.

The basis for the calculation of basic earnings per share and diluted earnings per share for the years ended March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Basic earnings per share:			
Profit attributable to owners of parent	¥ 1,829	¥ 1,109	\$ 13,695
Amount not attributable to shareholders of common stock	—	—	—
Amount attributable to shareholders of common stock	1,829	1,109	13,695
Weighted-average number of shares outstanding (millions of shares)	22	22	—
Diluted earnings per share:			
Adjustments to profit attributable to owners of parent	—	—	—
Increase in number of shares outstanding (millions of shares)	—	1	—
(Subscription rights to shares)	(—)	(1)	—
Shares having an anti-dilutive effect (millions of shares)	—	—	—

## Notes to Consolidated Financial Statements

The basis for calculation of total net assets per share as of March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total net assets per share:			
Total net assets	¥ 32,961	¥ 31,848	\$ 246,847
Deductions:	570	573	4,272
Subscription rights	—	—	—
Non-controlling interests	570	573	4,272
Amounts attributable to shareholders of common stock	32,391	31,274	242,575
Number of shares outstanding at year end (millions of shares)	22	22	—

## 17 Major Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Sales promotion expenses	¥ 575	¥ 555	\$ 4,308
Advertising costs	2,599	2,606	19,461
Salaries	2,487	2,487	18,626
Shipment and storage expenses	1,661	1,657	12,443
Provision for employees' retirement and severance benefits	145	158	1,089
Provision for executive officers' incentive plan	23	13	171
Provision of allowance for doubtful accounts	(1)	—	(5)

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2023 and 2022 amounted to ¥775 million (U.S.\$5,803 thousand) and ¥851 million, respectively.

## 18 Cash and Time Deposits

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and time deposits in the accompanying consolidated balance sheets at March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and time deposits	¥ 14,150	¥ 11,888	\$ 105,965
Time deposits with a maturity in excess of three months	(176)	(68)	(1,320)
Other current assets (*)	31	23	235
Cash and cash equivalents	¥ 14,005	¥ 11,843	\$ 104,879

(\*) These represent the Company's contributions of funds to a bank in order to establish the "Board Benefit Trust (BBT)" and "Employee Stock Ownership Plan (ESOP) Trust."

## 19 Leases

(Finance leases)

Leased assets included in property, plant and equipment are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures in the daily necessities segment. Leased assets included in intangible assets are software.

(Operating leases)

The Company and its consolidated subsidiaries had no significant operating leases at March 31, 2023 and 2022.

## 20 Revenue recognition

### (1) The disaggregation of revenue recognized from contracts with customers

#### a. Breakdown by type of goods or services

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Air Care	¥ 19,758	¥ 19,984	\$ 147,965
Cloth Care	7,986	8,213	59,808
Thermal Care	4,713	4,364	35,293
Hand Care	5,844	5,834	43,768
Dehumidify Care	2,985	2,846	22,352
Home Care	4,290	4,229	32,131
Total of revenue from contracts with customers	¥ 45,576	¥ 45,470	\$ 341,317

#### b. Breakdown by revenue recognition period

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Goods or services to be transferred at one time	¥ 45,576	¥ 45,470	\$ 341,317
Goods or services that are transferred over a period of time	—	—	—
Total of revenue from contracts with customers	¥ 45,576	¥ 45,470	\$ 341,317

### (2) Information that is the basis for understanding the revenue generated from contracts with customers

Recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The time when the customer gains control of the product is determined to be the time when the product arrives at the customer in domestic sales and the time when the product arrives at the point agreed with the customer in export sales.

These revenues are measured by deducting rebates and returns from the consideration promised in the contract with the customer.

The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include important financial factors.

### (3) Information regarding the relationship between the fulfillment of performance obligations under the contract with the customer and the cash flows arising from this contract, and the amount and timing of revenue expected to be recognized from the contract with the customer existing at the end of the current consolidated fiscal year after the next consolidated year.

#### a. Balance of receivables and contract liabilities arising from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	Balance at 2023	Balance at 2022	Balance at 2023
Beginning balance of receivables arising from contracts with customers			
Notes receivable – trade	¥ 82	¥ 98	\$ 617
Accounts receivable – trade	5,721	5,691	42,841
Ending balance of receivables arising from contracts with customers			
Notes receivable – trade	¥ 200	¥ 82	\$ 1,501
Accounts receivable – trade	5,879	5,721	44,030

#### b. Transaction price allocated to remaining performance obligations

Since there are no significant contracts with an initially expected contract period exceeding one year, the Group has applied the practical expedient method and transaction prices allocated to remaining performance obligations are omitted.

## 21 Segment Information

### (1) Summary of Reporting Segments

Segment information for the years ended March 31, 2023 and 2022 is omitted as the Group operates the daily necessities segment as a single segment.

### (2) Calculation method of sales, profits or losses, and other items by reportable segment

Information on the calculation method is omitted as the Group operates as a single segment.

### (3) Information on the amounts of sales, income, and other items by reportable segment

Information on the amounts of sales and other items for the years ended March 31, 2023 and 2022 is omitted as the Group operates as a single segment.

## Notes to Consolidated Financial Statements

### (4) Related Information

#### (a) Information by products and service

Year ended March 31, 2023	Millions of yen					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 19,758	¥ 7,986	¥ 4,713	¥ 5,844	¥ 7,275	¥ 45,576

Year ended March 31, 2022	Millions of yen					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 19,984	¥ 8,213	¥ 4,364	¥ 5,834	¥ 7,075	¥ 45,470

Year ended March 31, 2023	Thousands of U.S. dollars					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	\$ 147,965	\$ 59,808	\$ 35,293	\$ 43,768	\$ 54,484	\$ 341,317

#### (b) Information by geographical segment

(Sales)

Geographical segment information is not presented as overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2023 and 2022.

(Property, plant and equipment)

Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of the total of property, plant and equipment at March 31, 2023 and 2022.

#### (c) Information by major customers

Customers	Sales				Related segment
	Millions of yen		Thousands of U.S. dollars		
	2023	2022	2023		
PALTAC CORPORATION	¥ 17,174	¥ 17,159	\$ 128,614		Daily necessities
ARATA CORPORATION	11,269	10,688	84,395		Daily necessities

## 22 Related Party Transactions

(Years ended March 31, 2023 and 2022)

Not applicable

## 23 Inventory Valuation Loss Included in Cost of Sales

Inventory valuation loss write-downs below cost to net selling value are included in cost of sales and amounted to ¥743 million (U.S.\$5,567 thousand) and ¥478 million for the years ended March 31, 2023 and 2022, respectively.

## 24 Impairment Loss

(Years ended March 31, 2023)

Not applicable

The Company recognized impairment losses for the year ended March 31, 2022 as follows:

Location	Purpose of use	Type of assets	Millions of yen
Tokyo	Other	Goodwill	¥ 1,166
Tochigi City, Tochigi Prefecture	Business assets	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, etc.	407
Tochigi City, Tochigi Prefecture	Idle assets	Land	4
Chon Buri Province, Thailand	Business assets	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures	87

For business assets, the Group determines the asset group in consideration of the management accounting classification, and for shared assets such as the head office, the entire business is the asset group. In addition, idle assets that are not used for business are grouped by individual property. As a result of reviewing the business plan of the Disposable Warmers business due to the decline in profitability, the excess profitability initially expected could no longer be expected. Therefore, the entire amount of the undepreciated balance of goodwill relating to the Disposable Warmers business and the carrying amount of business assets held by the Company and its subsidiary, S.T. MYCOAL Co., Ltd., was reduced to the recoverable amount, and the reduced amount was recorded as an extraordinary loss with an impairment loss of ¥1,574 million.

For these assets, net realizable value used by the Company is based on appraisal values (for property and real estate) obtained from external valuation firms engaged by the Company to provide valuation services. The key assumptions underlying appraisal value are the expected selling price of machinery, the replacement cost of buildings, and the price of land when it is vacant.

Since the profitability of the business assets held by the consolidated subsidiary Shaldan (Thailand) has declined, the carrying amount was reduced to the recoverable amount and the reduced amount was recorded as impairment loss under extraordinary loss.

The recoverable amount is measured by the value in use and is calculated assuming that the value in use is zero.

For idle assets, the carrying amount was reduced to the recoverable amount because the intended use was not currently determined, and the reduced amount was recorded as impairment loss under extraordinary loss. For idle assets, the recoverable amount is measured by the net realizable value, and the net realizable value is calculated by real estate appraisal by a real estate appraiser.

## 25 Note to Consolidated Statements of Changes in Net Assets

Shares in issue and outstanding and treasury stock at March 31, 2023 and 2022 were as follows:  
(Year ended March 31, 2023)

Number of shares in issue and outstanding:	
Common stock	23,000 thousand
Number of shares held in treasury:	
Common stock	759 thousand

Note: Details of the change in the number of shares of treasury stock are as follows:

Increase due to purchase of shares less than standard unit: 0 thousand
Decrease due to issuance of treasury shares by the stock benefit trust (BBT): 14 thousand
The common stock owned by the Trust (270 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2023 were as follows:

Resolution	Total amount of dividends		Dividends per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Board of directors' meeting held on May 20, 2022	¥ 428	\$ 3,203	¥ 19	\$ 0.14	March 31, 2022	June 6, 2022
Board of directors' meeting held on November 8, 2022	450	3,372	20	0.15	September 30, 2022	December 9, 2022

Dividends for which the record date was in the year ended March 31, 2023 and the effective date is in the year ending March 31, 2024 were as follows:

Resolution	Total amount of dividends			Source of dividends	Dividends per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen		U.S. dollars			
Board of directors' meeting held on May 19, 2023	¥ 450	\$ 3,372	¥ 20	Retained earnings	\$ 0.15	March 31, 2023	June 5, 2023	

(Year ended March 31, 2022)

Number of shares in issue and outstanding:	
Common stock	23,000 thousand
Number of shares held in treasury:	
Common stock	772 thousand

Note: Details of the change in the number of shares of treasury stock are as follows:

Increase due to purchase of shares less than standard unit: 0 thousand
Increase due to acquired by Japan Custody Bank, Ltd. (Trust E Account): 90 thousand
Decrease due to the exercise of stock options: 22 thousand
Decrease due to consists of disposal of treasury stock by third party allotment (third party allotment to Japan Custody Bank, Ltd. (Trust E Account)): 90 thousand
The common stock owned by the Trust (284 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2022 were as follows:

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 17, 2021	¥ 426	¥ 19	March 31, 2021	June 1, 2021
Board of directors' meeting held on October 27, 2021	426	19	September 30, 2021	December 3, 2021

Dividends for which the record date was in the year ended March 31, 2022 and the effective date was in the year ended March 31, 2023 were as follows:

Resolution	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 20, 2022	¥ 428	Retained earnings	¥ 19	March 31, 2022	June 6, 2022

## Independent Auditor's Report

The Board of Directors  
S.T.CORPORATION

### Opinion

We have audited the accompanying consolidated financial statements of S.T.CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue related to net sales in S.T.CORPORATION's daily necessities segment	
Description of Key Audit Matter	Auditor's Response
Net sales of ¥45,576 million recorded in the consolidated statement of income for the year ended March 31, 2023 included net sales of ¥42,406 million by S.T.CORPORATION (the "Company"), accounting for 93.0% of	<p>We mainly performed the following audit procedures for the recognition of revenue related to net sales in the Company's daily necessities segment.</p> <ul style="list-style-type: none"> <li>• We performed net sales analysis by</li> </ul>



consolidated net sales.

The Company primarily operates the daily necessities segment, manufacturing and selling daily necessities, mainly to wholesalers in Japan. In the daily necessities segment, the Company is engaged in the air care, cloth care, thermal care, dehumidify care, and home care categories, and not only handles a large number of products, but the transaction amounts per product are small and the number of transactions processed on a recurring basis is large.

In addition, the Company's net sales in the daily necessities segment depend on the automated control of the sales distribution system. Since net sales recorded are calculated automatically by multiplying unit selling prices by sales volumes, net sales recorded that are not based on appropriate unit selling prices or sales volumes may result in recording erroneous net sales.

Based on the above, we determined the recognition of revenue related to net sales in the Company's daily necessities segment as a key audit matter.

category (annually and monthly), trade receivables turnover analysis, and accounts receivable analysis by customer as risk assessment procedures.

- We evaluated IT general controls and assessed the design and operation of internal controls at the business process level, including sales distribution systems. We involved IT specialists from our network firm in the assessment of IT general controls.
- In order to assess the accuracy of net sales, we drew samples of journal entries recorded as net sales throughout the year and vouched them to transaction documents, including receipts.
- In order to assess the cut-off of net sales, we vouched sales recorded at or near the financial closing date to transaction documents, including receipts. We also inspected journal entries related to sales returns arising subsequent to the fiscal year-end to consider whether there were unusual amounts of returns after the financial closing date.
- We performed balance confirmations related to receivables balances for major business counterparties.
- We assessed journal entries input manually into the accounting system from all the Company's journal entry data.

### **Other Information**

The other information comprises the information included in disclosure documents that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.



## **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

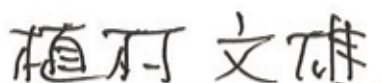
Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

August 10, 2023



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Fumio Uemura  
Designated Engagement Partner



Certified Public Accountant

玉木 祐一朗

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Yuichiro Tamaki  
Designated Engagement Partner  
Certified Public Accountant





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