

# Refreshing the Air





# S.T. CORPORATION Brings a Bright and Vibrant Life through the Air

Our business is to bring a bright and vibrant life through the air. Under our corporate philosophy of “Sincerity”, we share our management philosophy with our stakeholders, strengthen our trust relationships and bring the bright and vibrant air to the consumers’ life through innovation of daily necessities of life.

With the aim of becoming “top in the global niche market”, S.T. CORPORATION owns a lot of unique brands focused on the niche market of daily necessities, including the deodorizing fragrance “Shoshu-Riki”, the insecticide “Mushuda”, the deodorant “Dashu-Tan”, and the dehumidifying agent “Drypet”.

At present, there are growing needs for addressing social issues, such as global warming and energy depletion. S.T. CORPORATION also tackles such social issues based on our core business utilizing our competence, for example, by developing the air cleaning agent “Clear Forest”, which purifies polluted air.

This report summarizes our efforts for creating corporate value through the sustainable, mutual growth of firms and society, under the title “Creating Corporate Value Report”. We hope that you will understand our business activities for improving air for your living and our efforts for changing the atmosphere of the entire society.

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Our Corporate philosophy: “Sincerity”

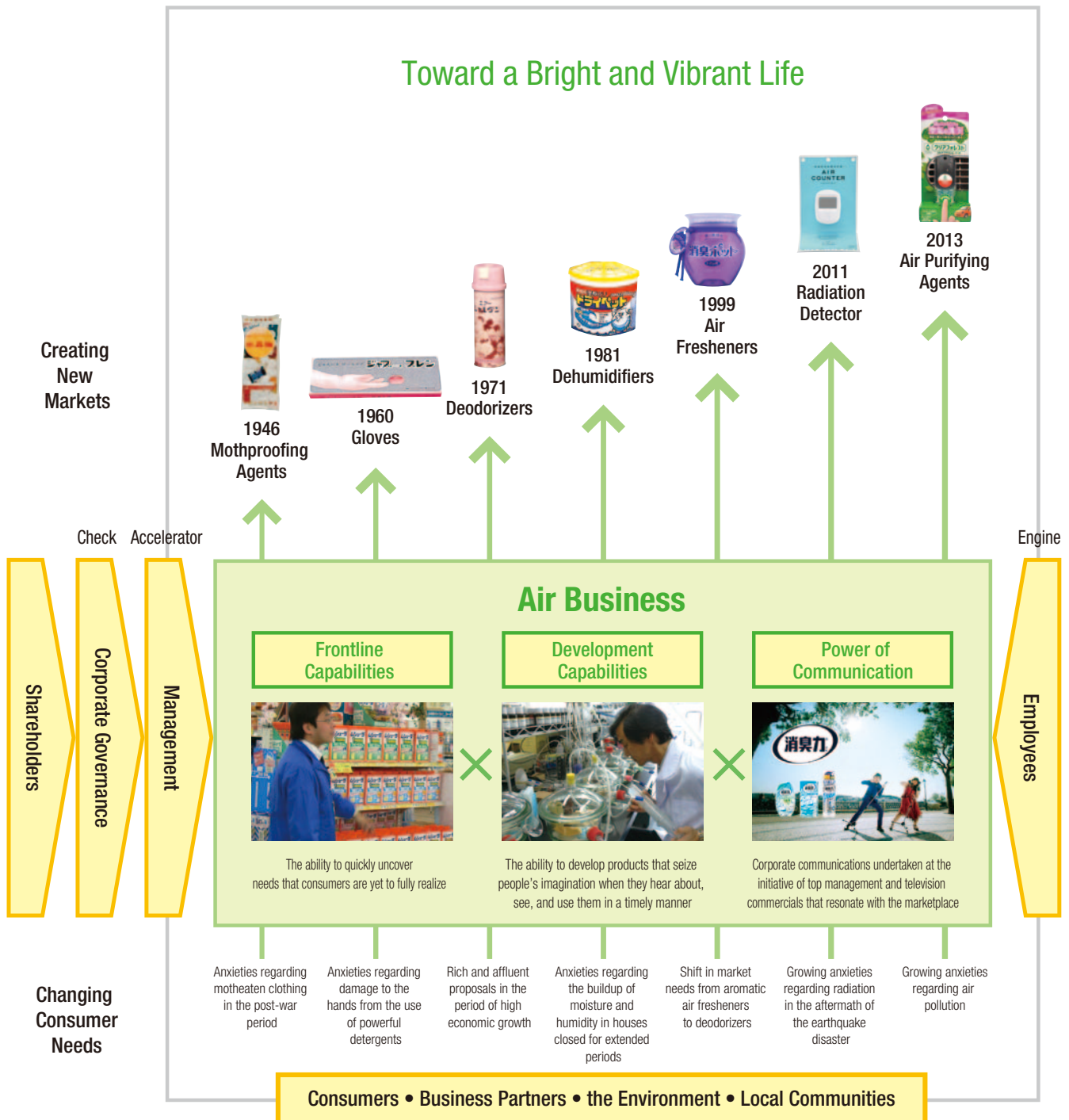
### Forward-Looking Statement

This report contains forward-looking statements regarding S.T. CORPORATION's future plans, strategies, and performance. Such forward-looking statements are based on information available as of the issuance of this report. Please note that forward-looking statements may differ greatly from the Company's actual performance due to the economic situation, business environment, market demand, and foreign currency exchange rate fluctuations in the future.

Note: Fiscal years in this report are based on S.T. CORPORATION's fiscal year ending March 31.



# The Source of Sustainable Corporate Value Creation is the Ability to Create New Markets



## **We Have Grown by Adapting to Changes in Living and Creating New Markets**

In 1946, the Company developed and manufactured a mothproofing product that dissipates agents into storage spaces to help protect clothing from moth damage. In 1971, steps were taken to develop and manufacture a scented air freshener in tune with the period of abundant economic growth. In 1981, S.T. CORPORATION commenced production of a dehumidifier to address concerns surrounding the buildup of moisture and humidity in houses closed for extended periods.

From the 1980s, the Company has worked to address the shift in market needs from aromatic air fresheners to deodorizers. In 1988, S.T. CORPORATION launched the “Mushuda” brand, which has become synonymous for odorless mothproofing agents. In 2000, S.T. CORPORATION established air refresher “Shoshu-Riki” brand, which later grew to earn 14 billion yen, and the deodorant “Dashu-Tan” brand, which removes odor in refrigerators. These are now our core business.

In 2011, S.T. CORPORATION developed household radiation meters for eliminating the anxieties over radiation after the earthquake disaster. In 2013, S.T. CORPORATION developed air cleaning agents that can purify air pollutants. As just described, S.T. CORPORATION develop products for addressing social issues.

## **We Create New Markets Based on Our On-site Work, Development, and Power of Communication**

We excel at swift business administration utilizing our on-site work capability based on the cooperation between the management and employees, under the managerial policy of “narrowing down and concentrating on targets, developing unprecedented products, and managing businesses swiftly”. As for the creation of new markets, we grasp the needs of consumers with our on-site work capability, develop products that are “understood by listening, understood by seeing, and understood by using”, and create niche markets for daily necessities with power of communication by combining selling sites and TV commercials that attract public attention. In order to do so, it is indispensable to promote employees to “think flexibly”. We emphasize employee training for enriching their sensibility, such as round-the-world training for fostering the ability to think freely and flexibly, refreshing leaves, and personnel development support programs, etc.



## With Innovative Products, We Propose New Surprises and Pleasures to Your Living

### ■ Review of the Term ended March 31, 2014

With regard to the consolidated financial results for the term ended March 31, 2014 (hereinafter called “this year”), sales increased slightly (0.1% from the previous year), and profit grew (net income increased 118.4% from the previous year), because the sales of the insecticide brand “Mushuda” rose as a whole and the performance of the “Shoshu-Riki” series, the core brand of deodorizing fragrances, whose commercials are highly evaluated, was favorable, while there was a rush demand before the hike of consumption tax.

### ■ To Create Customers, and Boost Consumption

In this year, we made efforts to develop the base for “management structure to pursue higher profitability” as my first year as the president, and then succeeded in spreading awareness among young employees to pursue profits. In the term ending March 31, 2015, we will advance to the “creation of customers”.

The market of daily necessities has been uncertain since the consumption tax was raised in April, but S.T. CORPORATION aims to increase new customers based on innovative strategies. In detail, (1) we suggest innovative products and provide new surprises for living and pleasures, with the core brands “Shoshu-Riki” and “Mushuda”, and also expand sales of products that have been less frequently used, including “Dashu-Tan” and “Kome-Toubar”. (2) We keep nurturing the new business “Clear Forest”, and cultivate new products and channels. (3) For global business expansion, we recognize ASEAN, where populations are increasing and economies are growing rapidly, as a strategic area, and engage in product development and market cultivation in each region.

### ■ Further Promote the Reforms That is Unique to S.T.(STR\*)

We clarify our customers and further promote the project of “one vector development” for providing them with attractive products that are “understood by listening, understood by seeing, and understood by using” “when they are needed, for the amount needed, and through stable supply”. In “Cost-Cutting Project”, we drastically revise the customs and standards of the company, and continue the activities for improving workplaces at factories. In “Reducing Number of Product Items Project”, we reduce the waste of augmenting products and stocks, accompanying tasks and time, etc., and allocate management resources to growing fields.

### ■ Regarding Future Growth Strategies

10 years ago, S. T. selected its corporate slogan “Refreshing the Air”. The air is a limited precious resource. To maintain the air clean forever is our mission. Currently, there is a heated discussion on sustainability of society and environment.

S. T. believes that it is our corporate social responsibility as well as a huge business opportunity. We established our air purification technology brand, Clear Forest, and launched its business in 2013. Clear Forest is not only a social commodity that purifies the air. Its business also becomes an innovative business model to solve social and environmental issues by restoring forests and contributing to job creation through raw material procurement. Through our businesses that solve social issues with our “strength” and “identity”, we would like to continue making efforts for the development of sustainable society as well as our own growth.

### ■ In Closing

S.T. CORPORATION considers that it is important to create sustainable corporate value and enhance shareholder value. As for the return to shareholders, we link the dividend payment to business performance, while maintaining stable dividend policy. For this year, we paid an annual dividend of 22 yen per share, which indicates that consolidated payout ratio is 38.8%.

S.T. CORPORATION has been growing by “creating products that people had never seen”. It is in our DNA to create and develop a new market in accordance with the changes of the market. Our DNA will not change. We will continue creating our corporate culture that proposes new surprises and fun in a life, including promotion of diversity and enrichment of our employees’ education, to become a company that is supported by our stakeholders. We kindly request your continued support and understanding.

July 2014



Takako Suzuki  
President and Chief Operating Officer

\* STR: S.T. Reformation

## System for Supporting the Sustainable, Mutual Growth of Firms and Society

(Year ended March,31, 2014)

Governance Type	Company with committees
Number of Board Members	9
Number of Outside Directors	5 (56%)
Number of Independent Directors	2 (Notified as the persons designated by Tokyo Stock Exchange)
Board Diversity	3 female directors (including 2 outside directors)
Number of Board Meetings Held per Year	10
Average Attendance Rate of Board Meetings	100%
Director's Term	1 year
Chairman and CEO	One person serving as both
Nominating Committee	5 members (3 outside directors; chaired by an outside director)
Audit Committee	4 members (4 outside directors; chaired by an outside director)
Compensation Committee	3 members (2 outside directors; chaired by an outside director)

### Description of Corporate Governance

S. T. CORPORATION recognizes that it is important to increase the values of the company and shareholders by achieving the sustainable, mutual growth of the firm and the society under the philosophy “Sincerity”. S. T. CORPORATION makes efforts to improve our corporate governance, developing a system for facilitating such sustainable, mutual growth.

transparent and fair and in which outside directors account for the majority of board members. In June 2008, a female director was appointed for the first time, and at present, female directors make up 44% of the board (2 out of 9 executive officers are women). In addition, we appoint outside directors with a wide array of experience and skills such as business administration, marketing, and accounting, etc. (the company was selected as “Diversity Management Selection 100” (METI Minister Award))

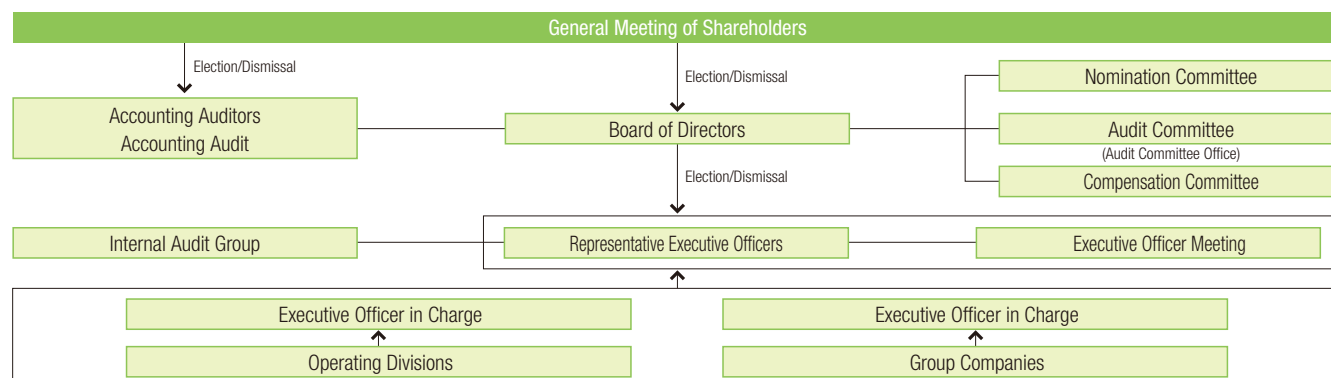
### Development of Corporate Governance Systems

In June 2004, in order to improve the quality of management and enrich management practices such as prompt decision-making and agile execution of operation, the company was reorganized into a company with committees, which is more

### Remunerations of Directors and Executive Officers

The remunerations of directors and executive officers are designed for improving corporate value.

### Corporate Governance Structure





## Corporate Governance Overview

(As of June 17, 2014)

Directors	Nomination Committee	Audit Committee	Compensation Committee	
Chairman of the Board of Directors	○			Takashi Suzuki ※
Director (Outside Director)	◎	○	◎	Naoto Onzo
Director (Outside Director)	○	○		Yoshiko Shirata
Director (Outside Director)	○			Kanichi Suzuki
Director (Outside Director)		◎	○	Fuminobu Aruga
Director (Outside Director)		○		Chieko Matsuda
Director	○			Takako Suzuki ※
Director			○	Kumiko Ishikawa ※
Director				Kouichi Yoshizawa ※
Nine directors (five of whom are outside directors)	Five members	Four members	Three members	

◎: Chairperson ○: Committee member ※: Holds the concurrent position of executive officer

## Areas of Executive Officer Responsibility

(As of June 17, 2014)

Executive Officers	Responsibilities	
Representative Executive Officer, Chairman, CEO	Management in general	Takashi Suzuki ※
Representative Executive Officer, President, COO	Management in general	Takako Suzuki ※
Managing Executive Officer	In charge of the Marketing Division and the Clear Forest Business	Tsukasa Konda
Managing Executive Officer	In charge of the Sales Division and the pocket warmer business	Yo Kouzuki
Managing Executive Officer	In charge of the Management Control Division and the Manufacturing Division	Kumiko Ishikawa ※
Executive Officer	Responsible for advertising and promotion	Koji Kage
Executive Officer	In charge of International Business Division and Responsible for Overseas Group Companies	Masami Kitahara
Executive Officer	In charge of the Management Strategy Division and Responsible for Domestic Group Companies	Kouichi Yoshizawa ※
Executive Officer	In charge of the R&D Division	Mikio Tsuji

※Holds the concurrent position of director

## Board of Directors

### Chairman of the Board of Directors



Takashi Suzuki

### Directors (Outside Directors)



Naoto Onzo\*



Kanichi Suzuki



Chieko Matsuda



Yoshiko Shirata\*



Fuminobu Aruga

### Directors



Takako Suzuki



Kumiko Ishikawa



Kouichi Yoshizawa

\*Notified as an independent director as specified by the Tokyo Stock Exchange.

## Financial and Non-Financial Highlights

Years ended March 31, 2014 and 2013	millions of yen		thousands of U.S.dollars <sup>*1</sup>
	2013	2014	2014
<b>For the Year</b>			
Net sales	¥46,944	¥46,993	\$456,596
Operating income	1,800	2,131	20,707
Net income	565	1,234	11,989
R&D expenses	572	564	5,479
Capital expenditures	2,061	942	9,156
Depreciation and amortization	830	894	8,687
Free cash flow	(944)	2,624	25,500
<b>At Year-End</b>			
Total assets	30,076	32,370	314,521
Total net assets	20,213	21,087	204,883
Number of issued outstanding shares (thousands)	21,716	21,853	

### Financial Indicators

	%	
Operating income margin	3.8	4.5
ROA <sup>*2</sup>	1.9	4.0
ROE <sup>*3</sup>	2.9	6.1
Equity ratio	65.4	63.2

### Non-Financial Indicators

CO <sub>2</sub> emissions (tons)	3,930	3,884
Number of employees (people)	663	760
Ratio of female directors to total directors (%)	30.0	33.0
Ratio of outside directors to total directors (%)	50.0	56.0

### Per share information

	yen	U.S. dollars
Net income	¥ 26.01	¥ 56,74
Net assets	905.84	936.06
Dividends	22	22
Common Stock prices <sup>*4</sup>	988	999
PER (times)	38.0	17.6

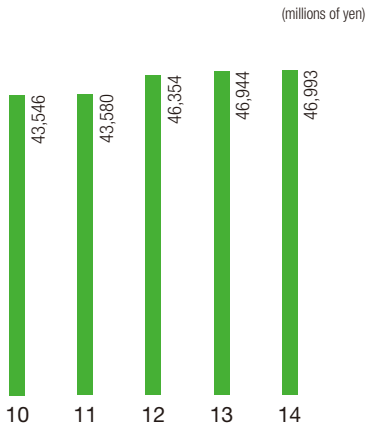
Notes:1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥102.92 = U.S.\$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2014.

2. ROA = Net income divided by average total assets for the fiscal year.

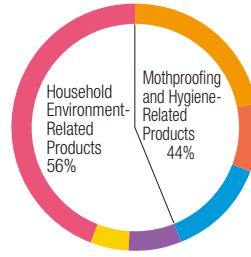
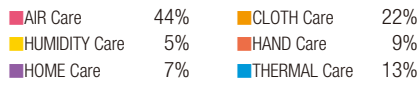
3. ROE = Net income divided by average total equity (total net assets minus subscription rights less minority interests in consolidated subsidiaries) for the fiscal year.

4. The common stock prices listed are as of the end of the fiscal year ended in March.

### Net sales

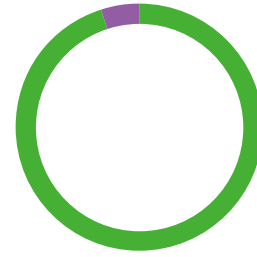


### Net sales composition by category



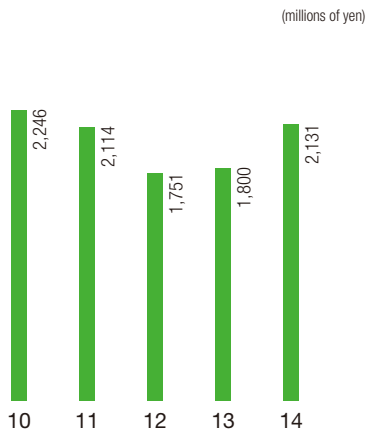
(Year ended March 31, 2014)

### Net sales composition by region

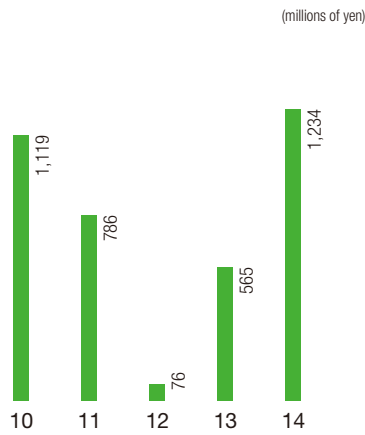


(Year ended March 31, 2014)

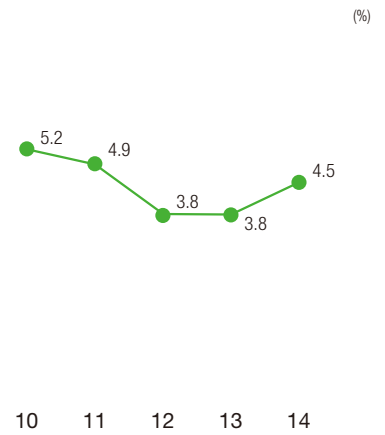
### Operating income



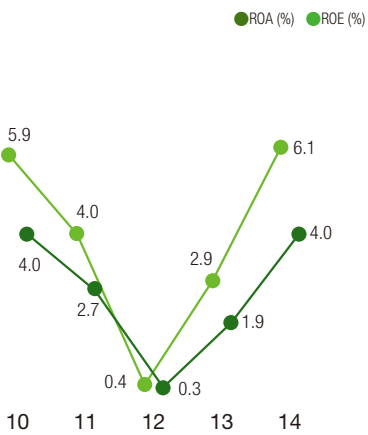
### Net income



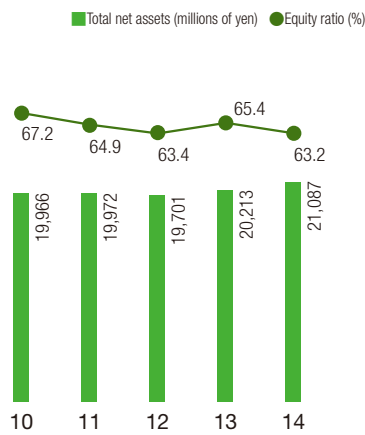
### Operating income margin



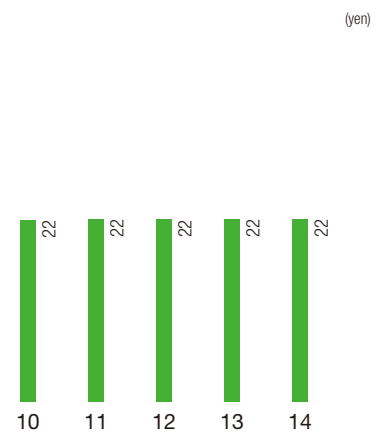
### ROA/ROE




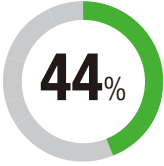

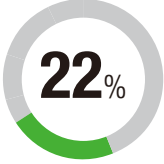



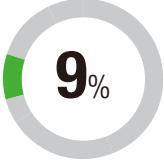

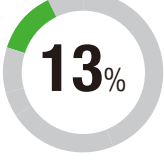

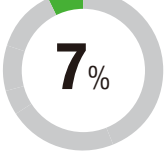
### Total net assets/Equity ratio



### Dividends per share



## Business at a Glance

Business by Category	Proprietary Brand	Market Share and Rank (Japan)	Composition of Net Sales	Sales/YoY
<b>AIR Care</b> (Deodorizers and Air Fresheners)		Deodorizers and Air Fresheners <b>30%</b> (Market Share: No.2) Refrigerator Deodorizers <b>73%</b> (Market Share: No.1)		<b>20,469</b> Millions of yen -0.1%
<b>CLOTH Care</b> (Mothproofing Agents)		Mothproofing Agents <b>46%</b> (Market Share: No.1)		<b>10,321</b> Millions of yen +4.5%
<b>HUMIDITY Care</b> (Dehumidifiers)		Dehumidifiers <b>31%</b> (Market Share: No.2)		<b>2,515</b> Millions of yen +8.0%
<b>HAND Care</b> (Gloves)		Household Gloves <b>23%</b> (Market Share: No.2)		<b>4,336</b> Millions of yen +2.5%
<b>THERMAL Care</b> (Disposable Warmers)		Disposable Warmers <b>18%</b> (Market Share: No.2)		<b>6,011</b> Millions of yen -12.5%
<b>HOME Care</b> (Cleaners and Other Products)				<b>3,341</b> Millions of yen +5.7%

### Overseas

The ratio of overseas sales is 5%. We strengthen global business, as another driver of growth.

### Promoting Capital and Business Alliances

We conclude contracts for capital and business tie-ups with FUMAKILLA LIMITED and NS FaFa Japan Co., Ltd.

### Developing New Businesses

In 2011, the technological brand "Clear Forest", which was researched and developed in collaboration with research institutes, debuted.



Market Environment	Salient Business Features and Strengths	Overview of Fiscal 2014 and Strategies Going Forward
<ul style="list-style-type: none"> <li>● The market is growing, but our performance was sluggish in fiscal 2013.</li> <li>● The needs for enjoying fragrance are growing and expected to grow further.</li> </ul>	<ul style="list-style-type: none"> <li>● Mainstay business divisions accounting for 44% of the Company's total sales. A division that is expected to experience future growth.</li> <li>● This division owns unique brands, including our largest brand Shoshu-Riki and Dashu-Tan, which deodorizes air with the power of charcoal.</li> </ul>	<ul style="list-style-type: none"> <li>● The sales of the core brand Shoshu-Riki, which is supported by popular TV commercials, and Dashu-Tan were healthy. The sales of other existing products declined. Then, the overall sales of this business division plateaued.</li> <li>● In fiscal 2014 we aim to increase new customers with new strategies mainly for our major brands, and popularize these brands further.</li> </ul>
<ul style="list-style-type: none"> <li>● The market is on a plateau and stable.</li> <li>● The key for further growth is to invigorate the market by suggesting additional values, such as fragrant insecticide.</li> </ul>	<ul style="list-style-type: none"> <li>● A foundation business rivaling the importance of the AIR Care category in terms of marketing.</li> <li>● This category comprises topline brands including Mushuda and Neopara Ace, which are well recognized for their reliability in protecting clothes from moths.</li> </ul>	<ul style="list-style-type: none"> <li>● Partly because of the rush demand before consumption tax hike, the sales of the mainstay brand Mushuda increased as a whole.</li> <li>● In fiscal 2014, we aim to further popularize our brand by increasing new customers by promoting not only odorless products, but also fragrant ones.</li> </ul>
<ul style="list-style-type: none"> <li>● The market is on a plateau. It is difficult to differentiate products, and competition is fierce.</li> <li>● Putting forward value-added products that offer new functions and applications is critical to future growth.</li> </ul>	<ul style="list-style-type: none"> <li>● This division has consistently led the market since Drypet was first launched in 1981.</li> <li>● This category is comprised of the mainstay brand Drypet, as well as other products including Bincho-Tan Drypet, which offers a deodorizing function together with dehumidifying; a solid lineup including refill- and sheet-type products.</li> </ul>	<ul style="list-style-type: none"> <li>● The performance of the sheet type of the main brand Drypet was favorable, and its sales increased.</li> <li>● Cultivate new demand by putting forward new product types that take into consideration concerns for the environment as well as fresh proposals that offer new functions and applications.</li> </ul>
<ul style="list-style-type: none"> <li>● Market exhibiting continuous growth.</li> <li>● The protection of hands from powerful cleaning agents and promoting awareness toward personal hygiene are critical issues.</li> </ul>	<ul style="list-style-type: none"> <li>● An inaugural, enduring division with a history of six decades together with the CLOTH Care category.</li> <li>● This category is comprised of the Family series of household gloves, industrial-use gloves and other products. Advancing added-value proposals including fingertip reinforced products, ingredients that are gentle to the skin, and hygiene measures.</li> </ul>	<ul style="list-style-type: none"> <li>● Since the performance of professional gloves improved mainly in overseas markets, sales increased.</li> <li>● In addition to efforts to strengthen and develop brands, work to cultivate and develop new demand.</li> </ul>
<ul style="list-style-type: none"> <li>● Climate change significantly impacts the market. Difficult to differentiate products. Intense market competition.</li> </ul>	<ul style="list-style-type: none"> <li>● Winter-based product range. Provides an additional point-of-sale management role linked to spring and autumn mothproofing agents.</li> <li>● Advantage of alliance products. Offers Onpacks and Other brands manufactured by Mycoal Corporation in July 2003. Products are distinguished by their established reputation for high quality, especially products for feet.</li> </ul>	<ul style="list-style-type: none"> <li>● The air temperature in December was higher than the average, delaying the start of the winter season, and so sales declined.</li> <li>● In addition to strengthening and fostering brands, cultivate and expand new demand.</li> </ul>
<ul style="list-style-type: none"> <li>● Robust conditions in the niche cleaner and insect repellent for rice bins markets.</li> </ul>	<ul style="list-style-type: none"> <li>● This Division is currently fostering the niche cleaner market and is coordinating efforts to nurture other new products that are under development.</li> <li>● It owns unique products, such as the cleaners in the niche market, including Ultra Powers and Ohisama no Sentaku, and the insecticide for rice containers Kome-Touban.</li> </ul>	<ul style="list-style-type: none"> <li>● Sales increased, because the results of the insecticide for rice containers Kome-Touban and the new air purifier Clear Forest for Cars were favorable.</li> <li>● Take up the challenge of entering new domains in order to secure further growth.</li> </ul>

We focus our global strategy on ASEAN region, and the brand we promote to the Air Care series.

By utilizing the complementary relations among the 3 companies, we aim to grow their businesses and increase their profitability.

In 2013, we established the Clear Forest section, and then created a new market of "air purifiers" for improving the quality of air.

Market share data is based on the Company's research (January to December aggregate; April to March aggregate for disposable pocket warmers only).

## We Aim to Achieve Sustainability, by Meeting the Requests and Expectations from Stakeholders with Sincerity

S.T. CORPORATION considers that the good relation between firms and society based on sound economies, environments, and society is indispensable for continuing businesses for a long period of time.

Under the corporate philosophy “Sincerity”, S.T. CORPORATION engages in CSR (corporate social responsibility) activities as its basic responsibility in order to fulfill the requests and expectations

from stakeholders with sincerity and also implements CSR activities that create values through business activities unique to S.T. CORPORATION for achieving sustainability.

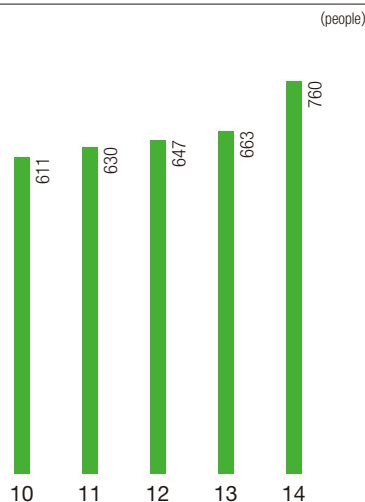
These efforts are expected to facilitate the sustainable, mutual growth of firms and society, improving corporate value and increasing shareholder value.

Category		Major activities	Details
Activities aimed at creating value		Purifying polluted air	● To conduct the Clear Forest business for making polluted air harmless and healthy.
		Developing products that help create clean air and a comfortable environment	● Adapting to social and environmental needs by developing products that enrich people’s lives.
Activities that fulfill the Company’s basic responsibilities	The environment	Contributing to the environment through products Contributing to the environment through manufacturing and logistics processes	● Reducing the environmental impact of business activities by reviewing the full gamut of operations including packaging and wrapping as well as manufacturing and logistics processes. ● To manage quality, provide information, and establish a customer center.
	Consumers	Provision of safe, reliable products	
	Human resources	Promoting diversity Education of employees for enriching sensitivity (round-the-world training) Diffusion of compliance	● To develop systems for maintaining and enhancing social trust by promoting diversity, developing human resource, and raising awareness of compliance.
	Local communities	Providing support to educational institutions Holding musicals	● To invigorate main customers, and support the education in local community.

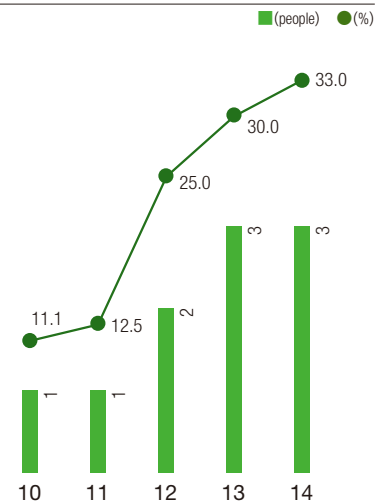
Environment friendly considerations: CO<sub>2</sub> emissions



Stable growth: Number of employees



The status of diversity: The number of female directors and the ratio of female directors to total directors



## Corporate Data

■ **Company name**  
S.T. CORPORATION

■ **Headquarters**  
4-10, Shimo-ochiai, 1-chome,  
Shinjuku-ku, Tokyo 161-8540,  
Japan  
Telephone +81-3-3367-6111

■ **Establishment**  
August 31, 1948

■ **Account settlement date**  
March 31

■ **Paid-in capital**  
¥7,065,500,000

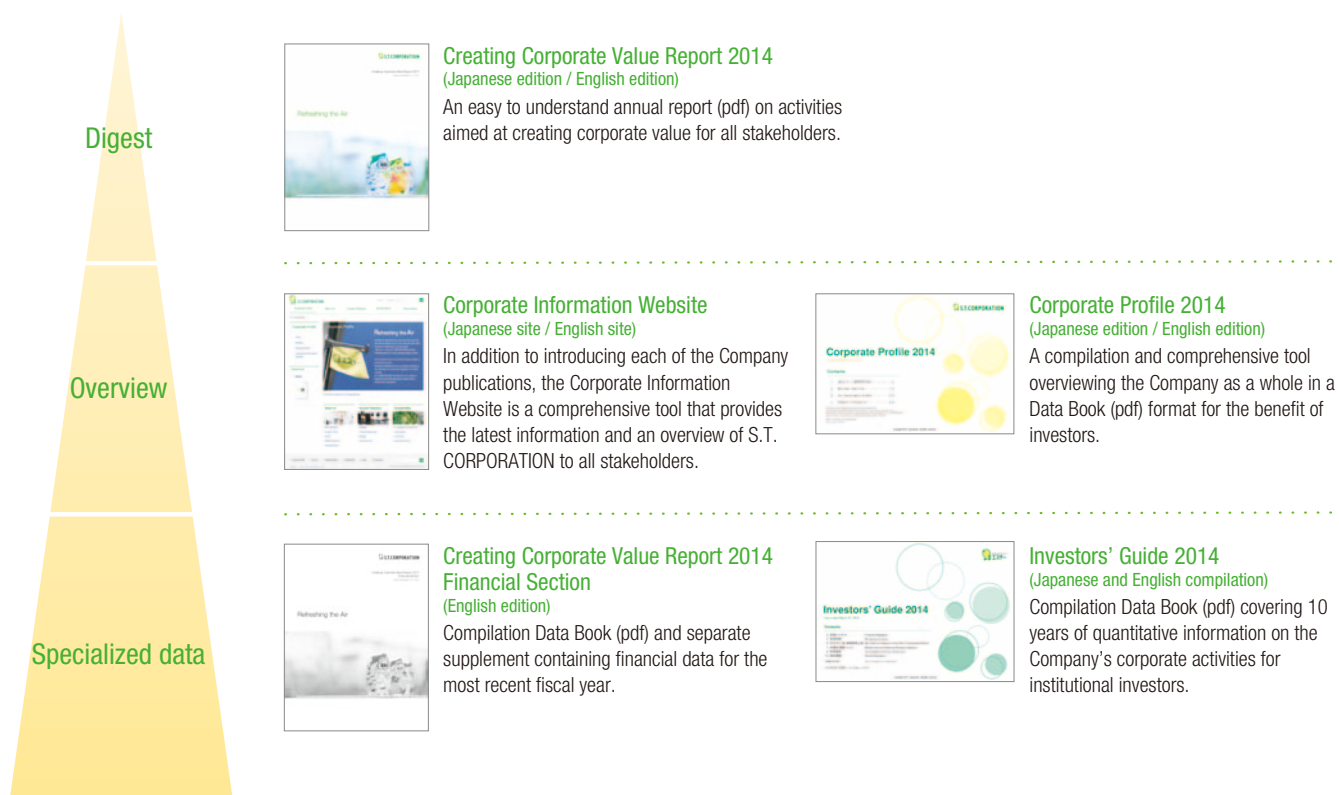
■ **Employees**  
Consolidated: 760  
Non-consolidated: 402  
(excluding part-time and temporary  
employees)

■ **Stock listing**  
First Section, Tokyo Stock  
Exchange

■ **Group companies**  
S.T. Trading Co., Ltd.  
S.T. Auto Co., Ltd.  
S.T. Business Support Co., Ltd.  
S.T. (Thailand) Co., Ltd.  
Family Glove Co., Ltd.(Taiwan)  
S.T. Korea Corporation  
(South Korea)

Japan Aroma Laboratory Co., Ltd.  
S.T. Gleve Co., Ltd.  
Shaldan (Philippines), Inc.  
Aekyung S.T. Co., Ltd.  
(South Korea)  
Shaldan (Thailand) Co., Ltd.

## Overview of Communication Tools



Communication tools are available within the Library section of the Company's Corporation Information Website.



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<http://www.st-c.co.jp/english/company/index.html>



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