

Creating Corporate Value Report 2015

Year ended March 31, 2015



Refreshing the Air

We share our management philosophy and corporate philosophy with everyone to strengthen our trust relationships, and aim to bring a bright and vibrant life to customers through the air by creating revolutionary new products and businesses through "creating products that people had never seen."

Our strength lies in aiming to become "top in the global niche market," owning numerous unique brands focused on niche markets within daily necessities, such as the deodorizing fragrance "Shoshu-Riki," the insecticide "Mushuda," the deodorant "Dashu-Tan," and the dehumidifying agent "Drypet."

In September 2015, the UN has been discussing the adoption of "sustainable development goals (SDGs)."

With efforts such as our new "Clear Forest technology to change the quality of air," we are creating a market to solve social issues (health and aging) in a way that utilizes "our competence."

This report summarizes the direction for the future, such as our business activities for improving air for your living and our efforts for changing the atmosphere of the entire society, with the sustainable, mutual growth of firms and society and improving corporate value in mind.

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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 the Company's actual performance may differ greatly from forward-looking statements 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.



We Bring a Bright and Vibrant Life through the Air

Takako Suzuki

President and Chief Operating Officer (COO)



[Managerial Policy] Our business is to bring a bright and vibrant life to customers through the air, under our management philosophy and corporate philosophy. Our managerial policy maintains the traditional "being a Company that is both Robust and Quick to Act (narrowing down and concentrating on targets, developing unprecedented products and managing businesses swiftly)" aspect, while also aiming at brand value management and seeking the sustainable, mutual growth of firms and society.



Our Corporate philosophy: "Sincerity"

Management Philosophy

- To fulfill our mission of giving our service to society and earning society's trust, S.T. constantly works to improve its products, and to create unique products that our customers can trust absolutely.
- To achieve the Company's sustained prosperity, S.T. ensures its workplaces provide an environment where its employees can earnestly work with hope and pride.
- Always valuing harmony and courtesy, S.T. strives to be the best company as regards winning the absolute trust of our customers, other concerned people and society at large.

[Review] Currently, shares in AIR Care, the Company's main business, are No.2 in Japan (No.5 worldwide), and several strong, unique brands (No.1 or No.2 share in Japan) are included in the other categories. The ratio of overseas sales is 7%, with plans to expand primarily in the ASEAN area. In the business environment, there is increased market competition and continued uncertainty in material costs. There are also changes in customer lifestyle awareness, and an increase in environment awareness and health consciousness, as well as growing social issues such as the declining population and aging society.



Head Office Show Space

[Long-term Strategy] Our goal is to build a strong base that will not be affected by changes in the business environment. Our goals are (1) No.1 share in the domestic air care market (No.4 worldwide), (2) creation of a revolutionary new market, (3) establishing a presence in the ASEAN area for overseas markets, and (4) operating margin of 10%. Our strategy is brand value management. (1) We will work on the "creation of customers" with new products, new businesses and new overseas markets, (2) build a "management structure to pursue higher profitability" through one vector development and total cost reduction, and (3) aim to develop the "base" through a divisional system, personnel system and improved E (environment) S (society) G (governance).



Head Office Entrance

[Shareholder Return] We apply a dividend policy commensurate to business results, based on stable dividends. Acquisition of treasury shares is considered flexibly with the goal of improving shareholder value and capital efficiency. Dividends for the year ended March 31, 2015 (hereafter "fiscal 2014") were ¥22. Planned dividends for the year ending March 31, 2016 (hereafter "fiscal 2015") are also ¥22.



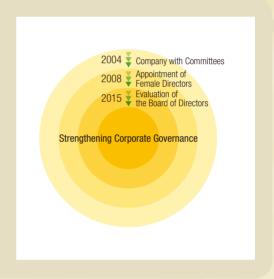
[Description of Corporate Governance] The Board of Directors views corporate governance as a system to support the sustainable, mutual growth of firms and society. To benefit all stakeholders, including shareholders, there should be transparency and fairness, and by creating a system to ensure active decision-making with the goal of creating value, contributions are made to the development of society and sustainable growth of the Company is possible. The Company is aware of its fiduciary responsibility to shareholders and of ensuring shareholder rights and equality, thus responding sincerely and fulfilling accountability.

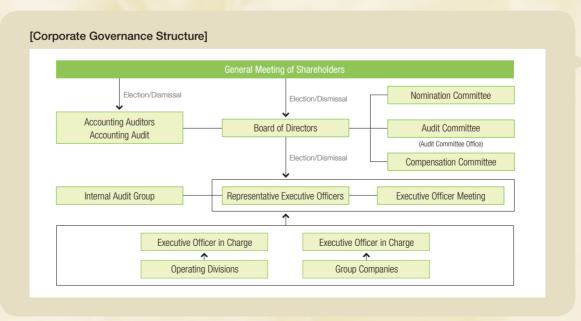
[Changes to Corporate Governance Systems] In June 2004, in order to enhance oversight of the Board of Directors and the quality of management and enrich management practices such as prompt decision-making and agile execution of operation, the Company was reorganized into a company with committees, which is more 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 for fiscal 2015, female directors make up 38% of the board (2 out of 10 Executive Officers are also women).

In addition, we appoint Independent Outside Directors with a wide array of knowledge, experience and skills such as business management, marketing, accounting, etc. (The Company was selected as "Diversity Management Selection 100 (2013)" (METI Minister Award).)

In 2015, a board evaluation will also be carried out to improve the effectiveness of the Board.





Management

Please let us know about the sustainable creation of corporate value

[Description of Sustainability] For us to continue businesses for a long period of time, good relation between firms and society based on sound economies, environments and society is indispensable.

We engage in CSR (corporate social responsibility) activities as our basic responsibility in order to fulfill the requests and expectations from stakeholders and also 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.

[Overview of Strategy and Sustainability]

Category		Major activities	Details		
CSR 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		
	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		
CSR that fulfills	Consumers	Provision of safe, reliable products	To manage quality, provide information and establish a customer center		
the Company's basic responsibilities	pany's Promoting diversity		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		

[Areas of Executive Officer Responsibility]

(As of June 16, 2015)

Executive Officers	Responsibilities	Name	
Representative Executive Officer, Chairman, CEO	Overall management	Takashi Suzuki	*
Representative Executive Officer, President, COO	Overall management	Takako Suzuki	*
Managing Executive Officer	In charge of Division Management, Head of the Mothproofing Agents and Dehumidifiers Division, and the Glove Division	Tsukasa Konda	
Managing Executive Officer	In charge of the Management Control Division and the Manufacturing Division	Kumiko Ishikawa	*
Managing Executive Officer	In charge of the Sales Division	Yo Kouzuki	
Executive Officer	In charge of the Home Care Division	Koji Kage	
Executive Officer	In charge of the Air Care Division	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	
Executive Officer	In charge of the International Business Division and responsible for Overseas Group Companies	Keiichi Hayasaka	

^{*:} Holds the concurrent position of director



[Composition of Outside Directors] In order to sustainably create corporate value, the oversight and advice of Outside Directors with a variety of knowledge, experience and skills are important. The current overview of Outside Directors is as follows.

	Management/Strategy	Marketing	Global Management	Sustainability	Accounting	Compliance/ Risk Management
Naoto Onzo	0	0		0		
Kanichi Suzuki		0				
Fuminobu Aruga					0	
Mitsuko Miyagawa			0	0		0

The system for election and dismissal follows the Companies Act, with the Nomination Committee deciding on the details and voting at general meetings of shareholders.

> [Remunerations of Directors and Executive Officers] The Compensation Committee sets and determines the remuneration policy. The remuneration system was revised on April 30, 2015 at the Compensation Committee, so that executive will be able to align interests with shareholders as they seek sustainable mid- to long-term growth of corporate value. Moving towards the goal of mutual interests with shareholders, points are given to Executive Officers according to business results of each term, and a share remuneration system is adopted where shares are provided upon their retirement as part of a mid- to long-term incentive.

[Composition of Directors]

(As of June 16, 2015)

Directors	Nomination Committee	Audit Committee	Compensation Committee	Name	
Chairman of the Board of Directors	0			Takashi Suzuki	*
Director (Outside Director)★	0	0	©	Naoto Onzo	
Director (Outside Director)	0			Kanichi Suzuki	
Director (Outside Director) ★		0	0	Fuminobu Aruga	
Director (Outside Director) ★	0	0		Mitsuko Miyagawa	
Director	0			Takako Suzuki	*
Director			0	Kumiko Ishikawa	*
Director				Kouichi Yoshizawa	*
Eight directors (four of whom are Outside Directors)	Five members	Three members	Three members		

②: Chairperson ○: Committee member *: Holds the concurrent position of Executive Officer ★: Independent Outside Director



Takashi Suzuki



Naoto Onzo



Kanichi Suzuki



Fuminobu Aruga



Mitsuko Miyagawa



Takako Suzuki





Kumiko Ishikawa



Management

Please let us know about the systems to create corporate value

[Values] We believe that our management philosophy and code of conduct are the source of value creation for S.T. CORPORATION, and are the most important capital for brand value management.

In addition to adhering to laws, internal/outside regulations and morals, we believe that the practice of S.T. CORPORATION's value leads to bringing a bright and vibrant life to customers through the air. We have implemented the following policies in order to succeed at this goal.

[Policies for Adoption of Values] With the STR (S.T. management reforms) that began in 2010, initiatives were introduced to consolidate the management philosophy and code of conduct with action on a company-wide basis, and link them with target setting, results evaluations and layered training. Additionally, by distributing code of conduct cards and speaking in chorus at the morning assemblies, daily efforts are made to increase awareness.



View of STR

[Organization Structure] Starting from fiscal 2015, a divisional system was adopted to improve the marketing of each business. By changing to a matrix organization with businesses on the vertical axis and functions on the horizontal axis, this system is able to respond more quickly to customers.

[Divisional System Matrix]

Mothproofing Agents and Dehumidifiers Division	Air Care Division	Home Care Division	Glove Division
	R&D D	Division	
	Manufactur		
	Corporate Communications Division		
	Sales Division		
	Group Co		

[Indicators] While maintaining a compact company, from the perspective of acquiring a competitive edge (high profitability) by creating new markets through "developing unprecedented products," indicators such as corporate brand studies are being examined for non-financial indicators, and investment efficiency for financial indicators.



[Oversight Policies for Adoption of Values] The Compensation Committee carries out periodic reviews. This committee checks target setting and results evaluations, reports to the Board of Directors and discusses them.

[Measures to Prevent Employee Disadvantages] A Helpline for employees to report any issues or complains is available at all times. Efforts will be made to further increase its independence.

[Independence of Outside Directors] In order to increase the effectiveness of the Board of Directors, we recognize the importance of Outside Directors' independence. Independent Outside Directors have been elected since 2010, and currently 3 out of 4 Outside Directors meet these standards. The Tokyo Stock Exchange standards for independence are used, and currently unique standards are being considered.

[Effective Use of Independent Outside Directors] In order to increase the auditing capabilities of the Board of Directors, based on corporate governance code, we will examine selecting a Lead Independent Outside Director from fiscal 2015 and holding periodic meetings with only Independent Outside Directors.

[Director Training] Currently, training is held when a new director is appointed, but in the future, training will be considered when necessary for all Outside Directors.

Management

Please let us know how you manage risks

[Risk Management] Recognizing and appropriately managing risk is considered to be one of the important factors in sustainable growth of a business. Risk management has the goal of preventing many management risks companies face before they occur, and minimizing the damage should any occur. Standards and the Risk Management Committee for the entire group have been established, as well as creating systems for risk management and rules when risks occur. Major risks include increase in competition, overseas business activities, and impact of material costs, unstable weather and natural disasters.



View of the Risk Management Committee

[Compliance] Following the laws, regulations, morals and social norms of society and fulfilling responsibility is fundamental when operating a company, and while responding to what society expects, we will also seek to maintain and increase trust from all stakeholders.

Please let us know about the promotion of dialogue with shareholders

[Promotion of Dialogue with Shareholders] We recognize that constructive dialogue with investors and shareholders are important to sustainable growth. Therefore, the following systems will be prepared to promote dialogue.

Person in charge	Executive Officer in charge of the Management Strategy Division	
Division in charge of dialogue	HR/General Affairs Group and IR Section of PR Group	
Systems to support dialogue	Related divisions (Management Planning, Accounting/Finance, HR/General Affairs, Legal Divisions) work together to support	
Methods other than individual interviews	Ample information on the Company's Corporation Information Website, disclose materials in "Library" and "IR News"	
Feedback methods	In addition to writing reports and submitting them to the Board of Directors and management after dialogue, they are maintained in a database that can be viewed at any time	
Management of insider information	Regulations are made for handling of internal information	



Library Screen/ S.T. Website

We will continue these efforts for the sustainable, mutual growth of firms and society, while seeking to increase corporate value and shareholder value. We appreciate your continued support.



[Auditing Risk Response] The Risk Management Committee meets periodically, reporting their activities to Representative Executive Officers and the Board of Executive Officers as well as to the Audit Committee, with the Audit Committee reporting to the Board of Directors.

[Oversighting Compliance System] The Compliance Committee meets periodically, reporting their deliberations and decisions to Representative Executive Officers and the Board of Executive Officers as well as to related groups and the Audit Committee, with the Audit Committee reporting to the Board of Directors.

[Systems to Promote Dialogue with Shareholders] As the Board of Directors considers and approves policies, this system will be periodically reviewed.

The situation of the Board of Directors for fiscal 2014 are as follows.

(Year ended March 31, 2015)

Governance Type	Company with committees (Company with the Nomination Committee, etc.)		
Number of Board Members	9		
Number of Outside Directors	5 (56%)		
Number of Independent Outside Directors	2 (Notified as the persons designated by the Tokyo Stock Exchange)		
Board Diversity	4 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		
Nomination 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)		

Business by Category Proprietary Brand Market Share and Rank (Japan) Composition of Net Sales Sales/YoY Deodorizers and Air Fresheners 20,318 TV commercial of Shoshu-Riki **AIR Care** (Market Share: No.2) (Deodorizers and Refrigerator Deodorizers Air Fresheners) **75**% -0.7% 10,404 Mothproofing Agents TV commercial of Mushuda **CLOTH Care** (Mothproofing Agents) +0.8% 6,093 **THERMAL** Disposable Warmers Care (Disposable Warmers) +1.4%Household Gloves **HAND Care** 10% (Gloves) +16.9% **HUMIDITY** Dehumidifiers TV commercial of Drypet 6% Care (Dehumidifiers) (Market Share: No.1) +17.0%

HOME Care
(Cleaners and
Other Products)







7%

3,434 Millions of yen +2.8%

Strengthen Global Business

The ratio of overseas sales is 7%. We strengthen global business as another driver of growth.

Promoting Capital and Business Alliances

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

Promoting New Business

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
 The market is growing, but our performance was sluggish due to reduction in reaction to the increase in consumption tax in fiscal 2014. Products focusing on fragrance and for cars are growing with further arouth activitated. 	Mainstay business division accounting for 42% of the Company's total sales. A division that is expected to experience future growth. This division owns unique brands, including our largest brand Sheeby Bild and Dacky Top which deadering.	 Although new products in the mainstay brand Shoshu-Ri contributed to sales, it was not enough to cover the effect of reduction in reaction to the increase in consumption talent and sales decreased.
growing, with further growth anticipated.	brand Shoshu-Riki and Dashu-Tan, which deodorizes air with the power of charcoal.	In fiscal 2015, put efforts into products focusing of fragrance and for cars. By adding more to the mainste brand Shoshu-Riki and proposing the brand SHALDAN tenjoy fragrance more, cultivate new demand.
 The market is on a plateau and stable. With changes in storage styles, responding to diverse needs will be the key in the future. 	 A foundation business rivaling the importance of the AIR Care category in terms of marketing. This category comprises topline brands including 	 Despite reduction in reaction to the increase i consumption tax, active marketing and renewed packagin helped sales increase.
,	Mushuda and Neopara Ace, which are well recognized for their reliability in protecting clothes from moths.	• In fiscal 2015, increase the number of hanging types in th mainstay brand Mushuda, to respond to diverse needs an expand our share.
Climate change significantly impacts the market. Difficult to differentiate products. Intense market competition.	Winter-based product range. Provide an additional point-of-sale management role linked to spring and autumn mothproofing agents.	The beginning of the season was relatively warm, but will revised selling price, sales increased.
	 Advantage of alliance products. Offer 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. 	 In addition to strengthening and fostering brands, cultivate and expand new demand.
 Both household and industrial-use markets are growing. In addition to improving work efficiency, proposals for 	 An inaugural, enduring division with a history of six decades together with the CLOTH Care category. 	Since the performance of industrial-use gloves improved both domestic and overseas markets, sales increased.
improved functionality and added value are key points.	 This category is comprised of the Family series of household gloves, industrial-use gloves and other products. Gloves with reinforced fingertips and nitrile rubber gloves strong to piercing have been released. 	In addition to strengthening and fostering brands, cultival and expand new demand.
 The market is on a plateau. Difficult to differentiate products. Intense market competition. 	 This division has consistently led the market since Drypet was first launched in 1981. 	 The performance of the tank and sheet types of the mainstay brand Drypet was favorable, and its sale increased.
 Putting forward value-added products that offer new functions and applications is critical to future growth. 	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.	Cultivate new demand with renewal of products with adde value from including Bincho-Tan (charcoal) in fiscal 2015.
 Robust conditions in the niche cleaner and insect repellent for rice bins markets. 	This division is currently fostering the niche cleaner market and is coordinating efforts to nurture other new products that are under development.	 Sales increased, because the results of the insect repeller for rice bins Kome-Touban and in overseas markets wer favorable.
	It owns unique products, such as the cleaners in the niche market, including Ultra Powers and Ohisama no Sentaku, and the insect repellent for rice bins Kome- Touban.	Take up the challenge of entering new domains in order t secure further growth.
We focus our strategy areas and category we promote overse	as. Our strategy is focused on the ASEAN area and the catego	ory is on the Air Care series.
By utilizing the complementary relations among the 3 compan	ies, we aim to grow our businesses and increase profitability.	
In 2013, we established the Clear Forest Division to create a r	new market of "air purifiers" for improving the quality of air.	



			(millions of yen)	(thousands of U.S.dollars)*1
Years ended March 31, 2015 and 2014		2014	2015	2015
For the Year	Net sales	¥46,993	¥48,263	\$401,293
	Operating income	2,131	1,813	15,072
	Net income	1,234	892	7,418
	R&D expenses	564	512	4,263
	Capital expenditures	942	1,486	12,354
	Depreciation and amortization	894	844	7,019
	Free cash flow	2,624	369	3,069
At Year-End	Total assets	32,370	33,785	280,910
	Total net assets	21,087	22,600	187,913
	Number of issued outstanding shares (thousands)	21,853	21,851	
Financial	Operating income margin	4.5	3.8	
Indicators (%)	ROA*2	4.0	2.7	
(70)	ROE*3	6.1	4.2	
	Equity ratio	63.2	64.8	
Non-Financial	CO ₂ emissions (tons)	3,884	3,752	
Indicators	Number of employees (persons)	760	859	
	Ratio of female directors to total directors (%)	33.0	44.0	
	Ratio of outside directors to total directors (%)	56.0	56.0	
Per share information (yen)	Net income	¥ 56.74	¥ 40.83	\$0.34
	Net assets	936.06	1,001.84	8.33
	Dividends	22	22	0.18
	Common stock prices*4	999	1,021	8.49

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of $\pm 120.27 = U.S.\$1.00$, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2015.

^{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 years ended March 31.

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 (as of March 31, 2015)
Consolidated: 859
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. 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. Glove Co., Ltd. Shaldan (Philippines), Inc. Aekyung S.T. Co., Ltd.

Shaldan (Thailand) Co., Ltd.

(South Korea)

Overview of Communication Tools





Creating Corporate Value Report 2015 (Japanese edition / English edition)

An easy to understand annual report (pdf) on activities aimed at creating corporate value for all stakeholders.



Corporate Information Website (Japanese site / English site)

In addition to introducing each of the Company publications, the Corporate Information Website is a comprehensive tool that provides the latest information and an overview of S.T. CORPORATION to all stakeholders.



Corporate Profile 2015 (Japanese edition / English edition)

A compilation and comprehensive tool overviewing the Company as a whole in a Data Book (pdf) format for the benefit of investors.



Creating Corporate Value Report 2015 Financial Section (English edition)

Compilation Data Book (pdf) and separate supplement containing financial data for the most recent fiscal year.



Investors' Guide 2015 (Japanese and English compilation)

Compilation Data Book (pdf) covering 10 years of quantitative information on the Company's corporate activities for institutional investors.



