

Refreshing the Air



Refreshing the Air

Our business is to brighten and enliven the lives of customers with air.

We have focused on niche markets, and reeled in customers while developing products with the keywords: “understanding through listening, seeing, and using.”

Our strength is the fact that we possess numerous original brands that occupy a large market share in niche markets, like the deodorizer and air freshener Shoshu-Riki, mothproofing agent Mushuda, deodorizer Dashu-Tan, dehumidifier Dry Pet.

Presently, our business environment is dramatically changing, as environmental problems become more serious, the social structure transforms, and globalization progresses, however, we aim to establish a robust business foundation for responding to such changes.

Aiming for continuous growth through our unique air-care technologies, we will conduct synergistic development of both society and business through initiatives that will satisfy both the expectations (business) and demands (sustainability) of society.

Compilation Policy

This report includes the efforts for creating corporate value as an annual report on the business activities of the S.T. Group. With reference to the requests, opinions, etc. from stakeholders, it includes important issues (financial and non-financial information) for both stakeholders and the S.T. Group.

[Scope of reporting] See the entire picture of communication tools on page 13.

[Target organizations] The document reports on our company, or the S.T. Group (consolidated), if not mentioned. The “S.T. Group” means the entire S.T. Group, the “S.T. Group (in Japan)” means S.T. (non-consolidated) and group companies in Japan, and the “S.T. (non-consolidated)” means S.T. Corporation (non-consolidated).

[Target period] April 1, 2018 to March 31, 2019

[Date of issuance] August 2019

[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 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.

Dehumidifiers

(Market Share: No.1)

40%

Mothproofing Agents

(Market Share: No.1)

54%

Household Gloves

(Market Share: No.2)

25%



Deodorizers

(Market Share: No.1)

81%

Deodorizers and Air Fresheners

(Market Share: No.2)

25%

Disposable Warmers

(Market Share: No.2)

16%

The market share was estimated by INTAGE Inc.

(Filtered according to SPI category) (Data from January to December put together, except disposable pocket warmers, for which data from April to March were put together.)

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April 2019: S.T. MYCAL CO., LTD. Starts Business Operation

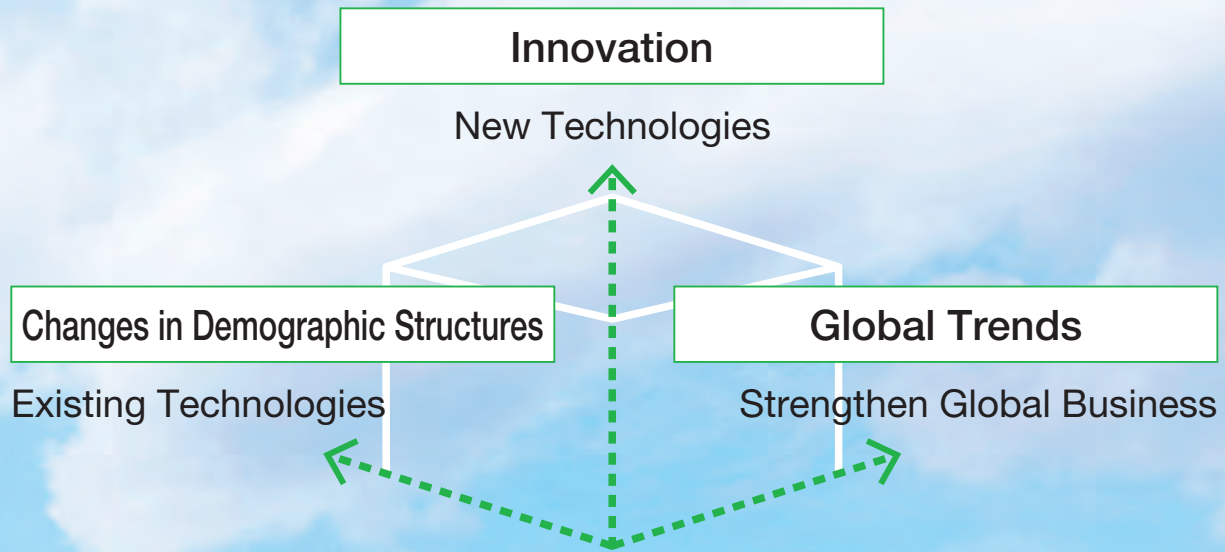
The seeds of a new field and a new market that we sowed during the period of the previous medium-term management plan will be raised into the next strong pillar of earnings in the period of the new medium-term management plan that started at the year ended March 31, 2019.

S.T. MYCOAL CO., LTD. started its operations in April 2019.

As for our growth policy, “Onto New Markets with Existing Technologies,” we are going with On Style for the healthcare market and we are promoting thermal care products overseas for “Strengthening Global Business.”



Development of a Robust Business Foundation that Won't Be Swayed by the Business Environment



Strengthening of Brand Power to Grow Further

From Sowing the Seeds of Growth to its Nurturing

In the year ended March 31, 2019, under the management policy “Brand Value Management,” we started the new medium-term management plan and shifted our focus “From Sowing the Seeds of Growth to its Nurturing” As a result, products with high unit price and high added value continued to show a growth, but due to the disposable warmers market stagnating because of the effects a record-setting mild winter and the spring season peak for mothproofing agents extending into the next year due to seasonal factors, we recorded net sales of 47.7 billions of yen (2% decrease from the previous year).

As for profits, the investment made for growth could not be completely recouped due to the recorded sales diverging from the initial plan, which resulted in a decrease in sales and profit, with operating income of 2.8 billions of yen (18% decrease from the previous year), ordinary income of 2.7 billions of yen (22% decrease from the previous year) and profit attributable to owners of parent of 1.8 billions of yen (25% decrease from the previous year).

Regarding the nurturing of a new field for growth, we released a counter-pollen product through our healthcare brand MoriLabo, which uses Clear Forest technology.

Initiatives Taken in the Year Ending March 31, 2020

This will be the second year of our new medium-term management plan. Looking back at the initial year, we took note of the fact that (1) we could not complete the plans for Air Care and Overseas businesses, (2) we could not achieve the target sales of disposable warmers due to a mild winter, and (3) we could not fully recoup the investment for growth due to the increases in expenditure of some raw materials and SG&A expenses.

This year, after reflecting on the experiences of the previous year, we shall take initiatives regarding the following 5 important points.

Important Points for This Year

- (1) Nurturing and strengthening of mainstay brand
- (2) Domestic new field / new market
- (3) Constructing an overseas foundation for growth
- (4) Growing our thermal care business
- (5) Creating a structure for growth

We shall continue with the strategies of the initial year regarding (1) Nurturing and strengthening of mainstay brand and (2) Domestic new field and new market. Under (3) Constructing an overseas foundation for growth, we shall review the foundation for our business in Thailand and plan a recovery. Under (4) Growing our thermal care business, the new factory started operating this term and the R&D and manufacturing systems have been put in order. We recognize this year as The Initial Year of Thermal Care and will raise the aforementioned business into a driver for growth. Finally, under (5) Creating a structure for growth, along with continuing with the reform of profit structures like capital investment aimed at growth, we shall also continue with the construction of a system for the future like work style reform and the formation of a diversified organization.

Strengthening of Brand Power to Grow Further

The year under review was a year in which we re-recognized various challenges. This year, we shall find solutions to those challenges, aim for further growth by strengthening our brand power with all our employees and break through our previous shell and continue growing. For that, we would appreciate your continued support.



Takako Suzuki
President and Chief Operating Officer (COO)



Corporate Governance

We are aiming for the sustainable co-growth of enterprises and society. We think of corporate governance as a system that supervises our activities toward that goals. It is important to develop an environment for securing the transparency and fairness of management facilitating active decision making, and disclosing information properly. We recognize that shareholders, society and the environment entrust us with valuable managerial resources, and aim to realize the sustainable growth of society and the environment and create corporate value in the medium to long terms, in cooperation with stakeholders, and will fulfill our accountability.

Development of Corporate Governance System

In June 2004, in order to enhance oversight function 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 (currently company with three 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 in June 2019, female directors make up 33% of the board (one out of nine executive officers is also woman). In addition, we appoint Independent outside directors with a wide array of knowledge, experience and skills such as management, marketing, accounting and legal affairs, etc. (The Company was selected as "Diversity Management Selection 100 (2013)" (METI Minister Award).) Since 2015, a board evaluation has been also conducted on annual basis to improve the effectiveness of the Board.

Remunerations of Directors and Executive Officers

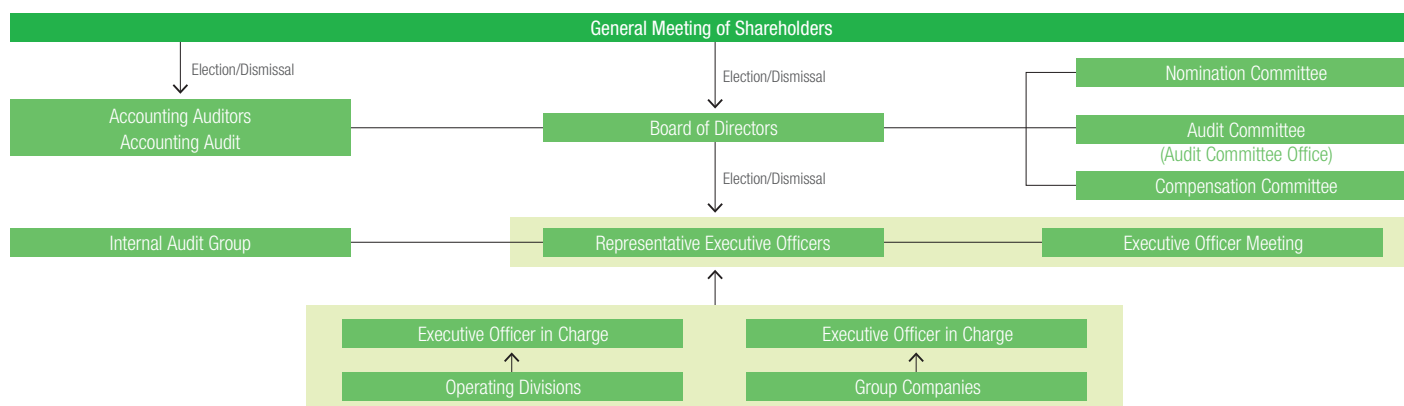
The remunerations of directors and executive officers are designed for improving corporate value.

Overview of Corporate Governance

(Year ended March 31, 2019)

Governance Type	Company with three committees
Number of Board Members	9
Number of Outside Directors	5 (56%)
Number of Independent Outside Directors	4 (Notified as the independent outside directors designated by the Tokyo Stock Exchange)
Board Diversity	3 female directors (33%)
Number of Board Meetings Held per Year	8 times
Average Attendance Rate of Board Meetings	99%
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)

Corporate Governance Structure



Board of Directors

(As of June 18, 2019)



Takashi Suzuki
Chairman of the Board of Directors



Naoto Onzo
Director (Outside Director)



Kanichi Suzuki
Director (Outside Director)



Mitsuko Miyagawa
Director (Outside Director)



Noriyuki Watanabe
Director (Outside Director)



Fuminobu Aruga
Director (Outside Director)



Takako Suzuki
Director



Kumiko Ishikawa
Director



Kouichi Yoshizawa
Director

Board Composition

(As of June 18, 2019)

Directors	Nomination Committee	Audit Committee	Compensation Committee	Name
Chairman of the Board of Directors	○			Takashi Suzuki ※
Director (Outside Director) ☆	◎	○	◎	Naoto Onzo
Director (Outside Director)	○			Kanichi Suzuki
Director (Outside Director) ☆	○	○		Mitsuko Miyagawa
Director (Outside Director) ☆		◎		Noriyuki Watanabe
Director (Outside Director) ☆		○	○	Fuminobu Aruga
Director	○			Takako Suzuki ※
Director			○	Kumiko Ishikawa
Director				Kouichi Yoshizawa ※
9 directors (Five of whom are outside directors)	5 members	4 members	3 members	

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

☆ Independent Outside Director

Areas of Executive Officer Responsibility

(As of June 18, 2019)

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 the Business Management Division	Tsukasa Konda
Managing Executive Officer	In charge of the Sales Division and the Domestic Sales Department	Yo Kouzuki
Executive Officer	In charge of the Executive Creative Director	Koji Kage
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 Sales Department and responsible for Overseas Group Companies	Keiichi Hayasaka
Executive Officer	In charge of the Management Control Division	Masaaki Shiina

※: Holds the concurrent position of director

Risk Management and Compliance

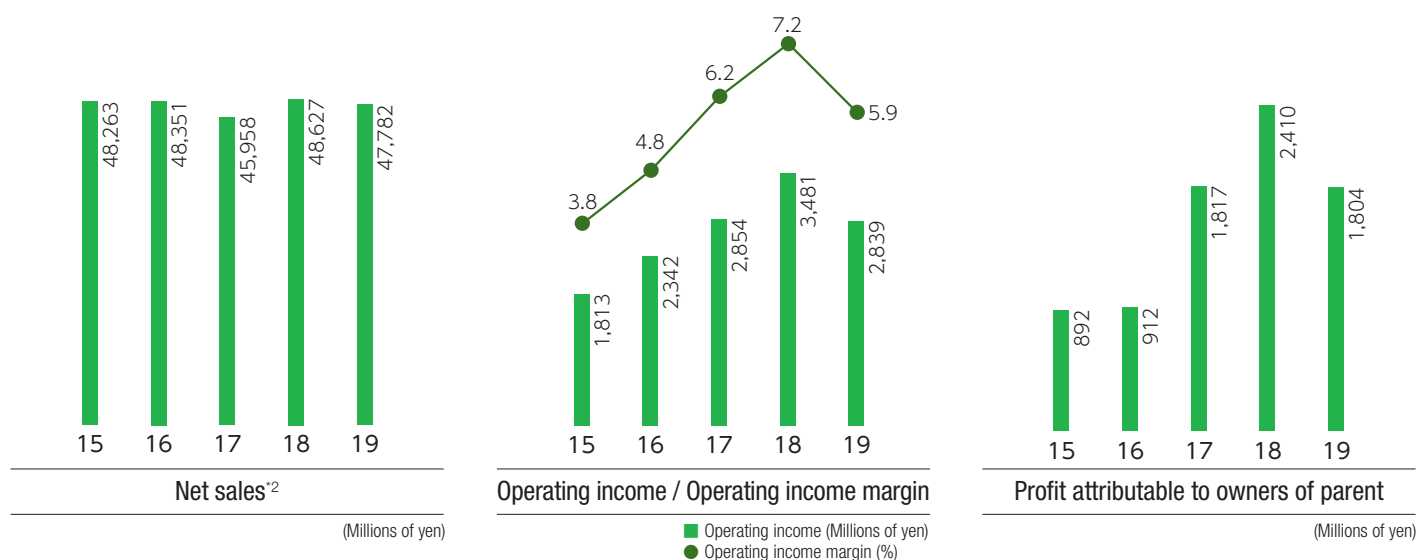
For internal control, we promote system development in order to secure the adequacy of organizational business operation. In order to accomplish organizational goals effectively, efficiently, and properly, opinions inside and outside the company are constantly grasped and improvements are continuously made, while organizing rules and business processes.

We consider that risk control is the most important issue for management. We are working to establish a system that can prevent

occurrence of various management risks surrounding the company, minimize damage in the event that incidents do occur, and to prevent their reoccurrence.

As for compliance, we observe not only laws and regulations, but also internal and external rules, ethics, and social norms; fulfill social requirements and expectations by putting our management philosophy and codes of conduct into practice; and strive to maintain and improve the trust of stakeholders.

Financial and Non-Financial Highlights



	Millions of yen			
Fiscal Year (Ended March 31)	2010	2011	2012	2013

For the Year

Net sales ^{*2}	¥43,546	¥43,580	¥46,354	¥46,944
Operating income	2,246	2,114	1,751	1,800
Profit attributable to owners of parent	1,119	786	76	565
R&D expenses	612	610	659	572
Capital expenditures	673	662	1,007	2,061
Depreciation and amortization	922	992	931	830
Free cash flow	2,137	-897	773	-944

At Year-End

Total assets	29,029	30,011	30,287	30,076
Total net assets	19,966	19,972	19,701	20,213
Number of issued outstanding shares (Thousands) ^{*3}	21,852	21,786	21,718	21,716

%

Financial Indicators

Operating income margin	5.2	4.9	3.8	3.8
ROA ^{*4}	4.0	2.7	0.3	1.9
ROE ^{*5}	5.9	4.0	0.4	2.9
Equity ratio	67.2	64.9	63.4	65.4

Non-Financial Indicators

CO ₂ emissions (Tons) ^{*6}	4,433	4,167	3,727	3,930
Number of employees (People)	611	630	647	663
Ratio of female directors to total directors (%)	11.1	12.5	25.0	30.0
Ratio of outside directors to total directors (%)	66.7	62.5	50.0	50.0

Yen

Per Share Information

Profit attributable to owners of parent	¥51.25	¥36.03	¥3.48	¥26.01
Net assets	892.46	893.74	884.45	905.84
Dividends	22	22	22	22
Stock prices ^{*7}	1,046	916	1,025	988

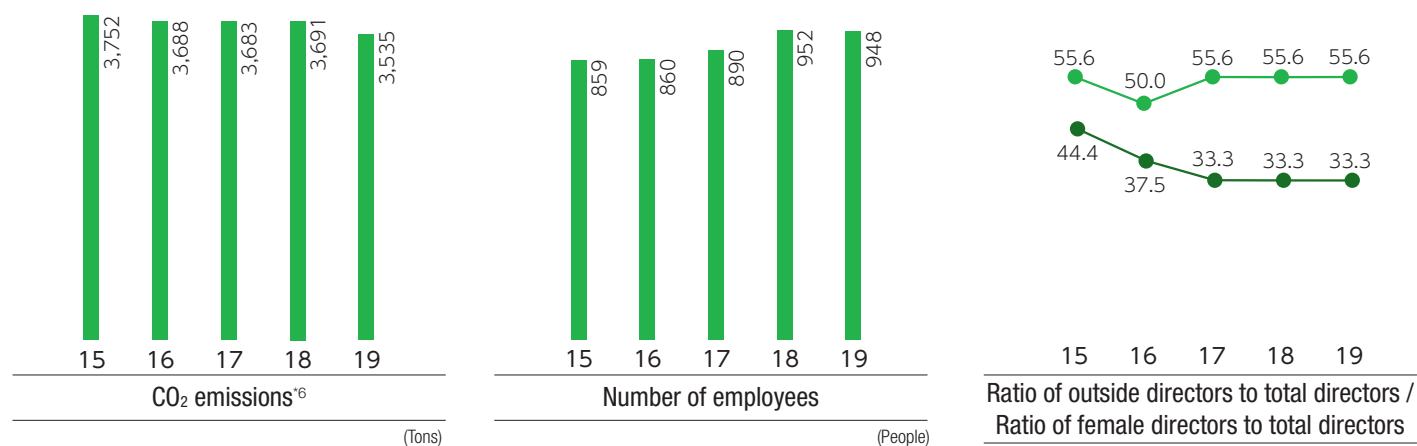
Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥110.99 = U.S.\$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2019.

2. Effective from the fiscal year ended March 31, 2017, we have applied the new accounting standards.

3. Number of issued outstanding shares does not include that of treasury shares.

4. ROA = Profit attributable to owners of parent / average total assets for the fiscal year.

S.T. Group (in Japan)



2014	2015	2016	2017	2018	Millions of yen 2019	Thousands of U.S.dollars ^{*1} 2019
¥46,993	¥48,263	¥48,351	¥45,958	¥48,627	¥47,782	\$430,510
2,131	1,813	2,342	2,854	3,481	2,839	25,580
1,234	892	912	1,817	2,410	1,804	16,250
564	513	536	611	596	643	5,793
942	1,486	1,758	608	1,822	3,060	27,571
894	844	1,128	997	970	1,109	9,990
2,624	369	1,857	4,529	835	-119	-1,069
32,370	33,785	34,924	38,458	42,112	41,976	378,197
21,087	22,600	23,496	25,812	29,022	29,223	263,297
21,853	21,851	21,699	21,877	22,063	22,112	
%						
4.5	3.8	4.8	6.2	7.2	5.9	
4.0	2.7	2.7	5.0	6.0	4.3	
6.1	4.2	4.1	7.6	9.0	6.3	
63.2	64.8	65.2	65.3	67.3	68.2	
3,884	3,752	3,688	3,683	3,691	3,535	
760	859	860	890	952	948	
33.3	44.4	37.5	33.3	33.3	33.3	
55.6	55.6	50.0	55.6	55.6	55.6	
					Yen	U.S.dollars
¥56.74	¥40.83	¥42.01	¥83.57	¥109.58	¥81.66	\$0.74
936.06	1,001.84	1,049.58	1,148.41	1,285.01	1,295.38	11.67
22	22	22	24	31	36	0.32
999	1,021	1,114	1,809	2,286	1,892	17.05

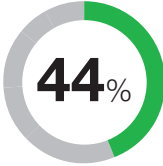
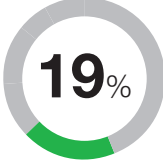
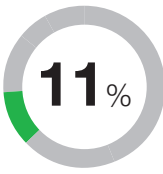
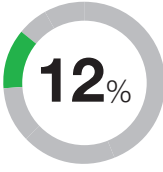
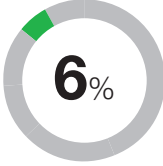
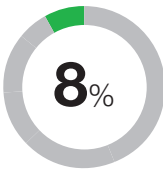
5. ROE = Profit attributable to owners of parent / average total equity (total net assets - subscription rights - non-controlling interests in consolidated subsidiaries) for the fiscal year.

6. The CO₂ emissions from the S.T. Group (in Japan)

7. The stock prices were as of the end of the fiscal years ended March 31.

8. As a result of new accounting standards being applied effective from the fiscal year ended March 31, 2019, the figures for fiscal years 2018 and 2019 reflect those changes.

Business at a Glance

Business by Category	Proprietary Brand	Market Share and Rank (Japan)	Composition of Net Sales	Sales/YoY
Air Care (Deodorizers and Air Fresheners)	Shoshu-Riki commercial on TV    	Air Fresheners 25% (Market Share: No.2) Deodorizers 81% (Market Share: No.1)		20,809 Millions of yen +1.6%
Cloth Care (Mothproofing Agents)	Mushuda commercial on TV    	Mothproofing Agents 54% (Market Share: No.1)		9,109 Millions of yen -2.3%
Thermal Care (Disposable Warmers)	   	Disposable Warmers 16% (Market Share: No.2)		5,147 Millions of yen -20.0%
Hand Care (Gloves)	   	Household Gloves 25% (Market Share: No.2)		5,776 Millions of yen +3.7%
Humidity Care (Dehumidifiers)	   	Dehumidifiers 40% (Market Share: No.1)		3,001 Millions of yen +1.6%
Home Care (Cleaners and Other Products)	    			3,940 Millions of yen +1.9%

Overseas

The ratio of overseas sales is 8%. We strengthen global business as a pillar 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.

Development of New Businesses

Cultivate domestic new field and new market, by utilizing our original air-care technologies.

The market share was estimated by INTAGE Inc. (Filtered according to SRI category) (Data from January to December put together, except disposable pocket warmers, for which data from April to March were put together.)

Market Environment	Salient Business Features and Strengths	Overview of Fiscal 2019 and Strategies Going Forward
● The market is growing. ● Fragrance-focused category are showing a growth trend, with further growth anticipated.	● Mainstay business division accounting for about 40% of the Company's total sales. A business that is expected to experience future growth. ● This division owns unique brands, including our largest brand Shoshu-Riki, SHALDAN for enjoying more fragrance, and Dashu-Tan, which deodorizes air with the power of charcoal.	● High value added products like Shoshu-Riki Premium Aroma series steadily sold, sales increased. ● Continuing to utilize the strengths of our flagship brand this year and taking steps to vitalize the market. Further, taking initiatives to nurture new businesses.
● 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 Mushuda and Neopara Ace, which are well recognized for their reliability in protecting clothes from moths.	● Recorded a decrease in sales due to spring season peak extending over the accounting period because of seasonal factors. ● Aggressively continuing sales promotion this year and taking steps to cultivate new demand with the proposal of a new storage style.
● Climate change significantly impacts the market. Difficult to differentiate products. Intense market competition. ● We anticipate domestic new field and new market which use thermal technology in the future.	● Winter-based product range. Provide an additional point-of-sale management role linked to spring and autumn mothproofing agents. ● Possessing disposable warmer brand Onpacks and the On Style brand for protection from cold. ● April 2019: new factory starts operation, R&D and manufacturing system was put in place.	● Recorded a decrease in sales due to the stagnation of the disposable warmer market because of the effects of a record-setting mild winter. ● This year, as the Initial Year of Thermal Care, we began with the creation of a domestic new field and new market through the suggestion of a new value using thermal technology.
● Both household and industrial-use markets are growing. ● In addition to improving work efficiency, proposals for improved functionality and added value are key points.	● An inaugural, enduring division with a history of six decades together with the Cloth Care category. ● This category is comprised of the Family series of household gloves, Modelobe series of industrial-use gloves and other products. Gloves with reinforced fingertips and NBR gloves with good puncture resistance have been marketed.	● Industrial-use gloves with high functionality steadily sold, sales increased. ● Continuing to strengthen and nurture the brand by suggesting a high value added industrial-use and household gloves, etc.
● The market is growing. Difficult to differentiate products. Intense market competition. ● Putting forward value-added products that offer new functions and applications is critical to future growth.	● This business has consistently led the market since Drypet was first launched in 1981. ● 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.	● The suggestion of a new storage style Dry Pet Clear contributed to sales, sales increased. ● This year, we will keep promoting products with high added value to cultivate and expand a new kind of demand.
● Robust conditions in the niche cleaner and mothproofing agents for rice bins markets.	● This business is currently fostering the niche cleaner market and is coordinating efforts to nurture other new products that are under development. ● It owns unique products, such as the cleaners in the niche market, including Senjo-Riki and Ohisamano-Sentak, and the mothproofing agents for rice bins Kome-Touban.	● Our new product MoriLabo contributed to sales and the Senjo-Riki Mokoawa toilet cleaner showed favorable growth, sales increased. ● We will endeavor to make inroads into new fields for further growth.

We will focus on the target areas of our strategies overseas. We will enter the ASEAN market with the hub of our activities located in Thailand. We will fortify our business infrastructure, and continuing the formation of a foundation for growth.

Utilizing the fact that the business areas of the three companies are complementary to each other, we will try to improve the development and profitability of the three companies' businesses.

Bringing MoriLabo into the healthcare market and Air Forest into the BtoB market using Clear Forest technology which incorporates a forest's natural components.

Social Expectations (Creation of a new market)

Details	Overview of the Year Ended March 31, 2019 and Strategies Going Forward
● Initiatives toward Health Ever since SDGs, the societal expectations to solve the problems facing society have increased. We shall engage these problems using our unique air-care technologies, which is one of our strengths.	● <Products> [Ensure healthy lives] Released our counter-pollen product MoriLabo, which uses Clear Forest technology that incorporates a forest's natural components. ● <Community> [Sustainable industrialization (new employment), sustainably managed forests] Through the comprehensive collaboration agreement with the Hokkaido Government, continued promoting the use and raising awareness of Sakhalin fir and energizing the local industry.

Social Requirements (Sustainability activities)

Details	Overview of the Year Ended March 31, 2019 and Strategies Going Forward
● Initiatives toward Our Customers As a manufacturer of daily use products, we believe that our mission is to make the lives of consumers comfortable while offering products that ensure the safety and peace of mind of our customers. If, by any chance we were to lose this sense of trust from consumers, we will have lost the reason to exist in society. Recognizing this fact, we will take initiatives toward presenting consumers with products that will ensure their safety and peace of mind.	● [Protecting consumers' health and safety] Continued regularly holding meetings of PL Committee that carries out quality control, etc. ● [Fair marketing, factual and unbiased information and fair contractual practices] Continued providing the products/useful information, quality information, and other information, on its website. ● [Consumer service, support, and complaint and dispute resolution] In the customer consultation room, we continue to deal with frequently asked questions, explanations on how to use products, and complaints about products. ● [Consumer data protection and privacy] To develop a management system in accordance with the Act on the Protection of Personal Information, and conduct inspection on a regular basis.
● Initiatives toward Our Employees Since 2015, society has changed drastically in pursuit of becoming a "CO₂ and disparity free society." If we cannot procure resourceful personnel that can respond to this change, there is a possibility that we might not be able to continue producing corporate value. Recognizing this fact, we will take initiatives toward the procurement and nurturing of personnel.	● [Employment and employment relationship] In order to reduce long working hours, continued reviewing tasks assigned to its employees. ● [Human development and training in the workplace] Continued providing its employees with educational programs such as e-learning. ● [Conditions of work and social protection] Proceeded with the easing of the conditions for the systems for offering annual paid leaves by the hour and accumulating holidays, and staggered shifts for child rearing and nursing care. ● [Social dialogue] Continued having dialogue with labor unions, etc. ● [Health and safety at work] Under the Business Continuity Plan (BCP), continued inspection, correction, and improvement, including disaster drills.
● Initiatives toward the Environment The change in society is even more drastic in terms of environmental change. In order to curb the effects of our business activities on the environment, we will revise our products and our manufacturing and distribution processes and take initiatives to reduce the burden on the environment.	● [Climate change mitigation and adaptation] Continued propelling a modal shift and hybridization of company cars. ● [Prevention of pollution] Continued reducing waste at each and every plant. ● [Sustainable resource use] Continued managing air conditioning at each department and performing educational activities through information monitors, etc.

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

Fiscal Year-end

March 31

Common Stock

¥7,065,500,000

Employees (As of March 31, 2019)

Consolidated: 948

Non-consolidated: 435

(Excluding part-time and temporary employees)

Listed Stock Exchange

Tokyo Stock Exchange, First Section

Group Companies

S.T. Trading Co., Ltd.

S.T. Business Support Co., Ltd.

S.T. MYCOAL CO., LTD.

S.T. (Thailand) Co., Ltd.

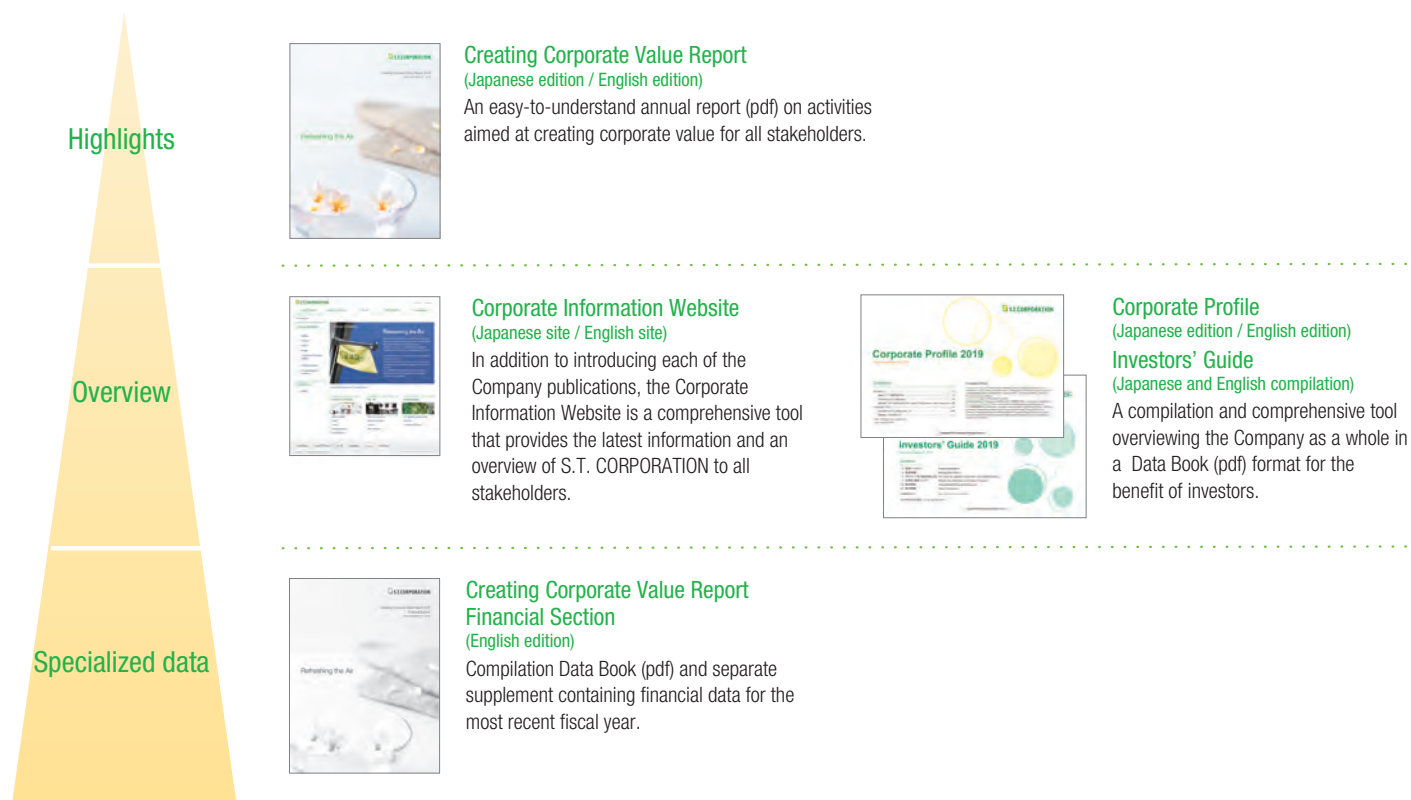
Family Glove Co., Ltd. (Taiwan)

S.T. Korea Corporation (South Korea)

Japan Aroma Laboratory Co., Ltd.

Shaldan (Thailand) Co., Ltd.

Overview of Communication Tools



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



4-10, Shimo-ochiai 1-chome, Shinjuku-ku, Tokyo 161-8540, Japan
<https://www.st-c.co.jp/english/company/>



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