

# Refreshing the Air



# Management's Discussion and Analysis

## Group Outline

The S.T. CORPORATION Group is composed of S.T. CORPORATION, seven consolidated subsidiaries, three equity method affiliated companies and other affiliated companies.

## Sales Overview

Under brand value management, the S.T. Group worked on 5 main points, "Further deepening mainstay brand," "Exploring new fields/new markets," "Undertaking overseas business structural reform," "Constructing a foundation for growth of the thermal care business," and "Creating a structure for growth."

As a result, sales of the current year stood at 47,546 million yen, down 0.5% year on year, as the sales of Thermal Care (Disposable Warmers) decreased due to the significant impact of record-breaking warm winter on market although the sales performance of Air Care (Deodorizers and Air Fresheners) and Humidity Care (Dehumidifiers) remained strong. As for the sales of each category, Air Care saw a 1.3% year-on-year growth, Cloth Care 1.7%, and Humidity Care 10.6%, while Thermal Care saw a 16.0% year-on-year drop, Hand Care 0.3%, and Home Care 3.6%.

As for profits, gross profit increased thanks to an increase in sales volume of high-value-added products, cost reductions in our mainstay categories, and the effect of cost reductions through production efficiency improvements associated with the operation of the Tochigi Plant. Consequently, operating income was 3,374 million yen (up 18.9% year on year). Ordinary income was 3,344 million yen (up

22.9% year on year) thanks to foreign exchange gain on non-operating income. Profit attributable to owners of parent was 2,261 million yen (up 25.4% year on year).

Accordingly, net income per share was 102.19 yen, up from the previous year's figure of 81.66 yen. The ratio of net income to sales increased from 3.8% to 4.8%, and ROE rose from 6.3% to 7.8%.

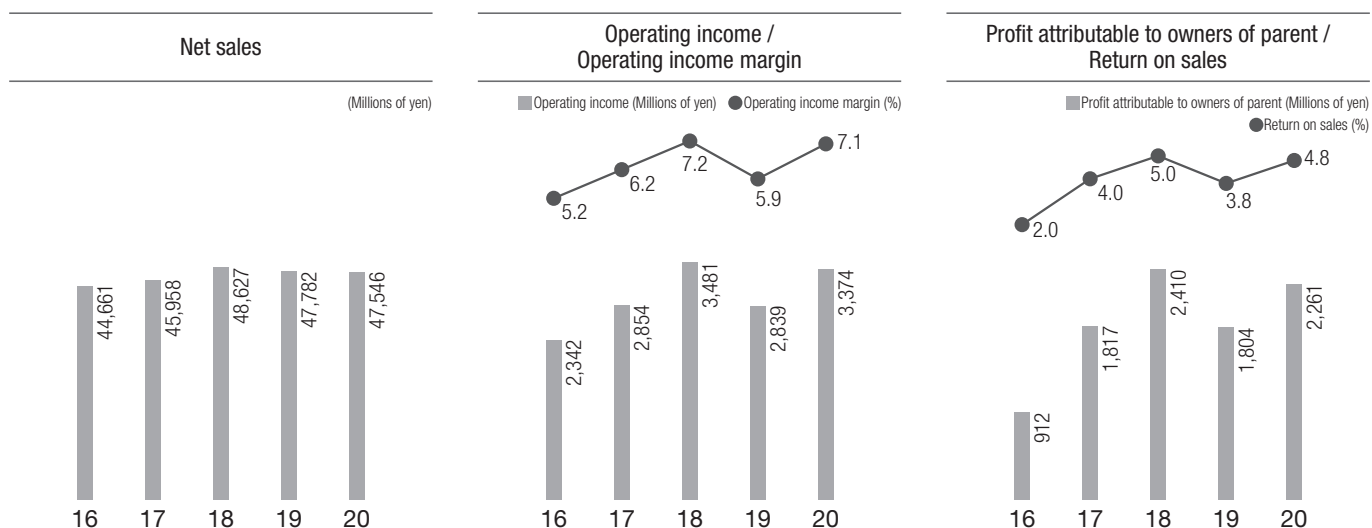
Regarding the impact of the novel coronavirus pandemic in the current year, there were no major impacts on production including procurement of raw materials, and the impacts of self-quarantine on sales were limited because most of our products are household consumer goods.

## Financial Position

Total assets as of March 31, 2020 stood at 43,276 million yen, up 1,300 million yen from the end of the previous year. Major reasons for the increase are a decline of cash and time deposits of 915 million yen, an increase of notes and accounts receivable of 516 million yen, an increase of merchandise and finished goods of 1,056 million yen, an increase of goodwill of 1,361 million yen, and a decline of investment securities of 710 million yen.

Liabilities were 13,140 million yen, up 387 million yen from the end of the previous year, mainly because of an increase of income taxes payable of 332 million yen, an increase of consumption taxes payable of 267 million yen, and a decline in electronically recorded obligations-non-operating of 318 million yen.

Net assets were 30,136 million yen, up 913 million yen from the end



Notes: 1. As a result of new accounting standards being applied effective from the fiscal year ended March 31, 2017, the figures for fiscal years 2016, 2017, 2018, 2019 and 2020 reflect those changes.  
 2. As a result of new accounting standards being applied effective from the fiscal year ended March 31, 2019, the figures for fiscal years 2018, 2019 and 2020 reflect those changes. The figures for fiscal years 2016 and 2017 are as originally presented without retroactive application.

of the previous year. This is mostly because retained earnings increased 1,448 million yen and unrealized holding gain on other securities, net of taxes decreased 505 million yen.

Consequently, net assets per share increased from 1,295.38 yen at the end of the previous year to 1,337.42 yen. Equity was 29,627 million yen, and equity ratio increased to 68.5%, up 0.3 points from the end of the previous year.

### Capital Expenditures and Depreciation and Amortization

Capital expenditures increased from 3,060 million yen in the previous year to 3,137 million yen in the current year. Depreciation and amortization increased from 1,109 million yen in the previous year to 1,487 million yen in the current year.

### Cash Flows

Net cash provided by operating activities was 3,638 million yen (in the same period of the previous fiscal year, net cash provided by operating activities was 2,186 million yen). The main components of the inflow were profit before income taxes of 3,289 million yen and depreciation and amortization of 1,390 million yen. The main components of the outflow were an increase in inventory of 875 million yen and income taxes paid of 748 million yen.

Net cash used in investing activities was 3,685 million yen (in the same period of the previous fiscal year, net cash used in investment activities was 2,305 million yen). The main expenditures were 1,401 million yen for the purchase of property, plant and equipment and

2,041 million yen for payment for transfer of business.

Net cash used in financing activities was 885 million yen (in the same period of the previous fiscal year, net cash used in financing activities was 628 million yen). This is mainly because of the payment of dividends of 804 million yen.

As a result, the balance of cash and cash equivalents at the end of the current year was 10,122 million yen, down 949 million yen from the end of the previous year.

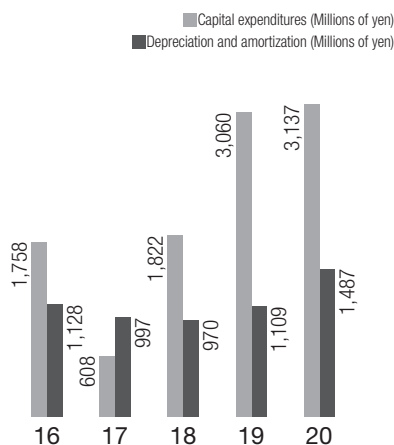
### Dividends and Return to Shareholders

Taking into consideration such factors as net income and the need to realize shareholder returns, the company decided to distribute a term-end dividend of 18.0 yen (36.0 yen for the full year, including the interim dividend, with a consolidated payout ratio being 35.2%). The company will continue to place importance on returns to shareholders.

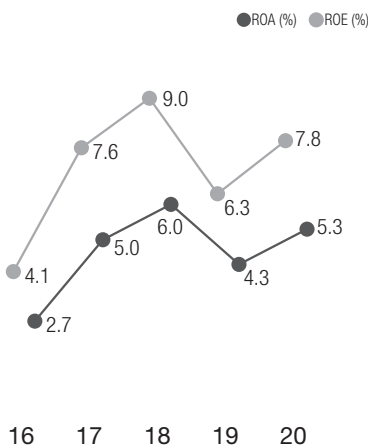
### Business and Operational Risks

Business and operational risks include: (1) intensifying competitive environment; (2) impacts of new business and capital and business alliance; (3) overseas business activities; (4) an escalation in raw materials prices; (5) situation of business partners, (6) sales uncertainties due to climate change (unseasonal weather), (7) fair business practices, (8) customer support, (9) fluctuations of stock prices, (10) risks of information management and systems, (11) material litigation risks, and (12) the impact from natural disasters.

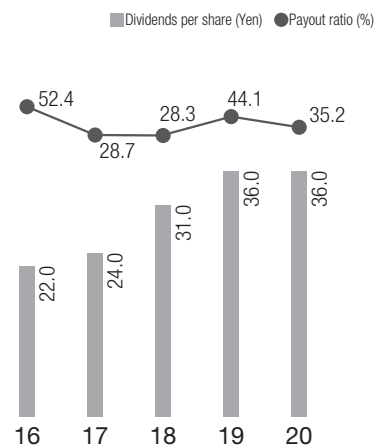
Capital expenditures / Depreciation and amortization



ROA / ROE



Dividends per share / Payout ratio



# Consolidated Balance Sheets

S.T.CORPORATION and Consolidated Subsidiaries  
March 31, 2020 and 2019

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
<b>Current assets:</b>			
Cash and time deposits (Notes 7, 11 and 18)	¥ 10,159	¥ 11,074	\$ 93,351
Trade notes and accounts receivable (Note 7)	5,797	5,281	53,263
Merchandise and finished goods	5,902	4,846	54,235
Work in process	237	242	2,176
Raw materials and supplies	1,046	800	9,613
Other current assets	511	560	4,693
Less - allowance for doubtful accounts	(5)	(4)	(42)
Total current assets	23,647	22,799	217,288
<b>Property, plant and equipment, at cost:</b>			
Land (Note 10)	3,319	3,411	30,497
Buildings and structures	8,819	9,314	81,036
Machinery, equipment and vehicles	8,443	7,583	77,583
Tools, furniture and fixtures	4,078	3,896	37,472
Construction in progress	80	190	739
Leased assets (Note 19)	730	753	6,710
Less - accumulated depreciation	(14,670)	(14,350)	(134,800)
Property, plant and equipment, net	10,800	10,797	99,236
<b>Intangible assets, net of accumulated amortization</b>			
Goodwill	1,361	—	12,504
Other intangible assets	335	221	3,079
Total intangible assets	1,696	221	15,583
<b>Investments and other assets:</b>			
Investments in non-consolidated subsidiaries and affiliates	444	447	4,077
Investment securities (Notes 7 and 9)	5,895	6,602	54,171
Long-term loans	5	8	50
Net defined benefit asset (Notes 1 and 14)	9	8	81
Deferred tax assets other than unrealized revaluation loss on land (Note 12)	119	61	1,090
Other assets	660	1,034	6,069
Total investments and other assets	7,132	8,159	65,538
Total assets	¥ 43,276	¥ 41,976	\$ 397,645

	Millions of yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets	2020	2019	2020
<b>Current liabilities:</b>			
Trade payables (Note 7)	¥ 2,592	¥ 2,459	\$ 23,820
Electronically recorded obligations-operating (Note 7)	2,615	2,752	24,026
Short-term loans payable	736	519	6,765
Lease obligations	76	200	694
Other payables (Note 7)	2,978	2,939	27,367
Accrued expenses	763	618	7,007
Electronically recorded obligations-non-operating	32	349	290
Income taxes payable	669	337	6,144
Consumption taxes payable	277	11	2,547
Allowance for sales returns	118	106	1,085
Other current liabilities	95	55	877
Total current liabilities	<b>10,951</b>	10,344	<b>100,621</b>
<b>Long-term liabilities:</b>			
Lease obligations	92	95	844
Provision for directors' retirement and severance benefits	115	115	1,054
Provision for executive officers' incentive plan (Note 5)	76	74	703
Net defined benefit liability (Notes 1 and 14)	1,319	1,265	12,124
Deferred tax liabilities (Note 12)	315	544	2,899
Deferred tax liabilities - unrealized revaluation gain on land (Note 10)	262	262	2,409
Other non-current liabilities	9	53	84
Total long-term liabilities	<b>2,189</b>	2,408	<b>20,116</b>
<b>Net assets (Note 15):</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 96,817,000 shares in 2020 and 2019			
Issued and outstanding - 23,000,000 shares in 2020 and 2019	7,066	7,066	64,922
Capital surplus	7,068	7,068	64,944
Retained earnings	15,270	13,822	140,308
Treasury stock, at cost	(1,108)	(1,163)	(10,180)
Total shareholders' equity	<b>28,295</b>	26,792	<b>259,994</b>
<b>Accumulated other comprehensive income (loss):</b>			
Unrealized holding gain on other securities, net of taxes	2,228	2,733	20,475
Unrealized revaluation loss on land, net of taxes (Note 10)	(537)	(537)	(4,936)
Translation adjustments	(342)	(329)	(3,141)
Remeasurements of defined benefit plans	(18)	(15)	(161)
Total accumulated other comprehensive income (loss)	<b>1,332</b>	1,852	<b>12,237</b>
<b>Subscription rights</b>	<b>10</b>	14	<b>91</b>
<b>Non-controlling interests</b>	<b>499</b>	565	<b>4,587</b>
Total net assets	<b>30,136</b>	29,223	<b>276,907</b>
Total liabilities and net assets	<b>¥ 43,276</b>	¥ 41,976	<b>\$ 397,645</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
<b>Net sales</b>	¥ 47,546	¥ 47,782	\$ 436,881
<b>Cost of sales (Notes 17 and 22)</b>	27,052	28,217	248,571
Gross profit before reversal of allowance for sales returns	20,494	19,566	188,310
Allowance for sales returns	118	106	1,085
Reversal of allowance for sales returns	106	127	975
Gross profit	20,482	19,587	188,200
<b>Selling, general and administrative expenses (Note 17)</b>	17,107	16,748	157,193
Operating income	3,374	2,839	31,007
<b>Non-operating income (expenses):</b>			
Interest and dividends received	117	114	1,073
Interest expense	(16)	(7)	(145)
Purchase discounts	138	145	1,271
Sales discounts	(488)	(489)	(4,488)
Share of profit of entities accounted for using equity method	9	14	87
Other, net	210	106	1,927
Total non-operating income (expenses)	(30)	(117)	(276)
Ordinary income	3,344	2,722	30,731
<b>Special gains (losses), net:</b>			
Loss on disposition of property, plant and equipment, net	(25)	(22)	(225)
Impairment loss (Note 23)	(30)	(0)	(272)
Loss on valuation of investment securities	(1)	—	(9)
Gain (loss) on sales of investment securities, net	—	10	—
Total special gains (losses), net	(55)	(12)	(506)
Profit before income taxes	3,289	2,710	30,226
<b>Income taxes (Note 12):</b>			
Current	1,070	840	9,833
Deferred	(85)	53	(781)
Total income taxes	985	893	9,052
<b>Profit</b>	2,304	1,816	21,173
<b>Profit attributable to non-controlling interests</b>	43	13	396
<b>Profit attributable to owners of parent</b>	¥ 2,261	¥ 1,804	\$ 20,778

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
<b>Profit</b>	¥ 2,304	¥ 1,816	\$ 21,173
<b>Other comprehensive income (Note 6)</b>			
Unrealized holding gain on other securities, net of taxes	(505)	(702)	(4,639)
Translation adjustments	(8)	(74)	(71)
Remeasurements of defined benefit plans, net of tax	(3)	7	(24)
Share of other comprehensive income (loss) of entities accounted for using equity method	(6)	(23)	(58)
Total other comprehensive income	(521)	(792)	(4,792)
<b>Comprehensive income</b>	¥ 1,783	¥ 1,024	\$ 16,382
Total comprehensive income attributable to:			
Owners of parent	1,741	1,039	15,993
Non-controlling interests	42	(14)	389

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, 2020 and 2019

	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, 2019</b>	23,000	¥ 7,066	¥ 7,068	¥ 13,822	¥ (1,163)	¥ 26,792
Cash dividends paid by distribution of retained earnings				(804)		(804)
Profit attributable to owners of parent				2,261		2,261
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock				(9)	56	46
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2020</b>	23,000	¥ 7,066	¥ 7,068	¥ 15,270	¥ (1,108)	¥ 28,295

	Millions of yen							
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 10)	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, 2019</b>	¥ 2,733	¥ (537)	¥ (329)	¥ (15)	¥ 1,852	¥ 14	¥ 565	¥ 29,223
Cash dividends paid by distribution of retained earnings								(804)
Profit attributable to owners of parent								2,261
Purchases of treasury stock								(0)
Disposal of treasury stock								46
Net changes in items other than those in shareholders' equity	(505)		(13)	(3)	(521)	(4)	(66)	(591)
<b>Balance at March 31, 2020</b>	¥ 2,228	¥ (537)	¥ (342)	¥ (18)	¥ 1,332	¥ 10	¥ 499	¥ 30,136

	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, 2018</b>	23,000	¥ 7,066	¥ 7,068	¥ 12,830	¥ (1,230)	¥ 25,734
Cash dividends paid by distribution of retained earnings				(802)		(802)
Profit attributable to owners of parent				1,804		1,804
Purchases of treasury stock					(1)	(1)
Disposal of treasury stock				(10)	67	58
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2019</b>	23,000	¥ 7,066	¥ 7,068	¥ 13,822	¥ (1,163)	¥ 26,792

	Millions of yen							
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 10)	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, 2018</b>	¥ 3,440	¥ (537)	¥ (264)	¥ (22)	¥ 2,617	¥ 19	¥ 652	¥ 29,022
Cash dividends paid by distribution of retained earnings								(802)
Profit attributable to owners of parent								1,804
Purchases of treasury stock								(1)
Disposal of treasury stock								58
Net changes in items other than those in shareholders' equity	(707)		(65)	7	(765)	(5)	(86)	(856)
<b>Balance at March 31, 2019</b>	¥ 2,733	¥ (537)	¥ (329)	¥ (15)	¥ 1,852	¥ 14	¥ 565	¥ 29,223

	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, 2019</b>	23,000	\$ 64,922	\$ 64,944	\$ 127,001	\$ (10,690)	\$ 246,178
Cash dividends paid by distribution of retained earnings				(7,385)		(7,385)
Profit attributable to owners of parent				20,778		20,778
Purchases of treasury stock					(3)	(3)
Disposal of treasury stock				(86)	512	426
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2020</b>	23,000	\$ 64,922	\$ 64,944	\$ 140,308	\$ (10,180)	\$ 259,994

	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 10)	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, 2019</b>	\$ 25,115	\$ (4,936)	\$ (3,020)	\$ (137)	\$ 17,021	\$ 130	\$ 5,194	\$ 268,522
Cash dividends paid by distribution of retained earnings								(7,385)
Profit attributable to owners of parent								20,778
Purchases of treasury stock								(3)
Disposal of treasury stock								426
Net changes in items other than those in shareholders' equity	(4,640)		(120)	(24)	(4,785)	(39)	(607)	(5,431)
<b>Balance at March 31, 2020</b>	\$ 20,475	\$ (4,936)	\$ (3,141)	\$ (161)	\$ 12,237	\$ 91	\$ 4,587	\$ 276,907

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 3,289	¥ 2,710	\$ 30,226
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,390	1,109	12,770
Amortization of goodwill	97	—	893
Impairment loss	30	0	272
Loss on sales of property, plant and equipment	25	22	225
Loss (gain) on sales and valuation of investment securities	1	(10)	9
Increase (decrease) in allowance for doubtful receivables	1	(0)	5
Increase (decrease) in net defined benefit asset and liability	42	14	384
Increase (decrease) in provision for directors' retirement and severance benefits	—	(9)	—
Increase (decrease) in provision for executive officers' incentive plan	2	12	20
Increase (decrease) in allowance for sales returns	12	(21)	110
Interest and dividends received	(117)	(114)	(1,073)
Interest expenses	16	7	145
Foreign exchange losses (gains)	(110)	(21)	(1,013)
Share of (profit) loss of entities accounted for using equity method	(9)	(14)	(87)
Changes in operating assets and liabilities:			
Receivables	(500)	127	(4,598)
Inventories	(875)	107	(8,044)
Payables and accrued expenses	(10)	(600)	(94)
Accrued consumption taxes	267	(35)	2,449
Increase (decrease) in lease and guarantee deposits	492	(7)	4,525
Other, net	236	(70)	2,171
Subtotal	4,277	3,206	39,297
Interest and dividends received	123	117	1,130
Interest paid	(14)	(7)	(131)
Income taxes paid	(748)	(1,131)	(6,869)
Net cash provided by operating activities	3,638	2,186	33,428
<b>Cash flows from investing activities:</b>			
Payments into deposits (more than three months)	(55)	(0)	(502)
Proceeds from withdrawal of time deposits (more than three months)	15	35	133
Purchases of property, plant and equipment	(1,401)	(2,313)	(12,874)
Proceeds from sales of property, plant and equipment	101	1	924
Payments for transfer of business (Note 18)	(2,041)	—	(18,753)
Purchases of investment securities	(9)	(10)	(87)
Proceeds from sales of investment securities	—	21	—
Purchase of investments in capital of subsidiaries	(66)	—	(606)
Other investments, net	(228)	(39)	(2,095)
Net cash used in investing activities	(3,685)	(2,305)	(33,859)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	183	347	1,685
Purchases of treasury stock	(0)	(1)	(3)
Proceeds from disposal of treasury stock	42	52	387
Payments of dividends	(804)	(802)	(7,385)
Payments of dividends to non-controlling interests	(108)	(72)	(996)
Other finance, net	(198)	(152)	(1,818)
Net cash used in financing activities	(885)	(628)	(8,130)
Effect of exchange rate changes on cash and cash equivalents	(18)	(47)	(164)
Net increase (decrease) in cash and cash equivalents	(949)	(794)	(8,725)
Cash and cash equivalents at beginning of year	11,072	11,866	101,737
Cash and cash equivalents at end of year (Note 18)	¥ 10,122	¥ 11,072	\$ 93,012

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

S.T.CORPORATION and Consolidated Subsidiaries  
March 31, 2020

## 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. 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), and Shaldan (Thailand) Co., Ltd.

(3) Name of major non-consolidated subsidiary:

ZETA S. R. L. (Italy), and JAPAN AROMA LABORATORY CO., LTD. The number of unconsolidated subsidiaries increased by one because the Company acquired an interest in ZETA S. R. L. (Italy).

(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:  
3 companies

(2) Names of major companies:

Shaldan (Philippines), Inc., Aekyung S.T. Co., Ltd., and NS FaFa Japan Co., Ltd.

(3) Name of non-consolidated subsidiary for which equity method is not applied

The non-consolidated subsidiaries to which the equity method does not apply (ZETA S. R. L. (Italy), JAPAN AROMA LABORATORY CO., LTD) are 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) Marketable securities and investment securities

Other securities with determinable market value are carried at market value with any changes in unrealized holding gain or loss, net of the related deferred income tax assets or liabilities, included in net assets. Other securities without determinable market value are stated at cost determined by the moving-average method and the cost of other securities sold is computed based on the moving-average method. During the years ended March 31, 2020 and 2019, 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

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.

## Notes to Consolidated Financial Statements

### (l) Allowance for sales returns

The allowance for sales returns is provided for losses on sales returns subsequent to the balance sheet date at an amount equivalent to that calculated based on the actual percentage of returns in prior years.

### (m) 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.

### (n) 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.

### (o) 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.

### (p) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

### (q) Amortization of goodwill

Goodwill is amortized on a straight-line basis over periods not exceeding 20 years.

### (r) 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

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 ¥108.83 = U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2020. 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 Accounting Standards not yet Applied, etc.

- Accounting Standard for Revenue Recognition (Statement No.29, March 31, 2020 issued by the Accounting Standards Board of Japan (ASBJ))
- Implementation Guidance on Accounting Standard for Revenue Recognition (Implementation Guidance No.30, March 31, 2020 issued by the ASBJ)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Implementation Guidance No.19, March 31, 2020 issued by the ASBJ)

### (1) Summary

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and issued "Revenue from Contracts with Customers" in May 2014 (IASB: IFRS 15; FASB: Topic 606). Considering IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and Topic 606 from fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and issued it together with implementation guidance.

The fundamental policy for developing Accounting Standard for Revenue Recognition by the ASBJ was that the accounting standard would incorporate the fundamental principles of IFRS 15 as the starting point from the perspective of comparability of financial statements, which is the one of the benefits of achieving consistency with IFRS. If there are any matters to be taken into consideration with regard to actual practices in Japan, etc., additional alternative accounting treatments will be provided that do not impair financial statement comparability.

### (2) Scheduled date of application

The accounting standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2022.

### (3) Impact of application

The Company is currently assessing the impact of applying the accounting standard and guidance on its consolidated financial statements.

- Accounting Standard for Disclosure of Accounting Estimates (Statement No.31, March 31, 2020 issued by the ASBJ)

### (1) Summary

IASB published IAS No. 1 "Presentation of Financial Statements" (hereinafter referred to as "IAS 1") in 2003 which requires disclosure regarding major sources of estimation uncertainty in the paragraph 125.

Regarding the major source of estimation uncertainty, there was a request to ASBJ to consider requesting such disclosure even under Japanese GAAP as it is highly useful to users of financial statements.

As such, and the new accounting standard for the disclosure of the estimate (hereinafter referred to as "the accounting standard") has been developed and published.

As a basic policy of its the development of the accounting standard, ASBJ considered that it is appropriate not to expand individual disclosure requirements but to introduce the principles (disclosure purposes) whereby the reporting entity is required to determine the disclosure in light of the principles and purposes such as the provisions of IAS 1 paragraph 125.

## (2) Scheduled date of application

The accounting standard and guidance will be applied from the end of the fiscal year ending March 31, 2021.

· Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (Statement No.24, March 31, 2020 issued by the ASBJ)

## (1) Summary

In response to the proposal to consider the enhancement of the accounting policy disclosures in cases where relevant accounting standards are not directly available, ASBJ has released the revised accounting standard to require to provide an outline of the applicable

accounting principles and procedures in cases where directly relevant accounting standards are not available.

In addition, in applying the revised accounting standard where the relevant accounting standards are directly available, it is clarified to take over the existing accounting guidance regarding disclosure of accounting policies for the purpose not to affect the practices which have been applied.

## (2) Scheduled date of application

The accounting standard and guidance will be applied from the end of the fiscal year ending March 31, 2021.

## 4 Changes in Presentation

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(Consolidated Statements of Cash Flows)

"Increase (decrease) in lease and guarantee deposits", which had been included in "Other, net" of "net cash provided by operating activities" for the previous fiscal year were presented separately for the fiscal year ended March 31, 2020 due to an increase in materiality. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result of this change, "Other, net" of ¥ (77) million under "net cash provided by operating activities" has been reclassified as "Increase (decrease) in lease and guarantee deposits" of ¥ (7) million and "Other, net" of ¥ (70) million under "net cash provided by operating activities" in the consolidated statement of cash flows for the previous fiscal year.

## 5 Additional Information

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(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, 2020 were ¥96 million (U.S. \$880 thousand) and 91,500 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, 2020 were ¥126 million (U.S. \$1,154 thousand) and 120,000 shares, respectively.

(Impact of the New Type of Coronavirus Infection)

The impact on the consolidated financial statements for the current fiscal year is limited because there are no major impacts such as on the procurement of raw materials in terms of production, or on sales as refraining from going out is not relevant due to the fact that the Group's manufactured goods are largely consumed within the household.

The impact on the consolidated financial statements for the next fiscal year will be minor as a result of incorporating information known by the Group regarding the new coronavirus disease at the end of the current fiscal year.

However, if further situations occur and are not resolved or become serious for a long period of time, the consolidated financial statements for the next fiscal year may be affected by delays or suspensions of raw material procurement, production activities, and declines in sales activities.

## 6 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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized holding gain (loss) on other securities, net of taxes			
Amount recognized in the year	¥ (714)	¥ (1,016)	\$ (6,560)
Reclassification adjustments included in the statement of income	(1)	(10)	(9)
Before income tax effect adjustment	(715)	(1,026)	(6,569)
Amount of income tax effect	210	323	1,930
Unrealized holding gain (loss) on other securities, net of taxes	(505)	(702)	(4,639)
Translation adjustments			
Amount recognized in the year	(8)	(74)	(71)
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the year	(9)	1	(81)
Reclassification adjustments included in the statement of income	5	9	46
Before income tax effect adjustment	(4)	10	(35)
Amount of income tax effect	1	(3)	11
Remeasurements of defined benefit plans, net of tax	(3)	7	(24)
Other comprehensive income (loss) on equity method companies			
Amount recognized in the year	(6)	(19)	(58)
Reclassification adjustments included in the statement of income	—	(4)	—
Other comprehensive income (loss) on equity method companies	(6)	(23)	(58)
Total other comprehensive income	¥ (521)	¥ (792)	\$ (4,792)

## 7 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.  
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—are 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 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 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

The fair value of financial instruments is based on their quoted market prices if available. If there are no market prices available, fair value is reasonably estimated. 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, 2020 and 2019, the estimated fair value of such items and the differences between them are shown below. Financial instruments for which fair value is extremely difficult to estimate are not included in the following table.

Year ended March 31, 2020	Millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 10,159	¥ 10,159	—
b Trade notes and accounts receivable	5,796	5,796	—
c Investment securities	5,840	5,840	—
Assets	¥ 21,796	¥ 21,796	—
a Trade payables	¥ 2,592	¥ 2,592	—
b Electronically recorded obligations-operating	2,614	2,614	—
c Other payables	2,978	2,978	—
Liabilities	¥ 8,185	¥ 8,185	—

Year ended March 31, 2019	Millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 11,074	¥ 11,074	—
b Trade notes and accounts receivable	5,281	5,281	—
c Investment securities	6,547	6,547	—
Assets	¥ 22,902	¥ 22,902	—
a Trade payables	¥ 2,459	¥ 2,459	—
b Electronically recorded obligations-operating	2,752	2,752	—
c Other payables	2,939	2,939	—
Liabilities	¥ 8,150	¥ 8,150	—

Year ended March 31, 2020	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
a Cash and time deposits	\$ 93,351	\$ 93,351	—
b Trade notes and accounts receivable	53,263	53,263	—
c Investment securities	53,664	53,664	—
Assets	\$ 200,278	\$ 200,278	—
a Trade payables	\$ 23,820	\$ 23,820	—
b Electronically recorded obligations-operating	24,026	24,026	—
c Other payables	27,367	27,367	—
Liabilities	\$ 75,213	\$ 75,213	—

Notes: 1. Method of estimating the fair value of financial instruments and other matters relating to investment securities

### Assets

a. Cash and time deposits and b. Trade notes and accounts receivable

Because these items are settled over the short term, the fair value and carrying value are nearly equivalent. Therefore, the relevant carrying value is used.

c. Investment securities

Stocks are valued at the exchange trading price. Bonds are valued at the exchange trading price or at the price provided by the financial institutions offering these securities. For information on securities classified by purpose of holding, please refer to the "Investment Securities" section of the notes to the financial statements.

### Liabilities

a. Trade payables, b. Electronically recorded obligations-operating and c. Other payables

Because these items are settled over the short term, the fair value and carrying value are nearly equivalent. Therefore, the relevant carrying value is used.

2. Financial instruments for which fair value is extremely difficult to determine

	Carrying value		Thousands of U.S. dollars
	Millions of yen		
	2020	2019	2020
Unlisted equity securities	¥ 55	¥ 55	\$ 507

Because these instruments have no quoted market price and the fair value is extremely difficult to determine, they are not included in the above table.

## Notes to Consolidated Financial Statements

3. Redemption schedule for receivables and other securities with maturity dates at March 31, 2020 and 2019 are summarized as follows:

Year ended March 31, 2020	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	¥ 10,157	¥ —	—	—
Trade notes and accounts receivable	5,796	—	—	—
Investment securities				
Other	—	100	—	—
Total	¥ 15,954	100	—	—

Year ended March 31, 2019	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	¥ 11,073	—	—	—
Trade notes and accounts receivable	5,281	—	—	—
Investment securities				
Other	—	100	—	—
Total	¥ 16,354	100	—	—

Year ended March 31, 2020	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	\$ 93,338	\$ —	—	—
Trade notes and accounts receivable	53,263	—	—	—
Investment securities				
Other	—	919	—	—
Total	\$ 146,600	919	—	—

## 8 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2020 and 2019.

## 9 Investment Securities

### (1) Other securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Acquisition cost	¥ 2,625	¥ 2,616	\$ 24,124
Carrying value	5,840	6,547	53,664
Total unrealized gain	3,221	3,933	29,597
Total unrealized loss	(6)	(3)	(57)

At March 31, 2020 and 2019, unlisted stocks (whose carrying value was ¥55 million (U.S.\$507 thousand) and ¥55 million, respectively) are not included in the above table because they have no quoted market price and the fair value is extremely difficult to determine.

**(2) Sales of other securities**  
(Year ended March 31, 2020)

	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ —	¥ —	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ —	¥ —	—

(Year ended March 31, 2019)

	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 21	¥ 10	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 21	¥ 10	—

(Year ended March 31, 2020)

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

**(3) Impairment of investment securities**

The Company recognized impairment loss on investment securities of ¥1 million (U.S.\$9 thousand) for the year ended March 31, 2020. There were no significant impairment losses on investment securities for the years ended March 31, 2019.

## 10 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, 2020 and 2019 decreased by ¥286 million (U.S.\$2,631 thousand) and ¥433 million, respectively, after the revaluation.

## 11 Pledged Assets

Pledged assets at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Time deposits	¥ 5	¥ 5	\$ 44

Time deposits were pledged as collateral mainly for leased office space at March 31, 2020 and 2019.

## Notes to Consolidated Financial Statements

### 12 Income Taxes

At March 31, 2020 and 2019, 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
	2020	2019	2020
Deferred tax assets:			
Accrued employees' bonuses	¥ 165	¥ 129	\$ 1,514
Allowance for sales returns	37	33	336
Accrued business taxes	58	37	534
Loss on valuation of inventories	15	32	138
Net defined benefit liability	389	386	3,575
Accrued payable due to transfer to defined contribution pension plan	15	31	139
Provision for directors' retirement and severance benefits	36	36	327
Provision for executive officers' incentive plan	24	23	218
Write-downs of securities	64	64	588
Impairment loss	—	46	—
Tax loss carryforwards	79	118	722
Other	205	139	1,884
Gross deferred tax assets	1,086	1,073	9,975
Valuation allowance for tax loss carryforwards	(79)	(117)	(722)
Valuation allowance for the total of future deductible temporary differences etc.	(127)	(170)	(1,171)
Valuation allowance	(206)	(286)	(1,894)
Total deferred tax assets	880	786	8,081
Deferred tax liabilities:			
Deferred gain on sales of property	(11)	(11)	(100)
Net defined benefit asset	(3)	(2)	(25)
Undistributed earnings of controlled foreign companies	(70)	(60)	(639)
Unrealized holding gain on other securities, net of taxes	(985)	(1,195)	(9,054)
Other	(8)	—	(72)
Total deferred tax liabilities	(1,076)	(1,269)	(9,890)
Net deferred tax liabilities	¥ (197)	¥ (483)	\$ (1,809)

At March 31, 2020 and 2019, net deferred tax liabilities were included in the following items in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Non-current assets - deferred tax assets	¥ 119	¥ 61	\$ 1,090
Non-current liabilities - deferred tax liabilities	(315)	(544)	(2,899)

Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward for the year end March 31, 2020 and 2019, were as follows:

Year ended March 31, 2020	Millions of yen						Total
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	
Tax loss carryforwards	—	—	—	¥ 30	¥ 49	—	¥ 79
Valuation allowance	—	—	—	(30)	(49)	—	(79)
Deferred tax assets	—	—	—	—	—	—	—

Year ended March 31, 2019	Millions of yen						Total
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	
Tax loss carryforwards	—	—	—	¥ 43	¥ 74	¥ 1	¥ 118
Valuation allowance	—	—	—	(43)	(74)	—	(117)
Deferred tax assets	—	—	—	—	—	1	1



Year ended March 31, 2020	Thousands of U.S. dollars						Total
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	
Tax loss carryforwards	—	—	—	\$ 273	\$ 450	—	\$ 722
Valuation allowance	—	—	—	(273)	(450)	—	(722)
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, 2020 and 2019 is summarized as follows:

	2020	2019
Japanese statutory tax rate	31.00%	31.00%
Permanent differences, such as entertainment expenses, etc.	0.53	0.67
Permanent differences, such as dividend income	(0.29)	(0.36)
Tax credit	(1.86)	(2.09)
Undistributed earnings of controlled foreign companies	0.29	(0.05)
Equity in loss of affiliates	(0.09)	(0.16)
Increase in valuation allowance	0.20	4.58
Consolidation adjustment of subsidiary stock valuation loss	(1.49)	(3.07)
Other	1.66	2.45
Effective tax rate	29.95%	32.97%

## 13 Business Combination

The Company aims to strengthen its production capacity for global expansion, which is a medium-term and long-term strategy in the disposable warmer business, and also to improve the production efficiency accompanying its sales expansion in the domestic market. Regarding the acquisition of the disposable warmer business of MYCOAL CO., LTD, we entered into a business transfer agreement with MYCOAL CO., LTD on December 18, 2017, and took over it on April 1, 2019.

### (1) Outline of business acquisition

- (a) Name the company and description of business involved in the business acquisition.
- Name of transferor company: MYCOAL CO., LTD
  - Description of businesses: Manufacturing, development and distribution of pocket heater and thermal products

### (b) Primary reason for business acquisition

The Group has positioned the "corresponding to the social structure change" as one of the direction of the growth under the management policy "brand value management".

Given the importance of securing healthy living, which is a social issue in recent years, the Group acquired the disposable warmer business of MYCOAL CO., LTD with which the Group had previously engaged in sales business partnerships.

MYCOAL CO., LTD from which the Group has acquired the disposable warmer business, has excellent technology and had consistently manufactured and sold Pocket heater and thermal products under the concept of "for thermal insulation and health" since its establishment in 1904.

The main products "On-Packs" of disposable Pocket heater have received support from a wide range of customers as light and thin, soft and comfortable Pocket heater products.

With the acquisition of this business, by leveraging the product development and marketing capabilities of the Group, we aim further to expand the scope of operations in domestic and overseas markets and to improve corporate value while improving our profitability.

- (c) Date of the business acquisition  
April 1, 2019

- (d) Legal form of the business acquisition  
Business transfer for cash
- (e) Name of company after the business acquisition  
No change
- (f) Primary basis for deciding upon the company acquired  
This is because the Company acquired the Pocket heater business for cash.

### (2) Period of financial results of the acquired company included in the consolidated financial statements

From April 1, 2019 to March 31, 2020

### (3) Cost of acquisition of the acquired business and the breakdown thereof by acquisition price

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition – Cash	¥ 2,041	\$ 18,753
Acquisition cost	¥ 2,041	\$ 18,753

### (4) Details and amount of major acquisition-related costs

Fee and commissions paid to advisors ¥8 million (U.S. \$73 thousand)

### (5) Amount of goodwill recorded, reasons for recording goodwill, amortization method and amortization period

- (a) Goodwill recorded  
¥1,458 million (U.S. \$13,397 thousand)
- (b) Reasons for recording goodwill  
Goodwill arose from excess earning power expected from future business development.
- (c) Amortization method and amortization period  
Straight-line amortization over 15 years

## Notes to Consolidated Financial Statements

### (6) Assets succeeded and liabilities taken over as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 394	\$ 3,619
Fixed assets	326	2,999
Total assets	720	6,617
Current liabilities	127	1,167
Non-current liabilities	10	95
Total liabilities	¥ 137	\$ 1,262

## 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.

### (1) Defined benefit plans

Adjustments of beginning and ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year	¥ 1,357	¥ 1,362	\$ 12,468
Service cost	98	67	899
Interest cost	10	10	92
Actuarial gain or loss	(8)	(3)	(74)
Payment of retirement benefits	(79)	(76)	(722)
Other	3	(4)	28
Balance at the end of the year	¥ 1,381	¥ 1,357	\$ 12,689

Adjustments of beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year	¥ 100	¥ 114	\$ 918
Expected return on plan assets	1	1	11
Actuarial loss	(17)	(2)	(156)
Payment of retirement benefits	(14)	(14)	(127)
Balance at the end of the year	¥ 70	¥ 100	\$ 646

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
	2020	2019	2020
Funded retirement benefit obligations	¥ 62	¥ 92	\$ 566
Plan assets	(70)	(100)	(646)
	(9)	(8)	(81)
Unfunded retirement benefit obligations	1,319	1,265	12,124
Net defined benefit asset and liability on consolidated balance sheet	1,311	1,257	12,043
Net defined benefit liability	1,319	1,265	12,124
Net defined benefit asset	(9)	(8)	(81)
Net defined benefit asset and liability on consolidated balance sheet	¥ 1,311	¥ 1,257	\$ 12,043

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 98	¥ 67	\$ 899
Interest cost on benefit obligation	10	10	92
Expected return on plan assets	(1)	(1)	(11)
Amortization of actuarial loss	5	9	46
Extraordinary additional retirement payments	30	47	277
Net retirement benefit expenses	¥ 142	¥ 132	\$ 1,303

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial gain (loss)	¥ (4)	¥ 10	\$ (35)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial gain (loss)	¥ 25	¥ 22	\$ 234

Plan assets

(a) Plan assets

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

	2020	2019
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:

	2020	2019
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, 2020 and 2019 amounted to ¥136 million (U.S. \$1,252 thousand) and ¥130 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, 2020, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$5,052 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, 2020 and 2019 were ¥1,337.42 (U.S.\$12.29) and ¥1,295.38, respectively. Basic earnings per share for the years ended March 31, 2020 and 2019 were ¥102.19 (U.S.\$0.94) and

¥81.66, respectively.

Diluted earnings per share for the years ended March 31, 2020 and 2019 were ¥101.97 (U.S.\$0.94) and ¥81.34, respectively.

The basis for the calculation of basic earnings per share and diluted earnings per share for the years ended March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Basic earnings per share:			
Profit attributable to owners of parent	¥ 2,261	¥ 1,804	\$ 20,778
Amount not attributable to shareholders of common stock	—	—	—
Amount attributable to shareholders of common stock	2,261	1,804	20,778
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)	0	0	—
(Subscription rights to shares)	(0)	(0)	—
Shares having an anti-dilutive effect (Millions of shares)	—	—	—

The basis for calculation of total net assets per share as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets per share:			
Total net assets	¥ 30,136	¥ 29,223	\$ 276,907
Deductions:	509	579	4,677
Subscription rights	10	14	91
Non-controlling interests	499	565	4,587
Amounts attributable to shareholders of common stock	29,627	28,644	272,230
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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales promotion expenses	¥ 3,399	¥ 3,355	\$ 31,235
Advertising costs	2,649	2,821	24,342
Salaries	2,394	2,363	21,999
Shipment and storage expenses	1,687	1,562	15,503
Provision for employees' retirement and severance benefits	196	215	1,798
Provision for executive officers' incentive plan	2	18	20
Provision of allowance for doubtful accounts	0	—	5

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2020 and 2019 amounted to ¥725 million (U.S.\$6,660 thousand) and ¥643 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, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits	¥ 10,159	¥ 11,074	\$ 93,351
Time deposits with a maturity in excess of three months	(60)	(20)	(552)
Other current assets (*)	23	18	213
Cash and cash equivalents	¥ 10,122	¥ 11,072	\$ 93,012

(\*) 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."

Assets and liabilities increased due to business transfer for the year ended March 31, 2020 is as follows:

	Millions of yen	Thousands of U.S. dollars
	¥	\$
Current assets	394	3,619
Fixed assets	326	2,999
Goodwill	1,458	13,397
Current liabilities	(127)	(1,167)
Non-current liabilities	(10)	(95)
Payments for transfer of business	¥ 2,041	\$ 18,753

## 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, 2020 and 2019.

## 20 Segment Information

### (1) Summary of Reporting Segments

Segment information for the years ended March 31, 2020 and 2019 is omitted as the Group operates 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 segments

Information on the amounts of sales and other items for the years ended March 31, 2020 and 2019 is omitted as the Group operates as a single segment.

### (4) Related Information

(a) Information by products and services

Year ended March 31, 2020	Millions of yen					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 21,079	¥ 9,266	¥ 4,325	¥ 5,758	¥ 7,117	¥ 47,546

Year ended March 31, 2019	Millions of yen					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 20,809	¥ 9,109	¥ 5,147	¥ 5,776	¥ 6,942	¥ 47,782

Year ended March 31, 2020	Thousands of U.S. dollars					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	\$ 193,685	\$ 85,146	\$ 39,740	\$ 52,911	\$ 65,399	\$ 436,881

## Notes to Consolidated Financial Statements

- (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, 2020 and 2019.

(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, 2020 and 2019.

- (c) Information by major customers

Customers	Sales			Related segment
	Millions of Yen		Thousands of U.S. dollars	
	2020	2019	2020	
PALTAC CORPORATION	¥ 16,343	¥ 16,730	\$ 150,166	Daily necessities
ARATA CORPORATION	¥ 11,289	¥ 10,753	\$ 103,728	Daily necessities

## 21 Related Party Transactions

(Years ended March 31, 2020 and 2019)  
Not applicable

## 22 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 ¥335 million (U.S.\$3,076 thousand) and ¥352 million for the years ended March 31, 2020 and 2019, respectively.

## 23 Impairment loss

The Company recognized impairment losses for the year ended March 31, 2020 as follows:

Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Thailand	Business-use assets	Machinery, equipment and vehicles	¥ 30	\$ 272

The Company determines the business asset group in consideration of management accounting, and regards corporate assets such as the head office as the entire business unit. In addition, idle assets and assets to be sold that are not directly used for business are grouped by individual property.

Since fixed assets held by the consolidated subsidiary Shaldan (Thailand) CO., Ltd. have declined in profitability, the book value was reduced to the recoverable amount, and this reduction was recorded as an impairment loss under extraordinary loss.

Although the recoverable value is measured by the value in use, the value in use is evaluated by the memorandum value because the future cash flow of this asset is negative.

The Companies accounted for impairment losses for the year ended March 31, 2019 as follows:

Location	Purpose of use	Type of assets	Millions of yen
Thailand	Business-use assets	Machinery, equipment and vehicles	¥ 0

The Company determines the business asset group in consideration of management accounting, and regards corporate assets such as the head office as the entire business unit. In addition, idle assets and assets to be sold that are not directly used for business are grouped by individual property.

Since fixed assets held by the consolidated subsidiary S.T. (Thailand) CO., Ltd. have declined in profitability, the book value was reduced to the recoverable amount, and this reduction was recorded as an impairment loss under extraordinary loss.

Although the recoverable value is measured by the value in use, the value in use is evaluated by the memorandum value because the future cash flow of this asset is negative.

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

Shares in issue and outstanding and treasury stock at March 31, 2020 and 2019 were as follows:

(Year ended March 31, 2020)		Subscription rights at March 31, 2020 were as follows:	
Number of shares in issue and outstanding:		Subscription rights for stock options	¥10 million (U.S. \$91 thousand)
Common stock	23,000 thousand		
Number of shares held in treasury:			
Common stock	848 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 the exercise of stock options:	40 thousand
The common stock owned by the Trust (212 thousand shares) is included in the number of shares held in treasury stock.	

Dividends paid from retained earnings for the year ended March 31, 2020 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, 2019	¥ 402	\$ 3,692	¥ 18	\$ 0.17	March 31, 2019	June 4, 2019
Board of directors' meeting held on October 30, 2019	402	3,693	18	0.17	September 30, 2019	December 6, 2019

Dividends for which the record date was in the year ended March 31, 2020 and the effective date is in the year ending March 31, 2021 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 18, 2020	¥ 403	\$ 3,699	¥ 18	Retained earnings	\$ 0.17	March 31, 2020	June 2, 2020	

(Year ended March 31, 2019)		Subscription rights at March 31, 2019 were as follows:	
Number of shares in issue and outstanding:		Subscription rights for stock options	¥14 million
Common stock	23,000 thousand		
Number of shares held in treasury:			
Common stock	888 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 the exercise of stock options:	44 thousand
Decrease due to issuance of treasury shares by the stock benefit trust (BBT):	6 thousand
The common stock owned by the Trust (212 thousand shares) is included in the number of shares held in treasury stock.	

Dividends paid from retained earnings for the year ended March 31, 2019 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 21, 2018	¥ 401	¥ 18	March 31, 2018	June 5, 2018
Board of directors' meeting held on October 30, 2018	401	18	September 30, 2018	December 7, 2018

Dividends for which the record date was in the year ended March 31, 2019 and the effective date was in the year ended March 31, 2020 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, 2019	¥ 402	Retained earnings	¥ 18	March 31, 2019	June 4, 2019

## 25 Stock Option Plans

At March 31, 2020, the Company had stock option plans, which were approved at the annual general meetings of the shareholders and by the Board of Directors. Details of these stock option plans are summarized as follows:

Date of approval	Number of shares granted	Eligible participants	Exercisable period
June 15, 2012	130,000	3 officers and 8 employees	Aug 2, 2014 – Aug 1, 2019
June 14, 2013	130,000	2 officers and 10 employees	Aug 2, 2015 – Aug 1, 2020
June 17, 2014	175,000	6 officers and 11 employees	Aug 2, 2016 – Aug 1, 2021

The option price per share was determined on the date the options were granted based on an established formula for determining option prices. The options are exercisable during the above periods provided that the recipients are still directors, officers or employees of the Company or its subsidiaries.

### Description of stock options

	2013	2014	2015
Grantees	3 officers and 8 employees	2 officers and 10 employees	6 officers and 11 employees
Type of stock	Common stock	Common stock	Common stock
Number of stock options granted (*)	130,000	130,000	175,000
Grant date	August 1, 2012	August 1, 2013	August 1, 2014
Condition for exercise	Working from August 1, 2012 to August 1, 2014	Working from August 1, 2013 to August 1, 2015	Working from August 1, 2014 to August 1, 2016
Working period	August 1, 2012 to August 1, 2014	August 1, 2013 to August 1, 2015	August 1, 2014 to August 1, 2016
Exercisable period	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)

(\*) Number of stock options in the column "Number of stock options granted" has been converted into the equivalent numbers of shares.

Stock option activity during the year ended March 31, 2020 was as follows:

### Number of shares

	2013	2014	2015
Non-vested outstanding at beginning of year	—	—	—
Granted during the year	—	—	—
Forfeited during the year	—	—	—
Vested during the year	—	—	—
Outstanding at end of year	—	—	—
Vested outstanding at beginning of year	3,000	48,000	83,000
Vested during the year	—	—	—
Exercised during the year	3,000	11,000	26,000
Forfeited during the year	—	—	—
Outstanding at end of year	—	37,000	57,000

### Price of stock options

	Yen		
	2013	2014	2015
Exercise price	¥ 946	¥ 1,066	¥ 1,059
Weighted-average market price	1,670	1,696	1,665
Fair value per option on grant date	¥ 153	¥ 117	¥ 97

The fair value of each stock option grant was estimated at the grant date using the Black-Scholes option pricing model.

### Method of estimating exercised stock options

The Company estimated the number of exercised stock options based on the actual number of forfeitures because it is difficult to estimate the number of stock options which will be forfeited in the future.



# Report of Independent Auditors



We also provide The Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the 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.


### Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.


### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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  
June 17, 2020

江口 泰史 

Yasushi Eguchi  
Designated Engagement Partner  
Certified Public Accountant

根本 知香 

Tomoka Nemoto  
Designated Engagement Partner  
Certified Public Accountant

# Five-Year Financial Summary

S.T. CORPORATION and Consolidated Subsidiaries  
Years Ended March 31

	Millions of yen (Except per share data and ratios)					Thousands of U.S. dollars (Except per share data and ratios)
	2020	2019	2018	2017	2016	2020
<b>For the Year</b>						
Net sales	¥ 47,546	¥ 47,782	¥ 48,627	¥ 45,958	¥ 44,661	\$ 436,881
Cost of sales	27,064	28,196	28,552	27,473	27,294	248,681
Selling, general and administrative expenses	17,107	16,748	16,594	15,630	15,025	157,193
Operating income	3,374	2,839	3,481	2,854	2,342	31,007
Profit before income taxes	3,289	2,710	3,478	2,751	1,703	30,226
Profit attributable to owners of parent	2,261	1,804	2,410	1,817	912	20,778
Capital expenditures	3,137	3,060	1,822	608	1,758	28,823
Depreciation and amortization	1,487	1,109	970	997	1,128	13,663
R&D expenses	725	643	596	611	536	6,660
Cash flows from operating activities	3,638	2,186	2,660	5,150	2,481	33,428
Cash flows from investing activities	(3,685)	(2,305)	(1,826)	(622)	(624)	(33,859)
Free cash flow	(47)	(119)	835	4,529	1,857	(431)
Cash flows from financing activities	(885)	(628)	(428)	(640)	(876)	(8,130)
<b>At Year-End</b>						
Total current assets	¥ 23,647	¥ 22,799	¥ 23,736	¥ 22,467	¥ 19,708	\$ 217,288
Property, plant and equipment, net	10,800	10,797	8,931	8,001	8,659	99,236
Total assets	43,276	41,976	42,112	38,458	34,924	397,645
Total current liabilities	10,951	10,344	10,241	9,666	8,781	100,621
Total long-term liabilities	2,189	2,408	2,849	2,980	2,648	20,116
Total net assets	30,136	29,223	29,022	25,812	23,496	276,907
Cash and cash equivalents	10,122	11,072	11,866	11,396	7,552	93,012
Number of shares issued (Thousands)	23,000	23,000	23,000	23,000	23,000	
Treasury stock (Thousands)	848	888	937	1,123	1,301	
Number of employees (People)	1,032	948	952	890	860	
<b>Per Share</b> (Yen and U.S. dollars)						
Profit attributable to owners of parent	¥ 102.19	¥ 81.66	¥ 109.58	¥ 83.57	¥ 42.01	\$ 0.94
Dividends	36.00	36.00	31.00	24.00	22.00	0.33
Net assets	1,337.42	1,295.38	1,285.01	1,148.41	1,049.58	12.29
Stock price	1,601	1,892	2,286	1,809	1,114	14.71
<b>Ratios</b> (%)						
Operating income margin	7.1	5.9	7.2	6.2	5.2	
Profit before income taxes/net sales	6.9	5.7	7.2	6.0	3.8	
Return on sales	4.8	3.8	5.0	4.0	2.0	
ROA	5.3	4.3	6.0	5.0	2.7	
ROE	7.8	6.3	9.0	7.6	4.1	
Equity ratio	68.5	68.2	67.3	65.3	65.2	

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2020.

2. As a result of new accounting standards being applied effective from the fiscal year ended March 31, 2017, the figures for fiscal years 2016, 2017, 2018, 2019 and 2020 reflect those changes.

3. As a result of new accounting standards being applied effective from the fiscal year ended March 31, 2019, the figures for fiscal years 2018, 2019 and 2020 reflect those changes. The figures for fiscal years 2016 and 2017 are as originally presented without retroactive application.

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

5. ROA = Profit attributable to owners of parent divided by average total assets for the fiscal year.

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

# Investor Information

As of March 31, 2020

## Corporate Data

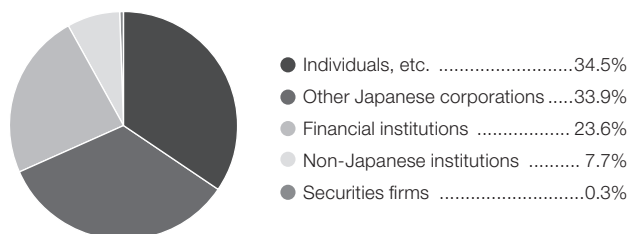
Company Name	S.T. CORPORATION
Headquarters	1-4-10 Shimo-ochiai, Shinjuku Ward, Tokyo 161-8540 Japan
Establishment	August 31, 1948
Common Stock	¥7,065,500,000
Fiscal Year-end	March 31
Shares Issued and Outstanding	23,000,000
Listed Stock Exchange	Tokyo Stock Exchange, First Section
Shareholders	16,555
Registered Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Accounting Auditors	Ernst & Young ShinNihon LLC
Annual Shareholders' Meeting	Middle of June each year
Employees	Consolidated: 1,032 Non-consolidated: 442 (Excluding part-time and temporary employees)
Contact	Kouichi Yoshizawa, Public Relations Department
E-mail	ir@st-c.co.jp
Telephone	+81-3-3367-6115
Facsimile	+81-3-3367-6320

## Group Companies

- 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)
- Japan Aroma Laboratory Co., Ltd.
- Shaldan (Thailand) Co., Ltd.
- ZETA S.R.L. (Italy)

## Major Shareholders

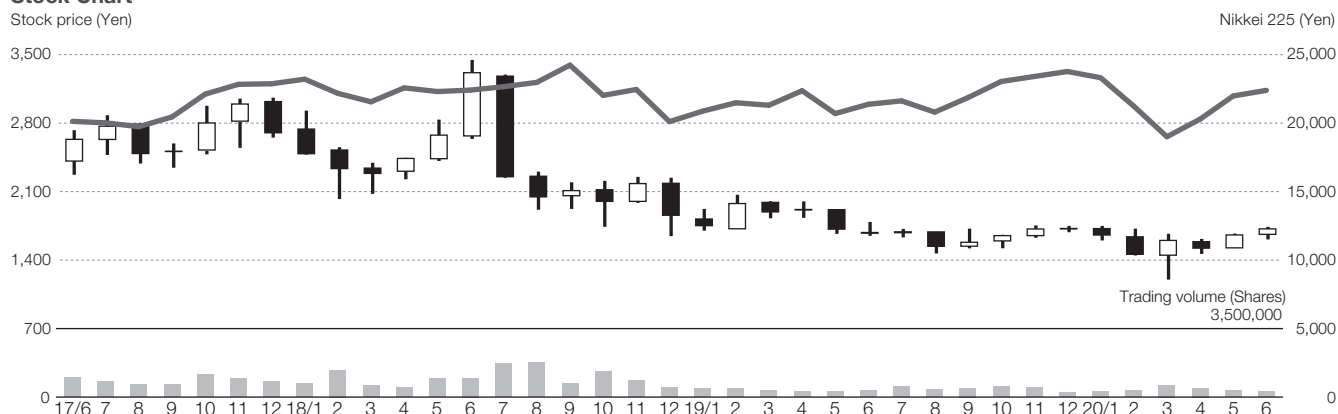
	Thousands of shares	% of total
Shaldan Co., Ltd.	5,587	25.0
Nippon Life Insurance Company	1,336	6.0
TCSB (Mizuho Bank)	884	4.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	787	3.5
Takashi Suzuki	665	3.0
Japan Trustee Services Bank, Ltd. (Trust Account)	552	2.5
FUMAKILLA LIMITED	541	2.4
MUFG Bank, Ltd.	524	2.3
Takako Suzuki	504	2.3
Kanichi Suzuki	500	2.2



Notes: 1 The Company holds treasury stock of 636 thousand shares as of March 31, 2020; however, it is excluded from the list of major shareholders shown above.

2 The 884 thousand shares held by Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. are the trust assets of Mizuho Bank, Ltd., which established the Company's shares held by Mizuho Bank, Ltd. as its retirement benefit trust.

## Stock Chart





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