

Creating Corporate Value Report 2021

Financial Section

Year ended March 31, 2021



# 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/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 49,674 million yen, up 4.5% year on year, thanks to the impact by the consumption from staying home and rise of hygiene awareness caused by the novel coronavirus pandemic. As for the sales of each category, year-on-year growths were seen in Air Care for 1.3%, Cloth Care 1.7%, Thermal Care 3.8%, Hand Care 20.2%, Humidity Care 2.0%, and Home Care 7.9%.

As for profits, although there were augmentations in cost for gloves and marketing, gross profit increased thanks to an increase in sales volume of high-value-added products. Also, operating income was 3,945 million yen (up 16.9% year on year) because SG&A ratio shrank by reducing effective investments and activity expenses by staying home, etc. Ordinary income was 3,737 million yen (up 11.7% year on year) due to drop in foreign exchange gain. Profit attributable to owners of parent was 2,526 million yen (up 11.7% year on year).

Accordingly, net income per share was 113.90 yen, up from the previous year's figure of 102.19 yen. The ratio of net income to sales increased from 4.8% to 5.1%, and ROE rose from 7.8% to 8.2%.

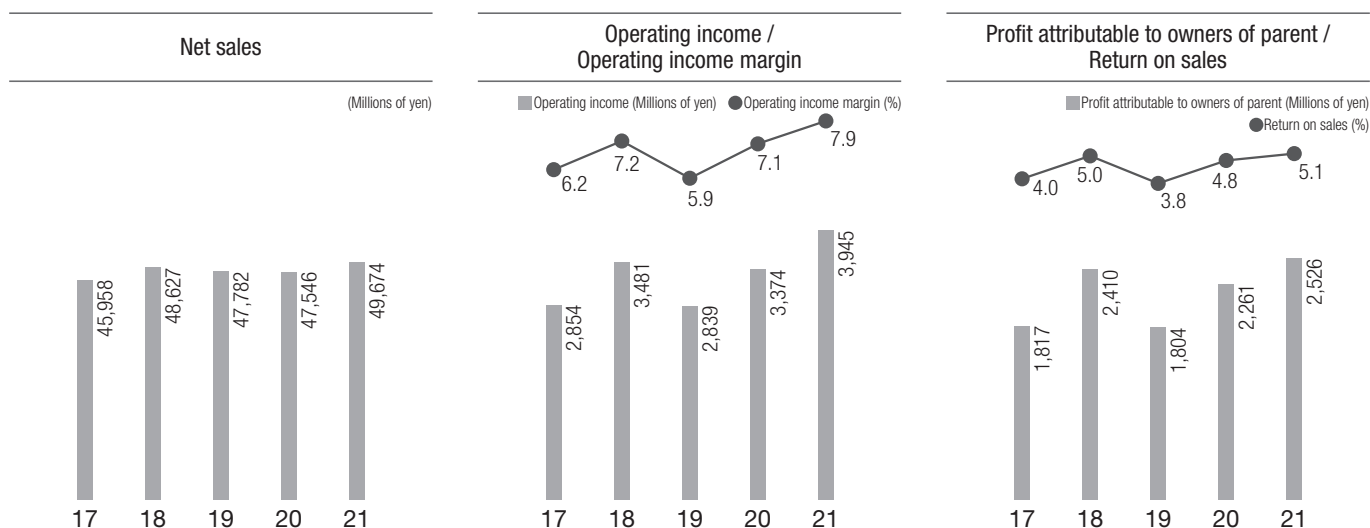
## Financial Position

Total assets as of March 31, 2021 stood at 46,817 million yen, up 3,541 million yen from the end of the previous year. Major reasons for the increase are an increase of cash and time deposits of 1,704 million yen, an increase of merchandise and finished goods of 1,170 million yen, and an increase of investment securities of 931 million yen.

Liabilities were 14,184 million yen, up 1,044 million yen from the end of the previous year, mainly because of an increase in trade payable of 342 million yen, and an increase in electronically recorded obligation-operating of 572 million yen.

Net assets were 32,633 million yen, up 2,497 million yen from the end of the previous year. This is mostly because retained earnings increased 1,712 million yen and unrealized holding gain on other securities, net of taxes increased 658 million yen.

Consequently, net assets per share increased from 1,337.42 yen at the end of the previous year to 1,445.14 yen. Equity was 32,090 million yen, and equity ratio was unchanged from the end of the previous consolidated fiscal year of 68.5%.



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 2017, 2018, 2019, 2020 and 2021 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, 2020 and 2021 reflect those changes. The figures for the fiscal year 2017 are as originally presented without retroactive application.

### Capital Expenditures and Depreciation and Amortization

Capital expenditures decreased from 3,137 million yen in the previous year to 1,335 million yen in the current year. Depreciation and amortization decreased from 1,390 million yen in the previous year to 1,350 million yen in the current year.

### Cash Flows

Net cash provided by operating activities was 4,423 million yen (in the same period of the previous fiscal year, net cash provided by operating activities was 3,638 million yen). The main components of the inflow were profit before income taxes of 3,686 million yen, depreciation and amortization of 1,350 million yen, and payable and accrued expenses for 922 million yen. The main components of the outflow were an increase in inventories assets of 1,107 million yen and income taxes paid of 1,004 million yen.

Net cash used in investing activities was 1,564 million yen (in the same period of the previous fiscal year, net cash used in investment activities was 3,685 million yen). The main expenditure was 1,155 million yen for purchase of property, plant and equipment.

Net cash used in financing activities was 1,152 million yen (in the same period of the previous fiscal year, net cash used in financing activities was 885 million yen). This is mainly because of payment of dividends of 805 million yen.

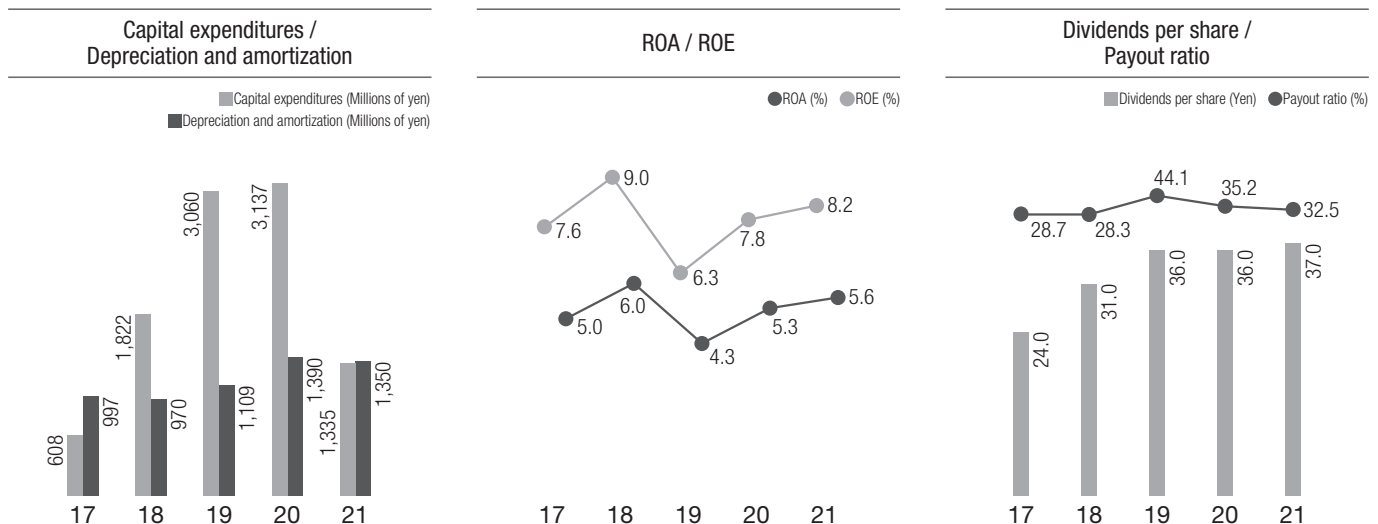
As a result, the balance of cash and cash equivalents at the end of the current year was 11,832 million yen, up 1,709 million yen from the end of the previous year.

### Dividends, 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 19.0 yen (37.0 yen for the full year, including the interim dividend, with a consolidated payout ratio being 32.5%). 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.



# Consolidated Balance Sheets

S.T.CORPORATION and Consolidated Subsidiaries  
March 31, 2021 and 2020

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
<b>Current assets:</b>			
Cash and time deposits (Notes 8, 12 and 18)	¥ 11,864	¥ 10,159	\$ 107,165
Trade notes and accounts receivable (Note 8)	5,790	5,797	52,296
Marketable securities (Note 8)	74	—	668
Merchandise and finished goods	7,072	5,902	63,879
Work in process	206	237	1,864
Raw materials and supplies	991	1,046	8,954
Other current assets	521	511	4,702
Less - allowance for doubtful accounts	(35)	(5)	(312)
Total current assets	26,483	23,647	239,215
<b>Property, plant and equipment, at cost:</b>			
Land (Notes 3 and 11)	3,582	3,319	32,352
Buildings and structures (Note 3)	8,871	8,819	80,129
Machinery, equipment and vehicles (Note 3)	8,554	8,443	77,261
Tools, furniture and fixtures (Note 3)	2,691	4,078	24,307
Construction in progress	76	80	686
Leased assets (Note 19)	778	730	7,025
Less - accumulated depreciation	(14,093)	(14,670)	(127,293)
Property, plant and equipment, net	10,458	10,800	94,467
<b>Intangible assets, net of accumulated amortization</b>			
Goodwill (Note 3)	1,264	1,361	11,414
Other intangible assets (Note 3)	644	335	5,815
Total intangible assets	1,907	1,696	17,229
<b>Investments and other assets:</b>			
Investments in non-consolidated subsidiaries and affiliates	442	444	3,992
Investment securities (Notes 8 and 10)	6,828	5,895	61,679
Long-term loans	5	5	46
Net defined benefit asset (Notes 1 and 14)	8	9	71
Deferred tax assets other than unrealized revaluation loss on land (Note 13)	84	119	761
Other assets	600	660	5,416
Total investments and other assets	7,967	7,132	71,964
Total assets	¥ 46,817	¥ 43,276	\$ 422,875

	Millions of yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets	2021	2020	2021
<b>Current liabilities:</b>			
Trade payables (Note 8)	¥ 2,934	¥ 2,592	\$ 26,501
Electronically recorded obligations-operating (Note 8)	3,187	2,615	28,783
Short-term loans payable	464	736	4,195
Lease obligations	55	76	500
Other payables (Note 8)	2,866	2,978	25,885
Accrued expenses	789	763	7,129
Electronically recorded obligations-non-operating	83	32	753
Income taxes payable	779	669	7,036
Consumption taxes payable	398	277	3,596
Allowance for sales returns	119	118	1,075
Other current liabilities	87	95	784
Total current liabilities	<b>11,761</b>	10,951	<b>106,236</b>
<b>Long-term liabilities:</b>			
Lease obligations	91	92	824
Provision for directors' retirement and severance benefits	108	115	972
Provision for executive officers' incentive plan (Note 6)	69	76	625
Net defined benefit liability (Notes 1 and 14)	1,337	1,319	12,079
Deferred tax liabilities (Note 13)	553	315	4,996
Deferred tax liabilities - unrealized revaluation gain on land (Note 11)	262	262	2,368
Other non-current liabilities	2	9	16
Total long-term liabilities	<b>2,422</b>	2,189	<b>21,879</b>
<b>Net assets (Note 15):</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 96,817,000 shares in 2021 and 2020			
Issued and outstanding - 23,000,000 shares in 2021 and 2020	7,066	7,066	63,820
Capital surplus	7,036	7,068	63,556
Retained earnings	16,982	15,270	153,392
Treasury stock, at cost	(1,040)	(1,108)	(9,395)
Total shareholders' equity	<b>30,044</b>	28,295	<b>271,374</b>
<b>Accumulated other comprehensive income (loss):</b>			
Unrealized holding gain on other securities, net of taxes	2,886	2,228	26,072
Unrealized revaluation loss on land, net of taxes (Note 11)	(537)	(537)	(4,852)
Translation adjustments	(314)	(342)	(2,840)
Remeasurements of defined benefit plans	11	(18)	103
Total accumulated other comprehensive income (loss)	<b>2,046</b>	1,332	<b>18,482</b>
<b>Subscription rights</b>	<b>2</b>	10	<b>21</b>
<b>Non-controlling interests</b>	<b>541</b>	499	<b>4,883</b>
Total net assets	<b>32,633</b>	30,136	<b>294,760</b>
Total liabilities and net assets	<b>¥ 46,817</b>	¥ 43,276	<b>\$ 422,875</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
<b>Net sales</b>	¥ 49,674	¥ 47,546	\$ 448,683
<b>Cost of sales (Notes 17 and 22)</b>	28,358	27,052	256,144
Gross profit before reversal of allowance for sales returns	21,316	20,494	192,539
Allowance for sales returns	119	118	1,075
Reversal of allowance for sales returns	118	106	1,067
Gross profit	21,315	20,482	192,531
<b>Selling, general and administrative expenses (Note 17)</b>	17,370	17,107	156,896
Operating income	3,945	3,374	35,635
<b>Non-operating income (expenses):</b>			
Interest and dividends received	109	117	984
Interest expense	(9)	(16)	(82)
Purchase discounts	149	138	1,344
Sales discounts	(510)	(488)	(4,604)
Share of profit of entities accounted for using equity method	—	9	—
Share of loss of entities accounted for using equity method	(19)	—	(172)
Other, net	72	210	653
Total non-operating income (expenses)	(208)	(30)	(1,878)
Ordinary income	3,737	3,344	33,756
<b>Special gains (losses), net:</b>			
Loss on disposition of property, plant and equipment, net	(4)	(25)	(35)
Impairment loss (Note 23)	—	(30)	—
Gain on reversal of subscription rights to shares	4	—	36
Loss on valuation of investment securities	(31)	(1)	(280)
Gain on sales of investment securities, net	69	—	623
Loss on sales of investments in capital of subsidiaries	(90)	—	(809)
Total special gains (losses), net	(51)	(55)	(464)
Profit before income taxes	3,686	3,289	33,292
<b>Income taxes (Note 13):</b>			
Current	1,106	1,070	9,991
Deferred	(28)	(85)	(253)
Total income taxes	1,078	985	9,739
<b>Profit</b>	2,608	2,304	23,554
<b>Profit attributable to non-controlling interests</b>	82	43	737
<b>Profit attributable to owners of parent</b>	¥ 2,526	¥ 2,261	\$ 22,816

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
<b>Profit</b>	¥ 2,608	¥ 2,304	\$ 23,554
<b>Other comprehensive income (Note 7)</b>			
Unrealized holding gain on other securities, net of taxes	658	(505)	5,944
Translation adjustments	36	(8)	330
Remeasurements of defined benefit plans, net of tax	29	(3)	261
Share of other comprehensive income (loss) of entities accounted for using equity method	1	(6)	11
Total other comprehensive income	725	(521)	6,546
<b>Comprehensive income</b>	¥ 3,332	¥ 1,783	\$ 30,100
Total comprehensive income attributable to:			
Owners of parent	3,240	1,741	29,270
Non-controlling interests	92	42	830

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, 2021 and 2020

	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, 2020</b>	<b>23,000</b>	<b>¥ 7,066</b>	<b>¥ 7,068</b>	<b>¥ 15,270</b>	<b>¥ (1,108)</b>	<b>¥ 28,295</b>
Cash dividends paid by distribution of retained earnings				(805)		(805)
Profit attributable to owners of parent				2,526		2,526
Purchases of treasury stock					(1)	(1)
Disposal of treasury stock					68	60
Change in scope of consolidation			(32)	(8)		(32)
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2021</b>	<b>23,000</b>	<b>¥ 7,066</b>	<b>¥ 7,036</b>	<b>¥ 16,982</b>	<b>¥ (1,040)</b>	<b>¥ 30,044</b>

	Millions of yen							
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 11)	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Non-controlling interests	Total net assets
<b>Balance at April 1, 2020</b>	<b>¥ 2,228</b>	<b>¥ (537)</b>	<b>¥ (342)</b>	<b>¥ (18)</b>	<b>¥ 1,332</b>	<b>¥ 10</b>	<b>¥ 499</b>	<b>¥ 30,136</b>
Cash dividends paid by distribution of retained earnings								(805)
Profit attributable to owners of parent								2,526
Purchases of treasury stock								(1)
Disposal of treasury stock								60
Change in scope of consolidation								(32)
Net changes in items other than those in shareholders' equity	658		27	29	714	(8)	41	748
<b>Balance at March 31, 2021</b>	<b>¥ 2,886</b>	<b>¥ (537)</b>	<b>¥ (314)</b>	<b>¥ 11</b>	<b>¥ 2,046</b>	<b>¥ 2</b>	<b>¥ 541</b>	<b>¥ 32,633</b>

	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>	<b>23,000</b>	<b>¥ 7,066</b>	<b>¥ 7,068</b>	<b>¥ 13,822</b>	<b>¥ (1,163)</b>	<b>¥ 26,792</b>
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					56	46
Change in scope of consolidation						
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2020</b>	<b>23,000</b>	<b>¥ 7,066</b>	<b>¥ 7,068</b>	<b>¥ 15,270</b>	<b>¥ (1,108)</b>	<b>¥ 28,295</b>

	Millions of yen							
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 11)	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Non-controlling interests	Total net assets
<b>Balance at April 1, 2019</b>	<b>¥ 2,733</b>	<b>¥ (537)</b>	<b>¥ (329)</b>	<b>¥ (15)</b>	<b>¥ 1,852</b>	<b>¥ 14</b>	<b>¥ 565</b>	<b>¥ 29,223</b>
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
Change in scope of consolidation								
Net changes in items other than those in shareholders' equity	(505)		(13)	(3)	(521)	(4)	(66)	(591)
<b>Balance at March 31, 2020</b>	<b>¥ 2,228</b>	<b>¥ (537)</b>	<b>¥ (342)</b>	<b>¥ (18)</b>	<b>¥ 1,332</b>	<b>¥ 10</b>	<b>¥ 499</b>	<b>¥ 30,136</b>

	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, 2020</b>	<b>23,000</b>	<b>\$ 63,820</b>	<b>\$ 63,841</b>	<b>\$ 137,925</b>	<b>\$ (10,008)</b>	<b>\$ 255,578</b>
Cash dividends paid by distribution of retained earnings				(7,273)		(7,273)
Profit attributable to owners of parent				22,816		22,816
Purchases of treasury stock					(5)	(5)
Disposal of treasury stock					618	541
Change in scope of consolidation				(285)		(285)
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2021</b>	<b>23,000</b>	<b>\$ 63,820</b>	<b>\$ 63,556</b>	<b>\$ 153,392</b>	<b>\$ (9,395)</b>	<b>\$ 271,374</b>

	Thousands of U.S. dollars (Note 2)							
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 11)	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights	Non-controlling interests	Total net assets
<b>Balance at April 1, 2020</b>	<b>\$ 20,127</b>	<b>(\$ 4,852)</b>	<b>(\$ 3,087)</b>	<b>(\$ 159)</b>	<b>\$ 12,029</b>	<b>\$ 89</b>	<b>\$ 4,509</b>	<b>\$ 272,205</b>
Cash dividends paid by distribution of retained earnings								(7,273)
Profit attributable to owners of parent								22,816
Purchases of treasury stock								(5)
Disposal of treasury stock								541
Change in scope of consolidation								(285)
Net changes in items other than those in shareholders' equity	5,945		247	261	6,454	(68)	374	6,759
<b>Balance at March 31, 2021</b>	<b>\$ 26,072</b>	<b>(\$ 4,852)</b>	<b>(\$ 2,840)</b>	<b>\$ 103</b>	<b>\$ 18,482</b>	<b>\$ 21</b>	<b>\$ 4,883</b>	<b>\$ 294,760</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

S.T.CORPORATION and Consolidated Subsidiaries  
For the Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 3,686	¥ 3,289	\$ 33,292
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,350	1,390	12,192
Amortization of goodwill	97	97	878
Impairment loss	—	30	—
Gain on reversal of subscription rights to shares	(4)	—	(36)
Loss on sales of property, plant and equipment	4	25	35
Loss (gain) on sales and valuation of investment securities	(38)	1	(344)
Loss (gain) on sale of investments in capital of subsidiaries	90	—	809
Increase (decrease) in allowance for doubtful receivables	30	1	271
Increase (decrease) in net defined benefit asset and liability	22	42	196
Increase (decrease) in provision for directors' retirement and severance benefits	(7)	—	(64)
Increase (decrease) in provision for executive officers' incentive plan	(7)	2	(66)
Increase (decrease) in allowance for sales returns	1	12	8
Interest and dividends received	(109)	(117)	(984)
Interest expenses	9	16	82
Foreign exchange losses (gains)	(16)	(110)	(141)
Share of (profit) loss of entities accounted for using equity method	19	(9)	172
Changes in operating assets and liabilities:			
Receivables	(8)	(500)	(68)
Inventories	(1,107)	(875)	(10,003)
Payables and accrued expenses	922	(10)	8,325
Accrued consumption taxes	121	267	1,093
Increase (decrease) in lease and guarantee deposits	(5)	492	(45)
Other, net	276	236	2,497
Subtotal	5,325	4,277	48,098
Interest and dividends received	113	123	1,021
Interest paid	(10)	(14)	(94)
Income taxes paid	(1,004)	(748)	(9,071)
Net cash provided by operating activities	4,423	3,638	39,954
<b>Cash flows from investing activities:</b>			
Payments into deposits (more than three months)	(0)	(55)	(1)
Proceeds from withdrawal of time deposits (more than three months)	—	15	—
Purchases of property, plant and equipment	(1,155)	(1,401)	(10,435)
Proceeds from sales of property, plant and equipment	1	101	13
Payments for transfer of business (Note 18)	—	(2,041)	—
Purchases of investment securities	(111)	(9)	(1,004)
Proceeds from sales of investment securities	87	—	790
Purchase of investments in capital of subsidiaries	(24)	(66)	(213)
Other investments, net	(363)	(228)	(3,277)
Net cash used in investing activities	(1,564)	(3,685)	(14,127)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	(232)	183	(2,099)
Proceeds from share issuance to non-controlling shareholders	10	—	92
Purchases of treasury stock	(1)	(0)	(5)
Proceeds from disposal of treasury stock	56	42	509
Payments of dividends	(805)	(804)	(7,273)
Payments of dividends to non-controlling interests	(95)	(108)	(855)
Other finance, net	(86)	(198)	(777)
Net cash used in financing activities	(1,152)	(885)	(10,408)
Effect of exchange rate changes on cash and cash equivalents	2	(18)	21
Net increase (decrease) in cash and cash equivalents	1,709	(949)	15,439
Cash and cash equivalents at beginning of year	10,122	11,072	91,433
Cash and cash equivalents at end of year (Note 18)	¥ 11,832	¥ 10,122	\$ 106,872



# Notes to Consolidated Financial Statements

S.T.CORPORATION and Consolidated Subsidiaries  
March 31, 2021

## 1 Summary of Significant Accounting Policies

### (a) Basis of presentation

S.T. CORPORATION (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, issued by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006).

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

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

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

### (b) Scope of consolidation

(1) Number of consolidated subsidiaries:  
7 companies

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

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

### (d) Accounting period

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

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

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

### (f) 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, 2021 and 2020, the Company and its consolidated subsidiaries did not have any trading securities.

### (g) Inventories

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

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

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

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

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

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

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

### (j) Leases

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

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

### (k) Allowance for doubtful receivables

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

## 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) 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.

### (n) 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.

### (o) Employees' retirement and severance benefits

- 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.
- 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.
- 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.

### (p) Accounting for significant hedges

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

### (q) Consumption taxes

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

### (r) Amortization of goodwill

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

### (s) 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 ¥110.71 = U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2021. This

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

## 3 Significant Accounting Estimates

(Goodwill)

### (a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Goodwill	¥ 1,264	\$ 11,414
Impairment loss	—	—

### (b) Information about the content of significant accounting estimates related to the identified item

- Calculation method of amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021  
The Company determines an asset group with considering the way of managing accounting and regards corporate assets such as the head office as the entire business unit. If there are indications of impairment, the Company makes measurements based on future cash flow estimates. Goodwill has an estimated future cash flow with a payback period based on the business plan approved by the board of executive officers. The business plan is formulated with the idea that the excess earning power expected at the time of the transfer in the disposable warmer business from MYCOAL CO., LTD will be realized in the future.

- Significant assumptions used in significant accounting estimates  
Significant assumptions in estimating future cash flow based on the business plan include the sales growth rate by goods and the gross profit margin.
- Impact of significant accounting estimates on the consolidated financial statements for the following year  
Sales growth rate and the gross profit margin includes uncertainties. Changes in the significant assumptions due to unpredictable changes in business assumptions in the future may have an impact on the consolidated financial statements for the following year.

(Tangible and intangible fixed assets in the disposable warmer business (Exclude Goodwill))

### (a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Tangible and intangible fixed assets	¥ 2,580	\$ 23,305
Impairment loss	—	—

**(b) Information about the content of significant accounting estimates related to the identified item**

- (1) Calculation method of amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021  
The Company determines an asset group with considering the way of managing accounting and regards corporate assets such as the head office as the entire business unit. If there are indications of impairment, the Company makes measurements based on future cash flow estimates. For tangible and intangible fixed assets related to the disposable warmer business, future cash flows are estimated based on the business plan as well as goodwill, which is excess earning power.

- (2) Significant assumptions used in significant accounting estimates  
Significant assumptions in estimating future cash flow based on the business plan include the sales growth rate by goods and the gross profit margin.
- (3) Impact of significant accounting estimates on the consolidated financial statements for the following year  
Sales growth rate by goods and the gross profit margin includes uncertainties. Changes in the significant assumptions due to unpredictable changes in business assumptions in the future may have an impact on the consolidated financial statements for the following year.

## 4 Accounting Standards not yet Applied, etc.

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- 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 26, 2021 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 impact of applying the accounting standard and guidance on its consolidated financial statements due to this change is immaterial.

## 5 Changes in Presentation

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(Adoption of accounting standards for accounting estimates)  
Accounting Standard for accounting estimates (Statement No.31, March 31, 2020 issued by the Accounting Standards Board of Japan (ASBJ)) has been applied from the consolidated financial statements for the end of

March 31, 2021 for the current consolidated fiscal year, and the consolidated financial statements include notes regarding important accounting estimates.

## 6 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, 2021 were ¥78 million (U.S.\$701 thousand) and 74,100 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,

## Notes to Consolidated Financial Statements

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, 2021 were ¥126 million (U.S.\$1,135 thousand) and 120,000 shares, respectively.

(Impact of COVID-19)

The impact of COVID-19 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 COVID-19 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.

## 7 Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized holding gain (loss) on other securities, net of taxes			
Amount recognized in the year	¥ 1,014	¥ (714)	\$ 9,161
Reclassification adjustments included in the statement of income	(69)	(1)	(623)
Before income tax effect adjustment	945	(715)	8,537
Amount of income tax effect	(287)	210	(2,594)
Unrealized holding gain (loss) on other securities, net of taxes	658	(505)	5,944
Translation adjustments			
Amount recognized in the year	36	(8)	330
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the year	34	(9)	304
Reclassification adjustments included in the statement of income	8	5	75
Before income tax effect adjustment	42	(4)	379
Amount of income tax effect	(13)	1	(117)
Remeasurements of defined benefit plans, net of tax	29	(3)	261
Other comprehensive income (loss) on equity method companies			
Amount recognized in the year	1	(6)	11
Total other comprehensive income	¥ 725	¥ (521)	\$ 6,546

## 8 Financial Instruments

### (1) Current status of financial instruments

- (a) Policy in relation to financial instruments  
The Company and its consolidated subsidiaries (collectively, the "Group") raise necessary funds following capital investment plans for undertaking the manufacturing-and-selling businesses. Surplus funds of the Group are only invested in highly secure financial assets.
- (b) Details of financial instruments and related risk  
Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, receivables denominated in foreign currencies are exposed to foreign currency exchange risk.  
Marketable securities and investment securities, most of which are stocks of other companies with which the Group has business

relationships, are exposed to market price fluctuation risk.

Substantially all trade payables—notes and accounts payable—trade, electronically recorded obligations—operating and other payables—have payment due dates within one year. In addition, payables denominated in foreign currencies are exposed to foreign currency exchange risk.

- (c) Risk management system for financial instruments  
(Credit risk management—the risk that customers or counterparties may default)  
The Company has established a management policy whereby the Company evaluates the financial conditions of its customers and monitors due dates and outstanding balances regularly to identify and mitigate risks of bad debts from customers who are having financial difficulties.  
The consolidated subsidiaries perform equivalent management

procedures as the Company.

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

The Company uses forward exchange contract transactions with the aim of avoiding risk related to fluctuation in future foreign exchange.

For marketable securities and investment securities, the Company periodically confirms the market value of such financial instruments and reports to the director in charge. The Company reviews the status of these investments on a continuing basis.

(Liquidity risk management—the risk that the Group may not be able to meet its payment obligations on the schedule dates)  
The Company manages liquidity risk by means of preparing monthly financial plans.

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

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, 2021 and 2020, 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, 2021	Millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 11,864	¥ 11,864	—
b Trade notes and accounts receivable	5,790	5,790	—
c Marketable securities and investment securities	6,777	6,777	—
<b>Assets</b>	<b>¥ 24,431</b>	<b>¥ 24,431</b>	<b>—</b>
a Trade payables	¥ 2,934	¥ 2,934	—
b Electronically recorded obligations-operating	3,187	3,187	—
c Other payables	2,866	2,866	—
<b>Liabilities</b>	<b>¥ 8,986</b>	<b>¥ 8,986</b>	<b>—</b>

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	—
<b>Assets</b>	<b>¥ 21,796</b>	<b>¥ 21,796</b>	<b>—</b>
a Trade payables	¥ 2,592	¥ 2,592	—
b Electronically recorded obligations-operating	2,614	2,614	—
c Other payables	2,978	2,978	—
<b>Liabilities</b>	<b>¥ 8,185</b>	<b>¥ 8,185</b>	<b>—</b>

Year ended March 31, 2021	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
a Cash and time deposits	\$ 107,165	\$ 107,165	—
b Trade notes and accounts receivable	52,296	52,296	—
c Marketable securities and investment securities	61,217	61,217	—
<b>Assets</b>	<b>\$ 220,678</b>	<b>\$ 220,678</b>	<b>—</b>
a Trade payables	\$ 26,501	\$ 26,501	—
b Electronically recorded obligations-operating	28,783	28,783	—
c Other payables	25,885	25,885	—
<b>Liabilities</b>	<b>\$ 81,169</b>	<b>\$ 81,169</b>	<b>—</b>

Note: 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. Marketable securities and 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 "Marketable securities and 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.

## Notes to Consolidated Financial Statements

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

	Carrying value		thousands of U.S. dollars
	Millions of yen		
	2021	2020	2021
Unlisted equity securities	¥ 125	¥ 55	\$ 1,129

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.

3. Redemption schedule for receivables and other securities with maturity dates at March 31, 2021 and 2020 are summarized as follows:

Year ended March 31, 2021	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	¥ 11,863	—	—	—
Trade notes and accounts receivable	5,790	—	—	—
Marketable securities and investment securities				
Other	100	—	—	—
Total	¥ 17,752	—	—	—

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, 2021	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	\$ 107,152	—	—	—
Trade notes and accounts receivable	52,296	—	—	—
Marketable securities and investment securities				
Other	903	—	—	—
Total	\$ 160,351	—	—	—

## 9 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2021 and 2020.

## 10 Investment Securities

### (1) Other securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	
Acquisition cost	¥ 2,616	¥ 2,625	\$ 23,633
Carrying value	6,777	5,840	61,217
Total unrealized gain	4,164	3,221	37,615
Total unrealized loss	(3)	(6)	(31)

At March 31, 2021 and 2020, unlisted stocks (whose carrying value was ¥125 million (U.S.\$1,129 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, 2021)

	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 87	¥ 69	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
<b>Total</b>	<b>¥ 87</b>	<b>¥ 69</b>	<b>—</b>

(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	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>—</b>

(Year ended March 31, 2021)

	Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	\$ 789	\$ 623	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
<b>Total</b>	<b>\$ 789</b>	<b>\$ 623</b>	<b>—</b>

**(3) Impairment of investment securities**

The Company recognized impairment loss on investment securities of ¥31 million (U.S.\$280 thousand) for the year ended March 31, 2021.  
The Company recognized impairment loss on investment securities of ¥1 million for the year ended March 31, 2020.

## 11 Land Revaluation

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

deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2021 and 2020 decreased by ¥168 million (U.S.\$1,515 thousand) and ¥286 million, respectively, after the revaluation.

## 12 Pledged Assets

Pledged assets at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Time deposits	¥ 5	¥ 5	\$ 41

Time deposits were pledged as collateral mainly for leased office space at March 31, 2021 and 2020.



## 13 Income Taxes

At March 31, 2021 and 2020, 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
	2021	2020	2021
Deferred tax assets:			
Accrued business taxes	¥ 52	¥ 58	\$ 466
Accrued employees' bonuses	169	165	1,527
Allowance for sales returns	37	37	333
Loss on valuation of inventories	14	15	127
Tax loss carryforwards	90	79	812
Net defined benefit liability	398	389	3,595
Accrued payable due to transfer to defined contribution pension plan	—	15	—
Provision for directors' retirement and severance benefits	33	36	301
Provision for executive officers' incentive plan	21	24	194
Write-downs of securities	64	64	578
Other	238	205	2,152
Gross deferred tax assets	1,117	1,086	10,086
Valuation allowance for tax loss carryforwards	(89)	(79)	(800)
Valuation allowance for the total of future deductible temporary differences etc.	(117)	(127)	(1,060)
Valuation allowance	(206)	(206)	(1,860)
Total deferred tax assets	911	880	8,226
Deferred tax liabilities:			
Deferred gain on sales of property	(11)	(11)	(95)
Net defined benefit asset	(15)	(3)	(134)
Undistributed earnings of controlled foreign companies	(70)	(70)	(635)
Unrealized holding gain on other securities, net of taxes	(1,272)	(985)	(11,493)
Other	(12)	(8)	(104)
Total deferred tax liabilities	(1,380)	(1,076)	(12,461)
Net deferred tax liabilities	¥ (469)	¥ (197)	\$ (4,235)

At March 31, 2021 and 2020, net deferred tax liabilities were included in the following items in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Non-current assets - deferred tax assets	¥ 84	¥ 119	\$ 761
Non-current liabilities - deferred tax liabilities	(553)	(315)	(4,996)

Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward for the year end March 31, 2021 and 2020, were as follows:

Year ended March 31, 2021	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	¥ 1	—	¥ 26	¥ 46	¥ 16	—	¥ 90
Valuation allowance	—	—	(26)	(46)	(16)	—	(89)
Deferred tax assets	1	—	—	—	—	—	1

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, 2021	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	\$ 12	—	\$ 233	\$ 419	\$ 148	—	\$ 812
Valuation allowance	—	—	(233)	(419)	(148)	—	(800)
Deferred tax assets	12	—	—	—	—	—	12

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, 2021 and 2020 is summarized as follows:

	2021	2020
Japanese statutory tax rate	31.00%	31.00%
Permanent differences, such as entertainment expenses, etc.	0.16	0.53
Permanent differences, such as dividend income	(0.27)	(0.29)
Tax credit	(1.77)	(1.86)
Undistributed earnings of controlled foreign companies	0.02	0.29
Equity in loss of affiliates	0.16	(0.09)
Increase in valuation allowance	0.03	0.20
Consolidation adjustment of subsidiary stock valuation loss	—	(1.49)
Other	(0.08)	1.66
Effective tax rate	29.25%	29.95%

## 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
	2021	2020	2021
Balance at the beginning of the year	¥ 1,381	¥ 1,357	\$ 12,474
Service cost	67	98	608
Interest cost	10	10	89
Actuarial gain or loss	(35)	(8)	(316)
Payment of retirement benefits	(34)	(79)	(309)
Other	(3)	3	(27)
Balance at the end of the year	¥ 1,386	¥ 1,381	\$ 12,520

Adjustments of beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥ 70	¥ 100	\$ 635
Expected return on plan assets	1	1	8
Actuarial loss	(1)	(17)	(13)
Payment of retirement benefits	(13)	(14)	(118)
Balance at the end of the year	¥ 57	¥ 70	\$ 512

## Notes to Consolidated Financial Statements

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
	2021	2020	2021
Funded retirement benefit obligations	¥ 49	¥ 62	\$ 441
Plan assets	(57)	(70)	(512)
	(8)	(9)	(71)
Unfunded retirement benefit obligations	1,337	1,319	12,079
Net defined benefit asset and liability on consolidated balance sheet	1,329	1,311	12,008
Net defined benefit liability	1,337	1,319	12,079
Net defined benefit asset	(8)	(9)	(71)
Net defined benefit asset and liability on consolidated balance sheet	¥ 1,329	¥ 1,311	\$ 12,008

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 67	¥ 98	\$ 608
Interest cost on benefit obligation	10	10	89
Expected return on plan assets	(1)	(1)	(8)
Amortization of actuarial loss	8	5	75
Extraordinary additional retirement payments	11	30	96
Net retirement benefit expenses	¥ 95	¥ 142	\$ 861

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gain (loss)	¥ 42	¥ (4)	\$ 379

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial gain (loss)	¥ (17)	¥ 25	\$ (149)

Plan assets

(a) Plan assets

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

	2021	2020
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:

	2021	2020
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, 2021 and 2020 amounted to ¥131 million (U.S.\$1,180 thousand) and ¥136 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, 2021, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$4,966 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, 2021 and 2020 were ¥1,445.14 (U.S.\$13.05) and ¥1,337.42, respectively. Basic earnings per share for the years ended March 31, 2021 and 2020 were ¥113.90 (U.S.\$1.03) and

¥102.19, respectively.

Diluted earnings per share for the years ended March 31, 2021 and 2020 were ¥113.78 (U.S.\$1.03) and ¥101.97, respectively.

The basis for the calculation of basic earnings per share and diluted earnings per share for the years ended March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Basic earnings per share:			
Profit attributable to owners of parent	¥ 2,526	¥ 2,261	\$ 22,816
Amount not attributable to shareholders of common stock	—	—	—
Amount attributable to shareholders of common stock	2,526	2,261	22,816
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, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets per share:			
Total net assets	¥ 32,633	¥ 30,136	\$ 294,760
Deductions:	543	509	4,904
Subscription rights	2	10	21
Non-controlling interests	541	499	4,883
Amounts attributable to shareholders of common stock	32,090	29,627	289,856
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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Sales promotion expenses	¥ 3,658	¥ 3,399	\$ 33,041
Advertising costs	2,560	2,649	23,119
Salaries	2,448	2,394	22,110
Shipment and storage expenses	1,711	1,687	15,459
Provision for employees' retirement and severance benefits	167	196	1,512
Provision for executive officers' incentive plan	11	2	100
Provision of allowance for doubtful accounts	30	0	267

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2021 and 2020 amounted to ¥790 million (U.S.\$7,139 thousand) and ¥725 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, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and time deposits	¥ 11,864	¥ 10,159	\$ 107,165
Time deposits with a maturity in excess of three months	(60)	(60)	(546)
Other current assets (*)	28	23	253
Cash and cash equivalents	¥ 11,832	¥ 10,122	\$ 106,872

(\*) 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
Current assets	¥ 394
Fixed assets	326
Goodwill	1,458
Current liabilities	(127)
Non-current liabilities	(10)
Payments for transfer of business	¥ 2,041

## 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, 2021 and 2020.

## 20 Segment Information

### (1) Summary of Reporting Segments

Segment information for the years ended March 31, 2021 and 2020 is omitted as the Group operates the daily necessities segment as a single segment.

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

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

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

Information on the amounts of sales and other items for the years ended March 31, 2021 and 2020 is omitted as the Group operates as a single segment.

### (4) Related Information

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

Year ended March 31, 2021	Millions of yen					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 21,355	¥ 9,424	¥ 4,490	¥ 6,923	¥ 7,482	¥ 49,674

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, 2021	Thousands of U.S. dollars					
	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	\$ 192,889	\$ 85,121	\$ 40,555	\$ 62,534	\$ 67,584	\$ 448,683

#### (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, 2021 and 2020.

#### (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, 2021 and 2020.

#### (c) Information by major customers

Customers	Sales			Related segment
	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
PALTAC CORPORATION	¥ 17,612	¥ 16,343	\$ 159,086	Daily necessities
ARATA CORPORATION	¥ 12,250	¥ 11,289	\$ 110,652	Daily necessities

## 21 Related Party Transactions

(Years ended March 31, 2021 and 2020)

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 ¥308 million (U.S.\$2,781 thousand) and ¥335 million for the years ended March 31, 2021 and 2020, 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
Thailand	Business-use assets	Machinery, equipment and vehicles	¥ 30

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.

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

Shares in issue and outstanding and treasury stock at March 31, 2021 and 2020 were as follows:

(Year ended March 31, 2021)		Subscription rights at March 31, 2021 were as follows:	
Number of shares in issue and outstanding:		Subscription rights for stock options	¥2 million (U.S.\$21 thousand)
Common stock	23,000 thousand		
Number of shares held in treasury:			
Common stock	795 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:	36 thousand
Decrease due to issuance of treasury shares by the stock benefit trust (BBT):	17 thousand
The common stock owned by the Trust (194 thousand shares) is included in the number of shares held in treasury stock.	

Dividends paid from retained earnings for the year ended March 31, 2021 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 18, 2020	¥ 403	\$ 3,636	¥ 18	\$ 0.16	March 31, 2020	June 2, 2020
Board of directors' meeting held on October 27, 2020	403	3,637	18	0.16	September 30, 2020	December 4, 2020

Dividends for which the record date was in the year ended March 31, 2021 and the effective date is in the year ending March 31, 2022 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 17, 2021	¥ 426	\$ 3,844	Retained earnings	¥ 19	\$ 0.17	March 31, 2021	June 1, 2021

(Year ended March 31, 2020)

Number of shares in issue and outstanding:  
 Common stock 23,000 thousand  
 Number of shares held in treasury:  
 Common stock 848 thousand

Subscription rights at March 31, 2020 were as follows:  
 Subscription rights for stock options

¥10 million

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 (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 20, 2019	¥ 402	¥ 18	March 31, 2019	June 4, 2019
Board of directors' meeting held on October 30, 2019	402	18	September 30, 2019	December 6, 2019

Dividends for which the record date was in the year ended March 31, 2020 and the effective date was in the year ended March 31, 2021 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 18, 2020	¥ 403	Retained earnings	¥ 18	March 31, 2020	June 2, 2020

## 25 Stock Option Plans

At March 31, 2021, 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 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

	2014	2015
Grantees	2 officers and 10 employees	6 officers and 11 employees
Type of stock	Common stock	Common stock
Number of stock options granted (*)	130,000	175,000
Grant date	August 1, 2013	August 1, 2014
Condition for exercise	Working from August 1, 2013 to August 1, 2015	Working from August 1, 2014 to August 1, 2016
Working period	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)

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

## Notes to Consolidated Financial Statements

Stock option activity during the year ended March 31, 2021 was as follows:

Number of shares

	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	37,000	57,000
Vested during the year	—	—
Exercised during the year	3,000	33,000
Forfeited during the year	34,000	—
Outstanding at end of year	—	24,000

Price of stock options

	Yen	
	2014	2015
Exercise price	¥ 1,066	¥ 1,059
Weighted-average market price	1,711	1,972
Fair value per option on grant date	¥ 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.





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## Independent Auditor's Report

The Board of Directors  
S.T.CORPORATION

### Opinion

We have audited the accompanying consolidated financial statements of S.T.CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Key Audit Matters

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



Impairment of tangible and intangible fixed assets and Goodwill in the disposable warmer business

Description of Key Audit Matter	Auditor's Response
<p>As on March 31, 2021, tangible and intangible fixed assets except for goodwill is valued at ¥2,580 million and Goodwill is valued at ¥1,264 million, the total amount of which represented 8% of total assets.</p> <p>As described in the note (Significant Accounting Estimates) to the consolidated financial statements, when there exists indications of impairment for an asset group by monitoring operating profit and the undiscounted estimated future cash flows which are determined based on the business plan approved by the board of executive officers, the Company determines whether recognition of impairment loss is necessary or not. However, the Company did not recognize an impairment loss as the undiscounted estimated future cash flows generated from the asset group exceeded the carrying amount.</p> <p>As described in the note (Significant Accounting Estimates) to the consolidated financial statements, significant assumptions in estimating future cash flows include the sales growth rates by goods and gross profit margin which serve as the basis of the business plan.</p> <p>Given that the significant assumptions used to estimate the future cash flows are subject to uncertainty and require management's judgement, we determined impairment of tangible and intangible fixed assets and Goodwill to be a key audit matter.</p>	<p>The audit procedures we performed to assess the estimated amount of undiscounted future cash flows used in determining the necessity of recognition for impairment loss on tangible and intangible fixed assets and Goodwill in the disposal warmer business include the following, among others:</p> <ul style="list-style-type: none"> <li>• We discussed with the management about whether or not there existed an indication of impairment for Goodwill and changes in the external business environment that were taken into consideration in the business plan and compared related reports to evaluate its consistency with the business plan.</li> <li>• We compared the estimated future cash flows with the business plan approved by the board of executive officers to evaluate the consistency.</li> <li>• We compared the Company's prior years business plan with the actual results to evaluate the effectiveness of management's estimation process.</li> <li>• We assessed the significant assumptions including the sales growth rates by goods and the gross profit margin which serve as the basis of the business plan, by discussing with the management, and comparing the outcome of trend analyses based on the Company's past performance.</li> </ul>

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



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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

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

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

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

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 16, 2021

植村文雄



Fumio Uemura  
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)
	2021	2020	2019	2018	2017	2021
<b>For the Year</b>						
Net sales	¥ 49,674	¥ 47,546	¥ 47,782	¥ 48,627	¥ 45,958	\$ 448,683
Cost of sales	28,359	27,064	28,196	28,552	27,473	256,152
Selling, general and administrative expenses	17,370	17,107	16,748	16,594	15,630	156,896
Operating income	3,945	3,374	2,839	3,481	2,854	35,635
Profit before income taxes	3,686	3,289	2,710	3,478	2,751	33,292
Profit attributable to owners of parent	2,526	2,261	1,804	2,410	1,817	22,816
Capital expenditures	1,335	3,137	3,060	1,822	608	12,060
Depreciation and amortization	1,350	1,390	1,109	970	997	12,192
R&D expenses	790	725	643	596	611	7,139
Cash flows from operating activities	4,423	3,638	2,186	2,660	5,150	39,954
Cash flows from investing activities	(1,564)	(3,685)	(2,305)	(1,826)	(622)	(14,127)
Free cash flow	2,859	(47)	(119)	835	4,529	25,827
Cash flows from financing activities	(1,152)	(885)	(628)	(428)	(640)	(10,408)
<b>At Year-End</b>						
Total current assets	¥ 26,483	¥ 23,647	¥ 22,799	¥ 23,736	¥ 22,467	\$ 239,215
Property, plant and equipment, net	10,458	10,800	10,797	8,931	8,001	94,467
Total assets	46,817	43,276	41,976	42,112	38,458	422,875
Total current liabilities	11,761	10,951	10,344	10,241	9,666	106,236
Total long-term liabilities	2,422	2,189	2,408	2,849	2,980	21,879
Total net assets	32,633	30,136	29,223	29,022	25,812	294,760
Cash and cash equivalents	11,832	10,122	11,072	11,866	11,396	106,872
Number of shares issued (Thousands)	23,000	23,000	23,000	23,000	23,000	
Treasury stock (Thousands)	795	848	888	937	1,123	
Number of employees (People)	997	1,032	948	952	890	
<b>Per Share</b> (Yen and U.S. dollars)						
Profit attributable to owners of parent	¥ 113.90	¥ 102.19	¥ 81.66	¥ 109.58	¥ 83.57	\$ 1.03
Dividends	37.00	36.00	36.00	31.00	24.00	0.33
Net assets	1,445.14	1,337.42	1,295.38	1,285.01	1,148.41	13.05
Stock price	1,955	1,601	1,892	2,286	1,809	17.66
<b>Ratios (%)</b>						
Operating income margin	7.9	7.1	5.9	7.2	6.2	
Profit before income taxes/net sales	7.4	6.9	5.7	7.2	6.0	
Return on sales	5.1	4.8	3.8	5.0	4.0	
ROA	5.6	5.3	4.3	6.0	5.0	
ROE	8.2	7.8	6.3	9.0	7.6	
Equity ratio	68.5	68.5	68.2	67.3	65.3	

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥110.71 = U.S.\$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2021.

2. As a result of new accounting standards being applied effective from the fiscal year ended March 31, 2017, the figures for fiscal years 2017, 2018, 2019, 2020 and 2021 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, 2020 and 2021 reflect those changes. The figures for the fiscal year 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, 2021

## Corporate Data

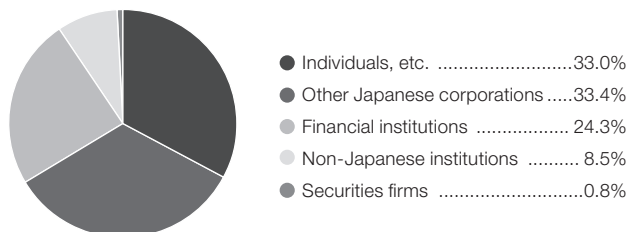
Company Name	S.T. CORPORATION
Headquarters	1-4-10 Shimo-ochiai, Shinjuku Ward, Tokyo 161-8540 Japan
Establishment	August 31, 1948
Common Stock	¥7,065,500,000
Fiscal Year-end	March 31
Shares Issued and Outstanding	23,000,000
Listed Stock Exchange	Tokyo Stock Exchange, First Section
Shareholders	16,048
Registered Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Accounting Auditors	Ernst & Young ShinNihon LLC
Annual Shareholders' Meeting	Middle of June each year
Employees	Consolidated: 997 Non-consolidated: 457 (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.

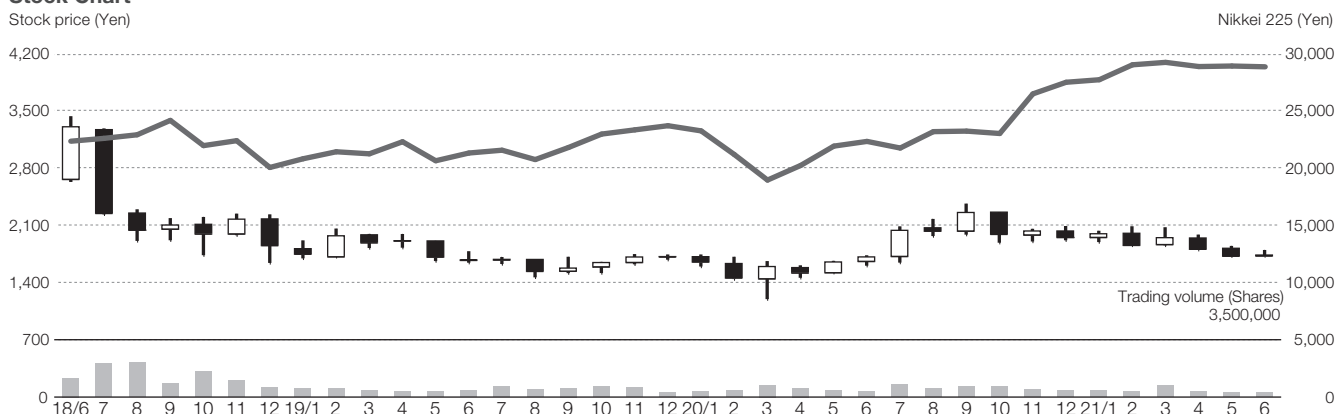
## Major Shareholders

	Thousands of shares	% of total
Shaldan Co., Ltd.	5,587	24.9
Nippon Life Insurance Company	1,336	6.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	949	4.2
Custody Bank of Japan, Ltd. (Mizuho Bank)	884	3.9
Takashi Suzuki	665	3.0
Custody Bank of Japan, Ltd. (Trust Account)	563	2.5
FUMAKILLA LIMITED	541	2.4
MUFG Bank, Ltd.	524	2.3
Takako Suzuki	515	2.3
Kanichi Suzuki	500	2.2



Notes:1 The Company holds treasury stock of 600 thousand shares as of March 31, 2021; however, it is excluded from the list of major shareholders shown above.  
2 The 884 thousand shares held by Custody Bank of Japan, 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/>