

# S.T. Corporation Medium-Term Management Plan ～SMILE 2027～

May 23, 2024

S.T. Corporation

# Agenda

1. Positioning of medium-term management plan  
"SMILE 2027"
2. Overview of medium-term management plan  
"SMILE 2027"  
~Basic policy and main business strategies
3. Overview of medium-term management plan  
"SMILE 2027"  
~Financial and non-financial targets

# Positioning of medium-term management plan “SMILE 2027”

Our management philosophy established at our founding include elements of innovation, human capital, and sustainability. We believe it exactly indicates what we should be doing now.

## Corporate Philosophy /Management Philosophy

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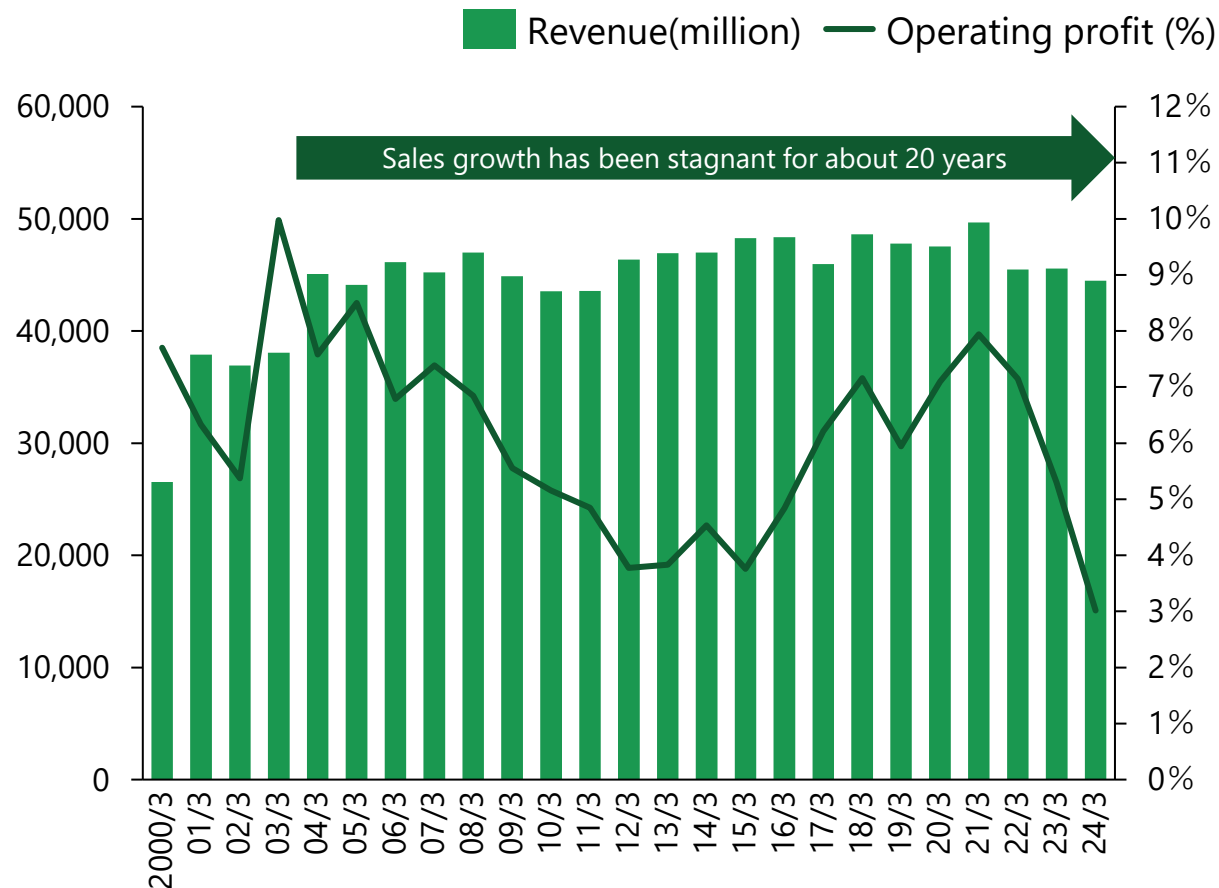
Sincerity

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



However, over the past 20 years, we have been unable to create major hit products, resulting in stagnant sales and stock prices. To realize strong growth again, it is necessary to change our current approach.

Sales and operating profit margin trends  
from March 2000 to the most recent period



Stock price trends over the past 10 years (with TOPIX)



We have established a purpose newly to clarify our mission of creating a society where people in the world can live with smiles. We are confident that achieving purpose and ideal state will lead to strong growth.

Our Purpose

Ideas to touch the heart  
for moments with smiles

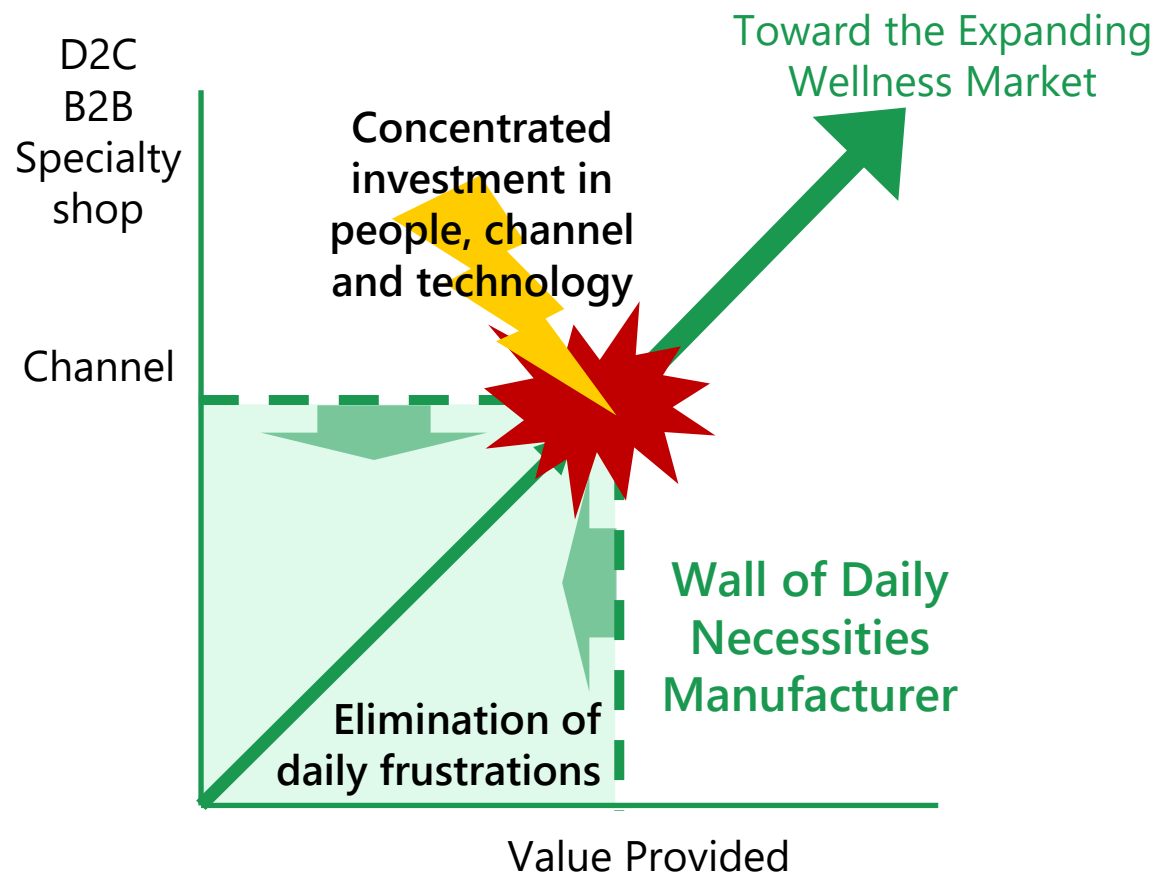
Ideal state  
in 10 years

From a daily necessities manufacturer  
to a wellness company

Under our medium to long term growth theme, "Kaori\* × Wellness × Global," we will go beyond the field of daily necessities to provide products and services that respond to the values of all people, such as health-oriented, natural-oriented, and sustainability-oriented, thereby helping all stakeholders lead healthy, smiling, and fulfilling lives.

We aim to achieve strong growth again by executing three axes of reform to create new value for the expanding wellness market by break through the existing wall of daily necessities and channels.

## Break through “Wall of Daily Necessities Manufacturer” and strong re-growth



【Transformation of the value provided by S.T.】  
Elimination of daily “inconvenience”

Peaceful, Healthy Life  
“With a Smile”

## Three Axes of Reform

### Reflecting Customer Review

User board system to reflect customers' review

☆ Customer satisfaction survey

### Activate Employees and Organizations

DX and AI to Improve Productivity / Create Innovation

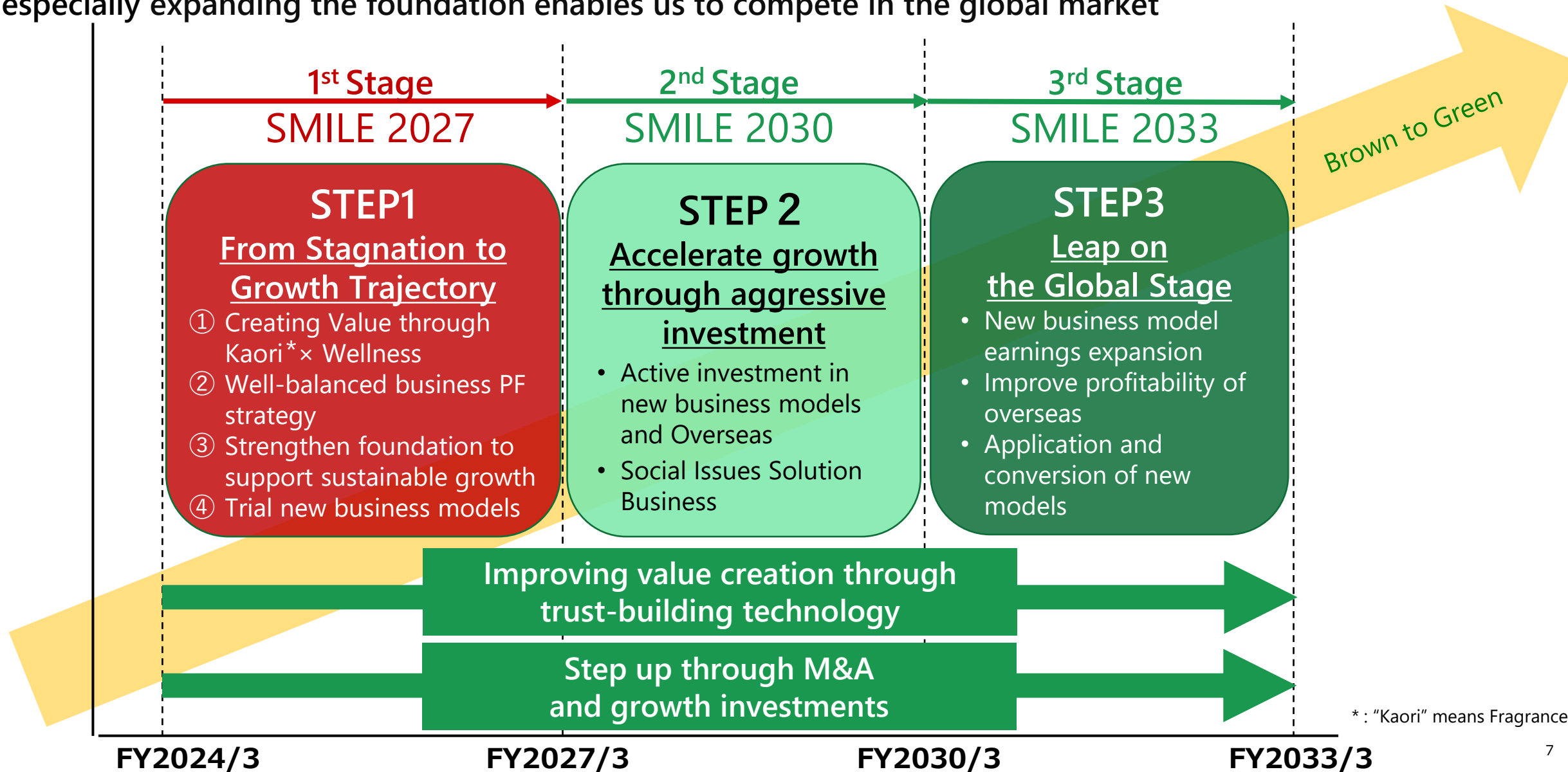
☆ Labor productivity per capita

### Trust-Building Technology

Advancing Aroma Tech from eliminating frustrations to Wellness

☆ Intellectual Property & Patents Count

We will achieve strong re-growth in three stages of steps. In "SMILE 2027," focuses on re-growth, especially expanding the foundation enables us to compete in the global market



\* : "Kaori" means Fragrance



# Overview of medium-term management plan “SMILE 2027”

～Basic policy and main business strategies

We classify our businesses into four segments to define strategies and allocate human, material, and financial resources efficiently, and particularly focus on investing in existing businesses to enhance profitability.

Existing markets, existing needs

New markets, new needs

New Technologies  
and Products

## Evolution of existing businesses

Development of Pet-Care into a core business  
The Focus of high value-added products and new brands  
in Air Care

Investment priority:  
High

Operating income  
+1.6 billion yen ~

## Generation of new business

Generation new business using CLEAR FOREST  
Creation of D2C business  
Pilot test of business for solving social issues

Investment priority:  
Medium

3-year investment period

Existing technologies  
and products

## Expansion of existing business

Further strengthening of brand power  
Revenue growth through category redefinition  
SKU and cost reduction / environmental responsiveness

Investment priority:  
Low

Operating margin  
+1pt~

## Strengthen B2B and overseas

B2B : Shift from Hand Care to "Kuuki Business"(Air Care)  
Overseas : The focus on ASEAN (Thailand)

Investment priority:  
Medium

Operating income  
+600 million yen ~

## Strengthening Foundations to Support Sustainable Growth

Financial  
Strategy

Human Resource  
Strategy

DX and AI  
Utilization

Risk  
management

Sustainability

We aim to create value supported by our customers in "Kaori\* × Wellness". By improving business efficiency, secure investment resources and strengthen the foundation for sustainable growth.

- ① Creating Value through "Kaori\* × Wellness"  
: Intensive Investment in Air Care and Pet Care
- ② Well-balanced business Portfolio strategy  
: Securing the necessary resources for investment
- ③ Strengthen the foundation for sustainable growth  
: Clarification human capital and financial strategies

To ensure medium to long term customer support for "Kaori\* × Wellness × Global," our primary challenge is establishing a strong domestic presence and laying the groundwork for global value delivery.

Challenges  
surrounding S.T. Corporation

Various impacts on  
existing businesses



Lifestyle Changes



Climate change

Value  
Diversification

Top Priority Issues to be resolved

■ Strengthen positioning in the  
domestic market

- Develop new businesses, products and services that create new value
- Establish new communication methods with customers
- Enhance human resources and financial strategies



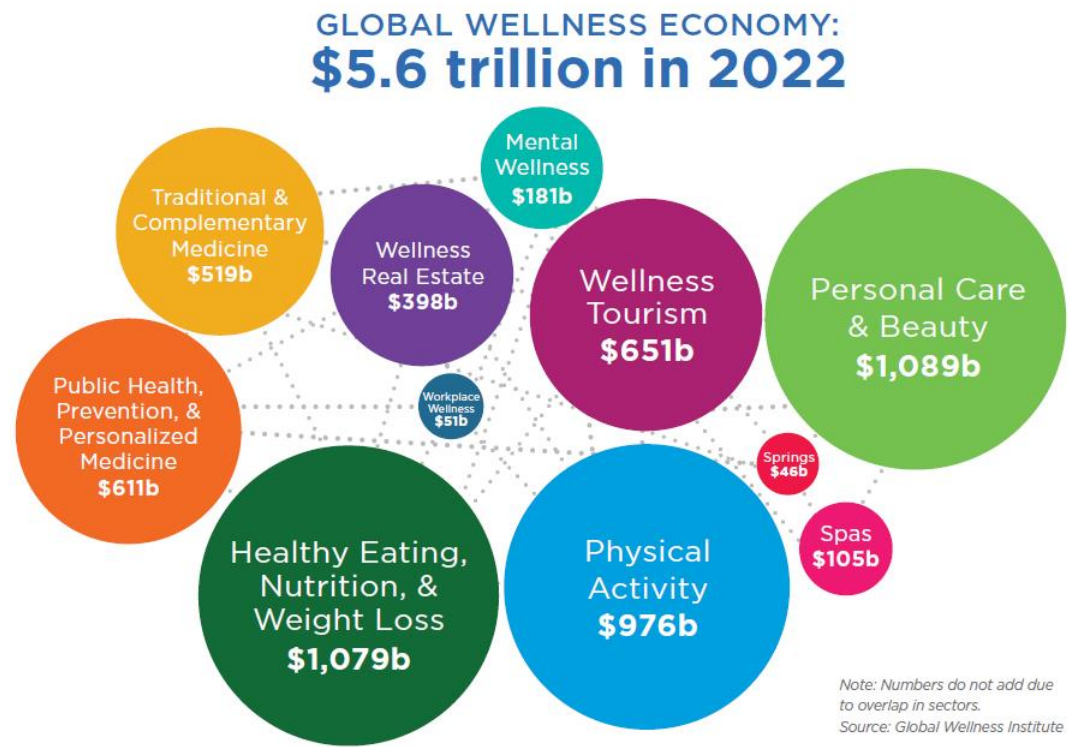
Create a foundation to provide value globally

# ① Creating Value through “Kaori\* × Wellness” : Intensive Investment in Air Care and Pet Care

Air Care and Pet Care are globally recognized for their strong demand for wellness. With our capabilities of technology and channel development, we will create value strongly supported by customers.



S.T. Corporation’s Wellness  
Improving mental and physical health of people  
by helping them to be "healthy"



Reference : Global Wellness Institute

\* : “Kaori” means Fragrance



## ① Creating value through "Kaori" \* × Wellness

We aim to create a new product category beyond "SHOSHURIKI" by adding new wellness-oriented functions to Air Care, which has evolved from deodorant to aroma, using our "Kaori" \* technology.

### Evolving Air Care with a Thorough High Value-added Strategy Increase emotional value and functional value



"SHOSHURIKI"  
to eliminate worrisome odors  
and make you feel comfortable



"PREMIUM AROMA",  
a higher grade of quality  
aroma



"Deodorant Power  
Premium Aroma for Sleep"  
to support a comfortable sleep



Creation of a new wellness-oriented products category  
with S.T. unique "Kaori" \*  
technology



Expanding globally

\* : "Kaori" means Fragrance

We will break out of the boundaries of the conventional Air Care and create new businesses that unleash the power of aromas, such as solving social issues and “expressing one’s identity with aromas”

Unleashing the power of “Kaori” \* through trust-building technologies and ideas  
Establishing circular business models to solve wellness issues while living in harmony with nature



Utilizing our technology related to  
CLEAR FOREST cultivated over many  
years for wellness fields



Physical and mental instability  
 (“Yuragi”) of women  
 Refresh with aroma  
 The first new business,  
 “Luna Mine”



Using AI to formulate aromas that  
 express identity  
 “Corporate Fragrance”



# Pet Humanization

We stand by “comfortable and healthy lives of pets and their owners.”

The image displays three products from the 'Eco-System' line:

- Top Left:** A bag of 'Eco-System' cat litter. It features a cat illustration and text: 'エコシステム', '猫の臭い、設計', '脱臭・抗菌', 'チップ', '飛び散らない', '4.4L', and '脱臭力!'. A circular seal indicates '99.9% 除菌力'.
- Bottom Left:** A box of 'Eco-System' deodorizing and antibacterial sheets. It features a cat illustration and text: 'エコシステム', '猫の臭い、設計', '脱臭・抗菌シート', '1日1枚の臭い、設計', '99.9% 除菌力', and '12枚'.
- Right:** A box of 'Eco-System' deodorizing and antibacterial sheets. It features a cat illustration and text: 'エコシステム', '猫の臭い、設計', '脱臭・抗菌シート', '1日1枚の臭い、設計', '99.9% 除菌力', and '12枚'.

## Strengthen lineup of Specialized products



保護ネコ応援  
プロジェクト



## Strengthening the support system for the happiness of cats



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\* : "Kaori" means Fragrance

# ① Creating value through "Kaori\* × Wellness"

To gain overwhelming support from customers through Kaori\* × Wellness, we will also promote a channel strategy to strengthen the reach of B2B and overseas markets besides the domestic consumer market.

B2B Business (S.T. PRO CO., LTD. : Air Care)

Strengthening direct sales and cultivating accounts by "Kuuki business" \*\*

\*\* : "Kuuki" means Air



Direct sales



Offices, lodging facilities  
hospitals, nursing homes, etc.

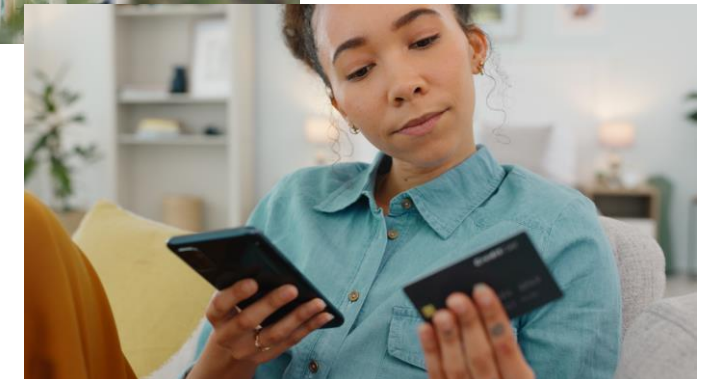
Proposal, development, and introduction  
of unique smells to meet the  
needs/situations

Proposal for introduction of commercial  
Air Care products (general purpose)

Engage customers directly to understand  
new needs and integrate them into our  
offerings promptly

Overseas (Air Care and Pet Care)

Shift from China to ASEAN (Thailand)  
Focus on marketing to derive the optimized  
solution of product and channel for each  
country's situation



② Well-balanced business Portfolio strategy  
: Securing the necessary resources for investment

To concentrate investment in Air Care and Pet Care, we will enhance cash flow generation capability of core businesses and promote restructuring of profit-improving businesses to build a balanced portfolio

Focus investment  
on strong growth

AIR Care

PET Care

Thoroughly strengthen  
cash flow generation

CLOTH Care

HOME Care

HUMIDTY Care

Identify strategic shift  
based on profitability  
and growth potential

THERMAL Care

Hand Care

We will elevate Cloth Care to the next level by highlighting the importance of care of clothing who pauses “the seasonal change of clothing” by offering new solutions to common storage problems.



Communication to encourage users who have temporarily stopped changing their clothes



Responding to the need for clean storage space by reducing mold and odors



Elevate Cloth Care to the next level



In existing Businesses including Air Care, we will strengthen our brand power to gain more customer loyalty and we strive for environmental friendliness, cost reduction, and productivity improvement to enhance our ability to generate cash flow.

Further  
strengthening of  
brand power



Establishment of new  
communication methods

Environmental  
friendliness and cost  
reduction



Productivity improvement  
through DX and labor-  
saving investments



③ Strengthen the foundation for sustainable growth  
: Clarification human capital and financial strategies

③Strengthen the foundation to support sustainable growth

By strongly promoting DX to improve labor productivity and creating an environment where all employees can work together to contribute to customer wellness through the challenge of innovation, we will achieve improved engagement and sustainable growth.

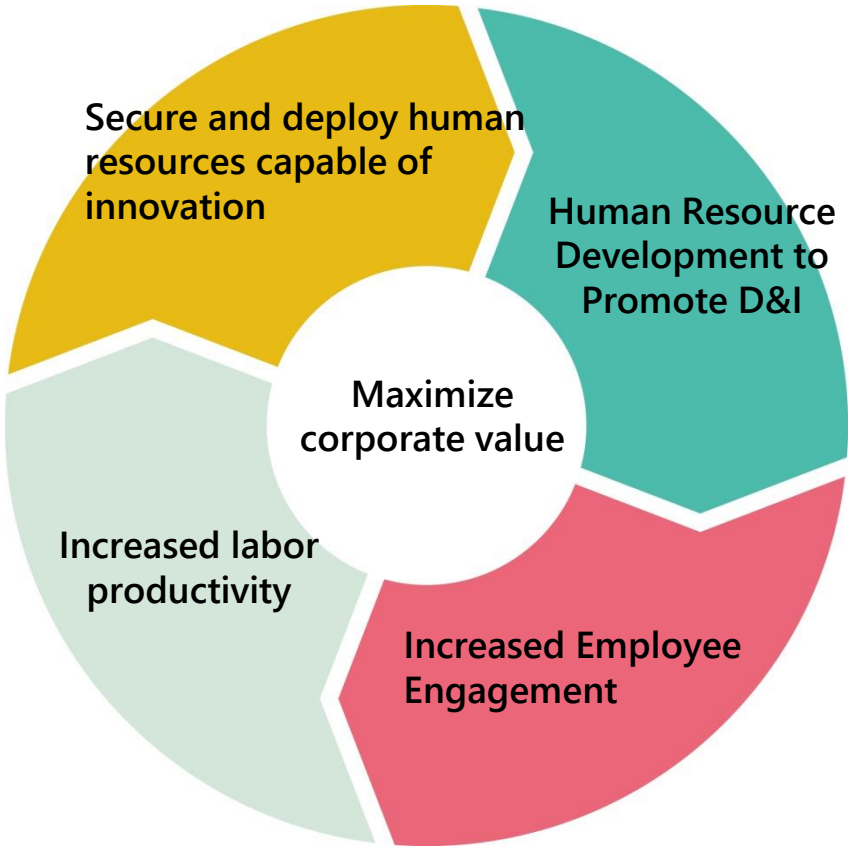
1. Human resources sought

Human resources who take on the challenge of innovation

2. Improving labor productivity

Improving labor productivity with DX/AI

Creating an environment where people of all ages and genders can play an active role



<Operating profit amount per person>  
 2.8 million yen    ⇒    **4.8 million yen**  
 FY2023/03                      FY2027/03



③Strengthen the foundation to support sustainable growth

In order to increase corporate value, will strive to improve indicators such as ROE and PBR by improving BS balance, making investment decisions with an awareness of cost of capital, and improving engagement with investors and shareholders in our financial strategy.

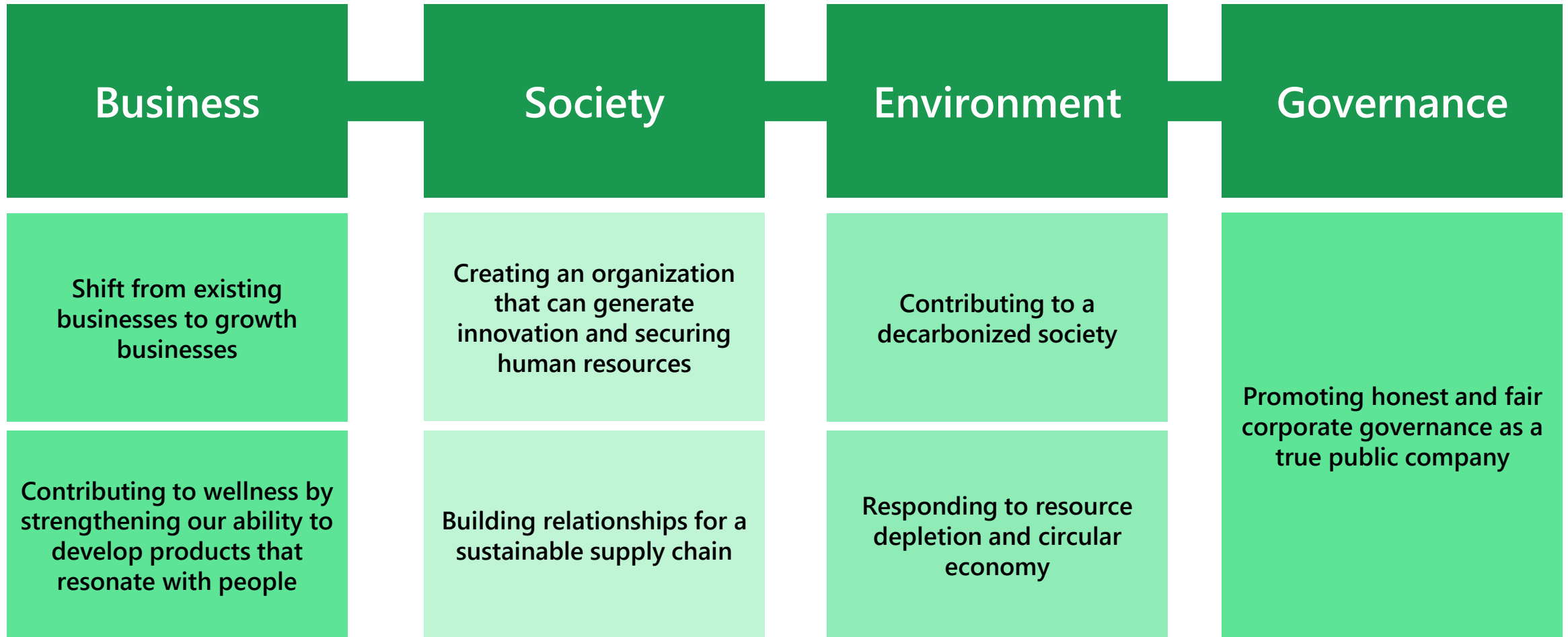
Components of equity spread		Policy	Measures for realization
Improvement in ROE	Improved profitability	<ul style="list-style-type: none"> <li>- Clarification of business PF strategy</li> <li>- Considering non-continuous growth investments including M&amp;A</li> </ul>	<div> <div>▶</div> <div>Clarification of cash allocation</div> <ul style="list-style-type: none"> <li>- Strategic investment for growth</li> <li>- Investment to improve productivity</li> </ul> </div>
	shareholder return	<ul style="list-style-type: none"> <li>- Strive to enhance shareholder returns based on stable dividends (DOE 3%)</li> </ul>	
	BS balance improvement	<ul style="list-style-type: none"> <li>- Utilize borrowing as necessary when implementing growth investments such as M&amp;A</li> </ul>	
Lower cost of capital	Capital cost assumptions	<ul style="list-style-type: none"> <li>- Cost of equity is assumed to be 7%</li> <li>- The hurdle rate for investment decisions is assumed to be 8-10%</li> </ul>	
	Non-financial measures	<ul style="list-style-type: none"> <li>- Improving engagement with investors, shareholders, etc.</li> <li>- Strengthening ESG management</li> </ul>	

### ③Strengthen the foundation to support sustainable growth

In addition to the operating CF generated during the three-year period of the medium-term management plan, we will increase corporate value by strategically allocating funds to areas where high added value can be created, with a view to utilizing cash on hand and borrowing as needed.

Source of investment	Cash allocation policy		Policy overview
			※The amount in parentheses is the cumulative amount for the three years from 1978 to 1980.
Utilization of borrowing (+α)	Investment for growth in high value-added areas (8 billion yen +α)	Utilize M&A, etc. necessary for discontinuous growth	- Investment to accelerate business growth centered on pet care and air care fields
Utilization of cash on hand (~3 billion yen)		Strengthening value creation ability	- Strengthen investment in new technology development to improve value creation capabilities
		Strengthen research and development	- Strengthen resource allocation to develop human resources and improve employee engagement
		Securing and developing human resources	- Structural reform costs for low-profit businesses, etc.
		Business portfolio restructuring	- Promote DX investment such as integrated information platform to improve labor productivity
Operating CF (11billion yen)	Productivity improvement investment (2.5~3.0 billion yen)	Promotion of DX	- Promote capital investment such as labor saving with the aim of improving productivity and improving safety and quality
		Building a production system	- Enhance shareholder returns based on stable dividends (DOE 3% as a guideline)
	Returns to shareholders (~3 billion yen)		

Under the governance structure required of a true public company, we will engage in social and environmental initiatives, resolve social issues by contributing to customer wellness, and increase sustainable corporate value.



# Overview of medium-term management plan “SMILE 2027”

~Financial and non-financial targets

## Financial targets for FY2027

Aim for ROE of 8% in FY2027 through cost-conscious management centered on growth in the pet care and air care businesses.

	FY2024	FY2027	FY2024 → FY2027
Revenue	44.5 billion yen	56.6 billion yen	+12.1 billion yen (CAGR +8%)
Operating income	1.3 billion yen	4.0 billion yen	+2.7 billion yen
Operating profit margin	3.0%	7.1%	+4.1pt
EBITDA	2.6 billion yen	5.5 billion yen	+2.9 billion yen
ROE	3.9%	8.3%	+4.4pt

## FY2027 non-financial targets

Will also strengthen measures in the infrastructure that supports business growth

- **Climate Change/CO2 (GHG) Emission Reduction Targets** : Scope 3 Disclosure
- **Resource Recycling/Plastic Reduction Targets** : Promotion of refill products by major categories

### ※FY2030 Target (Reference)

- Eco Mark for Everyone” grant rate for products: 50% or more
- Less than 70% of products only fossil-based virgin plastic used for packaging containers

- **Improvement of employee satisfaction**

### ※Set and achieve targets through engagement surveys

- |                                      |                         |
|--------------------------------------|-------------------------|
| ◇Feel rewarded for working           | 71.3% → Target 80%      |
| ◇Satisfaction with work-life balance | 73.3% → Target 80%      |
| ◇Performance Demonstration Level     | 81.6% → Target over 85% |
| • Ratio of female managers           | 22.1% → Target 30%      |

Ideas to touch the heart  
for moments with smiles



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【Notes on the business forecasts】 The items included in this material are based on a variety of premises, and do not assure or guarantee that the numerical forecasts and policies herein will be realized.