

S.T. Corporation and Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2024,
and Independent Auditor's Report

Consolidated Balance Sheets

S.T.CORPORATION and Consolidated Subsidiaries
As of March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets	2024	2023	2024
Current assets:			
Cash and time deposits (Notes 8, 12 and 18)	¥ 13,728	¥ 14,150	\$ 90,669
Notes receivable - trade (Notes 8 and 20)	209	200	1,380
Accounts receivable - trade (Notes 8 and 20)	5,773	5,879	38,130
Merchandise and finished goods	5,325	5,956	35,166
Work in process	238	201	1,573
Raw materials and supplies	865	1,110	5,714
Other current assets	748	692	4,940
Less - allowance for doubtful accounts	(0)	(34)	(3)
Total current assets	26,886	28,154	177,571
Property, plant and equipment, at cost:			
Land (Notes 11)	3,610	3,600	23,841
Buildings and structures	9,155	9,014	60,467
Machinery, equipment and vehicles	8,592	8,465	56,749
Tools, furniture and fixtures	2,698	2,806	17,819
Construction in progress	48	76	320
Leased assets (Note 19)	948	894	6,260
Less - accumulated depreciation	(15,575)	(15,199)	(102,865)
Property, plant and equipment, net	9,477	9,655	62,590
Intangible assets, net of accumulated amortization			
Other intangible assets	1,218	1,359	8,043
Total intangible assets	1,218	1,359	8,043
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	394	274	2,601
Investment securities (Notes 8 and 10)	5,808	5,522	38,357
Long-term loans	42	4	280
Net defined benefit asset (Notes 1 and 14)	5	6	34
Deferred tax assets other than unrealized revaluation loss on land (Note 13)	331	557	2,184
Other assets	601	585	3,968
Less - allowance for doubtful accounts	(0)	—	(0)
Total investments and other assets	7,180	6,948	47,423
Total assets	¥ 44,761	¥ 46,116	\$ 295,627

	Millions of yen		Thousands of U.S. dollars (Note 2)
Liabilities and net assets	2024	2023	2024
Current liabilities:			
Trade payables	¥ 2,135	¥ 2,884	\$ 14,101
Electronically recorded obligations-operating	2,350	3,151	15,518
Short-term borrowings	454	497	3,001
Lease liabilities	69	62	456
Other payables	1,296	1,222	8,561
Accrued expenses	670	620	4,425
Electronically recorded obligations-non-operating	86	20	567
Income taxes payable	162	646	1,071
Consumption taxes payable	136	209	897
Other current liabilities	2,106	2,082	13,907
Total current liabilities	9,464	11,394	62,505
Long-term liabilities:			
Lease liabilities	70	79	465
Provision for directors' retirement and severance benefits	12	101	79
Provision for executive officers' incentive plan (Note 6)	48	87	318
Net defined benefit liability (Notes 1 and 14)	1,147	1,216	7,573
Deferred tax liabilities - unrealized revaluation gain on land (Note 11)	195	262	1,291
Other non-current liabilities	24	15	157
Total long-term liabilities	1,496	1,761	9,883
Net assets (Note 15):			
Shareholders' equity:			
Common stock:			
Authorized - 96,817,000 shares in 2024 and 2023			
Issued and outstanding - 23,000,000 shares in 2024 and 2023	7,066	7,066	46,665
Capital surplus	7,047	7,047	46,544
Retained earnings	18,281	17,929	120,737
Treasury stock, at cost	(942)	(1,003)	(6,224)
Total shareholders' equity	31,451	31,039	207,722
Accumulated other comprehensive income (loss):			
Unrealized holding gain on other securities, net of taxes	2,201	1,975	14,539
Revaluation reserve for land, net of taxes (Note 11)	(471)	(537)	(3,108)
Foreign currency translation adjustment	(38)	(120)	(251)
Remeasurements of defined benefit plans	16	34	104
Total accumulated other comprehensive income (loss)	1,709	1,352	11,284
Non-controlling interests	641	570	4,233
Total net assets	33,801	32,961	223,239
Total liabilities and net assets	¥ 44,761	¥ 46,116	\$ 295,627

See notes to consolidated financial statements.

Consolidated Statements of Income

S.T.CORPORATION and Consolidated Subsidiaries
For the Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2024	2023	2024
Net sales (Note 20)	¥ 44,473	¥ 45,576	\$ 293,724
Cost of sales (Notes 17 and 23)	28,058	28,621	185,310
Gross profit	16,415	16,955	108,414
Selling, general and administrative expenses (Note 17)	15,073	14,539	99,553
Operating income	1,342	2,416	8,861
Non-operating income (expenses):			
Interest income	21	7	136
Dividend income	121	114	798
Interest expense	(13)	(6)	(84)
Purchase discounts	109	120	722
Share of loss of entities accounted for using equity method	(32)	(11)	(210)
Insurance claim income	225	2	1,486
Other, net	157	90	1,039
Total non-operating income (expenses)	588	315	3,887
Ordinary income	1,930	2,731	12,748
Extraordinary gains (losses):			
Gain on sale of non-current assets	0	0	1
Loss on disposition of property, plant and equipment	(13)	(8)	(84)
Gain on sales of investment securities, net	80	17	526
Loss on valuation of investment securities	(64)	—	(423)
Loss on disaster	—	(34)	—
Total extraordinary gains (losses)	3	(23)	21
Profit before income taxes	1,933	2,707	12,769
Income taxes (Note 13):			
Current	370	948	2,445
Deferred	167	(127)	1,100
Total income taxes	537	820	3,545
Profit	1,397	1,887	9,224
Profit attributable to non-controlling interests	122	58	804
Profit attributable to owners of parent	¥ 1,275	¥ 1,829	\$ 8,420

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

S.T.CORPORATION and Consolidated Subsidiaries
For the Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2024	2023	2024
Profit	¥ 1,397	¥ 1,887	\$ 9,224
Other comprehensive income (Note 7)			
Unrealized holding gain on other securities, net of taxes	226	108	1,496
Revaluation reserve for land	67	—	440
Foreign currency translation adjustment	114	79	752
Remeasurements of defined benefit plans, net of tax	(19)	(18)	(124)
Share of other comprehensive income (loss) of entities accounted for using equity method	3	8	23
Total other comprehensive income	392	177	2,587
Comprehensive income	¥ 1,788	¥ 2,064	\$ 11,812
Total comprehensive income attributable to :			
Owners of parent	1,631	1,977	10,773
Non-controlling interests	157	87	1,039

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, 2024 and 2023

	Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2023	23,000	¥ 7,066	¥ 7,047	¥ 17,929	¥ (1,003)	¥ 31,039
Cash dividends paid by distribution of retained earnings				(923)		(923)
Profit attributable to owners of parent				1,275		1,275
Purchases of treasury stock					(1)	(1)
Disposal of treasury stock					61	61
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2024	23,000	¥ 7,066	¥ 7,047	¥ 18,281	¥ (942)	¥ 31,451

	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	Non-controlling interests	Total net assets
Balance at April 1, 2023	¥ 1,975	¥ (537)	¥ (120)	¥ 34	¥ 1,352	¥ 570	¥ 32,961
Cash dividends paid by distribution of retained earnings							(923)
Profit attributable to owners of parent							1,275
Purchases of treasury stock							(1)
Disposal of treasury stock							61
Net changes in items other than those in shareholders' equity							427
Balance at March 31, 2024	¥ 2,201	¥ (471)	¥ (38)	¥ 16	¥ 1,709	¥ 641	¥ 33,801

	Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2022	23,000	¥ 7,066	¥ 7,047	¥ 16,978	¥ (1,021)	¥ 30,070
Cash dividends paid by distribution of retained earnings				(878)		(878)
Profit attributable to owners of parent				1,829		1,829
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock					18	18
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2024	23,000	¥ 7,066	¥ 7,047	¥ 17,929	¥ (1,003)	¥ 31,039

	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	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ 1,867	¥ (537)	¥ (178)	¥ 52	¥ 1,204	¥ 573	¥ 31,848
Cash dividends paid by distribution of retained earnings							(878)
Profit attributable to owners of parent							1,829
Purchases of treasury stock							(0)
Disposal of treasury stock							18
Net changes in items other than those in shareholders' equity	108		58	(18)	148	(3)	145
Balance at March 31, 2024	¥ 1,975	¥ (537)	¥ (120)	¥ 34	¥ 1,352	¥ 570	¥ 32,961

	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
Balance at April 1, 2023	23,000	\$ 46,665	\$ 46,544	\$ 118,412	\$ (6,624)	\$ 204,997
Cash dividends paid by distribution of retained earnings				(6,096)		(6,096)
Profit attributable to owners of parent				8,420		8,420
Purchases of treasury stock					(4)	(4)
Disposal of treasury stock					405	405
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2024	23,000	\$ 46,665	\$ 46,544	\$ 120,737	\$ (6,224)	\$ 207,722

	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	Non-controlling interests	Total net assets
Balance at April 1, 2023	\$ 13,043	\$ (3,548)	\$ (791)	\$ 228	\$ 8,932	\$ 3,768	\$ 217,697
Cash dividends paid by distribution of retained earnings							(6,096)
Profit attributable to owners of parent							8,420
Purchases of treasury stock							(4)
Disposal of treasury stock							405
Net changes in items other than those in shareholders' equity	1,496	—	540	(124)	2,352	465	2,818
Balance at March 31, 2024	\$ 14,539	\$ (3,108)	\$ (251)	\$ 104	\$ 11,284	\$ 4,233	\$ 223,239

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

S.T.CORPORATION and Consolidated Subsidiaries
For the Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2024	2023	2024
Cash flows from operating activities:			
Profit before income taxes	¥ 1,933	¥ 2,707	\$ 12,769
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,284	1,407	8,481
Loss on disaster	—	34	—
Loss on sales of property, plant and equipment	12	7	82
Loss (gain) on sales and valuation of investment securities	(16)	(17)	(104)
Increase (decrease) in allowance for doubtful receivables	(33)	(1)	(221)
Increase (decrease) in net defined benefit asset and liability	(76)	(94)	(503)
Increase (decrease) in provision for directors' retirement and severance benefits	(89)	(7)	(586)
Increase (decrease) in provision for executive officers' incentive plan	(39)	5	(255)
Interest and dividends received	(141)	(121)	(934)
Interest expenses	13	6	84
Foreign exchange losses (gains)	(84)	3	(557)
Share of (profit) loss of entities accounted for using equity method	32	11	210
Changes in operating assets and liabilities:			
Receivables	133	(238)	878
Inventories	889	575	5,871
Payables and accrued expenses	(1,626)	1,000	(10,738)
Accrued consumption taxes	(73)	116	(484)
Increase (decrease) in lease and guarantee deposits	4	18	25
Other, net	376	(440)	2,482
Subtotal	2,499	4,971	16,502
Interest and dividends received	146	120	962
Interest paid	(10)	(6)	(66)
Income taxes paid	(990)	(722)	(6,538)
Net cash provided by operating activities	1,644	4,362	10,861
Cash flows from investing activities:			
Payments into deposits (more than three months)	(4)	(106)	(29)
Purchases of property, plant and equipment	(621)	(877)	(4,099)
Proceeds from sales of property, plant and equipment	4	0	23
Purchase of intangible assets	(224)	(266)	(1,477)
Purchases of investment securities	(62)	(21)	(409)
Proceeds from sales of investment securities	118	25	777
Purchase of shares of subsidiaries	(152)	—	(1,003)
Other investments, net	(40)	1	(266)
Net cash used in investing activities	(981)	(1,243)	(6,482)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(88)	39	(580)
Purchases of treasury stock	(1)	(0)	(4)
Proceeds from disposal of treasury stock	—	18	—
Payments of dividends	(923)	(878)	(6,096)
Payments of dividends to non-controlling interests	(87)	(90)	(574)
Other finance, net	(66)	(73)	(435)
Net cash used in financing activities	(1,164)	(984)	(7,689)
Effect of exchange rate changes on cash and cash equivalents	73	26	483
Net increase (decrease) in cash and cash equivalents	(428)	2,161	(2,827)
Cash and cash equivalents at beginning of year	14,005	11,843	92,494
Cash and cash equivalents at end of year (Note 18)	¥ 13,577	¥ 14,005	\$ 89,667

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

S.T.CORPORATION and Consolidated Subsidiaries
March 31, 2024

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) Names of non-consolidated subsidiaries:
JAPAN AROMA LABORATORY CO., LTD., CODE Meee Inc.
The number of unconsolidated subsidiaries increased by one because the Company acquired of shares in CODE Meee Inc.

(Reasons for exclusion from scope of consolidation)
The non-consolidated subsidiaries have been excluded from the scope of consolidation because the total amounts of their assets, net sales, profit or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other amounts are immaterial, and the impact 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:
2 companies
- (2) Names of companies accounted for by the equity method:
Aekyung S.T. Co., Ltd., and NS FaFa Japan Co., Ltd.
- (3) Names of non-consolidated subsidiaries for which equity method is not applied
The non-consolidated subsidiaries to which the equity method does not apply (JAPAN AROMA LABORATORY CO., LTD., CODE Meee Inc.) are accounted for using the cost method rather than the equity method because the total amounts of their profit or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other amounts are immaterial, and the impact 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) Securities

Other securities having market value available are recorded at market value with fluctuations in unrealized gains and losses after deducting the associated deferred tax assets or liabilities contained in net assets. Other securities having no market value available are stated at cost determined by the moving average method, and the cost of other securities sold is calculated based on the moving average method. During the years ended March 31, 2024 and 2023, 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) 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.

(m) 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.

(n) Employees' retirement and severance benefits

- (1) Method of attributing expected benefit payments to the period
In calculating the retirement benefit obligation, the method of attributing expected benefit payments to periods is based on the benefit formula.
- (2) Amortization method of actuarial gains/losses
Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of a certain number of years (5 years) which is shorter than the average remaining years of service of the employees.
- (3) Adoption of a simplified method in some consolidated subsidiaries
Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the end of fiscal year for the calculation of net defined benefit liability and retirement benefit expenses.

(o) Standards for recording important income and expenses

The Company and domestic consolidated subsidiaries have recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The time when the customer gains control of the

product is determined to be the time when the product arrives at the customer in domestic sales and the time when the product arrives at the point agreed with the customer in export sales.

These revenues are measured by deducting rebates and returns from the consideration promised in the contract with the customer. The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include important financial factors.

(p) Accounting for significant hedges

- (1) Hedge accounting
The Company mainly applies the deferred hedged accounting method. Foreign exchange contracts have applied the appropriation process.
- (2) Hedging instrument and risk hedged
Hedging instrument: Forward exchange contracts
Risk hedged: Foreign currency-denominated forecasted transactions
- (3) 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) 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 ¥151.41 = U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2024.

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

(Years ended March 31, 2024)

Not applicable

(Years ended March 31, 2023)

Not applicable

4 Changes in Presentation (Consolidated Statements of Income)

(Consolidated Statements of Income)

"Insurance claim income" included in "Other, net" under non-operating income (expenses) in the previous fiscal year exceeds 10% of total non-operating income and is therefore presented separately from the current fiscal year. In order to reflect the change in presentation, the consolidated

statements of income in the previous fiscal year is reclassified.

As a result of this change, ¥156 million presented as "Other, net" under non-operating income (expenses) in the previous fiscal year is reclassified as ¥2 million for "Insurance claim income" and ¥154 million for "Other, net" under non-operating income (expenses), respectively.

5 Accounting Standards Issued but not yet Effective

- Accounting standards for Current Income Taxes (Statement No.27, October 28, 2022 issued by the Accounting Standards Board of Japan (ASBJ))
- Accounting Standard for Presentation of Comprehensive Income (Statement No.25, October 28, 2022 issued by the Accounting Standards Board of Japan (ASBJ))
- Guidance on Accounting Standard for Tax Effect Accounting (Guidance No.28, October 28, 2022 issued by the ASBJ)

(1) Summary

When ASBJ Statement No. 28, "Partial Amendments to Accounting Standards for Tax Effective Accounting", etc. (hereinafter ASBJ Statement No. 28, etc.) was issued in February 2018 in order to transfer practical guidance for tax effective accounting issued by the Japanese Institute of Certified Public Accountants to ASBJ Statements, discussions about following two issues were ongoing. The Accounting Standards were updated to reflect the results of the discussions.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on the sale of subsidiary shares, etc. (subsidiary shares or affiliated company shares) under Japanese Group Relief System

(2) Scheduled date of application

The accounting standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of application

The impact of applying the accounting standards and guidance on the accompanying consolidated financial statements is under evaluation.

6 Additional Information

(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, 2024 were ¥134 million (U.S. \$890 thousand) and 103,400 shares, respectively.

(b) Employee Stock Ownership Plan (ESOP) Trust

The Company introduced an Employee Stock Ownership Plan (ESOP) Trust as an employee incentive plan with the aim of raising awareness of the Company's share price and strengthening financial performance.

(1) Summary

The Company awards the Company's stock to the employees who satisfy certain requirements based on predetermined regulations for awarding stocks.

If the Company's profit is higher than a pre-determined standard, the Company awards a certain number of 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, 2024 were ¥126 million (U.S. \$830 thousand) and 120,000 shares, respectively.

Notes to Consolidated Financial Statements

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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrealized holding gain (loss) on other securities, net of taxes			
Amount recognized in the year	¥ 288	¥ 149	\$ 1,900
Reclassification adjustments included in the statement of income	(16)	(17)	(104)
Before income tax effect adjustment	272	132	1,796
Amount of income tax effect	(46)	(24)	(301)
Unrealized holding gain (loss) on other securities, net of taxes	226	108	1,496
Revaluation reserve for land			
Amount of income tax effect	67	—	440
Translation adjustments			
Amount recognized in the year	114	79	752
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the year	(13)	(14)	(86)
Reclassification adjustments included in the statement of income	(14)	(12)	(93)
Before income tax effect adjustment	(27)	(26)	(180)
Amount of income tax effect	8	8	56
Remeasurements of defined benefit plans, net of tax	(19)	(18)	(124)
Other comprehensive income (loss) on equity method companies			
Amount recognized in the year	3	8	23
Total other comprehensive income	¥ 392	¥ 177	\$ 2,587

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

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, 2024 and 2023, the estimated fair value of such items and the differences between them are shown below.

		Millions of yen		
Year ended March 31, 2024		Carrying value	Fair value	Difference
Investment securities				
Other securities		¥ 5,696	¥ 5,696	—
		Millions of yen		
Year ended March 31, 2023		Carrying value	Fair value	Difference
Investment securities				
Other securities		¥ 5,387	¥ 5,387	—
		Thousands of U.S. dollars		
Year ended March 31, 2024		Carrying value	Fair value	Difference
Investment securities				
Other securities		\$ 37,617	\$ 37,617	—

(*1) "Cash and time deposits", "Notes receivable - trade", "Accounts receivable - trade", "Trade payables", "Electronically recorded obligations - operating", and "Other payables" have been omitted because these are settled within a short period of time and their fair values approximate book values.

(*2) "Investment securities" does not include unlisted stocks with no market value. The consolidated balance sheet amount of this financial instrument is as follows:

		Millions of yen		Thousands of U.S. dollars
		2024	2023	2024
Unlisted equity securities		¥ 112	¥ 135	\$ 739

Notes to Consolidated Financial Statements

Notes. Redemption schedule for receivables and other securities with maturity dates at March 31, 2024 and 2023 are summarized as follows:

	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
Year ended March 31, 2024				
Time deposits	¥ 13,727	—	—	—
Notes receivable - trade	209	—	—	—
Accounts receivable - trade	5,773	—	—	—
Total	¥ 19,709	—	—	—
	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
Year ended March 31, 2023				
Time deposits	¥ 14,148	—	—	—
Notes receivable - trade	200	—	—	—
Accounts receivable - trade	5,879	—	—	—
Total	¥ 20,228	—	—	—
	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
Year ended March 31, 2024				
Time deposits	\$ 90,659	—	—	—
Notes receivable - trade	1,380	—	—	—
Accounts receivable - trade	38,130	—	—	—
Total	\$130,169	—	—	—

(3) The details related to each level of fair value of financial instruments

There are three levels to the fair value hierarchy (Level 1 is the highest priority and Level 3 is the lowest priority) based on the observability and materiality.

Level 1: Of the inputs related to the observable market value calculation, the market price calculated based on the market price of the asset or liability for which the market value is calculated, which is formed in an active market.

Level 2: Of the inputs related to the calculation of the observable market value, the market value calculated using the inputs related to the calculation of the market value other than the inputs categorized within Level 1.

Level 3: Market value calculated using inputs related to the calculation of unobservable market value.

When multiple inputs that have a significant influence on the market value calculation are used, the market value is classified into the lowest priority level in the market value calculation among the levels to which those inputs belong.

(a) Financial instruments recorded on the consolidated balance sheet at market value

	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Year ended March 31, 2024				
Investment securities				
Other securities				
Stock	¥ 5,598	—	—	¥ 5,598
Other	—	98	—	98
Total	¥ 5,598	¥ 98	—	¥ 5,696
	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Year ended March 31, 2023				
Investment securities				
Other securities				
Stock	¥ 5,290	—	—	¥ 5,250
Other	—	96	—	96
Total	¥ 5,290	¥ 96	—	¥ 5,387
	Fair value			
	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Year ended March 31, 2024				
Investment securities				
Other securities				
Stock	\$ 36,972	—	—	\$ 36,972
Other	—	645	—	645
Total	\$ 36,972	\$ 645	—	\$ 37,617

(b) Financial instruments other than those listed on the consolidated balance sheet at market value

(Years ended March 31, 2024)

It is omitted because it is not important.

(Years ended March 31, 2023)

It is omitted because it is not important.

Notes. Explanation of the valuation technique used to calculate the market value and the inputs related to the calculation of the market value

Investment securities

Listed stocks are valued using market prices. Listed stocks are traded in active markets, so their market value is classified into Level 1.

Investment trusts are evaluated based on published reference prices or prices presented by financial institutions. The fair value is classified as Level 2 fair value because it is not recognized as a quoted price in an active market.

9 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2024 and 2023.

10 Investment Securities

(1) Other securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2024 and 2023 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Acquisition cost	¥ 2,572	¥ 2,589	\$ 16,984
Carrying value	5,696	5,387	37,617
Total unrealized gain	3,135	2,819	20,708
Total unrealized loss	(11)	(21)	(76)

At March 31, 2024 and 2023, unlisted stocks (whose carrying value was ¥112 million (U.S.\$739 thousand) and ¥135 million, respectively) are not included in the above table because they have no quoted market price.

(2) Sales of other securities

Year ended March 31, 2024	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 118	¥ 80	¥ (0)
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 118	¥ 80	¥ (0)

Year ended March 31, 2023	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 25	¥ 17	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 25	¥ 17	—

Year ended March 31, 2024	Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	\$ 780	\$ 527	\$ (0)
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	\$ 780	\$ 527	\$ (0)

(3) Impairment of investment securities

The Company recognized impairment loss on investment securities of ¥64 million (U.S.\$423 thousand) for the year ended March 31, 2024. There were no significant impairment losses on investment securities for the years ended March 31, 2023.

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, 2024 and 2023 decreased by ¥115 million (U.S.\$762 thousand) and ¥178 million, respectively, after the revaluation.

Notes to Consolidated Financial Statements

12 Pledged Assets

Pledged assets at March 31, 2024 and 2023 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Time deposits	¥ 5	¥ 5	\$ 36

Time deposits were pledged as collateral mainly for leased office space at March 31, 2024 and 2023.

13 Income Taxes

At March 31, 2024 and 2023, 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
	2024	2023	2024
Deferred tax assets:			
Accrued business taxes	¥ 22	¥ 50	\$ 148
Accrued employees' bonuses	138	146	914
Refund liabilities	118	164	781
Loss on valuation of inventories	88	157	584
Tax loss carryforwards	154	126	1,018
Net defined benefit liability	334	355	2,204
Provision for directors' retirement and severance benefits	4	31	25
Provision for executive officers' incentive plan	15	27	98
Impairment losses	381	436	2,515
Write-downs of securities	52	53	346
Other	276	199	1,824
Gross deferred tax assets	1,583	1,744	10,458
Valuation allowance for tax loss carryforwards	(124)	(126)	(819)
Valuation allowance for the total of future deductible temporary differences etc.	(74)	(70)	(490)
Valuation allowance	(198)	(197)	(1,310)
Total deferred tax assets	1,385	1,547	9,148
Deferred tax liabilities:			
Deferred gain on sales of property	(9)	(10)	(62)
Net defined benefit asset	(2)	(2)	(10)
Returns assets	(63)	(106)	(416)
Undistributed earnings of controlled foreign companies	(54)	(49)	(358)
Unrealized holding gain on other securities, net of taxes	(921)	(821)	(6,081)
Other	(5)	(3)	(36)
Total deferred tax liabilities	(1,054)	(990)	(6,964)
Net deferred tax assets	¥ 331	¥ 557	\$ 2,184

At March 31, 2024 and 2023, net deferred tax assets and net deferred tax liabilities were included in the following items in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Non-current assets - deferred tax assets	¥ 331	¥ 557	\$ 2,184

Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward for the year end March 31, 2024 and 2023, were as follows:

	Millions of yen						
Year ended March 31, 2024	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	¥ 86	¥ 20	¥ 16	¥ 20	¥ 6	¥ 5	¥ 154
Valuation allowance	(56)	(20)	(16)	(20)	(6)	(5)	(124)
Deferred tax assets	30	—	—	—	—	—	30

	Millions of yen						
Year ended March 31, 2023	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	¥ 17	¥ 51	¥ 18	¥ 16	¥ 19	¥ 5	¥ 126
Valuation allowance	(17)	(51)	(18)	(16)	(19)	(5)	(126)
Deferred tax assets	—	—	—	—	—	—	—

	Thousands of U.S. dollars						
Year ended March 31, 2024	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	\$ 566	\$ 130	\$ 107	\$ 135	\$ 43	\$ 36	\$ 1,018
Valuation allowance	(368)	(130)	(107)	(135)	(43)	(36)	(819)
Deferred tax assets	199	—	—	—	—	—	199

Note: Figures for tax loss carryforwards were the amounts multiplied by effective statutory tax rate.

Net deferred tax assets related to tax loss carryforwards of ¥30 million (\$199 thousand) were recorded on tax loss carryforwards of ¥154 million (\$1,018 thousand) (the amount multiplied by the statutory tax rate). The Company does not recognise a valuation allowance for part of the tax loss carryforwards that the Company considers recoverable in light of future taxable income.

A reconciliation of the statutory tax rates to the Company's effective tax rates for the years ended March 31, 2024 and 2023 is summarized as follows:

	2024	2023
Japanese statutory tax rate	31.00%	31.00%
Permanent differences, such as entertainment expenses, etc.	0.73	0.40
Permanent differences, such as dividend income	(0.53)	(0.34)
Tax credit	(3.39)	(1.41)
Undistributed earnings of controlled foreign companies	(2.66)	0.25
Equity in loss of affiliates	(0.51)	(0.12)
Increase in valuation allowance	1.46	(1.15)
Other	1.66	1.68
Effective tax rate	27.76%	30.31%

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.

Notes to Consolidated Financial Statements

(1) Defined benefit plans

Adjustments of beginning and ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥ 1,245	¥ 1,338	\$ 8,220
Service cost	66	73	433
Interest cost	9	9	59
Actuarial gain or loss	11	12	76
Payment of retirement benefits	(168)	(199)	(1,110)
Other	8	11	50
Balance at the end of the year	¥ 1,170	¥ 1,245	\$ 7,729

Adjustments of beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥ 35	¥ 44	\$ 229
Expected return on plan assets	0	1	3
Actuarial loss	(2)	(1)	(10)
Payment of retirement benefits	(5)	(9)	(32)
Balance at the end of the year	¥ 29	¥ 35	\$ 189

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
	2024	2023	2024
Funded retirement benefit obligations	¥ 24	¥ 28	\$ 156
Plan assets	(29)	(35)	(189)
	(5)	(6)	(34)
Unfunded retirement benefit obligations	1,147	1,216	7,573
Net defined benefit asset and liability on consolidated balance sheet	1,142	1,210	7,539
Net defined benefit liability	1,147	1,216	7,573
Net defined benefit asset	(5)	(6)	(34)
Net defined benefit asset and liability on consolidated balance sheet	¥ 1,142	¥ 1,210	\$ 7,539

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥ 66	¥ 73	\$ 433
Interest cost on benefit obligation	9	9	59
Expected return on plan assets	(0)	(1)	(3)
Amortization of actuarial loss	(14)	(12)	(93)
Extraordinary additional retirement payments	11	12	70
Net retirement benefit expenses	¥ 71	¥ 82	\$ 467

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial gain (loss)	¥ (27)	¥ (14)	\$ (180)

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized actuarial gain (loss)	¥ (23)	¥ (50)	\$ (150)

Plan assets

(a) Plan assets

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

	2024	2023
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:

	2024	2023
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, 2024 and 2023 amounted to ¥124 million (U.S. \$820 thousand) and ¥125 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, 2024, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$3,633 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, 2024 and 2023 were ¥1,487.83 (U.S.\$9.83) and ¥1,456.38, respectively. Basic earnings per share for the years ended March 31, 2024 and 2023 were ¥57.23 (U.S.\$0.38) and

¥82.22, respectively.

(*) Diluted net income per share is not presented because latent shares do not exist.

The basis for the calculation of basic earnings per share and diluted earnings per share for the years ended March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Basic earnings per share:			
Profit attributable to owners of parent	¥ 1,275	¥ 1,829	\$ 8,420
Amount not attributable to shareholders of common stock	—	—	—
Amount attributable to shareholders of common stock	1,275	1,829	8,420
Weighted-average number of shares outstanding (millions of shares)	22	22	—

The basis for calculation of total net assets per share as of March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total net assets per share:			
Total net assets	¥ 33,801	¥ 32,961	\$ 223,239
Deductions:	641	570	4,233
Subscription rights	—	—	—
Non-controlling interests	641	570	4,233
Amounts attributable to shareholders of common stock	33,160	32,391	219,006
Number of shares outstanding at year end (millions of shares)	22	22	—

17 Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Sales promotion expenses	¥ 558	¥ 575	\$ 3,688
Advertising costs	2,319	2,599	15,319
Salaries	2,662	2,487	17,582
Shipment and storage expenses	1,558	1,661	10,293
Provision for employees' retirement and severance benefits	140	145	923
Provision for executive officers' incentive plan	23	23	151
Provision of allowance for doubtful accounts	(33)	(1)	(221)

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2024 and 2023 amounted to ¥927 million (U.S.\$6,124 thousand) and ¥775 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, 2024 and 2023 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and time deposits	¥ 13,728	¥ 14,150	\$ 90,669
Time deposits with a maturity in excess of three months	(191)	(176)	(1,259)
Other current assets (*)	39	31	257
Cash and cash equivalents	¥ 13,577	¥ 14,005	\$ 89,667

(*) 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."

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, 2024 and 2023.

20 Revenue recognition

(1) The disaggregation of revenue recognized from contracts with customers

a. Breakdown by type of goods or services

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Air Care	¥ 20,255	¥ 19,758	\$133,778
Cloth Care	7,143	7,986	47,179
Thermal Care	4,220	4,713	27,874
Hand Care	5,656	5,844	37,354
Dehumidify Care	2,882	2,985	19,036
Home Care	4,316	4,290	28,503
Total of revenue from contracts with customers	¥ 44,473	¥ 45,576	\$293,724

b. Breakdown by timing of revenue recognition

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Goods or services to be transferred at one time	¥ 44,473	¥ 45,576	\$293,724
Goods or services that are transferred over a period of time	—	—	—
Total of revenue from contracts with customers	¥ 44,473	¥ 45,576	\$293,724

(2) Information that is the basis for understanding the revenue generated from contracts with customers

Recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The time when the customer gains control of the product is determined to be the time when the product arrives at the customer in domestic sales and the time when the product arrives at the point agreed with the customer in export sales.

These revenues are measured by deducting rebates and returns from the consideration promised in the contract with the customer.

The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include important financial factors.

(3) Information regarding the relationship between the fulfillment of performance obligations under the contract with the customer and the cash flows arising from this contract, and the amount and timing of revenue expected to be recognized from the contract with the customer existing at the end of the current consolidated fiscal year after the next consolidated year.

a. Balance of receivables and contract liabilities arising from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	Balance at 2024	Balance at 2023	Balance at 2024
Beginning balance of receivables arising from contracts with customers			
Notes receivable – trade	¥ 200	¥ 82	\$ 1,324
Accounts receivable – trade	5,879	5,721	38,830
Ending balance of receivables arising from contracts with customers			
Notes receivable – trade	¥ 209	¥ 200	\$ 1,380
Accounts receivable – trade	5,773	5,879	38,130

b. Transaction price allocated to remaining performance obligations

Since there are no significant contracts with an initially expected contract period exceeding one year, the Group has applied the practical expedient method and transaction prices allocated to remaining performance obligations are omitted.

21 Segment Information

(1) Summary of Reporting Segments

Segment information for the years ended March 31, 2024 and 2023 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, 2024 and 2023 is omitted as the Group operates as a single segment.

(4) Related Information

(a) Information by products and service

Millions of yen						
Year ended March 31, 2024	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 20,255	¥ 7,143	¥ 4,220	¥ 5,656	¥ 7,198	¥ 44,473
Millions of yen						
Year ended March 31, 2023	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥19,758	¥7,986	¥4,713	¥5,844	¥7,275	¥45,576
Thousands of U.S. dollars						
Year ended March 31, 2024	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	\$133,778	\$47,179	\$27,874	\$37,354	\$47,539	\$293,724

(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, 2024 and 2023.

(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, 2024 and 2023.

(c) Information by major customers

Customers	Sales			Related segment
	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
PALTAC CORPORATION	¥ 16,138	¥ 17,174	\$ 106,587	Daily necessities
ARATA CORPORATION	11,093	11,269	73,266	Daily necessities

22 Related Party Transactions

(Years ended March 31, 2024 and 2023)

Not applicable

23 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 ¥564 million (U.S.\$3,727 thousand) and ¥743 million for the years ended March 31, 2024 and 2023, respectively.

24 Note to Consolidated Statements of Changes in Net Assets

Shares in issue and outstanding and treasury stock at March 31, 2024 and 2023 were as follows:
(Year ended March 31, 2024)

Number of shares in issue and outstanding:

Common stock 23,000 thousand

Number of shares held in treasury:

Common stock 713 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 issuance of treasury shares by the stock benefit trust (BBT): 47 thousand

The common stock owned by the Trust (223 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2024 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 19, 2023	¥ 450	\$ 2,974	¥ 20	\$ 0.13	March 31, 2023	June 5, 2023
Board of directors' meeting held on November 8, 2023	473	3,122	21	0.14	September 30, 2023	December 8, 2023

Dividends for which the record date was in the year ended March 31, 2024 and the effective date is in the year ending March 31, 2025 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 21, 2024	¥ 473	\$ 3,122	Retained earnings	¥ 21	\$ 0.14	March 31, 2024	June 3, 2024

(Year ended March 31, 2023)

Number of shares in issue and outstanding:

Common stock 23,000 thousand

Number of shares held in treasury:

Common stock 759 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: 13 thousand

The common stock owned by the Trust (270 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2023 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, 2022	¥ 428	¥ 19	March 31, 2022	June 6, 2022
Board of directors' meeting held on November 8, 2022	450	20	September 30, 2022	December 9, 2022

Dividends for which the record date was in the year ended March 31, 2023 and the effective date was in the year ended March 31, 2024 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 19, 2023	¥ 450	Retained earnings	¥ 20	March 31, 2023	June 5, 2023

25 Significant subsequent events

(Business acquisition)

At the Board of Directors' meeting on December 6, 2023, the Company resolved to acquire the business related to 'Nyantomo Clean Toilet,' a system toilet for cats by Kao Corporation, and subsequently entered into a business transfer agreement with Kao Corporation on December 11, 2023. As a result, the Company acquired the business on June 3, 2024 based on this agreement.

i. Overview of business acquisition

(1) Name of the counterparty company to which the business is being acquired and description of the business:

- | | |
|--------------------------------------|--|
| (a) Name of counterparty company | Kao Corporation |
| (b) Description of business acquired | Manufacture and sale of cat litter boxes, cat chips, cat sheets, cat mats, and cat urine test kits for the Nyantomo Clean Toilet system for cats, and related businesses |

(2) Purpose of business acquisition

After the change of president in June 2023, the Company pivoted to a new structure and formulated a new growth plan, known as the '100-Day Plan.' The plan includes 'Kaori (*) × Wellness × Global,' the theme for the Company's medium- and long-term strategies. We intend to develop the pet care business as a core business in the wellness field.

The Nyantomo Clean Toilet brand's products and activities, designed with cats in mind, have garnered a strong following among customers with a pet-first perspective. These offerings greatly complement the Company's pet care business, which aims to 'provide comfortable living spaces for pets through air care.' By combining the strength of the Nyantomo Clean Toilet brand with the deodorizing technology of 'S. T. PET,' the Company expects to realize synergies. These synergies are anticipated to enhance brand value and facilitate business development, which has led to the decision to acquire the business.

As a result, we will expedite the development of the pet care business, expanding and establishing it as a central pillar of our growth strategy.

(*) "Kaori" means Fragrance

ii. Cost of business acquisition and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition – Cash	¥ 5,000	\$ 33,023
Acquisition cost (*)	¥ 5,000	\$ 33,023

(*) As for the consideration for acquisition, the above amount is a provisional amount because price adjustment clause is attached in the business transfer agreement. As the price adjustment is expected in the future, the final acquisition costs will change.

iii. The details and amounts of major acquisition-related costs

Advisory fees, other: ¥120 million (\$794 thousand)

iv. Amount of goodwill arising, cause of goodwill, amortization method and the period

Not finalized to date.

v. The amount of assets acquired and liabilities assumed on the date of the business combination, and a detailed breakdown of the major components

Not finalized to date.

(Purchase business combination)

At the Board of Directors' meeting on May 20, 2024, the Company resolved to become the parent company of Shaldan Co., Ltd. This will be achieved through a partial share exchange (the "Partial Share Exchange,") effective July 1, 2024, in accordance with the partial share exchange plan prepared on the same date. The relevant proposal was submitted to the 77th Annual Shareholders' Meeting held on June 18, 2024 (the "Shareholders' Meeting,") and resolved at the Shareholders' Meeting.

i. Overview of business combination

(1) Name of the acquiree and description of its business

- | | |
|--------------------------|---|
| Name of the acquiree: | Shaldan Co., Ltd. |
| Description of business: | Non-life insurance agency business, real estate leasing business, other |

(2) Main reasons for business combination

The company aims to improve its shareholder composition and the liquidity of its shares

(3) Date of business combination (scheduled)

July 1, 2024 (effective date of partial share exchange)

(4) Legal form of business combination

Setting the Company's shares as consideration

(5) Name of the combined entity

No change.

(6) Percentage of voting rights acquired

Although the exact number has not been finalized at this time, the minimum number of common stock shares of Shaldan Co., Ltd. to be acquired will be sufficient to secure at least two-thirds of the voting rights.

(7) Primary basis for decision to acquire company

The Company will acquire at least two-thirds of the voting rights of Shaldan Co., Ltd. by issuing new shares, thereby making it a subsidiary.

ii. Issuance ratio by class of shares and the calculation method

(1) Issuance ratio by class of shares

20.41 shares of common stock of the Company will be allotted and issued for each share of common stock of Shaldan Co., Ltd.

(2) Number of shares to be issued

Although not finalized at this time, the Company will allot and issue 2,775,760 shares of common stock upon receiving the minimum number of Shaldan Co., Ltd. shares as described in section 1(6). If the Company acquires all shares of Shaldan Co., Ltd., the number of allotted and issued shares will increase to 4,163,640.

(3) Calculation method of partial share exchange ratio

The Company selected KPMG FAS Co., Ltd., a third-party organization independent from the Company and Shaldan Co., Ltd., to ensure the integrity and validity of the partial share exchange ratio used for the Partial Share Exchange, and obtained the Partial Share Exchange Ratio Calculation Report from KPMG FAS Co., Ltd. on May 17, 2024. Based on the calculation results, the Company has taken a comprehensive look at the assets and liabilities of Shaldan Co., Ltd., as well as the company's current state and future prospects. After careful consideration, the Company has determined that the issuance ratio mentioned in (1) above falls within the range calculated by KPMG FAS Co., Ltd. Furthermore, this ratio is deemed not to harm the interests of the Company's shareholders and is considered appropriate.

iii. Cost of acquiree and breakdown by type of consideration

Fair value of the Company's common stock issued on the business combination date: Not finalized to date.

Cost: Not finalized to date.

iv. The details and amounts of major acquisition-related costs

Advisory fees, other: ¥17 million (\$112 thousand)

v. Amount of goodwill arising, cause of goodwill, amortization method and the period

Not finalized to date.

vi. The amount of assets acquired and liabilities assumed on the date of the business combination, and a detailed breakdown of the major components

Not finalized to date.

vii. Other related matters

Following the Partial Share Exchange, the Company will be the surviving company and Shaldan Co., Ltd. will be the absorbed company.

Independent Auditor's Report

The Board of Directors
S.T.CORPORATION

The Audit of the Consolidated Financial Statements

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, 2024, 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, 2024, 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.

Recognition of revenue related to net sales in S.T.CORPORATION's daily necessities segment	
Description of Key Audit Matter	Auditor's Response
Net sales of ¥44,472 million recorded in the consolidated statement of income for the year ended March 31, 2024 included net sales of ¥39,879 million by S.T.CORPORATION (the "Company"), accounting for 89.7% of	We mainly performed the following audit procedures for the recognition of revenue related to net sales in the Company's daily necessities segment.

consolidated net sales.

The Company primarily operates the daily necessities segment, manufacturing and selling daily necessities, mainly to wholesalers in Japan. In the daily necessities segment, the Company is engaged in the air care, cloth care, thermal care, dehumidify care, and home care categories, and not only handles a large number of products, but the transaction amounts per product are small and the number of transactions processed on a recurring basis is large.

In addition, the Company's net sales in the daily necessities segment depend on the automated control of the sales distribution system. Since net sales recorded are calculated automatically by multiplying unit selling prices by sales volumes, net sales recorded that are not based on appropriate unit selling prices or sales volumes may result in recording erroneous net sales.

Based on the above, we determined the recognition of revenue related to net sales in the Company's daily necessities segment as a key audit matter.

- We performed net sales analysis by category (annually and monthly), trade receivables turnover analysis, and accounts receivable analysis by customer as risk assessment procedures.

- We evaluated IT general controls and assessed the design and operation of internal controls at the business process level, including sales distribution systems. We involved IT specialists from our network firm in the assessment of IT general controls.

- In order to assess the accuracy of net sales, we drew samples of journal entries recorded as net sales throughout the year and vouched them to transaction documents, including receipts.

- In order to assess the cut-off of net sales, we vouched sales recorded at or near the financial closing date to transaction documents, including receipts. We also inspected journal entries related to sales returns arising subsequent to the fiscal year-end to consider whether there were unusual amounts of returns after the financial closing date.

- We performed balance confirmations related to receivables balances for major business counterparties.

- We assessed journal entries input manually into the accounting system from all the Company's journal entry data.

Other Information

The other information comprises the information included in disclosure documents that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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 consolidated 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.

Fee-related Information

The fees for the audits of the financial statements of S.T.CORPORATION and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 57 million yen and 13 million yen, respectively.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 28, 2024

植村 文雄

Fumio Uemura
Designated Engagement Partner
Certified Public Accountant

玉木 祐一朗

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