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Value Creation

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Compilation Policy

This report is aimed at conveying our activities for creating the value of S.T. to all stakeholders and deepening their understanding of the S.T. Group. The subject period is the fiscal year ended March 2024 (April 1, 2023, to March 31, 2024). The fiscal years indicated in graphs and tables are those ending in March unless otherwise specified. The subject organizations are our company and S.T. (consolidated) unless otherwise specified. "S.T. Group" means the entire S.T. Group, "S.T. Group (in Japan)" means S.T. (non-consolidated) and domestic group companies, and "S.T. (non-consolidated)" means S.T. (non-consolidated). The guidelines we refer to are the Value Reporting Foundation (VRF), "International Integrated Reporting Framework," and the "Integrated Disclosure and Dialogue Guidance for Co-creation of Value" of the Ministry of Economy, Trade and Industry. This report was issued in October 2024.



Forward-looking Statements

This report contains forward-looking statements regarding S.T. CORPORATION's future plans, strategies, and performance. Such forward-looking statements are based on information available as of the issuance of this report. Please note that the company's actual performance might differ greatly from forward-looking statements due to various factors.

Data (Market Scale and Share)

The category period: January to December 2023 (cumulative for one year) for "deodorizers and air fresheners" (excluding those for clothes, automobiles, and removing viruses) and "mothproofing agents" (excluding those for dolls). Based on Intage SRI+ (in terms of value), "deodorizers" (for refrigerators) from 2021 to 2023 (cumulative for three years), "mothproofing agents for food" from 2019 to 2023 (cumulative for five years), and "disposable warmers" (excluding those for eye parts) from April 2023 to March 2024 (cumulative for one year).

Communication Map



For communication tools, please visit the Library on our website.

[Web](#)

Management Philosophy and Corporate Philosophy



Refreshing
the Air

Management Philosophy

- 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.

Corporate Philosophy

誠 実
Sincerity

Purpose



Ideas to touch the heart
for moments with smiles.

We all live share the air people breathe.

At S.T., we are with the air people breathe
at various stages of life.

Amidst busy schedules, one may only feel it in brief moments.
However, we want those moments to be slices of relief,
a time to return to normality and feel refreshed and re-motivated.
A time to smile.

We believe that small, daily smiles can be
the driving force for great happiness.

That's why we give our customers the utmost care.

What makes people happy?

What innovations would make people feel joy?

How can we make people love our products?

Through ideas unlike any others, we strive to touch hearts,
giving people a part of our day.

Imagine the smiles you'll have today.

Forte of S.T.



SHOSHURIKI



DASHUTAN
CHARCOAL



KOMETOBAN



MUSHUDA



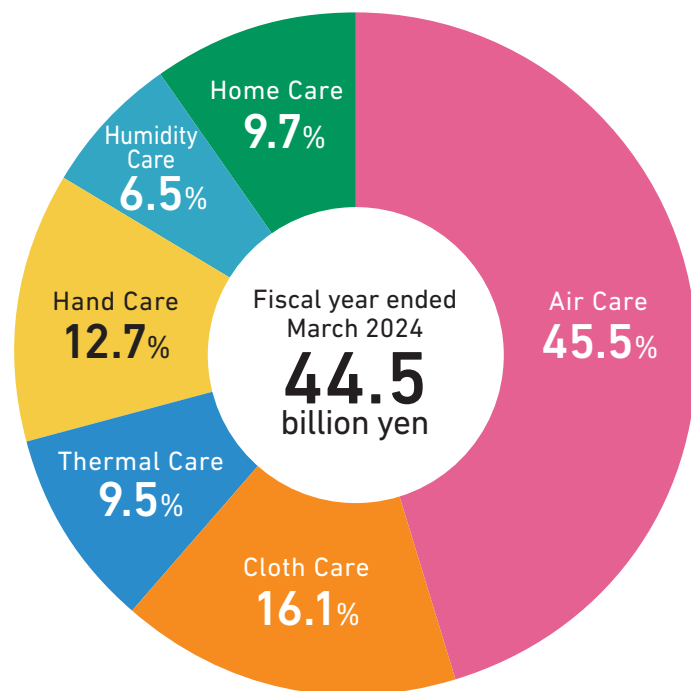
DRYPET



We have many **Unique Brands** in Niche Markets.

Business Overview

Sales Composition by Category



Air Care (Deodorizers and Air Fresheners/Deodorizers)



Home Care (Other)



Cloth Care (Mothproofing Agents)



Humidity Care (Dehumidifiers)



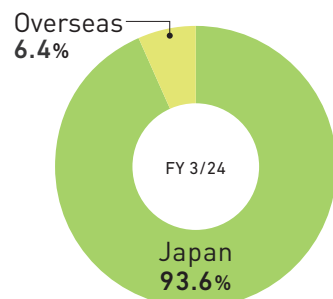
Thermal Care (Disposable Warmers)



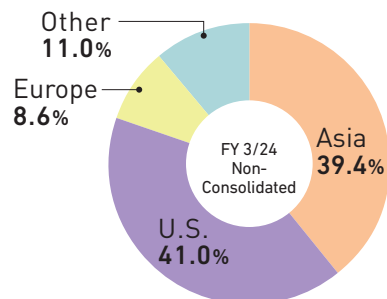
Hand Care (Household Gloves)



Breakdown of Sales by Region



Breakdown of Net Sales by Overseas Region



History of Value Creation

Founded in 1946, we started by manufacturing and selling mothproofing agents to solve the problem of insects eating kimonos.

Since then, we have grown by solving a variety of problems and discomforts in people's lives with our unique Air Care core technologies and delivering refreshing and soothing feeling to our customers.

Founding period From 1946

Solidifying the business foundation as a manufacturer

After the war, many women were saddened by their precious kimonos being eaten by insects. Seiichi Suzuki, one of the founders, saw his mother experiencing the same concern and established S.T. Chemical Industries Co., Ltd., the predecessor company, in 1946 and started manufacturing and selling mothproofing agents.

- 1946 S.T. Chemical Plant founded
- 1948 Establishes S.T. Chemical Industries Co., Ltd.
- 1964 Establishes Saitama Plant in Honjo City, Saitama Prefecture



1948 Establishes S.T. Chemical Industries Co., Ltd.

Growth period From 1970

Creating new markets through aggressive investment

From around 1970, the Japanese economy accelerated its growth. Along with this, the living environment changed significantly, and new lifestyle concerns and needs emerged. In 1971, we entered the air freshener market, and in 1981, we created the new dehumidifier market. Since 1985, we have been actively operating business overseas.

- 1974 Establishes Iwaki Plant in Iwaki City, Fukushima Prefecture
- 1982 Changes company name to S.T. Chemical Co., Ltd.
- 1984 Public offering of shares for OTC trade with the Japan Securities Dealers Association
- 1988 Establishes joint venture Family Glove Co., Ltd. (Thailand)
- 1988 Establishes joint venture Family Glove Co., Ltd. (Taiwan)
- 1988 Establishes joint venture company Shaldan (Thailand) Co., Ltd.
- 1988 Establishes Moji (Kyushu) Plant in Kitakyushu, Fukuoka Prefecture
- 1989 Acquires Excel Products [U.S.A.]
- 1991 Shares designated for the First Section of the Tokyo Stock Exchange

Mature period From 1990

Strong and flexible management

Since 1990, the economy has stagnated as the domestic population growth has slowed. We implemented a management reform of "narrowing down and concentration" to shift from the previous expansion policy to the pursuit of a strong and flexible structure. Our current major brands, such as "SHOSHURIKI," "DASHUTAN CHARCOAL," and "KOMETOBAN," were born around this time.

- 1994 Sold Excel Products [U.S.A.]
- 2001 Completion of the S.T. R&D Center
- 2002 Consolidates 3 plants and 5 bases in Japan to 3 bases
- 2003 Forms sales and office-work tie-up with Mycoal Co., Ltd.
- 2004 Establishes Japan Aroma Laboratory Co., Ltd.
- 2004 Adopts Company with Committees system
- 2007 Changes corporate name to S.T. CORPORATION



2001 Establishes S.T. R&D Center

Turning point From 2010

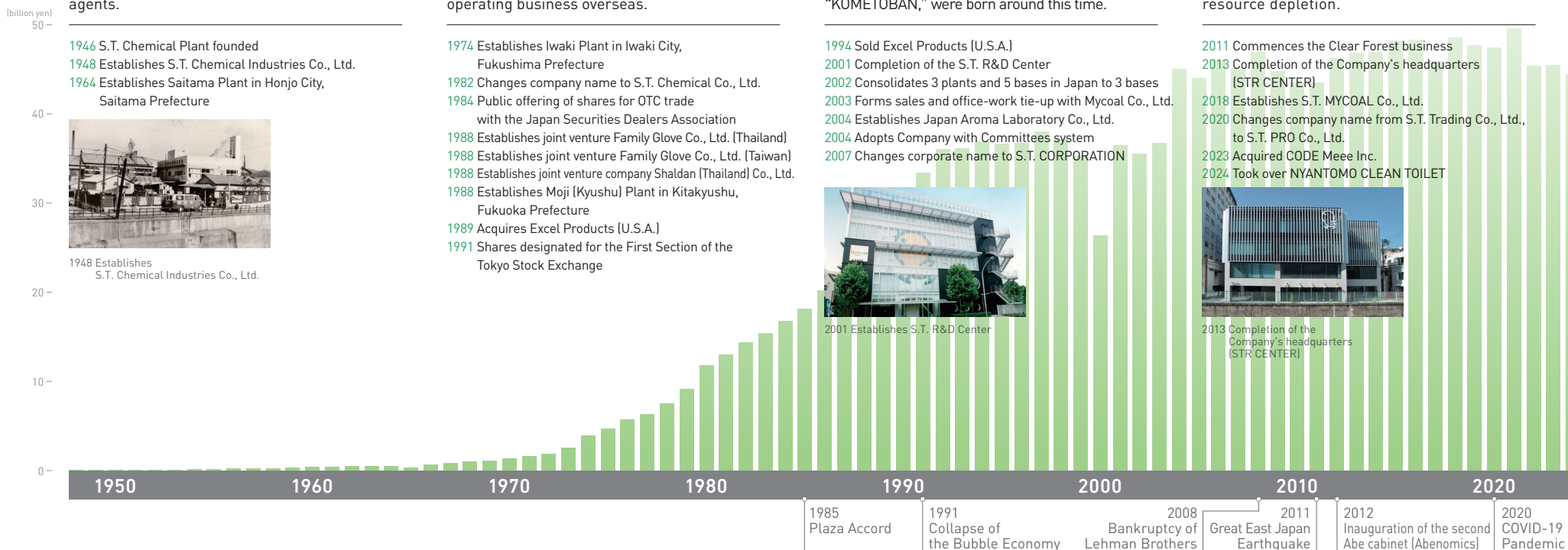
Management for exploration and deepening

In the 2010s, the times began to change dramatically toward the green economy. In addition to providing products and services in response to changes in consumer values and lifestyles, we are promoting management that considers all stakeholders by reducing CO₂ emissions and responding to resource depletion.

- 2011 Commences the Clear Forest business
- 2013 Completion of the Company's headquarters (STR CENTER)
- 2018 Establishes S.T. MYCOAL Co., Ltd.
- 2020 Changes company name from S.T. Trading Co., Ltd., to S.T. PRO Co., Ltd.
- 2023 Acquired CODE Meee Inc.
- 2024 Took over NYANTOMO CLEAN TOILET

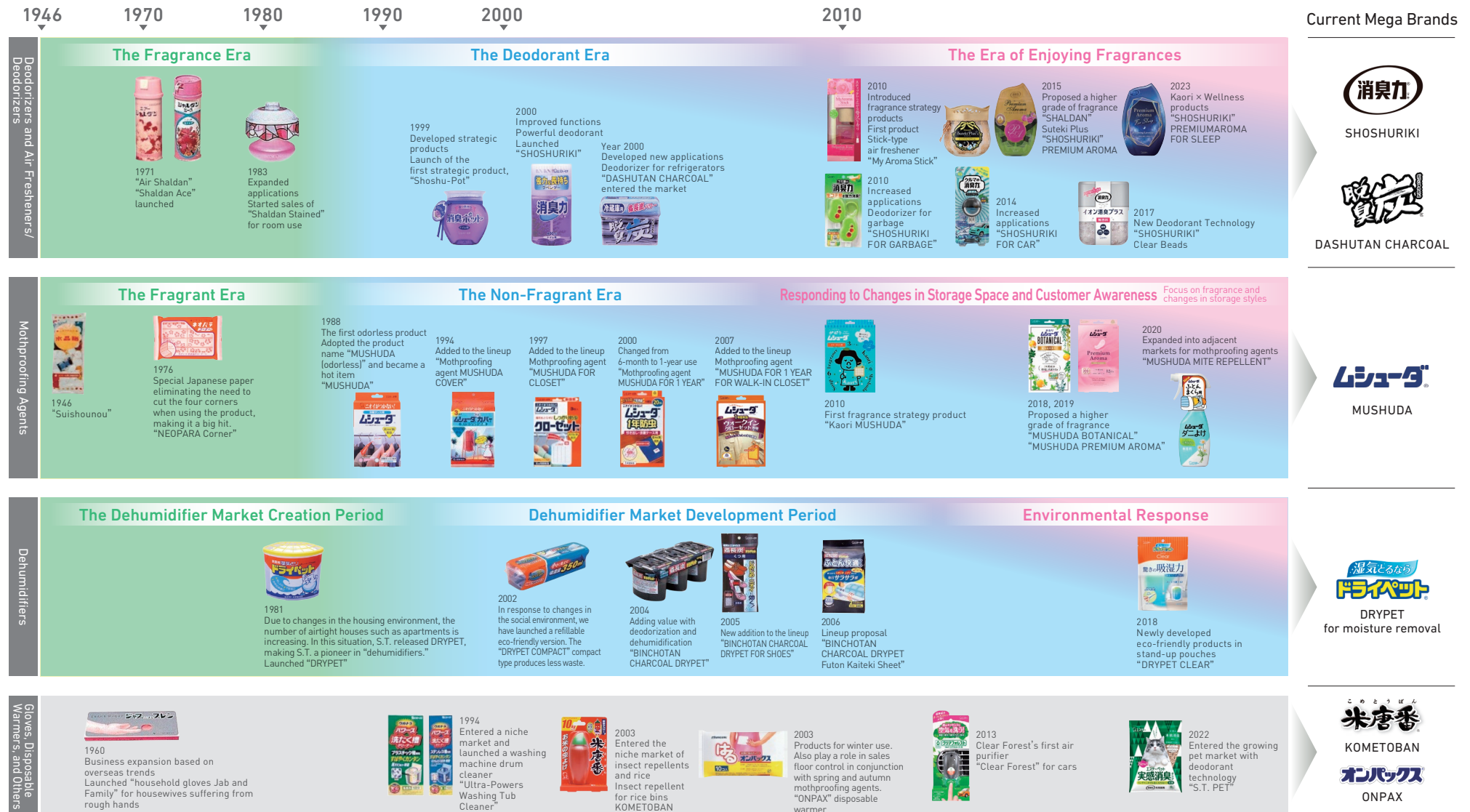


2013 Completion of the Company's headquarters (STR CENTER)



History of Brand Value Creation

In response to the trends of times, S.T. has brought enrichment to customers' lives by revolutionizing its brand and putting into practice its corporate slogan, "Refreshing the Air."



President's Message



We will create value by combining
“Kaori × Wellness,” and bring
smiles to more customers while
fortifying our business base.

President & CEO *Yo Kozaki*

First, I would like to express my profound apology to stakeholders for causing significant inconvenience and worry as the Consumer Affairs Agency ordered our corporate group to take corrective measures in accordance with the Act against Unjustifiable Premiums and Misleading Representations in April 2024. Taking this matter very seriously, I will make the utmost efforts to identify the root cause and prevent the recurrence of such an incident.

Review of the fiscal year ended March 2024

In the fiscal year ended March 2024, our business performance remained sluggish. Primarily owing to a decline in sales of Cloth Care products, such as mothproofing agents, which are our core products, net sales fell 2.4% year on year to 44.5 billion yen. In addition, operating income dropped 44.5% year on year to 1.3 billion yen, as we invested further in R&D and the Pet Care business. In the fiscal year ended March 2024, we revised the prices of “SHOSHURIKI” Spray for Toilets, for which the sales volume is the largest in our corporate group; “DASHUTAN CHARCOAL” and “KOMETOBAN,” which maintain large market shares; and “disposable warmers,” in response to the recent skyrocketing of raw material prices. However, profit dropped considerably from the previous fiscal year as the product mix worsened due to the decline in sales volume of moth repellants, which are a mainstay; the effects of soaring raw material prices; and higher-than-expected exchange rates. As for reducing the number of products, mainly less profitable ones, we decreased the number of products (SKUs) by more than 20% from about 850 at the end of August 2023 to 658 at the end of March 2024, and expect a further reduction of 30% (the initial goal) by the end of March 2025.

Review of my first year as President

The fiscal year ended March 2024 was the first fiscal year of a management system in which an employee like myself became the company's top executive unlike the previous system in which founding family members led the company. After I was appointed President, I hoped to determine the direction of the company after listening to the opinions of employees and grasping the on-site situation, so I visited all the sections, factories, and other facilities during my first six months after assuming the presidency to have dialogues with employees. I have worked for the S.T. Group for 37 years, developing my career in the fields of sales and marketing with experience in R&D as well. Accordingly, I thought that I understood the on-site situation as a whole. There were few sites, sections, or staff I had never seen. However, when I talked with on-site staff, I realized that there were many things that were different from what I thought was right and that I did not understand the on-site situation well enough. My mindset as President changed considerably. Then, I launched the "100-day project," a new growth plan introduced in last year's integrated report, and formulated the medium-term management plan "SMILE 2027" based on that. We announced the medium-term management plan externally, but I am not yet satisfied. We laid out our direction, but some numerical goals, businesses, and individual transactions did not reach the level to be disclosed, so I believe that the transparency of the integrated report can be improved. I recognize that this is a remaining task to be solved.

Formulation of a purpose based on "smiles"

When formulating the medium-term management plan, I reviewed the corporate ethos "Sincerity," which we have upheld since the inauguration of our business, and the management philosophy, and revisited the original

Purpose

Ideas to touch the heart
for moments with smiles.

ambition of our corporate group. Our management philosophy is replete with important elements for current business administration, such as innovation, human capital, and sustainability, and I realized that all of these are what we should work on now.

Our management philosophy is excellent, but its objectives have not been diffused enough among employees. In addition, some believe that we should break away from conventional method to get our corporate group back on a recovery track as we have not released a major hit product in recent years and our performance and share price have been stagnant under the rapidly changing business environment. As a new management system has been adopted, many employees think that it is essential to discuss "the value of existence of our company" and "where we should head from now on," so I decided to formulate our purpose quite early. In formulating our purpose, I conducted questionnaire surveys targeted at all employees, listened to the voices of external intellectuals, had dialogues with business partners, and then thoroughly discussed the characteristics of S.T. CORPORATION and the paths we aim to follow with the executives of our corporate group.

As a characteristic of S.T. CORPORATION, we have developed products based on our unique ideas to bring convenience to the lives of customers. We set a purpose of "Ideas to touch the heart for moments with smiles" while

hoping to increase the moments when customers have a smile in their daily lives by attending to them sincerely.

Based on this purpose, we discussed our ideal state 10 years from now and set a goal of "From a daily necessities manufacturer to a wellness company" with the aim of making customers healthier and bringing smiles through our products and services.

We have thought of ourselves as a corporate group that offers value by bringing convenience to consumers with daily necessities but without thinking outside the box. Our selling methods, too, were cookie-cutter. Our sales channels were limited to distributors, mainly drugstores, and we have competed in the existing domain without breaking the mold. From now, we will break away from that cookie-cutter approach to expand our business domain further to compete in the wellness market. Then, we will transform our company, "From a daily necessities manufacturer to a wellness company," by expanding the scope of each business category to cover "wellness."

The next action expected of employees based on the purpose

I have said to employees that "they are allowed to do anything" to bring "moments of smiles" to customers. In our corporate group, management does not give meticulous orders, and I myself have grown while fulfilling tasks that stirred my interest or matched my preferences. Some projects were successful, whereas others ended in failure, but our corporate group always has an atmosphere that supports the willingness to take on challenges, stating that you can try again after failure. I would like to cherish this corporate culture and further energize this culture in our company.

You can have a smile in a broad range of fields, and I think that each smile has a different level of quality. For example, a customer will smile when an unpleasant smell

disappears thanks to a deodorant, but a customer will have a better smile when their life becomes richer. We uphold the concept of “a wellness company” with the hope of bringing such smiles to customers.

The scale of the global wellness market is said to be 5.6 trillion U.S. dollars, as “wellness” has a broad range of meanings, including travel, fitness, and pharmaceuticals, as well as happiness and health. I think that there are few companies that do not aim to achieve “wellness” in the world. As we aim to develop into a “wellness company,” we need to first discuss how to achieve wellness by utilizing our own businesses, technologies, and brands.

In particular, Pet Care and Air Care would contribute to wellness. “SHOSHURIKI” PREMIUMAROMA FOR SLEEP, which was recently released by our corporate group, is a product to support customers in developing a comfortable sleeping space. Currently, we engage in collaborative research with various research institutes and universities on addressing such issues as sound sleep and stress mitigation through “aroma.” Regarding Pet Care, some research indicates that living with a pet has the effects of healing, preventing dementia, and extending healthy life expectancy. I also think that “disposable warmers” contribute to wellness in the femtech field, thereby addressing women's health concerns.

Medium/long-term risks and issues to be solved

While aiming to realize the ideal state 10 years from now, we are paying close attention to the decline of the Japanese population as a change in the external environment. Our corporate group is pursuing the strengthening of our overseas business as a future policy, but domestic sales now account for more than 90% of total sales. The total number of consumers

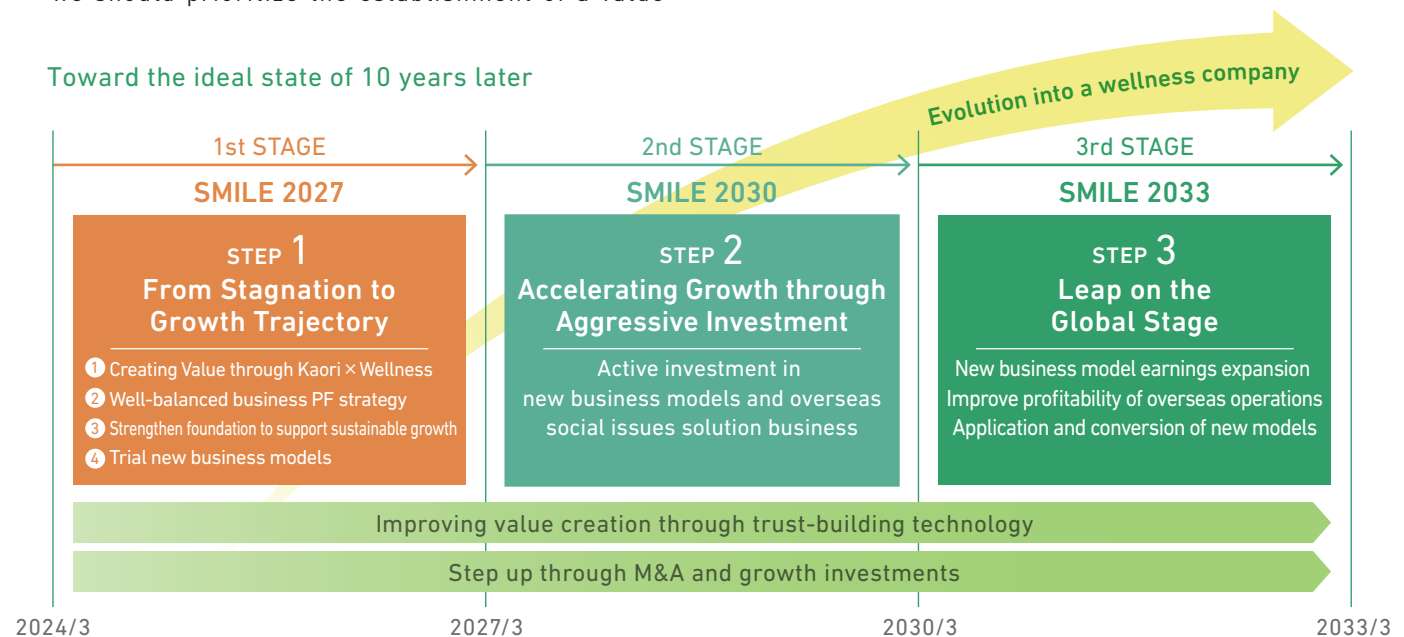
targeted by our corporate group will decrease, and the shrinkage of the labor force caused by the declining birth rate and the aging society is another serious problem from the viewpoint of securing human resources. I am afraid that it will become difficult to secure excellent personnel unless we can demonstrate our positive characteristics as an enterprise.

The trend of the Japanese market includes a drastic change in lifestyles due to climate change and the diversification of values, and it is impossible to sufficiently adapt via conventional products and selling methods. To establish a firm position in the Japanese market, it is indispensable to develop products and services that will generate new value, establish new methods for communicating with customers, and enhance or enrich strategies for human resources and financial affairs. In particular, I believe that we should prioritize the establishment of a value

provision base with keywords such as “Kaori,” “Wellness,” and “Global” for medium/long-term business operation.

While recognizing such an external environment and our issues to be solved, we should discuss how to realize further growth with vigor in order to reach the ideal state 10 years from now. We have designed concrete steps in our medium-term management plan, which defined three stages, each of which spans three years. In the first three years until the fiscal year ending March 2027, we will move out of stagnation and get back on a recovery track. In the following three years, we will accelerate growth by actively investing in new business models and overseas businesses, and take steps to evolve into a world-class enterprise by the fiscal year ending March 2033, about a decade from now.

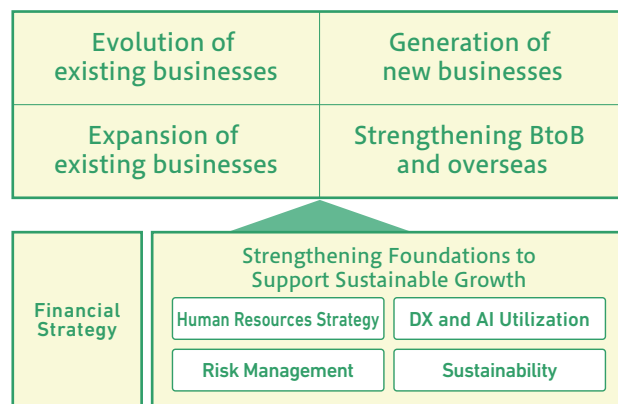
Toward the ideal state of 10 years later



Growth strategy in the medium-term management plan “SMILE 2027”

To get back on a recovery track by the fiscal year ending March 2027, we classified our growth strategies into four categories—“expansion of existing businesses,” “evolution of existing businesses,” “strengthen BtoB and overseas,” and “generation of new businesses”—to clarify the strategy for each business. Considering the features of each category, we will allocate human resources, materials, and funds efficiently, effectively, and swiftly. In particular, we will concentrate our managerial resources on the “evolution of existing businesses” to improve profitability. I think that it is unlikely that the strengthening of the BtoB and overseas channels and the generation of new businesses will contribute to revenues significantly in the coming three years, but we will determine the direction for our business and strive to accelerate growth while taking steps toward the fiscal year ending March 2030.

Medium-term management plan



1. Expansion of existing businesses

The current scale of S.T. CORPORATION is not enough to embark on something new. In our existing businesses, we need to narrow down our business domains in which we

have absolute confidence, concentrate our resources onto them, and enrich our businesses. We will proceed with the strategy while considering that we cannot survive unless we develop a domain in which we will never lose.

Such a domain includes mothproofing agents. Until around the time when I joined S.T. CORPORATION, our share in the market of mothproofing agents was the second or third place, but we occupied the largest market share around 30 years ago. Our mothproofing agents, which are a primary source of profit for our corporate group, now have a market share above 50%, although we struggled for several years. On the other hand, the environment surrounding mothproofing agents has changed, so we need to respond to that. Sales used to peak at the beginning of May and at the beginning of October due to the seasonal change of clothing, but such seasonal fluctuations have become less acute in recent years. At present, customers can change clothes anytime and often do due to the effects of climate change, changes in consumer sentiment, and the increasing prevalence of walk-in closets. Accordingly, we planned sales promotion measures for the off-season periods from June to July and from December to January, and released “MUSHUDA” NOTE with an enhancing aroma that not only repels bugs but also makes a storage space cleaner, thereby appealing to the younger generation. We will switch from TV commercials to social media and digital promotion to reel in young people in their 20s or so.

2. Evolution of existing businesses

In the evolution of existing businesses, we will release high-value-added products in the Air Care business while developing the Pet Care business as the mainstay. This domain is the highest priority investment target in the current medium-term management plan.

In the Pet Care business, we released “NYANTOMO CLEAN TOILET” in June 2024, after we announced that we took over the business from Kao Corporation in December 2023. This is a product nurtured by Kao Corporation for more than 20 years with the hope of protecting the health

of cats and extending their life expectancy. Inheriting Kao’s ambition and hope, we will develop the business as a core one while combining it with the Pet Care business our corporate group has been operating. As the major sales channels of Kao Corporation have been their EC site and home improvement centers, we will promote sales by distributing products through drugstores as new sales channels, in which our corporate group has advantages.

Air Care is a domain we hope to occupy as “a domain in which we will never lose” like moth repellants. We will implement a strategy for high added value and evolve the business so that we will survive in the Air Care market in a broader sense. We will evolve the domain into a wellness one by supporting customers in developing a cozy sleeping space with products such as “SHOSHURIKI” PREMIUMAROMA FOR SLEEP in addition to products with good aroma. By the end of the fiscal year ending March 2025, we plan to release new air-care products targeted at young people.

3. Strengthening BtoB and overseas

We will utilize existing technologies and products to cultivate new markets and meet new needs while strengthening BtoB and overseas channels.

Sales from overseas businesses accounted for 6.4% of total sales in the fiscal year ended March 2024. However, in China, where we invested in aggressive sales promotion during that fiscal year, sales slumped, and we recognize the need to revise our strategy drastically. For the time being, we will allocate resources to the ASEAN region, particularly Thailand, where our premium air-care products are selling well and where our corporate group has a local subsidiary, aiming to strengthen and develop our overseas channels.

Until now, we have been carrying out our overseas business by exporting our best-selling products in Japan to overseas markets and watching how the market responds. However, in our company, which aims to earn profit globally 10 years from now, I believe it is necessary to have another in-depth discussion about where to compete, what to compete for, and how to compete and review the



fundamental strategy. For example, even if we were to compete in fragrances, even within the ASEAN region, the lifestyles, favorite fragrances, and sensibilities of Thailand, Indonesia, and the Philippines are completely different from one country to another. Our current corporate group does not have the stamina or resources to compete by changing the fragrances for each country.

I believe that when we compete overseas, we should compete not only on the basis of fragrance preferences but also on the appeal of wellness, such as the benefits of fragrance itself and the improvement of quality of life, which will be a powerful winning strategy that will be accepted globally. We will develop our business by combining “wellness” with products and services that enhance the quality of life and satisfaction in the areas of “fragrance” and “pet care.” While these businesses are still being established in Japan, we believe that applying and developing them into a form that can be accepted globally, based on success stories in Japan, will be a powerful winning strategy overseas. In addition, it is important to choose the right partners in overseas markets and to build a foundation for the business. Once a winning strategy is found, overseas M&A is also conceivable.

On the other hand, we sense that there is scope for business expansion in the BtoB domain in Japan. Until now, gloves have accounted for 70% to 80% of our BtoB sales, but we have established a policy to expand Air Care, which is expected to be more profitable, in the BtoB domain and are proceeding with structural reforms. Air Care has already increased its sales to nearly half of the total BtoB sales, and we can see the improved effect on profits.

In addition, Air Care for BtoB does not only target toilets. If used at the entrance of a large space such as hotels, it will not only provide a place for hotel employees to work but also contribute to improving the satisfaction level of hotel guests. The optional service of providing “MUSHUDA” mothproof covers at dry cleaning stores avoids the hassle of tearing and discarding disposable plastic covers after customers return home, not only creating environmental value by reducing the amount of plastic waste generated but also realizing “three-way satisfaction” with benefits for dry cleaning stores that want to increase average spending per customer amid the decline in suit-wearing opportunities following the COVID-19 pandemic.

In the BtoB domain, we believe if we can choose existing products and business categories to focus on, we can develop products for them and capture significant potential demand. The BtoB area has potential as a market in that it is less susceptible to a direct decline in the domestic population, and it is attractive from the perspective that not many competitors have entered the market at this time.

4. Generation of new businesses

Regarding the generation of new businesses, we consider the next three years to be a period of investment, and we will develop these businesses so that they will be able to be monetized by 2030. Creating a new business model using Clear Forest, building a direct-to-customer (DtoC) business, and implementing a pilot business that solves social issues are the second tier of investment priorities after “evolution of existing businesses” and will be

pursued with a view to growth over the medium to long term.

In generating these new businesses, the group’s strength lies in its connections with its customers and the strength of its brand in Japan, which is the basis of the group’s business. Through our long-selling products, we have fostered a reliable relationship between the company’s brand and our customers, and such intangible assets have become our strength and a driving force that motivates us to take on new challenges. In the Clear Forest business, we have been constantly pursuing R&D through continuous investments in partnerships with research institutes and universities. More recently, we have also been focusing on R&D and putting effort into building an intellectual property strategy.

Management base to support growth strategies

To support the growth strategies in the four categories, we will define financial and human resources strategies as the management foundation and aim for sustainable growth while leveraging DX and AI.

With regard to financial strategies, we aim to improve ROE and PBR by improving our balance sheet, making capital cost-conscious investment decisions, and increasing engagement with the capital markets in order to enhance corporate value. We will define a clear cash allocation policy, including both strategic investments for growth and investments for productivity improvement, aiming to accelerate growth while maintaining a virtuous cycle of investment returns. In addition to the operating cash flow to be generated during the period of the current medium-term management plan, our company will ensure the strategic allocation of funds to business areas that are geared toward the creation of high added value while considering the use of cash on hand and, if necessary, the possibility of borrowing funds. In particular, we will aggressively promote investments in areas that will

enhance our ability to create value in the future, such as strengthening research and development as well as securing and fostering human resources. We will promote measures to further reduce the cost of shareholders' equity, while assuming a cost of shareholders' equity of 7%. Furthermore, we will strive to further enhance shareholder returns, aiming for a DOE of 3% while maintaining a stable dividend as our basic policy. In May 2024, we announced the acquisition of Chardin Co., Ltd., as a subsidiary, and in conjunction with this acquisition, we are reviewing our shareholder structure to increase the liquidity of our shares, thereby enhancing our corporate and shareholder value.

With regard to our human resources strategy, our medium- to long-term challenge is to continue to grow in size as a group in the future and to create a system that can earn profits by increasing productivity even with the same number of employees. To improve labor productivity, we will strongly promote the use of DX and AI, and by endeavoring to trigger innovation with the united efforts of all employees, we will strive to establish an environment in which all employees, both men and women regardless of age, can contribute to the wellness of our customers.

Promotion of sustainability management

When working on sustainability management, we will strive to achieve solutions to social issues and increase sustainable corporate value through social and environmental initiatives and contributions to the wellness of our customers under the governance structure required of a true public company.

To further strengthen our sustainability management, we have identified risks that could affect our management and launched the Sustainability Council to centrally manage company-wide risks. In April 2024, we established the Quality Management Division to provide products and services that are more reliable to customers and strengthen quality management. The Quality Management Division is

positioned at the same level as the Manufacturing Division and the R&D Division, and thereby we have a system in place to immediately share opinions. In addition, the Customer Relations Office continues to be under the direct control of the President, and to ensure that customer opinions are promptly reflected, the office conducts weekly checks and discloses and shares customer opinions with executives to ensure that "Customers First" is thoroughly implemented.

We also recognize that it is our responsibility as a company to address environmental measures such as reducing plastics and CO₂ emissions, and we intend to realize the goals set forth in our medium-term management plan. At the same time, we believe that collaboration with partners will have a greater impact than the efforts of our company alone in areas such as new recycling-oriented businesses like "Clear Forest" and coexistence with nature, and we will actively promote initiatives in these areas as well.

In addition, we are taking seriously the order from the Consumer Affairs Agency, as I mentioned at the beginning of this report. The order was based on the judgment that the materials submitted by our group as the basis for the indication on the packages of four products in the "MORILABO" series, such as "Blocking Pollens with Fragrance," were not deemed to provide a reasonable basis to support the indication and that the materials were a misleading representation of good quality. To find the root cause of this situation, including the group's attitude toward manufacturing and employees' awareness of the spirit of compliance with laws and regulations, we will investigate what caused this situation, go back to the basics of manufacturing, and sincerely review all processes and areas to see if there are any areas where we have been doing things in our own way.

To our stakeholders

For our employees, among our stakeholders, we will focus on improving salary levels and job satisfaction to improve

the well-being of all employees under the policy, "business administration involving all staff," that we have set forth. Having a real sense of how each individual's efforts and the group's businesses contribute to society and how they can improve people's standard of living is rewarding work. This is exactly what we are striving to achieve in terms of purpose and wellness. We aim to be called a platinum company not only in terms of salary level but also in terms of job satisfaction. To achieve this goal, our most pressing issue is how to achieve high profitability in our existing businesses.

For our shareholders, we will strive to increase corporate and shareholder value through improving profitability and achieving our medium- and long-term plans via returns based on dividends. To this end, we will firmly establish a corporate structure and framework that will enable the company to grow permanently, including the development of human resources. Expanding the scale of our operations in terms of sales and profits is one of my goals, but I would also like to enhance not only the scale of our operations but also our presence in society, which will lead to an increase in our stock price and corporate value.



Material Issues

Material issues	Issues	Opportunities	Risks	Key initiatives (taking into account opportunities and risks)
Focusing on new business instead of existing business	Strengthening the profitability of existing business	●		Strengthening the profitability of the core business in Japan
	Entering new markets	●		Developing the BtoB market
		●	●	Entering the growing Asian markets
		●		Creating new business models and entering new areas
Responding to changes in consumer preferences and purchasing behavior	Generating new products and new businesses for the new era	●	●	Strengthening the development of functional materials that are healthy and natural
				Creating new businesses that contribute to solving various social issues (sustainability transformation [SX], super-aging society, infectious diseases)
	DX to respond to changes in purchasing behavior	●	●	Achieving direct marketing targeted at customers through DX
				Developing a service and solution model through DX
Creating a system for co-creation of value and securing human resources	Creating an organization capable of innovation and securing human resources	●	●	Strengthening human capital
		●	●	Improving labor productivity through DX
		●	●	Achieving a good working environment
			●	Responding to human rights and labor
	Building relationships for a sustainable supply chain		●	Avoiding losses caused by the occurrence of ESG risks in the supply chain
			●	Addressing supply chain instability due to geopolitical risks
Promoting environmental protection activities	Contributing to a decarbonized society	●	●	Responding to the loss of competitiveness due to delays in GHG reductions, increased environmental impact costs, and growing demand for decarbonized products
	Addressing resource depletion and the circular economy	●	●	Responding to the growing demand for products made with fewer resources and less plastic
Promoting clean, fair, and honest corporate governance as a true public company	Building a resilient management foundation		●	ERM management
		●	●	Comprehensive quality control
			●	Compliance with BCP
			●	Responding to incidents
			●	Strengthening compliance
	Strengthening management supervision	●	●	Enhancing the transparency and effectiveness of the Board of Directors
		●	●	Creating a succession plan

Process of extracting material issues

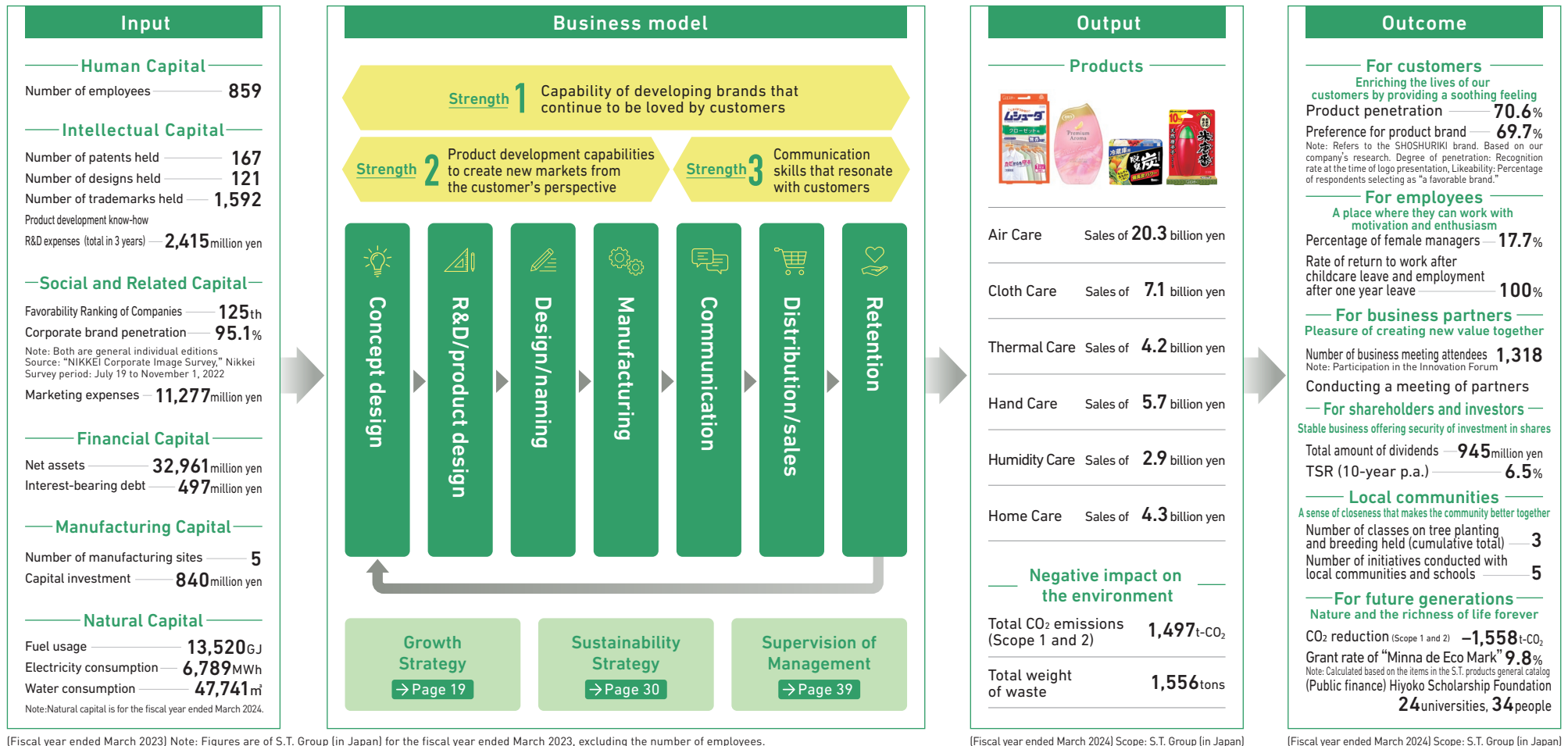


Policy for evaluating material issues and determining their priorities



Value Creation Process

Purpose Ideas to touch the heart for moments with smiles.



(Fiscal year ended March 2023) Note: Figures are of S.T. Group (in Japan) for the fiscal year ended March 2023, excluding the number of employees.

(Fiscal year ended March 2024) Scope: S.T. Group (in Japan)

(Fiscal year ended March 2024) Scope: S.T. Group (in Japan)

Material issues

- Focusing on new business instead of existing business
- Responding to changes in consumer preferences and purchasing behavior
- Creating a system for co-creation of value and securing human resources
- Promoting environmental protection activities
- Promoting clean, fair, and honest corporate governance as a true public company

External environment

- Declining domestic population and super-aging population
- Slow recovery from deflation in the Japanese economy
- Drastic changes in the international situation and economic environment
- Rise of the Global South
- Progress of digitalization
- Strengthening of various regulations
- Increased geopolitical risks in Ukraine and the Middle East
- Acceleration of global warming
- Progress of the circular economy
- Growing concern about human rights and supply chains

Significant Non-financial Capital and Business Models



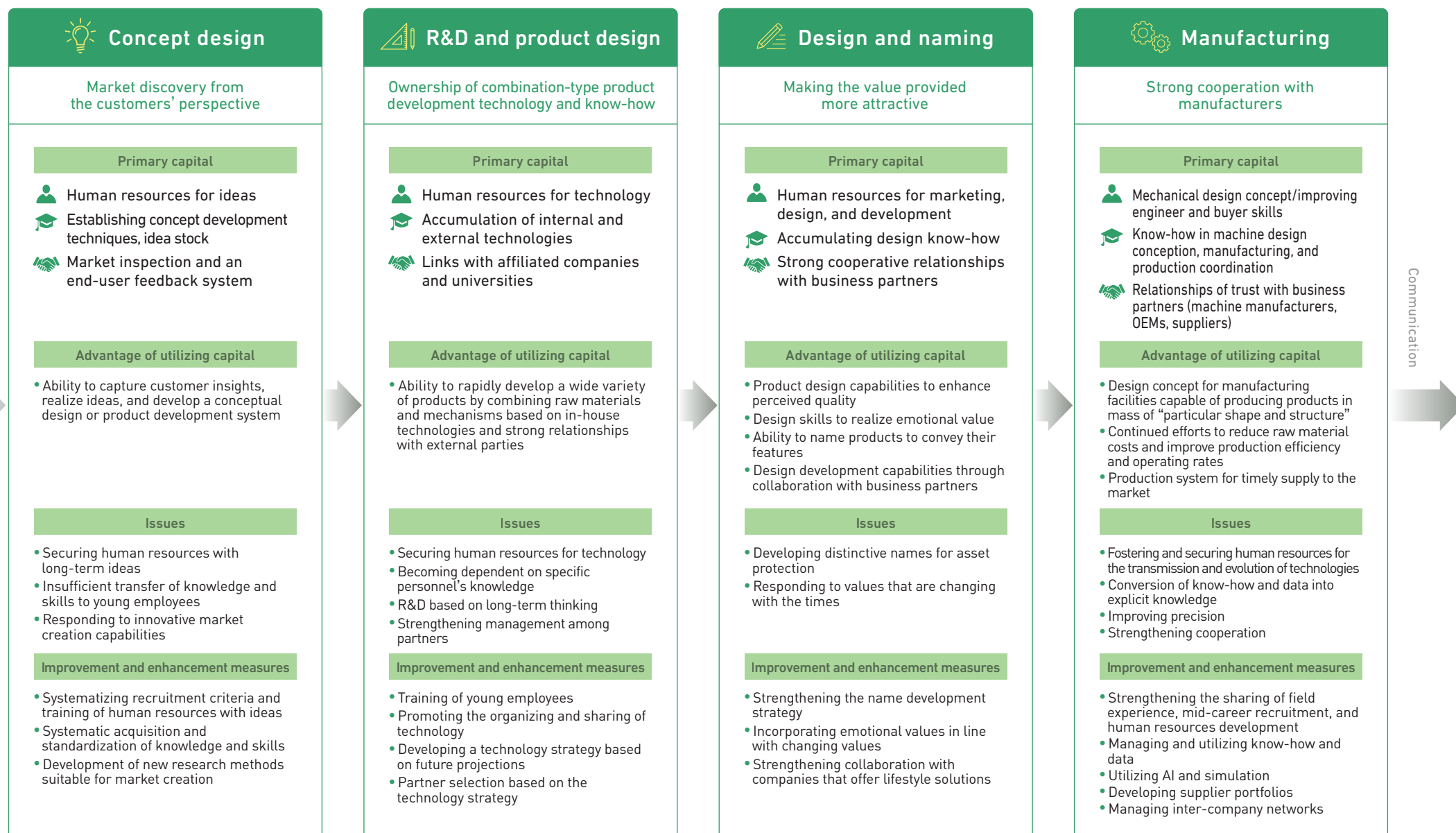
Human Capital



Intellectual Capital



Social and Related Capital





Human Capital



Intellectual Capital



Social and Related Capital



Communication

Gaining high recognition and customer affinity

Primary capital

- Communication planning capabilities through human resources for public relations and advertising
- Recognition and preference
- Long-term relationships with advertising agencies, talent, and media

Advantage of utilizing capital

- Creating an image with a sense of closeness and security through a system that integrates public relations and advertising
- Information dissemination by the top management itself
- Tackling the challenge of new communication methods

Issues

- Strengthening ability to respond to evolving media
- Responding to optimal media mix
- Enhancing ROI management

Improvement and enhancement measures

- Strengthening the organization to respond to evolving media and communication methods
- Systematizing ROI management based on data



Distribution and sales

Early and stable realization of retail outlets

Primary capital

- Human resources for sales
- Accumulating sales know-how and data
- Relationships with distributors, wholesalers, and dealers

Advantage of utilizing capital

- Sales proposal capabilities with a view to increasing sales of the entire category
- Sales area development capabilities to create new sales areas
- Sales activities focusing on touchpoints with customers
- Horizontal development of successful cases
- Rapid and stable supply chain system (simultaneous nationwide vertical launch)

Issues

- Responding to the distribution reorganization
- Strengthening the knowledge of data and know-how
- Responding to new channels

Improvement and enhancement measures

- Strengthening business negotiations in chains and across regions
- Promoting DX in the marketing field
- Strengthening relationships with new channels



Retention

Building a sustainable relationship with customers

Primary capital

- Customer support and public relations personnel
- Accumulation, management, and analysis of customer support know-how and data
- PR and CS support companies

Advantage of utilizing capital

- High telephone service skills (e.g., achievements in contests)
- Information sharing system that uses customer feedback to improve products and services
- Providing useful information for daily life

Issues

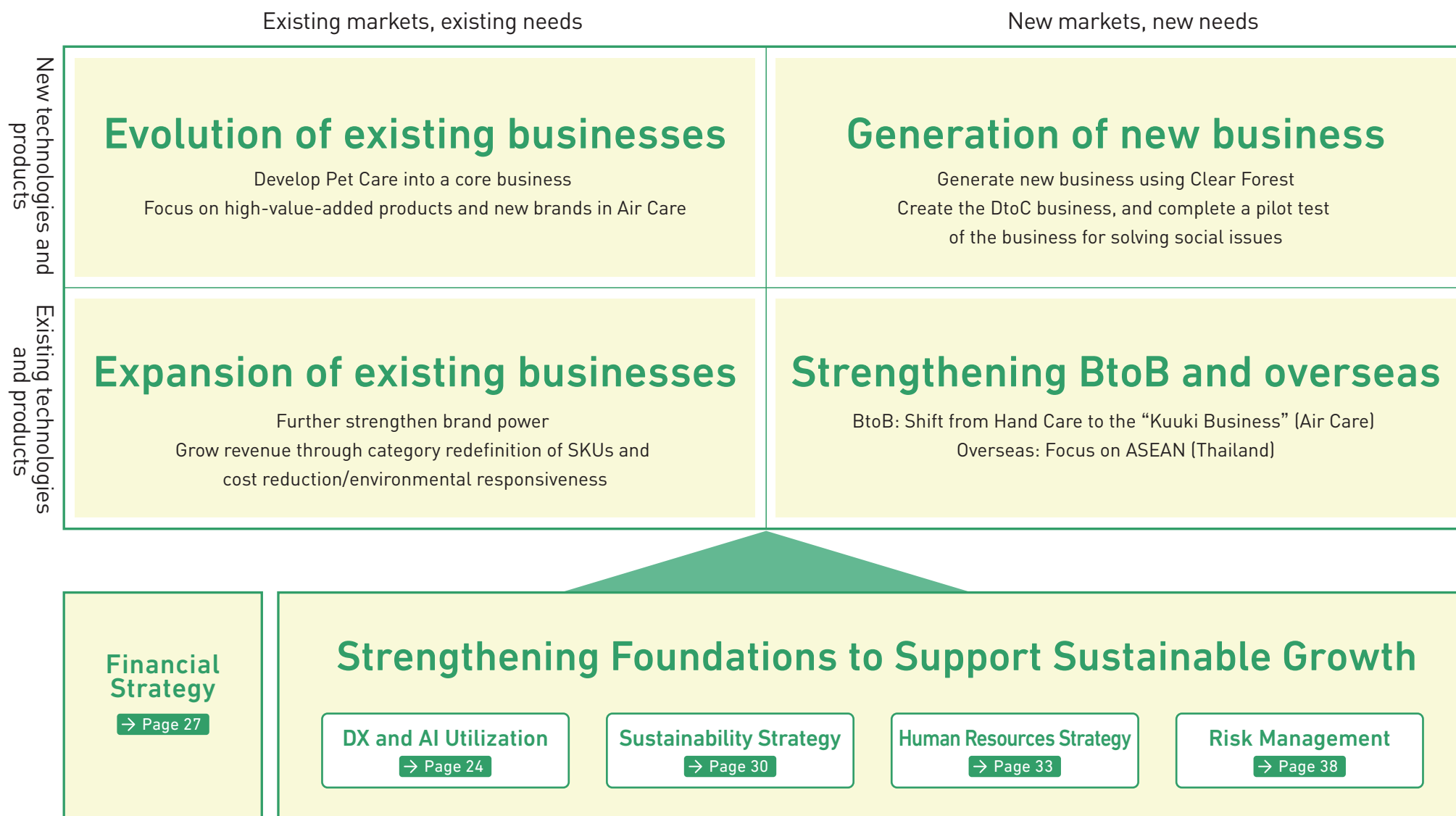
- Securing highly skilled human resources
- Reflecting customer feedback in the development of new products and services
- Disseminating information to build continuous relationships with customers

Improvement and enhancement measures

- Recruiting and developing human resources
- Strengthening the information sharing system that connects customer feedback to the development of new products and services
- Strengthening information dissemination to build continuous relationships with customers

Concept design

Growth Matrix of Medium- and Long-Term Management Plan


[Medium-term management plan](#)

For more information on our medium-term management plan, please visit our website.

[Web](#)

Activities of the Domestic Business

Air Care

(Deodorizers and Air Fresheners/Deodorizers)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Business characteristics and strengths

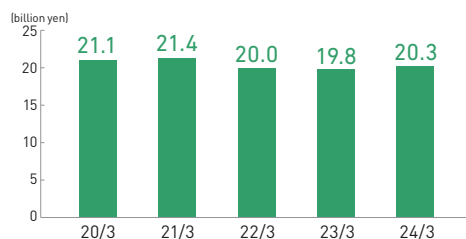
This is our corporate group's core business and the one that we expect to grow. We have strong and unique brands, such as our largest mega-brands, "SHOSHURIKI" and "DASHUTAN CHARCOAL," a powerful deodorizer that uses the power of charcoal to deodorize.

Overview of the fiscal year under review and future strategies

During the fiscal year under review, our high-value-added product "SHOSHURIKI" PREMIUMAROMA continued to perform well, contributing to a sales increase of 20.3 billion yen. In particular, PREMIUMAROMA FOR SLEEP, which was promoted for use in bedrooms, performed solidly. In addition, seasonal limited-edition products, such as those with osmanthus and mimosa scents, which captured seasonal trends, performed well and contributed to the increase of new customers.

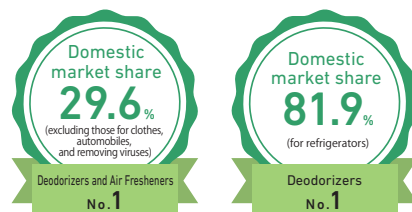
In the future, we will create new value in the Air Care business beyond solving odor problems by focusing on wellness, such as relaxation and creating a comfortable space. We will introduce products aimed at personal use as well as families, and by adding new wellness-focused functions using our cultivated fragrance technology, we aim to create new product categories that surpass "SHOSHURIKI."

Sales trend



Note: The new accounting standards have been applied since the fiscal year ended March 2022.

Market share



Cloth Care

(Mothproofing Agents)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Business characteristics and strengths

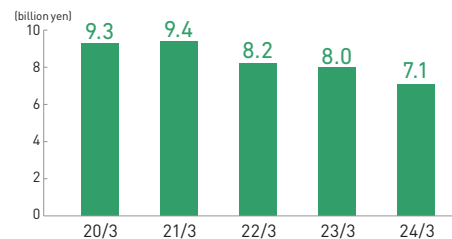
This business has been part of our company since its founding, and it is the most important business along with the Air Care business. We own trusted top brands such as "MUSHUDA" and "NEOPARA ACE" which protect your valuable clothing from being eaten by insects. In addition, we are entering the adjacent tick-repellent market.

Overview of the fiscal year under review and future strategies

During the fiscal year under review, purchasing was sluggish in the spring of 2023 due to increased opportunities to go out and reduced awareness of the need for changing clothes. In addition, opportunity losses in the fall of 2023 and the delayed timing of the change of clothes in the spring of 2024 due to the temperature resulted in a decrease in sales of 7.1 billion yen.

In the future, the Cloth Care business will evolve from Cloth Care to "storage care" by offering new proposals to solve not only insect infestation but also mold, odor, and other problems that arise during normal storage.

Sales trend



Market share



Thermal Care (Disposable Warmers)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Hand Care (Household Gloves)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Business characteristics and strengths

We acquired the disposable warmers business from Mycoal Co., Ltd., and have been operating it as our Thermal Care business since 2019. We primarily sell the “ONPAX” brand.

Market environment

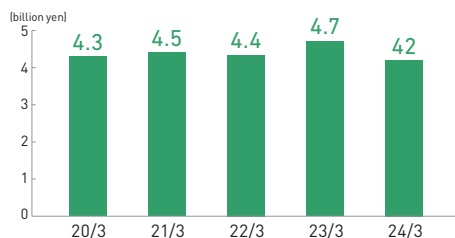
The disposable warmer market is highly impacted by climate change. Thus, it is difficult to differentiate our products in this market. We need to provide new value that is not affected by climate change.

Overview of the fiscal year under review and future strategies

Sales in the fall/winter season of 2023 were 4.2 billion yen due to the warm winter and price hikes in response to soaring raw material prices.

In the future, the Thermal Care business will start product development to reduce the costs of existing products, develop products to revitalize the market, and introduce “thermal wellness” products that are not affected by weather factors and can respond to changes in customers’ lifestyles. In addition, under our business portfolio strategy, we will make a strategic shift in profitability and growth potential.

Sales trend



Market share



Note: The new accounting standards have been applied since the fiscal year ended March 2022.

Business characteristics and strengths

This business has a long history of 60 years, like the Cloth Care business. Our product lineup includes “FAMILY” household gloves, “MODELLOVE” industrial-use gloves, and gloves for which the finger parts have been reinforced to prevent ruptures.

Market environment

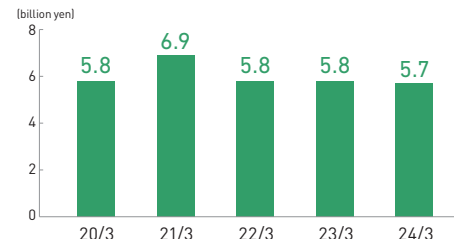
The market for gloves had been growing from 2020 due to the impact of COVID-19, but public awareness of hygiene against COVID-19 began to normalize in 2023. It is important to enhance functions and propose added value while improving usability.

Overview of the fiscal year under review and future strategies

In the fiscal year under review, we focused on expanding sales of our functional work gloves, which have been well-received. However, due to the stabilization of demand for hygiene products, sales of our main products, such as thin and ultra-thin disposable gloves, decreased, which impacted our overall performance, resulting in a slight decline in sales to 5.7 billion yen.

Going forward, we will strategically realign our Hand Care business under our portfolio strategy, focusing on profitability and growth.

Sales trend



Market share



Humidity Care (Dehumidifiers)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Business characteristics and strengths

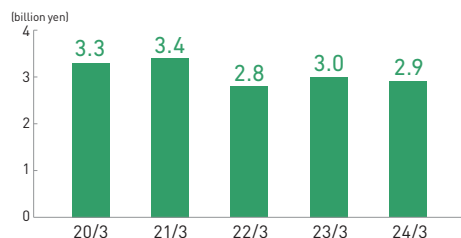
Since the release of “DRYPET” in 1981, this business has always been leading the market. Its enriched product lineup includes “DRYPET,” the primary brand, and “BINCOTAN CHARCOAL DRYPET,” which has deodorizing and dehumidifying functions and is refillable and sheet-shaped.

Overview of the fiscal year under review and future strategies

In the fiscal year under review, our efforts to shift to high-value-added products and price increases for tank-type products contributed to earnings. Still, sales of sheet-type products declined slightly to 2.9 billion yen due to a drop in sales in the spring of 2024, mainly because the lack of warmer weather in March did not promote a change of clothes.

In the Moisture Care business, we will collaborate with the section handling mothproofing agents to conduct sales promotion for the entire storage space and take the initiative considering changes in storage patterns and the environment.

Sales trend



Note: The new accounting standards have been applied since the fiscal year ended March 2022.

Market share



Home Care (Others)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Business characteristics and strengths

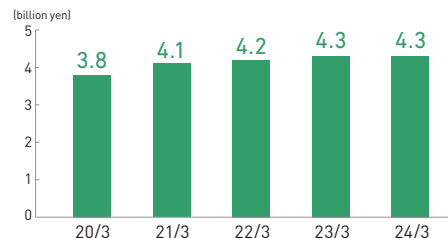
This business brings together food care and niche cleaners. We will secure a high share of the niche market and strengthen profitability through various cleaners of “SENJORIKI” and the “KOMETOBAN” insect repellent for rice bins.

Overview of the fiscal year under review and future strategies

In the fiscal year under review, thanks to the high summer temperatures and increased awareness of food care, our sales have shown steady growth, particularly for our “KOMETOBAN” product. By implementing a communication strategy that linked TV commercials with social media, we successfully expanded our user base among younger demographics. As a result, our total sales increased slightly to 4.3 billion yen.

Moving forward, in the Home Care business, we will strive to increase new customers, raise brand awareness, enhance brand value, and expand our product lineup by focusing on promoting “KOMETOBAN” in food products and “SENJORIKI” products such as washing machine cleaners and shoe cleaners in cleaning products, as well as leveraging digital marketing and social media.

Sales trend



Market share



Activities of the Overseas, BtoB, and New Businesses

Overseas



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

BtoB



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

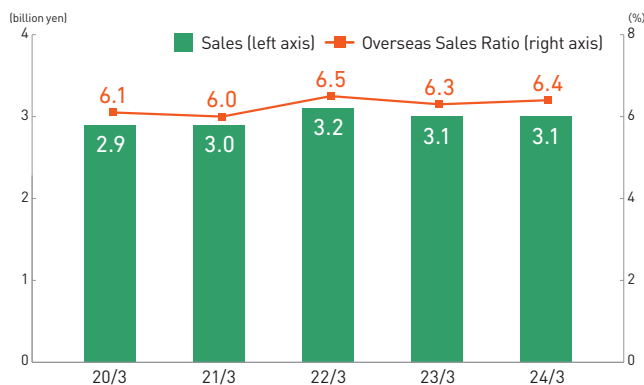
We recognize globalization as a crucial growth strategy for our group. Given the enduring trust in Japanese products worldwide, we will leverage the know-how and new technologies cultivated by addressing Japan's social issues to expand our overseas business.

Our consolidated overseas sales for the fiscal year under review amounted to 3 billion yen, accounting for 6.4% of our total sales, which is almost unchanged from the previous fiscal year.

In the three-year period of our medium-term management plan "SMILE 2027," we will focus on building a solid foundation, streamlining the supply chain, reducing costs, and raising prices to generate profits. The growth stage will be realized in our medium/long-term management plan "SMILE 2030."

Going forward, we will prioritize ASEAN countries, especially Thailand, where we have a local subsidiary and a certain level of brand recognition, focusing on high-value-added Air Care products and the Pet Care business. We will concentrate on marketing efforts to find the optimal products and distribution channels for each country.

Overseas sales trend・Overseas sales ratio



Note: Comparison of the figures before the adoption of the revenue recognition standard

S.T. PRO Co., Ltd., is a company within our group that plans and sells products to businesses. Our primary sales channels are BtoB agents and e-commerce, primarily through catalogs. Our product lineup consists mainly of work gloves and deodorizing and air fresheners.

For work gloves, we offer the "MODELLOVE" brand, which mainly focuses on nitrile materials. These gloves excel in puncture resistance and oil resistance, garnering high praise and a significant market share. In the deodorizing and air freshener category, we offer the "SHOSHURIKI" brand to businesses. Utilizing a hybrid deodorizing technology effective against three major malodors, our products cater to a wide range of deodorizing needs.

In recent years, the working environment has undergone significant changes, such as a decreasing working population and an increasing number of female and elderly workers. In response, companies are facing challenges related to improving workplace environments, employee benefits, and efficiency. To address these challenges, our group aims to contribute to our customers and society through the power of "Kaori," leveraging our core strengths.

Medium-term management plan strategy (growth strategy)

● **Growth strategy: Air Care business** We will propose environmental solutions for offices and facilities that combine "large spaces" with "aromatherapy." In addition, we will create new business opportunities, leveraging Clear Forest in the Air Care market. Furthermore, we aim to create a new Air Care market targeting businesses by developing products tailored to specific needs centered on our "SHOSHURIKI" product line for businesses.

● **Glove business as a fundamental strategy** We aim to narrow our product line and contribute to profits through value-added and differentiated products.

● **Other existing businesses** We will develop products that meet business needs and situations by leveraging the strengths of our group.

To execute and realize the above strategies, we will strengthen our marketing and product development systems, and restructure our sales system, which is an important element of our BtoB business, to evolve into an organization capable of promoting direct sales as well.

As a new pillar of our group, S.T. PRO will contribute to our medium-term growth.

Taking over business (NYANTOMO CLEAN TOILET)



Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

About the business we took over

We took over the business of “NYANTOMO CLEAN TOILET” of Kao Corporation and released it in June 2024. We will strive to develop and enhance it as a core business in the wellness domain, upholding a pet-first perspective. We support the comfortable and healthy lives of pet animals and their owners.

Medium-term management plan strategy (growth strategy)

● **Establishment of a business foundation by taking over “NYANTOMO CLEAN TOILET”** We will build on the brand appeal and sales capabilities in both real stores and e-commerce that we have cultivated so far and utilize their value to the maximum to significantly expand sales and profit in the cat litter box market and establish a revenue base that will form the grounds for the Pet Care business.

● **Expansion of buying opportunities for customers** We will make the most of the robust wholesale network exclusively for products for pets in addition to e-commerce channels, to proactively approach specialized pet stores and drugstores, which we have not reached out to previously, with “NYANTOMO CLEAN TOILET.” Moreover, we will newly establish a marketing department responsible solely for Pet Care and further boost distribution through meticulous support of business negotiations based on cooperation with sales staff throughout Japan.

● **Communication activities matching roles** To significantly increase the number of fans who relate to the value advertised by each brand or product, we will proactively engage in communication matching respective purposes, such as popularizing the brand and improving recognition, creating opportunities for coming into contact with products, and fostering loyalty among customers. Furthermore, we will enhance activities to support the environment for taking care of cats, mainly projects helping cat shelters, and for supporting the health of cats, such as the promotion of cat urine checks in cooperation with veterinarians.

● **Expansion in business domains where we can build on our strengths** As for the market of deodorizers for pet animals, which we joined in the autumn of 2023, we will enhance sales promotion in the summer, when odors raise concerns and bring about high demand, aiming to considerably increase the number of companies that will adopt our products while acquiring new clients in order to maximize sales of deodorizers for cats (sprays and standing-type products).

New business

Growth Matrix

Evolution of existing businesses	Generation of new business
Expansion of existing businesses	Strengthening BtoB and overseas

Desired direction of new business development

The living environment of individuals is also undergoing significant changes in the post-COVID-19 era. In these times of VUCA, it is necessary to keep changing the business portfolio in a speedy way to match changes in the environment. With regard to the development of new businesses, we are promoting multiple forms of commercialization based on the core themes of entry into the wellness domain, business utilizing Clear Forest, and establishment of a D2C business model.

These forms include femtech and femcare. The aroma stick “Luna Mine” is a product that builds on the expertise acquired through many years of research into fragrance to improve the physical and mental instability unique to women. We are planning to launch it through channels such as variety shops, drugstores, and online shops. In the same field, we are also developing a wellness-themed BtoB platform for working women. We will keep reinforcing the wellness domain.

Moreover, we are forging ahead with the development of a business utilizing Clear Forest, which we have been researching for many years. We are promoting business development through different approaches than previously.

Aroma stick “Luna Mine”



Structure for the promotion of new business development

As it is vital to keep developing new businesses in a speedy way from diverse perspectives, the majority of our staff were appointed from outside the company. Furthermore, we will aim to create new business models with different perspectives and methods than previously and arrange a structure that allows for swift promotion in order to make progress in an efficient and bold manner.

DX and AI Utilization (explained by the CDO)



DX management where everybody attends to clients

Seiichi Nishida

Executive Officer, Vice-President and CDO (Chief Digital Officer)

1 The ability to create value is the ability to utilize information

The goal of our growth strategy lies in continuing to create our unique value as expressed by the phrase “ideas to touch the heart for moments with smiles” and growing into a company favored by customers all over the world.

Moreover, I would like to develop “S.T.,” which is a place that brings together business partners, employees, and executives who share this aspiration, into a community for intellectual creation where we can make use of all kinds of information, such as data on everyday work processes and ideas for resolving social challenges, regardless of position and age in a free and borderless way, and enjoy working together to create value.

To achieve this goal, we are forging ahead with the DX strategy, focusing on (1) DX of management foundations, (2) DX of marketing, and (3) DX of human resources.

2 Participative management utilizing information from the perspective of all companies

(1) DX of management foundations forms the core of the three DX strategies. The primary aim of the DX of management foundations promoted through an in-house project entitled “SCRUM” is the establishment of a “platform for integrating information from all companies,” which will enable situation judgment and decision-making based on data as well as agile management action. In addition, we are working on the reform of work processes for swiftly collecting necessary and sufficient information that will play a role in decision-making, as well as quickly communicating necessary instructions and messages.

While “information sharing” is a simple phrase, in reality, gaps in information are frequently present “in between,” for example, between all functional departments shouldering the value chain, such as product development, purchase, manufacturing and sales, between the business departments and management and administrative departments, or between management and on-site staff and between superiors and subordinates. This causes burdens, futility, and inconsistency in the work of people in

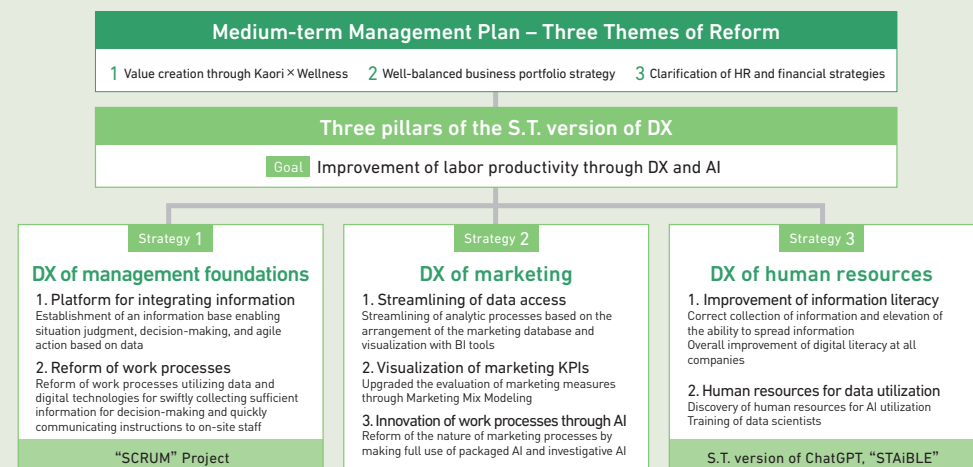
the downstream of the information flow. The “SCRUM” project aims to eliminate such disparities in information. And, by sharing various information and simplifying the complicated workflow so that anybody can understand it, we would like to generate energy that will allow everybody to attend to clients.

3 DX of marketing to back the customer-first approach

As for DX of marketing, we will strive to upgrade the marketing of PDC by visualizing marketing KPIs through a unique data analysis as a step toward bringing products and services that meet the needs of customers to the market. In addition, we will streamline the in-house marketing data access and reform marketing processes through AI.

4 DX strategy means an organizational reform

As outlined above, we will attempt a radical reform of work styles centered on the S.T. version of DX and be reborn as a company where all employees and executives play main roles and where everybody is a protagonist taking on the challenge of create markets and acquiring clients. In this regard, the S.T. version of DX differs from conventional system development and means an organizational reform inextricably tied to human capital management. We have also arranged an environment for the safe utilization of generative AI (STAiBLE). We view the effective incorporation of generative AI in work processes and the securing of human resources who will promote this utilization as our future challenge.



R&D Initiatives

Research & Development Strategy

Policy and vision

We are working to materialize products and services that “can be understood by hearing, seeing, and using” with our purpose, “Ideas to touch the heart for moments with smiles.” With regard to product design, we realize functions that meet the needs of customers through the adoption of products with three design components: (1) ingredients and materials, (2) a formula consisting of them, and (3) a method of diffusion into a space.

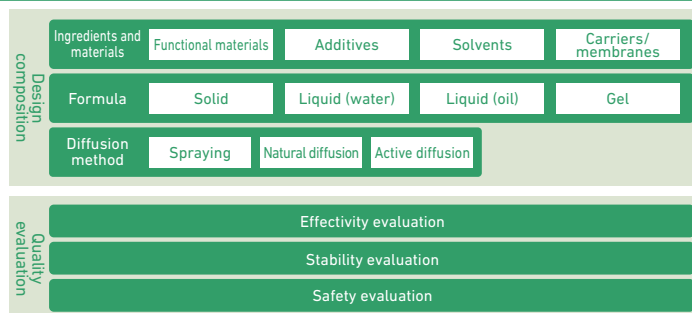
Three elements of quality evaluation are incorporated in the process of adopting a product—effectiveness, stability, and safety. Furthermore, products that support the business of our corporate group embody five key technologies, and we are working to develop products and technologies that touch the hearts of our customers while enhancing our technological competitiveness in the current business fields by promoting open innovation of these key technologies alongside research institutions such as universities and other companies. We will keep engaging in such R&D activities to evolve to match the times and respond to customer needs in a timely manner.

Purpose **Ideas to touch the heart for moments with smiles.**

Products that realize value



Production elements for achieving functional aspects



Key technologies

Deodorizing technology Function-seeking technology Formula/formulation technology Release technology Analytical technology

Create the value of the future

Example of a product utilizing the five key technologies: “S.T. PET JIKKAN-SHOSHU” Cat Litter System

Deodorizing technology

We selected deodorizing components derived from lactic acid bacteria. The deodorizer continues to eliminate odors that linger throughout a space when it is simply placed there. Furthermore, the functional nano powder mixed in the filter paper quickly and powerfully absorbs unpleasant smells.

Function-seeking technology

We discovered the deodorizing function of the natural sap that is extracted from scraps of Hokkaido fir tree (Sakhalin fir) timber left after forest thinning by using a unique technology, and incorporated it in our formula.



Formula/formulation technology

We created a formula by combining ingredients (e.g., fragrance deodorizing components, stabilizers, surfactants) at an appropriate blending ratio to allow for long-lasting and stable manifestation of deodorizing and aromatic functions.

Release technology

We adopted a method of absorbing the formula liquid containing deodorizing components and supplying it to the filter paper. The deodorizer remains effective for 2–3 months when it is simply placed in a space.

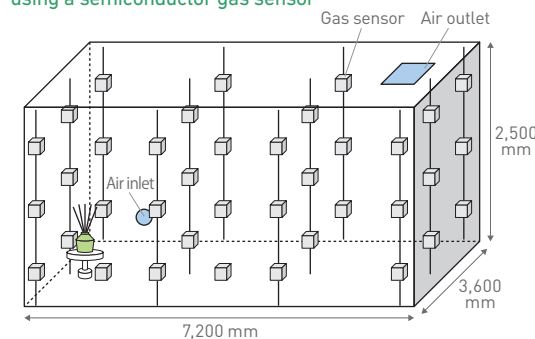
Analytic technology

We analyzed the composition of the smell originating from cat feces and urine and succeeded in reproducing odor close to the actual excreta. In this way, we were able to build a test system for a model that deodorizes cat poop odor even more stably and effectively, leading to the effective development of a formula that elevates the deodorizing effect.

Promotion of open innovation

To promptly resolve challenges that are growing more diverse and complex, we are promoting open innovation together with research institutions such as universities and other companies. So to reinforce the development of technologies concerning mainly fragrance, we established deodorizing technologies focused on olfactory receptors through which humans sense smell and engaged in initiatives to visualize how the aromatic agent is diffused throughout an actual space (refer to the chart on the right), utilizing them especially in the design of products that prove to be more effective. Moreover, we work on the creation of competitive value by cooperating with the Intellectual Property Strategy team from early stages while in parallel collecting and analyzing R&D information from external sources and protecting intellectual property. We will further encourage technological cooperation in the future by proactively spreading the information on achieved effects outside the company.

Study into how fragrance spreads, using a semiconductor gas sensor



Intellectual Property Strategy

Policy of the intellectual property strategy

“Striving to protect and make use of our intellectual property while respecting the rights of third parties, and avoiding unpermitted usage and abuse of our rights” is our corporate group’s policy concerning intellectual property. We recognize that the protection and utilization of intellectual property are important.

● **Respect for the intellectual property of other parties** We perform checks and respond accordingly during all development processes of new products to avoid the violation of intellectual property rights of other parties.

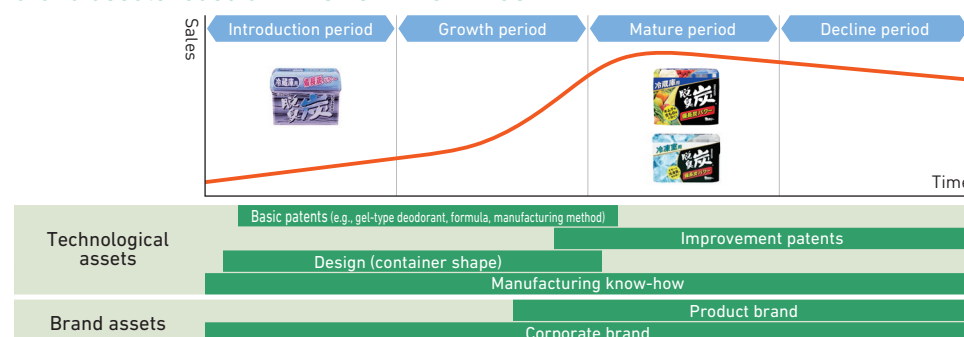
● **Acquisition and utilization of intellectual property for enhancing our current businesses and achieving future value** We will acquire the rights for various kinds of intellectual property at an appropriate timing by participating in research and development from early stages.

● **Utilization of intellectual property information contributing to management and business** We utilize information on our intellectual property mix to promote dialogue with management and business departments.

Protection of the product development capability and the ability to be continuously loved

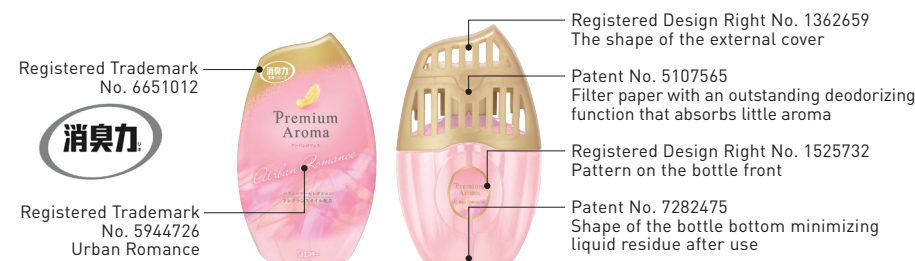
Our corporate group has many products that have been loved for a long period of time. We will protect them by combining various kinds of intellectual property to match their life cycles in order to create a brand that will be continuously loved. If we take the example of “DASHUTAN CHARCOAL,” we protected the product with patents for the formula and manufacturing method as well as design rights for the manufacturing know-how and the characteristic container shape while utilizing the corporate brand to swiftly popularize the product brand with easy-to-understand names and communication. We boost the brand value while it is protected by patents and design rights and support the growth of the product while protecting it with trademark rights.

Protection and utilization based on technological assets and brand assets: Case of “DASHUTAN CHARCOAL”



Protection through an intellectual property mix

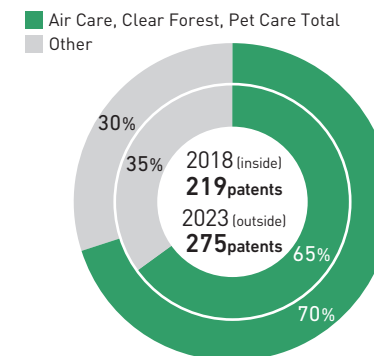
We protect the product functions, user-friendly aspects, and design and names loved by the customers through a combination of patents, design rights, and trademark rights.



Establishment of an intellectual property portfolio

Our corporate group has forged ahead with investments in intellectual property, giving priority to Air Care, Pet Care, and Clear Forest. These three domains accounted for 70% of valid patents in 2023, increasing from 65% in 2018. We will keep focusing on these domains to make investments in intellectual property, aiming for sustainable growth. We are especially working on accumulating wellness-related technologies, and the number of valid patents is growing every year. Accumulating technologies is a step toward creating value through “Kaori × Wellness,” as stated in the medium-term management plan.

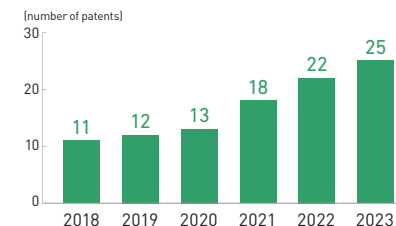
Patent portfolio



Challenges and future initiatives

Until now, our corporate group has accumulated intellectual property such as patents, design rights, technological assets such as technological know-how, brand assets, and know-how from each department through our business activities. We will further focus on and enhance priority domains for investment to achieve sustainable growth.

Number of valid wellness patents



Notes:
 1. Valid patent: Published patent applications and patents that have not expired yet. Each fiscal year period starts in January and ends in December.
 2. Valid patents belonging to multiple domains are counted repetitively.

Financial Strategy (Message from the Executive Officer in charge of finance, strategically held shares, policy)



Financial review of the past 10 years and improving corporate value in the medium-term management plan ~SMILE 2027~

Kouichi Yoshizawa

Managing Executive Officer

In charge of Business Administration Department and affiliated companies

1. Evaluation of S.T.'s past financial performance

The table on the right summarizes our corporate group's performance and financial position since the fiscal year ended March 2014. Sales have declined over the past 10 years, and operating income was at its lowest level in the fiscal year ended March 2024. Ordinary income and net income, too, were at low levels. Over the past 11 fiscal years, ROE averaged 6.0% and peaked at 9.0% in the fiscal year ended March 2018, but ended at a low level of 3.9% in the fiscal year ended March 2024.

At the same time, our cash and cash equivalents doubled from 10 years ago to 13.7 billion yen, and our equity ratio reached a record high of 74.1%. Interest-bearing debt was 3.3% of cash and cash equivalents, meaning that we remain essentially debt-free.

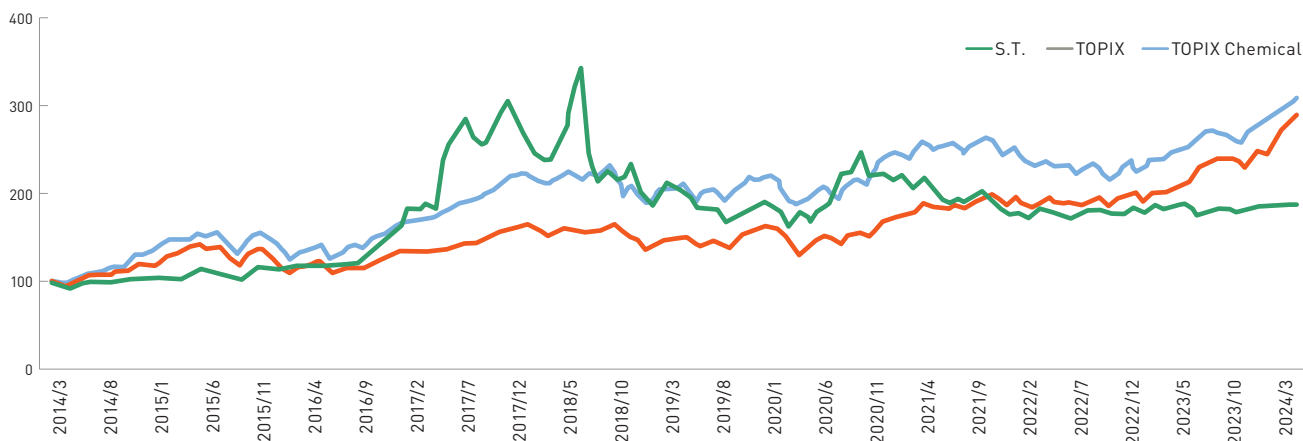
(million yen)	FY 3/14	FY 3/24	Average	Largest	Smallest
Sales	46,993	44,473	47,156	49,674	44,473
Operating income	2,131	1,342	2,708	3,945	1,342
Ordinary income	1,497	1,930	2,648	3,737	1,497
Net income	1,234	1,275	1,643	2,526	892
Operating cash flow	2,110	1,644	3,042	5,150	1,644
Free cash flow	2,624	663	1,608	4,529	-119
Capital expenditures	942	952	1,694	3,136	608
R&D expenses	564	927	684	927	512
ROE (%)	6.1	3.9	6.0	9.0	3.5
ROA (%)	4.8	4.2	6.5	8.7	4.2
Cash and deposits	6,765	13,728	—	—	—
Interest-bearing debt	38	454	—	—	—
Equity capital	20,455	33,160	—	—	—
Total assets	32,370	44,761	—	—	—

2. Evaluation of past TSR

Given the group's performance over the past 10 years, the total shareholder return (TSR), including changes in dividends and the share price, was +88.0%, which is 6.5% per annum. This is slightly lower than the group's expected cost of equity (7%), considerably lower than the TOPIX average annual return including dividends (11.2%), and significantly below the average annual return for the chemical sector (11.9%).

In particular, the TSRs for the past five years have been negative. As can be seen in the TSR chart, this is due to the fact that the share price was healthy until mid-2018, exceeding 3,000 yen, but since then has been declining.

TSR (10 years, including dividends)



TSR

	1 Year	3 Years		5 Years		10 Years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
S.T. (%)	1.6	-14.7	-5.2	-7.9	-1.6	88.0	6.5
TOPIX (%)	41.3	52.5	15.1	96.2	14.4	188.6	11.2
TOPIX Chemical (%)	24.8	20.4	6.4	51.1	8.6	208.3	11.9

Note: Annualized figures are geometric means of cumulative returns.

3. Financial strategies of the medium-term management plan

Financial targets

	FY 3/24	FY 3/27	FY 3/24 → FY 3/27
Sales (billion yen)	44.4	56.5	+12.0 (CAGE +8%)
Operating income (billion yen)	1.3	4.0	+2.7
Operating income margin (%)	3.0	7.1	+4.1pt
EBITDA (billion yen)	2.6	5.4	+2.7
ROE (%)	3.9	8.3	+4.4pt

Our corporate group's medium-term management plan "SMILE 2027" targets record sales and operating income in the coming three years. To achieve the financial targets of SMILE 2027 and increase shareholder value, we need to rationally use the cash generated by achieving the results of our business strategies. Accordingly, we plan to secure funds for investment and allocate cash. Using operating cash flow (11 billion yen) and cash reserves (3 billion yen), we plan to invest 8 billion yen for growth, 2.5 billion yen–3.0 billion yen for productivity improvement, and 3 billion yen for shareholder returns with a target DOE of 3%.

Investment policy

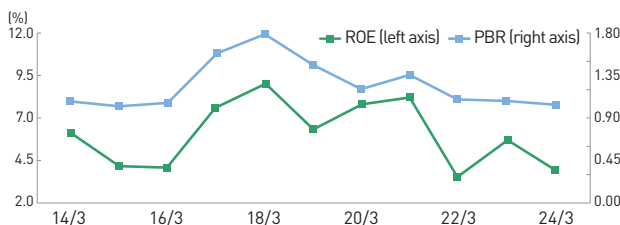
Source of investment	Cash allocation policy			Outline of the policy	
Utilization of borrowing (+α)	Growth investment in high-value-added areas (8 billion yen + α)	Using M&A necessary for discontinuous growth		Making investments to accelerate business growth centered on the pet care and air-care areas	
Utilization of cash reserves (up to 3 billion yen)		Strengthening value creation capabilities	Enhancing R&D	Strengthening investment in the development of new technologies that enhance the ability to create value	
Operating cash flow (11 billion yen)			Securing and developing human resources	Allocating more resources to develop human capital and improve employee engagement	
		Restructuring our business portfolio		Restructuring costs for low-profit businesses, etc.,	
		Investment for productivity (2.5 billion yen–3 billion yen)	Promoting DX		Promoting investments in DX of integrated information platforms, etc., to improve labor productivity
			Establishing a production system		Promoting capital investment in labor-saving measures to improve productivity, safety, and quality
	Return to shareholders (up to 3 billion yen)			Enhancing shareholder return based on stable dividends (DOE target: 3%)	

Note: Figures in brackets are cumulative amounts for the three years from March 2024 to March 2027.

4. Improving capital efficiency

The relationship between ROE, which indicates the capital efficiency of our corporate group, and PBR (price to book ratio) based on the year-end share price is shown in the graph below. While PBR has been slightly above 1 over the past 11 years, it is not high compared to peers or similar companies, which we attribute to the low ROE, assuming a cost of equity of 7%.

Relationship between ROE and PBR



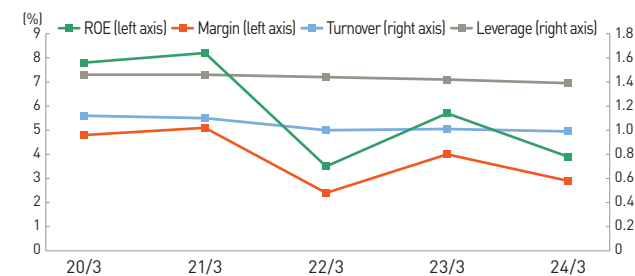
To increase ROE, the following Dupont model is used to analyze the issues of three financial indicators.

$$\text{Profit/Equity capital} = \text{Profit/Sales} \times \text{Sales/Total Assets} \times \text{Total Assets/Equity capital}$$

$$\text{ROE} = \text{Margin} \times \text{Turnover} \times \text{Leverage}$$

	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
ROE (%)	7.8	8.2	3.5	5.7	3.9
Margin (%)	4.8	5.1	2.4	4.0	2.9
Turnover (times)	1.12	1.10	1.00	1.01	0.99
Leverage (x)	1.46	1.46	1.44	1.42	1.39

Dupont decomposition of ROE



Our corporate group's low ROE in the fiscal year ended March 2024 was largely due to a decline of 4.3 pt from the record high margin in the fiscal year ended March 2021. Turnover rate, too, declined. Hence, we believe it is necessary to improve the operating income margin as a business strategy and ROA as a financial strategy.

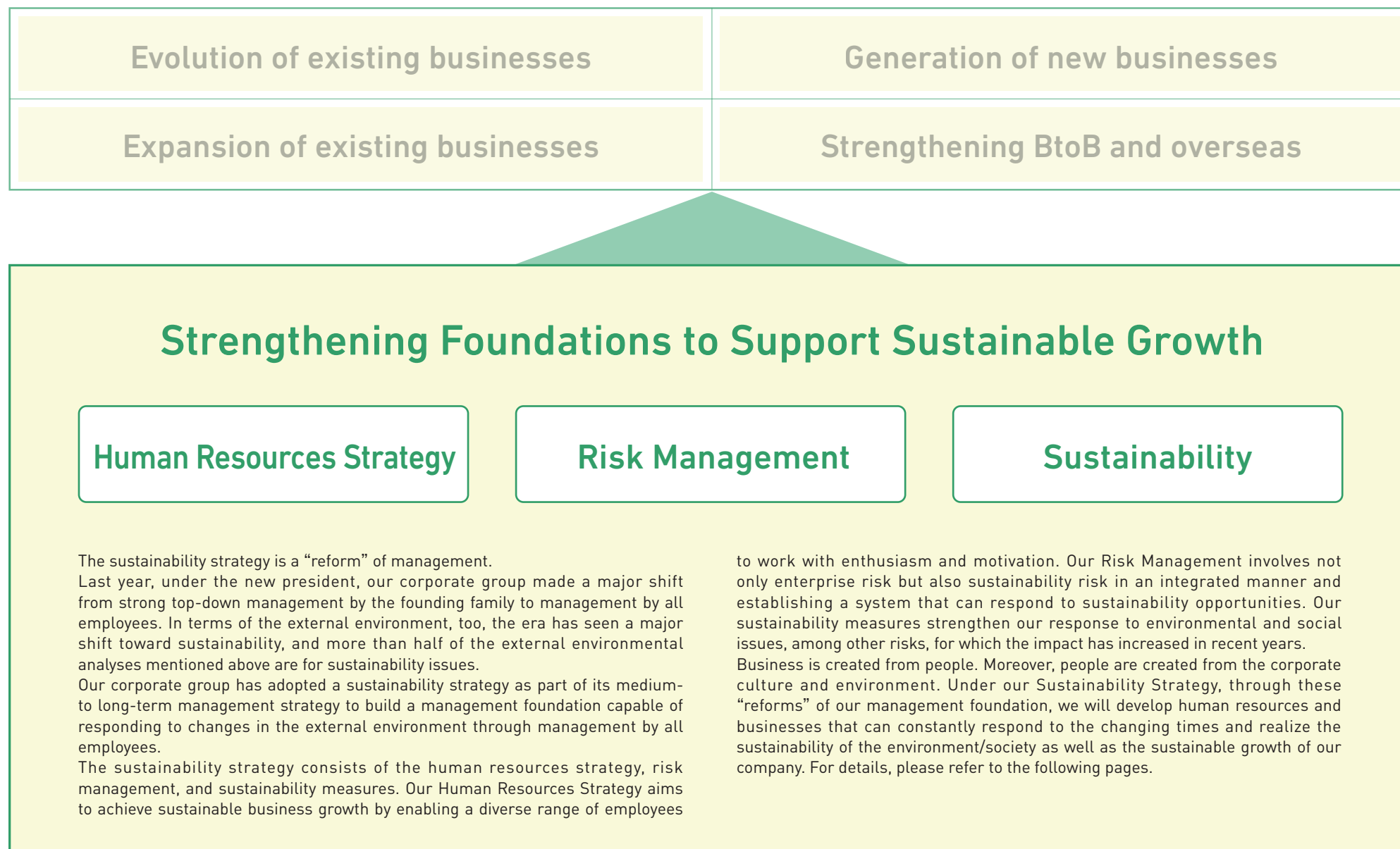
Regarding strategically held shares

In the fiscal year ended March 2024, our corporate group considered selling strategically held shares that were deemed to be of little significance and sold such shares of seven companies. At the end of the fiscal year ended March 2024, however, the ratio of net assets remained approximately 17%. The Board of Directors will continue to evaluate each investment's rationality and purpose annually, carefully considering factors including the investment amount, its effect on the company's and group companies' profits, and cost of capital, among other factors.

Status of strategically held shares

	FY 3/22	FY 3/23	FY 3/24
Market value (million yen)	5,275	5,424	5,708
Ratio to net assets (%)	16.6	16.5	16.9
Book value (million yen)	2,605	2,618	2,631
Number of stocks (companies)	44	43	39

Sustainability Strategy

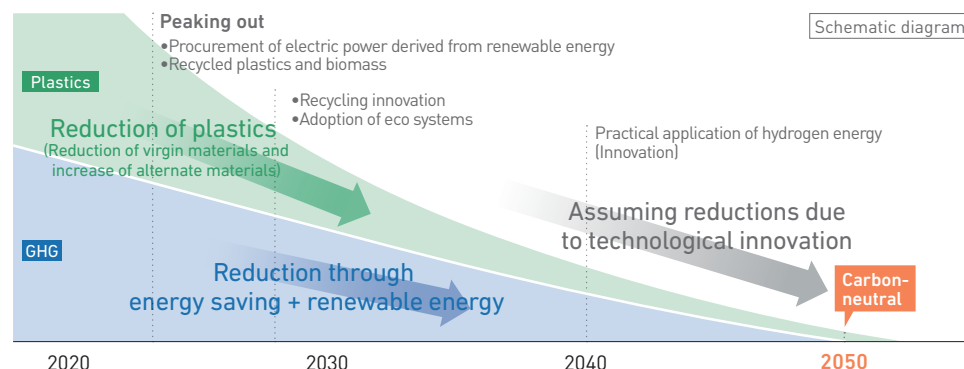


Environmental Activities

Climate change

Environmental goals

Our group has set goals related to climate change and resource recycling as material issues in order to achieve the goals of the Paris Agreement and SDGs. Regarding climate change, we will work to reduce CO₂ emissions, promote the purchase of electricity generated from renewable energy, and aim for zero carbon by 2050. For resource recycling, we are working to make containers and packaging more sustainable in order to realize a circular economy. To reduce the environmental impact of our business activities, we will further promote efficiency in energy use and the development of environmentally friendly products to realize a decarbonized society and a circular economy.



	FY 3/27	FY 3/50
Climate change	Disclosure of Scope 3 emissions	Realization of carbon neutrality
Resource recycling	Promotion of distribution of refillable products in major categories	Realization of a circular economy

Organizational structure

Our corporate group has the “Environmental Committee” under the Sustainability Committee for a structure to promote group-wide initiatives for conserving the environment and coping with environmental risks, including climate change and the circulation of resources. The Executive Officer in charge of the manufacturing department serves as head of the committee, and the staff of related departments are summoned as members, to discuss how to deal with environmental risks and manage the progress of plans.

Environmental policy

For our environmental policy, please visit our website.

Web

Climate change

Regarding CO₂ emissions, for the fiscal year ended March 2024, Scope 1 emissions were 912 t-CO₂ and Scope 2 emissions were 585 t-CO₂, so total emissions stood at 1,497 t-CO₂. CO₂ emissions have been reduced significantly, as we procured more electric power derived from renewable energy.

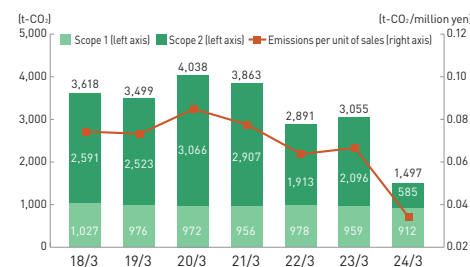
At production sites and offices, the ratio of electric power derived from renewable energy to the electric power we purchased in the fiscal year under review was 78.1%. We will keep procuring energy with lighter environmental burdens, mainly at production sites where a lot of electric power is consumed. We have also finished replacing our company vehicles, including those for marketing, with hybrid vehicles with high energy efficiency, so the ratio of hybrid vehicles has reached 100%. We will strive to reduce environmental burdens further while streamlining marketing activities and reconsidering the use of vehicles for marketing.

In terms of transportation and delivery, we are working to improve loading efficiency by revising standards for the size of truck cargo boxes, as well as promoting delivery efficiency through joint delivery with other companies and factory direct delivery. We are propelling a modal shift from truck transportation to railway and ship transportation. S.T. CORPORATION acquired “Eco-Ship Mark”¹ certification in 2008, and its factory in Kyushu acquired “Eco Rail Mark”² certification in 2015.

¹ Eco-Ship Mark system: A system promoted by the Maritime Bureau of the Ministry of Land, Infrastructure, Transport and Tourism to select companies that contribute to a modal shift by using marine transportation to a certain extent.

² Eco Rail Mark system: A system promoted by the Railway Bureau of the Ministry of Land, Infrastructure, Transport and Tourism to select companies that contribute to a modal shift by using railway freight transportation to a certain extent.

Total CO₂ emissions (Scope 1 and 2)



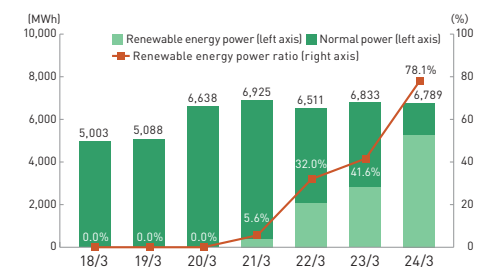
Notes:

1. The subject organization is S.T. Group (in Japan).

2. Total CO₂ emissions are the sum of Scope 1 and 2. The figures are rounded down.

3. Regarding the CO₂ emissions in the fiscal year ended March 2024, we have obtained a third-party guarantee. (Please see the website. [Link](#))

Procurement trends in renewable energy power



Response to the Task Force on Climate-related Financial Disclosures (TCFD)

The S.T. Group has declared its support for the Task Force on Climate-related Financial Disclosures (TCFD), and based on the TCFD recommendations, the S.T. Group is working to address climate change issues. In 2022, regarding climate-related impacts (risks and opportunities) on our company, scenario analysis (qualitative evaluation) was conducted for the 1.5°C–2°C scenario and the 4°C scenario. We will continue to discuss measures to respond to risks and opportunities related to climate-related issues while organizing management systems for governance and risks, and promote information disclosure in accordance with the TCFD recommendations.

Resource recycling

Resource recycling

To realize a circular economy, our corporate group cherishes resources, for which the amounts are limited, and promotes the 4Rs (Reduce, Reuse, Recycle, and Renewable) for containers and packages as a maker that manufactures and sells familiar products in customers' daily lives. To reduce the consumption of plastics for containers and packages of our products and CO₂ emissions, we are shifting from conventional disposable products to “refillable” and “replaceable” products. We will reduce the consumption of virgin plastics by using environmentally friendly materials, such as recycled plastics and biomass plastics.



“SHOSHURIKI” COMPACT FOR TOILET

This is replaceable and smaller than conventional products, so the amount of waste has been reduced by 85% [compared to conventional products].



“SHOSHURIKI” FOR TOILET, ENTRANCE & ROOM

The containers of this product are made of recycled plastics and biomass, so the amount of virgin plastics has been reduced.



“SHOSHURIKI” ION DEODORANT PLUS

The containers of this product are made of recycled plastics and biomass, so the amount of virgin plastics has been reduced. Through the use of refillable products, the amount of waste has been reduced by up to 87% [compared with this product of the same volume].



As an indicator of sustainability of containers and packages, the “Eco for everyone” mark is indicated on products that have satisfied our own standards for environmental friendliness, so that customers can understand that our products are environmentally friendly. The number of products that have met the standards increased from 39 SKUs to 79 SKUs from 2022 to 2024.



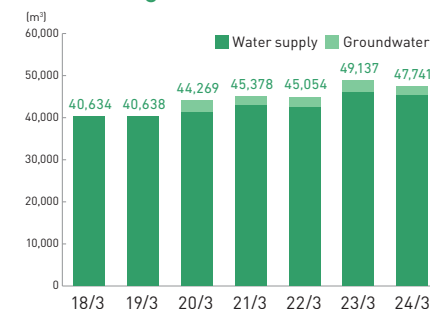
Category	Description	Numerical standards
Raw materials (components)	Use of raw materials derived from plants	50% or more
	Use of recycled materials	10% or more
Containers and packaging	Use of raw materials derived from plants	20% or more
	Reduction of consumption of plastics Note: Compared to our conventional products or core products sold together	10% or more
Product design	Reduction of waste of refillable and replaceable products (total weight of containers and packages) compared to containers of products	50% or more

Reducing environmental impact

Water usage

We work to properly manage and reduce the consumption of resources by monitoring the amount of water used at our production sites and offices. As part of our efforts to reduce water consumption at our production sites, we are introducing a system that reuses the residual liquid and cleaning fluid produced during the production of “SHOSHURIKI” in the production process. This system reduces the amount of water used and the amount of waste (residual liquid and cleaning liquid) generated in the production process. We have adopted this system in some of our factories that produce “SHOSHURIKI,” and we plan to gradually roll it out further.

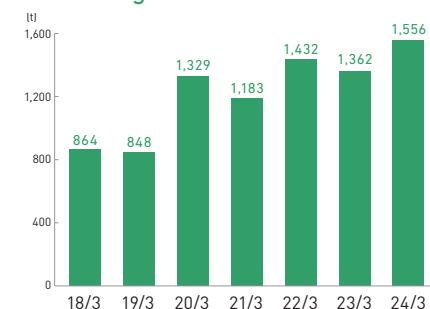
Water usage



Total weight of waste

Regarding the management of waste disposal, we regularly check our waste management contractors and comply with laws and regulations to ensure proper disposal. At our production sites and offices, we are working on waste control and recycling by reducing waste generated during business activities.

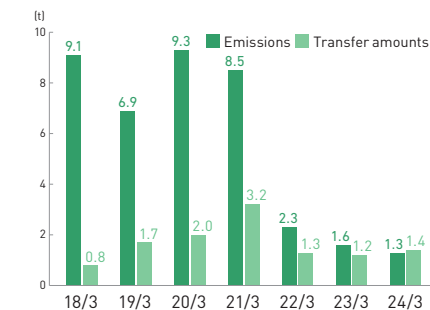
Total weight of waste



PRTR chemical substance emissions/transfer amounts

Regarding the management of chemical substances, our group promotes the safe management of chemical substances based on compliance with related laws and regulations and our own standards. We are committed to proper management, pollution prevention, and emission reduction in accordance with the types of substances specified by laws and regulations, emission standards for each type and size of emission facility, and local government ordinances.

PRTR chemical substance emissions/transfer amounts



Note: All of the above organizations are within the S.T. Group (in Japan).

Social Initiatives

Human resources strategy

Policies and goals

Our group's management philosophy is "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," and for some time we have been actively and continuously investing in the acquisition, training, and utilization of highly specialized human resources in order to create an environment that does not violate our management philosophy.

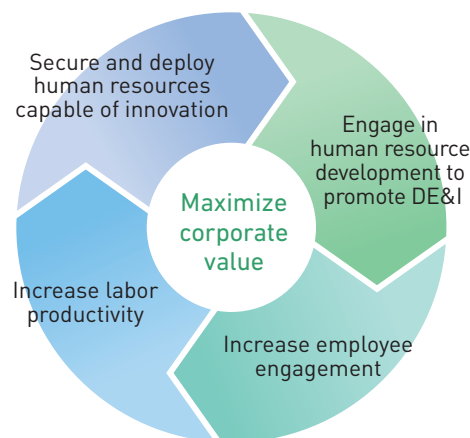
We will continue to digitalize our operations while proactively utilizing generative AI, and work to reform our business processes and energize our people and organization so that employees can spend more of their time responding to customer needs.

In addition, as part of our DE&I initiatives, we are emphasizing the development of a working environment where diverse employees, regardless of their gender, nationality, or age, are able to set high standards for our customers and take on challenges with passion and motivation, and play an active role in the organization, and promoting employee job satisfaction as the most important management issue.

Initiatives of the human resources strategy

- Secure and deploy human resources capable of innovation
- Engage in human resource development to promote DE&I
- Increase employee engagement
- Increase labor productivity

By achieving these goals, we will maintain a positive cycle and realize sustainable growth in our corporate value.



Targets and KPIs

Non-financial targets in our group's medium-term management plan

Targets	FY 3/22	FY 3/23	FY 3/24	FY 3/27 Targets
(1) Feeling motivated at work (%)	81.7	74.2	71.3	80.0
(2) Satisfaction with work-life balance (%)	77.1	72.0	73.3	80.0
(3) Performance level (%)	—	81.0	81.6	85.0 or higher
(4) Ratio of female managers (%)	12.4	15.6	17.7	30.0

Note: As for (1) through (3), we conduct a questionnaire survey every year to understand our employees' attitudes toward work styles and work life.

Acquisition of human resources

To promote the sustainable growth of our business, we are promoting the hiring and promotion of diverse human resources. In terms of hiring experienced personnel, we are promoting the hiring of people with advanced skills and knowledge of starting up new businesses, as well as people with experience in other industries.

Human resources development

Aiming to develop and create human resources who can take on challenges and make proposals on their own, we are working to train specialists, managers, and next-generation leaders.

● **Specialized human resources development** As a manufacturer that provides value to our customers through our products, we train professional human resources related to business such as marketing, R&D, and manufacturing technology, as well as those related to business management such as accounting, finance, digital technology, and labor management.

● **Development of management human resources** To achieve our management plans and goals, we are developing key human resources to improve organizational capabilities, execute project management, and promote human capital management. Since 2022, we have engaged in the "Management Enhancement Program" for managers to strengthen their leadership, ability to set and solve problems, and ability to see things through.

●**Training of next-generation leaders** To develop the next generation of human resources who will drive the growth of our group, we started the “Next Generation Transformation Program (NEXT)” in 2022, a selective and practical training program for young and mid-career employees in their 20s and 30s. The second phase was held in 2023, and a total of 42 people graduated in the first and second phases.

With the catchphrase “Out of the box!,” we invited external lecturers to hold seminars and held sessions with executives from the same generation who discussed our company’s issues across organizational boundaries. In addition, in the second phase, we implemented a program in South Korea, where we visited and held study sessions with overseas affiliates. We also held study sessions with overseas affiliates. The program also provides opportunities for students to propose ideas to management, and those ideas that are approved are being commercialized by the students themselves. After the completion of the program, we continue to develop human resources through practical work experience, such as having graduates participate in company reform projects. In addition, we implement a program to develop the next generation of leaders through cross-border learning by participating in practical project training in which multiple companies from different industries come together to solve social issues.

Voices of Participants

I have been utilizing my actual experiences as a participant in the first phase in running the program for the second phase. Through this program, I have realized that while there are often no right answers or certainties in human resources development efforts, it is important to realize that “what I have realized” and “what I have felt together with my peers” will be valuable resources in the future.

Member participating in the 1st phase of NEXT
2nd phase secretariat member

Ayako Suzuki

Corporate Value Creation Division
Corporate Planning Department,
Corporate Planning & IR Team
(at the time of participation in NEXT)



Since 2024, I have been working as a leader, always keeping in mind the importance of teamwork in achieving goals, which is a lesson I acquired from NEXT. By pointing the members in the right direction, I am working on the creation of a team that can maximize sales and profits.

Member participating in the 2nd phase of NEXT

Masahiro Nagatomo

Sales Headquarters, Tokyo Branch
Team 2
(at the time of participation in NEXT)



Occupational health and safety

Initiatives for the occupational safety of employees

At all production sites, we are working to maintain safe operations and environments by setting management items related to safety, health, and disaster prevention; conducting voluntary inspections; and preparing instructions and manuals. At the “STR-MP” meeting, which is attended by the production site staff in Japan and Thailand, participants exchange opinions about occupational safety and reflect on the occupational safety activities in each factory. We regularly conduct safety management inspection at our factories in Japan and Thailand and major outsourcees’ factories in Japan by headquarters’ staff in charge to inspect our safety and hygiene control systems and operational status. In Thai factories, where it is difficult to directly inspect them frequently, we utilize an online conference system.

Initiatives for the health of employees

Considering the health of employees as one of our most important considerations, we engage in various measures for allowing employees to work while maintaining their mental and physical health so that all employees can work vigorously.

In addition to the periodic health checkup, we recommend that employees aged 35 years or older receive a complete health checkup at the company’s expense for the purpose of detecting and treating health risks early. Furthermore, we recommend that employees undergo medical examinations for breast cancer, cervical cancer, prostate cancer, and brain disorders, the expenses of which are also covered by the company.

We also hold meetings with industrial doctors and public health nurses and lectures, and established the “S.T. Hotline for Health,” in which external psychologists listen to the worries of employees, their spouses, and dependents, in order to maintain their mental and physical health and prevent disorders.

If employees are injured or become sick for non-business reasons, we have established an accumulative leave system.

As measures for breaking free from smoking, we prohibited smoking during working hours in 2018 and prohibited smoking inside our buildings in 2022.

In recognition of our efforts, we were certified as an Outstanding Health and Productivity Management Organization by the Ministry of Economy, Trade and Industry for three consecutive years in 2022, 2023 and 2024.



Work-life balance and DE&I

Work-life balance

We continually develop a comfortable workplace in which employees can deal with the progress of their life stages.

To support employees in childcare and nursing care while working, we have established systems in line with action plans in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Women's Active Engagement in Professional Life.

Childbirth	Leaves before and after childbirth	6 weeks before childbirth and 8 weeks after childbirth
	Special leave for an employee's wife giving birth to a child	2 days (paid)
Childcare	Childcare leave	Until a child turns 3 years old
	Working hours for childcare	It is possible to shorten working hours by 1.5 hours per day until a child enters the fourth year of elementary school. It is possible to use the staggered work shift until a child enters the first year of junior high school. (Possible to combine with the flextime system.)
	Exemption from overtime work	We exempt employees who have a preschool child from overtime work, if they apply.
	Leave for caring for injured or sick children	It is possible to take this leave in units of hours for 5 days per year if the number of such children is 1 or for 10 days per year if the number of such children is 2 or more.

All eligible female employees took childcare leave during the fiscal year under review. All female employees who gave birth to a child resumed work, and no one resigned during the one-year period following childbirth. Follow-up services for those returning to work include explanations of the system before returning to work, interactions between those returning to work, and meetings between supervisors and those returning to work, as well as subsidies for seminars on balancing childcare and work after returning to work. In addition, the rate of childcare leave taken by eligible male employees during the fiscal year under review was 66.7%*, and the average number of days taken was 30.5, with the longest period being 33 days. The human resources team has set up a contact point for childcare leave and is following up with all male employees whose spouses are planning to give birth by providing materials on the system and conducting individual interviews to help them take childcare leave.

*Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76, 1991), the percentage of childcare leave, etc., taken is calculated as per Article 71-4-1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25, 1991).

Diverse work styles

For the purpose of realizing diverse work styles so that employees of all ages can exert their abilities to the maximum degree and have a good work-life balance, we have established such measures as a flextime system, a system for working from home, and a system for granting paid leave in units of hours.

In addition, to improve the ratio of employees who have taken paid leave, we encourage employees to take a long vacation and manage working hours accurately with PC logs, to prevent prolonged work.

	FY 3/23	FY 3/24	FY 3/25 Targets
Ratio of employees who took an annual paid leave (%)	60.0	70.2	75.0

DE&I initiatives

For the promotion of women into management positions and their career development, we hold training for female employees in their 20s to 40s and diversity training for all employees without limiting age groups or gender. Participants have commented, "It provided an opportunity to think about my future career," and "Listening to the opinions of female employees with various job histories and ages was helpful for considering my own work style."

The ratio of female managers during the fiscal year under review reached 17.7%.

We also promoted the utilization of senior human resources, and the rate of continuous employment after the retirement age in the fiscal year under review was 87.5%.

Accounting period	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
Ratio of female managers (%)	11.3	10.9	10.2	11.5	15.1	17.7
Ratio of mid-career workers (%)	16.0	20.7	10.0	36.4	37.1	51.2
No. of females	0	1	1	2	4	10
No. of foreign nationals	0	0	0	0	0	2
No. of managers	1	0	0	6	9	9
No. of employees with disabilities	9	14	15	13	14	14

Note: The subject organization is the S.T. Group (in Japan).

Commitment to customers

Self-Declaration of Conformity with ISO 10002 Customer Satisfaction Management System

On May 14, 2024, we received a “Third-Party Opinion Statement” from the Association of Consumer Affairs Professionals (ACAP), certifying that our approach to handling customer inquiries aligns with the international standard “ISO 10002.” Based on this, we officially declared our conformity on October 2, 2024.

Store locator system

As people spend more time online, more customers are researching store locations on company websites before visiting. In response, we launched a store locator system in December 2022, enabling customers to find stores themselves anytime, 24/7. This system is designed to ease the customer experience, and since its introduction, it has been accessed frequently.

Efforts to improve service quality

To improve customer satisfaction and service quality, we participate in the Telephone Answering Competition organized by the Japan Telecommunication Users Association every year. Our goal is to develop skilled individuals who can enhance customer satisfaction through better communication and responsiveness. Competing with participants from many other companies helps us objectively evaluate the strengths and quality of our own telephone support, which in turn supports our training and development efforts. In 2023, we won the Tokyo competition and advanced to the national finals for the second consecutive year.

System for responding to customer feedback

We quickly share customer feedback with management and relevant departments through a “HOT VOICE REPORT,” which is then used to enhance our products and services. In addition, our Customer Consultation Office has created the “Customer Feedback Experience Booth,” where employees from other departments can directly listen to customer feedback. This allows them to grasp emotions and nuances conveyed through tone—things that can’t be fully understood from written reports—helping deepen their understanding of our customers.

An example of utilizing customer feedback for product improvement “DASHUTAN CHARCOAL” for Refrigerators/ Vegetable Compartments



Customers had mentioned that once the packaging film was removed, it was difficult to know what the product was for. Now, labels on the container clearly indicate the intended use, making it simple to identify the product's purpose.

Dissemination of useful information for daily life

For our customers, we disseminate information that makes everyday life a little more convenient and enjoyable through our owned media “Kurashi ni Plus.”

Under the supervision of experts, we introduce useful information and countermeasures for everyday-life trouble, such as “seasonal change of clothing,” “cleaning,” and “countermeasures against ticks.”

We also share research findings and the results of surveys on consumer lifestyles, such as the “Reiwa Wardrobe Change Survey” and the “Sleep Habits Survey,” through our website.

Support activities for homeless cats and homeless cat organizations

In 2023, we launched the “Homeless Cat Support Project” to assist homeless cats and the organizations that care for them. While the number of households with pets has been increasing, the issue of pet abandonment due to owners’ circumstances has also become a significant social problem, resulting in many pets needing to be rescued.

To help tackle this social issue, we support homeless cat organizations by visiting them to understand their challenges, donating cat litter products, and participating in adoption events. Our goal is to create a society where both cats and their owners can live happily together.

Initiatives for local communities

Hands-on learning experiences for local children

We actively engage with our local community by offering hands-on learning opportunities for local children. We welcome elementary and junior high school students to take part in workplace experiences, including workshops on making deodorizing and air freshening products. Through these activities, we aim to inspire interest in manufacturing, the role of everyday household products, and the importance they play in our daily lives, as well as the science behind them.

Efforts for collaboration and support with local communities

During July 2022, in collaboration with companies working on forest maintenance, we signed a “forest development agreement of companies in Hokkaido” with the Hokkaido Government Kushiro General Subprefectural Bureau and Hokuto Co., Ltd., which runs a forest maintenance business and has its headquarters in Kushiro City, Hokkaido. We have acquired naming rights for the maintenance area within the forest area, which is owned by the Hokkaido government and is under the management of Kushiro City, and have been planting Sakhalin fir saplings using donations from our company as a financial resource to maintain the forest for five years.

Every year, we invite S.T. CORPORATION’s employees and local elementary school students to plant trees and hold a tree education class to learn about the utilization of thinned wood, an unused resource of the forest, and the functions of Sakhalin firs.



Supply chain initiatives

Policy for Procurement and Guidelines for Responsible Procurement

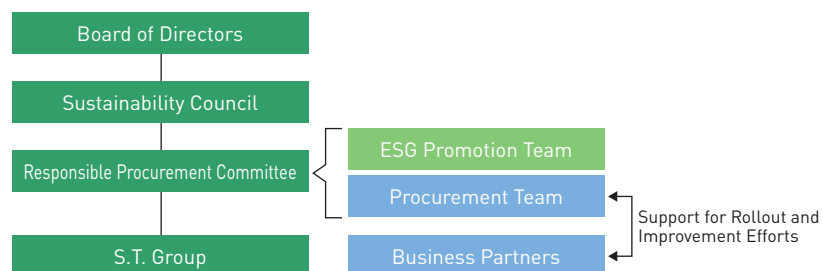
As human rights and environmental issues become more pressing, companies are increasingly required to respect international treaties and standards, and address these challenges across their entire supply chain. Our group has established policies and guidelines to meet these demands as part of our corporate activities.

Our Policy for Procurement states, “No enterprise could grow sustainably without relationships with its business partners based on mutual prosperity. We recognize this fact to a sufficient degree and shall promote fair, impartial, and responsible procurement considerate to human rights and the environment in the whole supply chain including our corporate group and business partners.”

Furthermore, to advance responsible procurement activities as defined in our procurement policy, we have established the “S. T. CORPORATION’s Guidelines for Responsible Procurement”* as a set of principles that all trading partners involved in our products and services are expected to adhere to.

Organizational structure

To promote responsible procurement, we have set up the Responsible Procurement Committee as a subcommittee under the Sustainability Committee. This committee is led by the Executive Officer in charge of the Manufacturing Division, with collaboration between the Procurement Team and the ESG Promotion Team to enhance CSR management across our group and supply chain. The Procurement Team also leads the dissemination of the “S.T. CORPORATION’s Guidelines for Responsible Procurement” to our suppliers. To address CSR risks within the company, we have established a structure where representatives responsible for human rights, labor, health and safety, business ethics, and the environment are convened by the Responsible Procurement Committee to discuss and address these issues.



For more information on our “Guidelines for Responsible Procurement,” please visit our website.



Promoting Guidelines for Responsible Procurement and conducting self-check surveys

Based on our “Procurement Policy” and “Guidelines for Responsible Procurement,” our group works with suppliers to engage in procurement activities that consider the global environment and local communities. In the fiscal year ending March 2025, we plan to hold the “S.T. Partners Meeting 2024” for suppliers of raw materials and contracted manufacturers to explain the “Guidelines for Responsible Procurement.” Achieving responsible procurement across the supply chain is not possible without business partners’ understanding and cooperation, which is why we regularly hold S.T.Partners Meeting to foster dialogue and grow together.

In addition, we will distribute self-check questionnaire sheets to our suppliers to confirm the status of their CSR initiatives and identify challenges based on the “Guidelines for Responsible Procurement.”

We will provide feedback on the survey results and support our suppliers in improving their CSR management alongside our group.

Sustainable raw material procurement

Our group is committed to sustainable and responsible procurement of raw materials, as outlined in our “Guidelines for Responsible Procurement.” We focus on resource conservation, environmental protection, and respect for human rights.

Initiatives for sustainable and responsible procurement (Guidelines for Responsible Procurement)

With regard to procurement of raw materials, our corporate group recognizes issues such as human rights, the environment, and biodiversity in the countries of origin, and shall engage in sustainable and responsible procurement.

- With regard to conflict minerals, we will prevent the purchase and usage thereof, and will investigate and check with our business partners.
- With regard to raw materials that bring about concerns about human rights, environmental issues, etc., in the country of origin, such as palm-derived materials used in products and the paper, pulp, etc., used in the packages of products and containers as well as catalogues and office supplies, we will engage in the procurement of raw materials certified as considerate to sustainability, or recycled materials.



We also promote the procurement of third-party certified paper, such as FSC®-certified paper, for product packaging, transportation cartons, brochures, and office supplies.

Risk Management System

Approach to risk management

The S.T. Group conducts risk management to prevent various management risks surrounding our company and minimize possible damages. In recent years, the demand for sustainability has increased, further amplifying the business risks surrounding corporations. Our group addresses these risks by managing them appropriately, thus realizing sustainable growth and enhancing corporate value.

We have established a risk management system to identify such risks that might affect management and to appropriately address and manage them.

Risk Management System

For more information on our risk management system, please visit our website.



Administrative Order based on the Act Against Unjustifiable Premiums and Misleading Representations

Background

In April 2024, our company received an administrative order from the Consumer Affairs Agency based on the Act Against Unjustifiable Premiums and Misleading Representations. We deeply apologize for the inconvenience and concern this has caused to our stakeholders. We take this matter seriously and are working to identify the root cause and prevent recurrence.

The issue involved four products from our “MORIRABO” series, where claims on the packaging such as “To block pollens with fragrance” were found to lack sufficient evidence. The materials we submitted were deemed insufficient to substantiate these claims, leading to the conclusion that this was misleading representation.



Measures to prevent recurrence

Following the administrative order, we established the “Special Committee” under the Risk Management Committee. This committee reviewed the facts from the time of product development, identified problems, and discussed measures to prevent such things in future product labeling.

Regarding concrete measures for preventing recurrence

●**Raising awareness of the Act Against Unjustifiable Premiums and Misleading Representations** On the day the administrative order was issued, the company president sent a message to all executives and employees to inform them of the situation, express sincere regret, and emphasize our commitment to preventing recurrence. In addition, during monthly company-wide meetings, we remind all executives and employees, including those not directly involved in product labeling, of the importance of proper practices. We have also organized study sessions on the Act, led by legal experts, and plan to continue regular training, especially for employees involved in product lab.

●**Clarifying roles and responsibilities for Labeling** We have redefined our compliance policies and revised our management rules for product labeling, changing the method for verifying the basis of product claims to ensure that verification is carried out by a different person than the one creating the label.

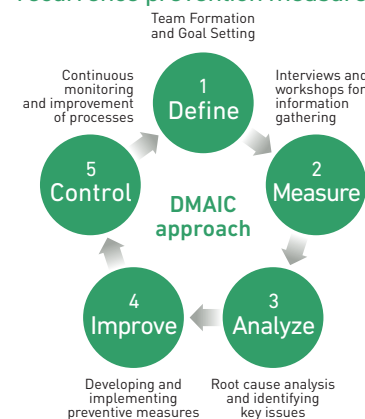
●**Establishing the new Quality Assurance Division** In April 2024, we restructured our organization to establish the new Quality Assurance Division, which will also be responsible for checking the appropriateness of product labeling. This aims to provide even more reliable products and services and strengthen quality management.

●**Accelerating digital transformation (DX)** To facilitate efficient information sharing and verification of labeling-related data, we are advancing DX initiatives. By creating a centralized database accessible to all relevant personnel, we aim to eliminate the need for direct inquiries to labeling creators and ensure efficient information management.

Labeling as a promise to our customers

Throughout the analysis of this incident and the development and implementation of recurrence prevention measures, we applied Six Sigma methodologies to improve processes. One key insight from this experience is that product labeling is a promise to our customers. The information presented on product packaging and our website represents a commitment to our customers, and we are dedicated to upholding that promise. We are committed to sustainable management practices, strengthening governance, and working to regain the trust of our stakeholders.

Approach to developing recurrence prevention measures



Dialogue with Outside Directors

Under the new management system, we will respond to the changes in the times and achieve solid results.



—Could you describe the current atmosphere of the Board of Directors?

Mr. Maeda: Our Board of Directors is very active, making numerous comments, and we are able to have honest discussions to the point where our opinions occasionally diverge.

Ms. Noda: In discussions before the adoption of the new system, the founding family members and major shareholders were the managers, and it seems that we sometimes relied on them. Now, there is no such dependence at all.

Mr. Iwata: I believe that the role required of outside directors is not only to brake but also to support executives so that they can step on the accelerator without hesitation. To go fast, you need strong brakes. We would like to play such a role.

—What are your views on the challenges faced by the management of our company?

Mr. Maeda: I think it is essential for us to improve our core

business. In addition to our core business, we need to make one or two strategic moves for future growth, but it is our core business that provides the resources for such strategic moves for the future. If our core business loses momentum, it will be a warning signal.

Mr. Iwata: Regarding management's decision-making and execution ability, it seems to me that they place importance on consensus-building. Therefore, I am concerned that it is slowing down the company's decision-making and execution speed. It is the responsibility of management to formulate a broad policy, including what we want to be 10 years from now and a medium-term management plan, and then implement it as soon as possible to achieve results. We need to define authority and responsibility and transform our company by demonstrating leadership. At the Board of Directors' Meeting, we, outside directors, are able to express ourselves freely. However, we cannot see the content of discussions at the Executive Officer Meeting. I feel it is necessary to monitor whether the Executive

Officer Meeting is making decisions and implementing them in a speedy manner.

Ms. Noda: It has been pointed out by the former president for some time that "we are lacking in thinking and completing the tasks on our own" and that "he expects us to finish what we do," and I believe we haven't accomplished that yet. What gets done when, by whom, and when? Every single one of us needs to understand the significance of the PDCA cycle, be committed to it, and complete the tasks at hand. I believe that such a business culture must be established.

—The purpose has been formulated. Could you frankly tell us your impression of it?

Mr. Maeda: I think it is very good. It is also a message from the customer's point of view, and I think it could be more appealing.

Mr. Iwata: To be honest with you, I would have preferred the purpose to express our company's strong will and

determination more. I think it would have been better if the content had let employees know what to do based on this purpose. However, the purpose at this time is based on a process through which everyone participated, and I think everyone is convinced, so I agree with the conclusion.

Ms. Noda: Yes, that's right. I think it is necessary to have a process where everyone has made a decision together, so I would like to focus on that.

—What are your evaluations of the medium-term management plan?

Ms. Noda: First, I think it was most important that we disclosed our medium-term management plan to the outside

world for the first time and we were able to do so at a time when our management structure changed.

Mr. Maeda: It took quite a long time to formulate our medium-term management plan, but I believe that by taking the time, we were

able to reach a conclusion through extensive discussions, and our medium-term management plan is filled with the energy to take the next step based on a common understanding. The most important aspect of our medium-term management plan is that we will be reborn as a more profit-orientated company. How to allocate management resources will also be a major theme for management. Depending on the situation, it will be important to have the courage to abandon low-profit businesses in the future. We will take a hard look to ensure that the process does not end at the formulation of the medium-term management plan.

Mr. Iwata: You are right. If we think about S.T.

CORPORATION in the next 10 years, we must change significantly within the next three years. The world will change significantly in 10 years, and to survive considerable reform is required. The important point of this medium-term management plan is that we were able to draw a rough sketch for the medium/long term. I believe it is good that we are determined to go beyond the framework of a daily goods manufacturer and expand into the field of wellness. For us, it is important to ensure effective governance based on this rough sketch of what we must do now.

—The medium-term management plan also calls for the strengthening of our management foundation. What are your thoughts on the current situation and challenges regarding DX at our company?

Mr. Iwata: With the remarkable evolution of technology, you cannot survive if you repeat the same thing every day. We also feel that we have not been able to fully discuss DX in our company at this point. DX is an important theme in terms of how to communicate with new customers, how to increase employees' productivity, and how to improve the efficiency of business as a company. I think we need to look ahead and deepen discussions on how to implement DX.

Ms. Noda: Regarding DX, it is being discussed by the Board of Executive Officers, but I just recommended having a thorough discussion about it at the Board of Directors. Without DX, I don't think we can make a more in-depth plan for the future, and we need to further deepen the discussion.

—How do you evaluate initiatives for human capital, such as human resources development?

Mr. Maeda: The philosophy of S.T. CORPORATION is unchanging. To develop human resources, it is important to talk about the philosophy of S.T. CORPORATION from the top management, and we should think about our strategies

for human resources 10 years ahead. Especially with the low birth rate, how can we get good human resources to join us? We have started discussions at the Nomination Committee for the future.

Ms. Noda: I feel that the discussion about human capital is insufficient. However, I recognize the initiative "Next Generation Transformation Program (NEXT)" led by Director Iwata, as a wonderful initiative that cannot be found in other companies. I believe it will be a valuable experience for young mid-career employees to participate in a new business and experience the process of creating something new through discussions together over time.

Mr. Iwata: NEXT has already completed its second term. Its main theme is "Out of the Box!" If you are constrained by the company's framework, you might become a person who can only think within the company's framework. To prevent this from happening, we started the program with the idea of developing young, mid-career professionals who can jump out of the box called S.T. CORPORATION and see things from a wider perspective and make decisions accordingly. Last year, we visited a partner South Korean company on a study tour, and we got inspiration from an organization other than our own. In addition, it is significant that young mid-career employees jumped out of the small box of their internal organization and learned about initiatives in the sales field and the research institute to which they had not been previously exposed. The young mid-career employees selected for NEXT engage in lively discussions, and I see the changes they are making and the expectations they have for the future.

—What do you think about diversity and DE&I?

Ms. Noda: The Nomination Committee believes that the development of women in managerial positions is an issue, and we are promoting initiatives such as creating opportunities for interviews with outside directors by pooling female candidates in the same way as male





candidates. Looking at the current Board of Directors, I believe that the presence of only two female directors should not be seen as a setback for S.T. CORPORATION in terms of diversity. We need to clearly demonstrate our

DE&I stance and initiatives both internally and externally. For example, I heard that Director Maeda addressed the development of each woman individually, which is helpful. To promote the advancement of women in the true sense, the most important thing is evaluation, in addition to recruitment, work-style reform, and education/training. What should be the yardstick for evaluation? If long working hours are still highly evaluated, diversity will not advance, so I think it is important to think about how to evaluate it properly.

Mr. Iwata: Our company develops and sells mainly products for women, so we need to quickly create a situation in which women naturally play an active role as executives and managers. In any case, we want to create an environment in which it is easy to take on challenges, show that we are watching their growth as candidates for managers, and convey that we can connect mutually, including mental support for them. We plan to implement such initiatives in the future. As for the company structure, we must also steadily achieve a female management ratio of at least 30% within five years.

—In April, we received an order from the Consumer Affairs Agency to take corrective measures. Please tell us your opinion on our compliance with laws and risk management, including the response after that.

Ms. Noda: We recognize that this is a serious problem that

we must tackle as a whole company. The Audit Committee is also working on this matter with the resolve to tackle it together. Anyway, first, we have asked the executive team to thoroughly analyze the real cause. Our company has a good phrase, “Customer First,” and we have attached great importance to the word “Sincerity” in our corporate philosophy. Therefore, I strongly hope that we will pause at each to stage and use this word to confirm and proceed.

—What are your thoughts on our sustainability initiatives?

Mr. Maeda: We are a company that predominantly uses resins, so environmental and natural considerations are particularly important issues. The Earth will not wait. In addition, in order to think about a sustainability strategy, we need to change our mindset and have the ability to execute. By becoming a pioneer rather than following the moves of other companies, I believe that S.T. CORPORATION will increase empathy for our company and gain the strong trust of our customers.

Ms. Noda: I have the impression that there has not been a major movement in the sustainability initiatives of the company as a whole. I have a sense of great challenge that each and every employee, including management, has not yet fully understood the most important part, which is to raise awareness of why we need to take such initiatives. The issue of sustainability is an extremely important topic that affects the very survival of the company. As mentioned in the medium-term management plan, we recognize the need to have more in-depth discussions and put management at the forefront. In response to the order for corrective measures from the Consumer Affairs Agency, I see this as a good opportunity, and I think the approach will change considerably just by expanding the inspection items for sustainability in the product development process.

—Lastly, please tell us your views on our capital policy.

Mr. Maeda: In the last two or three years, I think there has been a major trend. The foundation for a governance system that enables us to graduate from the company of the founding family, which we had to overcome by all means, and to proceed in the 21st century as a true public company has been established. In addition to moving away from being a major shareholder, the merger with Shaldan has brought about a major change in our corporate governance. The foundation for a governance system is not the end of corporate governance. It must be effective. We have made a considerable number of decisions in the past, and our responsibilities have been significant. I believe that we must make even greater efforts in the future to manage the company properly.

Mr. Iwata: In addition to the founding family members’ expressed desire and the remarks made by the company’s first chairman, Mr. Seiichi Suzuki, to make the company a true public company, Mr. Takashi Suzuki, the former chairman of the company, resigned on his own, dissolving the company’s capital. The original family members and shareholders who took this decision deserve our sincere gratitude and respect, first and foremost.

Amid the separation of capital and management and the start of a new form of S.T. CORPORATION, there is an important responsibility on the supervisory and executive sides to deliver results that meet expectations. I also feel a strong sense of responsibility to deliver results that will enable us to respond to changes in the times and the environment, as well as to improve our performance in line with these changes, as a result of the new management structure.



Overview of Corporate Governance

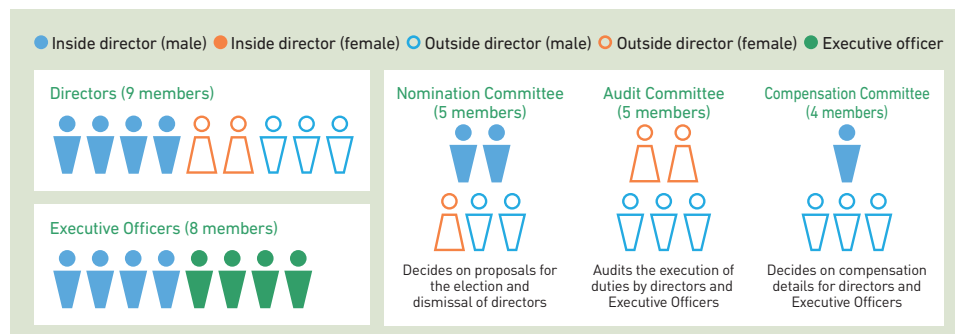
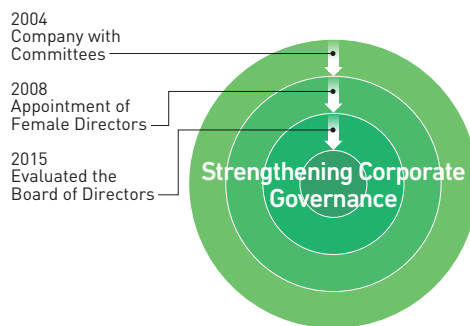
Approach to corporate governance

Under the corporate philosophy “Sincerity,” our corporate group will realize the sustainable synergistic growth of enterprises and society to improve our corporate value and shareholder value. We think that it is important to respect the rights of shareholders, secure the fairness and transparency of business administration, and make efforts to realize the sustainable development of the environment and society and create medium/long-term corporate value in cooperation with stakeholders. To establish a system for such sustainable synergistic growth, we will work on the improvement of corporate governance.

History of our corporate governance system

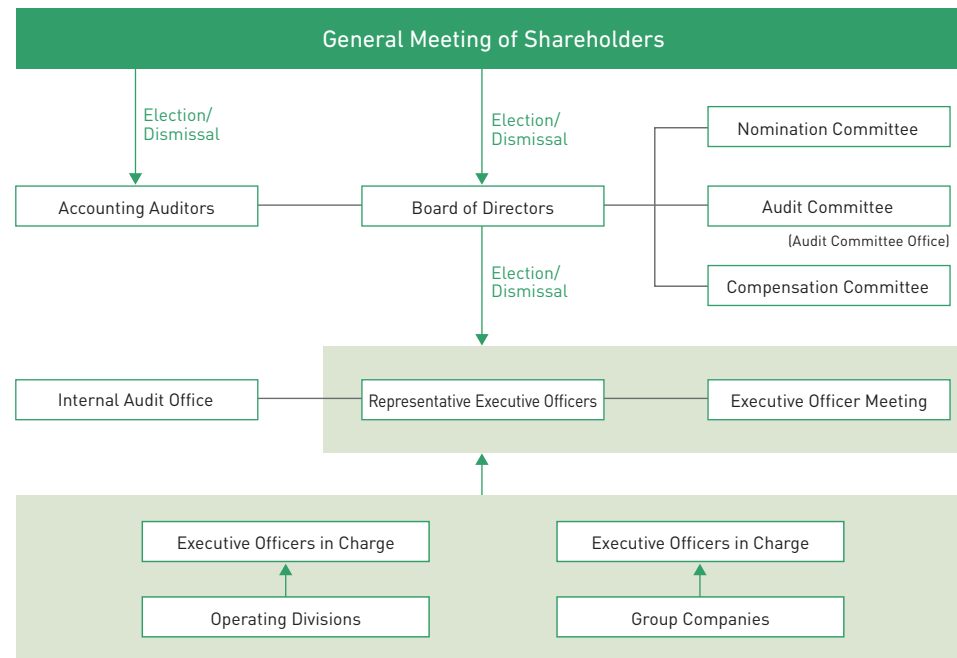
In June 2004, to enhance the oversight function of the Board of Directors and the quality of management and enrich management practices such as prompt decision-making and agile execution of operation, the company was reorganized into a company with committees (currently company with three committees), which is more transparent and fair and in which outside directors account for the majority of board members. In June 2008, a female director was appointed for the first time, and as of June 2024 female directors made up 22% of the board. In addition, we appoint outside directors with a wide array of knowledge, experience and skills such as management, marketing, accounting, and legal affairs. Since 2015, a board evaluation has been conducted on annual basis to improve the effectiveness of the Board.

History of Our Corporate Governance System



[As of June 18, 2024]

Corporate governance structure



● **Board of Directors** The Board of Directors of our corporate group consists of nine directors (including five independent outside directors). In accordance with Article 416 of the Companies Act, the Board decides on basic management policies and other important management matters, as well as matters relating to the division of duties and the direction of Executive Officers and supervises the execution of the duties of Executive Officers and others.

● **Executive Officer Meeting** The eight Executive Officers appointed by the Board of Directors make decisions on matters entrusted to them by the Board of Directors and carry out business operations. In principle, the Board of Executive Officers meets twice a month to exchange information and make decisions on particularly important matters entrusted to it.

● **Three committees** The Nomination Committee decides on the details of proposals for the appointment and dismissal of directors to be submitted to a General Meeting of Shareholders. The Compensation Committee decides on the policies and criteria for determining the remuneration of directors and Executive Officers and annually decides on the remuneration for each director and each Executive Officer. The Audit Committee audits the performance of the duties of the directors and Executive Officers, monitors and verifies the internal control system, and checks the status of operations and assets.

Skills matrix of the Board of Directors and committee structure

○ Holds the concurrent position of Executive Officer ● Independent Outside Director ★ Chairperson

Name	Position/role	Years in office	Attendance of directors (fiscal year ended March 2024)	Committee members and their attendance at meetings (fiscal year ended March 2024)			Technical skills/areas							
				Nomination Committee	Compensation Committee	Audit Committee	Management strategy	Innovation	Sustainability	Marketing	Global management	IT and digital	Finance and accounting	Compliance and risk control
Yo Kozuki	Chair of the Board of Directors ○	1 year	11/11 times	6/6 times			○			○				
Seiichi Nishida	Director ○	3 years	13/13 times				○		○					○
Kouichi Yoshizawa	Director ○	10 years	13/13 times	6/6 times	6/6 times							○	○	
Kazunari Yamamoto	Director ○	Newly appointed	—					○		○	○			
Shinzo Maeda	Director (external) ●	3 years	13/13 times	7/7 times	6/6 times	5/6 times	○		○		○			
Shoichiro Iwata	Director (external) ●	3 years	13/13 times	7/7 times ★	6/6 times	6/6 times	○	○		○		○		
Hiroko Noda	Director (external) ●	3 years	13/13 times	6/6 times		6/6 times ★							○	○
Yoko Wachi	Director (external) ●	1 year	11/11 times			4/4 times							○	○
Masayoshi Miyanaga	Director (external) ●	1 year	11/11 times		4/4 times ★	4/4 times	○		○				○	○

[As of June 18, 2024]

Criteria for the selection of executives

Criteria for the selection of candidates for directors: For the Board of Directors,

● The candidates for inside directors are selected on the basis of their knowledge and experience to carry out the company's management in an accurate, fair, and efficient manner, and who have sufficient social credibility.

● To ensure that the supervisory function is adequately fulfilled, candidates for outside directors are selected on the basis of their professional expertise and experience in law, accounting, finance, management, and similar fields.

Criteria for the selection and dismissal of candidates for executives:

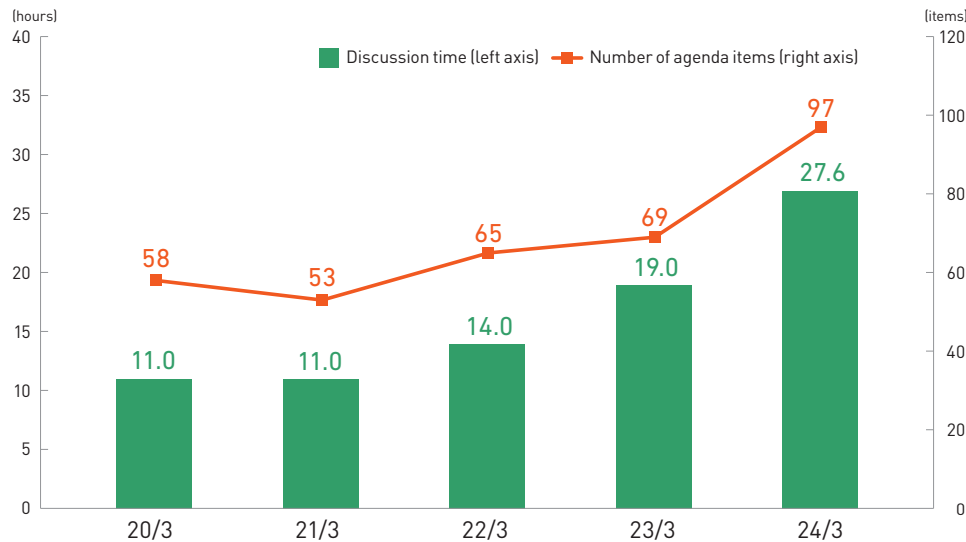
● The Board of Directors appoints the most suitable person as the representative Executive Officer for the management of our company based on a comprehensive assessment of their knowledge, insight, expertise, and ability to manage our company's overall business.

● The representative Executive Officer proposes candidates for Executive Officers who are familiar with our company's business and are capable of fulfilling their duties.

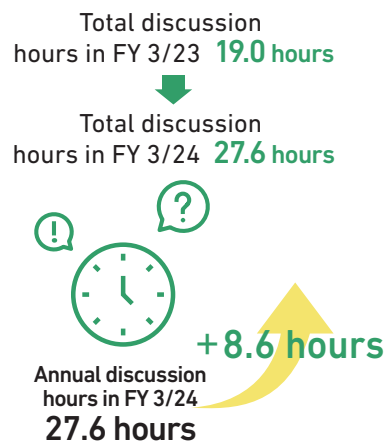
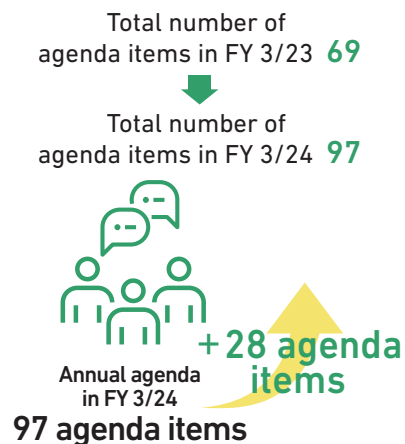
Overview of the Board of Directors

Proposals and discussion hours at the Board of Directors' meetings

Our corporate group changed the frequency of Board of Directors' meetings from quarterly to monthly in the fiscal year ended March 2024, in an effort to improve the effectiveness of the Board of Directors.



Note: Agenda: total of resolutions and reports (excluding written resolutions)



Assessment of the effectiveness of the Board of Directors

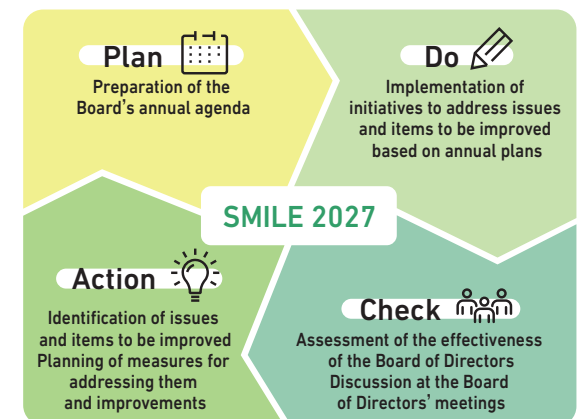
In accordance with Principle 4-11 (3) of the Corporate Governance Code, our corporate group has assessed the effectiveness of its Board of Directors every year since 2015.

● **Summary of the results of the Board of Directors' evaluation in the fiscal year ended March 2023** Our corporate group analyzed and assessed the effectiveness of the Board of Directors, based on the self-assessment of each director for the fiscal year ended March 2023. As a result, the Board of Directors is generally assessed as operating effectively. However, several operational issues have been identified, and individual interviews with outside directors have been held to clarify and resolve these issues. In addition, the Board of Directors continues to discuss sustainability initiatives and the strengthening of risk management systems, which are highly demanded by society. Efforts will be made to improve the effectiveness of the Board of Directors.

The Board of Directors annually analyzes and evaluates whether its duties are performed in accordance with the guidelines and discloses a summary of the results.

● **Summary of the results of the Board of Directors' evaluation for the fiscal year ended March 2024** Our corporate group analyzed and assessed the effectiveness of the Board of Directors for the fiscal year ended March 2024, based on each director's self-assessment. As a result, the Board of Directors is generally assessed as operating effectively, as the frequency of its meetings has increased to monthly and there is an open and vigorous exchange of views. However, several operational issues have been identified, including room for improvement in the volume of explanatory material and the balance between time for explanation and time for discussion, and individual interviews will be held with directors and outside directors to clarify the issues and resolve them.

In May 2024, the Board of Directors disclosed its medium-term management plan and held reporting sessions and discussions on the implementation of the PDCA cycle, and will continue discussions on medium/long-term management issues such as the diffusion of our management philosophy and purpose, succession planning, and strengthening ESG, sustainability, and risk management. The Board of Directors also continues its efforts to improve the effectiveness of management. We will continue to advance initiatives related to the annual agenda for the fiscal year ended March 2024.



Initiatives of the Nomination Committee



Shoichiro Iwata

Chairperson of the Nomination Committee

Message from the Chairperson

Independent outside directors form a majority of members of the Nomination Committee, and the committee is responsible for strengthening the company's governance, ensuring fairness and transparency in management, formulating succession plans, and developing executives to promote diversity and inclusion.

In recent years, we have recognized the urgent need to develop successors to satisfy society's expectations for better governance and the sustainable development of our company. As part of our efforts to strengthen governance, we have reviewed and revised the regulations for the Board of Directors and the Nomination Committee.

To ensure fairness and transparency, we have established criteria for the selection and dismissal of directors, reviewed and revised the skill matrix, and created a nomination process. A company with a nomination committee separates the business execution and supervisory functions, and the nomination committee selects directors to propose to the general meeting of shareholders based on strict selection criteria and a skills matrix. This allows us to use both the accelerator and the brakes to strengthen governance, enabling bold steering in the execution of our business. At the same

time, in cooperation with the Audit Committee, we monitor Executive Officers and directors to evaluate their suitability for appointment.

As for our efforts in succession planning and initiatives to develop diverse executive talent, in order to pool potential candidates for the next generation of directors and Executive Officers we are working to identify the next generation of executives by formulating requirements and systematically conducting interviews with executive employees.

To continue to meet our customers' expectations, we will continue to work with executives to strengthen governance and increase corporate value.

Nomination Committee for fiscal year ended March 2024

●Number of Nomination Committee members 3 outside directors and 2 inside directors

●Number of Nomination Committee meetings 7

Role of the Nomination Committee

- Determining the criteria for election and dismissal of directors and criteria for independence for outside directors
- Determining the details of the proposals to be submitted to a general meeting of shareholders regarding the appointment or dismissal of directors
- Developing criteria for the election and dismissal of our company's representative Executive Officers and based on said standards, reviewing candidates for appointment and dismissal and recommending them to the Board of Directors
- Reviewing succession plans for representative Executive Officers

Main initiatives:

Development of human resources of the next generation of management executives who will become successors

The Nomination Committee considers it urgent to develop strong executive management personnel who can achieve

performance targets and respond appropriately to unforeseen circumstances and changes in the external environment, and one of the most important themes is to systematically promote the "building of a reservoir of human resources" that will enable our company to achieve sustainable growth and increase corporate value.

Therefore, we will define the requirements for the next generation of management personnel, practice diversity inclusion, identify the positions to which management personnel will be assigned and the necessary skills, select candidates for the next generation of management personnel, develop a training plan and selection process in cooperation with the Nomination Committee members and the executive committee, and formulate a next-generation management personnel training program to be implemented systematically over time.

Activities in the past year

Specific matters considered by the Nomination Committee are as follows.

- Resolution regarding the selection of candidates for directors at an ordinary general meeting of shareholders
- Resolution regarding candidates for representative Executive Officer and president
- Report on activities of the Nomination Committee
- Discussion regarding the activity plan of the Nomination Committee
- Discussion regarding the method of confirming reappointment of current directors (outside and inside)
- Discussion regarding the criteria for selecting candidates for outside and inside directors
- Defining human resource requirements for next-generation management executives
- Conducting interviews with Executive Officers and management executives

Initiatives of the Compensation Committee



Masayoshi Miyanaga

Chairperson of the Compensation Committee

Message from the Chairperson

The compensation of Japanese company executives is said to be at a low level worldwide, and the wages of Japanese workers have been kept low for the past 30 years. It is no exaggeration to say that the low economic distribution has been a factor in the long-term deflation of the Japanese economy. Therefore, we need a compensation system that contributes to corporate growth and value creation, and we recognize that there is a need for an appropriate allocation of added value from executive compensation to such human capital.

The current compensation system for our group's directors and Executive Officers is designed with a relatively low degree of linkage to business performance and stock price. In particular, there has been a growing trend recently among listed Japanese companies to emphasize the perspective of shareholders when determining executive compensation, so it is important to appropriately design how to appropriately link compensation to shareholder returns, including not only business performance but also stock price. In addition, there has recently been a movement to link the evaluation of non-financial indicators related to ESG with executive compensation. Going forward, we will continue discussions, including a review of specific evaluation indicators, taking into account the targets and material issues in our group's medium-term management plan.

Compensation Committee for fiscal year ended March 2024

●Number of Compensation Committee members 3 outside directors and 1 inside director

●Number of Compensation Committee meetings 6

Role of the Compensation Committee

●Creating policies and calculation standards for determining the details of individual compensation for directors and Executive Officers

●The following items are determined as the content of individual compensation for directors and Executive Officers (including the compensation of the employee in case of concurrent employment as an employee, and the compensation in case of directors or Executive Officers receiving compensation from subsidiaries).

- 1) Fixed pay: Monthly and annual amount: compensation amount, individual bonus amount after the end of a fiscal year, retirement benefit amount
- 2) Undetermined pay: Specific calculation method for each individual if performance-linked compensation is to be determined
- 3) Non-monetary items: Specific details for each individual (if non-monetary items are awarded as compensation linked to stock price)

Policy for determining executive compensation

●Basic policy The compensation for Executive Officers is based on a compensation system that contributes to the enhancement of the group's corporate value, and the basic principle is to set an appropriate level taking into consideration the business environment, business performance, and consistency with the treatment of employees. In particular, for Executive Officers the policy is that the compensation should be an incentive to enhance the group's corporate value through proper performance evaluations and that the compensation should incorporate medium/long-term incentives that share the interests of shareholders.

●Directors' compensation As the main role of directors is to supervise, the compensation of directors is set at a fixed amount that is deemed appropriate according to the duties of each director. In principle, directors will not receive performance-linked compensation or retirement benefits.

●Compensation for Executive Officers Compensation for Executive Officers consists of basic compensation and stock-based compensation. The basic compensation is determined by the Compensation Committee in accordance with the role and responsibility of each Executive Officer, plus performance-linked compensation calculated within the range of -5% to +15% of the basic compensation in accordance with the prescribed evaluation procedure, taking into consideration the results and contribution of each Executive Officer in each fiscal year. As medium/long-term incentive stock compensation, a portion of the compensation is linked to the annual business results, and shares corresponding to the accumulated points are awarded to Executive Officers when they retire.

Activities in the past year

Specific matters considered by the Compensation Committee are as follows.

- Discussion and resolution regarding the amount of monthly compensation for individual directors and monthly compensation for individual Executive Officers (fixed compensation and performance-linked compensation) and stock benefit allocation points
- Discussion and resolution regarding retirement benefits and stock allocation points for retiring Executive Officers
- Discussion regarding the review of compensation for directors and Executive Officers
- Resolution regarding revision of compensation for outside directors
- Discussion regarding revision of non-monetary compensation (stock-based compensation) for directors and Executive Officers
- Resolution regarding compensation for new positions and compensation for promoted Executive Officers

Initiatives of the Audit Committee



Hiroko Noda

Chairperson of the Audit Committee

Message from the Chairperson

The Audit Committee plays a central role in corporate governance, overseeing the process of ensuring reliable reporting, risk management, and legal compliance in order to maximize sustainable growth and shareholder value. All members are outside directors. In addition to active discussions by each member of the Audit Committee, we are working to improve communication with accounting auditors and the quality of reports from the audit office. This fiscal year, communication with the Executive Officers was enhanced in terms of both frequency and quality. In addition, the Sustainability Committee was established last year to enhance corporate value over the medium/long term, and the Risk Management Committee and other committees were reorganized as lower branches of the Sustainability Committee. The Audit Committee aims to strengthen the risk management system through its oversight of the Sustainability Committee.

In response to the order to take action against the “MORIRABO” series products under the Act against Unjustifiable Premiums and Misleading Representations, a special subcommittee was established within the Risk Management Committee to prevent a reoccurrence. The special subcommittee reports to the Audit Committee in a timely and appropriate manner and provides feedback to prevent recurrence.

Audit Committee for fiscal year ended March 2024

- Number of Audit Committee members 5 outside directors
- Number of Audit Committee meetings 6

Framework to support the Audit Committee

As the framework to support the Audit Committee, we have established rules regarding its organization and independence and selected one director to assist the Audit Committee in its duties. In addition, we have established an Audit Committee secretariat and assigned one executive director and a few administrative staff members to the secretariat to assist the Audit Committee in its duties.

Audit system

The Audit Committee meets regularly to receive reports on matters stipulated in the regulations regarding reports to the Audit Committee, and Executive Officers and employees submit monthly reports to the Audit Committee, which also include the status of group companies.

Members of the Audit Committee conduct on-site audits based on the audit plan in cooperation with the audit office. The Audit Committee conducts audits by reviewing the monthly business execution reports received from Executive Officers giving instructions to investigate individual matters, and accompanying the audit office on on-site audits.

The Audit Committee secretariat staff attend important meetings, such as the Risk Management Committee meetings, human rights compliance committee meetings, and product liability committee meetings, and report to the Audit Committee, thereby enabling the committee to promptly grasp information and provide advice to the executive side.

Specific considerations and initiatives by the Audit Committee are as follows.

- Audit policy, audit items, audit plan, and division of responsibilities
- Audit report by the Audit Committee

- Agreement on the compensation of the accounting auditor, appropriateness and evaluation of the accounting auditor's audit
- Reporting on internal audit planning policies and plans, audit implementation reports, and status of corrective actions
- Status of development and operation of internal control system
- Compliance with revisions to the “Code of Ethics” of the Japanese Institute of Certified Public Accountants
- Conducting individual interviews with Executive Officers

Three-way audit

The accounting auditor reports to the Audit Committee on audit and interim review plans at the beginning of each fiscal year, and reports on audits and audit progress every quarter, while also exchanging opinions and sharing information and issues.

The Audit Committee shall confirm with the accounting auditor based on the seven evaluation items “quality control of the audit corporation,” “the audit team,” “audit fees,” “communication with auditors,” “relationships with management,” “group audits,” and “fraud risk” in compliance with the “Practical guidelines for corporate auditors regarding criteria for evaluation and selection of accounting auditors” issued by the Japan Corporate Auditors Association. The Audit Committee also comprehensively evaluates the current accounting auditor's audit performance, audit plan, lineup of specialized staff, and the appropriateness of audit fees, and decides on the suitability of reappointing the accounting auditor.

The audit office, which performs internal audits directly supervised by the representative Executive Officer regularly exchanges information regarding the internal audit plans formulated. After conducting internal audits, the audit office submits internal audit reports to the Audit Committee and regularly reports on the status and results of internal audits, as well as the status of corrective measures taken in the event of any issues being raised.

List of Directors and Executive Officers

Directors

Yo Kozuki

Director

Nomination Committee member
Overall management
President & CEO

Number of our company's shares owned: 20,000
Attendance at board meetings and other meetings (FY 2023)
Board meetings 11/11, Nomination Committee 6/6

[Biography]

1987 Joined S.T. Corporation
2002 Sales planning group manager
2004 Chief of Hiroshima Branch
2009 Executive Officer, in charge of the Marketing Division
2012 Managing Executive Officer, in charge of the Global Marketing Division
2021 Managing Executive Officer, and President of S.T. PRO Co., Ltd.
2023 Chair of the Board of Directors and President & CEO, in charge of overall management
2024 Chair of the Board of Directors and President & CEO, in charge of overall management, the Strategic Investment Office, and Customer Service Office (current position)



Seiichi Nishida

Director

Executive Vice President
CDO and Corporate Value Enhancing Division

Number of our company's shares owned: 1,000
Attendance at board meetings and other meetings (FY 2023)
Board meetings 13/13

[Biography]

2021 Joined S.T. Corporation, Executive Officer, in charge of the Business Management Division
2021 Director and Executive Officer, in charge of the Business Management Division
2022 Director and Managing Executive Officer, in charge of the Corporate Value Enhancing Division, the Customer First Promotion Division, New Business Development, and Management Reform
2023 Director and Senior Managing Executive Director, in charge of the Business Administration Division, the Corporate Value Enhancing Division, the Customer First Promotion Division, New Business Development, and Management Reform
2023 Director, Executive Vice President and CDO, in charge of the Corporate Value Enhancing Headquarters (current position)



Koichi Yoshizawa

Director

Nomination/Remuneration
Committee member
Managing Executive Officer
Supervising the Business Administration
Headquarters and in charge of
Domestic Group Companies

Number of our company's shares owned: 16,500
Attendance at board meetings and other meetings (FY 2023)
Board meetings 13/13, Nomination Committee 6/6
Compensation Committee 6/6

[Biography]

1985 Joined S.T. Corporation
2007 Manager, Finance and General Affairs Group
2014 Executive Officer, in charge of the Business Strategy Division and responsible for Domestic Group Companies, and Manager of the Management Planning Group
2014 Director and Executive Officer, in charge of the Business Strategy Division and responsible for Domestic Group Companies
2018 Outside Director of NS FaFa Japan Co., Ltd.
2023 Director and Managing Executive Officer, in charge of the Business Administration Headquarters, and responsible for Domestic Group Companies
2024 Director and Managing Executive Officer, supervising the Business Administration Headquarters and responsible for Domestic Group Companies (current position)



Kazunari Yamamoto

Director

Executive Officer
Business Division 2
Marketing Planning Division

Number of our company's shares owned: 500
Attendance at board meetings and other meetings (FY 2023)
Board meetings -

[Biography]

2022 Joined S.T. Corporation, and became the marketing planning group manager of the Global Marketing Division
2023 Head of the Marketing Planning Department and chief of the Marketing Planning Division
2023 Executive Officer in charge of the Domestic Business Department and the Marketing Planning Department, the head of the Domestic Business Department, and the head of the Marketing Planning Department
2024 Director and Executive Officer in charge of Business Division 2 and the Marketing Planning Department, the head of Business Division 2, the head of the Marketing Planning Department, and the chief of the Fragrance Business Development Division of Business Division 2 (current position)



Shinzo Maeda

Outside Director

Nomination Committee member
Remuneration Committee member
Audit Committee member

Number of our company's shares owned: -
Attendance at board meetings and other meetings (FY 2023)
Board meetings 13/13, Nomination Committee 7/7
Compensation Committee 6/6, Audit Committee 5/6

[Biography]

1970 Joined Shiseido Company, Limited
1996 General Manager, Cosmetics Strategic Planning Department, Cosmetics Marketing Division
1997 Chief Officer of Asia-Pacific Regional Headquarters, International Operations Division, Shiseido Company, Limited, and Director and President, Shiseido Asia Pacific
2001 General Manager, Sales Promotion Department, Cosmetics Strategic Planning Department, Shiseido Company, Limited
2003 Director, Executive Officer, and General Manager of Corporate Planning Department
2005 President & CEO, Representative Director
2011 Chairman, Representative Director
2013 Chairman, Representative Director, President & CEO
2014 Chairman, Representative Director, and Senior Advisor
2015 Outside Director, Yuasa Trading Co., Ltd. (current position)
2015 Outside Director, TOSHIBA Corporation
2021 Outside Director of our company (current position)



Shoichiro Iwata

Outside Director

Nomination Committee member
Remuneration Committee member
Audit Committee member

Number of our company's shares owned: 100
Attendance at board meetings and other meetings (FY 2023)
Board meetings 13/13, Nomination Committee 7/7
Compensation Committee 6/6, Audit Committee 6/6

[Biography]

1973 Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)
1986 Joined PLUS Corporation
1992 General Manager, ASKUL Business Promotion Office, Sales Division
1997 President, ASKUL Corporation
2000 President & Chief Executive Officer (CEO)
2006 Outside Director, Shiseido Company, Limited
2019 Representative Director and CEO, FORCE marketing and management, inc. (current position)
2020 Outside Director, Safie Inc. (current position)
2021 Outside Director of our company (current position)



Directors

Hiroko Noda

Outside Director

Nomination Committee member
Audit Committee member



Number of our company's shares owned: -
Attendance at board meetings and other meetings (FY 2023)
Board meetings 13/13, Nomination Committee 6/6
Audit Committee 6/6

[Biography]

1987 Joined KPMG Minato Audit Corporation (currently KPMG AZSA Co.)
1990 Registered as Certified Public Accountant, Representative of NODA C.P.A. Accounting Firm (current position)
1992 Joined Tokyo Branch of Banque Indosuez S.A. (currently Credit Agricole CIB)
2000 Joined Tokyo Branch of Canadian Imperial Bank of Commerce
2010 Representative Director, Probit Consulting Co., Ltd. (current position)
2014 Part-time Lecturer, Graduate School of Asian and International Business Strategy, Asia University (current position)
2019 Outside Director, MODEC, Inc. (current position)
2019 Outside Director (Audit & Supervisory Committee Member), Okabe Co., Ltd. (current position)
2021 Outside Director of our company (current position)
2022 Outside Director, CHORI Co., Ltd. (current position)
2023 Outside Auditor of Frontier Management Inc.

Masayoshi Miyanaga

Outside Director

Audit Committee member
Remuneration Committee member



Number of our company's shares owned: -
Attendance at board meetings and other meetings (FY 2023)
Board meetings 11/11, Audit Committee 4/4
Compensation Committee 4/4

[Biography]

1981 Joined Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
1991 Dispatched to Nippon Credit Gartmore Ltd. (UK)
1995 Joined Schroder Investment Management (Japan) Limited.
2000 Director
2001 Joined Prudential Asset Management Japan Inc. (currently PGIM Japan Co., Ltd.)
Chief investment officer in charge of stocks
2003 Joined IRB Corporation (currently FALCON Research & Consulting Ltd.)
Joint representative partner
2011 Representative Director of IRB
2017 Director, FALCON Research & Consulting Ltd. (current position)
Professor, Graduate School of Innovation Studies, Tokyo University of Science (currently Graduate School of Management)
2017 Outside Director, Universal Entertainment Corporation (current position)
2023 Specially-appointment professor, Chuo Business School (current position)
2023 Outside Director of our company (current position)

Yoko Wachi

Outside Director

Audit Committee member



Number of our company's shares owned: -
Attendance at board meetings and other meetings (FY 2023)
Board meetings 11/11, Audit Committee 4/4

[Biography]

1989 Registered as a lawyer, and joined Kajitani Law Offices
2006 Mediator of Family Conciliations, Tokyo Family Court (current position)
2015 Outside Auditor, Nichias Corporation
2016 Outside Auditor, Otsuka Holdings Co., Ltd.
2019 Partner, Kajitani Law Offices (current position)
2019 Vice-chairperson of Tokyo Family Conciliation Association
2019 Outside Director, Nichias Corporation (current position)
2023 Outside Director of our company (current position)

Executive officers

President & CEO:

Yo Kozuki

In charge of overall management, and the Strategic Investment Office and Customer Service Office

Director, Executive Vice President and CDO:

Seiichi Nishida

In charge of the Corporate Value Enhancing Headquarters (current position)

Managing Executive Officer:

Kouichi Yoshizawa

Supervising the Business Administration Headquarters and responsible for Domestic Group Companies

Executive Officer:

Naruaki Hashimoto

In charge of the Business Administration Headquarters, and the head of the Business Administration Headquarters

Executive Officer:

Hideki Naito

Manufacturing Division
Total Quality Management Division

Executive Officer:

Yosuke Maeda

Business Division 1 and Research & Development Division

Executive Officer:

Kazunari Yamamoto

Business Division 2 and Marketing Planning Division
International Business Division, the head of Business Division 2, the head of the Marketing Planning Department, and the chief of the Aroma Business Development Section of Business Division 2

Executive Officer:

Yukihiro Takayama

In charge of the Sales Division, and the head of the Sales Division

Financial Information for 11 Years

Accounting period	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
Fiscal year (million yen)											
Net sales ^{*1-2-3}	46,993	48,263	48,351	45,958	48,627	47,782	47,546	49,674	45,470	45,576	44,473
Operating income	2,131	1,813	2,342	2,854	3,481	2,839	3,374	3,945	3,251	2,416	1,342
Ordinary income	1,497	1,598	1,725	2,903	3,470	2,722	3,344	3,737	3,481	2,731	1,930
Profit attributable to owners of parent	1,234	892	912	1,817	2,410	1,804	2,261	2,526	1,109	1,829	1,275
R&D expenses	564	512	536	610	596	642	724	790	851	774	927
Capital expenditures	942	1,485	1,757	608	1,821	3,060	3,136	1,335	2,695	840	952
Depreciation and amortization	894	844	1,128	997	970	1,109	1,390	1,350	1,197	1,407	1,285
Advertisement expenses	2,678	2,857	2,742	2,618	2,896	2,821	2,649	2,560	2,606	2,598	2,319
Free cash flow ^{*4}	2,624	369	1,857	4,529	835	-119	-47	2,859	997	3,120	663
End of the fiscal year (million yen)											
Total assets	32,370	33,785	34,924	38,458	42,112	41,976	43,276	46,817	44,402	46,116	44,761
Total net assets	21,087	22,600	23,496	25,812	29,022	29,223	30,136	32,633	31,848	32,961	33,801
Number of issued outstanding shares (thousand) ^{*5}	21,853	21,851	21,699	21,877	22,063	22,112	22,152	22,205	22,227	22,241	22,287
Financial indicators (%)											
Operating income margin	4.5	3.8	4.8	6.2	7.2	5.9	7.1	7.9	7.1	5.3	3.0
Return on assets (ROA) ^{*6}	4.8	4.8	5.0	8.0	8.7	6.5	7.8	8.3	7.6	5.9	4.2
Return on equity (ROE) ^{*7}	6.1	4.2	4.1	7.6	9.0	6.3	7.8	8.2	3.5	5.7	3.9
Equity ratio ^{*8}	63.2	64.8	65.2	65.3	66.8	68.2	68.5	68.5	70.4	70.2	74.1
Per share data (yen)											
Earnings per share (EPS) ^{*9}	56.74	40.83	42.01	83.57	109.58	81.66	102.19	113.90	49.91	82.22	57.23
Book value per share (BPS) ^{*10}	936.06	1,001.84	1,049.58	1,148.41	1,285.01	1,295.38	1,337.42	1,445.14	1,407.03	1,456.38	1,487.83
Cash flow per share ^{*11}	92.52	75.49	88.71	122.33	146.94	126.62	158.74	168.51	100.26	140.69	111.28
Dividends per share (DPS)	22.00	22.00	22.00	24.00	31.00	36.00	36.00	37.00	38.00	40.00	42.00
Payout ratio (%) ^{*12}	38.8	53.9	52.4	28.7	28.3	44.1	35.2	32.5	76.1	48.6	73.4
Common stock price ^{*13}	999	1,021	1,114	1,809	2,286	1,892	1,601	1,955	1,527	1,563	1,546

*1 The accounting policy was changed, and the new policy has been used from FY 3/17.

*2 As the accounting standards were changed in FY 3/19, the new accounting standards have been used since FY 3/18.

*3 The accounting standards were changed in FY 3/22.

*4 Free cash flow = Cash flow from operating activities + Cash flow from investing activities

*5 The number of outstanding shares does not include the number of treasury shares.

*6 Return on assets (ROA) = Ordinary Profit ÷ Total assets (average of the values at the beginning and end of the term) × 100

*7 Return on equity (ROE) = Profit attributable to owners of parent ÷ Equity capital (average of the values at the beginning and end of the term) × 100

*8 Capital-to-asset ratio = Equity capital (term-end) ÷ Total assets (term-end) × 100

*9 Earnings per share (EPS) = Profit attributable to owners of parent ÷ No. of outstanding shares (average in the term)

*10 Book value per share = Net assets ÷ No. of outstanding shares (term-end)

*11 Cash flow per share = (Profit attributable to owners of parent + Depreciation) ÷ No. of outstanding shares

*12 Payout ratio = Dividend per share ÷ BPS × 100 (calculated from consolidated figures)

*13 Closing share price as of the end of the term ending March

Non-financial Information for 5 Years

Accounting period	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
Environment					
Total CO ₂ emissions (t-CO ₂)* ²	4,038	3,863	2,891	3,055	1,497
Scope 1 (t-CO ₂)	972	956	978	959	912
Scope 2 (t-CO ₂)	3,066	2,907	1,913	2,096	585
Total weight of waste (t)	1,329	1,183	1,432	1,362	1,556
Water consumption (m ³)	44,269	45,378	45,054	49,137	47,741
PRTR chemical substance emissions (t)	9.3	8.5	2.3	1.6	1.3
PRTR chemical substance transfer amounts (t)	2.0	3.2	1.3	1.2	1.4
Society					
No. of employees (consolidated)* ³	1,032	997	953	859	827
No. of employees (domestic corporate group)	767	773	757	750	752
No. of regular employees	572	584	570	562	556
No. of females	199	211	209	218	230
No. of non-regular employees* ⁴	195	189	187	188	196
No. of females	151	145	138	124	124
Average age (years)* ⁵	42.1	42.6	43.1	42.8	42.3
Male employees	45.0	45.8	45.9	45.7	45.3
Female employees	36.3	36.8	38.0	38.0	38.0
Average salary (thousand yen)	6,672	7,015	6,881	6,759	7,055
Total actual working hours per person per year (hours)* ⁶	1,691	1,743	1,744	1,716	1,690
Ratio of employees who took an annual paid leave (%)* ^{7,8}	60.8	53.9	59.6	60.0	73.4
Ratio of female managers (%)	10.9	10.2	11.5	15.1	17.7
No. of those who have taken childcare leave* ⁸	7	11	10	12	8
Male employees	1	1	3	4	2
Female employees	6	10	7	8	6

Accounting period	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
Society					
Retention rate after return to work after childcare leave (%)	100	91	100	100	100
No. of days of childcare leave taken by male employees (average)	225	8	25	42.3	30.5
No. of days of childcare leave taken by male employees (maximum)	225	8	60	87	33
Ratio of mid-career hires (%)	20.7	10.0	36.4	37.1	51.2
No. of females	1	1	2	4	10
No. of non-Japanese	0	0	0	0	2
No. of managers	0	0	6	9	9
No. of employees with disabilities	14	15	13	14	14
No. of participants in NEXT	—	—	—	20	22
No. of valid patents* ⁹	231	239	252	265	264
Favorability ranking of companies (place)* ^{10,3}	180	132	152	125	162
Governance					
Ratio of independent outside directors (%)* ³	55.6	50.0	50.0	50.0	55.6
Ratio of female directors (%)* ³	33.3	37.5	30.0	40.0	33.3

*1 The subject organization is the S.T. Group (in Japan) except as noted otherwise in these notes.

*2 Total CO₂ emissions are the sum of Scope 1 and 2. The figures are rounded down.

*3 The subject organization is the S.T. Group (consolidated).

*4 Total actual working hours per person per year is the working hours of regular employees.

*5 The subject organization is S.T. CORPORATION (non-consolidated).

*6 Ratio of employees who took an annual paid leave is the ratio of regular employees who have taken paid leave.

*7 The favorability ranking of companies was taken from the Reputation-Business Person Edition of the Nikkei Survey on Corporate Images.

*8 The subject organization is the S.T. Group (in Japan), excluding S.T. MYCOAL CO., LTD.

*9 Valid patents: Disclosed patent applications and patents that are still valid. Each fiscal year starts in January and ends in December.

*10 The ranking of enterprises in terms of favorability is based on Nihon Keizai Shimbun's "survey on images of enterprises" targeted at individuals of the general public. The survey period was from July to November of the previous year.

Endorsement of, participation in, and approval of external organizations

(As of September 30, 2024)



Stock Information (As of March 31, 2024)

Situation of shares

Total number of authorized shares	96,817,000
Total number of outstanding shares	23,000,000
Number of shares per trading lot	100
Number of shareholders	24,007

Major shareholders

Shareholder	Number of shares held (thousand)	Shareholding ratio (%)
Chardin Co., Ltd.	5,587	24.8
The Master Trust Bank of Japan, Ltd. (trustee)	1,654	7.4
Nippon Life Insurance Company	1,336	5.9
Custody Bank of Japan, Ltd. as a re-trustee of the employee pension trust of Mizuho Trust & Banking Co., Ltd.	884	3.9
Takashi Suzuki	665	3.0
Fumakilla Limited	541	2.4
Takako Suzuki	538	2.4
MUFG Bank, Ltd.	524	2.3
Kanichi Suzuki	500	2.2
Suzuki Kanichi Shoten Co., Ltd.	433	1.9

Notes:

1. Our company holds 489,000 treasury shares, but our company is excluded from the above major shareholders.

2. The shareholding ratio was calculated while treasury shares.

3. The shareholding ratio was calculated including 223,000 shares held by Custody Bank of Japan, Ltd. (trustee E). The 223,000 shares are composed of 103,000 shares for the board benefit trust (BBT) and 120,000 shares for the Japanese employee stock ownership plan (J-ESOP).

Situation of the distribution of shares among shareholders



Corporate Profile

Corporate profile (As of March 31, 2024)

Corporate name	S.T. CORPORATION
Address of the headquarters	1-4-10 Shimoochiai, Shinjuku-ku, Tokyo 161-8540
Telephone	03-3367-6111 (main)
Date of establishment	August 31, 1948
Account closing date	March 31
Number of employees	827 (consolidated)/438 (non-consolidated), excluding part-timers and rehired retired employees
Listed on	Prime Market of Tokyo Stock Exchange

Affiliated companies (As of September 30, 2024)

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)
- Shaldan (Thailand) Co., Ltd.

Non-consolidated subsidiary

- Japan Aroma Laboratory Co., Ltd.
- CODE Meee Inc.

Equity-method affiliates

- Aekyung S.T. Co., Ltd. (South Korea)
- NS FaFa Japan Co., Ltd.