

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



November 6, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: S.T. CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 4951
 URL: <https://www.st-c.co.jp/>
 Representative: Yo Kozuki, President & CEO
 Inquiries: Naruaki Hashimoto, Executive Officer
 Telephone: +81-3-3367-6314
 Scheduled date to file semi-annual securities report: November 14, 2024
 Scheduled date to commence dividend payments: December 6, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	24,145	5.4	1,212	(11.6)	1,503	(16.9)	2,042	69.0
September 30, 2023	22,916	(2.3)	1,371	(16.8)	1,808	(2.0)	1,208	(0.9)

Note: Comprehensive income For the six months ended September 30, 2024: ¥2,167 million [50.2%]
 For the six months ended September 30, 2023: ¥1,442 million [13.1%]

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2024	94.65	—
September 30, 2023	54.27	—

Note: Diluted earnings per share are not given since there are no dilutive shares.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2024	47,457	33,145	68.3
March 31, 2024	44,760	33,800	74.1

Reference: Equity
 As of September 30, 2024: ¥32,417 million
 As of March 31, 2024: ¥33,159 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	21.00	–	21.00	42.00
Fiscal year ending March 31, 2025	–	22.00			
Fiscal year ending March 31, 2025 (Forecast)			–	22.00	44.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	49,200	10.6	2,000	49.1	2,300	19.2	2,500	96.1	112.85

Note: Revisions to the earnings forecasts most recently announced: None

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – companies

Excluded: – companies

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatement: None

Note: For more details, please refer to the section of “Notes on changes in accounting policies” and “Notes on changes in accounting policies which are difficult to distinguish from changes in accounting estimates” under “(4) Notes to semi-annual consolidated financial statements” of “2. Semi-annual consolidated financial statements and significant notes thereto” on page 9 of the attached material.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	27,163,640 shares
As of March 31, 2024	23,000,000 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2024	6,295,543 shares
As of March 31, 2024	712,638 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	21,577,732 shares
Six months ended September 30, 2023	22,264,170 shares

Note: The Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in the number of treasury shares at the end of the period (218,600 shares as of September 30, 2024 and 223,400 shares as of March 31, 2024). Also, the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares that are deducted for calculation of the average number of shares outstanding during the period (221,000 shares for the six months ended September 30, 2024, 246,900 shares for the six months ended September 30, 2023).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company’s actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” of “1. Outline of operating results, etc.” on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Method of obtaining the supplementary material on quarterly financial results

We intend to post the supplementary material on quarterly financial results to the “Investors” page of our corporate website soon after the announcement of the financial results for the six months ended September 30, 2024, on Wednesday, November 6, 2024.

○Attached Material Index

1. Outline of operating results, etc.	2
(1) Outline of operating results for the period under review.....	2
(2) Outline of financial status for the period under review.....	3
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	4
2. Semi-annual consolidated financial statements and significant notes thereto.....	5
(1) Semi-annual consolidated balance sheet.....	5
(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income.....	7
Semi-annual consolidated statement of income.....	7
Semi-annual consolidated statement of comprehensive income.....	8
(3) Semi-annual consolidated statement of cash flows.....	9
(4) Notes to semi-annual consolidated financial statements.....	10
Notes on changes in accounting policies.....	10
Notes on changes in accounting policies which are difficult to distinguish from changes in accounting estimates	10
Application of specific accounting for preparing the semi-annual consolidated financial statements.....	10
Notes on segment information.....	10
Notes when there are significant changes in amounts of shareholders' equity.....	10
Notes on going concern assumption.....	10
Notes on business combinations.....	10

1. Outline of operating results, etc.

(1) Outline of operating results for the period under review

During the six months ended September 30, 2024, the Japanese economy showed signs of modest recovery as corporate earnings and capital investment remained steady amid ongoing improvements in employment and income. On the other hand, a sense of uncertainty about the future persists for various reasons, including the prolonged conflict between Russia and Ukraine, the risk of interest rate and exchange rate fluctuations, and sluggish consumer spending due to the stagnation of real wages caused by rising prices.

Under these conditions, the Group will concentrate on “focusing on growth driving businesses,” “recovery of core businesses,” “measures to prevent cost rises,” and “creating a foundation to survive the ESG era” in order to enable sustainable growth under “business administration involving all staff,” based on our purpose.

For the six months ended September 30, 2024, the Group’s net sales amounted to 24,145 million yen (up 5.4% year on year), thanks to a significant contribution from Pet Care, which expanded its business by taking over the Nyantomo Clean Toilet business from Kao Corporation on June 3, and growth in its main category, Air Care.

As for profit, despite price increases for some items, cost increases due to higher purchase prices caused by the weak yen, an increase in rebates and other sales deductions, and higher selling, general and administrative expenses, including purpose production expenses associated with the formation of the Medium-Term Management Plan and amortization of goodwill, resulted in an operating profit of 1,212 million yen (down 11.6% year on year). Ordinary profit was 1,503 million yen (down 16.9% year on year), reflecting a decrease in non-operating income as insurance claim income ceased to be recorded. Profit attributable to owners of parent was 2,042 million yen (up 69.0% year on year), due to an increase in gain on bargain purchase.

Given that the Group operates a single segment of the daily necessities business, operating results by business category are as follows.

In the Air Care (Deodorizers and Air Fresheners) category, we have been engaging in efforts that involve strengthening high-value added products. Sales of the SHOSHURIKI PREMIUM AROMA series increased, and SHOSHURIKI PREMIUM AROMA FOR SLEEP, a bedroom fragrance to support the creation of a comfortable space, which was launched in the previous fiscal year, and SHOSHURIKI COMPACT contributed. Net sales were 11,087 million yen (up 3.2% year on year).

Pet Care (Cat Toiletries) is presented independently from Home Care (Food Care, Cleaners, etc.) category, which included the pet business in the previous period, because the importance of the pet business as a whole has increased due to the transfer of the NYANTOMO CLEAN TOILET business. Efforts to further strengthen the Pet Care category utilizing the NYANTOMO CLEAN TOILET brand resulted in net sales of 1,675 million yen, compared with net sales of 76 million yen in the same period of the previous year.

In the Cloth Care (Mothproofing Agents) category, efforts are underway to revitalize the stagnant market. The Company strove to stimulate the market by adding new categories MUSHUDA FOR DRAWERS AND CLOTHES CASES to the MUSHUDA NOTE FOR 1 YEAR, which is based on the themes of cleanliness and simplicity, as well as newly developing a high quality, sweet fragrant olive scent for the MUSHUDA PREMIUM AROMA series. Despite these efforts, sales of existing mainstay products MUSHUDA FOR 1 YEAR FOR CLOSET and MUSHUDA FOR 1 YEAR FOR WALK-IN CLOSET fell as demand from the autumn clothing changeover season was postponed due to the impact of lingering summer heat, resulting in net sales of 3,904 million yen (down 3.1% year on year).

In the Home Care (Food Care, Cleaners, etc.) category, efforts to expand new customers are underway, centered on food care products and cleaners. Sales of KOMETOBAN remained strong, reflecting demand associated with measures for stockpiling rice in response to rice shortages in the summer this year, and SENJORIKI WATERLESS SNEAKER CLEANER, a detergent for sneakers that easily wipes off bothersome stains with foam, contributed to sales of 2,405 million yen (up 2.5% year on year).

In the Humidity Care (Dehumidifiers) category, we are working to respond to changes in storage patterns. Demand for dehumidifiers was suppressed due to a review of selling prices in response to rising raw material prices, while demand for simultaneous purchases together with MUSHUDA decreased due to postponement of the autumn clothing changeover season, resulting in net sales of 1,813 million yen (down 5.5% year on year).

In the Thermal Care (Disposable Warmers) category, product returns in the previous season were greater than expected, and the setup of sales areas was delayed by the impact of lingering summer heat, resulting in net sales of 828 million yen (down 32.0% year on year).

In the Hand Care (Household Gloves) category, we are promoting efforts to revitalize the market with proposals for design and environmental responsiveness that differentiate us from our competitors. Sales of gloves for overseas markets declined 5.8% year on year to 2,429 million yen, as demand driven by greater awareness of hygiene weakened.

Category	Net sales (Millions of yen)	Composition (%)	Year-on-year (%)
Air Care (Deodorizers and Air Fresheners)	11,087	45.9	3.2
Pet Care (Cat Toiletries)	1,675	6.9	-
Cloth Care (Mothproofing Agents)	3,904	16.2	(3.1)
Home Care (Food Care, Cleaners, etc.)	2,405	10.0	2.5
Humidity Care (Dehumidifiers)	1,813	7.5	(5.5)
Thermal Care (Disposable Warmers)	828	3.4	(32.0)
Hand Care (Household Gloves)	2,429	10.1	(5.8)
Total	24,145	100.0	5.4

Note: Year-on-year change is the comparison with the figures after the reclassification of the Pet Care (Cat Toiletries). Year-on-year change for Pet Care (Cat Toiletries) is shown as “-” because it exceeded 1,000%.

(2) Outline of financial status for the period under review

Total assets as of September 30, 2024, stood at 47,457 million yen, an increase of 2,696 million yen from the end of the previous fiscal year. The increase is mainly attributable to factors that include an increase in notes and accounts receivable - trade of 2,618 million yen, an increase in merchandise and finished goods of 1,785 million yen, an increase in goodwill of 4,079 million yen, and a decrease in cash and deposits of 6,314 million yen.

Liabilities were 14,311 million yen, an increase of 3,350 million yen from the end of the previous fiscal year. The increase is mainly attributable to factors that include an increase in notes and accounts payable - trade of 417 million yen, an increase in current portion of long-term borrowings of 1,289 million yen, and an increase in electronically recorded obligations - operating of 1,195 million yen.

Net assets were 33,145 million yen, a decline of 654 million yen from the end of the previous fiscal year. The increase is mainly attributable to factors that include an increase in treasury shares of 8,783 million yen, an increase in capital surplus of 6,485 million yen, and an increase in retained earnings of 1,569 million yen.

Consequently, equity amounted to 32,417 million yen and the equity ratio was 68.3%, down 5.8 percentage points from the end of the previous fiscal year.

Consolidated cash flows

Cash and cash equivalents as of September 30, 2024, stood at 7,255 million yen, decreased by 6,321 million yen from the end of the previous fiscal year.

The main contributing factors affecting the respective cash flows during the six months ended September 30, 2024 are as follows.

1) Cash flows from operating activities

Net cash used in operating activities was 779 million yen (compared with 1,657 million yen used in the same period of the previous fiscal year). The major inflows were profit before income taxes of 2,603 million yen, depreciation of 590 million yen, and an increase in trade payables of 1,582 million yen, while the major outflows were gain on bargain purchase of 1,101 million yen, an increase in trade receivables of 2,582 million yen, and an increase in inventories of 1,898 million yen.

2) Cash flows from investing activities

Net cash used in investing activities was 5,240 million yen (compared with 535 million yen used in the same period of the previous fiscal year). The major outflows were purchase of property, plant and equipment of 359 million yen, and payments for acquisition of businesses of 4,683 million yen.

3) Cash flows from financing activities

Net cash used in financing activities was 507 million yen (compared with 572 million yen used in the same period of the previous fiscal year). The major outflow was dividends paid of 472 million yen.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The consolidated earnings forecasts are unchanged from the full-year forecasts announced in “Notice Regarding Recording of Extraordinary Income (Gain on Bargain Purchase) and Revision of Consolidated Earnings Forecast” on September 27, 2024.

The consolidated earnings forecasts are determined by the Company based on information available as of the date of this material’s release. Actual results may differ from the forecast figures due to various factors going forward.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	13,728	7,413
Notes and accounts receivable - trade	5,982	8,600
Merchandise and finished goods	5,324	7,109
Work in process	238	274
Raw materials and supplies	865	976
Other	748	1,168
Allowance for doubtful accounts	(0)	(0)
Total current assets	26,885	25,543
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,969	3,873
Machinery, equipment and vehicles, net	1,544	1,417
Tools, furniture and fixtures, net	139	196
Land	3,609	3,621
Leased assets, net	164	235
Construction in progress	48	171
Total property, plant and equipment	9,476	9,515
Intangible assets		
Goodwill	–	4,079
Other	1,217	1,178
Total intangible assets	1,217	5,258
Investments and other assets		
Investment securities	6,201	6,144
Long-term loans receivable	42	42
Retirement benefit asset	5	5
Deferred tax assets	330	326
Other	600	620
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	7,180	7,139
Total non-current assets	17,874	21,913
Total assets	44,760	47,457

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,135	2,552
Electronically recorded obligations - operating	2,349	3,544
Short-term borrowings	454	479
Current portion of long-term borrowings	–	1,289
Lease liabilities	69	77
Accounts payable - other	1,296	1,542
Accrued expenses	669	673
Income taxes payable	162	442
Accrued consumption taxes	135	19
Electronically recorded obligations - non-operating	85	30
Other	2,105	2,126
Total current liabilities	9,463	12,777
Non-current liabilities		
Lease liabilities	70	147
Deferred tax liabilities for land revaluation	195	195
Provision for retirement benefits for directors (and other officers)	12	12
Provision for share awards for directors (and other officers)	48	48
Retirement benefit liability	1,146	1,095
Other	23	35
Total non-current liabilities	1,496	1,533
Total liabilities	10,960	14,311
Net assets		
Shareholders' equity		
Share capital	7,065	7,065
Capital surplus	7,047	13,532
Retained earnings	18,280	19,850
Treasury shares	(942)	(9,725)
Total shareholders' equity	31,451	30,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,201	2,141
Revaluation reserve for land	(470)	(470)
Foreign currency translation adjustment	(38)	10
Remeasurements of defined benefit plans	15	11
Total accumulated other comprehensive income	1,708	1,694
Non-controlling interests	640	728
Total net assets	33,800	33,145
Total liabilities and net assets	44,760	47,457

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income**Semi-annual consolidated statement of income**

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	22,916	24,145
Cost of sales	13,959	14,667
Gross profit	8,957	9,477
Selling, general and administrative expenses	7,585	8,264
Operating profit	1,371	1,212
Non-operating income		
Interest income	6	12
Dividend income	79	85
Purchase discounts	56	57
Share of profit of entities accounted for using equity method	–	16
Foreign exchange gains	18	75
Insurance claim income	224	–
Other	80	61
Total non-operating income	466	309
Non-operating expenses		
Interest expenses	5	10
Share of loss of entities accounted for using equity method	17	–
Consumption tax difference	0	4
Other	6	3
Total non-operating expenses	29	19
Ordinary profit	1,808	1,503
Extraordinary income		
Gain on sale of non-current assets	0	–
Gain on bargain purchase	–	1,101
Total extraordinary income	0	1,101
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	1
Loss on valuation of investment securities	9	–
Total extraordinary losses	13	1
Profit before income taxes	1,795	2,603
Income taxes - current	406	422
Income taxes - deferred	112	33
Total income taxes	518	455
Profit	1,277	2,148
Profit attributable to non-controlling interests	68	106
Profit attributable to owners of parent	1,208	2,042

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,277	2,148
Other comprehensive income		
Valuation difference on available-for-sale securities	77	(59)
Foreign currency translation adjustment	89	80
Remeasurements of defined benefit plans, net of tax	(4)	(3)
Share of other comprehensive income of entities accounted for using equity method	3	1
Total other comprehensive income	165	19
Comprehensive income	1,442	2,167
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,334	2,028
Comprehensive income attributable to non-controlling interests	108	139

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,795	2,603
Depreciation	621	590
Amortization of goodwill	–	140
Gain on bargain purchase	–	(1,101)
Loss (gain) on sale and retirement of non-current assets	3	1
Loss (gain) on sale and valuation of investment securities	9	–
Increase (decrease) in allowance for doubtful accounts	14	0
Increase (decrease) in retirement benefit liability	(95)	(57)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(88)	–
Increase (decrease) in provision for share awards for directors (and other officers)	(46)	0
Interest and dividend income	(86)	(97)
Interest expenses	5	10
Foreign exchange losses (gains)	(70)	3
Share of loss (profit) of entities accounted for using equity method	17	(16)
Decrease (increase) in trade receivables	(2,182)	(2,582)
Decrease (increase) in inventories	(786)	(1,898)
Increase (decrease) in trade payables	(535)	1,582
Increase (decrease) in accrued consumption taxes	(141)	(116)
Other, net	360	98
Subtotal	(1,205)	(842)
Interest and dividends received	90	100
Interest paid	(5)	(10)
Income taxes refund (paid)	(537)	(27)
Net cash provided by (used in) operating activities	(1,657)	(779)
Cash flows from investing activities		
Purchase of property, plant and equipment	(245)	(359)
Proceeds from sale of property, plant and equipment	3	–
Purchase of intangible assets	(88)	(162)
Payments for acquisition of businesses	–	(4,683)
Purchase of investment securities	(56)	(5)
Purchase of shares of subsidiaries	(150)	–
Other, net	1	(29)
Net cash provided by (used in) investing activities	(535)	(5,240)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3)	(0)
Purchase of treasury shares	(0)	(0)
Dividends paid	(450)	(472)
Dividends paid to non-controlling interests	(86)	–
Other, net	(31)	(34)
Net cash provided by (used in) financing activities	(572)	(507)
Effect of exchange rate change on cash and cash equivalents	75	60
Net increase (decrease) in cash and cash equivalents	(2,690)	(6,468)
Cash and cash equivalents at beginning of period	14,004	13,576
Increase in cash and cash equivalents resulting from share issuance	–	146
Cash and cash equivalents at end of period	11,313	7,255

(4) Notes to semi-annual consolidated financial statements**Notes on changes in accounting policies**

Application of "Accounting Standard for Current Income Taxes," etc.

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first six months of the fiscal year ending March 31, 2025.

Revisions to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment prescribed in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso of Paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Guidance on the 2022 Revised Accounting Standard"). These changes in accounting policies have no impact on the semi-annual consolidated financial statements.

The Guidance on the 2022 Revised Accounting Standard, which revises the treatment of gains or losses on sales of subsidiaries' stocks and other securities arising from sales between consolidated companies that are deferred for tax purposes in consolidated financial statements has been applied from the beginning of the first six months of the current fiscal year. The change in accounting policy has been applied retrospectively, and the semi-annual consolidated financial statements and consolidated financial statements for the six months ended September 30, 2023 and the previous fiscal year have been prepared on a retrospective basis. The change in accounting policy has no effect on the semi-annual consolidated financial statements for the six months ended September 30, 2023 or the consolidated financial statements of the previous fiscal year.

Notes on changes in accounting policies which are difficult to distinguish from changes in accounting estimates

Change in the depreciation method for property, plant and equipment

Previously, the Company and its domestic consolidated subsidiaries depreciated property, plant and equipment using the declining-balance method (except for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method), while foreign consolidated subsidiaries mainly used the straight-line method based on the accounting standards of the countries concerned. However, effective from the first six months of the current fiscal year, the Company and its domestic consolidated subsidiaries have adopted the straight-line method.

In drawing up the S.T. Group Medium-Term Management Plan "SMILE 2027," we reviewed and examined the use of property, plant and equipment in light of changes in the business environment and a review of management policies. As a result of this review, the straight-line method of depreciation was deemed to be more reasonable and to more appropriately reflect the business conditions of the Group, as the equal allocation of acquisition costs over the useful life of the assets is consistent with the actual use of the assets, and because production facility operating conditions are expected to remain stable going forward.

As a result, compared with the previous method, depreciation decreased by 62 million yen, operating profit increased by 30 million yen, and ordinary profit and profit before income taxes increased by 30 million yen each in the first six months of the current fiscal year.

Application of specific accounting for preparing the semi-annual consolidated financial statements

No important matter to be stated.

Notes on segment information

Six months ended September 30, 2023 and six months ended September 30, 2024

This information is omitted as the Group operates the daily necessities segment as a single segment.

Notes when there are significant changes in amounts of shareholders' equity

On July 1, 2024, the Company conducted a business combination through a partial exchange of shares with the Company as the parent company through exchange of shares and Shaldan Co., Ltd., as the subsidiary company through exchange of shares, making Shaldan Co., Ltd. a wholly owned subsidiary. As a result, treasury shares increased by 8,789 million yen (5,587 thousand shares) during the six months ended September 30, 2024, to stand at 9,725 million yen as of September 30, 2024.

Notes on going concern assumption

Not applicable.

Notes on business combinations

Business acquisition

At a meeting of the Board of Directors held on December 6, 2023, the Company resolved to acquire the business related to Kao Corporation's "Nyantomo Clean Toilet," a system toilet for cats, and concluded a business transfer agreement with the company on December 11, 2023.

As a result, the business was transferred on June 3, 2024 pursuant to this agreement.

1. Overview of business acquisition

(1) Name of the company to which the business will be transferred and the content of its business

- (i) Name of counterparty company Kao Corporation
- (ii) Description of business to be transferred Manufacture and sale of cat toilet products, cat chip products, cat sheet products, cat mat products, cat urine test kit products, and related businesses developed under the “Nyantomom Clean Toilet” system toilet for cats.

(2) Purpose of the business acquisition

With the transition to a new structure following the change of president in June 2023, the Company has formulated a new growth plan, the “100-Day Plan.” As part of this plan, we have identified “Kaori x Wellness x Global” as our medium- to long-term strategic theme. Going forward, we intend to develop the pet care business as a core business in the wellness domain.

The “Nyantomom Clean Toilet” brand’s product creation and activities, which are based on cat-friendly design, have received strong support from customers who take a pet-first perspective, and we believe there to be a strong affinity with our pet care business, which aims “to provide a comfortable living space with pets through air.” The decision to take over the business was made based on the judgment that the combination of the brand power of “Nyantomom Clean Toilet” and the deodorant technology of S.T. Pet would produce synergistic effects and lead to further enhancement of brand value and business development.

This will accelerate the development of the pet care business, and expand and nurture it as a core business within our growth strategy.

(3) Date of business acquisition

June 3, 2024

(4) Legal form of business acquisition

Business acquisition in consideration for cash

2. Period of results of the acquired company included in the semi-annual consolidated statement of income

From June 3, 2024 to September 30, 2024

3. Acquisition cost of the business to be acquired and breakdown by type of consideration

		(Millions of yen)
<u>Consideration for acquisition</u>	<u>Cash</u>	<u>4,683</u>
Acquisition cost		4,683

4. Details and amounts of major acquisition-related expenses

Advisory fees, etc. 145 million yen

5. Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

(1) Amount of goodwill recognized

4,220 million yen

Calculation of the amount of goodwill is tentative because the fair value of the identifiable assets has not yet been determined and the allocation of acquisition costs has not been completed as of the end of the first six months of the current fiscal year.

(2) Reason for recognition

This is the excess earning power expected from future business development.

(3) Method and period of amortization

Straight-line method over ten years

6. Amounts of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof

Not finalized at the present moment.

Business combination by acquisition

On July 1, 2024, the Company conducted a business combination through a partial exchange of shares with the Company as the parent company through exchange of shares and Shaldan Co., Ltd., as the subsidiary company through exchange of shares, making Shaldan Co., Ltd. a wholly owned subsidiary.

1. Overview of business combination

(1) Name of acquired company and its business content

Name of acquired company	Shaldan Co., Ltd.
Business content	Non-life insurance agency, real estate leasing, etc.

(2) Main reason for business combination

Improve the Company's shareholder structure and the liquidity of the Company's shares

(3) Date of business combination

July 1, 2024

(4) Legal form of business combination

Delivery of shares in exchange for shares of the Company

(5) Name of company after business combination

No change.

(6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination	—%
Ratio of voting rights after the acquisition	100.0%

(7) Main reason for deciding the acquiring company

Because the Company received shares of Shaldan Co., Ltd., in exchange for shares issued by the Company.

2. Share delivery ratio by share type, method of calculation and number of shares delivered

(1) Share exchange ratio by share type

20.41 shares of common shares of the Company were allocated for each share of common shares of Shaldan Co., Ltd.

(2) Number of shares delivered

4,163,640 shares

(3) Method used to calculate the share exchange ratio

In considering the partial share exchange ratio for the Partial Share Exchange, with the aim of ensuring the fairness and appropriateness, the Company selected KPMG FAS Co., Ltd., a third-party institution independent of the Company and Shaldan Co., Ltd., and obtained a report on calculation of partial share exchange ratio as of May 17, 2024. Referring to these calculation results, the Company comprehensively considered and conducted repeated analyses on the status of assets and liabilities of Shaldan Co., Ltd., its current situation and future prospects and other factors. As a result, the Company decided that the partial share exchange ratio specified in the above (1) would be appropriate, not undermining the interest of the Company's shareholders, as it is within the partial share exchange ratio range calculated by KPMG FAS Co., Ltd.

3. Overview of accounting treatment adopted

In accordance with the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the Company accounted for the business combination.

4. Acquisition cost for the acquired company

	(Millions of yen)
Market value of the Company's common shares delivered on the date of business combination	6,549
Acquisition cost	6,549

5. Details and amounts of major acquisition-related expenses

Advisory fees, etc. 42 million yen

6. Amount of gain on bargain purchase and reason for recognition

(1) Amount of gain on bargain purchase

1,101 million yen

(2) Reason for recognition

Since the fair value of net assets at the time of the business combination exceeded the acquisition cost, the difference amount was recognized as gain on bargain purchase.

7. Amounts of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof

	(Millions of yen)
Current assets	156
Non-current assets	8,789
<u>Total assets</u>	<u>8,945</u>
Current liabilities	5
Non-current liabilities	1,289
<u>Total liabilities</u>	<u>1,294</u>

*Transactions under common control, etc.**Absorption-type merger of wholly owned subsidiary*

At the Board of Directors meeting held on July 29, 2024, the Board resolved (by written resolution of the Board of Directors pursuant to Article 370 of the Companies Act and Article 25 of the Company's Articles of Incorporation), to merge with its wholly owned subsidiary Shaldan Co., Ltd., by absorption, concluding a merger agreement on the same date, and the merger took effect on September 27, 2024.

1. Overview of absorption-type merger

(1) Name of merged company and its business content

Surviving company

Name of company

S.T. CORPORATION

Business content

Daily necessities business

Disappearing company

Name of company

Shaldan Co., Ltd.

Business content

Non-life insurance agency, real estate leasing, etc.

(2) Date of business combination

September 27, 2024

(3) Legal form of business combination

Absorption-type merger where the Company is the surviving company, and Shaldan Co., Ltd. is the disappearing company

(4) Name of company after business combination

S.T. CORPORATION

(5) Other matters relating to the overview of the transaction

Shaldan Co., Ltd. holds a considerable number of the Company's shares, and the merger is being conducted in response to the requirement that the Company's shares held by Shaldan Co., Ltd., which has become a subsidiary of the Company, be disposed of at a reasonable time (Article 135, Paragraph 3 of the Companies Act).

2. Overview of accounting treatment adopted

In accordance with the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the Company accounted for the business combination as a transaction under common control.