S.T.CORPORATION

S.T. Corporation and Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2025,
and Independent Auditor's Report

Consolidated Balance Sheets

S.T.CORPORATION and consolidated subsidiaries
As of March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2025**	2024	**2025**
Current assets:			
Cash and time deposits (Notes 10, 14 and 21)	**¥ 10,061**	¥ 13,728	**$ 67,289**
Notes receivable - trade (Notes 10 and 23)	**239**	209	**1,596**
Accounts receivable - trade (Notes 10 and 23)	**6,502**	5,773	**43,488**
Merchandise and finished goods	**5,653**	5,325	**37,811**
Work in process	**202**	238	**1,353**
Raw materials and supplies	**1,010**	865	**6,755**
Other current assets	**1,120**	748	**7,488**
Less - allowance for doubtful accounts	**(11)**	(0)	**(73)**
Total current assets	**24,777**	26,886	**165,707**
Property, plant and equipment, at cost:			
Land (Notes 13)	**3,442**	3,610	**23,019**
Buildings and structures	**8,980**	9,155	**60,059**
Machinery, equipment and vehicles	**8,740**	8,592	**58,456**
Tools, furniture and fixtures	**2,692**	2,698	**18,003**
Construction in progress	**49**	48	**329**
Leased assets (Note 22)	**994**	948	**6,648**
Less - accumulated depreciation	**(15,608)**	(15,575)	**(104,387)**
Property, plant and equipment, net	**9,289**	9,477	**62,127**
Intangible assets, net of accumulated amortization			
Goodwill	**1,230**	—	**8,225**
Trademark right	**2,049**	1	**13,702**
Other intangible assets	**1,135**	1,216	**7,589**
Total intangible assets	**4,413**	1,218	**29,516**
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	**434**	394	**2,906**
Investment securities (Notes 10 and 12)	**5,514**	5,808	**36,881**
Long-term loans	**22**	42	**146**
Net defined benefit asset (Notes 1 and 17)	**4**	5	**28**
Deferred tax assets other than unrealized revaluation loss on land (Note 15)	**779**	331	**5,208**
Other assets	**611**	601	**4,086**
Less - allowance for doubtful accounts	**—**	(0)	**—**
Total investments and other assets	**7,365**	7,180	**49,254**
Total assets	**¥ 45,844**	¥ 44,761	**$ 306,605**

LIABILITIES AND NET ASSETS	Millions of yen 2025	2024	Thousands of U.S. dollars (Note 2) 2025
Current liabilities:			
Trade payables	**¥ 2,410**	¥2,135	**$ 16,118**
Electronically recorded obligations-operating	**2,864**	2,350	**19,152**
Short-term borrowings	**513**	454	**3,432**
Lease liabilities	**63**	69	**419**
Other payables	**1,304**	1,296	**8,723**
Accrued expenses	**868**	670	**5,803**
Electronically recorded obligations-non-operating	**168**	86	**1,122**
Income taxes payable	**451**	162	**3,014**
Consumption taxes payable	**16**	136	**107**
Contract liabilities	**12**	—	**78**
Other current liabilities	**2,261**	2,106	**15,121**
Total current liabilities	**10,928**	9,464	**73,090**
Long-term liabilities:			
Lease liabilities	**120**	70	**805**
Provision for directors' retirement and severance benefits	**12**	12	**80**
Provision for executive officers' incentive plan (Note 8)	**48**	48	**322**
Provision for share awards for employees (Note 8)	**21**	—	**140**
Net defined benefit liability (Notes 1 and 17)	**1,165**	1,147	**7,791**
Deferred tax liabilities - unrealized revaluation gain on land (Note 13)	**271**	195	**1,810**
Other non-current liabilities	**41**	24	**276**
Total long-term liabilities	**1,678**	1,496	**11,224**
Net assets (Note 18):			
Shareholders' equity:			
Common stock:			
Authorized - 96,817,000 shares in 2025 and 2024			
Issued and outstanding - 23,000,000 shares in 2025 and 2024	**7,066**	7,066	**47,255**
Capital surplus	**13,522**	7,047	**90,434**
Retained earnings	**13,552**	18,281	**90,638**
Treasury stock, at cost	**(3,233)**	(942)	**(21,625)**
Total shareholders' equity	**30,906**	31,451	**206,702**
Accumulated other comprehensive income (loss):			
Unrealized holding gain on other securities, net of taxes	**1,976**	2,201	**13,218**
Revaluation reserve for land, net of taxes (Note 13)	**(331)**	(471)	**(2,211)**
Foreign currency translation adjustment	**33**	(38)	**219**
Remeasurements of defined benefit plans	**(18)**	16	**(117)**
Total accumulated other comprehensive income (loss)	**1,661**	1,709	**11,109**
Non-controlling interests	**670**	641	**4,480**
Total net assets	**33,237**	33,801	**222,290**
Total liabilities and net assets	**¥ 45,844**	¥ 44,761	**$ 306,605**

See notes to consolidated financial statements.

Consolidated Statements of Income

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2025	2024	**2025**
Net sales (Note 23)	**¥ 48,114**	¥ 44,473	**$ 321,792**
Cost of sales (Notes 20 and 26)	**30,186**	28,058	**201,885**
Gross profit	**17,929**	16,415	**119,907**
Selling, general and administrative expenses (Note 20)	**16,270**	15,073	**108,813**
Operating income	**1,659**	1,342	**11,095**
Non-operating income (expenses):			
Interest income	**24**	21	**163**
Dividend income	**130**	121	**866**
Interest expense	**(30)**	(13)	**(200)**
Purchase discounts	**106**	109	**708**
Share of loss of entities accounted for using equity method	**(49)**	(32)	**(325)**
Insurance chaim income	**0**	225	**1**
Other, net	**244**	157	**1,631**
Total non-operating income (expenses)	**425**	588	**2,845**
Ordinary income	**2,084**	1,930	**13,939**
Extraordinary gains (losses):			
Gain on sale of non-current assets	**551**	0	**3,687**
Impairment losses (Note 27)	**(54)**	—	**(361)**
Loss on disposition of property, plant and equipment	**(21)**	(13)	**(142)**
Gain on sales of investment securities, net	**105**	80	**704**
Loss on valuation of investment securities	**(4)**	(64)	**(27)**
Gain on bargain purchase	**1,102**	—	**7,369**
Total extraordinary gains (losses)	**1,679**	3	**11,230**
Profit before income taxes	**3,763**	1,933	**25,170**
Income taxes (Note 15):			
Current	**608**	370	**4,064**
Deferred	**269**	167	**1,801**
Total income taxes	**877**	537	**5,864**
Profit	**2,887**	1,397	**19,305**
Profit attributable to non-controlling interests	**52**	122	**346**
Profit attributable to owners of parent	**¥ 2,835**	¥ 1,275	**$ 18,960**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2025	2024	**2025**
Profit	**¥2,887**	¥ 1,397	**$ 19,305**
Other comprehensive income (Note 9)			
Unrealized holding gain on other securities, net of taxes	**(225)**	226	**(1,507)**
Revaluation reserve for land	**(8)**	67	**(57)**
Foreign currency translation adjustment	**28**	114	**191**
Remeasurements of defined benefit plans, net of tax	**(33)**	(19)	**(222)**
Share of other comprehensive income (loss) of entities accounted for using equity method	**69**	3	**458**
Total other comprehensive income	**(170)**	392	**(1,138)**
Comprehensive income	**¥ 2,716**	¥ 1,788	**$ 18,168**
Total comprehensive income attributable to :			
Owners of parent	**2,639**	1,631	**17,649**
Non-controlling interests	**78**	157	**519**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

S.T.CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Number of shares of common stock (Thousands)	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2024	23,000	¥ 7,066	¥ 7,047	¥ 18,281	¥ (942)	¥ 31,451
Cash dividends paid by distribution of retained earnings				(937)		(937)
Profit attributable to owners of parent				2,835		2,835
Purchases of treasury stock					(1)	(1)
Disposal of treasury stock					9	9
Cancellation of treasury shares			(6,489)		6,489	—
Transfer from retained earnings to capital surplus			6,478	(6,478)		—
Increase due to share exchange			6,549		(8,789)	(2,240)
Reversal of revaluation reserve for land				(148)		(148)
Capital increase of consolidated subsidiaries			(64)			(64)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2025	23,000	¥ 7,066	¥ 13,522	¥ 13,552	(¥ 3,233)	¥ 30,906

	Millions of yen						
	Unrealized holding gain on other securities, net of taxes	Revaluation reserve for land, net of taxes (Note 13)	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2024	¥ 2,201	¥ (471)	¥ (38)	¥ 16	¥ 1,709	¥ 641	¥ 33,801
Cash dividends paid by distribution of retained earnings							(937)
Profit attributable to owners of parent							2,835
Purchases of treasury stock							(1)
Disposal of treasury stock							9
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Increase due to share exchange							(2,240)
Reversal of revaluation reserve for land							(148)
Capital increase of consolidated subsidiaries							(64)
Net changes in items other than those in shareholders' equity	(225)	140	71	(33)	(48)	29	(19)
Balance at March 31, 2025	¥ 1,976	(¥ 331)	¥ 33	(¥ 18)	¥ 1,661	¥ 670	¥ 33,237

Consolidated Statements of Changes in Net Assets

S.T.CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

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

	Millions of yen: Unrealized holding gain on other securities, net of taxes	Revaluation reserve for land, net of taxes (Note 13)	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2023	¥ 1,975	¥ (537)	¥ (120)	¥ 34	¥ 1,352	¥ 570	¥ 32,961
Cash dividends paid by distribution of retained earnings							(923)
Profit attributable to owners of parent							1,275
Purchases of treasury stock							(1)
Disposal of treasury stock							61
Net changes in items other than those in shareholders' equity	227	67	82	(19)	356	70	427
Balance at March 31, 2024	¥ 2,201	¥ (471)	¥ (38)	¥ 16	¥ 1,709	¥ 641	¥ 33,801

	Number of shares of common stock (Thousands)	Thousands of U.S. dollars (Note 2): Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2024	23,000	$ 47,255	$ 47,132	$ 122,263	$ (6,302)	$ 210,347
Cash dividends paid by distribution of retained earnings				(6,264)		(6,264)
Profit attributable to owners of parent				18,960		18,960
Purchases of treasury stock					(5)	(5)
Disposal of treasury stock					63	63
Cancellation of treasury shares			(43,401)		43,401	—
Transfer from retained earnings to capital surplus			43,328	(43,328)		—
Increase due to share exchange			43,803		(58,782)	(14,979)
Reversal of revaluation reserve for land				(993)		(993)
Capital increase of consolidated subsidiaries			(428)			(428)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2025	23,000	$ 47,255	$ 90,434	$ 90,638	($ 21,625)	$ 206,702

	Thousands of U.S. dollars (Note 2): Unrealized holding gain on other securities, net of taxes	Revaluation reserve for land, net of taxes (Note 13)	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2024	$ 14,723	($ 3,147)	($ 254)	$ 105	$ 11,427	$ 4,287	$ 226,061
Cash dividends paid by distribution of retained earnings							(6,264)
Profit attributable to owners of parent							18,960
Purchases of treasury stock							(5)
Disposal of treasury stock							63
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Increase due to share exchange							(14,979)
Reversal of revaluation reserve for land							(993)
Capital increase of consolidated subsidiaries							(428)
Net changes in items other than those in shareholders' equity	(1,505)	936	473	(222)	(318)	193	(125)
Balance at March 31, 2025	$ 13,218	($ 2,211)	$ 219	($ 117)	$ 11,109	$ 4,480	$ 222,290

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

S.T.CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2025	2024	2025
Cash flows from operating activities:			
Profit before income taxes	¥ 3,763	¥ 1,933	$ 25,170
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,346	1,284	9,000
Amortization of goodwill	112	—	748
Impairment loss	54	—	361
Gain on bargain purchase	(1,102)	—	(7,369)
Loss on sales of property, plant and equipment	(530)	12	(3,545)
Loss (gain) on sales and valuation of investment securities	(101)	(16)	(678)
Increase (decrease) in allowance for doubtful receivables	10	(33)	70
Increase (decrease) in net defined benefit asset and liability	12	(76)	82
Increase (decrease) in provision for directors' retirement and severance benefits	—	(89)	—
Increase (decrease) in provision for executive officers' incentive plan	0	(39)	0
Increase (decrease) in provision for share awards for employees	21	—	140
Interest and dividends received	(154)	(141)	(1,030)
Interest expenses	30	13	200
Foreign exchange losses (gains)	(42)	(84)	(284)
Share of (profit) loss of entities accounted for using equity method	49	32	325
Changes in operating assets and liabilities:			
Receivables	(715)	133	(4,780)
Inventories	(395)	889	(2,642)
Payables and accrued expenses	738	(1,626)	4,937
Accrued consumption taxes	(120)	(73)	(803)
Other, net	417	380	2,786
Subtotal	3,392	2,499	22,689
Interest and dividends received	159	146	1,061
Interest paid	(31)	(10)	(208)
Income taxes paid	(224)	(990)	(1,499)
Net cash provided by operating activities	3,296	1,644	22,043
Cash flows from investing activities:			
Payments into deposits (more than three months)	(4)	(4)	(25)
Purchases of property, plant and equipment	(699)	(621)	(4,675)
Proceeds from sales of property, plant and equipment	885	4	5,918
Purchase of intangible assets	(328)	(224)	(2,195)
Payments for transfer of business (Note 16)	(4,683)	—	(31,322)
Purchases of investment securities	(31)	(62)	(206)
Proceeds from sales of investment securities	71	118	474
Purchase of shares of subsidiaries	—	(152)	—
Other investments, net	4	(40)	24
Net cash used in investing activities	(4,785)	(981)	(32,005)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	3	(88)	18
Repayments of long-term borrowings	(1,289)	—	(8,621)
Purchases of treasury stock	(1)	(1)	(5)
Payments of dividends	(937)	(923)	(6,264)
Payments of dividends to non-controlling interests	(116)	(87)	(773)
Other finance, net	(80)	(66)	(535)
Net cash used in financing activities	(2,419)	(1,164)	(16,180)
Effect of exchange rate changes on cash and cash equivalents	71	73	473
Net increase (decrease) in cash and cash equivalents	(3,838)	(428)	(25,668)
Cash and cash equivalents at beginning of year	13,577	14,005	90,801
Increase in cash and cash equivalents resulting from share issuance (Note 16)	147	—	982
Cash and cash equivalents at end of year (Note 21)	¥ 9,885	¥ 13,577	$ 66,114

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

S.T. CORPORATION and Consolidated Subsidiaries
March 31, 2025

1 Summary of Significant Accounting Policies

(a) Basis of presentation

S.T. CORPORATION (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, issued by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006).
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for readers outside Japan. The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. Furthermore, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.
As permitted by Financial Instruments and Exchange Act, amounts are rounded to the nearest million. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Scope of consolidation

(1) Number of consolidated subsidiaries:
6 companies

(2) Names of consolidated subsidiaries:
S.T. PRO Co., Ltd., S.T. Business Support Co., Ltd., S.T. MYCOAL CO., LTD., S.T. (Thailand) Co., Ltd., Family Glove Co., Ltd. (Taiwan), and S.T. Korea Corporation (South Korea)
(Reasons for exclusion from scope of consolidation)
Shaldan (Thailand) Co., Ltd., which was a consolidated subsidiary, has been excluded from the list of consolidated subsidiaries due to its disappearance in the current consolidated fiscal year as a result of an absorption-type merger with S.T. (Thailand) Co., Ltd., a consolidated subsidiary, as the surviving company.

(3) Names of non-consolidated subsidiaries:
JAPAN AROMA LABORATORY CO., LTD., CODE Meee Inc.

(c) Scope of application of equity-method accounting

(1) Number of affiliated company accounted for by the equity method:
1 company

(2) Names of company accounted for by the equity method:
NS FaFa Japan Co., Ltd.
(Reasons for exclusion from scope of consolidation)
The liquidation of Aekyung S.T. Co., Ltd. (South Korea), an affiliated company accounted for by the equity method, finished in December 2024 following the termination of its business, and has been excluded from the scope of equity method application.

(3) Names of non-consolidated subsidiaries for which equity method is not applied
The non-consolidated subsidiaries to which the equity method does not apply (JAPAN AROMA LABORATORY CO., LTD., CODE Meee Inc.) are accounted for using the cost method rather than the equity method because the total amounts of their profit or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other amounts are immaterial, and the impact on the consolidated financial statements as a whole is not significant.

(d) Accounting period

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

(e) Translation of foreign currency transactions and financial statements

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

(f) Securities

Other securities having market value available are recorded at market value with fluctuations in unrealized gains and losses after deducting the associated deferred tax assets or liabilities contained in net assets. Other securities having no market value available are stated at cost determined by the moving average method, and the cost of other securities sold is calculated based on the moving average method. During the years ended March 31, 2025 and 2024, the Company and its consolidated subsidiaries did not have any trading securities.

(g) Inventories

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

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

Property, plant and equipment are amortized by the straight-line method.

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

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

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

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

(j) Leases

Non-cancelable lease transactions that transfer substantially all the risks and rewards associated with the ownership of the leased assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.
Depreciation is computed by the straight-line method over the respective lease terms assuming a nil residual value.

(k) Allowance for doubtful receivables

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

(l) Provision for directors' retirement and severance benefits

The Company has accrued provision for directors' retirement and severance benefits at the amount which would be required to be paid if all directors resigned from their positions and left the Company as of the balance sheet date in accordance with its internal regulations.

(m) Provision for executive officers' incentive plan

The Company has established an executive officers' incentive plan trust and a provision is made at the amount required for stock awards based on the Company's internal regulations for awarding stock.

(n) Provision for share awards for employees

The Company has established an employees incentive plan trust and a provision is made at the amount required for stock awards based on the Company's internal regulations for awarding stock.

(o) Employees' retirement and severance benefits

(1) Method of attributing expected benefit payments to the period
In calculating the retirement benefit obligation, the method of attributing expected benefit payments to periods is based on the benefit formula.

(2) Amortization method of actuarial gains/losses
Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of a certain number of years (5 years) which is shorter than the average remaining years of service of the employees.

(3) Adoption of a simplified method in some consolidated subsidiaries
Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the end of fiscal year for the calculation of net defined benefit liability and retirement benefit expenses.

(p) Standards for recording important income and expenses

The Company and domestic consolidated subsidiaries have recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The time when the customer gains control of the product is determined to be the time when the product arrives at the customer in domestic sales and the time when the product arrives at the point agreed with the customer in export sales.
These revenues are measured by deducting rebates and returns from the consideration promised in the contract with the customer.
The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include important financial factors.

(q) Accounting for significant hedges

(1) Hedge accounting
The Company mainly applies the deferred hedged accounting method. Foreign exchange contracts have applied the appropriation process.

(2) Hedging instrument and risk hedged
Hedging instrument: Forward exchange contracts
Risk hedged: Foreign currency-denominated forecasted transactions

(3) Hedging policy
The Company mainly applies forward exchange contracts to avoid the risk of short-term exchange fluctuations on foreign currency-denominated forecasted transactions.

(r) Amortization of goodwill

Goodwill is amortized on a straight-line basis over periods not exceeding 10 years.

(s) Cash and cash equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and liquid short-term investments with a maturity of three months or less from their respective dates of acquisition.

2 Basis of Translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥149.52 = U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2025. This translation should not be construed as a representation that all amounts shown could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3 Significant Accounting Estimates

(Years ended March 31, 2025)
(Pet-related Goodwill and Trademark right)

(a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2025

	Millions of yen	Thousands of U.S. dollars
	2025	2025
Goodwill	¥ 1,229	$ 8,225
Trademark right	2,048	13,696
Impairment loss	—	—

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

(1) Calculation method of amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2025
The Company determines an asset group with considering the way of managing accounting and regards corporate assets such as the head office as the entire business unit. If there are indications of impairment, the Company makes measurements based on future cash flow estimates. Goodwill and Trademark right has an estimated future cash flow with a payback period based on the business plan approved by the board of executive officers. The business plan is formulated with the idea that the excess earning power expected at the time of the transfer in the disposable the “NYANTOMO CLEAN TOILET” system toilet for cats business from Kao Corporation’s will be realized in the future.

(2) Significant assumptions used in significant accounting estimates
Significant assumptions in estimating future cash flow based on the business plan include the sales growth rate by goods and the gross profit margin.

(3) Impact of significant accounting estimates on the consolidated financial statements for the following year
Sales growth rate and the gross profit margin includes uncertainties. Changes in the significant assumptions due to unpredictable changes in business assumptions in the future may have an impact on the consolidated financial statements for the following year.

(Years ended March 31, 2024)
Not applicable

4 Change 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 “2022 Revised Accounting Standard”) and other relevant ASBJ regulations from the beginning of the current fiscal year. Revisions to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to 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 “2022 Revised Application Guidance”). These changes in accounting policies have no impact on the consolidated financial statements.
In addition, the 2022 Revised Application Guidance, 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 current fiscal year. The change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. The change in accounting policy has no effect on the consolidated financial statements of the previous fiscal year.

5 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 beginning 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 126 million (U.S. $840 thousand), operating profit, ordinary profit and profit before income taxes increased by 102 million (U.S. $685 thousand) each in the current fiscal year.

6 Accounting Standards Issued but not yet Effective

- Accounting Standard for Leases (ASBJ Statement No. 34, issued by Accounting Standards Board of Japan on September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, issued by Accounting Standards Board of Japan on September 13, 2024)

(a) Summary
As part of the efforts taken by the ASBJ to align Japanese accounting standards with international standards, discussions have been held regarding the development of accounting standards for leases that require the recognition of assets and liabilities for all lessee leases, taking international accounting standards into consideration. The guiding principle is to base these standards on a single accounting model for lessees as outlined in IFRS 16; however, rather than adopting all the provisions of IFRS 16, the aim is to primarily incorporate the key provisions. This approach seeks to create a lease accounting standard that is simple, convenient, and, in principle, does not require modifications when applying the provisions of IFRS 16 to nonconsolidated financial statements.
For the accounting treatment of lessees concerning lease expense allocation, a single accounting model is applied for all leases, regardless of whether they are finance leases or operating leases, as outlined in IFRS 16. This model requires the recording of depreciation expense related to the right-of-use assets and interest expense related to the lease liability.

(b) Effective date
The Company expects to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2028.

(c) Impact of new accounting standards
The Company is currently evaluating the effect of the adoption of the Accounting Standard for Leases and related implementation guidance on its consolidated financial statements.

7 Changes in Presentation

(Consolidated Balance Sheets)
"Trademark right" included in "Other intangible assets" under intangible assets in the previous fiscal year due to the increased monetary significance and is therefore presented separately from the current fiscal year. In order to reflect the change in presentation, the consolidated balance sheets in the previous fiscal year is reclassified.
As a result of this change, ¥1,218 million presented as "Other intangible assets" under intangible assets in the previous fiscal year is reclassified as ¥1 million for "Trademark right" and ¥1,216 million for "Other intangible assets" intangible assets, respectively.

(Consolidated Statements of Income)
"Foreign exchange gains" included in "Other, net" under non-operating income (expenses) in the previous fiscal year due to the increased monetary significance and is therefore presented separately from the current fiscal year. In order to reflect the change in presentation, the consolidated statements of income in the previous fiscal year is reclassified.
As a result of this change, ¥157 million presented as "Other, net" under non-operating income (expenses) in the previous fiscal year is reclassified as ¥25 million for "Foreign exchange gains" and ¥132 million for "Other, net" under non-operating income (expenses), respectively.

(Consolidated Statements of Cash Flows)
"Increase (decrease) in lease and guarantee deposits" under cash flows from operating activities in the previous fiscal year due to no longer significant in terms of amount and is therefore presented separately from the current fiscal year. In order to reflect the change in presentation, the consolidated statements of cash flows in the previous fiscal year is reclassified.
As a result of this change, ¥4 million presented as "Increase (decrease) in lease and guarantee deposits" and ¥376 million presented as "Other, net" under cash flows from operating activities in the previous fiscal year is reclassified as ¥380 million for "Other, net" cash flows from operating activities, respectively.

8 Additional Information

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

(a) Board Benefit Trust (BBT)

The Company introduced a "Board Benefit Trust" with the goal of increasing awareness of the importance of contributing to further enhancing the Company's corporate value and performance over the medium-to-long-term.

(1) Summary
The Company awards the Company's stock to the executive officers who satisfy certain requirements based on predetermined regulations for awarding stocks. Executive officers are granted a certain number of points depending on the financial results, and upon their retirement, the officers will receive stock depending on the number of points they have accumulated.
The Company has established the Trust by contributing funds to be used for the acquisition of the Company's stock on behalf of executive officers. The Trust will acquire the Company's stock to be awarded to the executive officers in the future, and the shares are managed as trust assets.

(2) The Company's stock in the Trust
The Company's own stock in the Trust is recorded in treasury shares under net assets based on the book value of the shares in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2025 were ¥125 million (U.S. $839 thousand) and 96,200 shares, respectively.

(b) Employee Stock Ownership Plan (ESOP) Trust

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

(1) Summary
The Company awards the Company's stock to the employees who satisfy certain requirements based on predetermined regulations for awarding stocks.
If the Company's profit is higher than a pre-determined standard, the Company awards a certain number points to employees. Upon their retirement, employees will receive the Company's stock depending on the number of points they have accumulated.
The Company has established the Trust by contributing funds to be used for the acquisition of the Company's stock on behalf of participating employees. The Trust will acquire the Company's stock to be awarded to employees in the future, and the shares are managed as trust assets.
(2) The Company's stock in the Trust
The Company's own stock in the Trust is recorded in treasury shares under net assets based on the book value of the shares in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2025 were ¥126 million (U.S. $840 thousand) and 120,000 shares, respectively.

9 Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income for the years ended March 31, 2025 and 2024 were as follows:

	millions of yen		thousands of U.S. dollars
	2025	2024	2025
Unrealized holding gain (loss) on other securities, net of taxes			
Amount recognized in the year	¥ (128)	¥ 288	$ (858)
Reclassification adjustments included in the statement of income	(105)	(16)	(704)
Before income tax effect adjustment	(234)	272	(1,562)
Amount of income tax effect	8	(46)	55
Unrealized holding gain (loss) on other securities, net of taxes	(225)	226	(1,507)
Revaluation reserve for land			
Amount of income tax effect	(8)	67	(57)
Translation adjustments			
Amount recognized in the year	31	114	210
Reclassification adjustments included in the statement of income	(3)	—	(19)
Before income tax effect adjustment	28	114	191
Translation adjustments	28	114	191
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the year	(37)	(13)	(247)
Reclassification adjustments included in the statement of income	(11)	(14)	(76)
Before income tax effect adjustment	(48)	(27)	(322)
Amount of income tax effect	15	8	100
Remeasurements of defined benefit plans, net of tax	(33)	(19)	(222)
Other comprehensive income (loss) on equity method companies			
Amount recognized in the year	(0)	3	(3)
Reclassification adjustments included in the statement of income	69	—	461
Before income tax effect adjustment	69	3	458
Other comprehensive income (loss) on equity method companies	69	3	458
Total other comprehensive income	¥ (170)	¥ 392	$ (1,138)

10 Financial Instruments

(a) Current status of financial instruments

(1) Policy in relation to financial instruments
The Company and its consolidated subsidiaries (collectively, the "Group") raise necessary funds following capital investment plans for undertaking the manufacturing-and-selling businesses. Surplus funds of the Group are only invested in highly secure financial assets.

(2) Details of financial instruments and related risk
Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, receivables denominated in foreign currencies are exposed to foreign currency exchange risk.
Marketable securities and investment securities, most of which are stocks of other companies with which the Group has business relationships, are exposed to market price fluctuation risk.
Substantially all trade payables—notes and accounts payable-trade, electronically recorded obligations-operating and other payables–have payment due dates within one year. In addition, payables denominated in foreign currencies are exposed to foreign currency exchange risk.

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

(Market risk management—the risk arising from fluctuations in exchange rates and interest rates)
The Company uses forward exchange contract transactions with the aim of avoiding risk related to fluctuation in future foreign exchange. For marketable securities and investment securities, the Company periodically confirms the market value of such financial instruments and reports to the director in charge. The Company reviews the status of these investments on a continuing basis.

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

(4) Supplementary explanation of items relating to the fair value of financial instruments
Because estimation of fair values incorporates variable factors, adopting different assumptions can change the value.

(b) Estimated fair value of financial instruments

The carrying value of financial instruments recognized on the consolidated balance sheets as of March 31, 2025 and 2024, the estimated fair value of such items and the differences between them are shown below.

	Millions of yen		
Year ended March 31, 2025	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥ 5,407	¥ 5,407	—

	Millions of yen		
Year ended March 31, 2024	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥ 5,696	¥ 5,696	—

	thousands of U.S. dollars		
Year ended March 31, 2025	Carrying value	Fair value	Difference
Investment securities			
Other securities	$ 36,159	$ 36,159	—

(*1) "Cash and time deposits", "Notes receivable - trade", "Accounts receivable - trade", "Trade payables", "Electronically recorded obligations – operating", and "Other payables" have been omitted because these are settled within a short period of time and their fair values approximate book values.
(*2) "Investment securities" does not include unlisted stocks with no market value. The consolidated balance sheet amount of this financial instrument is as follows:

	millions of yen		thousands of U.S. dollars
	2025	2024	2025
Unlisted equity securities	¥ 108	¥ 112	$ 722

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

	Millions of yen			
Year ended March 31, 2025	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	¥ 10,059	—	—	—
Notes receivable - trade	239	—	—	—
Accounts receivable – trade	6,502	—	—	—
Total	¥ 16,800	—	—	—

	Millions of yen			
Year ended March 31, 2024	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	¥ 13,727	—	—	—
Notes receivable – trade	209	—	—	—
Accounts receivable – trade	5,773	—	—	—
Total	¥ 19,709	—	—	—

	Thousands of U.S. dollars			
Year ended March 31, 2025	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	$ 67,278	—	—	—
Notes receivable - trade	1,596	—	—	—
Accounts receivable - trade	43,488	—	—	—
Total	$112,362	—	—	—

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

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

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

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

Level 3: Market value calculated using inputs related to the calculation of unobservable market value.
When multiple inputs that have a significant influence on the market value calculation are used, the market value is classified into the lowest priority level in the market value calculation among the levels to which those inputs belong.

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

	Fair value			
	Millions of yen			
Year ended March 31, 2025	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 5,294	—	—	¥ 5,294
Investment trusts	—	93	—	93
J-KISS type stock acquisition rights	—	—	20	20
Total	¥ 5,294	¥ 93	¥ 20	¥ 5,407

	Fair value			
	Millions of yen			
Year ended March 31, 2024	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 5,598	—	—	¥ 5,598
Investment trusts	—	98	—	98
Total	¥ 5,598	¥ 98	—	¥ 5,696

	Fair value			
	Thousands of U.S. dollars			
Year ended March 31, 2025	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	$ 35,404	—	—	$ 35,404
Investment trusts	—	621	—	621
J-KISS type stock acquisition rights	—	—	134	134
Total	$ 35,404	$ 621	$ 134	$ 36,159

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

(Years ended March 31, 2025)
It is omitted because it is not important.

(Years ended March 31, 2024)
It is omitted because it is not important.

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

Investment securities
Listed stocks are valued using market prices. Listed stocks are traded in active markets, so their market value is classified into Level 1.
Investment trusts are evaluated based on published reference prices or prices presented by financial institutions. The fair value is classified as Level 2 fair value because it is not recognized as a quoted price in an active market.
J-KISS type stock acquisition rights are classified as Level 3 fair value because the most recent fair value is estimated based on historical transaction prices and taking into account factors that affect the value of financial instruments.

11 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2025 and 2024.

12 Investment Securities

(a) Other securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Acquisition cost	**¥ 2,570**	¥ 2,572	**$ 17,189**
Carrying value	**5,407**	5,696	**36,159**
Total unrealized gain	**2,857**	3,135	**19,108**
Total unrealized loss	**(21)**	(11)	**(138)**

At March 31, 2025 and 2024, unlisted stocks (whose carrying value was ¥108 million (U.S.$722 thousand) and ¥112 million, respectively) are not included in the above table because they have no quoted market price.

(b) Sales of other securities

(Year ended March 31, 2025)	Millions of yen Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 138	¥ 105	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 138	¥ 105	—

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

Year ended March 31, 2025	Thousands of U.S. dollars Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	$ 920	$ 704	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	$ 920	$ 704	—

(c) Impairment of investment securities

The Company recognized impairment loss on investment securities of ¥4 million (U.S.$27 thousand) for the year ended March 31, 2025.
The Company recognized impairment loss on investment securities of ¥64 million for the year ended March 31, 2024.

13 Land Revaluation

In accordance with the Land Revaluation Law (Proclamation No. 34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The revaluation difference, net of taxes, is stated as “Unrealized revaluation loss on land, net of taxes” in net assets. Deferred tax liabilities arising from this revaluation difference are presented separately from deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2025 and 2024 increased by ¥46 million (U.S.$307 thousand) and ¥(115) million, respectively, after the revaluation.

14 Pledged Assets

Pledged assets at March 31, 2025 and 2024 are summarized as follows:

	Millions of yen 2025	2024	Thousands of U.S. dollars 2025
Time deposits	¥13	¥5	$88

Time deposits were pledged as collateral mainly for leased office space at March 31, 2025 and 2024.

15 Income Taxes

At March 31, 2025 and 2024, the tax effect of the temporary differences which gave rise to a significant portion of the deferred tax assets (excluding deferred taxes on unrealized revaluation loss on land) was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Accrued business taxes	¥ 47	¥ 22	$ 317
Accrued employees' bonuses	175	138	1,167
Refund liabilities	130	118	872
Loss on valuation of inventories	12	88	83
Tax loss carryforwards	160	154	1,070
Net defined benefit liability	343	334	2,295
Provision for directors' retirement and severance benefits	4	4	26
Provision for executive officers' incentive plan	15	15	103
Provision for share awards for employees	7	—	45
Impairment losses	338	381	2,261
Write-downs of securities	58	52	389
Asset Adjustment Account	1,106	—	7,396
Other	310	276	2,075
Gross deferred tax assets	2,706	1,583	18,099
Valuation allowance for tax loss carryforwards	(137)	(124)	(916)
Valuation allowance for the total of future deductible temporary differences etc.	(96)	(74)	(639)
Valuation allowance	(233)	(198)	(1,555)
Total deferred tax assets	2,474	1,385	16,544
Deferred tax liabilities:			
Deferred gain on sales of property	(9)	(9)	(63)
Net defined benefit asset	(1)	(2)	(9)
Returns assets	(86)	(63)	(575)
Intangible assets identified in business combinations	(653)	(3)	(4,370)
Undistributed earnings of controlled foreign companies	(86)	(54)	(577)
Unrealized holding gain on other securities, net of taxes	(859)	(921)	(5,742)
Other	—	(3)	—
Total deferred tax liabilities	(1,695)	(1,054)	(11,336)
Net deferred tax assets	¥ 779	¥ 331	$ 5,208

At March 31, 2025 and 2024, net deferred tax assets and net deferred tax liabilities were included in the following items in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Non-current assets - deferred tax assets	¥ 779	¥ 331	$ 5,208

Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward for the year end March 31, 2025 and 2024, were as follows:

	Millions of yen						
Year ended March 31, 2025	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	**¥ 45**	**¥ 18**	**¥ 23**	**¥ 7**	**¥ 64**	**¥ 3**	**¥ 160**
Valuation allowance	**(22)**	**(18)**	**(23)**	**(7)**	**(64)**	**(3)**	**(137)**
Deferred tax assets	**23**	**—**	**—**	**—**	**—**	**—**	**23**

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

	Thousands of U.S. dollars						
Year ended March 31, 2025	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	**$ 302**	**$ 122**	**$ 154**	**$ 48**	**$ 426**	**$ 17**	**$ 1,070**
Valuation allowance	**(148)**	**(122)**	**(154)**	**(48)**	**(426)**	**(17)**	**(916)**
Deferred tax assets	**154**	**—**	**—**	**—**	**—**	**—**	**154**

Note: Figures for tax loss carryforwards were the amounts multiplied by effective statutory tax rate.
Net deferred tax assets related to tax loss carryforwards of ¥23 million ($154 thousand) were recorded on tax loss carryforwards of ¥160 million ($1,070 thousand) (the amount multiplied by the statutory tax rate). The Company does not recognise a valuation allowance for part of the tax loss carryforwards that the Company considers recoverable in light of future taxable income.

A reconciliation of the statutory tax rates to the Company's effective tax rates for the years ended March 31, 2025 and 2024 is summarized as follows:

	2025	2024
Japanese statutory tax rate	**31.00%**	31.00%
Permanent differences, such as entertainment expenses, etc.	**0.34**	0.73
Permanent differences, such as dividend income	**(0.28)**	(0.53)
Tax credit	**(2.24)**	(3.39)
Undistributed earnings of controlled foreign companies	**0.85**	(2.66)
Equity in loss of affiliates	**(0.40)**	(0.51)
Gain on bargain purchase	**(9.08)**	—
Increase in valuation allowance	**0.72**	1.46
Other	**2.39**	1.66
Effective tax rate	**23.30%**	27.76%

(Adjustment to amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate)
The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and the "special defense corporation tax" will be imposed from consolidated fiscal years beginning on or after April 1, 2026. As a result, the effective statutory tax rate has been changed from 31.0% to 32.0% for the calculation of deferred tax assets and deferred tax liabilities associated with temporary differences expected to be eliminated in the consolidated fiscal years beginning on or after April 1, 2026. The impact of this change will be immaterial.

16 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.

(a) 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 "NYANTOMO 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 "NYANTOMO 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 "NYANTOMO 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

(b) Period of results of the acquired company included in the consolidated statement of income
From June 3, 2024 to March 31, 2025

(c) Acquisition cost of the business to be acquired and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition Cash	¥ 4,683	$ 31,322
Acquisition cost	4,683	31,322

(d) Details and amounts of major acquisition-related expenses

	Millions of yen	Thousands of U.S. dollars
Advisory fees, etc.	¥ 145	$ 971

(e) Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

(1) Amount of goodwill recognized
¥1,342 million ($8,972 thousand)

(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

(f) Amounts of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 438	$ 2,934
Non-current assets	3,596	24,047
Total assets	4,034	26,981
Non-current liabilities	693	4,632
Total liabilities	¥ 693	$ 4,632

(g) The amounts allocated to intangible fixed assets other than goodwill, along with a breakdown by major types and the weighted average amortization period for each major type

Types	Millions of yen	Thousands of U.S. dollars	Amortization Period
Trademark right	**¥2,234**	**$14,941**	**10 years**

(h) Approximate amounts of impact of the business combination on the consolidated statement of income for the fiscal year under review, assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

Not stated because of the difficulty of calculating the approximate amounts of impact for the fiscal year under review.

(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.

(a) 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.

(b) 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.

(c) 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.

(d) Acquisition cost for the acquired company

	Millions of yen	Thousands of U.S. dollars
Market value of the Company's common shares delivered on the date of business combination	**¥ 6,549**	**$ 43,803**
Acquisition cost	**6,549**	**43,803**

(e) Details and amounts of major acquisition-related expenses

Advisory fees, etc. ¥42 million ($281 thousand)

(f) Amount of gain on bargain purchase and reason for recognition

(1) Amount of gain on bargain purchase
¥1,102 million ($7,369 thousand)

(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.

(g) Amounts of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 157	$ 1,048
Non-current assets	8,789	58,782
Total assets	8,946	59,830
Current liabilities	6	37
Non-current liabilities	1,289	8,621
Total liabilities	¥ 1,295	$ 8,658

(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.

(a) 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).

(b) 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.

17 Employees' Retirement and Severance Benefits

The Company and its consolidated subsidiaries have defined benefit plans for payments of employees' retirement (either funded or unfunded), the Company and some consolidated subsidiaries have a defined contribution pension plan.
The Group pays a pension or lump sum based on length of service and salary in the defined benefit corporate pension plan.
In unfunded retirement benefit plans, the Company pays a lump sum based on length of service and salary as a retirement benefit.
Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end for the calculation of net defined benefit liability and retirement benefit expenses.

(a) Defined benefit plans

Adjustments of beginning and ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Balance at the beginning of the year	**¥ 1,170**	¥ 1,245	**$ 7,827**
Service cost	**75**	66	**504**
Interest cost	**8**	9	**56**
Actuarial gain or loss	**36**	11	**239**
Payment of retirement benefits	**(112)**	(168)	**(752)**
Other	**7**	8	**46**
Balance at the end of the year	**¥1 ,184**	¥ 1,170	**$ 7,920**

Adjustments of beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Balance at the beginning of the year	**¥ 29**	¥ 35	**$ 192**
Expected return on plan assets	**0**	0	**2**
Actuarial loss	**(1)**	(2)	**(8)**
Payment of retirement benefits	**(4)**	(5)	**(30)**
Balance at the end of the year	**¥ 23**	¥ 29	**$ 157**

Adjustments of ending balance of retirement benefit obligations and plan assets, and net defined benefit asset and liability on consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Funded retirement benefit obligations	**¥ 19**	¥ 24	**$ 129**
Plan assets	**(23)**	(29)	**(157)**
	(4)	(5)	**(28)**
Unfunded retirement benefit obligations	**1,165**	1,147	**7,791**
Net defined benefit asset and liability on consolidated balance sheet	**1,161**	1,142	**7,763**
Net defined benefit liability	**1,165**	1,147	**7,791**
Net defined benefit asset	**(4)**	(5)	**(28)**
Net defined benefit asset and liability on consolidated balance sheet	**¥ 1,161**	¥ 1,142	**$ 7,763**

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Service cost	**¥ 75**	¥ 66	**$ 504**
Interest cost on benefit obligation	**8**	9	**56**
Expected return on plan assets	**(0)**	(0)	**(2)**
Amortization of actuarial loss	**(11)**	(14)	**(76)**
Extraordinary additional retirement payments	**72**	11	**484**
Net retirement benefit expenses	**¥ 145**	¥ 71	**$ 966**

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Actuarial gain (loss)	**¥ (48)**	¥ (27)	**$ (322)**

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Unrecognized actuarial gain (loss)	**¥ 25**	¥ (23)	**$ 170**

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

	2025	2024
General accounts	**100.0%**	100.0%
Total	**100.0**	100.0

(2) Calculation method of expected long-term rate of return on plan assets
The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in the actuarial calculation
The main assumptions used in the actuarial calculation (presented as a weighted average) are as follows:

	2025	2024
Discount rate	**0.8%**	0.8%
Expected rate of return on plan assets	**1.3%**	1.3%

(b) Other retirement benefits

Contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries for the years ended March 31, 2025 and 2024 amounted to ¥125 million (U.S. $834 thousand) and ¥124 million, respectively.

18 Net Assets

The Corporation Law of Japan (the “Law”), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006.
The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.
Capital surplus and the legal reserve are not available for the distribution of dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital. At March 31, 2025, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$3,677 thousand).
The maximum amount which the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Corporation Law of Japan.

19 Amounts per Share

Net assets per share as of March 31, 2025 and 2024 were ¥1,560.45 (U.S.$10.44) and ¥1,487.83, respectively. Basic earnings per share for the years ended March 31, 2025 and 2024 were ¥133.57 (U.S.$0.89) and ¥57.23, respectively.
(*) Diluted net income per share is not presented because latent shares do not exist.

The basis for the calculation of basic earnings per share and diluted earnings per share for the years ended March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Basic earnings per share:			
Profit attributable to owners of parent	**¥ 2,835**	¥ 1,275	**$ 18,960**
Amount not attributable to shareholders of common stock	**—**	—	**—**
Amount attributable to shareholders of common stock	**2,835**	1,275	**18,960**
Weighted-average number of shares outstanding (millions of shares)	**21**	22	**—**

The basis for calculation of total net assets per share as of March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Total net assets per share:			
Total net assets	**¥ 33,237**	¥ 33,801	**$ 222,290**
Deductions:	**670**	641	**4,480**
Subscription rights	**—**	—	**—**
Non-controlling interests	**670**	641	**4,480**
Amounts attributable to shareholders of common stock	**32,567**	33,160	**217,810**
Number of shares outstanding at year end (millions of shares)	**21**	22	**—**

20 Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Sales promotion expenses	**¥ 600**	¥ 558	**$ 4,014**
Advertising costs	**1,875**	2,319	**12,542**
Salaries	**2,852**	2,662	**19,071**
Shipment and storage expenses	**1,757**	1,558	**11,753**
Provision for employees' retirement and severance benefits	**145**	140	**967**
Provision for executive officers' incentive plan	**10**	23	**64**
Provision for share awards for employees	**21**	—	**140**
Provision of allowance for doubtful accounts	**10**	(33)	**70**

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2025 and 2024 amounted to ¥896 million (U.S.$5,990 thousand) and ¥927 million, respectively.

21 Cash and Time Deposits

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and time deposits in the accompanying consolidated balance sheets at March 31, 2025 and 2024 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and time deposits	¥ 10,061	¥ 13,728	$ 67,289
Time deposits with a maturity in excess of three months	(195)	(191)	(1,307)
Restricted deposits	(26)	—	(176)
Other current assets (*)	46	39	308
Cash and cash equivalents	¥ 9,885	¥ 13,577	$ 66,114

(*) These represent the Company's contributions of funds to a bank in order to establish the "Board Benefit Trust (BBT)" and "Employee Stock Ownership Plan (ESOP) Trust."

Assets and liabilities increased due to business transfer for the year ended March 31, 2025 is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 439	$ 2,934
Fixed assets	3,596	24,047
Goodwill	1,342	8,972
Current liabilities	(693)	(4,632)
Payments for transfer of business	¥ 4,683	$ 31,322

Details of significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cancellation of treasury shares	¥ 6,489	—	$ 43,401

22 Leases

(Finance leases)
Leased assets included in property, plant and equipment are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures in the daily necessities segment. Leased assets included in intangible assets are software.

(Operating leases)
The Company and its consolidated subsidiaries had no significant operating leases at March 31, 2025 and 2024.

23 Revenue recognition

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

(1) Breakdown by type of goods or services

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Air Care	¥ 21,110	¥ 20,255	$ 141,183
Pet Care	3,596	165	24,050
Cloth Care	6,834	7,143	45,709
Home Care	4,330	4,316	28,962
Dehumidify Care	2,764	2,882	18,485
Thermal Care	4,095	4,220	27,389
Hand Care	5,385	5,656	36,013
Total of revenue from contracts with customers	¥ 48,114	¥ 44,473	$ 321,792

(2) Breakdown by timing of revenue recognition

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Goods or services to be transferred at one time	**¥ 48,114**	¥ 44,473	**$ 321,792**
Goods or services that are transferred over a period of time	**—**	—	**—**
Total of revenue from contracts with customers	**¥ 48,114**	¥ 44,473	**$ 321,792**

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

Recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The time when the customer gains control of the product is determined to be the time when the product arrives at the customer in domestic sales and the time when the product arrives at the point agreed with the customer in export sales.
These revenues are measured by deducting rebates and returns from the consideration promised in the contract with the customer.
The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include important financial factors.

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

(1) Balance of receivables and contract liabilities arising from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	Balance at 2025	Balance at 2024	**Balance at 2025**
Beginning balance of receivables arising from contracts with customers			
Notes receivable – trade	**¥ 209**	¥ 200	**$ 1,397**
Accounts receivable – trade	**5,773**	5,879	**38,612**
Beginning balance of liabilities arising from contracts with customers			
Contract liabilities	**¥ —**	¥ —	**$ —**
Ending balance of receivables arising from contracts with customers			
Notes receivable – trade	**¥ 239**	¥209	**$ 1,596**
Accounts receivable – trade	**6,502**	5,773	**43,488**
Ending balance of liabilities arising from contracts with customers			
Contract liabilities	**¥ 12**	¥ —	**$ 78**

Note: Contract liabilities are advances received from customers based on payment terms in relation to sales contracts with customers under which revenue is recognized upon shipment of products and merchandise. Contract liabilities are reversed when revenue is recognized.

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

24 Segment Information

(a) Summary of Reporting Segments
Segment information for the years ended March 31, 2025 and 2024 is omitted as the Group operates the daily necessities segment as a single segment.

(b) Calculation method of sales, profits or losses, and other items by reportable segment
Information on the calculation method is omitted as the Group operates as a single segment.

(c) Information on the amounts of sales, income, and other items by reportable segment
Information on the amounts of sales and other items for the years ended March 31, 2025 and 2024 is omitted as the Group operates as a single segment.

(d) Related Information

(1) Information by products and service

	Millions of yen					
Year ended March 31, 2025	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 21,110	¥ 6,834	¥ 4,095	¥ 5,385	¥ 10,690	¥ 48,114

	Millions of yen					
Year ended March 31, 2024	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 20,255	¥ 7,143	¥ 4,220	¥ 5,656	¥ 7,198	¥ 44,473

	Thousands of U.S. dollars					
Year ended March 31, 2025	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	$ 141,183	$ 45,709	$ 27,389	$ 36,013	$ 71,497	$ 321,792

(2) Information by geographical segment

(Sales)
Geographical segment information is not presented as overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2025 and 2024.
(Property, plant and equipment)
Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of the total of property, plant and equipment at March 31, 2025 and 2024.

(3) Information by major customers

	Sales			
Customers	Millions of yen		Thousands of U.S. dollars	Related segment
	2025	2024	2025	
PALTAC CORPORATION	¥ 16,794	¥ 16,138	$ 112,318	Daily necessities
ARATA CORPORATION	11,755	11,093	78,621	Daily necessities

25 Related Party Transactions

(Years ended March 31, 2025 and 2024)
Not applicable

26 Inventory Valuation Loss Included in Cost of Sales

Inventory valuation loss write-downs below cost to net selling value are included in cost of sales and amounted to ¥408 million (U.S.$2,728 thousand) and ¥564 million for the years ended March 31, 2025 and 2024, respectively.

27 Impairment loss

The Company recognized impairment losses for the year ended March 31, 2025 as follows:

Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Chon Buri Province, Thailand	Business assets	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures	54	361

For business assets, the Group determines the asset group in consideration of the management accounting classification, and for shared assets such as the head office, the entire business is the asset group. In addition, idle assets that are not used for business are grouped by individual property.
Since the profitability of the business assets held by the consolidated subsidiary S.T. (Thailand) has declined, the carrying amount was reduced to the recoverable amount and the reduced amount was recorded as impairment loss under extraordinary loss.
The recoverable amount is measured by the value in use and is calculated assuming that the value in use is zero.

28 Note to Consolidated Statements of Changes in Net Assets

Shares in issue and outstanding and treasury stock at March 31, 2025 and 2024 were as follows:
(Year ended March 31, 2025)
Number of shares in issue and outstanding:
Common stock 23,000 thousand
Number of shares held in treasury:
Common stock 2,130 thousand

Note: Details of the change in the number of shares issued are as follows:
Increase due to allotment from an 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: 4,164 thousand
Decrease due to the cancellation of treasury shares: 4,164 thousand
Details of the change in the number of shares of treasury stock are as follows:
Increase due to purchase of shares less than standard unit: 0 thousand
Increase due to the exchange of shares: 5,587 thousand
Decrease due to the cancellation of treasury shares: 4,164 thousand
Decrease due to issuance of treasury shares by the stock benefit trust (BBT): 7 thousand
The common stock owned by the Trust (216 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2024 were as follows:

Resolution	Total amount of dividends		Dividends per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	yen	U.S. dollars		
Board of directors' meeting held on May 21, 2024	¥ 473	$ 3,162	¥ 21	$ 0.14	March 31, 2024	June 3, 2024
Board of directors' meeting held on November 6, 2024	464	3,103	22	0.15	September 30, 2024	December 6, 2024

Dividends for which the record date was in the year ended March 31, 2025 and the effective date is in the year ending March 31, 2026 were as follows:

Resolution	Total amount of dividends		Source of dividends	Dividends per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars		yen	U.S. dollars		
Board of directors' meeting held on May 20, 2025	¥ 464	$ 3,103	Retained earnings	¥ 22	$ 0.15	March 31, 2024	June 3, 2024

(Year ended March 31, 2024)
Number of shares in issue and outstanding:
Common stock 23,000 thousand
Number of shares held in treasury:
Common stock 713 thousand

Note: Details of the change in the number of shares of treasury stock are as follows:
Increase due to purchase of shares less than standard unit: 0 thousand
Decrease due to issuance of treasury shares by the stock benefit trust (BBT): 47 thousand
The common stock owned by the Trust (223 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2024 were as follows:

Resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 19, 2023	¥ 450	¥ 20	March 31, 2023	June 5, 2023
Board of directors' meeting held on November 8, 2023	473	21	September 30, 2023	December 8, 2023

Dividends for which the record date was in the year ended March 31, 2024 and the effective date was in the year ended March 31, 2025 were as follows:

Resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 21, 2024	¥ 473	Retained earnings	¥ 21	March 31, 2024	June 3, 2024

29 Significant subsequent events

(Reducing the amount of legal capital surplus)
At a meeting of the Board of Directors held on May 9, 2025, the Company resolved to submit a proposal at its 78th Ordinary General Meeting of Shareholders (the "Shareholders' Meeting") held on June 17, 2025 to reduce the amount of legal capital surplus. The relevant proposal was submitted to the Shareholders' Meeting held on June 17, 2025 and resolved at the Shareholders' Meeting.

(a) Purpose of reducing the amount of legal capital surplus

In accordance with Article 448, Paragraph 1 of the Companies Act, the amount of legal capital surplus was to be reduced and transferred to other capital surplus in order to ensure the flexibility and mobility of future capital policy.

(b) The amount and method of reducing legal capital surplus

In accordance with Article 448, Paragraph 1 of the Companies Act, a portion of legal capital surplus was to be reduced and the same amount was to be transferred to other capital surplus.

(1)	The amount of legal capital surplus to be reduced	8,789 million (U.S.$58,782 thousand) out of 13,617 (U.S.$91,073 thousand) million of legal capital surplus
(2)	Increase in other capital surplus	8,789 million (U.S.$58,782 thousand)

(3) Schedule

(1)	Resolution date of the Board of Directors	May 9, 2025
(2)	Date of publication of creditor objections	May 12, 2025
(3)	Final date for creditors to file objections	June 13, 2025
(4)	Resolution date of the General Meeting of Shareholders	June 17, 2025
(5)	Effective date	June 30, 2025

(4) Other important matters

This transaction represents a transfer of accounts under "Net assets" in the Company's non-consolidated financial statements. There was no change in the amount of net assets and no impact on the Company's consolidated and non-consolidated financial results.

Shape the future with confidence

Independent Auditor's Report

The Board of Directors
S.T.CORPORATION

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of S.T.CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Recognition of revenue related to net sales in S.T.CORPORATION's daily necessities segment	
Description of Key Audit Matter	**Auditor's Response**
Net sales of ¥48,114 million recorded in the consolidated statement of income for the year ended March 31, 2025 includes net sales of ¥44,616 million by S.T. CORPORATION (the	We mainly performed the following audit procedures for the recognition of revenue related to net sales in the Company's daily necessities segment.

"Company"), accounting for 92.7% of consolidated net sales. The Company primarily operates the daily necessities segment, manufacturing and selling daily necessities, mainly to wholesalers in Japan. In the daily necessities segment, the Company is engaged in the air care, pet care, cloth care, home care, dehumidify care, thermal care, and hand care categories, and not only handles a large number of products, but the transaction amounts per product are small and the number of transactions processed on a recurring basis is large. In addition, the Company's net sales in the daily necessities segment depend on the automated control of the sales distribution system. Since net sales recorded are calculated automatically by multiplying unit selling prices by sales volumes, net sales recorded that are not based on appropriate unit selling prices or sales volumes may result in recording erroneous net sales. Based on the above, we determined the recognition of revenue related to net sales in the Company's daily necessities segment as a key audit matter.	・ We performed net sales analysis by category (annually and monthly), trade receivables turnover analysis, and accounts receivable analysis by customer as risk assessment procedures. ・ We evaluated IT general controls and assessed the design and operation of internal controls at the business process level, including sales distribution systems. We involved IT specialists from our firm in the assessment of IT general controls. ・ In order to assess the accuracy of net sales, we drew samples of journal entries recorded as net sales throughout the year and vouched them to transaction documents, including goods receipts. ・ In order to assess the cut-off of net sales, we vouched sales recorded at or near the financial closing date to transaction documents, including goods receipts. We also examined whether there were large volumes of returns processed in the month following the financial closing date. ・ We performed balance confirmations related to receivables balances for major business counterparties.

Allocation of acquisition costs related to the acquisition of the "NYANTOMO CLEAN TOILET" business	
Description of Key Audit Matter	**Auditor's Response**
As described in (Business Combinations), (Business acquisition), and (Significant Accounting Estimates) in the Notes to Consolidated Financial Statements, the Company acquired the business related to "NYANTOMO CLEAN TOILET" (which includes the manufacture and sale of cat litter boxes, cat chips, cat sheets, cat mats, and cat urine test kits for the NYANTOMO CLEAN TOILET system for cats, and related businesses) on June 3, 2024. The acquisition cost of the "NYANTOMO CLEAN TOILET" business is determined using the enterprise value assessed by external specialists.	We mainly performed the following audit procedures in considering the allocation of acquisition costs related to the acquisition of the "NYANTOMO CLEAN TOILET" business. ・ In order to understand the background and objectives of acquiring the "NYANTOMO CLEAN TOILET" business, we made inquiries of management and inspected board of directors' meeting minutes and related documents. ・ We discussed the key assumption of the net sales growth rate in the business plan with management, performed trend analysis based on historical data, compared it with external data on

The Company, in connection with the acquisition of the "NYANTOMO CLEAN TOILET" business, utilized external specialists to allocate the acquisition cost based on the fair value on the date of the business combination. The measurement of the fair value of identified intangible assets resulted in an allocation of ¥2,234 million for trademark rights and the generation of goodwill amounting to ¥1,341 million. In allocating the acquisition costs to intangible assets, the net sales growth rate included in the business plan, which serves as the basis for estimating future cash flows, is considered a key assumption. In addition, estimating the discount rate requires a high degree of specialized knowledge. The allocation of acquisition costs is complex regarding how the allocation amount is calculated, requiring advanced specialized knowledge. Furthermore, the net sales growth rate under the business plan is primarily influenced by external factors, such as trends in the pet-related market in Japan. This involves uncertainty and requires management to exercise subjective judgment when making estimates. We have therefore determined that this is a key audit matter.	pet-related market trends in Japan, and considered management's evaluation of future uncertainties. We also involved valuation specialists from our network firm and performed the following audit procedures. ・ We evaluated the qualifications, capabilities, and objectivity of the external specialists used by management. ・ We inspected the intangible asset valuation report prepared by external specialists engaged by management, and assessed the reasons for determining identifiable intangible assets, the appropriateness of the valuation model, and the reasonableness of the discount rate.

Amount of gain on bargain purchase recognized	
Description of Key Audit Matter	**Auditor's Response**
As described in (Business Combinations), (Business combination by acquisition), and (Transactions under common control, etc.) in the Notes to Consolidated Financial Statements, the Company conducted a partial share exchange on July 1, 2024, becoming the parent company of Shaldan Co., Ltd. and acquiring 100% of Shaldan Co., Ltd.'s shares to make it a wholly-owned subsidiary. Subsequently, a merger took place on September 27, 2024, designating the Company as the surviving entity and Shaldan Co., Ltd. as the absorbed entity. As a result of this series of business combination transactions, the acquisition cost of the business combinations is less than the net amount allocated to the assets acquired and	We mainly performed the following audit procedures in considering the gain recorded on negative goodwill arising from the series of business combinations involving Shaldan Co., Ltd. ・ To understand the overview of the transactions, the process of determining the acquisition cost, and the factors leading to the emergence of negative goodwill, we inspected relevant materials, including the board of directors' meeting minutes, partial share exchange plan, shareholder value assessments, and partial share exchange ratio calculation reports, and made inquiries with management.

liabilities assumed. As a consequence, a shortfall of ¥1,101 million was recorded as a gain on bargain purchase in extraordinary gains. In cases where negative goodwill is expected to arise, it is necessary to examine whether all identifiable assets and liabilities have been recognized and whether the allocation of acquisition costs to them is appropriate. If, after this examination, the acquisition cost still falls below the net amount allocated to the assets acquired and liabilities assumed, resulting in negative goodwill, the shortfall should be treated as a gain for the consolidated fiscal year in which the negative goodwill arose. Given that the business combinations are non-recurring transactions, and the recognized gain on bargain purchase is material in the consolidated financial statements, it is necessary to thoroughly examine whether the acquisition cost has been appropriately allocated based on the fair value of all identifiable assets and liabilities. We have therefore determined that this is a key audit matter.	・ In relation to the partial share exchange ratio used in the calculation of the acquisition cost, we involved valuation specialists from our network firm to assess the reasonableness of the assumptions and calculation methods based on the valuation results provided by the third-party valuation agency that the Company relied upon for its decision. ・ We made inquiries to management regarding the identifiable assets acquired and the identifiable liabilities assumed, reconciled the relevant figures against related supporting documentation, and performed recalculations. ・ Regarding identifiable assets and liabilities, we examined the allocation of the acquisition cost based on the fair value as of the date of the business combination, and the difference between the acquisition cost and the allocated amount that was recorded as a gain on bargain purchase.

Other Information

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

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

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of S.T.CORPORATION and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 65 million yen and 13 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 7, 2025

Fumio Uemura
Designated Engagement Partner
Certified Public Accountant

Yuichiro Tamaki
Designated Engagement Partner
Certified Public Accountant

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