

Stable foundation supported by numerous niche market-leading brands, with scale expansion expected through a de-commoditization strategy

Summary

■ A wellness-oriented comprehensive household products manufacturer that “Refreshes the Air”

S.T. CORPORATION (hereinafter, the Company) is a daily necessities manufacturer that pursues greater comfort in living spaces under the corporate slogan “Refreshing the Air.” Its core products are air-related categories such as SHOSHURIKI deodorizers and air fresheners, the mothproofing agent MUSHUDA, and the dehumidifier DRYPET, all of which hold strong brand recognition and market share in Japan. In recent years, the Company has expanded into areas such as PET Care and HOME Care while also focusing on creating new value centered on fragrance and comfort under its vision of transforming “from a daily necessities manufacturer to a wellness company.” Leveraging its proprietary R&D capabilities and a lean, highly specialized organizational structure, the Company aims to contribute to improving consumers’ quality of life.

■ Earnings trends

For FY2026/3, the Company revised down its initial full-year consolidated forecast and now expects net sales of JPY 48,500 mn (+0.8% YoY), operating profit of JPY 1,900 mn (+14.5% YoY), ordinary profit of JPY 2,300 mn (-10.4% YoY), and profit attributable to owners of the parent (hereinafter, net profit) of JPY 1,500 mn (-47.1% YoY). The revision reflects weaker-than-planned performance, as new and existing core AIR Care products fell short of expectations, growth in existing CLOTH Care products slowed, and sales promotion expenses increased. Although SG&A expenses are expected to decline, the drop in sales in the core business is projected to weigh on profits, and each profit line is now expected to fall below the previous forecast.

■ Medium-Term Management Plan “SMILE 2027”

The Company’s Medium-Term Management Plan “SMILE 2027” aims to build a foundation for renewed growth and break away from the prolonged stagnation in sales and share price. While focusing on AIR Care and PET Care as growth areas, the Company will prioritize operational efficiency in existing businesses such as CLOTH Care and HUMIDITY Care, seeking to balance stable earnings with growth investments. For FY2027/3, the MTP targets net sales of JPY 56,500 mn, operating profit of JPY 4,000 mn, an operating profit margin in the 7% range, and ROE above 8%. If achieved, profitability and capital efficiency are expected to improve, and a reassessment of the Company’s market valuation could follow through a qualitative shift in its business portfolio.

FY	Net sales (JPY mn)	YoY (%)	Operating profit (JPY mn)	YoY (%)	Ordinary profit (JPY mn)	YoY (%)	Net profit (JPY mn)	YoY (%)	EPS (JPY)	DPS (JPY)
2021/3	49,673	--	3,945	--	3,737	--	2,525	--	113.90	37.00
2022/3	45,469	-8.5%	3,250	-17.6%	3,481	-6.9%	1,109	-56.1%	49.91	38.00
2023/3	45,576	0.2%	2,416	-25.7%	2,730	-21.6%	1,828	64.9%	82.22	40.00
2024/3	44,472	-2.4%	1,341	-44.5%	1,930	-29.3%	1,274	-30.3%	57.23	42.00
2025/3	48,114	8.2%	1,658	23.6%	2,084	8.0%	2,834	122.4%	133.57	44.00
2025/3 CE	48,500	0.8%	1,900	14.5%	2,300	10.4%	1,500	-47.1%	70.68	44.00

Source: Compiled by SIR from IR results briefing material.

Note: Figures may differ from the Company’s materials due to differences in SIR’s financial data processing and the Company’s reporting standards.

Initiation



Focus Points:

S.T. CORPORATION’s key strength is its ownership of dozens of niche market-leading brands, such as MUSHUDA and SHOSHURIKI. The key question is whether the Company can leverage these strengths to solidify its growth trajectory through high-value-added products and expansion into new domains.

Key Indicators

Share price (3/2)	1,573
52WH (25/8/1)	1,637
52WL (25/4/7)	1,370
10YH (18/6/29)	3,445
10YL (20/3/13)	1,201
Shrs out. (mn shrs)	23.00
Mkt cap (JPY bn)	36.18
EV (JPY bn, LTM)	24.13
25/3 Equity ratio (act)	71.0%
26/3 P/E (CE)	22.3X
25/3 P/B (act)	1.01X
25/3 ROE (act)	8.6%
26/3 DY (CE)	2.8%

Share price trend (1 year)



Source: TradingView

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■ Share price insights

In the daily necessities and hygiene products industry, the Company's relatively small revenue scale and operating profit margin remaining in the 3% range have limited market expectations for growth. Amid uncertainty over the sustainability of growth, the Company's P/B ratio remains below 1x. However, the Company has a stable earnings foundation built on its niche market-leading strategy and a track record of developing de-commoditized products and expanding product categories. If higher value-added products begin contributing more meaningfully to earnings and operating profit margins improve, SIR believes the Company's growth potential could be reassessed, leaving significant room for re-rating.

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Company Overview



President, CEO, and Chairman
of the Board of Directors
Mr. Yo Kozuki

■ Summary

The Company was founded in August 1948 and is headquartered in Shimo-ochiai, Shinjuku-ku, Tokyo, and is listed on the Prime Market of the Tokyo Stock Exchange. Since its founding, it has focused on the planning, development, manufacturing, and sales of daily necessities such as deodorizers and air fresheners, and mothproofing agents for clothing. From its early years, the Company has addressed the everyday yet fundamental theme of “air.” The Company’s business centers on products related to the “air” of homes and living spaces. The Company broadly classifies its products into the following seven categories:

AIR Care (deodorizers and air fresheners)

PET Care (cat toiletries)

CLOTH Care (mothproofing agents)

HOME Care (food care, cleaners, etc.)

HUMIDITY Care (dehumidifiers)

THERMAL Care (disposable warmers)

HAND Care (gloves)

These products address the clear need to improve indoor air environments and represent the Company’s core competence in the household products market. The Company is not merely a manufacturer of daily necessities. Under the vision of “From a daily necessities manufacturer to a wellness company,” the Company also places emphasis on developing products that contribute to improving consumers’ health and comfort and addressing social challenges.

As described above, the Company contributes to improving consumers’ quality of life by providing innovative daily necessities based on the familiar yet fundamental theme of “air.”

Company information

Company Name	S.T. CORPORATION
Overview	Manufacture and sale of deodorizers and air fresheners, mothproofing agents, gloves, dehumidifiers and other products. Its flagship brand MUSHUDA holds the top global market share in mothproofing agents. The Company is also expanding into products for an aging society, including nursing care deodorants YELLS.
Representative	President, CEO, and Chairman of the Board of Directors, Yo Kozuki
Headquarters	4-10, Shimo-ochiai 1-chome, Shinjuku-ku, Tokyo, Japan
Phone	03-3367-6111
URL	https://www.st-c.co.jp/english/
Trading Banks	Mizuho Bank, Ltd., MUFG Bank, Ltd.
Industry	Household Goods / Daily Necessities
Established	Aug 31, 1948
Listed	Jan 10, 1984
Listed Stock Exchange	Tokyo Stock Exchange, PRIME
Employees	Consolidated: 814, Non-consolidated: 451 (FY2025/3)
Average Age	42 (FY2025/3)
Auditor	Ernst & Young ShinNihon LLC

Source: Compiled by SIR based on SPEEDA data.

■ Major shareholders

The Company's major shareholders are as follows. The founding Suzuki family, including former President Takashi Suzuki and former President Takako Suzuki, is among the major shareholders, along with financial institutions. Following the change in presidency from Takako Suzuki to Yo Kozuki in June 2023, ownership and management have been clearly separated.

Shareholder	Number of Shares Held (Thousand)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trustee)	1,697	8.05
Kanichi Suzuki	1,504	7.14
Nippon Life Insurance Company	1,336	6.34
Takako Suzuki	1,051	4.99
Custody Bank of Japan, Ltd. as a re-trustee for Mizuho Bank, Ltd.	884	4.19
Retirement Benefit Trust Account of Mizuho Trust & Banking Co., Ltd		
Takashi Suzuki	617	2.93
Fumakilla Limited	541	2.57
Chizuko Mikami	540	2.56
Suzuki Seiichi Shouten Co., Ltd.	529	2.51
MUFG Bank, Ltd.	524	2.49

Source: Compiled by SIR based on the semiannual report.

As of September 30, 2025

■ Management philosophy: A value creation philosophy rooted in “sincerity”

The Company's management philosophy is founded on “sincerity,” the corporate philosophy since its founding, and focuses on contributing to society through products and value provision that enrich consumers' daily lives. Specifically, it consists of the following three basic principles:

1. Pursuit of service and trust toward society

The Company's mission is to serve society and place the highest priority on earning the trust of customers and society. It continuously strives to improve and innovate its products and to provide products that customers trust most or that offer unique value. This is the foundation of the Company's business activities.

2. Sustained prosperity and employee pride

The Company places importance on pursuing sustained prosperity as a company while creating a workplace environment in which employees, who form its foundation, can work with hope and pride. By fostering an organizational culture where each employee can fully demonstrate their abilities, the Company aims to enhance corporate value.

3. A trusted company that values harmony and courtesy

In its corporate activities, the Company values harmony and courtesy and aims to be the most trusted company among all stakeholders, including customers and society as a whole. This philosophy also supports building strong relationships with business partners and local communities.

■ History: A legacy of responding to consumer needs

The Company's history can be broadly divided into three periods: the founding period, during which it established a stable cash generation base as a manufacturer of daily necessities centered on mothproofing agents; the growth period, when it built strong market share and brand strength in its core categories; and the transformation period, in which it has advanced a shift toward a value-added business model centered on "air value." Analyzing the evolution of business strategies and key products across these periods helps clarify how the Company has maintained and improved profitability in a mature market and where future growth opportunities may lie.

1. Founding period (1946–late 1970s): Establishment as a mothproofing and basic daily necessities manufacturer

The Company's founding period is positioned as a phase of building the foundation as a manufacturer of daily necessities centered on mothproofing agents. Following its founding in 1946, the Company expanded its business primarily through the manufacture and sale of mothproofing agents, supported by demand for clothing protection during the postwar reconstruction period. A key characteristic of this period was the provision of practical products focused on preventing discomfort and protecting daily life, with price competitiveness and stable supply forming the main competitive advantages.

In the 1960s, the Company expanded into adjacent segments such as household gloves, and in the 1970s entered the air freshener segment, marking the early signs of its transition from a mothproofing agent manufacturer to a daily necessities manufacturer addressing the entire living space. However, at this stage products remained primarily function-driven, and the development of brand value was limited.

2. Growth period (1980s–late 1990s): Becoming category leaders and building brands

From the 1980s onward, the Company entered a distinct growth period through the launch of products such as the dehumidifier Drypet and the mothproofing agent MUSHUDA. In particular, MUSHUDA was groundbreaking in overturning the conventional assumption that mothproofing agents carried a strong chemical odor and presenting a new value proposition of odorless and comfortable use. During this period, the Company established a market position in the major living-space categories of mothproofing, dehumidifying, and air freshening, achieving stable growth supported by its distribution network and brand strength.

However, by the late 1990s, the Company faced the slowdown in growth typical of a mature market and entered a phase of exploring its next growth model, including initiating management reform under the slogan "a lean yet robust company."

3. Transformation period (2000s to present): Strategic shift toward "air value"

The launch of SHOSHURIKI in 2000 marked a clear turning point in the Company's history. It was a signature product that symbolized a strategic shift from the conventional approach of preventing or suppressing unpleasant odors to proactive value creation that eliminates unpleasantness and creates comfort. It was not merely a hit product but a game-changer that transformed the Company's business domain. Through a clear message that it "eliminates odors from the source" and emotionally engaging advertising, SHOSHURIKI shifted the deodorizer market from functional competition to brand competition. Building on this, the Company expanded products by usage scenario and in recent years has been moving away from price competition through the development of high-value-added products.

Through the “Refreshing the Air” project launched in 2004, the Company redefined its business domain as “air value” and expanded its business scope into fragrances, psychological comfort, and the wellness field. In recent years, the Company has advanced product development originating from everyday life issues such as sleep, caregiving, and pets, and the transformation period continues today.

Based on this historical development, SIR views the Company as evolving from a mothproofing agent manufacturer into a company that creates “air value.”

Company history

Year	Company History	Product History
1946	S.T. Chemical Plant founded	Commenced production of mothproofing agents
1948	Establishes S.T. Chemical Industries Co., Ltd.	
1960		Household Gloves: JAB and FAMILY
1964	Establishes Saitama Plant	
1971		Air Freshener: AIR SHALDAN and SHALDAN ACE
1974	Establishes Iwaki Plant	
1976		Mothproofing Agent: NEOPARA CORNER
1977		Mothproofing Agent: NEOPASS
1978		Air Freshener: SHALDAN LIQUID
1979		Mothproofing Agent: NEOPARA ACE
1981		Dehumidifier: DRYPET
1982	Changes company name to S.T. Chemical Co., Ltd	
1983		Air Freshener: MY SHALDAN and SHALDAN STAINED
1984	Public offering of shares for OTC trade with the Japan Securities Dealers Association	
1986	Shares listed on Second Section of Tokyo Stock Exchange	
1988	Establishes Kyushu Plant / Launch of overseas joint ventures	Mothproofing Agent: MUSHUDA Dehumidifier: DRYPET SKIT
1991	Shares designated for First Section of Tokyo Stock Exchange	
1994		Mothproofing Agent: MUSHUDA (cover style) Cleaner: ULTRA-POWERS WASHING TUB CLEANER
1998	Launches the "lean yet robust company" as well as "selection and focus" initiatives	
1999		Air Freshener: SHOSHU-POT
2000	Splits off S.T. Trading Co., Ltd.	Air Freshener: SHOSHURIKI, DASHUTAN CHARCOAL Mothproofing Agent: MUSHUDA FOR 1 YEAR
2001	Establishes S.T. R&D Center	Air Freshener: SHOSHU-PLUG
2003	Splits off and alliance	Rice Bug Repellent: KOMETOBAN; Warmer: ONPAX
2004	Commences Refreshing the Air Project	Dehumidifier: BINCHOTAN CHARCOAL DRYPET
2005	Establishes S.T. Business Support Co., Ltd.	
2007	Changes corporate name to S.T. Corporation	
2009	Launches the "design revolution" as well as "workplace reform?" initiatives	
2010	Entering into an Alliance with FUMAKILLA LIMITED	Mothproofing Agent: KAORI MUSHUDA Air Freshener: SHOSHURIKI FOR GARBAGE
2011	Commences the Clear Forest business	Radiation Detector: AIR COUNTER
2013	Completion of the Company's headquarters (STR CENTER)	
2015		Air Freshener: SHALDAN; SHOSHURIKI PREMIUM AROMA Warmer: ON STYLE
2018	Establishes S.T. MYCOAL Co., Ltd.	
2019	Acquired ZETA S.R.L. (Italy)	
2020	Changes company name from S.T. Trading Co., Ltd. to S.T. PRO Co., Ltd.	Mite Repellent: MUSHUDA MITE REPELLENT
2021	Sold ZETA S.R.L. (Italy)	
2022		Expansion of the pet-related business
2023	Acquired CODE Meee Inc.	Air Freshener: SHOSHURIKI PREMIUM AROMA FOR SLEEP
2024	Absorption-type merger with Shaldan Co., Ltd.	Mothproofing Agent: MUSHUDA NOTE; System Toilets for Cats: NYANTOMO CLEAN TOILET
2025	Conducts an absorption type merger of S.T. Business Support Co., Ltd.	

Source: Compiled by SIR from the Company’s website.

Ideas to touch the heart
for moments
with smiles.



"Refreshing the Air"

■ Purpose and corporate slogan

The Company also presents its management philosophy in more contemporary terms through its purpose. This is expressed in the phrase:

"Ideas to touch the heart for moments with smiles."

It reflects the Company's aspiration to deliver small moments of joy and enrichment in everyday life.

In addition, the Company's corporate slogan,

"Refreshing the Air,"

expresses a strong commitment not only to improving physical air comfort but also to changing the "air" of daily life, including atmosphere, mood, and the social climate. It conveys the message that the Company will continue to take on challenges as a company that refreshes the air through all aspects of its activities, including research and product development, sales and distribution, and advertising and promotion.

■ Material issues

The Company has identified material issues that integrate business strategy and sustainability as part of its efforts to advance the Medium-Term Management Plan "SMILE 2027" and achieve sustainable enhancement of corporate value. These represent key issues the Company must address and are positioned as management priority themes directly linked to the execution of its growth strategy.

The material issues identified by the Company are characterized not merely by a listing of general ESG issues but by their strong linkage to the transformation of the business portfolio and the execution of its growth strategy. In particular, the shift from existing businesses to growth businesses and entry into new markets and new business areas are core themes for achieving renewed growth in the mature daily necessities market and are clearly aligned with the key initiatives of the Medium-Term Management Plan.

In addition, responding to changes in consumer preferences and purchasing behavior and responding to changes in buying behavior through digital transformation (DX) are based on the diversification of consumer needs and the advancement of digitalization. Through the enhancement of marketing, product development, and communication methods, these initiatives aim to strengthen the Company's competitiveness over the medium- to long-term.

Furthermore, creating a system for co-creation of value and securing human resources is positioned as the foundation for executing these strategies. The Company views building an organization capable of generating innovation and developing human resources as important management challenges and aims to achieve sustainable value creation through investment in human capital.

In this way, the Company's material issues are organized as a framework that connects growth strategy, organizational foundations, and business transformation across these areas and can be positioned as an element within the company overview that reflects the Company's management stance and future orientation.

Material issues

Material Issues	Issues	Measures	KPIs
Shifting the focus from existing businesses to growth businesses	Strengthening the profitability of existing business	Adding high value based on our portfolio strategy	Rate of improvement in operating income in the existing business domain
	Entering new markets	Nurturing new businesses in the BtoB market	Sales in the BtoB business
		Establishing a foundation for growth in the ASEAN market	Completion of preparations for entering new markets, establishing sales channels, and operating business in the markets
Responding to changes in consumer preferences and purchasing behavior	Generating new products and new businesses for the new era	Enhancing the development of functional materials	Disclosing subject technologies and research outcomes, including patents
	Responding to changes in buying behavior (diversifying preferences and lifestyles) through digital transformation (DX)	Improving marketing ROI using digital technologies	Rate of improvement in ROAS based on MMM
		Product development based on digital technologies	
Creating a system for co-creation of value and securing human resources	Creating an organization capable of innovation and securing human resources	Strengthening human capital that can trigger changes (DE&I, recruitment, education, and evaluation systems)	Situation of development of next-generation leaders; Ratio of female managers
		Training of personnel for companywide DX and improvement of digital skills of employees	Ratio of DX promoters
		Realization of a working environment in which employees can feel their jobs are worthwhile (work-life balance (WLB), safety, and peace of mind)	Worthwhileness of jobs; Satisfaction level about WLB; Performance exertion level
		Education for promoting employees to understand human rights and the policy for occupational safety and health	Status of education (formulation of execution plans, production of teaching materials, video streaming, etc.)
	Improvement in labor productivity and creation of innovative work through the utilization of IT and AI	To improve the efficiency of business operations by utilizing AI for the purpose of achieving innovation and developing a dedicated environment	Improvement of the efficiency of business operations based on AI
	Establishment of a sustainable supply chain	Reduction of the CSR risk in the supply chain	Ratio of suppliers that have attended our briefing session Ratio of suppliers that have undergone SAQ
Assessing geopolitical risks, transportation risks, etc. and improving procurement activities for stable procurement (including procurement from multiple suppliers)		Status of regular risk assessment Status of implementation of measures against risks	
Promoting environmental protection activities	Request for and realization of decarbonization	Management and reduction of GHG emissions	Rate of reduction of GHG emissions (Scopes 1 and 2) To grasp GHG emissions (Scope 3)
	Addressing resource depletion and circular economy	Promoting the environmentally friendly design (3R) of products for saving resources and plastics	Achievement rate of environmentally friendly design standards (ratio of products with the "Minnade-Eco" label)
Promoting clean, fair, and honest corporate governance as a true public company	Building a resilient management foundation	Enterprise risk management (ERM)	Status of identification and assessment of major risks
		Prevention of risks and swift response to risks	Status of monitoring of the specified 11 major risks
		Further revision of the management structure for improving quality management in a sustainable manner	Monitoring of the status of application of the written basic policy for BCM
	Enhancement of the supervision function of the management	Rigorous management of compliance and business ethics	Status of production of a manual for incident management
Enhancement of the supervision function of the management	Improvement in transparency and effectiveness of business administration	Identification and assessment of major risk	Status of formulation of a quality policy Status of development of a management system based on the policy (a quality assurance committee)
		Monitoring of the specified 11 major risks	Status of education for deepening the understanding of laws and regulations that are likely to be violated
Enhancement of the supervision function of the management	Improvement in transparency and effectiveness of business administration	Development of systems for managing BCP and BCM	Status of formulation of guidelines regarding improper transactions, such as bribery
		Prevention of incidents and swift response to incidents	Status of implementation of measures for solving the issues assessed by the board of directors
Enhancement of the supervision function of the management	Improvement in transparency and effectiveness of business administration	Further revision of the management structure for improving quality management in a sustainable manner	Status of development of a process for appointing directors (skill matrix)
		Rigorous management of compliance and business ethics	Status of production of succession plans for female executives and others
Enhancement of the supervision function of the management	Improvement in transparency and effectiveness of business administration	To educate employees so that they will understand the compliance with laws	
		To develop guidelines regarding improper transactions, such as bribery	
Enhancement of the supervision function of the management	Improvement in transparency and effectiveness of business administration	Development of a process for appointing directors (skill matrix)	
		Enrichment of a succession plan for executives	

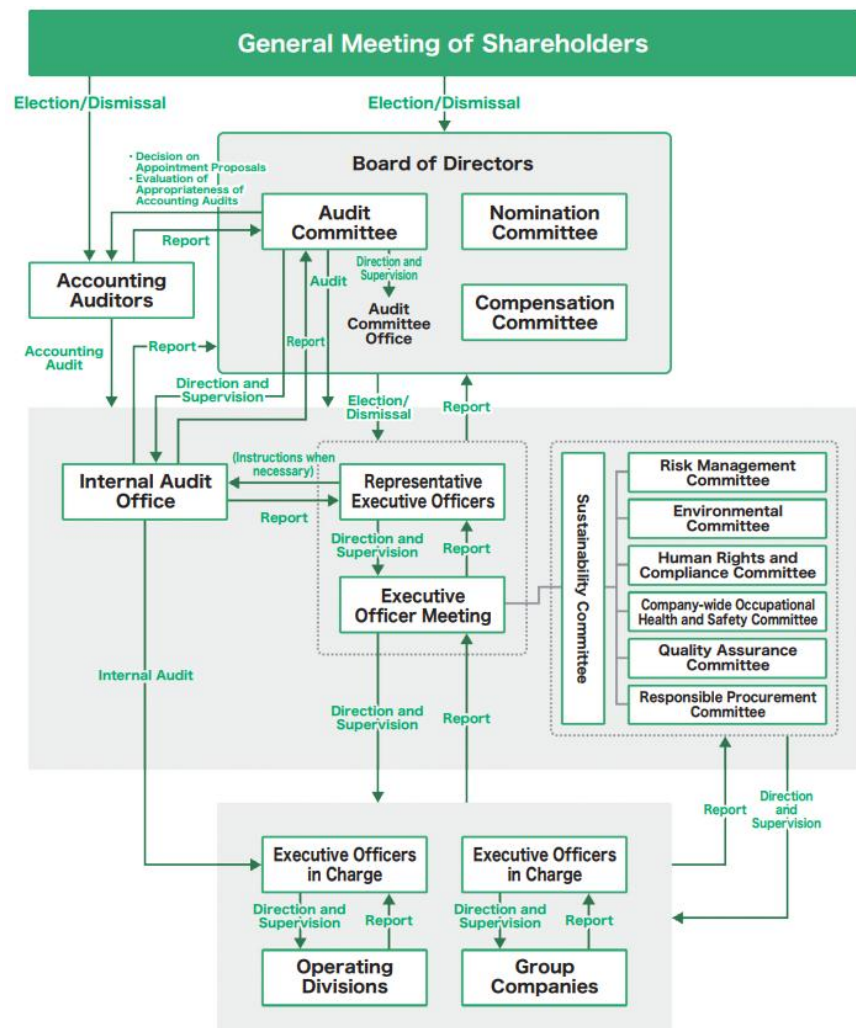
■ Corporate governance

The Company has adopted the company with three committees governance structure, which is considered one of the governance systems most conducive to effective governance among listed companies in Japan and is characterized by its highly institutionalized transparency and supervisory functions in management. This structure was introduced during the presidency of Takashi Suzuki, who was also the owner-manager, suggesting that awareness of governance was already very high at that time. The Company has established a framework that enables this system to function effectively as follows:

1. Board of directors and executive structure

A majority of the Company’s board of directors consists of independent outside directors, enabling the board to exercise a supervisory function while maintaining a certain distance from management. Management is carried out by seven executive officers appointed by the board of directors. In principle, the executive officers’ meeting is held twice a month, where important matters delegated by the board of directors are deliberated and decided, enabling swift and agile management.

Corporate governance structure



Source: Excerpt from the Company’s integrated report.

2. Composition and roles of the three committees

The Company has established three committees, the Nomination Committee, the Audit Committee, and the Compensation Committee. The Nomination Committee and Audit Committee each consist of five directors, while the Compensation Committee consists of four directors, with independent outside directors playing a central role in all committees. The Nomination Committee determines the details of proposals regarding the election and dismissal of directors to be submitted to the General Meeting of Shareholders, thereby ensuring transparency in the selection process for top management. The Audit Committee conducts audits of the execution of duties by directors and executives and oversees and verifies the internal control system. The Compensation Committee establishes policies and standards for the remuneration of directors and executives and determines the individual remuneration of each member annually, thereby ensuring objectivity in the design of management incentives.

3. Board composition and governance effectiveness

The Company's board consists of nine directors, including four who concurrently serve as executive officers, and the Board of Directors is characterized by a structure centered on outside directors that combines diverse areas of expertise.

From the perspective of the skill matrix, areas such as management strategy, marketing, global management, IT and digital, sustainability, and compliance are broadly covered. In particular, the presence of multiple directors with expertise in marketing, innovation, and digital fields is consistent with the growth strategies and DX initiatives outlined in the Medium-Term Management Plan "SMILE 2027". In addition, expertise in sustainability and compliance is secured at the board level, establishing a structure that enables ESG issues and risk-related matters to be discussed at the core of management.

From the perspective of governance effectiveness, outside directors are broadly involved in key committees such as the Nomination Committee, Compensation Committee, and Audit Committee. This structure incorporates external perspectives into core areas of management such as nomination and remuneration and is designed to enhance transparency and accountability in decision-making and to function as a mechanism that helps prevent insular decision-making by management.

In addition, the mix of directors with shorter and medium-length tenures suggests a degree of board refreshment that updates the Board's skill set in response to changes in the business environment. At the same time, managing the balance with continuity of deep understanding of the Company's business characteristics and corporate culture will be an issue going forward.

Overall, the Company's board composition appears designed to ensure governance effectiveness by securing the skills required to support the growth strategy (SMILE 2027) at the board level while maintaining transparency and checks and balances through committee operations.

Board members and skills matrix (As of June 17, 2025)

Name	Position/Role	Executive Officer (Concurrent)	Independent Outside Director	Years in Office	Nomination Committee	Compensation Committee	Audit Committee	Management strategy	Innovation	Sustainability	Marketing	Global management	IT and digital	Finance and accounting	Compliance and Risk Management
Yo Kozuki	Chairman of the Board of Directors	✓		2 years	✓			✓		✓	✓				✓
Koichi Yoshizawa	Director	✓		11 years	✓	✓		✓					✓	✓	✓
Kazunari Yamamoto	Director	✓		1 year					✓		✓	✓			
Naruaki Hashimoto	Director	✓		Newly appointed							✓		✓	✓	
Shinzo Maeda	Director		✓	4 years	✓	✓	✓	✓		✓		✓			
Shoichiro Iwata	Director		✓	4 years	✓	✓	✓	✓	✓		✓		✓		
Hiroko Noda	Director		✓	4 years	✓		✓							✓	✓
Yoko Wachi	Director		✓	2 years			✓							✓	✓
Masayoshi Miyanaga	Director		✓	2 years		✓	✓	✓		✓				✓	✓

Source: Compiled by SIR from the Company's integrated report.

■ Sustainability Information

The Company's sustainability information provides continuous disclosure of quantitative data across each area, demonstrating a high level of completeness in terms of the visibility and transparency of non-financial information. In particular, a clear intention can be observed to incorporate environmental and social initiatives into the framework of management oversight in alignment with its governance structure as a company with three committees.

1. Environment

Basic policy and implementation structure for environmental management

The S.T. Group views addressing environmental issues as a prerequisite for its corporate activities and promotes environmental protection initiatives under its environmental policy, including climate change mitigation and adaptation, sustainable resource use, pollution prevention, and biodiversity conservation. As part of its implementation structure, the Group has established an Environmental Committee under the Sustainability Council, with the executive officer in charge of the manufacturing headquarters serving as the person responsible, and has developed a framework to identify issues, formulate measures, implement initiatives, and conduct monitoring across the group. By clarifying the operational structure, including secretariat functions, the Company has designed its approach so that initiatives operate as a continuous management cycle rather than one-off measures, which is a distinctive feature.

Climate change response: Reduction of GHG emissions and acceleration of renewable energy transition

In its response to climate change, SIR positively evaluates the Company's track record of reducing emissions through the continuous management of Scope 1 and Scope 2 emissions and increasing the share of renewable energy at sites such as factories. In FY2025/3, total GHG emissions were 1,027 t-CO₂ (Scope 1: 913 t-CO₂, Scope 2: 114 t-CO₂), a 31.3% reduction from the previous year. The share of electricity derived from renewable energy has reached 96.3%, with the switch at the Tochigi Factory and other sites contributing to the reduction. Looking ahead, the Company is advancing the calculation and disclosure of Scope 3 emissions, with disclosure planned for FY2027/3, and has indicated that it will identify emission hotspots and consider reductions in areas such as logistics and product design.

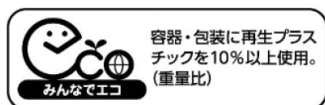
In addition, to address issues related to the consistency and reliability of environmental indicator data, the Company is promoting the standardization and centralized management of data through the introduction of a sustainability ERP system (boost Sustainability) and aims to provide appropriate disclosures, including third-party assurance.

Resource recycling: Sustainable packaging and containers and reduction of plastic use

In resource recycling, the Company positions the sustainable use of packaging and containers as a key theme and promotes measures such as weight reduction, material substitution, and simplification. As an example, the Company has significantly reduced the weight of plastic used in containers by changing container materials. SIR believes that the fact that the Company has implemented reductions in plastic use at the product level demonstrates that improvements in resource efficiency have been implemented in practice. Looking ahead, the Company plans to expand the use of recycled and biomass materials, consider the adoption of plant-derived materials, and promote refill and replacement formats, with the aim of simultaneously reducing waste and limiting resource consumption. In addition, whether the Company can position the reduction of environmental impact through packaging and containers as part of product value will become a key issue going forward.

Environmentally friendly design and information disclosure: Operation of evaluation criteria and advancement of data management

To continue developing products with low environmental impact, the Company evaluates and manages environmentally friendly designs based on its own standards and visualizes achievements in a clear manner within the Company and externally by awarding its proprietary “Minna de Eco” mark to products that meet these standards. In SIR's view, this demonstrates an effort to move beyond environmental initiatives as a guiding principle and embed them into the decision-making criteria for product development and improvement in an operational form.



“Minna de Eco” mark

2. Social

Basic approach to human resources

The Company positions human resources as the most important foundation for achieving its medium-term growth strategy and clearly states its approach of simultaneously advancing individual growth and strengthening organizational capabilities. In particular, the Company recognizes that responding to changes in the external environment and shifts in its business structure requires not only on-site capabilities but also the development of human resources who can identify cross-departmental issues, make decisions, and execute initiatives through to completion. Based on this view, the Company defines its human resources strategy as follows:

- Secure and develop human resources capable of driving innovation
- Recruit and develop human resources, focusing on DE&I
- Increase employees' engagement

Through these initiatives, the Company aims to systematically develop human resources who will lead its future management and businesses.

Human resources development and leadership development

With the development of next-generation leaders positioned as a key priority, the Company systematically strengthens core management capabilities, including the ability to set issues, leadership, and the ability to follow through, through initiatives such as assessing the suitability of employees for management posts and implementing management strengthening programs. The Company also continues a selective development program for young and mid-career employees in their 20s and 30s, designed to accelerate the development of future executive candidates. The program incorporates cross-departmental team activities and opportunities to present proposals to senior management, encouraging broader perspectives and a stronger sense of ownership while fostering human resources who can discuss issues and build consensus from a company-wide optimization perspective that transcends organizational boundaries. Furthermore, the Company connects what was learned to practical work so that development initiatives do not end with training alone.

Work Styles and Engagement / Health and Safety

The Company is pursuing the creation of a supportive work environment that enables flexible working styles tailored to individual circumstances by establishing systems such as remote work, flextime, and paid leave in hourly units. In addition, it not only establishes these systems but also emphasizes operational management, such as monitoring working hours and curbing excessive overtime through interviews. To enhance engagement, it sets and discloses indicators such as sense of fulfillment at work, work-life balance satisfaction, paid leave utilization rate, and stress check participation rate, and has established a framework that visualizes these conditions and links them to continuous improvement. In health and safety, the Company is advancing the development of processes covering policy formulation, management structures, cross-site deployment of improvements, risk assessments, and incident management, strengthening effectiveness by incorporating mechanisms to prevent recurrence. In addition, it operates measures such as health checkups and specified health guidance and manages health-related KPIs, aiming to achieve both employee health maintenance and productivity.

Supply chain initiatives: Responsible procurement and supplier engagement

The Company has established policies and guidelines for responsible procurement and has built a framework that requires suppliers to comply with and address areas such as human rights, labor, health and safety, environmental protection, and compliance across its supply chain. Importantly, the focus is not only on presenting standards but also on ensuring their implementation in practice. Through dialogue with key suppliers, the Company promotes understanding and sharing of these requirements and implements the process in stages, obtaining written consent, confirming compliance through self-assessment questionnaires (SAQ), and providing feedback and conducting interviews (engagement) based on the results. Through these efforts, the Company seeks to identify risks across the supply chain and promote corrective actions and improvements, thereby raising the overall level of sustainability among its business partners. The Company also views its business relationships not merely as relationships managed in terms of cost and delivery schedules but as partnerships that jointly enhance quality, supply stability, and alignment with social expectations.

Sustainability information

Category	Item	FY2021	FY2022	FY2023	FY2024	FY2025
Environment	Total CO2 emissions (t-CO2) ^{*2}	3,863	2,891	3,055	1,497	1,027
	Scope 1 (t-CO2)	956	978	959	912	913
	Scope 2 (t-CO2)	2,907	1,913	2,096	585	114
	Ratio of renewable energy-derived electric power (%)	5.6	32.0	41.6	78.1	96.3
	Total weight of waste (t) ^{*3 *4}	1,183	1,432	1,362	1,556	1,223
	PRTR chemical substance emissions (t) ^{*3}	8.5	2.3	1.6	1.3	0.8
	PRTR chemical substance transfer amounts (t) ^{*3}	3.2	1.3	1.2	1.4	0.7
	Water consumption (m ³) ^{*3}	45,378	45,054	49,137	47,741	51,786
	Ratio of products with the “Minna de Eco” mark (%)				13.8	18.8
Society	No. of employees (consolidated) ^{*5}	997	953	859	827	814
	No. of employees (domestic corporate group)	773	757	750	752	759
	No. of regular employees	584	570	562	556	565
	No. of females	211	209	218	230	240
	No. of non-regular employees ^{*6}	189	187	188	196	194
	No. of females (non-regular) ^{*6}	145	138	124	124	118
	Average age (years) ^{*7}	42.6	43.1	42.8	42.3	42.1
	Male employees (%) ^{*7}	45.8	45.9	45.7	45.3	44.8
	Female employees (%) ^{*7}	36.8	38.0	38.0	38.0	38.2
	Average salary (thousand yen) ^{*7}	7,015	6,881	6,759	7,055	7,335
	Total actual working hours per person per year (hours) ^{*8}	1,716	1,701	1,716	1,690	1,725
	Ratio of employees who took annual paid leave (%) ^{*8}	56.4	63.9	60.3	70.2	68.6
	Ratio of female managers (%) ^{*7 *9}	12.2	17.2	19.2	22.1	22.3
	No. of those who have taken childcare leave (total) ^{*8}	11	10	12	8	8
	Male employees (childcare leave) ^{*8}	1	3	4	2	1
	Female employees (childcare leave) ^{*8}	10	7	8	6	7
	Retention rate after return to work (%) ^{*8}	91.0	100	100	100	100
	No. of days of childcare leave taken by male employees (average) ^{*8}	8	25	42.3	30.5	14
	No. of days of childcare leave taken by female employees (average) ^{*8}	8	60	87	33	14
	Ratio of male employees who have taken childcare leave (%) ^{*8}			36.4	66.7	33.3
	Number of new graduate hires ^{*8}	18	14	22	20	14
	No. of males (new graduates) ^{*8}	6	8	9	7	7
	No. of females (new graduates) ^{*8}	12	6	13	13	7
	Number of mid-career workers ^{*8}	2	8	13	21	33
	No. of males (mid-career) ^{*8}	1	6	9	11	22
	No. of females (mid-career) ^{*8}	1	2	4	10	11
	No. of non-Japanese ^{*8}	0	0	0	2	0
	No. of managers (mid-career) ^{*8}	0	6	9	9	11
	Ratio of mid-career hires (%) ^{*8}	10.0	36.4	37.1	51.2	70.2
	No. of employees with disabilities ^{*8}	15	13	14	14	15
	No. of post-employment employees ^{*8}	27	31	48	57	64
	No. of participants in “Next” program ^{*8}	—	—	20	22	20
Ratio of employees who have undergone health checkups (%) ^{*8}	94.9	96.2	96.3	96.2	100	
Ratio of employees who have undergone stress check (%) ^{*8}	96.6	94.4	91.3	96.2	93.9	
No. of valid patents ^{*10}	239	252	265	264	331	
Favorability ranking of companies (place) ^{*5 *11}	132	152	125	162	136	
Governance	Ratio of independent outside directors (%) ^{*5}	50.0	50.0	50.0	55.6	62.5
	Ratio of female directors (%) ^{*5}	37.5	30.0	40.0	33.3	25.0

Source: Compiled by SIR from the Company’s integrated report.

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

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

*3 The figures have been rounded.

*4 Until FY 3/2024, data included valuable material amounts, but in FY 3/2025, we revised the data collection method, excluding valuable material amounts.

*5 Scope: S.T. Group (consolidated)

*6 Temporary workers are composed of contract workers and non-regular employees.

*7 Scope: S.T. CORPORATION (non-consolidated)

*8 Applicable organizations within S.T. Group (Japan), excluding S.T. MYCOAL Co., Ltd.

*9 The figures as of the beginning of the next fiscal year.

*10 Valid patents mean announced patent applications and patents with valid rights. A fiscal year starts in January and ends in December.

*11 The corporate favorability ranking was taken from the general individuals edition of “Nikkei Survey on Corporate Images” by Nikkei Inc. The survey period was August to October of the previous year until FY 3/2024, and July to November of the previous year in FY2025/3.

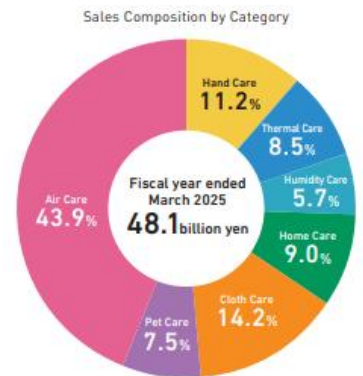
Business Overview

■ **Category: Removing discomfort and creating comfort**

The Company operates under a single reportable segment, with its overall business consisting of a daily necessities business aimed at removing discomfort and creating comfort in consumers’ daily lives. The business is broadly composed of domestic business (consumer-facing), BtoB operations, overseas operations, and new businesses.

The domestic business consists of seven categories: AIR Care, PET Care, CLOTH Care, HOME Care, HUMIDITY Care, THERMAL Care, and HAND Care. Among these, AIR Care accounted for 43.9% of total net sales in FY2025/3.

By region, domestic net sales account for 95.3%, while overseas net sales account for 4.7%, reflecting a predominantly domestic sales composition. Against this backdrop, overseas operations are positioned as a future growth area.



Source: Excerpt from the Company’s integrated report.

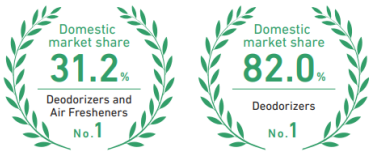
■ **Domestic business categories**

1. AIR Care

AIR Care is the category that most clearly symbolizes the evolution of the Company’s brand value. Initially centered on the functional value of eliminating odors, the launch of SHOSHURIKI introduced a clear value proposition of addressing odors at their source. The Company later expanded the category by adding fragrance-driven spatial experiences and emotional appeal, evolving AIR Care from a simple daily necessity into products that enhance the quality of living spaces. In recent years, products such as “Premium Aroma For Sleep” have further expanded the category’s value into wellness fields such as comfort and sleep, as the Company aims to establish a high-value-added model that integrates function, experience, and emotion. AIR Care is both the largest earnings foundation in the Company’s domestic business and the core category driving its brand value.

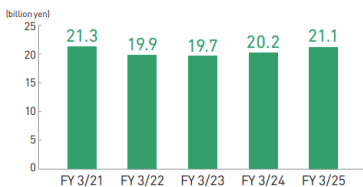
The market environment also remains solid, and the Company recognizes the category as a growth market. In particular, SIR expects continued growth as high-value-added products expand.

Market share



Source: SRI+ of Intage Inc., “Market Share” (in terms of monetary amounts), “Deodorizers and Air Fresheners” (excluding those for clothes, vehicles, virus removal, and chlorine dioxide generation) Jan. to Dec. 2024 (cumulative total in 1 year). “Deodorizers” (for refrigerators only) 2022 to 2024 (cumulative total in 3 years). The market in this report was defined by S.T.

Sales trend

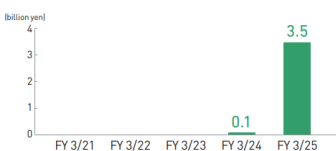


Market share



Source: SRI+ of Intage Inc., “Market Share” (in terms of monetary amounts), “Pet Care” (integrated toilets, litter, and deodorizing sheets for cats) Jan. to Dec. 2024 (cumulative total in 1 year). The market in this report was defined by S.T.

Sales trend



Main product lineup

SHOSHURIKI FOR ROOM, SHOSHURIKI SPRAY FOR TOILET, SHOSHURIKI PREMIUM AROMA FOR TOILET, DASHUTAN CHARCOAL FOR REFRIGERATOR



2. PET Care

PET Care is a new growth category the Company is cultivating as it expands its brand value. Rather than focusing solely on functional issues such as odor and cleanliness, it develops products that emphasize emotional value, including pets’ comfort and health as well as owners’ peace of mind. Against the backdrop of the growing trend of pets treated as family members, this area has strong affinity with wellness-related value. PET Care is a new domain the Company is expanding in response to the increase in pet-owning households and the continued humanization of pets. The Company acquired the “NYANTOMO CLEAN TOILET” business from Kao Corporation (hereinafter, Kao) and began sales in June 2024. Leveraging deodorization and comfort technologies cultivated in AIR Care, it is focusing on this category with the aim of developing it into a new pillar over the medium- to long-term.

The PET Care market has remained solid, supported by increases in new pet ownership and the effects of price revisions, but growth is now trending flat as the impact of price hikes has largely run its course. Meanwhile, system litter box products are gaining wider adoption, supported by favorable evaluations for their convenience and hygiene, and continue to drive market expansion.

Main product lineup

NYANTOMO CAT LITTER SYSTEM OPEN TYPE, NYANTOMO DEODORIZING CAT LITTER GRAIN, NYANTOMO DEODORIZING CAT SHEET, NYANTOMO DEO PROFESSIONAL DEODORIZING

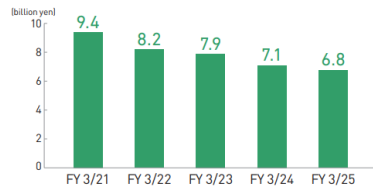


Market share



Source: SRI+ of Intage Inc., "Market Share" (in terms of monetary amounts), "Mothproofing Agents" (excluding those for dolls) Jan. to Dec. 2024 (cumulative total in 1 year), The market in this report was defined by S.T.

Sales trend

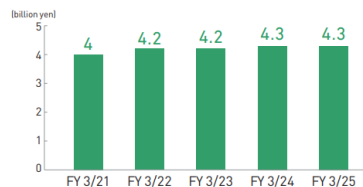


Market share



Source: SRI+ of Intage Inc., "Market Share" (in terms of monetary amounts), "Mothproofing Agents for Food Products" 2021 to 2024 (cumulative total in 4 year), The market in this report was defined by S.T.

Sales trend



3. CLOTH Care

CLOTH Care is a mothproofing and storage care segment centered on MUSHUDA and represents the first category in which the Company realized a shift from functional value to experiential value. The Company redefined mothproofing agents from something consumers reluctantly use into something that can be used comfortably, improving the user experience itself through odor elimination and refreshed product design. In recent years, the category has expanded its value beyond mothproofing to include mold, humidity, and odor control, evolving into a solution-oriented category that addresses the entire living scene and improves comfort in storage spaces. Although CLOTH Care operates in a mature market, it remains a foundational category in the domestic business that maintains stable demand through the redefinition of experiential value.

Main product lineup

MUSHUDA FOR 1 YEAR FOR CLOSET, MUSHUDA COVER FOR 1 YEAR, MUSHUDA NOTE, MUSHUDA MITE REPELLENT



4. HOME Care

HOME Care consists of products that solve less visible inconveniences in daily life, such as washing machine drum cleaners and food care products. The category has created value by breaking down everyday life issues and providing optimal functions and user experiences for each, despite not having a single flagship brand. Within the Company's history of brand value creation, HOME Care most clearly reflects its approach of addressing consumers' everyday concerns. The category broadens the Company's brand reach, although it remains complementary in scale within the domestic business.

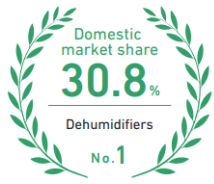
While the cleaner market continues to perform steadily, rising consumer awareness regarding rice has increased purchase rates for rice bug repellent. As a result, the market has recently shown rapid expansion, and demand for the Company's products is expected to grow.

Main product lineup

KOMETOBAN, KOMETOBAN FOR NON-WASH RICE, SENJORIKI FIZZY WASHING MACHINE DRUM CLEANER, SENJORIKI SUNSHINE POWER SHOE CLEANER, OTHER

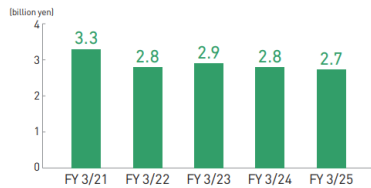


Market share

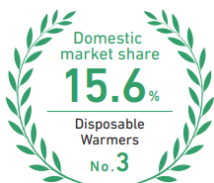


Source: SRI+ of Intage Inc., "Market Share" (in terms of monetary amounts), "Dehumidifiers" Jan. to Dec. 2024 (cumulative total in 1 year), The market in this report was defined by S.T.

Sales trend

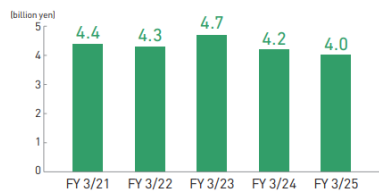


Market share



Source: SRI+ of Intage Inc., "Market Share" (in terms of monetary amounts), "Disposable Warmers" (general disposable warmers, excluding those for the eye parts and "Mimihogu Time") Apr. 2024 to Mar. 2025 (cumulative total in 1 year), The market in this report was defined by S.T.

Sales trend

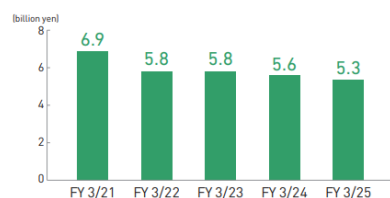


Market share



Source: SRI+ of Intage Inc., "Market Share" (in terms of monetary amounts), "Household Gloves" Jan. to Dec. 2024 (cumulative total in 1 year), The market in this report was defined by S.T.

Sales trend



5. HUMIDITY Care

HUMIDITY Care is a category centered on DRYPET in which the Company has continuously refined functional value over many years. The Company has built a highly reliable brand by steadily improving materials and product structure to address the clear challenge of dehumidification. In recent years, the Company has also added experiential value to functional value through initiatives such as introducing deodorizing functions and environmentally friendly products. Although the market itself is mature, the category maintains stable demand and strong repeat purchasing, making it an important source of cash flow in the domestic business.

The market is generally flat, making differentiation difficult. SIR believes value-added proposals, such as new applications and new functions, will be key going forward.

Main product lineup

DRYPET COMPACT, DRYPET FOR CLOSET, BINCHOTAN CHARCOAL DRYPET FOR SHOES, CRYPET CLEAR



6. THERMAL Care

THERMAL Care is a category centered on disposable warmers and provides functional value by addressing the clear challenge of cold temperatures. In recent years, the Company has also worked to enhance experiential value, such as improving wearing comfort and product design. Although significant growth is unlikely, the category captures seasonal demand and helps stabilize earnings within the domestic business. The Company took over the disposable warmer business of Mycoal Co., Ltd. and has operated it as the THERMAL Care business since 2019.

The disposable warmer market is highly sensitive to climate conditions, as it is primarily a winter product category. The Company believes that new value offerings less dependent on climate conditions will be required.

Main product lineup

ONPAX BODY WARMER CLOTHING ADHESIVE, ONPAX HAND WARMER, ONPAX FIT BODY WARMER CLOTHING ADHESIVE, ONPAX FIT HAND WARMER



7. HAND Care

HAND Care is a category centered on glove-related products and represents a field close to the Company's origins. While based on functional value such as workability and safety, it has also expanded into consumer applications amid rising hygiene awareness. Although susceptible to price competition, the category supports the Company's brand value through product quality.

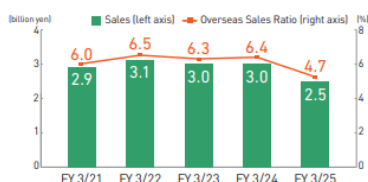
The glove market remains at a high level due to entrenched hygiene awareness, although demand has recently stabilized after expanding rapidly during the COVID-19 pandemic, particularly for disposable types. Demand is expected to shift toward products offering higher workability and added value going forward.

Main product lineup

FAMILY VINYL THIN FINGERTIP ANTIVIRUS PROCESSING GLOVE, FAMILY VINYL MEDIUM-THICK FINGERTIP REINFORCED GLOVE, FAMILY POLYETHYLENE ELASTOMER ULTRATHIN GLOVE FOR COOKING, MODEL LOBE No.1100R MECHANIC GLOVES



Sales trend



■ Overseas business

The S.T. Group positions overseas business as one of its key growth strategies. During the three-year period of the Medium-Term Management Plan "SMILE 2027", the Company will focus on rebuilding its business foundation through supply chain strengthening and profitability improvement. At the same time, it will pursue profitability improvement driven by price increases, cost reductions, and operational efficiency improvements while working to develop future core businesses. Although the overseas sales ratio declined YoY to 4.7% in FY2025/3, the Company achieved its initial plan for the fiscal year, including the restructuring of unprofitable businesses. Going forward, the Company will position the PET Care business as a core driver while expanding the rollout of high-value-added AIR Care products. The key focus area is ASEAN, where the Company will expand into neighboring countries using Thailand as a base, where it has a local subsidiary and brand recognition is advancing. Leveraging trust in Japanese technology and quality, the Company aims to utilize the know-how it has accumulated to move into its next stage of growth.

■ BtoB business (S.T. PRO Co., Ltd.)

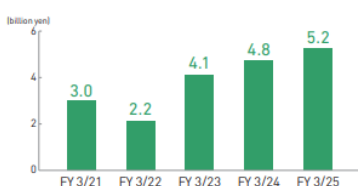
S.T. PRO is the Company's BtoB business entity targeting the professional-use market, with sales channels consisting primarily of distributor sales as well as catalog and EC channels. Its main category is professional-use deodorizers and air fresheners centered on the "SHOSHURIKI" brand of AIR Care products, along with work gloves marketed under the "MODEL LOBE" brand. The future growth strategy consists of three pillars. First, in the professional-use AIR Care segment, the Company aims to create new markets such as large-space aroma solutions and expand environmental solution-based businesses through product development tailored to the needs of individual facilities. Second, in existing categories centered on work gloves, the Company will strengthen its business foundation by launching high-value-added differentiated products and developing products aligned with professional-use needs. Third, as a new business, the Company plans to launch a bathroom coating business in 2025 using technology from KeePer Technical Laboratory Co., Ltd., aiming to develop it into a future growth business by offering services that improve cleaning efficiency and maintain appearance.

■ New businesses and wellness field

In the wellness business, the Company leverages the expertise in deodorizers and air fresheners it has cultivated to develop two pillars, the Kaori* Solution Business and the Kaori Brand Development Business. In the Kaori Solution Business, the Company provides consultation services for environmental improvement to resolve spatial challenges in offices and commercial facilities. Through fragrance, it promotes improved comfort and supports health and productivity management initiatives. Going forward, the Company plans to develop products and services utilizing unused resources while also engaging in regional revitalization and corporate co-creation. In the Kaori Brand Development Business, the Company aims to enhance the brand value of companies and regions by combining experiential value created through fragrance with engagement. The Company is pursuing new value creation through fragrance through collaborations with Mori Hospitality Corporation, HASEKO Corporation, and TIPNESS Limited, as well as projects related to the World Expo in Kansai and spatial production at venues such as the Fukui Prefectural Dinosaur Museum and sports events.

*"Kaori" means Fragrance.

Sales trend



Management Strategy

***Stock Keeping Unit (SKU)**, the smallest unit used for inventory and product management. For example, even under the same product name “SHOSHURIKI,” variations such as different fragrances, refill types, and main units are treated as separate SKUs.

■ Growth matrix

The Company promotes its growth strategy based on a growth matrix that organizes initiatives along two axes, markets and technologies/products. The horizontal axis represents expansion from existing markets and existing needs to new markets and new needs, while the vertical axis represents evolution from existing technologies and products to new technologies and products. Based on this framework, the Company’s business development can be organized into the following four areas:

1. Evolution of existing businesses (existing markets × new technologies and products)

This strategy aims to evolve the business by introducing new technologies and products into existing markets and increasing added value. Specifically, it includes initiatives to develop the PET Care business into a core business and a focus on high-value-added products and new brands in the AIR Care category. By adding wellness and emotional value beyond the traditional functions of deodorizing and fragrance, the Company aims to move away from price competition and improve profit margins. The target categories and products are mainly AIR Care and PET Care, which are positioned as medium- to long-term growth drivers for the domestic business.

2. Expansion of existing businesses (existing markets × existing technologies and products)

This strategy aims to increase profitability by leveraging existing technologies and products while strengthening brand power and improving efficiency. Through measures such as raising unit prices through category redefinition, improving production and logistics efficiency through SKU* reductions, cost reductions, and the promotion of environmental initiatives, the Company seeks to generate stable cash flow. The primary objective is to maintain and improve profitability even in mature markets, making this an area that supports the Company’s earnings foundation. The target scope includes the Company’s seven major domestic categories, including AIR Care and PET Care, as well as CLOTH Care, HOME Care, HUMIDITY Care, THERMAL Care, and HAND Care.

3. Generation of new businesses (new markets × new technologies and products)

This is a new business development area positioned as a medium- to long-term growth option. Leveraging the Company’s “Clear Forest” technology, the Company aims to establish DtoC businesses and businesses focused on solving social issues. Specifically, this includes the Kaori Solution Business and the Kaori Brand Development Business, centered on fragrance, which are working to build new revenue models in areas such as spatial value creation and the wellness field. Rather than contributing to short-term earnings, this is a strategic area that plays a role in securing medium- to long-term growth potential.

4. Strengthening BtoB and overseas channels (new markets × existing technologies and products)

This strategy aims to expand into new sales channels while leveraging existing technologies and products. In the BtoB business, the Company is shifting from its traditional focus on work gloves toward professional-use AIR Care and spatial businesses. Service-type businesses, such as bathroom coating services, have also been added, strengthening value-added solutions for corporate customers. In overseas businesses, the Company plans to concentrate on Thailand as a priority market, centered on PET Care, while expanding into surrounding ASEAN countries. This area is positioned as a channel strategy that supports growth through horizontal expansion of existing businesses.

Interpretation of the growth matrix and management strategy



Source: Compiled by SIR from the Company's integrated report.

■ Pursuit of the niche market-leading strategy and the de-commoditization strategy

When the Company's growth matrix is viewed structurally, it can be classified into two strategies: a niche market-leading strategy in commodity markets and a value creation strategy through de-commoditization. These two strategies play clearly differentiated roles within the growth matrix and function in a complementary relationship. Business groups positioned in the lower-left quadrant of the growth matrix (existing markets and existing needs) represent the niche market-leading strategy, which provides a stable earnings foundation, while business groups positioned in the upper area (new technologies and products) and the right side (new markets and new needs) represent the de-commoditization strategy. Based on these two strategies, SIR assumes the following growth scenario.

Growth Scenario

■ Niche market-leading strategy in commodity markets

The Company has emphasized establishing top positions at the category level, rather than competing for overall market share, in the daily necessities market, which is inherently prone to commoditization. It holds dozens of products ranked first or second in market share within their respective categories and enjoys overwhelming brand recognition within the industry. In mature categories such as THERMAL Care and HAND Care, the Company maintains high market shares supported by strong brand recognition and distribution strength. The primary objective in this area is to generate stable cash flow by enhancing profitability through SKU reductions, cost reductions, and environmental responsiveness. Although these categories are susceptible to price competition, the Company has established a niche market-leading competitive advantage that is not dependent on economies of scale by specializing in clearly defined everyday problems such as odors, humidity, and mothproofing. This area functions as the earnings foundation supporting the Company's corporate value. In addition, remains room for market expansion, including expanding the core customer base, previously centered on consumers aged 50 and older, to younger generations, and shifting product design from large-family households to products suited for single-person and small-family households in SIR's view.

Selected niche market-leading products



Source: Excerpt from the Company's integrated report.

Source: "Market share" by SRI+ of Intage Inc. (in terms of monetary amounts for all)
 "Deodorizers and Air Fresheners" (excluding those for clothes, vehicles, virus removal, and chlorine dioxide generation; cumulative total in this series): Jan. to Dec. 2024 (cumulative total in 1 year)
 "Deodorizers" (for refrigerators only): 2022-2024 (cumulative total in 3 years)
 "Mothproofing Agents for Food": 2021-2024 (cumulative total in 4 years)
 "Mothproofing Agents" (excluding those for dolls): Jan. to Dec. 2024 (cumulative total in 1 year)
 "Dehumidifiers": Jan. to Dec. 2024 (cumulative total in 1 year)
 The market in this report was defined by S.T.

■ Growth driven by a shift in the value proposition: the de-commoditization strategy

In contrast, businesses positioned in the upper area and right side of the growth matrix reflect the de-commoditization strategy, which aims to move away from price competition itself. Under "Evolution of existing businesses," the Company is shifting the value proposition from traditional functional benefits toward emotional and wellness value through the shift of AIR Care toward higher value-added products and the positioning of PET Care as a core business. By incorporating intangible value such as fragrance and comfort, the strategy aims to increase unit prices and improve profit margins. Furthermore, under "Generation of new businesses," the Company is expanding the Kaori Solution Business and Kaori Brand Development Business utilizing Clear Forest technology, moving into DtoC-type businesses* and businesses aimed at solving social issues. In this area, emphasis is placed on delivering experiential and spatial value that goes beyond product sales, and a competitive axis different from that of the traditional daily necessities market is beginning to take shape.

■ Growth scenario driven by the two strategies

Based on the above, the Company's growth scenario can be organized as a consistent flow in which the niche market-leading strategy stabilizes earnings, and the resulting cash flow is used as the source of funding to capture growth through the de-commoditization strategy. The niche market-leading segment is not intended to drive rapid sales expansion, but rather a foundation that enhances earnings stability and continuously generates investment capacity. In contrast, the de-commoditization domain is the stage in which that investment capacity is directed toward value creation, allowing the business to scale and converting growth into tangible results. The strength of the Company's strategy lies in the causal linkage whereby the former drives the latter, and the results generated by the latter translate into growth for the Company as a whole. In other words, the Company is pursuing a growth model that achieves both stability and growth simultaneously by linking the niche market-leading strategy as defense with the de-commoditization strategy as offense.

Conceptual diagram of the growth scenario



Source: Compiled by SIR.

***Direct to Consumer (DtcC) business** refers to a business model in which manufacturers provide products and services directly to consumers without going through wholesalers or retailers.

Earnings Trends

■ Ultra-long-term trend: Reviewing performance over the past 40 years

Reviewing the Company’s ultra-long-term performance trend, net sales have expanded step by step from approximately JPY 20,000 mn in the mid-1980s to a range of JPY 45,000 mn to JPY 50,000 mn in the 2020s. This growth process is characterized not simply by overall market expansion, but by the establishment of core categories and the continuous creation of hit products.

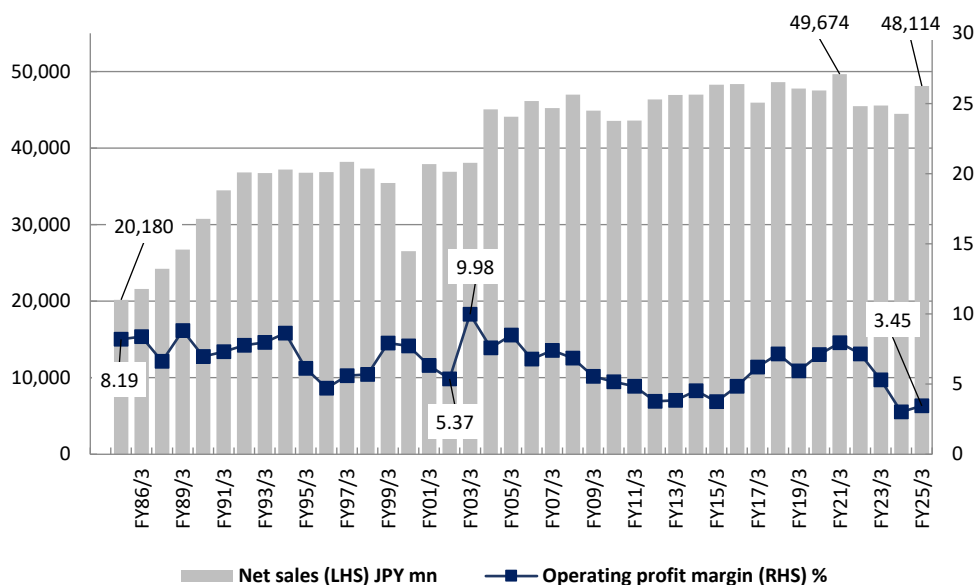
1. Founding period–Foundation establishment period (1940s–late 1980s)

Since its founding in 1946, the Company has built its business foundation as a manufacturer of daily necessities centered on mothproofing products. In the 1980s, the Company expanded its business scope through the launch of products such as the Shaldan series and household gloves. In FY1985/3, net sales reached approximately JPY 20,000 mn and the operating profit margin was in the 8% range, indicating relatively high profitability. This period can be regarded as the phase in which a stable earnings generation model was established, supported by product and price competitiveness.

2. Growth acceleration period (1990s)

Entering the 1990s, the Company expanded its net sales from the JPY 30,000 mn range to the JPY 36,000 mn range, supported by its listing to the First Section of the Tokyo Stock Exchange and the expansion of production bases. In particular, hit products such as MUSHUDA and DRYPET, launched in 1988, played a decisive role in establishing the Company’s niche market-leading position in the mothproofing and humidity control segments. In the early 1990s, the operating profit margin remained in the 7–8% range, achieving both sales growth and profitability. However, in the late 1990s profitability declined at times due to intensifying competition and market maturation, and in 1998 the Company introduced a “compact management” policy, shifting its strategic focus toward improving management efficiency.

Ultra-long-term performance trends



Source: Compiled by SIR based on SPEEDA data.

3. Transformation period (2000s)

The 2000s marked a major turning point in the Company's business structure. SHOSHURIKI and DASHUTAN CHARCOAL, launched in 2000, added a new axis of "air value" to a portfolio that had previously centered on mothproofing and dehumidifying products. In FY2003/3, the operating profit margin reached approximately the 10% range, and in FY2004/3 net sales reached the JPY 45,000 mn range, one of the highest levels in the Company's ultra-long-term performance history. This period can be regarded as a phase in which value creation driven by hit products was directly reflected in performance, and in which the de-commoditization strategy most clearly translated into results.

4. Mature period (2010s)

Entering the 2010s, net sales trended in the JPY 43,000 mn to JPY 48,000 mn range, indicating that the Company's business scale had entered a stable phase. Meanwhile, the operating profit margin showed a declining trend, falling from around 5% to the 4% range, reflecting the impact of market maturation, rising costs, and increased brand investment on profitability. During this period, the Company advanced initiatives such as the launch of high-value-added products including SHOSHURIKI PREMIUM AROMA, as well as a design revolution and brand renewal. This phase is best understood as one in which greater emphasis was placed on maintaining brand strength and differentiation than on expanding sales.

5. Reconstruction period (2020s)

Entering the 2020s, net sales temporarily fell below JPY 45,000 mn but recovered to JPY 48,114 mn in FY2025/3. Meanwhile, in FY2024/3, the operating profit margin declined to the low-3% range, owing to external factors such as surging raw material prices and rising logistics costs. At the same time, the Company advanced both category deepening and expansion into new areas, including MUSHUDA NOTE, SHOSHURIKI PREMIUM AROMA FOR SLEEP, and PET-related business. While these initiatives have weighed on profitability in the short term, SIR views this phase as a preparatory stage for renewed growth over the medium- to long-term.

Overall assessment

From an ultra-long-term perspective, the Company has expanded its sales scale step by step through hit products, building growth on a foundation of stable earnings in niche market-leading segments such as mothproofing and humidity control, while achieving growth through de-commoditized products represented by SHOSHURIKI. The current challenge lies in whether the Company can steadily maintain the JPY 45,000 mn to JPY 50,000 mn net sales range while restoring the operating profit margin toward the 7–8% range achieved in the past. Based on its history and product track record, the Company has already successfully executed multiple business transformations. Whether the strategic shift currently underway once again leads to improved profitability will be the key factor in evaluating the Company's future corporate value.

■ Recent five-year operating performance

Looking at the Company's operating performance over the past five years, net sales have generally remained within the JPY 45,000 mn to JPY 50,000 mn range, indicating that the stability of its business scale has been maintained despite operating in the mature daily necessities market. Meanwhile, profitability fluctuated significantly in response to changes in the external environment, highlighting the need to rebuild the Company's earnings structure.

In terms of net sales, growth stagnated after peaking in FY2021/3 amid heightened demand, but a recovery trend emerged in FY2025/3 following the acquisition of the PET Care business from Kao. Although the gross profit margin remained relatively stable, the Company was unable to fully absorb increases in raw material prices and logistics costs, leaving limited room for improvement.

Within SG&A expenses, continued investment in personnel, advertising, and R&D expenses weighed on the operating profit margin in the short term. These expenditures were aimed at maintaining brand value and nurturing de-commoditized products, and largely represented upfront investments for future growth. As a result, the operating profit margin declined after peaking in FY2021/3, falling sharply in FY2024/3 before showing a modest improvement in FY2025/3. However, EBITDA levels indicate that the Company's cash-generating capacity has been maintained, suggesting that its underlying earnings power has not been significantly impaired.

Thus, the past five years were a period in which profitability was pressured by a deteriorating cost environment and strategic investments, even as the Company maintained stable net sales. SIR believes that whether these upfront investments translate into net sales growth and a recovery in the operating profit margin will be a key factor influencing the evaluation of the Company's corporate value.

Recent five-year operating performance

		FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3
Total net sales	JPY mn	49,674	45,470	45,576	44,472	48,114
Total cost of sales	JPY mn	28,359	27,665	28,622	28,058	30,186
Gross profit	JPY mn	21,315	17,805	16,954	16,414	17,928
Gross profit margin	%	42.9	39.2	37.2	36.9	37.3
SG&A expenses	JPY mn	17,370	14,554	14,538	15,073	16,269
Operating profit	JPY mn	3,945	3,251	2,416	1,341	1,658
Operating profit margin	%	7.9	7.1	5.3	3.0	3.4
Ordinary profit	JPY mn	3,737	3,481	2,730	1,930	2,084
Ordinary profit margin	%	7.5	7.7	6.0	4.3	4.3
Pretax profit	JPY mn	3,686	1,700	2,707	1,933	3,763
Net profit	JPY mn	2,526	1,109	1,828	1,274	2,834
Comprehensive Income Attributable to Owners of the Parent	JPY mn	3,240	267	1,976	1,631	2,638
EBIT	JPY mn	3,586	1,586	2,592	1,805	3,639
EBITDA	JPY mn	5,392	4,545	3,823	2,625	3,114
EBITDA margin	%	10.9	10.0	8.4	5.9	6.5
Total personnel	JPY mn	2,615	2,645	2,632	2,801	2,995
Advertising expenses	JPY mn	2,560	2,606	2,598	2,319	1,875
R&D expenses	JPY mn	790	851	774	927	895
Depreciation	JPY mn	1,350	1,197	1,407	1,284	1,345

Source: Compiled by SIR based on SPEEDA data.

■ Recent five-year financial position and capital efficiency

Looking at the Company's financial position over the past five years, total assets have remained broadly stable without significant fluctuations, and the balance sheet remains commensurate with its business scale. The mix of current and fixed assets has also shown no abrupt changes, and financial risks associated with excessive capital investment or asset expansion have been contained. With regard to the liability structure, both current and long-term liabilities have remained restrained, and the balance of interest-bearing debt has stayed at a relatively low level.

The D/E ratio is also viewed as having remained at a low level, indicating that the Company has continued conservative financial management that does not rely on external borrowing. While this strengthens resilience to economic fluctuations and adverse market conditions, it also implies that active capital utilization through leverage has been limited. Net assets have remained stable, and SIR believes the shareholders' equity ratio has been maintained at a high level. This reflects the long-term accumulation of retained earnings and also supports the view that the Company's business has consistently generated cash.

On the other hand, because the Company has a strong capital base, declines in profit can easily put downward pressure on ROE, which SIR believes is a structural point that warrants attention. In FY2025/3, ROE reached 8.62% due to the impact of extraordinary income, but compared with periods in the past when the Company secured ROE in the high-7% to high-8% range, the impact of declining profitability has also been reflected in ROE, leaving room for improvement.

Overall, SIR views the Company's financial position over the past five years as extremely sound, though somewhat conservative. Financial risk is low and downside resilience is high, but from the perspective of further improving capital efficiency, the utilization of retained earnings and refinement of capital policy will become key issues going forward. If profitability recovers, there remains significant room for improvement in ROE even under the current financial structure. In SIR's view, the balance between profit growth and capital utilization will be a key factor shaping the Company's medium- to long-term corporate value.

Recent five-year financial position and capital efficiency

		FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3
Total assets	JPY mn	46,817	44,402	46,116	44,760	45,843
Current assets	JPY mn	26,483	26,106	28,154	26,885	24,776
Quick Asset	JPY mn	17,728	17,691	20,228	19,709	16,801
Non-current assets	JPY mn	20,333	18,297	17,962	17,874	21,067
Total liabilities	JPY mn	14,184	12,555	13,155	10,960	12,606
Current liabilities	JPY mn	11,761	10,701	11,394	9,463	10,928
Non-current liabilities	JPY mn	2,422	1,854	1,760	1,496	1,678
Total net assets	JPY mn	32,633	31,848	32,961	33,800	33,236
Shareholders' Equity Ratio	%	68.55	70.44	70.24	74.08	71.04
ROE	%	8.18	3.50	5.74	3.89	8.62
D/E Ratio	X	0.02	0.02	0.02	0.02	0.02
Interest-bearing Debt	JPY mn	611	557	638	593	695

Source: Compiled by SIR based on SPEEDA data.

■ Q3 FY2026/3 overview

For Q3 FY2026/3, the Company reported net sales of JPY 37,439 mn (-0.8% YoY). Operating profit was JPY 2,082 mn (+14.0% YoY), ordinary profit totaled JPY 2,356 mn (+14.7% YoY), and net profit reached JPY 1,488 mn (-35.2% YoY). In terms of net sales, PET Care increased following the business acquisition conducted in June of the previous fiscal year. HOME Care also increased as demand for food care products rose amid higher rice prices, while HAND Care expanded due to growth in vinyl gloves. On the other hand, CLOTH Care declined owing to weakness in the mothproofing products market. THERMAL Care also declined due to higher-than-average temperatures in December, while HUMIDITY Care declined due to reduced in-store visibility caused by lighter-than-usual rainy season conditions as well as extremely hot summer and lingering heat conditions. On the profit side, operating profit and ordinary profit increased as SG&A expenses declined. This reflected tighter control of cost increases through reviews of procurement sources, as well as the absence of consulting-related expenses recorded in the previous fiscal year for capital policy initiatives and management foundation strengthening. Meanwhile, net profit declined due to the absence of negative goodwill recognized in the previous fiscal year.

■ FY2026/3 full-year outlook

On May 9, 2025, the Company announced a downward revision to its FY2026/3 full-year consolidated earnings forecast, lowering net sales from JPY 52,700 mn to JPY 48,500 mn (-8.0%), operating profit from JPY 2,500 mn to JPY 1,900 mn (-24.0%), ordinary profit from JPY 2,800 mn to JPY 2,300 mn (-17.9%), and net profit from JPY 1,600 mn to JPY 1,500 mn (-6.3%).

The downward revision reflects expectations that net sales will fall short of the previous forecast, mainly due to new products and existing core products in AIR Care (deodorizers and air fresheners) failing to meet plan, a decline in existing products in CLOTH Care (mothproofing), and an increase in sales promotion expenses. On the profit side, although SG&A expenses declined, operating profit, ordinary profit, and net profit are all expected to fall below the previous forecast due to lower net sales in the Company's core businesses.

The Company stated that there is no change to the FY2026/3 year-end dividend forecast in connection with the revision to its earnings forecast.

Medium-Term Management Plan

■ Overview of the Medium-Term Management Plan "SMILE 2027"

1. Positioning of the Medium-Term Management Plan

The Company's Medium-Term Management Plan "SMILE 2027" is designed to break away from the prolonged stagnation in both net sales and share price and shift the Company onto a renewed growth trajectory. Looking back, although the Company has maintained a stable demand base, it has faced slower growth typical of mature markets and intensifying price competition, and has therefore not achieved sufficient results in terms of expanding corporate value. The MTP was formulated with a clear recognition of these structural challenges. The Company positions this Plan as the starting point for its long-term vision of transforming "from a daily necessities manufacturer into a wellness company" over the next decade. In other words, SIR believes that "SMILE 2027" is not a plan aimed at short-term earnings recovery, but rather a phase for building the foundation for renewed growth by gradually enhancing the quality of the Company's business and its corporate value.

2. Evolution of value provision and the core growth strategy

The MTP states that the Company will evolve the axis of the value it provides from "the elimination of daily inconvenience" to "peaceful and healthy life." This shift goes beyond simply enhancing product functionality and instead reflects an orientation toward value provision that extends into consumers' emotions and psychological states. At the core of this strategy is value creation that combines fragrance and wellness. By expanding the deodorizing and air freshening technologies the Company has cultivated over many years into emotional value such as comfort, relaxation, and sleep, the Company aims to establish a new competitive axis that is less susceptible to price competition. AIR Care and PET Care have been positioned as priority areas, and a key characteristic is that the Company seeks to create products and categories originating from new usage scenarios and everyday life issues rather than simply extending the existing deodorizer market.

3. Disciplined business portfolio management

To ensure the sustainability of its growth strategy, the Company positions disciplined portfolio management as a key pillar of the MTP. For existing stable earnings categories such as CLOTH Care and HUMIDITY Care, the Company clearly prioritizes improvements in profitability and efficiency rather than expanding sales scale. The Company aims to maximize cash flow generation through SKU reductions, brand consolidation, and cost structure reforms. At the same time, the cash generated will be selectively reallocated to growth areas such as the shift of the PET Care and AIR Care businesses toward higher value-added products, thereby securing growth potential for the overall business. In this way, a two-tier management structure that clearly distinguishes niche market-leading businesses generating stable earnings from value-added growth businesses can be seen as concretely embodying the Company's strategic philosophy. The Company also maintains a flexible policy of utilizing borrowings when necessary while keeping capital efficiency in mind.

4. Foundation strengthening measures (human resources, DX, and finance)

The MTP indicates that the Company will advance human resources investment, DX promotion, and financial strategy in an integrated manner as the foundation supporting its growth strategy. In particular, the advancement of business processes through the use of DX and AI is an essential measure in an environment of a declining workforce, and the Company aims to steadily improve operating profit per employee through productivity gains. On the financial side, the Company emphasizes making investment decisions with capital costs explicitly identified. By positioning ROE as a core management indicator, the Company aims to instill greater awareness of capital efficiency across the organization, an area that had previously received relatively limited attention. SIR views this as a move that reflects an awareness of dialogue with the market. Regarding shareholder returns, the Company also indicates a stance that prioritizes stability over short-term dividend increases while seeking to balance returns to shareholders with growth investments.

5. Numerical targets (FY2027/3)

In FY2027/3, the final year of the MTP, the Company plans to expand net sales to JPY 56,500 mn. Accordingly, operating profit is expected to increase to around JPY 4,000 mn, with the operating profit margin improving to the 7% range. EBITDA is also projected to expand to the mid-JPY 5,000 mn range, on the assumption of an improvement in the quality of the earnings structure. Supported by these earnings improvements, the Company has set a target ROE of over 8%. These numerical targets assume growth in AIR Care and PET Care while incorporating steady profitability improvements in existing businesses such as CLOTH Care and HUMIDITY Care, and are positioned as financial indicators that support the Company's overall strategy.

■ Impact on corporate value upon achievement of the MTP

1. Assessment of earnings power and cash generation

If the Medium-Term Management Plan "SMILE 2027" is achieved as planned, the Company's corporate value could change meaningfully across several dimensions. First, cash generation is expected to improve through higher operating profit margins and expanded EBITDA. This would mean that higher profitability would become an additional dimension of valuation, complementing the defensive earnings structure the Company has historically maintained. If earnings power becomes evident in addition to stability, the Company's businesses are likely to be viewed by the market as having greater sustainability, which could reduce some of the valuation discounts currently applied to the Company.

2. Improvement in capital efficiency and market valuation

Second, SIR believes the increase in ROE to the 8% range is significant because it demonstrates to the market that management is operating with a clear awareness of capital costs. In the past, while the Company secured stable earnings, its market valuation occasionally stagnated due to weak capital efficiency. If the achievement of the MTP leads to recognition that the Company can improve capital efficiency, the discount applied to the Company's P/B ratio could gradually narrow. In particular, SIR believes that investors who focus on the relationship between ROE and the P/B ratio are likely to view the clearer valuation framework positively.

3. Qualitative shift in the business portfolio

Third, the Company's business portfolio itself could undergo a qualitative shift as the share of value-added businesses centered on AIR Care and PET Care increases. As a result, the market may begin to view the Company not simply as a "mature daily necessities manufacturer," but as a "value-creating lifestyle solutions company." This shift in the valuation framework implies that improvements in corporate value may not be driven solely by higher profit levels, but also by expectations for future growth becoming more readily reflected in the Company's valuation.

Overall assessment

Overall, SIR believes that the achievement of the Medium-Term Management Plan "SMILE 2027" could serve as a catalyst to redefine the Company's corporate value not in terms of quantitative growth, but from three perspectives: profitability, capital efficiency, and the quality of its businesses. Whether the Company can move beyond the long-standing perception of being "stable but lacking growth" and instead be re-evaluated as "a company with growth options built on a foundation of stability" will likely become the key focus of the equity market going forward.

■ Financial strategy: investment and shareholder return policy

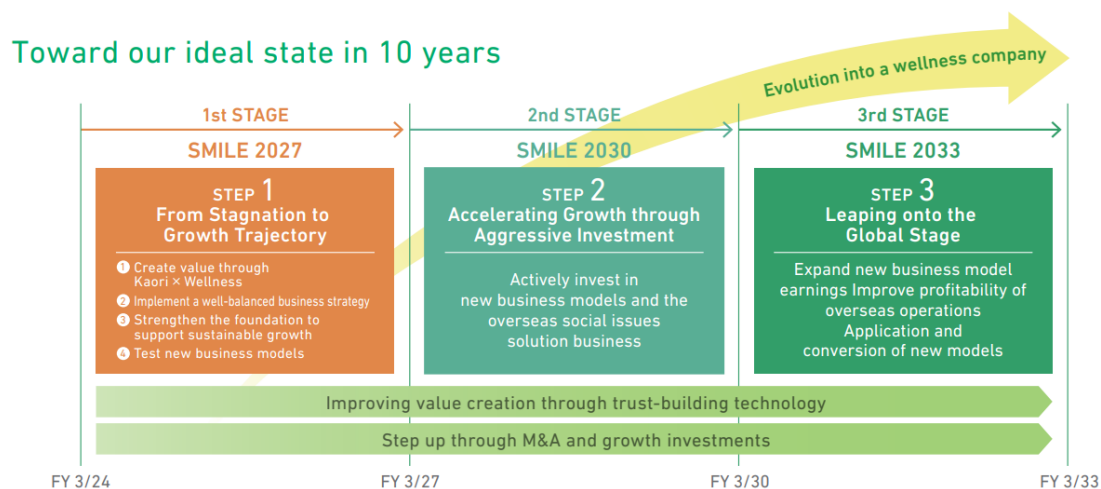
1. Three-stage framework toward the Company's 10-year vision

The Company has structured its growth process into three stages to realize its 10-year vision of transitioning from a daily necessities manufacturer to a wellness company.

The first stage corresponds to the Medium-Term Management Plan "SMILE 2027" and is positioned as a foundation-building phase to break away from the prolonged period of earnings stagnation and return to a renewed growth trajectory. During this stage, the Company lays the foundations for the next phase of growth through restructuring its earnings structure, creating value centered on fragrance and wellness, optimizing the business portfolio, and improving productivity through DX and human resources investment.

The second stage focuses on accelerating growth by leveraging the established foundations and stepping up investments in overseas businesses and new ventures. In this phase, the Company seeks to diversify its businesses and expand growth potential by advancing businesses aimed at solving social issues and establishing new revenue models.

The third stage aims for a significant increase in corporate value by deepening global expansion and pursuing step-change growth. The Company plans to expand earnings from new businesses, achieve full-scale profitability in overseas businesses, and utilize M&A as part of this stage.



Source: Excerpt from the Company's integrated report.

2. Cash allocation under the Medium-Term Management Plan "SMILE 2027"

The Company's cash allocation is built on three pillars: growth investments in high-value-added areas, productivity improvement investments, and shareholder returns.

During the three years of the current Plan, the Company plans to generate total cash flow of at least JPY 13,500 mn, primarily funded by operating cash flow and supplemented by borrowings as needed. The Company plans to allocate at least JPY 8,000 mn to growth investments in high-value-added areas to cultivate future earnings drivers. In addition, it plans to allocate JPY 2,500 mn–3,000 mn to productivity improvement investments, including DX initiatives and labor-saving investments. Furthermore, the Company plans to allocate approximately JPY 3,000 mn to shareholder returns, based on stable dividends targeting a DOE of 3%. Through this approach, the Company plans a cash allocation that emphasizes both growth investments and shareholder returns.

Share Price Insights

■ Ultra-long-term share price performance: the Company vs. TOPIX

A relative comparison of the ultra-long-term performance of the Company’s share price and TOPIX (January 1985 = 100) shows that periods when the Company’s share price clearly underperformed TOPIX and periods when it significantly outperformed can be grouped into several distinct periods.

1. 1985–1987 (underperformance period)

From 1985 to the spring of 1987, the Company’s share price trended sideways while TOPIX surged in the early phase of the bubble economy, resulting in clear relative underperformance. During this period, the broader market was largely driven by large-cap stocks and index-linked flows, with capital concentrating in companies with strong growth expectations. As a mid-sized manufacturer of daily necessities, the Company was unlikely to become a market leader at that time, and as a result it was effectively left behind during the TOPIX rally.

2. 1987–1988 (outperformance period)

In contrast, from the summer of 1987 through 1988 the Company’s share price rose significantly ahead of TOPIX, marking a period of clear outperformance. According to the Company’s history, 1988 corresponds to a period when its core product lineup expanded through the launch of products such as MUSHUDA and DRYPET SKIT, strengthening the Company’s presence in areas directly linked to everyday life issues such as mothproofing and humidity control. In SIR’s view, market recognition and trading dynamics may also have changed as the Company progressed from its OTC listing (1984) to a listing on the Second Section of the Tokyo Stock Exchange (1986), and also believes the relative surge likely coincided with a market environment in which small-cap stocks were actively sought.

3. 1989–1998 (underperformance period)

From 1989 through the late 1990s, the Company’s share price generally lagged TOPIX as the period coincided with the prolonged economic stagnation following the collapse of the bubble economy. Underperformance became particularly pronounced from around 1995 to 1998. Structural factors likely contributed, as the daily necessities market matured amid sluggish domestic consumption and deflationary pressure, making price competition and promotional burdens heavier. According to the Company’s history, it launched “compact management” in 1998, suggesting it was forced to prioritize efficiency and defensive management during this period. Since equity markets generally assign a higher premium to growth than to defensive positioning, SIR believes this was a period when the Company was less likely to be rewarded by the market.

Ultra-long-term share price performance vs. TOPIX



Source: Compiled by SIR based on SPEEDA data.

4. 2000–2006 (outperformance period)

From the early 2000s through around 2006, the Company's share price tended to perform relatively strongly against TOPIX. Based on the Company's history and product track record, this period saw the launch of SHOSHURIKI and DASHUTAN CHARCOAL in 2000, adding a new value dimension in deodorizing and air freshening to a portfolio that had previously centered on mothproofing and humidity control. This was followed by the establishment of an R&D Center in 2001 and the launch of the "Refreshing the Air" project in 2004, making the Company's growth story clearer to investors. In fact, ultra-long-term financial data show that operating profit margins reached a high level around 2003, and this was a period in which profitability improved on the back of hit products and that improvement was reflected in the Company's market valuation.

5. 2007–2012 (in-line period)

From 2007 through 2012, the Company's share price performance was broadly in line with TOPIX, although declines tended to be relatively limited during periods of market stress. During the sharp TOPIX decline around the time of the 2008 global financial crisis, the defensive nature of daily necessities and hygiene-related products functioned to support the stock, allowing it to remain relatively resilient. SIR believes that having product categories whose demand tends to be relatively resilient helped underpin the Company's relative share price performance during economic downturns.

6. 2016–2018 (outperformance period)

From the end of 2016 through 2018, the Company's share price once again significantly outperformed TOPIX. Data also show a clear divergence in the Company's share price index to the upside, indicating a sharp improvement in relative performance. This period coincided with improving profit margins, and that the market may also have begun to price in growth options related to the Company's shift toward higher value-added products and expansion into new business areas. However, the pullback in the second half of 2018 was also significant, suggesting that when expectations run too far ahead, subsequent corrections can occur. Since 2019, and particularly from 2023 through 2025, the Company's share price has lagged as TOPIX strengthened its upward trend, marking a clear period of relative underperformance.

Taken together, periods when the Company's share price outperformed TOPIX share a common pattern in which hit products created a new value proposition, allowing improvements in profitability and a clear growth story to be presented to the market simultaneously. Typical examples include MUSHUDA around 1988 and SHOSHURIKI in the early 2000s, where the ability to address everyday life issues translated into product differentiation and stronger brand strength, ultimately supporting a higher relative share price valuation. Conversely, periods of underperformance tended to coincide with market environments in which growth stocks were favored during index-driven rallies and the Company's own growth expectations were judged relatively weaker. They also overlapped with phases in which profit margins declined due to external cost pressures or structural maturity in the market, making the sustainability of growth less visible.

■ Peer comparison of financial and valuation metrics

1. Positioning of financial metrics within the industry

A comparison with major companies in the daily necessities and hygiene products sector shows that Kao and Unicharm Corporation (hereinafter, Unicharm) maintain high levels across sales size, profitability, and ROE, and are clearly recognized by the market as growth companies. In contrast, the Company and other smaller-cap companies such as FUMAKILLA LIMITED (hereinafter, FUMAKILLA) and LEC, Inc. (hereinafter, LEC) trade at lower valuation levels, reflecting their smaller sales scale and operating profit margins in the 3–4% range. The Company's net sales are approximately JPY 48.1 bn and its gross profit margin is 37.3%. Although the Company's scale differs from that of Kao and Unicharm, its gross margin structure does not materially lag behind these peers. However, the Company's operating profit margin is 3.4%, showing a clear gap compared with industry leaders (Kao: 9.0%; Unicharm: 13.6%). SIR believes that differences in profitability at the operating level represent a key dividing line in market valuation.

2. Differences in sustainability assessments reflected in P/B levels

The Company's P/B ratio stands at 0.99x, remaining close to book value relative to peers. While Kao (2.60x) and Unicharm (2.02x) are highly valued by the market as companies capable of generating excess returns on a sustained basis, the Company's valuation suggests that market confidence in the sustainability and repeatability of its excess returns is relatively weaker. In fact, although the Company's ROE stands at a solid 8.62%, Earth Corporation (ROE: 5.13%, P/B ratio: 1.58x) and Kobayashi Pharmaceutical Co., Ltd. (ROE: 4.81%, P/B ratio: 1.89x) are valued at higher P/B ratios despite having lower ROE. The market valuation is influenced less by the current level of capital efficiency itself than by expectations regarding the sustainability of value creation above book value, and that differences in such expectations are reflected in P/B ratio levels.

3. Differences in growth expectations reflected in P/E levels

The Company's P/E ratio stands at 11.4x, significantly lower than Kao (25.7x) and Unicharm (19.1x), suggesting that market expectations for the Company's future earnings growth remain very limited rather than reflecting the Company's current earnings level itself. Even compared with FUMAKILLA (13.3x) and LEC (19.6x), the Company's P/E ratio remains relatively low, placing it among the companies in the sector with the lowest growth expectations priced in. This reflects the market's cautious view of the Company's historically low sales growth and the recent decline in operating profit margins.

Peer comparison of financial and valuation metrics

	Total net sales	Gross profit	Operating profit margin	ROE	Market cap	P/E	P/B
	JPY mn	%	%	%	JPY mn	X	X
	Recent FY	Recent FY	Recent FY	Recent FY	Recent FY	Recent FY	Recent FY
4951 S.T. Corporation	48,114	37.3	3.4	8.62	35,627	11.4	0.99
4452 Kao Corporation	1,628,448	39.2	9.0	10.51	2,815,495	25.7	2.60
8113 Unicharm Corporation	988,981	39.4	13.6	11.14	1,675,694	19.1	2.02
4912 Lion Corporation	412,943	45.7	6.9	7.39	467,937	21.8	1.58
4985 Earth Corporation	169,278	40.7	3.8	5.13	110,494	31.3	1.58
4967 KOBAYASHI PHARMACEUTICAL	165,600	52.9	15.0	4.81	423,031	40.0	1.89
4998 FUMAKILLA LIMITED	73,854	30.5	3.6	6.04	19,491	13.3	0.77
7874 LEC,INC	66,304	26.3	4.1	4.91	39,539	19.6	0.98

Source: Compiled by SIR based on SPEEDA data.

4. Positioning within the industry

Taken together, the industry appears to exhibit the following hierarchical structure:

- Kao and Unicharm: premium names valued for high profitability and strong growth prospects.
- Lion Corporation and Kobayashi Pharmaceutical Co., Ltd.: core names supported by stable earnings power and brand strength.
- S.T. CORPORATION, FUMAKILLA, and LEC: companies with stable earnings but limited growth expectations priced into their valuations.

Within this structure, the Company's capital efficiency, as measured by ROE, is higher than that of FUMAKILLA and LEC, suggesting stronger underlying earnings power. In addition, the Company's consumer recognition and presence in product markets are comparable to those of brands such as Kao and Unicharm, as evidenced by its large number of niche market-leading brands. However, the market does not appear to connect these strengths with a future growth story. As a result, the Company's valuation remains below 1x in P/B terms and in the low-teens range for the P/E ratio.

5. Share price valuation and key points going forward

In light of the downward revision to the FY2026/3 full-year earnings forecast, the Company's key challenge going forward is not to revise the direction of the Medium-Term Management Plan "SMILE 2027", but rather to make the progress of earnings improvement visible to investors in a way that investors can verify. In the latest downward revision, the Company cited underperformance of both new and existing core AIR Care products versus plan, a decline in existing CLOTH Care products, and an increase in sales promotion expenses as the key reasons for the revision. As a result, the capital market has entered a phase where it is increasingly attentive to the quality of sales, specifically whether products are being chosen for their value or for the conditions attached, such as promotional spending requirements. In reality, the increase in sales promotion expenses is said to be primarily attributable to the expansion of EC sales and therefore is not necessarily a negative factor. However, SIR believes that under the current disclosure, the background and implications of this increase are not fully conveyed.

Conversely, as current disclosure remains limited to progress in category-based sales, it is difficult for investors to analyze the background of earnings performance or determine in which areas and to what extent the Company's initiatives, such as measures to address rising costs, loss reduction, and value creation, are contributing to profitability. Accordingly, disclosure should include not only sales by major category but also additional indicators that allow investors to track profitability and investment efficiency. For example, it would be important to establish a set of indicators that can explain changes in the earnings structure, such as gross profit (or gross profit margin), the breakdown of sales promotion expenses and the factors behind their increase or decrease, and investment amounts allocated to priority areas, and to build a framework that enables these items to be explained and monitored on a quarterly basis. If such disclosure enhancements progress, investors will be able to track the linkage between the Company's initiatives, top-line performance, and changes in the earnings structure, which should steadily deepen capital market understanding.

SIR believes that if such information development and performance follow-up progress, market understanding of the repeatability of the Medium-Term Management Plan "SMILE 2027" will deepen, creating sufficient room for a re-rating of the Company's shares.

Appendix

Income statement

JPY mn, %, FY	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3	FY2026/3 (CE)
Total Revenue	49,674	45,470	45,576	44,472	48,114	48,500
Cost of Sales	28,358	27,665	28,621	28,057	30,185	
Other Gross Profit Adjustments	1					
Gross Profit	21,315	17,805	16,954	16,414	17,928	
Other Gross Profit Adjustments	1					
Gross Profit	21,315	17,805	16,954	16,414	17,928	
Operating Profit	3,945	3,251	2,416	1,341	1,658	1,900
Operating Profit Margin	7.9	7.1	5.3	3.0	3.4	3.9
Non-Operating Income	438	367	396	645	522	
Interest and Dividends Income	109	119	120	140	153	
Non-Operating Expenses	645	136	81	57	97	
Interest Expenses	9	5	5	12	29	
Income from Equity Method - Non-Operating	(19)	(69)	(11)	(31)	(48)	
Ordinary Profit	3,737	3,481	2,730	1,930	2,084	2,300
Ordinary Profit Margin	7.5	7.7	6.0	4.3	4.3	4.7
Extraordinary Gains/Losses	(51)	(1,781)	(24)	3	1,679	
Extraordinary Gain	73	55	17	79	1,758	
Extraordinary Loss	124	1,836	41	76	79	
Pretax Profit	3,686	1,700	2,707	1,933	3,763	
Pretax Profit Margin	7	4	6	4	8	
Income Taxes	1,078	490	820	536	876	
Income Taxes - Current	1,106	837	947	370	607	
Income Taxes - Deferred	(28)	(347)	(127)	166	269	
Net Profit Attribute to parent company shareholders	2,526	1,109	1,828	1,274	2,834	1,500
Net Profit Attribute to non-controlling shareholders	82	101	58	121	51	
Other Comprehensive Income	725	(779)	177	391	(170)	
Net Gain on Revaluation of Available-for-sale Financial Assets(CI)	658	(1,019)	107	226	(225)	
Unfunded Retirement Benefit Obligation with Respect to Foreign Consolidated Companies	29	41	(17)	(18)	(33)	
Foreign Currency Translation Adjustments (CI)	36	130	79	113	28	
Share of Other Comprehensive Income of Associates	1	70	7	3	68	
Comprehensive Income	3,332	431	2,064	1,788	2,716	
Comprehensive Income Attributable to Owners of the Parent	3,240	267	1,976	1,631	2,638	

Source: Compiled by SIR based on SPEEDA data.

Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

Balance sheet

JPY mn, %, FY	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3
Total Assets	46,817	44,402	46,116	44,760	45,843
Current Assets	26,483	26,106	28,154	26,885	24,776
Cash Cash Equivalents And Short-term Investments	11,938	11,888	14,149	13,728	10,061
Cash & Cash Equivalents	11,864	11,888	14,149	13,728	10,061
Short-Term Investment in Securities	74				
Accounts Receivables	5,790	5,803	6,079	5,981	6,740
Notes Receivable		82	200	208	238
Inventories	8,270	7,793	7,265	6,427	6,865
Finished Goods and Merchandise	7,072	6,617	5,956	5,324	5,653
Other Inventories	1,198	1,176	1,309	1,103	1,212
Allowance for Doubtful Accounts - Assets	(35)	(34)	(33)	0	(10)
Non-Current Assets	20,333	18,297	17,962	17,874	21,067
Property, Plant & Equipment (PPE)	10,458	10,120	9,655	9,476	9,289
Lands	3,582	3,594	3,599	3,609	3,441
Construction In Progress	76	157	76	48	49
Intangible Assets	1,907	1,445	1,358	1,217	4,413
Goodwill	1,264				1,229
Investments and Other Assets	7,967	6,732	6,947	7,180	7,364
Investment Securities (inc. Subsidiaries and Affiliates)	7,270	5,654	5,795	6,201	5,948
Investment Securities	7,270	5,654	5,795	6,201	5,948
Long-Term Loans	5	5	4	42	21
Deferred Tax Assets - Non-Current	84	452	557	330	778
Allowance for Doubtful Accounts - Fixed				0	
Total Liabilities	14,184	12,555	13,155	10,960	12,606
Current Liabilities	11,761	10,701	11,394	9,463	10,928
Trade Payables	6,120	5,031	6,034	4,484	5,272
Accounts Payable - Other and Accrued Expenses	3,655	2,488	1,841	1,965	2,171
Short-Term Debt	520	463	559	523	575
Short-Term Borrowings	464	413	497	454	513
Current Portion of Long-term Debt	55	50	62	69	62
Current Portion of Long-Term Borrowings	55	50	62	69	62
Advances Received					11
Non-Current Liabilities	2,422	1,854	1,760	1,496	1,678
Long-Term Debt	91	94	79	70	120
Long-Term Borrowings	91	94	79	70	120
Deferred Tax Liabilities - Non-Current	553				
Deferred Tax Liabilities for Revaluation	262	262	262	195	270
Provision for Retirement Benefits	1,445	1,409	1,316	1,158	1,176
Total Net Assets	32,633	31,848	32,961	33,800	33,236
Total Shareholders' Equity	32,092	31,275	32,391	33,160	32,567
Shareholders' Equity	30,044	30,070	31,038	31,451	30,906
Capital Stock	7,066	7,066	7,065	7,065	7,065
Capital Surplus	7,036	7,047	7,047	7,047	13,521
Retained Earnings	16,982	16,978	17,928	18,280	13,552
Treasury Stock	(1,040)	(1,021)	(1,002)	(942)	(3,233)
Accumulated Other Comprehensive Income	2,046	1,204	1,352	1,708	1,660
Valuation Difference On Available-for-sale Securities	2,886	1,867	1,974	2,201	1,976
Land Revaluation Excess	(537)	(537)	(537)	(470)	(330)
Foreign Currency Translation Adjustments	(314)	(178)	(119)	(38)	32
Share Warrants	2				
Non-controlling interest	541	573	570	640	669

Source: Compiled by SIR based on SPEEDA data.

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Statements of cash flows

JPY mn, %, FY	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3
Cash Flows from Operating Activities	4,423	2,666	4,362	1,644	3,295
Depreciation and Amortization - CF	1,447	1,294	1,407	1,284	1,456
Depreciation - CF	1,350	1,197	1,407	1,284	1,345
Amortization of Goodwill - CF	97	97			111
Gain/Loss on Valuation of Securities and Investment Securities					4
Gain/Loss on Sale of Securities and Investment Securities	(38)	(44)	(17)	(15)	(105)
Gain/Loss on Sale of Investment Securities		(44)	(17)		(105)
Gain/Loss on Sale of Stocks of Subsidiaries and Affiliates		144			
Gain/Loss on Sale of PPE	4	27	7	12	(530)
Interest and Dividends Received - Operating CF	113	119	119	145	158
Interest Paid - Operating CF	(10)	(5)	(5)	(9)	(31)
Cash Flows from Investing Activities	(1,564)	(1,670)	(1,242)	(981)	(4,785)
Payments for Purchases of Securities and Investment Securities	(111)	(54)	(20)	(61)	(30)
Payments for Purchases of Investment Securities	(111)	(54)	(20)	(61)	(30)
Proceeds from Sales of Securities and Investment Securities	87	62	25	117	70
Proceeds from Sales of Investment Securities	87	62	25	117	70
Payments for Purchases of Stocks of Subsidiaries and Affiliates				(151)	
Proceeds from Sales of Stocks of Subsidiaries and Affiliates		3			
Purchases/Sales of PPE	(1,154)	(864)	(877)	(617)	186
Payments for Purchases of PPE	(1,155)	(864)	(877)	(620)	(698)
Proceeds from Sales of PPE	1	0	0	3	884
Purchases/Sales of Intangible Assets		(895)	(266)	(223)	(328)
Payments for Purchases of Intangible Assets		(895)	(266)	(223)	(328)
Cash Flows from Financial Activities	(1,152)	(1,076)	(983)	(1,164)	(2,419)
Proceeds from Short-Term Borrowings			39		2
Repayments of Short-Term Borrowings	(232)	(50)		(87)	
Repayments of Long-Term Debt					(1,289)
Repayments of Long-Term Borrowings					(1,289)
Proceeds from Issuance of Stock	66	23	17		
Redemption/Retirement of Stock	(1)	0	0	0	0
Cash Dividends Paid	(900)	(983)	(967)	(1,008)	(1,051)
Foreign exchange adjustment	2	90	25	73	70
Changes in Cash	1,709	11	2,161	(428)	(3,691)
Cash & Cash Equivalent - Beginning	10,122	11,832	11,843	14,004	13,576
Cash & Cash Equivalent - Ending	11,832	11,843	14,004	13,576	9,885
Free Cash Flow (FCF)	2,859	996	3,120	663	(1,490)

Source: Compiled by SIR based on SPEEDA data.

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