

S.T. Corporation and Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2026,
and Independent Auditor's Report

Consolidated Balance Sheets

S.T.CORPORATION and consolidated subsidiaries
As of March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2026	2025	2026
Current assets:			
Cash and time deposits (Notes 7, 11 and 18)	¥ 10,298	¥ 10,061	\$ 64,413
Notes receivable - trade (Notes 7 and 20)	169	239	1,057
Accounts receivable - trade (Notes 7 and 20)	7,172	6,502	44,859
Merchandise and finished goods	5,983	5,653	37,420
Work in process	231	202	1,448
Raw materials and supplies	1,140	1,010	7,127
Other current assets	750	1,120	4,689
Less - allowance for doubtful accounts	(0)	(11)	(3)
Total current assets	25,742	24,777	161,010
Property, plant and equipment, at cost:			
Land (Notes 10)	3,447	3,442	21,558
Buildings and structures	9,105	8,980	56,950
Machinery, equipment and vehicles	8,579	8,740	53,659
Tools, furniture and fixtures	2,794	2,692	17,477
Construction in progress	29	49	179
Leased assets (Note 19)	948	994	5,929
Less - accumulated depreciation	(15,751)	(15,608)	(98,515)
Property, plant and equipment, net	9,151	9,289	57,237
Intangible assets, net of accumulated amortization			
Goodwill	1,096	1,230	6,853
Trademark right	1,825	2,049	11,415
Other intangible assets	901	1,135	5,636
Total intangible assets	3,822	4,413	23,904
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	466	434	2,914
Investment securities (Notes 7 and 9)	5,874	5,514	36,743
Long-term loans	24	22	148
Net defined benefit asset (Notes 1 and 14)	3	4	20
Deferred tax assets other than unrealized revaluation loss on land (Note 12)	342	779	2,141
Other assets	608	611	3,804
Total investments and other assets	7,318	7,365	45,769
Total assets	¥ 46,033	¥ 45,844	\$ 287,921

	Millions of yen		Thousands of U.S. dollars (Note 2)
LIABILITIES AND NET ASSETS	2026	2025	2026
Current liabilities:			
Trade payables	¥ 2,259	¥ 2,410	\$ 14,130
Electronically recorded obligations-operating	1,897	2,864	11,865
Short-term borrowings	398	513	2,487
Lease liabilities	61	63	378
Other payables	1,645	1,304	10,287
Accrued expenses	698	868	4,367
Electronically recorded obligations-non-operating	16	168	101
Income taxes payable	271	451	1,696
Consumption taxes payable	530	16	3,313
Contract liabilities	19	12	118
Other current liabilities	2,351	2,261	14,708
Total current liabilities	10,144	10,928	63,449
Long-term liabilities:			
Lease liabilities	91	120	570
Provision for directors' retirement and severance benefits	12	12	75
Provision for executive officers' incentive plan (Note 5)	61	48	380
Provision for share awards for employees (Note 5)	19	21	119
Net defined benefit liability (Notes 1 and 14)	1,093	1,165	6,834
Deferred tax liabilities - unrealized revaluation gain on land (Note 10)	271	271	1,693
Other non-current liabilities	39	41	242
Total long-term liabilities	1,585	1,678	9,913
Net assets (Note 15):			
Shareholders' equity:			
Common stock:			
Authorized - 96,817,000 shares in 2026 and 2025			
Issued and outstanding - 23,000,000 shares in 2026 and 2025	7,066	7,066	44,193
Capital surplus	13,522	13,522	84,574
Retained earnings	14,239	13,552	89,063
Treasury stock, at cost	(3,234)	(3,233)	(20,228)
Total shareholders' equity	31,593	30,906	197,602
Accumulated other comprehensive income (loss):			
Unrealized holding gain on other securities, net of taxes	2,298	1,976	14,373
Revaluation reserve for land, net of taxes (Note 10)	(331)	(331)	(2,068)
Foreign currency translation adjustment	66	33	413
Remeasurements of defined benefit plans	5	(18)	31
Total accumulated other comprehensive income (loss)	2,038	1,661	12,750
Non-controlling interests	673	670	4,207
Total net assets	34,304	33,237	214,559
Total liabilities and net assets	¥ 46,033	¥ 45,844	\$ 287,921

See notes to consolidated financial statements.

Consolidated Statements of Income

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2026	2025	2026
Net sales (Note 20)	¥ 48,492	¥ 48,114	\$ 303,305
Cost of sales (Notes 23)	30,248	30,186	189,189
Gross profit	18,245	17,929	114,116
Selling, general and administrative expenses (Note 17)	16,258	16,270	101,688
Operating income	1,987	1,659	12,428
Non-operating income (loss):			
Interest income	18	24	115
Dividend income	139	130	872
Interest expense	(24)	(30)	(151)
Purchase discounts	89	106	559
Share of profit(loss) of entities accounted for using equity method	38	(49)	238
Insurance claim income	1	0	4
Other, net	168	244	1,052
Total non-operating income (loss)	430	425	2,688
Ordinary income	2,417	2,084	15,116
Extraordinary gains (losses):			
Gain on sale of non-current assets	15	551	93
Impairment losses (Note 24)	—	(54)	—
Loss on disposition of property, plant and equipment	(20)	(21)	(127)
Gain on sales of investment securities, net	206	105	1,287
Loss on valuation of investment securities	(20)	(4)	(125)
Gain on bargain purchase	—	1,102	—
Business restructuring expenses (Note 25)	(51)	—	(319)
Settlement money paid	(38)	—	(237)
Total extraordinary gains (losses)	91	1,679	572
Profit before income taxes	2,508	3,763	15,688
Income taxes (Note 12):			
Current	503	608	3,143
Deferred	274	269	1,715
Total income taxes	777	877	4,859
Profit	1,731	2,887	10,830
Profit attributable to non-controlling interests	116	52	728
Profit attributable to owners of parent	¥ 1,615	¥ 2,835	\$ 10,101

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2026	2025	2026
Profit	¥ 1,731	¥ 2,887	\$ 10,830
Other comprehensive income (Note 6)			
Unrealized holding gain (loss) on other securities, net of taxes	322	(225)	2,014
Revaluation reserve for land	—	(8)	—
Foreign currency translation adjustment	45	28	279
Remeasurements of defined benefit plans, net of tax	23	(33)	141
Share of other comprehensive income (loss) of entities accounted for using equity method	(0)	69	(2)
Total other comprehensive income	389	(170)	2,432
Comprehensive income	¥ 2,120	¥ 2,716	\$ 13,261
Total comprehensive income attributable to :			
Owners of parent	1,993	2,639	12,463
Non-controlling interests	128	78	799

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2025	23,000	¥ 7,066	¥ 13,522	¥ 13,552	¥ (3,233)	¥ 30,906
Cash dividends paid by distribution of retained earnings				(928)		(928)
Profit attributable to owners of parent				1,615		1,615
Purchases of treasury stock					(1)	(1)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2026	23,000	¥ 7,066	¥ 13,522	¥ 14,239	¥ (3,234)	¥ 31,593

	Millions of yen						
	Unrealized holding gain on other securities, net of taxes	Revaluation reserve for land, net of taxes (Note 13)	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2025	¥ 1,976	¥ (331)	¥ 33	¥ (18)	¥ 1,661	¥ 670	¥ 33,237
Cash dividends paid by distribution of retained earnings							(928)
Profit attributable to owners of parent							1,615
Purchases of treasury stock							(1)
Net changes in items other than those in shareholders' equity	322	—	33	23	378	3	380
Balance at March 31, 2026	¥ 2,298	¥ (331)	¥ 66	¥ 5	¥ 2,038	¥ 673	¥ 34,304

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

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

Consolidated Statements of Changes in Net Assets

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2026 and 2025

	thousands of U.S. dollars (Note 2)					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2025	23,000	\$ 44,193	\$ 84,574	\$ 84,765	\$ (20,224)	\$ 193,308
Cash dividends paid by distribution of retained earnings				(5,803)		(5,803)
Profit attributable to owners of parent				10,101		10,101
Purchases of treasury stock					(4)	(4)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2026	23,000	\$ 44,193	\$ 84,574	\$ 89,063	\$ (20,228)	\$ 197,602

	Thousands of U.S. dollars (Note 2)						
	Unrealized holding gain on other securities, net of taxes	Revaluation reserve for land, net of taxes (Note 13)	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2025	\$ 12,361	\$ (2,068)	\$ 205	\$ (110)	\$ 10,389	\$ 4,189	\$ 207,886
Cash dividends paid by distribution of retained earnings							(5,803)
Profit attributable to owners of parent							10,101
Purchases of treasury stock							(4)
Net changes in items other than those in shareholders' equity	2,012	—	208	141	2,361	18	2,379
Balance at March 31, 2026	\$ 14,373	\$ (2,068)	\$ 413	\$ 31	\$ 12,750	\$ 4,207	\$ 214,559

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2026	2025	2026
Cash flows from operating activities:			
Profit before income taxes	¥ 2,508	¥ 3,763	\$ 15,688
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,548	1,346	9,682
Amortization of goodwill	134	112	839
Impairment loss	—	54	—
Gain on bargain purchase	—	(1,102)	—
Loss on sales of property, plant and equipment	5	(530)	34
Loss (gain) on sales and valuation of investment securities	(186)	(101)	(1,162)
Increase (decrease) in allowance for doubtful receivables	(10)	10	(65)
Increase (decrease) in net defined benefit asset and liability	(77)	12	(482)
Increase (decrease) in provision for executive officers' incentive plan	13	0	79
Increase (decrease) in provision for share awards for employees	(2)	21	(12)
Interest and dividends received	(158)	(154)	(986)
Interest expenses	24	30	151
Foreign exchange losses (gains)	(27)	(42)	(166)
Share of (profit) loss of entities accounted for using equity method	(38)	49	(238)
Changes in operating assets and liabilities:			
Receivables	(578)	(715)	(3,614)
Inventories	(457)	(395)	(2,861)
Payables and accrued expenses	(1,142)	738	(7,145)
Accrued consumption taxes	514	(120)	3,212
Other, net	480	417	3,005
Subtotal	2,552	3,392	15,959
Interest and dividends received	165	159	1,032
Interest paid	(27)	(31)	(169)
Income taxes paid	(616)	(224)	(3,852)
Net cash provided by operating activities	2,074	3,296	12,970
Cash flows from investing activities:			
Payments into deposits (more than three months)	(3)	(4)	(20)
Purchases of property, plant and equipment	(820)	(699)	(5,127)
Proceeds from sales of property, plant and equipment	8	885	51
Purchase of intangible assets	(198)	(328)	(1,241)
Payments for transfer of business	—	(4,683)	—
Purchases of investment securities	(28)	(31)	(173)
Proceeds from sales of investment securities	394	71	2,465
Other investments, net	8	4	49
Net cash used in investing activities	(639)	(4,785)	(3,996)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(152)	3	(951)
Repayments of long-term borrowings	—	(1,289)	—
Purchases of treasury stock	(1)	(1)	(4)
Payments of dividends	(928)	(937)	(5,803)
Payments of dividends to non-controlling interests	(125)	(116)	(781)
Other finance, net	(61)	(80)	(382)
Net cash used in financing activities	(1,267)	(2,419)	(7,922)
Effect of exchange rate changes on cash and cash equivalents	66	71	412
Net increase (decrease) in cash and cash equivalents	234	(3,838)	1,464
Cash and cash equivalents at beginning of year	9,885	13,577	61,830
Increase in cash and cash equivalents resulting from share issuance	—	147	—
Cash and cash equivalents at end of year (Note 20)	¥ 10,119	¥ 9,885	\$ 63,294

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

S.T. CORPORATION and Consolidated Subsidiaries
March 31, 2026

1 Summary of Significant Accounting Policies

(a) Basis of presentation

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

(b) Scope of consolidation

- (1) Number of consolidated subsidiaries:
5 companies
- (2) Names of consolidated subsidiaries:
S.T. PRO Co., Ltd., S.T. MYCOAL CO., LTD., S.T. (Thailand) Co., Ltd., Family Glove Co., Ltd. (Taiwan), and S.T. Korea Corporation (South Korea)
S.T. Business Support Co., Ltd., which was a consolidated subsidiary, has been excluded from the list of consolidated subsidiaries due to its dissolution in the current fiscal year as a result of an absorption-type merger with the Company, as the surviving company.
- (3) Names of non-consolidated subsidiaries:
JAPAN AROMA LABORATORY CO., LTD., CODE Meee Inc., Pet Bit Inc.

(c) Scope of application of equity-method accounting

- (1) Number of affiliated company accounted for by the equity method:
1 company
- (2) Name of company accounted for by the equity method:
NS FaFa Japan Co., Ltd.
- (3) Names of non-consolidated subsidiaries for which equity method is not applied
The non-consolidated subsidiaries to which the equity method does not apply (JAPAN AROMA LABORATORY CO., LTD., CODE Meee Inc., Pet Bit Inc.) are accounted for using the cost method rather than the equity method because the total amounts of their profit or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other amounts are immaterial, and the impact on the consolidated financial statements as a whole is not significant.
For equity-method affiliates with different fiscal year-ends, financial statements as of their respective fiscal year-ends are used.

(d) Accounting period

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

(e) Translation of foreign currency transactions and financial statements

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

(f) Securities

Other securities having market value available are recorded at market value (valuation differences are reported as a separate component of net assets, and the cost of securities sold is determined by the moving-average method). Other securities having no market value available are stated at cost determined by the moving average method, and the cost of other securities sold is calculated based on the cost method.

(g) Inventories

The Company and its domestic consolidated subsidiaries principally adopt the cost method determined by the gross-average method (with the balance sheet value calculated by the method of devaluing the book value due to a decline in profitability), while foreign consolidated subsidiaries principally adopt the lower of cost or market method determined by the gross-average method.

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

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

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

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

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

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

(j) Leases

Depreciation is computed by the straight-line method over the respective lease terms assuming a nil residual value.

(k) Allowance for doubtful receivables

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

(l) Provision for directors' retirement and severance benefits

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

(m) Provision for executive officers' incentive plan

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

(n) Provision for share awards for employees

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

(o) Employees' retirement and severance benefits

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

(p) Standards for recording significant income and expenses

The Company and domestic consolidated subsidiaries recognize revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of such goods or services. The point in which the customer gains control of the product is determined to be the time when the product is delivered to the customer for domestic sales and the time when the product arrives at the location agreed with the customer for export sales.

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

The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include significant financing components.

(q) Accounting for significant hedges

- (1) Hedge accounting
The Company mainly applies the deferred hedged accounting method. The allocation method is applied for foreign exchange contract that meet the criteria for such treatment.
- (2) Hedging instrument and Hedged item
Hedging instrument: Forward exchange contracts
Hedged item: Foreign currency-denominated forecasted transactions
There is no balance as of the end of the current fiscal year.
- (3) Hedging policy
The Company mainly enters into forward exchange contracts to avoid the risk of short-term exchange fluctuations on foreign currency-denominated forecasted transactions.

(r) Amortization of goodwill

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

(s) Cash and cash equivalents

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

2 Basis of Translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥159.88= U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2026. This translation should not be construed as a representation that all amounts shown could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3 Significant Accounting Estimates

(Pet Care Business-related Goodwill and Trademark right)

(a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2026	2025	2026
Goodwill	¥ 1,096	¥ 1,230	\$ 6,853
Trademark right	1,825	2,049	11,415
Impairment loss	—	—	—

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

- Calculation method of amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2026
When acquiring the pet care business, the acquisition cost was allocated based on the fair value at the date of the business combination, and the fair value of the identified intangible fixed assets was measured, resulting in the recognition of trademark rights. Goodwill arose in relation to the excess earning power expected at the time of the business transfer, and was amortized evenly over an estimated period over which its effects would materialize. This excess earning power was estimated based on the business plan prepared by management.
Within the Group, business assets are categorized into asset groups based on management accounting classifications, and shared assets such as the head office are grouped using the entire business as the unit of grouping. When there are indicators of impairment, we compare the total undiscounted future cash flows from the asset group with its carrying amount, and recognize an impairment loss if the total undiscounted future cash flows fall below the carrying amount.
- Significant assumptions used in significant accounting estimates
Significant assumptions in estimating future cash flow based on the business plan include the sales growth rate and the gross profit margin.
- Impact of significant accounting estimates on the consolidated financial statements for the following year
The significant assumptions which are the sales growth rate based on the business plan and the gross profit margin include estimation uncertainties. Changes in the significant assumptions due to unpredictable changes in business assumptions in the future may have an impact on the consolidated financial statements for the following year.

4 Accounting Standards Issued but not yet Effective

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

(a) Summary

As part of the efforts taken by the ASBJ to align Japanese accounting standards with international standards, discussions have been held regarding the development of accounting standards for leases that require the recognition of assets and liabilities for all lessee leases, taking international accounting standards into consideration. The guiding principle is to base these standards on a single accounting model for lessees as outlined in IFRS 16; however, rather than adopting all the provisions of IFRS 16, the aim is to primarily incorporate the key provisions. This approach seeks to create a lease accounting standard that is simple, convenient, and, in principle, does not require modifications when applying the provisions of IFRS 16 to nonconsolidated financial statements.

For the accounting treatment of lessees concerning lease expense allocation, a single accounting model is applied for all leases, regardless of whether they are finance leases or operating leases, as outlined in IFRS 16. This model requires the recording of depreciation expense related to the right-of-use assets and interest expense related to the lease liability.

(b) Effective date

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

(c) Impact of new accounting standards

The Company is currently evaluating the effect of the adoption of the Accounting Standard for Leases and related implementation guidance on its consolidated financial statements.

- Accounting Standard for Subsequent Events (ASBJ Statement No. 41, issued on January 9, 2026)

- Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, issued on January 9, 2026)

(a) Summary

The Accounting Standard for Subsequent Events (ASBJ Statement No. 41) and its related Implementation Guidance (ASBJ Guidance No. 35) were developed to establish a comprehensive standard for the definition, accounting treatment, and disclosure of subsequent events. This initiative incorporates the principles set forth in "Audit and Assurance Practice Committee Statement No. 560: Audit Considerations concerning Subsequent Events," issued by the Japanese Institute of Certified Public Accountants (JICPA), subsequently transferred to the ASBJ. The new standards aim to refine the terminology, clarify the evaluation period for subsequent events, and formalize the accounting treatment and disclosure requirements for such events in financial statements.

(b) Effective date

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

5 Additional Information

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

(a) Board Benefit Trust (BBT)

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

(1) Summary

The Company awards the Company's stock to the executive officers who satisfy certain requirements based on predetermined regulations for awarding stocks. Executive officers are granted a certain number of points depending on the financial results, and upon their retirement, the officers will receive stock depending on the number of points they have accumulated.

The Company has established the Trust by contributing funds to be used for the acquisition of the Company's stock on behalf of executive officers. The Trust will acquire the Company's stock to be awarded to the executive officers in the future, and the shares are managed as trust assets.

(2) The Company's stock in the Trust

The Company's own stock in the Trust is recorded in treasury shares under net assets based on the book value of the shares in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2026 were ¥125 million (U.S. \$784 thousand) and 96,200 shares, respectively.

(b) Employee Stock Ownership Plan (ESOP) Trust

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

(1) Summary

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

If the Company's profit is higher than a pre-determined standard, the Company awards a certain number of points to employees. Upon their retirement, employees will receive the Company's stock depending on the number of points they have accumulated.

The Company has established the Trust by contributing funds to be used for the acquisition of the Company's stock on behalf of participating employees. The Trust will acquire the Company's stock to be awarded to employees in the future, and the shares are managed as trust assets.

(2) The Company's stock in the Trust

The Company's own stock in the Trust is recorded in treasury shares under net assets based on the book value of the shares in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2026 were ¥126 million (U.S. \$786 thousand) and 120,000 shares, respectively.

6 Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income for the years ended March 31, 2026 and 2025 were as follows:

	millions of yen		thousands of U.S. dollars
	2026	2025	2026
Unrealized holding gain (loss) on other securities, net of taxes			
Amount recognized in the year	¥ 680	¥ (128)	\$ 4,252
Reclassification adjustments included in the statement of income	(206)	(105)	(1,287)
Before income tax effect adjustment	474	(234)	2,965
Amount of income tax effect	(152)	8	(951)
Unrealized holding gain (loss) on other securities, net of taxes	322	(225)	2,014
Revaluation reserve for land			
Amount of income tax effect	—	(8)	—
Translation adjustments			
Amount recognized in the year	45	31	279
Reclassification adjustments included in the statement of income	—	(3)	—
Before income tax effect adjustment	45	28	279
Translation adjustments	45	28	279
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the year	38	(37)	241
Reclassification adjustments included in the statement of income	(6)	(11)	(36)
Before income tax effect adjustment	33	(48)	205
Amount of income tax effect	(10)	15	(64)
Remeasurements of defined benefit plans, net of tax	23	(33)	141
Other comprehensive income (loss) on equity method companies			
Amount recognized in the year	0	(0)	2
Reclassification adjustments included in the statement of income	(1)	69	(4)
Before income tax effect adjustment	(0)	69	(2)
Other comprehensive income (loss) on equity method companies	(0)	69	(2)
Total other comprehensive income	¥ 389	¥ (170)	\$ 2,432

7 Financial Instruments

(a) Current status of financial instruments

- (1) Policy in relation to financial instruments
The Company and its consolidated subsidiaries (collectively, the "Group") raise necessary funds following capital investment plans for undertaking the manufacturing-and-selling businesses. Surplus funds of the Group are only invested in highly secure financial assets.
- (2) Details of financial instruments and related risk
Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, receivables denominated in foreign currencies are exposed to foreign currency exchange risk.
Marketable securities and investment securities, most of which are stocks of other companies with which the Group has business relationships, are exposed to market price fluctuation risk.
Substantially all trade payables—notes and accounts payable-trade, electronically recorded obligations-operating and other payables—have payment due dates within one year. In addition, payables denominated in foreign currencies are exposed to foreign currency exchange risk.
- (3) Risk management system for financial instruments
(Credit risk management—the risk that customers or counterparties may default)

The Company has established a management policy whereby the Company evaluates the financial conditions of its customers and monitors due dates and outstanding balances regularly to identify and mitigate risks of bad debts from customers who are having financial difficulties. The consolidated subsidiaries perform equivalent management procedures as the Company.

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

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

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

(b) Estimated fair value of financial instruments

The carrying value of financial instruments recognized on the consolidated balance sheets as of March 31, 2026 and 2025, the estimated fair value of such items and the differences between them are shown below.

As of March 31, 2026	Millions of yen		
	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥ 5,746	¥ 5,746	—

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

As of March 31, 2026	thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Investment securities			
Other securities	\$ 35,942	\$ 35,942	—

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

	millions of yen		thousands of U.S. dollars
	2026	2025	2026
Unlisted equity securities	¥ 128	¥ 108	\$ 801

Notes to Consolidated Financial Statements

Notes. Redemption schedule for receivables and other securities with maturity dates at March 31, 2026 and 2025 are summarized as follows:

	Millions of yen			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
As of March 31, 2026				
Time deposits	¥ 10,297	—	—	—
Notes receivable – trade	169	—	—	—
Accounts receivable – trade	7,172	—	—	—
Total	¥ 17,638	—	—	—
	Millions of yen			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
As of March 31, 2025				
Time deposits	¥ 10,059	—	—	—
Notes receivable – trade	239	—	—	—
Accounts receivable – trade	6,502	—	—	—
Total	¥ 16,800	—	—	—
	Thousands of U.S. dollars			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
As of March 31, 2026				
Time deposits	\$ 64,403	—	—	—
Notes receivable – trade	1,057	—	—	—
Accounts receivable – trade	44,859	—	—	—
Total	\$ 110,319	—	—	—

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

There are three levels to the fair value hierarchy (Level 1 is the highest priority and Level 3 is the lowest priority) based on the observability and materiality.
Level 1: Of the inputs related to the observable market value calculation, the market price calculated based on the market price of the asset or liability for which the market value is calculated, which is formed in an active market.

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

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

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

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

	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
As of March 31, 2026				
Investment securities				
Other securities				
Stock	¥ 5,654	—	—	¥ 5,654
others	—	93	—	93
Total	¥ 5,654	¥ 93	¥ —	¥ 5,746
	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
As of March 31, 2025				
Investment securities				
Other securities				
Stock	¥ 5,294	—	—	¥ 5,294
others	—	93	20	113
Total	¥ 5,294	¥ 93	¥ 20	¥ 5,407
	Fair value			
	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
As of March 31, 2026				
Investment securities				
Other securities				
Stock	\$ 35,363	—	—	\$ 35,363
others	—	579	—	579
Total	\$ 35,363	\$ 579	\$ —	\$ 35,942

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

(As of March 31, 2026)

It is omitted due to its immateriality.

(As of March 31, 2025)

It is omitted due to its immateriality.

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

Investment securities

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

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

Stock acquisition rights are classified as Level 3 fair value because the most recent fair value is estimated based on historical transaction prices and taking into account factors that affect the value of financial instruments.

8 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2026 and 2025.

Notes to Consolidated Financial Statements

9 Investment Securities

(a) Other securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Acquisition cost	¥ 2,456	¥ 2,570	\$ 15,361
Carrying value	5,746	5,407	35,942
Total unrealized gain	3,329	2,857	20,824
Total unrealized loss	(39)	(21)	(243)

At March 31, 2026 and 2025, unlisted stocks (whose carrying value was ¥128 million (U.S.\$801 thousand) and ¥108 million, respectively) are not included in the above table because they have no quoted market price.

(b) Sales of other securities

(Year ended March 31, 2026)	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	¥ 328	¥ 206	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	¥ 328	¥ 206	—

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

(Year ended March 31, 2026)	Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	\$ 2,050	\$ 1,287	—
(2) Bonds			
a Government bonds	—	—	—
b Corporate bonds	—	—	—
c Others	—	—	—
(3) Other securities	—	—	—
Total	\$ 2,050	\$ 1,287	—

(c) Impairment of investment securities

The Company recognized impairment loss on investment securities of ¥20 million (U.S.\$125 thousand) for the year ended March 31, 2026. The Company recognized impairment loss on investment securities of ¥4 million for the year ended March 31, 2025.

10 Land Revaluation

In accordance with the Land Revaluation Law (Proclamation No. 34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The revaluation difference, net of taxes, is stated as "Unrealized revaluation loss on land, net of taxes" in net assets. Deferred tax liabilities arising from this revaluation difference are presented separately from deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets.

11 Pledged Assets

Pledged assets at March 31, 2026 and 2025 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Time deposits	¥ 8	¥ 13	\$ 47

Time deposits were pledged as collateral mainly for leased office space at March 31, 2026 and 2025.

Notes to Consolidated Financial Statements

12 Income Taxes

At March 31, 2026 and 2025, the tax effect of the temporary differences which gave rise to a significant portion of the deferred tax assets (excluding deferred taxes on unrealized revaluation loss on land) was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Deferred tax assets:			
Accrued business taxes	¥ 33	¥ 47	\$ 205
Accrued employees' bonuses	145	175	907
Refund liabilities	143	130	892
Loss on valuation of inventories	13	12	83
Tax loss carryforwards	99	160	622
Net defined benefit liability	325	343	2,031
Provision for directors' retirement and severance benefits	4	4	24
Provision for executive officers' incentive plan	19	15	122
Provision for share awards for employees	6	7	38
Impairment losses	298	338	1,863
Write-downs of securities	52	58	327
Asset adjustment account	847	1,106	5,296
Other	350	310	2,186
Gross deferred tax assets	2,334	2,706	14,597
Valuation allowance for tax loss carryforwards	(99)	(137)	(622)
Valuation allowance for the total of future deductible temporary differences etc.	(97)	(96)	(606)
Valuation allowance	(196)	(233)	(1,228)
Total deferred tax assets	2,137	2,474	13,369
Deferred tax liabilities:			
Deferred gain on sales of property	(9)	(9)	(57)
Net defined benefit asset	(1)	(1)	(6)
Returns assets	(92)	(86)	(573)
Intangible assets identified in business combinations	(584)	(653)	(3,652)
Undistributed earnings of controlled foreign companies	(99)	(86)	(618)
Unrealized holding gain on other securities, net of taxes	(1,011)	(859)	(6,321)
Other	(0)	—	(1)
Total deferred tax liabilities	(1,795)	(1,695)	(11,228)
Net deferred tax assets	¥ 342	¥ 779	\$ 2,141

At March 31, 2026 and 2025, net deferred tax assets and net deferred tax liabilities were included in the following items in the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Non-current assets - deferred tax assets	¥ 342	¥ 779	\$ 2,141

Amounts of tax loss carryforward and related deferred tax assets by tax loss carryforward as of March 31, 2026 and 2025, were as follows:

	Millions of yen						
As of March 31, 2026	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	¥ —	¥ 12	¥ 5	¥ 57	¥ 23	¥ 2	¥ 99
Valuation allowance	—	(12)	(5)	(57)	(23)	(2)	(99)
Deferred tax assets	—	—	—	—	—	—	—

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

	Thousands of U.S. dollars						
As of March 31, 2026	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	\$ —	\$ 78	\$ 29	\$ 358	\$ 146	\$ 11	\$ 622
Valuation allowance	—	(78)	(29)	(358)	(146)	(11)	(622)
Deferred tax assets	—	—	—	—	—	—	—

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

A reconciliation of the statutory tax rates to the Company's effective tax rates for the years ended March 31, 2026 and 2025 is summarized as follows:

	2026	2025
Japanese statutory tax rate	The difference	31.00%
Permanent differences, such as entertainment expenses, etc.	between the statutory	0.34
Permanent differences, such as dividend income	effective tax rate	(0.28)
Tax credit	and the corporate	(2.24)
Undistributed earnings of controlled foreign companies	tax burden rate	0.85
Equity in loss of affiliates	after applying tax	(0.40)
Gain on bargain purchase	effect accounting is	(9.08)
Increase in valuation allowance	less than 5% of the	0.72
Other	statutory effective tax	2.39
Effective tax rate	rate, therefore, the note	23.30%
	has been omitted.	

13 Business Combinations

(Transactions under common control, etc.)

(Absorption-type merger of wholly owned subsidiary)

At the Board of Directors meeting held on April 9, 2025, the Board resolved to merge with its wholly owned subsidiary S.T. Business Support Co., Ltd. and the merger took effect on July 1, 2025.

(a) Overview of absorption-type merger

- (1) Name of merged company and its business content

Surviving company

Name of company	S.T. CORPORATION
Business content	Daily necessities business

Absorbed company

Name of company	S.T. Business Support Co., Ltd.
Business content	Outsourcing of logistics, office work, etc.

- (2) Date of business combination

July 1, 2025

- (3) Legal form of business combination

Absorption-type merger where the Company is the surviving company, and S.T. Business Support Co., Ltd. is the absorbed company

- (4) Name of company after business combination

S.T. CORPORATION

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

The Group aims to improve operational efficiency and overall productivity by reorganizing the supply chain related to logistics, including procurement, production, shipping, and delivery.

(b) Overview of accounting treatment adopted

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

14 Asset Retirement Obligations

Not applicable

15 Employees' Retirement and Severance Benefits

The Company and its consolidated subsidiaries have defined benefit plans for payments of employees' retirement (either funded or unfunded), the Company and some consolidated subsidiaries have a defined contribution pension plan.

The Group pays a pension or lump sum based on length of service and salary in the defined benefit corporate pension plan.

In unfunded retirement benefit plans, the Company pays a lump sum based on length of service and salary as a retirement benefit.

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

(a) Defined benefit plans

Adjustments of beginning and ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at the beginning of the year	¥ 1,184	¥ 1,170	\$ 7,407
Service cost	65	75	406
Interest cost	8	8	52
Actuarial gain or loss	(40)	36	(248)
Payment of retirement benefits	(113)	(112)	(706)
Other	6	7	36
Balance at the end of the year	¥ 1,111	¥ 1,184	\$ 6,947

Adjustments of beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at the beginning of the year	¥ 23	¥ 29	\$ 147
Expected return on plan assets	0	0	2
Actuarial loss	(1)	(1)	(7)
Payment of retirement benefits	(1)	(4)	(8)
Balance at the end of the year	¥ 21	¥ 23	\$ 133

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

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Funded retirement benefit obligations	¥ 19	¥ 19	\$ 121
Plan assets	(21)	(23)	(133)
	(2)	(4)	(12)
Unfunded retirement benefit obligations	1,091	1,165	6,826
Net defined benefit asset and liability on consolidated balance sheet	1,089	1,161	6,814
Net defined benefit liability	1,093	1,165	6,834
Net defined benefit asset	(3)	(4)	(20)
Net defined benefit asset and liability on consolidated balance sheet	¥ 1,089	¥ 1,161	\$ 6,814

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

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Service cost	¥ 65	¥ 75	\$ 406
Interest cost on benefit obligation	8	8	52
Expected return on plan assets	(0)	(0)	(2)
Amortization of actuarial loss	(6)	(11)	(36)
Extraordinary additional retirement payments	136	72	854
Net retirement benefit expenses	¥ 204	¥ 145	\$ 1,275

Notes to Consolidated Financial Statements

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

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Actuarial gain (loss)	¥ 33	¥ (48)	\$ 205

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

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Unrecognized actuarial gain (loss)	¥ (7)	¥ 25	\$ (46)

Plan assets

(1) Plan assets

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

	2026	2025
General accounts	100.0%	100.0%
Total	100.0	100.0

(2) Calculation method of expected long-term rate of return on plan assets

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in the actuarial calculation

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

	2026	2025
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	1.3%	1.3%

(b) Other retirement benefits

Contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries for the years ended March 31, 2026 and 2025 amounted to ¥121 million (U.S. \$757 thousand) and ¥125 million, respectively.

16 Net Assets

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Capital surplus and the legal reserve are not available for the distribution of dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital. As of March 31, 2026, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$3,439 thousand).

The maximum amount which the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Corporation Law of Japan.

17 Amounts per Share

Net assets per share as of March 31, 2026 and 2025 were ¥1,611.46 (U.S.\$10.08) and ¥1,560.45, respectively. Basic earnings per share for the years ended March 31, 2026 and 2025 were ¥77.38 (U.S.\$0.48) and ¥133.57, respectively.

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

The basis for the calculation of basic earnings per share and diluted earnings per share for the years ended March 31, 2026 and 2025 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Basic earnings per share:			
Profit attributable to owners of parent	¥ 1,615	¥ 2,835	\$ 10,101
Amount not attributable to shareholders of common stock	—	—	—
Amount attributable to shareholders of common stock	1,615	2,835	10,101
Weighted-average number of shares outstanding (millions of shares)	21	21	—

The basis for calculation of total net assets per share as of March 31, 2026 and 2025 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total net assets per share:			
Total net assets	¥ 34,304	¥ 33,237	\$ 214,559
Deductions:	673	670	4,207
Subscription rights	—	—	—
Non-controlling interests	673	670	4,207
Amounts attributable to shareholders of common stock	33,631	32,567	210,352
Number of shares outstanding at year end (millions of shares)	21	21	—

Notes to Consolidated Financial Statements

18 Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Sales promotion expenses	¥ 637	¥ 600	\$ 3,987
Advertising costs	2,179	1,875	13,626
Salaries	2,903	2,852	18,157
Shipment and storage expenses	1,779	1,757	11,124
Provision for employees' retirement and severance benefits	144	145	901
Provision for executive officers' incentive plan	13	10	79
Provision for share awards for employees	(2)	21	(9)
Provision of allowance for doubtful accounts	(10)	10	(65)

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2026 and 2025 amounted to ¥1,036 million (U.S.\$6,478 thousand) and ¥896 million, respectively.

19 Cash and Time Deposits

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and time deposits in the accompanying consolidated balance sheets at March 31, 2026 and 2025 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cash and time deposits	¥ 10,298	¥ 10,061	\$ 64,413
Time deposits with a maturity in excess of three months	(203)	(195)	(1,271)
Restricted deposits	(28)	(26)	(178)
Other current assets (*)	53	46	329
Cash and cash equivalents	¥ 10,119	¥ 9,885	\$ 63,294

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

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

	Millions of yen
Current assets	¥ 439
Fixed assets	3,596
Goodwill	1,342
Current liabilities	(693)
Payments for transfer of business	¥ 4,683

Details of significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cancellation of treasury shares	¥ —	¥ 6,489	\$ —

20 Leases

(Finance leases)

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

(Operating leases)

The Company and its consolidated subsidiaries had no significant operating leases as of March 31, 2026 and 2025.

21 Revenue recognition

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

(1) Breakdown by type of goods or services

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Air Care	¥ 21,603	¥ 21,110	\$ 135,117
Pet Care	3,778	3,596	23,630
Cloth Care	6,650	6,834	41,597
Home Care	4,447	4,330	27,813
Dehumidify Care	2,503	2,764	15,657
Thermal Care	3,971	4,095	24,838
Hand Care	5,540	5,385	34,652
Total of revenue from contracts with customers	¥ 48,492	¥ 48,114	\$ 303,305

(2) Breakdown by timing of revenue recognition

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Goods or services to be transferred at one time	¥ 48,492	¥ 48,114	\$ 303,305
Goods or services that are transferred over a period of time	—	—	—
Total of revenue from contracts with customers	¥ 48,492	¥ 48,114	\$ 303,305

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

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

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

The promised consideration is collected within approximately two months from the time the performance obligation is fulfilled. The amount of consideration does not include any significant financing components.

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

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

	Millions of yen		Thousands of U.S. dollars
	Balance at 2026	Balance at 2025	Balance at 2026
Beginning balance of receivables arising from contracts with customers			
Notes receivable – trade	¥ 239	¥ 209	\$ 1,492
Accounts receivable – trade	6,502	5,773	40,670
Beginning balance of liabilities arising from contracts with customers			
Contract liabilities	¥ 12	¥ —	\$ 73
Ending balance of receivables arising from contracts with customers			
Notes receivable – trade	¥ 169	¥ 239	\$ 1,057
Accounts receivable – trade	7,172	6,502	44,859
Ending balance of liabilities arising from contracts with customers			
Contract liabilities	¥ 19	¥ 12	\$ 118

Note: Contract liabilities are advances received from customers based on payment terms in relation to sales contracts for products and merchandise. Contract liabilities are reversed when revenue is recognized.

(2) Transaction price allocated to remaining performance obligations

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

22 Segment Information

(a) Summary of Reporting Segments

Segment information for the years ended March 31, 2026 and 2025 is omitted as the Group operates the daily necessities segment as a single segment.

(b) Calculation method of sales, profits or losses, and other items by reportable segment

Information on the calculation method is omitted as the Group operates as a single segment.

(c) Information on the amounts of sales, income, and other items by reportable segment

Information on the amounts of sales and other items for the years ended March 31, 2026 and 2025 is omitted as the Group operates as a single segment.

(d) Related Information

(1) Information by products and service

Millions of yen						
Year ended March 31, 2026	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 21,603	¥ 6,650	¥ 3,971	¥ 5,540	¥ 10,728	¥ 48,492
Millions of yen						
Year ended March 31, 2025	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	¥ 21,110	¥ 6,834	¥ 4,095	¥ 5,385	¥ 10,690	¥ 48,114
Thousands of U.S. dollars						
Year ended March 31, 2026	Air Care	Cloth Care	Thermal Care	Hand Care	Others	Total
Sales to third parties	\$ 135,117	\$ 41,597	\$ 24,838	\$ 34,652	\$ 67,101	\$ 303,305

(2) Information by geographical segment

(Sales)

Geographical segment information is not presented as overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2026 and 2025.

(Property, plant and equipment)

Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of the total of property, plant and equipment at March 31, 2026 and 2025.

(3) Information by major customers

Customers	Sales		Thousands of U.S. dollars	Related segment
	Millions of yen			
	2026	2025		
PALTAC CORPORATION	¥ 16,751	¥ 16,794	\$ 104,774	Daily necessities
ARATA CORPORATION	12,843	11,755	80,327	Daily necessities

23 Related Party Transactions

(Years ended March 31, 2026 and 2025)

Not applicable

24 Inventory Valuation Loss Included in Cost of Sales

Inventory valuation loss on write-downs to net selling value are included in cost of sales and amounted to ¥228 million (U.S.\$1,428 thousand) and ¥408 million for the years ended March 31, 2026 and 2025, respectively.

25 Impairment Loss

(Year ended March 31, 2026)
Not applicable

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

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

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

26 Business Restructuring Expenses

(Year ended March 31, 2026)

As part of our efforts to optimize our business structure in the hand care category, the Group has recorded the costs associated with early retirement of employees resulting from the withdrawal of our consolidated subsidiary, S.T. (Thailand)Co., Ltd., from its hand care manufacturing business as business structure improvement costs.

(Year ended March 31, 2025)
Not applicable

Notes to Consolidated Financial Statements

27 Note to Consolidated Statements of Changes in Net Assets

Shares in issue and outstanding and treasury stock at March 31, 2026 and 2025 were as follows:

(Year ended March 31, 2026)

Number of shares in issue and outstanding:

Common stock 23,000 thousand

Number of shares held in treasury:

Common stock 2,130 thousand

Note: Details of the change in the number of shares of treasury stock are as follows:

Increase due to purchase of shares less than standard unit: 0 thousand

The common stock owned by the Trust (216 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2026 were as follows:

Resolution	Total amount of dividends		Dividends per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	yen	U.S. dollars		
Board of directors' meeting held on May 20, 2025	¥ 464	\$ 2,902	¥ 22	\$ 0.14	March 31, 2025	June 2, 2025
Board of directors' meeting held on November 11, 2025	¥ 464	\$ 2,902	¥ 22	\$ 0.14	September 30, 2025	December 5, 2025

Dividends for which the record date was in the year ended March 31, 2026 and the effective date is in the year ending March 31, 2027 were as follows:

Resolution	Total amount of dividends		Source of dividends	Dividends per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars		yen	U.S. dollars		
Board of directors' meeting held on May 21, 2026	¥ 464	\$ 2,902	Retained earnings	¥ 22	\$ 0.14	March 31, 2026	June 4, 2026

(Year ended March 31, 2025)

Number of shares in issue and outstanding:

Common stock 23,000 thousand

Number of shares held in treasury:

Common stock 2,130 thousand

Note: Details of the change in the number of shares issued are as follows:

Increase due to allotment from an exchange of shares with the Company as the parent company through exchange of shares and Shaldan Co., Ltd., as the subsidiary company through exchange of shares: 4,164 thousand

Decrease due to the cancellation of treasury shares: 4,164 thousand

Details of the change in the number of shares of treasury stock are as follows:

Increase due to purchase of shares less than standard unit: 0 thousand

Increase due to the exchange of shares: 5,587 thousand

Decrease due to the cancellation of treasury shares: 4,164 thousand

Decrease due to issuance of treasury shares by the stock benefit trust (BBT): 7 thousand

The common stock owned by the Trust (216 thousand shares) is included in the number of shares held in treasury stock.

Dividends paid from retained earnings for the year ended March 31, 2025 were as follows:

Resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 21, 2024	¥ 473	¥ 21	March 31, 2024	June 3, 2024
Board of directors' meeting held on November 6, 2024	464	22	September 30, 2024	December 6, 2024

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

Resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 20, 2025	¥ 464	Retained earnings	¥ 22	March 31, 2025	June 2, 2025

28 Significant Subsequent Events

(Sale of Investment Securities)

On June 19, 2026, the Board of Directors of the Company resolved to tender 339,000 shares of common stock of PALTAC CORPORATION held by the Company in the tender offer for treasury shares conducted by MEDIPAL HOLDINGS CORPORATION (hereinafter referred to as the "Tender Offer"). The Tender Offer was concluded on July 7, 2026, and all of the shares tendered by the Company are to be purchased.

As a result of this transaction, the Company expects to recognize a gain on sale of investment securities of ¥1,794 million in its non-consolidated and consolidated financial results for the fiscal year ending March 31, 2027.

Independent Auditor's Report

The Board of Directors
S.T.CORPORATION

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of S.T.CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Recognition of revenue related to net sales in S.T.CORPORATION's daily necessities segment

Description of Key Audit Matter	Auditor's Response
Net sales of ¥48,492 million recorded in the consolidated statement of income for the year ended March 31, 2026 includes net sales of ¥45,175 million attributable to S.T.CORPORATION (the "Company"), accounting for 93.2% of consolidated net sales. The Company primarily operates the daily necessities segment, manufacturing and selling daily necessities, mainly to wholesalers in Japan. In the daily necessities segment, the Company is engaged in the air care, pet care, cloth care, home care, dehumidify care, thermal care, and hand care categories, and not only handles a large number of products, but the transaction amounts per product are small and the number of transactions processed on a recurring basis is large. In addition, the Company's net sales in the daily necessities segment depend on the automated control of the sales distribution system. Since net sales recorded are calculated automatically by multiplying unit selling prices by sales volumes, net sales recorded that are not based on appropriate unit selling prices or sales volumes may result in recording erroneous net sales. Based on the above, we determined the recognition of revenue related to net sales in the Company's daily necessities segment as a key audit matter.	We mainly performed the following audit procedures for the recognition of revenue related to net sales in the Company's daily necessities segment. • We performed net sales analysis by category (annually and monthly), trade receivables turnover analysis, and accounts receivable analysis by customer as risk assessment procedures. • We evaluated IT general controls and assessed the design and operation of internal controls at the business process level, including sales distribution systems. We involved IT specialists from our firm in the assessment of IT general controls. • In order to assess the accuracy of net sales, we drew samples of journal entries recorded as net sales throughout the year and vouched them to transaction documents, including goods receipts. • In order to assess the cut-off of net sales, we vouched sales recorded at or near the financial closing date to transaction documents, including goods receipts. We also examined whether there were large volumes of returns processed in the month following the financial closing date. • We performed balance confirmations related to receivables balances for major business counterparties.

Other Information

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of S.T.CORPORATION and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 57 million yen and 12 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 7, 2026

Shigeyoshi Sato

Designated Engagement Partner
Certified Public Accountant

Yuichiro Tamaki

Designated Engagement Partner
Certified Public Accountant

(Note) The original auditor's report is retained by the Company.



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