A New Beginning to Refresh the World

Annual Report 2007

For the Year Ended March 31, 2007

S.T.CORPORATION

New Ideas for Comfortable Lifestyles

To reflect the growing broad-based nature of our business, we removed "kagaku "(chemicals) from our Japanese corporate name, giving birth to a renewed S.T. Corporation.

In commemorating the 60th anniversary our founding, we have committed ourselves to the creation of "New Ideas for Comfortable Lifestyles."

In order to provide "comfort and excitement" to its customers, the S.T. Corporation doesn't bother with the unimaginative—it pursues only innovative projects.

With a new corporate name, a new commitment and a new approach,
a New S.T. has started.

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A New Beginning and New Leadership

On April 1, 2007, I took over a great responsibility, acceding to the post of President and Chief Executive Officer, and Chairman of the Board—the first person from outside the founding family to assume these positions. In order to survive the inexorable, sweeping changes taking place in today's society, we must reorganize ourselves from a top-down approach to that of a management team and an employee-led structure. We must change into a teamwork-oriented company with reinforced front-line capabilities—a company that focuses on partial optimization rather than total optimization. In order to do this, I set up three policies: (1) efficient management, (2) growth management and (3) teamwork management. And I accelerated the implementation of these policies in order to carry out the reform. Please refer to pages 2—7 for the policy details.

Furthermore, we changed our Japanese corporate name from S.T. Kagaku Kabushiki Gaisha (S.T. Chemical Corporation) to S.T. Kabushiki Gaisha (S.T. Corporation) on August 1, 2007. On the back of the transition to the new business structure on our 60th anniversary, we will continue to offer flexible ideas—ideas that are not limited by "chemicals"—under the new corporate name, while providing "comfort and excitement" in the broader living domain. Through these means, we will outpace the intensifying competition.

Fiscal 2007 Strategies

In the fiscal year ending March 31, 2008, S.T. Corporation will promote the following strategies, marking the year as one where we establish a foundation for further growth. The strategies are: (1) reduce the number of products in the lineup and focus on the core brands; (2) develop all-new, highly differentiated products with added value by cultivating new applications and needs; (3) realize efficient marketing costs through streamlined and effective marketing activities by interlinking TV advertising and in-store promotions; and (4) enhance the presence of our products in the global market through business operations at a joint venture established in March 2007 in South Korea and the expansion of product lineups in the United States.

Continue to Be a Company "Doing things no other company in the world does"

S.T. Corporation will make ongoing efforts to be a company that accomplishes things that no other company in the world does. Taking over with S.T. Corporation's outstanding traditions in mind, I will commit myself to further business development. A company needs to bring about innovation through intensive quality improvements of business operations and products. The promotion of innovation then becomes a driving force of business growth, enabling the Company to realize increased profits and a high earnings structure. I believe that the corporate brand eventually will be established by the trust and favor of all of the stakeholders, including customers and shareholders. In order to be a company "Doing things no other company in the world does," S.T. Corporation will continue to transform itself. With a 60-year history of advanced chemical technology, pride in the manufacture of good-quality products, and a devoted corporate culture, S.T. Corporation will grow freely and dynamically without being constrained by normal convention.

August 2007

Kanzo Kobayashi
President and Chief Executive Officer
Chairman of the Board

SPECIAL FEATURES

1. Efficiency

Optimizing Our Operations

Efficiency

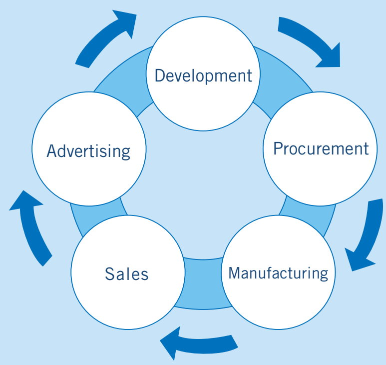
Accelerated management, drastic change in management style and streamlined management assets in view of total optimization

In order to outpace its competition, the Company needs to minimize overburden, unevenness and waste in business and enhance its operating efficiencies through business improvement initiatives. In light of this, S.T. Corporation will promote management reform aiming to shift “from partial optimization to total optimization.” Total optimization means to set one objective for the whole company and focus employees’ awareness on one thing in pursuit of bringing about synergistic effects. Each division will act organically for the overall value chain, including development, material procurement, production, sales and advertising. It will also act for itself, optimizing management resources (including human resources) and funds, and enhance management speed, with the aim of maximizing the outcome. To that end, the Company will set up company-wide and cross-sectional objectives and a performance-based evaluation system.

In addition to this approach, the Company will strive to improve its business operations through the development of employees’ skills and the rationalization of work. Business operations are usually scheduled on a monthly basis. In today’s ever-changing operating environment, however, business may fall behind that of competitors if it is based on a monthly schedule. Given this fact, the Company is thinking of changing its business scheduling to weekly operations, having all the employees manage their work on a 52-weeks-per-year basis, just as the logistics industry does, with the aim of improving its corporate structure.

With these efforts, S.T. Corporation plans to achieve an operating income ratio of 10% or over.

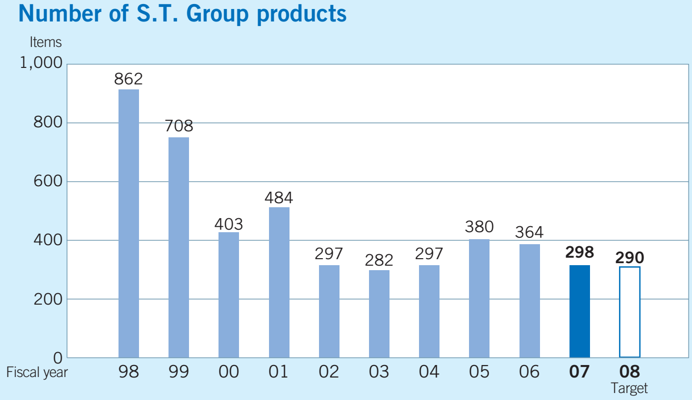
●From “partial optimization” to “total optimization”



●Selection and Focus

<Rationalization of Product Line>

Number of S.T. Group products



<Focusing on Core Brands>

To achieve a ¥10 billion brand

Shoshu Riki

Lead the market expansion

Air Wash

To win dominant share

Mushuda

Future core brand

Shoshu Plug

2. Growth

Creating New Markets

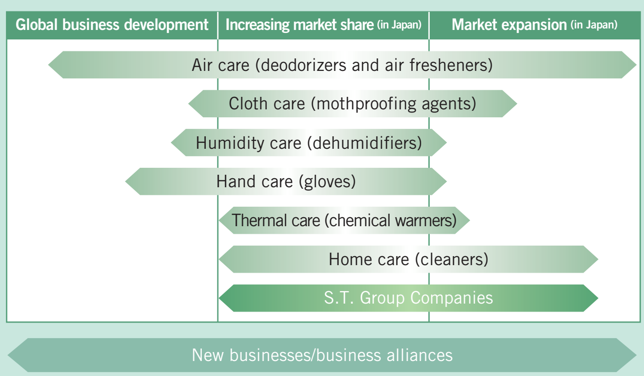
Growth

Creating products with innovative ideas, S.T. Corporation will expand the market and improve its market share, while aggressively branching out overseas

Companies must make continuous efforts for growth. But development has its limits if a company pursues only business efficiencies. Therefore, the establishment of a business plan for future growth is important. S.T. Corporation will engage in proposal-based management to create ideas for new businesses with a concept that goes beyond "chemicals." With its unique and innovative dehumidifier and other product lineups, such as Dasshutan deodorizer, S.T. Corporation will create product strategies to conduct marketing activities that aim to create new markets for the next stage of growth. The Company also continues to make efforts to develop technologies for high-value-added products that will enhance its profitability, expand the market and improve the Company's market share.

Capitalizing on an overall corporate trend that is seeing companies from around the world expanding operations in Japan and, at the same time, Japanese companies branching out overseas, S.T. Corporation will take active steps to deliver unique products to the international market and develop global operations. In the United States, the Company distributes dehumidifiers and Dasshutan deodorizers at 3,330 branches of U.S. major retailer Wal-Mart, enjoying robust sales. S.T. Corporation will expand its product lineups in order to enhance its market presence. Meanwhile, in the Asian region, the Company strives to cultivate markets by, for example, making full-scale entry into the South Korean market, as well as developing new sales channels. As a starting point, the Company established Aekyung S.T. jointly with Aekyung Industrial Co., Ltd., the second largest household goods company in South Korea, and ITOCHU Korea Ltd. in February 2007. The joint venture got off to a favorable start when it commenced sales in April. With regard to new businesses and alliances, S.T. Corporation will accept forthrightly any promising offers and endeavor to take up new challenges with careful consideration of risks.

●Direction of growth strategies by business category



●Sales of dehumidifiers and deodorizer at Wal-Mart

In March 2006, S.T. Corporation commenced sales of closet dehumidifiers (DryPet Skit) and closet deodorizers (Dasshutan) at approximately 3,300 stores of the largest U.S. retailer, Wal-Mart Stores, Inc. Sales have been robust since the launch of these products.

The Company plans to expand its product lineups in the U.S. market.

●Establishment of Joint Venture Aekyung S.T. in South Korea

In February 2007, S.T. Corporation jointly established Aekyung S.T. with South Korea's second largest household goods company, Aekyung Industrial Co., Ltd., and ITOCHU Korea LTD. Sales of deodorizers and air fresheners, as well as mothproofing agents, commenced in April the same year. S.T. Corporation will proactively increase sales of S.T.-brand products in view of growing demand for deodorizers and air fresheners in South Korea.

3. Teamwork

Taking Initiative and Working Together

Teamwork

Raising the motivation of each employee, S.T. Corporation will develop as a company with strong on-site capabilities under a "people-centered mindset"

In order to keep pace in today's rapidly changing world, S.T. Corporation needs to transform its top-down management structure into a management team and an employee-oriented organization. The two policies of Efficiency and Growth described earlier are indispensable elements of business development. Aside from this, any kind of work is preceded by people. Each employee's awareness will become a driving force of the Company. Given this, S.T. Corporation is transforming itself into a teamwork-oriented company with strong on-site capabilities under a "people-centered mindset."

Specifically, S.T. Corporation will reform its evaluation systems, including that for the recruitment of specialist personnel, and implement an appropriate performance-based evaluation system. In addition, the Company will organize in-house systems for overseas study with the aim of implementing personnel exchanges and business skill improvements. It will also hold cooperative meetings to break down communication barriers between divisions. These systems will enable each employee to think freely, make flexible decisions and act effectively in diverse situations. Aiming to become a "light-footed" organization, S.T. Corporation will reinforce every single employee's capability to respond to change, in pursuit of becoming a speedy, strong company. Promoting the policies of Efficiency, Growth and Teamwork, S.T. Corporation will engage in four company-wide projects, as follows:

1. SCM Project

Strive to act organically in the overall value chain, including development, material procurement, manufacturing, sales and advertising, while developing contact bases outside the Company

2. Marketing Innovation

Reform marketing activities tailored to the latest IT tools in order to increase sales representatives' time for business negotiations, and improve proposal capabilities by means of Point-of-Sale analysis

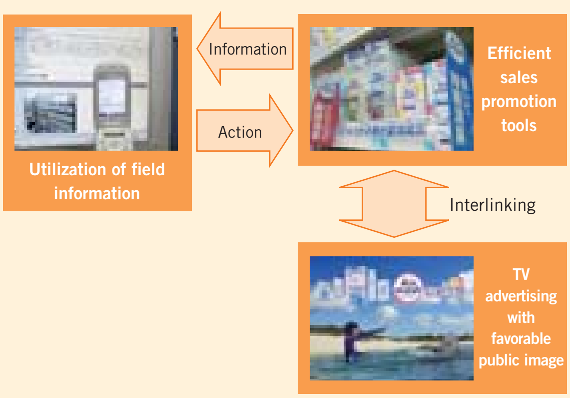
3. Business Planning Project

Establish growth strategies for existing as well as new businesses

4. Internal Control Project

Develop an internal control system corresponding to the Japanese SOX Act and review overall business operations for strengthened and streamlined functions

●Interlinking TV advertising, in-store promotions and field support activities

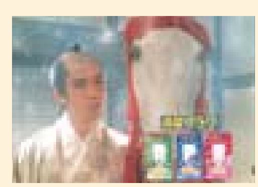


●TV advertising with favorable public image

In 2006, S.T. Corporation ranked 38th*1 among 2000 Japanese companies in terms of TV advertising that produced a favorable public image. In particular, an ad featuring an old-time Japanese daimyo espousing the benefits of Shoshu Plug gathered great attention from consumers as well as the advertising industry. The totally unexpected, peaceful approach used to explain the electric Shoshu Plug systems within the context of a historical drama won a prize at the New York Festivals*2, one of the world's three major advertising awards.

*1 "CM-Branding Top-50 Companies" ranking of Japanese Best Advertiser 2006, sponsored by CM Databank

*2 Established in 1957, the New York Festivals holds world-class media competitions, co-sponsored by the United Nations. In the New York Festivals TV & CINEMA category, 30 Japanese works won prizes.



Providing relaxation and excitement to homes through its products and services, S.T. Corporation targets growth with sustainable earnings. The Company also places top management priority in satisfying all stakeholders, including shareholders, customers, clients, local communities and employees, while enhancing its corporate value.

Corporate Governance

In June 2005, S.T. Corporation converted itself into a company with a committee-based corporate governance system, with the aim of further reinforcing the entire organization. Five of the eight members of the Board of Directors were outside directors as of June 15, 2007. Adopting a committee-based corporate governance system, management supervisory functions and business execution have been separated, and a large part of the responsibility for business execution has been transferred to executive officers. This has created an environment for steady improvement in management quality, rapid decision-making and flexible business execution at the Company. In addition, the Company believes that the establishment of Nomination, Audit and Compensation Committees with outside directors as majority members is reinforcing the management supervisory functions and management transparency.

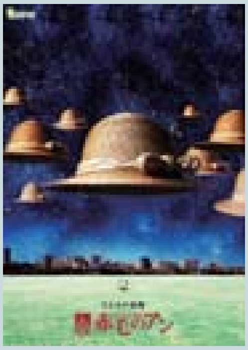
Progress in the Development of Internal Control System

There are four divisions under the control of the chief executive officer: corporate staff, marketing, sales and manufacturing. Each division has a chief operating officer responsible for operations who delegates authority so that he can make responsible decisions. At the same time, each division conducts mutual supervision through the Executive Officer Meeting and the in-house approval system. In addition to this, the Legal Affairs Group properly supervises each division's compliance activities. Furthermore, at an Executive Officer Meeting held on March 10, 2007, the Company resolved to appoint a compliance officer/information disclosure officer at every domestic subsidiary, in pursuit of developing the Group-wide compliance structure.

Social Contribution Activities

With the aim of "Using resources efficiently and communicating with and contributing to local communities," the S.T. Corporation plants at Honjo, Saitama Prefecture, Iwaki, Fukushima Prefecture, and Kita-Kyushu, Fukuoka Prefecture, held bargain sales of products for the benefit of local residents and donated part of the proceeds to the social welfare councils in the three cities.

The Company proactively supports cultural activities, such as musicals and stage plays, and the Company-sponsored campaign to stage musicals is now in its tenth year. In 2007, S.T. Corporation plans to present the musical, *Anne of Green Gables*, in eight major cities nationwide in its "Heartbeat of 20,000 People Tour." The Company appointed singer Hitomi Shimatani as the heroine, and costars were selected in auditions held throughout Japan. With a total of approximately 20,000 people, including cast, staff and audience, S.T. Corporation will present a "heart-throbbing" performance for all.



The poster of the musical, *Anne of Green Gables*

Review of Operations

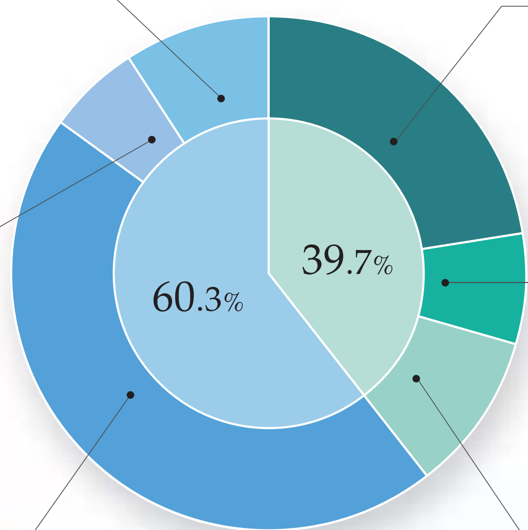
Composition of net sales by business segment

(year ended March 31,2007)

In the fiscal year ended March 31, 2007, the Air Care industry faced intensified market competition due to the increased participation of foreign-affiliated toiletry manufacturers in the Japanese market, as well as new product releases carried out by competitors. Given these conditions, S.T. Corporation focused on its core brands—Shoshu Riki, Shoshu Plug and Air Wash—in pursuit of expanded market share. In addition, although raw material prices rose during the fiscal year under review on the back of soaring crude oil prices, we succeeded in offsetting the increase through cost-reduction initiatives carried out by the purchasing and manufacturing divisions. As a result, S.T. Corporation was able to secure increased earnings, despite overall lowered revenues due to a 21.2% sales drop in the Thermal Care (disposable warmers) Group, reflecting a record-setting warm winter in 2006.

HOUSEHOLD ENVIRONMENT-RELATED PRODUCTS

MOTHPROOFING AND HYGIENE-RELATED PRODUCTS



9.1%

Home care
(other products)

S.T. Corporation offers a wide variety of unique products, including the Powers lineup of cleaners.

5.9%

Humidity care
(dehumidifiers)

Our broad lineup of DryPet dehumidifiers has continuously led the market.

45.3%

Air care
(deodorizers and air fresheners)

The Air Care Group, with such products as Air Wash and Shoshu Riki, is a core business.

22.5%

Cloth care
(mothproofing agents)

The Cloth Care Group, with such products as Mushuda and Neopara Ace, is one of S.T. Corporation's core businesses.

7.2%

Hand care
(gloves)

The Hand Care Group markets the Family series of household gloves that moisturize the hands.

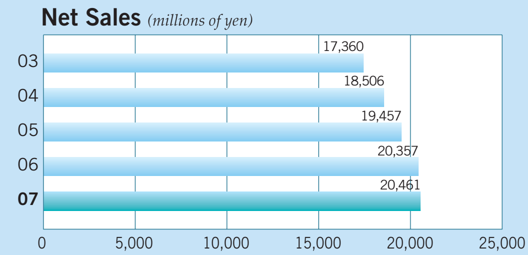
10.0%

Thermal care
(disposable warmers)

The Thermal Care Group markets the Onpacks brand of disposable warmers.

AIR CARE (Deodorizers and Air Fresheners)

Air Wash Mist Plus | Air Wash for closets | Shoshu Riki | Shoshu Pot | Shoshu Plug | Dasshutan

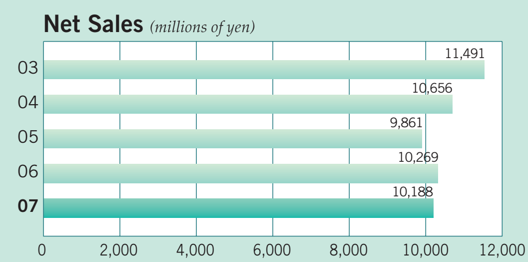


The Air Care Group is one of S.T. Corporation's core businesses, and a field in which market growth is expected. The Company offers a unique lineup of air care products, including the megabrand Shoshu Riki; Air Wash, which leads the market expansion of deodorizers and air fresheners through the concept of "refreshing the air"; Shoshu Plug, which operates on battery power to deodorize even large, spacious rooms; and the gel-type Shoshu Pot. During fiscal 2006, S.T. Corporation expanded its market despite intensifying conditions in the air care market due to increasing participation by overseas toiletry makers, as well as the launch of new products by other companies. Amid such circumstances, in February 2007, the Company introduced Air Wash Mist Plus, a stand-type deodorant with a spray function, and Air Wash for Closet, with both products gaining recognition and new customers since the start of sales. Net sales remained essentially unchanged from the previous fiscal year, edging up 0.5% to ¥20,461 million due to shrinking existing brands.

Air care

CLOTH CARE (Mothproofing Agents)

Mushuda (for walk-in closets) | Mushuda (for drawers) | Mushuda Cover + deodorizing effect | Mushuda Matomete Cover | Neopara Ace

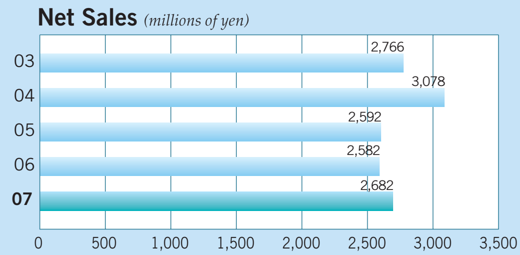


The Cloth Care Group has formed an important part of S.T. Corporation's long-standing business since the Company's foundation and is second only to the Air Care Group as a marketing priority. Mushuda and Neopara Ace, which are both trusted major brands that "protect valuable clothing from insects," enjoy a formidable level of customer loyalty. In addition, the Company carried out product development to meet the needs of people's changing lifestyles and to capitalize on diversified cloth storage techniques, and introduced products such as Mushuda for walk-in closets, and Mushuda Bochu Cover and Mushuda Matomete Cover, both of which are suitable for open storage. In this way, the Company strives to cultivate new demand. Net sales edged down 0.8% compared with the previous fiscal year to ¥10,188 million.

Cloth care

HUMIDITY CARE (Dehumidifiers)

DryPet (for wardrobes) | DryPet with Charcoal (for futon) | DryPet with Charcoal (for shoe cabinets) | DryPet Compact | Binchotan DryPet

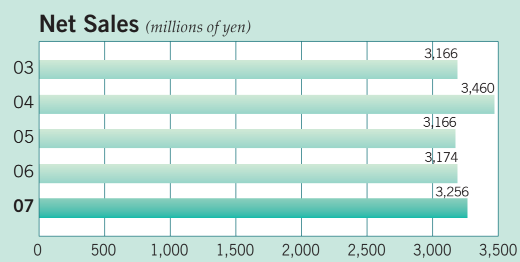


DryPet dehumidifier has constantly led the market since its launch in 1981. Starting with stand-type dehumidifiers, the Company provides product lineups that meet a variety of needs, including dehumidifier sheets for drawers and casings for clothes and wardrobes. In addition, the Company provides a lineup of high-performance Binchotan DryPet dehumidifiers that use a special charcoal made from the *Quercus phyllyraeoides* oak. Binchotan DryPet boasts deodorant effects on top of its dehumidifying functions, with products available for shoes, bedding and shoe closets. In addition, DryPet with Charcoal for futon or bedding can be placed under the futon or bedding and dried in the sun for reuse. Net sales rose 3.9% up, compared with the previous fiscal year, to ¥2,682 million.

Humidity care

HAND CARE (Gloves)

Family Chamomile | Family Squalene | Family Thin PVC Gloves (fingertip-reinforced) | Medium Thick PVC Gloves (fingertip-reinforced) | Medium Thin PVC Gloves (for scrubbing and washing)



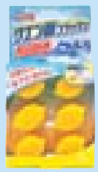
The Family series of household gloves includes high-value-added products that not only protect the hands, but also soothe the skin. Washing chores are more enjoyable for customers using the Company's wide-ranging product lineup, which comprises gloves with squalene additives and gloves with chamomile extract in a special foam layer to prevent hands from becoming hot and sticky, as well as fingertip-reinforced regular household gloves. With a variety of product lineups, S.T. Corporation is meeting the needs of today's customers. the Hand Care Group's net sales increased 2.6% year on year to ¥3,256 million as new product sales grew smoothly.

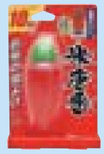
Hand care

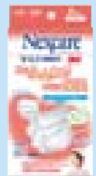
HOME CARE (Cleaners and Other Products)


Ultra Powers Washing Machine Tub Cleaner

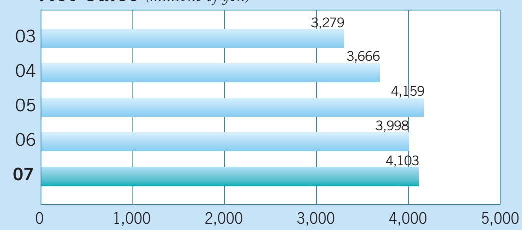

Powers Brush with Baking Soda


Powers Brush with Citric Acid


Kome-Touban


Nexcare

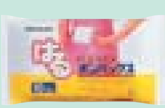
Net Sales *(millions of yen)*



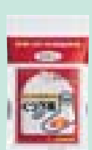
The Home Care Group provides a range of unique products, including: Ultra Powers washing machine tub cleaner; Powers brush with baking soda, a cleaner containing baking soda that cleanses off scorch, rust and grease just by using water; Zippers food-storage bags; and Kome-touban, which protects uncooked rice from insects. In addition, the Company introduced Scotchgard water and oil repellant and Nexcare sanitary products jointly with Sumitomo 3M, with both products gaining favorable support from customers. As a result, net sales rose 2.6% to ¥4,103 million in the fiscal period under review.

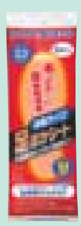
Home care

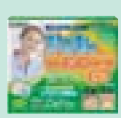
THERMAL CARE (Disposable Warmers)


Haru-Onpacks

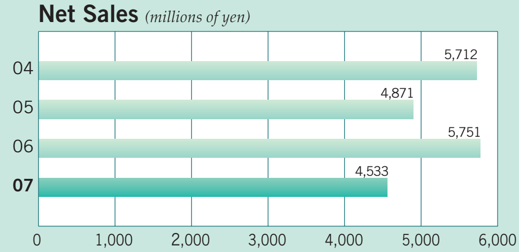

Haranai-Onpacks


Haru-Onpacks (for socks)


Onpacks (for shoes)


Thermo Thera

Net Sales *(millions of yen)*



Since July 2003, the Thermal Care Group has been marketing disposable warmers under the Onpacks brand manufactured by Mycoal Co., Ltd. Now offered are chemical warmers with self-adhesive patches for attachment to clothing and for the soles of socks. During the fiscal year under review, S.T. Corporation launched Thermo Thera gel sheet as a medical treatment that is mild to the skin and eases back pain and stiff shoulders. Due to the unfavorable effects of warm weather in the winter, net sales declined 21.2% to ¥4,533 million.

Thermal care

Management's Dis

Net Sales

As of March 31, 2007, consolidated net sales edged down 2.0% compared with the previous fiscal year to ¥45,227 million.

The principal cause of this decline was a sales decrease of ¥1,218 million, or 21.2%, from the previous fiscal year in the Thermal Care Group. The Hand Care, Air Care, Humidity Care and Home Care groups enjoyed year-on-year revenue increases, while income in the Cloth Care Group edged down from the previous fiscal year due to the impact of spotty weather since last spring.

Cost of Sales

Cost of sales declined 3.2 percentage points to ¥25,252 million, by implementing cost reduction activities in the manufacturing and purchase divisions to absorb inflationary pressures on material prices.

Operating Income

Operating income grew 6.7% compared with the previous fiscal year to ¥3,342 million. This resulted from cost-reduction activities implemented and the Company's efforts to streamline investments in promotion, including mainly advertising costs, as well as more detailed cost savings.

Net Income

Net income jumped 76.9% year on year to ¥1,747 million. Income before income taxes and minority interests totaled ¥3,039 million. The significant increase in net income was due to the absence of ¥702 million in impairment loss on property, plant and equipment that was recorded in the previous fiscal year.

Financial Position

Total assets as of March 31, 2007 declined ¥4,075 million year on year to ¥33,830 million. This was the result of a ¥3,812 million decrease in cash and time deposits, marketable securities and investment securities due to treasury stock acquisition of ¥4,943 million. Total net assets stood at ¥24,649 million, reflecting a ¥3,679 million increase in treasury stock, a deduction item in shareholders' equity due to the ¥1,164 million used for the acquisition and retirement of treasury stock. As a result, shareholders' equity fell ¥3,732 million and the shareholders' equity ratio was 71.3%.

Capital Expenditures

Capital expenditures were ¥696 million. Investment in the Household Environment-Related Products Business segment made up 74.6% of the total.

Cash Flows

Net cash provided by operating activities improved ¥682 million to ¥2,636 million. Principal components were a ¥1,126 million increase in income before income taxes and minority interests to ¥3,039 million, a ¥212 million decrease in inventories, and a ¥792 million decline in trade payables. Net cash provided by investing activities stood at ¥2,220 million, owing to the realization of marketable securities for the treasury stock acquisition. Net cash used in financing activities amounted to ¥5,561 million. Major components included ¥4,943 million for treasury stock acquisition and ¥607 million of dividend payment.

As a result, cash and cash equivalents as of March 31, 2007 stood at ¥8,112 million, a ¥691 million decrease from the previous fiscal year-end.

Dividends

Given the net income and realization of share profit, the annual dividend, including the interim dividend payment of ¥11 per share, will be ¥22 per share, as planned at the beginning of the fiscal year under review. The payout ratio on a non-consolidated basis was 45.04%.

Financial Indicators

Compared with the end of the previous fiscal year, ROE improved 3.1 percentage points to 6.7%. ROA rose from 9.1% to 10.1%. Shareholders' equity per share of common stock decreased from ¥966.43 to ¥935.19. The shareholders' equity ratio decreased from 73.5% to 71.3%, while the interest coverage ratio became 6,595.9 times, a decline from 14,432.9 times in the previous fiscal year.

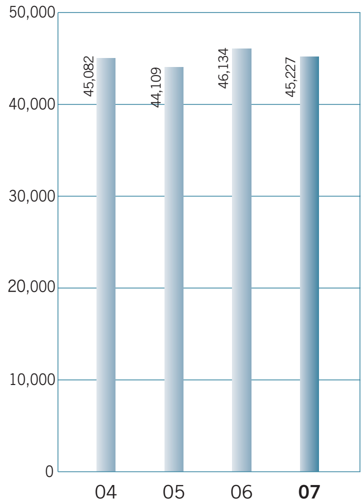
Six-year selected financial data (unaudited)

S.T. CORPORATION and Subsidiaries
Years ended March 31

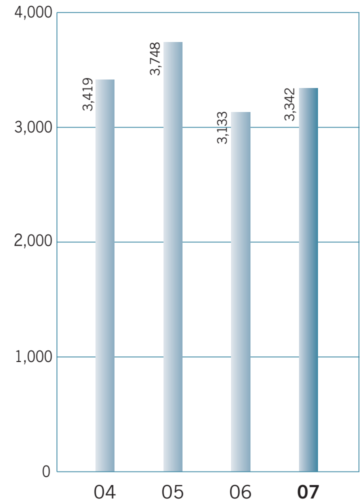
	Millions of yen except per share data and financial rations					
	2002	2003	2004	2005	2006	2007
FOR THE YEAR:						
Net sales	¥36,921	¥ 38,066	¥45,082	¥44,109	¥46,134	¥45,227
Cost of sales	20,469	19,707	24,973	24,490	26,083	25,252
Gross Profit	16,479	18,351	20,079	19,627	20,024	19,984
Selling, general and administrative expenses	14,497	14,553	16,660	15,879	16,892	16,642
Operating income	1,983	3,798	3,419	3,748	3,133	3,342
Income (loss) before income taxes and minority interests	1,018	2,619	2,746	3,209	1,913	3,039
Net income	509	1,431	1,451	1,823	988	1,747
AT YEAR-END:						
Inventories	¥ 3,566	¥ 3,661	¥ 3,668	¥ 3,769	¥ 4,824	¥ 4,647
Property, plant and equipment-net	8,937	8,684	8,154	8,018	7,582	7,371
Current liabilities	5,147	6,928	7,887	7,910	7,973	7,494
Long-term liabilities	1,646	1,250	1,175	1,079	1,591	1,687
Total liabilities	6,794	8,178	9,062	8,989	9,564	9,181
Total net assets (Note 1)	25,606	26,048	26,693	27,449	27,861	24,649
Total assets	32,921	34,732	36,269	36,959	37,905	33,830
OTHER SELECTED DATA:						
Capital expenditures	¥ 1,137	¥ 733	¥ 404	¥ 880	¥ 826	¥ 696
R&D expenses	408	490	413	423	480	489
Free cash flow	1,650	4,486	3,005	2,909	1,868	1,715
PER SHARE DATA (¥):						
Net income	¥ 16.37	¥ 46.53	¥ 48.87	¥ 63.43	¥ 34.35	¥ 65.10
Shareholders' equity	833.01	874.85	924.33	957.45	966.43	935.19
Cash dividends	8.00	10.00	17.00	22.00	22.00	22.0
FINANCIAL RATIOS (%):						
As a percent of net sales:						
Gross Profit	44.6	48.2	44.6	44.5	43.5	44.2
Selling, general and administrative expenses	39.3	38.2	37.0	36.0	36.6	36.8
Operating income	5.4	10.0	7.6	8.5	6.8	7.4
Income (loss) before income taxes and minority interests	2.8	6.9	6.1	7.3	4.1	6.7
Net income	1.4	3.8	3.2	4.1	2.1	3.9
ROE (Note 2)	2.0	5.5	5.5	6.7	3.6	6.7
ROA (Note 3)	6.7	11.9	10.2	10.9	9.1	10.1
Equity Ratio (%)	77.8	75.0	73.6	74.3	73.5	71.3

Notes: 1. The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on a new accounting standard from this fiscal year.
2. ROE=Net income / Average total shareholders' equity
3. ROA=(Operating income + Interest and dividends received + Purchase discount) / Average total assets

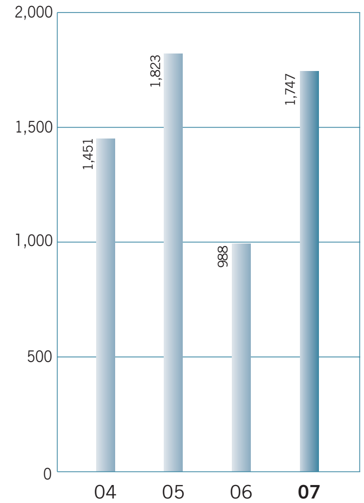
Net Sales *(millions of yen)*



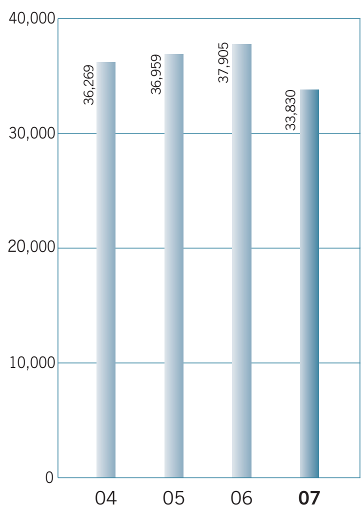
Operating Income *(millions of yen)*



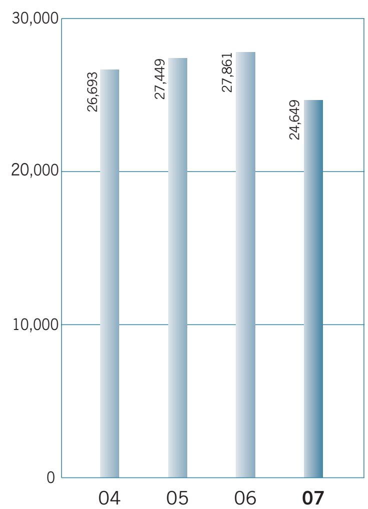
Net Income *(millions of yen)*



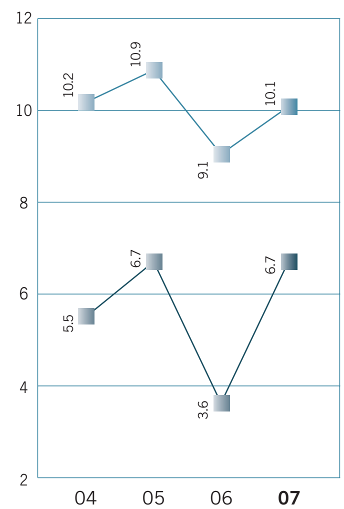
Total Assets *(millions of yen)*



Total Net Assets *(millions of yen)*



ROA / ROE *(%)*



Consolidated Balance Sheets

S.T.CORPORATION and consolidated subsidiaries
March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
CURRENT ASSETS:			
Cash and time deposits (Note 12)	¥ 8,135	¥ 8,625	$ 68,914
Marketable securities (Note 4)	2,230	4,779	18,887
Trade notes and accounts receivable	4,451	4,552	37,704
Less—allowance for doubtful accounts	(15)	(19)	(123)
Inventories	4,647	4,824	39,362
Deferred tax assets (Note 7)	386	370	3,268
Other current assets	455	474	3,857
Total current assets	20,289	23,606	171,868
INVESTMENTS AND OTHER ASSETS:			
Investments in non-consolidated subsidiaries and affiliates	566	194	4,797
Investment securities (Note 4)	3,423	4,568	28,997
Long-term loans	128	129	1,084
Deferred tax assets other than unrealized revaluation loss on land (Note 7)	205	48	1,741
Other assets	1,396	1,388	11,827
Less—allowance for doubtful accounts	(20)	(24)	(165)
Total investments and other assets	5,699	6,303	48,279
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 5 and 6):			
Land	3,413	3,267	28,909
Buildings and structures	6,163	6,131	52,205
Machinery, equipment and vehicles	7,012	7,121	59,394
Tools, furniture and fixtures	3,291	3,310	27,881
Construction in progress	6	2	48
Less—accumulated depreciation	(12,513)	(12,248)	(106,001)
Property, plant and equipment, net	7,371	7,582	62,437
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION	471	415	3,987
Total assets	¥ 33,830	¥ 37,905	$ 286,572

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	—	¥ 36	—
Trade payables	¥ 3,960	4,774	$ 33,546
Other payables	1,931	1,957	16,361
Income taxes payable (Note 7)	718	417	6,079
Consumption taxes payable	110	18	934
Accrued expenses	546	524	4,623
Allowance for sales returns	169	177	1,427
Other current liabilities	61	69	514
Total current liabilities	7,494	7,973	63,484
LONG-TERM LIABILITIES:			
Employees' retirement and severance benefits (Note 8)	1,207	1,115	10,228
Directors' retirement and severance benefits	97	95	823
Deferred tax liabilities—unrealized revaluation profit on land (Note 5)	381	381	3,226
Other long-term liabilities	1		11
Total long-term liabilities	1,687	1,591	14,287
CONTINGENT LIABILITIES (Note 14)			
NET ASSETS (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized—96,817,000 shares in 2007 and 2006			
Issued and outstanding—29,500,000 shares in 2007 and 30,346,851 shares in 2006	7,066	7,066	59,852
Capital surplus	7,068	7,068	59,871
Retained earnings	15,120	15,174	128,084
Treasury stock, at cost	(5,153)	(1,474)	(43,648)
Total shareholders' equity	24,101	27,833	204,159
Valuation, translation adjustments and other:			
Unrealized holding gain on other securities, net of taxes	811	873	6,872
Unrealized revaluation loss on land, net of taxes (Note 5)	(549)	(549)	(4,650)
Translation adjustments	(243)	(297)	(2,056)
Total valuation, translation adjustments and other	20	27	167
Subscription rights	8	—	65
Minority interests in consolidated subsidiaries	521	480	4,410
Total net assets	24,649	28,341	208,800
Total liabilities and net assets	¥33,830	¥37,905	$286,572

See notes to consolidated financial statements.

Consolidated Statements of Income

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
NET SALES	¥45,227	¥46,134	$383,120
COST OF SALES	25,252	26,083	213,907
Gross profit before reversal of (allowance for) sales returns	19,976	20,051	169,213
Reversal of (allowance for) sales returns	9	(27)	74
Gross profit	19,984	20,024	169,287
Selling, general and administrative expenses (Note 11)	16,642	16,892	140,974
Operating income	3,342	3,133	28,313
OTHER INCOME (EXPENSES):			
Interest and dividends received	86	55	731
Interest expense	(0)	(0)	(3)
Cash purchase discounts	199	223	1,690
Cash sales discounts	(844)	(871)	(7,148)
Gain on sales of securities, net	0	44	1
Equity in income (loss) of affiliates	36	(29)	305
Write-down of securities	—	(1)	—
Impairment loss on fixed assets (Note 16)	—	(702)	—
Other, net	219	63	1,856
	(303)	(1,219)	(2,569)
Income before income taxes and minority interests	3,039	1,913	25,744
INCOME TAXES (Note 7):			
Current	1,266	1,084	10,727
Deferred	(32)	(135)	(274)
	1,234	949	10,453
MINORITY INTERESTS	58	(23)	493
Net income	¥ 1,747	¥ 988	$ 14,798

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, 2007 and 2006

	Number of shares of common stock (Thousands)	Millions of yen: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE AT MARCH 31, 2006	30,347	¥7,066	¥7,068	¥15,174	¥(1,474)	¥27,833
Cash dividends paid				(317)		(317)
Cash dividends paid by distribution of retained earnings				(290)		(290)
Bonuses to directors and corporate auditors by distribution of retained earnings				(1)		(1)
Net income				1,747		1,747
Purchases of treasury stock					(4,943)	(4,943)
Disposition of treasury stock				(29)	100	71
Retirement of treasury stock	(847)			(1,164)	1,164	—
Net changes in items other than those in shareholders' equity						
BALANCE AT MARCH 31, 2007	29,500	¥7,066	¥7,068	¥15,120	¥(5,153)	¥24,101

	Millions of yen: Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 5)	Translation adjustments	Total valuations translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
BALANCE AT MARCH 31, 2006	¥873	¥(549)	¥(297)	¥27	—	¥480	¥28,341
Cash dividends paid							(317)
Cash dividends paid by distribution of retained earnings							(290)
Bonuses to directors and corporate auditors by distribution of retained earnings							(1)
Net income							1,747
Purchases of treasury stock							(4,943)
Disposition of treasury stock							71
Retirement of treasury stock							—
Net changes in items other than those in shareholders' equity	(61)	—	54	(7)	¥ 8	40	40
BALANCE AT MARCH 31, 2007	¥811	¥(549)	¥(243)	¥20	¥ 8	¥521	¥24,649

	Number of shares of common stock (Thousands)	Thousands of U.S. dollars (Note 2): Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE AT MARCH 31, 2006	30,347	$59,852	$59,871	$128,540	$(12,487)	$235,776
Cash dividends paid				(2,686)		(2,686)
Cash dividends paid by distribution of retained earnings				(2,458)		(2,458)
Bonuses to directors and corporate auditors by distribution of retained earnings				(5)		(5)
Net income				14,798		14,798
Purchases of treasury stock				0	(41,868)	(41,868)
Disposition of treasury stock				(247)	849	603
Retirement of treasury stock	(847)			(9,859)	9,859	—
Net changes in items other than those in shareholders' equity						
BALANCE AT MARCH 31, 2007	29,500	$59,852	$59,871	$128,084	$(43,648)	$204,159

	Thousands of U.S. dollars (Note 2): Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 5)	Translation adjustments	Total valuations translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
BALANCE AT MARCH 31, 2006	$7,392	$(4,650)	$(2,512)	$230	—	$4,068	$240,075
Cash dividends paid							(2,686)
Cash dividends paid by distribution of retained earnings							(2,458)
Bonuses to directors and corporate auditors by distribution of retained earnings							(5)
Net income							14,798
Purchases of treasury stock							(41,868)
Disposition of treasury stock							603
Retirement of treasury stock							—
Net changes in items other than those in shareholders' equity	(519)	—	456	(63)	$ 65	342	343
BALANCE AT MARCH 31, 2007	$6,872	$(4,650)	$(2,056)	$167	$ 65	$4,410	$208,800

	Number of shares of common stock (Thousands)	Millions of yen: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE AT MARCH 31, 2005	30,347	¥7,066	¥7,068	¥14,891	¥(1,627)	¥27,397
Cash dividends paid				(344)		(344)
Cash dividends paid by distribution of retained earnings				(317)		(317)
Bonuses to directors and corporate auditors by distribution of retained earnings				(1)		(1)
Net income				988		988
Purchases of treasury stock					(3)	(3)
Disposition of treasury stock				(36)	156	120
Unrealized revaluation loss on land				(7)		(7)
Net changes in items other than those in shareholders' equity						
BALANCE AT MARCH 31, 2006	30,347	¥7,066	¥7,068	¥15,174	¥(1,474)	¥27,833

	Millions of yen: Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 5)	Translation adjustments	Total valuations translation adjustments and other	Minority interests in consolidated subsidiaries	Total net assets
BALANCE AT MARCH 31, 2005	¥519	¥(108)	¥(359)	¥ 52	¥521	¥27,970
Cash dividends paid						(344)
Cash dividends paid by distribution of retained earnings						(317)
Bonuses to directors and corporate auditors by distribution of retained earnings						(1)
Net income						988
Purchases of treasury stock						(3)
Disposition of treasury stock						120
Unrealized revaluation loss on land						(7)
Net changes in items other than those in shareholders' equity	354	(441)	62	(25)	(40)	(65)
BALANCE AT MARCH 31, 2006	¥873	¥(549)	¥(297)	¥ 27	¥480	¥28,341

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,039	¥ 1,913	$ 25,744
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	837	873	7092
Impairment loss on fixed assets	—	702	—
Loss on sales of property, plant and equipment	41	67	345
Gain on sales and valuation of marketable securities	(1)	(1)	(7)
Gain on sales and valuation of investment securities	(0)	(42)	(1)
(Decrease) increase in allowance for doubtful receivables	(9)	1	(75)
Increase in employees' retirement and severance benefits	91	110	771
Increase in directors' retirement and severance benefits	2	18	16
(Decrease) increase in allowance for sales returns	(9)	27	(74)
Interest and dividends received	(86)	(55)	(731)
Interest expense	0	0	3
Foreign exchange gain	(47)	(23)	(396)
Equity in (income) loss of affiliates	(36)	29	(305)
Changes in operating assets and liabilities:			
Receivables	111	344	940
Inventories	212	(1,027)	1799
Payables and accrued expenses	(792)	385	(6707)
Other, net	138	37	1173
Subtotal	3,493	3,359	29,586
Interest and dividends received	112	51	945
Interest paid	(0)	(0)	(3)
Income taxes paid	(968)	(1,456)	(8,196)
Net cash provided by operating activities	2,636	1,954	22,333
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in time deposits (more than 3 months)	(0)	(0)	(0)
Refund of time deposits (more than 3 months)	—	300	—
Purchases of marketable securities	(629)	(1,005)	(5,327)
Proceeds from sales of marketable securities	4,552	1,828	38,558
Purchases of property, plant and equipment	(598)	(777)	(5,065)
Proceeds from sales of property, plant and equipment	1	10	9
Purchases of investment securities	(1,096)	(2,462)	(9,282)
Proceeds from sales of investment securities	110	104	935
Other investments, net	(120)	(229)	(1,018)
Net cash provided by (used in) investing activities	2,220	(2,230)	18,810
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in bank loan	—	36	—
Repayments of bank loans and current portion of long-term debt	(37)	(3)	(309)
Purchases of treasury stock	(4,943)	(3)	(41,868)
Proceeds from sales of treasury stock	71	120	603
Payments of dividends	(607)	(661)	(5,144)
Payments of dividends to minority shareholders	(46)	(60)	(390)
Net cash used in financing activities	(5,561)	(571)	(47,109)
Effect of exchange rate changes on cash and cash equivalents	14	17	117
Net decrease in cash and cash equivalents	(691)	(831)	(5,849)
Cash and cash equivalents at beginning of year	8,802	9,633	74,565
Cash and cash equivalents at end of year (Note 12)	¥ 8,112	¥ 8,802	$ 68,716

See notes to consolidated financial statements.

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. 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 International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law 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. Furthermore, 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.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements for the years ended March 31, 2007 and 2006 include the accounts of the Company and its six significant subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

The equity method is applied to investments in significant affiliates in accordance with accounting principles generally accepted in Japan.

(c) Accounting period

The accounting period of the Company begins on April 1 and ends on March 31 of the following year. The two 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.

(d) 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, except for the components of net assets excluding minority interests (shareholders' equity in 2006) , 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.

(e) Marketable securities and investment securities

Other securities with determinable market value are carried at market value with any changes in unrealized holding gain or loss, net of the related deferred income tax assets or liabilities, included in net assets. Other securities without determinable market value are stated at cost determined principally by the moving-average method and the cost of other securities sold is principally computed based on the moving-average method. During the years ended March 31, 2007 and 2006, the Company and its consolidated subsidiaries did not have any trading securities.

(f) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost determined by the average-cost method and those of overseas subsidiaries are stated at the lower of cost or market, cost being determined by the average cost method.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries, except for buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, is computed by the declining-balance method in conformity with the Corporation Tax Law of Japan. Depreciation of property and equipment of overseas subsidiaries and buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998 of the Company and domestic subsidiaries is computed by the straight-line method.

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

Buildings and structures	3 to 56 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years

(h) Intangible assets and long-term prepaid expenses

Intangible assets and long-term prepaid expenses are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over 5 years, the useful life applicable to commercially available software.

(i) Allowance for doubtful receivables

The Company and its domestic subsidiaries provide allowances for estimated losses on bad debts at the amounts calculated based on past experience with receivables other than doubtful receivables and amounts estimated specifically for each doubtful receivable. Overseas subsidiaries provide allowances for doubtful receivables principally based on estimated uncollectable amounts.

(j) Allowance for sales returns

The allowance for sales returns is generally provided for losses on sales returns subsequent to the balance sheet date at an amount equivalent to that calculated based on sales in conformity with the Corporation Tax Law of Japan.

The allowance for sales returns of certain products is estimated based on the actual percentage of returns in prior years.

(k) Employees' retirement and severance benefits

Accrued retirement and severance benefits are provided based on the estimated retirement and severance benefit obligation and the pension fund assets.

Actuarial gains and losses, and past service cost are amortized using the straight-line method over a period of 5 years, which is within the estimated average remaining service years of the eligible employees.

In addition, one overseas subsidiary provides an allowance for payments of employees' retirement and severance benefits at 100% of the voluntary termination payments.

(l) Directors' retirement and severance benefits

The Company has accrued 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) Leases

Finance leases, except for those which transfer ownership of the leased property to the lessee, are accounted for as operating leases.

(n) Consumption taxes

Consumption taxes imposed on the Company's and its subsidiaries' sales to customers are withheld by the Company and its subsidiaries at the time of sale and subsequently paid to the government. Consumption taxes withheld upon sale are not included in net sales in the accompanying consolidated statements of income, but are recorded as a liability, "consumption taxes payable." Consumption taxes paid by the Company and its subsidiaries on purchases of goods and services from outside the group are also not included in costs or expenses in the accompanying consolidated statements of income, but are offset against consumption taxes payable. The net balance is reflected as consumption taxes payable in the accompanying consolidated balance sheets at March 31, 2007 and 2006.

(o) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries acquired before April 1, 1999 have been valued at cost. It is the Company's policy to value assets and liabilities of subsidiaries acquired on or after April 1, 1999 at fair value when the Company obtains control over such subsidiaries; however, the Company has not acquired any subsidiaries since April 1, 1999.

(p) 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.

(q) Reclassifications

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the financial statements for the year ended March 31, 2006 have been reclassified to conform to the presentation of the financial statements for the year ended March 31, 2007.

Certain prior-year amounts have also been reclassified to conform to the 2007 presentation. These changes had no impact on previously reported results of operations or net assets.

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 ¥118.05=U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2007. This translation should not be construed as a representation that the amounts shown could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

—Presentation of net assets in the balance sheet

Effective the fiscal year ended March 31, 2007, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No.5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8 issued on December 9, 2005).

Total shareholders' equity under the previous method of presentation amounted to ¥24,121 million (U.S.$204,326 thousand) as of March 31, 2007.

—Impairment of fixed assets

Effective the year ended March 31, 2006, the Company and consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising from ongoing utilization of the asset and from its disposal after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets will be grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows from other groups of assets.

The effect of the adoption of this standard was to increase operating income by ¥65 million and decrease income before income taxes and minority interests by ¥637 million compared with the amounts which would have been recorded under the previous method. The effect on business segment information of the Company and its consolidated subsidiaries is described in Note 16, Segment Information.

The impairment loss on fixed assets has been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheet at March 31, 2006.

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The cost and related aggregate market value of other securities with a determinable market value at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cost	¥3,795	¥5,406	$ 32,146
Market value	5,047	6,860	42,757
Total unrealized gain	1,280	1,482	10,839
Total unrealized loss	27	28	228

The Company recognized impairment losses on securities at the difference between market value and book value if the market value had declined by 30% or more from the book value. Impairment losses on securities for the years ended March 31, 2007 and 2006 were nil and ¥1 million, respectively.

Securities at March 31, 2007 and 2006 excluded from the above table are summarized at their respective book value as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Other securities:			
Unlisted investment trust certificates within the closed period	—	¥ 462	—
MMF	—	1,170	—
CP	¥500	700	$ 4,232
Foreign securities	47	96	402
Unlisted stocks	58	58	493

The Company recognized impairment losses on non-marketable securities if the net book value declined by 50% or more from the book value or if the issuers of the non-marketable securities went bankrupt or were substantially bankrupt.

Sales of other securities for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Proceeds received	¥6,853	¥2,732	$ 58,048
Aggregate gain	0	45	1
Aggregate loss	—	2	—

The redemption schedule of other securities with maturity dates at March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
One year or less	¥2,182	¥2,950	$ 18,485
More than 1 year and within 5 years	400	1,828	3,388
More than 5 years and within 10 years	105	100	888
More than 10 years	—	—	—

5. 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 book value before revaluation was ¥3,332 million and the book value after revaluation was ¥3,153 million and the difference, net of taxes, is stated as "unrealized revaluation loss on land, net of taxes" in net assets. Deferred tax assets and liabilities arising from this revaluation are presented separately from deferred tax assets and liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2007 and 2006 decreased by ¥454 million (U.S.$3,849 thousand) and ¥380 million, respectively, after the revaluation.

6. SHORT-TERM BANK LOANS

Short-term loans from banks at an average interest rate of 1.9% amounted to ¥36 million at March 31, 2006.

Assets pledged as collateral for the above short-term bank loans at March 31, 2006 are presented below:

	Millions of yen
Buildings and structures	¥ 94
Land	123
Total	¥ 217

7. INCOME TAXES

At March 31, 2007 and 2006, 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
	2007	2006	**2007**
CURRENT ASSETS:			
Accrued employees' bonuses	¥ 157	¥ 157	$ 1,333
Allowance for sales returns	68	71	572
Accrued business taxes	62	41	522
Unrealized holding loss on other securities, net of taxes	1	0	8
Other	103	102	873
Total current deferred tax assets	390	371	3,308
CURRENT LIABILITIES:			
Deferred gain on sales of property	(0)	(0)	(4)
Other	(4)	—	(36)
Total current deferred tax liabilities	(5)	(0)	(40)
Net current deferred tax assets	386	370	3,268
NON-CURRENT ASSETS:			
Allowance for employees' retirement and severance benefits	476	440	4,033
Allowance for directors' retirement and severance benefits	39	38	329
Write-downs of securities	74	78	630
Impairment loss	207	233	1,756
Other	5	15	46
Gross non-current deferred tax assets	802	804	6,794
Valuation allowance	(135)	(140)	(1,141)
Total non-current deferred tax assets	667	664	5,652
NON-CURRENT LIABILITIES:			
Deferred gain on sales of property	(19)	(20)	(165)
Unrealized holding gain on other securities, net of taxes	(442)	—	(582)
Other	(15)	(3,747)	—
Total non-current deferred tax liabilities	(462)	(617)	(3,912)
Net non-current deferred tax assets	¥ 205	¥ 48	$ 1,741

A reconciliation of the statutory tax rate to the Company's effective tax rate for the year ended March 31, 2006 is summarized as follows:

	2006
Japanese statutory tax rate	40.00%
Permanent differences such as entertainment expenses, etc.	1.94
Permanent differences such as dividend income	(1.36)
Inhabitants' per capita taxes, etc.	1.10
Valuation allowance	7.31
Other	0.60
Effective tax rate	49.59%

No reconciliation has been presented for the year ended March 31, 2007 as the difference between the statutory tax rate and the effective tax rate was less than 5%.

8. EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

The Company and its domestic subsidiaries have defined benefit plans covering substantially all of their employees which are partially funded through a qualified funded pension plan. Under these plans, employees are entitled to lump-sum or pension retirement or severance benefits determined by points accumulated monthly based on the employees' contributions, length of service and the conditions under which termination occurs. In addition, the Company and its domestic subsidiaries pay meritorious service awards to employees in excess of the prescribed formula, which are charged to income as paid as it is not practicable to compute the liability for such future payments since the amounts vary depending on the circumstances.

The following table summarizes the funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Retirement and severance benefit obligation	¥(2,898)	¥(2,817)	$(24,552)
Plan assets	1,712	1,600	14,500
Unfunded benefit obligation	(1,187)	(1,217)	(10,052)
Unrecognized actuarial (gain) loss	(24)	96	(203)
Unrecognized past service cost	3	6	27
Accrued benefit obligation	¥(1,207)	¥(1,115)	$(10,228)

The following table summarizes the components of net retirement benefit expenses for the years ended March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Service cost	¥148	¥157	$ 1,256
Interest cost on benefit obligation	52	53	441
Expected return on plan assets	(30)	(28)	(255)
Amortization of actuarial loss	83	131	704
Amortization of past service cost	3	(22)	24
Extraordinary additional retirement payments	16	—	135
Net retirement benefit expenses	¥272	¥291	$ 2,305

The assumptions used in determining the pension benefit obligation are presented below:

	2007	2006
Method of periodic allocation of estimated retirement benefits	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

9. NET ASSETS

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

Capital surplus and the legal reserve are not available for the distribution of dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital. At March 31, 2007, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$4,658 thousand).

The accompanying consolidated financial statements do not include any provision for cash dividends of ¥11.00 (U.S.$0.09) per share totaling ¥284 million (U.S.$2,403 thousand) which were declared by the Company in May 2006.

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 Commercial Code of Japan.

10. AMOUNTS PER SHARE

Net assets per share as of March 31, 2007 and 2006 were ¥935.19 (U.S.$7.92) and ¥966.43, respectively. Net income per share for the years ended March 31, 2007 and 2006 was ¥65.10 (U.S.$0.55) and ¥34.35, respectively.

Diluted net income per share for the years ended March 31, 2007 and 2006 was ¥64.92 (U.S.$0.55) and ¥34.16, respectively.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Basic net income per share:			
Net income	¥1,747	¥988	$ 14,798
Amount not attributable to shareholders of common stock:			
Directors' bonuses by appropriation of retained earnings	—	—	—
Amount attributable to shareholders of common stock	1,747	988	14,798
Weighted-average number of shares outstanding (millions of shares)	27	29	—
Diluted net income per share:			
Increase in number of shares outstanding	0	0	0
Shares resulting in an anti-dilutive effect (millions of shares)	—	—	—

The basis for calculation of total net assets per share as of March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Total net assets per share:			
Total net assets	¥24,649	—	$208,800
Deductions:	528	—	4,475
Subscription rights	8	—	65
Minority interests in consolidated subsidiaries	521	—	4,410
Amounts attributable to shareholders of common stock	24,121	—	204,326
Number of shares outstanding at year end (millions of shares)	26	—	26

11. MAJOR EXPENSES

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Sales promotion expenses	¥4,061	¥3,846	$ 34,397
Advertising costs	3,300	3,938	27,957
Salaries	1,635	1,580	13,853
Shipment and storage expenses	1,581	1,641	13,393
Provision for employees' retirement and severance benefits	235	230	1,990
Provision for directors' retirement and severance benefits	16	18	138
Provision for doubtful accounts	—	0	—

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2007 and 2006 amounted to ¥489 million (U.S.$4,141 thousand) and ¥480 million, respectively.

12. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents at March 31, 2007 and 2006 to cash and time deposits in the accompanying consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥8,135	¥8,625	$ 68,914
Time deposits with a maturity in excess of three months	(523)	(523)	(4,430)
Marketable securities with a maturity in excess of three months	500	700	4,232
Cash and cash equivalents	¥8,112	¥8,802	$ 68,716

Deposits pledged as collateral mainly for leased office space at March 31, 2007 and 2006 amounted to ¥23 million (U.S.$193 thousand) and ¥23 million, respectively.

13. LEASES

Finance leases, except for those which transfer ownership of the leased property to the lessee, are accounted for as operating leases, and the assets and the related liability are not included in the balance sheets.

(1) A summary of the pro-forma amounts (inclusive of the related interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2007 and 2006, primarily relating to tools, furniture and fixtures held under finance leases, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition cost	¥220	¥199	$ 1,864
Accumulated depreciation	64	110	543
Net book value	¥156	¥ 89	$ 1,321

(2) Future minimum lease payments, inclusive of the related interest, subsequent to March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Payable in one year or less	¥ 52	¥ 34	$ 441
Payable after one year	104	55	880
Total	¥156	¥ 89	$ 1,321

(3) Lease payments and pro-forma depreciation charges for the years ended March 31, 2007 and 2006 were ¥57 million (U.S.$482 thousand) and ¥54 million, respectively.

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

Operating leases

Future minimum lease payments subsequent to March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Payable in one year or less	¥ 1	¥ 1	$ 9
Payable after one year	0	1	4
Total	¥ 1	¥ 2	$12

14. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2007 and 2006, trade notes discounted with banks in the ordinary course of business amounted to ¥87 million (U.S.$735 thousand) and ¥96 million, respectively.

15. DERIVATIVES

The Company has entered into forward foreign exchange contracts to reduce its exposure to the risk of future adverse fluctuation in foreign exchange rates related to its trade receivables and payables and loans denominated in foreign currencies. It is the Company's policy not to enter into any speculative derivatives transactions and its subsidiaries and associated companies do not enter into any forward foreign exchange contracts.

Unrealized gain or loss on a hedging instrument is deferred until the Company recognizes gain or loss on the underlying hedged item. Assets or liabilities hedged by forward foreign exchange contracts are translated at the forward exchange contract rates.

As the Company enters into such contracts only with domestic banks with high credit ratings, the Company does not anticipate any risk of non-performance by these counter parties.

In addition, the execution of, and control over, derivatives transactions are carried out by the Administrative Division in accordance with internal control regulations which limit the nature of the transactions and individuals authorized to be in charge of such transactions.

16. IMPAIRMENT LOSS ON FIXED ASSETS

For the year ended March 31, 2006, the Company and the consolidated subsidiaries recognized ¥702 million of impairment losses on fixed assets which consisted of the following:

Location	Description	Classification	Millions of yen	Thousands of U.S. dollars
The old Fukushima factory (Fukushima Pref.)	Idle asset	Land	¥ 5	$ 40
The old Kyushu factory (Fukuoka Pref.)	Idle asset	Land	8	65
Family Glove (Taiwan)	Idle asset	Land	154	1,302
Head office (Tokyo)	Long-term prepaid expenses of royalty on sales rights of Thermal Care	Other asset	536	4,543

The Company and the consolidated subsidiaries group their fixed assets considering classifications of management accounting, and recognized impairment losses on fixed assets.

As a result of a decline in land prices, the carrying value of the above idle assets has been reduced to their respective recoverable amounts, and the aggregate amount deducted (¥166 million) was recorded as an impairment loss. As a result of a further decline in the marketing environment of Thermal Care, the Company does not anticipate a recovery; therefore, the carrying value of the above long-term prepaid expenses has been reduced to nil, and the related deducted amount (¥536 million) was recorded as an impairment loss.

The recoverable amounts utilized in the above calculations were measured at the higher of net selling price or value in use. In the case where net selling prices were used as recoverable amounts, the related assets were valued based on appraisal valuations or municipal property tax bases. In the case where value in use was used as recoverable amounts, the full amounts of the carrying value of the related assets were reduced, and, therefore, the Company did not estimate the applicable discount rates.

17. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in two business segments and business segment information for the years ended March 31, 2007 and 2006 is summarized as follows:

Year ended March 31, 2007

	Millions of yen				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1. Sales					
(1) Sales to third parties	¥17,980	¥27,248	¥45,227	—	¥45,227
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	17,980	27,248	45,227	—	45,227
2. Operating expenses	16,062	25,823	41,885	—	41,885
Operating income	¥ 1,917	¥ 1,425	¥ 3,342	—	¥ 3,342
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	¥ 8,808	¥12,594	¥21,402	¥12,428	¥33,830
(2) Depreciation	¥ 317	¥ 520	¥ 837	—	¥ 837
(3) Capital expenditures	¥ 177	¥ 519	¥ 696	—	¥ 696

Year ended March 31, 2006

	Millions of yen				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1. Sales					
(1) Sales to third parties	¥19,195	¥26,939	¥46,134	—	¥46,134
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	19,195	26,939	46,134	—	46,134
2. Operating expenses	16,976	26,026	43,001	—	43,001
Operating income	¥ 2,219	¥ 913	¥ 3,133	—	¥ 3,133
3. Total assets, depreciation, impairment loss and capital expenditures:					
(1) Total assets	¥ 8,726	¥12,611	¥21,337	¥16,568	¥37,905
(2) Depreciation	¥ 230	¥ 642	¥ 873	—	¥ 873
(3) Impairment loss	¥ 695	¥ 7	¥ 702	—	¥ 702
(4) Capital expenditures	¥ 148	¥ 678	¥ 826	—	¥ 826

Year ended March 31, 2007

	Thousands of U.S. dollars				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1. Sales					
(1) Sales to third parties	$152,305	$230,815	$383,120	—	$383,120
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	152,305	230,815	383,120	—	383,120
2. Operating expenses	136,063	218,744	354,807	—	354,807
Operating income	$ 16,242	$ 12,071	$ 28,313	—	$ 28,313
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	$ 74,609	$106,688	$181,297	$105,275	$286,572
(2) Depreciation	$ 2,684	$ 4,408	$ 7,092	—	$ 7,092
(3) Capital expenditures	$ 1,498	$ 4,400	$ 5,898	—	$ 5,898

The business segments are classified according to the nature of the Company's products and their markets. Major products in the mothproofing and hygiene-related products segment are Cloth Care, Hand Care and Thermal Care and those in the household environment-related products segment are Air Care, Humidity Care, and Home Care.

(Year ended March 31, 2006)
Effective April 1, 2005, the Company and consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets") issued by the Business Accounting Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003) which require that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The effect of the adoption of this accounting standard was to decrease operating expenses by ¥65 million and to increase operating income by the same amount in the mothproofing and hygiene-related products segment compared with the amounts which would have been recorded under the previous method.

Geographical segment information and overseas sales are not presented as net sales and total assets in Japan exceeded 90% of the totals in both segments and as overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2007 and 2006.

18. NOTE TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Shares in issue and outstanding and treasury stock at March 31, 2007 were as follows:

Number of shares in issue and outstanding:

Common stock 29,500 thousand

Number of shares held in treasury:

Common stock 3,707 thousand

Subscription rights at March 31, 2007 were as follows:

Subscription rights for stock options ¥8 million (U.S.$65 thousand)

Dividends from retained earnings at March 31, 2007 were as follows:

Resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 12, 2006	317	11	March 31, 2006	June 15, 2006
Board of directors' meeting held on October 26, 2006	290	11	September 30, 2006	December 8, 2006

Scheduled resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors' meeting held on May 14, 2007	284	Retained earnings	11	March 31, 2007	June 18, 2007

19. STOCK OPTION PLANS

At March 31, 2007, the Company had stock option plans, which were approved at the annual general meetings of the shareholders and by the Board of Directors. Details of these stock option plans are summarized as follows:

Date of approval	Number of shares granted	Eligible participants	Exercisable period
June 27, 2000	350,000	6 directors and 4 employees (all executive officers)	July 1, 2002– June 30, 2007
June 15, 2001	140,000	1 director and 23 employees (including 1 executive officer)	July 1, 2003– June 30, 2008
June 14, 2002	225,000	1 director and 43 employees	July 1, 2004– June 30, 2009
June 13, 2003	155,000	1 director and 25 employees	July 1, 2005– June 30, 2010
June 15, 2004	130,000	4 officers and 9 employees	July 1, 2006– June 30, 2011
June 14, 2005	160,000	3 officers and 23 employees	July 1, 2007– June 30, 2012
June 14, 2006	75,000	3 officers and 4 employees	July 1, 2008– June 30, 2013
June 15, 2007	140,000	Officers and employees (the Board of Directors will approve a resolution designating the eligible officers and employees)	Aug 1, 2009– July 31, 2014

The option price per share was determined on the date the options were granted based on an established formula for determining option prices. The options are exercisable during the above periods provided that the recipients are still directors, statutory auditors or employees of the Company or its subsidiaries.

Cost related to the 2007 stock option plan amounting to ¥8 million (U.S.$65 thousand), was included in selling, general and administrative expenses.

Contents of stock options

	2001	2002	2003	2004	2005	2006	2007
Grantees	6 directors and 4 employees (all executive officers)	1 director and 23 employees (including 1 executive officer)	1 director and 43 employees	1director and 25 employees	4 directors and 9 employees	3 directors and 23 employees	3 directors and 4 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	350,000	140,000	225,000	155,000	130,000	160,000	75,000
Grant date	December 1, 2000	October 11, 2001	August 1, 2002	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006
Condition for exercise	Working from December 1, 2000 to June 30, 2002	Working from October 11, 2001 to June 30, 2003	Working from August 1, 2002 to June 30, 2004	Working from August 1, 2003 to June 30, 2005	Working from August 4, 2004 to June 30, 2006	Working from August 4, 2005 to June 30, 2007	Working from August 1, 2006 to June 30, 2008
Working period	From December 1, 2000 to June 30, 2002	October 11, 2001 to June 30, 2003	August 1, 2002 to June 30, 2004	August 1, 2003 to June 30, 2005	August 4, 2004 to June 30, 2006	August 4, 2005 to June 30, 2007	August 1, 2006 to June 30, 2008
Exercisable period	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)

Stock option activities during the year ended March 31, 2007 were as follows:

Number of shares

	2001	2002	2003	2004	2005	2006	2007
Non-vested outstanding at beginning of year	—	—	—	—	130,000	160,000	—
Granted during the year	—	—	—	—	—	—	75,000
Forfeited during the year	—	—	—	—	—	—	—
Vested during the year	—	—	—	—	130,000	—	—
Outstanding at end of year	—	—	—	—	—	160,000	75,000
Vested outstanding at beginning of year	13,000	10,000	52,000	85,000	—	—	—
Vested during the year	—	—	—	—	130,000	—	—
Exercised during the year	13,000	5,000	21,000	28,000	15,000	—	—
Forfeited during the year	—	—	—	—	5,000	—	—
Outstanding at end of year	—	5,000	31,000	57,000	110,000	—	—

Price of stock options

	Yen							U.S. dollars
	2001	2002	2003	2004	2005	2006	**2007**	**2007**
Exercise price	¥ 698	¥ 669	¥ 636	¥ 867	¥1,405	¥1,628	¥1,727	$ 15
Weighted-average market price	¥1,615	¥1,711	¥1,668	¥1,707	¥1,555	—	—	—
Fair value per option on grant date	—	—	—	—	—	—	¥ 292	$ 2

The fair value of each stock option grant was estimated at the grant date using the Black-Scholes option pricing model. The fair value per option for options granted during the year ended March 31, 2007 was estimated based on the following assumptions:

	2007
Volatility	25.9%
Option term	4 years and 5 months
Expected dividend (per stock)	¥22 (U.S.$0.19)
Risk free interest rate	1.30%

Volatility was determined based on the actual stock price over the past 4 years and 5 months.

The option term was estimated under the assumption that the options would be exercised in the middle of the exercisable period because of insufficient data.

Expected dividend (per stock) was based on the dividend amount applicable to the 2006 fiscal year.

Risk free interest rate was based on government bonds whose terms corresponded with the terms of the above options.

Method of estimating exercised stock options

The Company estimated the number of exercised stock options based on the actual number of forfeitures because it is difficult to estimate the number of stock options which will be forfeited in the future.

Report of Independent Auditors

The Board of Directors
S.T.CORPORATION

We have audited the accompanying consolidated balance sheets of S.T.CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of S.T. CORPORATION and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 3, effective the year ended March 31, 2006, S.T.CORPORATION and consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 15, 2007

Corporate Information

(June 15, 2007)

BOARD OF DIRECTORS AND CORPORATE EXECUTIVE OFFICERS (June 15, 2007)

Takashi Suzuki
The chairman of the board, member of nomination committee

Yasushi Kajiwara
Outside director, member of nomination, audit and compensation committees

Masanori Noro
Outside director, member of nomination and compensation committees

Motohiko Kogo
Outside director, member of nomination and audit committee

Hiroyuki Kokado
Outside director, member of audit committee

Teruyuki Maehara
Outside director, member of audit committee

Kanzo Kobayashi
Director, member of nomination committee

Hirohide Shimada
Director, member of compensation committee

EXECUTIVE OFFICERS

Kanzo Kobayashi
Representative Executive Officer
President, Chief Executive Officer

Noriaki Kageura
Managing Executive Officer
Senior general manager of corporate sales headquarters

Hirohide Shimada
Senior Managing Executive Officer
In charge of corporate staff and international business

Masakazu Kinoto
Executive Officer
Osaka branch general manager

Takahiko Kato
Executive Officer
Tokyo branch general manager

Masami Kitahara
Executive Officer
In charge of marketing

Takashi Suzuki
Executive Officer
In charge of group strategy

CORPORATE DATA

Company name	S.T.CORPORATION
Headquarters	4-10, Shimo-ochiai, 1-Chome, Shinjuku-ku, Tokyo 161-8540, Japan
Establishment	August 31, 1948
Paid-in capital	¥7,065,500,000
Employees	602 (Consolidated) 356 (Non-Consolidated)
Contact	Hirohide Shimada, Corporate Planning Group
E-mail	ir@st-c.co.jp
Tel	+81-3-5906-0734
Fax	+81-3-5906-0742

GROUP COMPANIES

Consolidated Subsidiaries

S.T. Trading Co., Ltd.
Sales of hand gloves, industrial paper wipes, lubricant spray and others

S.T. Auto Co., Ltd.
Sales of car chemical care products

S.T. Mycoal Co., Ltd.
Sales support and marketing of Mycoal disposable warmers

S.T. Business Support Co., Ltd.
Temporary staffing and contract work for S.T.CORPORATION

Family Glove (Thailand) Co., Ltd.
Manufacture and sale of hand gloves

Family Glove (Taiwan) Co., Ltd.
Manufacture and sale of hand gloves

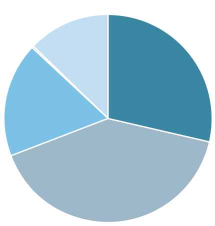
Investor Information

(March 31, 2007)

Fiscal year-end	March 31
Shares issued and outstanding	29,500,000
Listed exchange	Tokyo Stock Exchange, First Section
Shareholders	8,041

PRIMARY SHAREHOLDERS

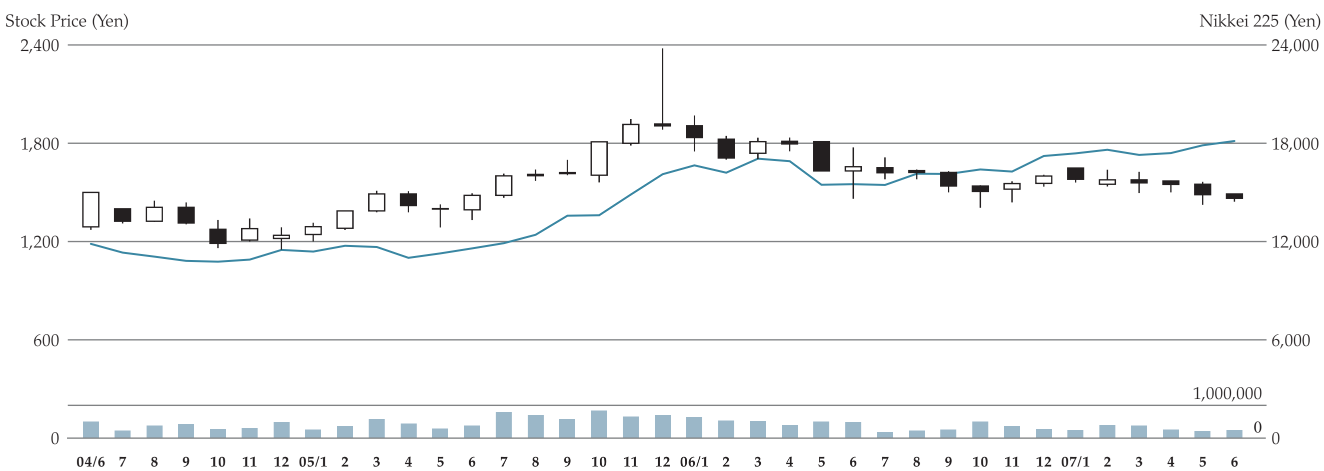
	(Thousands of shares)	(% of total)
Shaldan Co., Ltd.	4,674	15.8
T-ZONE Capital Corporation	3,947	13.4
S.T. Corporation	3,707	12.6
Nippon Life Insurance Company	1,671	5.7
TCSB(Mizuho Bank)	884	3.0
Takashi Suzuki	816	2.8
Suzuki Family	780	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	681	2.3
Seiichi Suzuki	582	2.0
Akio Suzuki	485	1.6
Caleine	433	1.5



Individuals	28.87%
Other Japanese institutions	40.55%
Financial institutions	17.56%
Non-Japanese institutions	0.45%
Treasury stock	12.57%

Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Auditor	Ernst & Young Shin Nihon
Annual shareholder's meeting	Middle of June each year (June 15, 2007)

STOCK CHART



S.T.CORPORATION
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