S.T.CORPORATION

Annual Report 2008

For the Year Ended March 31, 2008

A Fresh Twist for A New Life

S.T.CORPORATION

“Refreshing the Air”

To Become a Company that Creates New Value

Since its founding, S.T. Corporation has been focused on deodorizers and air fresheners, with growth achieved by creating new markets in such fields as mothproofing agents, dehumidifiers and homecare.

In 2007, having implemented a new business structure, we removed “kagaku” (chemicals) from our corporate name to become S.T. Corporation. This represents a new beginning based on flexible ideas—ideas that are not limited to chemicals.

Based on our corporate slogan, “Refreshing the Air,” we provide “comfort and excitement” in customers’ lifestyles through innovative and creative products and services, and continue to accept the challenge as a company that creates new value.

Contents

Financial Highlights

	Millions of yen except per share data and financial ratios					Thousands of U.S. dollars (Note3)
Years ended March 31	2004	2005	2006	2007	**2008**	**2008**
Net Sales	¥ 45,082	¥ 44,109	¥ 46,134	¥ 45,227	**¥ 47,006**	**$ 469,164**
Operating Income	3,419	3,748	3,133	3,342	**3,219**	**32,126**
Income before income taxes and minority interests	2,746	3,209	1,913	3,039	**2,458**	**24,535**
Net Income	1,451	1,823	988	1,747	**1,295**	**12,930**
Capital expenditures	404	880	826	696	**649**	**6,473**
R&D expenses	413	423	480	489	**489**	**4,881**
Depreciation and amortization	867	845	873	837	**936**	**9,343**
Per Share Data (¥):						
Net Income	48.87	63.43	34.35	65.10	**54.08**	**0.54**
Net Assets	924.33	957.45	966.43	935.19	**853.90**	**8.52**
Cash dividends	17.0	22.0	22.0	22.0	**22.0**	**0.22**
Financial Ratios (%):						
ROE (Note 1)	5.5	6.7	3.6	6.7	**6.1**	
ROA (Note 2)	10.2	10.9	9.0	10.0	**11.2**	

Notes: 1. ROE=Net income / Average total shareholders' equity
2. ROA=(Operating income + Interest and dividends received + Purchase discount) / Average total assets
3. Figures have been translated into U.S. dollars at ¥100.19=$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008.

* The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on a new accounting standard from the fiscal year ended March 31, 2007.

A Fresh Twist for A New Life

Kanzo Kobayashi
Representative Executive Officer, President and Chief Executive Officer

Q1. A year has passed since you assumed the position of President and Chief Executive Officer in April 2007. What are your impressions looking back on the fiscal year ended March 31, 2008?

With the implementation of a new business structure and the change to our corporate name, fiscal 2008, the year ended March 31, 2008, marked an important transition. It was a critical year for us as we began to move away from the traditional top-down approach to management and toward becoming a company where employees can take the initiative. Regarding performance, net sales rose 3.9% compared with the previous year, to ¥47.0 billion. This was achieved despite a severe business environment due to floods of low-priced products and intensifying competition brought about by overseas-based companies entering the Japanese Air Care market. In the case of income, the higher-than-expected costs of raw materials plus the cost of implementing our corporate name change in August 2007 were among the factors that caused operating income to decline 3.7% from the previous year, to ¥3.2 billion, and net income to fall 25.8%, to ¥1.2 billion.

Q2. Please tell us about the Company's management reform policies.

To bolster an income-oriented management foundation, I proposed "efficient management," "growth management," and "teamwork management" as reform policies. Efficient management advances the development of a high-income structure that reduces the number of products and decreases the rate of returned products. With growth management, we will concentrate management resources on high-value-added product development and core brands, to expand both the size and our share of the Japanese market while vigorously pursuing global development. Next, promoting these two policies requires teamwork management. The driving force of each individual and the teamwork of each department will bring about efficiency and growth.

Q3. Please tell us about the strategies for fiscal 2009 and the issues to be faced.

We will continue to execute management reforms. From April 2008, we will make improvements to Companywide cross-sectional operations, strengthen global development, boost our ability to offer business proposals and accelerate management reforms.

Regarding efficiency, we are advancing to the second stage of value analysis/value engineering (VA/VE) and constructing an income framework that will be resistant to the rising costs of raw materials, worsening levels of consumption, as well as to the impact of the weather or other environmental factors.

To achieve growth management, we are focusing our efforts on high-value-added products and believe that as a leading company we will prevail over competitors' low-priced products and outpace the intensifying competition. Furthermore, with our popular Shoshu-Riki and Dashu-Tan megabrands, we are expanding product demonstrations, offering seasonal products, proposals of new usages and other sales promotions to bolster brand strength. We hope to see the S.T. brand becoming well-known throughout the world, with our global market development focused on Asia, Europe and the United States.

Q4. What is the Company policy on shareholder returns?

While the stable distribution of dividends remains a fundamental principle, our thinking is to promote a dividend policy that is linked to future performance. The payout ratio for the fiscal year under review was 40.7%. Furthermore, we are continuously acquiring treasury stock, acquiring four million shares in the year under review. Our intention is to take a flexible approach to treasury stock under our long-term plan.

Q5. In conclusion, please tell us about the mid- to long-term business plan.

Traditionally, S.T. Corporation has created new markets by "Doing things no other company in the world does." Moreover, we have succeeded in achieving a stable income base following the strategic shift from the Cloth Care business to the Air Care business. As our mid- to long-term plan progresses, we firstly want to both encourage expansion in and take the top share of the Air Care market in Japan. Next, we aim to systematically tap the enormous markets of Europe, the United States and Asia to realize an overseas net sales ratio of 10%. By raising our income base through the thorough implementation of "selection and focus," our aim is to achieve an operating income ratio of 10%. We hope for your continued understanding of our management reforms and thank you for your support of the refreshed, new-look S.T. Corporation.

July 2008

Kanzo Kobayashi
Representative Executive Officer,
President and Chief Executive Officer

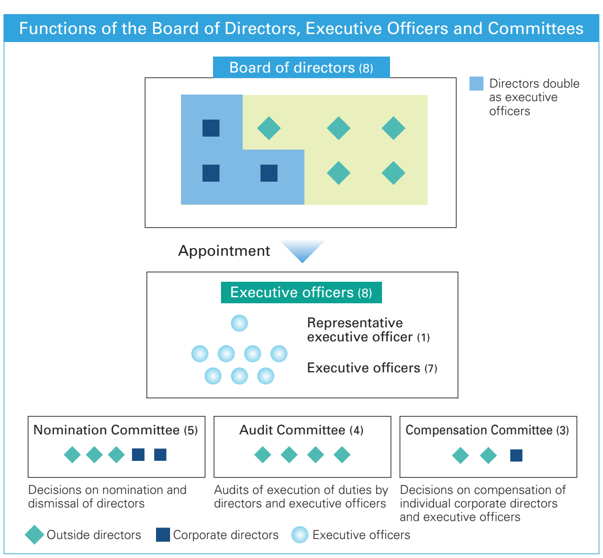
Corporate Governance & CSR

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 2004, 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 18, 2008. 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.

S.T. Corporate Governance Structure



Progress in the Development of the Internal Control System

There are five divisions under the control of the chief executive officer: corporate staff, marketing, sales, manufacturing and international business. 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, the Company appointed 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 in Saitama Prefecture, Iwaki in Fukushima Prefecture and Kita-Kyushu in Fukuoka Prefecture, held bargain sales of outlet 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. The Company-sponsored campaign to stage musicals is now in its eleventh year and is expected to have attracted a total audience of more than 150,000 people by December. In 2008, S.T. Corporation plans to present the musical, Anne of Green Gables, in eight major cities nationwide. S.T. Corporation will present a "heart-throbbing" performance for all.

Management Strategy

Efficient Management for Future Growth

In April 2007 we shifted to a new management structure and changed our name to S.T. Corporation in August of that year. These management reforms have been driven by our three core policies: efficient management, growth management, and teamwork management. Amidst an increasingly difficult business environment, such as rising raw material costs, floods of low-priced products and decline in consumption, we must redouble our efforts at implementing efficient management initiatives that focus on profitability if we are to achieve sustained growth. In this Special Feature, we touch on some of the profit growth-orientated initiatives being implemented at S.T. Corporation.

Growth Management
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- Further expand domestic market share and create new markets
- Global business expansion

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1. Cost-cutting efforts
2. Profit creation

Teamwork Management
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- Day of Refreshing the Air
- Collaborative meetings and fresh ideas
- Innovative product ideas

Growth Management

▶ Further expand domestic market share and create new markets

S.T. Corporation has long been at the forefront of the air care (deodorizers and air fresheners), cloth care (mothproofing agents) and humidity care (dehumidifying agents) markets. To achieve further growth in these markets, we have implemented two key business initiatives.

First, we are striving to further expand our market share. Our aim is to deepen our presence in existing markets by developing and promoting new ideas and solutions that utilize our core brands, such as Shoshu-Riki and Mushuda.

The second initiative is a focus on creating new markets for growth. Deodorizers Air-Wash and Shoshu-Plug are just two examples of new brands we have developed that offer innovative, revolutionary solutions for modern lifestyle challenges. In this way, we continue to gain new users.

▶ Global business expansion

As part of our management reforms we established an international business division in April 2008 to increase awareness of our brands around the world. The new division will focus centrally on building S.T. Corporation's presence in South-east Asia, and take full advantage of its business alliances to expand its business presence in the U.S. and European markets. Our long-term management goal is generating 10% of consolidated sales from our overseas businesses.

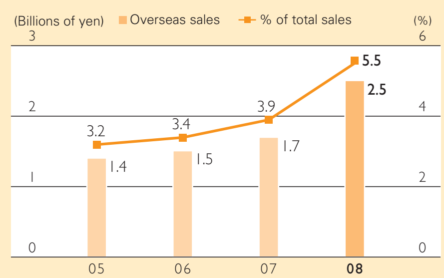
Growth Strategy Aims

	Overseas	Share increase (Japan)	Market Expansion (Japan)
Air Care	All regions	40% share target	Propose new usages
Cloth Care	Asia, Europe	50% share target	Propose new usages
Humidity Care	Asia, the United States	Propose value-added products	
Hand Care	All regions	Propose new features and stand-out products	
Thermal Care		New usages such as in the medical field	
Home Care		No.1 cleaner in the niche market	Propose new usages
S.T. Group companies		Open up new channels	
New business and alliances	New business generations and alliances		

Enhancing Presence of Power Brands

- A leading Air Care brand — Shoshu-Riki
- Expanding the market — Air-Wash
- Future core brand — Shoshu-Plug
- Unrivalled No.1 share — Mushuda

Overseas Sales Trend (Consolidated)



Japan Aroma Laboratory

In 2007, the Japan Aroma Laboratory received orders from JST (the Japan Science and Technology Agency) to research, develop and produce on a commercial basis detoxifying agents for environmental pollutants using essential tree oil.

Teamwork Management

Day of Refreshing the Air

One innovative approach we are taking at S.T. Corporation to reinforce our teamwork management strategy is "Day of Refreshing the Air." Twice a year, all employees have the opportunity to interact directly with consumers, selling our products in stores. This 'front lines' experience helps all employees gain a new perspective on their work and goals, particularly for staff that normally only work in an office environment. Not only does this initiative support our sales promotion efforts, it invigorates the entire company, and helps all employees experience first-hand the market in which we operate.

Focus on Profitability

Efficiency

I. Cost-cutting efforts

▶ Cutting raw material costs

In the fiscal year under review, earnings were squeezed by the sharp rise in material costs, including plastics and paper. Our cost-cutting efforts for fiscal 2009 are positioned as the second stage of VA/VE. Related initiatives include standardizing materials used and improving product designs.

▶ Streamlining our product lineup

Since 1998, S.T. Corporation has pursued a "selection and focus" strategy, reducing the number of products in our lineup and concentrating specifically on our core brands. As a result of these efforts, we successfully streamlined our lineup to 295 products as of the end of March 2008, down from 862 at the end of March 1998. Going forward, we will continue to focus on our "power brands," and aim to bring the total number of products in our lineup to 280 by the end of March 2009.

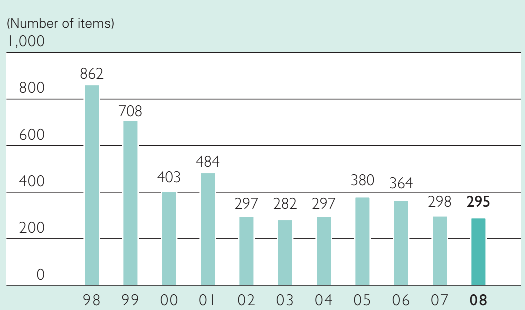
▶ Improving product return rates

A key issue for the Company was the high return rate last year for disposable warmers, due to the unseasonably warm winter weather. To address this issue, we tightened inventory controls and introduced regular collaborative meetings between the production, distribution, and marketing divisions to share information and discuss strategies. As a result of these efforts, the product return rate for the current year under review improved 25% from the previous year. Going forward, we aim to employ these initiatives across a range of departments and businesses to lower return rates for other products.

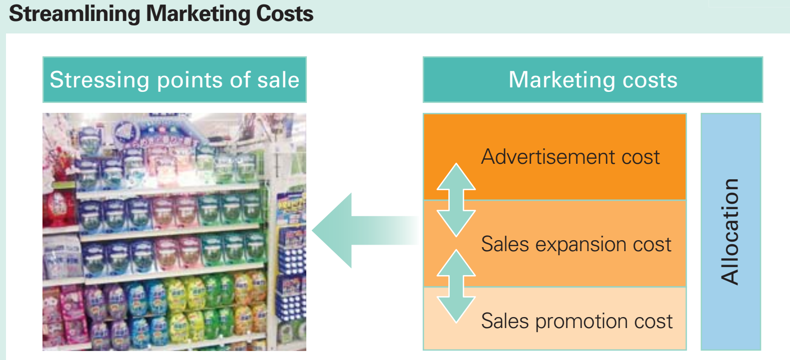
▶ Improved efficiency in marketing spending

S.T. Corporation believes that an aggressive marketing and sales promotion strategy (that, for example, ties in seasonal themes) is key to maximizing sales and profits. We have launched a series of effective, attention-grabbing TV commercials, and we also employ a 50-person marketing team that works in the field. Going forward, the Company will continue to work on improving marketing spending efficiency.

Streamlining the Number of Products



Streamlining Marketing Costs



Team Management

Teamwork

Collaborative Meetings and Fresh Ideas

To improve Companywide efficiency and productivity, from 2007 S.T. Corporation began holding regular joint meetings between marketing branch managers and the production division. These collaborative meetings were a key factor behind our success in sharply improving the product return rate for disposable warmers. We have also launched a new grassroots-based work improvement system that encourages employees to offer suggestions and ideas aimed at improving work efficiency. This program has already resulted in 39 efficiency-saving proposals that are now starting to be incorporated across the Company.

Efficiency

2. Profit creation

▶ Developing unique products

We launched our Dashu-Tan deodorizer product in 2000. Users can see at a glance how effective the product is, and coupled with the product's intuitive brand name, Dashu-Tan commands a 60% share of the refrigerator deodorizer market, and continues to expand its market share. Going forward, we will continue to develop and launch unique, highly competitive niche products "not made by any other company in the world," while also expanding our presence in new emerging personal care markets.

▶ Strengthening core product categories

At S.T. Corporation, we are focusing on profit creation and expanding our presence in the air care and cloth care markets, by utilizing a variety of original marketing strategies, such as unique, innovative commercials.

Effective TV CM

Popularity ranking: 33rd
(Source: CM DATABANK)

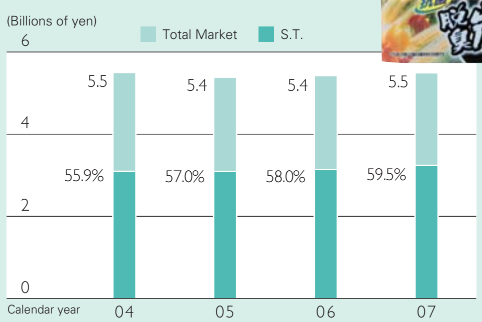
▶ Developing successful premium products

S.T. Corporation markets a variety of highly regarded premium products that offer special value-added features along with our high-quality basic functions. Examples include our Shoshu-Pot Jewelia, an elegantly designed air care product that comes in a variety of refined fragrances, and our Self-Care comfortable pressure socks that use special fabric material to improve comfort and give added stimuli compared to traditional compression socks. Going forward, we will continue to develop high value-added products and strive to increase their value as national brand products.

▶ Steady global business expansion

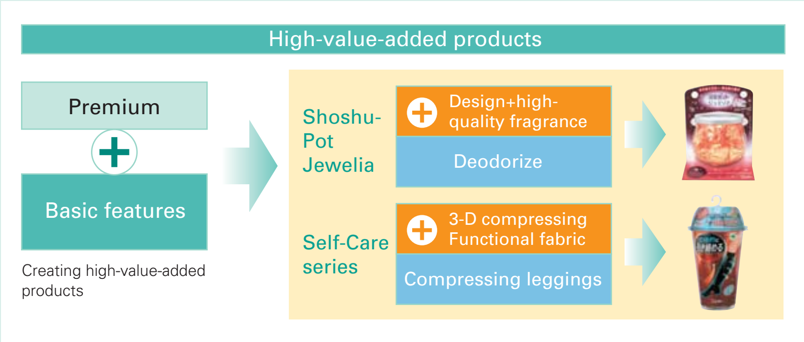
S.T. Corporation's global business strategy is an integral part of its overall growth strategy, including from a profit perspective. In the United States, we market dehumidifier and deodorizer agents at major retailer Wal-Mart. We have also established a joint venture in Korea, Aekyung S.T., to market deodorizers, air fresheners and mothproofing agents. Going forward, we intend to aggressively continue our efforts at global business expansion, including broadening our dehumidifier agent business in the U.S. and increasing both distribution and the number of products in Asia.

Deodorizer for Refrigerators Sales



(Source: S.T. Corporation)

Creating High-Value-Added Products



Teamwork

Innovative Product Ideas

One team management initiative launched recently was a program to promote employee awareness of the new S.T. and to solicit new product ideas like no other in the world. The campaigns were carried out twice—in August 2007 and February 2008—and resulted in over 1,000 submissions; a number of ideas are already well along the way to commercialization. Going forward we will continue to actively tap the creativity of our employees to cultivate new product markets.

Composition of Net Sales by Business Segment

(year ended March 31, 2008)

In the fiscal year ended March 31, 2008, the air care market was characterized by intense competition as the emergence of major overseas toiletries manufacturers made its mark. Against this backdrop, S.T. Corporation worked diligently to enhance the efficacy of its sales and promotional activities by better linking its advertising and promotional campaigns with frontline sales. Focusing on its mainstay Shoshu -Riki brand as well as Shoshu-Plug, a product that is anticipated to continue energizing the market, these efforts contributed to sales growth. Following a harsh winter, sales of chemical warmers also enjoyed significant improvement. Moreover, the Company experienced steady results at its joint-venture in Korea, which commenced in the spring of 2007, contributing to a substantial 54% year-on-year improvement in overall overseas sales.

HOUSEHOLD ENVIRONMENT-RELATED PRODUCTS

8.9%

Home care

(other products)

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

5.5%

Humidity care

(dehumidifiers)

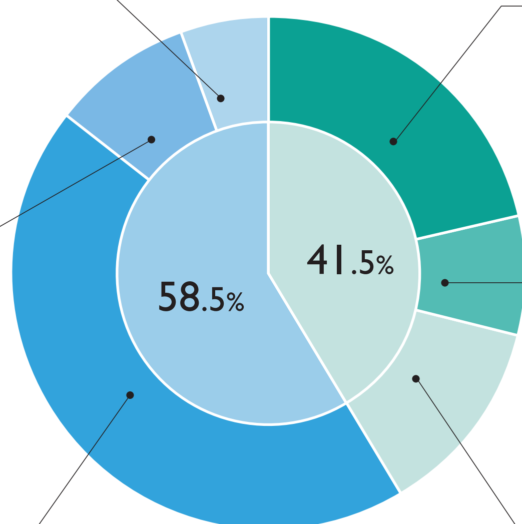
Our broad lineup of DryPet dehumidifiers has continuously led the market.

44.1%

Air care

(deodorizers and air fresheners)

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



MOTHPROOFING AND HYGIENE-RELATED PRODUCTS

21.5%

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.

7.5%

Hand care

(gloves)

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

12.5%

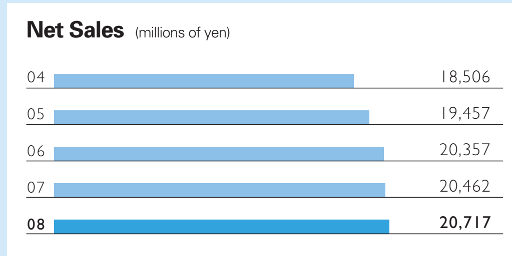
Thermal care

(disposable warmers)

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

▶ AIR CARE (Deodorizers and Air Fresheners)

Shoshu-Riki | Shoshu-Pot Jewelia | Shoshu-Plug Autospray | Shoshu-Plug | Air-Wash | Dashu-Tan

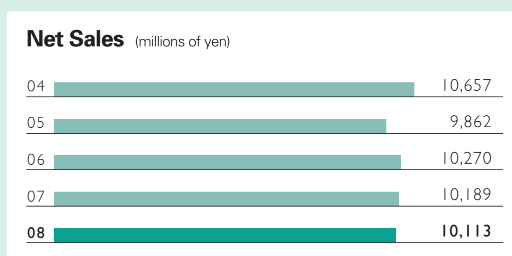


The Air Care Group is S.T. Corporation's mainstay business, and the market continues to hold promising growth potential. Our lineup of unique, innovative products includes our mega-brand Shoshu-Riki; Air-Wash, which has been a key driver behind the steady growth in the deodorizer market and air fresheners, behind our "Refreshing the Air" concept; Shoshu-Plug, which deodorizes even large, spacious rooms with electrical outlets, and the gel-type Shoshu-Pot. Despite increasingly weak private spending, in 2008 segment sales rose 1.2% year-on-year to ¥20,717 million, thanks in part to strong sales of our new high-performance Shoshu-Pot Jewelia product, which adds an elegant design and refined aroma to our traditional Shoshu-Pot deodorizer. A new deodorizer product, Shoshu-Plug Autospray, which deodorizes automatically with batteries at intervals is expected to create new demand.

Air care

▶ CLOTH CARE (Mothproofing Agents)

Mushuda (for drawers) | Mushuda (for walk-in closets) | Mushuda (Deodorizing cover style) | Bikoda (for drawers) | Neopara Ace



S.T. Corporation has continued to drive overall growth for the mothproofing market as a market leader, and the Cloth Care Group now stands alongside the Air Care Group as one of the Company's core business segments. Mushuda and Neopara Ace are both major brands that continue to enjoy staunch customer loyalty thanks to proven success in protecting valuable clothing. For the fiscal year under review, Group sales were essentially unchanged from the previous year, at ¥10,113 million (down 0.7%), thanks to the launch of new products such as Mushuda Cover, which incorporates deodorizer and air freshener features to our mainstay mothproofing agent product, and other products aimed at meeting a range of clothing storage needs, such as in large-sized closets or hanging wardrobe cases.

Cloth care

▶ HUMIDITY CARE (Dehumidifiers)

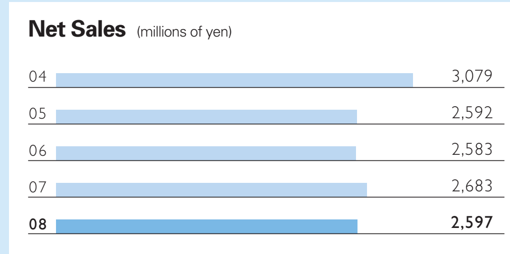
Drypet (for wardrobes)

Bincho-Tan Drypet (for drawers)

Bincho-Tan Drypet (for shoes/boots)

Drypet Compact

Bincho-Tan Drypet



S.T. Corporation continues to be one of the leaders in the dehumidifier agent market, with an extensive range of products meeting a variety of dehumidifying needs, such as Drypet including stand-type products, sheet-type products for use in drawers, hanging wardrobes cases, and closets. Our lineup also includes high-performance dehumidifier agents such as Bincho-Tan Drypet that boasts deodorant effects on top of its dehumidifying functions. We also offer products for use with shoes, futon bedding, and shoe lockers. Segment sales declined 3.2% from the previous year to ¥2,597 million.

Humidity care

▶ HAND CARE (Gloves)

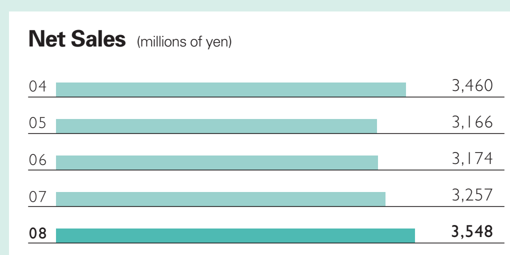
Family Chamomile

Family Squalene

Family Thin PVC Gloves (fingertip-reinforced)

Family Thick PVC Gloves (fingertip-reinforced)

Family Thin PVC Gloves (for scrubbing and washing)



The Family series of household gloves includes a broad range of high-value-added products that not only protect the hands, but also soothe the skin. Sales were up 8.9% from the previous year to ¥3,548 million, with growth being driven by strong performances from industrial-use nitryle rubber gloves and thin rubber gloves, as well as steady growth in sales in Europe and overseas markets of medium-thin PVC gloves.

Hand care

▶ HOME CARE (Cleaners and Other Products)


Fresh-Up

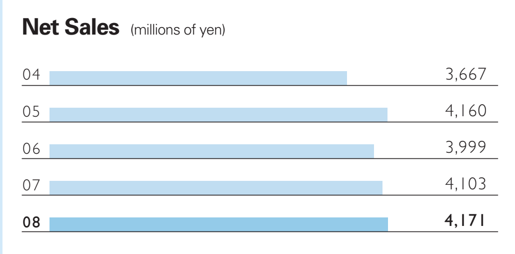

Ultra-Powers Washing Tub Cleaner


Powers Baking Soda Scrubber


Self-Care Comfortable Pressure Socks


Kome-Touban


Nexcare



The Home Care Group provides a range of unique products, including Ultra-Powers Washing Tub Cleaner; Powers Baking Soda Scrubber, 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 developed in cooperation with Sumitomo 3M, with both products gaining favorable support from customers. Sales rose 7.1% year on year to ¥4,171 million, thanks to favorable sales of products such as Self-Care Comfortable Pressure Socks, and Fresh-Up, our newly developed detergent designed especially for dishwashing machines.

Home care

▶ THERMAL CARE (Disposable Warmers)

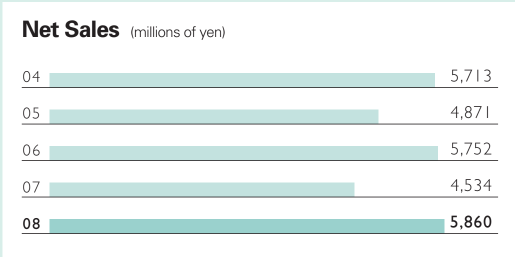

Haru-Onpacks


Haranai-Onpacks


Haru-Onpacks (for socks)


Onpacks (for shoes)


Thermo Thera



Since July 2003, the Thermal Care Group has been marketing disposable warmers under the Onpacks brand manufactured by Mycoal Co., Ltd. Our lineup also includes chemical warmers with self-adhesive patches for attachment to clothing and for the soles of socks. We also steadily expanded our presence in the self-medication market with our Thermo Thera gel sheets that are mild to the skin and help ease back pain and stiff shoulders. Thanks in part to the cold winter, sales were up a strong 29.2% from the previous year, to ¥5,860 million.

Thermal care

Net Sales

In the fiscal year ended March 31, 2008, consolidated net sales increased ¥1,778 million, or 3.9%, year on year to ¥47,006 million.

In addition to steady growth in the mainstay Air Care (deodorizers and air fresheners) Group, this upswing in revenue was primarily attributable to harsh winter conditions resulting in a substantial increase in Thermal Care Group (disposable warmers) sales, up ¥5,859 million, or 29.2%, compared with the previous fiscal year. In other activities, the Cloth Care (mothproofing agents) and Humidity Care (dehumidifers) Groups reported year-on-year revenue decreases, while the Hand Care (gloves) and Home Care (cleaners and other products) Groups enjoyed revenue growth.

Cost of Sales

The cost of sales ratio edged up 1.4 percentage points compared with the previous fiscal year.

Operating Income

Operating income declined 3.7% year on year to ¥3,219 million. While the Company made every effort to reduce costs especially in its manufacturing activities, difficulties in fully containing raw material price hikes, proactive marketing investment as well as intense competition among mainstay related companies and market contraction contributed to this drop in profit.

Net Income

Net income fell 25.8% compared with the previous fiscal year to ¥1,295 million. This was after income before income taxes and minority interests, which amounted to ¥2,458 million. In addition to the aforementioned factors, S.T. Corporation incurred expenses in connection with the change of its corporate name totaling ¥277 million and a ¥27 million loss on liquidation of a subsidiary company.

Financial Position

Total assets as of March 31, 2008 stood at ¥28,393 million, a decrease of ¥5,437 million compared with the previous fiscal year-end. This was mainly the result of a combined decrease of ¥4,864 million in cash and time deposits, marketable securities and investment securities due to treasury stock acquisition of ¥5,962 million.

Following acquisition and retirement, treasury stock, a deduction item in shareholders' equity increased ¥5,930 million. As a result, net assets as of March 31, 2008 stood at ¥19,144 million. Shareholders' equity declined ¥5,494 million and the shareholders' equity ratio was 65.6%.

Capital Expenditures

Capital expenditures were ¥649 million. Investment in the Household Environment-Related Products Business made up 76.3% of this total.

Cash Flows

Net cash provided by operating activities rose ¥148 million compared with the previous fiscal year to ¥2,784 million. Principal components were income before income taxes and minority interests totaling ¥2,458 million, down ¥580 million year on year, depreciation and amortization of ¥936 million, decrease in accounts receivable of ¥129 million and increase in payables and accrued expenses of ¥564 million. In the fiscal year under review, S.T. Corporation paid income taxes totaling ¥1,317 million. Net income provided by investing activities was ¥871 million, mainly reflecting the liquidation of marketable securities held to fund the acquisition of treasury stock. Net cash used in financing activities totaled ¥6,589 million. Major components were purchases of treasury stock amounting to ¥5,963 million and payments of dividends of ¥567 million.

Accounting for the aforementioned factors, cash and cash equivalents as of March 31, 2008 stood at ¥5,185 million, a ¥2,927 million decrease compared with the end of the previous fiscal year.

Dividends

Taking into consideration net income and the realization of share profit, the Company has declared a fiscal year-end dividend of ¥11.0 per share. Combined with the interim dividend paid, the annual dividend is ¥22.0 per share, in line with estimates at the beginning of the period. On this basis, the dividend payout ratio is 40.7% on a consolidated basis.

Financial Indicators

Compared with the previous fiscal year-end, ROE contracted 0.6 of a percentage point to 6.1%. ROA, on the other hand, rose 1.2 percentage points from 10.0% to 11.2%. Net assets per share of common stock decreased from ¥935.19 to ¥853.90. The shareholders' equity ratio decreased from 71.3% to 65.6%, while the interest coverage ratio was 725.0 times, down from 6,595.9 times in the previous fiscal year.

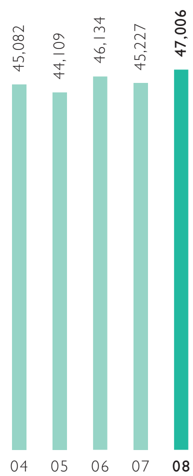
Five-Year Selected Financial Data (Unaudited)

S.T. CORPORATION and Subsidiaries
For the years ended March 31

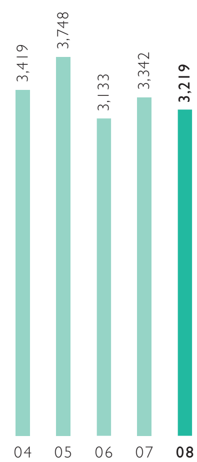
	Millions of yen except per share data and financial ratios					Thousands of U.S. dollars (Note4)
	2004	2005	2006	2007	**2008**	**2008**
For the Year:						
Net sales	¥45,082	¥44,109	¥46,134	¥45,227	**¥47,006**	**$469,164**
Cost of sales	24,973	24,490	26,083	25,252	**26,900**	**268,489**
Gross Profit	20,079	19,627	20,024	19,984	**20,119**	**200,807**
Selling, general and administrative expenses	16,660	15,879	16,892	16,642	**16,900**	**168,681**
Operating income	3,419	3,748	3,133	3,342	**3,219**	**32,126**
Income before income taxes and minority interests	2,746	3,209	1,913	3,039	**2,458**	**24,535**
Net income	1,451	1,823	988	1,747	**1,295**	**12,930**
At Year-End:						
Inventories	¥ 3,668	¥ 3,769	¥ 4,824	¥ 4,647	**¥ 4,620**	**$ 46,117**
Property, plant and equipment, net	8,154	8,018	7,582	7,371	**7,070**	**70,566**
Current liabilities	7,887	7,910	7,973	7,494	**7,581**	**75,663**
Long-term liabilities	1,175	1,079	1,591	1,687	**1,667**	**16,643**
Total liabilities	9,062	8,989	9,564	9,181	**9,248**	**92,306**
Total net assets (Note 1)	26,693	27,449	27,861	24,649	**19,144**	**191,080**
Total assets	36,269	36,959	37,905	33,830	**28,393**	**283,387**
Other Selected Data:						
Capital expenditures	¥ 404	¥ 880	¥ 826	¥ 696	**¥ 649**	**$ 6,473**
R&D expenses	413	423	480	489	**489**	**4,881**
Free cash flow	1,699	3,340	831	2,487	**4,153**	**41,451**
Per Share Data (¥):						
Net income	¥ 48.87	¥ 63.43	¥ 34.35	¥ 65.10	**¥ 54.08**	**$ 0.54**
Shareholders' equity	924.33	957.45	966.43	935.19	**853.90**	**8.52**
Cash dividends	17.0	22.0	22.0	22.0	**22.0**	**0.22**
Financial Ratios (%):						
As a percent of net sales:						
Gross Profit	44.6	44.5	43.5	44.2	**42.8**	
Selling, general and administrative expenses	37.0	36.0	36.6	36.8	**36.0**	
Operating income	7.6	8.5	6.8	7.4	**6.8**	
Income before income taxes and minority interests	6.1	7.3	4.1	6.7	**5.2**	
Net income	3.2	4.1	2.1	3.9	**2.8**	
ROE (Note 2)	5.5	6.7	3.6	6.7	**6.1**	
ROA (Note 3)	10.2	10.9	9.0	10.0	**11.2**	
Equity Ratio	73.6	74.3	73.5	71.3	**65.6**	

Note: 1. The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on a new accounting standard from the fiscal year ended March 31, 2007.
2. ROE=Net income / Average total shareholders' equity
3. ROA=(Operating income + Interest and dividends received + Purchase discount) / Average total assets
4. Figures have been translated into U.S. dollars at ¥100.19=$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008.

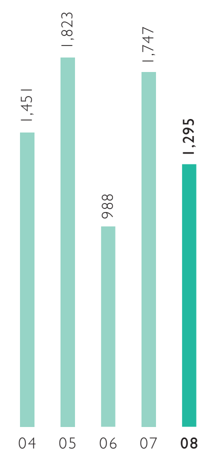
Net Sales
(millions of yen)



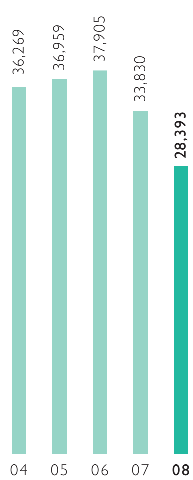
Operating Income
(millions of yen)



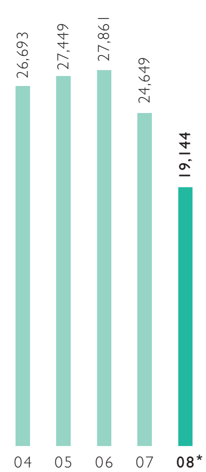
Net Income
(millions of yen)



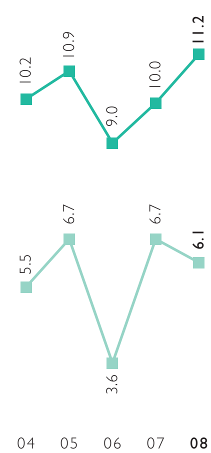
Total Assets
(millions of yen)



Total Net Assets*
(millions of yen)



ROA ROE
(%)



* The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on a new accounting standard from the fiscal year ended March 31,2007.

Consolidated Balance Sheets

S.T.CORPORATION and consolidated subsidiaries
March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
CURRENT ASSETS:			
Cash and time deposits (Note 12)	¥ 6,008	¥ 8,135	$ 59,964
Marketable securities (Note 4)	493	2,230	4,925
Trade notes and accounts receivable	4,297	4,451	42,892
Less—allowance for doubtful accounts	(19)	(15)	(189)
Inventories	4,620	4,647	46,117
Deferred tax assets (Note 7)	362	386	3,616
Other current assets	317	455	3,167
Total current assets	16,080	20,289	160,493
INVESTMENTS AND OTHER ASSETS:			
Investments in non-consolidated subsidiaries and affiliates	507	566	5,059
Investment securities (Note 4)	2,482	3,423	24,774
Long-term loans	121	128	1,204
Deferred tax assets other than unrealized revaluation loss on land (Note 7)	291	205	2,906
Other assets	1,426	1,396	14,232
Less—allowance for doubtful accounts	(41)	(20)	(411)
Total investments and other assets	4,785	5,699	47,764
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 5 and 6):			
Land	3,392	3,413	33,856
Buildings and structures	6,191	6,163	61,793
Machinery, equipment and vehicles	7,186	7,012	71,723
Tools, furniture and fixtures	3,582	3,291	35,755
Construction in progress	20	6	195
Less—accumulated depreciation	(13,301)	(12,513)	(132,755)
Property, plant and equipment, net	7,070	7,371	70,566
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION	457	471	4,564
Total assets	¥ 28,393	¥ 33,830	$ 283,387

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
CURRENT LIABILITIES:			
Trade payables	¥ 4,530	¥ 3,960	$ 45,218
Other payables	1,866	1,931	18,625
Income taxes payable (Note 7)	391	718	3,902
Consumption taxes payable	30	110	297
Accrued expenses	529	546	5,275
Allowance for sales returns	155	169	1,550
Other current liabilities	80	61	795
Total current liabilities	7,581	7,494	75,663
LONG-TERM LIABILITIES:			
Employees' retirement and severance benefits (Note 8)	1,202	1,207	11,993
Directors' retirement and severance benefits	85	97	844
Deferred tax liabilities—unrealized revaluation profit on land (Note 5)	381	381	3,801
Other long-term liabilities	1	1	6
Total long-term liabilities	1,667	1,687	16,643
CONTINGENT LIABILITIES (Note 14)			
NET ASSETS (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized—96,817,000 shares in 2008 and 2007			
Issued and outstanding—29,500,000 shares in 2008 and 2007	7,066	7,066	70,521
Capital surplus	7,068	7,068	70,544
Retained earnings	15,833	15,120	158,031
Treasury stock, at cost	(11,083)	(5,153)	(110,616)
Total shareholders' equity	18,884	24,101	188,480
Valuation, translation adjustments and other:			
Unrealized holding gain on other securities, net of taxes	542	811	5,408
Unrealized revaluation loss on land, net of taxes (Note 5)	(549)	(549)	(5,479)
Translation adjustments	(250)	(243)	(2,497)
Total valuation, translation adjustments and other	(257)	20	(2,568)
Subscription rights	28	8	279
Minority interests in consolidated subsidiaries	490	521	4,890
Total net assets	19,144	24,649	191,080
Total liabilities and net assets	¥ 28,393	¥33,830	$ 283,387

See notes to consolidated financial statements.

Consolidated Statements of Income

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note2)
	2008	2007	2008
NET SALES	¥47,006	¥45,227	$469,164
COST OF SALES	26,900	25,252	268,489
Gross profit before reversal of (allowance for) sales returns	20,106	19,976	200,675
Reversal of (allowance for) sales returns	13	9	132
Gross profit	20,119	19,984	200,807
Selling, general and administrative expenses (Note 11)	16,900	16,642	168,681
Operating income	3,219	3,342	32,126
OTHER INCOME (EXPENSES):			
Interest and dividends received	76	86	759
Interest expense	(4)	(0)	(38)
Cash purchase discounts	213	199	2,127
Cash sales discounts	(864)	(844)	(8,622)
Gain on sales of securities, net	0	0	0
Equity in income (loss) of affiliates	(30)	36	—
Expenses for change of the Company's name	(277)	—	(2,768)
Other, net	125	219	1,248
	(761)	(303)	(7,591)
Income before income taxes and minority interests	2,458	3,039	24,535
INCOME TAXES (Note 7):			
Current	1,014	1,266	10,118
Deferred	96	(32)	960
	1,110	1,234	11,078
MINORITY INTERESTS	53	58	527
Net income	¥ 1,295	¥ 1,747	$ 12,930

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, 2008 and 2007

		Millions of yen				
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	29,500	¥7,066	¥7,068	¥15,120	¥ (5,153)	¥24,101
Cash dividends paid by distribution of retained earnings				(567)		(567)
Net income				1,295		1,295
Purchases of treasury stock					(5,963)	(5,963)
Disposition of treasury stock				(15)	33	18
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2008	29,500	¥7,066	¥7,068	¥15,833	¥(11,083)	¥18,884

	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 valuation, translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	¥ 811	¥(549)	¥(243)	¥ 20	¥ 8	¥521	¥24,649
Cash dividends paid by distribution of retained earnings							(567)
Net income							1,295
Purchases of treasury stock							(5,963)
Disposition of treasury stock							18
Net changes in items other than those in shareholders' equity	(269)	—	(7)	(277)	20	(31)	(287)
Balance at March 31, 2008	¥ 542	¥(549)	¥(250)	¥(257)	¥28	¥490	¥19,144

		Thousands of U.S. dollars (Note 2)				
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	29,500	$70,521	$70,544	$150,916	$ (51,429)	$240,553
Cash dividends paid by distribution of retained earnings				(5,664)		(5,664)
Net income				12,930		12,930
Purchases of treasury stock				0	(59,515)	(59,515)
Disposition of treasury stock				(151)	327	176
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2008	29,500	$70,521	$70,544	$158,031	$(110,616)	$188,480

	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 valuation, translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	$ 8,098	$(5,479)	$(2,423)	$ 196	$ 76	$5,196	$246,021
Cash dividends paid by distribution of retained earnings							(5,664)
Net income							12,930
Purchases of treasury stock							(59,515)
Disposition of treasury stock							176
Net changes in items other than those in shareholders' equity	(2,690)	—	(74)	(2,764)	203	(307)	(2,868)
Balance at March 31, 2008	$ 5,408	$(5,479)	$(2,497)	$(2,568)	$279	$4,890	$191,080

		Millions of yen				
	Number of shares of common stock (Thousands)	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 valuation, 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

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note2)
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,458	¥ 3,039	$ 24,535
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	936	837	9,343
Loss on sales of property, plant and equipment	7	41	68
Gain on sales and valuation of marketable securities	—	(1)	—
Gain on sales and valuation of investment securities	2	(0)	21
(Decrease) increase in allowance for doubtful receivables	26	(9)	260
Increase in employees' retirement and severance benefits	(3)	91	(33)
Increase in directors' retirement and severance benefits	(13)	2	(126)
(Decrease) increase in allowance for sales returns	(13)	(9)	(132)
Interest and dividends received	(76)	(86)	(759)
Interest expense	4	0	38
Foreign exchange gain	9	(47)	94
Equity in (income) loss of affiliates	30	(36)	299
Changes in operating assets and liabilities:			
Receivables	129	111	1,290
Inventories	34	212	335
Payables and accrued expenses	564	(792)	5,628
Other, net	(82)	138	(821)
Subtotal	4,012	3,493	40,040
Interest and dividends received	93	112	929
Interest paid	(4)	(0)	(38)
Income taxes paid	(1,317)	(968)	(13,145)
Net cash provided by operating activities	2,784	2,636	27,786
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in time deposits (more than 3 months)	(300)	(0)	(2,995)
Purchases of marketable securities	(457)	(629)	(4,557)
Proceeds from sales of marketable securities	2,074	4,552	20,699
Purchases of property, plant and equipment	(481)	(598)	(4,804)
Proceeds from sales of property, plant and equipment	0	1	1
Purchases of investment securities	(262)	(1,096)	(2,612)
Proceeds from sales of investment securities	375	110	3,745
Other investments, net	(78)	(120)	(780)
Net cash provided by (used in) investing activities	871	2,220	8,698
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of bank loans and current portion of long-term debt	—	(37)	—
Net increase or decrease of short-term debt	—	—	—
Purchases of treasury stock	(5,963)	(4,943)	(59,515)
Proceeds from sales of treasury stock	18	71	176
Payments of dividends	(567)	(607)	(5,664)
Payments of dividends to minority shareholders	(76)	(46)	(759)
Net cash used in financing activities	(6,589)	(5,561)	(65,763)
Effect of exchange rate changes on cash and cash equivalents	6	14	63
Net decrease in cash and cash equivalents	(2,927)	(691)	(29,216)
Cash and cash equivalents at beginning of year	8,112	8,802	80,965
Cash and cash equivalents at end of year (Note 12)	¥ 5,185	¥ 8,112	$ 51,749

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

S.T.CORPORATION and Consolidated Subsidiaries
March 31, 2008

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, 2008 and 2007 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 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, 2008 and 2007, 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

(Change in accounting policies)

Effective the fiscal year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their depreciation method in terms of the tangible fixed assets acquired after April 1, 2007 in accordance with the Corporation Tax Law as amended.

As a result of the adoption of the new method, operating income, income before income taxes and minority interests and net income for the year ended March 31, 2008 increased by ¥47 million (U.S.$472 thousand), ¥47 million (U.S.$472 thousand) and ¥28 million (U.S.$283 thousand), respectively.

The effect on the business segment information is described in Note 16, Segment Information.

(Additional information)

Effective the fiscal year ended March 31, 2008, the residual value of the tangible assets which were acquired before March 31, 2007 and have been fully depreciated up to 5 percent of the acquisition cost based on the prior Corporate Tax Law is to be depreciated to nominal book value of using a straight line method over a period of 5 years and booked as depreciation expense, according to the Corporation Tax Law as amended.

As a result of the additional depreciation, operating income, income before income taxes and minority interests and net income for the year ended March 31, 2008 increased by ¥46 million (U.S.$461 thousand), ¥48 million (U.S.$482 thousand) and ¥28 million (U.S.$289 thousand), respectively.

The effect on the business segment information is described in Note 16, Segment Information.

(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 a period of 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, 2008 and 2007.

(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.

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 ¥100.19=U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008. 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. CHANGE IN THE METHOD OF PRESENTATION

(Consolidated Statement of Cash flows)

Effective the fiscal year ended March 31, 2008, increase in short-term loans debt of ¥2,000 million (U.S.$19,962 thousand) of cash flows from financing activities and repayments of bank loans of ¥2,000 million (U.S.$19,962 thousand) of cash flows from financing activities are included in net increase or decrease in short-term debt.

Since the amount of increase in short-term loans debt is equal to the amount of the repayments of bank loans, the balance of net increase or decrease of short-term debt is nil.

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The cost and related aggregate market value of other securities with a determinable market value at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cost	¥2,103	¥3,795	$20,992
Market value	2,927	5,047	29,218
Total unrealized gain	852	1,280	8,499
Total unrealized loss	27	27	274

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, 2008 and 2007 were ¥2 million (U.S.$20 thousand) and nil , respectively.

Securities at March 31, 2008 and 2007 excluded from the above table are summarized at their respective book value as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Other securities:			
CP	—	¥500	—
Foreign securities	—	47	—
Unlisted stocks	¥48	58	$480

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, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Proceeds received	¥3,850	¥6,853	$38,431
Aggregate gain	7	0	71
Aggregate loss	7	—	72

The redemption schedule of other securities with maturity dates at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
One year or less	¥493	¥2,182	$4,925
More than 1 year and within 5 years	—	400	—
More than 5 years and within 10 years	100	105	996
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 revaluation difference, net of taxes, is stated as "unrealized revaluation difference on land, net of taxes" in net assets. Deferred tax liabilities arising from this revaluation difference are presented separately from deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2008 and 2007 decreased by ¥400 million (U.S.$3,993 thousand) and ¥454 million, respectively, after the revaluation.

6. PLEDGED ASSETS

At March 31, 2008 and 2007, the following assets were pledged as collateral for a limit of borrowings of ¥621 million (U.S.$6,197 thousand) and ¥522 million.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Buildings and structures	¥ 84	¥ 96	$ 843
Land	119	126	1,190
Total	¥204	¥222	$2,033

7. INCOME TAXES

At March 31, 2008 and 2007, 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
	2008	2007	2008
CURRENT ASSETS:			
Accrued employees' bonuses	¥ 146	¥ 157	$ 1,455
Allowance for sales returns	62	68	621
Accrued business taxes	30	62	297
Unrealized holding loss on other securities, net of taxes	3	1	30
Other	124	103	1,236
Total current deferred tax assets	365	390	3,640
CURRENT LIABILITIES:			
Deferred gain on sales of property	(0)	(0)	(5)
Other	(2)	(4)	(20)
Total current deferred tax liabilities	(2)	(5)	(24)
Net current deferred tax assets	362	386	3,616
NON-CURRENT ASSETS:			
Allowance for employees' retirement and severance benefits	474	476	4,729
Allowance for directors' retirement and severance benefits	34	39	338
Write-downs of securities	70	74	695
Impairment loss	181	207	1,810
Other	10	5	101
Gross non-current deferred tax assets	769	802	7,672
Valuation allowance	(173)	(135)	(1,729)
Total non-current deferred tax assets	596	667	5,944
NON-CURRENT LIABILITIES:			
Deferred gain on sales of property	(19)	(19)	(190)
Unrealized holding gain on other securities, net of taxes	(285)	(442)	(2,848)
Total non-current deferred tax liabilities	(304)	(462)	(3,038)
Net non-current deferred tax assets	¥ 291	¥ 205	$ 2,906

A reconciliation of the statutory tax rate to the Company's effective tax rate for the year ended March 31, 2008 is summarized as follows:

	2008
Japanese statutory tax rate	40.00%
Permanent differences such as entertainment expenses, etc.	2.41
Permanent differences such as dividend income	(0.29)
Inhabitants' per capita taxes, etc.	0.86
Valuation allowance	1.56
Other	0.61
Effective tax rate	45.15%

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, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement and severance benefit obligation	¥(3,008)	¥(2,898)	$(30,026)
Plan assets	1,679	1,712	16,755
Unfunded benefit obligation	(1,330)	(1,187)	(13,271)
Unrecognized actuarial (gain) loss	126	(24)	1,260
Unrecognized past service cost	2	3	18
Accrued benefit obligation	¥(1,202)	¥(1,207)	$(11,993)

The following table summarizes the components of net retirement benefit expenses for the years ended March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥157	¥148	$1,571
Interest cost on benefit obligation	57	52	568
Expected return on plan assets	(34)	(30)	(342)
Amortization of actuarial loss	17	83	165
Amortization of past service cost	1	3	14
Extraordinary additional retirement payments	17	16	165
Net retirement benefit expenses	¥215	¥272	$2,142

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

	2008	2007
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, 2008, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$5,487 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 Commercial Code of Japan.

10. AMOUNTS PER SHARE

Net assets per share as of March 31, 2008 and 2007 were ¥853.90 (U.S.$8.52) and ¥935.19, respectively. Net income per share for the years ended March 31, 2008 and 2007 was ¥54.08 (U.S.$0.54) and ¥65.10, respectively.

Diluted net income per share for the years ended March 31, 2008 and 2007 was ¥53.99 (U.S.$0.54) and ¥64.92, respectively.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Basic net income per share:			
Net income	¥1,295	¥1,747	$12,930
Amount not attributable to shareholders of common stock:			
Directors' bonuses by appropriation of retained earnings	—	—	—
Amount attributable to shareholders of common stock	1,295	1,747	12,930
Weighted-average number of shares outstanding (millions of shares)	24	27	—
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, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total net assets per share:			
Total net assets	¥19,144	¥24,649	$191,080
Deductions:	518	528	5,169
Subscription rights	28	8	279
Minority interests in consolidated subsidiaries	490	521	4,890
Amounts attributable to shareholders of common stock	18,627	24,121	185,912
Number of shares outstanding at year end (millions of shares)	22	26	—

11. MAJOR EXPENSES

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Sales promotion expenses	¥4,208	¥4,061	$41,996
Advertising costs	3,111	3,300	31,046
Salaries	1,753	1,635	17,501
Shipment and storage expenses	1,647	1,581	16,440
Provision for employees' retirement and severance benefits	174	235	1,737
Provision for directors' retirement and severance benefits	14	16	141
Provision for doubtful accounts	26	—	260

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2008 and 2007 amounted to ¥489 million (U.S.$4,885 thousand) and ¥489 million, respectively.

12. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents at March 31, 2008 and 2007 to cash and time deposits in the accompanying consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and time deposits	¥6,008	¥8,135	$59,964
Time deposits with a maturity in excess of three months	(823)	(523)	(8,215)
Marketable securities with a maturity in excess of three months	—	500	—
Cash and cash equivalents	¥5,184	¥8,112	$51,749

Deposits pledged as collateral mainly for leased office space at March 31, 2008 and 2007 amounted to ¥23 million (U.S.$229 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, 2008 and 2007, primarily relating to tools, furniture and fixtures held under finance leases, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Acquisition cost	¥277	¥220	$2,761
Accumulated depreciation	114	64	1,136
Net book value	¥163	¥156	$1,625

(2) Future minimum lease payments, inclusive of the related interest, subsequent to March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Payable in one year or less	¥ 64	¥ 52	$ 634
Payable after one year	99	104	991
Total	¥163	¥156	$1,625

(3) Lease payments and pro-forma depreciation charges for the years ended March 31, 2008 and 2007 were ¥61 million (U.S.$609 thousand) and ¥57 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, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Payable in one year or less	¥ 0	¥1	$ 4
Payable after one year	—	0	—
Total	¥ 0	¥1	$ 4

14. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2008 and 2007, trade notes discounted with banks in the ordinary course of business amounted to ¥91 million (U.S.$912 thousand) and ¥87 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. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in two business segments and business segment information for the years ended March 31, 2008 and 2007 is summarized as follows:

Year ended March 31, 2008

	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	¥19,521	¥27,485	¥47,006	—	¥47,006
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	19,521	27,485	47,006	—	47,006
2. Operating expenses	17,668	26,119	43,787	—	43,787
Operating income	¥ 1,853	¥ 1,366	¥ 3,219	—	¥ 3,219
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	¥ 8,909	¥12,079	¥20,988	¥7,405	¥28,393
(2) Depreciation	¥ 373	¥ 563	¥ 936	—	¥ 936
(3) Capital expenditures	¥ 154	¥ 495	¥ 649	—	¥ 649

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, 2008

	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	$194,838	$274,326	$469,164	—	$469,164
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	194,838	274,326	469,164	—	469,164
2. Operating expenses	176,341	260,697	437,038	—	437,038
Operating income	$ 18,496	$ 13,629	$ 32,126	—	$ 32,126
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	$ 88,922	$120,559	$209,481	$73,906	$283,387
(2) Depreciation	$ 3,727	$ 5,615	$ 9,343	—	$ 9,343
(3) Capital expenditures	$ 1,533	$ 4,940	$ 6,473	—	$ 6,473

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, 2008)

Change in accounting policies

Effective the fiscal year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their depreciation method in terms of the tangible fixed assets acquired after April 1, 2007 in accordance with the Corporation Tax Law as amended.

As a result of the adoption of the new method, operating expenses of Mothproofing and hygiene-related products segment and Household environment-related products segment increased by ¥3 million (U.S.$32 thousand) and ¥44 million (U.S.$440 thousand), respectively. Operating income decreased by the same amount in Mothproofing and hygiene-related products segment and Household environment-related products segment.

Additional information

Effective the fiscal year ended March 31, 2008, the residual value of the tangible assets which were acquired before March 31, 2007 and have been fully depreciated up to 5 percent of the acquisition cost based on the prior Corporate Tax Law is to be depreciated to nominal book value of using a straight line method over a period of 5 years and booked as depreciation expense, according to the Corporation Tax Law as amended.

As a result of the additional depreciation, operating expenses of Mothproofing and hygiene-related products segment and Household environment-related products segment increased by ¥19 million (U.S.$193 thousand) and ¥26 million (U.S.$263 thousand), respectively. Operating income decreased by the same amount in Mothproofing and hygiene-related products segment and Household environment-related products segment.

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, 2008 and 2007.

18. NOTE TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Shares in issue and outstanding and treasury stock at March 31, 2008 and 2007 were as follows:

(Year ended March 31, 2008)

Number of shares in issue and outstanding:

Common stock 29,500 thousand

Number of shares held in treasury:

Common stock 7,686 thousand

Subscription rights at March 31, 2008 were as follows:

Subscription rights for stock options ¥28 million (U.S.$279 thousand)

Dividends from retained earnings at March 31, 2008 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 14, 2007	284	11	March 31, 2007	June 18, 2007
Board of directors' meeting held on October 30, 2007	284	11	September 30, 2007	December 7, 2007

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 21, 2008	240	Retained earnings	11	March 31, 2008	June 4, 2008

(Year ended March 31, 2007)

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

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, 2008, 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 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	4 officers and 14 employees	Aug 1, 2009– July 31, 2014
June18, 2008	95,000	Officers and employees (the Board of Directors will approve a resolution designating the eligible officers and employees)	Aug 1, 2010– July 31, 2015

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.

(Year ended March 31, 2008)

Cost related to the 2008 stock option plan amounting to ¥20 million (U.S.$203 thousand), was included in selling, general and administrative expenses.

Contents of stock options

	2002	2003	2004	2005	2006	2007	2008
Grantees	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	4 directors and 14 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	140,000	225,000	155,000	130,000	160,000	75,000	140,000
Grant date	October 11, 2001	August 1, 2002	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006	August 1, 2007
Condition for exercise	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 from August 1, 2007 to July 31, 2009
Working period	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	August 1, 2007 to, July 31, 2009
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, 2008 were as follows:

Number of shares

	2002	2003	2004	2005	2006	2007	2008
Non-vested outstanding at beginning of year	—	—	—	—	160,000	75,000	—
Granted during the year	—	—	—	—	—	—	140,000
Forfeited during the year	—	—	—	—	40,000	—	—
Vested during the year	—	—	—	—	120,000	—	—
Outstanding at end of year	—	—	—	—	—	75,000	140,000
Vested outstanding at beginning of year	5,000	31,000	57,000	110,000	—	—	—
Vested during the year	—	—	—	—	120,000	—	—
Exercised during the year	—	10,000	13,000	—	—	—	—
Forfeited during the year	—	—	—	5,000	5,000	—	—
Outstanding at end of year	5,000	21,000	44,000	105,000	115,000	—	—

Price of stock options

	Yen							U.S. dollars
	2002	2003	2004	2005	2006	2007	2008	2008
Exercise price	¥669	¥ 636	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517	$15
Weighted-average market price	—	¥1,440	¥1,437	—	—	—	—	—
Fair value per option on grant date	—	—	—	—	—	¥ 292	¥ 191	$ 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, 2008 was estimated based on the following assumptions:

	2008
Volatility	21.6%
Option term	4 years and 6 months
Expected dividend (per stock)	¥22 (U.S.$0.22)
Risk free interest rate	1.35%

Volatility was determined based on the actual stock price over the past 4 years and 6 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 2007 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.

(Year ended March 31, 2007)

Cost related to the 2007 stock option plan amounting to ¥8 million , 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, 2008 and 2007, 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, 2008 and 2007, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 18, 2008

Corporate Information

(June 15, 2008)

Board of Directors and Corporate Executive Officers

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

Hiroyuki Kokado
Outside director, member of audit committee

Teruyuki Maehara
Outside director, member of nomination and audit committee

Mitsuko Miyagawa
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 division

Hirohide Shimada
Senior Managing Executive Officer
In charge of corporate staff

Takahiko Kato
Executive Officer
Deputy general manager of sales division
Tokyo branch general manager

Masakazu Kinoto
Executive Officer
Deputy general manager of sales division
Osaka branch general manager

Masami Kitahara
Executive Officer
In charge of marketing

Keiichi Hayasaka
Executive Officer
In charge of International business

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	607 (Consolidated) 361 (Non-Consolidated)
Contact	Hirohide Shimada, Public Relations Department
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

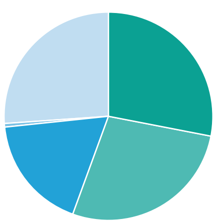
Investor Information

(March 31, 2008)

Fiscal year-end	March 31
Shares issued and outstanding	29,500,000
Listed exchange	Tokyo Stock Exchange, First Section
Shareholders	8,132

Primary Shareholders

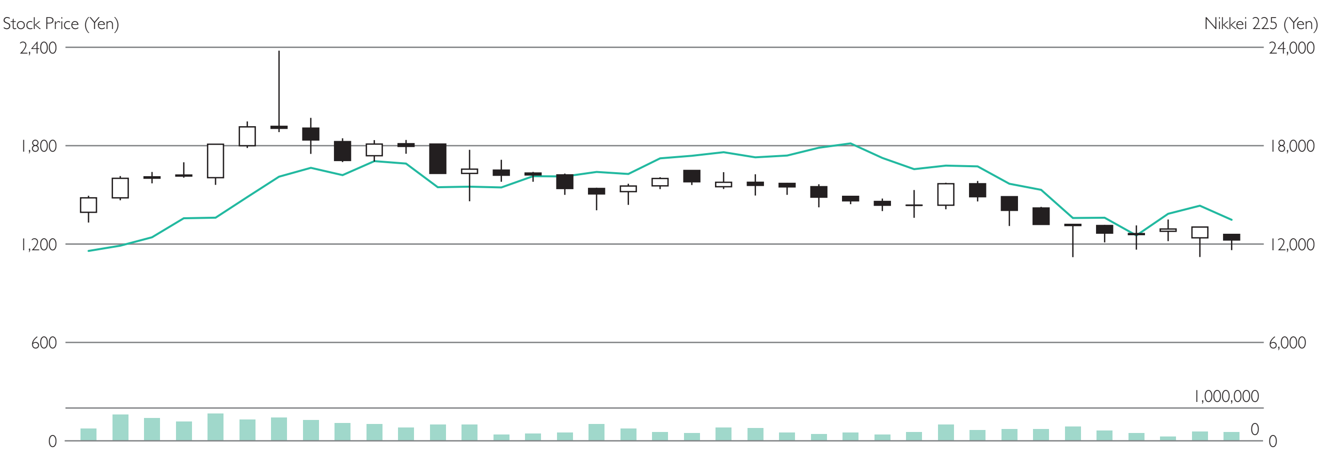
	(Thousands of shares)	(% of total)
S.T. Corporation	7,686	26.1
Shaldan Co., Ltd.	4,674	15.9
Nippon Life Insurance Company	1,671	5.7
TCSB(Mizuho Bank)	884	3.0
Takashi Suzuki	812	2.8
Fuamiru	780	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	681	2.3
Seiichi Suzuki	582	2.0
Akio Suzuki	485	1.6
Caleine	433	1.5



Individuals	28.08%
Other Japanese institutions	27.75%
Financial institutions	17.56%
Non-Japanese institutions	0.55%
Treasury stock	26.06%

Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Auditor	Ernst & Young Shin Nihon
Annual shareholder's meeting	Middle of June each year (June 15, 2008)

Stock Chart



S.T.CORPORATION

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