S.T.CORPORATION

Annual Report 2011

Year ended March 31, 2011

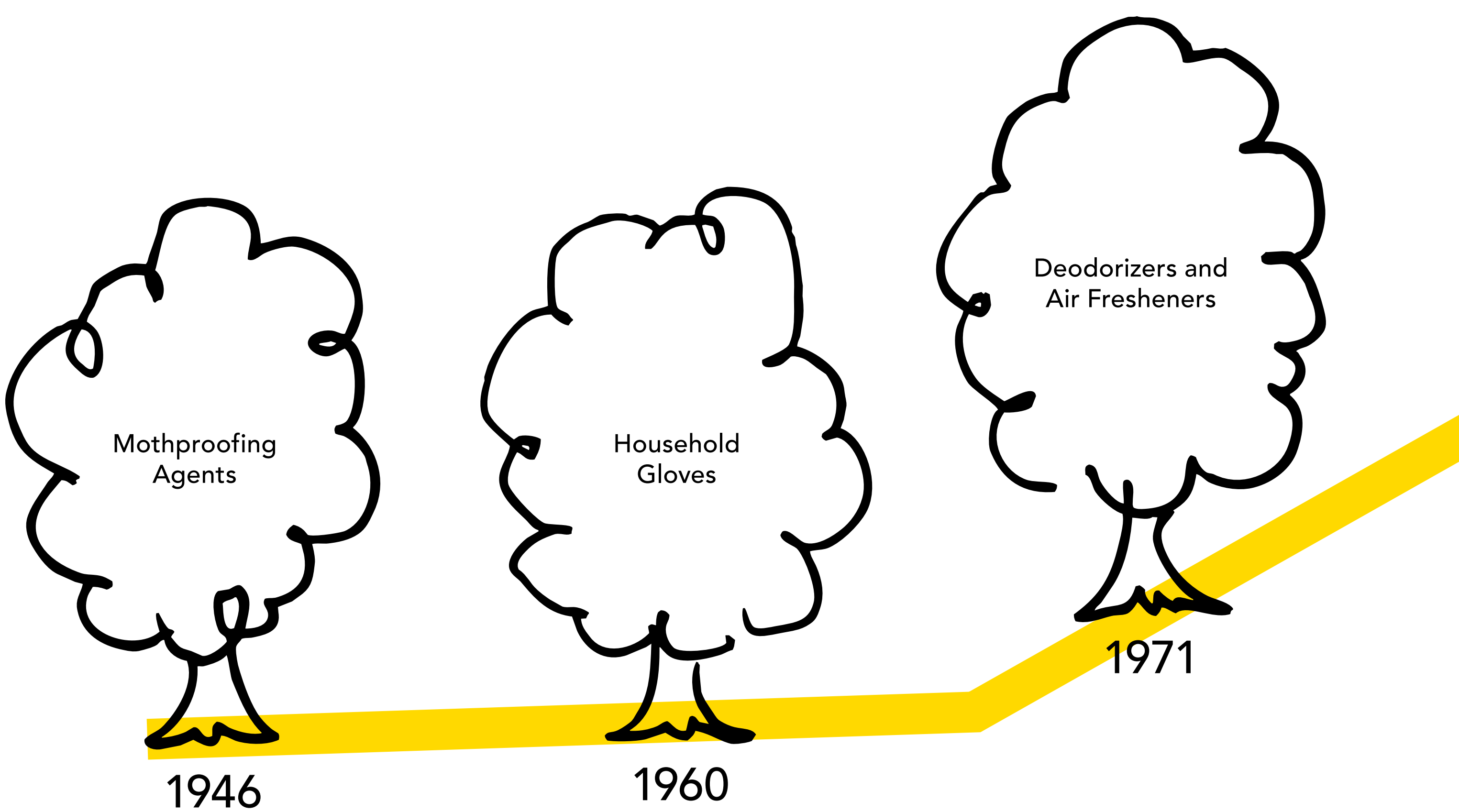
Global Niche No.1 =

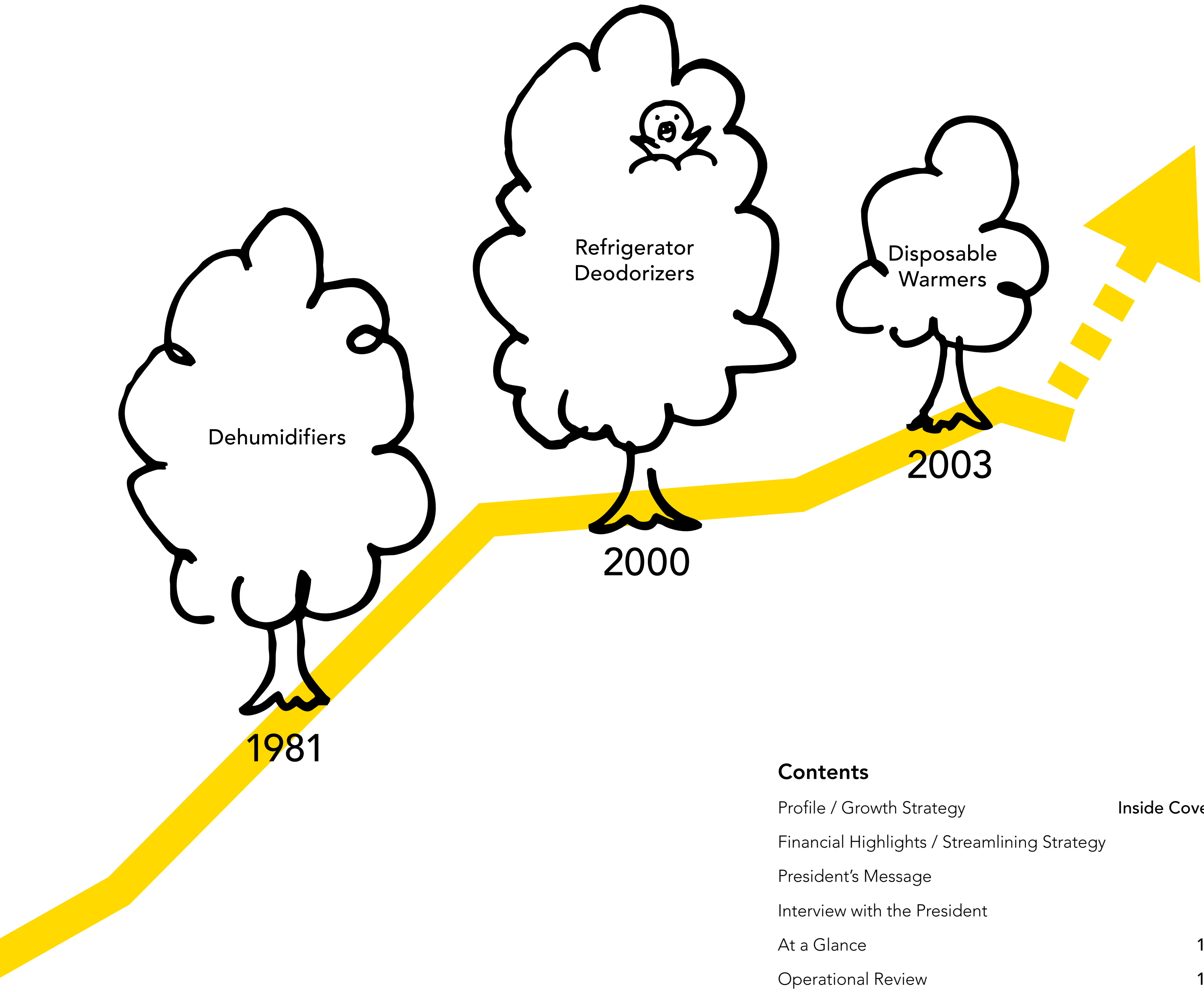
Global Niche No.1 =

Creativity ×

Since its founding, S.T. CORPORATION has developed unparalleled products* in the areas of mothproofing agents (introduced in 1946) and deodorizers and air fresheners (in 1971), cultivating niche markets to ensure business growth.

* Unparalleled products: New, innovative products





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Forward-Looking Statements: This annual report contains forward-looking statements regarding S.T. CORPORATION's future plans, strategies and performance. Such forward-looking statements are based on information available as of the issuance of this annual report. Please note that forward-looking statements may differ greatly from the Company's actual performance due to the economic situation, business environment, market demand and foreign currency exchange rate fluctuations in the future.

Note: Fiscal years in this annual report are based on S.T. CORPORATION's fiscal year ending March 31.

Global Niche No. 1 = Creativity ×

Focus

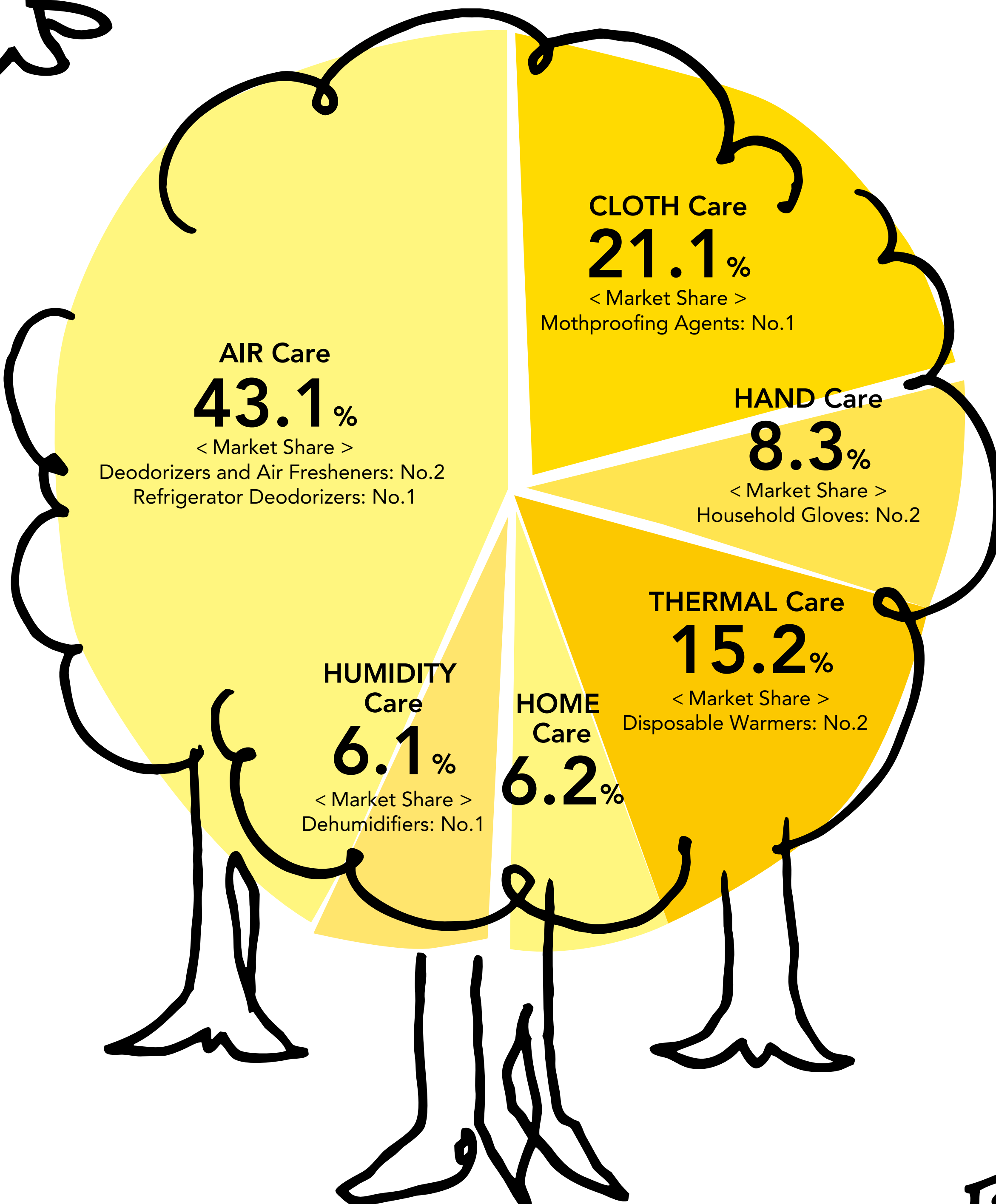
Continuing to "select and focus" with regard to competitive product brands that can capture the No. 1 and No. 2 market shares, S.T. CORPORATION will build a lean and speedy business structure.

Financial Higlights

S.T. CORPORATION and consolidated subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen (except per share data)		Thousands of U.S. dollars (Note)
	2011	2010	2011
For The Year:			
Net sales	¥43,580	¥43,546	$524,118
Operating income	2,114	2,246	25,428
Net Income	786	1,119	9,456
At Year-end:			
Total assets	30,011	29,029	360,924
Net assets	19,972	19,966	240,192
Per Share (yen and U.S.dollars):			
Net income	¥ 36.03	¥ 51.25	$ 0.43
Cash dividends	22.00	22.00	0.26
Net assets	893.74	892.46	10.75

Note: Figures have been translated into U.S. dollars at ¥83.15=U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2011.



Net Sales and Market Share
by Category (FY 2011)

負けてたまるか

[makete-tamaruka]: A phrase oft used by men who live in the Tokyo downtown (Edo) area to describe a spirit of rising optimism that cannot be beaten down.

In the fiscal year ended March 31, 2011 (fiscal 2011), S.T. CORPORATION's performance was affected by stagnant consumer demand and unusual weather in the first half of the year. Although we achieved sales growth in the second half of fiscal 2011, we recorded only a slight increase in sales and decrease in profit for the full year on the back of continued high raw material expenses and the negative impact of the Great East Japan Earthquake.

During fiscal 2011, we strived to differentiate our products by following our "design × fragrance revolution" value-added strategy and, mid-year, initiated "S.T. Reformation," a program of sales innovation that yielded results that increased our confidence in the success of our management reforms.

In the fiscal year ending March 31, 2012 (fiscal 2012), facing the consequences of the earthquake, we will make Companywide efforts to confront various challenges with a "makete-tamaruka" spirit. We assume that people's values and lifestyles will be greatly changed. Given this, S.T. CORPORATION will continue to develop unparalleled products that bring comfort to people's lives, thereby invigorating Japan. We hope we can live up to your expectations.

August 2011

Takashi Suzuki

President and Chief Executive Officer
Chairman of the Board

Review of FY 2011 and Outlook

A New, Creative S.T.

Focusing on the key words "safety," "peace of mind" and "ecology," S.T. CORPORATION will creatively pursue new customers.

Q.1

What is your assessment of the Company's fiscal 2011 results?

Despite a decline in profit due to unusual weather and the disaster, we gained confidence in the effectiveness of our management reforms.

In this, the second year since I resumed the position of president, S.T. CORPORATION has pursued three basic strategies, namely, "select and focus," the "development of unparalleled products" and "agile management," with the aim of strengthening its mainstay brands while implementing strict cost reductions. Furthermore, to facilitate the switch from price competition to value competition, we at S.T. CORPORATION continued to pursue our "design × fragrance revolution" value-added strategy. Our consolidated results were affected by sluggish consumer demand and unseasonal weather, but net sales edged up 0.1% year on year to ¥43,580 million thanks to strong demand for the new stick-type diffuser My Aroma Stick and Fragrant Mushuda mothproofing agents, which offer a more refined scent.

On the earnings front, operating income declined 5.9% year on year to ¥2,114 million and net income fell 29.8% to ¥786 million, due mainly to ongoing high raw material expenses and the negative impact of the Great East Japan Earthquake, which struck on March 11, 2011.

We also initiated "S.T. Reformation," a program of sales innovation, in mid-fiscal 2011. Driven by this, we saw sales growth in the second half of fiscal 2011. Although the program was carried out only in the Tokyo branch office in fiscal 2011, it's success helped increase confidence in our management reforms.

New products offering added value (sophisticated scent): My Aroma Stick reed diffuser (left) and Fragrant Mushuda mothproofing agent (above)

Q.2

What was the extent of the damage from the Great East Japan Earthquake to S.T. CORPORATION?

We sustained only minor damage to our production facilities and were able to resume operations after approximately one month.

Although the damage to production facilities at the Fukushima Plant was minor, operations were suspended for approximately one month due to a delay in the restoration of the local supply-chain infrastructure. To compensate for the decrease in production, other plants located in other areas stepped up their operations. With regard to material and component procurement, some suppliers, for example, molding makers, were temporarily affected by the electric power company's rolling blackout. As a result, we recorded an extraordinary loss on disaster of ¥117 million in fiscal 2011.

In response to the crisis caused by the Great East Japan Earthquake, S.T. CORPORATION immediately supplied such relief supplies as disposable warmers and household gloves while making monetary donations.

In fiscal 2012, we anticipate a decrease in the extraordinary loss on disaster. However, we also project decrease in sales and profit due to the power shortage, higher raw material expenses and a hike in distribution costs. We will make every effort to minimize the impact of increased costs.

Q.3

Could you tell us what your focus will be on with regard to future business operations?

We will further enhance our development and sales capabilities to differentiate our products, while creating a new S.T. CORPORATION inspired by the "makete-tamaruka" spirit.

We will continue to pursue our "design × fragrance revolution" value-added strategy. To this end, we have added a new perfumer to our development staff to accelerate our fragrance revolution and thus strengthen our mainstay brands.

To differentiate our sales capability, we will pursue "S.T. Reformation" across the board. During fiscal 2011, we began holding monthly discussions at the Tokyo branch office regarding sales-related issues. As a result, the branch realized double-digit sales growth in the second half of the year. Extending such innovations throughout the Company in fiscal 2012, we will launch a cross-functional team—one that works beyond the divisional borders—to conduct business reform.

In addition, since the earthquake, consumption trends have changed drastically throughout the nation. I, myself, was greatly shocked by this earthquake and remembered what it was like during my childhood in the post World War II years. In fiscal 2012, S.T. CORPORATION embraced a new "makete-tamaruka" spirit. In this spirit and keeping the key words "safety," "peace of mind" and "ecology" in mind, we will regenerate S.T. CORPORATION as the company that develops unparalleled products that brighten up people's lives.

Q.4

Please tell us about synergies yielded by the business alliance with FUMAKILLA LIMITED.

During fiscal 2011, we jointly developed new products with FUMAKILLA. We will focus on the Indonesian market in fiscal 2012 as we work to strengthen our global business foundations.

During fiscal 2011, we developed an automatic electrically powered insect repeller and, in the Shoshu-Riki deodorizer series, a new fruit fly repellent for household garbage containers jointly with FUMAKILLA while pursuing business efficiencies through the sharing of sales branch offices.

Benefiting from FUMAKILLA's strength in overseas markets, we will undertake joint product development and the expansion of local production outsourced to FUMAKILLA in Indonesia, where FUMAKILLA's largest overseas production plant is located and where high market growth is expected. At the same time, we will enhance collaborative marketing and sales activities in Asian countries in order to increase our overseas sales ratio.

New products developed jointly with FUMAKILLA: Automatic electrically powered insect repeller (left) and Shoshu-Riki, fruit fly repellent for household garbage containers (above)

Q.5

How do you picture S.T. CORPORATION in the years to come, including future growth strategy?

I see S.T. CORPORATION becoming a company that can continually generate customers and sustain operations for the next 100 years, 200 years, or even 1,000 years.

Essentially, there will be no change in our basic strategy.

Since its founding, S.T. CORPORATION has engaged in the development of unparalleled products that create demand that, in turn, drives growth. These efforts have yielded Mushuda mothproofing agents, Drypet dehumidifiers and Dashu-Tan refrigerator deodorizers, products that have become leaders in global niche markets.

Mothproofing Agents

Mushuda

Dehumidifiers

Drypet

Refrigerator Deodorizers

Dashu-Tan

I wish S.T. CORPORATION to continue to do business for the next 100 years, 200 years, or even 1,000 years. We are generating not only "products" but also "customers." In order to realize an everlasting business, we must spot problems, that is, maintain a hands-on policy. "S.T. Reformation," our newest program of sales innovation, was launched in fiscal 2011 and is the first initiative as we move forward with our hands-on policy. Pushing forward across-the-board management reforms, we believe S.T. CORPORATION will gain much strength and speed in its business operations.

Q.6

Finally, do you have a message for your shareholders and investors?

Through sustainable, profitable growth, we will provide returns to shareholders. We hope we can live up to your expectations regarding our product development.

In June 2011, two female candidates were elected to the position of director. The majority of our products target female users. Therefore, we need to change to ensure further demand growth in the Japanese market. It is essential to continue to develop products that impress female consumers. For years, S.T. CORPORATION has been consciously recruiting a broad variety of people capable of enhancing corporate value. We began taking this approach well before a policy of diversity became widespread in Japan.

Regarding medium- to long-term initiatives, our subsidiary Japan Aroma Laboratory Co., Ltd. is working on a project entrusted to it by the Japan Science and Technology Agency (JST) that aims to commercialize essential oil-based detoxifying agents that neutralize environmental pollutants. From fiscal 2012, we will aggressively promote collaboration with other companies and institutions.

S.T. CORPORATION considers it important to maintain high returns to shareholders supported by solid corporate value achieved through sustainable, profitable growth. Our policy is to provide performance-based dividends while securing stable distribution. For fiscal 2011, we maintained the annual dividend at ¥22 per share (for a consolidated payout ratio of 61.1%), on par with that of the previous fiscal year.

Also in fiscal 2011, we retired 6.5 million (22% of the total number of shares issued) of the approximately 7.65 million shares of treasury stock held at the beginning of the fiscal year. This retirement will increase net assets per share and thus benefit shareholders. We will continue to consider ways of optimizing shareholder return in the future.

Since the earthquake, people's values and lifestyles have been undergoing drastic change. Developing unparalleled products, S.T. CORPORATION will continue to strive to brighten up and invigorate Japan. We sincerely ask for your continued understanding and support.

S.T. CORPORATION's post-quake TV commercial communicating sympathy and voicing encouragement to the nation drew public attention.

Value-Added Strategy: Design × Fragrance

Japan has four distinctive seasons, and S.T. CORPORATION's seasonal products are key domains.
Given the intense competition in this market, we differentiate our products by adding value.

Market Share & Rank
(Japan)

Household Environment-Related Products

AIR Care

Effective year round, Air Care products include room deodorizers and air fresheners designed to eliminate odors as well as refrigerator deodorizers. Accounting for 43% of net sales, the Air Care business is S.T. CORPORATION's mainstay business.

Serving a market valued at approximately ¥54 billion, the Air Care business has strong growth potential.

Deodorizers and Air Fresheners	Refrigerator Deodorizers
27.9%	63.8%
< Market Share : No.2>	< Market Share : No.1>

HUMIDITY Care

Dehumidifiers are unique products developed for Japan's rainy climate. As the pioneer of the niche Humidity Care market, S.T. CORPORATION has taken a leading role since 1981.

Currently worth approximately ¥10 billion, this market is stable although competitive.

Dehumidifiers
37.3%
< Market Share : No.1>

HOME Care

In the Home Care category, we provide niche cleaning products and are nurturing a number of other new products we hope will become leading items.

Mothproofing and Hygiene-Related Products

CLOTH Care

In Japan, many people store their wardrobes seasonally due to hot summers and cold winters, making mothproofing agents key products to protect clothes while they are in storage.

Since our founding, the Cloth Care business has been a major source of revenue and, currently, serves a market worth approximately ¥25 billion.

Mothproofing Agents
46.5%
< Market Share : No.1>

HAND Care

Household and industrial-use gloves protect hands while carrying out household chores (dishwashing, cleaning the kitchen, laundry, bath and toilet cleaning), car washing, DIY projects and gardening.

The Hand Care category is our second oldest business, and serves a market worth approximately ¥10 million.

Household Gloves
23.4%
< Market Share : No.2>

THERMAL Care

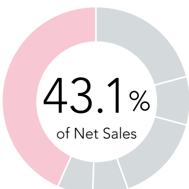
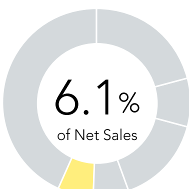
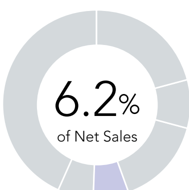
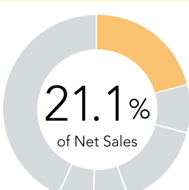
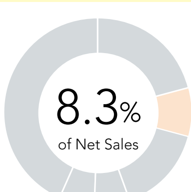
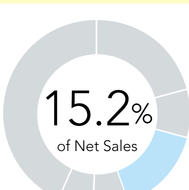
Disposable warmers for hands and feet sell best in winter.

This category helps maintain retail shelf space, counter-balancing mothproofing agents, which are mainly sold in spring and autumn. The Thermal Care business operates in this competitive ¥40 billion market, which is vulnerable to changes in the weather, where differentiation is challenging.

Disposable Warmers
20.5%
< Market Share : No.2>

Growth Strategy

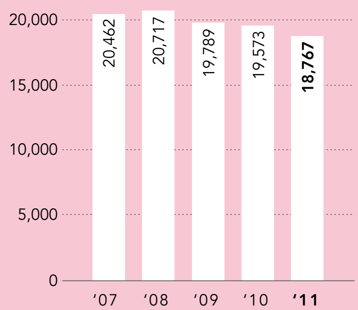
Sales Results for FY 2011
(Year-on-year change)

Share	Sales	Year-on-year change	Comments	Expand Markets (Domestic)	Increase Share (Domestic)	Target Global Growth
	¥18,767 million	-4.1%	The new Shoshu-Riki for household garbage containers and Shoshu-Pot series with a renewed design contributed to sales. Demand for existing products, however, was sluggish.	Propose new usages	Increase share to 40%	All regions
	¥2,686 million	-8.3%	Sales of the refill-type Drypet Compact dehumidifiers were strong, while demand for disposable dehumidifiers decreased.	Propose value-added products		Asia, USA
	¥2,686 million	-11.6%	Demand for new Ohisama series products and Kome-Touban positively affected sales in this category. However, due to the absence of the surgical mask business, which was terminated in fiscal 2010, overall sales declined.	Propose new usages	No. 1 cleaner in the niche market	
	¥9,193 million	-2.3%	During fiscal 2011, sales of Fragrant Mushuda were strong. However, due to unusual weather in spring and the negative impact of the Great East Japan Earthquake on business, sales were sluggish in this segment.	Propose new usages	Increase share to 50%	Asia, Europe
	¥3,625 million	+9.5%	Sales in this category rose due to stepped up sales promotion activities, the introduction of new models in the Family series of household gloves and increased restoration associated demand following the earthquake.	Propose new features and stand-out products		All regions
	¥6,624 million	+25.5%	Sales in this category grew due to extremely cold winter weather and increased demand related to the earthquake.	New usages such as in the medical field		

Household Environment-Related Products

AIR Care
(Deodorizers and Air Fresheners)

Net Sales (millions of yen)



The Air Care category encompasses unique product lineups, including the mega brand Shoshu-Riki (Air Wash-Liquid overseas); Shoshu-Plug, which realizes high deodorizing capability driven by electric power; Shoshu-Pot (Air Wash-Gel overseas) and Dashu-Tan, a powerful refrigerator deodorizer that uses charcoal.


My Aroma Stick


Shoshu-Pot


Shoshu-Plug Autospray


Shoshu-Riki


Shoshu-Riki


Dashu-Tan [Refrigerator Deodorizer]

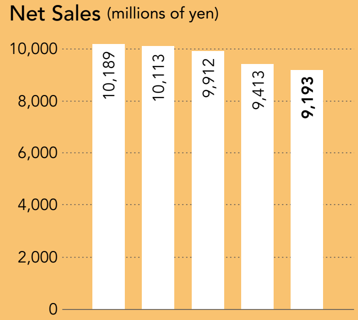
Overview:
We introduced new product applications and quality fragrances to increase market share. In addition, we launched a new Shoshu-Riki product for household garbage containers, a new toilet tank type Shoshu-Pot product and a redesigned Shoshu-Pot model with the aim of invigorating the market. However, existing products sales decreased.

Future Strategy:
Continuing to focus on automatic electrically powered deodorizers and air fresheners, which have strong market growth potential, we will introduce new product applications and more refined scents in existing core brands with the aim of cultivating new demand.

Mothproofing and Hygiene-Related Products

CLOTH Care
(Mothproofing Agents)

Net Sales (millions of yen)



In this market, we boast a dominant share of the market for mothproofing agents led by our flagship Mushuda and Neopara Ace brands, a market in which we are known as a reliable, top maker.


Mushuda (for drawers)


Mushuda (for closets)


Mushuda (cover style)

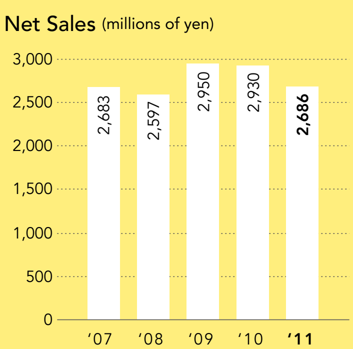

Fragrant Mushuda (for closets)


Neopara Ace

Overview:
Based on our mainstay Mushuda (scent-free) mothproofing agents, we released a new Fragrant Mushuda for the younger generation, who tend not to use mothproofing agents and to prefer fragrant products, with the aim of cultivating new demand. However, unusual weather and the earthquake resulted in weak sales.

Future Strategy:
We will continue to propose new ideas for products for the younger generation, who tend not to use mothproofing agents, by serving new styles of storing clothes and nurturing the market for fragrant mothproofing agents.

HUMIDITY Care
(Dehumidifiers)



Our extensive lineup in this business includes our top-brand Drypet dehumidifier and Bincho-Tan Drypet, which boasts deodorant effects on top of its dehumidifying functions.

Drypet (for drawers) | Drypet (for closets) | Bincho-Tan Drypet (for boots) | Drypet Compact | Bincho-Tan Drypet

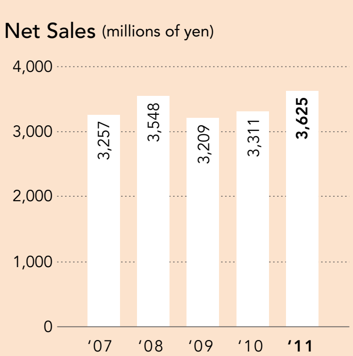
Overview:

We improved the dehumidifying capability of our mainstay Drypet series, while renewing its design, logo and overall image to inject freshness into the storefront product lineup. As a result, sales of refill-type Drypet Compact dehumidifiers remained strong, although those of other dehumidifiers declined. Overall sales in this category were weak.

Future Strategy:

To better retain customers, we will continue to cultivate new demand by proposing new product applications while continuing to focus on refill-type Drypet Compact dehumidifiers and expand the market.

HAND Care
(Gloves)



We offer Family brand household gloves as well as industrial-use gloves with such value-added features as strengthened fingertips and impregnation with skin-soothing agents.

Family Thin PVC Gloves (fingertip-reinforced) | Family Medium-Thick PVC Gloves | Family Thick PVC Gloves | Family Medium-Thick Rubber Gloves with Sleeves | Stylinglove Medium-Thick PVC Gloves

Overview:

We renewed the packaging of the Family series household gloves to strengthen the product brand as well as our sales promotion activities.

Sales of household gloves increased due to the demand associated with restoration after the earthquake.

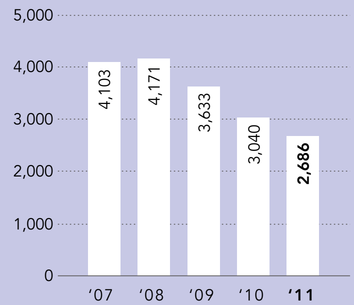
Future Strategy:

We will continue to strive to strengthen and develop product brands while cultivating and expanding new demand.

Household Environment-Related Products

HOME Care
(Cleaners and Other Products)

Net Sales (millions of yen)



Home Care products encompass such unique, niche cleaning products as Ultra-Powers Washing Tub Cleaner and the Ohisama series product lineup, as well as Kome-Touban, which protects stored rice from insect infestation.

Ultra-Powers Washing Tub Cleaner | Kome-Touban | Ohisama no Sentaku (sunlight activated shoe cleaner) | Ohisama no Shoshu (sunlight activated spray for futons) | Shoshu-Pot (spray toilet cleaner) | Automatic electrically powered insect repeller

Overview:

In fiscal 2011, we released a shoe cleaning spray, a spray for futon bedding in the new Ohisama series and a new cleaning spray in the Shoshu-Pot series, invigorating a stagnant market.

However, these efforts did not compensate for the termination of sales of surgical masks at the end of June 2009 and sales in this category declined.

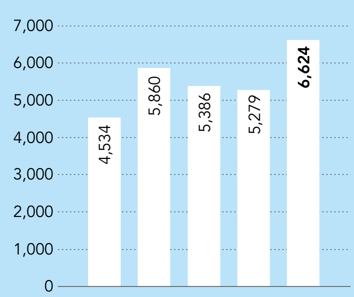
Future Strategy:

Aiming for future growth, we will make continuing efforts to proactively cultivate new business areas.

Mothproofing and Hygiene-Related Products

THERMAL Care
(Disposable Warmers)

Net Sales (millions of yen)



Since July 2003, we have been marketing products produced through alliances, such as disposable warmers sold under Mycoal Co., Ltd.'s Onpacks brand, taking pride in the quality and lineup of our products, particularly those for warming the feet.

Haru-Onpacks (adhesive type) | Onpacks (non-adhesive type) | Smart-Onpacks (adhesive type, flexible & thin) | Haru-Onpacks (adhesive type for socks) | Onpacks (non-adhesive type for shoes)

Overview:

We renewed the packaging of disposable warmers to unify the entire Onpacks series' product design and invigorate the market.

Sales of disposable warmers grew due to increased demand associated with restoration after the earthquake.

Future Strategy:

We will continue to strive to strengthen and develop product brands while cultivating and expanding new demand.

Leveraging Alliance Synergies in Indonesia

Promoting "select and focus" in every aspect of operations, S.T. CORPORATION is establishing a global business foundation tailored to local markets.

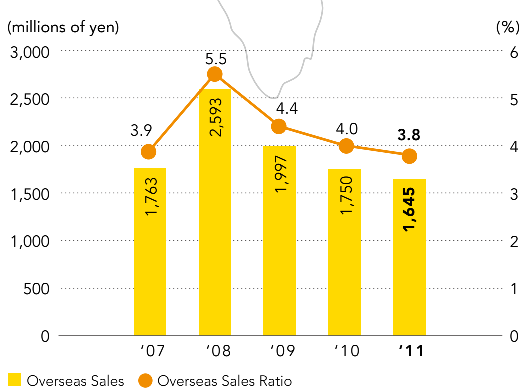
Overseas Development and Future Strategies

In North America and Europe, S.T. CORPORATION pursues global business expansion through alliances. In Asia, backed by our mainstay products, we have been building a stronger presence in Asian markets. Through these efforts, the Company is aiming for an overseas sales ratio of over 10%.

However, overseas sales edged down despite such efforts due to the slow economic recovery from the international financial crisis.

In May 2010, the Company entered into a capital and business alliance agreement with FUMAKILLA LIMITED, in which it now holds a more than 25% share. Leveraging synergies from this alliance, during fiscal 2012, S.T. CORPORATION will post staff to the growing market of Indonesia to establish a business foundation rooted in that country, where FUMAKILLA has its largest overseas production base.

Overseas Sales



Outline of FUMAKILLA LIMITED (Consolidated)

President	Kazuaki Oshimo
Location	Chiyoda-ku, Tokyo
Paid-in capital	¥3,699 million (as of March 31, 2011)
Established	December 1950
End of fiscal year	March 31
No. of employees	1,315 (as of March 31, 2011)
Net sales	¥23,473 million (for fiscal year ended March 31, 2011)
Net income	¥287 million (for fiscal year ended March 31, 2011)

Overseas Bases

Company Name	Main Businesses
1 AEKYUNG S.T. CO., LTD.	Sale of deodorizers and air fresheners/household goods
1 S.T. KOREA CORPORATION	Production of deodorizers and air fresheners/dehumidifiers
2 FAMILY GLOVE (TAIWAN) CO., LTD.[1]	Production and sale of gloves
3 SHALDAN (THAILAND) CO., LTD.	Production and sale of deodorizers and air fresheners
3 FAMILY GLOVE (THAILAND) CO., LTD.[2]	Production and sale of gloves
4 FAMILY GLOVE (VIETNAM) CO., LTD.	Production of gloves
5 SHALDAN (PHILIPPINES) INC.	Production and sale of mothproofing agents/deodorizers and air fresheners

Notes: 1. ISO14001/9001-certified plants
2. ISO9001-certified plants

Sound, Objective Committee-Based Governance

S.T. CORPORATION gives top priority to implementing corporate governance that achieves fair and stable organizational operations to increase shareholder value. Also, the Company considers it important to improve corporate value by enhancing management transparency and maintaining harmonious relations with various stakeholders. To ensure the accurate implementation of these basic principles, the Company adopted the Company-with-Committees system, thereby further improving management quality.

Committee-Based Corporate Governance System

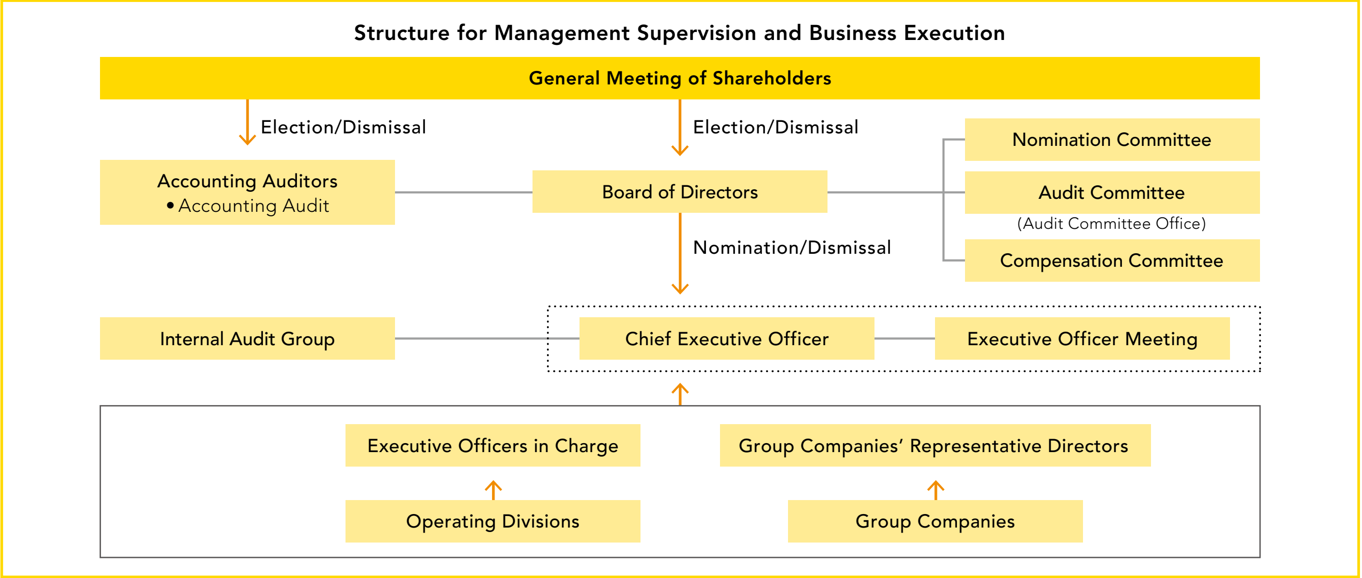
In 2004, S.T. CORPORATION shifted from the company with corporate auditors system to the current committee-based system, establishing Nomination, Audit and Compensation Committees within the Board of Directors, with outside directors comprising the majority of each Committee. The Board of Directors nominates executive officers to undertake business execution in line with its policy decisions. The term of office for both directors and executive officers is one year, and directors are nominated at the General Meeting of Shareholders every year. This system allows the Board of Directors to concentrate on decision-making and supervisory functions by delegating much business execution authority to executive officers. This ensures agile decision making and flexible business execution.

A Governance System That Balances Decision-Making, Business Execution and Supervision

S.T. CORPORATION's Board of Directors comprises four corporate directors and four outside directors, including two female directors (one from outside the Company) elected to the Board at the June 2011 General Meeting of Shareholders, which increased the number of female directors by one. The Board holds regular meetings on a quarterly basis and extraordinary meetings as necessary to decide on matters of managerial importance. Of the eight executive officers, four, including the president, are concurrently directors. In principle, Executive Officer Meetings are held biweekly to expedite decision making and flexible business execution.

S.T. CORPORATION's directors monitor business execution through Board of Directors' meetings and Audit Committee activities. Outside directors constitute the majority of the Nomination and Compensation committees, which have five and three members, respectively. All three of the Audit Committee members are outside directors as are the chairs of all three committees. Outside directors are chosen for extensive knowledge and experience in such fields as corporate management, marketing, accounting and business science. They play an appropriate role in strengthening monitoring and supervisory functions as

Corporate Governance Structure



well as in enhancing the objectivity, transparency and fairness of corporate management.

Audit by Audit Committee, Internal Audit Group and Accounting Auditors

The Audit Committee conducts audits by receiving business execution reports from executive officers, examining financial reports and other documents and directing investigations on a project-by-project basis. To ensure audit effectiveness, the Audit Committee members also visit operational sites in cooperation with the Internal Audit Group and exchange timely opinions with the chief executive officer and accounting auditors.

Under the direct control of the chief executive officer, the Internal Audit Group is responsible for internal audits, and plans and implements annual internal audits. The Internal Audit Group also conducts special audits on demand for the Board of Directors, Audit Committee or the chief executive officer.

Currently, S.T. CORPORATION's accounting auditor is Ernst & Young ShinNihon LLC, a member firm of Ernst & Young Global Limited, an independent auditor that conducts accounting audits and internal control audits.

Internal Control System

In accordance with requirements stipulated in Japan's Corporation Law and Financial Instruments and Exchange Law, S.T. CORPORATION has worked on building effective internal control systems for the entire Group that focus on compliance and risk management.

Regarding compliance, the Company has been striving to enhance the awareness and structure of all Group units regarding compliance, establishing internal compliance regulations and the Compliance Committee, both covering the entire S.T. CORPORATION Group. In risk management as well, the Company maintains internal risk management regulations and the Risk Management Committee, which covers the entire Group, while addressing specific risks by assigning the Special Committee as necessary.

In the area of an internal control over financial reporting, the Company has worked to enhance the reliability of its financial reporting, following the initial ground laying processes centered on the preparation of numerous check sheets and other documents. As a result, in each fiscal year since the introduction of the Internal Control Report system under the Financial Instruments and Exchange Law in fiscal 2009, the Company's system of internal control over financial reporting has been evaluated as "effective." In addition, in fiscal 2011, its general IT control system was verified as "effective." S.T. CORPORATION will continue to further improve the reliability of its financial reporting and management transparency.

Directors and Executive Officers (As of June 17, 2011)

Board of Directors

Takashi Suzuki ★
The Chairman of the Board of Directors

Osamu Mizorogi ★◆●
Outside Director

Kanichi Suzuki ★
Outside Director

Naoto Onzo ★◆●
Outside Director
Dean, School of Commerce, Waseda University

Yoshiko Shirata ◆
Outside Director
Professor, Graduate School of Business Sciences, University of Tsukuba

Kanzo Kobayashi ★
Director

Hirohide Shimada ●
Director

Takako Suzuki
Director

★ Member of Nomination Committee
◆ Member of Audit Committee
● Member of Compensation Committee
Orange symbol indicates committee chair

Executive Officers

Takashi Suzuki
President and Chief Executive Officer
Representative Executive Officer

Kanzo Kobayashi
Senior Executive Vice President
Executive Officer

Hirohide Shimada
Managing Executive Officer
In charge of Corporate Staff Division and Investor Relations

Takahiko Kato
Managing Executive Officer
General Manager of Sales Division

Kumiko Ishikawa
Executive Officer
In charge of Legal Department, Corporate Staff Division and Customer Service Division

Yo Kouzuki
Executive Officer
In charge of Research and Development Division

Takako Suzuki
Executive Officer
In charge of Group business strategy and fragrance & design

Tsukasa Konda
Executive Officer
General Manager of Tokyo Office, Sales Division

Helping to Invigorate Japan

In line with its credo of Service and Trust, S.T. CORPORATION strives to ensure sustainable, profitable growth by providing comfort and excitement to people's lives. The Company also places top management priority on building harmonious relationship with its stakeholders, including shareholders, customers, business partners, local communities and employees, thereby increasing its corporate value.

Corporate Philosophy

The mission statement of S.T. CORPORATION is "Sincerity." All our business activities enshrine the basic concepts of our management philosophy. Based on these concepts, we are building an optimum and fair business management system and enhancing our corporate governance.

社是 誠実

Sincerity

Management Philosophy

1. To fulfill its mission of serving society and earning society's trust, S.T. CORPORATION constantly works to improve its products and to create unique products that our customers can trust absolutely.
2. To achieve the Company's sustained prosperity, S.T. CORPORATION ensures its workplaces provide an environment where its employees can earnestly work with hope and pride.
3. Always valuing harmony and courtesy, S.T. CORPORATION strives to be the best company as regards winning the absolute trust of our customers, other concerned people and society at large.

Reducing Environmental Burdens

エコシップマーク
Eco-Ship Mark

In 2010, S.T. CORPORATION was reaccredited with the Eco-Ship Mark by the Maritime Bureau of Japan's Ministry of Land, Infrastructure, Transport and Tourism. Aiming to raise public awareness of modal shift, the Eco-Ship Mark System facilitates a modal shift to marine transport by granting this certification to cargo owners and distributors who have met or surpassed a required level of environment-friendly marine transport utilization. S.T. CORPORATION first received this certification in 2008 and the latest commendation underlines its position as a company that contributes to environment preservation activities. Spurred by this achievement, S.T. CORPORATION will further promote modal shift, with the aim of reducing environmental burdens.

Supporting Disaster-Struck Areas

To support survivors and restoration activities in the areas affected by the Great East Japan Earthquake, which struck on March 11, 2011, S.T. CORPORATION immediately sent such relief supplies as disposable warmers and household gloves in conjunction with the national and municipal governments and various industrial organizations. In addition, S.T. CORPORATION made monetary donations to the Japan Red Cross and Iwaki City, Fukushima Prefecture, where the Company's Fukushima Plant is located.

Campaign to Support Musicals

The Company proactively supports cultural activities, such as musicals and stage plays. Since 1998, the Company has sponsored a campaign to stage invitation-only productions of musicals. In 2010, the cumulative total of guests surpassed 190,000 people. In 2011, S.T. CORPORATION plans to continue presenting the musical *Anne of Green Gables* in eight major cities nationwide in its "Heartbeat of 20,000 People Tour."

Toward Sustainable Growth

To achieve sustained growth, the Company considers it important to nurture the minds and bodies of personnel. S.T. CORPORATION is implementing various initiatives to improve workplace environments, thereby enabling personnel to acquire the capabilities to both develop groundbreaking ideas and also become the next generation of managers. These initiatives include reassessing business practices to remove the need to work overtime, expanding the availability of shortened working hours for childcare providers, improving the rate of annual paid holiday usage, providing continued support for our round-the-world staff-training team and promoting the use of young managers.

Five-Year Financial Summary

S.T. CORPORATION and consolidated subsidiaries
Years ended March 31

	Millions of yen (except per share data and ratios)					Thousands of U.S. dollars (except per share data and ratios)
	2011	2010	2009	2008	2007	**2011**
FOR THE YEAR:						
Net sales	**¥43,580**	¥43,546	¥44,879	¥47,006	¥45,227	**$524,118**
Cost of sales	**25,370**	25,151	26,280	26,887	25,243	**305,106**
Selling, general and administrative expenses	**16,097**	16,149	16,107	16,900	16,642	**193,585**
Operating income	**2,114**	2,246	2,493	3,219	3,342	**25,428**
Income before income taxes and minority interests	**1,343**	1,943	1,969	2,458	3,039	**16,148**
Net income	**786**	1,119	1,076	1,295	1,747	**9,456**
Capital expenditures	**662**	673	716	649	696	**7,961**
Depreciation and amortization	**992**	922	858	936	837	**11,935**
R&D expenses	**610**	612	499	489	489	**7,342**
Cash flows from operating activities	**2,704**	2,263	1,549	2,784	2,636	**32,523**
Cash flows from investing activities	**(3,601)**	(126)	(604)	871	2,220	**(43,312)**
Free cash flow	**(897)**	2,137	945	3,655	4,857	**(10,790)**
Cash flows from financing activities	**(521)**	(499)	(530)	(6,589)	(5,561)	**(6,263)**
AT YEAR-END:						
Current assets	**¥16,523**	¥17,667	¥16,118	¥16,080	¥20,289	**$198,716**
Property, plant and equipment, net	**6,312**	6,561	6,766	7,070	7,371	**75,917**
Total assets	**30,011**	29,029	27,617	28,393	33,830	**360,924**
Current liabilities	**8,286**	7,313	6,881	7,581	7,494	**99,653**
Long-term liabilities	**1,753**	1,751	1,706	1,667	1,687	**21,079**
Net assets	**19,972**	19,966	19,029	19,144	24,649	**240,192**
Cash and cash equivalents	**5,731**	7,170	5,520	5,185	8,112	**68,922**
Number of shares issued (thousand shares)	**23,000**	29,500	29,500	29,500	29,500	
Treasury stock (thousand shares)	**1,214**	7,648	7,669	7,687	3,708	
Number of employees	**630**	611	619	607	602	
PER SHARE (yen and U.S. dollars):						
Net income	**¥ 36.03**	¥ 51.25	¥ 49.32	¥ 54.08	¥ 65.10	**$ 0.43**
Cash dividends	**22.00**	22.00	22.00	22.00	22.00	**0.26**
Net assets	**893.74**	892.46	853.81	853.90	935.19	**10.75**
RATIOS (%):						
Operating income margin	**4.85**	5.16	5.55	6.85	7.39	
Income before income taxes and minority interests/net sales	**3.08**	4.46	4.39	5.23	6.72	
Net income margin	**1.80**	2.57	2.40	2.76	3.86	
ROE	**4.03**	5.87	5.78	6.06	6.72	
ROA	**2.66**	3.95	3.84	4.16	4.87	
Equity ratio	**64.88**	67.18	67.49	65.60	71.30	

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥83.15 = U.S.$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2011.
2. ROE = Net income divided by average total equity (total net assets minus subscription rights less minority interests in consolidated subsidiaries) for the fiscal year.
3. ROA = Net income divided by average total assets for the fiscal year.

Management's Discussion and Analysis

Sales Overview

From around autumn 2010, midway through the fiscal year ended March 31, 2011, the pace of recovery in the Japanese economy slowed, reflecting decreased exports due to the appreciation of the yen as well as sluggish personal consumption. Nevertheless, signs of recovery again began to emerge toward the end of 2010. However, the Great East Japan Earthquake on March 11, 2011, caused wide disruption in the country's economic activities, resulting in a contraction in consumer spending and clouding the outlook for the Japanese economy.

The Company's Fukushima Plant saw some damage to facilities, and the procurement of materials and components was somewhat affected by the disruption in the supply chain. However, owing to the Company's efforts to secure early recovery while implementing alternate production at other plants, the Fukushima Plant was able to resume production after approximately one month.

Under such circumstances, S.T. CORPORATION renewed its commitment to its three basic strategies, namely, "select and focus," the "development of unparalleled products" and "agile management," with the aim of strengthening its mainstay brands and also implemented strict cost reductions. In addition, the Company launched the fragrance revolution growth strategy on top of its ongoing design revolution as part of its initiative to switch focus from price competition to value competition, differentiating its products.

As a result, consolidated net sales edged up 0.1% year on year to ¥43,580 million. By business segment, the Mothproofing and Hygiene-Related Products saw sales in the Cloth Care category down 2.3% year on year, sales in the Hand Care category rise 9.5% and sales in the Thermal Care category grow 25.5%. In the Household Environment-Related Products, sales in the Air Care category were down 4.1% year on year, sales in the Humidity Care category fell 8.3% and sales in the Home Care category dropped 11.6%. (For details, please see the "At a Glance" and "Operational Review" sections on pages 10 through 14 of this report.)

Cost of Sales, SG&A Expenses and Operating Income

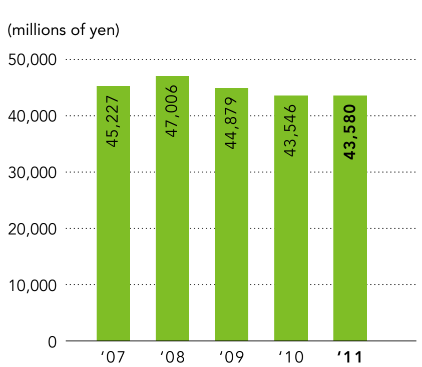
Despite efforts to reduce manufacturing costs, the cost of sales edged up 0.9% compared with the previous fiscal year to ¥25,370 million due to continued high raw material expenses. Selling, general and administrative expenses edged down 0.3% year on year to ¥16,097 million, reflecting efforts to reduce advertising and distribution costs. As a result, operating income declined 5.9% to ¥2,114 million and the operating income margin was down from 5.2% to 4.9%.

Other Income & Expenses, Pretax and Net Income

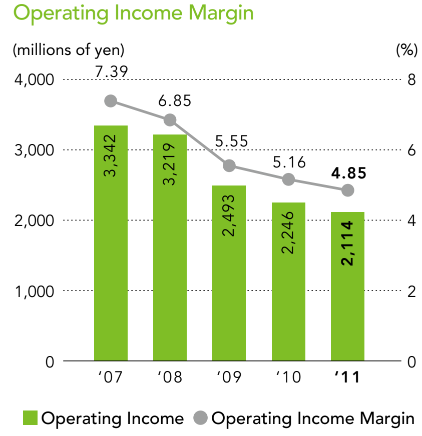
Under other income and expenses, the Company recorded a net increase in expenses due to the recording of a ¥117 million extraordinary loss on disaster on top of a decrease in interest and dividends received as well as the recording of an equity loss in affiliates. As a result, income before income taxes and minority interests dropped 30.9% year on year to ¥1,343 million, and net income fell 29.8% to ¥786 million.

Basic net income per share stood at ¥36.03, down from ¥51.25 in the previous fiscal year (diluted net income per share decreased to ¥36.03 from ¥51.24 in the previous fiscal year). The net income margin declined from 2.6% in the previous fiscal year to 1.8%, while ROE was also down, dropping from 5.9% to 4.0%.

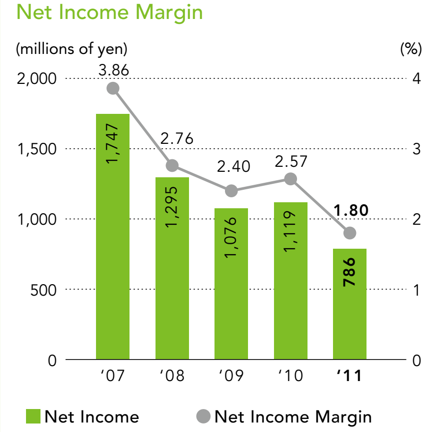
Net Sales



Operating Income and Operating Income Margin



Net Income and Net Income Margin



Financial Position

Total assets as of March 31, 2011 stood at ¥30,011 million, up ¥981 million compared with a year earlier. Current assets declined ¥1,143 million to ¥16,523 million, while non-current assets grew ¥2,125 million to ¥13,488 million. The changes were mainly attributable to a decrease in cash and time deposits and an increase in investment securities.

Total liabilities climbed ¥975 million to ¥10,039 million due mainly to an increase in trade payables. The Company holds no interest-bearing debt, maintaining a healthy financial standing.

Total net assets grew, increasing ¥6 million from the previous fiscal year-end to ¥19,972 million. However, the Company retired 6.5 million treasury shares (¥9,371 million) during the fiscal year under review, which resulted in a decrease in treasury stock and retained earnings.

Reflecting the foregoing, the equity ratio remained high at 64.9%, down slightly from the 67.2% of the previous fiscal year. Net assets per share increased from ¥892.46 to ¥893.74.

Capital Expenditures and Depreciation and Amortization

Capital expenditures for the fiscal year under review contracted from ¥673 million in the previous fiscal year to ¥662 million. Depreciation and amortization, including that related to intangible assets, rose from ¥922 million to ¥992 million.

Cash Flows

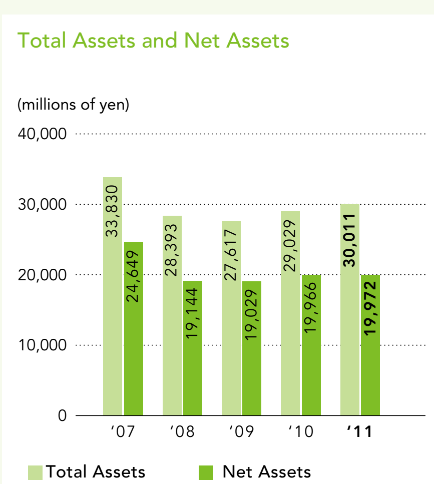
Net cash provided by operating activities increased ¥441 million year on year to ¥2,704 million, due mainly to increases in trade payables and depreciation and amortization. Net cash used in investing activities rose ¥3,475 million to ¥3,601 million. This was primarily attributable to increases in purchases of investment securities and property, plant and equipment. Net cash used in financing activities grew ¥22 million to ¥521 million due mainly to an increase in payments of dividends to minority shareholders. As a result, cash and cash equivalents at March 31, 2011 stood at ¥5,731 million, a net decrease of ¥1,439 million from the previous fiscal year-end.

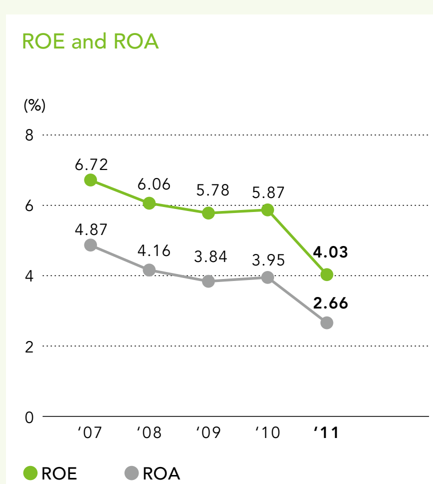
Dividends, Return to Shareholders

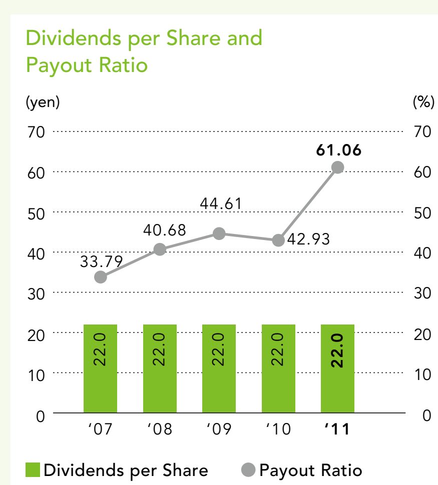
Taking into consideration such factors as net income and the need to realize shareholder returns, the Company has decided to distribute a fiscal year-end dividend of ¥11 (¥22 for the full year, including the interim dividend), on par with the previous fiscal year's payment. The annual dividend payout ratio was thus 61.1% on a consolidated basis. From the viewpoint of increasing shareholder returns by decreasing the number of shares issued, the Company retired 6.5 million shares (22% of total shares issued) of a total of approximately 7.65 million shares of treasury stock held at the end of the previous fiscal year. The Company will continue to place importance on returns to shareholders.

Business and Operational Risks

Factors that could possibly impact the Group's operating results, financial position and stock prices include: an escalation in raw material prices; the impact on manufacturing operations of natural disasters and changes in international political or other conditions; sales fluctuations due to unseasonal weather; and the failure of initiatives to raise new businesses. Forward-looking statements in this annual report are based on assumptions made by the Company as of March 31, 2011.







Consolidated Balance Sheets

S.T. CORPORATION and consolidated subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2011	2010	2011
CURRENT ASSETS:			
Cash and time deposits (Notes 7 and 19)	¥ 6,399	¥ 8,036	$ 76,962
Marketable securities (Notes 7 and 9)	55	57	659
Trade notes and accounts receivable (Note 7)	4,442	4,200	53,419
Merchandise and finished goods	4,242	4,401	51,011
Work in process	110	101	1,318
Raw materials and supplies	448	303	5,390
Deferred tax assets (Note 13)	402	338	4,838
Other current assets	439	246	5,281
Less—allowance for doubtful accounts	(13)	(16)	(162)
Total current assets	16,523	17,667	198,716
INVESTMENTS AND OTHER ASSETS:			
Investments in non-consolidated subsidiaries and affiliates	3,707	441	44,587
Investment securities (Notes 7 and 9)	1,345	2,187	16,182
Long-term loans	72	87	869
Deferred tax assets other than unrealized revaluation loss on land (Note 13)	349	274	4,193
Other assets	1,419	1,407	17,063
Total investments and other assets	6,893	4,396	82,893
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 10 and 11):			
Land	3,284	3,288	39,497
Buildings and structures	6,185	6,173	74,381
Machinery, equipment and vehicles	7,092	7,002	85,286
Tools, furniture and fixtures	3,646	3,660	43,847
Construction in progress	27	29	325
Leased assets	28	25	338
Less—accumulated depreciation	(13,949)	(13,616)	(167,756)
Property, plant and equipment, net	6,312	6,561	75,917
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION	283	406	3,398
Total assets	¥ 30,011	¥ 29,029	$ 360,924

See notes to consolidated financial statements in the full report, available on line.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 2) 2011
CURRENT LIABILITIES:			
Trade payables (Note 7)	¥ 5,369	¥ 4,370	$ 64,569
Lease obligations	8	6	99
Other payables (Note 7)	1,835	1,900	22,072
Accrued expenses	578	470	6,956
Income taxes payable (Note 13)	203	333	2,443
Consumption taxes payable	67	41	802
Allowance for sales returns	121	130	1,452
Provision for loss on disaster	39	—	470
Other current liabilities	66	63	790
Total current liabilities	8,286	7,313	99,653
LONG-TERM LIABILITIES:			
Lease obligations	14	13	165
Employees' retirement and severance benefits (Note 14)	1,234	1,251	14,843
Directors' retirement and severance benefits	124	106	1,492
Deferred tax liabilities—unrealized revaluation profit on land (Note 10)	381	381	4,579
Total long-term liabilities	1,753	1,751	21,079
CONTINGENT LIABILITIES (Note 12)			
NET ASSETS (Note 15):			
Shareholders' equity:			
Common stock: Authorized—96,817,000 shares in 2011 and 2010 Issued and outstanding—23,000,000 shares in 2011 and 29,500,000 shares in 2010	7,066	7,066	84,973
Capital surplus	7,068	7,068	85,001
Retained earnings	7,956	17,024	95,680
Treasury stock, at cost	(1,722)	(11,026)	(20,713)
Total shareholders' equity	20,367	20,132	244,940
Accumulated other comprehensive loss			
Unrealized holding gain on other securities, net of taxes	160	400	1,923
Unrealized revaluation loss on land, net of taxes (Note 10)	(550)	(550)	(6,610)
Translation adjustments	(506)	(480)	(6,091)
Total accumulated other comprehensive loss	(896)	(629)	(10,778)
Subscription rights	82	67	986
Minority interests in consolidated subsidiaries	419	396	5,044
Total net assets	19,972	19,966	240,192
Total liabilities and net assets	¥30,011	¥29,029	$360,924

Consolidated Statements of Income

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
NET SALES	¥43,580	¥43,546	$524,118
COST OF SALES (Note 23)	25,378	25,162	305,212
Gross profit before reversal of allowance for sales returns	18,202	18,384	218,906
Reversal of allowance for sales returns	9	11	106
Gross profit	18,211	18,394	219,012
Selling, general and administrative expenses (Note 17)	16,097	16,149	193,585
Operating income	2,114	2,246	25,428
OTHER INCOME (EXPENSES):			
Interest and dividends received	78	102	939
Interest expense	(1)	(0)	(16)
Purchase discounts	183	206	2,203
Sales discounts	(818)	(811)	(9,834)
Gain on sales of investment securities, net	0	3	1
Loss on valuation of investment securities	(14)	—	(165)
Loss on valuation of subsidiaries' stocks	(43)	—	(515)
Equity in profit (loss) of affiliates	(94)	55	(1,127)
Reversal of allowance for doubtful accounts	3	3	31
Loss on disaster (Note 18)	(117)	—	(1,403)
Other, net	50	139	606
Total other income (expenses)	(772)	(302)	(9,280)
Income before income taxes and minority interests	1,343	1,943	16,148
INCOME TAXES (Note 13):			
Current	499	743	6,006
Deferred	(18)	9	(213)
Total income taxes	482	753	5,793
Income before minority interests	861	—	10,355
MINORITY INTERESTS	75	72	899
Net income	¥ 786	¥ 1,119	$ 9,456

See notes to consolidated financial statements in the full report, available on line.

Consolidated Statement of Comprehensive Income

S.T. CORPORATION and consolidated subsidiaries
For the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2011	2011
INCOME BEFORE MINORITY INTERESTS	¥861	$10,355
OTHER COMPREHENSIVE INCOME:		
Unrealized holding gain (loss) on other securities	(119)	(1,426)
Translation adjustments	(30)	(366)
Other comprehensive income on equity method companies	(42)	(504)
Total other comprehensive loss (Note 6)	(191)	(2,296)
COMPREHENSIVE INCOME (Note 6)	¥670	$ 8,059
Total comprehensive income attributable to:		
Shareholders of S.T. CORPORATION	610	7,333
Minority interests in consolidated subsidiaries	60	726

See notes to consolidated financial statements in the full report, available on line.

Consolidated Statements of Changes In Net Assets

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

		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, 2010	29,500	¥ 7,066	¥ 7,068	¥ 17,024	¥ (11,026)	¥ 20,132
Cash dividends paid by distribution of retained earnings				(480)		(480)
Net income				786		786
Purchases of treasury stock					(1)	(1)
Disposition of treasury stock				(3)	9	5
Cancellation of treasury stock	(6,500)			(9,371)	9,371	—
Changes in treasury stock held by equity method companies					(75)	(75)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2011	23,000	¥7,066	¥7,068	¥ 7,956	¥ (1,722)	¥20,367

				Millions of yen			
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 10)	Translation adjustments	Total accumulated other comprehensive loss	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2010	¥ 400	¥(550)	¥(480)	¥(629)	¥ 67	¥396	¥ 19,966
Cash dividends paid by distribution of retained earnings							(480)
Net income							786
Purchases of treasury stock							(1)
Disposition of treasury stock							5
Cancellation of treasury stock							—
Changes in treasury stock held by equity method companies							(75)
Net changes in items other than those in shareholders' equity	(241)	—	(27)	(267)	15	23	(229)
Balance at March 31, 2011	¥160	¥(550)	¥(506)	¥(896)	¥82	¥419	¥19,972

		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, 2009	29,500	¥7,066	¥7,068	¥16,399	¥(11,056)	¥19,476
Cash dividends paid by distribution of retained earnings				(480)		(480)
Net income				1,119		1,119
Purchases of treasury stock					(1)	(1)
Disposition of treasury stock				(14)	32	17
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2010	29,500	¥7,066	¥7,068	¥17,024	¥(11,026)	¥20,132

				Millions of yen			
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 10)	Translation adjustments	Total accumulated other comprehensive loss	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	¥220	¥(550)	¥(507)	¥(836)	¥51	¥339	¥19,029
Cash dividends paid by distribution of retained earnings							(480)
Net income							1,119
Purchases of treasury stock							(1)
Disposition of treasury stock							17
Net changes in items other than those in shareholders' equity	180	—	27	207	16	58	281
Balance at March 31, 2010	¥400	¥(550)	¥(480)	¥(629)	¥67	¥396	¥19,966

		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, 2010	29,500	$ 84,973	$ 85,001	$ 204,736	$ (132,599)	$ 242,111
Cash dividends paid by distribution of retained earnings				(5,774)		(5,774)
Net income				9,456		9,456
Purchases of treasury stock					(11)	(11)
Disposition of treasury stock				(41)	104	63
Cancellation of treasury stock	(6,500)			(112,697)	112,697	—
Changes in treasury stock held by equity method companies					(905)	(905)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2011	23,000	$84,973	$85,001	$ 95,680	$ (20,713)	$244,940

				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 10)	Translation adjustments	Total accumulated other comprehensive loss	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2010	$ 4,815	$ (6,610)	$ (5,772)	$ (7,567)	$810	$ 4,763	$ 240,118
Cash dividends paid by distribution of retained earnings							(5,774)
Net income							9,456
Purchases of treasury stock							(11)
Disposition of treasury stock							63
Cancellation of treasury stock							—
Changes in treasury stock held by equity method companies							(905)
Net changes in items other than those in shareholders' equity	(2,892)	—	(319)	(3,212)	176	280	(2,755)
Balance at March 31, 2011	$ 1,923	$(6,610)	$(6,091)	$(10,778)	$986	$5,044	$240,192

See notes to consolidated financial statements in the full report, available on line.

Consolidated Statements of Cash Flows

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥1,343	¥1,943	$16,148
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	992	922	11,935
Loss on sales of property, plant and equipment	34	10	410
Loss (gain) on sales and valuation of investment securities	56	(3)	679
Decrease in allowance for doubtful receivables	(3)	(13)	(31)
Increase (decrease) in employees' retirement and severance benefits	(16)	38	(189)
Increase in directors' retirement and severance benefits	18	10	218
Decrease in allowance for sales returns	(9)	(11)	(106)
Interest and dividends received	(78)	(102)	(939)
Interest expense	1	0	16
Foreign exchange loss (gain)	8	(34)	101
Loss on disaster	117	—	1,403
Equity in loss (gain) of affiliates	94	(55)	1,127
Changes in operating assets and liabilities:			
Receivables	(244)	317	(2,937)
Inventories	1	(535)	16
Payables and accrued expenses	986	395	11,856
Other, net	195	(6)	2,350
Subtotal	3,497	2,878	42,056
Interest and dividends received	78	104	942
Interest paid	(1)	(0)	(16)
Payments for loss on disaster	(65)	—	(782)
Income taxes paid	(805)	(719)	(9,677)
Net cash provided by operating activities	2,704	2,263	32,523
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into deposits (more than three months)	(0)	(1)	(0)
Proceeds from withdrawal of time deposits (more than three months)	200	300	2,405
Purchases of property, plant and equipment	(773)	(509)	(9,302)
Proceeds from sales of property, plant and equipment	1	76	16
Purchases of investment securities	(3,031)	(43)	(36,455)
Proceeds from sales of investment securities	1	106	13
Other investments, net	1	(56)	10
Net cash used in investing activities	(3,601)	(126)	(43,312)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of treasury stock	(1)	(1)	(11)
Proceeds from sales of treasury stock	5	17	63
Payments of dividends	(481)	(480)	(5,782)
Payments of dividends to minority shareholders	(36)	(30)	(437)
Other finance, net	(8)	(6)	(96)
Net cash used in financing activities	(521)	(499)	(6,263)
Effect of exchange rate changes on cash and cash equivalents	(21)	11	(252)
Net increase (decrease) in cash and cash equivalents	(1,439)	1,649	(17,305)
Cash and cash equivalents at beginning of year	7,170	5,520	86,227
Cash and cash equivalents at end of year (Note 19)	¥5,731	¥7,170	$68,922

See notes to consolidated financial statements in the full report, available on line.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

S.T. CORPORATION (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18 issued by the ASBJ on May 17, 2006). In accordance with PITF No. 18, the accompanying consolidated financial statements for the years ended March 31, 2011 and 2010 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. See Note 3.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for readers outside Japan. The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. Furthermore, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2011, the number of consolidated subsidiaries and affiliates accounted for by the equity method were 5 and 4 (5 and 3 in 2010), respectively. Effective the year ended March 31, 2011, FUMAKILLA LIMITED was newly included in the scope of the equity method as a result of the purchase of shares.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Assets and liabilities of the consolidated subsidiaries acquired before April 1, 1999 were initially valued at cost at the time of acquisition. 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.

(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, 2011 and 2010, the Company and its consolidated subsidiaries did not have any trading securities.

(f) Inventories

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

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

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

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

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

(h) Intangible assets, and long-term prepaid expenses

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

(i) Leases

Noncancelable lease transactions that transfer substantially all the risks and rewards associated with the ownership of the leased assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

Finance leases entered into before April 1, 2008 of the Company and its domestic subsidiaries are accounted for as operating leases, except for those which transfer ownership of the leased assets to the lessee.

Leased assets accounted for as finance leases are depreciated on the straight-line method over the lease periods with no residual value.

(j) Allowance for doubtful receivables

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

(k) 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.

(l) Employees' retirement and severance benefits

Accrued retirement and severance benefits have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years which is shorter than the average remaining years of service of the employees.

Prior service cost is amortized as incurred by the straight-line method over a period of 5 years which is shorter than the average remaining years of service of the employees.

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

(m) 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.

(n) Provision for loss on disaster

The provision for loss on disaster is provided for future costs relating to repairs of assets damaged by the Great East Japan Earthquake at the amount estimated.

(o) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(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 ¥83.15 = U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2011. This translation should not be construed as a representation that all amounts shown could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. CHANGES IN ACCOUNTING POLICIES

Application of the "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method"

Effective the fiscal year ended March 31, 2011, the Company has adopted the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 issued on March 10, 2008) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ Practical Issue Task Force (PITF) No. 24 issued on March 10, 2008).

The impact on income before income taxes and minority interests was nil.

Application of the "Accounting Standards for Asset Retirement Obligations"

Effective the fiscal year ended March 31, 2011, the Company has adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 issued on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 issued on March 31, 2008).

The impact on operating income, and income before income taxes and minority interests was nil.

Accounting Standards for Business Combinations and Related Matters

Effective the fiscal year ended March 31, 2011, the Company has applied the following accounting standards. All of these accounting standards, partial amendments to existing accounting standards, and guidance were issued by ASBJ on December 26, 2008.

- "Accounting Standard for Business Combinations" (ASBJ Statement No. 21)
- "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22)
- "Partial Amendments to the Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7)
- "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10)

4. CHANGES IN PRESENTATION

Consolidated Statements of Income

Accompanying the application of revisions in certain rules for the presentation of financial statements, as contained in a cabinet order (Cabinet Office Ordinance No. 5, issued on March 24, 2009), which are based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the Company has included the item "Income before minority interests" in the consolidated financial statements of the fiscal year ended March 31, 2011.

5. SUPPLEMENTARY INFORMATION

Accounting Standard for Presentation of Comprehensive Income

Effective April, 2010, the "Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, issued on June 30, 2010) was applied.

6. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended March 31, 2011

(1) Consolidated comprehensive income for the preceding year ended March 31, 2010

	Millions of yen
Comprehensive income attributable to shareholders of S.T. CORPORATION	¥1,326
Comprehensive income attributable to minority interests in consolidated subsidiaries	87
Total	¥1,414

(2) Other consolidated comprehensive income for the preceding year ended March 31, 2010

	Millions of yen
Unrealized holding gain on other securities	¥180
Translation adjustments	37
Other comprehensive income on equity method companies	6
Total	¥223

7. FINANCIAL INSTRUMENTS

(1) Current status of financial instruments

(a) Policy in relation to financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") raises necessary funds following capital investment plans for undertaking the manufacturing-and-selling businesses. If surplus funds arise, the Group manages only financial assets with high degrees of safety.

(b) Details of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, receivables denominated in foreign currencies are exposed to foreign currency exchange risk.

Securities and investment securities, most of them are stocks of other companies with which the Group has business relationships, are exposed to market price fluctuation risk.

Substantially all trade payables—notes and accounts payable-trade and other payables—have payment due dates within one year. In addition, payables denominated in foreign currencies are exposed to foreign currency exchange risk.

(c) Risk management system for financial instruments

Credit risk management—the risk that customers or counterparties may default

The Company holds its management policy and put it into effect whereby the Company grasps trust conditions of its customers and monitors due dates and outstanding balances regularly to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The consolidated subsidiaries perform equivalent management with the Company.

Market risk management—the risk arising from fluctuations in exchange rates and interest rates

The Company uses forward exchange contract transactions with the aim of avoiding risk related to fluctuation in future foreign exchange.

For marketable and investment securities, the Company periodically confirms the market value of such financial instruments and reports to the director in charge. The Company reviews the status of these investments on a continuing basis.

Liquidity risk management—the risk that the Group may not able to meet its payment obligations on the schedule dates

The Company manages liquidity risk by means of preparing monthly financial plans.

(d) Supplementary explanation of items relating to the fair value of financial instruments

The fair value of financial instruments is based on their quoted market prices if available. If there are no market prices available, fair value is reasonably estimated. Because estimation of fair values incorporates variable factors, adopting different assumptions can change the value.

(2) Estimated fair value of financial instruments

Carrying value of financial instruments recognized on the consolidated balance sheet as of March 31, 2011 and 2010, estimated fair value of such items, and the differences between them are shown below. Financial instruments for which fair value is extremely difficult to estimate are not included in the following table.

Year ended March 31, 2011	Millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 6,399	¥ 6,399	—
b Trade notes and accounts receivable	4,442	4,442	—
c Marketable securities and investment securities	1,353	1,353	—
Assets	¥12,194	¥12,194	—
a Trade payables	¥ 5,369	¥ 5,369	—
b Other payables	1,835	1,835	—
Liabilities	¥ 7,204	¥ 7,204	—

Year ended March 31, 2010	Millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 8,036	¥ 8,036	—
b Trade notes and accounts receivable	4,200	4,200	—
c Marketable securities and investment securities	2,196	2,196	—
Assets	¥14,431	¥14,431	—
a Trade payables	¥ 4,370	¥ 4,370	—
b Other payables	1,900	1,900	—
Liabilities	¥ 6,271	¥ 6,271	—

Year ended March 31, 2011	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
a Cash and time deposits	$ 76,962	$ 76,962	—
b Trade notes and accounts receivable	53,419	53,419	—
c Marketable securities and investment securities	16,274	16,274	—
Assets	$146,654	$146,654	—
a Trade payables	$ 64,569	$ 64,569	—
b Other payables	22,072	22,072	—
Liabilities	$ 86,641	$ 86,641	—

Notes: 1. Method of estimating the fair value of financial instruments and other matters relating to marketable and investment securities

Assets

a. Cash and time deposits and b. Trade notes and accounts receivable

Because these items are settled over short terms, fair value and carrying values are nearly equivalent. Therefore, relevant carrying value is used.

c. Marketable securities and investment securities

Stocks are valued at the exchange trading price. Bonds are valued at the exchange trading price or at the price provided by the financial institutions making markets in these securities. For information on securities classified by purpose of holding, please refer to the "Marketable Securities and Investment Securities" section of the notes to the financial statements.

Liabilities

a. Trade payables and b. Other payables

Because these items are settled over short terms, fair value and carrying value is nearly equivalent. Therefore, relevant carrying value is used.

2. Financial instruments for which fair value is extremely difficult to determine

	Carrying value		
	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted equity securities	¥47	¥489	$567

Because the fair value of these financial instruments is extremely difficult to determine, given that no quoted market price is available, they are not included in the above table.

3. Redemption schedule for receivables and other securities with maturity dates at March 31, 2011 and 2010 are summarized as follows:

Year ended March 31, 2011	Millions of yen			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	¥ 6,398	¥ —	—	—
Trade notes and accounts receivable	4,442	—	—	—
Marketable securities and investment securities				
Bond	—	100	—	—
Other	—	100	—	—
Total	¥10,840	¥200	—	—

Year ended March 31, 2010	Millions of yen			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	¥ 8,035	¥ —	¥ —	—
Trade notes and accounts receivable	4,200	—	—	—
Marketable securities and investment securities				
Bond	—	—	100	—
Other	—	100	—	—
Total	¥12,235	¥100	¥100	—

Year ended March 31, 2011	Thousands of U.S. dollars			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	$ 76,945	$ —	—	—
Trade notes and accounts receivable	53,419	—	—	—
Marketable securities and investment securities				
Bond	—	1,203	—	—
Other	—	1,203	—	—
Total	$130,364	$2,405	—	—

8. DERIVATIVES

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2011 and 2010.

9. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost	¥1,054	¥1,567	$12,678
Carrying value	1,353	2,196	16,274
Total unrealized gain	339	647	4,072
Total unrealized loss	40	18	476

At March 31, 2011 and 2010, unlisted stocks (which carrying value was ¥47 million (U.S.$567 thousand) and ¥48 million, respectively) are not included in the above table, because the fair value of them is extremely difficult to determine, given that no quoted market price is available.

For the year ended March 31, 2011, the Company recognized impairment losses of ¥57 million (U.S.$680 thousand) on securities (other securities of ¥14 million (U.S.$165 thousand) and investments in affiliates of ¥43 million (U.S.$515 thousand)).

Sales of other securities for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Proceeds received	¥1,201	¥2,806	$14,445
Aggregate gain	0	3	1
Aggregate loss	—	—	—

10. LAND REVALUATION

In accordance with the Land Revaluation Law (Proclamation No. 34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The revaluation difference, net of taxes, is stated as "unrealized revaluation loss on land, net of taxes" in net assets. Deferred tax liabilities arising from this revaluation difference are presented separately from deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2011 and 2010 decreased by ¥543 million (U.S.$6,531 thousand) and ¥390 million, respectively, after the revaluation.

11. PLEDGED ASSETS

At March 31, 2011 and 2010, the following assets were pledged as collateral for borrowing limits of ¥327 million (U.S.$3,940 thousand) and ¥399 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings and structures	¥ 52	¥ 59	$ 621
Land	94	99	1,135
Total	¥146	¥158	$1,756

12. COMMITMENTS AND CONTINGENT LIABILITIES

The Company had the following contingent liabilities as of March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loan guarantees for:			
Shaldan (Thailand) Co., Ltd.	¥1	¥1	$13

At March 31, 2011 and 2010, trade notes discounted with banks in the ordinary course of business amounted to ¥101 million (U.S.$1,216 thousand) and ¥92 million, respectively.

13. INCOME TAXES

At March 31, 2011 and 2010, 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
	2011	2010	2011
CURRENT ASSETS:			
Accrued employees' bonuses	¥179	¥144	$2,158
Allowance for sales returns	48	52	582
Accrued business taxes	16	28	191
Other	162	114	1,947
Total current deferred tax assets	406	339	4,878
CURRENT LIABILITIES:			
Deferred gain on sales of property	(0)	(0)	(5)
Other	(3)	—	(35)
Total current deferred tax liabilities	(3)	(0)	(40)
Net current deferred tax assets	¥402	¥338	$4,838
NON-CURRENT ASSETS:			
Allowance for employees' retirement and severance benefits	¥485	¥493	$5,837
Allowance for directors' retirement and severance benefits	50	42	597
Write-downs of securities	70	72	842
Impairment loss	42	68	504
Other	2	2	30
Gross non-current deferred tax assets	649	677	7,809
Valuation allowance	(130)	(124)	(1,565)
Total non-current deferred tax assets	519	553	6,244
NON-CURRENT LIABILITIES:			
Deferred gain on sales of property	(18)	(18)	(212)
Undistributed earnings of controlled foreign companies	(45)	(32)	(542)
Unrealized holding gain on other securities, net of taxes	(108)	(229)	(1,296)
Total non-current deferred tax liabilities	(170)	(279)	(2,050)
Net non-current deferred tax assets	¥349	¥274	$4,193

A reconciliation of the statutory tax rate to the Company's effective tax rates for the year ended March 31, 2011 is summarized as follows:

	2011
Japanese statutory tax rate	40.00%
Permanent differences such as entertainment expenses, etc.	2.70
Permanent differences such as dividend income	(0.19)
Tax credit	(1.66)
Undistributed earnings of controlled foreign companies	0.65
Equity in loss of affiliates	2.79
Cancellation of temporary difference related to investments in affiliates accounted for by the equity method	(7.96)
Other	(0.46)
Effective tax rate	35.87%

No reconciliation has been presented for the year ended March 31, 2010 as the difference between the statutory tax rate and the effective tax rate was less than 5%.

14. 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, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement and severance benefit obligation	¥(3,114)	¥(3,027)	$(37,454)
Plan assets	1,789	1,739	21,515
Unfunded benefit obligation	(1,325)	(1,288)	(15,939)
Unrecognized actuarial loss	93	39	1,118
Unrecognized past service cost	(2)	(2)	(22)
Accrued benefit obligation	¥(1,234)	¥(1,251)	$(14,843)

The following table summarizes the components of net retirement benefit expenses for the years ended March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥156	¥153	$1,873
Interest cost on benefit obligation	60	58	718
Expected return on plan assets	(35)	(31)	(418)
Amortization of actuarial loss	3	46	34
Amortization of past service cost	(1)	(0)	(7)
Extraordinary additional retirement payments	21	7	252
Net retirement benefit expenses	¥204	¥231	$2,451

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

	2011	2010
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%

15. NET ASSETS

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

Capital surplus and the legal reserve are not available for the distribution of dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital. At March 31, 2011, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$6,610 thousand).

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

16. AMOUNTS PER SHARE

Net assets per share as of March 31, 2011 and 2010 were ¥893.74 (U.S.$10.75) and ¥892.46, respectively. Basic net income per share for the years ended March 31, 2011 and 2010 was ¥36.03 (U.S.$0.43) and ¥51.25, respectively.

Diluted net income per share for the years ended March 31, 2011 and 2010 was ¥36.03 (U.S.$0.43) and ¥51.24, respectively.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Basic net income per share:			
Net income	¥786	¥1,119	$9,456
Amount not attributable to shareholders of common stock	—	—	—
Amount attributable to shareholders of common stock	786	1,119	9,456
Weighted-average number of shares outstanding (millions of shares)	22	22	—
Diluted net income per share:			
Increase in number of shares outstanding	0	0	—
Shares resulting in an anti-dilutive effect (millions of shares)	1	1	—

The basis for calculation of total net assets per share as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total net assets per share:			
Total net assets	¥19,972	¥19,966	$240,192
Deductions:	501	463	6,030
Subscription rights	82	67	986
Minority interests in consolidated subsidiaries	419	396	5,044
Amounts attributable to shareholders of common stock	19,471	19,502	234,162
Number of shares outstanding at year end (millions of shares)	22	22	—

17. MAJOR EXPENSES

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Sales promotion expenses	¥4,614	¥4,431	$55,487
Advertising costs	2,531	2,941	30,436
Salaries	1,859	1,746	22,352
Shipment and storage expenses	1,403	1,488	16,878
Provision for employees' retirement and severance benefits	172	192	2,064
Provision for directors' retirement and severance benefits	18	16	218

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2011 and 2010 amounted to ¥610 million (U.S.$7,342 thousand) and ¥612 million, respectively.

18. LOSS ON DISASTER

The Company recorded a loss related to the Great East Japan Earthquake during the year ended March 31, 2011. The components of the loss on disaster are as follows:

Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Fixed costs incurred during the suspension of operations	¥ 60	$ 726
Provision for loss on disaster	39	470
Other	17	207
Total	¥117	$1,403

19. CASH AND TIME DEPOSITS

Deposits pledged as collateral mainly for leased office space at March 31, 2011 and 2010 amounted to ¥26 million (U.S.$317 thousand) and ¥23 million, respectively.

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and time deposits in the accompanying consolidated balance sheets at March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits	¥6,399	¥8,036	$76,962
Time deposits with a maturity in excess of three months	(723)	(923)	(8,699)
Marketable securities with a maturity of three months or less from their respective dates of acquisition	55	57	659
Cash and cash equivalents	¥5,731	¥7,170	$68,922

20. LEASES

Finance leases

Leased assets included in property, plant and equipment are tools, furniture and fixtures in the mothproofing and hygiene-related products segment and the household environment-related products segment. Leased assets included in intangible assets are software.

In accordance with the revised accounting standard effective the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries account for finance leases as operating leases for those that were entered into before April 1, 2008 and if ownership of the leased property does not transfer to the lessee. Information in relation to leased assets held under finance leases but accounted for as operating leases is as follows:

(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, 2011 and 2010, primarily relating to tools, furniture and fixtures is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost	¥101	¥190	$1,211
Accumulated depreciation	76	144	919
Net book value	¥ 24	¥ 46	$ 292

(2) Future minimum lease payments, inclusive of the related interest, subsequent to March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Payable in one year or less	¥16	¥22	$195
Payable after one year	8	24	97
Total	¥24	¥46	$292

(3) Lease payments and pro forma depreciation charges for the years ended March 31, 2011 and 2010 were ¥22 million (U.S.$265 thousand) and ¥53 million, respectively.

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

Operating leases

The Company and its consolidated subsidiaries have no significant operating leases at March 31, 2011 and 2010.

21. SEGMENT INFORMATION

Year ended March 31, 2011

(1) Summary of Reporting Segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resource allocation and to assess their performance.

The Company formulates comprehensive strategies for implementation in Japan and overseas in its head office, and conducts business activities. The Company has two reportable segments: the Mothproofing and hygiene-related products and the Household environment-related products. The business segments are classified according to the nature of the Company's products and their markets.

The Mothproofing and hygiene-related products segment includes the manufacture and sales of Cloth Care products, Hand Care products and Thermal Care products. The Household environment-related products segment includes the manufacture and sales of Air Care products, Humidity Care products and Home Care products.

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

The accounting method for the reportable segments is the same as the principles and procedures set forth in Note 1."Summary of Significant Accounting Policies." The segment income or losses are based on operating income or loss.

(3) Information on the amounts of sales, income (loss), and other items by reportable segments

Year ended March 31, 2011

	Millions of yen		
	Mothproofing and hygiene-related products	Household environment-related products	Total
Sales			
Sales to third parties	**¥19,442**	**¥24,139**	**¥43,580**
Intra-group sales and transfers	**—**	**—**	**—**
Net sales	**19,442**	**24,139**	**43,580**
Segment income	**¥ 1,126**	**¥ 989**	**¥ 2,114**
Other items			
Depreciation	**¥ 405**	**¥ 570**	**¥ 975**

Year ended March 31, 2010

	Millions of yen		
	Mothproofing and hygiene-related products	Household environment-related products	Total
Sales			
Sales to third parties	¥18,003	¥25,543	¥43,546
Intra-group sales and transfers	—	—	—
Net sales	18,003	25,543	43,546
Segment income	¥ 1,591	¥ 654	¥ 2,246
Other items			
Depreciation	¥ 350	¥ 572	¥ 922

Year ended March 31, 2011

	Thousands of U.S. dollars		
	Mothproofing and hygiene-related products	Household environment-related products	Total
Sales			
Sales to third parties	**$233,815**	**$290,303**	**$524,118**
Intra-group sales and transfers	**—**	**—**	**—**
Net sales	**233,815**	**290,303**	**524,118**
Segment income	**$ 13,537**	**$ 11,891**	**$ 25,428**
Other items			
Depreciation	**$ 4,868**	**$ 6,860**	**$ 11,727**

Notes: 1. Total segment income is the same as operating income in the Consolidated Statements of Income.
2. Assets and liabilities by reportable segment have not been described in the above tables because the Board of Directors of the Company does not regularly review them to make decisions about resource allocation and to assess their performance.

(4) Related Information

(a) Information by product and service

Year ended March 31, 2011

	Millions of yen				
	Cloth Care	Thermal Care	Air Care	Others	Total
Sales to third parties	**¥9,193**	**¥6,624**	**¥18,767**	**¥8,997**	**¥43,580**

Year ended March 31, 2011

	Thousands of U.S. dollars				
	Cloth Care	Thermal Care	Air Care	Others	Total
Sales to third parties	**$110,558**	**$79,662**	**$225,695**	**$108,202**	**$524,118**

(b) Information by geographical segment

Sales

Geographical segment information is not presented as overseas sales were less than 10% of consolidated net sales for the year ended March 31, 2011.

Property, plant and equipment

Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of total of property, plant and equipment at March 31, 2011.

(c) Information by major customer

Year ended March 31, 2011

	Sales		
Customer's name	(Millions of yen)	(Thousands of U.S. dollars)	Relating segment
Paltac Corporation	**¥13,906**	**$167,235**	Mothproofing and hygiene-related products Household environment-related products
ARATA CORPORATION	**¥ 9,231**	**$111,022**	Mothproofing and hygiene-related products Household environment-related products

Supplementary Information

Beginning with the fiscal year ended March 31, 2011, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued by ASBJ on March 27, 2009) and the"Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued by ASBJ on March 21, 2008) have been applied.

Year ended March 31, 2010

The Company and its consolidated subsidiaries operate in two business segments and business segment information for the year ended March 31, 2010 is summarized as follows:

Year ended March 31, 2010

	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	¥18,003	¥25,543	¥43,546	—	¥43,546
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	18,003	25,543	43,546	—	43,546
2. Operating expenses	16,412	24,888	41,300	—	41,300
Operating income	¥ 1,591	¥ 654	¥ 2,246	—	¥ 2,246
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	¥ 8,555	¥12,328	¥20,883	¥8,146	¥29,029
(2) Depreciation	¥ 350	¥ 572	¥ 922	—	¥ 922
(3) Capital expenditures	¥ 128	¥ 544	¥ 673	—	¥ 673

The business segments are classified according to the nature of the Company's products and their markets. Categories 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.

Major items included in eliminations or corporate assets in the above table were cash and cash equivalent and short-term and long-term investments (investment securities) for the year ended March 31, 2010. Corporate assets as of March 31, 2010 were ¥8,146 million.

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 year ended March 31, 2010.

22. RELATED PARTY TRANSACTIONS

Year ended March 31, 2011

(1) Dealings with related party

There are no significant transactions with related parties to be reported.

(2) Notes about a parent company and important affiliated companies

Financial information on important affiliated companies

The summary of financial information of FUMAKILLA LIMITED, an important affiliated company, as of March 31, 2011 and for the year then ended is as follows:

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥14,743	$177,303
Total non-current assets	5,339	64,206
Total deferred assets	9	105
Total current liabilities	11,302	135,927
Total long-term liabilities	718	8,639
Total net assets	8,070	97,048
Sales	17,792	213,970
Income before income taxes	159	1,912
Net income	148	1,781

Year ended March 31, 2010

There are no significant transactions with related parties to be reported.

23. INVENTORY VALUATION LOSS INCLUDED IN COST OF SALES

Inventory valuation loss write-downs below cost to net selling value are included in cost of sales and amounted to ¥425 million (U.S.$5,107 thousand) and ¥385 million for the years ended March 31, 2011 and 2010.

24. NOTE TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Shares in issue and outstanding and treasury stock at March 31, 2011 and 2010 were as follows:

Year ended March 31, 2011

Number of shares in issue and outstanding:

Common stock 23,000 thousand

Number of shares held in treasury:

Common stock 1,214 thousand

Notes: 1. Details of the increase are as follows:
Increase due to purchase of shares less than standard unit: 0 thousand
Increase due to changes in treasury stock held by equity method companies: 71 thousand
2. Details of the decrease are as follows:
Decrease due to cancellation of treasury stock: 6,500 thousand
Decrease due to exercising share subscription rights: 6 thousand

Subscription rights at March 31, 2011 were as follows:

Subscription rights for stock options ¥82 million (U.S.$986 thousand)

Dividends paid from retained earnings for the year ended March 31, 2011 were as follows:

Resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 24, 2010	240	11	March 31, 2010	June 3, 2010
Board of directors' meeting held on October 28, 2010	240	11	September 30, 2010	December 3, 2010

Dividends for which the record date was in the year ended March 31, 2011 and the effective date is in the year ending March 31, 2012 were as follows:

Resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 23, 2011	240	Retained earnings	11	March 31, 2011	June 3, 2011

Year ended March 31, 2010

Number of shares in issue and outstanding:

Common stock 29,500 thousand

Number of shares held in treasury:

Common stock 7,647 thousand

Notes: 1. Detail of the increase is as follows:
Increase due to purchase of shares less than standard unit: 0 thousand
2. Detail of the decrease is as follows:
Decrease due to exercising share subscription rights: 22 thousand

Subscription rights at March 31, 2010 were as follows:

Subscription rights for stock options ¥67 million

Dividends paid from retained earnings for the year ended March 31, 2010 were as follows:

Resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 20, 2009	240	11	March 31, 2009	June 4, 2009
Board of directors' meeting held on October 29, 2009	240	11	September 30, 2009	December 4, 2009

Dividends for which the record date was in the year ended March 31, 2010 and the effective date was in the year ended March 31, 2011 were as follows:

Resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 24, 2010	240	Retained earnings	11	March 31, 2010	June 3, 2010

25. STOCK OPTION PLANS

At March 31, 2011, 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 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
June 18, 2008	95,000	3 officers and 12 employees	Aug 1, 2010–July 31, 2015
June 18, 2009	20,000	4 employees	Aug 4, 2011–Aug 3, 2016
June 18, 2010	155,000	4 officers and 17 employees	Aug 3, 2012–Aug 2, 2017

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, officers or employees of the Company or its subsidiaries.

Year ended March 31, 2011

Costs related to the 2011 stock option plan amounting to ¥15 million (U.S.$176 thousand) were included in selling, general and administrative expenses.

Contents of stock options

	2004	2005	2006	2007	2008	2009	2010	2011
Grantees	1 director and 25 employees	4 officers and 9 employees	3 officers and 23 employees	3 officers and 4 employees	4 officers and 14 employees	3 officers and 12 employees	4 employees	4 officers and 17 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	155,000	130,000	160,000	75,000	140,000	95,000	20,000	155,000
Grant date	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006	August 1, 2007	August 1, 2008	August 3, 2009	August 2, 2010
Condition for exercise	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 from August 1, 2008 to July 31, 2010	Working from August 3, 2009 to August 3, 2011	Working from August 2, 2010 to August 2, 2012
Working period	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	August 1, 2008 to July 31, 2010	August 3, 2009 to August 3, 2011	August 2, 2010 to August 2, 2012
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)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)

Stock option activity during the year ended March 31, 2011 was as follows:

Number of shares

	2004	2005	2006	2007	2008	2009	2010	2011
Non-vested outstanding at beginning of year	—	—	—	—	—	95,000	20,000	—
Granted during the year	—	—	—	—	—	—	—	155,000
Forfeited during the year	—	—	—	—	—	—	—	—
Vested during the year	—	—	—	—	—	95,000	—	—
Outstanding at end of year	—	—	—	—	—	—	20,000	155,000
Vested outstanding at beginning of year	28,000	98,000	100,000	75,000	140,000	—	—	—
Vested during the year	—	—	—	—	—	95,000	—	—
Exercised during the year	6,000	—	—	—	—	—	—	—
Forfeited during the year	22,000	—	—	—	—	—	—	—
Outstanding at end of year	—	98,000	100,000	75,000	140,000	95,000	—	—

Price of stock options

	Yen								U.S. dollars
	2004	2005	2006	2007	2008	2009	2010	**2011**	**2011**
Exercise price	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517	¥1,264	¥1,037	**¥1,049**	**$13**
Weighted-average market price	1,033	—	—	—	—	—	—	**—**	**—**
Fair value per option on grant date	—	—	—	292	191	220	197	**178**	**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, 2011 was estimated based on the following assumptions:

	2011
Volatility	**28.2%**
Option term	**4 years and 6 months**
Expected dividend (per share)	**¥22 (U.S.$0.26)**
Risk free interest rate	**0.30%**

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 share) was based on the dividend amount applicable to the 2010 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, 2010

Costs related to the 2010 stock option plan amounting to ¥16 million were included in selling, general and administrative expenses.

Contents of stock options

	2003	2004	2005	2006	2007	2008	2009	2010
Grantees	1 director and 43 employees	1 director and 25 employees	4 officers and 9 employees	3 officers and 23 employees	3 officers and 4 employees	4 officers and 14 employees	3 officers and 12 employees	4 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	225,000	155,000	130,000	160,000	75,000	140,000	95,000	20,000
Grant date	August 1, 2002	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006	August 1, 2007	August 1, 2008	August 3, 2009
Condition for exercise	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 from August 1, 2008 to July 31, 2010	Working from August 3, 2009 to August 3, 2011
Working period	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	August 1, 2008 to July 31, 2010	August 3, 2009 to August 3, 2011
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)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)

Stock option activity during the year ended March 31, 2010 was as follows:

Number of shares

	2003	2004	2005	2006	2007	2008	2009	2010
Non-vested outstanding at beginning of year	—	—	—	—	—	140,000	95,000	—
Granted during the year	—	—	—	—	—	—	—	20,000
Forfeited during the year	—	—	—	—	—	—	—	—
Vested during the year	—	—	—	—	—	140,000	—	—
Outstanding at end of year	—	—	—	—	—	—	95,000	20,000
Vested outstanding at beginning of year	7,000	43,000	105,000	115,000	75,000	—	—	—
Vested during the year	—	—	—	—	—	140,000	—	—
Exercised during the year	7,000	15,000	—	—	—	—	—	—
Forfeited during the year	—	—	7,000	15,000	—	—	—	—
Outstanding at end of year	—	28,000	98,000	100,000	75,000	140,000	—	—

Price of stock options

	Yen							
	2003	2004	2005	2006	2007	2008	2009	2010
Exercise price	¥636	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517	¥1,264	¥1,037
Weighted-average market price	943	1,027	—	—	—	—	—	—
Fair value per option on grant date	—	—	—	—	292	191	220	197

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, 2010 was estimated based on the following assumptions:

	2010
Volatility	28.5%
Option term	4 years and 6 months
Expected dividend (per share)	¥22
Risk free interest rate	0.63%

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 share) was based on the dividend amount applicable to the 2009 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.

26. SUBSEQUENT EVENTS

Year ended March 31, 2011

Not applicable

Year ended March 31, 2010

As the meeting of executive officers held on May 13, 2010, the Company signed an agreement to form a capital and business alliance with FUMAKILLA LIMITED (listed in the second section of Tokyo Stock Exchange, exchange code 4998) , manufacturer of insecticides. The Company also decided to take up the allocation of new shares to a third party offered by FUMAKILLA and paid on June 4, 2010.

The Company has worked to strengthen and expand the operation of air freshener, etc. FUMAKILLA has worked to strengthen and expand the operation of insecticide, etc.

The Group has aimed at the further expansion in fields, such as deodorizer and air fresheners, mothproofing, gloves, and dehumidifiers. On the other hand, FUMAKILLA is aiming at business expansion in fields, such as insecticides, household articles, garden supplies, and business-use articles. As a business partner, both companies have entrusted each other for years with manufacturing or sales promotion activities.

Taking advantage of their business domains having a complementary relationship, this capital and business alliance is complementing and cooperating mutually, strives for their businesses developments, enhancement of profitability and improvement of customer satisfaction, and aims to strengthen the business activities expertise and human resource at the further development of both companies.

Details of the capital and business alliances are as follows:

(1) Business alliance

The business alliance includes the following corporative activities:

- Partnership in operations, such as strengthening of shop front support, and mutual practical use of a sales channel in and outside the country
- Tie-up in business development, such as joint research and development in which strengths of both companies are harnessed, and cross-license of intellectual property
- Tie-up in supply business, such as cost-cutting by sharing production facilities
- Tie-up in physical distribution, such as joint use of physical distribution infrastructure

(2) Capital alliance

The Company obtained the FUMAKILLA's new stocks by accepting an allocation of new shares to a third party. In addition, the Company is planning one director's dispatch to FUMAKILLA.

Outline of FUMAKILLA LIMITED is as follows:

Name	FUMAKILLA LIMITED
Representative	Kazuaki Oshimo
Location	Chiyoda-ku, Tokyo
Paid-in capital	¥2,889 million (as of March 31, 2010)
Established	December 1950
End of fiscal year	March 31
No. of employees	1,438 (as of March 31, 2010)
Net sales	¥23,792 million (for fiscal year ended March 31, 2010)
Net income	¥649 million (for fiscal year ended March 31, 2010)
Total assets	¥20,664 million (as of March 31, 2010)
Total net assets	¥6,918 million (as of March 31, 2010)

Details of the new stock allocation to a third party are as follows:

Number of share issued	3,580,000 shares (common stock)
Current total shares issued	29,400,000 shares
Total shares issued post third-party allocation	32,980,000 shares
Number of shares allocated to the Company	3,580,000 shares
Allocation price	¥451 per share
Total acquisition price	¥1,615 million
Payment day	June 4, 2010
Company holding before share allocation	1,400,000 shares (4.76%)
Company holding after share allocation	4,980,000 shares (15.10%)

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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, 2011 and 2010, and the related consolidated statements of income, comprehensive 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, 2011 and 2010, 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, 2011 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.

June 17, 2011 Ernst & Young ShinNihon LLC

Investor Information

(As of March 31, 2011)

Corporate Data

Company name	S.T. CORPORATION
Headquarters	4-10, Shimo-ochiai 1-chome, Shinjuku-ku, Tokyo 161-8540, Japan
Establishment	August 31, 1948
Common stock	¥7,065,500,000
Fiscal year-end	March 31
Shares issued and outstanding	23,000,000
Listed stock exchange	Tokyo Stock Exchange, First Section
Shareholders	10,532
Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Accounting auditor	Ernst & Young ShinNihon LLC
Annual shareholders' meeting	Middle of June each year
Employees	630 (Consolidated) 392 (Non-Consolidated)
Contact	Hirohide Shimada, Public Relations Department
E-mail	ir@st-c.co.jp
Telephone	+81-3-5906-0734
Facsimile	+81-3-5906-0742

Consolidated subsidiaries

S.T. TRADING CO., LTD.
Sale of hand gloves and workplace supplies

S.T. AUTO CO., LTD.
Sale of chemical car care products

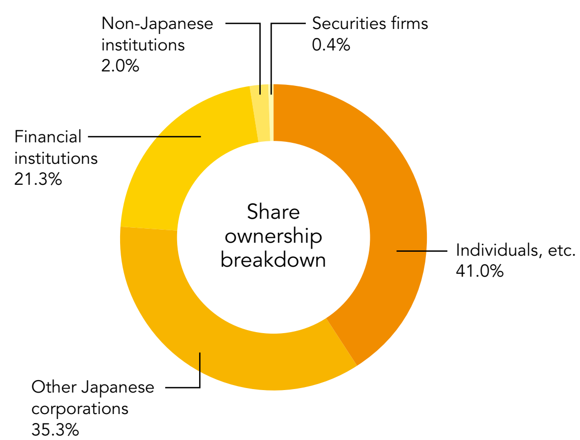
S.T. BUSINESS SUPPORT CO., LTD.
Contract work for S.T. Group

FAMILY GLOVE (THAILAND) CO., LTD.
Production and sale of gloves

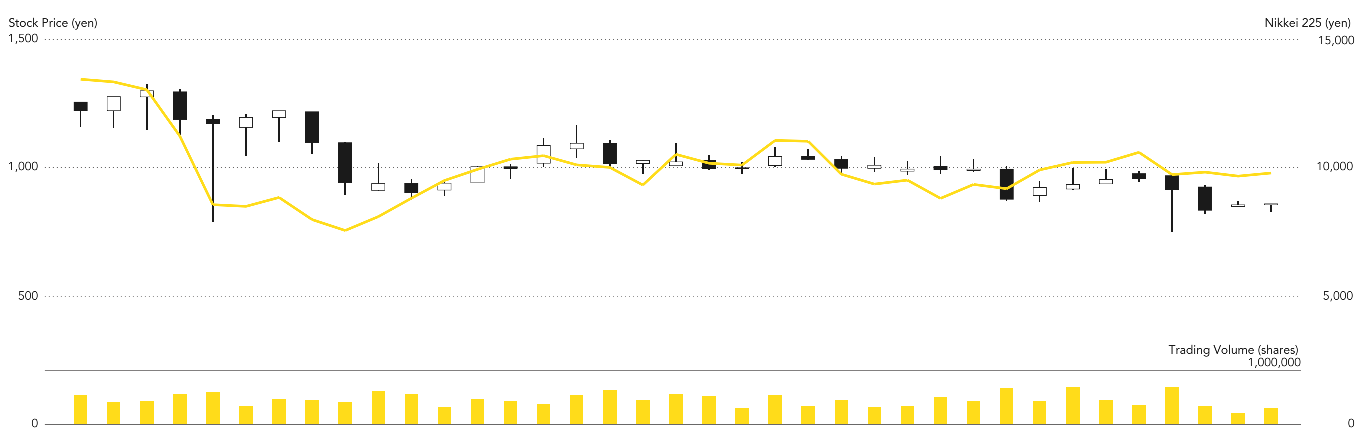
FAMILY GLOVE (TAIWAN) CO., LTD.
Production and sale of gloves

Major Shareholders

	Thousands of shares	% of total
Shaldan Co., Ltd.	5,627	24.5
Nippon Life Insurance Company	1,671	7.3
S.T. CORPORATION	1,142	5.0
TCSB (Mizuho Bank)	884	3.8
Takashi Suzuki	822	3.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	681	3.0
Akio Suzuki	450	2.0
Carenne	433	1.9
Sompo Japan Insurance Inc.	416	1.8
Hiromu Fujii	401	1.7



Stock Chart



S.T.CORPORATION

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