

Refreshing the Air



Management's Discussion and Analysis

Sales Overview

In the fiscal year under review, the year ended March 31, 2013, the Japanese economy struggled through a harsh period of a persistent financial crisis in Europe, slackening growth in emerging nations, and a significantly strong yen, despite demands for restoration efforts after the Great East Japan earthquake. The regime change at the end of last year, however, triggered a depreciation of the yen, and consumer activity is showing signs of recovery due to the people's expectations towards the new economic and financial policies.

Within these circumstances, the S.T. CORPORATION Group announced the theme "3G (Growth, Global, Group)," and worked to establish a high-yielding system, roll out the "S.T. Reformation" program for management reform, and strengthen global capacity. The STR Center was also completed in March 15 of this year as the new headquarters and a symbol for STR.

As a result, net sales increased 1.3% year on year, to ¥46,944 million, due to a favorable growth in the core brands "Shoshu-Riki" and "Mushuda." Regarding individual segments, in the Mothproofing and Hygiene-Related Products segment, sales in the Cloth Care category increased 8.9%, sales in the Hand Care category increased 11.0%, and sales in the Thermal Care category fell 5.1%. In the Household Environment-Related Products segment, sales in the Air Care category increased 2.8%, sales in the Humidity Care category fell 8.0%, and sales in the Home Care category fell 16.5%.

Cost of Sales, SG&A Expenses, and Operating Income

While raw materials costs rose, we made efforts to lower manufacturing costs, make efficient marketing investments in the selling, general and administrative expenses, and cut logistics costs. As a result, the cost of sales increased 1.4% year on year, to ¥27,738 million. Selling, general and administrative expenses increased 0.9%, to ¥17,406 million. Operating income increased 2.8% to ¥1,800 million.

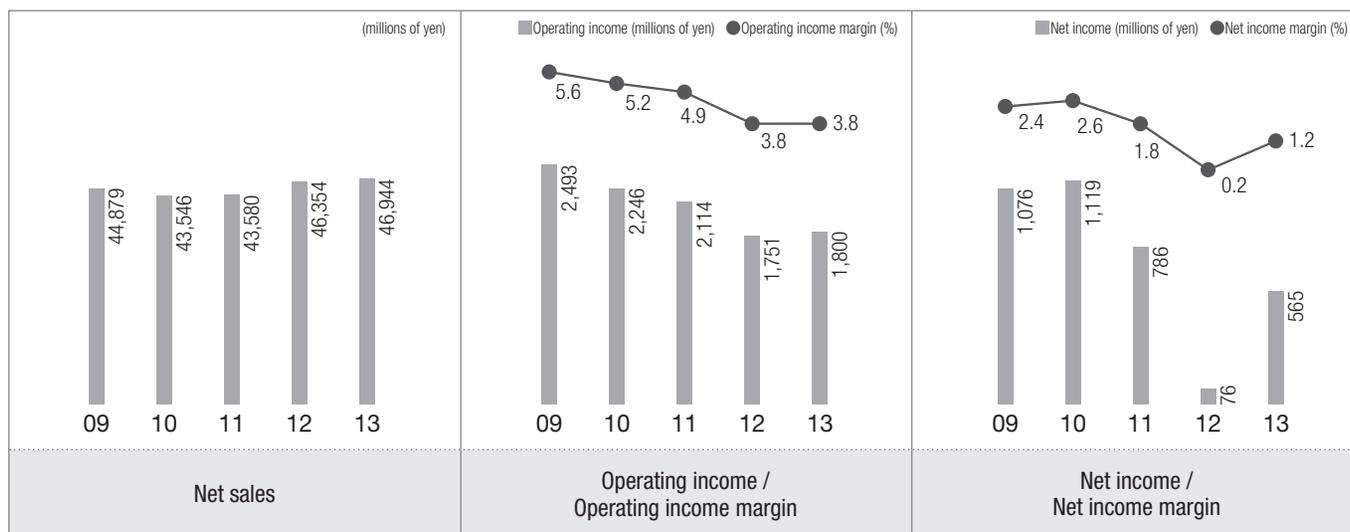
Other Income (Expenses), Pretax, and Net Income

In other income and expenses, we made slight progress from the previous year due to an improvement in loss on equity of affiliates and decrease of loss on disposition of property, plant and equipment. As a result, income before income taxes and minority interests increased 85.5%, to ¥1,105 million, and net income increased 647.4%, to ¥565 million.

Accordingly, net income per share rose to ¥26.01, a significant improvement from the previous fiscal year's ¥3.48. The net income margin increased from 0.2% to 1.2%, and return on equity (ROE) increased from 0.4% to 2.9%.

Financial Position

Total assets as of March 31, 2013, stood at ¥30,076 million, down ¥210 million compared with the previous year-end. Total current assets decreased by ¥1,408 million, to ¥15,533 million, due to a decrease in cash and time deposits. On the other hand, non-current



assets increased by ¥1,198 million, to ¥14,544 million, due to an increase in buildings and structures.

Total liabilities decreased by ¥722 million, to ¥9,863 million compared to the previous year-end, largely due to a decrease in notes payables and trade payables. On the other hand, Total shareholder's equity increased by ¥107 million, to ¥20,008 million compared to the previous year-end.

Total net assets increased by ¥512 million, to ¥20,213 million compared to the previous year-end, primarily due to a rise in unrealized holding gain on other securities.

As a result of the above, total net assets per share increased from ¥884.45 to ¥905.84. Equity ratio is a high 65.4%, from the 63.4% of the previous fiscal year, and we continued to maintain a sound financial position with zero interest-bearing debt.

Capital Expenditures and Depreciation and Amortization

Capital expenditures of this fiscal year increased from the previous fiscal year's ¥1,007 million to ¥2,061 million. Depreciation and amortization decreased from ¥931 million to ¥830 million.

Cash Flows

Net cash provided by operating activities was ¥980 million, a year on year decrease of ¥580 million. This was primarily due to a decrease in accounts payable and increase in accounts receivable. Net cash used in investing activities was ¥1,924 million, a year on year increase of

¥1,137 million, primarily attributable to an increase in purchases of property plant and equipment. Net cash used in financing activities was ¥557 million, mainly the result of a decrease in payments of dividends.

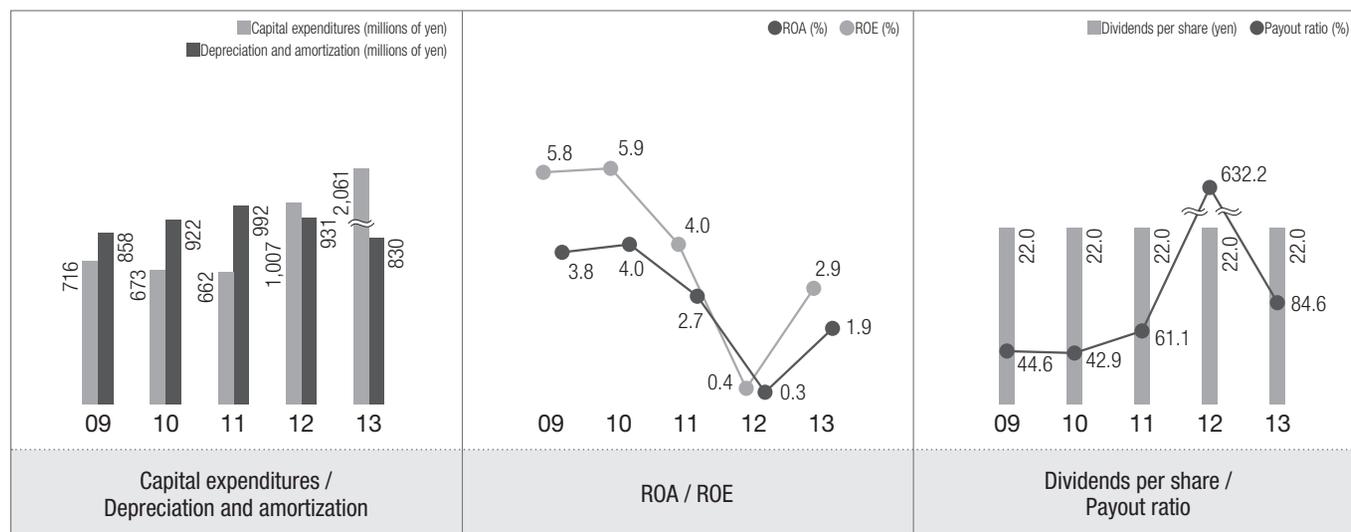
As a result, cash and cash equivalents at end of year stood at ¥4,469 million, a year on year decrease of ¥1,452 million.

Dividends and Return to Shareholders

Taking into consideration such factors as net income and the need to realize shareholder returns, we have decided to distribute a fiscal year-end dividend of ¥11.0 (¥22.0 for the full year, including the interim dividend), on par with the previous fiscal year, making for a consolidated dividend payout ratio of 84.6%. 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, or stock prices include the following: (1) an escalation in raw materials prices; (2) the impact on manufacturing operations from natural disasters and changes in international political or other conditions; (3) sales fluctuations due to unseasonal weather; (4) and the failure of initiatives to raise new businesses. Forward-looking statements in this annual report are based on certain assumptions made by the Company as of the end of this fiscal year.



Consolidated Balance Sheets

S.T. CORPORATION and consolidated subsidiaries
March 31, 2013 and 2012

	millions of yen		thousands of U.S. dollars (Note 2)
Assets	2013	2012	2013
Current assets:			
Cash and time deposits (Notes 6, 10 and 17)	¥ 4,693	¥ 6,121	\$ 49,926
Marketable securities (Notes 6 and 8)	85	23	908
Trade notes and accounts receivable (Note 6)	4,792	4,545	50,981
Merchandise and finished goods	4,632	4,919	49,277
Work in process	165	142	1,752
Raw materials and supplies	396	360	4,210
Deferred tax assets (Note 12)	363	365	3,858
Other current assets	423	481	4,500
Less - allowance for doubtful accounts	(15)	(14)	(154)
Total current assets	15,533	16,941	165,257
Property, plant and equipment, at cost (Note 3)			
Land (Note 9)	3,254	3,279	34,617
Buildings and structures	6,737	5,564	71,677
Machinery, equipment and vehicles	7,630	7,242	81,180
Tools, furniture and fixtures	3,648	3,615	38,815
Construction in progress	90	86	961
Leased assets (Note 18)	138	122	1,470
Less - accumulated depreciation	(13,973)	(13,613)	(148,668)
Property, plant and equipment, net	7,524	6,295	80,052
Intangible assets, net of accumulated amortization (Note 18)			
Total intangible assets	167	183	1,773
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	3,402	3,577	36,196
Investment securities (Notes 6 and 8)	1,802	1,560	19,169
Long-term loans	49	59	526
Deferred tax assets other than unrealized revaluation loss on land (Note 12)	132	235	1,409
Other assets	1,468	1,438	15,614
Total investments and other assets	6,853	6,869	72,913
Total assets	¥ 30,076	¥ 30,287	\$ 319,996

	millions of yen		thousands of U.S. dollars (Note 2)
Liabilities and net assets	2013	2012	2013
Current liabilities:			
Trade payables (Note 6)	¥ 4,626	¥ 5,918	\$ 49,218
Lease obligations	32	33	344
Other payables (Note 6)	2,383	1,881	25,358
Accrued expenses	506	569	5,387
Income taxes payable	283	184	3,012
Consumption taxes payable	49	12	520
Allowance for sales returns	106	108	1,130
Other current liabilities	72	74	762
Total current liabilities	8,058	8,778	85,730
Long-term liabilities:			
Lease obligations	80	90	855
Employees' retirement and severance benefits (Note 13)	1,266	1,267	13,467
Directors' retirement and severance benefits	138	117	1,466
Deferred tax liabilities - unrealized revaluation profit on land (Note 9)	321	333	3,418
Other long-term liabilities	—	1	—
Total long-term liabilities	1,805	1,807	19,206
Contingent liabilities (Note 11)			
Net assets (Note 14):			
Shareholders' equity:			
Common stock:			
Authorized - 96,817,000 shares in 2013 and 2012			
Issued and outstanding - 23,000,000 shares in 2013 and 2012	7,066	7,066	75,173
Capital surplus	7,068	7,068	75,198
Retained earnings	7,662	7,552	81,516
Treasury stock, at cost	(1,787)	(1,785)	(19,012)
Total shareholders' equity	20,008	19,901	212,875
Accumulated other comprehensive loss			
Unrealized holding gain on other securities, net of taxes	648	356	6,892
Unrealized revaluation loss on land, net of taxes (Note 9)	(524)	(502)	(5,577)
Translation adjustments	(461)	(546)	(4,901)
Total accumulated other comprehensive loss	(337)	(692)	(3,586)
Subscription rights	109	99	1,155
Minority interests in consolidated subsidiaries	434	394	4,615
Total net assets	20,213	19,701	215,059
Total liabilities and net assets	¥ 30,076	¥ 30,287	\$ 319,996

See notes to consolidated financial statements.

Consolidated Statements of Income

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	millions of yen		thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net sales	¥ 46,944	¥ 46,354	\$ 499,457
Cost of sales (Notes 16 and 21)	27,740	27,360	295,141
Gross profit before reversal of allowance for sales returns	19,204	18,995	204,316
Reversal of allowance for sales returns	2	12	22
Gross profit	19,206	19,007	204,338
Selling, general and administrative expenses (Note 16)	17,406	17,256	185,192
Operating income	1,800	1,751	19,147
Non-operating income (expenses):			
Interest and dividends received	44	78	465
Interest expense	(0)	(1)	(3)
Purchase discounts	186	188	1,984
Sales discounts	(872)	(888)	(9,281)
Loss on equity of affiliates	(191)	(325)	(2,036)
Other, net	176	37	1,870
Total non-operating income (expenses)	(658)	(910)	(7,002)
Ordinary income	1,141	841	12,145
Special gains (losses), net:			
Loss on disposition of property, plant and equipment, net	(31)	(223)	(335)
State subsidy	2	—	24
Loss on sales of investment securities, net	(7)	—	(75)
Loss on disaster	—	(22)	—
Total special gains (losses), net	(36)	(246)	(386)
Income before income taxes and minority interests	1,105	596	11,759
Income taxes (Note 12):			
Current	514	381	5,474
Deferred	(4)	91	(45)
Total income taxes	510	473	5,428
Income before minority interests	595	123	6,331
Minority interests	30	48	320
Net income	¥ 565	¥ 76	\$ 6,011

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	millions of yen		thousands of U.S. dollars (Note 2)
	2013	2012	2013
Income before minority interests	¥ 595	¥ 123	\$ 6,331
Other comprehensive income (loss) (Note 5)			
Unrealized holding gain (loss) on other securities, net of taxes	203	149	2,157
Unrealized revaluation loss on land, net of taxes	—	48	—
Translation adjustments	118	(60)	1,260
Other comprehensive income (loss) on equity method companies	110	42	1,168
Total other comprehensive income (loss)	431	178	4,585
Comprehensive income	¥ 1,026	¥ 301	\$ 10,916
Total comprehensive income attributable to:			
Shareholders of S.T. CORPORATION	942	280	10,026
Minority interests in consolidated subsidiaries	84	22	889

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	23,000	¥ 7,066	¥ 7,068	¥ 7,552	¥ (1,785)	¥ 19,901
Cash dividends paid by distribution of retained earnings				(478)		(478)
Net income				565		565
Purchases of treasury stock					(2)	(2)
Reversal of unrealized revaluation loss on land, net of taxes				22		22
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2013	23,000	¥ 7,066	¥ 7,068	¥ 7,662	¥ (1,787)	¥ 20,008

	millions of yen						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 9)	Translation adjustments	Total accumulated other comprehensive loss	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	¥ 356	¥ (502)	¥ (546)	¥ (692)	¥ 99	¥ 394	¥ 19,701
Cash dividends paid by distribution of retained earnings							(478)
Net income							565
Purchases of treasury stock							(2)
Reversal of unrealized revaluation loss on land, net of taxes							22
Net changes in items other than those in shareholders' equity	292	(22)	85	355	10	40	405
Balance at March 31, 2013	¥ 648	¥ (524)	¥ (461)	¥ (337)	¥ 109	¥ 434	¥ 20,213

	millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2011	23,000	¥ 7,066	¥ 7,068	¥ 7,956	¥ (1,722)	¥ 20,367
Cash dividends paid by distribution of retained earnings				(479)		(479)
Net income				76		76
Purchases of treasury stock					(0)	(0)
Changes in treasury stock held by equity method companies					(62)	(62)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2012	23,000	¥ 7,066	¥ 7,068	¥ 7,552	¥ (1,785)	¥ 19,901

	millions of yen						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 9)	Translation adjustments	Total accumulated other comprehensive loss	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2011	¥ 160	¥ (550)	¥ (506)	¥ (896)	¥ 82	¥ 419	¥ 19,972
Cash dividends paid by distribution of retained earnings							(479)
Net income							76
Purchases of treasury stock							(0)
Changes in treasury stock held by equity method companies							(62)
Net changes in items other than those in shareholders' equity	196	48	(40)	204	17	(25)	195
Balance at March 31, 2012	¥ 356	¥ (502)	¥ (546)	¥ (692)	¥ 99	¥ 394	¥ 19,701

	thousands of U.S. dollars (Note 2)					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	23,000	\$ 75,173	\$ 75,198	\$ 80,354	\$ (18,990)	\$ 211,734
Cash dividends paid by distribution of retained earnings				(5,084)		(5,084)
Net income				6,011		6,011
Purchases of treasury stock					(22)	(22)
Reversal of unrealized revaluation loss on land, net of taxes				236		236
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2013	23,000	\$ 75,173	\$ 75,198	\$ 81,516	\$ (19,012)	\$ 212,875

	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 9)	Translation adjustments	Total accumulated other comprehensive loss	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	\$ 3,785	\$ (5,341)	\$ (5,810)	\$ (7,366)	\$ 1,050	\$ 4,193	\$ 209,612
Cash dividends paid by distribution of retained earnings							(5,084)
Net income							6,011
Purchases of treasury stock							(22)
Reversal of unrealized revaluation loss on land, net of taxes							236
Net changes in items other than those in shareholders' equity	3,107	(236)	909	3,780	104	422	4,306
Balance at March 31, 2013	\$ 6,892	\$ (5,577)	\$ (4,901)	\$ (3,586)	\$ 1,155	\$ 4,615	\$ 215,059

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	millions of yen		thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,105	¥ 596	\$ 11,759
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	830	931	8,834
Loss on sales of property, plant and equipment	31	223	335
Loss on sales and valuation of investment securities	7	—	75
Increase (decrease) in allowance for doubtful receivables	1	0	8
Increase (decrease) in employees' retirement and severance benefits	(7)	35	(71)
Increase (decrease) in directors' retirement and severance benefits	21	(8)	227
Decrease in allowance for sales returns	(2)	(12)	(22)
Interest and dividends received	(44)	(78)	(465)
Interest expense	0	1	3
Foreign exchange loss (gain)	(98)	37	(1,043)
Loss on disaster	—	22	—
Equity in loss of affiliates	191	325	2,036
State subsidy	(2)	—	(24)
Changes in operating assets and liabilities:			
Receivables	(225)	(112)	(2,392)
Inventories	265	(636)	2,814
Payables and accrued expenses	(1,305)	564	(13,890)
Other, net	413	(57)	4,389
Subtotal	1,182	1,830	12,573
Interest and dividends received	80	165	852
Interest paid	(0)	(1)	(3)
Payments for loss on disaster	—	(66)	—
Income taxes paid	(282)	(368)	(2,998)
Net cash provided by operating activities	980	1,560	10,424
Cash flows from investing activities:			
Payments into deposits (more than three months)	(0)	(0)	(0)
Proceeds from withdrawal of time deposits (more than three months)	—	500	—
Purchases of property, plant and equipment	(1,945)	(997)	(20,692)
Proceeds from sales of property, plant and equipment	25	0	262
Proceeds from state subsidy	2	—	24
Purchases of investment securities	(29)	(386)	(309)
Proceeds from sales of investment securities	48	—	515
Proceeds from liquidation of affiliate	—	79	—
Other investments, net	(26)	17	(272)
Net cash used in investing activities	(1,924)	(787)	(20,473)
Cash flows from financing activities:			
Purchases of treasury stock	(2)	(0)	(22)
Payments of dividends	(478)	(479)	(5,084)
Payments of dividends to minority shareholders	(44)	(47)	(467)
Other finance, net	(33)	(22)	(352)
Net cash used in financing activities	(557)	(549)	(5,925)
Effect of exchange rate changes on cash and cash equivalents	50	(34)	528
Net increase (decrease) in cash and cash equivalents	(1,452)	190	(15,446)
Cash and cash equivalents at beginning of year	5,921	5,731	62,995
Cash and cash equivalents at end of year (Note 17)	¥ 4,469	¥ 5,921	\$ 47,549

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

S.T. CORPORATION and Consolidated Subsidiaries
March 31, 2013

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, 2013 and 2012 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.

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, 2013, the number of consolidated subsidiaries and affiliates accounted for by the equity method were five and four (five and four in 2012), respectively.

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 by the moving-average method and the cost of other securities sold is computed based on the moving-average method. During the years ended March 31, 2013 and 2012, 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 50 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 five years, the useful life applicable to commercially available software.

(i) Leases

Non-cancelable 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

Notes to Consolidated Financial Statements

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 receivables 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 provided for losses on sales returns subsequent to the balance sheet date at an amount equivalent to that calculated 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 in the year following the year in which

the gain or loss is recognized primarily by the straight-line method over a period of five 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 five 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) Consumption taxes

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

(o) 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 ¥93.99 = U.S.\$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2013.

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 Change in Accounting Policies

In accordance with the revision of the Corporation Tax Act, effective from the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the method of depreciation based on the revised act and applied the new method to property, plant and

equipment obtained on or after April 1, 2012.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests increased by ¥17 million (U.S.\$180 thousand) for the year ended March 31, 2013.

4 Unapplied Accounting Standards, etc.

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accountings Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

1. Overview

(1) Treatment in the consolidated balance sheet

Under the new accounting standard, actuarial gains and losses and prior service costs that have yet to be recognized in profit or loss would be recognized within the net assets section (accumulated other

comprehensive income), after adjusting for tax effects, and the deficit or surplus would be recognized as a liability (or asset).

(2) Treatment in the consolidated statements of income and comprehensive income

Actuarial gains and losses and past service costs that arose in the current year and have yet to be charged to expenses would be included in other comprehensive income, and unrecognized actuarial gains and losses and unrecognized past service costs that were recognized as accumulated

other comprehensive income in prior periods and then charged to expenses in the current year would be treated as reclassification adjustments.

2. Scheduled date for adoption

The Company expects to adopt the accounting standard and guidance as

of the end of the fiscal year commencing on April 1, 2013.

3. Effects of the adoption of the accounting standard and guidance

The effects of the adoption of the accounting standard and guidance on the financial statements are currently being assessed.

5 Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Unrealized holding gain on other securities, net of taxes			
Amount recognized in the year	¥ 301	¥ 208	\$ 3,205
Before income tax effect adjustment	301	208	3,205
Amount of income tax effect	(98)	(59)	(1,047)
Unrealized holding gain on other securities, net of taxes	203	149	2,157
Unrealized revaluation loss on land, net of taxes			
Amount of income tax effect	—	48	—
Translation adjustments			
Amount recognized in the year	118	(60)	1,260
Other comprehensive income on equity method companies			
Amount recognized in the year	107	37	1,136
Reclassification adjustments included in the statement of income	3	5	33
Other comprehensive income on equity method	110	42	1,168
Total other comprehensive income	431	178	4,585

6 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 which are stocks of other companies with which the Group has business relationships, are exposed to market price fluctuation risk.

Substantially all trade payables—notes and accounts payable—trade 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.

Notes to Consolidated Financial Statements

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 be 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

The carrying value of financial instruments recognized on the consolidated balance sheets as of March 31, 2013 and 2012, the 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, 2013	millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 4,693	¥ 4,693	—
b Trade notes and accounts receivable	4,792	4,792	—
c Marketable securities and investment securities	1,822	1,822	—
Assets	¥ 11,306	¥ 11,306	—
a Trade payables	¥ 4,626	¥ 4,626	—
b Other payables	2,383	2,383	—
Liabilities	¥ 7,009	¥ 7,009	—

Year ended March 31, 2012	millions of yen		
	Carrying value	Fair value	Difference
a Cash and time deposits	¥ 6,121	¥ 6,121	—
b Trade notes and accounts receivable	4,545	4,545	—
c Marketable securities and investment securities	1,536	1,536	—
Assets	¥ 12,202	¥ 12,202	—
a Trade payables	¥ 5,918	¥ 5,918	—
b Other payables	1,881	1,881	—
Liabilities	¥ 7,798	¥ 7,798	—

Year ended March 31, 2013	thousands of U.S dollars		
	Carrying value	Fair value	Difference
a Cash and time deposits	\$ 49,926	\$ 49,926	—
b Trade notes and accounts receivable	50,981	50,981	—
c Marketable securities and investment securities	19,383	19,383	—
Assets	\$ 120,290	\$ 120,290	—
a Trade payables	\$ 49,218	\$ 49,218	—
b Other payables	25,358	25,358	—
Liabilities	\$ 74,575	\$ 74,575	—

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 offering 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		thousands of U.S. dollars
	millions of yen		
	2013	2012	2013
Unlisted equity securities	¥ 65	¥ 47	\$ 693

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, 2013 and 2012 are summarized as follows:

Year ended March 31, 2013	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	¥ 4,691	¥ —	—	—
Trade notes and accounts receivable	4,792	—	—	—
Marketable securities and investment securities				
Bond	—	100	—	—
Other	100	—	—	—
Total	¥ 9,583	¥ 100	—	—

Year ended March 31, 2012	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	¥ 6,120	¥ —	—	—
Trade notes and accounts receivable	4,545	—	—	—
Marketable securities and investment securities				
Bond	—	100	—	—
Other	—	100	—	—
Total	¥ 10,665	¥ 200	—	—

Year ended March 31, 2013	thousands of U.S. dollar			
	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	\$ 49,913	\$ —	—	—
Trade notes and accounts receivable	50,981	—	—	—
Marketable securities and investment securities				
Bond	—	1,064	—	—
Other	1,064	—	—	—
Total	\$ 101,958	\$ 1,064	—	—

7 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2013 and 2012.

8 Marketable Securities and Investment Securities

The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2013 and 2012 are summarized as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Acquisition cost	¥ 1,014	¥ 1,029	\$ 10,787
Carrying value	1,822	1,536	19,383
Total unrealized gain	856	560	9,112
Total unrealized loss	48	54	516

At March 31, 2013 and 2012, unlisted stocks (whose carrying value was ¥65 million (U.S.\$693 thousand) and ¥47 million, respectively) are not included in the above table because their fair value is extremely difficult to determine, given that no quoted market price is available.

9 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, 2013 and 2012 decreased by ¥610 million (U.S.\$6,494 thousand) and ¥574 million, respectively, after the revaluation.

10 Pledged Assets

Pledged assets for the years ended March 31, 2013 and 2012 are summarized as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Time deposits	¥ 27	¥ 26	\$ 284

Time deposits were pledged as collateral mainly for leased office space at March 31, 2013 and 2012.

11 Commitments and Contingent Liabilities

The Company had the following contingent liabilities as of March 31, 2013 and 2012.

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Loan guarantees for: Shaldan (Thailand) Co., Ltd.	¥ 0	¥ 9	\$ 1

At March 31, 2013 and 2012, trade notes discounted with banks in the ordinary course of business amounted to ¥104 million (U.S.\$1,105 thousand) and ¥69 million, respectively.

12 Income Taxes

At March 31, 2013 and 2012, 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
	2013	2012	2013
Current assets:			
Accrued employees' bonuses	¥ 147	¥ 163	\$ 1,563
Allowance for sales returns	40	46	430
Accrued business taxes	33	16	347
Other	143	140	1,524
Total current deferred tax assets	363	366	3,864
Current liabilities:			
Deferred gain on sales of property	(1)	(0)	(7)
Other	—	(0)	—
Total current deferred tax liabilities	(1)	(1)	(7)
Net current deferred tax assets	¥ 363	¥ 365	\$ 3,858
Non-current assets:			
Allowance for employees' retirement and severance benefits	¥ 451	¥ 449	\$ 4,795
Allowance for directors' retirement and severance benefits	48	41	513
Write-downs of securities	61	61	652
Impairment loss	8	14	87
Other	5	2	54
Gross non-current deferred tax assets	573	568	6,101
Valuation allowance	(122)	(112)	(1,293)
Total non-current deferred tax assets	452	456	4,808
Non-current liabilities:			
Deferred gain on sales of property	(15)	(15)	(162)
Undistributed earnings of controlled foreign companies	(39)	(39)	(412)
Unrealized holding gain on other securities, net of taxes	(265)	(167)	(2,824)
Total non-current deferred tax liabilities	(319)	(221)	(3,398)
Net non-current deferred tax assets	¥ 132	¥ 235	\$ 1,409

A reconciliation of the statutory tax rate to the Company's effective tax rates for the years ended March 31, 2013 and 2012 is summarized as follows:

	2013	2012
Japanese statutory tax rate	38.00%	40.00%
Permanent differences such as entertainment expenses, etc.	2.94	6.52
Permanent differences such as dividend income	(0.50)	1.96
Tax credit	(2.57)	0.08
Undistributed earnings of controlled foreign companies	0.01	(0.32)
Equity in loss of affiliates	6.58	21.80
Downward adjustment of deferred tax assets at end of year due to tax rate change	—	11.32
Other	1.70	(2.06)
Effective tax rate	46.16%	79.30%

13 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, 2013 and 2012:

	millions of Yen		thousands of U.S. dollars
	2013	2012	2013
Retirement and severance benefit obligation	¥ (3,736)	¥ (3,238)	\$ (39,745)
Plan assets	2,120	1,909	22,551
Unfunded benefit obligation	(1,616)	(1,329)	(17,194)
Unrecognized actuarial loss	351	63	3,733
Unrecognized past service cost	(1)	(1)	(6)
Accrued benefit obligation	¥ (1,266)	¥ (1,267)	\$ (13,467)

The following table summarizes the components of net retirement benefit expenses for the years ended March 31, 2013 and 2012:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 159	¥ 158	\$ 1,696
Interest cost on benefit obligation	64	61	681
Expected return on plan assets	(38)	(36)	(406)
Amortization of actuarial loss	42	35	452
Amortization of past service cost	(1)	(1)	(6)
Extraordinary additional retirement payments	51	3	541
Net retirement benefit expenses	¥ 278	¥ 221	\$ 2,957

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

	2013	2012
Method of periodic allocation of estimated retirement benefits	Straight-line method	Straight-line method
Discount rate	0.8%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

Note: As a result of reviewing the appropriateness of the discount rate, it turned out that the movement of the discount rate has a significant impact on the projected benefit obligation. Therefore, the discount rate as at March 31, 2013 has been changed to 0.8% while the discount rate as at April 1, 2012 was 2.0%.

14 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, 2013, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$5,850 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.

15 Amounts per Share

Net assets per share as of March 31, 2013 and 2012 were ¥905.84 (U.S.\$9.64) and ¥884.45, respectively. Basic net income per share for the years ended March 31, 2013 and 2012 was ¥26.01 (U.S.\$0.28) and ¥3.48, respectively.

Diluted net income per share for the year ended March 31, 2013 and

2012 is not presented because latent shares with dilutive effect do not exist.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2013 and 2012 was as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Basic net income per share:			
Net income	¥ 565	¥ 76	\$ 6,011
Amount not attributable to shareholders of common stock:			
—	—	—	—
Amount attributable to shareholders of common stock	565	76	6,011
Weighted-average number of shares outstanding (millions of shares)	22	22	—
Diluted net income per share:			
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, 2013 and 2012 was as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Total net assets per share:			
Total net assets	¥ 20,213	¥ 19,701	\$ 215,059
Deductions:			
Subscription rights	542	493	5,770
Minority interests in consolidated subsidiaries	109	99	1,155
—	434	394	4,615
Amounts attributable to shareholders of common stock	19,671	19,209	209,289
Number of shares outstanding at year end (millions of shares)	22	22	—

16 Major Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Sales promotion expenses	¥ 5,412	¥ 5,097	\$ 57,583
Advertising costs	2,917	2,889	31,037
Salaries	1,973	2,007	20,995
Shipment and storage expenses	1,309	1,407	13,930
Provision for employees' retirement and severance benefits	234	179	2,492
Provision for directors' retirement and severance benefits	21	16	227

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2013 and 2012 amounted to ¥572 million (U.S.\$6,088 thousand) and ¥659 million, respectively.

17 Cash and Time Deposits

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and time deposits in the accompanying consolidated balance sheets at March 31, 2013 and 2012 is as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits	¥ 4,693	¥ 6,121	\$ 49,926
Time deposits with a maturity in excess of three months	(223)	(223)	(2,377)
Marketable securities with a maturity of three months or less from their respective dates of acquisition	—	23	—
Cash and cash equivalents	¥ 4,469	¥ 5,921	\$ 47,549

18 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 proforma amounts (inclusive of the related interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2013 and 2012, primarily relating to tools, furniture and fixtures is as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Acquisition cost	¥ 36	¥ 43	\$ 383
Accumulated depreciation	35	35	372
Net book value	¥ 1	¥ 8	\$ 10

(2) Future minimum lease payments, inclusive of the related interest, subsequent to March 31, 2013 and 2012 are summarized as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Payable in one year or less	¥ 1	¥ 7	\$ 10
Payable after one year	—	1	—
Total	¥ 1	¥ 8	\$ 10

(3) Lease payments and proforma depreciation charges for the years ended March 31, 2013 and 2012 were ¥7 million (U.S.\$76 thousand) and ¥14 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 had no significant operating leases at March 31, 2013 and 2012.

19 Segment Information

(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 of its head office and conducts business activities. The Company has two reportable segments: Mothproofing and Hygiene-Related Products and 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 category, Hand Care category and Thermal Care category. The Household Environment-Related Products segment includes the manufacture and sales of Air Care category, Humidity Care category and Home Care category.

(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.

As explained in the section "Change in Accounting Policies", in accordance with the revision of the Corporation Tax Act, effective from the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the method of depreciation and applied the new method to property, plant and equipment obtained on or after April 1, 2012. As a result of this change, the segment profit of "Mothproofing and Hygiene-Related Products" for the year ended March 31, 2013 increased by ¥6 million (U.S.\$65 thousand), and the segment profit of "Household Environment-Related Products" increased by ¥11 million (U.S.\$115 thousand).

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

Year ended March 31, 2013	millions of yen		
	Mothproofing and Hygiene-Related Products	Household Environment-Related Products	Total
Sales			
Sales to third parties	¥ 20,971	¥ 25,973	¥ 46,944
Intra-group sales and transfers	—	—	—
Net sales	20,971	25,973	46,944
Segment income	¥ 932	¥ 868	¥ 1,800
Other items			
Depreciation	¥ 354	¥ 457	¥ 810

Year ended March 31, 2012	millions of yen		
	Mothproofing and Hygiene-Related Products	Household Environment-Related Products	Total
Sales			
Sales to third parties	¥ 20,116	¥ 26,238	¥ 46,354
Intra-group sales and transfers	—	—	—
Net sales	20,116	26,238	46,354
Segment income	¥ 685	¥ 1,066	¥ 1,751
Other items			
Depreciation	¥ 373	¥ 538	¥ 911

Year ended March 31, 2013	thousands of U.S. dollars		
	Mothproofing and Hygiene-Related Products	Household Environment-Related Products	Total
Sales			
Sales to third parties	\$ 223,123	\$ 276,333	\$ 499,457
Intra-group sales and transfers	—	—	—
Net sales	223,123	276,333	499,457
Segment income	\$ 9,911	\$ 9,235	\$ 19,147
Other items			
Depreciation	\$ 3,762	\$ 4,858	\$ 8,620

Notes: 1. The total of segment income is the same as the 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.

Notes to Consolidated Financial Statements

(4) Related Information

(a) Information by category and service

Year ended March 31, 2013	millions of yen				
	Cloth Care	Thermal Care	Air Care	Others	Total
Sales to third parties	¥ 9,874	¥ 6,866	¥ 20,482	¥ 9,721	¥ 46,944

Year ended March 31, 2012	millions of yen				
	Cloth Care	Thermal Care	Air Care	Others	Total
Sales to third parties	¥ 9,070	¥ 7,234	¥ 19,920	¥ 10,130	¥ 46,354

Year ended March 31, 2013	thousands of U.S. dollars				
	Cloth Care	Thermal Care	Air Care	Others	Total
Sales to third parties	\$ 105,055	\$ 73,053	\$ 217,920	\$ 103,428	\$ 499,457

(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 years ended March 31, 2013 and 2012.

(Property, plant and equipment)

Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of the total of property, plant and equipment at March 31, 2013 and 2012.

(c) Information by major customers

Customer's name	Sales			Related segment
	millions of Yen		thousands of U.S. dollars	
	2013	2012	2013	
Paltac Corporation	¥ 15,998	¥ 15,026	\$ 170,207	Mothproofing and Hygiene-Related Products Household Environment-Related Products
ARATA CORPORATION	¥ 9,615	¥ 9,766	\$ 102,298	Mothproofing and Hygiene-Related Products Household Environment-Related Products

20 Related Party Transactions

(1) Dealings with related parties

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, 2013 and 2012, and for the year then ended is as follows:

	millions of yen		thousands of U.S. dollars
	2013	2012	2013
Total current assets	¥ 12,125	¥ 14,541	\$ 129,007
Total non-current assets	9,981	6,719	106,195
Total deferred assets	1	5	7
Total current liabilities	11,834	13,631	125,904
Total long-term liabilities	3,101	679	32,995
Total net assets	7,172	6,954	76,310
Sales	14,965	15,678	159,223
Income (loss) before income taxes	79	(1,374)	845
Net income (loss)	22	(1,006)	233

21 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 ¥807 million (U.S.\$8,586 thousand) and ¥550 million for the years ended March 31, 2013 and 2012.

22 Note to Consolidated Statements of Changes in Net Assets

Shares in issue and outstanding and treasury stock at March 31, 2013 and 2012 were as follows:

(Year ended March 31, 2013)

Number of shares in issue and outstanding:	
Common stock	23,000 thousand
Number of shares held in treasury:	
Common stock	1,284 thousand

Note: Detail of the increase is as follows:

Increase due to purchase of shares less than standard unit:	2 thousand
---	------------

Subscription rights at March 31, 2013 were as follows:

Subscription rights for stock options ¥109 million (U.S.\$1,155 thousand)

Dividends paid from retained earnings for the year ended March 31, 2013 were as follows:

Resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 21, 2012	240	11	March 31, 2012	June 1, 2012
Board of directors' meeting held on October 30, 2012	240	11	September 30, 2012	December 7, 2012

Dividends for which the record date was in the year ended March 31, 2013 and the effective date is in the year ending March 31, 2014 were as follows:

Resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 20, 2013	240	Retained earnings	11	March 31, 2013	May 31, 2013

(Year ended March 31, 2012)

Number of shares in issue and outstanding:	
Common stock	23,000 thousand
Number of shares held in treasury:	
Common stock	1,281 thousand

Note: 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:	67 thousand

Subscription rights at March 31, 2012 were as follows:

Subscription rights for stock options ¥99 million

Dividends paid from retained earnings for the year ended March 31, 2012 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 23, 2011	240	11	March 31, 2011	June 3, 2011
Board of directors' meeting held on October 31, 2011	240	11	September 30, 2011	December 2, 2011

Dividends for which the record date was in the year ended March 31, 2012 and the effective date was in the year ended March 31, 2013 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 21, 2012	240	Retained earnings	11	March 31, 2012	June 1, 2012

23 Stock Option Plans

At March 31, 2013, 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 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
June 17, 2011	35,000	7 employees	Aug 2, 2013 – Aug 1, 2018
June 15, 2012	130,000	3 officers and 8 employees	Aug 2, 2014 – Aug 1, 2019

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.

Cost related to the 2013 stock option plan amounting to ¥10 million (U.S.\$104 thousand) were included in selling, general and administrative expenses.

Contents of stock options

	2006	2007	2008	2009	2010	2011	2012	2013
Grantees	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	7 employees	3 officers and 8 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	160,000	75,000	140,000	95,000	20,000	155,000	35,000	130,000
Grant date	August 4, 2005	August 1, 2006	August 1, 2007	August 1, 2008	August 3, 2009	August 2, 2010	August 1, 2011	August 1, 2012
Condition for exercise	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 from August 1, 2011 to August 1, 2013	Working from August 1, 2012 to August 1, 2014
Working period	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	August 1, 2011 to August 1, 2013	August 1, 2012 to August 1, 2014
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)

Notes to Consolidated Financial Statements

Stock option activity during the year ended March 31, 2013 was as follows:

Number of shares

	2006	2007	2008	2009	2010	2011	2012	2013
Non-vested Outstanding at beginning of year	—	—	—	—	—	155,000	35,000	—
Granted during the year	—	—	—	—	—	—	—	130,000
Forfeited during the year	—	—	—	—	—	—	—	60,000
Vested during the year	—	—	—	—	—	155,000	—	—
Outstanding at end of year	—	—	—	—	—	—	35,000	70,000
Vested Outstanding at beginning of year	100,000	75,000	140,000	95,000	20,000	—	—	—
Vested during the year	—	—	—	—	—	155,000	—	—
Exercised during the year	—	—	—	—	—	—	—	—
Forfeited during the year	100,000	—	—	—	—	10,000	—	—
Outstanding at end of year	—	75,000	140,000	95,000	20,000	145,000	—	—

Price of stock options

	yen							U.S. dollars	
	2006	2007	2008	2009	2010	2011	2012	2013	2013
Exercise price	¥ 1,628	¥ 1,727	¥ 1,517	¥ 1,264	¥ 1,037	¥ 1,049	¥ 976	¥ 946	\$ 10
Weighted-average market price	—	—	—	—	—	—	—	—	—
Fair value per option on grant date	—	¥ 292	¥ 191	¥ 220	¥ 197	¥ 178	¥ 194	¥ 153	\$ 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, 2013 was estimated based on the following assumptions:

	2013
Volatility	29.6%
Option term	4 years and 6 months
Expected dividend (per share)	¥22 (U.S.\$0.23)
Risk-free interest rate	0.16%

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 2012 fiscal year.

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

Method of estimating exercised stock options

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

Report of Independent Auditors



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Chiyoda-ku, Tokyo, Japan 100-0011

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Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
S.T.CORPORATION

We have audited the accompanying consolidated financial statements of S.T.CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of S.T.CORPORATION and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 14, 2013
Tokyo, Japan

Ernst & Young ShinNihon LLC

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)
	2013	2012	2011	2010	2009	2013
For the Year:						
Net sales	¥ 46,944	¥ 46,354	¥ 43,580	¥ 43,546	¥ 44,879	\$ 499,457
Cost of sales	27,738	27,347	25,370	25,151	26,280	295,118
Selling, general and administrative expenses	17,406	17,256	16,097	16,149	16,107	185,192
Operating income	1,800	1,751	2,114	2,246	2,493	19,147
Income before income taxes and minority interests	1,105	596	1,343	1,943	1,969	11,759
Net income	565	76	786	1,119	1,076	6,011
Capital expenditures	2,061	1,007	662	673	716	21,926
Depreciation and amortization	830	931	992	922	858	8,834
R&D expenses	572	659	610	612	499	6,088
Cash flows from operating activities	980	1,560	2,704	2,263	1,549	10,424
Cash flows from investing activities	(1,924)	(787)	(3,601)	(126)	(604)	(20,473)
Free cash flow	(944)	773	(897)	2,137	945	(10,049)
Cash flows from financing activities	(557)	(549)	(521)	(499)	(530)	(5,925)
At Year-End:						
Total current assets	¥ 15,533	¥ 16,941	¥ 16,523	¥ 17,667	¥ 16,118	\$ 165,257
Property, plant and equipment, net	7,524	6,295	6,312	6,561	6,766	80,052
Total assets	30,076	30,287	30,011	29,029	27,617	319,996
Total current liabilities	8,058	8,778	8,286	7,313	6,881	85,730
Total long-term liabilities	1,805	1,807	1,753	1,751	1,706	19,206
Total net assets	20,213	19,701	19,972	19,966	19,029	215,059
Cash and cash equivalents	4,469	5,921	5,731	7,170	5,520	47,549
Number of shares issued (thousand shares)	23,000	23,000	23,000	29,500	29,500	
Treasury stock (thousand shares)	1,284	1,282	1,214	7,648	7,669	
Number of employees	663	647	630	611	619	
Per Share (yen and U.S. dollars):						
Net income	¥ 26.01	¥ 3.48	¥ 36.03	¥ 51.25	¥ 49.32	\$ 0.28
Dividends	22.00	22.00	22.00	22.00	22.00	0.23
Net assets	905.84	884.45	893.74	892.46	853.81	9.64
Ratios (%):						
Operating income margin	3.83	3.78	4.85	5.16	5.55	
Income before income taxes and minority interests/net sales	2.35	1.29	3.08	4.46	4.39	
Net income margin	1.20	0.16	1.80	2.57	2.40	
ROE	2.91	0.39	4.03	5.87	5.78	
ROA	1.87	0.25	2.66	3.95	3.84	
Equity ratio	65.40	63.42	64.88	67.18	67.49	

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥93.99 = U.S.\$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2013.

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.

Investor Information

As of March 31, 2013

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	12,679
Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Accounting auditors	Ernst & Young ShinNihon LLC
Annual shareholders' meeting	Middle of June each year
Employees	663 (consolidated) 400 (non-consolidated)
Contact	Hirohide Shimada, Public Relations Department
E-mail	ir@st-c.co.jp
Telephone	+81-3-3367-6115
Facsimile	+81-3-3367-6320

Group Companies

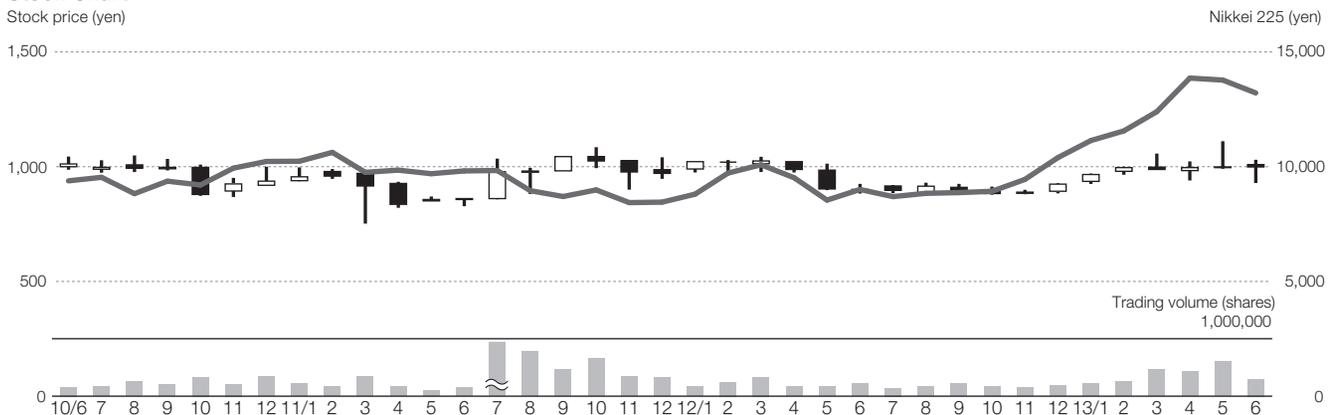
S.T. TRADING CO., LTD.
S.T. AUTO CO., LTD.
S.T. BUSINESS SUPPORT CO., LTD.
FAMILY GLOVE CO., LTD. (THAILAND)
FAMILY GLOVE CO., LTD. (TAIWAN)
S.T. KOREA CORPORATION (SOUTH KOREA)

Major Shareholders

	Thousands of shares	% of total
Shaldan Co., Ltd.	5,537	24.1
Nippon Life Insurance Company	1,671	7.3
S.T. CORPORATION	1,142	5.0
TCSB (Mizuho Bank)	884	3.8
Takashi Suzuki	682	3.0
FUMAKILLA LIMITED	541	2.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	524	2.3
Kanichi Suzuki	500	2.2
Carenne	433	1.9
Hiromu Fujii	401	1.7



Stock Chart





4-10, Shimo-ochiai 1-chome, Shinjuku-ku, Tokyo 161-8540, Japan
<http://www.st-c.co.jp/english/company/index.html>