S.T. CORPORATION

ANNUAL REPORT 2009

Refreshing the Air

S.T.CORPORATION

"Refreshing the Air"

Since its founding in 1946, S.T. Corporation has achieved growth by creating new markets in two business domains: businesses associated with the household environment such as deodorizers and air fresheners, and businesses associated with mothproofing agents and dehumidifiers.

Looking ahead, we will continue to accept the challenge as a company that creates new value of providing "comfort and excitement" in our customers' lifestyles through innovative and creative products and services.

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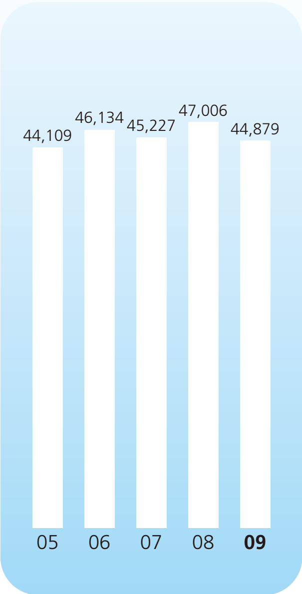
FINANCIAL HIGHLIGHTS

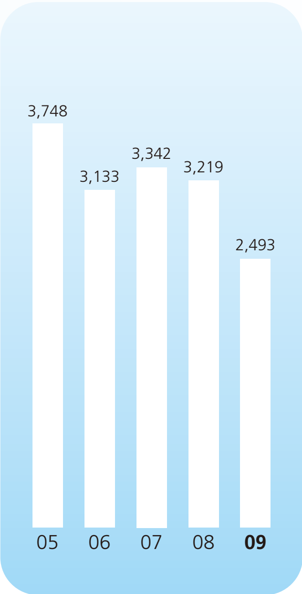
Years ended March 31	2005	2006	2007	2008	2009	2009
	Millions of yen except per share data and financial ratios					Thousands of U.S. dollars (Note 3)
Net sales	¥44,109	¥46,134	¥45,227	¥47,006	¥44,879	$456,882
Operating income	3,748	3,133	3,342	3,219	2,493	25,378
Net income	1,823	988	1,747	1,295	1,076	10,957
Capital expenditures	806	826	696	649	716	7,292
R&D expenses	423	480	489	489	499	5,080
Depreciation and amortization	845	873	837	936	858	8,730
Net income per share (¥)	¥ 63.43	¥ 34.35	¥ 65.10	¥ 54.08	¥ 49.32	$ 0.50
Net assets per share (¥)	957.45	966.43	935.19	853.90	853.81	8.69
Cash dividends per share (¥)	22.00	22.00	22.00	22.00	22.00	0.22
ROE (%, Note 1)	6.74	3.57	6.72	6.06	5.78	
ROA (%, Note 2)	4.98	2.64	4.87	4.16	3.84	

Notes: 1. ROE = Net income / Average total shareholders' equity
2. ROA = Net income / Average total assets
3. Figures have been translated into U.S. dollars at ¥98.23 = $1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2009.

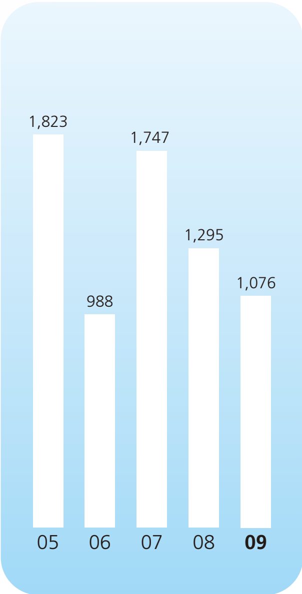
NET SALES
(millions of yen)



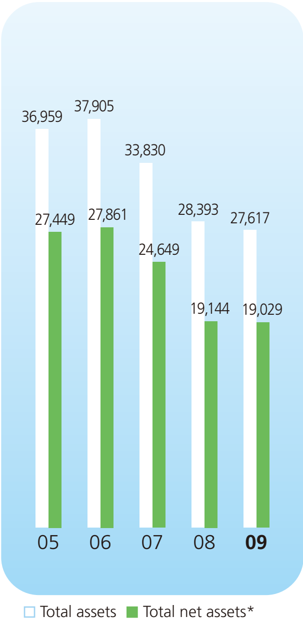
OPERATING INCOME
(millions of yen)



NET INCOME
(millions of yen)



TOTAL ASSETS
TOTAL NET ASSETS*
(millions of yen)



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

PRESIDENT'S MESSAGE

We aim to achieve sustainable, profitable growth by means of management based on powerful and agile leadership.

Accelerate management through top-down leadership to take advantage of a once-in-a-century opportunity

It is my pleasure to introduce S.T. Corporation's Annual Report. My name is Takashi Suzuki, and in April 2009 I returned to the position of president at this company. Thank you very much for your continued support.

I would like to take this opportunity to explain why I have returned as president, and report on our recent business situation and future direction.

● Background to my becoming president again

Last year brought an unforeseeable economic crisis and business slowdown of a scale witnessed only once in a century. As a result, S.T. Corporation fell into an unprecedented crisis with a decline in sales and a sharp drop in profits in the Air Care (deodorizers and air fresheners) category, the segment on which we are focusing the most.

I think there would have been no problem with following past policies if circumstances had remained as usual. However, now that it is clear the business environment will continue to be very challenging, I think the Company's situation will deteriorate further if we do nothing.

S.T. Corporation adopted a committee-based corporate governance system in June 2004, and became a company in which outside directors exercise a dominant influence because six of the nine members of the Board of Directors are outside directors. I discussed the possibility of my returning as president with the previous president, Mr. Kanzo Kobayashi, and at a meeting of the Board of Directors held on March 2, 2009 this course of action was unanimously approved. Currently, Mr. Kobayashi is a senior managing director and supports me by taking responsibility for Group business strategies, overseas business strategies and important managerial matters.

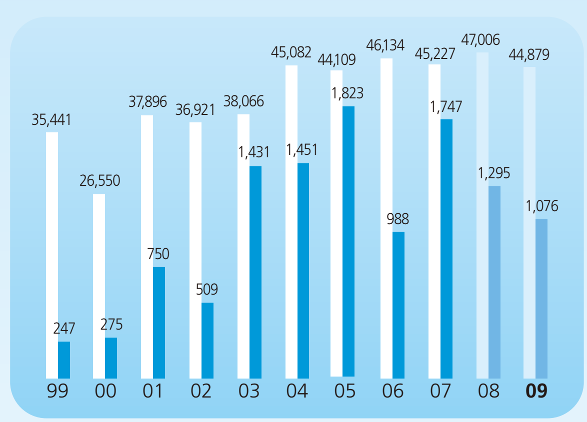
This is the third time that I have taken on the role of company president. The first time was in 1992 when, as president of a U.S. subsidiary which was experiencing a business slump, I liquidated the company through asset sales. Although I was the only Japanese person in a company with one hundred Americans, I was able to withdraw from the business successfully. The second time was in 1998 when I became the president of S.T. Corporation. I implemented various management reforms under the banner of creating a compact though muscular company. Now, having taken up the position of president for the third time, I intend to utilize my past experience in resolving management crises in Japan and the United States to make S.T. Corporation into a strong and agile company through top-down management. In short, I would like to transform today's economic crisis into a once-in-a-century opportunity.

After returning as president and following the decisions taken since my appointment was approved at the March 2, 2009 meeting of the Board of Directors, my first initiative as returning president has been to visit the Company's domestic bases nationwide and hold Q&A meetings with workplace personnel. I believe that bottom-up input from employees in our workplaces is indispensable for top-down management. Moreover, when the president visits operating bases and engages all personnel in discussions, this brings top management and frontline employees closer. We will work to speed up management processes by fusing of top-down leadership and bottom-up management.

ACHIEVEMENTS AS PRESIDENT UP TO NOW

First appointment	**1992-1994 As president of U.S. subsidiary** Appointed as president of U.S. subsidiary experiencing a business slump. Liquidated the company through asset sales and withdrew from the market successfully.
Second appointment	**1998-2007 As president of S.T. Corporation** Appointed as president of S.T. Corporation amid sluggish business results. Calling for a "compact though muscular company," and a "selection and focus" policy, implemented various management reforms: significantly reduced personnel, integrated 3 domestic plants and 5 domestic bases into 3 combined operating bases, and reduced the number of product classes.

ACHIEVEMENTS AS PRESIDENT DURING PERIOD 1998–2007
(millions of yen)



□Net sales ■Net income Fiscal years (ended March 31)

The fiscal year-end up to 1999 was June. The fiscal year-end from 2000 was March.
The fiscal period ended March 2000 was a 9-month accounting period.

Becoming a strong and agile company that can lead the world in Air Care

• Looking back on the fiscal year ended March 31, 2009

In the fiscal year ended March 31, 2009, unfortunately, consolidated net sales declined 4.5% year on year and net income decreased 16.9% from the previous year. The first main contributing factor was steep rises in raw material prices. The second was the sales slump resulting from the downturn in consumption and the impact of the weather. Lower sales of disposable warmers due to the warm winter in particular had a negative effect. The third factor was that our overseas sales decreased, as in other companies. However, amid such circumstances we were able to increase our sales in the U.S. market and in new markets for our company, such as Russia and Latin America. Sales of new products were also favorable. In the Air Care (deodorizers and air fresheners) category, the segment on which we are focusing the most, Shoshu-Plug Autospray, which deodorizes automatically with batteries, became a hit product.

• Future policies

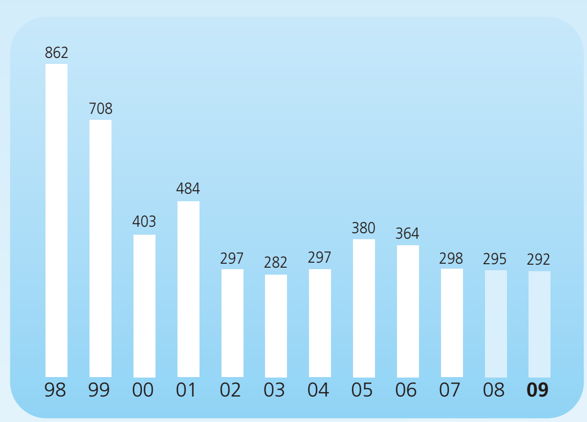
There will be no change to our existing management policy of "selection and focus." On the contrary, we will pursue it with even greater vigor. The "selection" aspect of the policy called for the creation of a "compact though muscular company," and we have significantly reduced personnel, integrated our three domestic plants and five domestic bases into three combined operating bases, and reduced the number of product classes from around 800 when I became president to the current figure of approximately 300. Going forward, we will review all business activities company-wide, and reduce the number of product classes further to a carefully selected number of products, thereby improving efficiency. At the same time, the "focus" aspect of the policy called for us to create a "leading global niche company." We have been nurturing and growing our market-dominating brand by developing unparalleled products for such niche markets as mothproofing agents, deodorants, dehumidifiers and air fresheners. By continuing to develop such unique products, we can create new markets. To this end, we will first strengthen already-strong products, focusing on the enhancement of existing core brands centered on the mainstay Air Care category.

In more detail, the basic overall strategy of S.T. Corporation consists of three strategies: (1) selection and focus, (2) development of unparalleled products, and (3) agile management. To realize these strategies, the first point is "workplace reform." We are endeavoring to speed up management processes by fusing of top-down leadership and bottom-up management. The second point is "design reform." Design is the largest untapped segment for our company, and we will focus our efforts on it. The third point is "changing the rules about how we compete." We will not compete on price but on the basis of S.T. Corporation's strength—the development of unparalleled products. The fourth point is to be a "humane company." Sponsored by us as part of our CSR activities, the musical *Anne of Green Gables* is performed every year in major cities nationwide, and we have invited a total of 150,000 people to see it over the past eleven years. S.T. Corporation will become a strong and agile company by implementing these points, moving toward our future goal of leading the world in Air Care.

For more details about our basic strategy, please refer to pages 6-9 of this Annual Report.

OVERVIEW OF MANAGEMENT POLICIES

POLICY: SELECTION (NUMBER OF PRODUCT CLASSES)
(Number of items)



Fiscal years (ended March 31)

Where shareholder returns are concerned, we will continue to take positive action. While maintaining the basic policy of paying stable dividends, we intend to implement a dividend policy linked to business performance. For the fiscal year ended March 31, 2009, taking into account both the Company's depressed business results and our stable-dividend policy, we have set the year-end dividend at ¥11 per share (an annual dividend of ¥22 per share), the same as the initial forecast. As regards acquisition of treasury stock, we will move forward with the goal of increasing shareholder value and streamlining assets.

S.T. Corporation accumulates adequate retained earnings to enhance its growth and earnings capabilities and to strengthen its corporate framework. The main uses of the retained earnings the Company accumulates are product development, effective sales promotions and advertising, enhancement of production, sales, distribution and IT systems, and strategic investments for future growth.

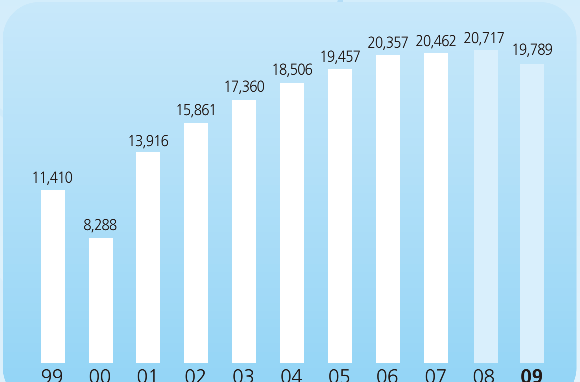
We see the toiletries industry as a market with potentially explosive growth, depending on what new ideas emerge. Until now, S.T. Corporation has increased corporate value by creating niche markets through the introduction of unparalleled products. Taking today's economic crisis as an opportunity, we will move forward with all employees working together to make S.T. Corporation into a strong and agile company. We hope for further support and understanding from all of our stakeholders.

August 2009

Takashi Suzuki

President and Chief Executive Officer
Chairman of the Board

POLICY: FOCUS (NET SALES OF AIR CARE CATEGORY)
(millions of yen)



The fiscal year-end up to 1999 was June.
The fiscal year-end from 2000 was March.
The fiscal period ended March 2000 was a 9-month accounting period.

Fiscal years (ended March 31)

DIVIDENDS
(yen)

The fiscal year-end up to 1999 was June.
The fiscal year-end from 2000 was March.
The fiscal period ended March 2000 was a 9-month accounting period.

Fiscal years (ended March 31)

Aiming to take this once-in-a-century opportunity to make S.T. Corporation into a strong, agile company

In April 2009, S.T. Corporation shifted to a new management structure and started to aim at becoming a strong, agile company. Amid abrupt changes in the business environment including economic conditions and consumption trends, there are calls for strong and agile leadership management in order to achieve sustainable, profitable growth. In this section, we touch on some of the efforts being made to make the company strong and agile.

Basic Strategy

1. Selection and focus

Future Policies

- → Reducing the number of product classes and the number of products
- → Concentrating on our core brands
- → Cross-organizational cost reduction efforts
- → Review of operations

2. Development of unparalleled products

Future Policies

- → Design revolution
- → Changing the rule on how we compete
  - ■ Shifting from price competition to non-price competition
  - ■ Moving toward battery-powered Air Care competition

3. Agile management

Future Policies

- → Strong leadership
- → Fusion of leadership and bottom-up management

A strong, agile company

Further strengthening S.T. Corporation as a compact though muscular company in order to achieve sustainable, profitable growth

Basic Strategy

While championing being a "strong, agile company," we will strive for profitable growth by focusing on our mainstay Air Care products, with a basic strategy of "selection and focus," "development of unparalleled products," and "agile management."

S.T. Corporation sees the current economic crisis as the perfect opportunity to carry out management improvements aimed at making the company even more compact and muscular. While championing a "strong, agile company" as our preferred vision, we will get through this economic crisis by means of strong leadership and speed.

We tout the following three points as our basic strategy.

1. Selection and focus

2. Development of unparalleled products

3. Agile management

First, in the "selection and focus" strategy, we will continue to reduce the number of product classes and the number of products, try to improve business efficiency, and make efforts to increase the value of our core brands.

Next, in the "development of unparalleled products" strategy, we will focus on "design revolution" and "changing the rules on how we compete." Regarding "design revolution," we see design as S.T. Corporation's largest untapped segment and will concentrate on it. Specifically, by employing the services of well-known designers, we will carry out a major reform of the designs of all core products. As for "changing the rules on how we compete," rather than competing on price, we will pursue non-price competition based on providing unparalleled products in the world. In addition, we have been developing the market for automatic, battery-powered Air Care products, and we will strive to cultivate it further as the second pillar of our Air Care business.

Finally, in our "agile management" strategy, we will endeavor to accelerate management by fusing—as a workplace reform—leadership and bottom-up management.

With respect to future goals, S.T Corporation sees the Air Care (deodorizers and air fresheners) market as a growth market. To begin with, we will try to expand new areas of the domestic Air Care market. In this way, we will achieve profitable growth. With regard to our global business expansion, we will actively expand business centering on the Asian region. Our overriding goal is to become the "Air Care company of the world."

1. Selection and focus

While further strengthening the "compact though muscular company" of the past, we will revise the number of products and review operations to increase the value of core brands, thereby expanding sales and profits.

Since 1998, S.T. Corporation has raised the topic of a "compact though muscular company" and continually pursued a "selection and focus" strategy. In the future we will even more firmly promote reductions in product classes and numbers, and by concentrating our investment of management resources on core brands, we will strive to increase the value of our brands as we make efforts to expand sales and profits. Moreover, besides cross-organizational cost reduction efforts, we will make an effort to expand profits further by striving to reduce overtime work through revisions of operations. As for reducing the number of product classes, we succeeded in reducing the number to 292 at the end of March 2009, down from 862 at the end of March 1998. From the current fiscal term, the reduction goal will be to reduce the number of products in the past number of product classes even more minutely, and by continuing to concentrate on our core brands, we will make every effort to improve efficiency further.

2. Development of unparalleled products

We consider the "development of unparalleled products" strategy to be an important strategy for achieving profitable growth. As our future policies, we will concentrate on "design" and "quality" and strive to cultivate our "power brands."

Design revolution

"Design" is the largest untapped segment for S.T. Corporation. We will try to acquire potential users in this new field and to expand the Air Care market.

We see "design" as the largest untapped segment for S.T. Corporation. S.T. Corporation will bring about a "design revolution" as a new growth strategy in this new, untapped area. Specifically, we will revise the total designs of products including usability as we strive first to expand the Air Care (deodorizers and air fresheners) market.

In the automobile and the electrical equipment industries, elegant designs (premised on technical capabilities) play a very big role as motivation of consumers' purchase behavior. On the other hand, in comparison, in our market for daily necessities, it appears that much potential for improvement still remains.

In the fiscal year ended March 31, 2009, from S.T. Corporation's leading Air Care brand, Shoshu-Riki, we announced the design series "White & Black." This design series succeeded in substantially increasing sales while the whole Air Care (deodorizers and air fresheners) market was at a standstill.

Shoshu-Riki design series, increasing sales since its release in the fiscal year ended March 31, 2009

This time, S.T. Corporation will, as a "design revolution," first carry out a major design reform for all our core products from the Air Care market. For a designer, we employed the services of a world-renowned Japanese designer. In the future, products based on new designs will be announced one after another, so please look forward to them.

Oki Sato

Born in Toronto, Canada, in 1977. Graduated at the head of his class with a B.A. degree from Waseda University, Faculty of Science and Engineering, Department of Architecture in 2000. Graduated with an M.A. degree from Waseda University Graduate School, and established nendo LLC, in 2002. Established the Milan office in 2005. Selected as one of "The 100 Most Respected Japanese" in Newsweek magazine in 2006. The monograph "nendo" was published by daab (Germany), and "cabbage chair" was selected for collections by MoMA (NY) and by Musee des Arts Decoratifs (Paris) in 2008. (Official Web site: www.nendo.jp)

Changing the rules on how we compete

One aspect is to "make the strong even stronger" by completely changing the models of our existing core products. Another is to focus on Air Care products that run automatically on batteries, and to cultivate the second pillar of our Air Care business.

● "Making the strong even stronger," completely changing the models of existing core products

We will change the rules on how we compete from "price competition" to "non-price competition." Rather than viewing consumers as unwilling to buy expensive products, S.T. Corporation sees them as not buying such products because the ones they want do not yet exist.

Our Dashu-Tan deodorizer product, which appeared on the market in 2000, achieved the top market share one and a half years after its release. After starting with zero share of the deodorizer market, Dashu-Tan's share has now, after eight years, grown to 65%. And the product's share continues to grow.

As a measure for making the change from "price competition" to "non-price competition," we will "make the strong even stronger" by changing the models of all core products. We will review all factors such as packaging, quality, usability, and cost. We plan to emphasize more strongly the design of our ¥10 billion leading Air Care brand Shoshu-Riki. It is said that changing models is very risky and difficult to judge. We will, however, press forward by means of fusing strong leadership and bottom-up management.

Future core brand
消臭プラグ®
Shoshu-Plug

Leading Air Care brand
消臭力
Shoshu-Riki

Unrivalled No.1 share
ムシューダ®
Mushuda

Unrivalled No.1 share
湿気とり ドライペット®
DryPet

● Concentrating on Air Care products that run automatically on batteries to cultivate the "second pillar of our Air Care business"

Of the leading Air Care products, S.T. Corporation regards those that run automatically on batteries as being an especially promising growth segment, and we have cultivated that segment for the past eight years.

These Air Care products that run automatically on batteries have a very high share—approximately 50%—of the European and North American Air Care markets. In comparison, foreign companies entered the Japanese market only last year, and their share of the domestic Air Care market has gradually grown to 10%.

In other industries it is said that demand increases rapidly once the share of the market exceeds 10%. S.T. Corporation will strive to expand the market for our automatic, battery-powered Air Care products by expanding demand in this segment. We will expand demand by developing unparalleled products in the U.S., and by means of unparalleled communication. In the domestic Air Care market, we will shift away from "price competition" to concentrate on a new "competition in Air Care products that run automatically on batteries," to cultivate the "second pillar of our Air Care business."



Two commercials for Shoshu-Plug Autospray

EFFECTIVE ADVERTISING: Selected 20th out of the top 50 companies in acquisition efficiency for CM popularity ratings. (Source: CM DATABANK, FY2008 White Paper on CM Popularity Ratings/Japan's Best Advertisers) "Unparalleled communication" By employing the services of Special Advertising Department General Manager Takadano Toriba, we are conducting consistent communication promotion activities in areas including CM, WEB, PR, campaigns, and sales promotion. By using Takadano Toriba for TV commercials, appearances on television and radio programs, and publication of books, we are striving to create and broaden topics of conversation, and by linking these with communication and promotion activities for the Shoshu-Plug series, we are bringing forth synergistic effects.

3. Agile management

With the aim of responding to the bewildering changes in recent economic conditions and consumption trends, we will work to speed up management by fusing leadership and bottom-up management.

We believe that what is necessary upon abrupt changes in the business environment is great speed. In the recent once-in-a-century economic crisis, factors such as economic conditions and consumption trends changed at an unprecedented speed. Furthermore, even in the key Air Care (deodorizers and air fresheners) market, we are experiencing a sense of crisis with the growth of the market coming to a standstill on factors such as a consumers' growing desire to protect their standards of living by tightening their purse strings and their diversification of needs. In order to respond to these sudden changes in the business environment, S.T. Corporation will promote management reforms on the basis of rapid decision-making enabled by the new management structure, and on the basis of strong leadership.

Additionally, in order to bring top management and workplace personnel closer and to increase management efficiency and speed, we will make efforts for the fusion of leadership and bottom-up management as a workplace reform.


Q&A meeting for bringing top management and workplace personnel closer.

AT A GLANCE

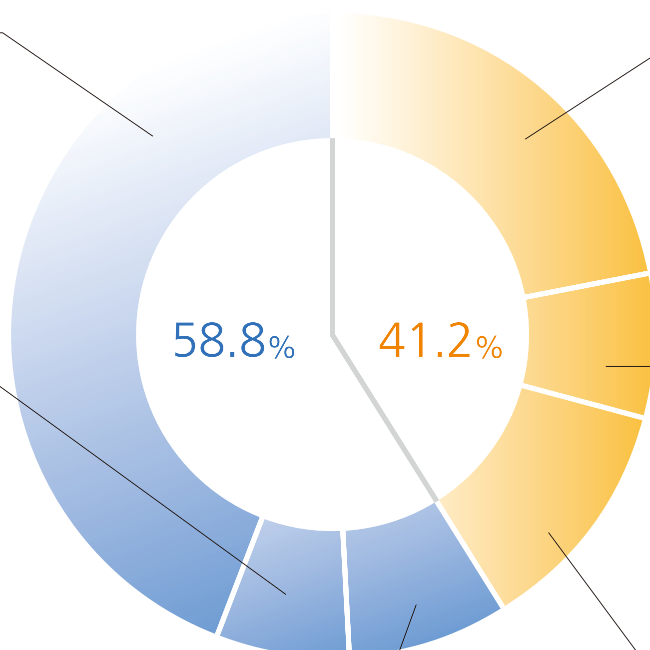
Business Overview

S.T. Corporation has been developing two groups of businesses: businesses related to household environments in our three categories of Air Care, Humidity Care and Home Care, and businesses related to mothproofing and hygiene in our three categories of Cloth Care, Hand Care and Thermal Care. As a market leader, we aim to achieve dominant shares of the niche markets for each of these categories. Our two core categories are Air Care, which is our mainstay business with a growing market for deodorizers and air fresheners, and Cloth Care, in which our mothproofing agents have enjoyed a stable market since the foundation of S.T. Corporation.

In the fiscal year ended March 31, 2009, the financial crisis caused a worsening of the economic climate and consumer spending. In these circumstances, S.T. Corporation worked to expand its market share and increase sales by developing products offered by no other companies in the world. Nevertheless, consolidated net sales for the fiscal year decreased 4.5% year on year to ¥44,879 million.

Composition of net sales by business segment

(Year ended March 31, 2009)



Household Environment-Related Products

44.1%

Air Care

(Deodorizers and Air Fresheners)

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

6.6%

Humidity Care

(Dehumidifiers)

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

8.1%

Home Care

(Cleaners and Other Products)

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

Mothproofing and Hygiene-related Products

22.1%

Cloth Care

(Mothproofing Agents)

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

7.1%

Hand Care

(Gloves)

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

12.0%

Thermal Care

(Disposable Warmers)

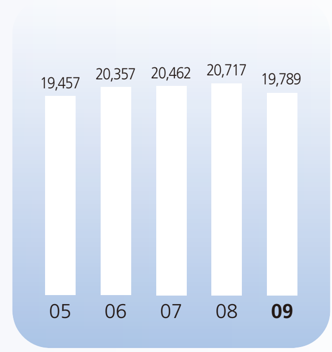
The Thermal Care Group markets the Onpacks brand of disposable warmers.

Household Environment-Related Products

Air Care (Deodorizers and Air Fresheners)

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

NET SALES
(millions of yen)



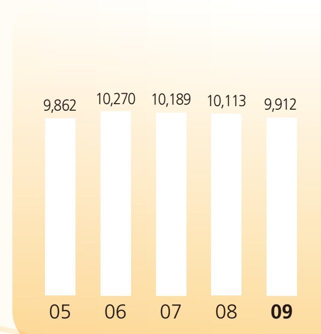
Fiscal years (ended March 31)

The Air Care category is S.T. Corporation's mainstay business and the market is expected to grow in the future. Our unique, innovative products include our largest mega brand, Shoshu-Riki; Shoshu-Plug, which uses electric power to deodorize even large, spacious rooms; Air-Wash, designed around the concept of "washing the air;" and Shoshu-Pot with its refined aroma. In the fiscal year ended March 31, 2009, sales increased of our core brand Shoshu-Riki, Dashu-Tan for refrigerators and Shoshu-Plug Autospray, a new product which deodorizes automatically with batteries at intervals under review, but sales of other existing products were weak. As a result, segment sales decreased 4.5% year on year to ¥19,789 million.

Cloth Care (Mothproofing Agents)

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

NET SALES
(millions of yen)



Fiscal years (ended March 31)

S.T. Corporation has conducted business in the Cloth Care category since its foundation, and this category now stands alongside the Air Care category as one of the Company's core business segments. Mushuda and Neopara Ace are top brands that enjoy predominant customer loyalty. Bikoda for Drawers and Clothes Storage Cases, a mothproofing agent to which deodorizer and air freshener features have been added, Mushuda for Walk-in Closets for large storage spaces and other products have been developed to offer new storage styles with mothproofing agents. In the fiscal year ended March 31, 2009, sales increased in the core brand Mushuda for products for both drawers and closets, but sales of other products were sluggish. Segment sales edged down 2.0% to ¥9,912 million.

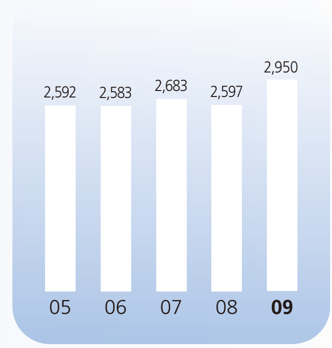
Mothproofing and Hygiene-Related Products

Household Environment-Related Products

Humidity Care (Dehumidifiers)

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

NET SALES
(millions of yen)



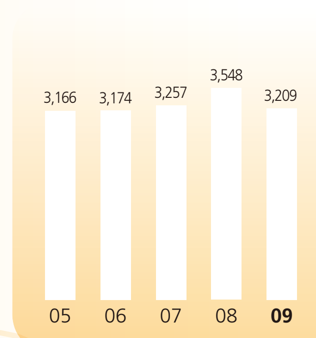
Fiscal years (ended March 31)

Since launching the Drypet dehumidifier in 1981, the Humidity Care category has continued to be the leader in the dehumidifier agent market. S.T. Corporation offers an extensive range of products meeting a variety of dehumidifying needs, including stand-type products, sheet-type products and hanging-type for closets. Our extensive lineup also includes the high-performance dehumidifier agent Bincho-Tan Drypet that boasts deodorant effects on top of its dehumidifing functions. We also offer products for use with shoes, futon bedding, and shoe lockers. In the fiscal year ended March 31, 2009, Drypet Skit and other products performed well despite the harsh business environment due to an increased number of stores handling the products. Net sales in the segment rose 13.6% to ¥2,950 million.

Hand Care (Gloves)

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

NET SALES
(millions of yen)



Fiscal years (ended March 31)

In the Hand Care category, the Family series of household gloves offers high-value-added products that not only protect the hands, but also soothe the skin. We meet the needs of our customers with a diverse lineup of products, including a series of regular type gloves with strengthened fingertips, and gloves impregnated with Squalene. In the fiscal year ended March 31, 2009, sales increased steadily for the mainstay products of thin rubber gloves and ultra-thin vinyl gloves and for disposable polythene gloves, but sales of industrial-use nitrile rubber gloves slumped due to worsening corporate earnings. Segment sales declined 9.6% year on year to ¥3,209 million.

Mothproofing and Hygiene-Related Products

Household Environment-Related Products

Home Care (Cleaners and Other Products)


Fresh-Up

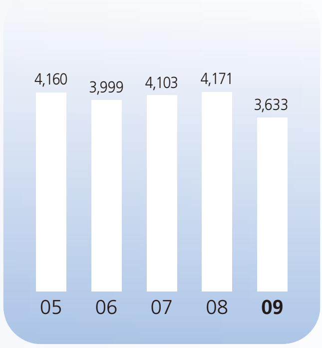

Ultra-Powers Washing Tub Cleaner


Powers Baking Soda Scrubber


Kome-Touban


SCOTCHGARD

NET SALES
(millions of yen)



Fiscal years (ended March 31)

The Home Care category provides a range of unique products, including niche cleaning products such as Ultra-Powers Washing Tub Cleaner; scrubbing cleaners such as Powers Citric Acid Scrubber and Powers Baking Soda Scrubber that contain citric acid and baking soda; and Kome-Touban, which protects uncooked rice from insects. In the fiscal year ended March 31, 2009, sales increased for such products as Nexcare Mask Pro Shiyo and Kome-Touban, but the decrease in sales of automatic dishwashing-machine detergents for which outsourced sales contracts expired in the previous fiscal year could not be covered by the increased sales of Fresh-Up, the detergent launched in the previous year. Segment sales declined 12.9% to ¥3,633 million.

Thermal Care (Disposable Warmers)


Haru-Onpacks

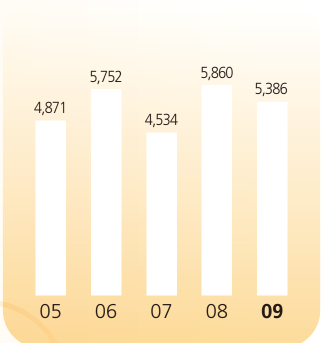

Haranai-Onpacks


Haru-Onpacks (for socks)


Onpacks (for shoes)


Thermo Thera

NET SALES
(millions of yen)



Fiscal years (ended March 31)

Since July 2003, the Thermal Care Group has been marketing disposable warmers under the Onpacks brand manufactured by Mycoal Co., Ltd. Our wide-ranging lineup also includes chemical warmers with self-adhesive patches for attachment to clothing and for the soles of socks. We also steadily expanded our presence in the self-medication market with our Thermo Thera gel sheets that are mild to the skin and help ease back pain and stiff shoulders. Partly due to the warm winter, sales for the fiscal year ended March 31, 2009 fell 8.1% from the previous year to ¥5,386 million.

Mothproofing and Hygiene-Related Products

CSR (Corporate Social Responsibility)

S.T. Corporation strives for growth with sustainable long-term earnings, achieved by providing comfort and excitement to homes through its products and services. The Company also places top management priority in satisfying all stakeholders, including shareholders, customers, business partners, local communities and employees, while increasing its corporate value.

● Corporate Philosophy

The mission statement of S.T. Corporation is "Sincerity." At the same time, 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 together with enhancing our corporate governance.

社是 誠実

Sincerity

Management Philosophy

1. To fulfill our mission of serving society and earning society's trust, S.T. 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. ensures its workplaces provide an environment where its employees can earnestly work with hope and pride.
3. Always valuing harmony and courtesy, S.T. strives to be the best company as regards winning the absolute trust of our customers, other concerned people and society at large.

● Living Together With Local Communities

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

● 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 musicals and invite people to them rather than sell tickets. Last year we succeeded in reaching a cumulative total of over 160,000 invited people. In 2009, S.T. Corporation plans to present the musical, *Anne of Green Gables*, in eight major cities nationwide in its "Heartbeat of 20,000 People Tour."

● Toward Sustained Growth

Meeting of the round-the-world team

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 and enable childcare leave to be extended until the child becomes aged three, continuing our round-the-world team, and promoting the use of "young managers."

CORPORATE GOVERNANCE

S.T. Corporation gives top priority to implementing corporate governance that achieves fair and stable organizational operations to increase shareholder value. Meanwhile, to improve corporate value, the Company has established Nomination, Audit and Compensation committees with outside directors as a majority, thereby reinforcing management supervisory functions and increasing management transparency.

• Corporate governance

S.T. Corporation gives top priority to implementing corporate governance that achieves fair and stable organizational operations to increase shareholder value. At the same time, the Company considers it important to improve corporate value by strengthening corporate governance in order to increase management transparency and ensure good relations with all the S.T. Group's stakeholders, including customers, shareholders, business partners, local communities and employees.

In June 2004, S.T. Corporation converted itself into a company with a committee-based corporate governance system, with the aim of further reinforcing corporate governance. Adopting a committee-based corporate governance system means that the functions of management supervision and business execution have been separated, and a large part of the responsibility for business execution has been transferred to executive officers. This has created an environment enabling steady improvement in management quality, rapid decision-making and flexible business execution at the Company. In addition, the Company believes that the establishment of Nomination, Audit and Compensation committees with outside directors as majority members is reinforcing management supervisory functions and improving management transparency and fairness. Six of the nine members of the Board of Directors were outside directors as of June 18, 2009.

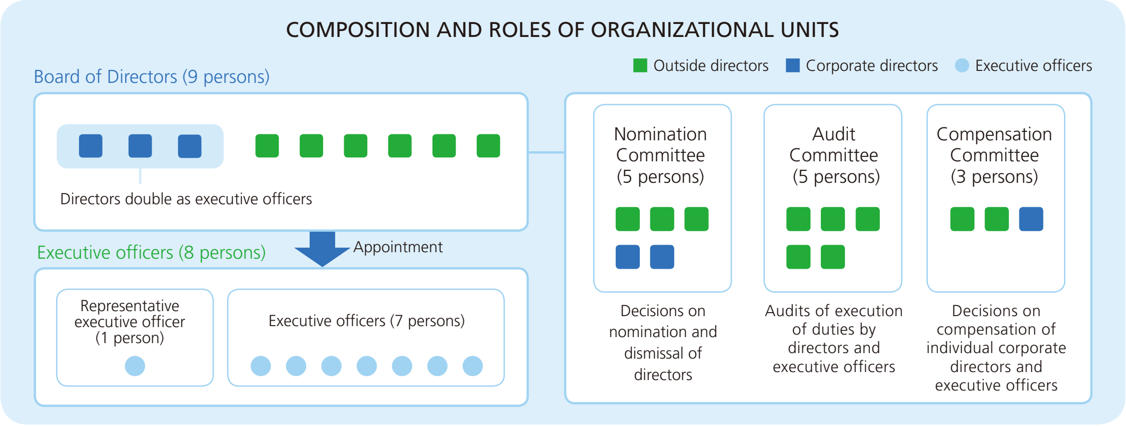
• Structure for business execution and management supervision

Under the Company's committee-based corporate governance system, the Board of Directors focuses on deciding important matters of management and on management supervisory functions. The executive officers, having been delegated authority to conduct business execution, act to speed up decision-making and ensure business is executed flexibly. The Nomination, Audit and Compensation committees, which have been established as internal organs of the Board of Directors with outside directors as majority members, work to fulfill their respective functions and thereby achieve an effective management supervision structure.

• The internal control system

There are five divisions under the control of the chief executive officer: Corporate Staff, Marketing, Sales, Manufacturing and International Business. Each division has a chief operating officer responsible for operations who delegates authority so that he or she can make responsible decisions. At the same time, each division conducts mutual supervision through the Executive Officer Meeting and the in-house approval system. In addition to this, the Legal Affairs Department properly supervises each division's compliance activities. Furthermore, the Company established a compliance committee in which every domestic subsidiary participates, putting a Group-wide compliance structure in place.

FRAMEWORK FOR BUSINESS EXECUTION AND SUPERVISION



MANAGEMENT'S DISCUSSION AND ANALYSIS

NET SALES

In the fiscal year ended March 31, 2009, consolidated net sales decreased ¥2,127 million, or 4.5%, year on year to ¥44,879 million.

In the fiscal year ended March 31, 2009, the financial crisis triggered by the failure of a major U.S. securities firm spread worldwide, resulting in a rapid economic slowdown since autumn 2008. Furthermore, conditions related to employment and income became increasingly harsh and individual consumption slumped. In these circumstances, S.T. Corporation worked to expand its market share and increase sales by launching innovative new products on the market and conducting sales promotion activities through an efficient combination of advertising and in-store presentations.

As a result, the Humidity Care (dehumidifiers) category performed robustly, and sales were up ¥353 million, or 13.6%, to ¥2,950 million. The main reason was an increase in the number of stores handling Humidity Care products. However, consumers were very cautious about spending due to worsening employment and income levels. In the mainstay Air Care category, a new product, Shoshu-Plug Autospray, contributed to sales but performance in existing products was lackluster, resulting in a 4.5% year on year drop in sales. Moreover, Cloth Care sales were down 2.0% year on year, Hand Care sales were down 9.6% and Home Care sales were down 12.9%. Thermal Care sales, which had been strong in the previous fiscal year, were impacted by the warm winter and dropped 8.1% year on year. Overall, revenues were down in all categories other than the Humidity Care category.

COST OF SALES

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

OPERATING INCOME

Operating income dropped 22.6% year on year to ¥2,493 million. The Company continued the previous fiscal year's efforts to reduce costs, especially in its manufacturing activities, and to curtail marketing expenses and other selling, general and administrative expenses. However, escalating raw material prices, the impact of the mix of products sold and other factors, along with the effects of changes in accounting standards, all contributed to bring operating income down.

NET INCOME

Net income declined ¥219 million, or 16.9%, to ¥1,076 million.

FINANCIAL POSITION

Total assets as of March 31, 2009 stood at ¥27,617 million, a decrease of ¥776 million compared with the previous fiscal year-end. This was mainly the result of decreases of ¥360 million in inventories and ¥603 million in investment securities.

Liabilities came to ¥8,587 million, down ¥661 million compared with the previous fiscal year-end, reflecting a ¥513 million decline in trade payables.

As a result, net assets as of March 31, 2009 stood at ¥19,029 million, a ¥115 million decrease compared with the previous fiscal year-end. This reflected the net result of a ¥322 million decline in unrealized holding gain on other securities, a ¥257 million drop in translation adjustments, and a ¥151 million decrease in minority interests in consolidated subsidiaries, which together outweighed a ¥566 million increase in retained earnings. As a result, shareholders' equity amounted to ¥19,476 million and the shareholders' equity ratio increased 1.9 percentage points year on year to 67.5%.

CAPITAL EXPENDITURES

Capital expenditures increased 10.3% year on year to ¥716 million. Investment in the Household Environment-Related Products Business, a growth-driver for the Company, made up 82.5% of this total, 6.2 percentage points higher than a year earlier.

CASH FLOWS

Net cash provided by operating activities decreased ¥1,235 million compared with the previous fiscal year, to ¥1,549 million. Cash inflow was provided primarily by income before income taxes and minority interests totaling ¥1,969 million, depreciation and amortization of ¥858 million, and decrease in inventories of ¥272 million. Cash outflows took the form of a ¥510 million decrease in payables and accrued expenses, and ¥886 million in income taxes paid. Net cash used in investing activities was ¥604 million. Cash inflow was provided primarily by proceeds from sales of marketable and investment securities of ¥501 million, while cash outflow was due to a ¥400 million increase in time deposits and ¥545 million spent on purchases of property, plant and equipment. The resulting free cash flow amounted to ¥945 million for the fiscal year under review. Net cash used in financing activities totaled ¥530 million. Payments of dividends amounting to ¥480 million were the primary contributor.

Accounting for the aforementioned factors, cash and cash equivalents as of March 31, 2009 stood at ¥5,520 million, a ¥335 million increase compared with the end of the previous fiscal year.

DIVIDENDS

Taking into consideration net income and the realization of share profit, the Company has declared a fiscal year-end dividend of ¥11.0 per share. Combined with the interim dividend paid, the annual dividend is ¥22.0 per share, in line with estimates at the beginning of the period. Accordingly, the dividend payout ratio is 44.6% on a consolidated basis.

FINANCIAL INDICATORS

Where the company's key financial indicators are concerned, ROE contracted 0.3 of a percentage point year on year, to 5.8%. ROA also contracted, by 0.3 percentage points to 3.8%. Net assets per share of common stock edged down slightly from ¥853.90 to ¥853.81. The shareholders' equity ratio increased from 65.6% to 67.5%, while the interest coverage ratio was 185.9 times, down from 725.0 times in the previous fiscal year.

CONSOLIDATED BALANCE SHEETS

S.T. CORPORATION and consolidated subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2009	2008	2009
CURRENT ASSETS:			
Cash and time deposits (Note 12)	¥ 6,144	¥ 6,008	$ 62,545
Marketable securities (Note 4)	599	493	6,102
Trade notes and accounts receivable	4,502	4,297	45,831
Less—allowance for doubtful accounts	(19)	(19)	(194)
Merchandise and finished goods	3,790	4,021	38,579
Work in process	116	166	1,185
Raw materials and supplies	355	433	3,612
Deferred tax assets (Note 7)	332	362	3,383
Other current assets	298	317	3,037
Total current assets	16,118	16,080	164,081
INVESTMENTS AND OTHER ASSETS:			
Investments in non-consolidated subsidiaries and affiliates	377	507	3,833
Investment securities (Note 4)	2,009	2,482	20,454
Long-term loans	104	121	1,062
Deferred tax assets other than unrealized revaluation loss on land (Note 7)	384	291	3,910
Other assets	1,396	1,426	14,217
Less—allowance for doubtful accounts	(10)	(41)	(99)
Total investments and other assets	4,261	4,785	43,377
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 5 and 6):			
Land	3,320	3,392	33,797
Buildings and structures	6,135	6,191	62,456
Machinery, equipment and vehicles	6,989	7,186	71,146
Tools, furniture and fixtures	3,397	3,582	34,581
Construction in progress	21	20	218
Leased assets	20	—	207
Less—accumulated depreciation	(13,117)	(13,301)	(133,530)
Property, plant and equipment, net	6,766	7,070	68,874
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION	473	457	4,810
Total assets	¥ 27,617	¥ 28,393	$ 281,142

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 2) 2009
CURRENT LIABILITIES:			
Trade payables	¥ 4,017	¥ 4,530	$ 40,890
Lease obligations	4	—	45
Other payables	1,817	1,866	18,496
Income taxes payable (Note 7)	298	391	3,030
Consumption taxes payable	49	30	502
Accrued expenses	481	529	4,900
Allowance for sales returns	140	155	1,425
Other current liabilities	75	80	764
Total current liabilities	6,881	7,581	70,052
LONG-TERM LIABILITIES:			
Lease obligations	14	—	145
Employees' retirement and severance benefits (Note 8)	1,212	1,202	12,339
Directors' retirement and severance benefits	96	85	976
Deferred tax liabilities—unrealized revaluation profit on land (Note 5)	381	381	3,876
Other long-term liabilities	3	1	31
Total long-term liabilities	1,706	1,667	17,367
CONTINGENT LIABILITIES (Note 14)			
NET ASSETS (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized—96,817,000 shares in 2009 and 2008 Issued and outstanding—29,500,000 shares in 2009 and 2008	7,066	7,066	71,928
Capital surplus	7,068	7,068	71,952
Retained earnings	16,399	15,833	166,946
Treasury stock, at cost	(11,056)	(11,083)	(112,556)
Total shareholders' equity	19,476	18,884	198,270
Valuation, translation adjustments and other:			
Unrealized holding gain on other securities, net of taxes	220	542	2,241
Unrealized revaluation loss on land, net of taxes (Note 5)	(550)	(549)	(5,595)
Translation adjustments	(507)	(250)	(5,161)
Total valuation, translation adjustments and other	(836)	(257)	(8,514)
Subscription rights	51	28	521
Minority interests in consolidated subsidiaries	339	490	3,447
Total net assets	19,029	19,144	193,723
Total liabilities and net assets	¥ 27,617	¥ 28,393	$ 281,142

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
NET SALES	¥44,879	¥47,006	$456,882
COST OF SALES (Note 17)	26,295	26,900	267,689
Gross profit before reversal of allowance for sales returns	18,584	20,106	189,193
Reversal of (allowance for) sales returns	15	13	156
Gross profit	18,600	20,119	189,349
Selling, general and administrative expenses (Note 11)	16,107	16,900	163,970
Operating income	2,493	3,219	25,378
OTHER INCOME (EXPENSES):			
Interest and dividends received	86	76	875
Interest expense	(8)	(4)	(85)
Cash purchase discounts	198	213	2,018
Cash sales discounts	(821)	(864)	(8,362)
Gain on sales of securities, net	5	0	54
Equity in loss of affiliates	(37)	(30)	(378)
Expenses for change of the Company's name	—	(277)	—
Reversal of allowance for doubtful accounts	3	—	34
Other, net	50	125	507
	(524)	(761)	(5,336)
Income before income taxes and minority interests	1,969	2,458	20,042
INCOME TAXES (Note 7):			
Current	786	1,014	7,999
Deferred	83	96	844
	869	1,110	8,843
MINORITY INTERESTS	24	53	242
Net income	¥ 1,076	¥ 1,295	$ 10,957

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, 2009 and 2008

		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, 2008	29,500	¥7,066	¥7,068	¥15,833	¥(11,083)	¥18,884
Cash dividends paid by distribution of retained earnings				(480)		(480)
Net income				1,076		1,076
Purchases of treasury stock					(3)	(3)
Disposition of treasury stock				(16)	29	13
Change in scope of consolidation				(15)		(15)
Reversal of unrealized revaluation loss on land, net of taxes				1		1
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2009	29,500	¥7,066	¥7,068	¥16,399	¥(11,056)	¥19,476

	Millions of yen						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 5)	Translation adjustments	Total valuations translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2008	¥ 542	¥(549)	¥(250)	¥(257)	¥28	¥ 490	¥19,144
Cash dividends paid by distribution of retained earnings							(480)
Net income							1,076
Purchases of treasury stock							(3)
Disposition of treasury stock							13
Change in scope of consolidation							(15)
Reversal of unrealized revaluation loss on land, net of taxes							1
Net changes in items other than those in shareholders' equity	(322)	(1)	(257)	(579)	23	(151)	(707)
Balance at March 31, 2009	¥ 220	¥(550)	¥(507)	¥(836)	¥51	¥ 339	¥19,029

		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, 2008	29,500	$71,928	$71,952	$161,184	$(112,824)	$192,241
Cash dividends paid by distribution of retained earnings				(4,887)		(4,887)
Net income				10,957		10,957
Purchases of treasury stock					(26)	(26)
Disposition of treasury stock				(160)	294	134
Change in scope of consolidation				(155)		(155)
Reversal of unrealized revaluation loss on land, net of taxes				7		7
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2009	29,500	$71,928	$71,952	$166,946	$(112,556)	$198,270

	Thousands of U.S. dollars (Note 2)						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 5)	Translation adjustments	Total valuations translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2008	$ 5,516	$(5,588)	$(2,547)	$(2,619)	$285	$ 4,987	$194,893
Cash dividends paid by distribution of retained earnings							(4,887)
Net income							10,957
Purchases of treasury stock							(26)
Disposition of treasury stock							134
Change in scope of consolidation							(155)
Reversal of unrealized revaluation loss on land, net of taxes							7
Net changes in items other than those in shareholders' equity	(3,274)	(7)	(2,614)	(5,895)	236	(1,540)	(7,199)
Balance at March 31, 2009	$ 2,241	$(5,595)	$(5,161)	$(8,514)	$521	$ 3,447	$193,723

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥1,969	¥2,458	$20,042
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	858	936	8,730
Loss on sales of property, plant and equipment	22	7	228
Gain on sales and valuation of investment securities	2	2	15
(Decrease) increase in allowance for doubtful receivables	(31)	26	(319)
Increase (decrease) in employees' retirement and severance benefits	20	(3)	200
Increase (decrease) in directors' retirement and severance benefits	11	(13)	115
Decrease in allowance for sales returns	(15)	(13)	(156)
Interest and dividends received	(86)	(76)	(875)
Interest expense	8	4	85
Foreign exchange gain	124	9	1,262
Equity in loss of affiliates	37	30	378
Changes in operating assets and liabilities:			
Receivables	(201)	129	(2,045)
Inventories	272	34	2,767
Payables and accrued expenses	(510)	564	(5,189)
Other, net	(125)	(82)	(1,277)
Subtotal	2,354	4,012	23,962
Interest and dividends received	89	93	904
Interest paid	(8)	(4)	(85)
Income taxes paid	(886)	(1,317)	(9,017)
Net cash provided by operating activities	1,549	2,784	15,764
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into deposits (more than three months)	(700)	(300)	(7,126)
Proceeds from withdrawal of time deposits (more than three months)	300	—	3,054
Purchases of marketable securities	—	(457)	—
Proceeds from sales of marketable securities	400	2,074	4,072
Purchases of property, plant and equipment	(545)	(481)	(5,544)
Proceeds from sales of property, plant and equipment	2	0	22
Purchases of investment securities	(57)	(262)	(578)
Proceeds from sales of investment securities	101	375	1,023
Other investments, net	(105)	(78)	(1,068)
Net cash (used in) provided by investing activities	(604)	871	(6,144)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of treasury stock	(3)	(5,963)	(26)
Proceeds from sales of treasury stock	13	18	134
Payments of dividends	(480)	(567)	(4,887)
Payments of dividends to minority shareholders	(61)	(76)	(616)
Net cash used in financing activities	(530)	(6,589)	(5,396)
Effect of exchange rate changes on cash and cash equivalents	(79)	6	(807)
Net increase (decrease) in cash and cash equivalents	336	(2,927)	3,418
Cash and cash equivalents at beginning of year	5,185	8,112	52,782
Cash and cash equivalents at end of year (Note 12)	¥5,520	¥5,185	$56,199

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

S.T. CORPORATION and Consolidated Subsidiaries
March 31, 2009

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 year ended March 31, 2009 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. Until March 31, 2008, the consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries in accordance with accounting principles generally accepted in their countries of domicile. 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, 2009, the number of consolidated subsidiaries and affiliates accounted for by the equity method were 6 and 3 (6 and 4 in 2008), respectively. All significant inter-company balances and transactions have been eliminated in consolidation.

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, 2009 and 2008, the Company and its consolidated subsidiaries did not have any trading securities.

(f) Inventories

Until March 31, 2008, inventories of the Company and its domestic consolidated subsidiaries were stated at cost. Effective the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the measurement method to the lower of cost or net selling value. Cost is determined by the average method. See Note 3.

Inventories of overseas consolidated subsidiaries are stated at the lower of cost or market, cost being determined by the average cost 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

(Additional information)

Effective the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the depreciable life of certain machinery and equipment according to the Corporation Tax Law as amended.

As a result of the adoption of the new depreciable life, operating income and income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥16 million (U.S.$162 thousand) and ¥17 million (U.S.$173 thousand), respectively. The effect on the business segment information was immaterial.

Effective the fiscal year ended March 31, 2008, the residual value of the tangible fixed assets acquired on or before March 31, 2007 that have been fully depreciated up to 5 percent of the acquisition cost based on the prior Corporation Tax Law is to be depreciated to nominal book value using the straight-line method over a period of 5 years in accordance with the Corporation Tax Law as amended.

As a result of the additional depreciation, operating income, income before income taxes and minority interests and net income for the year ended March 31, 2008 increased by ¥46 million, ¥48 million and ¥28 million, respectively. The effect on the business segment information is described in Note 16, Segment Information.

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

Intangible assets and long-term prepaid expenses, 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 in 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) 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 ¥98.23 = U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2009. 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 accounting standard for measurement of inventories)
Until March 31, 2008, inventories of the Company and its domestic consolidated subsidiaries were stated at cost. Effective the fiscal year ended March 31, 2009, the Company and domestic consolidated subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9). This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

As a result of the adoption of the new standard, operating income and income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥167 million (U.S.$1,698 thousand) and ¥27 million (U.S.$279 thousand), respectively. The effect on the business segment information is described in Note 16, Segment Information.

(Application of accounting standard for leases)
Until March 31, 2008, noncancelable leases of the Company and its domestic consolidated subsidiaries were accounted for as operating leases (whether such leases were classified as operating or finance leases) except that lease agreements which stipulated the transfer of ownership of the leased assets to the lessee were accounted for as finance leases. Effective the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted a revised accounting standard for leases and related implementation guidance, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16). In accordance with the revised standard, lease transactions which have been entered into on and after April 1, 2008 have been accounted for as either finance or operating leases.

The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2009.

(Application of practical solution on unification of accounting policies applied to foreign subsidiaries)
Effective the fiscal year ended March 31, 2009, the Company has applied PITF No. 18 for the preparation of consolidated financial statements.

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

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

As a result of the adoption of the new method, operating income, income before income taxes and minority interests and net income for the year ended March 31, 2008 increased by ¥47 million, ¥47 million and ¥28 million, respectively. The effect on the business segment information is described in Note 16, Segment Information.

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The cost and related aggregate market value of other securities with a determinable market value at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cost	¥1,607	¥2,103	$16,360
Market value	1,961	2,927	19,964
Total unrealized gain	416	852	4,238
Total unrealized loss	62	27	634

The Company recognized impairment losses on securities at the difference between market value and book value if the market value had declined by 30% or more from the book value. Impairment losses on securities for the years ended March 31, 2009 and 2008 were ¥7 million (U.S.$69 thousand) and ¥2 million, respectively.

Securities at March 31, 2009 and 2008 excluded from the above table are summarized at their respective book value as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Other securities:			
CP	¥599	—	$6,102
Unlisted stocks	48	¥48	490

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

Sales of other securities for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds received	¥3,309	¥3,850	$33,682
Aggregate gain	5	7	54
Aggregate loss	—	7	—

The redemption schedule of other securities with maturity dates at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
One year or less	¥599	¥493	$6,102
More than 1 year and within 5 years	84	—	858
More than 5 years and within 10 years	99	100	1,009
More than 10 years	—	—	—

5. LAND REVALUATION

In accordance with the Land Revaluation Law (Proclamation No. 34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The revaluation difference, net of taxes, is stated as "unrealized revaluation 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, 2009 and 2008 decreased by ¥217 million (U.S.$2,210 thousand) and ¥400 million, respectively, after the revaluation.

6. PLEDGED ASSETS

At March 31, 2009 and 2008, the following assets were pledged as collateral for borrowing limits of ¥386 million (U.S.$3,934 thousand) and ¥621 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Buildings and structures	¥ 62	¥ 84	$ 635
Land	95	119	971
Total	¥158	¥204	$1,607

7. INCOME TAXES

At March 31, 2009 and 2008, 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
	2009	2008	2009
CURRENT ASSETS:			
Accrued employees' bonuses	¥ 144	¥ 146	$ 1,469
Allowance for sales returns	56	62	571
Accrued business taxes	28	30	283
Unrealized holding loss on other securities, net of taxes	—	3	—
Other	105	124	1,064
Total current deferred tax assets	333	365	3,387
CURRENT LIABILITIES:			
Deferred gain on sales of property	(0)	(0)	(5)
Other	—	(2)	—
Total current deferred tax liabilities	(0)	(2)	(5)
Net current deferred tax assets	¥ 332	¥ 362	$ 3,383
NON-CURRENT ASSETS:			
Allowance for employees' retirement and severance benefits	¥ 479	¥ 474	$ 4,880
Allowance for directors' retirement and severance benefits	38	34	390
Write-downs of securities	72	70	733
Impairment loss	155	181	1,581
Other	4	10	41
Gross non-current deferred tax assets	749	769	7,626
Valuation allowance	(175)	(173)	(1,782)
Total non-current deferred tax assets	574	596	5,844
NON-CURRENT LIABILITIES:			
Deferred gain on sales of property	(19)	(19)	(189)
Undistributed earnings of controlled foreign companies	(38)	—	(383)
Unrealized holding gain on other securities, net of taxes	(134)	(285)	(1,363)
Total non-current deferred tax liabilities	(190)	(304)	(1,934)
Net non-current deferred tax assets	¥ 384	¥ 291	$ 3,910

A reconciliation of the statutory tax rate to the Company's effective tax rates for the years ended March 31, 2009 and 2008 is summarized as follows:

	2009	2008
Japanese statutory tax rate	40.00%	40.00%
Permanent differences such as entertainment expenses, etc.	2.48	2.41
Permanent differences such as dividend income	(0.87)	(0.29)
Inhabitants' per capita taxes, etc.	0.30	0.86
Valuation allowance	—	1.56
Undistributed earnings of controlled foreign companies	1.91	—
Other	0.30	0.61
Effective tax rate	44.12%	45.15%

8. EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

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

The following table summarizes the funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement and severance benefit obligation	¥(2,927)	¥(3,008)	$(29,801)
Plan assets	1,562	1,679	15,899
Unfunded benefit obligation	(1,366)	(1,330)	(13,903)
Unrecognized actuarial loss	156	126	1,591
Unrecognized past service cost	(3)	2	27
Accrued benefit obligation	¥(1,212)	¥(1,202)	$(12,339)

The following table summarizes the components of net retirement benefit expenses for the years ended March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥156	¥157	$1,588
Interest cost on benefit obligation	59	57	602
Expected return on plan assets	(34)	(34)	(342)
Amortization of actuarial loss	25	17	255
Amortization of past service cost	1	1	14
Extraordinary additional retirement payments	14	17	147
Net retirement benefit expenses	¥222	¥215	$2,265

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

	2009	2008
Method of periodic allocation of estimated retirement benefits	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

9. NET ASSETS

The 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, 2009, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$5,597 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.

10. AMOUNTS PER SHARE

Net assets per share as of March 31, 2009 and 2008 were ¥853.81 (U.S.$8.69) and ¥853.90, respectively. Basic net income per share for the years ended March 31, 2009 and 2008 was ¥49.32 (U.S.$0.50) and ¥54.08, respectively.

Diluted net income per share for the years ended March 31, 2009 and 2008 was ¥49.28 (U.S.$0.50) and ¥53.99, respectively.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Basic net income per share:			
Net income	¥1,076	¥1,295	$10,957
Amount not attributable to shareholders of common stock:			
—	—	—	—
Amount attributable to shareholders of common stock	1,076	1,295	10,957
Weighted-average number of shares outstanding (millions of shares)	22	24	—
Diluted net income per share:			
Increase in number of shares outstanding	0	0	0
Shares resulting in an anti-dilutive effect (millions of shares)	—	—	—

The basis for calculation of total net assets per share as of March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Total net assets per share:			
Total net assets	¥19,029	¥19,144	$193,723
Deductions:	390	518	3,967
Subscription rights	51	28	521
Minority interests in consolidated subsidiaries	339	490	3,447
Amounts attributable to shareholders of common stock	18,640	18,627	189,756
Number of shares outstanding at year end (millions of shares)	22	22	—

11. MAJOR EXPENSES

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Sales promotion expenses	¥4,275	¥4,208	$43,523
Advertising costs	2,806	3,111	28,565
Salaries	1,737	1,753	17,684
Shipment and storage expenses	1,554	1,647	15,819
Provision for employees' retirement and severance benefits	187	174	1,906
Provision for directors' retirement and severance benefits	15	14	156
Provision for doubtful accounts	—	26	—

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2009 and 2008 amounted to ¥499 million (U.S.$5,080 thousand) and ¥489 million, respectively.

12. CASH AND TIME DEPOSITS

Deposits pledged as collateral mainly for leased office space at March 31, 2009 and 2008 amounted to ¥23 million (U.S.$231 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, 2009 and 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	¥ 6,144	¥6,008	$ 62,545
Time deposits with a maturity in excess of three months	(1,223)	(823)	(12,448)
Marketable securities with a maturity of three months or less from their respective dates of acquisition	599	—	6,102
Cash and cash equivalents	¥ 5,520	¥5,185	$ 56,199

13. 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 below:

(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, 2009 and 2008, primarily relating to tools, furniture and fixtures is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition cost	¥252	¥277	$2,568
Accumulated depreciation	153	114	1,557
Net book value	¥ 99	¥163	$1,011

(2) Future minimum lease payments, inclusive of the related interest, subsequent to March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Payable in one year or less	¥53	¥ 64	$ 539
Payable after one year	46	99	472
Total	¥99	¥163	$1,011

(3) Lease payments and pro forma depreciation charges for the years ended March 31, 2009 and 2008 were ¥64 million (U.S.$646 thousand) and ¥61 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, 2009 and 2008.

14. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2009 and 2008, trade notes discounted with banks in the ordinary course of business amounted to ¥91 million (U.S.$927 thousand) and ¥91 million, respectively.

15. DERIVATIVES

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

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

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

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

16. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in two business segments and business segment information for the years ended March 31, 2009 and 2008 is summarized as follows:

Year ended March 31, 2009

	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	¥18,507	¥26,373	¥44,879	—	¥44,879
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	18,507	26,373	44,879	—	44,879
2.Operating expenses	16,787	25,600	42,387	—	42,387
Operating income	¥ 1,720	¥ 773	¥ 2,493	—	¥ 2,493
3.Total assets, depreciation and capital expenditures:					
(1) Total assets	¥ 8,511	¥12,082	¥20,593	¥7,024	¥27,617
(2) Depreciation	¥ 330	¥ 528	¥ 858	—	¥ 858
(3) Capital expenditures	¥ 125	¥ 591	¥ 716	—	¥ 716

Year ended March 31, 2008

	Millions of yen				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1.Sales					
(1) Sales to third parties	¥19,521	¥27,485	¥47,006	—	¥47,006
(2) Intra—group sales and transfers	—	—	—	—	—
Net sales	19,521	27,485	47,006	—	47,006
2.Operating expenses	17,668	26,119	43,787	—	43,787
Operating income	¥ 1,853	¥ 1,366	¥ 3,219	—	¥ 3,219
3.Total assets, depreciation and capital expenditures:					
(1) Total assets	¥ 8,909	¥12,079	¥20,988	¥7,405	¥28,393
(2) Depreciation	¥ 373	¥ 563	¥ 936	—	¥ 936
(3) Capital expenditures	¥ 154	¥ 495	¥ 649	—	¥ 649

Year ended March 31, 2009

	Thousands of U.S. dollars				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1.Sales					
(1) Sales to third parties	$188,402	$268,480	$456,882	—	$456,882
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	188,402	268,480	456,882	—	456,882
2.Operating expenses	170,890	260,614	431,503	—	431,503
Operating income	$ 17,512	$ 7,866	$ 25,378	—	$ 25,378
3.Total assets, depreciation and capital expenditures:					
(1) Total assets	$ 86,646	$122,993	$209,639	$71,503	$281,142
(2) Depreciation	$ 3,360	$ 5,370	$ 8,730	—	$ 8,730
(3) Capital expenditures	$ 1,273	$ 6,019	$ 7,292	—	$ 7,292

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

(Year ended March 31, 2009)

Change in accounting policies

Effective the fiscal year ended March 31, 2009, the Company and domestic consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9).

As a result of the adoption of the new standard, operating expenses of the mothproofing and hygiene-related products segment and the household environment-related products segment increased by ¥12 million (U.S.$119 thousand) and ¥155 million (U.S.$1,579 thousand), respectively. Operating income decreased by the same amounts in the mothproofing and hygiene-related products segment and the household environment-related products segment.

Geographical segment information and overseas sales are not presented as net sales and total assets in Japan exceeded 90% of the totals in both segments and as overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2009 and 2008.

(Year ended March 31, 2008)

Change in accounting policies

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

As a result of the adoption of the new method, operating expenses of the mothproofing and hygiene-related products segment and the household environment-related products segment increased by ¥3 million and ¥44 million, respectively. Operating income decreased by the same amounts in the mothproofing and hygiene-related products segment and the household environment-related products segment.

Additional information

Effective the fiscal year ended March 31, 2008, the residual value of the tangible fixed assets acquired on or before March 31, 2007 that have been fully depreciated up to 5 percent of the acquisition cost based on the prior Corporation Tax Law is to be depreciated to nominal book value using a straight-line method over a period of 5 years and booked in accordance with the Corporation Tax Law as amended.

As a result of the additional depreciation, operating expenses of mothproofing and hygiene-related products segment and household environment-related products segment increased by ¥19 million and ¥26 million, respectively. Operating income decreased by the same amounts in mothproofing and hygiene-related products segment and the household environment-related products segment.

17. 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 ¥525 million (U.S.$5,343 thousand) for the year ended March 31, 2009.

18. NOTE TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Shares in issue and outstanding and treasury stock at March 31, 2009 and 2008 were as follows:

(Year ended March 31, 2009)

Number of shares in issue and outstanding:	
Common stock	29,500 thousand
Number of shares held in treasury:	
Common stock	7,668 thousand

Subscription rights at March 31, 2009 were as follows:

Subscription rights for stock options	¥51 million (U.S.$521 thousand)

Dividends paid from retained earnings for the year ended March 31, 2009 were as follows:

Resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 21, 2008	240	11	March 31, 2008	June 4, 2008
Board of directors' meeting held on October 30, 2008	240	11	September 30, 2008	December 5, 2008

Dividends for which the record date was in the year ended March 31, 2009 and the effective date is in the year ending March 31, 2010 were as follows:

Scheduled resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 20, 2009	240	Retained earnings	11	March 31, 2009	June 4, 2009

(Year ended March 31, 2008)

Number of shares in issue and outstanding:

Common stock	29,500 thousand

Number of shares held in treasury:

Common stock	7,686 thousand

Subscription rights at March 31, 2008 were as follows:

Subscription rights for stock options	¥28 million

Dividends paid from retained earnings for the year ended March 31, 2008 were as follows:

Resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 14, 2007	284	11	March 31, 2007	June 18, 2007
Board of directors' meeting held on October 30, 2007	284	11	September 30, 2007	December 7, 2007

Dividends for which the record date was in the year ended March 31, 2008 and the effective date was in the year ended March 31, 2009, were as follows:

Scheduled resolution	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of directors' meeting held on May 21, 2008	240	Retained earnings	11	March 31, 2008	June 4, 2008

19. STOCK OPTION PLANS

At March 31, 2009, the Company had stock option plans, which were approved at the annual general meetings of the shareholders and by the Board of Directors. Details of these stock option plans are summarized as follows:

Date of approval	Number of shares granted	Eligible participants	Exercisable period
June 15, 2001	140,000	1 director and 23 employees (including 1 executive officer)	July 1, 2003–June 30, 2008
June 14, 2002	225,000	1 director and 43 employees	July 1, 2004–June 30, 2009
June 13, 2003	155,000	1 director and 25 employees	July 1, 2005–June 30, 2010
June 15, 2004	130,000	4 officers and 9 employees	July 1, 2006–June 30, 2011
June 14, 2005	160,000	3 officers and 23 employees	July 1, 2007–June 30, 2012
June 14, 2006	75,000	3 officers and 4 employees	July 1, 2008–June 30, 2013
June 15, 2007	140,000	4 officers and 14 employees	Aug 1, 2009–July 31, 2014
June 18, 2008	95,000	3 officers and 12 employees	Aug 1, 2010–July 31, 2015

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

(Year ended March 31, 2009)

Costs related to the 2009 stock option plan amounting to ¥23 million (U.S.$236 thousand) were included in selling, general and administrative expenses.

Contents of stock options

	2002	2003	2004	2005	2006	2007	2008	2009
Grantees	1 director and 23 employees (including 1 executive officer)	1 director and 43 employees	1 director and 25 employees	4 directors and 9 employees	3 directors and 23 employees	3 directors and 4 employees	4 directors and 14 employees	3 directors and 12 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	140,000	225,000	155,000	130,000	160,000	75,000	140,000	95,000
Grant date	October 11, 2001	August 1, 2002	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006	August 1, 2007	August 1, 2008
Condition for exercise	Working from October 11, 2001 to June 30, 2003	Working from August 1, 2002 to June 30, 2004	Working from August 1, 2003 to June 30, 2005	Working from August 4, 2004 to June 30, 2006	Working from August 4, 2005 to June 30, 2007	Working from August 1, 2006 to June 30, 2008	Working from August 1, 2007 to July 31, 2009	Working from August 1, 2008 to July 31, 2010
Working period	October 11, 2001 to June 30, 2003	August 1, 2002 to June 30, 2004	August 1, 2003 to June 30, 2005	August 4, 2004 to June 30, 2006	August 4, 2005 to June 30, 2007	August 1, 2006 to June 30, 2008	August 1, 2007 to July 31, 2009	August 1, 2008 to July 31, 2010
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, 2009 was as follows:

Number of shares

	2002	2003	2004	2005	2006	2007	2008	2009
Non-vested Outstanding at beginning of year	—	—	—	—	—	75,000	140,000	—
Granted during the year	—	—	—	—	—	—	—	95,000
Forfeited during the year	—	—	—	—	—	—	—	—
Vested during the year	—	—	—	—	—	75,000	—	—
Outstanding at end of year	—	—	—	—	—	—	140,000	95,000
Vested Outstanding at beginning of year	5,000	21,000	44,000	105,000	115,000	—	—	—
Vested during the year	—	—	—	—	—	75,000	—	—
Exercised during the year	5,000	14,000	1,000	—	—	—	—	—
Forfeited during the year	—	—	—	—	—	—	—	—
Outstanding at end of year	—	7,000	43,000	105,000	115,000	75,000	—	—

Price of stock options

	Yen								U.S. dollars
	2002	2003	2004	2005	2006	2007	2008	2009	2009
Exercise price	¥ 669	¥ 636	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517	¥1,264	$13
Weighted-average market price	¥1,192	¥1,123	¥1,311	—	—	—	—	—	—
Fair value per option on grant date	—	—	—	—	—	¥ 292	¥ 191	¥ 220	$ 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, 2009 was estimated based on the following assumptions:

	2009
Volatility	23.9%
Option term	4 years and 6 months
Expected dividend (per share)	¥22 (U.S.$0.22)
Risk free interest rate	1.07%

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 2008 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, 2008)

Costs related to the 2008 stock option plan amounting to ¥20 million were included in selling, general and administrative expenses.

Contents of stock options

	2002	2003	2004	2005	2006	2007	2008
Grantees	1 director and 23 employees (including 1 executive officer)	1 director and 43 employees	1 director and 25 employees	4 directors and 9 employees	3 directors and 23 employees	3 directors and 4 employees	4 directors and 14 employees
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	140,000	225,000	155,000	130,000	160,000	75,000	140,000
Grant date	October 11, 2001	August 1, 2002	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006	August 1, 2007
Condition for exercise	Working from October 11, 2001 to June 30, 2003	Working from August 1, 2002 to June 30, 2004	Working from August 1, 2003 to June 30, 2005	Working from August 4, 2004 to June 30, 2006	Working from August 4, 2005 to June 30, 2007	Working from August 1, 2006 to June 30, 2008	Working from August 1, 2007 to July 31, 2009
Working period	October 11, 2001 to June 30, 2003	August 1, 2002 to June 30, 2004	August 1, 2003 to June 30, 2005	August 4, 2004 to June 30, 2006	August 4, 2005 to June 30, 2007	August 1, 2006 to June 30, 2008	August 1, 2007 to July 31, 2009
Exercisable period	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options)

Stock option activity during the year ended March 31, 2008 was as follows:

Number of shares

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

Price of stock options

	Yen						
	2002	2003	2004	2005	2006	2007	2008
Exercise price	¥669	¥ 636	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517
Weighted-average market price	—	¥1,440	¥1,440	—	—	—	—
Fair value per option on grant date	—	—	—	—	—	¥ 292	¥ 191

The fair value of each stock option grant was estimated at the grant date using the Black-Scholes option pricing model. The fair value per option for options granted during the year ended March 31, 2008 was estimated based on the following assumptions:

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

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

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

Expected dividend (per stock) was based on the dividend amount applicable to the 2007 fiscal year.

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

Method of estimating exercised stock options

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

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

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, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of S.T.CORPORATION and consolidated subsidiaries at March 31, 2009 and 2008, 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, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 18, 2009

CORPORATE INFORMATION
(June 18, 2009)

BOARD OF DIRECTORS

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

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

Masanori Noro
Outside director, member of nomination and compensation committees

Teruyuki Maehara
Outside director, member of nomination and audit committees

Mitsuko Miyagawa
Outside director, member of audit committee

Osamu Mizorogi
Outside director, member of audit committee

Kanichi Suzuki
Outside director, member of audit committee

Kanzo Kobayashi
Director, member of nomination committee

Hirohide Shimada
Director, member of compensation committee

EXECUTIVE OFFICERS

Takashi Suzuki
Representative Executive Officer
President, Chief Executive Officer

Kanzo Kobayashi
Managing Executive Officer
In charge of Group business strategy and overseas business strategy

Noriaki Kageura
Managing Executive Officer
In charge of Manufacturing Division

Hirohide Shimada
Managing Executive Officer
In charge of Corporate Staff Division

Takahiko Kato
Executive Officer
Senior general manager of Sales Division

Masakazu Kinoto
Executive Officer
Deputy general manager of Sales Division
Osaka branch general manager

Masami Kitahara
Executive Officer
In charge of affiliated companies
President of S.T. Trading Co., Ltd.

Keiichi Hayasaka
Executive Officer
In charge of International Business Division

CORPORATE DATA
(March 31, 2009)

Company name	S.T. CORPORATION
Headquarters	4-10, Shimo-ochiai, 1-chome, Shinjuku-ku, Tokyo 161-8540, Japan
Establishment	August 31, 1948
Paid-in capital	¥7,065,500,000
Employees	619 (Consolidated) 377 (Non-Consolidated)
Contact	Hirohide Shimada, Public Relations Department
E-mail	ir@st-c.co.jp
Tel	+81-3-5906-0734
Fax	+81-3-5906-0742

GROUP COMPANIES

Consolidated Subsidiaries

S.T. Trading Co., Ltd.
Sales of hand gloves and workplace supplies

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

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

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

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

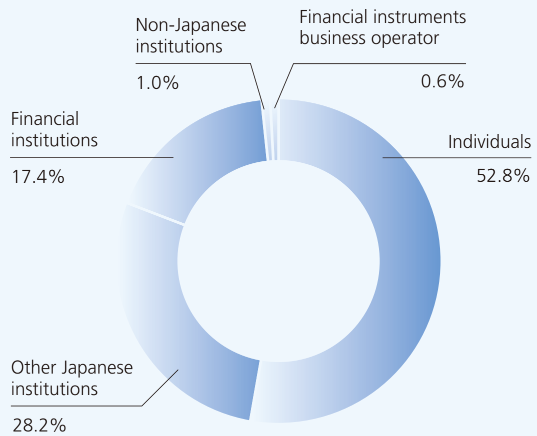
INVESTOR INFORMATION

(March 31, 2009)

Fiscal year-end	March 31
Shares issued and outstanding	29,500,000
Listed exchange	Tokyo Stock Exchange, First Section
Shareholders	8,341

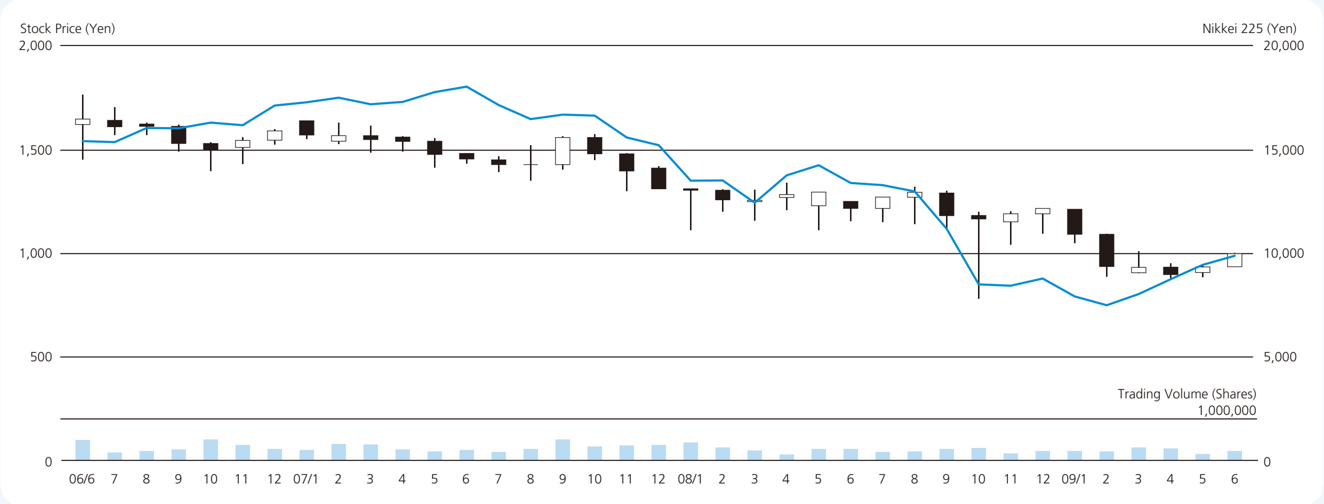
PRIMARY SHAREHOLDERS

	(Thousands of shares)	(% of total)
S.T. Corporation	7,668	26.0
Shaldan Co., Ltd.	5,727	19.4
Nippon Life Insurance Company	1,671	5.7
TCSB (Mizuho Bank)	884	3.0
Takashi Suzuki	812	2.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	681	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	632	2.1
Akio Suzuki	470	1.6
Caleine	433	1.5
Sompo Japan Insurance Inc.	416	1.4
Seiichi Suzuki Store Ltd.	416	1.4



Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Auditor	Ernst & Young ShinNihon LLC
Annual shareholders' meeting	Middle of June each year (June 18, 2009)

STOCK CHART



S.T.CORPORATION

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