Annual Report 2010

Year ended March 31, 2010

S.T.CORPORATION

Delivering "ST Value"

ST Value

S.T. CORPORATION Creates New Value to Deliver Comfort and Excitement.

Since 1946, S.T. CORPORATION has worked under a credo of Service and Trust to create markets that anticipate customer needs. An area in which we particularly excel is specialty niche markets, where we offer mothproofing agents, deodorizers, air fresheners and other products necessary to customers' daily comfort.

In Japan, automatic deodorizers and air fresheners, products we have been developing since 2001, are enjoying growing popular recognition and becoming the new growth drivers of market expansion.

In sum, S.T. CORPORATION develops **unparalleled products** that are the **customers' choice** and creates new value.

Design Revolution: Developing "Must Have" Products p9

CONTENTS

Our Road Map

Basic Strategies

1. Select and Focus

- 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

- Design × Fragrance Revolution
- Development of Air Care products that run automatically
- Cultivating new business areas

3. Agile Management

- 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

Forward-Looking Statements

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

Note: Years in graphs and charts are based on S.T. CORPORATION's fiscal year ending March 31 unless otherwise designated.

Market Leaders

Deodorizers and Air Fresheners
(AIR Care)

Market Share:
No. 2

32%

p13

Mothproofing Agents
(CLOTH Care)

Market Share:
No. 1

48%

p13

Refrigerator Deodorizers
(AIR Care)

Market Share:
No. 1

67%

p13

Household Gloves
(HAND Care)

Market Share:
No. 2

22%

p14

Dehumidifiers
(HUMIDITY Care)

Market Share:
No. 1

38%

p14

Disposable Warmers
(THERMAL Care)

Market Share:
No. 2

20%

p15

Note: Information is based on data of S.T. CORPORATION (tallied for the period from January to December. Only disposable warmers are tallied for the period from April to March).

Financial Highlights

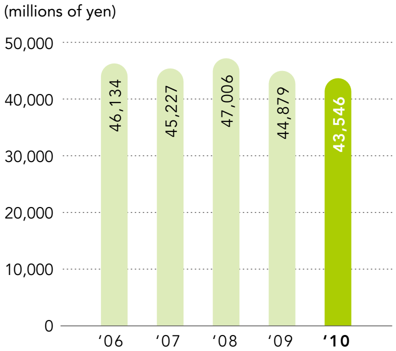
S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen (except per share data and ratios)		Thousands of U.S. dollars (Note 3)
	2010	2009	**2010**
FOR THE YEAR:			
Net sales	**¥43,546**	¥44,879	**$468,032**
Operating income	**2,246**	2,493	**24,137**
Net Income	**1,119**	1,076	**12,031**
Capital expenditures	**673**	716	**7,228**
Depreciation and amortization	**922**	858	**9,914**
R&D expenses	**612**	499	**6,574**
AT YEAR-END:			
Total assets	**29,029**	27,617	**312,010**
Net assets	**19,966**	19,029	**214,594**
PER SHARE (yen and U.S.dollars)**:**			
Net income	**¥ 51.25**	¥ 49.32	**$0.55**
Cash dividends	**22.00**	22.00	**0.24**
Net assets	**892.46**	853.81	**9.59**
RATIOS (%)**:**			
ROE (Note 1)	**5.87**	5.78	
ROA (Note 2)	**3.95**	3.84	

Notes: 1. ROE=Net income / Average total equity 2. ROA=Net income / Average total assets
3. Figures have been translated into U.S. dollars at ¥93.04=$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2010.

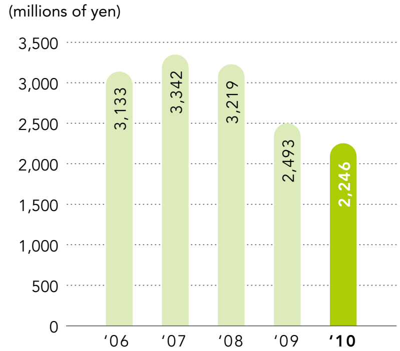
Net Sales

(millions of yen)



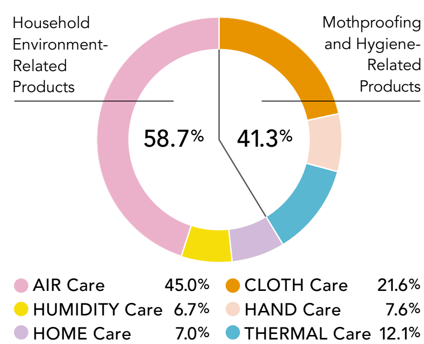
Operating Income

(millions of yen)



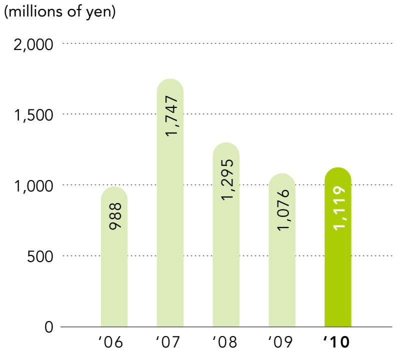
Net Sales by Business Segment

(year ended March 31, 2010)



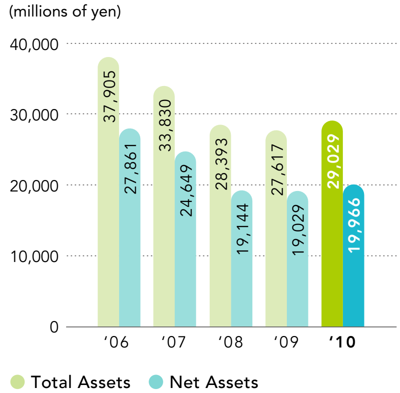
Net Income

(millions of yen)



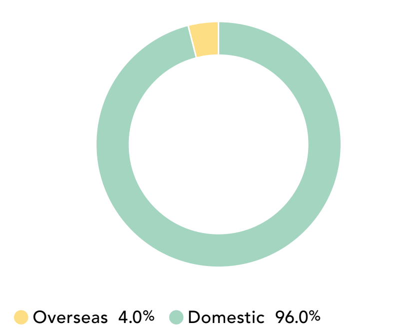
Total Assets and Net Assets

(millions of yen)



Net Sales by Area

(year ended March 31, 2010)



Staying True to Core Values

Aiming to Enhance Our Presence As a Company That Does Things No Other Company in the World Does

S.T. CORPORATION's performance was on the upswing in the first half of the fiscal year ended March 31, 2010. The annual results, however, did not show sufficient recovery due to sluggish sales in the second half of the year. Undaunted, we approached the situation as a good opportunity, setting up new strategies that garnered an enthusiastic response. Under a "design revolution" growth strategy, we began with the revamping of the design of Shoshu-Plug, our flagship brand of automatic electrically powered deodorizers and air fresheners. These efforts made significant contributions to our overall performance while changing the mind-set of our employees.

In the fiscal year ending March 31, 2011, we will kick off a "fragrance revolution" and "business innovation" in addition to the design revolution. Aiming for sustainable, profitable growth, we will make across-the-board efforts. We sincerely ask for your continued understanding and support.

August 2010

Takashi Suzuki

President and Chief Executive Officer
Chairman of the Board

Q.1 What is your assessment of this past year's performance?

A.1 Despite the lack of recovery in monetary terms, I am encouraged by the positive feedback to our design revolution growth strategy.

After I resumed the position of president on April 1, 2009, we put all our spirit into implementing this new strategy. As a result, consolidated net income for the fiscal year ended March 31, 2010, rose 4.0% year on year to ¥1,119 million. However, although both ROE and ROA showed slight upturns, S.T. CORPORATION did not make a full recovery, recording year-on-year decreases in consolidated net sales of 3.0% to ¥43,546 million and operating income of 9.9% to ¥2,246 million. This was mainly attributable to the spread of the new influenza virus as well as unusual weather.

Meanwhile, in terms of strategy, we received positive feedback on our design revolution efforts. The implementation of this latest strategy brought with it a good opportunity for us to review business operations as we pursued the primary mission of the strategy—enhancing brand value through the development of products that customers really want—and we were able to reinvigorate the working environment and accelerate business management.

Shoshu-Plug brand
Round one of the design revolution

Q.2 Please tell us about the design revolution growth strategy.

A.2 A refinement of the basic strategy of "development of unparalleled products," the design revolution growth strategy aims to shift our focus from competition based on price to that based on value.

When I resumed the position of president, I set the target of S.T. CORPORATION becoming a strong, agile company and implemented the basic strategies of "select and focus," "development of unparalleled products" and "agile management." These strategies themselves spring from our fundamental policy of becoming a "compact though muscular company."

We believe that underlying the ongoing weak business conditions is not customer aversion to high prices but a lack of products that customers really want. Therefore, we set out to develop products customers really want through the implementation of the design revolution strategy, differentiating our products with enhanced value to win market competition. Specifically, we revamped product designs while keeping an eye on such considerations as shape, user friendliness, quality and price. As a result, total Shoshu-Plug brand shipments in the year under review surged 50% year on year.

Compact though Muscular Company

Striving to become a strong company producing a minimum of waste by applying select and focus as well as pursuing the development of unparalleled products

A Stronger and Agile Company

Aiming to be stronger and more agile company by applying flexible management to ongoing select and focus efforts and developing unparalleled products

Q.3 What are S.T. CORPORATION's objectives for the fiscal year ending March 31, 2011?

A.3 While making ongoing efforts to implement our fiscal 2010 strategies, we will step up our focus on bringing about a fragrance revolution and a business innovation with the aim of growing revenues.

In the fiscal year ending March 31, 2011, we will continue to carry out the design revolution while pushing forward the fragrance and business innovation.

In the domestic deodorizers and air fresheners market, there is increasing demand for refined scents in addition to the conventional deodorant functions. In response, we have embarked on a fragrance revolution led mainly by our new female executive officer and Group company Japan Aroma Laboratory Co., Ltd. Our aim is to offer higher quality fragrances that, by providing sophistication in design and scent, will differentiate our products.

The business innovation, on the other hand, is aimed at implementing business restructuring based on a review of our development structure that we conducted in the previous fiscal year. The focus of this innovation is to create added value to meet customer needs, generating synergies from the combination of product development and business capabilities.

Q.4 Please tell us about your medium- to long-term management strategies.

A.4 Even though Japan is generally considered to be a mature market, I consider it a goldmine. Our aim here is principally to expand our Air Care business. Overseas, our focus will be on expanding our market presence in Southeast Asia.

Taking a medium- to long-term perspective, our approach to the three basic strategies that we have had in place since the previous fiscal year remains unchanged. Generally, the Japanese market for daily necessities is said to be mature, but I believe it is a goldmine. In Japan, women are in charge of household budgets; therefore, there is room for market growth if we concentrate on developing fresh new products that appeal to women. To this end, we need to (1) develop products through the design revolution that customers feel an urge to buy (value competition); (2) nurture the promising market of automatic electrically powered deodorizers and air fresheners; and (3) cultivate new business fields in pursuit of making strong products even stronger. Overseas, we will strive to expand existing businesses to achieve an overseas sales ratio of 10%. To this end, we will introduce products appropriate to individual countries and regions while aggressively forming strategic alliances with companies that are familiar with the local markets.

Q.5 What do you envision as the ideal future for S.T. CORPORATION?

A.5 Aiming to become the "No. 1 Company in Global Niche Markets," we will strive to realize sustainable, profitable growth.

Since its founding, S.T. CORPORATION has been introducing new products based on the basic strategies of developing unparalleled products and creating new markets. As a result, a number of our products—notably, Mushuda mothproofing agents, Drypet dehumidifiers and Dashu-Tan refrigerator deodorizers—have become leading products in global niche markets. Many of our other mainstay products also command dominant shares in the Japanese market.

Supported by these strengths, S.T. CORPORATION will make across-the-board efforts to become the No. 1 company in every one of its product categories in the global market and thereby ensure sustainable, profitable growth.

Mothproofing Agents

ムシューダ®

Mushuda

Dehumidifiers

湿気とり ドライペット®

Drypet

Refrigerator Deodorizers

脱臭炭

Dashu-Tan

Q.6 Finally, do you have a message for your shareholders and investors?

A.6 Enhancing corporate value through sustainable, profitable growth, we will return value to shareholders and investors.

S.T. CORPORATION considers it important to return corporate value enhanced through sustainable, profitable growth to shareholders and investors. Therefore, we will continue to strive toward proactive shareholder returns. While securing stable dividend distribution, we will implement a performance-based dividend policy. For the fiscal year ending March 31, 2011, we intend to set the annual dividend at ¥22 per share (for a consolidated payout ratio of 42.5%), on par with the fiscal year under review.

S.T. CORPORATION adheres to a corporate slogan of "refreshing the air." In other words, we are committed to doing things that no other company in the world does and, through these revolutionary activities, to enhancing our presence as a company that is refreshing the air amid a society in the midst of upheaval. We sincerely ask for your continued understanding and support.

Applying ST Value in Three Areas

Creating the Products Customers Choose

S.T. CORPORATION believes that underlying the ongoing weak business conditions is not customer aversion to high prices but a lack of products that customers really want. Our solution to this situation has been to establish a "design revolution" growth strategy focusing on expanding our market by developing products with strong customer appeal. In this special feature, S.T. CORPORATION introduces three ways it is achieving value under the design revolution strategy as well as how the Company has evolved in the last year under the guidance of its president Mr. Takashi Suzuki, who resumed the position after having stepped down in 2007.

ST Value 1 Developing "Must Have" Products

ST Value 2 Sales Promotion Activities Aimed at Invigorating In-Store Operations

ST Value 3 Global Business Development through Select and Focus

Topics Entering into an Alliance with FUMAKILLA LIMITED

ST Value 1

Developing "Must Have" Products

With an emphasis on design revolution, our focus is on raising our products from the utilitarian to the interior décor level. To this end, we invited the globally renowned designer and president of nendo inc., Mr. Oki Sato, to revamp our product designs.

Creating Products That Enhance Interiors

In pursuit of developing unique products that seize people's imagination not only when they hear about them but when they see and use them, S.T. CORPORATION introduced products that have come to boast dominant shares in niche markets. In 2007, we changed our corporate name from S.T. Chemical Co., Ltd. to S.T. CORPORATION and took up the challenge of offering flexible ideas—ideas that are not limited to "chemicals." In 2009, when Mr. Suzuki resumed the position of president after having stepped down in 2007, we set in motion the design revolution growth strategy emphasizing stylish products that customers will welcome into their homes as complementary to their interior décor.

Design Value Gives an Edge

Round one of the design revolution spotlighted Shoshu-Plug, automatic electrically powered deodorizers and air fresheners with the highest growth potential among all our products. Such deodorizers and air fresheners account for around half of European and U.S. markets and we expect the Japanese market, having grown 10% in 2009, to expand further. Prompted by the popularity and market potential of these deodorizers and air fresheners, we revamped product designs while keeping an eye on such considerations as user friendliness and pricing. For Shoshu-Plug, the resulting design is simple and invites touch while being less expensive to produce. The success of the new design is evidenced by the 50% surge in total Shoshu-Plug brand shipments in the year under review.

Making Strong Products Even Stronger— Full Model Changes for Existing Core Products

Round two of the design revolution involved the popular redesign of Shoshu-Riki, the Company's mega brand. We also launched the highly successful new Virus Attacker ion generator. In 2010, S.T. CORPORATION will instigate a fragrance revolution aspiring toward more refined scent offerings, with the aim of furthering business growth.

S.T. CORPORATION's Product Development

Doing Things No Other Company in the World Does

Key Phrase of Product Development
"Developing unique products that seize people's imaginations when they hear about, see and use them"

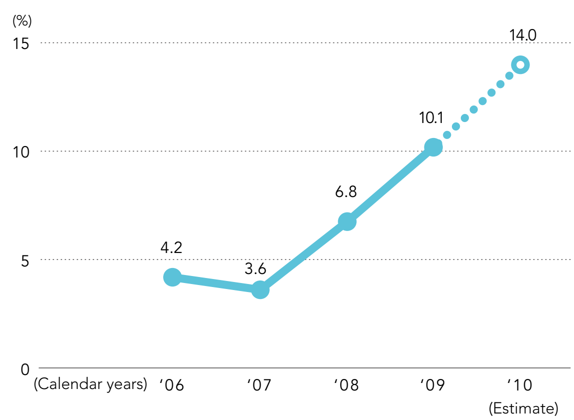
↓

Changing corporate name to S.T. CORPORATION
Product development based on flexible ideas that are not limited by "chemicals"

↓

"Design Revolution" "Fragrance Revolution"
Developing "Must Have" Products

Market Share of Automatic Electrically Powered Deodorizers and Air Fresheners



Source: S.T. CORPORATION survey

ST Value 2

Sales Promotion Activities Aimed at Invigorating In-Store Operations

In addition to efficient TV sales promotions, S.T. CORPORATION held such events to introduce new products as "Design Museum" with the aim of cultivating new users and communication methods with consumers.

Invigorating In-Store Operations Through Unique Sales Promotion Activities

Aiming to invigorate in-store operations, S.T. CORPORATION carries out sales promotion activities through a combination of unique TV commercials, in-store staff, the supply of sales promotion tools and various other PR and Internet activities. For example, we held an event to introduce new products as part of the design revolution to cultivate new users and communication methods, receiving significant feedback. On the earnings front, we are also optimizing marketing costs, including advertising and sales expansion costs.

Introducing New Products to Cultivate New Users and Communication Methods

In round one of the design revolution, S.T. CORPORATION invited media to its "Design Museum" in September 2009 to promote communications with users who have an affinity with design. In the Design Museum, the Company set up a booth for users to experience a new perspective on the new products. In round two, the Company held a press conference and event for bloggers in Tokyo's trendy Aoyama district in March 2010 in pursuit of word-of-mouth marketing through their weblogs. Both events received positive feedback.

Efficient Sales Promotion Activities

Unique TV commercials

Effective promotion activities through unique and catchy advertising

Publicity
Diverse publicity activities utilizing TV, newspapers, websites and magazines

TV commercials

Events

In-store activities

Sales promotion tools
Efficient sales promotion tools

In-store staff
Skilled in-store staff

Internet activities
Leveraging word-of-mouth marketing, such as weblogs

Product launch events
Cultivating new users and communication methods with consumers

• Design Museum (September 2009)

• Press conference & blogger event (March 2010)

ST Value 3

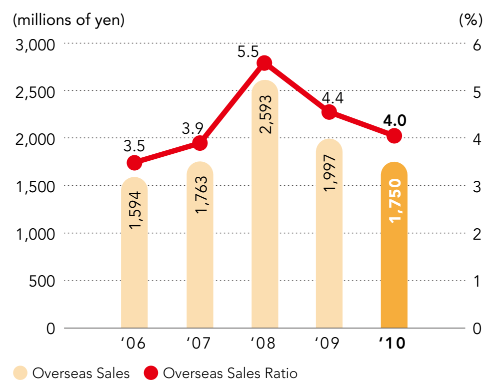
Global Business Development through Select and Focus

S.T. CORPORATION pursues business expansion through alliances in the United States and Europe while striving to boost its market presence in the deodorizer and air freshener markets of Southeast Asia.

Global Business Development

Since establishing its first subsidiary in Thailand in 1988, S.T. CORPORATION has been setting up production bases throughout Southeast Asia. In 2006, the Company began selling unique products that previously were not available in the United States. The following year, the Company established a joint venture in South Korea to sell its mainstay products. At present, sales are sluggish due to the impact of the 2008 financial crisis. Renewing our commitment to a select and focus basic strategy emphasizing specific markets, S.T. CORPORATION is planning to concentrate on Southeast Asian markets.

Overseas Sales



* ISO9001-certified plans ** ISO14001/9001-certified plants

Topics

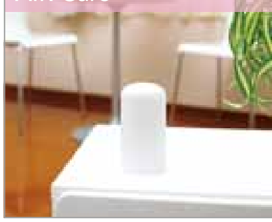
Entering into an Alliance with FUMAKILLA LIMITED

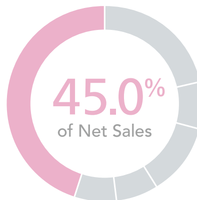
In May 2010, S.T. CORPORATION entered into a capital and business alliance agreement with FUMAKILLA LIMITED intended to enhance business and profitability while securing a better partnership.

Delivering Value

Household Environment-Related Products

AIR Care

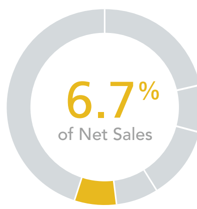




Accounting for 45% of net sales, the Air Care business is S.T. CORPORATION's mainstay business and possesses considerable growth potential. Major products include deodorizers and air fresheners designed to eliminate odors in the living room, toilet and closets as well as deodorizers for refrigerators.

p13

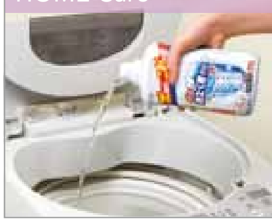
HUMIDITY Care

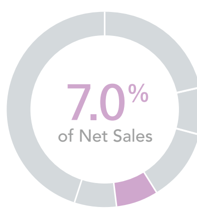


As the pioneer of the Humidity Care market, S.T. CORPORATION has taken a leading role since 1981. Our air dehumidification products—a uniquely Japanese product category—address the problems posed by extreme humidity, a major issue in Japan. We offer a wide variety of items, many with such value-added features as a deodorizing effect.

p14

HOME Care



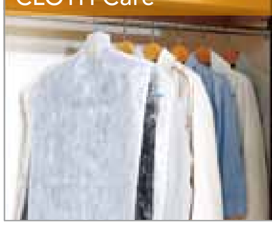


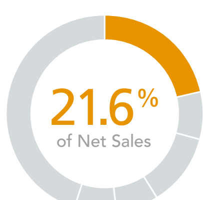
The Home Care category provides niche cleaning products and a range of unique new items, including cleaners for machine washing tubs, baths and dishwashers, an insect repellent for rice storage use and new products to eliminate viruses and odors.

p15

Mothproofing and Hygiene-Related Products

CLOTH Care

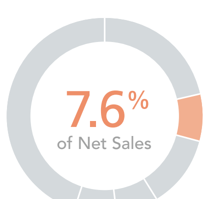




S.T. CORPORATION has conducted business in the Cloth Care category since its foundation, and this category serves as a major revenue source. Japan has four distinct seasons and this has given rise to the habit of changing over wardrobes with the transition of the seasons. Mothproofing agents thus remain key products as they protect clothes in storage.

p13

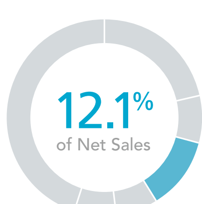
HAND Care



With 60 years of history, the Hand Care category is our second oldest business after the Cloth Care category. Main products include gloves to protect hands from powerful detergents as well as high-value-added products that soothe the skin.

p14

THERMAL Care



Although sold exclusively as items for winter use, products in the Thermal Care category play a role in maintaining retail shelf space in conjunction with mothproofing agents purchased mainly in spring and autumn. Main products include disposable pocket and shoe warmers.

p15

Household Environment-Related Products

AIR Care
(Deodorizers and Air Fresheners)

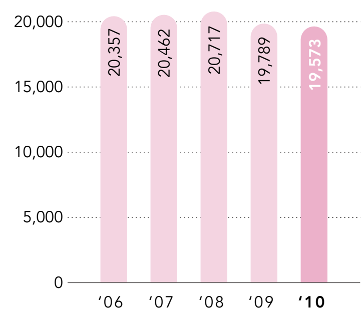
Accounting for 45% of net sales, the Air Care business is S.T. CORPORATION's mainstay business and possesses considerable growth potential. Major products include deodorizers and air fresheners designed to eliminate odors in the living room, toilet and closets as well as deodorizers for refrigerators.

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

Overview: Despite the stagnant market, S.T. CORPORATION is confident due to the strength of its innovative product lineups, encompassing the mega brand Shoshu-Riki (Air Wash-Liquid overseas); Shoshu-Plug, which realizes high deodorizing capability driven by electric power; Shoshu-Pot (Air Wash-Gel overseas), a decorative gel-type deodorizer; and Dashu-Tan, a powerful refrigerator deodorizer that uses charcoal. During fiscal 2010, sales of Shoshu-Plug, Shoshu-Riki and Dashu-Tan grew, but sales of other existing products remained weak. As a result, sales in this core category declined 1.1% year on year to ¥19,573 million.

Future Strategy: Focusing on automatic electrically powered deodorizers and air fresheners, we will offer "more refined" fragrances and new product applications with the aim of cultivating new demand.

Net Sales (millions of yen)



Mothproofing and Hygiene-Related Products

CLOTH Care
(Mothproofing Agents)

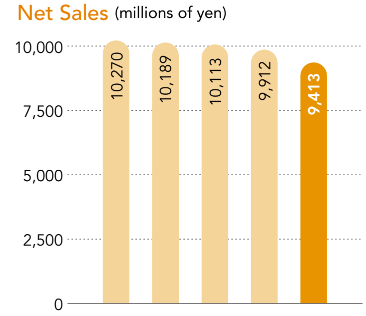
S.T. CORPORATION has conducted business in the Cloth Care category since its foundation, and this category serves as a major revenue source. Japan has four distinct seasons and this has given rise to the habit of changing over wardrobes with the transition of the seasons. Mothproofing agents thus remain key products as they protect clothes in storage.

Mushuda (for drawers) | Mushuda (for wardrobes) | Mushuda (cover style) | Fragrant Mushuda (for closets) | Neopara Ace

Overview: The mothproofing agent market remained stable during the fiscal year under review. In this market, mothproofing agents under our flagship Mushuda and Neopara Ace brands boast a dominant share. During the fiscal year under review, overall sales were weak, reflecting store shelf space being taken up by products related to germ control, such as surgical masks, due to the spread of the new influenza virus. In addition, unpredictable weather interfered with the usual timing of the seasonal wardrobe changeover for many. As a result, sales in this core category fell 5.0% year on year to ¥9,413 million.

Future Strategy: With the aim of cultivating and expanding new demand, we will propose new ideas for products for the younger generation, who tend not to use mothproofing agents.

Net Sales (millions of yen)



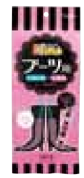
Household Environment-Related Products

HUMIDITY Care
(Dehumidifiers)

As the pioneer of the Humidity Care market, S.T. CORPORATION has taken a leading role since 1981. Our air dehumidification products—a uniquely Japanese product category—address the problems posed by extreme humidity, a major issue in Japan. We offer a wide variety of items, many with such value-added features as a deodorizing effect.

Drypet
(for wardrobes)

Drypet
(for wardrobes, jumbo size)



Bincho-Tan Drypet
(for boots)

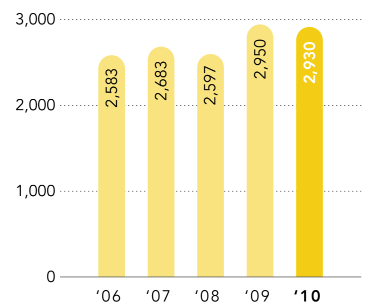
Drypet Compact

Bincho-Tan Drypet

Overview: Market conditions remained flat. Our extensive lineup in this business includes our top-brand Drypet dehumidifier and Bincho-Tan Drypet boasting deodorant effects on top of its dehumidifying functions. We also provide an extensive range of products, including eco-friendly refill-type items and sheet-type products. During the fiscal year under review, sales of our Drypet Skit disposable dehumidifier were brisk. However, sales of other existing products were sluggish and, accordingly, sales in this category edged down 0.7% year on year to ¥2,930 million.

Future Strategy: We will cultivate new demand by proposing new product applications. For example, we will expand the sales of refill-type Drypet Compact dehumidifiers in pursuit of customer retention.

Net Sales (millions of yen)



Mothproofing and Hygiene-Related Products

HAND Care
(Gloves)

With 60 years of history, the Hand Care category is our second oldest business after the Cloth Care category. Main products include gloves to protect hands from powerful detergents as well as high-value-added products that soothe the skin.

Family Thin
PVC Gloves
(fingertip-reinforced)

Family Medium-Thick
PVC Gloves

Family Thick
PVC Gloves

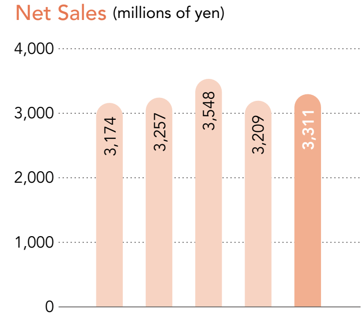
Family Medium-Thick
Rubber Gloves
with Sleeves

Stylinglove
Medium-Thick
PVC Gloves

Overview: Sales in this segment edged up due to the spread of the new influenza virus in 2009 despite the flat market. We offer the Family series of household gloves as well as industrial-use gloves with such value-added features as strengthened fingertips and impregnation with skin-soothing agents. During fiscal 2010, domestic sales of nitrile rubber industrial-use gloves were sluggish due to the deterioration in corporate earnings. However, sales of medium-weight vinyl gloves for overseas markets and lightweight household rubber gloves for the domestic market were brisk. As a result, sales in this category rose 3.2% year on year to ¥3,311 million.

Future Strategy: We will strive to strengthen and develop product brands while cultivating and expanding new demand.

Net Sales (millions of yen)



HOME Care
(Cleaners and Other Products)

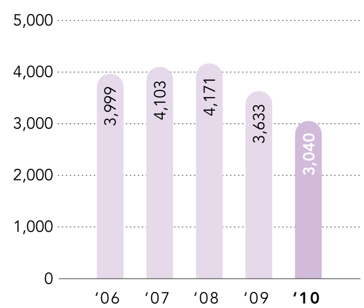
The Home Care category provides niche cleaning products and a range of unique new items, including cleaners for machine washing tubs, baths and dishwashers, an insect repellent for rice storage use and new products to eliminate viruses and odors.

Fresh-Up | Ultra-Powers Washing Tub Cleaner | Powers Baking Soda Scrubber | Kome-Touban | Virus Attacker | Ohisama no Sentaku (sunlight activated shoe cleaner)

Overview: S.T. CORPORATION's flagship Home Care products encompass such niche cleaning products as Ultra-Powers Washing Tub Cleaner; Kome-Touban, which protects stored rice from insect infestation; and the new Virus Attacker ion generator, which eliminates airborne viruses and odors. Sales of Nexcare brand surgical masks were terminated in June 30, 2009, countering the positive effects of steady sales of Kome-Touban insect repellent on performance. As a result, sales in this category dropped 16.3% year on year to ¥3,040 million.

Future Strategy: Aiming for further growth, we will make continuing efforts to proactively cultivate new business areas.

Net Sales (millions of yen)



THERMAL Care
(Disposable Warmers)

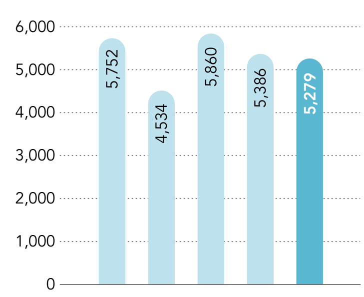
Although sold exclusively as items for winter use, products in the Thermal Care category play a role in maintaining retail shelf space in conjunction with mothproofing agents purchased mainly in spring and autumn. Main products include disposable pocket and shoe warmers.

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

Overview: The market for Thermal Care products is vulnerable to fluctuations in weather and highly competitive as it is difficult to differentiate among competing products. Since July 2003, we have been marketing products produced through alliances, such as disposable warmers sold under Mycoal Co., Ltd.'s Onpacks brand, taking pride in the quality and lineup of our products, particularly those for warming the feet. During the fiscal year under review, sales in this category decreased 2.0% year on year to ¥5,279 million due to a mild winter.

Future Strategy: We will strive to further strengthen and develop product brands while cultivating and expanding new demand.

Net Sales (millions of yen)



Guaranteeing Value

S.T. CORPORATION gives top priority to implementing corporate governance that achieves fair and stable organizational operations to increase shareholder value. Also, the Company considers it important to improve corporate value by maintaining harmonious relations with the Group's various stakeholders. To ensure the accurate implementation of these basic principles, the Company adopted the Company-with-Committees system, thereby making steady progress in the improvement of management quality.

Corporate Governance

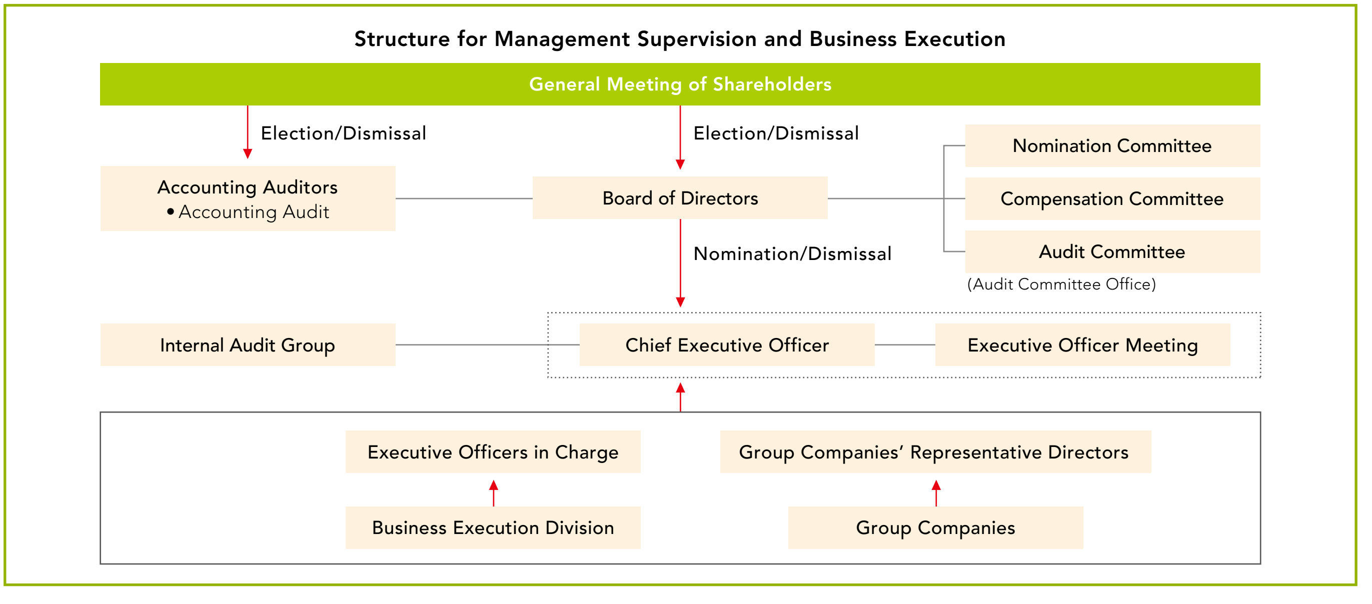
In 2004, S.T. CORPORATION shifted from the company with corporate auditors system to the current committee-based system, establishing Nomination, Audit and Compensation Committees within the Board of Directors. The Board of Directors is the principal decision-making body and nominates executive officers to undertake actual business execution. The term of office for both directors and executive officers is one year, and directors are elected at the General Meeting of Shareholders every year. This system allows the Board of Directors to concentrate on decision-making and supervisory functions by delegating much business execution authority to executive officers and separating the management supervision and business execution functions. This ensures agile decision making and flexible business execution.

Structure for Management Supervision and Business Execution

S.T. CORPORATION's Board of Directors, comprising three corporate directors and five outside directors, holds regular meetings on a quarterly basis, with extraordinary Board of Directors' Meetings convened as necessary. Of the nine executive officers, three, including the president, are concurrently directors. In principle, Executive Officer Meetings are held biweekly to expedite the decision-making process and to achieve flexible business execution.

S.T. CORPORATION's directors monitor executive officers' business execution through Board of Directors' Meetings and Audit Committee activities. Outside directors constitute the majority of the Nomination and Compensation committees, which have five and three members, respectively. All four of the Audit Committee's members are outside directors as are the chairs of all three committees. All members of the three committees hold concurrent positions in other committees. Outside directors are chosen for knowledge and experience in such fields as corporate management, finance, tax accountancy, the law and marketing, and they play an appropriate role in strengthening monitoring and supervisory functions as well as in enhancing the objectivity, transparency and fairness of corporate management.

Corporate Governance Structure



Audit by Audit Committee and Internal Audit Division

The Audit Committee participates in Board of Directors' and other important meetings, receives business execution reports from executive officers, examines financial reports and other documents, and conducts audits on a project-by-project basis. To ensure audit effectiveness, the Audit Committee visits operational sites with the staff of the division responsible for internal audits, and shares timely opinions with the chief executive officer and accounting auditors.

The Internal Audit Group is under the direct control of the chief executive officer, is responsible for internal audits and implements annual internal audits. Also, on an as necessary basis, the Audit Group conducts special audits as requested by the Board of Directors, Audit Committee or the chief executive officer.

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

Internal Control System

S.T. CORPORATION considers the establishment and development of a solid internal control system to be the core of its corporate governance. Accordingly, the Company has been striving to refine the Group's overall internal control system in recent years by focusing on compliance and risk management systems as well as internal control over financial reporting, which operates in line with the requirements of the Corporation Law and Financial Instruments and Exchange Law.

Regarding compliance, S.T. CORPORATION has established a code of conduct for all members of the Group, appointed a compliance officer at each Group company, and set up Groupwide compliance rules to ensure a unified approach.

In the area of risk management as well, internal regulations have been stipulated, a Groupwide Risk Management Committee has been established, and a set of rules has been laid down to prepare against the sudden outbreak of risk.

In 2006, S.T. CORPORATION began building an internal control system over financial reporting—carried out mainly by the Accounting Group and Internal Audit Group under an executive officer in the Corporate Staff Division—in line with the Financial Instruments and Exchange Law. Within the Law, which came into effect from September of 2007, the portion concerning the internal control report system became effective from April, 2008. The project enabled management to assess and confirm the effectiveness of the system, which was verified by the accounting auditors as valid, for the years ended March 31, 2009 and 2010.

Directors and Executive Officers (As of June 18, 2010)

Board of Directors

Takashi Suzuki ★
The Chairman of the Board of Directors

Teruyuki Maehara ★●◆
Outside Director
Certified Tax Accountant, Yaesu Sogo Jimusho (tax and accounting office)

Mitsuko Miyagawa ★◆
Outside Director
Partner, TMI Associates (law office)

Osamu Mizorogi ●◆
Outside Director

Kanichi Suzuki ★
Outside Director

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

Kanzo Kobayashi ★
Director

Hirohide Shimada ●
Director

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

Executive Officers

Takashi Suzuki
Representative Executive Officer
President, Chief Executive Officer

Kanzo Kobayashi
Senior Executive Vice President
In charge of Manufacturing Division, overseas business strategy, and International Business Division

Hirohide Shimada
Senior Executive Officer
In charge of Corporate Staff Division

Takahiko Kato
Senior Executive Officer
Senior General Manager of Sales Division

Noriaki Kageura
Senior Executive Officer
In charge of Group business strategy

Masakazu Kinoto
Executive Officer
Deputy General Manager of Sales Division

Kumiko Ishikawa
Executive Officer
In charge of CSR promotion and Legal Group

Yo Kozuki
Executive Officer
In charge of Marketing Division

Takako Suzuki
Executive Officer
In charge of Customer Service Division, fragrance design and new businesses

Valuing the Community

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 on 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." All our business activities enshrine the basic concepts of our management philosophy. Based on these concepts, we are building an optimum and fair business management system and enhancing our corporate governance.

社是 誠実

Sincerity

Management Philosophy

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

Reducing Environmental Burdens

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

エコシップマーク
Eco-Ship Mark

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 products discontinued due to design changes for the benefit of local residents and donated part of the proceeds to the social welfare councils of 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 invitation-only productions of musicals. In 2009, the cumulative total of invited guests surpassed 170,000 people. In 2010, 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 Sustainable Growth

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

CONTENTS

Sales Overview

In the fiscal year ended March 31, 2010, the Japanese economy saw a gradual recovery on the back of an increase in exports and production due to progress in inventory adjustments both in Japan and overseas. Although corporate earnings dropped substantially in the first half of the fiscal year under review, there were signs of improvement in the second half of the year, reflecting a recovery in exports and the effects of cost reduction efforts on raw material and personnel expenses. An upswing in corporate business confidence thus began to emerge mainly in the manufacturing industry. However, personal consumption remained stagnant amid a severe employment and income environment, and the future of the economy remains uncertain as concerns about deflation rise.

Under such circumstances, S.T. CORPORATION made "select and focus," "development of unparalleled products" and "agile management" its three basic strategies with the aim of strengthening its mainstay brands. In addition, the Company launched the design revolution growth strategy as a part of its initiative to switch from price competition to value competition, releasing new innovative products with more sophisticated designs under the Shoshu-Plug brand while pursuing sales promotion activities.

As a result, the Company's strategic products enjoyed increased market shares. On the performance front, however, sales in the Cloth Care and Home Care categories were weak due to stagnant personal consumption, unseasonable weather and the loss of store shelf space due to the spread of the new influenza virus. Consolidated net sales thus fell 3.0% year on year to ¥43,546 million. By business segment, the Mothproofing and Hygiene-Related Products saw sales in the Cloth Care category down 5.0% year on year, sales in the Hand Care category rise 3.2% and sales in the Thermal Care category decline 2.0%. In the Household Environment-Related Products, sales in the Air Care category were down 1.1% year on year, sales in the Humidity Care category edged down 0.7% and sales in Home Care category dropped 16.3%. (For details, please see the "At a Glance" section on pages 13 through 15 of this report.)

Cost of Sales, SG&A Expenses and Operating Income

The cost of sales decreased 4.3% compared with the previous fiscal year to ¥25,151 million due to the manufacturing division's efforts to cut manufacturing costs. The cost of sales ratio edged down 0.8 of a percentage point from the previous fiscal year to 57.8%.

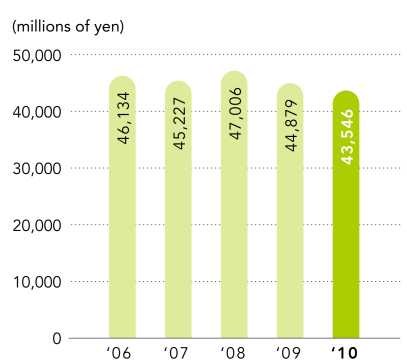
Despite efforts to reduce overall expenses, selling, general and administrative expenses edged up 0.3% to ¥16,149 million due to the aggressive spending related to marketing. As a result, operating income fell 9.9% year on year to ¥2,246 million.

Other Income & Expenses, Pretax and Net Income

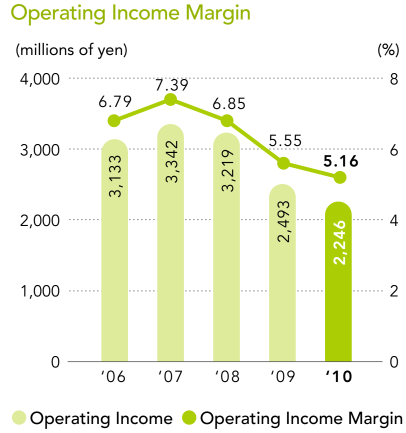
Compared with the previous fiscal year, there was a slight improvement in other income and expenses that mainly reflected an increase in net financial income (interest and dividends received less interest expense), equity in profit of affiliates and a decrease in loss on sales of property, plant and equipment. As a result, income before income taxes and minority interests decreased only 1.3% year on year to ¥1,943 million, and net income grew 4.0% to ¥1,119 million.

Basic net income per share stood at ¥51.25, up from ¥49.32 in the previous fiscal year (diluted net income per share increased to ¥51.24 from ¥49.28 in the previous fiscal year). The net income margin improved from 2.4% in the previous fiscal year to 2.6%, while ROE also improved, edging up from 5.8% to 5.9%.

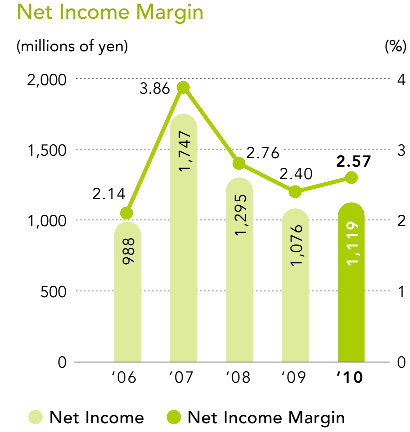
Net Sales



Operating Income and Operating Income Margin



Net Income and Net Income Margin



Financial Position

Total assets as of March 31, 2010 stood at ¥29,029 million, up ¥1,413 million compared with a year earlier. Current assets rose ¥1,549 million to ¥17,667 million, while non-current assets declined ¥136 million to ¥11,363 million. The increase in current assets was mainly attributable to an increase in cash and time deposits.

Total liabilities grew ¥476 million compared with a year earlier to ¥9,064 million due mainly to an increase in trade payables. It should be noted that the Company holds no interest-bearing debt, maintaining a healthy financial standing.

Total net assets also grew, increasing ¥936 million from the previous fiscal year-end to ¥19,966 million, primarily due to an increase in retained earnings and an unrealized holding gain on other securities, net of taxes.

The equity ratio* was down from 67.5% in the previous fiscal year-end to 67.2%. However, net assets per share increased, rising from ¥853.81 to ¥892.46.

* For the purposes of calculation, equity is the sum of total shareholders' equity and total valuation, translation adjustments and other.

Capital Expenditures and Depreciation and Amortization

Capital expenditures for the fiscal year under review contracted from ¥716 million in the previous fiscal year to ¥673 million. The Company continued to focus over 80% of such expenditures on the Household Environment-Related Products segment. Depreciation and amortization, including that related to intangible assets, rose from ¥858 million in the previous fiscal year to ¥922 million.

Cash Flows

Net cash provided by operating activities totaled ¥2,263 million, up ¥715 million year on year. This primarily reflected the increase in depreciation and amortization, a decrease in trade notes and accounts receivable and an increase in trade payables and accrued expenses. Net cash used in investing activities was ¥126 million, down ¥477 million from the previous fiscal year, mainly due to a decrease in payments into deposits (more than three months). Net cash used in financing activities amounted to ¥499 million, down ¥31 million year on year mainly due to a decrease in payments of dividends to minority shareholders. As a result, cash and cash equivalents as of March 31, 2010 stood at ¥7,170 million, reflecting the net increase of ¥1,649 million from the previous fiscal year-end.

Dividends, Return to Shareholders

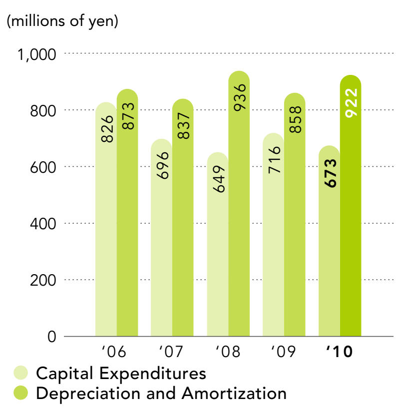
Taking into consideration net income and the realization of shareholder profit, the Company has decided to distribute a fiscal year-end dividend of ¥11 (¥22 for the full year), on par with the previous fiscal year's payment. The annual dividend payout ratio was thus 42.9% on a consolidated basis.

Thanks to the acquisition of its own shares, the Company now possesses treasury stock totaling 7,647,667 shares (25.9% of total shares issued). S.T. CORPORATION will continue to place emphasis on returns to shareholders.

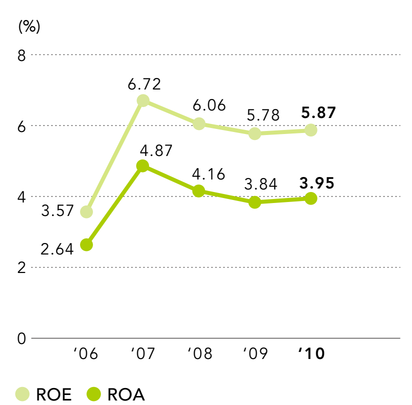
Business and Operational Risks

Factors that could possibly impact the Group's operating results, financial position and stock prices include: an escalation in raw material prices; the impact on manufacturing operations of natural disasters and changes in international political or other conditions; sales fluctuations due to unseasonable weather; and the failure of initiative to raise new businesses. Forward-looking statements in this annual report are based on assumptions made by the Company as of March 31, 2010.

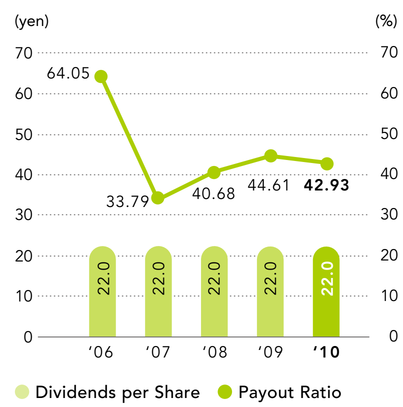
Capital Expenditures and Depreciation and Amortization



ROE and ROA



Dividends per Share and Payout Ratio



CONSOLIDATED BALANCE SHEETS

S.T. CORPORATION and consolidated subsidiaries
March 31, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 2) 2010
CURRENT ASSETS:			
Cash and time deposits (Notes 4 and 15)	¥ 8,036	¥ 6,144	$ 86,373
Marketable securities (Notes 4 and 6)	57	599	613
Trade notes and accounts receivable (Note 4)	4,200	4,502	45,137
Less—allowance for doubtful accounts	(16)	(19)	(172)
Merchandise and finished goods	4,401	3,790	47,303
Work in process	101	116	1,090
Raw materials and supplies	303	355	3,258
Deferred tax assets (Note 10)	338	332	3,636
Other current assets	246	298	2,646
Total current assets	17,667	16,118	189,882
INVESTMENTS AND OTHER ASSETS:			
Investments in non-consolidated subsidiaries and affiliates	441	377	4,740
Investment securities (Notes 4 and 6)	2,187	2,009	23,505
Long-term loans	87	104	934
Deferred tax assets other than unrealized revaluation loss on land (Note 10)	274	384	2,949
Other assets	1,407	1,396	15,119
Less—allowance for doubtful accounts	—	(10)	—
Total investments and other assets	4,396	4,261	47,247
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 7 and 8):			
Land	3,288	3,320	35,343
Buildings and structures	6,173	6,135	66,353
Machinery, equipment and vehicles	7,002	6,989	75,258
Tools, furniture and fixtures	3,660	3,397	39,337
Construction in progress	29	21	308
Leased assets	25	20	267
Less—accumulated depreciation	(13,616)	(13,117)	(146,351)
Property, plant and equipment, net	6,561	6,766	70,515
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION	406	473	4,366
Total assets	¥ 29,029	¥ 27,617	$ 312,010

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 2) 2010
CURRENT LIABILITIES:			
Trade payables (Note 4)	¥ 4,370	¥ 4,017	$ 46,972
Lease obligations	6	4	61
Other payables (Note 4)	1,900	1,817	20,424
Income taxes payable (Note 10)	333	298	3,579
Consumption taxes payable	41	49	441
Accrued expenses	470	481	5,053
Allowance for sales returns	130	140	1,392
Other current liabilities	63	75	677
Total current liabilities	7,313	6,881	78,599
LONG-TERM LIABILITIES:			
Lease obligations	13	14	135
Employees' retirement and severance benefits (Note 11)	1,251	1,212	13,451
Directors' retirement and severance benefits	106	96	1,139
Deferred tax liabilities—unrealized revaluation profit on land (Note 7)	381	381	4,093
Other long-term liabilities	—	3	—
Total long-term liabilities	1,751	1,706	18,817
CONTINGENT LIABILITIES (Notes 9 and 17)			
NET ASSETS (Note 12):			
Shareholders' equity:			
Common stock: Authorized—96,817,000 shares in 2010 and 2009 Issued and outstanding—29,500,000 shares in 2010 and 2009	7,066	7,066	75,940
Capital surplus	7,068	7,068	75,965
Retained earnings	17,024	16,399	182,973
Treasury stock, at cost	(11,026)	(11,056)	(118,504)
Total shareholders' equity	20,132	19,476	216,375
Valuation, translation adjustments and other:			
Unrealized holding gain on other securities, net of taxes	400	220	4,303
Unrealized revaluation loss on land, net of taxes (Note 7)	(550)	(550)	(5,907)
Translation adjustments	(480)	(507)	(5,159)
Total valuation, translation adjustments and other	(629)	(836)	(6,762)
Subscription rights	67	51	724
Minority interests in consolidated subsidiaries	396	339	4,257
Total net assets	19,966	19,029	214,594
Total liabilities and net assets	¥ 29,029	¥ 27,617	$ 312,010

CONSOLIDATED STATEMENTS OF INCOME

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
NET SALES	¥43,546	¥44,879	$468,032
COST OF SALES (Note 19)	25,162	26,295	270,440
Gross profit before reversal of allowance for sales returns	18,384	18,584	197,592
Reversal of (allowance for) sales returns	11	15	113
Gross profit	18,394	18,600	197,705
Selling, general and administrative expenses (Note 14)	16,149	16,107	173,568
Operating income	2,246	2,493	24,137
OTHER INCOME (EXPENSES):			
Interest and dividends received	102	86	1,095
Interest expense	(0)	(8)	(0)
Cash purchase discounts	206	198	2,216
Cash sales discounts	(811)	(821)	(8,715)
Gain on sales of securities, net	3	5	34
Equity in profit of affiliates	55	—	596
Equity in loss of affiliates	—	(37)	—
Reversal of allowance for doubtful accounts	3	3	35
Other, net	139	50	1,490
	(302)	(524)	(3,250)
Income before income taxes and minority interests	1,943	1,969	20,888
INCOME TAXES (Note 10):			
Current	743	786	7,989
Deferred	9	83	99
	753	869	8,088
MINORITY INTERESTS	72	24	769
Net income	¥ 1,119	¥ 1,076	$ 12,031

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, 2010 and 2009

	Number of shares of common stock (Thousands)	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	29,500	¥7,066	¥7,068	¥16,399	¥(11,056)	¥19,476
Cash dividends paid by distribution of retained earnings				**(480)**		**(480)**
Net income				**1,119**		**1,119**
Purchases of treasury stock					**(1)**	**(1)**
Disposition of treasury stock				**(14)**	**32**	**17**
Change in scope of consolidation				**—**		**—**
Reversal of unrealized revaluation loss on land, net of taxes				**—**		**—**
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2010	**29,500**	**¥7,066**	**¥7,068**	**¥17,024**	**¥(11,026)**	**¥20,132**

	Millions of yen						
	Unrealized holding gain on other securities, net of taxes	Unrealized revaluation loss on land, net of taxes (Note 7)	Translation adjustments	Total valuations translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	¥220	¥(550)	¥(507)	¥(836)	¥51	¥339	¥19,029
Cash dividends paid by distribution of retained earnings							**(480)**
Net income							**1,119**
Purchases of treasury stock							**(1)**
Disposition of treasury stock							**17**
Change in scope of consolidation							**—**
Reversal of unrealized revaluation loss on land, net of taxes							**—**
Net changes in items other than those in shareholders' equity	**180**	**—**	**27**	**207**	**16**	**58**	**281**
Balance at March 31, 2010	**¥400**	**¥(550)**	**¥(480)**	**¥(629)**	**¥67**	**¥396**	**¥19,966**

	Number of shares of common stock (Thousands)	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 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 7)	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

	Number of shares of common stock (Thousands)	Thousands of U.S. dollars (Note 2)				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	29,500	$75,940	$75,965	$176,259	$(118,835)	$209,330
Cash dividends paid by distribution of retained earnings				**(5,163)**		**(5,163)**
Net income				**12,031**		**12,031**
Purchases of treasury stock					**(10)**	**(10)**
Disposition of treasury stock				**(153)**	**341**	**188**
Change in scope of consolidation				**—**		**—**
Reversal of unrealized revaluation loss on land, net of taxes				**—**		**—**
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2010	**29,500**	**$75,940**	**$75,965**	**$182,973**	**$(118,504)**	**$216,375**

	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 7)	Translation adjustments	Total valuations translation adjustments and other	Subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	$2,366	$(5,907)	$(5,448)	$(8,989)	$550	$3,639	$204,530
Cash dividends paid by distribution of retained earnings							**(5,163)**
Net income							**12,031**
Purchases of treasury stock							**(10)**
Disposition of treasury stock							**188**
Change in scope of consolidation							**—**
Reversal of unrealized revaluation loss on land, net of taxes							**—**
Net changes in items other than those in shareholders' equity	**1,937**	**—**	**290**	**2,227**	**174**	**618**	**3,019**
Balance at March 31, 2010	**$4,303**	**$(5,907)**	**$(5,159)**	**$(6,762)**	**$724**	**$4,257**	**$214,594**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

S.T. CORPORATION and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥1,943**	¥1,969	**$20,888**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**922**	858	**9,914**
Loss on sales of property, plant and equipment	**10**	22	**106**
(Gain) loss on sales and valuation of investment securities	**(3)**	2	**(34)**
Decrease in allowance for doubtful accounts	**(13)**	(31)	**(137)**
Increase in employees' retirement and severance benefits	**38**	20	**411**
Increase in directors' retirement and severance benefits	**10**	11	**109**
Decrease in allowance for sales returns	**(11)**	(15)	**(113)**
Interest and dividends received	**(102)**	(86)	**(1,095)**
Interest expense	**0**	8	**0**
Foreign exchange (gain) loss	**(34)**	124	**(360)**
Equity in (gain) loss of affiliates	**(55)**	37	**(596)**
Changes in operating assets and liabilities:			
Receivables	**317**	(201)	**3,408**
Inventories	**(535)**	272	**(5,747)**
Payables and accrued expenses	**395**	(510)	**4,247**
Other, net	**(6)**	(125)	**(67)**
Subtotal	**2,878**	2,354	**30,933**
Interest and dividends received	**104**	89	**1,120**
Interest paid	**(0)**	(8)	**(0)**
Income taxes paid	**(719)**	(886)	**(7,728)**
Net cash provided by operating activities	**2,263**	1,549	**24,325**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into deposits (more than three months)	**(1)**	(700)	**(6)**
Proceeds from withdrawal of time deposits (more than three months)	**300**	300	**3,224**
Proceeds from sales of marketable securities	**—**	400	**—**
Purchases of property, plant and equipment	**(509)**	(545)	**(5,468)**
Proceeds from sales of property, plant and equipment	**76**	2	**819**
Purchases of investment securities	**(43)**	(57)	**(462)**
Proceeds from sales of investment securities	**106**	101	**1,142**
Other investments, net	**(56)**	(105)	**(606)**
Net cash used in investing activities	**(126)**	(604)	**(1,356)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of treasury stock	**(1)**	(3)	**(10)**
Proceeds from sales of treasury stock	**17**	13	**188**
Payments of dividends	**(480)**	(480)	**(5,163)**
Payments of dividends to minority shareholders	**(30)**	(61)	**(320)**
Other finance, net	**(6)**	—	**(60)**
Net cash used in financing activities	**(499)**	(530)	**(5,366)**
Effect of exchange rate changes on cash and cash equivalents	**11**	(79)	**124**
Net increase in cash and cash equivalents	**1,649**	336	**17,727**
Cash and cash equivalents at beginning of year	**5,520**	5,185	**59,334**
Cash and cash equivalents at end of year (Note 15)	**¥7,170**	¥5,520	**$77,061**

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

S.T. CORPORATION (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18 issued by the ASBJ on May 17, 2006). In accordance with PITF No. 18, the accompanying consolidated financial statements for the years ended March 31, 2010 and 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. 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, 2010, the number of consolidated subsidiaries and affiliates accounted for by the equity method were five and three (six and three in 2009), respectively. S.T. Mycoal Co., Ltd. was liquidated and accordingly, accounts of it were not included in consolidation from the current fiscal year. 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, 2010 and 2009, 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 and ¥17 million, respectively. The effect on the business segment information was immaterial.

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

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

(i) Leases

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 accounts

The allowance for doubtful accounts 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 five years, which is shorter than the average remaining years of service of the employees.

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

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

(m) Directors' retirement and severance benefits

The Company has accrued directors' retirement and severance benefits at the amount which would be required to be paid if all directors resigned from their positions and left the Company as of the balance sheet date in accordance with its internal regulations.

(n) Consumption taxes

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

(o) Cash and cash equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and liquid short-term investments with a maturity of three months or less from their respective dates of acquisition.

2. BASIS OF TRANSLATION

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥93.04 = U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2010. 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 retirement and severance benefits)

Effective the fiscal year ended March 31, 2010, the Company has applied ASBJ statement No. 19 for employees' retirement and severance benefits.

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

(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 and ¥27 million, respectively. The effect on the business segment information is described in Note 18, 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.

4. FINANCIAL INSTRUMENTS

Effective the fiscal year ended March 31, 2010, the Company has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

(Year ended March 31, 2010)

(1) Current status of financial instruments

(a) Policy in relation to financial instruments

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

(b) Details of financial instruments and related risk

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

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

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

(c) Risk management system for financial instruments

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

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

The consolidated subsidiaries perform equivalent management with the Company.

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

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

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

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

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

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

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

(2) Estimated fair value of financial instruments

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

	Millions of yen		
	Carrying value	Fair value	Difference
a Time deposits	¥ 8,036	¥ 8,036	—
b Trade notes and accounts receivable	4,200	4,200	—
c Marketable securities and Investment securities	2,196	2,196	—
Assets	¥14,431	¥14,431	—
a Trade payables	¥ 4,370	¥ 4,370	—
b Other payables	1,900	1,900	—
Liabilities	¥ 6,271	¥ 6,271	—

	Thousands of U.S dollars		
	Carrying value	Fair value	Difference
a Cash and time deposits	$ 86,373	$ 86,373	—
b Trade notes and accounts receivable	45,137	45,137	—
c Marketable securities and Investment securities	23,600	23,600	—
Assets	$155,110	$155,110	—
a Trade payables	$ 46,972	$ 46,972	—
b Other payables	20,424	20,424	—
Liabilities	$ 67,396	$ 67,396	—

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

Assets

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

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

c. Marketable securities and investment securities

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

Liabilities

a. Trade payables and b.Other payables

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

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

	Millions of yen	Thousands of U.S. dollars
	Carrying value	Carrying value
Unlisted equity securities	¥489	$5,257

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

3. Redemption schedule for receivables and other securities with maturity dates at March 31, 2010

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

	Thousands of U.S. dollars			
	One year or less	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Time deposits	$ 86,365	$ —	$ —	—
Trade notes and accounts receivable	45,137	—	—	—
Marketable securities and investment securities:				
Bonds	—	—	1,075	—
Other	—	1,075	—	—
Total	$131,501	$1,075	$1,075	—

5. DERIVATIVES

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

(Year ended March 31, 2009)

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 counterparties.

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.

6. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The cost and related aggregate market value of other securities with a determinable market value at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cost	**¥1,567**	¥1,607	**$16,839**
Market value	**2,196**	1,961	**23,600**
Total unrealized gain	**647**	416	**6,959**
Total unrealized loss	**18**	62	**198**

Because the fair value of unlisted stocks (¥48 million (U.S.$517 thousand)) is extremely difficult to determine, given that no quoted market price is available, they are not included in the above table at March 31, 2010.

The Company recognized impairment losses on securities at the difference between market value and carrying 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 were ¥7 million.

Securities at March 31, 2009 excluded from the above table are summarized at their respective carrying values as follows:

	Millions of yen
	2009
Other securities:	
CP	¥599
Unlisted stocks	48

The Company recognized impairment losses on non-marketable securities if the net carrying 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, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Proceeds received	**¥2,806**	¥3,309	**$30,162**
Aggregate gain	**3**	5	**34**
Aggregate loss	**—**	—	**—**

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

	Millions of yen
	2009
One year or less	¥599
More than one year and within five years	84
More than five years and within 10 years	99
More than 10 years	—

7. 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, 2010 and 2009 decreased by ¥390 million (U.S.$4,193 thousand) and ¥217 million, respectively, after the revaluation.

8. PLEDGED ASSETS

At March 31, 2010 and 2009, the following assets were pledged as collateral for borrowing limits of ¥399 million (U.S.$4,288 thousand) and ¥386 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	**¥ 59**	¥ 62	**$ 636**
Land	**99**	95	**1,059**
Total	**¥158**	¥158	**$1,695**

9. COMMITMENTS AND CONTINGENCIES

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loan guarantees for:			
Shaldan (Thailand) Co., Ltd.	**¥1**	¥—	**$11**

10. INCOME TAXES

At March 31, 2010 and 2009, 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
	2010	2009	**2010**
CURRENT ASSETS:			
Accrued employees' bonuses	**¥ 144**	¥ 144	**$ 1,548**
Allowance for sales returns	**52**	56	**558**
Accrued business taxes	**28**	28	**305**
Other	**114**	105	**1,230**
Total current deferred tax assets	**339**	333	**3,641**
CURRENT LIABILITIES:			
Deferred gain on sales of property	**(0)**	(0)	**(5)**
Total current deferred tax liabilities	**(0)**	(0)	**(5)**
Net current deferred tax assets	**¥ 338**	¥ 332	**$ 3,636**
NON-CURRENT ASSETS:			
Allowance for employees' retirement and severance benefits	**¥ 493**	¥ 479	**$ 5,299**
Allowance for directors' retirement and severance benefits	**42**	38	**455**
Write-downs of securities	**72**	72	**774**
Impairment loss	**68**	155	**729**
Other	**2**	4	**20**
Gross non-current deferred tax assets	**677**	749	**7,279**
Valuation allowance	**(124)**	(175)	**(1,336)**
Total non-current deferred tax assets	**553**	574	**5,943**
NON-CURRENT LIABILITIES:			
Deferred gain on sales of property	**(18)**	(19)	**(194)**
Undistributed earnings of controlled foreign companies	**(32)**	(38)	**(342)**
Unrealized holding gain on other securities, net of taxes	**(229)**	(134)	**(2,458)**
Total non-current deferred tax liabilities	**(279)**	(190)	**(2,994)**
Net non-current deferred tax assets	**¥ 274**	¥ 384	**$ 2,949**

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

	2009
Japanese statutory tax rate	40.00%
Permanent differences such as entertainment expenses, etc.	2.48
Permanent differences such as dividend income	(0.87)
Inhabitants' per capita taxes, etc.	0.30
Undistributed earnings of controlled foreign companies	1.91
Other	0.30
Effective tax rate	44.12%

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

11. 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, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Retirement and severance benefit obligation	**¥(3,027)**	¥(2,927)	**$(32,537)**
Plan assets	**1,739**	1,562	**18,696**
Unfunded benefit obligation	**(1,288)**	(1,366)	**(13,842)**
Unrecognized actuarial loss	**39**	156	**417**
Unrecognized past service cost	**(2)**	(3)	**(26)**
Accrued benefit obligation	**¥(1,251)**	¥(1,212)	**$(13,451)**

The following table summarizes the components of net retirement benefit expenses for the years ended March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥153	¥156	$1,641
Interest cost on benefit obligation	58	59	620
Expected return on plan assets	(31)	(34)	(336)
Amortization of actuarial loss	46	25	490
Amortization of past service cost	(0)	1	(3)
Extraordinary additional retirement payments	7	14	72
Net retirement benefit expenses	¥231	¥222	$2,486

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

	2010	2009
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%

12. 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, 2010, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$5,907 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.

13. AMOUNTS PER SHARE

Net assets per share as of March 31, 2010 and 2009 were ¥892.46 (U.S.$9.59) and ¥853.81, respectively. Basic net income per share for the years ended March 31, 2010 and 2009 was ¥51.25 (U.S.$0.55) and ¥49.32, respectively.

Diluted net income per share for the years ended March 31, 2010 and 2009 was ¥51.24 (U.S.$0.55) and ¥49.28, respectively.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Basic net income per share:			
Net income	¥1,119	¥1,076	$12,031
Amount not attributable to shareholders of common stock:	—	—	—
Amount attributable to shareholders of common stock	1,119	1,076	12,031
Weighted-average number of shares outstanding (millions of shares)	22	22	—
Diluted net income per share:			
Increase in number of shares outstanding	0	0	—
Shares resulting in an anti-dilutive effect (millions of shares)	1	1	—

The basis for the calculation of total net assets per share as of March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total net assets per share:			
Total net assets	¥19,966	¥19,029	$214,594
Deductions:	463	390	4,981
Subscription rights	67	51	724
Minority interests in consolidated subsidiaries	396	339	4,257
Amounts attributable to shareholders of common stock	19,502	18,640	209,613
Number of shares outstanding at year-end (millions of shares)	22	22	—

14. MAJOR EXPENSES

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Sales promotion expenses	¥4,431	¥4,275	$47,622
Advertising costs	2,941	2,806	31,610
Salaries	1,746	1,737	18,762
Shipment and storage expenses	1,488	1,554	15,994
Provision for employees' retirement and severance benefits	192	187	2,063
Provision for directors' retirement and severance benefits	16	15	173

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2010 and 2009 amounted to ¥612 million (U.S.$6,574 thousand) and ¥499 million, respectively.

15. CASH AND TIME DEPOSITS

Deposits pledged as collateral mainly for leased office space at March 31, 2010 and 2009 amounted to ¥23 million (U.S.$249 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, 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥8,036	¥6,144	$86,373
Time deposits with a maturity in excess of three months	(923)	(1,223)	(9,924)
Marketable securities with a maturity of three months or less from their respective dates of acquisition	57	599	613
Cash and cash equivalents	¥7,170	¥5,520	$77,061

16. 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, 2010 and 2009, primarily relating to tools, furniture and fixtures is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition cost	¥190	¥252	$2,041
Accumulated depreciation	144	153	1,543
Net book value	¥ 46	¥ 99	$ 498

(2) Future minimum lease payments, inclusive of the related interest, subsequent to March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Payable in one year or less	¥22	¥53	$237
Payable after one year	24	46	261
Total	¥46	¥99	$498

(3) Lease payments and pro forma depreciation charges for the years ended March 31, 2010 and 2009 were ¥53 million (U.S.$569 thousand) and ¥64 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, 2010 and 2009.

17. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2010 and 2009, trade notes discounted with banks in the ordinary course of business amounted to ¥92 million (U.S.$986 thousand) and ¥91 million, respectively.

18. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in two business segments and business segment information for the years ended March 31, 2010 and 2009 is summarized as follows:

Year ended March 31, 2010

	Millions of yen				
	Mothproofing and Hygiene-Related Products	Household Environment-Related Products	Total	Eliminations or corporate assets	Consolidated
1. Sales					
(1) Sales to third parties	¥18,003	¥25,543	¥43,546	—	¥43,546
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	18,003	25,543	43,546	—	43,546
2. Operating expenses	16,412	24,888	41,300	—	41,300
Operating income	¥ 1,591	¥ 654	¥ 2,246	—	¥ 2,246
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	¥ 8,555	¥12,328	¥20,883	¥8,146	¥29,029
(2) Depreciation and amortization	¥ 350	¥ 572	¥ 922	—	¥ 922
(3) Capital expenditures	¥ 128	¥ 544	¥ 673	—	¥ 673

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 and amortization	¥ 330	¥ 528	¥ 858	—	¥ 858
(3) Capital expenditures	¥ 125	¥ 591	¥ 716	—	¥ 716

Year ended March 31, 2010

	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	$193,497	$274,535	$468,032	—	$468,032
(2) Intra-group sales and transfers	—	—	—	—	—
Net sales	193,497	274,535	468,032	—	468,032
2. Operating expenses	176,393	267,502	443,895	—	443,895
Operating income	$ 17,104	$ 7,033	$ 24,137	—	$ 24,137
3. Total assets, depreciation and capital expenditures:					
(1) Total assets	$ 91,954	$132,501	$224,455	$87,555	$312,010
(2) Depreciation and amortization	$ 3,767	$ 6,147	$ 9,914	—	$ 9,914
(3) Capital expenditures	$ 1,381	$ 5,847	$ 7,228	—	$ 7,228

The business segments are classified according to the nature of the Company's products and their markets. Categories in the Mothproofing and Hygiene-Related Products segment are Cloth Care, Hand Care and Thermal Care and those in the Household Environment-Related Products segment are Air Care, Humidity Care and Home Care.

Major items included in eliminations or corporate assets in the above tables were cash and cash equivalents and short-term and long-term investments (investment securities) for the years ended March 31, 2010 and 2009. Corporate assets as of March 31, 2010 and 2009 were ¥8,146 million (U.S.$87,555 thousand) and ¥7,024 million, respectively.

(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 and ¥155 million, 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, 2010 and 2009.

19. 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 ¥385 million (U.S.$4,141 thousand) and ¥525 million for the year ended March 31, 2010 and 2009.

20. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Shares in issue and outstanding and treasury stock at March 31, 2010 and 2009 were as follows:

(Year ended March 31, 2010)

Number of shares issued and outstanding:

Common stock	29,500 thousand

Number of shares held in treasury:

Common stock	7,647 thousand

Subscription rights at March 31, 2010 were as follows:

Subscription rights for stock options	¥67 million
	(U.S.$724 thousand)

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

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

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

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

(Year ended March 31, 2009)

Number of shares issued 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

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

Resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting held on May 21, 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:

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

21. STOCK OPTION PLANS

At March 31, 2010, the Company had stock option plans, which were approved at the annual general meetings of the shareholders and by the Board of Directors. Details of these stock option plans are summarized as follows:

Date of approval	Number of shares granted	Eligible participants	Exercisable period
June 14, 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
June 18, 2009	20,000	4 employees	Aug 4, 2011–Aug 3, 2016

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, 2010)

Costs related to the 2010 stock option plan amounting to ¥16 million (U.S.$174 thousand) were included in selling, general and administrative expenses.

Contents of stock options

	2003	2004	2005	2006	2007	2008	2009	**2010**
Grantees	1 director and 43 employees	1 director and 25 employees	4 directors and 9 employees	3 directors and 23 employees	3 directors and 4 employees	4 directors and 14 employees	3 directors and 12 employees	**4 employees**
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	**Common stock**
Number of shares granted	225,000	155,000	130,000	160,000	75,000	140,000	95,000	**20,000**
Grant date	August 1, 2002	August 1, 2003	August 4, 2004	August 4, 2005	August 1, 2006	August 1, 2007	August 1, 2008	**August 3, 2009**
Condition for exercise	Working from August 1, 2002 to June 30, 2004	Working from August 1, 2003 to June 30, 2005	Working from August 4, 2004 to June 30, 2006	Working from August 4, 2005 to June 30, 2007	Working from August 1, 2006 to June 30, 2008	Working from August 1, 2007 to July 31, 2009	Working from August 1, 2008 to July 31, 2010	**Working from August 3, 2009 to August 3, 2011**
Working period	August 1, 2002 to June 30, 2004	August 1, 2003 to June 30, 2005	August 4, 2004 to June 30, 2006	August 4, 2005 to June 30, 2007	August 1, 2006 to June 30, 2008	August 1, 2007 to July 31, 2009	August 1, 2008 to July 31, 2010	**August 3, 2009 to August 3, 2011**
Exercisable period	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	**Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)**

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

Number of shares

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

Price of stock options

	Yen								U.S.dollars
	2003	2004	2005	2006	2007	2008	2009	2010	2010
Exercise price	¥636	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517	¥1,264	¥1,037	$11
Weighted-average market price	943	1,027	—	—	—	—	—	—	—
Fair value per option on grant date	—	—	—	—	292	191	220	197	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, 2010 was estimated based on the following assumptions:

	2010
Volatility	28.5%
Option term	4 years and 6 months
Expected dividend (per share)	¥22 (U.S.$0.24)
Risk free interest rate	0.63%

Volatility was determined based on the actual stock price over the past four years and six 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 dividends (per share) was based on the dividend amount applicable to the 2009 fiscal year.

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

Method of estimating exercised stock options

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

(Year ended March 31, 2009)

Costs related to the 2009 stock option plan amounting to ¥23 million 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 five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five years after the vesting date (those retiring after the vesting date cannot exercise their stock options)	Within five 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							
	2002	2003	2004	2005	2006	2007	2008	2009
Exercise price	¥ 669	¥ 636	¥ 867	¥1,405	¥1,628	¥1,727	¥1,517	¥1,264
Weighted-average market price	1,192	1,123	1,311	—	—	—	—	—
Fair value per option on grant date	—	—	—	—	—	292	191	220

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	Four years and six months
Expected dividends (per share)	¥22
Risk free interest rate	1.07%

Volatility was determined based on the actual stock price over the past four years and six 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 dividends (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.

22. SUBSEQUENT EVENTS

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

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

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

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

Details of the capital and business alliances are as follows:

(1) Business alliance

The business alliance includes the following corporative activities:

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

(2) Capital alliance

The Company obtained the FUMAKILLA's new stocks by accepting an allocation of new shares to a third party.

In addition, Company is planning one director's dispatch to FUMAKILLA.

Outline of FUMAKILLA LIMITED is as follows:

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

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

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

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
S.T.CORPORATION

We have audited the accompanying consolidated balance sheets of S.T.CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 22 to the consolidated financial statements, the Company signed an agreement to form a capital and business alliance with FUMAKILLA Co., Ltd on May 13, 2010 as a result of the resolution of the meeting of executive officers held on the same day. The Company also decided to take up the allocation of new shares to a third party offered by FUMAKILLA and paid on June 4, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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, 2010

A member firm of Ernst & Young Global Limited

FIVE-YEAR FINANCIAL SUMMARY

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

	Millions of yen (except per share data and ratios)					Thousands of U.S. dollars (except per share data and ratios)
	2010	2009	2008	2007	2006	**2010**
FOR THE YEAR:						
Net sales	**¥43,546**	¥44,879	¥47,006	¥45,227	¥46,134	**$468,032**
Cost of sales	**25,151**	26,280	26,887	25,243	26,110	**270,327**
Selling, general and administrative expenses	**16,149**	16,107	16,900	16,642	16,892	**173,568**
Operating income	**2,246**	2,493	3,219	3,342	3,133	**24,137**
Income before income taxes and minority interests	**1,943**	1,969	2,458	3,039	1,913	**20,888**
Net income	**1,119**	1,076	1,295	1,747	988	**12,031**
Capital expenditures	**673**	716	649	696	826	**7,228**
Depreciation and amortization	**922**	858	936	837	873	**9,914**
R&D expenses	**612**	499	489	489	480	**6,574**
Cash flows from operating activities	**2,263**	1,549	2,784	2,636	1,954	**24,325**
Cash flows from investing activities	**(126)**	(604)	871	2,220	(2,230)	**(1,356)**
Free cash flow	**2,137**	945	3,655	4,857	(276)	**22,969**
Cash flows from financing activities	**(499)**	(530)	(6,589)	(5,561)	(571)	**(5,366)**
AT YEAR-END:						
Current assets	**¥17,667**	¥16,118	¥16,080	¥20,289	¥23,606	**$189,882**
Property, plant and equipment, net	**6,561**	6,766	7,070	7,371	7,582	**70,515**
Total assets	**29,029**	27,617	28,393	33,830	37,905	**312,010**
Current liabilities	**7,313**	6,881	7,581	7,494	7,973	**78,599**
Long-term liabilities	**1,751**	1,706	1,667	1,687	1,591	**18,817**
Net assets	**19,966**	19,029	19,144	24,649	27,861	**214,594**
Cash and cash equivalents	**7,170**	5,520	5,185	8,112	8,802	**77,061**
Number of shares issued (thousands)	**29,500**	29,500	29,500	29,500	30,347	
Number of treasury stock (thousands)	**7,648**	7,669	7,687	3,708	1,518	
Number of employees	**611**	619	607	602	615	
PER SHARE (yen and U.S. dollars)**:**						
Net income	**¥ 51.25**	¥ 49.32	¥ 54.08	¥ 65.10	¥ 34.35	**$0.55**
Cash dividends	**22.00**	22.00	22.00	22.00	22.00	**0.24**
Net assets	**892.46**	853.81	853.90	935.19	966.43	**9.59**
RATIOS (%)**:**						
Operating income margin	**5.16**	5.55	6.85	7.39	6.79	
Income before income taxes and minority interests/net sales	**4.46**	4.39	5.23	6.72	4.15	
Net income margin	**2.57**	2.40	2.76	3.86	2.14	
ROE	**5.87**	5.78	6.06	6.72	3.57	
ROA	**3.95**	3.84	4.16	4.87	2.64	
Equity ratio	**67.18**	67.49	65.60	71.30	73.50	

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥93.04 = U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2010.
2. For the year ended March 31, 2006, the amount of total shareholders' equity, instead of total net assets, is presented in the above line of net assets, as the Company adopted the ASBJ accounting standard for the presentation of net assets in the balance sheet, effective from the year ended March 31, 2007.
3. ROE = Net income divided by average total equity (the sum of total shareholders' equity and total valuation, translation adjustments and other) for the fiscal year.
4. ROA = Net income divided by average total assets for the fiscal year.

INVESTOR INFORMATION
(As of March 31, 2010)

Corporate Data

Company name	S.T. CORPORATION
Headquarters	4-10, Shimo-ochiai 1-chome, Shinjuku-ku, Tokyo 161-8540, Japan
Establishment	August 31, 1948
Common stock	¥7,065,500,000
Fiscal year-end	March 31
Shares issued and outstanding	29,500,000
Listed stock exchange	Tokyo Stock Exchange, First Section
Shareholders	9,206
Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Accounting auditor	Ernst & Young ShinNihon LLC
Annual shareholders' meeting	Middle of June each year (June 18, 2010)
Employees	611 (Consolidated) 385 (Non-Consolidated)
Contact	Hirohide Shimada, Public Relations Department
E-mail	ir@st-c.co.jp
Telephone	+81-3-5906-0734
Facsimile	+81-3-5906-0742

Consolidated subsidiaries

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

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

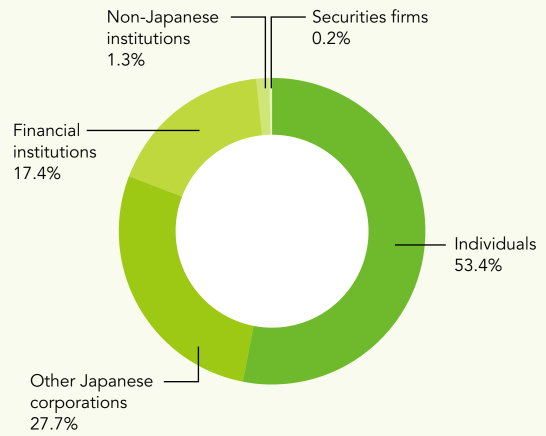
S.T. Business Support Co., Ltd.
Temporary staffing and contract work for S.T. Group

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

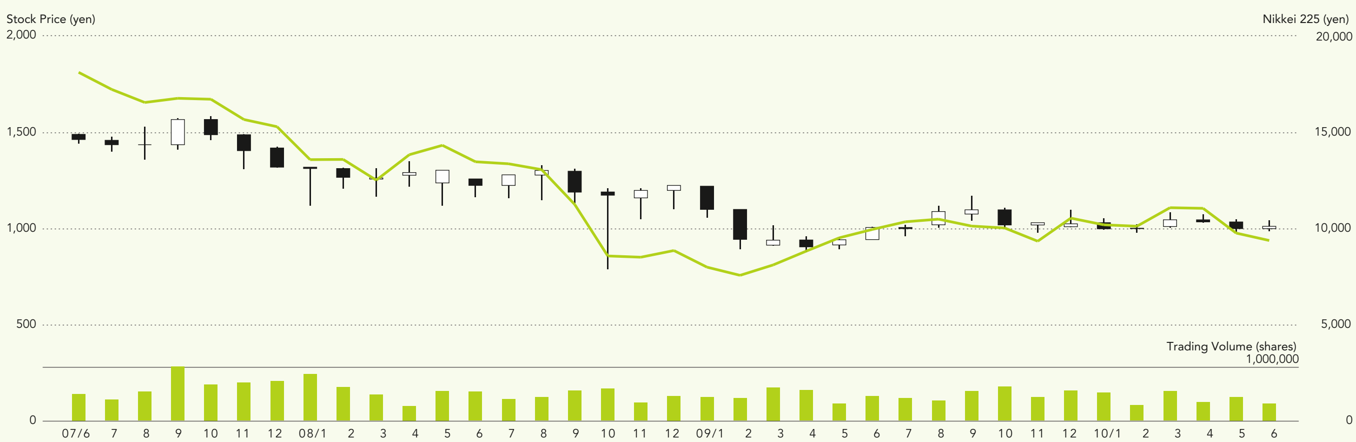
Family Glove (Taiwan) Co., Ltd.
Manufacture and sales of hand gloves

Major Shareholders

	Thousands of shares	% of total
S.T. CORPORATION	7,647	25.9
Shaldan Co., Ltd.	5,727	19.4
Nippon Life Insurance Company	1,671	5.7
TCSB (Mizuho Bank)	884	3.0
Takashi Suzuki	822	2.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	681	2.3
Akio Suzuki	450	1.5
Carenne	433	1.5
Sompo Japan Insurance Inc.	416	1.4
Hiromu Fujii	401	1.4



Stock Price Chart



S.T.CORPORATION

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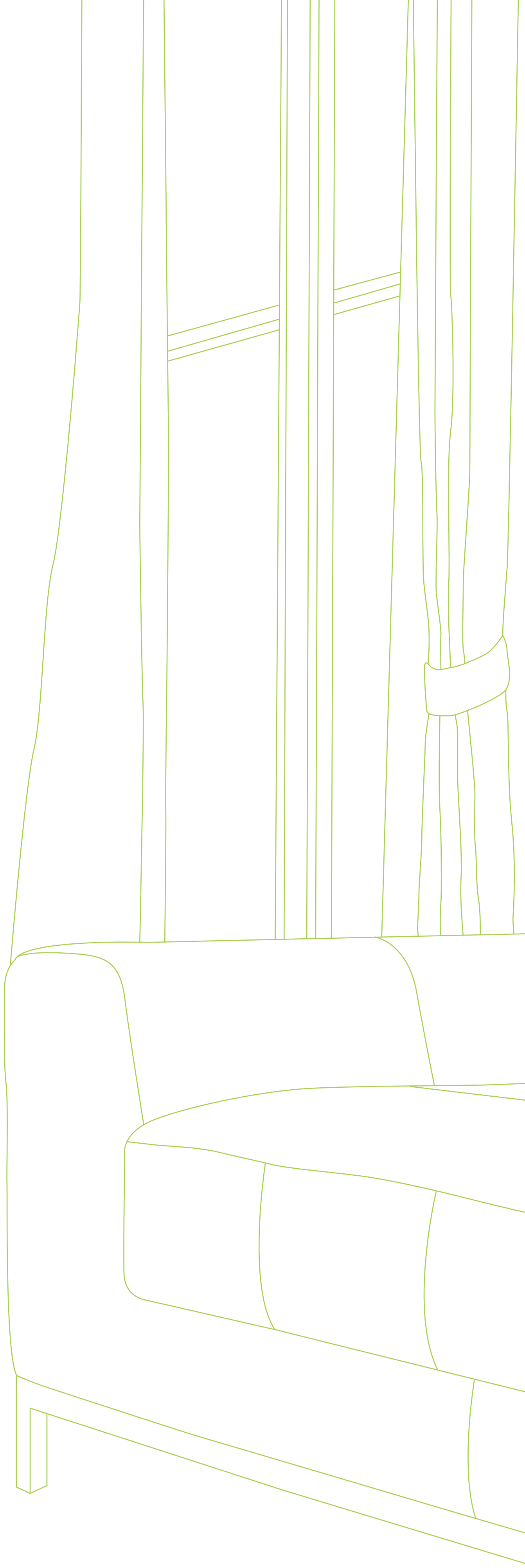

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