

Creating Corporate Value Report 2015
Financial Section
Year ended March 31, 2015



Refreshing the Air

Management's Discussion and Analysis

Group Outline

The S.T. CORPORATION Group is composed of S.T. CORPORATION, six consolidated subsidiaries, three equity method affiliated companies and other affiliated companies.

Sales Overview

In the fiscal year ended March 31, 2015, the Japanese economy was in moderate recovery including recovery in corporate performance due to government economic policies and monetary easing by the Bank of Japan. At the same time, our economic concerns remained with the sluggish recovery of consumer spending after the consumption tax hike and increased raw materials prices resulting from a rapid depreciation of the yen. While the global economy, led by the U.S., is gradually recovering, there are still uncertain factors, such as the future of the economies of China and other developing countries.

Within these circumstances, the S.T. CORPORATION Group followed our basic policies; narrowing down and concentrating on targets, developing unprecedented products, and managing businesses swiftly, and worked to create customers, establish a high-yielding system, and activate our organization. We also continued to develop the "S.T. Reformation" program throughout our group companies.

As a result, although consolidated net sales were sluggish initially due to decreased sales of Air Care category after the consumption tax hike, other categories like the Cloth Care category and the Humidity Care category increased their sales, and net sales of the fiscal year increased

2.7% year on year, to ¥48,263 million. Regarding individual segments, in the Mothproofing and Hygiene-Related Products, sales in the Cloth Care category increased 0.8%, sales in the Hand Care category increased 16.9%, and sales in the Thermal Care category increased 1.4%. In the Household Environment-Related Products, sales in the Air Care category decreased 0.7%, sales in the Humidity Care increased 17.0%, and sales in the Home Care category increased 2.8%.

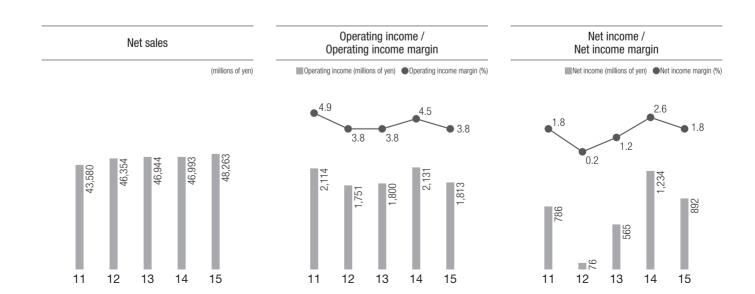
Cost of Sales, SG&A Expenses, and Operating Income

While raw materials costs rose, we continued to make efforts to lower manufacturing costs, and as a result the cost of sales increased 4.7% year on year, to \$28,235\$ million. By making efficient marketing investments and cutting other costs, SG&A expenses increased 1.9% to \$18,216\$ million. As a result, operating income decreased 14.9% to \$1,813\$ million.

Other Income (Expenses), Pretax and Net Income

In other income and expenses, due to receipt of the insurance from the snow damage to the factories, decreased posting gain on sales of investment securities, and increased loss on retirement of non-current assets, income before income taxes and minority interests decreased 6.2% to ¥1,536 million and net income decreased 27.7% to ¥892 million.

Accordingly, net income per share decreased to ¥40.83 (¥56.74 for the previous fiscal year.) The net income margin decreased from 2.6% to 1.8%, and return on equity (ROE) decreased from 6.1% to 4.2%.



Financial Position

Total assets as of March 31, 2015 stood at ¥33,785 million, up ¥1,415 million from the end of the previous year. Total current assets increased by ¥1,265 million, to ¥20,221 million, due to an increase in cash and deposits. On the other hand, non-current assets increased by ¥149 million, to ¥13,564 million, due to an increase in investment securities.

Total liabilities decreased by ¥99 million, to ¥11,185 million, from the end of the previous year, largely due to an increase in notes payables and trade payables. On the other hand, total net assets increased by ¥1,514 million, to ¥22,600 million from the end of the previous year, primarily due to an increase in retained earnings.

As a result of the above, total net assets per share increased from ¥936.06 at the end of the previous fiscal year to ¥1,001.84. Equity ratio is as high as 64.8%, near the same level as 63.2% of the previous fiscal year, and we continued to maintain a sound financial position.

Capital Expenditures and Depreciation and Amortization

Capital expenditures of this fiscal year increased from the previous fiscal year's ¥942 million to ¥1,486 million. Depreciation and amortization decreased from ¥894 million of the previous fiscal year to ¥844 million.

Cash Flows

Net cash provided by operating activities was ¥2,137 million, a year on year increase of ¥27 million. This was primarily due to a decrease in inventory. On the other hand, net cash used in investing activities

was ¥1,768 million. (In the same period of the previous fiscal year, net cash provided by investing activities was ¥514 million.) This was primarily due to increased time deposits. Net cash used in financing activities was ¥614 million, a year on year increase of ¥148 million, primarily due to payment of dividends to shareholders.

As a result, cash and cash equivalents at the end of the year stood at ¥6,585 million, a year on year decrease of ¥143 million.

Dividends and Return to Shareholders

Taking into consideration such factors as net income and the need to realize shareholder returns, we decided to distribute a term-end dividend of ¥11.0 (¥22.0 for the full year, including the interim dividend), on a par with the previous fiscal year, making for a consolidated payout ratio of 53.9%. The company will continue to place importance on returns to shareholders.

Business and Operational Risks

Factors that could possibly impact the Group's operating results, financial position or stock prices include the following: (1) an escalation in raw materials prices; (2) the impact on manufacturing operations from natural disasters and changes in international political or other conditions; (3) sales fluctuations due to unseasonal weather; (4) and the failure of initiatives to raise new businesses. Forward-looking statements in this annual report are based on certain assumptions made by the Group as of the end of this fiscal year.

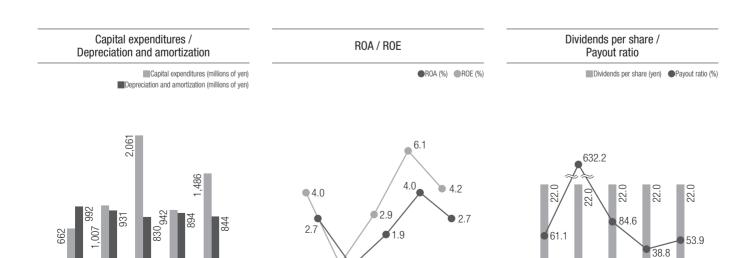
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Consolidated Balance Sheets

S.T.CORPORATION and consolidated subsidiaries March 31, 2015 and 2014

| millions of yen | | | thousands of U.S. dollars (Note 2) |
|--|----------|----------|------------------------------------|
| Assets | 2015 | 2014 | 2015 |
| Current assets: | | | |
| Cash and time deposits (Notes 6, 10 and 16) | ¥ 7,629 | ¥ 6,765 | \$ 63,429 |
| Marketable securities (Notes 6 and 8) | 109 | _ | 908 |
| Trade notes and accounts receivable (Note 6) | 5,867 | 5,150 | 48,783 |
| Merchandise and finished goods | 4,866 | 5,086 | 40,458 |
| Work in process | 269 | 219 | 2,237 |
| Raw materials and supplies | 638 | 648 | 5,305 |
| Deferred tax assets (Note 11) | 371 | 386 | 3,083 |
| Other current assets | 478 | 717 | 3,974 |
| Less - allowance for doubtful accounts | (5) | (16) | (42) |
| Total current assets | 20,221 | 18,956 | 168,134 |
| | | | |
| Property, plant and equipment, at cost: | | | |
| Land (Note 9) | 3,189 | 3,289 | 26,515 |
| Buildings and structures | 6,659 | 6,702 | 55,368 |
| Machinery, equipment and vehicles | 6,509 | 7,628 | 54,117 |
| Tools, furniture and fixtures | 3,871 | 3,557 | 32,184 |
| Construction in progress | 375 | 14 | 3,116 |
| Leased assets (Note 17) | 794 | 381 | 6,598 |
| Less - accumulated depreciation | (13,286) | (14,016) | (110,470) |
| Property, plant and equipment, net | 8,110 | 7,555 | 67,428 |
| | | | |
| Intangible assets, net of accumulated amortization | 219 | 192 | 1,824 |
| Total intangible assets | 219 | 192 | 1,824 |
| Investments and other assets: | | | |
| Investments in non-consolidated subsidiaries and affiliates | 469 | 751 | 3,902 |
| Investment securities (Notes 6 and 8) | 3,757 | 3,008 | 31,238 |
| Long-term loans | 31 | 38 | 254 |
| Deferred tax assets other than unrealized revaluation loss on land (Note 11) | 4 | 412 | 35 |
| Other assets | 974 | 1,458 | 8,095 |
| Total investments and other assets | 5,235 | 5,667 | 43,525 |
| Total assets | ¥ 33,785 | ¥ 32,370 | \$ 280,910 |
| | | | |

thousands of U.S. dollars (Note 2) millions of yen Liabilities and net assets 2015 2014 2015 Current liabilities: Trade payables (Note 6) ¥ 1,974 ¥ 2,050 \$ 16,413 Electronically recorded obligations-operating 2,922 3,384 24,292 Short-term loans payable 62 38 519 Lease obligations 138 75 1,149 Other payables (Note 6) 2,384 2,316 19,825 Accrued expenses 614 590 5.105 43 738 Electronically recorded obligations-non-operating 89 Income taxes payable 315 196 2,619 Consumption taxes payable 267 88 2,221 Allowance for sales returns 158 117 1,317 Other current liabilities 705 85 67 Total current liabilities 9,008 8,966 74,901 Long-term liabilities: Lease obligations 559 275 4,644 Directors' retirement and severance benefits 122 1,015 156 Net defined benefit liability (Notes 1, 4 and 12) 1,190 1,565 9,895 Deferred tax liabilities (Note 11) 34 284 321 Deferred tax liabilities - unrealized revaluation profit on land (Note 9) 271 2,250 Other liabilities-not current liabilities 1 1 8 2,318 18,095 Total long-term liabilities 2,176 Net assets (Note 13): Shareholders' equity: Common stock: Authorized - 96,817,000 shares in 2015 and 2014 Issued and outstanding - 23,000,000 shares in 2015 and 2014 7,066 7.066 58,747 Capital surplus 7,068 7,068 58,766 Retained earnings 9,394 8,837 78,109 Treasury stock, at cost (1,654)(1,652)(13,750)Total shareholders' equity 21,874 21,319 181,872 Accumulated other comprehensive income (loss): Unrealized holding gain on other securities, net of taxes 743 145 6,181 Unrealized revaluation loss on land, net of taxes (Note 9) (524)(4,537)(546)Translation adjustments (202)(1,679)(335)Remeasurements of defined benefit plans 21 (149)176 Total accumulated other comprehensive income (loss) 17 (864)141 Subscription rights 81 95 671 Minority interests in consolidated subsidiaries 629 536 5,229 Total net assets 22,600 21,087 187,913 ¥ 33.785 ¥ 32.370 \$ 280.910 Total liabilities and net assets

Consolidated Statements of Income

S.T.CORPORATION and consolidated subsidiaries For the years ended March 31, 2015 and 2014

| | millions | of yen | thousands of U.S. dollars (Note 2) | |
|---|--------------|----------|---------------------------------------|--|
| | 2015 | 2014 | 2015 | |
| Net sales | ¥ 48,263 | ¥ 46,993 | \$ 401,293 | |
| Cost of sales (Notes 15 and 20) | 28,194 | 26,970 | 234,421 | |
| Gross profit before reversal of allowance for sales returns | 20,070 | 20,023 | 166,872 | |
| Reversal of allowance for sales returns | (42) | (11) | (345) | |
| Gross profit | 20,028 | 20,013 | 166,527 | |
| Selling, general and administrative expenses (Note 15) | 18,216 | 17,881 | 151,455 | |
| Operating income | 1,813 | 2,131 | 15,072 | |
| Non-operating income (expenses): | | | | |
| Interest and dividends received | 79 | 49 | 657 | |
| Interest expense | (2) | (1) | (14) | |
| Purchase discounts | 171 | 172 | 1,426 | |
| Sales discounts | (863) | (857) | (7,178) | |
| Loss on equity of affiliates | (90) | (110) | (744) | |
| Insurance income | 154 | 0 | 1,284 | |
| Other, net | 335 | 113 | 2,782 | |
| Total non-operating income (expenses) | (215) | (634) | (1,787) | |
| Ordinary income | 1,598 | 1,497 | 13,285 | |
| Special gains (losses), net: | | | | |
| Loss on disposition of property, plant and equipment, net | (111) | (25) | (920) | |
| Gain on reversal of subscription rights to shares | 29 | 25 | 241 | |
| Loss on valuation of investment securities | (10) | (5) | (83) | |
| Gain (loss) on sales of investment securities, net | (0) | 265 | (1) | |
| Loss on sales of stocks of subsidiaries and affiliates | - | (29) | _ | |
| Loss on valuation of stocks of subsidiaries and affiliates | _ | (31) | _ | |
| Gain on extinguishment of tie-in shares, net | 30 | _ | 249 | |
| Loss on disaster | _ | (60) | _ | |
| Total special gains (losses), net | (62) | 140 | (514) | |
| Income before income taxes and minority interests | 1,536 | 1,637 | 12,770 | |
| Income taxes (Note 11): | | | | |
| Current | 532 | 370 | 4,420 | |
| Deferred | 25 | (6) | 209 | |
| Total income taxes | 557 | 364 | 4,629 | |
| Income before minority interests | 979 | 1,273 | 8,141 | |
| Minority interests | 87 | 39 | 723 | |
| Net income | ¥ 892 | ¥ 1,234 | \$ 7,418 | |

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

S.T.CORPORATION and consolidated subsidiaries For the years ended March 31, 2015 and 2014

| | millions | millions of yen | | |
|--|----------|-----------------|-----------|--|
| | 2015 | 2014 | 2015 | |
| Income before minority interests | ¥ 979 | ¥ 1,273 | \$ 8,141 | |
| Other comprehensive income (loss) (Note 5) | | | | |
| Unrealized holding gain (loss) on other securities, net of taxes | 598 | (399) | 4,974 | |
| Unrealized revaluation loss on land, net of taxes | 25 | · – | 211 | |
| Translation adjustments | 166 | 177 | 1,384 | |
| Remeasurements of defined benefit plans, net of tax | 170 | _ | 1,416 | |
| Other comprehensive income (loss) on equity method companies | 19 | (83) | 160 | |
| Total other comprehensive income (loss) | 980 | (305) | 8,145 | |
| Comprehensive income | ¥ 1,959 | ¥ 969 | \$ 16,287 | |
| Total comprehensive income attributable to: | | | | |
| Shareholders of S.T. CORPORATION | 1,820 | 857 | 15,129 | |
| Minority interests in consolidated subsidiaries | 139 | 112 | 1,158 | |

Consolidated Statements of Changes in Net Assets

S.T.CORPORATION and consolidated subsidiaries For the years ended March 31, 2015 and 2014

| | | | | | | millions of yen | | |
|--|--------------------------------------|---|------------------------------|------------------------------------|--|-------------------------|------------------------------|-------------------------|
| | | of co | ber of shares ommon stock | Common | Capital | Retained | Treasury stock, | Total shareholders' |
| Balance at April 1, 2014 | | (T | housands) 23,000 | stock ¥ 7,066 | surplus ¥ 7,068 | earnings ¥ 8,837 | at cost ¥ (1,652) | equity ¥ 21,319 |
| Cumulative effects of changes in accounting policies | | | ŕ | ŕ | ŕ | ¥ 94 | | ¥ 94 |
| Restated balance at April 1, 2014 Cash dividends paid by distribution of retained earnings | | | 23,000 | ¥ 7,066 | ¥ 7,068 | ¥ 8,931 (481) | ¥ (1,652) | ¥ 21,412 (481) |
| Net income Purchases of treasury stock | | | | | | 892 | (2) | 892 (2) |
| Change of scope of consolidation | | | | | | 5 | (2) | 5 |
| Reversal of unrealized revaluation loss on land, net of taxes Net changes in items other than those in shareholders' equity | | | | | | 47 | | 47 |
| Balance at March 31, 2015 | | | 23,000 | ¥ 7,066 | ¥ 7,068 | ¥ 9,394 | ¥ (1,654) | ¥ 21,874 |
| | Unrealized | Unrealized | | | of yen Total accumulated | | Minority | |
| | holding gain on other securities, | revaluation loss on land, net of taxes | Translation | of defined benefit | other comprehensive | Subscription | interests in consolidated | Total net |
| Balance at April 1, 2014 | net of taxes ¥ 145 | (Note 9) ¥ (524) | adjustments ¥ (335) | plans ¥ (149) | loss ¥ (864) | rights ¥ 95 | subsidiaries ¥ 536 | assets ¥ 21,087 |
| Cumulative effects of changes in accounting policies | | ` ′ | , , | ` ′ | ` , | | | ¥ 94 |
| Restated balance at April 1, 2014 Cash dividends paid by distribution of retained earnings | ¥ 145 | ¥ (524) | ¥ (335) | ¥ (149) | ¥ (864) | ¥ 95 | ¥ 536 | ¥ 21,180 (481) |
| Net income Purchases of treasury stock | | | | | | | | 892 (2) |
| Change of scope of consolidation | | | | | | | | 5 |
| Reversal of unrealized revaluation loss on land, net of taxes Net changes in items other than those in shareholders' equity | 598 | (21) | 134 | 170 | 881 | (14) | 93 | 47 959 |
| Balance at March 31, 2015 | ¥ 743 | ¥ (546) | ¥ (202) | ¥ 21 | ¥ 17 | ¥ 81 | ¥ 629 | ¥ 22,600 |
| | | Num | ber of shares | | | millions of yen | | Total |
| | | of co | nmon stock housands) | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | shareholders' equity |
| Balance at April 1, 2013 Cumulative effects of changes in accounting policies | | | 23,000 | ¥ 7,066 | ¥ 7,068 | ¥ 7,662 | ¥ (1,787) | ¥ 20,008 |
| Restated balance at April 1, 2013 | | | 23,000 | ¥ 7,066 | ¥ 7,068 | ¥ 7,662 | ¥ (1,787) | ¥ 20,008 |
| Cash dividends paid by distribution of retained earnings Net income | | | | | | (478) 1,234 | | (478) 1,234 |
| Purchases of treasury stock | | | | | | 49 | (2) | (2) 49 |
| Change of scope of consolidation Change of scope of equity method | | | | | | 371 | 138 | 508 |
| Net changes in items other than those in shareholders' equity Balance at March 31, 2014 | | | 23,000 | ¥ 7,066 | ¥ 7,068 | ¥ 8,837 | ¥ (1,652) | ¥ 21,319 |
| | | | 20,000 | millions | | 1 0,001 | 1 (1,002) | 1 21,010 |
| | Unrealized holding gain on | Unrealized revaluation loss on | | | Total accumulated other | | Minority interests in | - |
| | other securities, net of taxes | land, net of taxes (Note 9) | Translation adjustments | defined benefit plans | comprehensive loss | Subscription rights | consolidated subsidiaries | Total net assets |
| Balance at April 1, 2013 Cumulative effects of changes in accounting policies | ¥ 648 | ¥ (524) | ¥ (461) | _ | ¥ (337) | ¥ 109 | ¥ 434 | ¥ 20,213 |
| Restated balance at April 1, 2013 | ¥ 648 | ¥ (524) | ¥ (461) | _ | ¥ (337) | ¥ 109 | ¥ 434 | ¥ 20,213 |
| Cash dividends paid by distribution of retained earnings Net income | | | | | | | | (478) 1,234 |
| Purchases of treasury stock Change of scope of consolidation | | | | | | | | (2) 49 |
| Change of scope of equity method | | | | | | | | 508 |
| Net changes in items other than those in shareholders' equity Balance at March 31, 2014 | (503) ¥ 145 | ¥ (524) | 125 ¥ (335) | (149) ¥ (149) | (527) ¥ (864) | (13) ¥ 95 | 102 ¥ 536 | (438) ¥ 21,087 |
| | | , (021) | . (550) | , (5) | (/ | of U.S. dollars (N | | , 00 . |
| | | of co | ber of shares mmon stock | Common | Capital | Retained | Treasury stock, | Total shareholders' |
| Balance at April 1, 2014 | | T) | housands) 23,000 | stock \$ 58,747 | surplus \$ 58,766 | earnings \$ 73,478 | at cost \$ (13,733) | equity \$ 177,258 |
| Cumulative effects of changes in accounting policies Restated balance at April 1, 2014 | | | 23,000 | \$ 58,747 | | \$ 778 \$ 74,256 | | \$ 778 \$ 178,036 |
| Cash dividends paid by distribution of retained earnings | | | 23,000 | ψ 50,747 | \$ 58,766 | (3,997) | \$ (13,733) | (3,997) |
| Net income Purchases of treasury stock | | | | | | 7,418 | (17) | 7,418 (17) |
| Change of scope of consolidation | | | | | | 42 | (, | 42 |
| Reversal of unrealized revaluation loss on land, net of taxes Net changes in items other than those in shareholders' equity | | | | | | 390 | | 390 |
| Balance at March 31, 2015 | | | 23,000 | \$ 58,747 | \$ 58,766 | \$ 78,109 | \$ (13,750) | \$ 181,872 |
| | Unrealized | Unrealized | | thousands of U.S Remeasurements | 5. dollars (Note 2) Total accumulated | | Minority | |
| | holding gain on other securities, | land, net of taxes | Translation | of defined benefit | other comprehensive | Subscription | interests in consolidated | Total net |
| Balance at April 1, 2014 | net of taxes \$ 1,207 | (Note 9) \$ (4,358) | adjustments \$ (2,789) | plans \$ (1,240) | \$ (7,180) | rights \$ 791 | subsidiaries \$ 4,458 | assets \$ 175,327 |
| Cumulative effects of changes in accounting policies Restated balance at April 1, 2014 | \$ 1,207 | \$ (4,358) | \$ (2,789) | \$ (1,240) | \$ (7,180) | \$ 791 | \$ 4,458 | \$ 778 \$ 176,104 |
| Cash dividends paid by distribution of retained earnings | Ψ 1,207 | ψ (4 ,356) | ψ (2,769) | ψ (1,240) | ψ (7,100) | ψ/91 | Ψ +,400 | (3,997) |
| Net income Purchases of treasury stock | | | | | | | | 7,418 (17) |
| Change of scope of consolidation | | | | | | | | 42 |
| Reversal of unrealized revaluation loss on land, net of taxes Net changes in items other than those in shareholders' equity | 4,973 | (179) | 1,110 | 1,416 | 7,321 | (120) | 771 | 390 7,973 |
| Balance at March 31, 2015 | \$ 6,181 | \$ (4,537) | \$ (1,679) | \$ 176 | \$ 141 | \$ 671 | \$ 5,229 | \$ 187,913 |

Consolidated Statements of Cash Flows

S.T.CORPORATION and consolidated subsidiaries For the years ended March 31, 2015 and 2014

| | millions o | of yen | thousands of U.S. dollars (Note 2) |
|--|----------------|----------------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 1,536 | ¥ 1,637 | \$ 12,771 |
| Adjustments to reconcile income before income taxes and minority | | | |
| interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | 844 | 894 | 7,019 |
| Gain on reversal of subscription rights to shares | (29) | (25) | (241) |
| Gain on extinguishment of tie-in shares | (30) | _ | (249) |
| Loss on sales of property, plant and equipment | 111 | 25 | 920 |
| Loss (gain) on sales and valuation of investment securities | 10 | (260) | 84 |
| Loss on sales of stocks of subsidiaries and affiliates | _ | 29 | _ |
| Loss on valuation of stocks of subsidiaries and affiliates | | 31 | |
| Increase (decrease) in allowance for doubtful receivables | (11) | 1 | (95) |
| Increase (decrease) in employees' retirement and severance benefits | (222) | (1,270) | - (4.000) |
| Increase (decrease) in net defined benefit liability | (232) | 1,565 | (1,933) |
| Increase (decrease) in directors' retirement and severance benefits | (34) | 18 | (282) |
| Increase (decrease) in allowance for sales returns | 42 | 11 | 345 |
| Interest and dividends received | (79) | (49) | (657) |
| Insurance income | (154) | (0) | (1,284) |
| Interest expense | (2005) | 1 (50) | 14 |
| Foreign exchange loss (gain) | (235) | (58) | (1,955) |
| Loss on disaster | 90 | 60 | 744 |
| Equity in loss of affiliates | 90 | 110 | 744 |
| Changes in operating assets and liabilities: Receivables | (CEC) | (060) | (E 4E7) |
| Inventories | (656) 322 | (260) (669) | (5,457) 2,679 |
| Payables and accrued expenses | | 519 | |
| Other, net | (481) 1,048 | 133 | (4,002) 8,715 |
| Subtotal | 2,061 | 2,443 | 17,137 |
| Interest and dividends received | 2,001 | 101 | 740 |
| Interest and dividends received | (2) | (1) | (14) |
| Proceeds from insurance income | 154 | 0 | 1,284 |
| Payments for loss on disaster | (28) | (1) | (233) |
| Income taxes paid | (138) | (432) | (1,147) |
| Net cash provided by operating activities | 2,137 | 2,110 | 17,768 |
| Cash flows from investing activities: | | | |
| Payments into deposits (more than three months) | (1,005) | (O) | (8,353) |
| Proceeds from withdrawal of time deposits (more than three months) | | 220 | ` _ ` |
| Purchases of property, plant and equipment | (840) | (903) | (6,980) |
| Proceeds from sales of property, plant and equipment | 123 | 2 | 1,021 |
| Purchases of investment securities | (8) | (667) | (65) |
| Proceeds from sales of investment securities | 3 | 465 | 24 |
| Purchase of investments in subsidiaries | _ | (36) | _ |
| Proceeds from sales of stocks of subsidiaries and affiliates | _ | 1,509 | _ |
| Other investments, net | (42) | (76) | (346) |
| Net cash provided by investing activities | (1,768) | 514 | (14,699) |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in short-term loans payable | 18 | 38 | 153 |
| Proceeds from stock issuance to minority shareholders | _ | 47 | _ |
| Purchases of treasury stock | (2) | (2) | (17) |
| Payments of dividends | (481) | (478) | (3,997) |
| Payments of dividends to minority shareholders | (48) | (23) | (399) |
| Other finance, net | (101) | (48) | (841) |
| Net cash used in financing activities | (614) | (465) | (5,102) |
| Effect of exchange rate changes on cash and cash equivalents | 32 | 74 | 267 |
| Net increase (decrease) in cash and cash equivalents | (212) | 2,233 | (1,766) |
| Cash and cash equivalents at beginning of year | 6,728 | 4,469 | 55,939 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 31 | 26 | 262 |
| Increase in cash and cash equivalents resulting from merger with | | | |
| unconsolidated subsidiaries | 38 | | 314 |
| Cash and cash equivalents at end of year (Note 16) | ¥ 6,585 | ¥ 6,728 | \$ 54,750 |

Notes to Consolidated Financial Statements

S.T.CORPORATION and Consolidated Subsidiaries

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).

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.

As permitted by Financial Instruments and Exchange Law, amounts of rounded off one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Scope of consolidation

- (1) Number of consolidated subsidiaries: 6 companies
- (2) Names of consolidated subsidiaries: S.T. TRADING CO., LTD, S.T. BUSINESS SUPPORT CO., LTD, S.T. (THAILAND) CO., LTD, FAMILY GLOVE CO., LTD. (TAIWAN), S.T. KOREA CORPORATION (SOUTH KOREA), SHALDAN (THAILAND)

CO., LTD

Due to increased significance, SHALDAN (THAILAND) CO., LTD has been included in the scope of consolidation.

S.T. AUTO CO., LTD has been excluded from the scope of consolidation due to a merger.

(3) Names of major non-consolidated subsidiaries: JAPAN CORPORATION CO., LTD, JAPAN AROMA LABORATORY CO., LTD, S.T. GLOVE CO., LTD

Number of non-consolidated subsidiaries was reduced by 2 companies because ECOCO CO., LTD has been extinguished by a merger, and due to increased significance, SHALDAN (THAILAND) CO., LTD has been included in the scope of consolidation.

(Reasons for exclusion from scope of consolidation)
Non-consolidated subsidiaries have been excluded from the scope of
consolidation because the total amounts of their total assets, net
sales, net income or loss (amount equivalent to equity interests),
retained earnings (amount equivalent to equity interests) and other
figures are limited, and the effect on the consolidated financial
statements as a whole is not significant.

(c) Scope of application of equity-method accounting

- (1) Number of affiliated companies accounted for by the equity method: 3 companies
- (2) Names of major companies: SHALDAN (PHILIPPINES), INC, AEKYUNG S.T. CO., LTD, NS FAFA JAPAN CO., LTD

(3) Name of non-consolidated subsidiaries for which equity method is not applied

The non-consolidated subsidiaries to which the equity method does not apply (JAPAN CORPORATION CO., LTD, JAPAN AROMA LABORATORY CO., LTD, S.T. GLOVE CO., LTD) use the cost method rather than the equity method because the total amounts of their net income or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other figures are limited, and the effect on the consolidated financial statements as a whole is not significant.

(d) Accounting period

The accounting period of the Company begins on April 1 and ends on March 31 of the following year. The four 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.

(e) 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.

(f) Marketable securities and investment securities

Other securities with determinable market value are carried at market value with any changes in unrealized holding gain or loss, net of the related deferred income tax assets or liabilities, included in net assets. Other securities without determinable market value are stated at cost determined by the moving-average method and the cost of other securities sold is computed based on the moving-average method. During the years ended March 31, 2015 and 2014, the Company and its consolidated subsidiaries did not have any trading securities.

(a) Inventories

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

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

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

The estimated useful lives of the major depreciable assets are as follows:
Buildings and structures 3 to 50 years
Machinery, equipment and vehicles 2 to 17 years
Tools, furniture and fixtures 2 to 20 years

(i) Intangible assets

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

(j) Leases

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

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

(k) Allowance for doubtful receivables

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

(I) Allowance for sales returns

The allowance for sales returns is provided for losses on sales returns subsequent to the balance sheet date at an amount equivalent to that calculated based on the actual percentage of returns in prior years.

(m) Employees' retirement and severance benefits

- (1) Method of attributing expected benefit payments to the period In a calculation retirement benefit obligation, a method of attributing expected benefit payments to the period is based on the benefit formula
- (2) Method of expenses for actuarial gains/losses Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of a certain number of years (5 years) which is shorter than the average remaining years of service of the employees.

(3) Adoption of a simplified method in some consolidated subsidiaries Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end for the calculation of net defined benefit liability and retirement benefit expenses.

(n) 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.

(o) Consumption taxes

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

(p) Cash and cash equivalents

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

2 Basis of Translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at $\pm 120.27 = U.S.\pm 1.00$, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2015. 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 Presentation

(Consolidated Statements of Income)

"Insurance income" included in "Other non-operating income" in the previous fiscal year exceeds 10% of total non-operating income and is therefore presented separately from the current fiscal year. In order to reflect the change in presentation, the consolidated statement of income in the previous fiscal year has been reclassified.

As a result of this change, ¥113 million presented as "Other non-operating income" in the previous fiscal year is reclassified as ¥0 million for "Insurance income" and ¥113 million for "Other non-operating income," respectively.

(Consolidated Statements of Cash Flows)

"Insurance income" included in "Income before income taxes and minority interests" of net cash provided by operating activities in the previous fiscal year is presented separately due to the increase in the monetary significance. In order to reflect the change in presentation, "Proceeds from insurance income" beneath the subtotal of net cash provided by operating activities" is presented separately.

As a result of this change, ¥ (0) million of "Insurance income" and ¥0 million of "proceeds from insurance income" in the previous fiscal year are reclassified to reflect the change in presentation.

4 Change in Accounting Policies

The Company has adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the main clause of Section 67 of "Guidance on Accountings Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) effective from April 1, 2014 of the end of current fiscal year. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, at the beginning of the year ended March 31, 2015, "liabilities for retirement benefits" decreased by ¥144 million (U.S.\$1,197 thousand), and "retained earnings" increased by ¥94 million (U.S.\$778 thousand). Also the effects on operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2015 are minor.

In addition, the effects on per share information are minor.

5 Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

| | millions o | millions of yen | |
|--|------------|-----------------|----------|
| | 2015 | 2014 | 2015 |
| Unrealized holding gain (loss) on other securities, net of taxes | | | |
| Amount recognized in the year | ¥ 864 | ¥ (354) | \$ 7,181 |
| Reclassification adjustments included in the statement of income | 0 | (260) | 1 |
| Before income tax effect adjustment | 864 | (613) | 7,182 |
| Amount of income tax effect | (266) | 215 | (2,208) |
| Unrealized holding gain (loss) on other securities, net of taxes | 598 | (399) | 4,974 |
| Unrealized revaluation loss on land, net of taxes | | | |
| Amount of income tax effect | 25 | | 211 |
| Translation adjustments | | | |
| Amount recognized in the year | 166 | 177 | 1,384 |
| Remeasurements of defined benefit plans, net of tax | | | |
| Amount recognized in the year | 206 | _ | 1,711 |
| Reclassification adjustments included in the statement of income | 55 | _ | 456 |
| Before income tax effect adjustment | 261 | _ | 2,167 |
| Amount of income tax effect | (90) | _ | (751) |
| Remeasurements of defined benefit plans, net of tax | 170 | | 1,416 |
| Other comprehensive income (loss) on equity method companies | | | |
| Amount recognized in the year | 26 | (82) | 217 |
| Reclassification adjustments included in the statement of income | (7) | (1) | (57) |
| Other comprehensive income (loss) on equity method companies | 19 | (83) | 160 |
| Total other comprehensive income (loss) | 980 | (305) | 8,145 |

6 Financial Instruments

(1) Current status of financial instruments

(a) Policy in relation to financial instruments

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

(b) Details of financial instruments and related risk Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, receivables denominated in foreign currencies are exposed to foreign currency exchange risk.

Marketable 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, electronically recorded obligations-operating 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 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 sheets as of March 31, 2015 and 2014, the estimated fair value of such items and the differences between them are shown below. Financial instruments for which fair value is extremely difficult to estimate are not included in the following table.

| | | millions of yen | |
|---|----------------|-----------------|------------|
| Year ended March 31, 2015 | Carrying value | Fair value | Difference |
| a Cash and time deposits | ¥ 7,629 | ¥ 7,629 | _ |
| b Trade notes and accounts receivable | 5,867 | 5,867 | _ |
| c Marketable securities and investment securities | 3,811 | 3,811 | _ |
| Assets | ¥ 17,307 | ¥ 17,307 | _ |
| a Trade payables | ¥ 1,974 | ¥ 1,974 | _ |
| b Electronically recorded obligations-operating | 2,922 | 2,922 | _ |
| c Other payables | 2,384 | 2,384 | _ |
| Liabilities | ¥ 7,280 | ¥ 7,280 | _ |

| | | millions of yen | |
|---|----------------|-----------------|------------|
| Year ended March 31, 2014 | Carrying value | Fair value | Difference |
| a Cash and time deposits | ¥ 6,765 | ¥ 6,765 | _ |
| b Trade notes and accounts receivable | 5,150 | 5,150 | _ |
| c Investment securities | 2,943 | 2,943 | _ |
| Assets | ¥ 14,859 | ¥ 14,859 | |
| a Trade payables | ¥ 2,050 | ¥ 2,050 | _ |
| b Electronically recorded obligations-operating | 3,384 | 3,384 | _ |
| c Other payables | 2,316 | 2,316 | _ |
| Liabilities | ¥ 7,751 | ¥ 7,751 | _ |

| | | thousands of U.S. dollars | |
|---|----------------|---------------------------|------------|
| Year ended March 31, 2015 | Carrying value | Fair value | Difference |
| a Cash and time deposits | \$ 63,429 | \$ 63,429 | _ |
| b Trade notes and accounts receivable | 48,783 | 48,783 | _ |
| c Marketable securities and investment securities | 31,688 | 31,688 | _ |
| Assets | \$ 143,899 | \$ 143,899 | _ |
| a Trade payables | \$ 16,413 | \$ 16,413 | - |
| b Electronically recorded obligations-operating | 24,292 | 24,292 | _ |
| c Other payables | 19,825 | 19,825 | _ |
| Liabilities | \$ 60,529 | \$ 60,529 | _ |

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

I manage securities and investments securities. For information on securities classified by purpose of bolding, please refer to the "Marketable Securities and Investment Securities" section of the notes to the financial statements.

Liabilities

a. Trade payables, b. Electronically recorded obligations-operating and c. Other payables

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

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

| | million | s of yen | thousands of U.S. dollars |
|----------------------------|---------|----------|---------------------------|
| | 2015 | 2015 | |
| Unlisted equity securities | ¥ 55 | \$ 459 | |

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, 2015 and 2014 are summarized as follows:

| | millions of yen | | | |
|---|------------------|-------------------------------------|--|--------------------|
| Year ended March 31, 2015 | 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 | ¥ 7,627 | ¥ — | _ | _ |
| Trade notes and accounts receivable | 5,867 | _ | _ | _ |
| Marketable securities and investment securities | | | | |
| Bond | 100 | _ | _ | _ |
| Other | _ | 100 | _ | _ |
| Total | ¥ 13,594 | ¥ 100 | _ | _ |

| | | millions of yen | | | | |
|-------------------------------------|------------------|-------------------------------------|---------------------------------------|--------------------|--|--|
| Year ended March 31, 2014 | One year or less | More than 1 year and within 5 years | More than 5 years and within 10 years | More than 10 years | | |
| Time deposits | ¥ 6,764 | ¥ — | _ | _ | | |
| Trade notes and accounts receivable | 5,150 | _ | _ | _ | | |
| Investment securities | | | | | | |
| Bond | _ | 100 | _ | _ | | |
| Other | _ | 100 | _ | _ | | |
| Total | ¥ 11,915 | ¥ 200 | _ | _ | | |

| | | thousands of U.S. dollars | | | |
|---|------------------|-------------------------------------|---------------------------------------|--------------------|--|
| Year ended March 31, 2015 | 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 | \$ 63,417 | \$ - | _ | _ | |
| Trade notes and accounts receivable | 48,783 | _ | _ | _ | |
| Marketable securities and investment securities | | | | | |
| Bond | 831 | _ | _ | _ | |
| Other | _ | 831 | _ | _ | |
| Total | \$ 113,031 | \$ 831 | _ | _ | |

7 Derivatives

The Company and its consolidated subsidiaries had no derivative instruments outstanding at March 31, 2015 and 2014.

8 Marketable Securities and Investment Securities

(1) Other securities
The acquisition cost and related carrying value of other securities with a determinable market value at March 31, 2015 and 2014 are summarized as follows:

| | millior | millions of yen | |
|-----------------------|---------|-----------------|-----------|
| | 2015 | 2014 | 2015 |
| Acquisition cost | ¥ 2,753 | ¥ 2,748 | \$ 22,888 |
| Carrying value | 3,811 | 2,943 | 31,688 |
| Total unrealized gain | 1,077 | 709 | 8,958 |
| Total unrealized loss | 19 | 514 | 158 |

At March 31, 2015 and 2014, unlisted stocks (whose carrying value was ¥55 million (U.S.\$459 thousand) and ¥65 million, respectively) are not included in the above table because their fair value is extremely difficult to determine, given that no quoted market price is available.

(2) Sales of other securities

(Year ended March 31, 2015)

| | millions of yen | | |
|----------------------|---------------------|---------------|---------------|
| | Proceeds from sales | Gain on sales | Loss on sales |
| (1) Stocks | ¥ 3 | _ | ¥ 0 |
| (2) Bonds | | | |
| 1. Government bonds | _ | _ | _ |
| 2. Corporate bonds | _ | _ | _ |
| 3. Others | _ | _ | _ |
| (3) Other securities | _ | _ | _ |
| Total | ¥ 3 | _ | ¥ 0 |

(Year ended March 31, 2014)

| | millions of yen | | |
|----------------------|---------------------|---------------|---------------|
| | Proceeds from sales | Gain on sales | Loss on sales |
| (1) Stocks | ¥ 465 | ¥ 265 | _ |
| (2) Bonds | | | |
| 1. Government bonds | _ | _ | _ |
| 2. Corporate bonds | _ | _ | _ |
| 3. Others | _ | _ | _ |
| (3) Other securities | _ | _ | _ |
| Total | ¥ 465 | ¥ 265 | |

(Year ended March 31, 2015)

| | thousands of U.S. dollars | | |
|----------------------|---------------------------|---------------|---------------|
| | Proceeds from sales | Gain on sales | Loss on sales |
| (1) Stocks | \$ 24 | _ | \$ 1 |
| (2) Bonds | | | |
| 1. Government bonds | _ | _ | _ |
| 2. Corporate bonds | _ | _ | _ |
| 3. Others | _ | _ | _ |
| (3) Other securities | _ | _ | _ |
| Total | \$ 24 | _ | \$ 1 |

(3) Impairment of investment securities

The Company recognized impairment loss on investment securities of ¥10 million (U.S.\$83 thousand) for the years ended March 31, 2015. The Company recognized impairment loss on investment securities of ¥36 million for the years ended March 31, 2014.

9 Land Revaluation

In accordance with the Land Revaluation Law (Proclamation No. 34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The revaluation difference, net of taxes, is stated as "unrealized revaluation loss on land, net of taxes" in net assets. Deferred tax liabilities arising from this revaluation difference are presented separately from

deferred tax liabilities for other temporary differences in the accompanying consolidated balance sheets. The market value of the land as of March 31, 2015 and 2014 decreased by ¥584 million (U.S.\$4,859 thousand) and ¥579 million, respectively, after the revaluation.

10 Pledged Assets

Pledged assets for the years ended March 31, 2015 and 2014 are summarized as follows:

| | million | thousands of U.S. dollars | |
|---------------|---------|---------------------------|-------|
| | 2015 | 2014 | 2015 |
| Time deposits | ¥ 5 | ¥ 1 | \$ 40 |

11 Income Taxes

At March 31, 2015 and 2014, 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 |
|---|----------|--------|---------------------------|
| | 2015 | 2014 | 2015 |
| Current assets: | | | |
| Accrued employees' bonuses | ¥ 136 | ¥ 154 | \$ 1,127 |
| Allowance for sales returns | 52 | 41 | 435 |
| Accrued business taxes | 28 | 14 | 234 |
| Other | 157 | 186 | 1,303 |
| Gross current deferred tax assets | 373 | 395 | 3,099 |
| Valuation allowance | (2) | (5) | (13) |
| Total current deferred tax assets | 371 | 390 | 3,086 |
| Current liabilities: | | | |
| Deferred gain on sales of property | (0) | (1) | (4) |
| Enterprise tax receivable | _ | (3) | _ |
| Total current deferred tax liabilities | (0) | (4) | (4) |
| Net current deferred tax assets | ¥ 371 | ¥ 386 | \$ 3,083 |
| Non-current assets: | | | |
| Net defined benefit liability | ¥ 4 | ¥ 543 | \$ 35 |
| Directors' retirement and severance benefits | _ | 55 | _ |
| Write-downs of securities | _ | 63 | _ |
| Impairment loss | _ | 8 | _ |
| Other | _ | 2 | _ |
| Gross non-current deferred tax assets | 4 | 671 | 35 |
| Valuation allowance | _ | (126) | _ |
| Total non-current deferred tax assets | 4 | 545 | 35 |
| Non-current liabilities: | | | |
| Deferred gain on sales of property | _ | (15) | _ |
| Undistributed earnings of controlled foreign companies | _ | (68) | _ |
| Unrealized holding gain on other securities, net of taxes | _ | (51) | _ |
| Total non-current deferred tax liabilities | _ | (133) | _ |
| Net non-current deferred tax assets | ¥ 4 | ¥ 412 | \$ 35 |
| Non-current assets: | | | |
| Net defined benefit liability | ¥ 375 | ¥ — | \$ 3,117 |
| Directors' retirement and severance benefits | 39 | _ | 325 |
| Write-downs of securities | 61 | _ | 506 |
| Impairment loss | 7 | _ | 62 |
| Other | 8 | _ | 70 |
| Gross non-current deferred tax assets | 491 | _ | 4,081 |
| Valuation allowance | (107) | | (893) |
| Total non-current deferred tax assets | 383 | | 3,187 |
| Non-current liabilities: | | | |
| Deferred gain on sales of property | (13) | _ | (108) |
| Undistributed earnings of controlled foreign companies | (88) | _ | (734) |
| Unrealized holding gain on other securities, net of taxes | (316) | _ | (2,629) |
| Total non-current deferred tax liabilities | (417) | _ | (3,471) |
| Net non-current deferred tax liabilities | ¥ (34) | ¥ — | \$ (284) |

A reconciliation of the statutory tax rate to the Company's effective tax rates for the years ended March 31, 2015 and 2014 is summarized as follows:

| | 2015 | 2014 |
|--|--------|---------|
| Japanese statutory tax rate | 35.00% | 38.00% |
| Permanent differences such as entertainment expenses, etc. | 1.69 | 2.10 |
| Permanent differences such as dividend income | (0.71) | (11.97) |
| Tax credit | (3.10) | (0.29) |
| Undistributed earnings of controlled foreign companies | 1.32 | 1.79 |
| Equity in loss of affiliates | 2.04 | 2.55 |
| Downward adjustment of deferred tax assets at end of year due to tax rate change | 3.46 | 2.24 |
| Cancellation of temporary difference related to investments in affiliates accounted for by the equity method | _ | (12.65) |
| Other | (3.45) | 0.46 |
| Effective tax rate | 36.25% | 22.23% |

(Adjustment of deferred tax assets and liabilities pursuant to the change in the corporate tax rates)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35% to 33% and 32% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be

realized or settled from April 1, 2016, respectively.

As a result of this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥24 million (U.S.\$196 thousand), and income taxes-deferred, unrealized holding gain on other securities increased by ¥53 million (U.S.\$442 thousand), and by ¥30 million (U.S.\$247 thousand), respectively. Also deferred tax liabilities - unrealized revaluation profit on land decreased by ¥25 million (U.S.\$211 thousand) and unrealized revaluation loss on land, net of taxes increased by same amount for the year ended March 31, 2015.

12 Employees' Retirement and Severance Benefits

The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans for payments of employees' retirement.

The Group pays a pension or lump sum based on length of service and salary in the defined benefit corporate pension plan.

In unfunded retirement benefit plans, the Company pays a lump sum based on length of service and salary as a retirement benefit.

Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end for the calculation of net defined benefit liability and retirement benefit expenses.

Defined benefit plans

Adjustments of beginning and ending balance of retirement benefit obligations

| | million | millions of yen | |
|---|---------|-----------------|-----------|
| | 2015 | 2014 | 2015 |
| Balance at the beginning of the year | ¥ 3,931 | ¥ 3,736 | \$ 32,686 |
| Cumulative effect of change in accounting principle | (144) | _ | (1,197) |
| Restated balance at the beginning of the year | 3,787 | 3,736 | 31,489 |
| Service cost | 229 | 185 | 1,904 |
| Interest cost | 30 | 30 | 250 |
| Actuarial loss | 1 | 74 | 11 |
| Payment of retirement benefits | (240) | (97) | (1,993) |
| Other | 2 | 4 | 15 |
| Balance at the end of the year | ¥ 3,810 | ¥ 3,931 | \$ 31,677 |

Adjustments of beginning and ending balance of plan assets

| | millions of yen | | thousands of U.S. dollars | |
|--------------------------------------|-----------------|---------|---------------------------|--|
| | 2015 | 2014 | 2015 | |
| Balance at the beginning of the year | ¥ 2,367 | ¥ 2,120 | \$ 19,677 | |
| Expected return on plan assets | 47 | 42 | 394 | |
| Actuarial loss | 207 | 120 | 1,722 | |
| Employer's contributions | 161 | 156 | 1,338 | |
| Payment of retirement benefits | (162) | (72) | (1,348) | |
| Balance at the end of the year | ¥ 2,620 | ¥ 2,367 | \$ 21,782 | |

Adjustments of ending balance of retirement benefit obligations and plan assets, and net defined benefit asset and liability on consolidated balance sheet

| | millions | millions of yen | |
|---|----------|-----------------|-----------|
| | 2015 | 2014 | 2015 |
| Funded retirement benefit obligations | ¥ 2,701 | ¥ 2,784 | \$ 22,458 |
| Plan assets | (2,620) | (2,367) | (21,782) |
| | 81 | 417 | 675 |
| Unfunded retirement benefit obligations | 1,109 | 1,147 | 9,219 |
| Net defined benefit asset and liability on consolidated balance sheet | 1,190 | 1,565 | 9,895 |
| Net defined benefit liability | 1,190 | 1,565 | 9,895 |
| Net defined benefit asset and liability on consolidated balance sheet | ¥ 1,190 | ¥ 1,565 | \$ 9,895 |

The following table summarizes the components of net retirement benefit expenses:

| | millions of yen | | thousands of U.S. dollars | |
|--|-----------------|-------|---------------------------|--|
| | 2015 | 2014 | 2015 | |
| Service cost | ¥ 229 | ¥ 185 | \$ 1,904 | |
| Interest cost on benefit obligation | 30 | 30 | 250 | |
| Expected return on plan assets | (47) | (42) | (394) | |
| Amortization of actuarial loss | 55 | 75 | 456 | |
| Amortization of past service cost | _ | (1) | _ | |
| Extraordinary additional retirement payments | 28 | 20 | 235 | |
| Net retirement benefit expenses | ¥ 295 | ¥ 267 | \$ 2,452 | |

Remeasurements of defined benefit plans, before tax

| | million | thousands of U.S. dollars | |
|-----------------------|---------|---------------------------|----------|
| | 2015 | 2014 | 2015 |
| Actuarial gain (loss) | ¥ 261 | ¥ — | \$ 2,167 |

Remeasurements of defined benefit plans

| | million | thousands of U.S. dollars | |
|------------------------------------|---------|---------------------------|----------|
| | 2015 | 2014 | 2015 |
| Unrecognized actuarial gain (loss) | ¥ (31) | ¥ 230 | \$ (259) |

Plan assets

(1) Plan assets

The fair value of plan assets, by major category, as a percentage of total plan assets is as follows:

| | 2015 | 2014 |
|-----------------|--------|--------|
| Domestic bonds | 12.8% | 14.1% |
| Domestic equity | 20.6 | 15.8 |
| Foreign bonds | 5.5 | 6.2 |
| Foreign equity | 14.4 | 12.2 |
| General account | 44.3 | 49.0 |
| Other | 2.4 | 2.7 |
| Total | 100.0% | 100.0% |

(2) Calculation method of expected long-term rate of return on plan assets

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in the actuarial calculation

Mainly the assumptions used in the actuarial calculation (presented as a weighted average) are as follows:

| | 2015 | 2014 |
|--|------|------|
| Discount rate | 0.8% | 0.8% |
| Expected rate of return on plan assets | 2.0% | 2.0% |

13 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, 2015, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.\$4,572 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.

14 Amounts per Share

Net assets per share as of March 31, 2015 and 2014 were \pm 1,001.84 (U.S. \pm 8.33) and \pm 936.06, respectively. Basic net income per share for the years ended March 31, 2015 and 2014 were \pm 40.83 (U.S. \pm 0.34) and

¥56.74, respectively.

Diluted net income per share for the year ended March 31, 2015 and 2014 were ¥40.82 (U.S.\$0.34) and ¥56.73, respectively.

The basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2015 and 2014 was as follows:

| | millions | millions of yen | | |
|---|----------|-----------------|----------|--|
| | 2015 | 2014 | 2015 | |
| Basic net income per share: | | | | |
| Net income | ¥ 892 | ¥ 1,234 | \$ 7,418 | |
| Amount not attributable to shareholders of common stock | _ | _ | _ | |
| Amount attributable to shareholders of common stock | 892 | 1,234 | 7,418 | |
| Weighted-average number of shares outstanding | | | | |
| (millions of shares) | 22 | 22 | _ | |
| Diluted net income per share: | | | | |
| Adjustments to net income | _ | _ | _ | |
| Increase in number of shares outstanding | | | | |
| (millions of shares) | 0 | 0 | _ | |
| (Subscription rights to shares) | (0) | (O) | _ | |
| Shares resulting in an anti-dilutive effect | | | | |
| (millions of shares) | 1 | 1 | _ | |

The basis for calculation of total net assets per share as of March 31, 2015 and 2014 was as follows:

| | millions | millions of yen | | | |
|--|----------|-----------------|------------|--|--|
| | 2015 | 2014 | 2015 | | |
| Total net assets per share: | | | | | |
| Total net assets | ¥ 22,600 | ¥ 21,087 | \$ 187,913 | | |
| Deductions: | 710 | 631 | 5,901 | | |
| Subscription rights | 81 | 95 | 671 | | |
| Minority interests in consolidated subsidiaries | 629 | 536 | 5,229 | | |
| Amounts attributable to shareholders of common stock | 21,891 | 20,455 | 182,013 | | |
| Number of shares outstanding at year end | | | | | |
| (millions of shares) | 22 | 22 | _ | | |

15 Major Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

| | millions | millions of yen | | |
|--|----------|-----------------|-----------|--|
| | 2015 | 2014 | 2015 | |
| Sales promotion expenses | ¥ 5,861 | ¥ 6,133 | \$ 48,734 | |
| Advertising costs | 2,857 | 2,678 | 23,751 | |
| Salaries | 2,067 | 1,986 | 17,186 | |
| Shipment and storage expenses | 1,357 | 1,284 | 11,279 | |
| Provision for employees' retirement and severance benefits | 267 | 219 | 2,221 | |
| Provision for directors' retirement and severance benefits | 20 | 22 | 163 | |

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2015 and 2014 amounted to ¥512 million (U.S.\$4,263 thousand) and ¥563 million, respectively.

16 Cash and Time Deposits

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and time deposits in the accompanying consolidated balance sheets at March 31, 2015 and 2014 is as follows:

| | millions | thousands of U.S. dollars | |
|---|----------|------------------------------|-----------|
| | 2015 | 2014 | 2015 |
| Cash and time deposits | ¥ 7,629 | ¥ 6,765 | \$ 63,429 |
| Time deposits with a maturity in excess of three months | (1,044) | (38) | (8,679) |
| Cash and cash equivalents | ¥ 6,585 | ¥ 6,728 | \$ 54,750 |

17 Leases

(Finance leases)

Leased assets included in property, plant and equipment are machinery, equipment and vehicles, 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.

- (1) Lease payments and proforma depreciation charges for the years ended March 31, 2014 was ¥1 million.
- (2) Depreciation is computed by the straight-line method over the respective lease terms assuming a nil residual value.

(Operating leases)

The Company and its consolidated subsidiaries had no significant operating leases at March 31, 2015 and 2014.

18 Segment Information

(1) Summary of Reporting Segments

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

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

The Mothproofing and Hygiene-Related Products segment includes the manufacture and sales of Cloth Care products, Hand Care products and Thermal Care products. The Household Environment-Related Products segment includes the manufacture and sales of Air Care products, Humidity Care products and Home Care products.

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

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

(Application of the Accounting Standard for Retirement Benefits, etc.) As stated in Changes in Accounting Policies, the method of calculating retirement benefit liabilities and service costs was revised in consolidated accounting year. Accordingly, the method of calculating retirement benefit liabilities and service costs of business segments was revised similarly.

2,961

3,881

6,842

The effects on each reportable segments are minor.

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

| | | | | million | s of yen | | |
|---------------------------------|--------|---------------|------------------------------------|-------------|------------------------------|------|--------|
| | M H | lygien | oofing and e-Related | Enviro | sehold nment- | | |
| Year ended March 31, 2015 | | Pro | oducts | Related | Products | 7 | Fotal |
| Sales | | | | | | | |
| Sales to third parties | | ¥2 | 21,568 | ¥ 2 | 26,696 | ¥ | 48,263 |
| Intra-group sales and transfers | | | _ | | _ | | _ |
| Net sales | | 2 | 21,568 | 2 | 26,696 | | 48,263 |
| Segment income | | ¥ | 1,102 | ¥ | 711 | ¥ | 1,813 |
| Other items | | | | | | | |
| Depreciation | | ¥ | 356 | ¥ | 467 | ¥ | 823 |
| | | | | million | s of yen | | |
| | | lothpr | oofing and | Hous | sehold | | |
| Year ended March 31, 2014 | н | iygien Pro | e-Related oducts | | nment- Products | 1 | Γotal |
| Sales | | | | | | | |
| Sales to third parties | | ¥2 | 20,668 | ¥ 2 | 6,325 | ¥. | 46,993 |
| Intra-group sales and transfers | | | _ | | _ | | _ |
| Net sales | | 2 | 20,668 | 2 | 26,325 | | 46,993 |
| Segment income | | ¥ | 822 | ¥ | 1,309 | ¥ | 2,131 |
| Other items | | | | | | | |
| Depreciation | | ¥ | 399 | ¥ | 471 | ¥ | 870 |
| | | | | thousands o | of U.S. dollars | | |
| Year ended March 31, 2015 | | lvaien | oofing and le-Related oducts | Enviro | sehold nment- Products | 1 | Fotal |
| Sales | | | | | | | |
| Sales to third parties | | \$ 17 | 79,328 | \$ 22 | 1,964 | \$ 4 | 01,293 |
| Intra-group sales and transfers | | | _ | | _ | | _ |
| Net sales | | 17 | 79,328 | 22 | 1,964 | 4 | 01,293 |
| Segment income | | \$ | 9,159 | \$ | 5,913 | \$ | 15,072 |
| Other items | | | | | | | |
| | | | | | | | |

Depreciation

Notes: 1. The total for segment income is the same as the operating income in the consolidated statements of income.

2. Assets and liabilities by reportable segment have not been described in the above tables because the Board of Directors of the Company does not regularly review them to make decisions about resource allocation and to assess

(4) Related Information

(a) Information by product and service

| | | | millions of yen | | | | |
|---------------------------|------------------------------------|--------------|---------------------------|-----------|------------|--|--|
| Year ended March 31, 2015 | Cloth Care | Thermal Care | Air Care | Others | Total | | |
| Sales to third parties | ¥ 10,405 ¥ 6,093 ¥ 20,319 ¥ 11,447 | | | | | | |
| | | | millions of yen | | | | |
| Year ended March 31, 2014 | Cloth Care | Thermal Care | Air Care | Others | Total | | |
| Sales to third parties | ¥ 10,321 | ¥ 6,011 | ¥ 20,469 | ¥ 10,192 | ¥ 46,993 | | |
| | | | thousands of U.S. dollars | | | | |
| Year ended March 31, 2015 | Cloth Care | Thermal Care | Air Care | Others | Total | | |
| Sales to third parties | \$ 86,511 | \$ 50,662 | \$ 168,944 | \$ 95,175 | \$ 401,293 | | |

(b) Information by geographical segment (Sales)

Geographical segment information is not presented as overseas sales were less than 10% of consolidated net sales for the years ended March 31, 2015 and 2014.

(Property, plant and equipment)

Geographical segment information is not presented as the amount of property, plant and equipment in Japan exceeded 90% of the total of property, plant and equipment at March 31, 2015 and 2014.

(c) Information by major customers

| S | | е | S |
|---|----|---|---|
| _ | ٠. | _ | ` |

| Customer's name | millions | s of yen | thousands of U.S. dollars | Related segment |
|--------------------|----------|----------|---------------------------|--|
| | 2015 | 2014 | 2015 | . Islatica cog. Its. |
| PALTAC CORPORATION | ¥ 16,064 | ¥ 15,543 | \$ 133,564 | Mothproofing and hygiene-related products Household environment-related products |
| ARATA CORPORATION | ¥ 9,964 | ¥ 9,965 | \$ 82,850 | Mothproofing and hygiene-related products Household environment-related products |

19 Related Party Transactions

(Year ended March 31, 2015) Not applicable

(Year ended March 31, 2014)

(1) Dealings with related parties

FÚMAKILLÁ, Ltd. carried out a takeover bid. The Company applied the takeover bid and sold stocks of FUMAKILLA, Ltd. The proceeds from sale was ¥1,509 million (U.S.\$14,661 thousand), the loss on sales was ¥29 million (U.S.\$278 thousand).

20 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 ¥593 million (U.S.\$4,928 thousand) and ¥394 million for the years ended March 31, 2015 and 2014.

Note to Consolidated Statements of Changes in Net Assets

Shares in issue and outstanding and treasury stock at March 31, 2015 and 2014 were as follows:

(Year ended March 31, 2015)

Number of shares in issue and outstanding:

Common stock

23,000 thousand

Number of shares held in treasury:

1.149 thousand

Common stock

Note: Detail of the increase/decrease is as follows: Increase due to purchase of shares less than standard unit:

2 thousand

Subscription rights at March 31, 2015 were as follows:

Subscription rights for stock options

¥80 million (U.S.\$671 thousand)

Dividends paid from retained earnings for the year ended March 31, 2015 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 19, 2014 | 240 | 11 | March 31, 2014 | June 2, 2014 |
| Board of directors' meeting held on October 30, 2014 | 240 | 11 | September 30, 2014 | December 5, 2014 |

Dividends for which the record date was in the year ended March 31, 2015 and the effective date is in the year ending March 31, 2016 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 | 240 | Retained earnings | 11 | March 31, 2015 | June 1, 2015 |
| May 18, 2015 | | | | | |

(Year ended March 31, 2014)

Number of shares in issue and outstanding:

Common stock

Number of shares held in treasury:

Common stock

23,000 thousand 1.147 thousand

Note: Details of the increase are as follows:

Increase due to purchase of shares less than standard unit: Decrease due to changes in treasury stock held by equity method companies:

2 thousand 138 thousand

Subscription rights at March 31, 2014 were as follows:

Subscription rights for stock options

¥95 million

Dividends paid from retained earnings for the year ended March 31, 2014 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, 2013 | 240 | 11 | March 31, 2013 | May 31, 2013 |
| Board of directors' meeting held on October 30, 2013 | 240 | 11 | September 30, 2013 | December 6, 2013 |

Dividends for which the record date was in the year ended March 31, 2014 and the effective date was in the year ended March 31, 2015 were

| 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 19, 2014 | 240 | Retained earnings | 11 | March 31, 2014 | June 2, 2014 |

22 Stock Option Plans

At March 31, 2015, the Company had stock option plans, which were approved at the annual general meetings of the shareholders and by the Board of Directors. Details of these stock option plans are summarized as follows:

| Date of approval | Number of shares granted | Eligible participants | Exercisable period |
|------------------|--------------------------|-----------------------------|------------------------------|
| June 15, 2007 | 140,000 | 4 officers and 14 employees | July 1, 2009 - June 30, 2014 |
| June 18, 2008 | 95,000 | 3 officers and 12 employees | Aug 1, 2010 - July 31, 2015 |
| June 18, 2009 | 20,000 | 4 employees | Aug 4, 2011 - Aug 3, 2016 |
| June 18, 2010 | 155,000 | 4 officers and 17 employees | Aug 3, 2012 - Aug 2, 2017 |
| June 17, 2011 | 35,000 | 7 employees | Aug 2, 2013 - Aug 1, 2018 |
| June 15, 2012 | 130,000 | 3 officers and 8 employees | Aug 2, 2014 - Aug 1, 2019 |
| June 14, 2013 | 130,000 | 2 officers and 10 employees | Aug 2, 2015 - Aug 1, 2020 |
| June 17, 2014 | 175,000 | 6 officers and 11 employees | Aug 2, 2016 - Aug 1, 2021 |

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

Cost related to the 2015 stock option plan amounting to ¥15 million (U.S.\$121 thousand) were included in selling, general and administrative expenses.

Contents of stock options

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|--|--|--|--|--|--|--|--|
| Grantees | 4 officers and 14 employees | 3 officers and 12 employees | 4 employees | 4 officers and 17 employees | 7 employees | 3 officers and 8 employees | 2 officers and 10 employees | 6 officers and 11 employees |
| Type of stock | Common stock | Common stock | Common stock | Common stock | Common stock | Common stock | Common stock | Common stock |
| Number of stock options granted(*) | 140,000 | 95,000 | 20,000 | 155,000 | 35,000 | 130,000 | 130,000 | 175,000 |
| Grant date | August 1, 2007 | August 1, 2008 | August 3, 2009 | August 2, 2010 | August 1, 2011 | August 1, 2012 | August 1, 2013 | August 1, 2014 |
| Condition for exercise | Working from August 1, 2007 to July 31, 2009 | Working from August 1, 2008 to July 31, 2010 | Working from August 3, 2009 to August 3, 2011 | Working from August 2, 2010 to August 2, 2012 | Working from August 1, 2011 to August 1, 2013 | Working from August 1, 2012 to August 1, 2014 | Working from August 1, 2013 to August 1, 2015 | Working from August 1, 2014 to August 1, 2016 |
| Working period | August 1, 2007 to June 31, 2009 | August 1, 2008 to July 31, 2010 | August 3, 2009 to August 3, 2011 | August 2, 2010 to August 2, 2012 | August 1, 2011 to August 1, 2013 | August 1, 2012 to August 1, 2014 | August 1, 2013 to August 1, 2015 | August 1, 2014 to August 1, 2016 |
| Exercisable period | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) | Within 5 years after the vesting date (those retiring after the vesting date cannot exercise their stock options) |

 $^{(&}quot;) \ Number of stock options in the column "Number of stock options granted" has been converted into equivalent numbers of shares. \\$

Stock option activity during the year ended March 31, 2015 was as follows:

Number of shares

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------|--------|--------|---------|--------|--------|---------|---------|
| Non-vested Outstanding at beginning of year | _ | _ | _ | _ | _ | 70,000 | 130,000 | _ |
| Granted during the year | _ | _ | _ | _ | _ | _ | _ | 175,000 |
| Forfeited during the year | _ | _ | _ | _ | _ | _ | 5,000 | _ |
| Vested during the year | _ | _ | _ | _ | _ | 70,000 | _ | _ |
| Outstanding at end of year | _ | _ | _ | _ | _ | _ | 125,000 | 175,000 |
| Vested Outstanding at beginning of year | 140,000 | 85,000 | 20,000 | 140,000 | 35,000 | _ | _ | _ |
| Vested during the year | _ | _ | _ | _ | _ | 70,000 | _ | _ |
| Exercised during the year | _ | _ | _ | | _ | _ | _ | _ |
| Forfeited during the year | 140,000 | 10,000 | | _ | _ | | _ | _ |
| Outstanding at end of year | _ | 75,000 | 20,000 | 140,000 | 35,000 | 70,000 | _ | _ |
| | | | | | | | | |

Price of stock options

| | yen | | | | | | U.S. dollars | | |
|-------------------------------------|---------|---------|---------|---------|-------|-------|--------------|---------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 |
| Exercise price | ¥ 1,517 | ¥ 1,264 | ¥ 1,037 | ¥ 1,049 | ¥ 976 | ¥ 946 | ¥ 1,066 | ¥ 1,059 | \$ 9 |
| Weighted-average market price | _ | _ | _ | _ | _ | _ | _ | _ | _ |
| Fair value per option on grant date | ¥ 191 | ¥ 220 | ¥ 197 | ¥ 178 | ¥ 194 | ¥ 153 | ¥ 117 | ¥ 97 | \$ 1 |

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, 2015 was estimated based on the following assumptions:

| | 2015 |
|-------------------------------|----------------------|
| Volatility | 19.5% |
| Option term | 4 years and 6 months |
| Expected dividend (per share) | ¥22 (U.S.\$0.18) |
| Risk-free interest rate | 0.13% |

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

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

Expected dividend (per share) was based on the dividend amount applicable to the 2014 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.

23 Business Combinations

Common control transaction (Merger with consolidated subsidiary)
On December 1, 2014, the Company merged with a consolidated subsidiary, S.T. AUTO CO., LTD in order to improve efficiency of the Group's management and strengthen the Car Care products business. The Company was the surviving company.

The merger was accounted for as a transaction under common control in accordance with ASBJ Statement No.21, "Accounting Standard for Business Combinations" and ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," issued on December 26, 2008.

Report of Independent Auditors



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Independent Auditor's Report

The Board of Directors S.T.CORPORATION

We have audited the accompanying consolidated financial statements of S.T.CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of S.T.CORPORATION and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

June 16, 2015 Tokyo, Japan

Ernst & Young Shim Nihon LLC

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)

| | | (exc | ept per share data and r | atios) | | data and ratios) |
|---|--------------|--------------|--------------------------|--------------|--------------|------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2015 |
| For the Year: | | | | | | |
| Net sales | ¥ 48,263 | ¥ 46,993 | ¥ 46,944 | ¥ 46,354 | ¥ 43,580 | \$ 401,293 |
| Cost of sales | 28,235 | 26,980 | 27,738 | 27,347 | 25,370 | 234,766 |
| Selling, general and administrative expenses | 18,216 | 17,881 | 17,406 | 17,256 | 16,097 | 151,455 |
| Operating income | 1,813 | 2,131 | 1,800 | 1,751 | 2,114 | 15,072 |
| Income before income taxes and minority interests | 1,536 | 1,637 | 1,105 | 596 | 1,343 | 12,771 |
| Net income | 892 | 1,234 | 565 | 76 | 786 | 7,418 |
| Capital expenditures | 1,486 | 942 | 2,061 | 1,007 | 662 | 12,354 |
| Depreciation and amortization | 844 | 894 | 830 | 931 | 992 | 7,019 |
| R&D expenses | 513 | 564 | 572 | 659 | 610 | 4,263 |
| | | | | | | , |
| Cash flows from operating activities | 2,137 | 2,110 | 980 | 1,560 | 2,704 | 17,768 |
| Cash flows from investing activities | (1,768) | 514 | (1,924) | (787) | (3,601) | (14,699) |
| Free cash flow | 369 | 2,624 | (944) | 773 | (897) | 3,069 |
| Cash flows from financing activities | (614) | (465) | (557) | (549) | (521) | (5,102) |
| At Year-End: | | | | | | |
| Total current assets | ¥ 20,221 | ¥ 18,956 | ¥ 15,533 | ¥ 16,941 | ¥ 16,523 | \$ 168,134 |
| Property, plant and equipment, net | 8,110 | 7,555 | 7,524 | 6,295 | 6,312 | 67,428 |
| Total assets | 33,785 | 32,370 | 30,076 | 30,287 | 30,011 | 280,910 |
| Total current liabilities | 9,008 | 8,966 | 8,058 | 8,778 | 8,286 | 74,901 |
| Total long-term liabilities | 2,176 | 2,318 | 1,805 | 1,807 | 1,753 | 18,095 |
| Total net assets | 22,600 | 21,087 | 20,213 | 19,701 | 19,972 | 187,913 |
| Cash and cash equivalents | 6,585 | 6,728 | 4,469 | 5,921 | 5,731 | 54,750 |
| N. other (Cale and Second (the consideration)) | 00.000 | 00.000 | 00.000 | 00.000 | 00.000 | |
| Number of shares issued (thousand shares) | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | |
| Treasury stock (thousand shares) Number of employees | 1,149 859 | 1,147 760 | 1,284 663 | 1,282 647 | 1,214 630 | |
| Trained of Simpleyees | 000 | 100 | | 0-11 | | |
| Per Share (yen and U.S. dollars): | | | | | | |
| Net income | ¥ 40.83 | ¥ 56.74 | ¥ 26.01 | ¥ 3.48 | ¥ 36.03 | \$ 0.34 |
| Dividends | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 0.18 |
| Net assets | 1,001.84 | 936.06 | 905.84 | 884.45 | 893.74 | 8.33 |
| Common stock price | 1,021 | 999 | 988 | 1,025 | 916 | 8.49 |
| Ratios (%): | | | | | | |
| Operating income margin | 3.8 | 4.5 | 3.8 | 3.8 | 4.9 | |
| Income before income taxes and minority interests/net sales | 3.2 | 3.5 | 2.4 | 1.3 | 3.1 | |
| Net income margin | 1.8 | 2.6 | 1.2 | 0.2 | 1.8 | |
| ROA | 2.7 | 4.0 | 1.9 | 0.3 | 2.7 | |
| ROE | 4.2 | 6.1 | 2.9 | 0.4 | 4.0 | |
| Equity ratio | 64.8 | 63.2 | 65.4 | 63.4 | 64.9 | |

Notes: 1. U.S. dollar amounts are translated from yen for convenience only, at the rate of ¥120.27 = U.S.\$1.00, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2015.

2. The common stock prices listed are as of the end of the fiscal year ended in March.

3. ROA = Net income divided by average total assets for the fiscal year.

^{4.} ROE = Net income divided by average total equity (total net assets minus subscription rights less minority interests in consolidated subsidiaries) for the fiscal year.

Investor Information

As of March 31, 2015

Corporate Data

Company name S.T. CORPORATION

Headquarters 4-10, Shimo-ochiai 1-chome,
Shinjuku-ku, Tokyo 161-8540,

Japan

Establishment August 31, 1948

Common stock ¥7,065,500,000

Fiscal year-end March 31

Shares issued and outstanding 23,000,000

Listed stock exchange Tokyo Stock Exchange,

First Section

Shareholders 15,994

Registered transfer agent Mizuho Trust & Banking Co., Ltd.
Accounting auditors Ernst & Young ShinNihon LLC
Annual shareholders' meeting Middle of June each year
Employees 859 (consolidated)
402 (non-consolidated)

Kouichi Yoshizawa, Public Relations Department

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Facsimile +81-3-3367-6320

Group Companies

S.T. TRADING CO., LTD.

S.T. BUSINESS SUPPORT CO., LTD.

S.T. (THAILAND) CO., LTD.

FAMILY GLOVE CO., LTD. (TAIWAN)

S.T. KOREA CORPORATION (SOUTH KOREA)

Major Shareholders

Contact

| | I nousands of shares | % of total |
|--|----------------------|------------|
| Shaldan Co., Ltd. | 5,587 | 25.6 |
| Nippon Life Insurance Company | 1,336 | 6.1 |
| TCSB (Mizuho Bank) | 884 | 4.0 |
| Takashi Suzuki | 682 | 3.1 |
| FUMAKILLA LIMITED | 541 | 2.5 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 524 | 2.4 |
| Kanichi Suzuki | 500 | 2.3 |
| Hiromu Fujii | 441 | 2.0 |
| Suzuki Kanichi Shouten | 433 | 2.0 |
| Takako Suzuki | 424 | 1.9 |
| | | |

Note: The Company holds treasury stock of 1,149 thousand shares as of March 31, 2015; however, it is excluded from the list of major shareholders shown above.



