In Japan,
we've already achieved a 43% market share in the mothproofing product market, and

in three years
we've expanded to a more than 10% market share
in the deodorizer and air freshener market.

The name S.T.Chemical will always mean . . .

Consolidated Financial Highlights

S.T.Chemicals Co., Ltd. and Subsidiaries
Years ended March 31, 2002 and 2001, nine months ended March 31, 2000, and years ended June 30, 1999 and 1998.

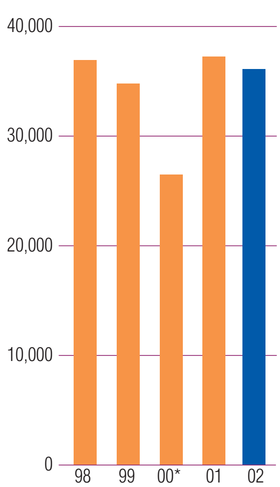
	Millions of yen					Thousands of U.S. dollars
	1998	1999	2000	2001	**2002**	**2002**
Net Sales	¥37,336	¥35,441	¥26,550	¥37,896	**¥36,921**	**$277,084**
Operating Income	2,127	2,806	2,048	2,399	**1,983**	**14,881**
Net Income	418	247	275	750	**509**	**3,820**
R&D Expenses	505	393	281	343	**408**	**3,060**
Capital Expenditures	1,229	800	1,160	1,600	**1,137**	**8,534**
Total Assets	34,090	31,843	34,538	34,382	**32,921**	**247,058**
Shareholders' Equity	26,831	26,350	26,165	25,782	**25,606**	**192,164**
Equity Ratio (%)	78.7	82.7	75.8	75.0	**77.8**	
ROA (%) (Note 3)	7.34	9.86	6.59	7.98	**6.89**	
	Yen					U.S. dollars
Per Share						
Net Income	¥ 12.46	¥ 7.40	¥ 8.45	¥ 23.60	**¥ 16.37**	**$0.12**
Total Assets	800.23	804.53	816.29	822.21	**833.01**	**6.25**
Cash Dividends	8.00	8.00	6.00	8.00	**8.00**	**0.06**

Notes: 1. During the period under review, S.T.Chemical changed its fiscal year from the 12-month period from July 1 through June 30 of the following year to the 12-month period from April 1 through March 31 of the following year. To adjust to this change, the period under review was a nine-month period from July 1, 1999 through March 1, 2000.

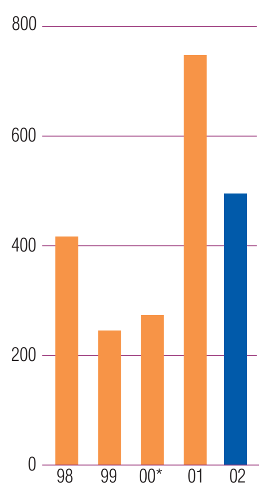
2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥133.25=$1, the approximate exchange rate at March 31, 2002. Billion is used in the American sense of a thousand million.

3. ROA = (Operating Income + Interest and Dividends Received + Purchase Discount) / Total Assets

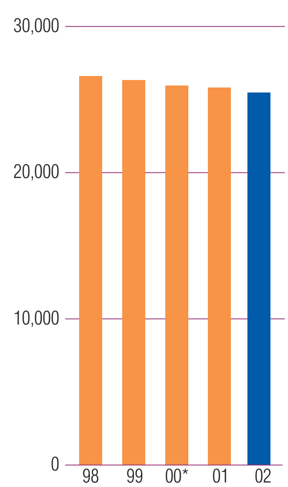
Net Sales
(Millions of yen)



Net Income
(Millions of yen)



Shareholders' Equity
(Millions of yen)



* For the nine-month period ended March 31, 2000

Projections:
Future-oriented information in this annual report is provided only as a reference for investors. Our projections are based on the company's plans and expectations, which may differ from the actual results owing to changes in the economic and business climate.

To Our Shareholders

Fiscal 2002 Performance

Fiscal 2002, ended March 31, 2002, was plagued by an economic downturn marked by deflationary pressure, and domestic consumption continued to stagnate as a result.

In these circumstances, we executed a strategy that called for a thorough streamlining of product offerings. For efficient utilization of business resources invested on a selective basis, we discontinued about 100 unprofitable products while monitoring the selection of new products to be introduced to the market to ensure customer acceptance. The strategy resulted in successful products such as *Shoshu Riki* and *Dasshutan*, which have grown into Power Brand products. They contributed greatly to the overall performance of the Company, whose consolidated net sales of ¥36,921 million (US$277 million), operating income of ¥1,983 million (US$15 million), and net income of ¥509 million (US$3,820 thousand) were virtually in line with projections.

Business Reforms to Be Centered on Innovation

Innovation is the key focus of our managerial plans during the new fiscal year. In light of the short-term economic outlook, which is increasingly unclear, we must implement a policy of creative destruction – innovation – without compromising ourselves as we face a challenging situation.

We aim to maximize business efficiency by advancing our strategy of selectivity and focus. Moreover, with the goal of enhancing our corporate value, we are pursuing innovation in all of our undertakings in all fields, ranging from the creation of innovative products and services to the establishment of rational business models emphasizing cost efficiency.

Strengthening of “Core Business”

At S.T.Chemical, the core business segments consist of the Cloth Care and Air Care product groups.

In the Cloth Care Group, we plan to fortify our position in the market by strengthening the *Mushuda* brand and designing new marketing promotions to raise consumer awareness about the need to use mothproofing products at the time of seasonal wardrobe change.

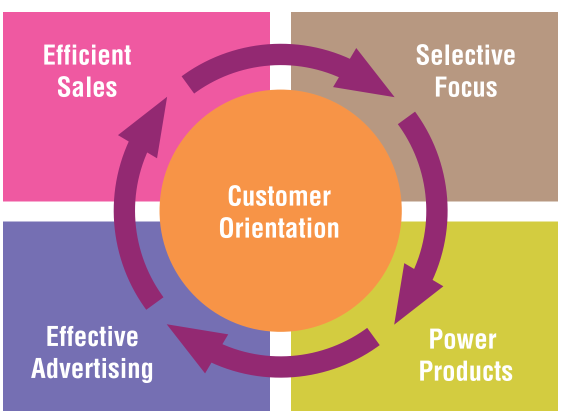
In the Air Care Group, we are stepping up efforts to concentrate our business resources more aggressively on *Toilet no Shoshu Riki Spray* and *Shaldan Crystal Air* to facilitate their growth into Power Brands capable of capturing greater market share.

We believe these efforts will boost S.T.Chemical's corporate brand image even further and increase the confidence that customers and business partners place in us.

Attempts to Highlight Our Corporate Brand Image

All of our products are designed and developed based on our fundamental belief that customers should be able to identify our products easily "by the name, by the package design, and by the performance." We pay particular attention to the containers and ingredients to make each product stand out, while striving to give unique names to our products, so that customers will immediately understand their special features and other characteristics.

Value Chain



These undertakings are supplemented further by advertising and sales promotions, so that a wider range of customers will become familiar with our products and recognize them. We are confident that consumers will understand the quality of our products once they actually pick them up and use them. In addition, we seek to create a value chain, in which consumers' opinions and suggestions are directly fed into our R&D Division, which in turn devises products that better meet their needs. Eventually, such products will be released to the market to satisfy customers. This value chain is also a process that boosts the Company's corporate brand image.

Building a New Business Infrastructure

S.T.Chemical will build a structure based on information-oriented strategies and accelerate its managerial efforts to ensure that consumer opinions are communicated directly to R&D staff, to create products that precisely satisfy customer needs as well as boost sales and profitability.

As a first step, we have already streamlined our divisions and departments by reorganizing the entire corporation into just four divisions-R&D, Sales, Manufacturing,

Key Measures Implemented after the Appointment of Takashi Suzuki as President

- Constructive elimination of products (from 862 items in 1998 to 297 items in March 2002)
- Development of Power Brand products such as *Shoshu Riki, Dasshutan, Shoshu Pot, and Shoshu Plug*
- Organizational reform
  – A flatter organizational structure, characterized by the four-tier corporate hierarchy ranging from president all the way down to those in charge of individual staff, combined with the reorganization of divisions and departments into just four business divisions: R&D, Sales, Manufacturing, and Corporate Staffs
  – Aggressive appointment of female staff to managerial posts
- Announcement of our Medium-Term Business Plan, *Dantotsu* (Absolutely No. 1) Five-year Plan
- Implementation of a performance-based evaluation system
- Retirement of treasury shares (2,342 thousand shares, or about 7.0% of the outstanding shares)
- Disposal of idle assets
- Introduction of a corporate officer system
- Reduction of the number of directors serving on the Board of Directors from 10 to 7
- Introduction of a stock option program
- Speedier announcement of financial results (results are available 30 days after the year-end in 2001, as opposed to 40 days in 2000 and 75 days in 1999)
- Early scheduling of the Company's shareholders' meeting (from 75 days to 30 days)

and Corporate Staffs-to facilitate information sharing and decision making. At the same time, the hierarchical structure was simplified into just four tiers with the president, executive directors in charge of divisions, managers and those responsible for individual staff. The new organizational structure helps clarify the corporate-wide strategies as well as responsibilities of each division within the organization. It also allows the Company to take full advantage of synergies within each division and among different divisions.

In June 2001, the S.T. R&D Center, which serves as a fully integrated, seamless R&D base, was put into operation. In August 2001, a task force was set up to achieve reductions in production costs across the entire Company. It is building a solid foundation to enable cost-cutting.

In terms of personnel, we instituted a performance-based system to motivate employees to strive for a higher level of performance on an ongoing basis and heighten their morale. Parallel to this was the launch of a stock option program for 24 executives and managers, which was intended to further promote the Company's commitment to shareholders in its execution of business.

We will plan to shape and reinforce our corporate brand image for upcoming products as well, so that consumers' level of confidence in our products and services will increase to the extent that they will purchase our products because they trust the S.T.Chemical brand.

Looking ahead, we are committed to transforming ourselves into a "new value creator" capable of generating innovative products and services offering a number of outstanding added values, in an effort to better respond to the expectations of our shareholders. In all our efforts, I look forward to the continued support of our shareholders.

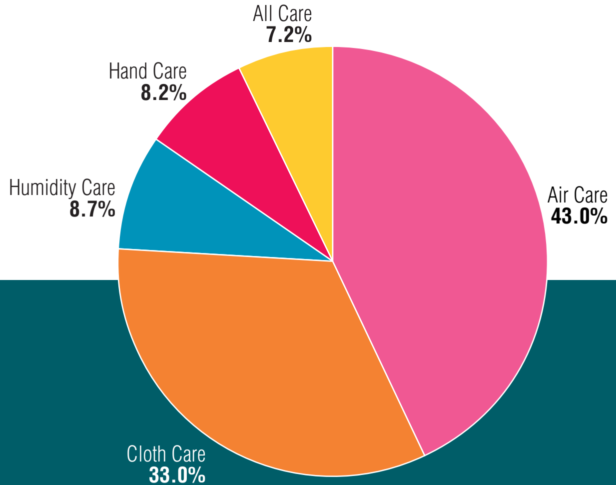
Takashi Suzuki

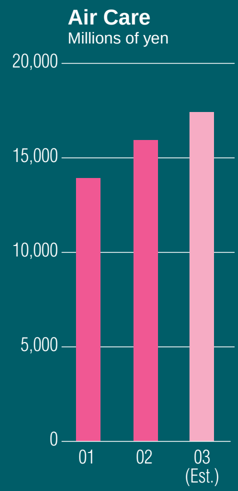
Takashi Suzuki
President and Representative Director,
Executive Committee Member

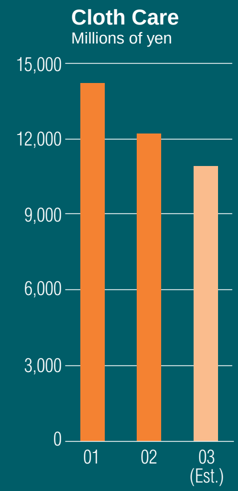
S.T.Chemical at a Glance

Air Care: There is latent demand in the deodorizer and air freshener market in Japan, and the market has tremendous growth potential. We maintain high growth expectations for this market and we have a large assortment of power brands like *Shoshu Riki*.

Cloth Care: Domestically, we hold a 43% share of the mothproofing product market, and globally we are the market leader. Our mainstay products in this category, *Mushuda* and *Neopara Ace*, are widely recognized among Japanese consumers.



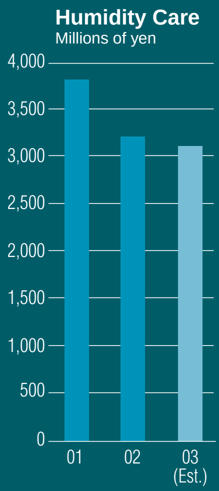


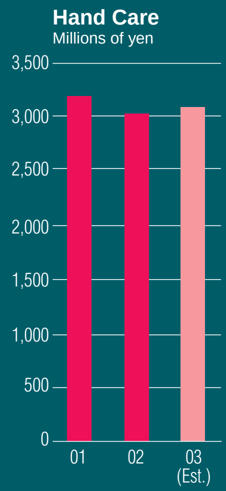


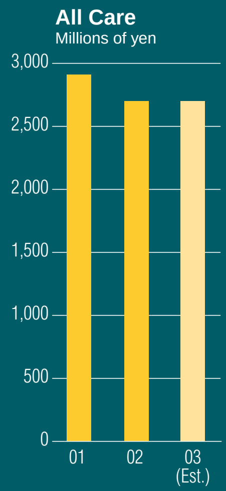
Humidity Care: Our global-market-leading *DryPet* dehumidifier is available in two versions: a disposable tank version that clearly indicates fullness level, and a disposable sheet version that captures the moisture in a gel form.

Hand Care: While giving full consideration to environmental and hygienic concerns, we mainly produce household and working gloves.

All Care: The products of this category are not broken down in our four categories. Major products, for example, are a laundry deodorizer and antibacterial agent and detergents used in *Finish* automatic dishwashers.







Nurturing of Power Brands

***Shoshu Riki*, a Power Brand in the Deodorizer and Air Freshener Market**

One of the characteristics of our product development lies in the painstaking process of narrowing down the merchandise offering. The underlying strategy for this selectivity is thorough marketing. The better we understand customers' needs, which are directly fueled into our R&D efforts, the more value our products will offer to our customers.

S.T.Chemical's merchandise fortified with extraordinary value is developed through comprehensive marketing efforts. The market recognition of our merchandise is further reinforced through the effective use of advertising, and with the increased recognition, more suggestions can be generated from the market, which are consciously fed back to the R&D team for the creation of new and improved products. The entire process ensures that S.T.Chemical's merchandise will be equipped with more brand power.

One successful example of the above process can be observed in the marketing of *Shoshu Riki*, which was introduced to the market in 2000.

S.T.Chemical undertook a series of R&D efforts to come up with a deodorizer/air freshener that is both long-lasting and effective compared with any other product on the market. Prior to its release, we held rounds of internal discussions before deciding to name the new product *Shoshu Riki* (which literally means "deodorizing force") to highlight its power and long-lasting features.

In April 2000, we launched the first version of *Shoshu Riki* for bathroom use. At the same time, we began to step up advertising efforts to promote the new product and thereby boost product recognition among consumers. Owing to such efforts, the product sold over 10 million units during the first year.

Subsequently, attempts were made to obtain customer feedback in retail outlets, which were directly passed on to the R&D team in charge of *Shoshu Riki*. Such marketing efforts culminated in the release of a new version of *Shoshu Riki* called *Oheya no Shoshu Riki*, which is designed for ordinary rooms. This chain of undertakings brought success to the Company, and all versions of the *Shoshu Riki* line are selling well.

The latest addition to the *Shoshu Riki* line of products, *Toilet no Shoshu Riki Spray*, a spray-type deodorizer designed for bathroom use, was released in the

***Shoshu Riki* Series**
(top: *Oheya no Shoshu Riki*, which is designed for ordinary rooms.)
(bottom: *Toilet no Shoshu Riki Spray*, which is designed for bathroom use)

spring of 2002 to meet customers' needs for more instantaneous and more powerful deodorizers. Owing to the new product's wide-angle jet injection system, a single blast of just one second is three times more effective than conventional spray-type deodorizers. Sales have been growing steadily since the sales launch.

After the release of new products to the market, a series of marketing efforts must be performed on an ongoing basis to find wider applications for the products and expand product lines through scrupulous marketing, with the goal of nurturing the products to transform them into Power Brands. This process also enhances the value of our own merchandise and helps shape and create a stronger corporate brand image.

Innovation in Each and Every Field

Our corporate managerial focus on "innovation" signifies the proactive transfer and sharing of the successful innovation-related expertise accumulated in the business development of the Air Care Group to the rest of the Company.

***Natuleaf*, a Power Brand That Will Open Up New Markets**

The example of *Natuleaf*, a new mothproofing product in the Cloth Care Group, is a case in point.

Despite the diminishing market size for cloth care products, we believe that consumers still welcome new products as long as they offer attractive benefits. Based on this belief, we conducted thorough marketing initially, to gather opinions of consumers, which were fed directly to the R&D team in charge.

As a result, a variety of opinions and needs were unveiled regarding mothproofing products. We overcame many obstacles by technological prowess and created *Natuleaf* to successfully address all the needs expressed by customers.

One important feature of *Natuleaf* is the use of natural ingredients. This feature gives the feeling of safety, particularly to those who have never used mothproofing products or who have discontinued their use. Furthermore, our decision to make the product refillable offers additional benefits to consumers in terms of less trash to throw away and cost-effectiveness. We are confident that this innovative type of thinking will enable us to cope successfully with deflationary pressure on the retail price.

The product has been well received by the consumers who actually use it, and sales of the product have been growing steadily since its release in March 2002.

Natuleaf (right: refill pack)

Needs presented by the market regarding mothproofing products	Characteristics of *Natuleaf*
• Safe to use • No odor	• Active ingredients for mothproofing are derived from tea leaves; therefore, this product with natural ingredients boasts outstanding safety and has no odor.
• Highly effective mothproofing ability	• The first liquid-type product in the naturally derived mothproofing category; it allows effectiveness to permeate into every nook and cranny.
• Easy to detect when replacing with a new one	• It comes with a large indicator that lets users know at a glance when to refill the product with fresh content.
• Economical	• It is less expensive, because the container can be retained and refilled with fresh content. Additional benefits include less material to be disposed of as trash.

Management’s Discussion and Analysis

Operating Results

Based upon its corporate slogan of “A sinewy and compact company,” S.T.Chemical made an intensive effort to reduce the number of new products and existing product lines. From a marketing perspective, the Company simultaneously positioned its Air Care product line of deodorizers and air fresheners as its most important product category, and continued to concentrate its management resources in an effort to expand market share and boost net sales and earnings. To increase cost-competitiveness, the Company continued to implement measures first introduced three years ago, such as reducing the number of products offered for sale, shrinking inventories, trimming idle assets and concentrating sales on specific suppliers. These efforts were accompanied by the full-scale launch in August 2001 of activities by the Cost Reduction Team aimed at lowering manufacturing costs throughout the entire Company. Faced by a slump in domestic consumer goods market spending that was much more severe than anticipated, however, consolidated net sales for the fiscal year declined 2.6% in comparison with the prior fiscal year, to ¥36,921 million.

By segment, sales in the Company’s mothproofing and hygiene-related products business, which encompasses the Cloth Care and Hand Care Groups, were down 12.3% from the previous fiscal year, to ¥15,192 million, and operating income totaled ¥1,494 million, 32.2% below the level of a year earlier.

In the Cloth Care (mothproofing products) Group, the Company implemented price reductions on selected products to meet the challenge of increased volume competition from other firms and low-priced market competition, and introduced to the market products that are expected to enjoy good growth but did not have an immediate effect on sales. As a result, net sales for the Group were ¥12,167 million, down 14.1% from the prior year.

In our Hand Care (gloves) Group, sales declined 4.0%, to ¥3,024 million, despite strong sales of work gloves, as the demand for gloves for home use remained weak.

The Company’s household environment-related business includes the Air Care Group, Humidity Care Group and All Care Group. Net sales for these operations increased 5.6% over the previous year’s level, to ¥21,729 million, and operating income jumped 152.1%, to ¥489 million.

Net sales in the Air Care Group (deodorizers and air fresheners) rose 14.0%, to ¥15,861 million. The Company believes this Group has the highest future growth potential, and is focusing its efforts on this Group as the sector where the Company can take advantage of its technology and research and development capabilities.

Sales of the Company’s *Shoshu Riki* brand and *Dasshutan* brand, which the Company launched last year, continued to enjoy strong customer support and steady sales growth. Other new products introduced by the Company such as *Shoshu Plug*, a plug-type electric room deodorizer, and *Ambipur Fresh*, a deodorizing fragrance for toilet tanks, also contributed to growth in Group sales. In addition, in February we launched sales of our *Toilet no Shoshu Riki Spray*, which contributes to the *Shoshu Riki* brand, and in March began selling the room air freshener *Shaldan Crystal Air* manufactured by Reckitt Benckiser of United Kingdom, as part of our global alliance. Both items have enjoyed good market acceptance, and we continue to steadily develop sales of these products.

As a result, with the exception of the Cloth Care Group, the Company was able to achieve record sales in the Air Care Group.

Sales for the Humidity Care Group decreased 15.2%, to ¥3,200 million. The price-cutting competition faced by the Company’s disposable-type dehumidifier product *Dry Pet Skit* continued for the second year, growing more intense. Sales for sheet-type dehumidifier products were also sluggish.

In the All Care Group, the automatic dishwasher detergent Finish manufactured by Reckitt Benckiser of United Kingdom continued to enjoy strong sales, and sales of the liquid detergent *Powers Fragrance Cleaner* doubled as the result of a product renewal campaign. Net sales for the Group as a whole, however, fell 7.5% from the prior year’s level, to ¥2,667 million, as the Company pursued further reductions of unprofitable product lines.

Sales were also strong in the Air Care Group, as the Company kept a tight rein on selling, general and administrative (SG&A) expenses by limiting advertising and public relations expenditures to ¥3,075 million and concentrating this public relations spending on new products that are expected to enjoy sales growth. By controlling advertising expenditures and efficiently utilizing sales promotion expenditure, the Company was able to reduce SG&A expenses 5.4%, to ¥14,497 million. As a result, operating income declined 17.3%, to ¥1,983 million, and the operating margin fell 0.9 percentage point, to 5.4%.

Under the effect of lower stock prices, based upon the accounting standards for financial instruments the Company incurred a valuation loss of ¥243 million related to the write-off of valuation losses on marketable securities and investment securities. Of this amount, ¥9 million was charged to non-operating expenses as a valuation loss on marketable securities and ¥233 million was charged to extraordinary losses as a valuation loss on investment securities. As a result, net income for the fiscal year under review was ¥509 million.

Net income per share for the period under review was ¥16.37. The cash dividend per share, including both the interim and fiscal year-end dividend, was ¥8.00, as originally planned, resulting in a dividend payout ratio of 69%.

Financial Position

During the fiscal year under review, the Company continued to pursue its policy of further reducing its assets.

As of March 31, 2002, the Company's current assets totaled ¥20,519 million, down 5.0% compared to the end of the prior fiscal year. Cash and time deposits and trade notes and accounts receivables declined to ¥6,186 million (down 9.1%) and ¥5,695 million (down 5.9%), respectively, together with the decline in net sales. The Company also decreased inventories, based upon its strategy of reducing the number of product categories from 862 to 297 items over the past three years.

During the fiscal year under review, we increased our investment in building and structures with the establishment of our new R&D Center. At the same time, we reduced our investment in marketable securities 2.7%, to ¥2,161 million, and reduced long-term loans 15.9%, to ¥226 million. As a result, total fixed assets decreased ¥389 million, to ¥12,402 million, 3.0% below the level of the prior fiscal year.

On the liabilities side, the Company reduced bills and accounts payable.

Fixed liabilities grew as the Company increased its long-term borrowing 141.2% from the prior fiscal year-end level, to ¥246 million. The change reflected the rise in long-term borrowing at the Company's overseas subsidiary. As a result of the above changes, the Company's total liabilities decreased by ¥1,307 million (16.1%) compared to the prior fiscal year-end, to ¥6,793 million.

Total shareholders' equity was ¥25,606 million. In addition to unrealized valuation loss on land loss of ¥103 million, in order to retire the Company's own stock the Company acquired treasury stock for ¥558 million at the end of the fiscal period under review.

The shareholders' equity ratio was 77.8%. Return on assets (ROA) was 6.89%, but the return on equity (ROE) fell to 2.0% because of the decrease in shareholders' equity during the period under review. To improve ROE, the Company will take steps to abolish rebates on some products, reduce its material procurement costs and terminate the sale of unprofitable products to ensure future profitability. We will also continue our efforts to improve profitability, such as our profit margin, which will enable us to maintain a high level of shareholders' equity and raise our ROE to a target of 10%.

Cash Flows

Net cash provided by operating activities for the fiscal year under review was ¥1,522 million. The Company improved its capital efficiency by reducing inventories and trade notes and accounts receivables through its policy of reducing the number of products handled, which offset the decline in net income.

Net cash used in investing activities during the fiscal year under review totaled ¥38 million. Total investment in plant, property and equipment for the fiscal year was ¥1,450 million. This mainly reflected investment in the construction of a new plant, warehouse facility and deodorizer and air freshener production facilities (mainly *Shoshu Riki* for room use) at the Saitama plant, and investment in mothproofing product manufacturing equipment at the Kyushu and Saitama plants. Other expenditures included investments for maintenance, renewal and rationalization of production facilities at each plant and the purchase of metal molds and dies.

Net cash used in financing activities totaled ¥603 million. Under its policy of returning profits to its shareholders, the Company paid dividends of ¥310 million, and executed ¥451 million in stock buybacks of common stock using cash provided by operating activities and repurchases of treasury stock for the Company's stock option plan.

The Company maintained a high level of cash flow similar to the prior fiscal-year level, but currently has no major capital investment plans. The Company projects capital expenditures of approximately ¥1,100 million for the fiscal year ending March 31, 2003.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ¥3,003 million. The principal reason was the drop in operating income compared with the prior fiscal year.

Because the Company produces many products of comparatively small size, it does not require extensive investment in production lines. Management adopts a "low-risk, medium-return" strategy with respect to products, avoiding excessive capital investment initially in the manufacture of new products and relying on its human resources to the extent possible. Only after determining that a given product's sales potential is favorable does the Company undertake substantial investment in systematizing and automating production lines.

Accordingly, while low at the outset, the profit margins of most of the Company's products will rise significantly in line with the growth in production volumes.

One of management's primary intentions is to use the Company's high cash levels to the benefit of shareholders. To this end, we are pursuing a policy of buying back shares and have already reduced the number of shares issued and outstanding as of the end of June 1998 by 7.0%. The Company fully intends to continue this policy of buying back shares.

Board of Directors and Auditors (August 1, 2002)

Takashi Suzuki
President and Representative Director, Executive Committee Member

Akira Iwai
Senior Managing Director, Executive Committee Member, Research and Development Division General Manager

Nobuhiro Mine
Director, Executive Committee Member, Sales Division General Manager

Toshiharu Nagasawa
Director, Executive Committee Member, Manufacturing Division General Manager

Mitsuo Tsuchihashi
Executive Committee Member, Corporate Division General Manager

Tsuyoshi Sato
Director (concurrently, President and Managing Director, S.T. Trading Co., Ltd.)

Toshihiko Hasegawa
Executive Committee Member, Sales Division National Accounts Group General Manager

Hideaki Okuda
Senior Auditor

Tsunehachi Tagaya
Auditor

Motohiko Kogo
Auditor

Corporate Data

Company name:	S.T.Chemical Co., Ltd.
Headquarters address:	4-10, Shimo-Ochiai, 1-Chome, Shinjuku-ku, Tokyo 161-8540, Japan
Establishment:	August 31, 1948
Paid-in capital:	¥7,065,500,000
Employees:	750 (Consolidated)
	473 (Non-consolidated)
Contact:	Nobuo Shimizu, President's Office
E-mail:	n-shimiz@st-c.co.jp
Tel:	+81-3-5906-0734
Fax:	+81-3-5906-0741

Group Companies

Family Glove (Thailand) Co., Ltd.
624/1-4 Moo 11 Sukhapiban 8 Road,
Nongkharm Sriracha Cholburi, 20280, Thailand
Manufacture and sales of hand gloves

Family Glove (Taiwan) Co., Ltd.
No.33 Ta-Yeh St., Ta-Fa Industrial District,
Ta-Liao Hsiang, Kaohsiung Hsien, Taiwan, R.O.C.
Manufacture and sales of hand gloves

S.T. Trading Co., Ltd.
4-10, Shimo-Ochiai, 1-Chome,
Shinjuku-ku, Tokyo 161-8540, Japan
Sales of hand gloves, car equipments, and gifts

Financial Statements

S.T.CHEMICAL CO., LTD and subsidiaries

Consolidated Balance Sheets

March 31, 2002 and 2001

ASSETS	Millions of Yen		Thousands of U.S.dollars (note2)
	2001	2002	2002
Current assets:			
Cash and time deposits (note 11)	¥ 6,802	¥ 6,186	$ 46,422
Marketable securities (note 4)	4,407	4,633	34,768
Trade notes and accounts receivable	6,054	5,695	42,740
Less allowance for doubtful receivables	(49)	(54)	(402)
Inventories	3,883	3,566	26,759
Deferred tax assets (note 7)	206	248	1,860
Other current assets	288	246	1,843
Total current assets	21,592	20,519	153,990
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	108	137	1,026
Investment securities (note 4)	2,114	2,025	15,196
Long-term loans	269	226	1,695
Deferred tax assets other than on unrealized revaluation loss on land (note 7)	545	531	3,984
Deferred tax assets on unrealized revaluation loss on land (note 5)	—	75	562
Other assets	370	353	2,650
Less allowance for doubtful accounts	(8)	(73)	(551)
Total investments and other assets	3,397	3,273	24,561
Property, plant and equipment, at cost (notes 5 and 6):			
Land	3,737	3,541	26,574
Buildings and structures	5,364	6,046	45,377
Machinery, equipment and vehicles	7,266	7,838	58,823
Tools, furniture and fixtures	2,132	2,372	17,803
Construction in progress	796	18	135
Less accumulated depreciation	(10,127)	(10,879)	(81,643)
Property, plant and equipment, net	9,169	8,937	67,069
Intangible assets, net of accumulated amortization	224	192	1,438
	¥34,382	¥32,921	$247,058

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars (note2)
	2001	2002	2002
Current liabilities:			
Short-term bank loans (note 6)	¥ 101	¥ 116	$ 870
Current portion of long-term debt (note 6)	104	74	557
Trade payables	3,022	2,605	19,552
Other payables	2,131	1,562	11,725
Income taxes payable (note 7)	226	133	995
Consumption taxes payable	124	5	38
Accrued expenses	209	486	3,650
Allowance for employees' bonuses	361	—	—
Allowance for sales returns	148	121	911
Other current liabilities	38	44	331
Total current liabilities	6,464	5,147	38,629
Long-term liabilities:			
Long-term debt, less current portion (note 6)	102	246	1,845
Employees' retirement and severance benefits (note 8)	1,270	1,157	8,686
Directors' retirement and severance benefits	263	243	1,825
Total long-term liabilities	1,636	1,646	12,356
Minority interests in consolidated subsidiaries	500	521	3,910
Contingent liabilities (note 13)			
Shareholders' equity (note 9):			
Common stock			
Authorized-98,075,000 shares in 2002 and 98,181,000 shares in 2001			
Issued and outstanding-31,604,851 shares in 2002 and 31,710,851 shares in 2001	7,066	7,066	53,024
Capital surplus	7,068	7,068	53,042
Unrealized revaluation loss on land, net of tax (note 5)	—	(103)	(776)
Retained earnings	12,227	12,400	93,056
Unrealized holding loss on securities, net of tax (note 3)	(24)	(21)	(158)
Foreign currency translation adjustments (note 3)	(314)	(245)	(1,835)
Treasury common stock, at cost	(241)	(558)	(4,188)
Total shareholders' equity	25,782	25,606	192,164
	¥34,382	¥32,921	$247,058

See notes to consolidated financial statements.

S.T.CHEMICAL CO., LTD and subsidiaries

Consolidated Statements of Income and Retained Earnings

For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S.dollars (note2)
	2001	2002	2002
Net sales	¥37,896	¥36,921	$277,084
Cost of sales	20,161	20,469	153,610
Gross profit before reversal of allowance for sales returns	17,734	16,453	123,474
Reversal of allowance for sales returns	(8)	(27)	(200)
Gross profit	17,726	16,479	123,673
Selling, general and administrative expenses (note 10)	15,327	14,497	108,793
Operating income	2,399	1,983	14,881
Other income (expenses):			
Interest and dividends received	113	76	574
Interest expenses	(19)	(17)	129
Cash purchase discount	230	225	1,692
Cash sales discount	(875)	(922)	6,918
Profit on sale of securities, net	21	16	120
Equity in income of affiliates	15	7	50
Write-down of securities	(80)	(243)	(1,826)
Transitional difference arising from change in accounting standards for employees' retirement and severance benefits	(297)	—	—
Provision for directors' retirement and severance benefits for prior periods	(65)	—	—
Other, net	60	(107)	(803)
	(896)	(965)	(7,243)
Income before income taxes and minority interests	1,503	1,018	7,638
Income taxes (note 7)			
Current	787	504	3,783
Deferred	(93)	(29)	(218)
	694	475	3,565
Minority interests	59	34	253
Net income	750	509	3,820
Retained earnings at beginning of year	12,033	12,227	91,760
Decreases:			
Cash dividends paid	319	251	1,885
Bonuses to directors	—	0	3
Retirement of repurchased treasury stock	236	85	638
Retained earnings at end of year (note 9)	¥12,227	¥12,400	$ 93,056

See notes to consolidated financial statements.

S.T.CHEMICAL CO., LTD. and subsidiaries

Consolidated Statement of Cash Flows

For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S.dollars (note2)
	2001	2002	2002
Cash flows from operating activities:			
Income before income taxes and minority interests	¥1,503	¥1,018	$ 7,638
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	926	1,020	7,656
Loss (profit) on sale of property, plant and equipment	(28)	23	172
Loss on sale and write-down of marketable securities	6	10	77
Loss on sale and write-down of investment securities	53	217	1,632
Allowance for doubtful receivables	15	70	524
Provision for employees' retirement and severance benefits	247	0	0
Provision for directors' retirement and severance benefits	68	(116)	0
Provision for employees' bonuses	(40)	(361)	(2,709)
Provision for sales returns	8	(27)	(200)
Interest and dividends received	(113)	(76)	(574)
Interest expenses	19	17	129
Foreign exchange loss (gain)	3	(14)	(102)
Equity in income of affiliates	(15)	(7)	(50)
Change in operating assets and liabilities:			
Receivables	(589)	316	2,368
Inventories	262	357	2,682
Payables and accurued expenses	(242)	(289)	(2,171)
Others, net	503	(79)	(591)
Sub total	2,585	2,060	15,461
Interest and dividends received by cash	112	78	588
Interest paid by cash	(13)	(18)	(134)
Income taxes paid by cash	(1,256)	(599)	(4,494)
Net cash provided by operating activities	1,427	1,522	11,420
Cash flows from investing activities:			
Deposit of time deposits (more than 3 months)	(8,050)	(3,500)	(26,266)
Refund of time deposits (more than 3 months)	8,550	5,000	37,524
Purchase of marketable securities	(4,088)	(3,936)	(29,540)
Proceeds from sale of marketable securities	4,703	3,853	28,914
Purchase of property, plant and equipment	(1,385)	(1,450)	(10,883)
Proceeds from sale of property, plant and equipment	218	257	1,931
Purchases of investment securities	(362)	(440)	(3,300)
Proceeds from sale of investment securities	861	163	1,222
Other investments, net	(73)	15	110
Net cash provided by (used in) investing activities	374	(38)	(285)
Cash flows from financing activities:			
Increase in bank loans and current portion of long-term debt	—	12	94
Repayments of bank loans and current portion of long-term debt	(142)	(117)	(877)
Increase in long-term debt	—	213	1,595
Repurchase of treasury common stock	(500)	(451)	(3,384)
Proceeds from sale of treasury common stock	24	51	380
Payments of dividend	(319)	(254)	(1,910)
Payments of dividend to minority shareholders	—	(56)	(421)
Net cash used by financing activities	(937)	(603)	(4,523)
Effect of exchange rate change on cash and cash equivalents	(19)	3	22
Net increase (decrease) in cash and cash equvalents	846	883	6,630
Cash and cash equivalents at beginning of year	3,456	4,302	32,282
Cash and cash equivalents at end of year (note 11)	¥4,302	¥5,185	$38,912

See notes to consolidated financial statements.

S. T.Chemical Co., Ltd.
Notes to Consolidated Financial Statements
March 31,2002

1. Summary of Significant Accounting Policies

(a) Basis of presentation

S.T.Chemical Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. Accordingly, accounting principles and practices adopted by the Company may differ, in some material respects, from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for readers outside Japan. Furthermore, 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.

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

The consolidated financial statements include the accounts of the Company and its three significant subsidiaries for the years ended March 31, 2002 and 2001. All significant inter-company balances and transactions have been eliminated in consolidation.

The equity method is applied to investments in significant affiliates in accordance with the provisions of the Regulations.

(c) Accounting period

The accounting period of the Company begins on April 1 and ends March 31 of the following year. The accounts of two overseas subsidiaries have fiscal years ending on December 31. The necessary adjustments for significant transactions, if any, are made on consolidation.

(d) Translation of foreign currency transactions and financial statements

Effective from April 1, 2000, the Company adopted the revised accounting standard for foreign currency transactions and financial statements. Under the revised accounting standard, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates in effect at the balance sheet date and the accounts of foreign consolidated subsidiaries etc., except for the components of shareholders equity, are translated into yen at the rate of exchange in effect at the balance sheet date. Foreign exchange gains and losses are credited or charged to operations and foreign currency translation adjustments are included in shareholders' equity and minority interests.

(e) Marketable securities and investment securities

Effective from April 1, 2000, the Company adopted the new accounting standard for financial instruments. Under the new accounting standard, trading securities are carried at market value and held-to-maturity securities are carried at amortized cost.

Other securities with a market value are carried at market value with changes in unrealized holding gain or loss, net of related deferred income tax assets, in shareholders' equity. Other securities without a 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 year ended March 31, 2002 and 2001, the Company and consolidated subsidiaries did not have any trading securities.

(f) Inventories

Inventories of the Company and domestic subsidiaries are stated at cost determined by the average cost method and those of overseas subsidiaries are stated at the lower of cost or market, cost being determined by the average cost method.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation of property plant and equipment of the Company and domestic subsidiaries except for buildings, excluding structures, acquired on and 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, acquired on and after April 1, 1998 of the Company and domestic subsidiaries is computed by the straight-line method.

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

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	3 to 15 years
Tools, furniture and fixtures	2 to 20 years

(h) Intangible assets and long-term prepaid expenses

Intangible assets and long-term prepaid expenses are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over 5 years, the useful life of purchased software.

(i) Allowance for doubtful receivables

Effective from April 1, 2000, the Company and domestic subsidiaries provide allowances for estimated bad debt losses at the amounts calculated based on past experience for receivables other than doubtful receivables and amounts estimated specifically for each doubtful receivable. Overseas subsidiaries provide allowances for doubtful receivables principally based on estimated uncollectable amounts.

(j) Allowance for employees' bonuses

Accrued employees' bonuses are provided for payments of bonuses to employees at reasonably estimated amounts calculated based on the Company's and domestic subsidiaries' bonus payment regulations.

At March 31, 2002, they are recorded in accrued expenses in accordance with "Statement concerning finance statement titles to be used for accrued bonus for employees" (JICPA Research Center Review Information No.15). The amount for this year is ¥351 million (U.S.$2,634 thousand). At March 31, 2001, allowance for employees' bonuses was separately disclosed.

(k) Allowance for sales returns

Allowance for sales returns are provided for losses on sales returns subsequent to the balance sheet date at the amount equivalent to that calculated based on sales in conformity with the Corporation Tax Law of Japan.

(l) Employees' retirement and severance benefits

Effective from April 1, 2000, the Company adopted the new accounting standard for employees' retirement and severance benefits. Under the new standard, accrued retirement and severance benefits are provided based on the estimated retirement and severance benefit obligations and available pension assets.

The transitional difference of ¥297 million was charged to operations in the year ended March 31, 2001 and actuarial gains and losses, and past service obligations are amortized using the straight-line method over 5 years, which is within the estimated average remaining service years of employees.

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

(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 in accordance with internal regulations if all directors left the Company as of the balance sheet date.

(n) Leases

Finance leases, except for those which transfer ownership of the property to the lessee, are accounted for as operating leases.

(o) Consumption taxes

Consumption tax is calculated by the tax-segregated method.

(p) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries acquired before April 1, 1999 were valued at cost. It is the Company's policy to value assets and liabilities of subsidiaries acquired on and after April 1, 1999 at their fair values when the Company obtains control of such subsidiaries. The Company has not acquired any subsidiaries since April 1, 1999.

(q) Cash and cash equivalents

Cash and cash equivalents in the cash flow statements consist of cash on hand, demand deposits and liquid short-term investments with maturity of three months or less from acquisition date.

2. Basis of Translating Financial Statements

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollar amounts at the rate of ¥133.25 =U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2002. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such date.

3. New Accounting Standards

The Company and its subsidiaries adopted the following new accounting standards from the year ended March 31, 2001:

- Employees' retirement and severance benefits

Effective from April 1, 2000, the Company adopted the new accounting standard for employees' retirement and severance benefits. As a result, expenses for employees' retirement and severance benefits increased by ¥300 million, including a transitional difference of ¥297 million and operating profit and income before income taxes and minority interests decreased by ¥3 million and ¥300 million, respectively, for the year ended March 31, 2001 (see Note 1(l)).

- Financial instruments

Effective from April 1, 2000, the Company adopted the new accounting standard for financial instruments and changed the method of valuation of securities and the basis of providing an allowance for doubtful receivables. As a result, operating income and income before income taxes and minority interests decreased by ¥24 million and ¥7 million, respectively.

In addition, the Company reviewed the purpose of holding securities at April 1, 2000. Based on this review, bonds included in other securities with a maturity of less than one year, are now included in current assets. All other securities are included in investment securities in investments and other assets. As a result, marketable securities in current assets as of March 31, 2001 decreased by ¥380 million (see Note 1(e) and (i)).

- Foreign currency transactions and financial statements

Effective from April 1, 2000, the Company adopted the revised accounting standard for foreign currency transactions and financial statements.

This change did not result in a material effect on the financial position of the Company and consolidated subsidiaries as of March 31, 2001 and the result of their operations and cash flows for the year then ended (see Note 1(d)).

4. Marketable Securities

The cost and related aggregate market values of other securities with a market value as of March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousand of U.S. dollars
	2001	2002	2002
Cost	¥2,206	¥2,064	$15,489
Market value	2,165	2,028	15,219
Gross unrealized gain	150	109	818
Gross unrealized loss	190	145	1,088

During the year ended March 31, 2002, the company recognized impairment losses on securities of ¥243 million (U.S.$1,824 thousand) where market value had dropped over 30%.

Securities as of March 31, 2002 and 2001 which are excluded from the above table are summarized at their book values as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Current assets:			
Unlisted investment trust certificates within the closed period	¥2,324	¥2,305	$17,295
MMF	1,475	1,595	11,970
Commercial paper	300	500	3,752
Foreign securities	28	90	675
Unlisted stocks other than those on the over-the-counter market	130	140	1,051
Unlisted foreign bonds	100	-	-

Other securities which were sold during the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Proceeds received	¥5,565	¥4,016	$30,139
Total profit	29	16	120
Total loss	8	3	23

The aggregate maturity of other securities with maturity dates as of March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
One year and less	¥580	¥643	$4,826
More than 1 year and within 5 years	455	794	5,959
More than 5 years and within 10 years	7	57	428
More than 10 years	5	-	-

5. Land Revaluation

In accordance with the Land Revaluation Laws (Proclamation No.34 dated March 31, 1998), land used for business activities was revalued at March 31, 2002. The book value before revaluation was ¥3,332 million (U.S.$25,006 thousand) and the book value after revaluation was ¥3,153 million (U.S.$23,662 thousand) and the difference, net of tax, is stated as unrealized valuation loss on land in shareholders' equity. The deferred tax assets arising from this revaluation is presented separately from deferred tax assets for other reasons in the accompanying balance sheets.

6. Short-term Bank Loans and Long-term Debt

Short-term loans from banks at an average interest rate of 1.7% amounted to ¥116 million (U.S.$871 thousand) at March 31, 2002.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Loans, principally from banks, maturing in instalments through 2006: bearing interest from 4.9% to 5.6%	¥206	¥320	$2,402
Less current portion	(104)	(74)	(555)
	¥102	¥246	$1,846

The aggregate annual maturity of long-term debt subsequent to March 31, 2002 is summarized as follows:

	Millions of Yen	Thousands of U.S. dollars
Year ending March 31, 2003	¥ 74	$ 555
2004	93	698
2005	71	533
2006	55	413
2007	27	203
Total	¥320	$2,402

A summary of assets pledged as collateral for long-term debt at March 31, 2002 is presented below:

	Millions of Yen	Thousands of U.S. dollars
Buildings and structures	¥353	$2,649
Machinery and equipment and vehicles	97	728
Tools, furniture and fixtures	1	8
Land	535	4,015
Total	¥986	$7,400

7. Income Taxes

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets (excluding deferred tax on the unrealized revaluation loss on land) at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Current assets:			
Accrued employees' bonuses	¥ 81	¥ 90	$ 675
Allowance for sales returns	56	48	363
Write-down of securities	-	31	235
Accrued business taxes	17	20	149
Other	57	59	445
Total current deferred tax assets	211	249	1,867
Current liabilities	(5)	(1)	(7)
Net current deferred tax assets	206	248	1,860
Non-current assets:			
Allowance for employees' retirement and severance benefits	441	406	3,046
Allowance for directors' retirement and severance benefits	110	102	767
Unrealized holding loss on securities	17	15	115
Other	0	35	264
Total non-current deferred tax assets	568	559	4,192
Non-current liabilities:			
Deferred gain on sale of property	(23)	(23)	(171)
Other	-	(5)	(37)
Total non-current deferred tax liabilities	(23)	(28)	(208)
Net non-current deferred tax assets	¥545	¥531	$3,984

A reconciliation from the Japanese statutory tax rate to the Company's actual tax rate for the year ended March 31, 2002 and 2001 is as follows:

	2001	2002
Japanese statutory tax rate	42.00%	42.00%
Rate difference for foreign taxes	(2.59)	(2.10)
Permanent differences such as entertainment etc.	3.11	4.01
Permanent difference such as dividend income	(0.38)	(0.57)
Inhabitant per capita taxes etc.	1.50	2.12
Adjustment of taxes for prior years	4.02	-
Other	(1.50)	1.22
Actual tax rate	46.16%	46.68%

8. Employees' Retirement and Severance Benefits

The Company and its domestic subsidiaries have defined benefits plans covering substantially all of its employees, partially funded through a qualified funded pension plan as described in Note 1(l). Under the plan, employees are entitled to lump sum or pension retirement or severance benefits, determined by points accumulated monthly based on employees' contributions, length of service and the conditions under which the 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 future payments since amounts vary with circumstances.

The following table summarizes the funding status and amounts recognized in the consolidated balance sheet as of March 31, 2002 and 2001.

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Retirement and severance benefit obligation	¥(2,446)	¥(2,659)	$(19,957)
Plan assets	1,066	1,180	8,859
Unfunded benefit obligation	(1,380)	(1,479)	(11,099)
Unrecognized actuarial loss	110	415	3,117
Unrecognized past service obligations	-	(94)	(704)
Accrued benefit obligation	¥(1,270)	¥(1,157)	$ (8,686)

The following table summarizes the components of net benefit expense for the year ended March 31, 2002 and 2001.

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Service cost	¥205	¥144	$1,077
Interest cost on benefit obligation	67	70	524
Expected return on plan assets	(30)	(32)	(240)
Amortization of transitional difference	297	-	-
Amortization of actuarial loss	-	22	165
Amortization of past service obligations	-	(25)	(191)
Extraordinary additional retirement pay	-	29	219
Net benefit expense	¥539	¥207	$1,554

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

	2001	2002
Method of period allocation of estimated benefits	Straight-line	Straight-line
Discount rate	3.0%	2.0%
Expected rate of return on assets	3.0%	3.0%

9. Shareholders' Equity

Under the Commercial Code, the Company sets aside as a legal reserve at least 10 percent of appropriations paid in cash until the aggregate amount of capital surplus and such regal reserve equal 25% of stated capital. Capital surplus and legal reserve are not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. As of March 31, 2002, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$4,126 thousand).

The accompanying consolidated financial statements do not include any provision for cash dividends of ¥4.00 (U.S.$0.03) per share aggregating ¥123 million (U.S.$923 thousand) declared in June 2002 by the Company.

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

The general shareholders meeting in September 1999 has authorized the board of directors to repurchase and retire up to 3 million shares of the Company. During the years ended March 31, 2002 and 2001, the Company's board of directors approved the repurchase of 500,000 shares and 450,000 shares of the Company in the amount of ¥400 million (U.S.$3,002 thousand) and ¥360 million, respectively, and the Company repurchased 106,000 shares and 344,000 shares in the amount of ¥85 million (U.S.$638 thousand) and ¥236 million, respectively, at market values.

As of March 31, 2002, the Company has stock option plans, which were approved at the general shareholders meetings, as follows:

Date of approval	Number of shares granted	For	Exercisable period
June 27, 2000	300,000 shares	5 directors and 4 employees (all executive officers)	July 1, 2002 – June 30, 2007
June 15, 2001	140,000 shares	1 directors and 23 employees (including 1 executive officer)	July 1, 2003 – June 30, 2008

The option price per share was determined at the date of grant based on the established formula for determining option prices. The options are exercisable for the above periods provided that recipients are still directors, statutory auditors or employees of the Company or its subsidiaries.

Net assets per share as of March 31,2002 and 2001 were ¥ 833.01 (U.S.$6.17) and ¥822.21, respectively. Net income per share for the year ended March 31, 2002 and 2001 were ¥16.37 (U.S.$0.12) and ¥23.60, respectively.

10. Major Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Sales promotion expenses	¥3,250	¥2,891	$21,695
Advertising cost	3,600	3,076	23,081
Salaries	1,885	1,857	13,938
Shipment and storage expenses	1,498	1,498	11,238
Provision for employees' bonuses	298	-	-
Provision for employees' retirement and severance benefits	195	160	1,198
Provision for directors' retirement and severance benefits	18	15	114
Provision for doubtful accounts	13	102	768

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2002 and 2001 amounted to ¥ 408 million (U.S.$ 3,060 thousand) and ¥ 343 million.

11. Cash and Cash Equivalents

A reconciliation of cash and cash equivalents as of March 31, 2002 and 2001 to accounts and amounts in the accompanying balance sheet is as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Cash and time deposits	¥6,802	¥6,186	$46,422
Time deposits with maturity in excess of three months	(2,501)	(1,001)	(7,510)
Cash and cash equivalents	4,302	5,185	38,912

12. Leases

Finance leases, except for those which transfer ownership of the property to the lessee, are accounted for as operating leases, under which the asset and related liability are not included in the balance sheets.

(1) A summary of pro-forma amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2001 of mainly tools, furniture and fixtures used under finance lease was as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Acquisition cost	¥304	¥404	$3,031
Accumulated depreciation	161	173	1,295
Net book value	¥143	¥231	$1,736

(2) Future minimum lease payments, inclusive of interest, at March 31, 2002 and 2001 were analyzed as follows:

	Millions of Yen		Thousands of U.S. dollars
	2001	2002	2002
Payable in one year or less	¥ 60	¥ 82	$ 618
Payable after one year	83	149	1,118
Total	¥143	¥231	$1,736

(3) Lease payments and pro-forma depreciation charges for the years ended March 31, 2002 and 2001 were ¥75 million (U.S.$566 thousand) and ¥69 million, respectively.

(4) Depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

13. Commitments and Contingent Liabilities

As of March 31, 2001, trade notes discounted with banks, in the ordinary course of business, amounted to ¥191 million. There were no trade notes discounted with banks as of March 31, 2002.
Notes which matured on March 31, 2002 (Sunday) of ¥111 million (U.S.$830 thousand) and March 31, 2001 (Saturday) of ¥136 million were accounted for as collected on the maturity date.

14. Derivatives

The Company has entered into forward exchange contracts to reduce its exposure to future adverse fluctuations 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 speculative derivative transactions and subsidiaries and associated companies do not enter into any forward exchange contracts.
Unrealized gain or loss on a hedge instrument is deferred until the Company recognizes gain or loss on the hedged item. An asset or liability hedged by a forward exchange contract is translated at the forward exchange contract rate.

As the Company enters into contracts with domestic banks with high credit ratings, the Company does not anticipate any risk of non-performance by these counter-parties.
In addition, the execution and control of derivative transactions are carried out by the administrative division in accordance with internal control regulations which limit the nature of transactions and staff in charge of such transactions.
As of March 31, 2002 and 2001, the Company had no outstanding derivative instruments.

15. Segment Information

The Company and its subsidiaries have two business segments and business segment information for the years ended March 31, 2002 and 2001 is analyzed as follows:

Year ended March 31, 2002 — Millions of Yen

	Mothproofing and hygiene-related products	Household environment related products	Total	Elimination or corporate assets	Consolidated
1.Revenues					
(1) Operating revenues	¥15,192	¥21,729	¥36,921	-	¥36,921
(2) Intra-group sales and transfers	-	-	-	-	-
Total revenues	15,192	21,729	36,921	-	36,921
2.Operating expenses	13,698	21,240	34,939	-	34,939
Operating income	1,494	489	1,983	-	1,983
3.Assets, depreciation and capital expenditure;					
(1) Total assets	9,314	11,071	20,385	12,536	32,921
(2) Depreciation	294	726	1,020	-	1,020
(3) Capital expenditure	645	492	1,137	-	1,137

Year ended March 31, 2001 — Millions of Yen

	Mothproofing and hygiene-related products	Household environment related products	Total	Elimination or corporate assets	Consolidated
1.Revenues					
(1) Operating revenues	¥17,319	¥20,577	¥37,896	-	¥37,896
(2) Intra-group sales and transfers	-	-	-	-	-
Total revenues	17,319	20,577	37,896	-	37,896
2.Operating expenses	15,114	20,382	35,496	-	35,496
Operating income	2,205	194	2,399	-	2,399
3.Assets, depreciation and capital expenditure;					
(1) Total assets	10,538	10,797	21,335	13,047	34,382
(2) Depreciation	285	641	926	-	926
(3) Capital expenditure	427	1,173	1,600	-	1,600

Year ended March 31, 2002	Thousands of U.S. dollars				
	Mothproofing and hygiene-related products	Household environment related products	Total	Elimination or corporate assets	Consolidated
1.Revenues					
(1) Operating revenues	$114,014	$163,070	$277,084	-	$277,084
(2) Intra-group sales and transfers	-	-	-	-	-
Total revenues	114,014	163,070	277,084	-	277,084
2.Operating expenses	102,803	159,400	262,203	-	262,203
Operating income	11,211	3,669	14,881	-	14,881
3.Assets, depreciation and capital expenditure;					
(1) Total assets	69,901	83,082	152,983	94,075	247,058
(2) Depreciation	2,209	5,447	7,656	-	7,656
(3) Capital expenditure	4,841	3,693	8,534	-	8,534

The business segments are classified according to the nature of products and their markets. Major products of the mothproofing and hygiene related business are Cloth Care and Hand Care and those of the household environment related business are Air Care, Humidity Care, and All Care.

Geographical segment information and overseas sales are not presented as revenues and total assets in Japan exceeds 90% of all segment total and overseas sales were less than 10% of consolidated sales for the years ended March 31, 2002 and 2001.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
S.T.Chemical Co., Ltd.

We have audited the consolidated balance sheets of S.T.Chemical Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001 and the related consolidated statements of income and retained earnings, and cash flows for the years ended March 31, 2002 and 2001, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of S.T. Chemical Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001 and the consolidated results of their operations and their cash flows for the years ended March 31, 2002 and 2001 in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis except for the items noted in the following paragraph.

As described in Note 3 to the consolidated financial statements, S.T.Chemical Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for retirement and severance benefits, financial instruments, and foreign currency transactions and financial statements in the preparation of their consolidated financial statements from the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for the convenience of the reader. 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 to the consolidated financial statements.

Shin Nihon & Co.

Shin Nihon & Co.

June 14, 2002

See Note 1(a) to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of S.T.Chemical Co.,Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Investor Information (March 31, 2002)

Fiscal year-end: March 31

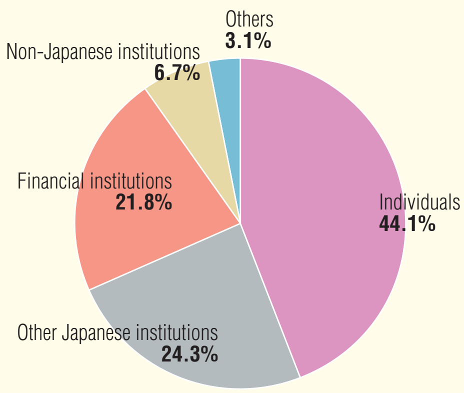
Shares issued and outstanding: 31,604,851

Listed exchange: Tokyo Stock Exchange, First Section

Shareholders: 5,400

Primary shareholders:

	Shares held (Thousands)	(% of total)
Shaldan Co., Ltd.	4,937	15.6
Seiichi Suzuki	1,751	5.5
Nippon Life Insurance Company	1,725	5.5
Akio Suzuki	1,547	4.9
Bank of New York Europe Limited, Luxembourg	1,469	4.6
The Fuji Bank, Limited	885	2.7
The Mitsubishi Trust & Banking Corporation, Trust Account	853	2.7
Hiromu Fujii	760	2.4
The Bank of Tokyo-Mitsubishi, Ltd.	681	2.2
Mizuho Trust & Banking Co., Ltd. (securities investment trust account)	588	1.9

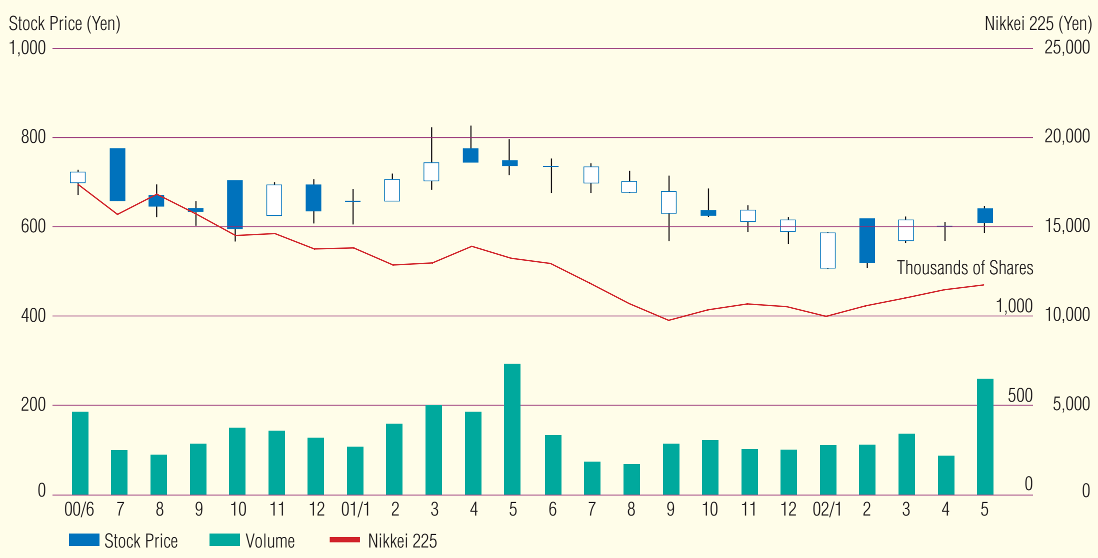


Registered transfer agent: Japan Securities Agents, Ltd.

Auditor: Shin Nihon & Co.

Annual shareholders' meeting: Late June of each year (June 14, 2002)

Stock chart:



S.T.CHEMICAL CO.,LTD.
Japan's Leading Home Products Manufacturer
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