S.T.CORPORATION

Annual Report 2006

For the Year Ended March 31, 2006

Unlocked Value

“Refreshing the Air”

Guided by our corporate motto, “Doing things no other company in the world does,” S.T. Corporation aims to become the world’s No. 1 company in the global niche market represented by mothproofing and dehumidifier agents, chemical warmers, home-care products, and especially deodorizers and air fresheners. As the Company celebrates the 60th anniversary of its founding in 2006, we have adopted the “Refreshing the Air” message as our new motto. We vow to “refresh the air” by taking on even more creative, innovative approaches that will bring a breath of fresh air to all our business activities.

Unlocked Value of S.T. CORPORATION

1 R&D, Design

2 Marketing

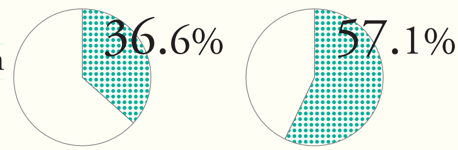
3 Manufacturing

4 Practicing CSR

Strong Points of S.T. Corporation

Strength of balanced management

MARKET SHARE



Air Care (Air fresheners)   Air Care (Deodorizers for Refregirators)

Air Care Group: Source of Growth

The core Air Care Group business boasts a high market share thanks to its range of differentiated products.

Strong Product Brand Creation

Enhanced branding has given rise to products such as Shoshu Riki deodorizers and the Mushuda mothproofing agents.

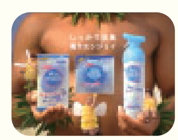
Sound Financial Base

S.T. Corporation maintains a solid financial base to support a rapid development framework and "selection and focus" strategies.

Shareholders' equity ratio 73.5%

Raising Brand Awareness through Television Commercials

Raises brand awareness by developing distinctive television commercials.



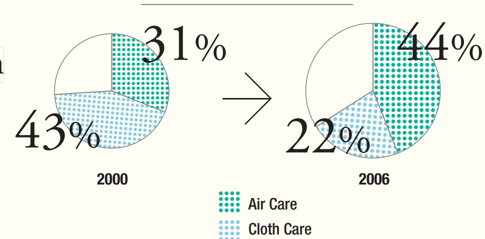
Dynamic Product Planning that Makes Markets

Creating markets by product development that reflects an understanding of our customers.

Corporate Structure Transformation

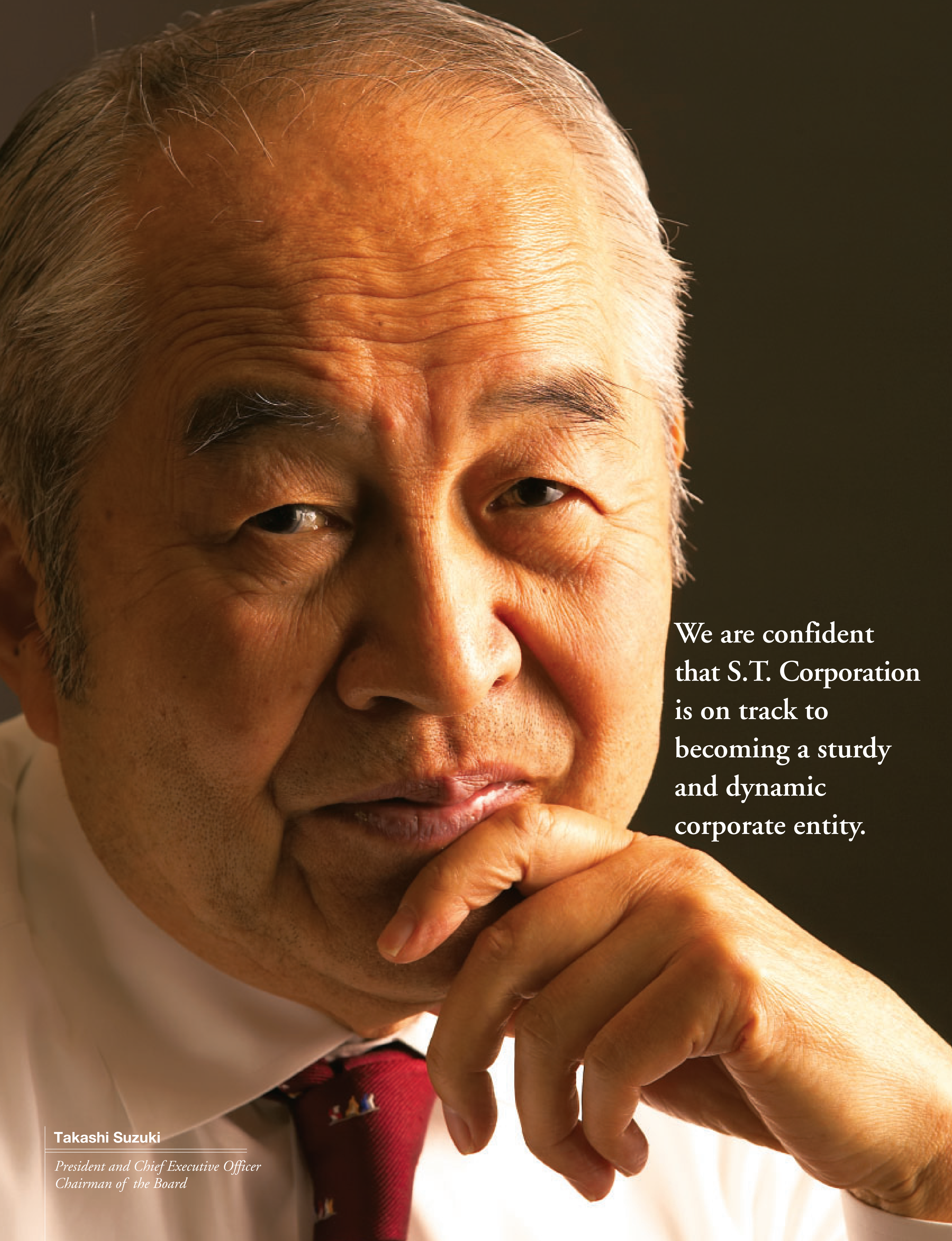
Regenerated business toward high-growth with the Air Care Group as its mainstay by "selection and focus" strategies.

SALES COMPOSITION



Vigorous Alliances

Collaboration with Reckitt Benckiser plc. and Sumitomo 3M are contributing greatly to the revenue base.



We are confident that S.T. Corporation is on track to becoming a sturdy and dynamic corporate entity.

Takashi Suzuki

President and Chief Executive Officer
Chairman of the Board

A MESSAGE FROM MANAGEMENT

〈 SPEED × EXECUTION × INSIGHT 〉

Despite lower earnings on increased revenues, S.T. Corporation views fiscal 2006, ended March 31, 2006, as a year of substance and measured achievement. Although facing intensified competition, the Air Care Group increased its relative market share as its deodorizers and air fresheners narrowed the gap on the Japanese market leader by half. The Cloth Care Group's mothproofing agents emerged from a prolonged period in the doldrums and enjoyed growth in market share and an improvement in sales. Looking back at the management reforms and product development, marketing and advertising innovations initiated over the past few years, we are confident that S.T. Corporation is on track to becoming a sturdy and dynamic corporate entity.

Performance

In the fiscal year under review, consolidated net sales rose 4.6% compared with the previous fiscal year to ¥46.1 billion. On the earnings front, however, operating income declined 16.4% to ¥3.1 billion while ordinary income fell 19.0% to ¥2.6 billion. This was attributed to additional advertising expenditure in response to intense competition in the Air Care market and the threat posed by the entry into the Japanese market of a major overseas manufacturer. Furthermore, the Company incurred an impairment loss of approximately ¥0.7 billion including the amortization of goodwill of a Thermal Care (disposable warmer) business following the introduction of impairment accounting. As a result, net income decreased 45.8% year on year to ¥1.0 billion.

Highlights

1. Advancing toward the Top Position in the Air Care Field

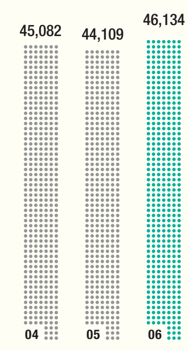
In the Air Care field, S.T. Corporation continued to adopt a selective approach toward business investment with the aim of developing and marketing high-value-added products. In the fiscal year under review, the Company enjoyed strong growth with core brand Shoshu Riki, which is approaching annual sales of ¥10.0 billion, and Air Wash, a product that is in keeping with the new "Refreshing the Air" slogan, and Shoshu Plug, a plug-type electric room deodorizer.

Competition in the Japanese market was intensified by a new market entrant from overseas and by new products launched by other competitors. The Company launched a stand-alone Air Wash product that was already under development, reinforced its manufacturing structure, invested in television advertising and conducted in-store promotions. While placing temporary downward pressure on segment profits, these initiatives helped to raise awareness of the Air Wash brand, boosted sales and took us one step closer to achieving the number-one slot in the Air Care market.

Guided by the concept "competition breeds progress," S.T. Corporation will continue to leverage its ability to anticipate customer needs and provide unique products as it strives to secure the top position.

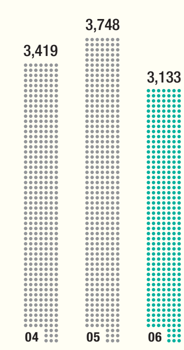
2. Securing a Full Recovery in the Cloth Care Field

S.T. Corporation has engaged in the development and sales of mothproofing agents since its foundation and is the world's leading supplier. In recent years, this segment has suffered from a prolonged decline in retail prices. At the same time, the market has continued to contract as users shift from a six-month cycle to products that remain effective for a period of one year. In the fiscal year under review, signs began to emerge indicating that the shift to products with one-year life cycles was now complete and that the decline in retail prices had bottomed out. While mothproofing agents are considered more essential when compared with air care products, their future is dependent upon the abil-



Net Sales *(millions of yen)*

Consolidated net sales rose 4.6% compared with the previous fiscal year to ¥46.1 billion.



Operating Income *(millions of yen)*

Operating income declined 16.4% to ¥3.1 billion. This was attributed to additional advertising expenditure in response to intense competition in the Air Care market.

ity to develop high-value-added products that fully address emerging needs such as walk-in-wardrobes and open closets.

3. Responding to Sharp Increases in Crude Oil Prices

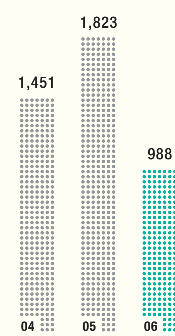
Petroleum is a core material in the manufacture of the Company's products and for its packaging in particular. The recent sharp rise in crude oil prices has therefore caused significant problems for S.T. Corporation. In an effort to address these concerns, the Company established the Cost Management and Control Committee, a cross-sectional committee that cuts across Group lines, in May 2005, with the aim of further reining in production costs. Comprised of representatives from manufacturing, development, sales and other divisions, the Committee is reviewing every aspect of the Company's business, from the number of components required to manufacture existing products, right through to the design and production processes of new products in an effort to reduce raw material and component procurement costs.

Corporate Governance

In June 2004, in accordance with its emphasis on corporate governance in management, S.T. Corporation shifted to a company-with-committees structure. In an effort to further improve management transparency and fairness, external directors were appointed to the Company's Board at the general shareholders' meeting in June 2006. As a result, five of the eight-member Board of Directors are external appointees.

Shareholder Returns

S.T. Corporation's shareholder return policy is linked to its performance. Over the past few years, the Company has increased dividends each fiscal year, from ¥8 in the fiscal year ended March 31, 2002, to ¥22 in the fiscal year ended March 31, 2005. Following an increase in revenues and a decrease in earnings in the fiscal year under review, S.T. Corporation has decided to pay an annual dividend of ¥22, unchanged from the previous fiscal year. In the area of treasury stock acquisition, the Company will continue to adopt a flexible approach based on investment efficacy considerations with the aim of maximizing shareholder value.



Net Income *(millions of yen)*

Due to an impairment loss including the amortization of goodwill of the Thermal Care (disposal warmer) business, net income decreased 45.8% year on year to ¥1.0 billion.

Strategies in Fiscal 2007 "Selection and Focus"

Against the backdrop of increased competition in the Air Care market and expectations of a rise in manufacturing costs reflecting the sharp jump in crude oil prices, S.T. Corporation will adopt the following "Selection and Focus" strategies to ensure profit-oriented management.

1. Product "Selection and Focus" and Innovation

The S.T. Corporation Group will rationalize its existing product line from 364 to a total of 300 products. Our goal is to develop unique products that deliver new value to customers.

2. Marketing Innovation

We will redouble marketing efforts for mainstay brands in a bid to gain the top position in each category. Through S.T. Business Support Co., Ltd., a wholly owned subsidiary incorporated in December 2005, we will enhance area support and revitalize promotional activities at retail stores.

3. Production Innovation

By leveraging the scale merits of further product selection and focus and review under the guidance of the Cost Management and Control Committee established in 2005, S.T. Corporation is committed to securing overall cost reductions in excess of the rise in raw material prices.

4. Global Development

From March 2006, sales of Dasshutan and the DryPet series will commence in the United States through Wal-Mart and Kroger outlets. In addition, sales of the Company's products are making steady market inroads in Europe and South East Asia. Looking ahead, S.T. Corporation will extend beyond Japan and spread its innovation across the globe.

5. Reinforcing Group Management

Utilizing S.T. Trading Co., Ltd., a consolidated subsidiary mainly engaged in the sale of wholesale goods for business use, we will cultivate new distribution channels and create synergy effects.

Furthermore, in centralizing the logistics function through S.T. Business Support Co., Ltd., we will integrate indirect operations common throughout the Group to ensure increased efficiency.

Medium- and Long-Term Vision

1. Air Care as Core Business

In line with continued advances in the Air Care market both in Japan and overseas, S.T. Corporation recognizes that future growth rests on its Air Care operations and on innovative ideas. It is said that individuals inhale approximately 20 kg of air daily. Our goal is to "refresh" this vital resource and to bring health and happiness to our customers. To this end, we will develop unique products ahead of our competitors with the aim of securing the top position in the market in Japan, while focusing on increasing sales in global markets.

2. Developing Businesses that Relax and Soothe

S.T. Corporation is endeavoring to develop and deliver products offering innovative benefits that transcend their basic functions. We are working to cultivate relaxing and soothing business lines that satisfy the user's inner self and leave lasting impressions. In consistently expanding its business domain, S.T. Corporation is seeking to secure perpetual growth.

3. Strategic Alliance and M&A

S.T. Corporation has positioned business alliances and M&A as important strategies in securing sustainable growth. While our alliances with Sumitomo 3M and Fumakilla Indonesia (PT) are proceeding smoothly, we will seek future strategic alliances based on clearly defined objectives and results.

2006 marks the 60th anniversary of the Company's foundation. Buoyed by this remarkable event, we have renewed out commitment under the slogan "Refreshing the Air." In again clarifying our stance and vision, we will strive to become the preferred partner of our customers around the world and to unite within the group to achieve our goals.

Under this "Refreshing the Air" slogan and our motto, "Doing things no other company in the world does," we will pursue a path of continuous innovation with the aim of becoming the world's No. 1 company in a global niche market. Promoting profit-oriented management, we will also work toward an operating income margin of 10%.

I ask for your continued support and understanding as we move ahead in our efforts to achieve our objectives.

August 2006

Takashi Suzuki

Takashi Suzuki
President and Chief Executive Officer
Chairman of the Board

S.T. CORPORATION'S UNLOCKED VALUE

〈R&D, DESIGN × MARKETING × MANUFACTURING × CSR〉

Searching for a product with which customers will feel content...

1

R&D AND DESIGN

Q What would you say are S.T. Corporation's strengths in product development?

Kaneko: That would have to be our painstaking customer orientation. There are things that customers look for in a product, and all of S.T. Corporation's employees, from the executives on down, are thinking about how these qualities can be incorporated into products. For some time now I've been unwavering in my efforts to see things from the customer's (consumer's) perspective, to find out our customers' genuine needs and to reflect them in our products.

Tanaka: That's right. When designing products, I even base them on the opinions of the closest relatives and friends. There are many opportunities in a year for all S.T. Corporation employees to conduct in-store promotional activities. Gauging customer views while working on a product with direct relevance to customer feedback is part and parcel of my everyday duties.

Kaneko: Our mission is product development, using the concept of searching for products with which customers will feel content and including that concept in creating the product. Furthermore, hit products do not come about if you don't make products that emphasize the value of "understanding through listening, seeing, and using," and don't risk "doing things no other company in the world does."

Tanaka: On that subject, in the field of design, shops represent the first point of contact with our customers. To my way of thinking, it's essential for a product's design to attract customers to it, for a customer to want to handle it and to think about trying it out. The design has to be something that has never been seen before, and the packaging should convey its contents, function and the passion that we have put into it.

Kaneko: Dasshutan provides a perfect example of the balance between all those requirements. First of all, there was the increase in popularity of *binchotan*, a special charcoal. Then there were the calls from the market for a deodorizer product that enabled customers to see if the product was full or empty, so a deodorizer that enabled this was developed. Directly connected with this product's success was the emphasis we placed on those elements to customer understanding, through listening—Dasshutan literally means "deodorizing charcoal"—through seeing its black charcoal jelly and through using its deodorizing effect.

Q Where do the ideas for making unique products come from?

Tanaka: I go out as often as possible, see and feel various things and incorporate them into my own work. At S.T. Corporation there are events such as "round-the-world training" and brainstorming sessions to fine tune our ideas, combined with a culture of using each other as sounding boards, which helps.

Kaneko: Differentiated products aren't completely different. They perhaps have a half-length lead over other products, but that can be a decisive factor when they are evenly matched. I find it stimulating to communicate with people from other industries, to learn what that half-length lead is.

Toshihiko Kaneko
Product Development Fellow

Using "customers are unaware of their essential needs" as the crux of his development policy, Kaneko has had a hand in the development of several products that "no other company in the world does," including Dasshutan.

Shoko Tanaka
Chief Designer, Design Group

Creative and with a typically feminine sense of design, Tanaka has played a part in the design of major Air Care products such as Shoshu Riki and received the Good Design Award for Air Wash Mist.

2 Bringing together product concept planning and design, advertising and marketing divisions

MARKETING

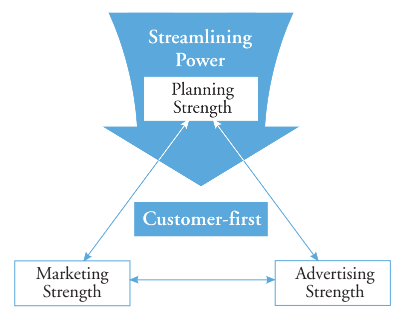
Q **What role does marketing play at S.T. Corporation?**

A First and foremost, when planning a product, it's a case of offering ideas that add new value and meet consumer needs. Then marketing takes the role of producer by generating single products and brands by bringing together the product concept planning and design, advertising and marketing divisions. For example, in the development of Air Wash, our starting point was making a new brand, going to great lengths to find out the needs of people who don't normally use deodorizers and air fresheners. We believe that everyone wants to live in a clean-air environment and came up with the "Refreshing the Air" concept that gave rise to deodorizers and air fresheners that surpass current products in terms of value. I personally believe great strides have been made in lodging the Air Wash brand in the minds of consumer by linking activities such as in-store sales promotions with television commercials and enlarging the product line. These activities have contributed to a broadening of the base of the air care market.

Q **What do you place the most marketing emphasis on?**

A That would be constantly reinforcing consumer awareness. As far as it is possible, S.T. Corporation wants to meet consumers face to face and hear their views, so we place great importance on market surveys. For instance, when a product is launched onto the market, members of our team stand in stores to find out for themselves how consumers regard our products. By so doing, we can create products derived genuinely from the consumer's perspective, not from mere deskbound theorizing.

Combination of R&D, Advertising and Marketing



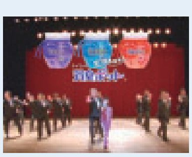
Masami Kitahara
Development Planning Group Manager

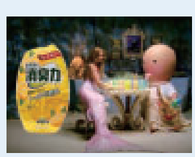
Including time in the Development Planning Group, Kitahara has been in marketing for a total of eight years. He recently played a pivotal role in setting up a fast and flexible product development, advertising and sales integration framework for the rapid launch of Air Wash.

Enhancing Brand Power by Television Commercial Development

S.T. Corporation has developed unique television commercials, including that for Shoshu Pot in which a sales branch manager appeared, as well as for Mushuda and Shoshu Riki, which have had a far-reaching effect in enhancing its brand power.

According to a monthly survey conducted by CM Databank that ranks television commercial categories in terms of their popularity, Mushuda's Wedding Ceremony came in 19th and Shoshu Pot Sales Branch Managers with Morisanchu 5th out of around 4,500 commercials.



Stills from television commercials for (left to right): Shoshu Pot, Mushuda and Shoshu Riki

3

Enhancing front-line strengths that put ideas into action

MANUFACTURING

Q What does the Manufacturing Division undertake that you would class as innovation?

A First of all, with respect to ramping up our operational capacity and decreasing the defect rate, the workforce has devised solutions at the plants over this past year, focusing on enhancing front-line strengths that put ideas into action. Furthermore, best practice from one plant should be developed laterally to other plants, and shared use of Intranet information has gathered pace. As a result, I believe that S.T. Corporation worked hard together and has been able to undertake reform activities proactively.

In addition, based on the "Refreshing the Air" slogan, these proactive reform activities have included people from S.T. Corporation plants undertaking in-store promotional activities on a number of occasions this year. Suggesting products directly to customers and providing opportunities for first-hand feedback gives people pride in their work and a heightened sense of responsibility.

Q What have you been doing to counteract rising costs?

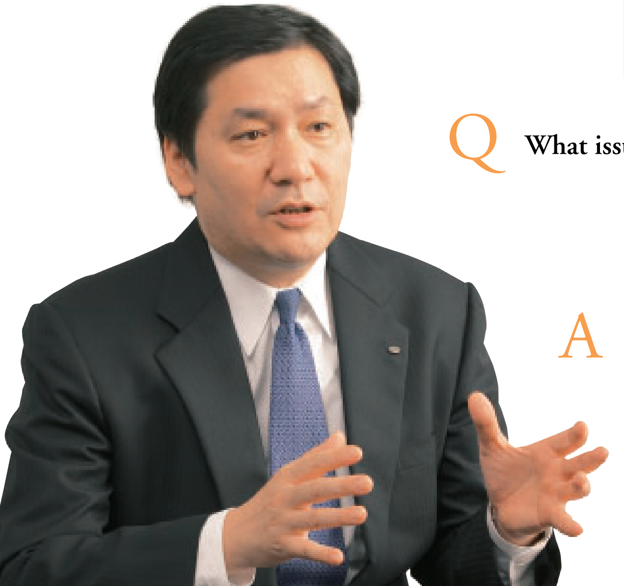
A There is a limit as to how much cost reduction the Manufacturing Division can undertake. From product development to marketing, purchasing, manufacturing and sales, all divisions have to cooperate with one another to put into effect drastic reforms. For that reason, a Cost Management and Control Committee—an organization that cuts across the whole Company—was set up last year. Delegates attending the committee, which is divided into the New Product Cost Committee, which aims to reduce the costs of new products from the development and planning stages, and the VA/VE Committee, which investigates changing to new sources of supply and reexamines the raw materials and components of existing products, exchanged views with representatives from each of five product categories. As a result, last year the Company was able to absorb the rising cost of raw materials brought about by soaring crude oil prices.

Q What issues do you foresee over the next couple of years?

A One problem is how to speed up the flow of information from stores and wholesale companies and, once accurately in our possession, whether or not this information can be reflected at the sharp end of manufacturing. Store sales information is gathered in part through point-of-sale (POS) systems and analyzed at the head office, but there are many stores in Japan, and the proportion of stores covered is not very high. As sales of some of S.T. Corporation's products, such as chemical warmers and mothproofing agents, are subject to the vagaries of the weather, I believe it essential to set up a supply chain management system, and I want to create a mechanism that enables flexible adjustments in production.

Kanzo Kobayashi
Senior Managing Executive Officer in charge of Overall Management, Manufacturing, and R&D Division

Kobayashi instigated Cost Management and Control Committee in 2005, dealt with Companywide cost reforms and was a prime mover behind a variety of manufacturing floor initiatives that featured a tangible result aspect and strengthened S.T. Corporation's "front-line capabilities."



Seeking growth in corporate value harmonized with various stakeholders

4

S.T. Corporation offers households "excitement and satisfaction" through its products and services as it aims for "growth with long-term profits." The Company recognizes that planning growth in corporate value harmonized with large numbers of stakeholders—shareholders, customers, business partners, local communities, employees—is one of its major management issues.

Hirohide Shimada
Executive Officer in charge of the Corporate Planning, Advertising and Public Relations Group, as well as international business.

Besides being actively involved in investor relations (IR), including overseas IR activities, Shimada promotes a variety of Companywide projects.

Corporate Governance

With the aim of strengthening its corporate governance, S.T. Corporation (then known as S.T. Chemical) shifted to a "company-with-committees" structure in June 2004. Following the General Shareholders' Meeting held on June 14, 2006, another external director was newly elected and added to the format of the Company's board of directors, which is now comprised of eight members, five of whom are external nominees. I believe that applying the "company-with-committees" model has improved management transparency, strengthened the audit function with regard to management by separating management audit functions from executive functions and revitalized discussions at meetings of the board of directors and executive officers, as well as at each of the committee meetings. As a result, the Company is marking definite progress in making flexible management a reality.

Internal Control System

In August 2004, the then newly established Legal Affairs and Internal Control Group, in its capacity as a division that reports directly to the Chief Executive Officer, conducted a check on the status of compliance activities in each division. This was followed in March 2005 by the formulation of a "Code of Corporate Behavior" and "Rules Governing Compliance," the distribution of these handbooks being intended to heighten awareness among all S.T. Corporation employees. I look forward to the groupwide system consolidation brought about by creating positions for directors to be in charge of compliance and timely disclosure at all of the Company's subsidiaries in Japan.

Social Action Programs

With the aim of "Using resources efficiently, communicating with and contributing to local communities," the S.T. Corporation plants at Honjo, Saitama Prefecture, and Iwaki, Fukushima Prefecture, held bargain sales of products that had not been released to the market (for such reasons as changes in design) for the benefit of local residents and donated part of the proceeds to the social welfare councils in the two cities.

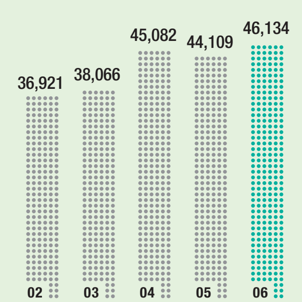
The Company proactively supports cultural aid activities, such as musicals and stage plays. The Company-sponsored musical campaign is now in its ninth year, and the numbers of theatergoers has exceeded 120,000 people. Continuing the theme of last year's *A Musical to Refresh the Spirit*, the 2006 production of *Anne of Green Gables* is being performed in eight major cities in Japan. Tomomi Kahara, the singer playing the lead role, and Jiro Sakagami, selected for the role of Matthew, who brings up Anne as an adopted child, chose their costars at nationwide auditions. I hope that S.T. Corporation's extensive sponsorship will enable all the people involved in the musical to fulfill their ambitions and offer them an opportunity to be "spiritually refreshed."

S.T. CORPORATION AT A GLANCE

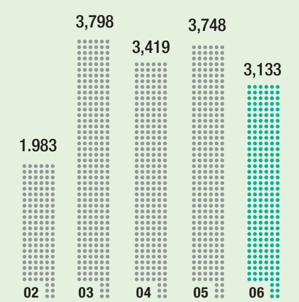
- Net sales increased 4.6% compared with the previous fiscal year as a result of such factors as sales growth in the Thermal Care Group and increased sales of new Air Care Group products.
- Operating income declined 16.4% owing to such factors as the increased advertising expenses incurred by the Air Care Group in response to intensified competition.
- Net income for the fiscal year under review fell 45.8% year on year owing to an impairment loss including the amortization of goodwill of the Thermal Care business.
- Shareholders' equity ratio remained little changed from the previous fiscal year at 73.5%.
- At ¥22, the cash dividend was the same as the previous fiscal year.

	Millions of yen					Thousands of U.S. dollars (Note 1)
Years ended March 31,	2002	2003	2004	2005	2006	2006
Net Sales	¥ 36,921	38,066	45,082	44,109	46,134	$ 392,732
Operating Income	1,983	3,798	3,419	3,748	3,133	26,668
Net Income	509	1,431	1,451	1,823	988	8,408
R&D Expenses	408	490	413	423	480	4,087
Capital Expenditures	1,137	733	404	880	826	7,031
Total Assets	32,921	34,732	36,269	36,959	37,905	322,680
Shareholders' Equity	25,606	26,048	26,693	27,449	27,861	237,171
Equity Ratio (%)	77.8	75.0	73.6	74.3	73.5	—
ROE (Note 2)	2.0	5.5	5.5	6.7	3.6	—
ROA (Note 3)	6.7	11.9	10.2	10.9	9.0	—
Per Share	Yen					U.S. dollars
Net Income	¥ 16.37	46.53	48.87	63.43	34.35	$ 0.29
Shareholder's Equity	833.01	874.85	924.33	957.45	966.43	8.23
Cash Dividends	8.00	10.00	17.00	22.00	22.00	0.19

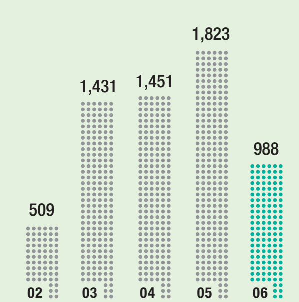
Notes: 1. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥117.47= $1, the approximate exchange rate on March 31, 2006.
2. ROE = Net Income / Average total shareholders' equity
3. ROA = (Operating Income + Interest and Dividends Received + Purchase Discount) / Average total assets



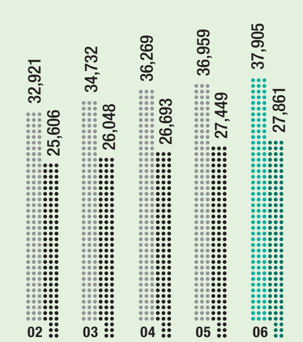
Net Sales *(millions of yen)*



Operating Income *(millions of yen)*



Net income *(millions of yen)*



Total Assets/Shareholder's Equity *(millions of yen)*

8.7%
Home care
(other products)

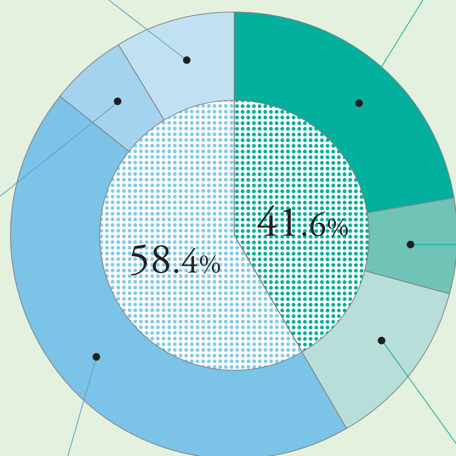
S.T. Corporation offers a wide variety of products, including Finish, a dishwashing powder for automatic dishwashers, benefiting from business alliances.

22.2%
Cloth Care
(mothproofing agents)

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

5.6%
Humidity care
(dehumidifiers)

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



6.9%
Hand Care
(gloves)

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

COMPOSITION OF NET SALES BY BUSINESS SEGMENT
(year ended March 2006)

- MOTHPROOFING AND HYGIENE-RELATED PRODUCTS
- HOUSEHOLD ENVIRONMENT-RELATED PRODUCTS

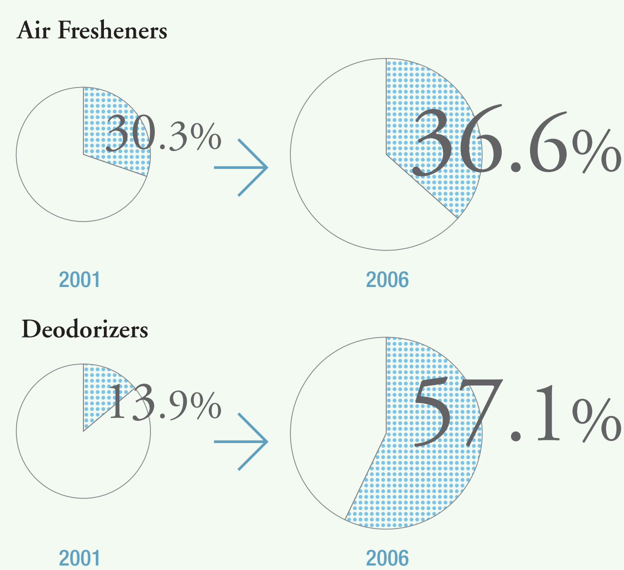
12.5%
Thermal care
(disposable warmers)

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

44.1%
Air care
(deodorizers and air fresheners)

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

MARKET SHARE TRANSITION



(years ended March 31)

REVIEW OF OPERATIONS

In the fiscal year under review, consolidated net sales rose 4.6% compared with the previous fiscal year to ¥46.1 billion.

AIR CARE (Deodorizers and Air Fresheners)


Air Wash

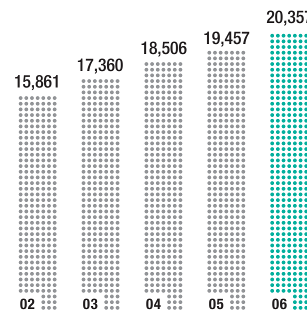

Shoshu Riki


Shoshu Pot


Shoshu Plug


Dasshutan

Air Care, one of S.T. Corporation's core businesses, is a field in which market growth is expected. The Company offers a unique lineup of major air care products, which includes the following: the core Shoshu Riki megabrand; Air Wash, which is getting brand awareness of our "Refreshing the Air" slogan; Shoshu Plug, which uses battery power to deodorize even the most spacious of rooms; and Shoshu Pot, which has gel-type contents. Despite more intense competition caused by an overseas company operating in Japan and new product launches by other companies in Japan during fiscal 2006, in-store marketing activities and an aggressively conducted television advertising campaign resulted in increased sales, primarily of the Company's core Shoshu Riki megabrand and the new stand-alone Air Wash. Furthermore, the Company expects to tap new markets by bringing to market such high-value-added products as Kitchen Shoshu Riki and Hikaru Shoshu Plug. Net sales rose 4.6% compared with the previous fiscal year to ¥20,357 million.

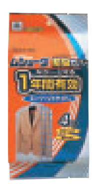


Net Sales *(millions of yen)*

CLOTH CARE (Mothproofing Agents)


Mushuda
(for wardrobes)

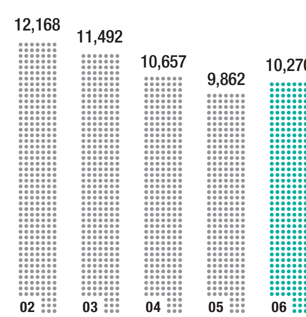

Mushuda
(for closets)


Mushuda
Bochu Cover


Mushuda
Matomete Cover


Neopara Ace

The Cloth Care Group has formed part of our business since the Company was founded and is second only to the Air Care Group as a marketing priority. Mushuda and Neopara Ace, which are both trusted major brands that "protect valuable clothing from insects," enjoy a formidable level of customer loyalty. Products such as Mushuda Fan for walk-in closets (for large storage spaces), Mushuda Bochu Cover and Mushuda Bochu Cover for Formal Wear (both of which are suitable for open storage) and Mushuda Matomete Cover (a box-type cover that can store up to seven jackets) have been developed to bring out the best in cloth materials and capitalize on the wide diversification of cloth storage techniques. The new-value appeal of the Company's mothproofing agents was conveyed by means of aggressive sales promotion activities, which included a distinctive television commercial campaign. The trend to extend product life cycles from six months to one year is almost complete, and stability in prices is returning, net sales increased 4.1% compared with the previous fiscal year to ¥10,270 million. The profit ratio improved as a result of efforts to reduce costs.



Net Sales *(millions of yen)*

HUMIDITY CARE (Dehumidifiers)


DryPet
(for wardrobes)

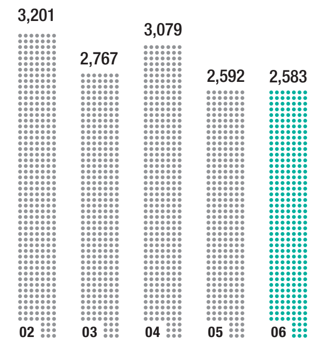

DryPet Compact


Binchotan DryPet


DryPet with
Charcoal
(for futon)


DryPet with
Charcoal
(for shoes)

DryPet dehumidifiers have continuously led the market since going on sale in 1981. Today's lineup consists of products for widely differing locations and applications, including dehumidifier sheets for drawers and casings for clothes, wardrobes and shoe closets. Binchotan Drypet (Special charcoal ingredient) is a highly versatile, high-value-added product that acts not only as a dehumidifier, but also as a deodorant. DryPet with charcoal for futon, which can be placed under futon or bedding and dried in the sun for reuse, and DryPet with charcoal for shoes have also been added to the lineup. Amid stiff price competition, net sales remained essentially unchanged from the previous fiscal year, edging down 0.4% to ¥2,583 million. The profit ratio improved as a result of implementing sales strategies that also paid particular heed to profit.



Net Sales *(millions of yen)*

HAND CARE (Gloves)

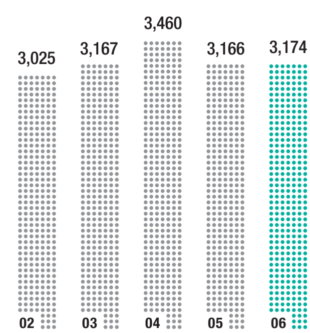

Family Chamomile


Family Squalene


Family Thin
PVC Gloves
(fingertip-reinforced)


Middle Thick
PVC Gloves
(fingertip-reinforced)

The Family series of household gloves are high-value-added products that not only protect the hands, but also soothe the skin. Washing chores are more enjoyable for customers using S.T. Corporation's wide-ranging product lineup, which comprises gloves with squalene additives, gloves with chamomile extract in a special foam layer to prevent hands from becoming hot and sticky, as well as fingertip-reinforced regular household gloves. Although prices fell due to wholesale business to joint venture sales subsidiary, the Hand Care Group's net sales slightly increased 0.2% year on year to ¥3,174 million as new product sales grew smoothly.

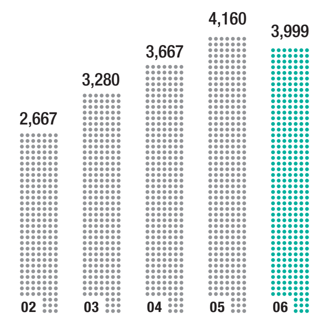


Net Sales *(millions of yen)*

HOME CARE (Cleaners and Other Products)

Finish Ultra Powers Kome-Touban Scotchgard Nexcare

The Home Care Group has developed various products, including the following: Finish, a dishwashing powder for automatic dishwashers marketed in agreement with the British company, Reckitt Benckiser plc; Ultra Powers washing machine tub cleaner; Zippers food-storage bags; Gekipika household sponges; and Kome-touban, which protects uncooked rice from insects. Additionally, although Scotchgard water and oil repellant, along with Nexcare brand products, which are both marketed in alliance with Sumitomo 3M, have enjoyed steady sales growth, this was not sufficient to counteract the diminishing sales of other existing products. Thus, net sales dipped 3.9% to ¥3,999 million in the fiscal period under review.

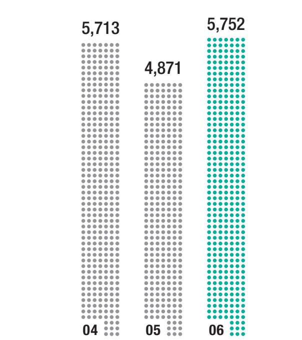


Net Sales *(millions of yen)*

THERMAL CARE (Disposable Warmers)

Haru-Onpacks Pokakkusu (for hands) Haru-Onpacks (for socks) Onpacks (for shoes) Ashipoka-sheet (for feet)

The Thermal Care Group began marketing Onpacks brand disposable warmers manufactured by Mycoal Corporation in July 2003. Now offered are chemical warmers with self-adhesive patches for attachment to clothing and for the soles of users' feet. An easy-to-understand Pokakkusu V guide for three parts of the body (hands, body or feet) is included with this product. As a result of endeavors to achieve fair sales levels at consistently fair prices and the favorable effects of a record spell of cold weather, net sales climbed 18.1% year on year to ¥5,752 million.



Net Sales *(millions of yen)*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net sales

In the fiscal year ended March 31, 2006, consolidated net sales rose ¥2,025 million (4.6%) compared with the previous fiscal year, to ¥46,134 million. Of S.T. Corporation's mothproofing and hygiene-related products, the Thermal Care Group performed particularly well, recording sales of ¥5,752 million, an 18.1% year-on-year increase. This was attributable to brisk sales of the group's chemical warmers in the harsh winter months. The Cloth Care Group marked a change of fortunes from the declining sales caused by a dwindling market over the past few years. Sales of the Air Care Group's deodorizers and air fresheners, one of the Company's core businesses that comes under the Household Environment-Related Products segment, rose 4.6% to ¥20,357 million. This growth in market share and sales expansion was brought about by new hit products such as the stand-alone Air Wash and expansion in existing products including Shoshu Riki. In contrast, sales in both the Humidity Care Group (dehumidifiers) and the Home Care Group were down compared with the previous fiscal year, by 0.4% and 3.9%, respectively.

Cost of Sales

The cost of sales climbed ¥1,593 million, or 6.5% year on year. Although cost of sales had declined 1.9% in the previous fiscal year, the main reasons for the turnabout in the fiscal year under review were expanding sales of products with low gross profit margins (such as newly-released air fresheners and chemical warmers) and, on the other hand, shrinking sales of existing high-profit-margin deodorizer and air freshener brands. Amid continuously high prices for raw materials, the Company kept down increases in manufacturing costs to less than zero and implemented ongoing cost reductions.

Operating income

In comparison with the previous fiscal year, operating income fell 16.4% to ¥3,133 million.

This was due to the effect of such factors as the Company increased promotional expenses, primarily increased advertising, in response to more intense competition after an overseas company entered the Japanese air care market in the fiscal period under review. As a result, selling, general and administrative (SG&A) expenses swelled ¥1,013 million to ¥16,892 million.

However, there are bright prospects. In the mothproofing agents market, in which the Company holds the top share, and the market trend to extend product life cycles from six months to one year is almost complete and stability in sales prices is returning. In due course, this will further improve the market share of the Company's products.

Other income (expenses)

The Company applied asset-impairment accounting in writing down the carrying value of prepaid expenses for license rights for sales of Thermal Care products, the expected amount of which the Company judged to the uncollectible, resulting in a charge of ¥536 million. An impairment loss on idle fixed assets was ¥166 million.

Net income

Net income was ¥988 million, representing 45.8% of the previous fiscal year's figure. Income before income taxes and minority interests was ¥1,913 million. Net income per share was ¥34.35, down from ¥63.43 in the previous fiscal year.

Financial position

Total assets rose ¥946 million to ¥37,905 million as of the end of the fiscal year under review. Total current assets also expanded ¥821 million to ¥23,606 million. Total fixed assets increased ¥125 million to ¥14,300 million, the major component being total investments and other assets, which increased ¥370 million to ¥6,303 million.

Owing to an increase in trade payables being largely offset by a drop in other payables, total current liabilities edged up ¥63 million to ¥7,973 million compared with the previous fiscal year-end.

Capital expenditures

Capital expenditures totaled ¥826 million, a fall of ¥54 million from the previous fiscal year. The Household Environment-Related Products segment accounted for 82% of total capital expenditures.

Cash flows

During the fiscal year ended March 31, 2006, net cash provided by operating activities decreased ¥1,016 million to ¥1,954 million. Sources of cash included adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities of ¥2,616 million, a decrease of ¥593 million compared with the previous fiscal year, and the net balance between receivables and payables and accrued expenses was a cash outflow of ¥297 million.

Net cash used in investing activities was ¥2,230 million, ¥1,307 million more than the net cash used in the previous fiscal year. This was mainly attributable to the purchase of marketable securities, primarily government and corporate bonds.

Net cash used in financing activities decreased ¥614 million to ¥571 million. In the fiscal year under review the Company purchased treasury stock of ¥3 million, down ¥569 million from the previous fiscal year. Payments of dividend in the consolidated fiscal year ended March 31, 2006, totaled ¥661 million.

Accounting for all these factors, cash and cash equivalents decreased ¥831 million at the end of the fiscal year, totaling ¥8,802 million.

Financial indicators

Compared with the previous fiscal year, ROE fell 3.2 percentage points to 3.6%, and ROA fell 1.9 percentage points to 9.0%. Shareholders' equity per share of common stock rose from ¥957.45 to ¥966.43, shareholders' equity edged down from 74.3% to 73.5%, while the interest coverage ratio was 14,432.9 times, compared with 2,623.4 times in the previous fiscal year.

Dividends

Having given due consideration to net income and shareholder returns during the fiscal year under review, the annual dividend, including the interim dividend of ¥11, was ¥22, as had been planned at the beginning of the fiscal year. On a non-consolidated basis, the dividend payout ratio was 92%.

SIX-YEAR SELECTED FINANCIAL DATA (UNAUDITED)

S.T. CORPORATION and Subsidiaries
Years ended March 31

	Millions of yen except per share data and financial rations					
	2001	2002	2003	2004	2005	2006
FOR THE YEAR:						
Net sales	¥37,896	¥36,921	¥38,066	¥45,082	¥44,109	¥46,134
Cost of sales	20,161	20,469	19,707	24,973	24,490	26,083
Gross Profit	17,726	16,479	18,351	20,079	19,627	20,024
Selling, general and administrative expenses	15,327	14,497	14,553	16,660	15,879	16,892
Operating income	2,399	1,983	3,798	3,419	3,748	3,133
Income (loss) before income taxes and minority interests	1,503	1,018	2,619	2,746	3,209	1,913
Net income	750	509	1,431	1,451	1,823	988
AT YEAR-END:						
Inventories	¥ 3,883	¥ 3,566	¥ 3,661	¥ 3,668	¥ 3,769	¥ 4,824
Property, plant and equipment-net	9,169	8,937	8,684	8,154	8,018	7,582
Current liabilities	6,464	5,147	6,928	7,887	7,910	7,973
Long-term liabilities	1,636	1,646	1,250	1,175	1,079	1,591
Total liabilities	8,099	6,794	8,178	9,062	8,989	9,564
Shareholder's equity	25,782	25,606	26,048	26,693	27,449	27,861
Total assets	34,382	32,921	34,732	36,269	36,959	37,905
OTHER SELECTED DATA:						
Capital expenditures	¥ 1,600	¥ 1,137	¥ 733	¥ 404	¥ 880	¥ 826
R&D expenses	343	408	490	413	423	480
Free cash flow	481	1,650	4,486	3,005	2,909	1,868
PER SHARE DATA (¥):						
Net income	¥ 23.60	¥ 16.37	¥ 46.53	¥ 48.87	¥ 63.43	¥ 34.35
Shareholders' equity	822.21	833.01	874.85	924.33	957.45	966.43
Cash dividends	8.00	8.00	10.00	17.00	22.00	22.00
FINANCIAL RATIOS(%):						
As a percent of net sales:						
Gross Profit	46.8	44.6	48.2	44.6	44.5	43.5
Selling, general and administrative expenses	40.4	39.3	38.2	37.0	36.0	36.6
Operating income	6.3	5.4	10.0	7.6	8.5	6.8
Income (loss) before income taxes and minority interests	4.0	2.8	6.9	6.1	7.3	4.1
Net income	2.0	1.4	3.8	3.2	4.1	2.1
ROE (Note 1)	2.9	2.0	5.5	5.5	6.7	3.6
ROA (Note 2)	7.9	6.7	11.9	10.2	10.9	9.0
Equity Ratio (%)	75.0	77.8	75.0	73.6	74.3	73.5

Notes: 1. ROE=Net income / Average total shareholders' equity
2. ROA=(Operating income + Interest and dividends received + Purchase discount) / Average total assets

FINANCIAL SECTION

CONTENTS

CONSOLIDATED BALANCE SHEETS

S.T.CORPORATION and consolidated subsidiaries
March 31, 2006 and 2005

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Current assets:			
Cash and time deposits (Note 11)	¥ 8,625	¥10,456	$ 73,426
Marketable securities (Note 4)	4,779	3,000	40,681
Trade notes and accounts receivables	4,552	4,889	38,754
Less—allowance for doubtful receivables	(19)	(18)	(159)
Inventories	4,824	3,769	41,064
Deferred tax assets (Note 7)	370	353	3,153
Other current assets	474	336	4,031
Total current assets	23,606	22,784	200,950
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	194	204	1,650
Investment securities (Note 4)	4,568	3,513	38,884
Long-term loans	129	137	1,102
Deferred tax assets other than unrealized revaluation loss on land (Note 7)	48	160	407
Deferred tax assets—unrealized revaluation loss on land (Note 5)	—	72	—
Other assets	1,388	1,871	11,819
Less—allowance for doubtful accounts	(24)	(24)	(207)
Total investments and other assets	6,303	5,933	53,656
Property, plant and equipment, at cost (Notes 5 and 6)**:**			
Land	3,267	3,404	27,814
Buildings and structures	6,131	6,102	52,189
Machinery, equipment and vehicles	7,121	7,760	60,616
Tools, furniture and fixtures	3,310	2,941	28,178
Construction in progress	2	10	13
Less accumulated depreciation	(12,248)	(12,198)	(104,265)
Property, plant and equipment, net	7,582	8,018	64,544
Intangible assets, net of accumulated amortization	415	224	3,530
Total assets	¥ 37,905	¥ 36,959	$ 322,680

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Current liabilities:			
Short-term bank loans (Note 6)	¥ 36	¥ 3	$ 303
Trade payables	4,774	4,417	40,639
Other payables	1,957	1,920	16,663
Income taxes payable (Note 7)	417	786	3,554
Consumption taxes payable	18	19	157
Accrued expenses	524	563	4,460
Allowance for sales returns	177	150	1,508
Other current liabilities	69	51	590
Total current liabilities	7,973	7,910	67,874
Long-term liabilities:			
Employees' retirement and severance benefits (Note 8)	1,115	1,002	9,494
Directors' retirement and severance benefits	95	77	811
Deferred tax liabilities—unrealized revaluation profit on land (Note 5)	381	—	3,241
Total long-term liabilities	1,591	1,079	13,547
Minority interests in consolidated subsidiaries	480	521	4,089
Contingent liabilities (Note 13)			
Shareholders' equity (Note 9):			
Common stock			
Authorized—96,817,000 shares in 2006 and in 2005			
Issued and outstanding—30,346,851 shares in 2006 and 2005	7,066	7,066	60,147
Capital surplus	7,068	7,068	60,167
Retained earnings	15,174	14,891	129,175
Unrealized revaluation loss on land, net of taxes (Note 5)	(549)	(108)	(4,673)
Unrealized holding profit on securities, net of taxes	873	519	7,428
Translation adjustments	(297)	(359)	(2,524)
Treasury stock, at cost	(1,474)	(1,627)	(12,549)
Total shareholders' equity	27,861	27,449	237,171
Total liabilities and shareholders' equity	¥37,905	¥36,959	$322,680

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Net sales	¥46,134	¥44,109	$392,732
Cost of sales	26,083	24,490	222,039
Gross profit before reversal of allowance for sales returns	20,051	19,619	170,693
Reversal of allowance for sales returns	(27)	8	(228)
Gross profit	20,024	19,627	170,465
Selling, general and administrative expenses (Note 10)	16,892	15,879	143,796
Operating income	3,133	3,748	26,668
Other income (expenses):			
Interest and dividends received	55	56	465
Interest expenses	(0)	(1)	(1)
Cash purchase discount	223	205	1,901
Cash sales discount	(871)	(825)	(7,418)
Profit on sales of securities, net	44	1	371
Equity in income (loss) of affiliates	(29)	19	(251)
Write-down of securities	(1)	(9)	(5)
Impairment loss on fixed assets (Note 15)	(702)	—	(5,978)
Other, net	63	14	534
	(1,219)	(540)	(10,381)
Income before income taxes and minority interests	1,913	3,209	16,288
Income taxes (Note 7)			
Current	1,084	1,283	9,226
Deferred	(135)	28	(1,149)
	949	1,311	8,077
Minority interests	(23)	75	(197)
Net income	988	1,823	8,408
Retained earnings at beginning of year	14,891	13,722	126,764
Increases:			
Reversal of unrealized revaluation loss on land, net taxes	—	0	—
Decreases:			
Cash dividends paid	661	576	5,624
Bonuses to directors	1	16	5
Redemption or disposition of treasury stock	36	64	310
Reversal of unrealized revaluation profit on land, net taxes	7	—	58
Retained earnings at end of year (Note 9)	¥15,174	¥14,891	$129,175

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

S.T.CORPORATION and consolidated subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,913	¥ 3,209	$ 16,288
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	873	845	7,428
Impairment loss	702	—	5,978
Loss on sale of property, plant and equipment	67	51	570
Gain on sale and valuation of marketable securities	(1)	(1)	(9)
Loss (profit) on sale and valuation of investment securities	(42)	9	(358)
(Decrease) increase of allowance for doubtful receivables	1	(62)	5
(Decrease) increase of employees' retirement and severance benefits	110	(37)	936
(Decrease) increase of directors' retirement and severance benefits	18	(24)	153
(Decrease) increase of allowance for sales returns	27	(8)	228
Interest and dividends received	(55)	(56)	(465)
Interest expense	0	1	1
Foreign exchange gain	(23)	(3)	(199)
Equity in (income) loss of affiliates	29	(19)	251
Change in operating assets and liabilities:			
Receivables	344	235	2,932
Inventories	(1,027)	(97)	(8,739)
Payables and accrued expenses	385	302	3,278
Others, net	37	(296)	316
Sub total	3,359	4,048	28,592
Interest and dividends received	51	54	436
Interest paid	(0)	(1)	(1)
Income taxes paid	(1,456)	(1,130)	(12,391)
Net cash provided by operating activities	1,954	2,970	16,635
Cash flows from investing activities:			
Deposit of time deposits (more than 3 months)	(0)	(800)	(0)
Refund of time deposits (more than 3 months)	300	—	2,554
Purchase of marketable securities	(1,005)	(979)	(8,552)
Proceeds from sale of marketable securities	1,828	2,350	15,563
Purchase of property, plant and equipment	(777)	(705)	(6,614)
Proceeds from sale of property, plant and equipment	10	114	87
Purchase of investment securities	(2,462)	(841)	(20,956)
Proceeds from sale of investment securities	104	—	887
Other investments, net	(229)	(62)	(1,953)
Net cash used in investing activities	(2,230)	(923)	(18,986)
Cash flows from financing activities:			
Increase in bank loans	36	22	303
Repayments of bank loans and current portion of long-term debt	(3)	(70)	(28)
Repayment of long-term debt	—	(69)	—
Purchase of treasury stock	(3)	(572)	(25)
Proceeds from sale of treasury stock	120	156	1,020
Payments of dividend	(661)	(576)	(5,624)
Payments of dividend to minority shareholders	(60)	(77)	(509)
Net cash used in financing activities	(571)	(1,185)	(4,863)
Effect of exchange rate changes on cash and cash equivalents	17	(0)	143
Net increase (decrease) in cash and cash equivalents	(831)	861	(7,070)
Cash and cash equivalents at beginning of year	9,633	8,772	82,004
Cash and cash equivalents at end of year (Note 11)	¥ 8,802	¥ 9,633	$ 74,933

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

S.T.CORPORATION and Consolidated Subsidiaries
March 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements of S.T. CORPORATION (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law 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. 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 for the year ended March 31, 2006 and 2005 include the accounts of the Company and its six significant subsidiaries in 2006 and, its five significant subsidiaries in 2005. 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 two overseas subsidiaries have fiscal years ending on December 31. The necessary adjustments for significant transactions, if any, during the intervening period are made on consolidation.

(d) Translation of foreign currency transactions and financial statements

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates in effect at the balance sheet date and the accounts of the overseas consolidated subsidiaries, etc., except for the components of shareholders' equity, 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 operations and translation adjustments are included in shareholders' equity and minority interests.

(e) Marketable securities and investment securities

Other securities with determinable market value are carried at market value with any changes in unrealized holding gain or loss, net of the related deferred income tax assets or liabilities, in shareholders' equity. Other securities without determinable market value are stated at cost determined principally by the moving-average method and the cost of other securities sold is principally computed based on the moving-average method. During the years ended March 31, 2006 and 2005, the Company and its consolidated subsidiaries did not have any trading securities.

(f) Inventories

Inventories of the Company and its 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 its domestic subsidiaries except for buildings (excluding structures attached to the buildings) 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 the major depreciable assets are as follows:

Buildings and structures	3 to 56 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years

(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 applicable to commercially available software.

(i) **Allowance for doubtful receivables**

The Company and its domestic subsidiaries provide allowances for estimated losses bad debts 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 sales returns**

The allowance for sales returns is generally provided for losses on sales returns subsequent to the balance sheet date at an amount equivalent to that calculated based on sales in conformity with the Corporation Tax Law of Japan.

The allowance for certain products is estimated based on the actual percentage of returns in prior years.

(k) **Employees' retirement and severance benefits**

Accrued retirement and severance benefits are provided based on the estimated retirement and severance benefit obligation and the pension fund assets.

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.

(l) **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 at left the Company as of the balance sheet date in accordance with internal regulations.

(m) **Leases**

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

(n) **Consumption taxes**

Consumption taxes imposed on the Company's and its subsidiaries' sales to customers are withheld by the Company and its subsidiaries at the time of sale and subsequently paid to the government. Consumption taxes withheld upon sale are not included in net sales in the accompanying statements of income, but are recorded as a liability, "consumption taxes payable." Consumption taxes which are paid by the Company and its subsidiaries on the purchases of goods and services from outside the group are also not included in costs or expenses in the accompanying statements of income, but are offset against consumption taxes payable. The net balance is reflected as consumption taxes payable in the accompanying consolidated balance sheets at March 31, 2006 and 2005.

(o) **Valuation of assets and liabilities of consolidated subsidiaries**

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

(p) **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 a maturity of three months or less from their date of acquisition.

(q) **Appropriation of Retained Earnings**

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

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 ¥117.47 =U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2006. This translation should not be construed as a representation that the amounts shown could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. APPLICATION OF NEW ACCOUNTING STANDARDS

—Accounting for Impairment of Fixed Assets

Effective the year ended March 31, 2006, the Company and the consolidated subsidiaries have adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets will be grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

The effect of this change was to increase operating income by ¥65 million (U.S.$553 thousand), and to decrease income before income taxes and minority interests by ¥637 million (U.S.$5,424 thousand).

The effect on the business segment information of the Company and its consolidated subsidiaries is described in Note 16, Segment Information.

The impairment loss on fixed assets has been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheets.

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The cost and related aggregate market value of other securities with a determinable market value at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cost	¥5,406	¥3,935	$46,024
Market value	6,860	4,800	58,399
Total unrealized gain	1,482	883	12,616
Total unrealized loss	28	19	240

The Company recognized impairment losses on securities at the difference between the market value and book value if the market value had declined by 30% or more from the book value. Impairment losses on securities for the years ended March 31, 2006 and 2005 were ¥1 million (U.S.$5 thousand) and ¥9 million, respectively.

Securities at March 31, 2006 and 2005 excluded from the above table are summarized at their respective book value as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Other securities:			
Unlisted investment trust certificates within the closed period	¥ 462	¥ 461	$ 3,930
MMF	1,170	1,170	9,964
CP	700	—	5,958
Foreign securities	96	23	819
Unlisted stocks	58	58	495

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

Other securities sold during the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Proceeds received	¥2,732	¥2,350	$23,254
Total profit	45	1	384
Total loss	2	—	13

The redemption schedule of other securities with maturity dates at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
One year and less	¥2,950	¥1,246	$25,117
More than 1 year and within 5 years	1,828	1,754	15,558
More than 5 years and within 10 years	100	—	849
More than 10 years	—	—	—

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 and the book value after revaluation was ¥3,153 million and the difference, net of taxes, is stated as unrealized valuation loss on land in shareholders' equity. Deferred tax assets and liabilities arising from this revaluation are presented separately from deferred tax assets and liabilities for other temporary differences in the accompanying balance sheets. The differences between the market value and the book value after revaluation were ¥380 million (U.S.$3,233 thousand) and ¥278 million at March 31, 2006 and 2005, respectively.

6. SHORT-TERM BANK LOANS

Short-term loans from banks at an average interest rate of 1.9% amounted to ¥36 million (U.S.$303 thousand) at March 31, 2006.

Assets pledged as collateral at March 31, 2006 are presented below:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 94	$ 801
Land	123	1,048
Total	¥217	$1,849

7. INCOME TAXES

At March 31, 2006 and 2005, the tax effect of the temporary differences which gave rise to a significant portion of the deferred tax assets (excluding deferred tax on the unrealized revaluation loss on land) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Current assets:			
Accrued employees' bonuses	¥ 157	¥ 159	$ 1,335
Allowance for sales returns	71	60	605
Accrued business taxes	41	45	349
Unrealized holding loss on securities, net of taxes	0	—	4
Other	102	90	865
Total current deferred tax assets	371	354	3,157
Current liabilities:			
Deferred gain on sale of property	(0)	(0)	(4)
Unrealized holding profit on securities, net of taxes	—	(1)	—
Total current deferred tax liabilities	(0)	(1)	(4)
Net current deferred tax assets	370	353	3,153
Non-current assets:			
Allowance for employees' retirement and severance benefits	440	381	3,744
Allowance for directors' retirement and severance benefits	38	31	324
Write-down of securities	78	96	666
Impairment loss	233	—	1,986
Other	15	33	126
Sub total non-current deferred tax assets	804	541	6,847
Valuation allowance	(140)	—	(1,190)
Total non-current deferred tax assets	664	541	5,657
Non-current liabilities:			
Deferred gain on sale of property	(20)	(20)	(169)
Unrealized holding profit on securities, net of taxes	(582)	(345)	(4,956)
Other	(15)	(15)	(124)
Total non-current deferred tax liabilities	(617)	(381)	(5,249)
Net non-current deferred tax assets	¥ 48	¥ 160	$ 407

A reconciliation of the statutory tax rate to the Company's effective tax rate for the year ended March 31, 2006 is as follows:

	2006
Japanese statutory tax rate	40.00%
Permanent differences such as entertainment expenses, etc.	1.94
Permanent differences such as dividend income	(1.36)
Inhabitants' per capita taxes, etc.	1.10
Valuation allowance	7.31
Other	0.60
Effective tax rate	49.59%

No reconciliation has been presented for the year ended March 31, 2005 as the difference between the statutory tax rate and the effective tax rate was less than 5%.

8. EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

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

The following table summarizes the funding status and amounts recognized in the consolidated balance sheets at March 31, 2006 and 2005.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Retirement and severance benefit obligation	¥ (2,817)	¥(2,695)	$ 23,982
Plan assets	1,600	1,377	13,621
Unfunded benefit obligation	(1,217)	(1,317)	(10,362)
Unrecognized actuarial loss	96	332	815
Unrecognized past service obligation	6	(16)	52
Accrued benefit obligation	¥ (1,115)	¥(1,002)	$ (9,494)

The following table summarizes the components of the net retirement benefit expenses for the years ended March 31, 2006 and 2005.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service cost	¥ 157	¥ 154	$1,334
Interest cost on benefit obligation	53	50	451
Expected return on plan assets	(28)	(26)	(234)
Amortization of actuarial loss	131	103	1,117
Amortization of past service obligations	(22)	(23)	(191)
Extraordinary additional retirement payments	—	0	—
Net retirement benefit expenses	¥ 291	¥ 259	$2,477

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

	2006	2005
Method of periodic allocation of estimated retirement benefits	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on assets	2.0%	2.0%

9. SHAREHOLDERS' EQUITY

The new 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 distributed 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 common 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, but neither the capital reserve nor the legal reserve is available for distributions.

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. At March 31, 2006, the legal reserve of the Company included in retained earnings amounted to ¥550 million (U.S.$4,681 thousand).

The accompanying consolidated financial statements do not include any provision for cash dividends of ¥11.00 (U.S.$0.09) per share totaling ¥317 million (U.S.$2,700 thousand) which were declared by the Company in May 2006.

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 Commercial Code of Japan.

At March 31, 2006, the Company had stock option plans, which were approved at the annual general meetings of the shareholders and the Board of Directors as follows:

Date of approval	Number of shares granted	Eligible participants	Exercisable period
June 27, 2000	350,000 shares	6 directors and 4 employees (all executive officers)	July 1, 2002 – June 30, 2007
June 15, 2001	140,000 shares	1 director and 23 employees (including 1 executive officer)	July 1, 2003 – June 30, 2008
June 14, 2002	225,000 shares	1 director and 43 employees	July 1, 2004 – June 30, 2009
June 13, 2003	155,000 shares	1 director and 25 employees	July 1, 2005 – June 30, 2010
June 15, 2004	130,000 shares	4 officers and 9 employees	July 1, 2006 – June 30, 2011
June 14, 2005	160,000 shares	3 officers and 23 employees	July 1, 2007 – June 30, 2012
June 14, 2006	75,000 shares	Officers and employees (the Board of Directors will approve resolutions designating eligible officers and employees)	July 1, 2008 – June 30, 2013

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, statutory auditors or employees of the Company or its subsidiaries.

Net assets per share as of March 31, 2006 and 2005 were ¥966.43 (U.S.$ 8.23) and ¥957.45, respectively. Net income per share for the years ended March 31, 2006 and 2005 was ¥34.35 (U.S.$ 0.29) and ¥63.43, respectively.

Diluted net income per share for the years ended March 31, 2006 and 2005 was ¥34.16 (U.S.$0.29) and ¥63.00.

Basis for calculation of basic net income per share and diluted net income per share for the years ended March 31, 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Basic net income per share:			
Net income	¥988	¥1,823	$8,408
Amounts not attributable to shareholders of common stock:			
Directors' bonuses by appropriation of retained earnings	—	—	—
Amounts attributable to shareholders of common stock	988	1,823	8,408
Weighted-average number of shares outstanding (millions of shares)	29	29	—
Diluted net income per share:			
Increase in number of shares outstanding	0	0	—
Shares resulting in an anti-dilutive effect (millions of shares)	—	0	—

10. MAJOR EXPENSES

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Sales promotion expenses	¥3,846	¥3,683	$32,738
Advertising costs	3,938	3,306	33,520
Salaries	1,580	1,669	13,453
Shipment and storage expenses	1,641	1,596	13,967
Provision for employees' retirement and severance benefits	230	204	1,956
Provision for directors' retirement and severance benefits	18	16	153
Provision for doubtful accounts	0	—	4

Research and development expenses included in general and administrative expenses and cost of sales for the years ended March 31, 2006 and 2005 amounted to ¥480 million (U.S.$4,087 thousand) and ¥423 million, respectively.

(Fiscal 2005)
In accordance with the introduction of the Business Scale Taxation by revision of the local tax law from the fiscal year beginning on or after April 1, 2004, the business tax on added value and capital was accounted for selling, general and administrative expenses.

As a result, selling, general and administrative expenses increased by ¥53 million and operating income and income before income taxes and minority interests decreased by ¥53 million for the year ended March 31, 2005.

11. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents at March 31, 2006 and 2005 to the accounts and amounts in the accompanying consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and time deposits	¥ 8,625	¥10,456	$73,426
Time deposits with a maturity in excess of three months	(523)	(823)	(4,451)
Marketable securities with a maturity in excess of three months	700	—	5,958
Cash and cash equivalents	8,802	9,633	74,933

Deposits pledged as collateral mainly for leasing office space at March, 31 2006 and 2005 amounted ¥23 million (U.S.$ 194 thousand) and ¥23 million, respectively.

12. LEASES

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

(1) A summary of the pro-forma amounts (inclusive of the related interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2006 and 2005 primarily relating to tools, furniture and fixtures held under finance lease is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Acquisition cost	¥ 199	¥ 271	$1,695
Accumulated depreciation	110	181	936
Net book value	¥ 89	¥ 89	$ 759

(2) Future minimum lease payments, inclusive of the related interest, at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Payable in one year or less	¥ 34	¥ 53	$ 288
Payable after one year	55	36	471
Total	¥ 89	¥ 89	$ 759

(3) Lease payments and pro-forma depreciation charges for the years ended March 31, 2006 and 2005 were ¥54 million (U.S.$ 464 thousand) and ¥69 million, respectively.

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

Operating leases

Future minimum lease payments at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Payable in one year or less	¥ 1	¥ 1	$ 9
Payable after one year	1	2	12
Total	¥ 2	¥ 3	$ 21

13. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2006 and 2005, trade notes discounted with banks in the ordinary course of business amounted to ¥96 million (U.S.$818 thousand) and ¥68 million, respectively.

14. DERIVATIVES

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

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

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

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

At March 31, 2006 and 2005, the Company had no outstanding derivatives positions.

15. IMPAIRMENT LOSS ON FIXED ASSETS

For the year ended March 31, 2006, the Company and the consolidated subsidiaries recognized ¥702 million (U.S.$5,978 thousand) of impairment losses on fixed assets which consisted of the following:

Location	Description	Classification	Millions of yen	Thousands of U.S. dollars
The old Fukushima factory (Fukushima Pref.)	Idle asset	Land	5	40
The old Kyushu factory (Fukuoka Pref.)	Idle asset	Land	8	65
Family Glove (Taiwan)	Idle asset	Land	154	1,308
Head office (Tokyo)	Long-term prepaid expenses of royalty of sales right of Thermal Care	Other asset	536	4,565

The Company and the consolidated subsidiaries group their fixed assets considering classifications on management accounting, and recognized impairment losses on fixed assets.

As a result of a decline in land prices, the carrying value of the above idle assets has been reduced to their recoverable amounts, and such deducted amount (¥166 million) was recorded as impairment loss. As a result of a further decline of the marketing environment of the Thermal Care, the Company does not expect recovery, therefore the carrying value of the above long-term prepaid expenses has been reduced to zero, and such deducted amount (¥536 million) was recorded as impairment loss.

The recoverable amount utilized in the calculation was the higher of the net selling price or value in use. In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on appraisal valuations or municipal property tax bases. And in the case where values in use were used as recoverable amounts, a full amount of the carrying value of relevant assets was reduced, and therefore the Company did not estimate discount rates.

16. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in two business segments and the business segment information for the years ended March 31, 2006 and 2005 is analyzed as follows:

Year ended March 31, 2006

	Millions of yen				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1. Revenues					
(1) Operating revenues	¥19,195	¥26,939	¥46,134	—	¥46,134
(2) Intra-group sales and transfers	—	—	—	—	—
Total revenues	19,195	26,939	46,134	—	46,134
2. Operating expenses	16,976	26,026	43,001	—	43,001
Operating income	2,219	913	3,133	—	3,133
3. Assets, depreciation, impairment loss and capital expenditure:					
(1) Total assets	8,726	12,611	21,337	16,568	37,905
(2) Depreciation	230	642	873	—	873
(3) Impairment loss	695	7	702	—	702
(4) Capital expenditures	148	678	826	—	826

Year ended March 31, 2005

	Millions of yen				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1. Revenues					
(1) Operating revenues	¥17,899	¥26,210	¥44,109	—	¥44,109
(2) Intra-group sales and transfers	—	—	—	—	—
Total revenues	17,899	26,210	44,109	—	44,109
2. Operating expenses	15,750	24,610	40,361	—	40,361
Operating income	2,149	1,599	3,748	—	3,748
3. Assets, depreciation and capital expenditure:					
(1) Total assets	9,212	11,689	20,901	16,058	36,959
(2) Depreciation	221	623	845	—	845
(3) Capital expenditures	73	807	880	—	880

Year ended March 31, 2006

	Thousands of U.S. dollars				
	Mothproofing and hygiene-related products	Household environment-related products	Total	Eliminations or corporate assets	Consolidated
1. Revenues					
(1) Operating revenues	$163,405	$229,326	$392,732	—	$392,732
(2) Intra-group sales and transfers	—	—	—	—	—
Total revenues	163,405	229,326	392,732	—	392,732
2. Operating expenses	144,511	221,552	366,063	—	366,063
Operating income	18,894	7,775	26,668	—	26,668
3. Assets, depreciation, impairment loss and capital expenditure:					
(1) Total assets	74,286	107,351	181,637	141,044	322,680
(2) Depreciation	1,960	5,468	7,428	—	7,428
(3) Impairment loss	5,916	61	5,978	—	5,978
(4) Capital expenditures	1,259	5,771	7,031	—	7,031

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

(Fiscal 2004)

Based on the agreement between the Company and its consolidated subsidiary, S.T.Mycoal., Ltd. for the year ended March 31, 2005, the sales promotion expenses of the Company was borne by S.T.Mycoal.

As a result, operating expenses in the mothproofing and hygiene-related segment decreased by ¥73 million and the household environment-related segment increased by ¥73 million.

(Fiscal 2005)

Effective April 1, 2005, the Company and the consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets") issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003), which requires that tangible and intangible fixed assets be carried at cost less depreciation and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The effect of this change was to decrease operating expenses by ¥65 million (U.S.$553 thousand) and to increase operating income by the same amount in the Mothproofing and hygiene-related products segment.

Geographical segment information and overseas sales are not presented as the revenues and total assets in Japan exceeded 90% of the totals in both segments and as overseas sales were less than 10% of consolidated sales for the years ended March 31, 2006 and 2005.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
S.T.CORPORATION

We have audited the accompanying consolidated balance sheets of S.T.CORPORATION and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of S.T. CORPORATION and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 3, effective the year ended March 31, 2006, S.T.CORPORATION and consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 14, 2006

CORPORATE INFORMATION

(August 1st, 2006)

BOARD OF DIRECTORS AND CORPORATE EXECUTIVE OFFICERS (August 1st, 2006)

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

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

Tsunehachi Tagaya
Outside director, member of nomination and audit committees

Masanori Noro
Outside director, member of nomination and compensation committees

Motohiko Kogo
Outside director, member of audit committee

Hiroyuki Kokado
Outside director, member of audit committee

Toshiharu Nagasawa
Director, member of nomination committee

Mitsuo Tsuchihashi
Director, member of compensation committee

EXECUTIVE OFFICERS

Takashi Suzuki
Representative Executive Officer
President, Chief Executive Officer

Kanzo Kobayashi
Senior Managing Executive Officer
In charge of overall management, manufacturing and R&D

Toshiharu Nagasawa
Managing Executive Officer
In charge of human resources
President of S.T. Business Support Co., Ltd.

Mitsuo Tsuchihashi
Managing Executive Officer
In charge of corporate staff and affiliated companies

Noriaki Kageura
Managing Executive Officer
Senior general manager of corporate sales headquarters

Nobuhiro Mine
Executive Officer
Chairman of S.T. Mycoal Co., Ltd.
President of Japan Corporation

Michihiro Ishikawa
Executive Officer
President of S.T. Trading Co., Ltd.

Masakazu Kinoto
Executive Officer
Osaka branch general manager

Hirohide Shimada
Executive Officer
In charge of corporate planning, advertising, public relations and international business

CORPORATE DATA

Company name	S.T.CORPORATION*
Headquarters	4-10, Shimo-ochiai, 1-Chome, Shinjuku-ku, Tokyo 161-8540, Japan
Establishment	August 31, 1948
Paid-in capital	¥7,065,500,000
Employees	737 (Consolidated) 474 (Non-consolidated)
Contact	Hirohide Shimada, Corporate Planning Group
E-mail	ir@st-c.co.jp
Tel	+81-3-5906-0734
Fax	+81-3-5906-0742

* S.T. Chemical changed its English name to S.T.CORPORATION at the general shareholders' meeting held on June 14, 2006.

GROUP COMPANIES

Consolidated Subsidiaries

S.T. Trading Co., Ltd.
Sales of hand gloves, industrial paper wipes, lubricant spray and products

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

S.T. Mycoal Co., Ltd.
Sales support and marketing of Mycoal disposable warmers

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

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

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

INVESTOR INFORMATION

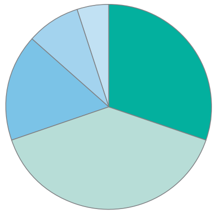
(March 31, 2006)

Fiscal year-end	March 31
Shares issued and outstanding	30,346,851
Listed exchange	Tokyo Stock Exchange, First Section
Shareholders	6,723

PRIMARY SHAREHOLDERS

	(Thousands of shares)	(% of total)
Shaldan Co., Ltd.	4,747	15.6
T-ZONE Capital Corporation	3,817	12.6
Bear, Stearns & Co. Inc.	2,459	8.1
Nippon Life Insurance Company	1,671	5.5
Mizuho Bank, Ltd.	884	2.9
Seiichi Suzuki	882	2.9
Suzuki Family	860	2.8
Takashi Suzuki	831	2.7
Akio Suzuki	785	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	681	2.2

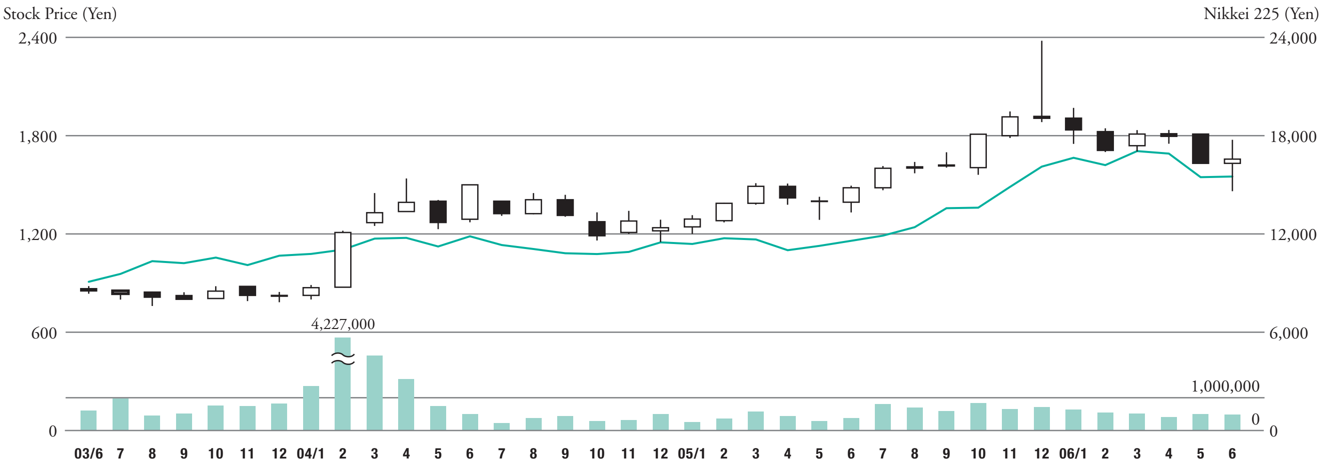
Note: The Company has 1,518 thousand shares of treasury stock (5.0% of total shares).



Individuals	30.25%
Other Japanese institutions	39.49%
Financial institutions	16.81%
Non-Japanese institutions	8.45%
Treasury stock	5.00%

Registered transfer agent	Mizuho Trust & Banking Co., Ltd.
Auditor	Ernst & Young Shin Nihon
Annual shareholder's meeting	Middle of June each year (June 14, 2006)

STOCK CHART



S.T.CORPORATION
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http://www.st-c.co.jp/

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