GS Yuasa Report 2016

For the fiscal year ended March 31, 2016

GS YUASA

GS Yuasa Corporation

GS YUASA

GS Yuasa Corporation
Corporate Office
1, Inobanba-cho, Nishinosho, Kisshoin, Minami-ku, Kyoto 601-8520, Japan
URL (English Version): www.gs-yuasa.com/en

VEGETABLE OIL INK

GS Yuasa Corporation History

GS (Japan Storage Battery) History:

1895 — Genzo Shimadzu manufacturers Japan's first lead-acid storage battery

1908 — First use of the "GS" trademark

1912 — Storage battery plant (Shin-machi, Imadegawa) built

1917 — Japan Storage Battery Co., Ltd. established

1919 — Production of automotive batteries begins

1933 — Production of glass mercury rectifiers begins

1938 — Production of alkaline batteries begins

1940 — Ultra-high-pressure mercury lamps developed

1966 — Siam GS Battery Co., Ltd. established

1991 — Tianjin Tong Yee Industrial Co., Ltd. established

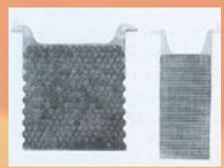
1993 — Prismatic Lithium-ion batteries developed

Yuasa History:

1913 — Founder Shichizaemon Yuasa begins research into metal electrolysis

1915 — Yuasa Battery Manufacturing established within the Yuasa Iron Works in Sakai City, Osaka Prefecture; production starts on storage batteries

1918 — Yuasa Storage Battery Co., Ltd. established



1920 — Production starts on automotive batteries; Tudor plating for stationary batteries completed

1935 — Production of glass mercury rectifiers begins

1941 — New plant completed for Odawara Storage Battery. Production of alkaline batteries begins

1963 — Yuasa Battery (Thailand) Pub. Co., Ltd. established

1966 — Dry and charged batteries go on sale in Japan for the first time; Yuasa Battery Taiwan Co., Ltd. established

1993 — Tianjin Yuasa Batteries Co., Ltd. established

GS Yuasa Corporation History:

2004 — GS Yuasa Corporation established

2005 — Tata AutoComp GY Batteries Pvt. Ltd. established, the first overseas affiliate of GS Yuasa in India (Tata AutoComp GY Batteries Ltd. at present)

2007 — Lithium Energy Japan established with Mitsubishi Corporation and Mitsubishi Motors Corporation

2009 — Blue Energy Co., Ltd. established with Honda Motor Co., Ltd.

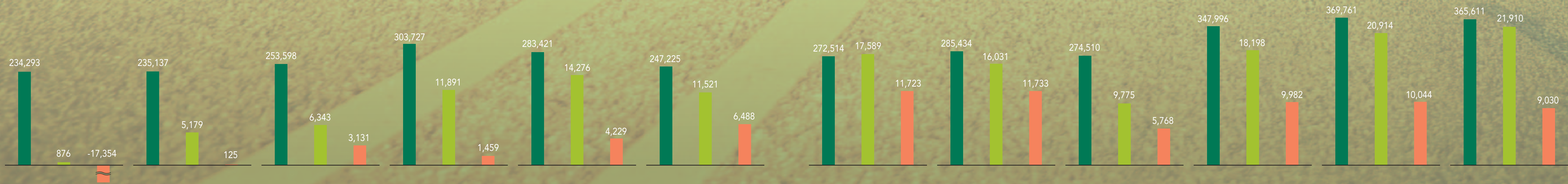
2013 — Lithium Energy and Power GmbH & Co. KG (Germany) established with Robert Bosch GmbH and Mitsubishi Corporation

2014 — GS Yuasa Asia Technical Center Ltd. (Thailand) established

2015 — Inci GS Yuasa Aku Sanayi ve Ticaret Anonim Sirketi (Turkey) established with Inci Holding A.S.

2016 — Share Transfer Agreement, etc. concluded to accept the lead-acid battery business of Panasonic Corporation

Net sales and income since the establishment of GS Yuasa Corporation (Millions of yen)



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Introduction

Fostering Innovation in Battery Technology for 100 Years

The GS Yuasa Group started as a lead-acid battery business,
and in 2017 it will celebrate its 100th anniversary.
Using technology cultivated over many years,
we continue to push technological limits as we help to construct a richer
and more hopeful society for people worldwide.

On the Road

Automotive electrical equipment such as lights and air conditioners would not work without batteries. Without them, most vehicles—whether fueled by electricity, gasoline, or diesel—would not work at all. Batteries are vital to support the many functions of cars and motorcycles. With the coming shift to eco-cars and rising use of electronics, the role played by batteries will only grow in importance.

Work Site

In non-road transport situations, vehicles that carry people and goods must take the environment and the driver's needs into consideration. Vehicles that run on electricity are better than those with their own engines at limiting air pollution and noise. For this reason, battery-powered vehicles are used in factories, warehouses, and entertainment facilities all over the world.

Daily Life

Batteries and other products made by GS Yuasa do not normally attract much attention, but they make many facets of everyday life more secure and comfortable. Their reliability is most evident at a time of need or emergency. They power the lights that illuminate dark roads and parks, and they store electricity so that solar power systems can continue working in times of disaster. GS Yuasa's products are working right next to you.

City and Industry

Given that modern society is knitted together by sophisticated networks, power-supply disruptions caused by natural disasters can lead to social turmoil and enormous financial losses. Even short blackouts can have a major effect. Backup-use power supplies are becoming increasingly important to safeguard social infrastructure and keep lifelines working. Hopes are also running high that high-capacity, highly efficient power supply systems will be a key to more effective use of renewable energy.

High-Tech Frontier

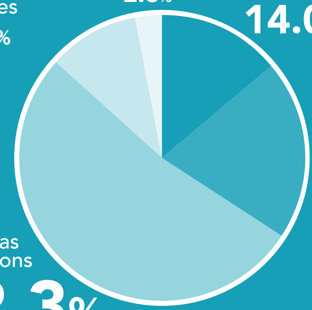
From the deep sea to the upper atmosphere, and from there into outer space, the work of batteries is to support exploration into the future. In environments where it is difficult for power sources to operate, batteries do more than just keep equipment working. They also sustain the lives of the crew. GS Yuasa's lithium-ion batteries can tolerate extreme temperatures and pressure changes and continue performing reliably under the most severe conditions.

GS Yuasa by the Numbers

Consolidated Net Sales for the Fiscal Year Ended March 31, 2016

¥365,611 million

Consolidated Net Sales Ratio by Segment



Share of the Lead-Acid Battery Market (Global)
(Note: Estimated by GS Yuasa Corporation)

2nd place

Consolidated Operating Income for the Fiscal Year Ended March 31, 2016

¥21,910 million

Overseas Bases (As of September 30, 2016)

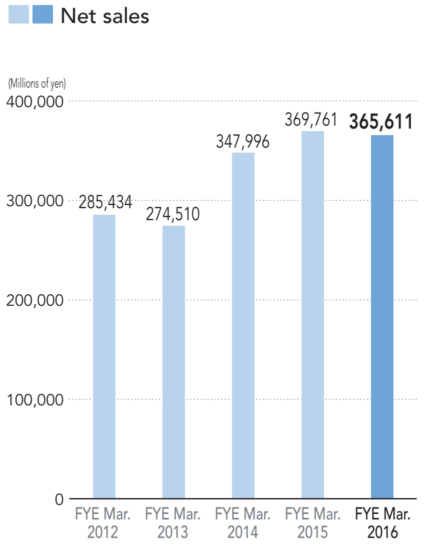
38 bases in 17 countries

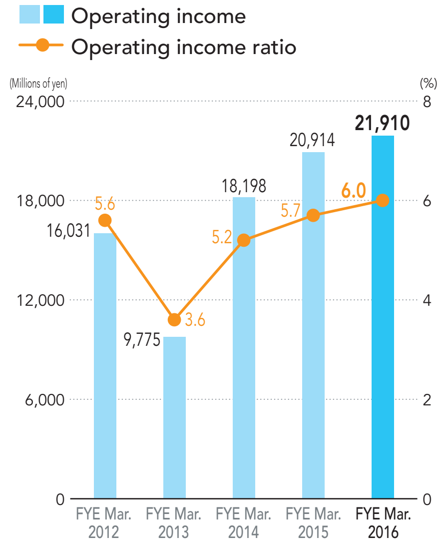
Number of Employees (Consolidated)
(As of March 31, 2016)

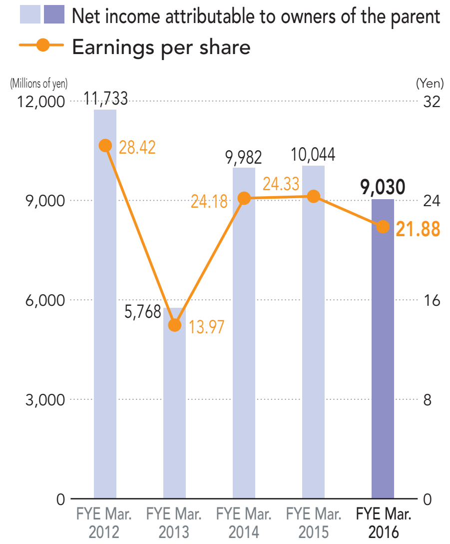
Japan 3,625
Overseas 10,790

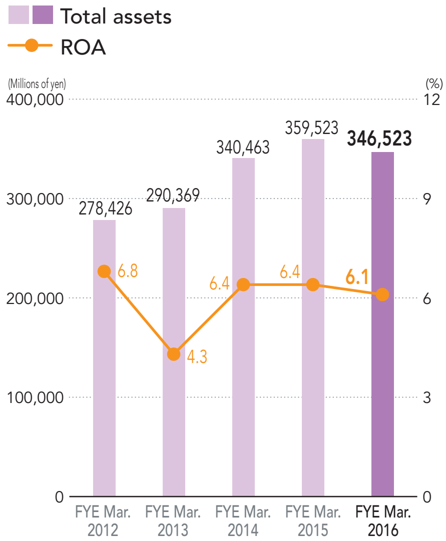
Consolidated Financial and Nonfinancial Highlights

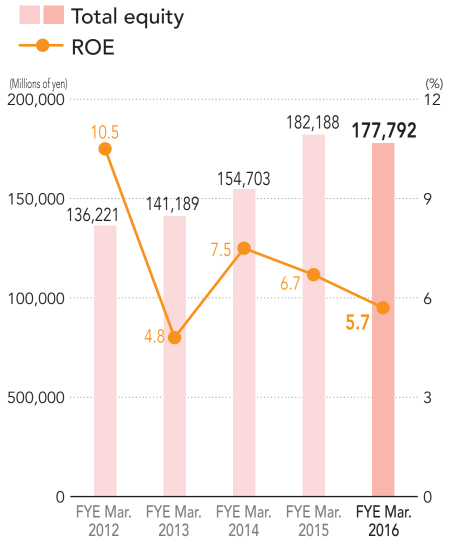
Consolidated Financial Highlights

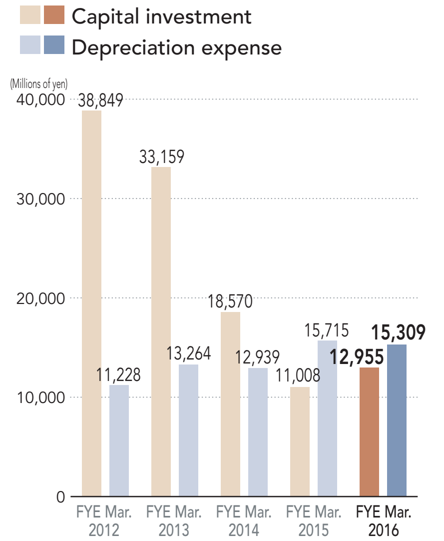




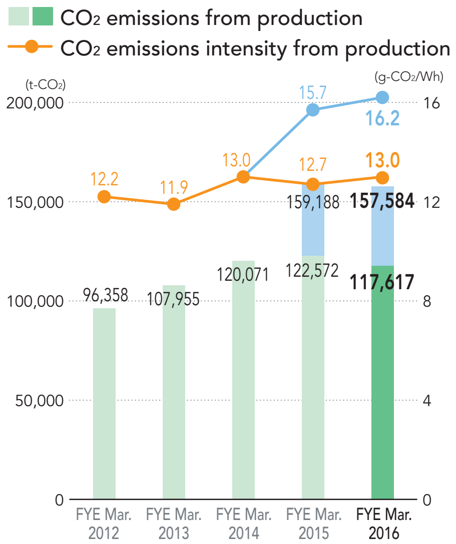




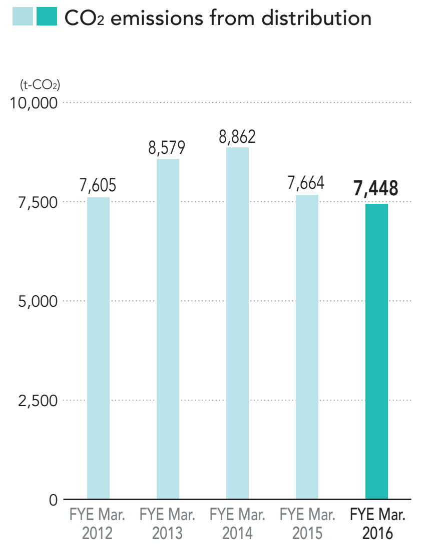




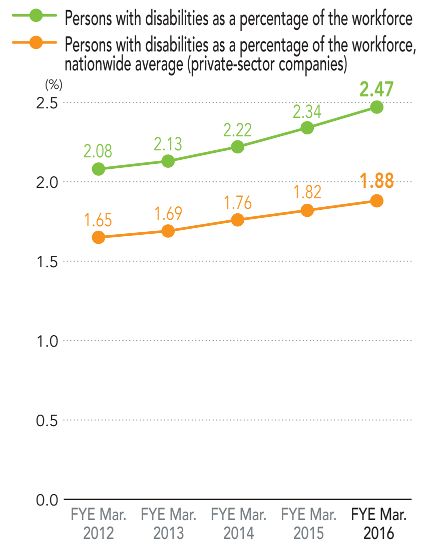
Consolidated Nonfinancial Highlights



Note: Two plants were added in March 2015. The blue line shows CO_2 data including these additions.



Note: Data from all of GS Yuasa International Ltd., including domestic distribution bases



Message from the President

With the aim of becoming the energy device company, "new GS Yuasa," we will ensure long-term, sustainable growth.

In 2017 the GS Yuasa Group will celebrate the 100th anniversary of its founding. The Company started as a lead-acid battery business, and it has grown to encompass batteries, power supplies, lighting and specialized equipment, and other electrical equipment.

In FY 2016, ended March 31, 2016, we launched our fourth three-year Mid-Term Management Plan. Its basic strategy is to strengthen the operating base and earnings power of existing businesses and growth businesses, and thereby stabilize and expand new businesses so they can become a second mainstay of the Company, after the lead-acid battery business. As we tackle issues unresolved by the previous mid-term plan, we will implement the new GS Yuasa Basic Quality Policy throughout the Company. We will work to boost the quality of both our products and services, and to create a stable cash flow while recovering investments more swifty. We will make every effort to achieve our management targets.

Through its corporate philosophy of "Innovation and Growth," the GS Yuasa Group will make an ongoing contribution to building a more enriched and hopeful society for people worldwide. Using technology we have cultivated over many years, we intend to keep pushing technological limits so that we become a driving force of the future.

We sincerely appreciate the understanding of all stakeholders and their continuing support.

September 2016

Osamu Murao
President
GS Yuasa Corporation

Interview with the President

Osamu Murao was appointed president of GS Yuasa Corporation one year ago. As the GS Yuasa Group prepares to mark the 100th anniversary of its founding in 2017, President Murao was asked about current business developments and his strategy for the future.

Based on our recently devised the GS Yuasa Basic Quality Policy, we will promote management centered on quality. The GS Yuasa brand will be known globally for reliability, security, and comfort.

Domestic and Overseas Market Trends and the GS Yuasa Group's Competitiveness

Lead-acid batteries are now the Group's mainstay product. Domestically, we have the No. 1 share in batteries for both automobiles and motorcycles, and we have taken the top share in industrial batteries (by our estimate). After GS Yuasa has accepted control over Panasonic's lead-acid battery operations, we believe the two companies will have a majority share in the lead-acid battery market. Overseas sales now account for about 55% of total sales in our lead-acid battery business. In FY 2015, we obtained a 50% share of Inci Akü, based in Turkey, and started up operations in that country. In FY 2016, we plan to expand sales in markets where the GS Yuasa brand previously had little or no presence, such as the Middle East, North Africa, and Eastern Europe. I believe this illustrates how we are constructing an unshakeable earnings base for our core lead-acid battery business, both domestically and overseas.

One goal of GS Yuasa's fourth Mid-Term Management Plan, now in progress, is to make our lithium-ion batteries business the Company's second mainstay. Currently, lithium-ion batteries are mainly used in automotive applications (as main drive batteries), and we are pursuing this business jointly with Lithium Energy Japan and Blue Energy Co., Ltd., which are under the GS Yuasa umbrella. Although lead-acid batteries are now the mainstream in engine-starting batteries, we have begun to receive inquiries about 12V lithium-ion batteries for this purpose, mostly from Europe. A lithium-ion battery for standard gasoline- or diesel-fueled cars will probably not make its market debut until at least 2020, but we will devote significant resources to this field over the next few years. In FY 2015, the lithium-ion batteries business's operating loss shrank to ¥560 million. Sales have not risen as planned, but more efficient production and other factors have brought us to approximately the break-even point, and profitability is in sight. We aim for operating income of ¥500 million in this business in FY 2016, and I believe we can raise the operating income ratio to 5% by FY 2018.

Industrial-use lithium-ion batteries are expected to rapidly proliferate in the next few years thanks to their many applications in power generation, railways, households, construction equipment, disaster prevention, and communications.

GS Yuasa's lithium-ion batteries are used in a manned research submersible (Shinkai 6500), satellites, rockets, the International Space Station, and other situations, attesting to our technological strength.

In overseas operations, our annual sales rose approximately 60% in the three years of the third Mid-Term Management Plan. Some of the gain can be attributed to the yen's depreciation during this period, which boosted the yen value of earnings in foreign currencies, but overseas sales and profits are in fact steadily growing. We consider overseas operations to be a growth field that is still trending upward. Until recently, we classified automotive batteries and domestic industrial batteries and power supplies as existing businesses, while the lithium-ion battery business, classified as "new," was our main focus of investment. In the future, we will consider the growing overseas operations as the Company's third mainstay in addition to existing businesses and the new lithium-ion battery business, and we will invest in a well-balanced way in all three mainstays to accelerate growth.

Currently, we have overseas operations at 38 bases in 17 countries. The markets of China, Indonesia, and Thailand are particularly large, and high expectations for their growth were built into our third Mid-Term Management Plan; due to circumstances and market conditions in these countries, however, our expectations were not fulfilled. On the other hand, sales of lead-acid batteries for cars and motorcycles are growing in India, Pakistan, and Malaysia, and automotive lead-acid batteries are performing well in Vietnam. The Technical Center we established in Thailand in 2015 handles quality control and after-sales service for customers, and also contributes significantly to our GS Yuasa brand strategy. We will continue to strive for improved profitability, which may entail moving bases and/or restructuring.

The Fourth Mid-Term Management Plan

Our fourth Mid-Term Management Plan, which began in FY 2016, has the following targets for FY 2018, its final term: consolidated net sales of ¥480 billion, an operating income ratio of 8% or more, ROE of 10% or more, and a total return ratio of 30% or more (before amortization of goodwill). Earlier mid-term management plans placed relatively more emphasis on raising sales, but the focus of the fourth plan is to raise the operating income ratio and boost asset efficiency as measured by such indicators as ROE.

Mid-Term Management Policies

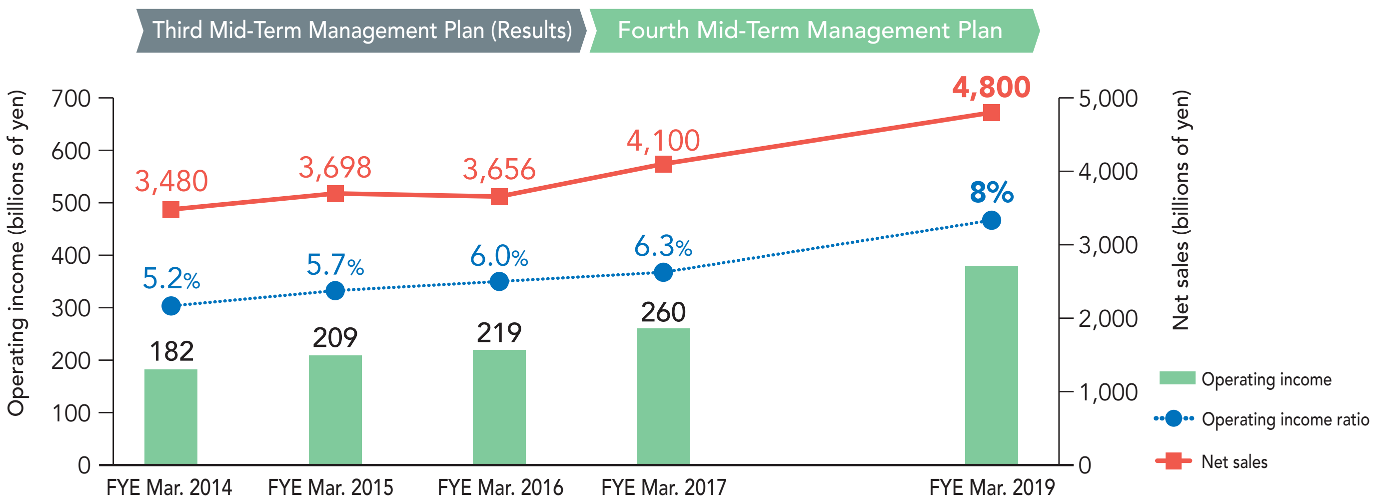
With the aim of becoming the energy device company, "new GS Yuasa," we will ensure long-term, sustainable growth.

New business	Ensure profit in the lithium-ion battery business and firmly put the business on a stable growth track.
Growth business	Further expand the business domain of overseas operations and raise its profitability.
Existing businesses	Expand and stabilize cash flow from the automotive battery business and industrial batteries and power supplies business, and invest for future growth.

The Fourth Three-Year Mid-Term Management Plan

	FY 2018 (April 2018 to March 2019)	FY 2015 (April 2015 to March 2016)
Consolidated net sales	¥480.0 billion	¥365.6 billion
Operating income ratio	8% or more	6.0%
ROE	10% or more	5.7%
Total return ratio	30% or more (¥7.0 billion)	45.7% (¥4.1 billion)
Domestic market price of lead (¥10,000/t)	29.0	27.35
LME lead price (US$/t)	2,000	1,786
Exchange rate (JPY/US$)	115.0	121.03

Notes: 1. Indicators for FY 2018 are equivalent to profit before goodwill amortization (operating income, net income attributable to owners of the parent).
2. The above figures take into account the impact of the transfer of Panasonic's business, assuming approval by the competition law authorities of the concerned countries.



Notes: 1. The operating income ratio and operating income for FY 2016 and FY 2018 are figures before goodwill amortization.
2. The above figures take into account the impact of the transfer of Panasonic's business, assuming approval by the competition law authorities of the concerned countries.

New business: In the lithium-ion batteries business, non-vehicle uses have expanded, and we have been pursuing new projects with related divisions both domestically and overseas with the goal of expanding and stabilizing this business.

In vehicle-use batteries, we would like to concentrate on the markets for electric vehicles (EVs) and plug-in hybrids, where we see plenty of potential for global expansion. In particular, as an important strategic initiative, we are backing Lithium Energy and Power GmbH & Co. KG. (50% owned by Robert Bosch GmbH, 25% by Mitsubishi Corporation, and 25% by GS Yuasa). Currently, joint research is proceeding in both Japan and Germany with the goal of launching an EV-use cell module by 2020.

As the foundation of these initiatives, we emphasize quality as the starting point of business activities. By offering customers security and reliability, we aim to supply products backed by quality to the global market, thus driving our future growth.

Growth business: In overseas operations, GS Yuasa plans to introduce high-quality and technologically superior products in the ASEAN market, where it has demonstrated its strength for years. At the same time, we will speed up our entry into other developing markets with growth potential.

Until recently we had little or no presence and no sales network in the Middle East, North Africa, or Eastern Europe, but in October 2015 we purchased 50% of the shares of Inci Akü, based in Turkey, and made it part of the GS Yuasa Group. Inci operates a sales network in these regions and already sells products under the Inci brand. In the near future, it will start handling GS Yuasa products as a premium brand. For the sake of efficiency and earnings, we plan to manufacture GS Yuasa brand products at Inci's plants in the future. In preparation for this, we have been dispatching technicians to Inci in Turkey, mainly to work on improving product quality.

To strengthen our support structure for overseas bases, we have established a Service Engineering Department within our International Business Unit. In our domestic industrial batteries and power supplies business, we employ a before/after sales approach, so that sales are followed up and further proposals can be made to customers. By applying the same approach overseas, we hope to expand sales and profitability.

Existing businesses: In the domestic automotive batteries business, we are speeding up innovations to meet rising demand for eco-car batteries, even as we take initiatives to revitalize existing sales routes and boost efficiency.

In the domestic industrial batteries and power supplies business, we will further rationalize and expand business domains to secure earnings centered on our existing business lines. At the same time, we will deepen cooperation among related divisions to ensure that we do not fall

behind the rapid market expansion in industrial-use lithium-ion batteries.

Within the industrial-use lithium-ion battery market, we expect that demand will grow the most for batteries used in railways, communications, households, and electric power. In the railway field, our E3 Solution System, which combines a high-capacity lithium-ion battery with a high-performance converter, makes regenerative loss prevention, overhead line voltage compensation, and transformer usage cuts possible during peak hours. The market for this product is not yet very large, but we plan to expand it. In the household field, we are proposing industrial-use lithium-ion batteries for renewable energy systems that homeowners use to generate their own electricity and, in the communication field, for back-up use in mobile phone base stations. In electric power, GS Yuasa and power companies are jointly testing batteries under actual conditions on small islands remote from the Japanese mainland. On Shimane Prefecture's Oki Islands, for example, a hybrid system composed of our lithium-ion battery and another company's sodium-sulfur battery is being tested to see if it can stabilize fluctuating output from solar and wind generation. The world has many isolated islands with small populations, and we have high hopes that systems like this will be widely used on these islands in the future.

In the three years of our fourth Mid-Term Management Plan, we plan capital investment of ¥90 billion, approximately twice the amount we invested during the previous plan. Due to business expansion and profitability improvement, this amount should be covered by cash flows from operating activities. Investment will mostly go toward raising overseas production capacity, launching a submarine-use lithium-ion battery business, and redeveloping our Kyoto Plant to make production flow lines more efficient.

Synergy Effects and Our Growth Strategy through M&A

In taking over Panasonic's lead-acid battery operations and merging them with our own, our principal concern is to establish an optimum production system. Panasonic manufactures lead-acid batteries mainly for automobiles, and it is very efficient at making such mass-produced batteries. On the other hand, GS Yuasa produces a full lineup of lead-acid batteries, and we have advanced into producing European norm (EN) batteries, for which the domestic market is expected to grow, as well as batteries specifically for start-and-stop vehicles. One way to achieve a synergy effect would be, for example, to produce nonstandard and large batteries at GS Yuasa's existing plant while using Panasonic's Hamanako Plant for mass production of conventional JIS standard batteries. We believe this arrangement will maximize both parties' strengths and give us an optimum production system. In addition, we will reorganize Panasonic's lead-acid battery plants in China (Shenyang) and Thailand.

Outlook

One year has already passed since I was appointed president. When I look back on my days as a director, and earlier as a general manager, I recall the period when we concentrated investment on the lithium-ion batteries business while not investing very aggressively in the existing businesses that generated most earnings (domestic automotive batteries and domestic industrial batteries and power supplies) or overseas operations. I believe this lopsided investment affected the motivation of divisions and individual employees. Since 2015, we have been investing more in existing businesses because of the Turkish and Panasonic projects, among others. There is a tendency to think of lithium-ion batteries as more advanced and lead-acid batteries as a mature business where few technological innovations can be expected, but I do not share this thinking. Room for innovation still exists in batteries for start-and-stop vehicles, EN standard batteries, and elsewhere. In addition, lead-acid batteries can be 100% recycled, but no such system exists for lithium-ion batteries.

I believe that the best plan for the future will be to invest in a well-balanced way in the existing fields of domestic automotive batteries and domestic industrial batteries and power supplies, the growth field of overseas operations, and the new business of lithium-ion batteries.

In Conclusion

I want to keep quality continuously at the core of GS Yuasa's management. Soon after my appointment as president of the Company, I drafted our Basic

Quality Policy. At monthly quality coordination meetings, quality professionals from each division gather to engage in a range of initiatives. Even after the Company was formed by the merger of Japan Storage Battery (the GS brand) and Yuasa in 2004, the GS and Yuasa brands have been recognized and sold separately in overseas markets, and the more recent GS Yuasa brand counts as a third one in these markets. The brand strength of GS Yuasa, underpinned by trust and quality, is a precious inheritance from our predecessors and should be treated accordingly.

Customers must associate the products offered by GS Yuasa with reliability, security, and comfort. I would like to make GS Yuasa the kind of company that can win such trust. In the near term, our main tasks are to see that the Basic Quality Policy permeate the Company and that we achieve the goals of the fourth Mid-Term Management Plan.

We hope that our stakeholders will look forward with high expectations to GS Yuasa's advances on the world stage. We thank you for your consideration.

Mid-Term Management Plan

In the 12 years since GS Yuasa was formed through a corporate merger, we have strengthened the earnings base of our two core businesses—automotive batteries and industrial batteries and power supplies—and increased both the size and earnings of our overseas operations, a promising growth field. On the other hand, the lithium-ion batteries business, which we are cultivating to become another mainstay, faced difficult conditions due to the slower-than-expected spread of electric vehicles.

Under our new Mid-Term Management Plan, we will use the battery and power supply technology we have built up over many years to contribute to a more pleasant and secure future for our customers. Aiming for rebirth as an energy device company, GS Yuasa will take steps to secure long-term sustainable growth.

Mid-Term Management Policies

With the aim of becoming the energy device company, "new GS Yuasa," we will ensure long-term, sustainable growth.

- Ensure profit in new business (lithium-ion batteries business) and firmly put the business on a stable growth track
- Further expand the business domain of growth business (overseas operations) and raise its profitability
- Expand and stabilize the cash flow from existing businesses (automotive batteries business and industrial batteries and power supplies business) and make investments for future growth

Key Mid-Term Strategic Tasks

Mid-Term Basic Strategy

Stabilize and expand new business by enhancing the management foundation and earnings power of existing and growth businesses and grow it into the second pillar of the corporate foundation following the lead-acid batteries business.

- Ensure the achievement of the fourth quality improvement plan over the next three years, based on the GS YUASA Basic Quality Policy
- Reorganize the business structure in response to markets and customers

Management Goals

In the three years of the plan, from April 2016 to March 2019, we will emphasize profitability and asset efficiency in our management.

Final targets for FY 2018 (April 2018–March 2019)

Net sales	¥480.0 billion
Operating income ratio	8% or more
ROE	10% or more
Total return ratio	30% or more

Notes: 1. The above benchmark is equivalent to the profit before goodwill amortization (operating income and net income attributable to owners of the parent).
2. The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

Financial Policies

We focus on ROE as a management index, and we will promote more efficient use of invested capital. By achieving a total return ratio of 30% or more before amortization of goodwill, we will attain stable dividends for shareholders and promote efficient use of capital.

	FY 2015 results (April 2015 to March 2016)	FY 2018 targets (Note) (April 2018 to March 2019)
Interest-bearing debt	¥73.6 billion	¥80.0 billion or less
Ratio of interest-bearing debt to cash flow*	2.5 years	2.0 years or less
Total return ratio (total return)	45.7% (¥4.1 billion)	30% or more (approx. ¥7.0 billion)

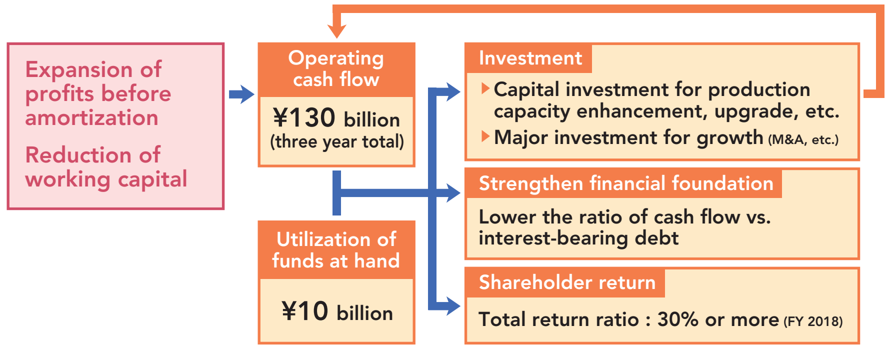
*Interest-bearing debt (including lease obligations)/Net cash provided by operating activities

	Third Mid-Term Management Plan Three year total	Fourth Mid-Term Management Plan Three year total
Net cash provided by operating activities	¥69.6 billion	¥130.0 billion
Net cash used in investing activities	(¥42.6) billion	(¥120.0) billion
Free cash flow	¥27.0 billion	¥10.0 billion

Notes: 1. Total return ratio for FY 2018 is the total return ratio before goodwill amortization.
2. The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

Capital Policy

We will enhance corporate value through well-balanced allocation of funds for investment to facilitate medium- to long-term growth, to reinforce the financial foundation and support growth, and for an appropriate return to shareholders.



Notes: 1. Total return ratio for FY 2018 is the total return ratio before goodwill amortization.
2. The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

Plan by Segment

Net Sales and Operating Income

(Billions of yen)

	Results		Fourth Mid-Term Management Plan					
	FY 2015 (April 2015 to March 2016)		FY 2016 (April 2016 to March 2017)		FY 2018 (April 2018 to March 2019)		Change (vs. FY 2015)	
	Net sales	Operating income ratio (operating income)	Net sales	Operating income ratio (operating income)	Net sales	Operating income ratio (operating income)	Net sales	Operating income ratio (operating income)
Domestic automotive batteries	510	6.5% (33)	750	7.7% (58)	860	10%	+350	+3.5ppt
Domestic industrial batteries and power supplies	748	10.8% (81)	790	11.4% (90)	900	13%	+152	+2.2ppt
Overseas operations	1,914	5.9% (114)	2,040	5.5% (112)	2,300	7%	+386	+1.1ppt
Lithium-ion batteries	383	–1.5% (–6)	430	1.2% (5)	560	5%	+177	+6.5ppt
Other	101	–2.3% (–2)	90	–5.6% (–5)	180	—	+79	—
Total	3,656	6.0% (219)	4,100	6.3% (260)	4,800	8%	+1,144	+2.0ppt

Notes: 1. Operating income ratio and operating income for FY 2016 and FY 2018 are figures before goodwill amortization.
2. The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

Capital Investment and Depreciation

(Billions of yen)

	Third Mid-Term Management Plan	Fourth Mid-Term Management Plan
	Three year total (April 2013 to March 2016)	Three year total (April 2016 to March 2019)
Domestic automotive batteries	34	80
Domestic industrial batteries and power supplies	45	60
Overseas operations	122	360
Lithium-ion batteries	115	110
Other	109	290
Capital investment Total	425	900
Depreciation	439	550
Of which, automotive lithium-ion batteries	161	170

Note: The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

Mid-Term Management Plan

Goals and Strategies by Segment

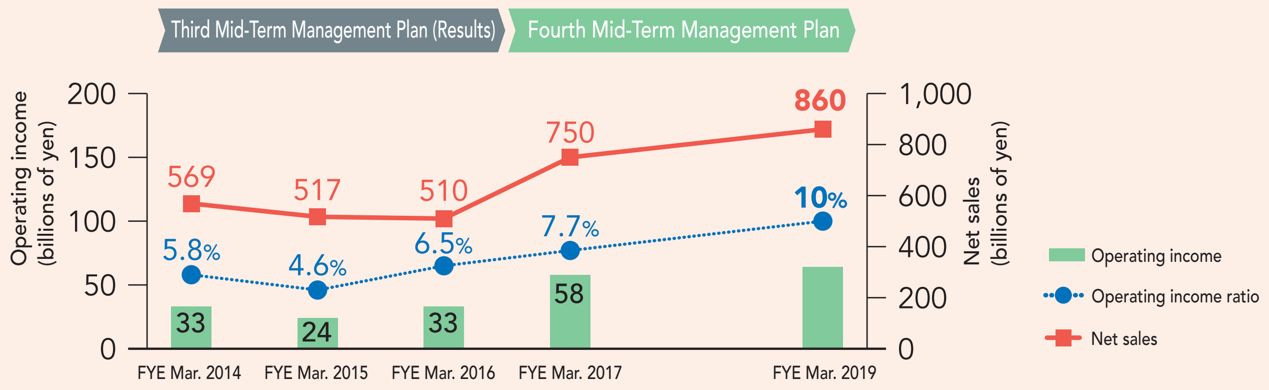
Domestic Automobile Batteries

Business policy

Win the further trust of customers and the market and ensure No. 1 position in the industry

Strategy and key tasks

- Achieve high-performance, high-quality, low-cost (build optimal production structure, including for the transfer of Panasonic's business)
- Capture orders for next-generation batteries and expand share of high added-value battery market



Notes: 1. Operating income ratio and operating income for FY 2016 and FY 2018 are figures before goodwill amortization.
2. The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

New vehicles

- Increase share in advance in EN Standard (European Norm) lead-acid battery market

GS Yuasa's EN battery sales volume
FY 2016 → FY 2018 **Approx. 10 times**

- Build a business structure for 12 V lithium-ion engine-start battery

Replacement

- Enable both profit improvement and market share increase by steadily capturing replacement demand for start-and-stop (S&S) vehicles

S&S ratio within Company's replacement battery sales volume
FY 2016 8% → FY 2018 **Approx. 25%**

Create synergies from the transfer of Panasonic's lead-acid battery business

Synergy Effects

- Development of a business structure that will be recognized for technology, quality, and cost through synergies between the technological capabilities of the two companies
- Pursuit of production streamlining through horizontal deployment of production technologies globally
- Development of an optimal production structure consisting of GS Yuasa's existing plants plus the Hamanako Plant
- Development speed improvement to cope with diversification of product development requirements

Subjects of business transfer

- Panasonic Storage Battery Co., Ltd.
- Panasonic Storage Battery (Shenyang) Co., Ltd.
- Lead-acid battery business of Panasonic Energy (Thailand) Co., Ltd. (excluding dry-cell battery operations)

Expected Purchase Price Approximately ¥30.0 billion

Schedule

- October 29, 2015 Basic agreement signed
- April 15, 2016 Share transfer agreement signed
- End of September 2016 (planned) Business transfer

Note: The date of business transfer may change due to situations such as the approval status by each country's competition law authority.

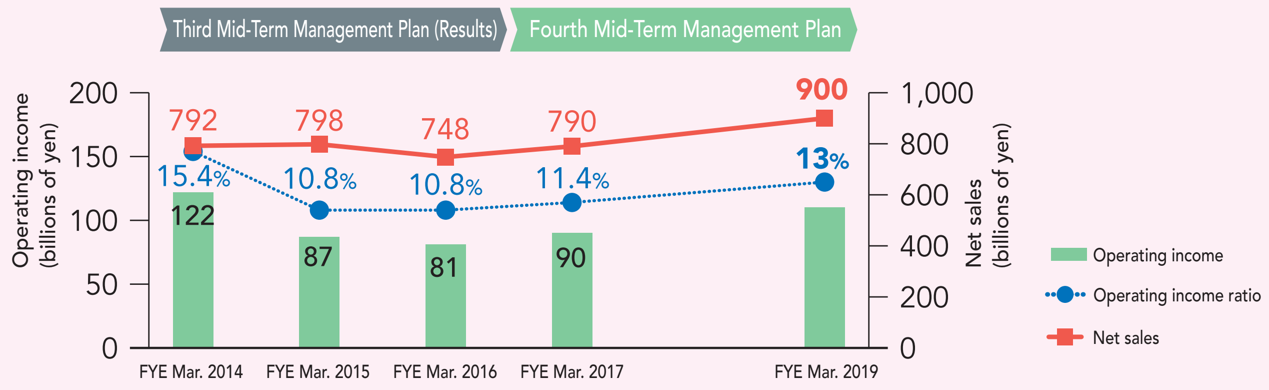
Domestic Industrial Batteries and Power Supplies

Business policy

Ensure profitability of existing business and build the base for new business

Strategy and key tasks

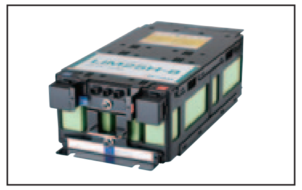
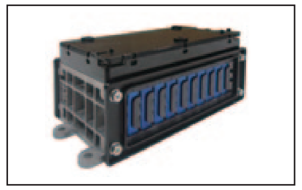
- Solidify earnings by promoting measures to strengthen competitiveness in production, sales, and technology in the existing business
- Expand into new businesses in the industrial-use lithium-ion battery market in Japan and abroad



Focus management resources on nurturing next-generation businesses

- Expand the business domain in new energy field
- Strengthen the foundation in existing business field and develop new markets and new customers

Sales of non-automotive lithium-ion batteries
FY 2016 → FY 2018 **Approx. four times**

High-capacity type		High input and output type	
			
LIM50EN Series	LIM40E Serie	LIM25H Series	LIM5H Series

Railway | Construction machinery | Electric power | Housing | Communi-cations | Disaster prevention

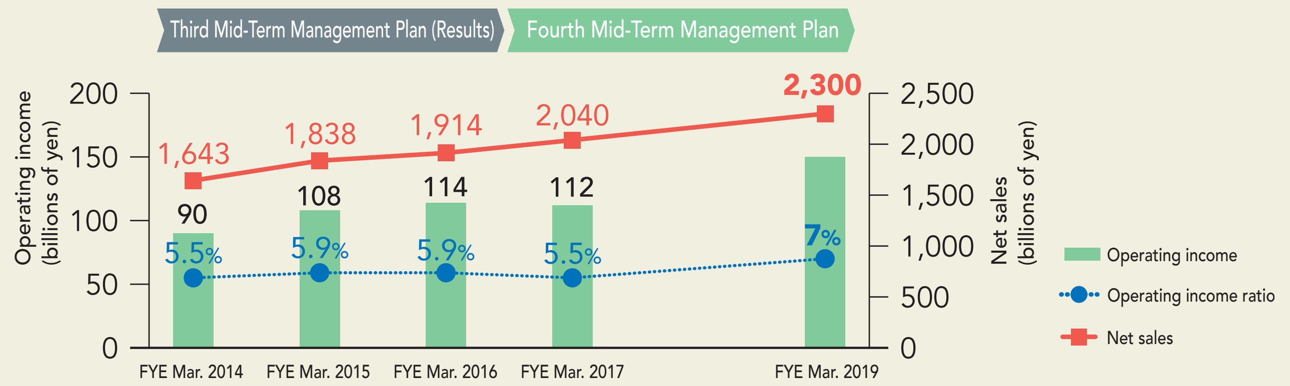
Overseas Operations

Business policy

Firmly maintain No.1 position in the Asian market and make a great leap forward in the global market

Strategy and key tasks

- Utilize the bases acquired in the Panasonic business transfer (China, Thailand)
- Business expansion into unexplored regions (Asia, Africa, Middle East, Central and Latin America, etc.)
- Improve profitability and strengthen structure of existing bases
- Expand business scale through M&As



Notes: 1. Operating income ratio and operating income for FY 2016 and FY 2018 are figures before goodwill amortization.
2. The above figures take into account the impact of the transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

Expand global market share in lead-acid batteries

- Structural improvement of existing bases
- Expansion into unexplored regions

Worldwide 17 countries 38 bases

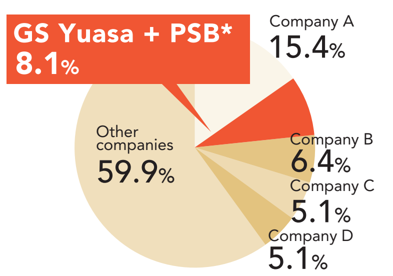
(September 2016)

- Production bases (consolidated)
- Production bases (equity method/affiliate)
- Sales bases (consolidated)
- Sales bases (equity method/affiliate)
- Technical Center

Global Share

Overall market for lead-acid battery for automotives, motorcycles, and industrial use (incl. electrically powered vehicles)

(Source: GS Yuasa figures)



*Panasonic Storage Battery Co., Ltd.

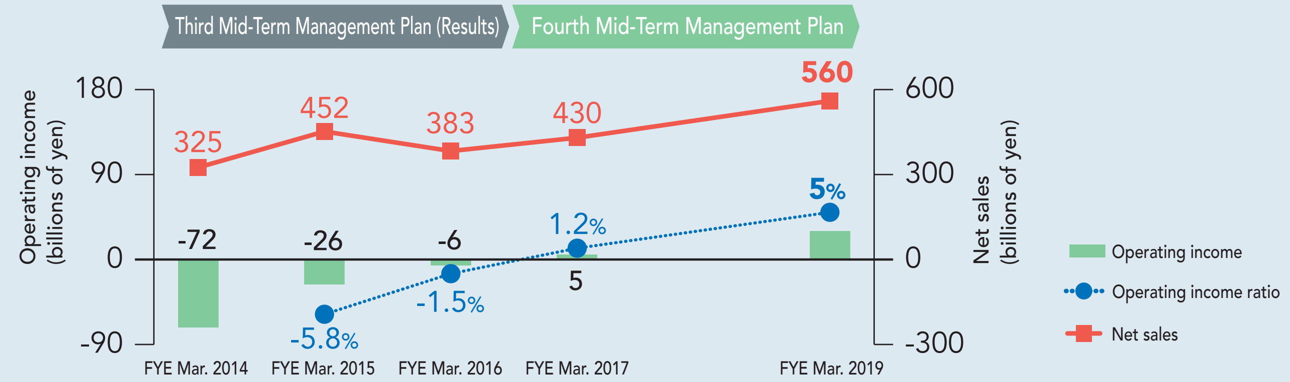
Lithium-ion Batteries

Business policy

With the automotive lithium-ion battery business as the bedrock, expand the business domain

Strategy and key tasks

- Establish position in automotive battery market (electric vehicles, plug-in hybrid vehicles, hybrid vehicles, etc.)
- Develop products to cultivate new markets, including 12V engine start batteries and stationary batteries
- Expand business through collaboration with overseas companies (Europe, China, etc.)



Strengths

- Mass production expertise by leading the world in establishing a mass production structure
- Used in wide-ranging applications (automotive, industry, specialty)
- R&D ability and adaptability with various models
- Future expansion with Robert Bosch GmbH

Issues

- Development of high-performance cell
- Capturing new customers
- Promoting cost-reduction activities

Aim for expansion with profits

Others

Expand the business scale of specialty batteries

Offer products with the best performance and best quality, which can endure severe conditions from the seas to outer space

Growth strategy

- Expand overseas taking advantage of the three principles of defense equipment transfer
- Start new businesses

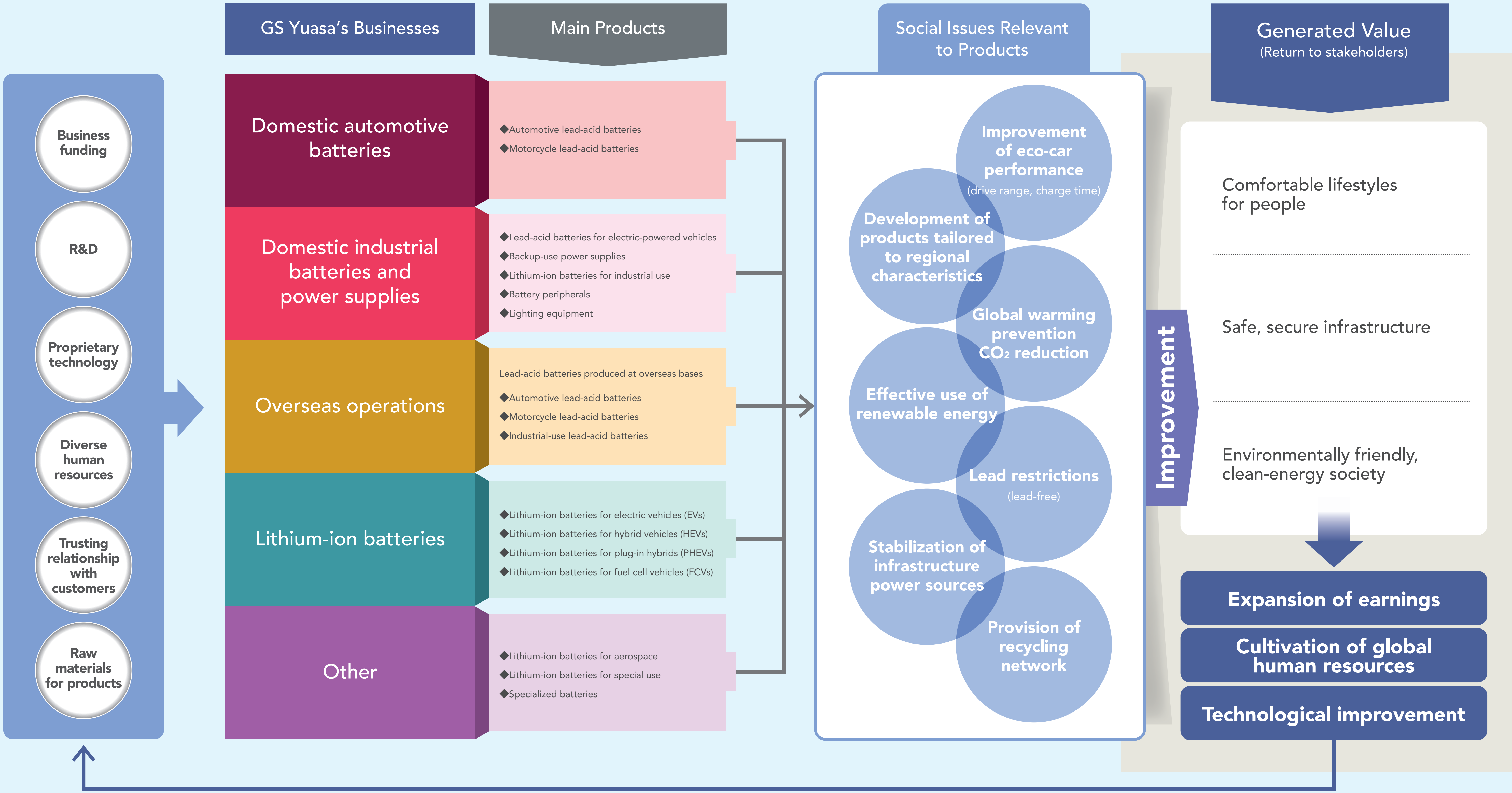
Lithium-ion batteries (high-capacity type) | Thermal batteries | Lithium-ion battery for H-II A/B rocket

Space / Aircraft | Seas

GS Yuasa's Value-Creation Process

The GS Yuasa Group makes use of diverse human resources and its technological strength to carry out its core business of manufacturing and marketing batteries. Our products help to resolve a variety of social issues, and thus add value to society. This in turn raises the GS Yuasa Group's corporate value.

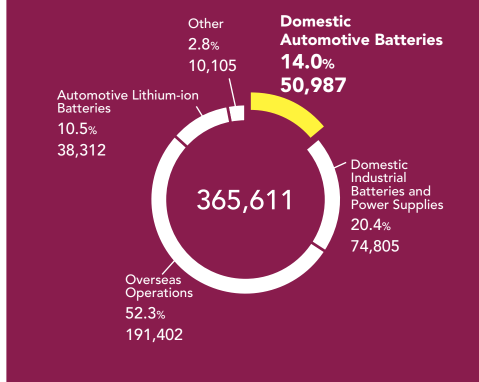
While providing a return to all stakeholders, we will continue to advance the kind of leading-edge technology that drives the future. We aim for sustained value creation.



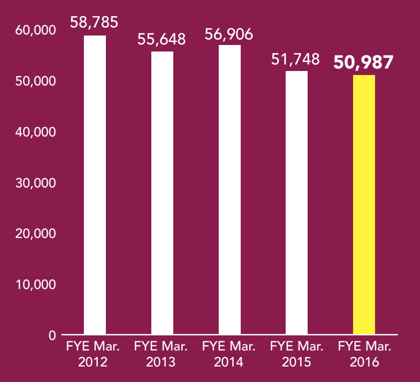
Business Review

Domestic Automotive Batteries

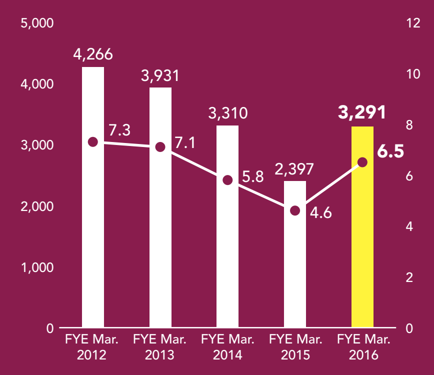
Sales Composition (Millions of yen)



Net Sales (Millions of yen)



Operating Income (Millions of yen)
Operating Income Ratio (%)



Review

Net sales in the domestic automotive batteries segment totaled ¥50,987 million for the fiscal year, a decline of ¥761 million, or 1.5%, compared with the previous fiscal year. Sales to automobile new car manufacturers were sluggish amid a reduction in domestic car production, while sales of replacement batteries declined owing to a warm winter. Segment income increased ¥894 million year on year, or 37.3%, to ¥3,291 million, as price revisions for replacement batteries enacted in the previous year outweighed the drop in sales.

Business Line

We manufacture and market domestic automotive and motorcycle lead-acid batteries. Technology to reduce fuel consumption has made great strides in start-and-stop and hybrid vehicles. We are developing high-performance, high-quality batteries for these vehicles and launching them in the market.

Main Products

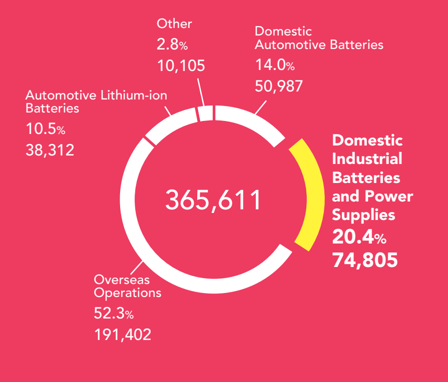
EN standard lead-acid auxiliary battery for Toyota hybrid vehicles ECO.R ENJ Series

Automotive lead-acid batteries ECO.R LONG LIFE Series

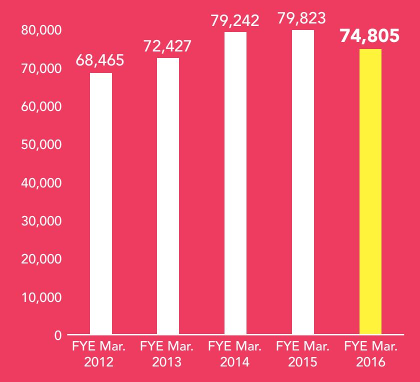
Motorcycle lead-acid batteries

Domestic Industrial Batteries and Power Supplies

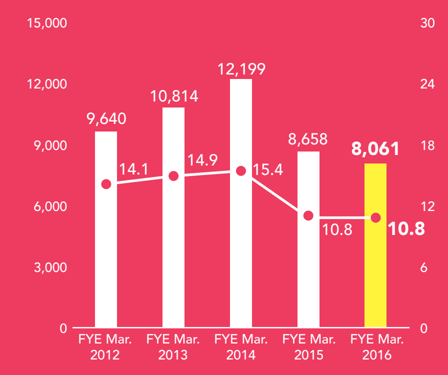
Sales Composition (Millions of yen)



Net Sales (Millions of yen)



Operating Income (Millions of yen)
Operating Income Ratio (%)



Review

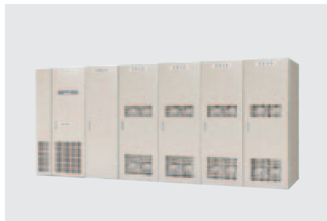
Net sales in the domestic industrial batteries and power supplies segment for the fiscal year totaled ¥74,805 million, a decrease of ¥5,018 million, or 6.3%, from the previous fiscal year. A cycle of demand for power supplies for mobile phone base stations ran its course, while sales of power supplies for photovoltaic power generation continued to slump due to restrictions by electric power companies on connections to their power grids. Sales of chargers for digital cameras also declined. Segment income totaled ¥8,061 million, a year-on-year decrease of ¥597 million, or 6.9%, as a result of the sales decline.

Business Line

In addition to lead-acid batteries for electric-powered vehicles such as forklifts and wheelchairs, this segment covers backup-use power supplies for social infrastructure such as mobile phone base stations, office building water and sewer systems, and power plants, thus supporting our advanced information-based society. We also contribute to environmental protection by supplying power conditioners for photovoltaic power plants, lighting equipment for roads and tunnels, and membrane systems that enable the effective use of water resources.

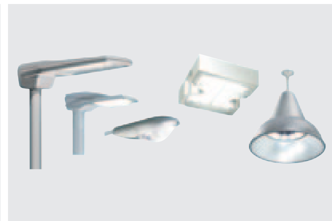
Main Products

Forklift batteries



Line Back Ω ES
A power conditioner for charging and discharging storage batteries

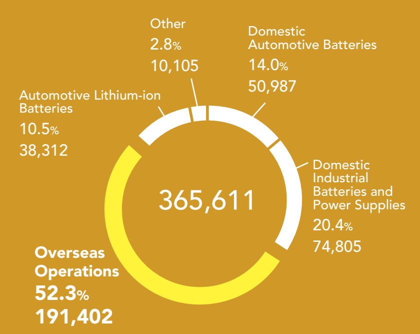
AC uninterruptible power supply BACSTA R Series



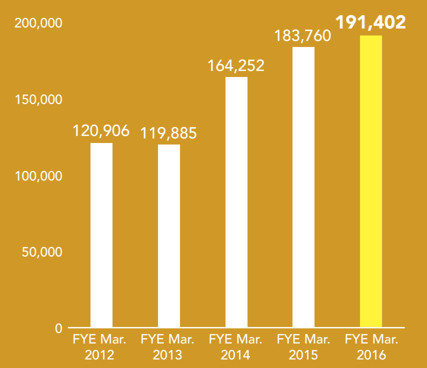
Lighting equipment

Overseas Operations

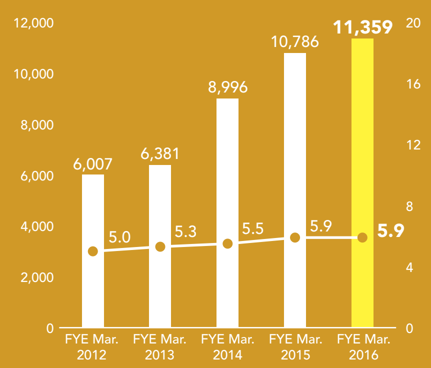
Sales Composition
(Millions of yen)



Net Sales
(Millions of yen)



Operating Income (Millions of yen) Operating Income Ratio (%)



Review

Net sales in the overseas operations segment for the fiscal year totaled ¥191,402 million, an increase of ¥7,642 million, or 4.2%, from the previous fiscal year, due mainly to the effect of exchange rates. Segment income totaled ¥11,359 million, a year-on-year increase of ¥573 million, or 5.3%, as a result of the effect of exchange rates and a decline in prices for main raw material lead.

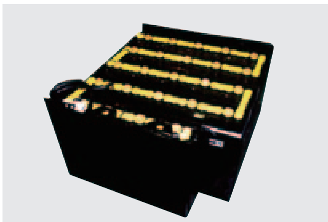
Business Line

GS Yuasa has 38 overseas bases in 17 countries around the world, with an especially large presence in China and Southeast Asia (Thailand and Indonesia). We use these bases to manufacture and market automotive, motorcycle, and industrial lead-acid batteries.

Main Products

GS-Platinum double-lid automotive batteries

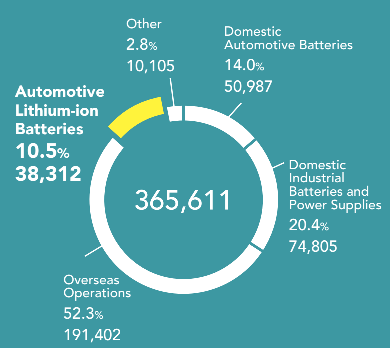
Motorcycle batteries



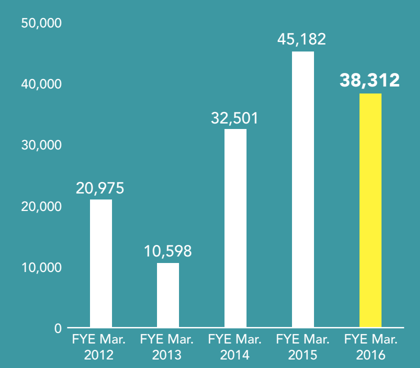
Forklift battery for the overseas market

Automotive Lithium-ion Batteries

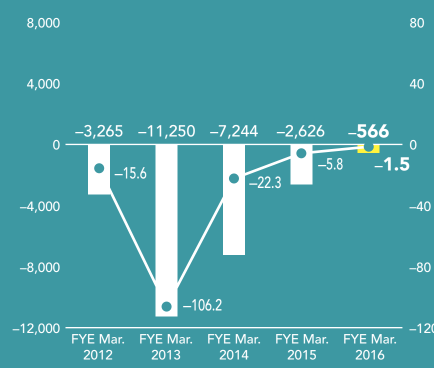
Sales Composition
(Millions of yen)



Net Sales
(Millions of yen)



Operating Loss (Millions of yen) Operating Income Ratio (%)



Review

Net sales in the lithium-ion batteries segment for the fiscal year totaled ¥38,312 million, a decrease of ¥6,870 million, or 15.2%, from the previous year. Sales of lithium-ion batteries for hybrid vehicles slumped due to the decline in car sales in Japan. The segment loss totaled ¥566 million, a year-on-year improvement of ¥2,060 million due to the progress in raising manufacturing efficiency.

Business Line

We manufacture and market automotive lithium-ion batteries for eco-friendly vehicles such as electric vehicles, hybrids, and plug-in hybrids.

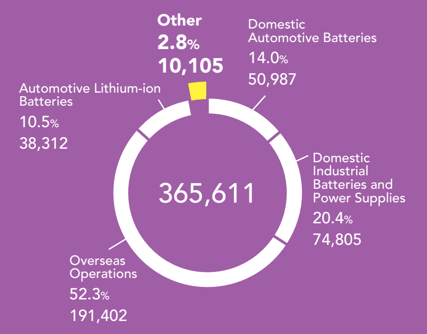
Main Products

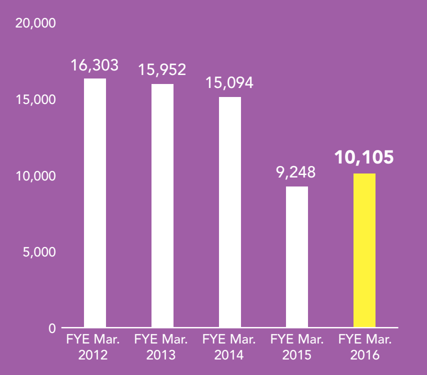
Lithium-ion batteries for electric vehicles

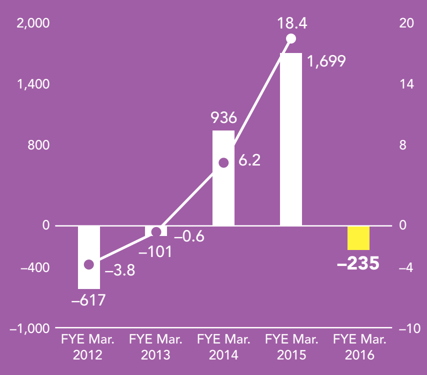
Lithium-ion batteries for hybrid vehicles

Business Review

Other







Review

Net sales in the other segment for the fiscal year totaled ¥10,105 million, an increase of ¥857 million, or 9.3%, from the previous year as a result of strong sales of specialty batteries. The segment loss after adjustments of corporate expenses and other items totaled ¥235 million, a year-on-year decrease of ¥1,934 million due to an increase in R&D expenses for next-generation products.

Business Line

We manufacture and market lithium-ion batteries for a wide range of applications, from the deep sea (manned research submersibles) to outer space (satellites and rockets). This segment also includes development, production, and distribution of batteries and power supplies for other specialized uses.

Main Products

Large lithium-ion batteries for satellite use

Thermal batteries

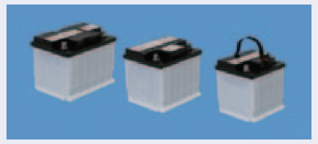
Lithium-ion battery for manned research submersible

Topics

GS Yuasa's EN-Compliant Lead-Acid Battery for Japan Adopted for Toyota Motor's New Prius Debut of the ECO.R ENJ Series, Designed to the Same Standards for Replacement Use

GS Yuasa's EN (European norm)-compliant lead-acid battery, the LN1, was adopted as the lead-acid auxiliary battery for the new fourth-generation Prius, launched on December 9, 2015 by Toyota Motor Corporation.

In anticipation of replacement demand for EN-compliant lead-acid batteries, GS Yuasa began selling its ECO.R ENJ Series of replacement-use batteries in June 2016.



EN-compliant lead-acid batteries

ECO.R ENJ Series

Container Lithium-Ion Battery System Delivered to Nishinoshima Transformer Station of Chugoku Electric Power

GS Yuasa has delivered a 1,350kWh container lithium-ion battery system to the newly built Nishinoshima Transformer Station of Chugoku Electric Power Co., Inc. in Oki-gun, Shimane Prefecture.

This hybrid system using two types of storage batteries—lithium-ion batteries and NAS (sodium-sulfur) batteries—started operating at the end of September 2015. In the three years to September 2018, a feasibility test will be carried out on the introduction and expansion of renewable energy, stabilization of the power supply, and reduction of the environmental burden on the Oki Islands.

Lithium-ion battery dedicated container (equipped with lithium-ion battery system)

Acquisition of Shares in İnci Akü Sanayi ve Ticaret Anonim Sirketi (Republic of Turkey) Completed

GS Yuasa has completed its acquisition of 50% of the outstanding shares in İnci Akü Sanayi ve Ticaret Anonim Şirketi, located in the Republic of Turkey. The acquired company is now one of our equity method affiliates and conducts business under the new name İnci GS Yuasa Akü Sanayi ve Ticaret Anonim Şirketi.

The inclusion of this Turkish company in equity method affiliation gives us an opportunity to boost sales in Turkey, and to scale up exports to Europe, Asia, the Middle East, and North Africa. The new affiliate is an important link in our global strategy, allowing us to aim for considerably higher lead-acid battery sales in regions where we previously had little or no presence.

Outline of İnci's New Structure

Company name	İnci GS Yuasa Akü Sanayi ve Ticaret Anonim Şirketi
Location	Manisa Province, Turkey
Year of incorporation	1984
Names and titles of representatives	Cihan Elbirlik (Managing Director), Yuji Hashimoto (Deputy Managing Director)
Business	Manufacturing/selling of lead-acid batteries for automotive, forklift, and stationary applications
Capital	53 million Turkish lira (approximately ¥2.4 billion) Calculated at a rate of 1 Turkish lira = ¥45.93
Number of employees	644
Composition of shareholdings	İnci Holding Anonim Şirketi 50%, GS Yuasa 50%

Blue Energy's Lithium-Ion Battery to Be Used in Honda's Clarity Fuel Cell

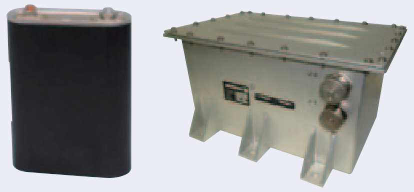
A lithium-ion battery manufactured and sold by GS Yuasa Group company Blue Energy Co., Ltd. has been adopted for use in the Clarity Fuel Cell, a fuel cell vehicle made by Honda Motor Co., Ltd. that went on sale on March 10, 2016. This new model lithium-ion battery (EHW5) achieves high output along with compact size and light weight. It is 17% lighter and 7% smaller in volume than a conventional product, while delivering the same or greater output as well as durability and safety.

EHW5 cell and module

Upgraded H-IIA Rocket No. 29 Equipped with High-Capacity Lithium-Ion Batteries from GS Yuasa Technology

High-capacity lithium-ion batteries manufactured by Group company GS Yuasa Technology Ltd. (GYT) were installed in the H-IIA Rocket No. 29 with upgraded specifications that was launched from the Tanegashima Space Center on November 24, 2015.

Earlier H-IIA rockets have carried lithium-ion batteries from GYT to power their electronic equipment, but No. 29, a two-stage rocket, required higher battery output for its longer mission. Hence the new battery with approximately twice the capacity of its predecessor was chosen.



Lithium-ion battery cell and module for H-IIA Rocket No. 29 (upgraded specifications)

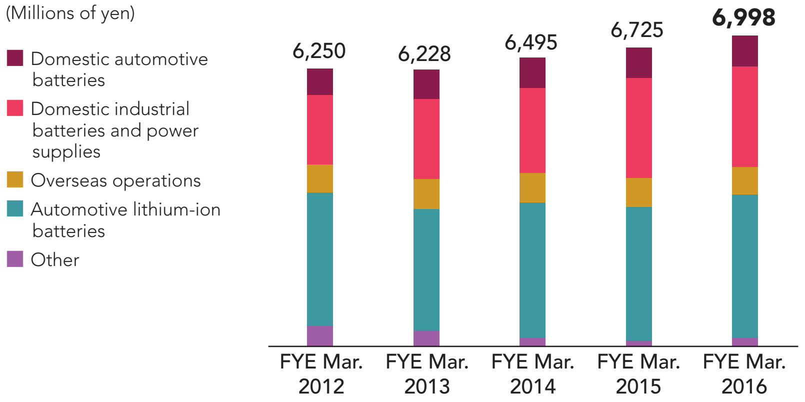
Research and Development

All companies in the GS Yuasa Group, starting with GS Yuasa International Ltd., actively carry out basic R&D on product and manufacturing technology in the fields of domestic automotive batteries, domestic industrial batteries and power supplies, overseas operations, lithium-ion batteries, and other businesses.

In FY 2015, GS Yuasa's consolidated R&D costs totaled ¥6,998 million.

Research and Development Costs

(Millions of yen)



Domestic Automotive Batteries

R&D costs: ¥703 million

In the automotive lead-acid battery field, we have completed our ECO.R LONG LIFE Series of batteries, which is JIS-compliant and can be used in both start-and-stop vehicles and conventional automobiles. We have also developed batteries that meet European norm (EN) standards. Japanese automakers have started outfitting some cars—including even those heading for the domestic market—with these batteries and have already adopted our batteries. EN standards were developed to match Europe's cooler climate, and they place importance on cold-weather starting. GS Yuasa's EN-compliant batteries meet these cold-weather demands while still being suitable for use in Japan's warmer weather and compliant with JIS safety standards. The result is EN-compliant batteries with uniquely Japanese specifications.

In the motorcycle-use lead-acid battery field, we are developing technology that will be applicable in all types of motorcycles, from leisure-use bikes to general-use and commuter bikes. We see rising interest in environmentally friendly motorcycles, such as start-and-stop vehicles, and a GS Yuasa battery with high durability and excellent charging performance has been adopted for this type of motorcycle.

Domestic Industrial Batteries and Power Supplies

R&D costs: ¥2,257 million

In the industrial lead-acid battery field, we are working to expand our lineup of SLR ultra-long-life cycle batteries. Our SLR-type batteries have the world's longest cycle life performance and are used in stationary large-capacity storage systems. In lead-acid batteries for forklifts, we have developed a new additive that greatly improves battery performance, and we are developing products with this additive for the market.

In the power supply field, our Acrostar TSB Series is known as an energy-conserving, compact and lightweight, general-purpose uninterruptible power supply (UPS) for commercial use. The newest member of this series, the Acrostar TSB1000, has the added feature of an optional network card, which enables network-based remote monitoring.

In power conditioners for solar power generation, we have developed the Lineback αIV (three-phase, 10kW), which has a fault ride-through feature necessary for system stabilization, output control, and a new flexible monitoring system. With aluminum die-cast housing made possible using air-cooled cabinet technology, the Lineback αIV is self-cooling without a fan, making it maintenance free.

In the industrial lithium-ion battery field, we have developed a 19-inch 1U rack-mounted switching power supply module for use as a backup power source in mobile phone base stations. This power supply, which meets U.S. Electronic Industries Alliance (EIA) standards, is superior to others in expandability. By using energy-dense lithium-ion batteries, we have reduced weight and volume to half of what they would be with conventional lead-acid batteries. Capacity can easily be expanded through parallel connections, making the Lineback αIV useful in many applications. At the same time, the built-in, high-performance battery monitoring unit (BMU) secures a high level of safety and reliability for each module. In another development, our LIM25H-8 module, a high-output type that enables instant high discharge, has been adopted in gantry cranes at port facilities and in unmanned conveyance vehicles. By saving energy and reducing exhaust gas, the LIM25H-8 helps to lessen the burden on the environment.

In aircraft-use lithium-ion batteries, the Boeing 787 uses a battery from GS Yuasa, which is contributing to big savings on jet fuel.

In batteries for specialized uses, we are researching ways to adapt batteries for use in machinery, compact power sources, and charging devices. Aiming for future market expansion, we are also developing oxygen sensors and hydrogen production devices.

In the illumination field, we are expanding our lineup of mainly LED lights for exterior and factory use.

Overseas Operations

R&D costs: ¥625 million

In the automotive lead-acid battery field, GS Yuasa has been producing batteries overseas as well as developing new models and production technologies for charge-controlled vehicle batteries and stop-and-start vehicle batteries.

In the motorcycle-use lead-acid battery field, we are expanding export-oriented production of batteries for midsize motorcycles in Southeast Asia. At the same time, we have developed a medium-capacity valve-regulated lead-acid battery and are launching production at one base after another in the same region. We have also developed a smaller valve-regulated lead-acid battery for commuter bikes in the Indian market, which has great growth potential, and we are expanding production capacity for this battery at our Indian bases.

In the industrial lead-acid battery field, we have delivered a cycle-use stationary battery to a major U.K. power supplier, Scottish and Southern Energy Power Distribution Ltd., which is testing it in a high-capacity electricity storage system in the Shetland Islands. Also, demand for battery-powered forklifts is growing worldwide, particularly in Asia. In response, we are developing forklift batteries in China and Thailand that will match the needs of different regions.

Automotive Lithium-ion Batteries

R&D costs: ¥3,221 million

In addition to doing basic research, this segment is developing advanced battery technology for automotive, industrial, power storage, aircraft, and spacecraft applications. We are conducting basic research into ways to improve the reliability, safety, and energy density of large and medium-sized batteries. To further boost lithium-ion battery performance, we are searching for and evaluating materials to use in next-generation positive electrodes and negative electrodes. We are also researching post-lithium-ion batteries.

In automotive lithium-ion batteries, we are stepping up production of batteries for electric vehicles (EVs), plug-in hybrids (PHEVs), and hybrid vehicles (HEVs). At the same time, we are revising our product lineup and making further improvements to reliability and safety in preparation for the next production increase.

Other

R&D costs: ¥190 million

Advances in rocket development made by the Japan Aerospace Exploration Agency (JAXA) were applied in the H-II A rocket No. 29 (two-stage) launch vehicle. To place a satellite closer to stationary orbit, this launch vehicle used a lithium-ion battery with twice the electrical capacity (80Ah) of conventional models. This was the first time that a domestically produced rocket was used to launch a private-sector commercial satellite, and GS Yuasa contributed to its success. The International Space Station's unmanned cargo ship, Konotori 5, is also equipped with satellite-use lithium-ion batteries. Our lineup of satellite-use batteries previously consisted of 42Ah/55Ah/150Ah cells, and more recently we have developed 110Ah/190Ah cells.

Our record of improving battery performance in the satellite field (with a smaller size, lighter weight, and longer lifespan) has been recognized by the government. In the Space Development Use Awards, held under the auspices of the Cabinet Office, GS Yuasa won the Minister of Economy, Trade and Industry Prize.

Topics

GS Yuasa Lithium-Ion Batteries Used in More Than 110 Spacecraft:

Possibly the highest orbiting storage capacity of any company

The number of spacecraft using lithium-ion batteries manufactured by GS Yuasa Technology Ltd. has surpassed 110. These include satellites and the International Space Station's cargo ship. At the end of FY 2015, the GS Yuasa Group had a cumulative 2.3MWh of lithium-ion energy storage in orbit, by our estimate possibly the largest amount produced by any company. This energy storage capacity is expected to double by the end of 2017.

GS Yuasa Group companies have been developing lithium-ion batteries since the late 1980s. We began manufacturing lithium-ion batteries for use in spacecraft in 1998. Based on expertise gained through numerous space programs and ongoing R&D, we introduced a third generation of space-use lithium-ion batteries in 2011. These third-generation batteries offer large performance gains without any changes to the basic chemistry or structure of second-generation batteries. Our industry-leading position in space-use batteries has been recognized with the adoption of GS Yuasa batteries for a manned space mission.

Based on more than 10 years of experience and hundreds of years' worth of lifespan assessment data, GS Yuasa Technology has developed and tested a lifespan prediction model for space-use lithium-ion batteries that allows performance and lifespan to be predicted under a range of conditions. Based on the prediction results, we are considering the best storage capacity and battery structure to fulfill the demands of each particular mission, together with our customer.

Space-use lithium-ion batteries

Characteristics of space-use lithium-ion batteries

- High energy density
- Low and stable internal resistance
- Excellent capacity retention
- Qualified for space applications
- Broad lineup from 42Ah to 200Ah

Our record in space-use lithium-ion batteries

- An industry-leading cumulative 2.3 MWh of lithium-ion energy storage in orbit
- More than 110 orbital vehicles powered including manned missions
- Design life of 15 years or more
- Demonstrated mission duration exceeding 10 years
- No anomalies or failures in orbit

Our CSR and Environmental Efforts

The GS Yuasa Group continues to develop its business through practicing environmental management while contributing to the emergence of a sustainable society.

GS Yuasa Group Fundamental Environmental Policy

The Fundamental Environmental Policy of the GS Yuasa Group was established to serve as a guideline for the environmental management efforts implemented throughout the Group. In our domestic offices, we have developed an organizational environmental management system and have been promoting initiatives to implement our environmental policy, which is based on our overarching environmental policy.

We have developed mid-term plans for important issues related to our environmental policy in order to contribute to the emergence of a sustainable society. We continue to manage the status of implementation of these initiatives.

Fundamental Philosophy

At the GS Yuasa Group, we set conservation of the global environment as one of our most important tasks, and we contribute to the creation of a sustainable society through the development, manufacture, and sale of batteries, which are a form of clean energy, power supply systems, and lighting equipment.

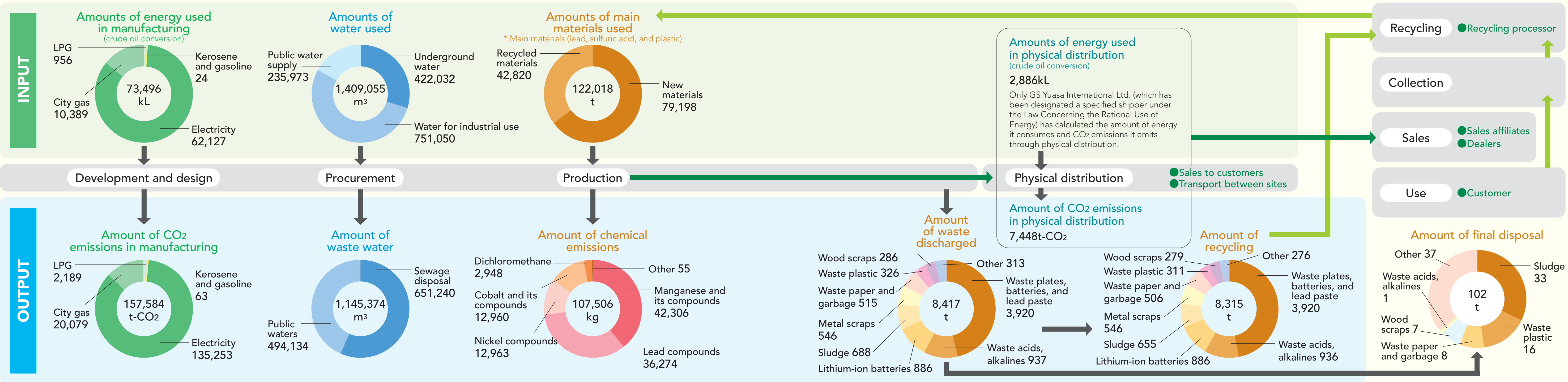
Action Agenda

1. We carefully evaluate the environmental impacts of our business activities, products, and services, and we are working to reduce environmental burdens and to prevent pollution. Through energy and resource conservation, waste reduction, and recycling, we will continuously improve our results.
2. We promote the development and design of products that protect the environment throughout product life cycles. We seek to reduce environmental burdens from the product development and design stages to manufacture, use, and disposal.
3. We work to decrease environmental burdens with our business partners throughout our entire supply chain, including materials procurement and physical distribution.
4. We have created environmental management systems according to ISO 14001 standards and have enacted environmental policies at each of our offices based on these fundamental policies. We also advance our environmental management activities by setting related objectives and targets.
5. We abide by all laws, ordinances, agreements, and regulations related to the environment, as well as other requirements agreed on by the Group. We also make voluntary management standards according to these as necessary to promote environmental conservation.
6. We steadily execute revisions based on environmental audits and management reviews to maintain and improve our environmental management systems continuously.
7. Through education, training, and other environmental awareness efforts, we promote the environmental awareness of all Group employees, and we contribute to society through our environmental preservation activities.
8. We seek to achieve good communications with our stakeholders and with society as a whole by providing information related to the environment, including our fundamental environmental policy.

Material Flow in Business Activities

Our Group manufactures and sells batteries, power supply systems, and lighting equipment and provides related services to many sectors of business and society. Our business operations consume energy, water, raw materials, and other resources while generating waste water, waste products, greenhouse gases, and other materials. We are well aware of the impact of our business operations on the environment. At the same time, we are striving to reduce CO_2 emissions and use resources efficiently. In addition, we consider environmental impacts from the product development and design stages through to the stages of material procurement, production, transport, sale, use, and disposal. Thus, our "product design for the environment" initiative strives to reduce environmental burdens throughout the product life cycle by, for example, promoting the recycling of depleted batteries.

(Scope: FY 2015 results from six offices in Japan)



Business Activities and the Environment

We are working to lessen GS Yuasa's environmental impact not only at the manufacturing stage but also throughout our products' life cycles.

Green Procurement Activities Purchasing goods with the environment in mind

We carry out green procurement by promoting environmental management activities within the GS Yuasa Group and among our suppliers of parts and raw materials.

Based on our Green Procurement Criteria, we ask that suppliers construct and maintain an environmental management system and test the chemical compounds in the materials that they deliver to us. To control the amount of greenhouse gases discharged in our products' life cycles, we also ask that our suppliers take measures to reduce the output of CO_2. For this reason, we issue Guidelines to Support Suppliers in Calculating CO_2 Discharge, which helps suppliers to grasp their CO_2 output and set reduction targets.

Regarding stipulations in the Green Procurement Criteria, we carry out a regular two-party environmental audit with suppliers to confirm the achievement of green procurement objectives.

The GS Yuasa Group lessens the environmental impact of its own business and its entire supply chain by carrying out organized and ongoing environmental management activities and giving priority treatment to suppliers who deliver materials that meet its Green Procurement Criteria.

Main Stipulations for Suppliers in GS Yuasa's Green Procurement Criteria

(1) Construction and operation of an environmental management system
(2) Chemical tests of manufactured goods, parts, materials, and raw materials delivered to GS Yuasa
(3) Independent initiatives to reduce the discharge of CO_2

Use of Wide-Area Certification System for Industrial Batteries Operation of recycling system for discarded products

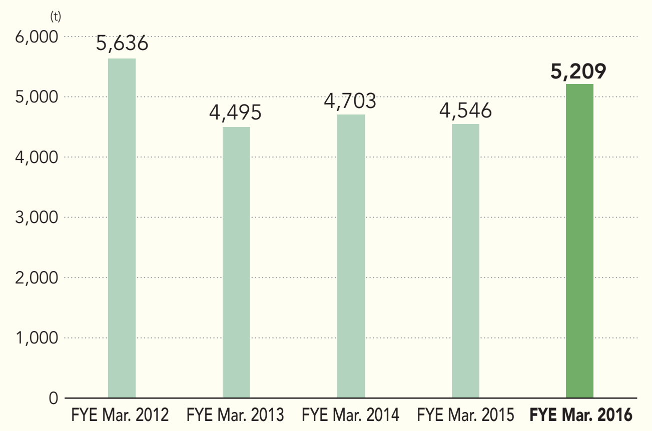
A wide-area certification system aims to involve the manufacturers of a product in the product's recycling and disposal once it reaches the end of its useful life. These systems make possible more efficient recycling and provide feedback on product design leading to easier disposal and reuse, while ensuring that discarded goods are disposed of properly.

In January 2008, the GS Yuasa Group acquired wide-area certification from the Ministry of the Environment for industrial batteries and power supplies, and in January 2009 it started accepting orders for its recycling system based on this certification. In FY 2010 and FY 2013 we broadened the range of eligible products, and in FY 2011 we reviewed the operating rules related to small products, resulting in an improvement of our secure and proper disposal system for discarded goods.

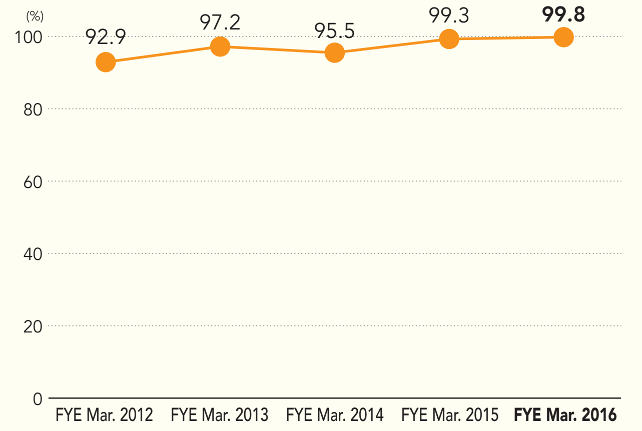
In FY 2015, the amount of discarded goods we processed under the wide-area certification system reached 5,209 tons. This figure accounts for 99.8% of the discarded products the GS Yuasa Group collected in the same period. As far as industrial batteries are concerned, the wide-area certification system is now firmly established.

In the future, we will promote even more effective operation of the wide-area certification system to improve customer service and recycle and properly dispose of post-use products.

■Amounts Handled under the Wide-Area Certification System



■Application Rate of the Wide-Area Certification System



Engagement with Customers

As a trusted manufacturer, GS Yuasa is constantly working to improve customer satisfaction and ensure safety.

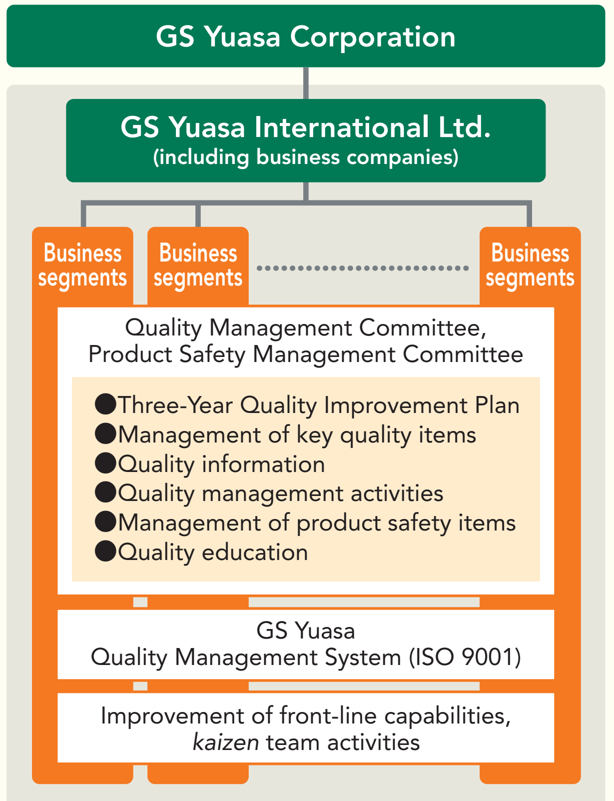
Commitment to Customer Satisfaction We aim to achieve a quality improvement in both processes and outcomes.

The GS Yuasa Group has built an excellent reputation for dependability as a manufacturer. We are determined to maintain that reputation by consistently supplying products that meet customer expectations in terms of both performance and quality. We achieve this by approaching our manufacturing activities from the customer's perspective and working relentlessly to maintain the highest standards of quality in our products and services. To realize the above, we have established the GS Yuasa Quality Management System based on the ISO 9001 standard, and we are developing our activities aiming for quality improvement in both processes and outcomes under the leadership of senior management. Individual employees also help to create new value through continual *kaizen* (improvement) activities. The GS Yuasa Group is confident that users will be satisfied with the safety and reliability of the products and services that result from these activities, which we see as the basis for our ongoing contribution to society.

Action Agenda for Customer Satisfaction

- We will work every day to maintain high standards of quality in our products and services.
- We will work as a team to maintain good communications with users.
- We will provide quality and service that exceed customer expectations.

■Quality Management Organization



Ensuring Customer Safety Pictograms are used to inform users clearly about precautions and warnings.

Lead-acid storage batteries use lead in electrodes (a potentially harmful substance for human health) and sulfuric acid (a corrosive substance) as electrolytes. In addition, the batteries emit highly flammable hydrogen gas while they are being charged. Incorrect usage could result in injuries to users or damage to vehicles and other assets.

The GS Yuasa Group uses a range of methods to ensure that customers utilize lead-acid batteries correctly and safely, including pictograms and other forms of information on the products themselves. We also include warnings in catalogs, service manuals, and instruction booklets. In addition, the GS Yuasa Group encourages users to recycle lead-acid batteries by means of pictograms and other forms of information on products.

Engagement with Local Communities

Corporate initiatives for people and their communities include environmental awareness programs for children.

Environmental Education Programs for Elementary School Children

Children learn about clean energy by using solar power systems.

Since the fiscal year ended March 31, 2004 (FY 2003), the GS Yuasa Group has continually worked with the Kyoto Chamber of Commerce and Industry to run environmentally themed education programs for children. This initiative aims to foster children's interest in environmental problems by teaching them about the GS Yuasa Group's environmental technologies.

In FY 2015, a photovoltaic power generation system was used in a program focusing on clean energy utilization. The GS Yuasa Group will continue these efforts to boost awareness of the importance of environmental protection among school children, who will become the young citizens of tomorrow.

Kyoto Municipal Nishioji Elementary School

The children carried out experiments using solar panels and learned about efficient ways to generate power in the daytime for use during the night.

A classroom lesson about photovoltaic power generation

A photovoltaic power generation experiment

Eco Art Contest for Elementary School Children

This initiative helps to expand children's awareness of the global environment.

GS Yuasa Battery Ltd. is one of the first automotive battery manufacturers to sell environment-friendly batteries. Since FY 2009, it has sponsored the GS Yuasa Eco Art Contest for Elementary School Children to give the pupils, who will become the young citizens of the future, an opportunity to express their thoughts on the global environment.

In FY 2015, the seventh year of the contest, the theme was, "Let's picture exploration of our environment!" The rich imaginations of children from all over the country were on display in the 1,229 entries we received. After a fair but strict judging process, a picture painted by a Grade 4 student in Shizuoka Prefecture titled "Our nature, discovered from the air!" was chosen as the winner.

Many of the entries reflected the creativity, environmental awareness, and hope for the future of the young artists. All inspired a renewed awareness of the need for companies to take a responsible stance toward the global environment. We will continue to sponsor this contest in the future.

The winning picture: "Our nature, discovered from the air!"

A special website created for the GS Yuasa Eco Art Contest for Elementary School Children
http://gyb.gs-yuasa.com/concours/pc/index.html

Relationship with Employees

We place importance on workplace conditions and strive to foster employees, the source of GS Yuasa's strength.

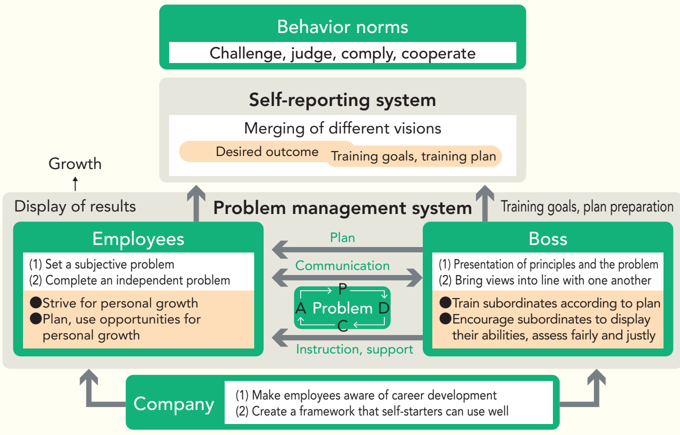
Fostering Self-Starting Employees

Front-line employees are the lead players; on-the-job training is the core policy.

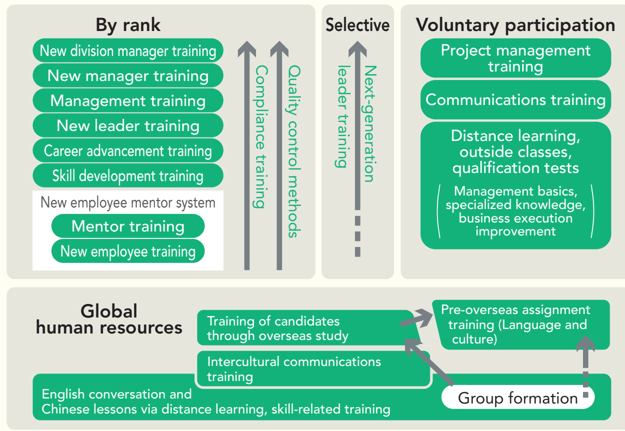
At GS Yuasa, front-line workplaces are the engine that generates corporate value, and the lead players in those workplaces are our employees. We believe the best training is on-the-job training, so with a strong focus on problem management we implement such training to nurture self-starting employees.

In off-the-job settings, employees take part in communications training and voluntary training for career development and the improvement of management skills.

Basics of Human Resources Development



Training System



Childcare and Nursing Care Support System

System enrichment and promotion of use

The Act on Advancement of Measures to Support Raising Next-Generation Children was passed by the Japanese Diet to counter the declining birthrate. Based on this law, labor and management of the GS Yuasa Group have cooperated to draft an action plan, which will enrich existing childcare and nursing care systems so that employees can strike a good work-life balance.

This action plan aims to create an environment where it is easier for employees to participate in childcare. To this end, labor and management established a specialist committee to grasp employees' needs, and through external information gathering and other means, it added features and contents that take into consideration support for the next generation.

To achieve the goals of this plan, we established an in-house electronic message board called "Supporting a Work and Childcare Balance," which employees use to exchange information about the childcare support system. To ensure that the childcare and nursing care support system is used more fully, we plan to make it better known by giving training sessions to people who are eligible to use the system and to those who are not (such as managers).

Employment of People with Disabilities

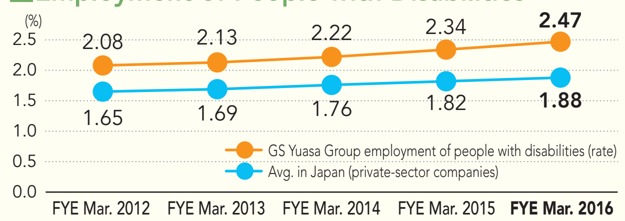
Employment rate above the legally mandated level

The GS Yuasa Group promotes hiring of people with disabilities based on the idea that society should be normalized so that everyone can hold a job and people with and without disabilities can work together without distinction.

In December 2007, we established GS Yuasa Business Agency Co., Ltd. (now GS Yuasa Wing Co., Ltd.) as a special subsidiary company* to expand employment opportunities for people with disabilities. This special subsidiary company offers a wide variety of employment situations to people with disabilities and tries to improve the workplace environment for them, so that they can demonstrate their abilities to the fullest.

As of June 1, 2015, 2.47% of the GS Yuasa Group's employees were recognized as having disabilities, which exceeds the legally mandated employment rate of 2.0%. Our Group will continue to manage employment so that people with disabilities can put their skills and qualities to good use.

Employment of People with Disabilities



***Special subsidiary company:** In cases where a special subsidiary company is recognized by the Minister of Health, Labor and Welfare as giving special consideration to employment of people with diabilities, the subsidiary can be counted as a branch of the parent company in calculating its employment rate for that group. The provision for special subsidiary companies is included in the Act on Employment Promotion, etc., of Persons with Disabilities.

Corporate Governance

We are focused on strengthening our corporate governance in order to enhance our sustainable growth and improve our medium- and long-term corporate value.

Approach to Corporate Governance and Our Governance System

Promoting Ongoing Efforts to Implement Our Corporate Philosophy

To implement our philosophy of contributing to "people, society, and the global environment through Innovation and Growth," our Group is working to manifest its vision of "delivering security and comfort to our customers around the world through advanced technologies developed in the field of stored energy solutions" and to unite all Group employees in this common commitment.

Moreover, by strengthening our corporate governance in order to enhance our sustainable growth and enhance our medium- and long-term corporate value, we are continuing to maintain a system that allows for rapid and effective decision-making, ensure thorough compliance management, and implement positive information disclosure.

To ensure the effectiveness of management and processes along with appropriate decision-making throughout our Group, we have established a governance system intended to strengthen our Board of Directors by incorporating periodic reporting at meetings of the board of directors that include external directors. This initiative includes periodic reporting to the Board on the work status of each business subsidiary and important related issues. In addition, corporate and outside auditors present their opinions to the Board and to important meetings of the Group. In addition, we are establishing a framework for conducting effective audits by facilitating the exchange of information at Auditor Meetings and ensuring coordination with the GS Yuasa Corporation Business Auditing Office and accounting auditors.

Focused on Internal Controls

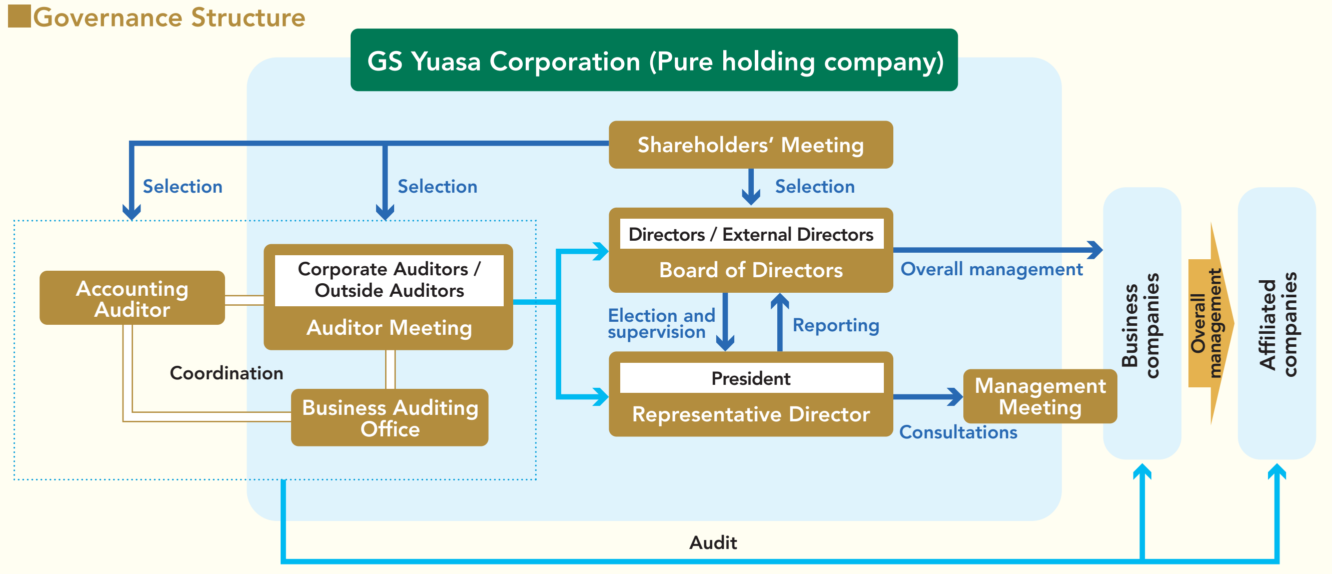
Establishing Systems That Support Sound Management

In order to strengthen its management foundation, the GS Yuasa Group has improved its system and relevant rules to ensure the maintenance of ethical business practices based on the Companies Act. This system includes mechanisms to ensure proper auditing, information management, and risk management throughout the Group.

In order to comply with the internal control reporting system required under the Financial Instruments and Exchange Law, we are maintaining an internal control system and financial reporting mechanisms to meet all requirements.

Our international subsidiaries and other consolidated Group companies evaluate the status of the improvement and implementation of their internal controls. Following external audits, reports on these internal controls are publicly disclosed.

■Governance Structure



Risk Management

Implementing thorough compliance management and risk management

Thorough Risk Management and Crisis Management

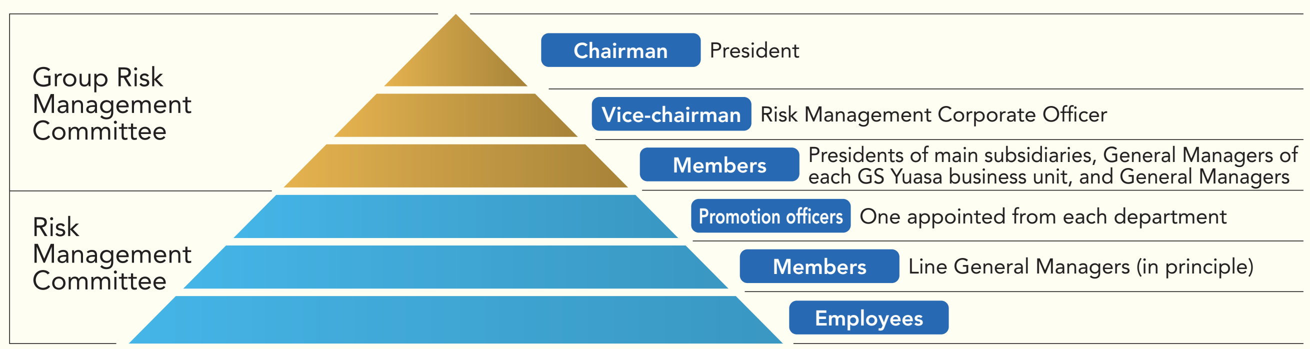
Evaluating the Scope of Risk in Detail and Appropriately Managing the Risk

The GS Yuasa Group has adopted Risk Management Rules intended to avoid or reduce exposure to business risk and minimize potential corporate losses.

Each department uses a Risk Management Sheet to evaluate the extent of risk and the potential impact of risks identified within the department. These departments hold monthly meetings to review the results of risk evaluations performed by their respective risk management committees. In addition, the Group Risk Management Committee — headed by our president with members comprising chairs of various departmental Risk Management Committees — holds semiannual meetings to promote Group-wide risk management and to encourage the sharing of key information related to risk management. The Risk Management Committee confirms that appropriate risk management measures have been implemented, and the committee chairs report on progress in this area.

Moreover, in preparation for the possibility that a risk materializes, the system maintains an emergency contact network to swiftly implement crisis management. When a serious crisis occurs, members of the Group Risk Management Committee are appointed to organize a crisis management headquarters under the president in order to minimize corporate losses. We have also established a system to implement an appropriate response to moderate the situation.

■Risk Management Structure



Compliance Activities

Publishing Guidelines and Manuals and Conducting Compliance Training

By training our personnel according to our philosophy of "Growth and Innovation" while manifesting our commitment to society and preserving the global environment, we are ensuring that all employees are guided in their behavior focusing on compliance with laws, company regulations, and ethical standards.

In this spirit, we have adopted the GS Yuasa Corporate Ethical Standards comprising 10 items that all employees must uphold. Moreover, we have established Corporate Ethical Behavior Guidelines that stipulate responses to specific situations. We also compiled and distributed a Compliance Manual to all employees. In FY 2015, for the fourth consecutive year, we held meetings at all workplaces to improve awareness of compliance through the active exchange of opinions. In addition, we promoted a compliance education initiative using innovative approaches such as providing the sales division with training in antitrust law.

We have also established the GS Yuasa Group Corporate Ethics Hotline for employees who become aware of behavior that is unethical or otherwise inappropriate. Accessible both internally and externally, the hotline enables employees to provide information anonymously. Our investigation team conducts inquiries and takes appropriate action while remaining committed to protecting whistleblowers.

Moreover, our president periodically conducts a compliance survey by distributing an in-house email questionnaire to all Group employees. The survey contains questions on compliance practices that arise in day-to-day operations.

Board of Directors and Auditors (As of June 29, 2016)

Makoto Yoda
Chairman

Osamu Murao
President

Kei Nishida
Senior Managing Director

Shinji Tatsumi
Senior Managing Director

Toshiyuki Nakagawa
Managing Director

Toru Bomoto
Managing Director

Masahide Kuragaki
Director

Masaru Sawada
Director

Ryoichi Okuyama
Director

Masayuki Murakami
Director

Hiroaki Yoshida
Director

Hirofumi Onishi
Outside Director

Shinji Ochiai
Outside Auditor

Katsuya Ohara
Outside Auditor

Kiyoshi Ogawa
Corporate Auditor

Seiji Abe
Outside Auditor

FINANCIAL SECTION

CONTENTS

CFO Interview

Consolidated business results for FY 2015 showed a decline in net sales. Operating income reached a record high for the third consecutive year.

Toshiyuki Nakagawa
Managing Director

GS Yuasa Group Business Results for FY 2015

In FY 2015, ended March 31, 2016, the domestic business environment was characterized by a tax hike on light (*kei*) automobiles in April, unseasonable summer weather, and a warm winter, which combined to depress private consumption. The economy remained sluggish.

In China, investment restrictions and a stock market plunge further slowed the economy. In Southeast Asia, the pace of growth declined because of reduced exports to China and sluggish domestic conditions. Overall, FY 2015 was a year in which a slowdown trend emerged more strongly worldwide.

Under these circumstances, the GS Yuasa Group's consolidated sales for FY 2015 were helped by the weak yen, which boosted the yen value of overseas sales. Domestically, however, power supplies for mobile phone base stations and solar power generation did not sell very well, and sales of automotive lithium-ion batteries declined. As a result, consolidated net sales declined by ¥4,150 million (1.1%) year on year to ¥365,611 million.

On the income side, consolidated operating income rose by ¥996 million (4.8%) year on year to ¥21,910 million, largely due to improved profitability in the lithium-ion battery business. An extraordinary loss was recorded on the closure of an overseas affiliated company, which entailed both a loss on liquidation and an impairment loss. As a result, net income attributable to owners of the parent declined by ¥1,014 million (10.1%) year on year to ¥9,030 million.

Consolidated Business Results for FY 2015

Net sales	¥365,611 million	–1.1%
Operating income	¥21,910 million	4.8%
Net income attributable to owners of the parent	¥9,030 million	–10.1%

Factor Analysis

Point 1 Currently, GS Yuasa's overseas sales ratio is 55%. When the earnings of overseas bases were factored into consolidation, the weaker yen in FY 2015 added ¥11,500 million to net sales. However, due to economic conditions in the countries with GS Yuasa's main overseas bases—China, Thailand, and Indonesia—sales volume declined.

Point 2 Domestically, the Great East Japan Earthquake of 2011 prompted many reviews of backup power supplies, hence a surge in demand for industrial batteries and power supplies, but that special demand has run its course. The 2020 Tokyo Olympics and Paralympics are expected to generate some demand, but it has not emerged yet, so this appears to be an off season for demand. Growth is expected in automotive lithium-ion batteries, but as far as models for hybrid cars are concerned, growth failed to emerge in comparison to the year before last.

Point 3 The international price of lead, the major raw material in lead-acid batteries, declined. This reduced costs, so even though lead-acid battery sales volume declined, the profit on those sales rose.

Review of Third Mid-Term Management Plan and Goals of Fourth Mid-Term Management Plan

Net sales fell short of the targeted level by ¥84,400 million (19%) to reach ¥365,611 million, while operating income fell short by ¥14,100 million (39%) to reach ¥21,910 million. The idea behind the Third Mid-Term Management Plan was that the GS Yuasa Group had tied up loose ends after its 2004 merger and was positioned for a new start. The next step was to engineer the Group's next leap forward, and from the viewpoint of management strategy, challenging targets were set. For three years, Group companies worked together as one to achieve the targets, but growth in automotive lithium-ion batteries was slower than expected and an overseas case of M&A in the plan was not realized. As a result, the Group was unable to produce satisfactory results in the period under review.

In drafting the Fourth Mid-Term Management Plan, we reflected on the previous plan and have set more reasonable targets. Those targets are net sales of ¥480,000 million, an operating income ratio of 8% or more, ROE of 10% or more, and a total return ratio of 30% or more (all based on income before amortization of goodwill). Regarding sales, our recent projection is for a ¥100,000 million year-on-year increase, but nearly half of this growth will be accounted for by GS Yuasa's assumption of control over Panasonic's lead-acid battery operations, so we consider our sales target to be fully achievable.

Due to the structure of our Group businesses, the prices of our products can change greatly depending on the price of lead, the main raw material, and price changes could greatly affect net sales. With that in mind, we initially considered a nice round sales target of ¥500,000 million. However, we wanted to emphasize profitability and efficient asset use rather than merely high sales, so we scaled back the sales target to ¥480,000 million.

As the person responsible for company finances, I believe that an operating income ratio of 8% or more is the most important target of all. Even if GS Yuasa did not meet its sales target, I would still like it to stick to the operating income target of 8% or more. I believe we can aim for 10% or more in the future, but first we should lay the groundwork at 8%.

Financial Standing and Cash Flow

Total assets decreased by ¥13,000 million from the end of the previous fiscal year to ¥346,523 million at the end of the fiscal year (March 31, 2016) as a result of progress in the collection of notes and accounts receivable, the recognition of depreciation for property, plant and equipment, the recognition of an impairment loss, and a decline in asset for retirement benefits.

Liabilities decreased by ¥8,604 million from the end of the previous fiscal year to ¥168,731 million, mainly as a result of a decline in loans and other interest-bearing liabilities. Due to the Company's assumption of control over Panasonic's lead-acid battery operations and its three-year capital expenditure plan, interest-bearing liabilities could temporarily exceed ¥100,000 million, but this would only be for a very short time. Under the current Mid-Term Management Plan, cash flows from operating activities are expected to be ¥130,000 million over three years, so even if capital expenditures and investment were ¥120,000 million, a free cash flow of ¥10,000 million would remain. Cash and cash equivalents totaled ¥27,788 million at the end of the fiscal year, up ¥2,080 million (8.1%) from a year earlier. We believe this gives us a fund cushion of about ¥10,000 million. When combined with free cash flow of ¥10,000 million, the GS Yuasa Group has funding leeway of ¥20,000 million, which we intend to use.

Total equity decreased by ¥4,396 million from the end of the previous fiscal year to ¥177,792 million. This was the result of a year-on-year increase in net income attributable to owners of the parent and to noncontrolling interests. In addition to dividend payment and declines in defined retirement benefit plans, the yen was stronger than at the end of the previous fiscal year.

In FY 2015, cash flows and their main contributing factors were as follows.

Net cash provided by operating activities in FY 2015 amounted to ¥30,215 million mainly as a result of contributions from income before income taxes, depreciation, and the collection of trade accounts receivable, which offset the payment of income taxes.

Net cash used in investing activities in FY 2015 totaled ¥17,311 million mainly due to outflows for the purchases of property, plant and equipment and the purchases of investment securities.

Net cash used in financing activities in FY 2015 amounted to ¥9,686 million. This was due mainly to the repayment of debt and the payment of dividends, which offset inflows from a capital increase in a consolidated subsidiary.

Regarding free cash flow, a round of investment in the lithium-ion battery business has been completed, so we expect to move towards the return-on-investment stage from this point and steadily raise cash flows from operating activities.

CFO Interview

The average time until redemption of the Company's liabilities is 2.5 years, and from the viewpoint of financial soundness, we would like to get that down to 2.0 years. Recently, annual cash flows from operating activities have been about ¥30,000 million, but in the future we plan to raise this level to over ¥40,000 million, so with an average time of 2.0 years until liability redemption, interest-bearing liabilities of ¥80,000 million should be no problem. We believe financial soundness can be maintained at that level.

Shareholder Return Policy

In the Fourth Mid-Term Management Plan, we set our goal for total shareholder return before amortization of goodwill at 30% or more. Over the past two years, the Company's dividend payout ratio has exceeded 40%, but this owes to the fact that special losses reduced net income, the source of dividends. The year before last, a lithium-ion battery-related subsidiary recorded an impairment loss of approximately ¥4,400 million, and last year the Company's base in Tianjin, China, recorded a ¥3,200 million combined loss on impairment and liquidation. An impairment loss is not accompanied by a cash outflow, so if one considers those funds to be a rebate, the baseline for shareholder return is about 30%. In addition, this time our total return ratio is based on net income before amortization of goodwill. Up to this point in the current term, amortization of goodwill is about ¥2,000 million, which inflates net income, the source of dividends.

Assumption of control over Panasonic's lead-acid battery operations will contribute to GS Yuasa's medium- to long-term growth, but net income will decline in the short term due to amortization of goodwill. We believe that basing dividend calculations on net income before amortization of goodwill is not only better for shareholders and investors with a medium- to long-term time horizon, but also beneficial for all shareholders and investors.

FY 2016 Forecast

In FY 2016, ending March 2017, we expect unease about corporate earnings driven by the strong yen to continue for some time and a downturn in consumer sentiment, thus the economic outlook will probably remain uncertain. Overseas, China's growth rate is expected to slow again, and in Southeast Asia, exports to China fail to recover. Economies of those countries will probably be sluggish. Under these circumstances, the GS Yuasa Group will vigorously advance its Fourth Mid-Term Management Plan, using the business base it has built up over many years as a springboard to further growth.

In our existing businesses of domestic automotive batteries and domestic industrial batteries and power supplies, we aim to expand and stabilize cash flow, while overseas we aim to expand business domains. At the same time, we will bring our new business of lithium-ion batteries into steady profitability and put it on a stable growth path. Assuming control over Panasonic's lead-acid battery operations has given us the potential for synergy effects, which we will realize in the near future on the way to expanding our share of the global lead-acid battery market.

Full engagement in the above initiatives should allow us to achieve the following consolidated earnings forecast for FY 2016, the first year of our Fourth Mid-Term Management Plan: net sales of ¥410,000 million, operating income of ¥24,500 million (¥26,000 million before amortization of goodwill, etc.), and net income attributable to owners of the parent of ¥12,000 million (¥14,000 million before amortization of goodwill, etc.).

FY 2016 Consolidated Earnings Forecast

Net sales	¥410,000 million
Operating income	¥24,500 million (¥26,000 million before amortization of goodwill, etc.)
Net income attributable to owners of the parent	¥12,000 million (¥14,000 million before amortization of goodwill, etc.)

Business and Other Risks

(1) Economic Conditions

Demand for the GS Yuasa Group's products is influenced by economic conditions in the various markets where those products are sold. Therefore, in the Group's main markets, which include Japan, Asia, North America, and Europe, economic setbacks and accompanying demand contractions, could adversely affect the Group's earnings and its financial standing.

(2) Intensification of Price Competition

The GS Yuasa Group is exposed to intense price competition in each of the markets where it conducts business, and setting prices at advantageous levels has become difficult for the Group. Particularly in the automotive battery field (replacement type), it not only faces the same competitors as in Japan but also must deal with low-cost products supplied by foreign companies, which make competition more intense. The GS Yuasa Group is cutting costs and implementing measures to strengthen its marketing power, but it may not be easy to maintain and expand market share and secure profitability in the future.

(3) Foreign Exchange Rate Fluctuations

The GS Yuasa Group conducts business in Japan, Asia, North America, and Europe. Financial statement items that are denominated in local currencies outside of Japan, such as sales, expenses, and assets, are converted into yen so that consolidated financial statements can be drafted. The yen value of these amounts can change depending on the exchange rate, even if the amounts have not changed in local currencies.

When local currencies appreciate in areas where the Group carries out overseas production, manufacturing and procurement costs can rise in these areas. The Group conducts forex-hedged transactions in an effort to hold the ill effects of short-term foreign exchange rate fluctuations to a minimum, but medium- to long-term currency fluctuations may impede the Group's ability to procure, manufacture, distribute, and sell goods according to plan. Therefore, it is possible for foreign exchange rate fluctuations to influence the Group's earnings and financial standing.

(4) Risks Related to International Activities and Overseas Expansion

The GS Yuasa Group manufactures and markets its products in Japan, Asia, North America, Europe, and elsewhere. The following risks are intrinsic to these overseas markets, and these phenomena could affect the Group's earnings and financial standing.

(a) Unforeseen changes to laws or regulations
(b) Difficulty in hiring and keeping human resources
(c) The possibility that inadequate technology infrastructure will affect the Group's manufacturing and other activities, or lower the reputation of GS Yuasa products among customers
(d) Social disturbances caused by terrorism or war

(5) Risks Related to M&A

The GS Yuasa Group considers M&A to be a useful and effective tool for future business expansion. When the Group carries out M&A, the transaction is considered from a range of viewpoints, including the target company's financial standing and its potential synergy with the Group's businesses. Due to drastic changes in business environment or other factors, however, an acquired business might not perform as planned. If invested funds cannot be recovered or a loss on goodwill is recorded, the GS Yuasa Group's earnings and financial standing could be affected.

(6) Risks Related to Raw Material Markets Fluctuations

Lead is a key material used in lead-acid batteries, the GS Yuasa Group's main product. However, changes in the market price of lead cannot be reflected immediately in our product prices, so the Group's earnings and financial standing could be affected.

(7) Effect of Seasonal Factors on Automotive Battery (Replacement) Sales Volume

The sales volume of the GS Yuasa Group's main product, automotive batteries (replacement type) is affected by seasonal factors, particularly the weather. For example, cool summers and warm winters result in a narrower temperature range, which is favorable for maintaining battery performance, so replacement demand and thus sales volume declines under these conditions.

These seasonal factors cannot be accurately forecast, making it difficult to take adequate countermeasures in advance, so seasonal factors could affect the Group's earnings and financial standing.

(8) Interest Rate Fluctuations

The GS Yuasa Group's interest-bearing debt burden includes some debt with variable interest rates. Therefore, if interest rates rise, the Group's cost of fund procurement could increase.

(9) Lawsuits and Other Legal Proceedings

In carrying out its business, the GS Yuasa Group may be sued by suppliers or third parties, and there is a risk that regulatory authorities will take legal action against the Group.

(10) Environmental Regulations

In China, the central government shows signs of strengthening environmental regulations on lead-acid battery manufacturers and lead smelters. Some manufacturing activities at GS Yuasa Group companies could be affected.

10-Year Consolidated Financial Highlights

Years ended March 31

(Millions of yen)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
For the year:										
Net sales	253,598	303,727	283,421	247,225	272,514	285,434	274,510	347,996	369,761	365,611
Domestic automotive batteries	69,309	77,750	67,191	56,713	58,888	58,785	55,648	56,906	51,748	50,987
Domestic industrial batteries and power supplies	60,489	65,446	65,559	59,031	65,944	68,465	72,427	79,242	79,823	74,805
Overseas operations	90,782	133,807	126,189	104,707	118,197	120,906	119,885	164,252	183,760	191,402
Lithium-ion batteries	—	—	—	—	—	20,975	10,598	32,501	45,182	38,312
Lighting	8,924	9,293	8,941	7,037	—	—	—	—	—	—
Other	24,091	17,429	15,541	19,737	29,485	16,303	15,952	15,095	9,248	10,105
Operating income	6,343	11,891	14,276	11,521	17,589	16,031	9,775	18,198	20,914	21,910
Domestic automotive batteries	(2,987)	(25)	1,563	1,754	4,838	4,266	3,931	3,310	2,397	3,291
Domestic industrial batteries and power supplies	7,771	8,702	9,862	6,889	8,437	9,640	10,814	12,199	8,658	8,061
Overseas operations	2,810	3,782	5,112	6,905	8,593	6,007	6,381	8,996	10,786	11,359
Lithium-ion batteries	—	—	—	—	—	(3,265)	(11,250)	(7,244)	(2,626)	(566)
Lighting	640	485	24	(1,001)	—	—	—	—	—	—
Other	(389)	490	(615)	(1,295)	(4,279)	(617)	(101)	937	1,699	(235)
Elimination and/or corporate	(1,502)	(1,543)	(1,671)	(1,731)	—	—	—	—	—	—
Net income attributable to owners of parent	3,131	1,459	4,229	6,488	11,723	11,733	5,768	9,982	10,043	9,030
Capital investment	7,328	8,937	10,775	16,911	20,005	38,849	33,159	18,570	11,008	12,955
Depreciation/amortization	7,062	7,875	8,869	8,863	10,167	11,228	13,264	12,939	15,715	15,309
Research and development expenses	4,536	4,768	5,395	4,442	5,855	6,250	6,228	6,496	6,726	6,998
Cash flows from operating activities	(2,753)	687	25,328	22,828	25,478	8,287	19,070	19,705	19,730	30,215
Cash flows from investing activities	4,560	(4,333)	(6,529)	(13,067)	(25,445)	(28,660)	(29,249)	(9,787)	(14,520)	(17,311)
Free cash flow	1,807	(3,646)	18,799	9,761	33	(20,373)	(10,179)	9,918	5,210	12,904
Cash flows from financing activities	(3,890)	6,841	(11,246)	285	8	13,153	3,839	590	(5,798)	(9,686)
At year-end:										
Total assets	249,963	260,392	213,585	236,804	247,447	278,426	290,369	340,462	359,523	346,523
Cash and cash equivalents	6,325	9,430	14,006	24,723	24,030	16,477	11,210	23,392	25,708	27,788
Total equity	81,688	78,119	66,049	111,860	122,311	136,221	141,189	154,703	182,188	177,792
Total debt	90,077	104,858	87,785	55,304	48,289	56,124	71,674	80,134	82,166	73,608
Total equity before noncontrolling interests	77,223	72,517	60,731	101,647	108,361	115,127	125,352	139,453	161,386	153,725
Number of employees	12,037	12,467	11,795	12,235	12,394	12,265	12,599	13,609	14,506	14,415
Per share data (yen):										
Basic net income	8.66	3.97	11.52	16.32	28.39	28.42	13.97	24.18	24.33	21.88
Net assets	210.29	197.49	165.46	246.20	262.48	278.87	303.65	337.82	390.98	372.43
Cash dividends applicable to the year	3.00	5.00	6.00	6.00	8.00	8.00	6.00	8.00	10.00	10.00
Financial indices (%):										
Operating income ratio	2.5	3.9	5.0	4.7	6.5	5.6	3.6	5.2	5.7	6.0
ROE	4.3	1.9	6.4	8.0	11.2	10.5	4.8	7.5	6.7	5.7
Shareholders' equity ratio	30.9	27.8	28.4	42.9	43.8	41.3	43.2	41.0	44.9	44.4
Ratio of interest-bearing debt to cash flow	—	152.6	3.5	2.4	1.9	8.0	4.0	4.2	4.3	2.5
Dividend payout ratio	34.6	125.8	52.1	36.8	28.2	28.1	42.9	33.1	41.1	45.7
Overseas sales ratio	38.9	45.5	45.5	43.1	44.0	43.4	44.4	48.5	52.4	55.5

Notes: 1. Lighting net sales and operating income were included in the "other" category in the fiscal years ended March 31, 2011 to 2014, and in "domestic industrial batteries and power supplies" in the fiscal year ended March 31, 2015 and beyond.
2. Lithium-ion battery net sales and operating income were included in the "other" category up to the fiscal year ended March 31, 2011.

Consolidated Balance Sheet

March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 7 and 13)	¥ 27,788	¥ 25,708	$ 245,912
Time deposits (Note 13)	817	334	7,230
Receivables (Notes 7 and 13):			
Trade notes	7,234	4,713	64,018
Trade accounts	62,918	71,082	556,796
Unconsolidated subsidiaries and associated companies	2,974	3,847	26,319
Other	7,964	6,501	70,477
Allowance for doubtful receivables	(351)	(445)	(3,106)
Inventories (Notes 3 and 7)	61,131	59,914	540,982
Deferred tax assets (Note 10)	2,726	2,441	24,124
Prepaid expenses and other current assets (Note 7)	2,594	3,165	22,956
Total current assets	175,795	177,260	1,555,708
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land (Note 2.j)	22,487	22,533	199,000
Buildings and structures	89,781	91,556	794,522
Machinery and equipment	132,816	137,031	1,175,363
Furniture and fixtures	25,378	25,533	224,584
Lease assets	5,334	5,344	47,204
Construction in progress	5,148	2,555	45,558
Total	280,944	284,552	2,486,231
Accumulated depreciation	(163,859)	(159,887)	(1,450,080)
Net property, plant and equipment	117,085	124,665	1,036,151
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	17,763	20,392	157,195
Investments in unconsolidated subsidiaries and associated companies (Notes 5 and 13)	27,725	23,154	245,354
Goodwill (Note 2.a)	157		1,389
Asset for retirement benefits (Note 8)	332	7,513	2,938
Deferred tax assets (Note 10)	1,339	1,576	11,850
Other assets (Note 7)	6,327	4,963	55,990
Total investments and other assets	53,643	57,598	474,716
TOTAL	¥346,523	¥359,523	$3,066,575

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 20,663	¥ 21,544	$ 182,858
Current portion of long-term debt (Notes 7 and 13)	4,507	12,240	39,885
Payables (Note 13):			
Trade notes	7,101	8,124	62,841
Trade accounts	29,010	25,737	256,726
Unconsolidated subsidiaries and associated companies	2,783	3,173	24,628
Other	19,195	16,379	169,867
Income taxes payable (Note 13)	2,297	2,266	20,327
Accrued expenses	9,205	9,542	81,460
Other current liabilities (Note 10)	4,511	5,559	39,921
Total current liabilities	99,272	104,564	878,513
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 13)	50,470	50,804	446,637
Liability for retirement benefits (Notes 2.k and 8)	3,885	3,706	34,381
Long-term deposits received	4,988	5,045	44,142
Deferred tax liabilities (Note 10)	7,857	11,159	69,531
Deferred tax liabilities on land revaluation	1,043	1,111	9,230
Other	1,216	946	10,761
Total long-term liabilities	69,459	72,771	614,682
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 9 and 18):			
Common stock, authorized, 1,400,000,000 shares; issued 413,574,714 shares in 2016 and 2015	33,021	33,021	292,221
Capital surplus	55,293	54,880	489,319
Retained earnings	51,400	46,498	454,867
Treasury stock - at cost: 817,203 shares in 2016 and 798,946 shares in 2015	(350)	(341)	(3,097)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	8,491	9,619	75,142
Deferred loss on derivatives under hedge accounting	(9)	(5)	(80)
Land revaluation surplus (Note 2.j)	2,398	2,330	21,221
Foreign currency translation adjustments	6,943	11,792	61,442
Defined retirement benefit plans (Notes 2.k and 8)	(3,462)	3,592	(30,637)
Total	153,725	161,386	1,360,398
Noncontrolling interests	24,067	20,802	212,982
Total equity	177,792	182,188	1,573,380
TOTAL	¥346,523	¥359,523	$3,066,575

GS Yuasa Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES (Note 5)	¥365,611	¥369,761	$3,235,496
COST OF SALES (Notes 5 and 11)	280,871	289,434	2,485,584
Gross profit	84,740	80,327	749,912
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	62,830	59,413	556,018
Operating income	21,910	20,914	193,894
OTHER INCOME (EXPENSES):			
Interest and dividend income	737	642	6,522
Interest expense	(1,106)	(1,152)	(9,788)
Gain on sales of property, plant and equipment	14	171	124
Loss on disposal of property, plant and equipment	(1,020)	(291)	(9,027)
Gain on government grants		723	
Loss on reduction of cost of property, plant and equipment		(628)	
Loss on impairment of long-lived assets (Note 6)	(1,591)	(4,401)	(14,080)
Foreign exchange loss	(2,155)	(303)	(19,071)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,758	2,054	15,558
Gain on sales of investment securities	84	35	743
Gain resulting from step acquisitions of shares of an associate	171		1,513
Loss on liquidation of affiliated company	(1,600)		(14,159)
Other - net	(244)	(161)	(2,158)
Other expenses - net	(4,952)	(3,311)	(43,823)
INCOME BEFORE INCOME TAXES	16,958	17,603	150,071
INCOME TAXES (Note 10):			
Current	5,784	6,054	51,186
Deferred	744	3,212	6,584
Total income taxes	6,528	9,266	57,770
NET INCOME	10,430	8,337	92,301
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1,400)	1,707	(12,389)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 9,030	¥ 10,044	$ 79,912

	Yen		U.S. Dollars
	2016	2015	2016
PER SHARE OF COMMON STOCK (Notes 2.u and 17):			
Basic net income	¥ 21.88	¥ 24.33	$ 0.19
Diluted net income	20.39	22.68	0.18
Cash dividends applicable to the year	10.00	10.00	0.09

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥10,430	¥ 8,337	$ 92,301
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	(1,105)	2,800	(9,779)
Deferred gain (loss) on derivatives under hedge accounting	(4)	15	(35)
Land revaluation surplus	68	103	602
Foreign currency translation adjustments	(4,653)	7,528	(41,177)
Defined retirement benefit plans	(7,051)	6,213	(62,398)
Share of other comprehensive income (loss) in associates	(1,278)	2,095	(11,310)
Total other comprehensive income (loss)	(14,023)	18,754	(124,097)
COMPREHENSIVE INCOME (LOSS) (Note 16)	¥ (3,593)	¥27,091	$(31,796)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (3,938)	¥27,173	$(34,849)
Noncontrolling interests	345	(82)	3,053

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2016

	Millions of Yen												
						Accumulated Other Comprehensive Income							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	412,801,317	¥33,021	¥54,880	¥42,489	¥(326)	¥6,805	¥(20)	¥1,419	¥3,808	¥(2,621)	¥139,455	¥15,248	¥154,703
Cumulative effect of accounting change (Note 2.k)				(686)							(686)		(686)
BALANCE, APRIL 1, 2014 (as restated)	412,801,317	33,021	54,880	41,803	(326)	6,805	(20)	1,419	3,808	(2,621)	138,769	15,248	154,017
Net income attributable to owners of the parent				10,044							10,044		10,044
Cash dividends, ¥11.00 per share				(4,541)							(4,541)		(4,541)
Purchase of treasury stock	(25,549)				(15)						(15)		(15)
Transfer due to sales of land and other				(808)							(808)		(808)
Net change in the year						2,814	15	911	7,984	6,213	17,937	5,554	23,491
BALANCE, MARCH 31, 2015	412,775,768	33,021	54,880	46,498	(341)	9,619	(5)	2,330	11,792	3,592	161,386	20,802	182,188
Net income attributable to owners of the parent				9,030							9,030		9,030
Cash dividends, ¥10.00 per share				(4,128)							(4,128)		(4,128)
Purchase of treasury stock	(18,257)				(9)						(9)		(9)
Changes in capital increase of consolidated subsidiaries			413								413		413
Net change in the year						(1,128)	(4)	68	(4,849)	(7,054)	(12,967)	3,265	(9,702)
BALANCE, MARCH 31, 2016	412,757,511	¥33,021	¥55,293	¥51,400	¥(350)	¥8,491	¥(9)	¥2,398	¥6,943	¥(3,462)	¥153,725	¥24,067	¥177,792

	Thousands of U.S. Dollars (Note 1)											
					Accumulated Other Comprehensive Income							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2015	$292,221	$485,664	$411,486	$(3,017)	$85,124	$(44)	$20,619	$104,354	$31,788	$1,428,195	$184,088	$1,612,283
Net income attributable to owners of the parent			79,912							79,912		79,912
Cash dividends, $0.09 per share			(36,531)							(36,531)		(36,531)
Purchase of treasury stock				(80)						(80)		(80)
Changes in capital increase of consolidated subsidiaries		3,655								3,655		3,655
Net change in the year					(9,982)	(36)	602	(42,912)	(62,425)	(114,753)	28,894	(85,859)
BALANCE, MARCH 31, 2016	$292,221	$489,319	$454,867	$(3,097)	$75,142	$(80)	$21,221	$61,442	$(30,637)	$1,360,398	$212,982	$1,573,380

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥16,958	¥17,603	$150,071
Adjustments for:			
Income taxes - paid	(4,664)	(10,665)	(41,274)
Depreciation	16,005	16,260	141,637
Loss on impairment of long-lived assets	1,591	4,401	14,080
Gain on government grants		(723)	
Loss on reduction of cost of property, plant and equipment		628	
Gain on sales of property, plant and equipment	(14)	(171)	(124)
Loss on disposal of property, plant and equipment	1,020	291	9,027
Gain on sales of investment securities	(84)	(35)	(743)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,758)	(2,054)	(15,558)
Loss on liquidation of affiliated company	1,600		14,159
Changes in assets and liabilities:			
Decrease in trade accounts receivable	4,170	2,725	36,903
Decrease (increase) in inventories	(2,986)	1,840	(26,425)
Decrease in interest and dividend receivable	623	431	5,513
Increase (decrease) in trade accounts payable	2,779	(9,299)	24,593
Increase (decrease) in interest payable	(44)	15	(389)
Decrease in liability for retirement benefits	(2,797)	(1,046)	(24,752)
Other - net	(2,184)	(471)	(19,329)
Net cash provided by operating activities	30,215	19,730	267,389
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	105	598	929
Purchases of property, plant and equipment	(10,510)	(14,785)	(93,009)
Proceeds from sales of investment securities	806	85	7,133
Purchases of investment securities	(5,030)	(365)	(44,513)
Proceeds from receipts of government grants		723	
Payments for purchases of shares of the newly consolidated subsidiaries	(238)		(2,106)
Other - net	(2,444)	(776)	(21,629)
Net cash used in investing activities	(17,311)	(14,520)	(153,195)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans - net	14	(6,191)	124
Proceeds from long-term bank loans	3,841	1,405	33,991
Repayments of long-term bank loans	(11,265)	(816)	(99,690)
Purchase of treasury stock	(9)	(15)	(80)
Dividends paid	(4,131)	(4,542)	(36,558)
Dividends paid to noncontrolling interests	(1,201)	(1,071)	(10,628)
Proceeds from stock issuance to noncontrolling shareholders	4,112	6,370	36,389
Other - net	(1,047)	(938)	(9,265)
Net cash used in financing activities	(9,686)	(5,798)	(85,717)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,218	(588)	28,477
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,138)	2,182	(10,069)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,708	23,392	227,504
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		722	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥27,788	¥25,708	$245,912

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of GS Yuasa Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen and, solely for the convenience of readers outside Japan, have been translated into U.S. dollars at the rate of ¥113 to $1, the approximate exchange rate at March 31, 2016. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 55 (55 in 2015) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated, and those associated companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 24 (22 in 2015) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. Consolidating or accounting for those companies by the equity method would not have a significant effect on the consolidated financial statements.

The excess of cost of acquisition over the fair value of the net assets of acquired subsidiaries at the date of acquisition is amortized principally over a period of five years.

All significant intercompany balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

In 2016, Yuasa Battery (Malaysia) Sdn. Bhd. and Yuasa Power Systems (Malaysia) Sdn. Bhd. were included in the scope of consolidated subsidiaries as a result of additional acquisition of shares.

In 2016, Inci GS Yuasa Aku Sanayi ve Ticaret Anonim Sirketi and Inci Energy GmbH were included in associated companies which were accounted for by the equity method as a result of acquisition of shares.

In 2016, GS Yuasa Battery Singapore Co. Pte. Ltd. and Yuasa Technology Inc. were liquidated and excluded from the scope of consolidated subsidiaries.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statement — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in the equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method — In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a)Transactions with noncontrolling interest — A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b)Presentation of the consolidated balance sheet — In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c)Presentation of the consolidated statement of income — In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d)Provisional accounting treatments for a business combination — If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e)Acquisition-related costs — Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

The effect of these changes was not significant.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

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

g. Investment Securities — All of the Group's marketable securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is mainly computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is from 7 to 50 years for buildings and structures and from 4 to 17 years for machinery and equipment.

Leased assets related to financial leases that do not transfer ownership rights are depreciated under the straight-line method based on the lease term as the useful life and assuming no residual value.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired. Certain subsidiaries acquired certain property, plant and equipment by receiving government grants. As of March 31, 2016, the accumulated deducted cost of the assets acquired was ¥11,270 million ($99,735 thousand).

i. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Land Revaluation — Under the "Law of Land Revaluation," certain domestic subsidiaries of the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As of March 31, 2016, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,220 million ($10,796 thousand).

k. Retirement Benefits — Certain consolidated subsidiaries of the Company have contributory and non-contributory funded defined benefit pension plans, defined contribution pension plans and unfunded retirement benefit plans for employees.

Effective April 1, 2000, the Group adopted an accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actual gains and losses are amortized on a straight-line basis over 10 to 14 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 14 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 16).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings.

Retirement benefits to directors, Audit & Supervisory Board members and executive officers of certain domestic subsidiaries are provided at the amount which would be required if all such persons retired at the balance sheet date.

l. Asset Retirement Obligations — In March 2008, the ASBJ issued ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Research and Development Costs — Research and development costs are charged to income as incurred.

n. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions (see Note 12).

All other leases are accounted for as operating leases.

o. Bonuses to Directors — Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

p. Construction Contracts — In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

q. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. Foreign Currency Amounts — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

t. Derivatives and Hedging Activities — The Group uses foreign exchange forward contracts, foreign currency swaps, interest rate swaps and commodity price swaps to manage its exposures to fluctuations in foreign exchange rates, interest rates and material prices. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

u. Per Share Information — Net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights incorporated in convertible bonds were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statement of income are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the fiscal year.

v. Bond Issue Costs — Bond issue costs are amortized by the straight-line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ in August 2006.

w. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standards, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

x. New Accounting Pronouncements
Tax Effect Accounting — On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products	¥36,173	¥33,526	$320,115
Work in process	13,125	14,051	116,150
Raw materials and supplies	11,833	12,337	104,717
Total	¥61,131	¥59,914	$540,982

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-current:			
Equity securities	¥17,734	¥20,363	$156,938
Debt securities	29	29	257
Total	¥17,763	¥20,392	$157,195

The costs and aggregate fair values of investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen 2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,270	¥11,963	¥(86)	¥17,147

	Millions of Yen 2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,232	¥13,844	¥(6)	¥19,070

	Thousands of U.S. Dollars 2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$46,637	$105,867	$(761)	$151,743

Available-for-sale securities whose fair value cannot be reliably determined at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-current:			
Equity securities	¥587	¥1,293	$5,195
Debt securities	29	29	257
Total	¥616	¥1,322	$5,452

The information of available-for-sale securities which were sold during the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	¥787	¥84	

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	¥64	¥35	¥6

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	$6,965	$743	

5. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in unconsolidated subsidiaries and associated companies at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments at cost	¥ 8,282	¥ 4,699	$ 73,292
Equity in undistributed earnings	19,443	18,45	172,062
Total	¥27,725	¥23,154	$245,354

Sales to and purchases from unconsolidated subsidiaries and associated companies for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Sales	¥14,336	¥14,406	$126,867
Purchases	21,147	21,451	187,142

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2016. As a result, the Group recognized an impairment loss of ¥2,237 million ($19,796 thousand) in total for certain assets used for business. The Group recognized ¥1,591 million ($14,080 thousand) as loss on impairment of long-lived assets and ¥646 million ($5,716 thousand) including loss on liquidation of affiliated company as other expenses. Due to a downturn in profitability of that business and preparation for the liquidation of a certain consolidated subsidiary, the carrying amount of the assets was written down to the recoverable amount. The recoverable amount of the assets was measured at the net selling price estimated by its disposal price.

The Group reviewed its long-lived assets for impairment as of March 31, 2015. As a result, the Group recognized an impairment loss of ¥4,401 million as other expenses for certain assets used for business. Due to a downturn in profitability of that business, the carrying amount of the assets was written down to the recoverable amount. The recoverable amount of the assets was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 5%.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

As is customary in Japan, the Group obtains financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the consolidated balance sheet, but are disclosed as contingent liabilities (see Note 15).

At March 31, 2016, short-term bank loans of ¥666 million ($5,893 thousand) were collateralized.

The weighted-average interest rates for the Group's short-term bank loans were 2.59% and 1.79% at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Zero coupon convertible bonds due in March 2019	¥25,000	¥25,000	$221,239
Unsecured bank loans, maturing serially through 2019 with interest rates ranging from 0.2% to 5.5% (2016) and from 0.4% to 5.0% (2015)	26,963	35,473	238,611
Collateralized	983	150	8,699
Obligations under finance leases	2,031	2,421	17,973
Total	54,977	63,044	486,522
Less current portion	4,507	12,240	39,885
Long-term debt	¥50,470	¥50,804	$446,637

Annual maturities of long-term debt at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 4,507	$ 39,885
2018	16,231	143,637
2019	29,653	262,416
2020	1,258	11,133
2021	2,360	20,885
2022 and thereafter	968	8,566
Total	¥54,977	$486,522

Zero coupon convertible bonds	
Class of shares to be issued	Ordinary shares of common stock
Issue price for stock acquisition rights	—
Exercise price per share	¥851 ($8)
Total amount of debt securities issued	¥25,000 million ($221,239 thousand)
Total amount of shares issued by exercising stock acquisition rights	—
Percentage of shares with stock acquisition rights (%)	100
Exercise period	March 27, 2014 - February 27, 2019

If all the outstanding stock acquisition rights incorporated in convertible bonds had been exercised at March 31, 2016, 29,377 thousand shares of common stock would have been issued. The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events.

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 195	$ 1,726
Trade accounts	2,386	21,115
Inventories	479	4,239
Building and structures	376	3,328
Machinery and equipment	125	1,106
Land	1,475	13,053
Other	45	398
Total	¥5,081	$44,965

8. RETIREMENT BENEFITS

Certain consolidated subsidiaries have retirement benefit plans for employees. Under most circumstances, employees terminating their employment are entitled to benefit payments determined by reference to their rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination. Such retirement benefits are made in the form of a lump-sum severance payment from the Group and annuity payments from a trustee.

The portions of the liability for retirement benefits attributable to directors, Audit & Supervisory Board members and executive officers at March 31, 2016 and 2015, were ¥66 million ($585 thousand) and ¥61 million, respectively.

(1)The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥42,940	¥42,640	$380,000
Cumulative effect of accounting change		1,063	
Balance at beginning of year (as restated)	42,940	43,703	380,000
Current service cost	1,105	1,450	9,779
Interest cost	493	516	4,363
Actuarial losses	4,004	96	35,434
Benefits paid	(2,771)	(3,062)	(24,522)
Others	167	237	1,477
Balance at end of year	¥45,938	¥42,940	$406,531

(2)The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥46,808	¥37,518	$414,230
Expected return on plan assets	659	478	5,832
Actuarial gains (losses)	(6,537)	7,363	(57,849)
Contributions from the employer	3,704	3,657	32,779
Benefits paid	(2,129)	(2,281)	(18,841)
Others	(54)	73	(478)
Balance at end of year	¥42,451	¥46,808	$375,673

(3)Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Defined benefit obligation	¥43,018	¥40,218	$380,691
Plan assets	42,451	46,808	375,673
Total	567	(6,590)	5,018
Unfunded defined benefit obligation	2,920	2,722	25,840
Net liability (asset) arising from defined benefit obligation	¥ 3,487	¥ (3,868)	$ 30,858

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥3,819	¥ 3,645	$33,796
Asset for retirement benefits	332	7,513	2,938
Net liability (asset) arising from defined benefit obligation	¥3,487	¥(3,868)	$30,858

(4)The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥1,105	¥1,450	$ 9,779
Interest cost	493	516	4,363
Expected return on plan assets	(659)	(478)	(5,832)
Amortization of prior service cost	(307)	(307)	(2,717)
Recognized actuarial losses	550	1,409	4,867
Amortization of transitional obligation		1,016	
Net periodic benefit costs	¥1,182	¥3,606	$10,460

(5)Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015,

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ (307)	¥ (307)	$ (2,717)
Actuarial (gains) losses	(9,991)	8,677	(88,416)
Transitional obligation		1,016	
Total	¥(10,298)	¥9,386	$(91,133)

(6)Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥(6,145)	¥1,476	$(54,381)
Unrecognized actuarial losses	1,169	3,847	10,346
Total	¥(4,976)	¥5,323	$(44,035)

(7)Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Equity investments	45%	56%
General accounts	27	23
Debt investments	8	6
Investment trusts	11	6
Short-term assets	4	6
Others	5	3
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8)Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.1%	1.0%
Expected rate of return on plan assets	2.0%	2.0%

The Group mainly uses the salary increase index determined in accordance with the human resources and wage policy as of the balance sheet date for the excepted future salary increase.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends — Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividend-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus — The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights — The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.0% and 35.5% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Accrued bonuses	¥ 1,205	¥ 1,174	$ 10,664
Liability for retirement benefits	2,975	2,320	26,327
Write-down of investment securities	315	336	2,788
Unrealized profit	246	274	2,177
Tax loss carryforwards	12,529	12,862	110,876
Other	3,894	4,044	34,460
Less valuation allowance	(14,634)	(15,296)	(129,504)
Deferred tax assets	6,530	5,714	57,788
Deferred tax liabilities:			
Valuation excess of property	206	206	1,823
Unrealized gain on available-for-sale securities	3,416	4,248	30,230
Undistributed earnings of foreign subsidiaries	5,415	5,476	47,920
Other	1,291	2,926	11,425
Deferred tax liabilities	10,328	12,856	91,398
Net deferred tax liabilities	¥(3,798)	¥(7,142)	$(33,610)

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2016 and 2015, was as follows:

	2016	2015
Normal effective statutory tax rates	33.0%	35.5%
Expenses not deductible for income tax purposes	0.5	0.6
Per capita levy	0.4	0.4
Net change in valuation allowance	4.5	12.5
Tax benefit not recognized on operating losses of foreign subsidiaries	(2.6)	(2.6)
Dividends of unconsolidated subsidiaries and associated companies	(0.4)	7.0
Equity in earnings of unconsolidated subsidiaries and associated companies	(1.3)	(3.6)
Non-taxable dividend income	1.6	0.5
Unrecognized tax effects on the eliminated intercompany unrealized profit	0.8	0.7
Foreign tax credit	3.0	1.5
Other - net	(1.0)	0.1
Actual effective tax rates	38.5%	52.6%

On March 29, 2016, new tax reform laws enacted in Japan changed the normal effective statutory tax rate from 32.5% to 30.5% for the fiscal year beginning on or after April 1, 2016. The effect of this change was not significant.

At March 31, 2016, certain subsidiaries have tax loss carryforwards aggregating approximately ¥41,289 million ($365,389 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 581	$ 5,142
2019	110	973
2020	396	3,504
2021	3,687	32,628
2022 and thereafter	36,515	323,142
Total	¥41,289	$365,389

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,998 million ($61,929 thousand) and ¥6,726 million for the years ended March 31, 2016 and 2015, respectively.

12. LEASES

The Group leases certain machinery, computer equipment and other assets.

Total lease payments for the years ended March 31, 2016 and 2015, were ¥1,872 million ($16,566 thousand) and ¥1,856 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 927	$ 8,204
Due after one year	1,667	14,752
Total	¥2,594	$22,956

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, was as follows:

	Millions of Yen			
	2016		2015	
	Other	Total	Other	Total
Acquisition cost	¥10	¥10	¥10	¥10
Accumulated depreciation	10	10	9	9
Net leased property			¥ 1	¥ 1

	Thousands of U.S. Dollars	
	2016	
	Other	Total
Acquisition cost	$88	$88
Accumulated depreciation	88	88
Net leased property		

Obligations under finance leases:

	Millions of Yen
	2015
Due within one year	¥1
Due after one year	
Total	¥1

The imputed interest expense is included in the above obligations under finance leases.

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Depreciation expense	¥1	¥2	$9

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, is computed by the straight-line method.

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Research and development costs charged to income were ¥6,998 million ($61,929 thousand) and ¥6,726 million for the years ended March 31, 2016 and 2015, respectivel

(1)Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans, based on its capital financing plan. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2)Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than five months.

Maturities of bank loans, principally used for purposes of funding of investments and short-term working capital, are less than five years after the balance sheet date. A part of such bank loans is exposed to market risks from changes in variable interest rates.

The purchase price of lead, which is a raw material used in production, is exposed to the risk of market price fluctuations. This risk is mitigated by using commodity price swaps.

Derivatives mainly include forward foreign currency contracts, foreign currency swaps interest rate swaps and commodity price swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates, interest rates and material prices. Please see Note 14 for more detail about derivatives.

(3)Risk Management for Financial Instruments

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to investment securities, the Group manages its exposure to market risk by monitoring market values and financial positions of issuers on a regular basis.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by the monthly management of cash positions by the corporate finance division.

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Commodity price swaps are used to manage exposure to market risk from changes in material prices.

Derivative transactions are entered into and managed by the finance division based on internal guidelines and the Business Auditing Office monitors observance of internal guidelines. The Company monitors the derivative transactions entered into by subsidiaries on a regular basis.

(4)Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If the quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 14 for the details of fair value for derivatives.

(a)Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 27,788	¥ 27,788	
Time deposits	817	817	
Receivables:			
Trade notes	7,234	7,234	
Trade accounts	62,918	62,918	
Unconsolidated subsidiaries and associated companies	2,974	2,974	
Investment securities	17,147	17,147	
Investments in unconsolidated subsidiaries and associated companies	12,277	9,398	¥(2,879)
Total	¥131,155	¥128,276	¥(2,879)
Short-term bank loans	¥ 24,106	¥ 24,106	
Payables:			
Trade notes	7,101	7,101	
Trade accounts	29,010	29,010	
Unconsolidated subsidiaries and associated companies	2,783	2,783	
Income taxes payable	2,297	2,297	
Long-term debt:			
Convertible bonds	25,000	25,301	¥ 301
Bank loans	24,502	24,636	134
Lease obligations	968	972	4
Total	¥115,767	¥116,206	¥ 439

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 25,708	¥ 25,708	
Time deposits	334	334	
Receivables:			
Trade notes	4,713	4,713	
Trade accounts	71,082	71,082	
Unconsolidated subsidiaries and associated companies	3,847	3,847	
Investment securities	19,070	19,070	
Investments in unconsolidated subsidiaries and associated companies	11,780	12,174	¥394
Total	¥136,534	¥136,928	¥394
Short-term bank loans	¥ 32,767	¥ 32,767	
Payables:			
Trade notes	8,124	8,124	
Trade accounts	25,737	25,737	
Unconsolidated subsidiaries and associated companies	3,173	3,173	
Income taxes payable	2,266	2,266	
Long-term debt:			
Convertible bonds	25,000	25,420	¥420
Bank loans	24,400	24,526	126
Lease obligations	1,404	1,413	9
Total	¥122,871	¥123,426	¥555

	Thousands of U.S. Dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 245,912	$ 245,912	
Time deposits	7,230	7,230	
Receivables:			
Trade notes	64,018	64,018	
Trade accounts	556,796	556,796	
Unconsolidated subsidiaries and associated companies	26,319	26,319	
Investment securities	151,743	151,743	
Investments in unconsolidated subsidiaries and associated companies	108,647	83,168	$(25,479)
Total	$1,160,665	$1,135,186	$(25,479)
Short-term bank loans	$ 213,327	$ 213,327	
Payables:			
Trade notes	62,841	62,841	
Trade accounts	256,726	256,726	
Unconsolidated subsidiaries and associated companies	24,628	24,628	
Income taxes payable	20,327	20,327	
Long-term debt:			
Convertible bonds	221,239	223,903	$ 2,664
Bank loans	216,832	218,018	1,186
Lease obligations	8,566	8,602	36
Total	$1,024,486	$1,028,372	$ 3,886

Cash and cash equivalents, Time deposits and Receivables

The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for the investment securities by classification is included in Note 4.

Short-term bank loans, Payables and Income taxes payable

The carrying values of short-term bank loans, payables and income taxes payable approximate fair value because of their short maturities.

Long-term debt

The fair values of bank loans and lease obligations are determined by discounting the future cash flows at the Group's assumed corporate borrowing rate.

The fair values of convertible bonds are measured at the quoted price obtained from the financial institution for certain debt instruments.

Derivatives

Fair value information for derivatives is included in Note 14.

(b)Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥16,064	¥12,696	$142,159

(5)Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	2016		2015	
	Due in 1 Year or Less	Due after 5 Years through 10 Years	Due in 1 Year or Less	Due after 10 Years
Cash and cash equivalents	¥ 27,788		¥ 25,708	
Time deposits	817		334	
Receivables	73,126		79,642	
Investment securities:				
Available-for-sale securities with contractual maturities		¥29		¥29
Total	¥101,731	¥29	¥105,684	¥29

	Thousands of U.S. Dollars	
	2016	
	Due in 1 Year or Less	Due after 5 Years through 10 Years
Cash and cash equivalents	$245,912	
Time deposits	7,230	
Receivables	647,133	
Investment securities:		
Available-for-sale securities with contractual maturities		$257
Total	$900,275	$257

Please see Note 7 for annual maturities of long-term debt.

14. DERIVATIVES

The Group enters into foreign exchange forward contracts and foreign currency swaps to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage interest rate exposures on certain liabilities and it enters into commodity price swap contracts to reduce the impact of price fluctuations of lead inventories.

All derivative transactions are entered into to hedge interest foreign currency and commodity price exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization of such transactions.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
At March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying THB	¥ 16			
Selling EUR and GBP	3,076		¥48	¥48
THB	170		3	3
AUD	581		(1)	(1)
USD	1,159		35	35

	Millions of Yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling EUR and GBP	¥3,556		¥119	¥119
Selling THB	166		(8)	(8)

	Thousands of U.S. Dollars			
At March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying THB	$ 142			
Selling EUR and GBP	27,221		$425	¥48
THB	1,504		27	27
AUD	5,142		(9)	(9)
USD	10,257		310	310

Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2016	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt interest	¥2,800	¥2,800	
Commodity price swaps:				
(fixed material price payment, floating material price receipt)	Cost of sales	¥ 247		¥ (13)

At March 31, 2015	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt interest	¥2,800	¥2,800	
Commodity price swaps:				
(fixed material price payment, floating material price receipt)	Cost of sales	¥ 534		¥ (7)

At March 31, 2016	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt interest	$24,779	$24,779	
Commodity price swaps:				
(fixed material price payment, floating material price receipt)	Cost of sales	$ 2,186		$(115)

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 13 is included in that of the hedged items (i.e., long-term debt).

The fair value of derivatives is measured at the quoted prices obtained from financial institutions.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

15. CONTINGENT LIABILITIES

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Endorsed notes	¥53	$469
Guarantees of bank loans of certain associated companies	35	309

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars 2016
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ (1,850)	¥ 3,764	$ (16,372)
Reclassification adjustments to profit or loss	(84)	(34)	(743)
Amount before income tax effect	(1,934)	3,730	(17,115)
Income tax effect	829	(930)	7,336
Total	¥ (1,105)	¥ 2,800	$ (9,779)
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	¥ (109)	¥ (108)	$ (965)
Reclassification adjustments to profit or loss	103	136	912
Amount before income tax effect	(6)	28	(53)
Income tax effect	2	(13)	18
Total	¥ (4)	¥ 15	$ (35)
Land revaluation surplus:			
Income tax effect	¥ 68	¥ 103	$ 602
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (4,721)	¥ 7,528	$ (41,779)
Reclassification adjustments to profit or loss	68		602
Amount before income tax effect	(4,653)		(41,177)
Income tax effect			
Total	¥ (4,653)	¥ 7,528	$ (41,177)
Defined retirement benefit plans:			
Adjustments arising during the year	¥(10,541)	¥ 7,267	$ (93,283)
Reclassification adjustments to profit or loss	243	2,118	2,150
Amount before income tax effect	(10,298)	9,385	(91,133)
Income tax effect	3,247	(3,172)	28,735
Total	¥ (7,051)	¥ 6,213	$ (62,398)
Share of other comprehensive income in associates:			
Gains arising during the year	¥ (1,278)	¥ 2,095	$ (11,310)
Total other comprehensive income (loss)	¥(14,023)	¥18,754	$(124,097)

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

Year Ended March 31, 2016	Millions of Yen Net Income Attributable to Owners of the Parent	Thousands of Shares Weighted-Average Shares	Yen EPS	U.S. Dollars EPS
Basic EPS - Net income attributable to common shareholders	¥9,030	412,767	¥21.88	$0.19
Effect of dilutive securities:				
Convertible bonds	(16)	29,377		
Diluted EPS - Net income for computation	¥9,014	442,144	¥20.39	$0.18

Year Ended March 31, 2015	Millions of Yen Net Income Attributable to Owners of the Parent	Thousands of Shares Weighted-Average Shares	Yen EPS	U.S. Dollars EPS
Basic EPS - Net income attributable to common shareholders	¥10,044	412,791	¥24.33	
Effect of dilutive securities:				
Convertible bonds	(16)	29,377		
Diluted EPS - Net income for computation	¥10,028	442,168	¥22.68	

18. SUBSEQUENT EVENTS

a. Business Combination

GS Yuasa International Ltd., which is a subsidiary of the Company, entered into a final agreement with Panasonic Corporation ("Panasonic") to acquire the lead-acid battery business, and concluded the share transfer agreement and so forth on April 15, 2016.

1.Purpose of acceptance of transfer of business

(1)Implementation of growth scenario which is "to ensure the expansion of earnings of existing businesses and to cultivate new businesses"

(2)Innovative change in the business structure by integrating the technological R&D, production know-how and quality control skills of Panasonic and GS Yuasa

(3)Expansion of global market share in lead-acid battery business

2.Name of counterparty of the agreement

Panasonic and its subsidiaries

3.Effective date

April 15, 2016

4.Overview of the assets to be transferred and agreement

(1)Business to be transferred

Lead-acid battery business of Panasonic Corporation

(2)Location

Panasonic Storage Battery Co., Ltd. (Located Japan)

Panasonic Storage Battery (Shenyang) Co., Ltd. (Located China)

Panasonic Energy (Thailand) Co., Ltd. (Located Thailand)

(3)Description of business

Manufacture and sale of lead-acid batteries for vehicles and electric vehicle, and industrial batteries

(4)Number of employees

about 1,500

(5)Acquisition price

about ¥30 billion ($265 million)

fiscal year	2013	2014	2015
Sales	about ¥40 billion	about ¥45 billion	about ¥50 billion ($442 million)

Note:Sales information relates to the simple addition of lead-acid battery business to be transferred, and this information is not audited.

(7)Ownership ratio after the acquisition

Panasonic Storage Battery Co., Ltd.	85.1%
Panasonic Storage Battery (Shenyang) Co., Ltd.	95.0%
Panasonic Energy (Thailand) Co., Ltd.	Transfer of lead-acid battery business

5.Fundraising method

Equity capital and bank loan

6.Future schedule

Scheduled closing date: End of August, 2016

b. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's shareholders' meeting held on June 29, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7 ($0.06) per share	¥2,889	$25,566

19. SEGMENT INFORMATION

Under the ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1)Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the following.

"Domestic Automotive Batteries" consists of manufacturing and marketing of lead-acid batteries for automotive.

"Domestic Industrial Batteries and Power Supplies" consists of manufacturing and marketing of industrial batteries and power supplies.

"Overseas Operations" consists of manufacturing and marketing of batteries overseas.

"Lithium-ion Batteries" consists of manufacturing and marketing of lithium-ion batteries for vehicles.

(2)Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit (loss) of each reportable segment is an operating profit (loss). The prices of the goods traded among the segments are mainly determined considering market prices or manufacturing costs.

(3)Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen						
	2016						
	Reportable Segment						
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Other	Consolidated
Sales:							
Sales to external customers	¥50,987	¥74,805	¥191,402	¥38,312	¥355,506	¥10,105	¥365,611
Intersegment sales of transfers	1,309	2,979	1,358	927	6,573	(6,573)	
Total	¥52,296	¥77,784	¥192,760	¥39,239	¥362,079	¥ 3,532	¥365,611
Segment profit (loss)	¥ 3,291	¥ 8,061	¥ 11,359	¥ (566)	¥ 22,145	¥ (235)	¥ 21,910
Segment assets	22,399	59,513	156,985	45,310	284,207	62,316	346,523
Other:							
Depreciation	816	1,125	5,336	5,299	12,576	3,429	16,005
Investment in equity method	833	91	26,984	515	28,473		28,473
Increase in property, plant and equipment and intangible assets	1,495	1,400	4,182	2,754	9,831	5,140	14,971
Impairment losses of assets			2,237		2,237		2,237
Amortization of goodwill			8		8		8
Goodwill - net			157		157		157

	Millions of Yen						
	2015						
	Reportable Segment						
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Other	Consolidated
Sales:							
Sales to external customers	¥51,748	¥79,823	¥183,760	¥45,182	¥360,513	¥9,248	¥369,761
Intersegment sales of transfers	1,565	2,637	1,593	420	6,215	(6,215)	
Total	¥53,313	¥82,460	¥185,353	¥45,602	¥366,728	¥3,033	¥369,761
Segment profit (loss)	¥ 2,397	¥ 8,658	¥ 10,786	¥ (2,626)	¥ 19,215	¥1,699	¥ 20,914
Segment assets	21,838	56,050	158,370	48,277	284,535	74,988	359,523
Other:							
Depreciation	769	1,072	5,013	6,012	12,866	3,394	16,260
Investment in equity method	887	79	21,912	751	23,629		23,629
Increase in property, plant and equipment and intangible assets	792	1,649	4,176	1,895	8,512	3,165	11,677
Impairment losses of assets				4,401	4,401		4,401
Amortization of goodwill			3		3		3
Goodwill - net							

	Thousands of U.S. Dollars						
	2016						
	Reportable Segment						
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Other	Consolidated
Sales:							
Sales to external customers	$451,212	$661,991	$1,693,823	$339,044	$3,146,070	$89,426	$3,235,496
Intersegment sales of transfers	11,584	26,363	12,018	8,204	58,169	(58,169)	
Total	$462,796	$688,354	$1,705,841	$347,248	$3,204,239	$31,256	$3,235,495
Segment profit (loss)	$ 29,124	$ 71,336	$ 100,522	$ (5,009)	$ 195,973	$ (2,079)	$ 193,894
Segment assets	198,221	526,664	1,389,248	400,973	2,515,106	551,469	3,066,575
Other:							
Depreciation	7,221	9,956	47,221	46,894	111,292	30,345	141,637
Investment in equity method	7,814	805	238,796	4,558	251,973		251,973
Increase in property, plant and equipment and intangible assets	13,230	12,389	37,009	24,372	87,000	45,487	132,487
Impairment losses of assets			19,796		19,796		19,796
Amortization of goodwill			71		71		71
Goodwill - net			1,389		1,389		1,389

Notes:

1."Other" consists of business activities, such as special batteries that are not included as a reportable segment, or adjustments of segment profit (loss).

2.The main details of adjustments were as follows:

(1)The amounts of adjustments of segment profit for the years ended March 31, 2016 and 2015, were ¥2,427 million ($21,477 thousand) and ¥2,244 million, respectively. The details of the adjustments were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Elimination of intersegment transactions	¥1,456	¥1,362	$12,884
Company-wide expenses	971	882	8,593
Total	¥2,427	¥2,244	$21,477

Company-wide expenses mainly consist of general administrative expenses not attributable to any reportable segments.

(2)The amounts of adjustments of segment assets for the years ended March 31, 2016 and 2015, were ¥52,538 million ($464,938 thousand) and ¥63,850 million, respectively. The details of the adjustments were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Elimination of intersegment transactions	¥(90,360)	¥(82,291)	$(799,646)
Company-wide assets	142,898	146,141	1,264,584
Total	¥52,538	¥63,850	$464,938

Company-wide assets mainly consist of the managing cash surplus, assets of administrative departments, and certain equipment of a research institute.

(3)The amounts of adjustments of depreciation for the years ended March 31, 2016 and 2015, were ¥3,124 million ($27,646 thousand) and ¥3,153 million, respectively. The amounts of adjustments consisted of depreciation of company-wide assets.

(4)The amounts of adjustments of "Increase in property, plant and equipment and intangible assets" for the years ended March 31, 2016 and 2015, were ¥4,393 million ($38,876 thousand) and ¥2,598 million, respectively. The amounts of adjustments consisted of the purchase amount of the property, plant and equipment and intangible assets classified as company-wide assets.

3. At March 31, 2016, the Group recognized an impairment loss of ¥2,237 million ($19,796 thousand) in total. The Group recognized ¥1,591 million ($14,080 thousand) as loss on impairment of long-lived assets and ¥646 million ($5,716 thousand) including loss on liquidation of affiliated company as other expenses.

(4)Information about Geographical Areas
(a)Sales

Millions of Yen									
2016					2015				
Japan	Asia	Europe and America	Other	Total	Japan	Asia	Europe and America	Other	Total
¥162,587	¥113,646	¥61,906	¥27,472	¥365,611	¥175,877	¥112,860	¥55,228	¥25,796	¥369,761

Thousands of U.S. Dollars				
2016				
Japan	Asia	Europe and America	Other	Total
$1,438,823	$1,005,717	$547,841	$243,115	$3,235,496

Note: Sales are classified by country or region based on the location of customers.

(b)Property, plant and equipment

Millions of Yen									
2016					2015				
Japan	Asia	Europe and America	Other	Total	Japan	Asia	Europe and America	Other	Total
¥84,668	¥27,832	¥2,569	¥2,016	¥117,085	¥85,341	¥34,013	¥2,851	¥2,460	¥124,665

Thousands of U.S. Dollars				
2016				
Japan	Asia	Europe and America	Other	Total
$749,274	$246,301	$22,735	$17,841	$1,036,151

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GS Yuasa Corporation:

We have audited the accompanying consolidated balance sheet of GS Yuasa Corporation and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GS Yuasa Corporation and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 18.a to the consolidated financial statements, GS Yuasa International Ltd., which is a subsidiary of GS Yuasa Corporation, entered into a final agreement with Panasonic Corporation to acquire the lead-acid battery business, and concluded the share transfer agreement and so forth on April 15, 2016. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion; such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information (As of March 31, 2016)

Corporate Profile

Corporate Name	GS Yuasa Corporation
Business	To form management plans and strategy for the GS Yuasa Group and administer Group companies to enhance the total value of the Group
Establishment	April 1, 2004
Offices	KYOTO Head Office: 1, Inobanba-cho, Nishinosho, Kisshoin, Minami-ku, Kyoto 601-8520, Japan Tel: +81-75-312-1211 TOKYO Office: 1-7-13, Shiba-koen, Minato-ku, Tokyo 105-0011, Japan Tel: +81-3-5402-5800
Capital Stock	¥33.0 billion
Number of Employees	Consolidated: 14,415

Group Companies

Japan

- GS Yuasa International Ltd.
- GS Yuasa Battery Ltd.
- GS Yuasa Technology Ltd.
- GS Yuasa Power Fieldings Ltd.
- GS Yuasa Accounting Service Ltd.
- Lithium Energy Japan
- Blue Energy Co., Ltd.
- Hokkaido GS Yuasa Service Ltd.
- GS KASEI KOGYO Co., Ltd.
- GS Yuasa Innovation Co., Ltd.
- YUASA ELECTRIC CO., LTD.
- GS Yuasa Lighting Service Co., Ltd.
- GS Yuasa Wing Ltd.
- Yuasa Membrane Systems Co., Ltd.
- GS Environmental Science Laboratories Co., Ltd.
- GS Ibaraki Works, Ltd.
- Iwaki Yuasa Ltd.
- Yuasa Chemical Co.,Ltd.

Overseas

U.S.A.
- GS Battery (U.S.A.) Inc.
- GS Yuasa Lithium Power, Inc.
- Yuasa Battery, Inc.

UK
- Yuasa Battery Europe Ltd.

TURKEY
- Inci GS Yuasa Aku Sanayi ve Ticaret Anonim Sirketi

CHINA
- Yuasa Battery (Guangdong) Co., Ltd.
- Yuasa Battery (Shunde) Co., Ltd.
- Tianjin Yuasa Batteries Co., Ltd.
- Tianjin GS Battery Co., Ltd.
- Yuasa (Tianjin) Technology Ltd.
- Tianjin Toho Lead Recycling Co., Ltd.
- GS Battery (China) Co., Ltd.
- Shanghai GS Toptiger Motive Power Co., Ltd.

TAIWAN
- Taiwan Yuasa Battery Co., Ltd.
- GS Battery Taiwan Co., Ltd.

THAILAND
- Yuasa Battery (Thailand) Pub. Co., Ltd.
- Siam GS Battery Co., Ltd.
- GS Yuasa Siam Industry Ltd.
- GS Yuasa Siam Sales Ltd.

MALAYSIA
- Yuasa Battery (Malaysia) Sdn. Bhd.

VIETNAM
- GS Battery Vietnam Co., Ltd.

INDONESIA
- PT. Yuasa Battery Indonesia
- PT. Trimitra Baterai Prakasa
- PT. GS Battery

PAKISTAN
- Atlas Battery Ltd.

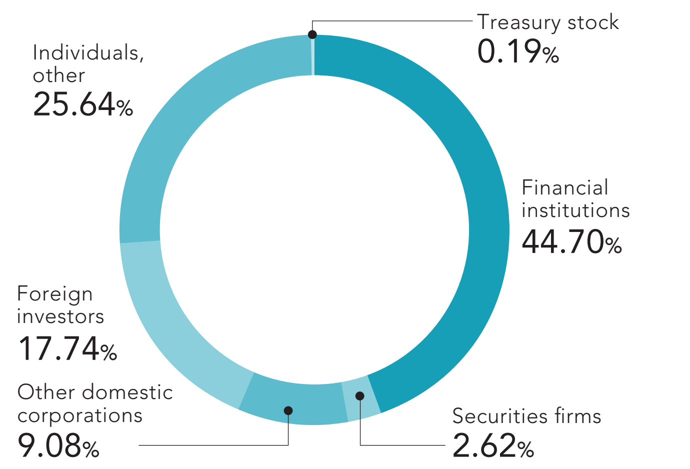
INDIA
- Tata AutoComp GY Batteries Private Limited.

AUSTRALIA
- Century Yuasa Batteries Pty Ltd.

Stock Information (As of March 31, 2016)

Fiscal Year-End	March 31
Number of Shares Authorized	1,400,000,000
Number of Shares Issued	413,574,714
Shares per Trading Unit	1,000
Number of Shareholders	41,549
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited
Listed Securities Exchange	First Section of the Tokyo Stock Exchange
Method of Public Notice	Notification is given electronically on the Company's website. However, if a public announcement cannot be made electronically for some reason, it will be placed in the *Nihon Keizai Shimbun* newspaper.

Shareholdings by Type of Shareholder (%)



Principal Shareholders

Name	Number of shares held (thousands)	As a proportion of shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,122	7.06
Japan Trustee Services Bank, Ltd. (Trust Account)	22,908	5.55
Meiji Yasuda Life Insurance Company	14,000	3.39
Toyota Motor Corporation	11,180	2.71
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,327	2.26
Nippon Life Insurance Company	8,945	2.17
The Bank of Kyoto, Ltd.	7,740	1.88
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	7,475	1.81
Sumitomo Mitsui Trust Bank, Limited	7,354	1.78
Sumitomo Mitsui Banking Corporation	7,108	1.72

Stock Price and Trading Volume