YUASA CORPORATION

Annual Report 2002

Recharging Growth

Profile

Yuasa Corporation is one of the world's leading battery manufacturers, with lead-acid batteries for automotive and industrial applications forming the company's core business. In terms of sales, we hold down second spot in the world lead-acid battery market. Underpinning this presence is a global network of production bases, including wholly owned local subsidiaries and joint ventures with overseas partners. Yuasa has 17 bases in Japan, 17 in Asia and Oceania, 7 in Europe and Africa, and 3 in North and South America.

Cautionary Statement With Respect to Forward-Looking Statements

This annual report contains forward-looking statements concerning Yuasa Corporation and its consolidated subsidiaries' current plans, projections, strategies and performance. These forward-looking statements are not historical facts. Rather, they represent the assumptions and beliefs of Yuasa Corporation's management based on information currently available. Yuasa Corporation therefore wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of risks and uncertainties.

Contents

Financial Highlights

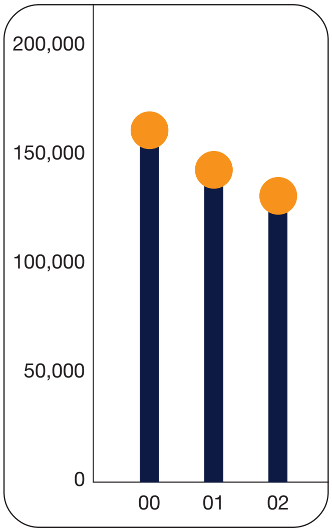
YUASA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended 31st March, 2000, 2001 and 2002

	Japanese yen (millions)			U.S. dollars (thousands)
	2000	2001	2002	2002
For the Year:				
Net sales	¥168,514	¥150,562	¥138,704	$1,040,930
Operating income	7,029	4,834	2,767	20,765
Net income (loss)	1,516	3,439	(946)	(7,099)
Capital expenditures	8,741	7,480	6,178	46,277
Depreciation and amortization	6,408	5,219	5,320	39,924
At Year-End:				
Total assets	162,697	149,251	164,933	1,237,771
Total shareholders' equity	33,053	35,261	41,528	311,654
Per Share of Common Stock (Yen and U.S. dollars):				
Net income (loss)	8.56	19.41	(5.34)	(0.040)
Cash dividends	3.00	3.00	0.00	0.000
Ratios:				
ROE	4.6%	9.8%	–	
Equity ratio	20.3%	23.6%	25.2%	

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥133.25=U.S.$1

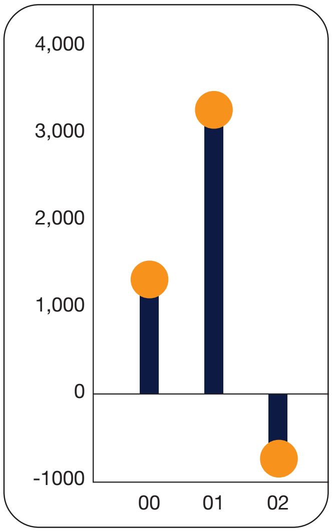
Net Sales

(¥ millions)



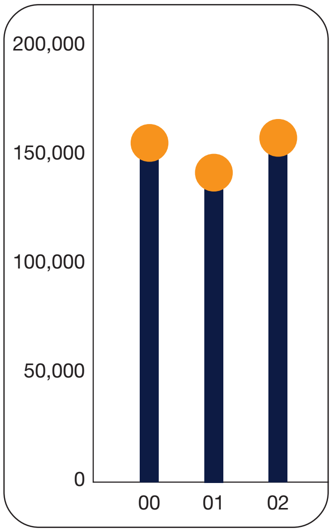
Net Income (Loss)

(¥ millions)



Total Assets

(¥ millions)



Message From the President

The fate of companies operating in the challenging lead-acid battery industry increasingly hinges on their ability to bring high-quality products to market at a lower cost. Our actions in the past year addressed this issue.

Our mission is to contribute to a harmonious relationship between humankind and nature by creating clean energy and power systems. Supplying the market with products closely connected with people's lives and industry, such as storage batteries and power supply equipment, is our way of doing this. As we forge ahead with our business activities, we aim to be a global company, trusted by all our stakeholders.

Challenging conditions persisted in the Japanese economy in fiscal 2002, ended March 31, 2002. Characterizing the economic climate were sluggish private-sector capital expenditures and personal consumption, declining public-works spending and deflation. The lead-acid battery industry, meanwhile, saw competition intensify. Industry realignment also gathered momentum as evidenced by mergers and consolidations involving both Japanese and foreign companies. We are now in an era of global competition in which the ability to supply high-quality products at the lowest cost possible is the key determinant of success.

Set against this backdrop, our consolidated net sales decreased 7.9% to ¥138,704 million and operating income fell 42.8% to ¥2,767 million. And we recorded a net loss of ¥946 million.

As in fiscal 2001, our net sales and operating income in fiscal 2002 were negatively affected by the sale last fiscal year of U.S.-based Yuasa, Inc.'s industrial-use battery division. This divestiture was vital to shaping a more ideal profit structure and was based on the fact that different quality requirements between the U.S. and Japanese markets made it difficult to capture sales synergies. We felt that it would be better to sell the division and use the resources more productively in other areas. The funds freed up from the move can be funneled into businesses that generate a higher return and thus make a greater contribution to our consolidated results. The sale of Yuasa, Inc.'s industrial-use battery division is just one part of our strategy to rebuild our company into a more powerful entity. At the same time as this divestiture, Yuasa, Inc.'s motorcycle battery operations, which are among the best in the U.S. market, were spun off and continue under a new subsidiary.

Cementing a Base in Asia

Our core business is manufacturing lead-acid batteries for automotive and industrial applications, large-scale backup power supplies for communications systems, and other power supplies. Lead-acid batteries account for approximately 80% of the rechargeable batteries produced worldwide. We rank second in terms of sales in this market. While demand for lead-acid batteries is flat in Japan, there is small but steady annual growth worldwide.

To remain a major player in this market, we are mustering our collective strengths to engineer an earnings recovery. And we are bracing ourselves to withstand the forces of global competition by using the funds received from the sale of Yuasa, Inc.'s industrial-use battery division for two key purposes. One is to increase our production capacity, chiefly in Asia. The other is to strengthen our balance sheet by reducing interest-bearing debt.

We already boast a powerful network of production bases overseas. Our bases in Asia, in particular, offer considerable potential. Production costs in Asia, including China, Indonesia and Thailand, are under half those of Japan. Effectively aligning these bases will make us more competitive in terms of cost and quality. Our strategy calls for enhancing competitiveness by building a low-cost production framework in Asia that does not wholly embrace Japan. This will allow our Japanese operations to focus on manufacturing high valued-added products, in turn boosting our competitiveness. Bolstering production isn't our only focus. We are also reviewing sales channels while cultivating large-volume customers and opening up direct sales routes to grow sales volumes. This will translate into higher sales revenues and profits.

Our Goals

With the overarching goal of becoming a global supplier, with Asia at the core, we are working collectively toward achieving the targets set forth in our medium-term management plan, which calls for net income of ¥3.0 billion and ROE of 7.2% in fiscal 2004, ending March 31, 2004. By expanding production in Asia and strengthening sales in Japan, we are creating a structure that will generate higher earnings. In addition, the repayment of interest-bearing debt to strengthen our balance sheet is designed to create more value for our shareholders. While reinforcing our operating bases, we are also further developing and marketing new technologies and products for the growing IT and information & communications fields. Rooted in our vast experience and sophisticated technologies, these products will be key growth drivers in the coming years.

Moreover, we have clearly separated the decision-making and supervisory functions of management from supervision of day-to-day operations. In June 2001, we created the post of corporate executive officer to increase the efficiency and speed of decision-making and business execution. The following October, we broadened our in-house company system to better allow us to manage our organization. We have already seen benefits from these actions, which will enable Yuasa to stay on top of a difficult operating environment and changes in world markets.

August 2002

Naruo Otsubo

President and Representative Director

The Osadano Plant in Kyoto is the largest of Yuasa Corporation's three production facilities in Japan. Ongoing automation of the plant is yielding cost savings and gradually lifting productivity toward the highest level in the industry. The plant will also be capable of producing a large variety of high-value-added batteries in small production runs.

Reallocating Resources

Increasing global competition has placed downward pressure on prices in recent years. To prevail in this climate, it is vital that we enhance the efficiency of our production and sales systems. One of the pillars of our medium-term management plan is to increase cost competitiveness by boosting production in Asia and expanding sales worldwide. That's why we are increasing our investment in the Asian region.

In November 2000, we sold the industrial-use battery division of U.S. subsidiary Yuasa, Inc. This subsidiary had U.S. market shares of 17% and 65% for industrial-use and motorcycle batteries, respectively. However, the difference in quality standards pertaining to industrial-use batteries between Japan and the U.S. dampened the synergies we expected in our operations. We thus made the decision to narrow Yuasa, Inc.'s focus down to the well-performing motorcycle battery business and divest the industrial-use battery division. Motorcycle battery operations continue to be conducted in the U.S. by Yuasa Battery, Inc.

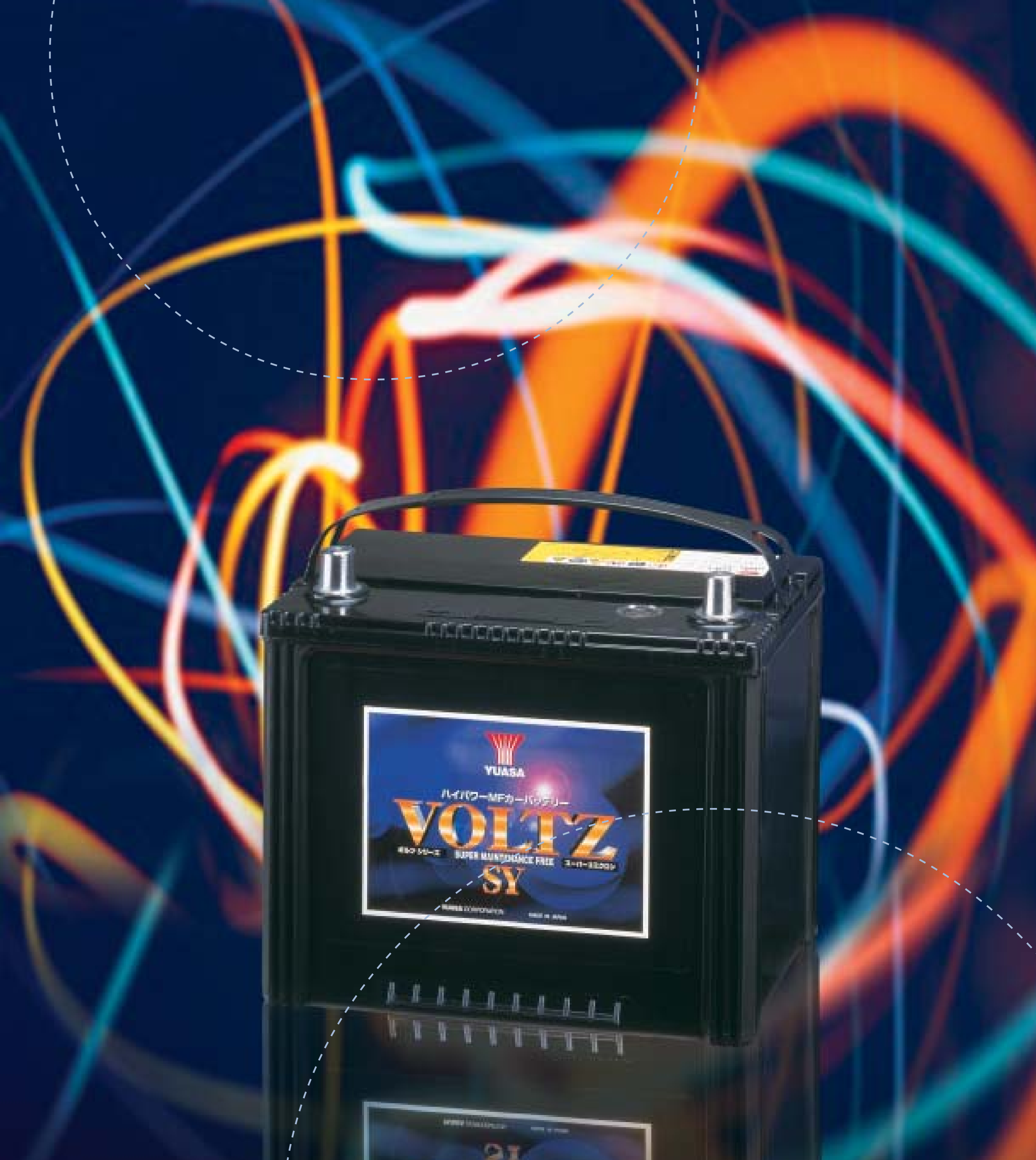
The funds generated from the sale of Yuasa, Inc.'s industrial-use battery division have been earmarked for two main purposes: expanding production in the Asian region; and repaying interest-bearing debt. These funds will thus fuel our growth in the future. This will be an ongoing initiative to create a stronger balance sheet and dramatically lift ROE and EPS, ultimately creating more value for shareholders.

Realigning Production

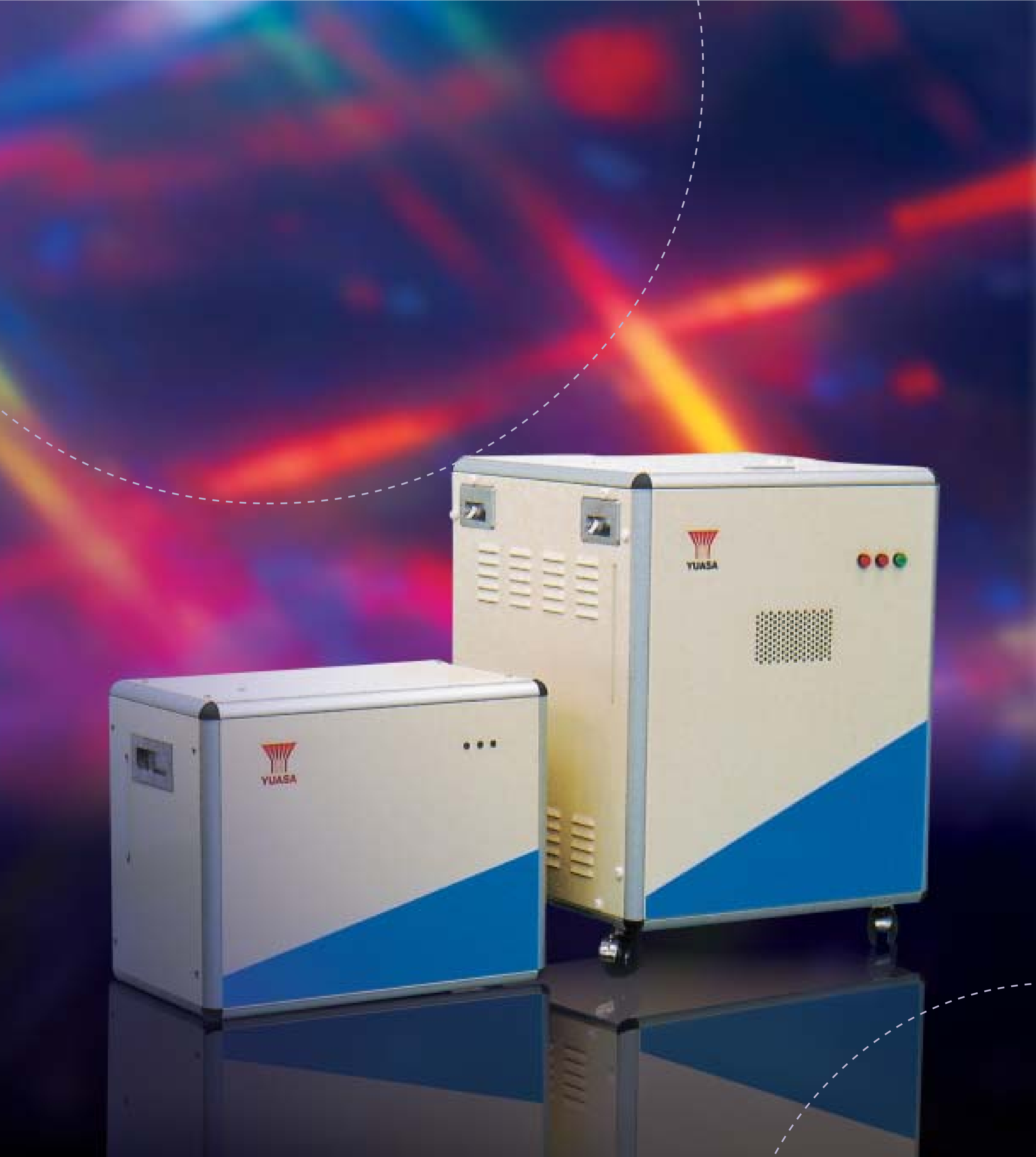
Although the world lead-acid battery industry is seeing stiffer price competition, the market is still expanding steadily. Lead-acid batteries, which account for about 80% of rechargeable battery production worldwide, are reasonably priced relative to other batteries and have come to play a major role as a crucial power source for the social infrastructure. The world lead-acid battery market is projected to enjoy steady, albeit marginal, annual growth, while Japan's market is expected to reach a plateau.

We have taken our cue from these trends. We intend to increase production volumes by raising capacity at Asian bases and realign our domestic sales network to reduce costs. This structure will be instrumental to expanding sales worldwide, resulting in higher sales revenues and earnings. Ramping up production in Asia is particularly important because it is more than twice as expensive to manufacture products in Japan as in Asia. As part of our strategy, we are integrating bases and reducing the workforce in Japan, where we are focusing on high value-added products. The slack from Japanese bases will be taken up by Asian production bases, where we are upping capacity. By transferring our technology and expertise to Asian factories, we will be able to produce high-quality products at a lower cost. The shift of production to Asia will enable us to make profits on products sold in Japan and enhance our competitiveness in world markets.

As we reshape our production framework, we are aggressively working to expand sales channels. We are reviewing sales channels in Japan while expanding existing routes and strengthening newly opened direct sales channels. Our production and sales bases overseas are executing plans to meet sales and earnings targets for fiscal 2004. In particular, we are devoting our energies to growing sales of made-in-Asia products in overseas markets.



Yuasa's top-grade high-performance battery, SUPER YUMICRON, has evolved into a new battery, VOLTZ-SY. Not only does this latest product offer the same reliability and high performance as its predecessor, but it has also been designed to use a minimum amount of battery acid. As a result, the battery is maintenance free, requiring no refilling during its working life.



Yuasa Corporation has developed a Direct Methanol Fuel Cell (DMFC) stack that provides electricity directly using liquid methanol instead of by reforming hydrogen. In December 2001, we started using this fuel cell stack to develop and test a prototype of the world's first DMFC power supply system capable of producing 100W or 300W of electricity.

Refocusing on Growth Markets

Further expansion of the information and communications market is expected to drive an approximate 3% annual increase in demand for sealed lead-acid industrial-use batteries in Japan and overseas over the coming years. For relatively low value-added products, our strategy is to curb production costs through mass production in Asia and generate higher sales to secure profits. On the other hand, high value-added products will be produced in Japan, where we will concentrate on developing and bringing to market new products that are less subject to price competition.

The high-growth IT sector is also emerging as a major market. We have already begun volume production of some products for this sector. Strong growth is projected for our less-than-10kVA mini-UPS (Uninterruptible Power Supplies). Given that we are manufacturing and selling mini-UPS using products we produce in Asia, we expect Asia-based products to be a driving force, spurred by the IT revolution.

In lithium polymer batteries, which are used in mobile communications devices, we are concentrating on R&D to produce 850mAh batteries, the world's highest capacity for this class. We are in the process of building a trial volume production line of 300,000 cells. These batteries are expected to contribute to sales revenues from the next fiscal year onward.

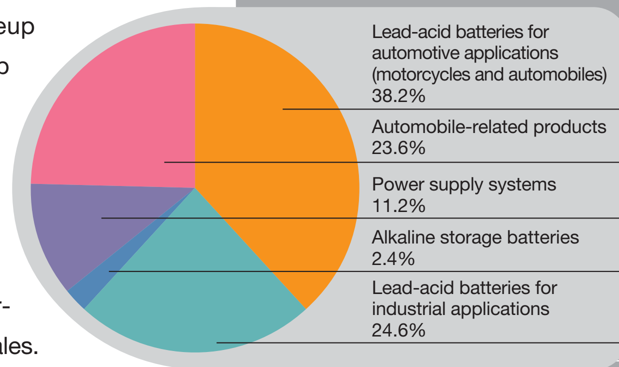
Moreover, we are developing a string of new products that draw on our vast experience and ability to develop sophisticated technologies. For example, we have started sales of the world's first, large, manganese-based lithium-ion batteries that deliver the highest level of performance. We are also developing nickel-hydrogen batteries for hybrid electric vehicle batteries that save 40% more space than existing cylindrical counterparts.

Review of Operations

Operating Areas

Yuasa Corp.'s mission is to contribute to a harmonious relationship between humankind and nature by creating clean energy and power systems. Supplying a host of products for a wide range of fields is our way of doing so. Our product lineup extends from automotive and industrial-use batteries to large-scale backup power supplies for telecommunications systems and small backup power supplies for computer systems and emergency purposes.

Consolidated Net Sales



Composition of Sales

In fiscal 2002, ended March 31, 2002, lead-acid batteries for motorcycles and automobiles accounted for 38.2% of total net sales. Lead-acid batteries for forklifts and other industrial vehicles constituted 24.6% of total net sales. Automobile-related products, power systems used as emergency backup in the event of a power outage or other unanticipated event and alkaline batteries represented 23.6%, 11.2% and 2.4% of total net sales, respectively.

Topics

Lead-Acid Batteries

High-Performance Automotive Batteries—VOLTZ-SY

VOLTZ-SY

In fiscal 2002, we launched sales of 10 new VOLTZ-SY series top-grade automotive batteries (5 models). In recent years, advances in automobile performance and diversification of users' needs have led to strong demand for automotive batteries that have improved starting performance and durability, and are virtually maintenance free. VOLTZ-SY is the culmination of further enhancements to our top-grade, high-performance SUPER YUMICRON battery. VOLTZ-SY is the first Japanese made battery designed with a double-walled structure so that it requires virtually no maintenance—the battery does not require refilling during its working life. As a result, VOLTZ-SY is ideal for recreational vehicles or one-box cars, where checking the battery is difficult, and for drivers who are not mechanically minded.

Power Supply Systems

Direct Methanol Fuel Cell System


DMFC

In July 2001, Yuasa Corp. successfully developed a Direct Methanol Fuel Cell (DMFC) stack that provides electricity directly using safe, low-density liquid methanol without the need for reforming hydrogen. In December 2001, this fuel cell stack was used to develop and test a prototype of the world's first DMFC power supply system, which is capable of producing either 100W or 300W of electricity.

We anticipate demand for this system in areas where a small-scale decentralized power supply is needed, such as in regions without electricity and campsites, and for supplying power after natural disasters and during other emergencies. We plan to commercialize this system in fiscal 2003.

Mini-UPS “YUMIC-SHA030R”

Designed to protect computers from electrical power trouble as a mini-UPS, the YUMIC-SHA030R was launched in September 2001. The YUMIC-SHA030R is a compact, space-saving, rack-mount type power supply inverter that is a slim 20cm. Mountable on a JIS 19-inch rack, this product provides a clean, stable power supply in environments where electrical power fluctuates, surges or suffers from interference.

YUMIC-SHA030R

Other Business

Cylindrical Nickel-Hydrogen Batteries

We launched two Yuasa-developed cylindrical nickel-hydrogen batteries that are of the highest standard in the industry: the AAC1700, a high energy density triple-A battery, and the SC3000, a high-output Sub-C size battery. Both batteries employ Yuasa’s proprietary state-of-the-art technology and new materials. They were designed in response to the growing need for batteries suited to portable equipment, like digital cameras that consume a lot of energy, and cordless machinery, like power tools that have a high power output. The batteries are produced at a plant in Tianjin, China, the main plant of our Taiwanese affiliate Yuasa Delta Technology Inc.

Sub-C3000

Solar Energy Generation Systems

Many companies have been developing commercially viable solar power systems, making use of the renewable and uninterrupted energy of the sun. Yuasa’s highly efficient and reliable industrial system-linked solar energy generation system is achieving steady sales. The solar inverter, which converts the direct current (DC) from the solar battery to alternating current (AC), employs our proprietary power supply system technology. When combined with storage batteries, the system is effective as an emergency power supply and is highly regarded by users.

Yuasa Corp. participated in the year 2000 field tests of industrial solar energy generation systems conducted by NEDO (New Energy and Industrial Technological Organization), thereby contributing to the popularization of solar power systems.

SOLAR POWER SYSTEMS

Financial Review

Scope of Consolidation

The Yuasa Group consists of Yuasa Corporation (the Company), 27 subsidiaries, and 16 affiliated companies. Of the 27 subsidiaries, 26 are consolidated companies. The equity method does not apply to the 1 unconsolidated subsidiary, but does apply to 5 affiliated companies. The other 11 affiliated companies are not accounted for by the equity method.

Operating Environment

The Japanese economy in fiscal 2002, ended March 31, 2002, continued to face difficulties as a whole. Although there was some easing in Japan's economic downturn, private-sector capital expenditures and personal consumption remained sluggish, public-works spending fell and deflation persisted. One bright note was encouraging signs in some indicators, such as exports and production levels in the later half of the year, as evidence of recovery could be seen in the United States and Southeast Asia.

Net Sales and Operating Income

Consolidated net sales decreased ¥11,858 million, or 7.9%, to ¥138,704 million. Operating income fell ¥2,067 million, or 42.8%, year on year to ¥2,767 million due to the effects of the sale of a U.S. subsidiary.

Other Income (Expenses) and Net Loss

Other income (expenses) declined from other income of ¥2,385 million to other expenses of ¥4,557 million. Interest and dividend income decreased 23.2% to ¥302 million. This mainly reflected a 25.3% fall in interest expenses from ¥2,506 million to ¥1,873 million due mainly to efforts to repay interest-bearing liabilities. In addition, the Company booked a loss on sales of investment securities and a write-down of investment securities, as well as aggressively disposed of poorly performing and underutilized assets. As a result of the above, the Company recorded a net loss of ¥946 million.

Geographic Segment Information

	Net Sales		Operating Income	
	Japanese yen (millions)		Japanese yen (millions)	
	2001	**2002**	2001	**2002**
Japan	¥103,401	**¥ 99,727**	¥2,275	**¥ 756**
Europe/USA	47,147	**25,266**	2,058	**946**
Asia	2,783	**17,252**	443	**977**
Elimination and corporate	(2,769)	**(3,541)**	58	**86**
Total	¥150,562	**¥138,704**	¥4,834	**¥2,767**

By geographic segment, sales in Japan of automotive lead-acid batteries declined. This reflected three main factors: falling sales prices and intensifying competition in automotive lead-acid batteries for repairs and replacement; lower sales of automotive batteries for new models due to a decline in the production volume of new cars; and a drop in exports due to the shifting of production facilities to Asia, which resulted in lower volumes. And despite efforts to lower costs, lower sales prices caused operating income in Japan to decline.

In the U.S., both sales and operating income were significantly lower due to the sale in November 2000 of the industrial-use battery division of U.S.-based subsidiary Yuasa, Inc.

In Europe, sales by the Company's U.K. subsidiary were higher. Profits increased sharply, reflecting lower costs due to efforts to rationalize production, including workforce reductions.

In Asia outside Japan, affiliated companies in Australia and Indonesia previously accounted for by the equity method were made into consolidated subsidiaries, recognizing the fact that the Company can exercise control over their operations. In addition, Chinese subsidiaries performed strongly. As a result of these factors, both sales and operating income in Asia outside Japan increased dramatically, year on year.

Financial Position

Total assets as of March 31, 2002 stood at ¥164,933 million, up 10.5% from a year earlier. Current assets decreased 0.6% to ¥75,928 million. Notes and accounts receivable decreased 5.3% to ¥42,589 million. Property, plant and equipment increased 48.8% to ¥57,412 million, due mainly to a jump in the value of land based on the Law Concerning Revaluation of Land.

Current liabilities increased 2.5% to ¥90,453 million and long-term liabilities jumped 27.5% to ¥30,972 million due to an increase in deferred tax liabilities related to the revaluation of land. Total liabilities were ¥121,425 million, up 7.9% from the previous year-end.

Capital Expenditures

The Yuasa Group invests in the construction and renewal of facilities to streamline production and conduct research and development. In battery and power supply systems operations, capital expenditures amounted to ¥5,594 million in fiscal 2002, primarily for facilities to streamline the production of lead-acid batteries for automotive and industrial applications. Capital expenditures in other businesses totaled ¥583 million, with investments concentrated on facilities to improve the production efficiency of environment-related equipment and systems.

Cash Flows

Net cash provided by operating activities was ¥4,889 million, compared with cash used of ¥1,300 million in the previous year. Net cash used in investing activities was ¥7,556 million, chiefly for capital expenditures at overseas subsidiaries, mainly in Asia. Financing activities provided net cash of ¥1,808 million. As a result of the above, cash and cash equivalents at year-end were ¥8,453 million, ¥25 million lower than a year earlier.

Consolidated Balance Sheets

YUASA CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of 31st March, 2001 and 2002

ASSETS	Japanese yen (millions) 2001	2002	U.S. dollars (thousands) 2002
Current Assets:			
Cash and time deposits	¥ 8,810	¥ 8,815	$ 66,153
Notes and accounts receivable, trade	44,992	42,589	319,617
Marketable securities (Note 2)	50	2	15
Inventories (Notes 2 and 3)	19,890	22,118	165,988
Deferred income taxes	695	666	4,998
Prepaid expenses and other current assets	2,295	2,052	15,399
Allowance for doubtful accounts	(340)	(316)	(2,371)
Total Current Assets	76,392	75,928	569,816
Property, Plant and Equipment (Note 2):			
Land	6,424	22,771	170,889
Buildings and structures	12,971	13,647	102,416
Machinery and equipment	16,569	17,930	134,559
Tools and furniture	1,499	1,523	11,429
Construction in progress	1,118	1,538	11,542
Total Property, Plant and Equipment	38,581	57,412	430,859
Investments and Other Assets:			
Investment securities (Note 2)	26,850	21,673	162,649
Investment in and advances to subsidiaries and affiliates	22	22	165
Long-term deferred income taxes	1,230	4,759	35,714
Other assets	6,176	5,137	38,551
Total Investments and Other Assets	34,278	31,592	237,088
Total Assets	¥149,251	¥164,933	$1,237,771

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Japanese yen (millions) 2001	2002	U.S. dollars (thousands) 2002
Current Liabilities:			
Notes and accounts payable, trade	¥ 31,648	¥ 26,124	$ 196,052
Short-term bank borrowings (Note 4)	44,022	45,916	344,585
Current portion of long-term debt (Note 4)	5,074	12,170	91,332
Accrued income taxes (Notes 2 and 5)	2,321	271	2,033
Accrued expenses	4,359	4,309	32,337
Other current liabilities	865	1,660	12,457
Total Current Liabilities	88,289	90,453	678,821
Long-Term Liabilities:			
Long-term debt (Note 4)	19,719	19,586	146,986
Liability for employees' retirement benefits (Note 7)	3,784	4,038	30,303
Liability for directors' and auditors' retirement benefits (Note 7)	557	547	4,105
Other long-term liabilities	232	6,799	51,024
Total Long-Term Liabilities	24,292	30,972	232,435
Minority Interests	1,409	1,979	14,851
Shareholders' Equity:			
Common stock			
Authorized—330,000,000 shares;			
Issued: 2001—177,184,635 shares			
2002—177,184,635 shares	13,127	13,127	98,514
Additional paid-in capital	11,101	11,579	86,896
Appraisal gains	–	8,974	67,347
Retained earnings	10,948	9,370	70,318
Net unrealized losses on other marketable securities	–	(1,735)	(13,020)
Foreign currency translation adjustments	85	239	1,793
Treasury stock, at cost	(0)	(2)	(15)
Common stock held by subsidiary companies	–	(25)	(187)
Total Shareholders' Equity	35,261	41,528	311,654
Total Liabilities and Shareholders' Equity	¥149,251	¥164,933	$1,237,771

Consolidated Statements of Income

YUASA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended 31st March, 2001 and 2002

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Net Sales	¥150,562	¥138,704	$1,040,930
Cost of Sales	115,669	106,041	795,804
Gross profit	34,893	32,662	245,118
Selling, General and Administrative Expenses	30,059	29,895	224,352
Operating income	4,834	2,767	20,765
Other Income (Expenses):			
Interest and dividend income	393	302	2,266
Interest expenses	(2,506)	(1,873)	(14,056)
Other, net (Note 9)	4,498	(2,986)	(22,409)
Income (Loss) Before Provision for Income Taxes	7,219	(1,789)	(13,425)
Provision for Income Taxes (Notes 2 and 5):			
Current	3,984	637	4,780
Deferred	(595)	(1,661)	(12,465)
Minority Interests in Earnings of Consolidated Subsidiaries	391	181	1,358
Net Income (Loss)	¥ 3,439	(946)	$ 7,099

	Japanese yen		U.S. dollars
Per Share of Common Stock (Note 6):			
Net income (loss)	¥ 19.41	¥ (5.34)	$ (0.040)
Cash dividends	3.00	–	–

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

YUASA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended 31st March, 2001 and 2002

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Common Stock:			
Opening balance	¥13,127	¥13,127	$ 98,514
Closing balance	¥13,127	¥13,127	$ 98,514
Additional Paid-in Capital:			
Opening balance	¥12,013	¥11,101	$ 83,309
Decreased by consolidating subsidiaries	(912)	–	–
Increased by consolidating subsidiaries	–	478	3,587
Closing balance	¥11,101	¥11,579	$ 86,896
Retained Earnings:			
Opening balance	¥ 7,912	¥10,948	$ 82,161
Net income (loss)	3,439	(946)	(7,099)
Cash dividends	(539)	(533)	(4,000)
Bonuses for directors and auditors	(2)	(2)	(15)
Other (Note 10)	138	(95)	(712)
Closing balance	¥10,948	¥9,370	$ 70,318

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

YUASA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended 31st March, 2001 and 2002

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Cash Flows From Operating Activities:			
Income (loss) before provision for income taxes	¥ 7,219	¥ (1,789)	$(13,425)
Adjustments to reconcile net income (loss) to net cash provided by operating activities—			
Depreciation and amortization	5,219	5,320	39,924
Provision for retirement benefits	529	43	322
Interest and dividend income	(393)	(302)	(2,266)
Interest expenses	2,506	1,873	14,056
Equity in earnings of affiliated companies	(448)	(261)	(1,958)
Gain on valuation of marketable securities	(1,550)	–	–
Gain on sales of investment securities	(8,638)	554	4,157
Loss on revaluation of investment securities	2,933	1,301	9,763
Loss on disposal of property, plant and equipment	1,165	1,133	8,502
Loss on loans of affiliated companies	1,024	–	–
Increase (decrease) in notes and accounts receivable	(9,299)	6,446	48,375
Increase (decrease) in inventories	(5,754)	1,334	10,011
Increase (decrease) in notes and accounts payable	9,238	(2,486)	(18,656)
Other	(128)	(3,968)	(29,778)
Sub total	3,623	9,198	69,028
Interest and dividends received	335	302	2,266
Interest paid	(2,520)	(1,872)	(14,048)
Income taxes paid	(2,738)	(2,738)	(20,547)
Net cash provided by (used in) operating activities	¥ (1,300)	¥ 4,889	$ 36,690
Cash Flows From Investing Activities:			
Payments for purchases of marketable securities	(150)	–	–
Proceeds from sales of marketable securities	250	50	375
Payments for purchases of fixed assets	(7,488)	(6,324)	(47,459)
Proceeds from sales of fixed assets	1,108	32	240
Payments for purchases of investment securities	(638)	(3,328)	(24,975)
Proceeds from sales of investment securities	16,878	4,111	30,851
Increase in loan receivables	(1,124)	(358)	(2,686)
Collection of loan receivables	970	135	1,013
Other	482	(1,876)	(14,078)
Net cash provided by (used in) investing activities	¥ 10,288	¥ (7,556)	$(56,705)
Cash Flows From Financing Activities:			
(Decrease) in short-term borrowings	(5,850)	(2,625)	(19,699)
Proceeds from issuance of long-term debt	8,129	10,999	82,544
Repayments of long-term debt	(12,176)	(6,021)	(45,185)
Proceeds from sales of treasury stock	9	3	22
Payments for purchases of treasury stock	(9)	(5)	(37)
Dividends paid	(539)	(541)	(4,060)
Net cash provided by (used in) financing activities	¥(10,436)	¥ 1,808	$ 13,568
Effect of Exchange Rate Changes on Cash and Cash Equivalents	149	173	1,298
Net Decrease in Cash and Cash Equivalents	(1,299)	(685)	(5,140)
Cash and Cash Equivalents at Beginning of Year	9,803	8,478	63,624
Cash and Cash Equivalents Decreased by Consolidating Subsidiaries	(26)	659	4,945
Cash and Cash Equivalents at End of Year	¥ 8,478	¥ 8,453	$ 63,437

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are prepared from the consolidated financial statements issued for domestic reporting purposes. YUASA Corporation (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles and practices in Japan. Its foreign subsidiaries maintain their accounts in conformity with those of each country of their domicile. These financial statements are examined by KINKIDAIICHI AUDIT CORPORATION.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥133.25=U.S.$1, the approximate exchange rate on 31st March, 2002. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be converted into U.S. dollar amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (together, the "Companies"). All significant intercompany balances and transactions have been eliminated in consolidation.

The revaluation adjustments for the preparation of the accompanying consolidated financial statements are directly reflected in retained earnings.

Investments in certain unconsolidated subsidiaries and significant affiliates (20%- to 50%-owned) are stated at cost plus equity in undistributed earnings. Consolidated net income includes the Company's equity in the current net income of such companies, after elimination of unrealized intercompany profits.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences, not significant in amount, between the cost and the underlying net equity of investments in consolidated subsidiaries, and in unconsolidated subsidiaries and affiliates which are accounted for by the equity method, are charged or credited to income in the year of acquisition.

(b) Translation of foreign currency accounts

Prior to 1st April, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective 1st April, 2000, the Companies adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short- 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. The adoption of revised accounting standards for foreign currency transactions did not have a material effect on the accompanying consolidated 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.

Prior to 1st April, 2000, differences arising from such translations were shown as "Foreign currency translation adjustments" as either asset or liability in the consolidated balance sheets.

Effective 1st April, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate.

(c) Accounting for Financial Instruments

Effective from the fiscal year ended March 31, 2002, with regard to the methods for valuation of other marketable securities with market prices, the Companies has applied accounting standards for financial instruments as set forth in the "Opinion Regarding the Establishment of Accounting Standards for Financial Products," issued by the Business Accounting Deliberative Council on January 22, 1999. As a result, a net unrealized loss on marketable securities of ¥1,735 million was recorded as of March 31, 2002. In addition, investment securities decreased ¥2,932 million; long-term deferred income taxes increased ¥1,198 million; and minority interests increased ¥1 million in comparison with results under the previous methods of accounting.

(d) Inventories

Inventories are stated at average cost.

(e) Property, plant and equipment

Property, plant and equipment are stated at book value.

Accumulated depreciation of tangible assets was ¥63,084 million. Depreciation is computed by the declining-balance method, at rates based on the following range of estimated useful lives of assets.

Buildings and structures . . . . 8–50 years

Machinery and equipment . . . . 2–17 years

Depreciation of assets at the Kyoto Osadano Plant is, however, computed by the straight-line method.

Maintenance and repairs including minor renewals and improvements are charged to income as incurred.

(f) Income taxes

The Company and its consolidated subsidiaries compute and record income taxes currently payable based upon taxable income determined in accordance with applicable tax laws.

Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

3. INVENTORIES

Inventories at 31st March, 2001 and 2002, comprised the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Finished goods	¥13,768	¥15,158	$113,756
Work in process	3,666	4,252	31,909
Raw materials	2,456	2,707	20,315
	¥19,890	¥22,118	$165,988

4. SHORT-TERM BANK BORROWINGS AND LONG-TERM DEBT

Short-term bank borrowings take the form of overdrafts. The principal ranges of annual interest rates applicable to short-term bank borrowings outstanding at 31st March, 2001 and 2002 were from 0.4% to 7.25% and from 0.96% to 7.25%, respectively.

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

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Loans from banks, insurance companies and government-sponsored agencies due in installments to 2007	¥24,793	¥31,757	$238,326
Less—current portion of long-term debt	5,074	12,170	91,332
	¥19,719	¥19,586	$146,986

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given upon request of the bank under certain circumstances, and that any collateral so furnished will be applicable to all indebtedness to that bank. To date, the Company has not received any such requests from its banks. In addition, the agreements provide that the bank has the right to offset cash deposits against any short-term or long-term debt that becomes due, and, in case of default and certain other specified events, against all other debts payable to the bank.

The aggregate annual maturities of long-term debt as at 31st March, 2002 are as follows:

Years ending 31st March	Japanese yen (millions)	U.S. dollars (thousands)
2003	¥12,170	$ 91,332
2004	10,217	76,675
2005	3,356	25,185
2006 and after	6,014	45,133
	¥31,757	$238,326

5. INCOME TAXES

The provision for income taxes for the years ended 31st March, 2001 and 2002 consisted of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Current income tax expense	¥3,984	¥ 637	$ 4,780
Deferred income tax	(595)	(1,661)	(12,465)
Total	¥3,389	¥(1,023)	$ (7,677)

The effective income tax rates of the Companies differ from the normal Japanese statutory rates for the years ended 31st March, as follows:

	2001	2002
Normal Japanese statutory rates	40.9%	40.9%
Increase (decrease) in taxes resulting from:		
Permanently non-deductible items	1.8%	(4.3)%
Difference of tax rates of an overseas subsidiary	3.8%	21.9%
Other, net	0.4%	(1.3)%
Effective tax rates	46.9%	57.2%

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets or liabilities at 31st March, 2001 and 2002 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Deferred tax assets:			
Enterprise taxes	¥ 175	¥ 56	$ 420
Pension and severance costs	1,234	1,516	11,377
Accrued expenses	339	382	2,866
Other	177	3,471	26,048
Deferred tax assets	1,925	5,425	40,712
Deferred tax liabilities:			
Other	–	(355)	(2,664)
Deferred tax liabilities	–	(355)	(2,664)
Net deferred tax assets	1,925	5,069	38,041

6. NET INCOME AND CASH DIVIDENDS PER SHARE

Net income and cash dividends per share are computed based on the weighted-average number of shares issued during each year.

7. RETIREMENT BENEFITS

(1) For employees

The Company and its domestic consolidated subsidiaries have a defined benefit pension plan covering substantially all of their employees. The amounts of the termination and retirement allowances are determined on the basis of length of service and the current basic rates at the time of termination or retirement.

Effective 1st April, 2001, the Companies adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at 31st March, 2002 consisted of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Projected benefit obligation	¥ 20,977	¥ 20,780	$ 155,947
Fair value of plan assets	(1,852)	(1,866)	(14,003)
Unrecognized transitional obligation	(15,132)	(14,082)	(105,681)
Unrecognized actuarial loss	(209)	(792)	(5,943)
Net liability for retirement benefits	3,784	4,038	30,303

The components of net periodic benefit costs for the years ended 31st March, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Service cost	¥ 953	¥ 909	$ 6,821
Interest cost	667	666	4,998
Expected return on plan assets	(42)	(52)	(390)
Amortization of transitional obligation	1,013	1,031	7,737
Net periodic benefit costs	2,591	2,555	19,174

Assumptions used for the year ended 31st March, 2002 are set forth as follows:

Discount rate	3.0%
Expected rate of return on plan assets	3.0%
Amortization period of prior service cost	Primarily 10 years
Recognition period of actuarial gain/loss	Primarily 10 years
Amortization period of transitional obligation	15 years

(2) For directors and auditors

The Company and its consolidated subsidiaries also provided for retirement benefits to directors and auditors based on pertinent rules which are calculated as the estimated amount to be paid if all directors and auditors retired at the balance sheet date.

8. CONTINGENT LIABILITIES

Contingent liabilities of the Company and its consolidated subsidiaries as at 31st March, 2001 and 2002 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Guarantees of loans	¥10,839	¥9,550	$71,669

9. OTHER INCOME (EXPENSES), NET

"Other, net" in "Other income (expenses)" for the years ended 31st March, 2001 and 2002 comprised the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Gain on sales of fixed assets	¥ 56	¥ 7	$ 52
Gain on sales of investment securities	9,720	–	–
Loss on disposal of property, plant and equipment	(1,165)	(1,133)	(8,502)
Loss on sales of investment securities	–	(554)	(4,157)
Write-down of investment securities	(2,716)	(1,301)	(9,763)
Other	(1,397)	(5)	(37)
	¥ 4,498	¥(2,986)	$(22,409)

10. RETAINED EARNINGS

Other changes in retained earnings for the years ended 31st March, 2001 and 2002 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2001	2002	2002
Adjustments of retained earnings at beginning of the year for inclusion in or exclusion from consolidation or the equity method of accounting for subsidiaries and affiliates	¥138	¥ 40	$ 300
Other	–	(136)	(1,020)
	¥138	¥ (95)	$ (712)

Report of Independent Certified Public Accountants on the Consolidated Financial Statements

The Board of Directors
Yuasa Corporation

We have examined the accompanying consolidated balance sheets of Yuasa Corporation and consolidated subsidiaries as of 31st March, 2001 and 2002, and the related consolidated statements of income, shareholders' equity and statements of cash flows in yen. Our examinations were made in accordance with auditing standards generally accepted in Japan, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements expressed in yen present fairly the financial position of Yuasa Corporation and consolidated subsidiaries as of 31st March, 2001 and 2002, and the results of their operations and cash flows for both of the two years in the periods ended 31st March, 2002, in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the period.

We have reviewed the translation of the accompanying 2001 consolidated financial statements into U.S. dollars, and, in our opinion, the consolidated financial statements have been properly translated into U.S. dollars on the basis set forth in Note 1 to the consolidated financial statements.

KINKIDAIICHI AUDIT CORPORATION

Osaka, Japan
27th June, 2002

Corporate Data

(As of 27th June, 2002)

Company Name:
Yuasa Corporation

Head Office:
2-3-21, Kosobe-cho, Takatsuki-shi,
Osaka 569-1115, Japan

Date of Establishment:
13th April, 1918

Common Stock:
¥13,127 million

Number of Employees:
1,619

Authorized Shares:
330,000,000

Issued Shares:
177,184,635

Number of Shareholders:
21,910

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Board of Directors and Corporate Auditors

(As of 27th June, 2002)

Honorary Chairman
Teruhisa Yuasa

President*
Naruo Otsubo

Senior Managing Director*
Tokusaburo Jimbo

Senior Managing Director*
Tomoji Tsuji

Senior Managing Director*
Yukio Kimura

Managing Director
Tsuyoshi Noto

Managing Director
Ken-ichiro Yamazaki

Managing Director
Kan Akiyama

Director
Paul Michael Ehlerman

Corporate Auditor
Kouzou Kinugasa

Corporate Auditor
Tatsuo Hashi

Corporate Auditor
Masanao Yano

Corporate Auditor
Nobuaki Ogawa

Corporate Auditor
Katsuzou Shiraishi

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