ANNUAL REPORT 2008

GS YUASA

GS Yuasa Corporation

PROFILE

We are pleased to inform you that Japan Storage Battery Co., Ltd. and YUASA Corporation have established a joint holding company, GS Yuasa Corporation to integrate business operations of the two companies, April 1, 2004. As of June 1, 2004, both companies through a corporate split-up incorporated and restructured GS Yuasa Manufacturing Ltd., GS Yuasa Battery Ltd., GS Yuasa Power Supply Ltd., GS Yuasa Technology Ltd., GS Yuasa Power Electronics Ltd., GS Yuasa International Ltd., GS Yuasa Business Support Ltd., GS Yuasa Information Ltd., GS Yuasa Accounting Service Ltd. Japan Storage Battery Co., Ltd. as of October 1, 2004 through a corporate split-up incorporated GS Yuasa Lighting Ltd. The two companies merged, establishing Japan Storage Battery Co., Ltd. as the surviving company and changed its trade name to GS Yuasa Industry Ltd. Prior to that, YUASA Corporation incorporated Yuasa Development Corporation through a spin-off. In January 2007, GS Yuasa Power Supply Ltd., GS Yuasa Manufacturing Ltd. and GS Yuasa Industry Ltd. merged to form, GS Yuasa Power Supply Ltd., as the surviving company. In March 2007, GS Yuasa International Ltd. and Yuasa Development Corporation merged to form, GS Yuasa International Ltd., as the surviving company. In December 2007, the GS Yuasa Group incorporated Lithium Energy Japan, a joint venture company with Mitsubishi Corporation and Mitsubishi Motors Corporation.

Our Group is comprised of the Company and 81 subsidiaries and 41 affiliates. GS Yuasa group companies participate in the businesses of storage batteries, power supply systems, lighting equipment, specialty and other electric equipment. With the corporate vision of "Innovation and Growth", they endeavor to provide the best products and services from customers' standpoint by establishing global and highly efficient R&D, production and distribution systems. The latest sales of our group during the period ended March 31, 2008 totaled US$3,120 million.

As technological innovation in the energy and environmental fields accelerates, new values are required to find for the storage battery industry. We're advancing further ahead into a new world. Meeting the needs of the age in our various business fields, we will make incessant efforts to help enrich your lives through the development of high performance batteries and other products with next-generation technologies.

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GS Yuasa Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2008 and 2007, and Independent Auditors' Report

A LETTER FROM TOP MANAGEMENT

For the Japanese economy in the current consolidated fiscal period (from April 1, 2007 to March 31, 2008), corporate performance has progressed steadily in general and expansion of the economy has continued against the backdrop of improvements in capital investment and employment, although this was rather slow. Uncertainty has increased with regard to the future economy, however, due to soaring raw material prices, including crude oil and nonferrous metals, general concerns about the US economy, and the advancing strength of the yen. In particular, the price of lead, our main raw material, sharply increased during the current period and reached a record high price, which posed very severe business conditions for the management of our Group.

Under such a business environment, in order to realize new growth for the GS Yuasa Group, it has been necessary to carry out various measures for improving the Groups' profit earning structure and achieving a recovery in business results from the previous year under the "First Mid-Term Management Plan" (FY06-FY08) and the "Two-Year Plan to Recycle Automotive Batteries" (FY07-FY08).

Net sales in the current consolidated fiscal period increased by ¥51,280 million (19.7%) from the previous consolidated fiscal period to ¥312,012 million due to revised selling prices corresponding to the sharp rise of raw material prices both in domestic and overseas markets, in addition to favorable progress in sales from Industrial Batteries and Power Supply Systems, although sales figures of Automotive Batteries for Replacement decreased in the domestic market.

For profits, operating profit was ¥12,384 million, an increase of ¥5,594 million (82.4%) from the previous consolidated fiscal period mainly due to the effect from revised selling prices corresponding to a sharp increase in lead prices, etc., our major raw material, in addition to reduced costs, including personnel costs.

Ordinary profit was ¥9,946 million, an increase of ¥4,429 million (80.3%) from the previous consolidated fiscal period, while income using the equity method improved, due to the accrual of exchange losses along with the stronger yen.

In this regard, while profits from sales of the shares of affiliated companies was recorded in extraordinary income, losses from sales of fixed assets, which was from the sale of land of the Odawara Office Plant in connection with a concentration of production bases, was recorded in extraordinary losses and with tax expenses, including corporate tax adjustments, net profit was ¥2,670 million, a decrease of ¥1,459 million (-35.3%) from the previous consolidated fiscal period.

For the year-end dividend, we hereby report that we determined it to be ¥5 per share as scheduled, based on improvements in business results in the current consolidated fiscal period.

It is expected that uncertainty will grow in the Japanese economy due to soaring prices for raw materials in general, not only for crude oil and nonferrous metals, and concerns about the future of the US economy, triggered by the subprime loan problem. Under such circumstances, the GS Yuasa Group will address further streamlining measures and reductions in cost in response to rising lead prices, our main material, as well as by shifting the increased cost to appropriate selling prices. We will make every effort to achieve the targets set out in the "First Mid-Term Management Plan" of which this period will be the last period. We would like to ask for your continued support and guidance.

Kan Akiyama
Chairman

Makoto Yoda
President

1. Progress of First Mid-Term Management Plan
   The Company has made considerable efforts towards achieving the targets of the First Mid-Term Management Plan, announced in May 2006.
   2007 saw the severe business environment continue and in particular we faced tougher competition and soaring prices for lead, our main raw material. However, as a result of our efforts at a price shift of raw materials, business expansion, streamlining, and a reduction in total costs, both net sales and operating profit have exceeded targets while ordinary profit was only slightly below target.

2. Progress of Special Projects
   In order to realize the Management Plan set out in the "First Mid-Term Management Plan", the GS Yuasa Group established Special Projects: 1. Streamlining of Head Office and Indirect Management Department, 2.Profit improvement of domestic automotive battery business, 3. Intensive participation to HEV/EV market, 4. Further expansion of Chinese and Asian business, 5. Expansion of large lithium-ion battery business.

   As Project 2. "Profit Improvement in Domestic Automotive Battery Business"
   Due to a significant discrepancy between the plan and the results in the first year (FY2006), this project was replaced by a "Two-Year Plan to Recycle Automotive Batteries" (FY07-FY08) and performance is now on a recovery track. During this year, we will continue to promote the recycling plan in order to transform into a profit earning structure.

   Project 3. "Intensive Participation in HEV/EV Market"
   This project has resulted in the establishment of Lithium Energy Japan, in December 2007. Preparations have begun for mass production with the goal of full-scale operations of lithium-ion batteries for the EV business in 2009.
   Project 4, "Further Expansion of Chinese and Asian Business"
   This has progressed favorably through active market expansion and we will reinforce the business aiming at a higher position in this growing market.
   Other Special Projects have progressed as planned.

3. Targets
   Taking into consideration the situations in which manufacturing costs and selling prices are increasing due to soaring raw materials prices, sales targets of the Company and accompanying management index in 2008 have been changed as follows.

   Profit and loss target of FY09

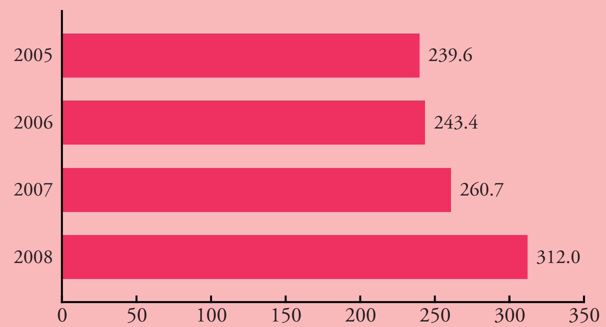
Net Sales	340 billion yen	(Before change ¥260 billion)
Operating Profit	13 billion yen	
Operating Profit Ratio	3.8%	(Before change 5.0%)
Ordinary Profit	12 billion yen	
Ordinary Profit Ratio	3.5%	(Before change 4.6%)

FINANCIAL HIGHLIGHTS

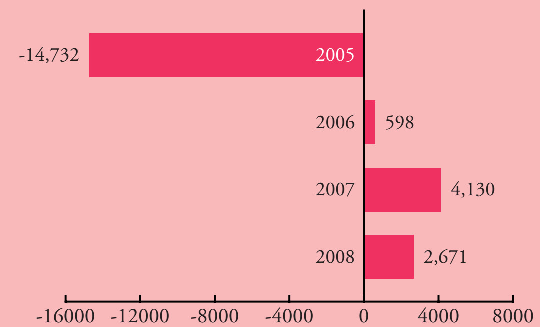
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 2) (Except for Per Share Amounts)
	2008	2007	2008
Net sales	¥312,013	¥260,732	$3,120,130
Costs and operating expenses	299,629	253,943	2,996,290
Other expenses, net	(7,893)	(3,727)	(78,930)
Income before income taxes and minority interests	4,491	3,062	44,910
Net income	2,671	4,131	26,710
Per share of common stock (in yen, in U.S. dollars)			
- Net income	7.27	11.42	0.07
Property, plant and equipment	70,200	77,305	702,000
Total assets	265,948	254,331	2,659,480
Total equity	83,424	85,783	834,240

Notes : 1. Computation of net income per share is based on the weighted average number of common shares outstanding.
2. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2008, of ¥100 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 9,430	¥ 6,326	$ 94,300
Time deposits	24	70	240
Receivables:			
Trade notes	7,776	6,430	77,760
Trade accounts	61,431	55,120	614,310
Unconsolidated subsidiaries and affiliated companies	5,118	3,259	51,180
Other	7,397	7,955	73,970
Allowance for doubtful receivables	(399)	(316)	(3,990)
Inventories (Note 3)	57,233	42,687	572,330
Deferred tax assets (Note 10)	2,524	1,892	25,240
Prepaid expenses and other current assets	3,071	4,349	30,710
Total current assets	153,605	127,772	1,536,050
PROPERTY, PLANT AND EQUIPMENT (Note 6 and 7):			
Land (Note 2.g)	18,659	25,520	186,590
Buildings and structures	53,249	56,945	532,490
Machinery and equipment	94,325	88,832	943,250
Furniture and fixtures	19,762	22,459	197,620
Construction in progress	2,533	1,862	25,330
Total	188,528	195,618	1,885,280
Accumulated depreciation	(118,328)	(118,313)	(1,183,280)
Net property, plant and equipment	70,200	77,305	702,000
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 7)	19,480	26,452	194,800
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	12,526	13,406	125,260
Goodwill	337	586	3,370
Long-term assets for employees' retirement benefits (Note 8)	2,047	1,204	20,470
Deferred tax assets (Note 10)	1,597	1,907	15,970
Other assets	6,156	5,699	61,560
Total investments and other assets	42,143	49,254	421,430
TOTAL	¥ 265,948	¥ 254,331	$ 2,659,480

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 58,855	¥ 41,819	$ 588,550
Current portion of long-term debt (Note 7)	15,036	19,558	150,360
Payables:			
Trade notes	8,070	9,758	80,700
Trade accounts	25,339	18,827	253,390
Unconsolidated subsidiaries and affiliated companies	1,671	973	16,710
Other	12,566	13,299	125,660
Income taxes payable	1,435	1,366	14,350
Accrued expenses	7,931	6,634	79,310
Deferred tax liabilities (Note 10)	4	3	40
Other current liabilities	3,997	3,240	39,970
Total current liabilities	134,904	115,477	1,349,040
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	30,968	33,059	309,680
Liability for retirement benefits (Notes 2.h and 8)	6,649	5,963	66,490
Long-term deposits received	3,675	3,618	36,750
Deferred tax liabilities (Note 10)	3,014	3,180	30,140
Deferred tax liabilities on land revaluation	1,104	4,025	11,040
Other	2,210	3,226	22,100
Total long-term liabilities	47,620	53,071	476,200
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
EQUITY (Note 9):			
Common stock, authorized, 1,400,000,000 shares; issued, 367,574,714 shares in 2008 and 2007	16,505	16,505	165,050
Capital surplus	38,339	38,339	383,390
Retained earnings	13,701	7,841	137,010
Land revaluation surplus (Note 2.g)	1,621	5,912	16,210
Unrealized gain on available-for-sale securities	7,292	11,126	72,920
Deferred gain (loss) on derivatives under hedge accounting	(141)	10	(1,410)
Foreign currency translation adjustments	605	1,677	6,050
Treasury stock - at cost: 387,228 shares in 2008 and 358,141 shares in 2007	(100)	(93)	(1,000)
Total	77,822	81,317	778,220
Minority interests	5,602	4,466	56,020
Total equity	83,424	85,783	834,240
TOTAL	¥265,948	¥254,331	$2,659,480

CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES (Note 5)	¥312,013	¥260,732	$3,120,130
COST OF SALES (Note 5)	247,645	203,605	2,476,450
Gross profit	64,368	57,127	643,680
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	51,984	50,338	519,840
Operating income	12,384	6,789	123,840
OTHER INCOME (EXPENSES):			
Interest and dividend income	613	461	6,130
Interest expense	(3,088)	(2,170)	(30,880)
Gain (loss) on sales of property, plant and equipment	(3,942)	6,385	(39,420)
Loss on disposal of property, plant and equipment	(553)	(1,964)	(5,530)
Loss on impairment of long-lived assets (Note 6)	(118)	(2,302)	(1,180)
Gain on sales of investment securities	503	279	5,030
Write-down of investment securities	(10)	(46)	(100)
Foreign exchange gain (loss)	(831)	1,147	(8,310)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliated companies	515	(451)	5,150
Expenses for redevelopment of the Takatsuki Plant site	(275)	(199)	(2,750)
Gain on disposal of unused raw materials	502	132	5,020
Loss on reparation for products		(694)	
Loss on cancellation of lease contract		(664)	
Additional severance payment for early retirement		(348)	
Other - net	(1,209)	(3,293)	(12,090)
Other expenses - net	(7,893)	(3,727)	(78,930)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,491	3,062	44,910
INCOME TAXES (Note 11):			
Current	2,651	2,527	26,510
Deferred	(1,010)	(3,592)	(10,100)
Total income taxes	1,641	(1,065)	16,410
MINORITY INTERESTS IN NET LOSS (INCOME)	(179)	4	(1,790)
NET INCOME	¥ 2,671	¥ 4,131	$ 26,710
PER SHARE OF COMMON STOCK (Note 2.p):	Yen		U.S. Dollars
Net income	¥7.27	¥11.42	$0.07
Cash dividends applicable to the year	5.00	3.00	0.05

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Outstanding Number of Share of Common Stock	Millions of Yen										
		Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	355,246,584	¥15,000	¥36,845	¥ 3,292	¥ 6,330	¥11,055		¥ (9)	¥ (75)	¥72,438		¥72,438
Reclassified balance as of March 31, 2006 (Note 2.i)											¥4,303	4,303
Net income				4,131						4,131		4,131
Conversion of convertible-typed bonds with warrants	12,035,093	1,505	1,494							2,999		2,999
Purchase of treasury stock	(65,104)								(18)	(18)		(18)
Transfer due to sales of lands, and other				418						418		418
Net change in the year					(418)	71	¥ 10	1,686		1,349	163	1,512
BALANCE, MARCH 31, 2007	367,216,573	16,505	38,339	7,841	5,912	11,126	10	1,677	(93)	81,317	4,466	85,783
Net income				2,671						2,671		2,671
Cash dividends, ¥3.00 per share				(1,102)						(1,102)		(1,102)
Purchase of treasury stock	(81,954)								(23)	(23)		(23)
Disposal of treasury stock	52,867								16	16		16
Transfer due to sales of lands, and other				4,291						4,291		4,291
Net change in the year					(4,291)	(3,834)	(151)	¥(1,072)		(9,348)	1,136	(8,212)
BALANCE, MARCH 31, 2008	367,187,486	¥16,505	¥38,339	¥13,701	¥ 1,621	¥ 7,292	¥(141)	¥ 605	¥(100)	¥77,822	¥5,602	¥83,424

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	$165,050	$383,390	$ 78,410	$ 59,120	$111,260	$ 100	$ 16,770	$ (930)	$813,170	$44,660	$857,830
Net income			26,710						26,710		26,710
Cash dividends, $0.03 per share			(11,020)						(11,020)		(11,020)
Purchase of treasury stock								(230)	(230)		(230)
Disposal of treasury stock								160	160		160
Transfer due to sales of lands, and other			42,910						42,910		42,910
Net change in the year				(42,910)	(38,340)	(1,510)	(10,720)		(93,480)	11,360	(82,120)
BALANCE, MARCH 31, 2008	$165,050	$383,390	$137,010	$ 16,210	$ 72,920	$(1,410)	$ 6,050	$(1,000)	$778,220	$56,020	$834,240

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,491	¥ 3,062	$ 44,910
Adjustments for:			
Income taxes - paid	(1,175)	(4,542)	(11,750)
Depreciation	8,397	7,567	83,970
Loss on impairment of long-lived assets	118	2,302	1,180
Loss (gain) on sales of property, plant and equipment	3,942	(6,385)	39,420
Loss on disposal of property, plant and equipment	553	1,964	5,530
Gain on sales of investment securities	(503)	(279)	(5,030)
Write-down of investment securities	10	46	100
Expenses for redevelopment of the Takatsuki Plant site	275	199	2,750
Equity in losses (earnings) of unconsolidated subsidiaries and affiliated companies	(515)	451	(5,150)
Proceeds from refund of trading guarantee deposit	12	101	120
Loss on reparation for products		694	
Loss on cancellation of lease contract		664	
Changes in assets and liabilities, net of effects from newly consolidated subsidiary and split-up of unconsolidated subsidiary:			
Increase in trade accounts receivable	(8,540)	(5,122)	(85,400)
Increase in inventories	(13,665)	(1,102)	(136,650)
Decrease in interest and dividend receivable	272	317	2,720
Increase in trade accounts payable	7,434	1,189	74,340
Increase in interest payable	21	51	210
Decrease in liability for retirement benefits	(82)	(167)	(820)
Other - net	(358)	(3,764)	(3,580)
Net cash provided by (used in) operating activities	687	(2,754)	6,870
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	4,598	11,460	45,980
Purchases of property, plant and equipment	(9,183)	(7,609)	(91,830)
Proceeds from sales of investment securities	833	681	8,330
Purchases of investment securities	(23)	(43)	(230)
Proceeds from sales of securities of consolidated subsidiaries	444	83	4,440
Proceeds from redemption of preferred securities	700		7,000
Increase in other assets	(1,703)	(12)	(17,030)
Net cash provided by (used in) investing activities	(4,334)	4,560	(43,340)

(Continued)

	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
FINANCING ACTIVITIES:			
Increase in short-term borrowings - net	10,897	1,823	108,970
Proceeds from long-term bank loans	17,167	5,808	171,670
Repayments of long-term bank loans	(15,080)	(9,209)	(150,800)
Proceeds from issuance of convertible-typed bonds with warrants		3,000	
Proceeds from minority interests in establishment of consolidated subsidiaries	245		2,450
Redemption of bonds	(5,000)	(5,000)	(50,000)
Purchase of treasury stock	(23)	(18)	(230)
Dividends paid	(1,104)	(17)	(11,040)
Other - net	(261)	(278)	(2,610)
Net cash provided by (used in) financing activities	6,841	(3,891)	68,410
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ 3,194	¥(2,085)	$ 31,940
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(173)	223	(1,730)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	83		830
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,326	8,188	63,260
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,430	¥ 6,326	$ 94,300
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets and liabilities decreased by removing subsidiaries from consolidation (Note 2.a):			
Current assets	¥ 878	¥ 341	$ 8,780
Long-term assets	240	22	2,400
Total	¥ 1,118	¥ 363	$ 11,180
Current liabilities	¥ 712	¥ 297	$ 7,120
Long-term liabilities	65	2	650
Total	¥ 777	¥ 299	$ 7,770
Conversion of convertible-typed bonds with warrants:			
Increase in common stock		¥ 1,505	
Increase in capital surplus		1,494	

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING 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 Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

The accompanying consolidated financial statements are stated in Japanese yen and, solely for the convenience of readers, have been translated into United States dollars at the rate of ¥100 to $1, the approximate exchange rate at March 31, 2008. 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 United States dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2008 and 2007 include the accounts of the Company and its 71 (72 in 2007) significant subsidiaries (together, the "Group").

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

Investments in one unconsolidated subsidiary and 23 (26 in 2007) affiliated companies are accounted for by the equity method.

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

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. The excess of cost over the net assets of subsidiaries acquired is amortized principally over a period of five years.

In 2007, GS Yuasa Power Supply Ltd. (consolidated subsidiary) merged with GS Yuasa Manufacturing Ltd. and GS Yuasa Industry Ltd. (consolidated subsidiaries).

In 2007, GS Yuasa International Ltd. (consolidated subsidiary) merged with Yuasa Development Corporation (consolidated subsidiary).

In 2007, GS Battery Sales Ltd. (consolidated subsidiary) merged with Yuasa Battery Sales Ltd. (consolidated subsidiary) and changed its company name to GS Yuasa Battery Sales Ltd. (consolidated subsidiary).

In 2007, United Lithium Systems Inc. was established and consolidated.

In 2007, the Company sold all of the securities of Yuasa New Com Co., Ltd. (consolidated subsidiary) and accordingly, Yuasa New Com Co., Ltd. was excluded from the Company's consolidated financial statements for the year ended March 31, 2007.

In 2007, the Company newly invested in Electron & Transfer Enterprise and accounted for this entity using the equity method.

In 2007, Tianjin Lead Recycling Co., Ltd. was established and accounted for using the equity method.

In 2007, SANYO GS International Trading (Shanghai) Ltd. was liquidated and excluded from the Company's consolidated financial statements for the year ended March 31, 2007.

In 2008, GS Kanto Merchandise Center Ltd. merged with GS Fukuoka Charge Center Ltd., GS Yuasa Hokkaido Merchandise Center Ltd. and GS Kansai Merchandise Center Ltd. (consolidated subsidiaries), and changed its company name to GS Yuasa Merchandise Center Ltd.

In 2008, Yuasa Battery (Thailand) Pub. Co., Ltd. and Yuasa Battery Sales and Distribution Co., Ltd. which were affiliated companies accounted for by the equity method, were treated as consolidated subsidiaries under the control and influence concept.

In 2008, the Company sold some of the securities of Yuasa Logitec Co., Ltd. (consolidated subsidiary) and accordingly, Yuasa Logitec Co., Ltd. was accounted for using the equity method.

In 2008, Lithium Energy Japan was established and consolidated.

In 2008, SANYO GS Soft Energy Co., Ltd. merged with SANYO GS Soft Energy Rakunan Co., Ltd.

b. Cash and Cash Equivalents - Cash and cash equivalents are cash on hand, deposits in banks (including time deposits) and short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

c. Inventories - Inventories are stated at cost determined by the average method.

d. 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.

Non-marketable 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.

e. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method. Property, plant and equipment of the Company and its domestic subsidiaries acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2007.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥179 million ($1,790 thousand).

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥355 million ($3,550 thousand).

The range of useful lives is from 7 to 50 years for buildings and structures and from 4 to 17 years for machinery.

f. 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 would be 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.

g. Land Revaluation - Under the "Law of Land Revaluation", certain domestic subsidiaries 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, 2008, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥603 million ($6,030 thousand).

h. Retirement Benefits - Certain domestic subsidiaries of the Company have non-contributory pension plans and unfunded retirement benefit plans for employees. In addition, certain domestic subsidiaries of the Company have contributory funded defined benefit pension plans.

Effective April 1, 2000, the Group (formerly, the groups of Japan Storage Battery Co., Ltd. and Yuasa Corporation) adopted a new 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 transitional obligation of ¥15,193 million as of April 1, 2000 is being amortized over 15 years and the annual amortization is presented as other expense in the consolidated statements of income.

Retirement benefits to directors, corporate auditors and executive officers are provided at the amount which would be required if all such persons retired at the balance sheet date.

i. Presentation of Equity - On December 9, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

j. Leases - Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

k. Research and Development Costs - Research and development costs are charged to income as incurred.

l. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws to the temporary differences.

m. Foreign Currency Amounts - All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date.

Revenue and expense items denominated in foreign currencies are translated at the actual exchange rates. Exchange gains or losses are credited or charged to income as incurred.

n. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" 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.

o. 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, interest rates and material price. 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 statements 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. The 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 are recognized and included in interest expense or income.

p. Per Share Information - Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation was 367,200,855 shares and 361,657,793 shares for 2008 and 2007, respectively.

Diluted net income per common share is not disclosed because it is anti-dilutive for 2008 and 2007.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

q. New Accounting Pronouncements

Measurement of Inventories - Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting - On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, 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". The new task force prescribes: 1) 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, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1)Amortization of goodwill

(2)Actuarial gains and losses of defined benefit plans recognized outside profit or loss

(3)Capitalization of intangible assets arising from development phases

(4)Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets

(5)Retrospective application when accounting policies are changed

(6)Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted.

3. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products	¥26,714	¥21,136	$267,140
Semi-finished products	3,195	6,078	31,950
Work-in-process	17,567	8,766	175,670
Raw materials and supplies	9,757	6,707	97,570
Total	¥57,233	¥42,687	$572,330

4. INVESTMENT SECURITIES

Investment securities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥19,373	¥25,566	$193,730
Other	107	886	1,070
Total	¥19,480	¥26,452	$194,800

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,393	¥11,759	¥(164)	¥17,988
Other	15		(1)	14

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,369	¥17,863	¥(43)	¥24,189
Other	74	19		93

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$63,930	$117,590	$(1,640)	$179,880
Other	150		(10)	140

Available-for-sale securities whose fair value is not readily determinable at March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equity securities	¥1,385	¥1,377	$13,850
Other	93	793	930

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥833 million ($8,330 thousand) and ¥681 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, was ¥503 million ($5,030 thousand) for the year ended March 31, 2008 and ¥279 million for the year ended March 31, 2007.

5. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Investments at cost	¥ 9,442	¥ 7,353	$ 94,420
Equity in undistributed earnings	3,084	6,053	30,840
Total	¥12,526	¥13,406	$125,260

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Sales	¥13,592	¥10,682	$135,920
Purchases	12,854	6,919	128,540

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2008 and 2007, as a result, recognized an impairment loss of ¥118 million ($1,180 thousand) and ¥2,302 million, respectively, as other expense for certain assets used for business due to a downturn in profitability of that business and the carrying amount of the assets were written down to the recoverable amount.

The recoverable amount of certain assets was measured at its value in use and the discount rate used for computation of present value of future cash flows was 5%, or at its net selling price based on taxable amount of inherited properties and required adjustment.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Bank loans	¥50,988	¥35,819	$509,880
Commercial papers	3,508	6,000	35,080
Repurchase transactions	4,359		43,590
Total	¥58,855	¥41,819	$588,550

At March 31, 2008, short-term bank loans of ¥10,024 million ($100,240 thousand) were collateralized.

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 balance sheets but are disclosed as contingent liabilities (see Note 14). The weighted average interest rates for the Group's short-term bank loans, commercial papers and repurchase transactions were 3.05% and 2.80% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Collateralized loans, principally from banks, 1.4% to 7.4% maturing serially through December 2012	¥ 1,865	¥ 5,477	$ 18,650
Unsecured bank loans, 0.8% to 7.2% maturing serially through December 2012	44,139	37,782	441,390
Unsecured bonds, 1.2% due September 2007		5,000	
Repurchase transactions		4,358	
Total	46,004	52,617	460,040
Less current portion	(15,036)	(19,558)	(150,360)
Long-term debt	¥ 30,968	¥ 33,059	$ 309,680

The aggregate annual maturities of long-term debt for the years following March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥15,036	$150,360
2010	5,653	56,530
2011	4,706	47,060
2012	841	8,410
2013 and thereafter	19,768	197,680
Total	¥46,004	$460,040

Repayments of certain bank loans in an aggregate amount outstanding of ¥27,000 million ($270,000 thousand) as of March 31, 2008 may be accelerated if one or more of the following events occur:

1) The Company or Group records an ordinary loss ("Keijo Sonshitsu") for two consecutive fiscal years.

2) As for the bank loans in an amount outstanding of ¥12,000 million ($120,000 thousand), the total amount of equity of the Group exclusive of deferred gain or loss on derivatives under hedge accounting and minority interests ("previous shareholders' equity") falls below ¥512 million ($5,120 thousand) and 75% of the total amount of previous shareholders' equity of the Group at the previous period. As for the remaining bank loans, the total amount of previous shareholders' equity of the Group falls below the higher amount of ¥644 million ($6,440 thousand) and 75% of the total amount of previous shareholders' equity of the Group at the previous period.

3) The total amount of previous shareholders' equity of the Group falls below half of the aggregate amount of the liabilities with interest of the Group.

The carrying values of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 147	$ 1,470
Buildings and structures	142	1,420
Investment securities	5,602	56,020
Total	¥5,891	$58,910

As is customary in Japan, security must be provided if requested by the lending banks. Such banks have the right to offset cash deposited with them against any debt or obligation that becomes due, and in case of default, insolvency or imminence thereof, against all other debts payable to the banks. Such rights have never been exercised by any bank against the Group.

8. RETIREMENT BENEFITS

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 payments from the Group and annuity payments from a trustee.

The portions of the liability for retirement benefits attributable to directors, corporate auditors and executive officers at March 31, 2008 and 2007 were ¥389 million ($3,890 thousand) and ¥249 million, respectively.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 48,572	¥ 49,696	$ 485,720
Fair value of plan assets	(29,551)	(38,659)	(295,510)
Unrecognized prior service benefit	1,977	2,184	19,770
Unrecognized actuarial loss	(9,453)	(302)	(94,530)
Unrecognized transitional obligation	(7,332)	(8,409)	(73,320)
Net liability	4,213	4,510	42,130
Prepaid pension cost	2,047	1,204	20,470
Liability for retirement benefits	¥ 6,260	¥ 5,714	$ 62,600

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥1,711	¥1,874	$17,110
Interest cost	925	961	9,250
Expected return on plan assets	(423)	(432)	(4,230)
Amortization of prior service benefit	(207)	(207)	(2,070)
Recognized actuarial loss	617	482	6,170
Amortization of transitional obligation	1,013	1,013	10,130
Net periodic benefit costs	¥3,636	¥3,691	$36,360

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of prior service benefit	14 years	14 years
Recognition period of actuarial gain/loss	10 years to 14 years	10 years to 14 years
Amortization period of transitional obligation	15 years	15 years

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends 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.

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 Corporate Law 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 Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law 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 specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law 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 a normal effective statutory tax rate of approximately 40.5% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Accrued bonuses	¥1,499	¥ 1,317	$ 14,990
Retirement benefits	3,567	3,977	35,670
Write-down of investment securities	1,975	1,913	19,750
Unrealized profit	46	156	460
Tax loss carryforwards	2,147	5,084	21,470
Other	3,521	3,578	35,210
Less valuation allowance	(3,421)	(4,887)	(34,210)
Deferred tax assets	¥9,334	¥11,138	$ 93,340
Deferred tax liabilities:			
Valuation excess of property	¥ 252	¥ 1,520	$ 2,520
Unrealized gain on available-for-sale securities	4,276	6,653	42,760
Undistributed earnings of foreign subsidiaries	1,494	1,469	14,940
Other	2,209	880	22,090
Deferred tax liabilities	¥8,231	¥10,522	$ 82,310
Net deferred tax assets	¥1,103	¥ 616	$ 11,030

Reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 was as follows:

	2008	2007
Normal effective statutory tax rate	40.5%	40.5%
Expenses not deductible for income tax purposes	3.6	5.7
Per capita levy	2.4	4.0
Net change in valuation allowance	(27.8)	(106.4)
Tax benefit not recognized on operating losses of foreign subsidiaries	(6.2)	8.0
Undistributed earnings of foreign subsidiaries	0.5	3.9
Amortization of goodwill	0.1	1.7
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(4.6)	6.0
Non-taxable dividend income	(6.8)	
Elimination of intercompany dividends	16.5	
Unrecognized tax effects on the eliminated intercompany unrealized profit	9.8	
Gain on sales of securities of affiliated company	7.7	
Other - net	0.9	1.8
Actual effective tax rate	36.6%	(34.8)%

At March 31, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥5,300 million ($53,000 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
2009	¥ 44	$ 440
2010	317	3,170
2011		
2012	15	150
2013	439	4,390
2014	3,395	33,950
2015	1,090	10,900
Total	¥5,300	$53,000

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,768 million ($47,680 thousand) and ¥4,536 million for the years ended March 31, 2008 and 2007, respectively.

12. LEASES

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

Total lease payments under finance leases not deemed to transfer ownership of the leased property to the lessee for the years ended March 31, 2008 and 2007 were ¥1,016 million ($10,160 thousand) and ¥1,020 million, respectively.

For the year ended March 31, 2007, the Group recorded an impairment loss of ¥397 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long-term liabilities - other.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen					
	2008			2007		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥493	¥2,424	¥2,917	¥5,184	¥2,089	¥7,273
Accumulated depreciation	240	1,184	1,424	2,589	949	3,538
Accumulated impairment loss				397		397
Net leased property	¥253	¥1,240	¥1,493	¥2,198	¥1,140	¥3,338

	Thousands of U.S. Dollars		
	2008		
	Machinery and Equipment	Other	Total
Acquisition cost	$4,930	$24,240	$29,170
Accumulated depreciation	2,400	11,840	14,240
Net leased property	$2,530	$12,400	$14,930

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 478	¥ 989	$ 4,780
Due after one year	1,015	2,746	10,150
Total	¥1,493	¥3,735	$14,930

Allowance for impairment loss on leased property of ¥397 million as of March 31, 2007 is included in obligations under finance leases.

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

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥1,016	¥1,020	$10,160
Impairment loss		397	

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method.

The minimum rental commitments under noncancelable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥189	¥205	$1,890
Due after one year	377	613	3,770
Total	¥566	¥818	$5,660

13. 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 the Group 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 business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of 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. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

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

The group had no derivative contracts outstanding at March 31, 2008.

The fair value of the Group's derivative financial instruments at March 31, 2007 was as follows:

	Millions of Yen		
	2007		
	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps - Pay fixed/Receive floating	¥2,000	¥(2)	¥(2)

Derivative transactions which are assigned to associated assets or liabilities and are reflected in the consolidated balance sheet at year end, are not subject to the disclosure of market value information.

14. CONTINGENT LIABILITIES

At March 31, 2008, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 22	$ 220
Endorsed note	3	30
Guarantees of bank loans of certain affiliated companies and items of a similar nature	1,556	15,560

15. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2008 was approved at the Company's shareholders meeting held on June 27, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.00 ($0.05) per share	¥1,836	$18,360

16. SEGMENT INFORMATION

The Group operates in the following industries:

Batteries and power supplies consisted of lead-acid batteries, alkaline batteries, power supply systems with batteries and automobile-related products.

Lighting consisted of lighting for facilities and ultraviolet light systems.

Unallocated operating expenses which were included in "Eliminations and/or Corporate" consisted principally of general corporate expenses incurred by the Administration Headquarters of the Company.

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Group for the years ended March 31, 2008 and 2007 were as follows:

(1) Operations in Different Industries

a. Sales and Operating Income

	Millions of Yen						
	2008						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥77,751	¥65,446	¥133,807	¥17,579	¥17,430		¥312,013
Intersegment transfer	990	110	28	75	5,034	¥(6,237)	
Total sales	78,741	65,556	133,835	17,654	22,464	(6,237)	312,013
Operating expenses	78,766	56,854	130,053	16,676	21,973	(4,693)	299,629
Operating income (loss)	¥ (25)	¥ 8,702	¥ 3,782	¥ 978	¥ 491	¥(1,544)	¥ 12,384

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen						
	2008						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	¥63,878	¥47,589	¥108,682	¥13,059	¥27,974	¥4,766	¥265,948
Depreciation	1,878	1,352	3,226	207	1,729	5	8,397
Impairment loss	79		39				118
Capital expenditures	1,679	1,652	4,422	372	1,066		9,191

a. Sales and Operating Income

	Millions of Yen						
	2007						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥69,310	¥60,490	¥90,782	¥16,059	¥24,091		¥260,732
Intersegment transfer	1,131	115	42	78	7,667	¥(9,033)	
Total sales	70,441	60,605	90,824	16,137	31,758	(9,033)	260,732
Operating expenses	73,429	52,834	88,013	15,051	32,147	(7,531)	253,943
Operating income (loss)	¥ (2,988)	¥ 7,771	¥ 2,811	¥ 1,086	¥ (389)	¥(1,502)	¥ 6,789

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen						
	2007						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	¥68,519	¥54,694	¥86,844	¥11,037	¥27,049	¥6,188	¥254,331
Depreciation	2,148	1,308	2,703	228	1,177	3	7,567
Impairment loss	2,302						2,302
Capital expenditures	2,130	1,450	3,118	103	627		7,428

a. Sales and Operating Income

	Thousands of U.S. Dollars						
	2008						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$777,510	$654,460	$1,338,070	$175,790	$174,300		$3,120,130
Intersegment transfer	9,900	1,100	280	750	50,340	$(62,370)	
Total sales	787,410	655,560	1,338,350	176,540	224,640	(62,370)	3,120,130
Operating expenses	787,660	568,540	1,300,530	166,760	219,730	(46,930)	2,996,290
Operating income (loss)	$ (250)	$ 87,020	$ 37,820	$ 9,780	$ 4,910	$(15,440)	$ 123,840

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars						
	2008						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	$638,780	$475,890	$1,086,820	$130,590	$279,740	$47,660	$2,659,480
Depreciation	18,780	13,520	32,260	2,070	17,290	50	83,970
Impairment loss	790		390				1,180
Capital expenditures	16,790	16,520	44,220	3,720	10,660		91,910

Corporate assets which were included in "Eliminations and/or Corporate" consisted principally of investment securities and assets of the administration.

Notes: As discussed in Note 2.e, property, plant and equipment of the Company and its domestic subsidiaries acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2007. The effect of this treatment was to increase operating cost of Batteries and Power Supplies by ¥156 million ($1,560 thousand) and operating cost of Lighting by ¥3 million ($30 thousand) and operating cost of Other by ¥20 million ($200 thousand), respectively, for the year ended March 31, 2008.

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law. The effect of this treatment was to increase operating cost of Batteries and Power Supplies by ¥219 million ($2,190 thousand) and operating cost of Lighting by ¥25 million ($250 thousand) and operating cost of Other by ¥111 million ($1,110 thousand), respectively, for the year ended March 31, 2008

(2) Foreign Operations

The foreign operations of the Group for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of Yen					
	2008					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥195,278	¥59,655	¥40,499	¥16,581		¥312,013
Interarea transfer	20,858	19,387	105		¥(40,350)	
Total sales	216,136	79,042	40,604	16,581	(40,350)	312,013
Operating expenses	204,884	77,382	39,305	16,074	(38,016)	299,629
Operating income	¥ 11,252	¥ 1,660	¥ 1,299	¥ 507	¥ (2,334)	¥ 12,384
Assets	¥176,016	¥61,486	¥27,216	¥11,218	¥ (9,988)	¥265,948

	Millions of Yen					
	2007					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥179,092	¥40,395	¥27,825	¥13,420		¥260,732
Interarea transfer	13,227	11,814	191		¥(25,232)	
Total sales	192,319	52,209	28,016	13,420	(25,232)	260,732
Operating expenses	184,757	50,898	28,487	13,464	(23,663)	253,943
Operating income (loss)	¥ 7,562	¥ 1,311	¥ (471)	¥ (44)	¥ (1,569)	¥ 6,789
Assets	¥180,570	¥45,301	¥21,380	¥ 9,320	¥ (2,240)	¥254,331

	Thousands of U.S. Dollars					
	2008					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	$1,952,780	$596,550	$404,990	$165,810		$3,120,130
Interarea transfer	208,580	193,870	1,050		$(403,500)	
Total sales	2,161,360	790,420	406,040	165,810	(403,500)	3,120,130
Operating expenses	2,048,840	773,820	393,050	160,740	(380,160)	2,996,290
Operating income	$ 112,520	$ 16,600	$ 12,990	$ 5,070	$ (23,340)	$ 123,840
Assets	$1,760,160	$614,860	$272,160	$112,180	$ (99,880)	$2,659,480

Unallocated operating expenses which were included in "Eliminations and/or Corporate" consisted principally of general corporate expenses incurred by the Administration Headquarters of the Company.

Corporate assets which were included in "Eliminations and/or Corporate" consisted principally of investment securities and assets of the administration.

Notes: As discussed in Note 2.e, property, plant and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2007. The effect of this treatment was to increase operating cost of Japan by ¥179 million ($1,790 thousand) and for the year ended March 31, 2008.

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law. The effect of this treatment was to increase operating cost of Japan by ¥355 million ($3,550 thousand) for the year ended March 31, 2008.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2008 and 2007 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2008	2007	2008	2008	2007
Asia	¥ 57,153	¥37,740	$ 571,530	18.3%	14.5%
Europe and America	58,424	42,518	584,240	18.7	16.3
Other	22,627	18,268	226,270	7.3	7.0
Total	¥138,204	¥98,526	$1,382,040	44.3%	37.8%

Deloitte.

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To the Board of Directors of GS Yuasa Corporation:

We have audited the accompanying consolidated balance sheets of GS Yuasa Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GS Yuasa Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 27, 2008

Member of
Deloitte Touche Tohmatsu

BOARD OF DIRECTORS

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Kan Akiyama

President
Makoto Yoda

Excecutive Vice President
Haruyuki Ueda

Senior Managing Director
Masaaki Nakamura

Managing Directors
Hideyuki Maeno
Katsuyuki Ono
Koichi Shiina

Director
Noboru Kitamura

Full-time Corporate Auditors
Syunsuke Kusuyama
Shigeo Uemura
Tadashi Shimizu

Corporate Auditor
Isao Fujii

(as of June 27, 2008)

OUTLINE OF COMPANY (as of March 31, 2008)

Established :		April 1, 2004
Number of Employees :	***Non-consolidated***	242
	Consolidated	12,467
Paid-in Capital :		16.5 billion yen
Number of Shareholders :		39,383
Shares Outstanding :		367,574,714
Listed-securities exchange :		Tokyo Stock Exchange, Osaka Securities Exghange
Stock Code :		6674

PRINCIPAL SHAREHOLDERS (as of March 31, 2008)

The Master Trust Bank of Japan, Ltd. (Trust Account)
Meiji Yasuda Life Insurance Company
Nippon Life Insurance Company
Toyota Motor Corporation
Japan Trustee Services Bank, Ltd. (Trust Account)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Bank of Kyoto, Ltd.
Sumitomo Mitsui Banking Corporation
The Chuo Mitsui Trust and Banking Company, Limited
The Dai-ichi Mutual Life Insurance Company

JAB EMS Accreditation RE 009 · ISO 14001 JACO EC97J1151 · UKAS ENVIRONMENTAL MANAGEMENT 051

*Kyoto Office: Accreditation (Dec.24, 1997)

GS Yuasa Corporation

Url: http://www.gs-yuasa.com/jp

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GS Yuasa Technology Ltd.
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Kyoto pref. 620-0853, Japan
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GS Yuasa Lighting Ltd.
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Minami-ku, Kyoto, 601-8520, Japan
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GS Yuasa International Ltd.
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Shared Service Companies

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Minami-ku, Kyoto 601-8520, Japan
Phone: 81-75-312-1211

GS Yuasa Accounting Service Ltd.
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Minami-ku, Kyoto 601-8520, Japan
Phone: 81-75-312-1211

Major Overseas Consolidated Subsidiaries

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999 Chung Cheng North Road, Yeong Kang,
Tainan, Taiwan ROC
Phone: 886-6-2532191
Fax: 886-6-2535188
Url: http://www.zyibattery.com

Tianjin Tong Yee Industrial Co., Ltd.
No.189 Huanghai Road, Tianjin Economic
Technological Development Area(TEDA), Tianjin,
P.R.China
Phone: 86-22-2532-5681
Fax: 86-22-2532-8527
Url: http://www.tongyeebattery.com.cn

GS Battery Vietnam Co., Ltd.
No.18, St No.3, Vietnam-Singapore Industrial
Park, Binh Duong Province, Vietnam
Phone: 84-650-756360
Fax: 84-650-756362

GS Battery (U.S.A.) Inc.
1000 Mansell Exchange West,
Suite 350 Alpharetta, GA 30022-1501, U.S.A.
Phone: 1-678-762-4818
Fax: 1-678-739-2133
Url: http://www.gsbattery.com

Yuasa Battery, Inc.
2901 Montrose Ave. Laureldale,
PA 19605, U.S.A.
Phone: 1-610-929-5781
Fax: 1-610-568-1123
Url: http://www.yuasabatteries.com

Yuasa Battery Europe Ltd.
Unit 22 Rassau Industrial Estate
Ebbw Vale, Gwent NP23 5SD United Kingdom
Phone: 44-1495-354052
Fax: 44-1495-354076
Url: http://www.yuasa-battery.co.uk

Century Yuasa Batteries Pty Ltd.
49-65, Cobalt Street, Carole Park, Qld., 4300
Australia
Phone : 61-7-3361-6161
Fax : 61-7-3361-6166
Url: http://www.cyb.com.au

Yuasa Battery (Guangdong) Co., Ltd.
Fei E Gang, Daliang, Shunde, Foshan, Guangdong,
P.R.China
Phone : 86-757-2262-3445
Fax : 86-757-2262-4441
Url: http://www.gdyuasa.com

Yuasa Battery (Shunde) Co., Ltd.
Fu An Industrial District, LieLiu , Shunde, Foshan,
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GS Yuasa Corporation

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