ANNUAL REPORT 2007

GS YUASA

GS Yuasa Corporation

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.

Our Group is comprised of the Company and 81 subsidiaries and 46 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, 2007 totaled US$2,209 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

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A LETTER FROM TOP MANAGEMENT

During the current consolidated fiscal period (April 1, 2006 to March 31, 2007), the Japanese economy experienced downward pressure in corporate profits as oil prices and non-ferrous metal prices continued to soar. However, the trend of gradual economic expansion has continued as a result of increases in capital investment against the backdrop of generally steady corporate profit performance, supported by a recovery in personal consumption due to improvement in employment conditions.

Under this business environment, the GS Yuasa Group established its “First Mid-Term Management Plan” (FY06~FY08) heading in a new growth direction for the Group. The plan is based on progress made in management streamlining and improved efficiency under the “Restructuring Plan”, tackled in the previous consolidated fiscal period as part of measures for a fundamental improvement in its profit structure and business recovery.

Consolidated sales for the fiscal year ended March 31, 2007 increased by ¥1,733 million (7.1%) as compared to the previous consolidated fiscal period to ¥260,732 million as a result of favorable progress in industrial batteries and power supply systems and also from the effects of revised sales prices by our consolidated subsidiaries as countermeasures for soaring prices in raw materials. Sales of automotive batteries only slightly increased in the domestic market.

As for profits, procurement costs increased significantly due to the high price of our major raw materials, such as lead. However, in addition to the enhanced effects of the Restructuring Plan, (including the increase in net sales and cost reductions such as personnel costs), as a result of increased profits gained from the First Mid-Term Management Plan, operating profit in the current consolidated fiscal period increased by ¥1,136 million (20.1%) as compared to the previous consolidated fiscal period to ¥6,789 million. On the other hand, due to claim losses accrued at companies to which the equity method is applied, equity method income largely deteriorated and ordinary profit increased by ¥417 million (8.2%) as compared to the previous consolidated fiscal period to ¥5,517 million.

In this regard, while profit from sales of fixed assets, including land, is appropriated as special profit, losses on retirement of fixed assets, impairment losses etc, are appropriated as special losses. As a result of adding tax expenses, including corporate tax adjustments, net profit for the current consolidated fiscal period increased by ¥3,532 million (590.6%) as compared to the previous consolidated fiscal period to ¥4,130 million.

We report that dividends for the current period have been set at ¥3 per share as scheduled, based on improvement in the consolidated business results.

As for prospects, we assume that the severe business environment will continue, but our Group will continue to pursue the targets set out in the above-described “First Mid-Term Management Plan” moving us toward realization of further growth. In doing so, we heartily ask for increased guidance and support from all of you.

Kan Akiyama
Chairman

Makoto Yoda
President

GS Yuasa Corporation is currently working towards achieving the targets set out in the First Mid-Term Management Plan announced in May 2006. The progress status of the first year of the plan is as follows:

1. Progress of First Mid-term Management Plan
   In 2006, efforts were made to expand business, streamline and reduce total costs all while weathering a severe business environment from increasingly tougher competition and soaring prices of our major raw material, lead. As a result, although business results were better than those in 2005, we were unable to achieve our ordinary profit target for the first year of the First Mid-Term Management Plan - the major factor being our unrealized objectives for the domestic automotive battery business.
   In order to cope with the task of making the Automotive Battery Business profitable, we have established a “Two-Year Plan to Recycle Automotive Batteries” (FY07~FY08) which will aim to promote further efficient business as well as reallocate business resources.
   Business strategy tasks other than Automotive Batteries have progressed as planned and will be accelerated and further enhanced in order to achieve targets set in the First Mid-Term Management Plan.

2. Targets
   Profit and loss target of FY09

Net Sales	260 billion yen		
Operating Profit	13 billion yen	Operating Profit Ratio	5.0%
Ordinary Profit	12 billion yen	Ordinary Profit Ratio	4.6%

3. Special Projects
   Special Projects was established to focus on delivering the various business strategy tasks assigned to multiple businesses across the company for the purpose of achieving the management targets of the First Mid-Term Management Plan. These tasks include:
   (1) Streamlining of Head Office and Indirect Management Departments;
   (2) Profit Improvement of Domestic Automotive battery business;
   (3) Intensive participation in HEV/EV market;
   (4) Further Expansion of Chinese and Asian business;
   (5) Expansion of Large Lithium-ion Battery Business;
   Special Projects aim to achieve these tasks as quickly as possible through swift decision making and execution.

Outline of “Countermeasures for Large Acquisition of Shares of GS Yuasa Corporation (TOB Defense Measures)” (hereinafter referred to as the “Plan”) approved and adopted by the 3rd Term Ordinary General Meeting of Shareholders is as follows.

The Plan provides clear procedures in the event of a bidder attempting to acquire 20% or more of the company's shares. Firstly, it requires the takeover bidder to provide in advance information about themselves and the bid. In addition to guaranteeing a period of time for our management team to collect information about the bidder, procedures are also in place for management to present tactics and alternatives to the shareholders, and to conduct negotiations with the bidder.

Where takeover bids are deemed to be in conflict with prescribed procedures and therefore detrimental to our corporate value and the common interest of shareholders, a counter-measure will be deployed in which shareholders are advised (in advance of the takeover bid), of a gratis allotment of stock acquisition rights, a condition of which is that they can only be exercised by shareholders as of that time. The bidder is then advised that their voting rights ratio may be diluted by up to 50% and this may deter them from carrying out the bid thereby protecting the corporate value and the common interest of the shareholders.

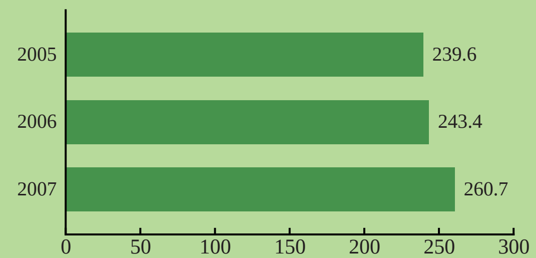
In this regard, with respect to determination of whether to carry out the gratis allotment of stock acquisition rights, advice shall be sought from the Corporate Value Evaluation Committee. The committee will consist of three members including the company's external auditor as well as outside experts, all independent of the company's management, and will serve to prevent the Board of Directors making an arbitrary decision, as well as securing transparency by disclosing the information to the shareholders in a timely manner.

The term of the Plan shall be the closing of the ordinary general meeting of shareholders for the business year ending March 31, 2009.

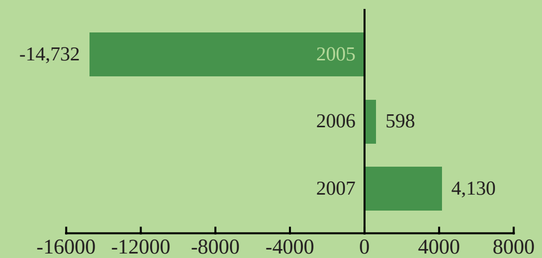
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 2) (Except for Per Share Amounts)
	2007	2006	2007
Net sales	¥260,732	¥243,429	$2,209,593
Costs and operating expenses	253,943	237,776	2,152,059
Other expenses, net	(3,727)	(4,295)	(31,585)
Income before income taxes and minority interests	3,062	1,358	25,949
Net income	4,131	598	35,008
Per share of common stock (in yen, in U.S. dollars)			
- Net income	11.42	1.68	0.10
Property, plant and equipment	77,305	86,649	655,127
Total assets	254,331	254,808	2,155,348
Total equity	85,783	72,438	726,975

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, 2007, of ¥118 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 6,326	¥ 8,188	$ 53,610
Time deposits	70	373	593
Receivables:			
Trade notes	6,430	6,687	54,492
Trade accounts	55,120	52,577	467,119
Unconsolidated subsidiaries and affiliated companies	3,259	935	27,619
Other	7,955	5,974	67,415
Allowance for doubtful receivables	(316)	(344)	(2,678)
Inventories (Note 4)	42,687	40,422	361,754
Deferred tax assets (Note 12)	1,892	1,755	16,034
Prepaid expenses and other current assets	4,349	2,049	36,856
Total current assets	127,772	118,616	1,082,814
PROPERTY, PLANT AND EQUIPMENT (Note 7 and 8):			
Land (Note 2.h)	25,520	30,849	216,271
Buildings and structures	56,945	57,192	482,585
Machinery and equipment	88,832	90,376	752,813
Furniture and fixtures	22,459	23,579	190,331
Construction in progress	1,862	2,865	15,780
Total	195,618	204,861	1,657,780
Accumulated depreciation	(118,313)	(118,212)	(1,002,653)
Net property, plant and equipment	77,305	86,649	655,127
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 8)	26,452	27,349	224,169
Investments in unconsolidated subsidiaries and affiliated companies (Note 6)	13,406	13,699	113,610
Goodwill	586	324	4,966
Long-term assets for employees' retirement benefits	1,204	699	10,203
Deferred tax assets (Note 12)	1,907	1,135	16,161
Other assets	5,699	6,337	48,298
Total investments and other assets	49,254	49,543	417,407
TOTAL	¥254,331	¥254,808	$2,155,348

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 41,819	¥ 39,427	$ 354,398
Current portion of long-term debt (Note 8)	19,558	14,125	165,746
Payables:			
Trade notes	9,758	10,856	82,695
Trade accounts	18,827	18,143	159,551
Unconsolidated subsidiaries and affiliated companies	973	720	8,246
Other	13,299	14,354	112,704
Income taxes payable	1,366	2,354	11,576
Accrued expenses	6,634	5,815	56,220
Deferred tax liabilities (Note 12)	3	1	25
Other current liabilities	3,240	2,421	27,458
Total current liabilities	115,477	108,216	978,619
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	28,701	41,659	243,229
Liability for retirement benefits (Notes 2.i and 9)	5,963	5,604	50,534
Long-term deposits received	7,976	7,866	67,593
Deferred tax liabilities (Note 12)	3,180	6,434	26,950
Deferred tax liabilities on land revaluation	4,025	4,310	34,110
Other	3,226	3,978	27,338
Total long-term liabilities	53,071	69,851	449,754
MINORITY INTERESTS		4,303	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 15 and 16)			
EQUITY (Note 10):			
Common stock, authorized, 1,400,000,000 shares; issued, 367,574,714 shares in 2007 and 355,539,621 shared in 2006	16,505	15,000	139,873
Capital surplus	38,339	36,845	324,907
Retained earnings	7,841	3,292	66,449
Land revaluation surplus (Note 2.h)	5,912	6,330	50,102
Unrealized gain on available-for-sale securities	11,126	11,055	94,288
Deferred gain on derivatives under hedge accounting	10		85
Foreign currency translation adjustments	1,677	(9)	14,212
Treasury stock - at cost: 358,141 shares in 2007 and 293,037 shares in 2006	(93)	(75)	(788)
Total	81,317	72,438	689,128
Minority interests	4,466		37,847
Total equity	85,783	72,438	726,975
TOTAL	¥254,331	¥254,808	$2,155,348

CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES (Note 6)	¥260,732	¥243,429	$2,209,593
COST OF SALES (Note 6)	203,605	188,281	1,725,466
Gross profit	57,127	55,148	484,127
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	50,338	49,495	426,593
Operating income	6,789	5,653	57,534
OTHER INCOME (EXPENSES):			
Interest and dividend income	461	596	3,907
Interest expense	(2,170)	(2,337)	(18,390)
Gain on sales of property, plant and equipment	6,385	2,666	54,110
Loss on disposal of property, plant and equipment	(1,964)	(1,469)	(16,644)
Loss on impairment of long-lived assets	(2,302)	(632)	(19,508)
Gain on sales of investment securities	279	5,944	2,364
Write-down of investment securities	(46)	(64)	(390)
Foreign exchange gain	1,147	298	9,720
Equity in earnings (losses) of unconsolidated subsidiaries and affiliated companies	(451)	1,126	(3,822)
Gain on liquidation of dormant partnership		2,429	
Expenses for redevelopment of the Takatsuki Plant site	(199)	(4,161)	(1,686)
Charge of full amount of unfunded pension obligations for retirement benefits at overseas subsidiary		(2,237)	
Loss on reparation for products	(694)		(5,881)
Loss on cancellation of lease contract	(664)		(5,627)
Loss on business restructuring	(604)	(233)	(5,119)
Additional severance payment for early retirement	(348)	(5,342)	(2,949)
Other - net	(2,557)	(879)	(21,670)
Other expenses - net	(3,727)	(4,295)	(31,585)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,062	1,358	25,949
INCOME TAXES (Note 12):			
Current	2,527	3,784	21,416
Deferred	(3,592)	(3,018)	(30,441)
Total income taxes	(1,065)	766	(9,025)
MINORITY INTERESTS IN NET LOSS	4	6	34
NET INCOME	¥ 4,131	¥ 598	$ 35,008
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.r):			
Net income	¥11.42	¥1.68	$0.10
Cash dividends applicable to the year	3.00		0.03

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Millions of Yen

	Outstanding Number of Share of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	355,278,016	¥15,000	¥36,845	¥ (57)	¥ 9,081	¥ 8,327		¥(3,414)	¥(74)	¥65,708		¥65,708
Net income				598						598		598
Repurchase of treasury stock	(31,432)								(1)	(1)		(1)
Transfer due to sales of lands, and other				2,751	(2,751)							
Net increase in unrealized gain on available-for-sale securities						2,728				2,728		2,728
Net change in foreign currency translation adjustments								3,405		3,405		3,405
BALANCE, MARCH 31, 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.j)											¥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
Repurchase 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

Thousands of U.S. Dollars (Note 1)

	Outstanding Number of Share of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006		$127,119	$312,246	$27,899	$53,644	$93,686		$ (76)	$(636)	$613,882		$613,882
Reclassified balance as of March 31, 2006 (Note 2.j)											$36,466	36,466
Net income				35,008						35,008		35,008
Conversion of convertible-typed bonds with warrants		12,754	12,661							25,415		25,415
Repurchase of treasury stock									(152)	(152)		(152)
Transfer due to sales of lands, and other				3,542						3,542		3,542
Net change in the year					(3,542)	602	$85	14,288		11,433	1,381	12,814
BALANCE, MARCH 31, 2007		$139,873	$324,907	$66,449	$50,102	$94,288	$85	$14,212	$(788)	$689,128	$37,847	$726,975

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,062	¥ 1,358	$ 25,949
Adjustments for:			
Income taxes - paid	(4,542)	(4,128)	(38,492)
Depreciation	7,567	7,688	64,127
Loss on impairment of long-lived assets	2,302	632	19,508
Gain on sales of property, plant and equipment	(6,385)	(2,666)	(54,110)
Loss on disposal of property, plant and equipment	1,964	1,469	16,644
Gain on sales of investment securities	(279)	(5,944)	(2,364)
Write-down of investment securities	46	64	390
Gain on liquidation of dormant partnership		(2,429)	
Expenses for redevelopment of the Takatsuki Plant site	199	4,161	1,686
Charge of full amount of unfunded pension obligations for retirement benefits at overseas subsidiary		2,237	
Equity in losses (earnings) of unconsolidated subsidiaries and affiliated companies	451	(1,126)	3,822
Proceeds from refund of trading guarantee deposit	101	1,351	856
Loss on reparation for products	694		5,881
Loss on cancellation of lease contract	664		5,627
Changes in assets and liabilities, net of effects from newly consolidated subsidiary and split-up of unconsolidated subsidiary:			
Decrease (increase) in trade accounts receivable	(5,122)	5,595	(43,407)
Increase in inventories	(1,102)	(3,404)	(9,339)
Decrease in interest and dividend receivable	317	339	2,686
Increase (decrease) in trade accounts payable	1,189	(830)	10,076
Increase (decrease) in interest payable	51	(42)	432
Decrease in liability for retirement benefits	(167)	(3,049)	(1,415)
Other - net	(3,764)	(9,482)	(31,896)
Net cash used in operating activities	(2,754)	(8,206)	(23,339)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	11,460	7,142	97,119
Purchases of property, plant and equipment	(7,609)	(6,145)	(64,483)
Proceeds from sales of investment securities	681	17,431	5,771
Purchases of investment securities	(43)	(1,927)	(364)
Proceeds from liquidation of dormant partnership		2,834	
Proceeds from sales of securities of consolidated subsidiaries	83		703
Decrease (increase) in other assets	(12)	1,216	(102)
Net cash provided by investing activities	4,560	20,551	38,644

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
FINANCING ACTIVITIES:			
Increase in short-term borrowings - net	1,823	3,264	15,449
Proceeds from long-term bank loans	5,808	19,392	49,220
Repayments of long-term bank loans	(9,209)	(26,452)	(78,042)
Proceeds from issuance of convertible-typed bonds with warrants	3,000		25,424
Redemption of bonds	(5,000)	(3,000)	(42,373)
Repurchase of treasury stock	(18)	(21)	(153)
Decrease in deposits received account		(6,563)	
Dividends paid	(17)	(8)	(144)
Other - net	(278)	(94)	(2,356)
Net cash used in financing activities	(3,891)	(13,482)	(32,975)
NET DECREASE IN CASH AND CASH EQUIVALENTS	¥(2,085)	¥ (1,137)	$(17,670)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	223	469	1,890
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,188	8,856	69,390
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 6,326	¥ 8,188	$ 53,610
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets and liabilities decreased by removing subsidiaries from consolidation (Note 2.a):			
Current assets	¥ 341		$ 2,890
Long-term assets	22		186
Total	¥ 363		$ 3,076
Current liabilities	¥ 297		$ 2,517
Long-term liabilities	2		17
Total	¥ 299		$ 2,534
Conversion of convertible-typed bonds with warrants:			
Increase in common stock	¥ 1,505		$ 12,754
Increase in capital surplus	1,494		12,661

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 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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan ("Japanese GAAP") and has been renamed "the statement of changes in equity" in the current fiscal year.

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 ¥118 to $1, the approximate exchange rate at March 31, 2007. 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, 2007 and 2006 include the accounts of the Company and its 72 (76 in 2006) 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 26 (25 in 2006) 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 2006, Yuasa Power Systems Co., Ltd. merged with GS Technical Service Co., Ltd. and GS Kanto Service Co., Ltd. (consolidated subsidiaries), and changed its company name to GS Yuasa Fieldings Co., Ltd.

In 2006, Yuasa Corporation (consolidated subsidiary), through a corporate split-up, established Yuasa Development Corporation, merged with Japan Storage Battery Co., Ltd. (consolidated subsidiary) and changed its company name to GS Yuasa Industry Ltd. Both new companies were consolidated.

In 2006, GS Yuasa Business Support Ltd. (consolidated subsidiary) merged with GS Yuasa Information Ltd. (consolidated subsidiary).

In 2006, Tata AutoComp GY Batteries Pvt. Ltd. was established and accounted for using the equity method.

In 2006, Toplite (Guanguhou) Technology Battery Co., Ltd. and WIHDAH LIMITED were accounted for using the equity method from April 1, 2005 because of the growing importance of the effect.

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.

b. Business Combination - In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations". These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

GS Yuasa Power Supply Ltd. merged with GS Yuasa Manufacturing Ltd. and GS Yuasa Industry Ltd. on January 1, 2007 and GS Yuasa International Ltd. merged with Yuasa Development Corporation. All of these companies were subsidiaries, and the Group accounted for these business combinations as combinations of entities under common control. The Group recorded the combined assets, liabilities and reserves at their existing carrying amounts.

c. 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.

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

e. 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.

f. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings of the Company and its consolidated domestic subsidiaries and almost all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 7 to 50 years for buildings and structures and from 4 to 17 years for machinery.

g. Long-lived Assets - In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003, the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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.

h. 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 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, 2007, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥3,463 million ($29,347 thousand).

i. 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.

j. Presentation of Equity - On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities 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 consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

k. Leases - All leases are accounted for as operating 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.

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

m. 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 basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Appropriations of Retained Earnings - Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

o. 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.

p. 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.

q. 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.

r. 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 361,657,793 shares and 355,233,274 shares for 2007 and 2006, respectively.

Diluted net income per common share is not disclosed because it is anti-dilutive for 2007 and 2006.

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.

s. New Accounting Pronouncements

Measurement of Inventories - Under 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.

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 should be capitalized. 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.

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. BUSINESS COMBINATION

On January 1, 2007, GS Yuasa Power Supply Ltd. merged with GS Yuasa Manufacturing Ltd. and GS Yuasa Industry Ltd. On March 1, 2007, GS Yuasa International Ltd. merged with Yuasa Development Corporation. All of these companies were consolidated subsidiaries. Both mergers were made to continue the growth by utilizing the management resources of these companies and gaining synergy.

The Group accounted for these business combinations as combinations of entities under common control. The Group recorded the combined assets, liabilities and reserves at their existing carrying amounts.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥21,136	¥23,604	$179,119
Semi-finished products	6,078	1,882	51,508
Work-in-process	8,766	8,600	74,288
Raw materials and supplies	6,707	6,336	56,839
Total	¥42,687	¥40,422	$361,754

5. INVESTMENT SECURITIES

Investment securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current:			
Marketable equity securities	¥25,566	¥26,460	$216,661
Government and corporate bonds		30	
Other	886	859	7,508
Total	¥26,452	¥27,349	$224,169

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	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

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,055	¥18,668	¥(14)	¥24,709
Debt securities	30			30
Other	59	7		66

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$53,975	$151,381	$(364)	$204,992
Other	627	161		788

Available-for-sale securities whose fair value is not readily determinable at March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Equity securities	¥1,377	¥1,751	$11,669
Others	793	793	6,720

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥681 million ($5,771 thousand) and ¥17,431 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, was ¥279 million ($2,364 thousand) for the year ended March 31, 2007 and gross realized gains and losses on these sales were ¥6,386 million and ¥442 million, respectively for the year ended March 31, 2006.

6. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Investments at cost	¥ 7,353	¥ 7,158	$ 62,313
Equity in undistributed earnings	6,053	6,541	51,297
Total	¥13,406	¥13,699	$113,610

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Sales	¥10,682	¥4,345	$90,525
Purchases	6,919	6,050	58,636

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2007 and, as a result, recognized an impairment loss of ¥2,302 million ($19,508 thousand) 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 Group reviewed its long-lived assets for impairment as of the year ended March 31, 2006 and, as a result, recognized an impairment loss of ¥632 million as other expense for certain assets used for business and idle properties 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.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Bank loans	¥35,819	¥39,427	$303,551
Commercial papers	6,000		50,847
Total	¥41,819	¥39,427	$354,398

At March 31, 2007, short-term bank loans of ¥8,050 million ($68,220 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 16). The weighted average interest rates for the Group's short-term bank loans and commercial papers were 2.80% and 2.12% at March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Collateralized loans, principally from banks, 1.4% to 7.4% maturing serially through December 2012	¥ 5,477	¥ 4,719	$ 46,415
Unsecured bank loans, 0.8% to 7.2% maturing serially through December 2012	37,782	41,065	320,187
Unsecured bonds, 1.06% due March 2007		5,000	
Unsecured bonds, 1.20% due September 2007	5,000	5,000	42,373
Total	48,259	55,784	408,975
Less current portion	(19,558)	(14,125)	(165,746)
Long-term debt	¥ 28,701	¥ 41,659	$ 243,229

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The aggregate annual maturities of long-term debt for the years following March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥19,558	$165,746
2009	15,041	127,466
2010	5,574	47,237
2011	778	6,593
2012	4,822	40,865
2013 and thereafter	2,486	21,068
Total	¥48,259	$408,975

Repayments of certain bank loans in an aggregate amount outstanding of ¥17,560 million ($148,814 thousand) as of March 31, 2007 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 ¥5,560 million ($47,119 thousand), the total amount of equity of the Group exclusive for deferred gain on derivatives under hedge accounting and minority interests ("previous shareholders' equity") falls below ¥543 million ($4,602 thousand). As for the remaining bank loans, the total amount of previous shareholders' equity of the Group falls below the higher amount of ¥512 million ($4,339 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, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 148	$ 1,254
Buildings and structures	153	1,297
Investment securities	7,099	60,161
Total	¥7,400	$62,712

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.

9. 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, 2007 and 2006 were ¥249 million ($2,110 thousand) and ¥378 million, respectively.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 49,696	¥ 51,691	$ 421,153
Fair value of plan assets	(38,659)	(40,694)	(327,619)
Unrecognized prior service benefit	2,184	2,391	18,509
Unrecognized actuarial gain (loss)	(302)	742	(2,559)
Unrecognized transitional obligation	(8,409)	(9,603)	(71,263)
Net liability	4,510	4,527	38,221
Prepaid pension cost	1,204	699	10,203
Liability for retirement benefits	¥ 5,714	¥ 5,226	$ 48,424

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥1,874	¥2,133	$15,881
Interest cost	961	1,054	8,144
Expected return on plan assets	(432)	(340)	(3,661)
Amortization of prior service benefit	(207)	(207)	(1,754)
Recognized actuarial loss	482	1,440	4,085
Amortization of transitional obligation	1,013	1,013	8,585
Net periodic benefit costs	¥3,691	¥5,093	$31,280

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
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

10. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes 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.

11. 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, 2007 and 2006 were as follows:

(1) Operations in Different Industries

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

	Millions of Yen 2006						
	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	¥69,367	¥55,086	¥74,452	¥17,732	¥26,792		¥243,429
Intersegment transfer	461	499	21	64	7,169	¥(8,214)	
Total sales	69,828	55,585	74,473	17,796	33,961	(8,214)	243,429
Operating expenses	70,734	49,090	74,714	16,562	32,390	(5,714)	237,776
Operating income (loss)	¥ (906)	¥ 6,495	¥ (241)	¥ 1,234	¥ 1,571	¥(2,500)	¥ 5,653

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen 2006						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	¥66,943	¥57,169	¥74,932	¥11,977	¥36,983	¥6,804	¥254,808
Depreciation	2,189	1,195	2,772	233	1,297	2	7,688
Impairment loss	246	139	5	1	241		632
Capital expenditures	2,425	1,866	2,381	221	1,747		8,640

a. Sales and Operating Income

	Thousands of U.S. Dollars 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	$581,373	$512,627	$769,339	$136,093	$204,161		$2,209,593
Intersegment transfer	9,585	975	356	661	64,974	$(76,551)	
Total sales	596,958	513,602	769,695	136,754	269,135	(76,551)	2,209,593
Operating expenses	622,280	447,746	745,873	127,551	272,431	(63,822)	2,152,059
Operating income (loss)	$(25,322)	$ 65,856	$ 23,822	$ 9,203	$ (3,296)	$(12,729)	$ 57,534

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars 2007						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	$580,669	$463,509	$735,966	$93,534	$229,229	$52,441	$2,155,348
Depreciation	18,203	11,085	22,907	1,932	9,975	25	64,127
Impairment loss	19,508						19,508
Capital expenditures	18,051	12,288	26,424	873	5,313		62,949

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

(2) Foreign Operations

The foreign operations of the Group for the years ended March 31, 2007 and 2006 were summarized as follows:

	Millions of Yen 2007					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consolidated
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

	Millions of Yen 2006					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥175,667	¥29,234	¥26,544	¥11,984		¥243,429
Interarea transfer	8,788	12,508	96	1	¥(21,393)	
Total sales	184,455	41,742	26,640	11,985	(21,393)	243,429
Operating expenses	176,406	41,064	27,515	11,562	(18,771)	237,776
Operating income (loss)	¥ 8,049	¥ 678	¥ (875)	¥ 423	¥ (2,622)	¥ 5,653
Assets	¥189,155	¥41,418	¥21,662	¥ 8,880	¥ (6,307)	¥254,808

	Thousands of U.S. Dollars 2007					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$1,517,729	$342,330	$235,805	$113,729		$2,209,593
Interarea transfer	112,093	100,119	1,619		$(213,831)	
Total sales	1,629,822	442,449	237,424	113,729	(213,831)	2,209,593
Operating expenses	1,565,737	431,339	241,415	114,102	(200,534)	2,152,059
Operating income (loss)	$ 64,085	$ 11,110	$ (3,991)	$ (373)	$ (13,297)	$ 57,534
Assets	$1,530,254	$383,907	$181,187	$ 78,983	$ (18,983)	$2,155,348

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.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2007	2006	2007	2007	2006
Asia	¥37,740	¥32,094	$319,831	14.5%	13.2%
Europe and America	42,518	36,334	360,322	16.3	14.9
Other	18,268	14,646	154,813	7.0	6.0
Total	¥98,526	¥83,074	$834,966	37.8%	34.1%

12. 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, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Accrued bonuses	¥ 1,317	¥ 1,421	$ 11,161
Retirement benefits	3,879	3,969	32,873
Write-down of investment securities	1,913	2,672	16,212
Unrealized profit	156	49	1,322
Tax loss carryforwards	5,084	5,890	43,085
Other	3,676	4,540	31,152
Less valuation allowance	(4,887)	(8,962)	(41,415)
Deferred tax assets	¥11,138	¥ 9,579	$ 94,390
Deferred tax liabilities:			
Valuation excess of property	¥ 1,520	¥ 3,315	$ 12,881
Unrealized gain on available-for-sale securities	6,653	7,558	56,381
Undistributed earnings of foreign subsidiaries	1,469	1,349	12,449
Other	880	902	7,459
Deferred tax liabilities	¥10,522	¥13,124	$ 89,170
Net deferred tax assets (liabilities)	¥ 616	¥ (3,545)	$ 5,220

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, 2007 and 2006 was as follows:

	2007	2006
Normal effective statutory tax rate	40.5%	40.5%
Expenses not deductible for income tax purposes	5.7	13.9
Non-taxable dividend income		(16.4)
Per capita levy	4.0	8.9
Net change in valuation allowance	(106.4)	(24.6)
Tax benefit not recognized on operating losses of foreign subsidiaries	8.0	8.0
Undistributed earnings of foreign subsidiaries	3.9	13.5
Amortization of goodwill	1.7	4.0
Equity in earnings of unconsolidated subsidiaries and affiliated companies	6.0	(33.6)
Elimination of intercompany dividends		53.8
Refund of income taxes of subsidiaries		(10.2)
Other - net	1.8	(1.4)
Actual effective tax rate	(34.8)%	56.4%

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥12,642 million ($107,136 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	¥ 47	$ 398
2010	317	2,687
2011	1	8
2012	22	186
2013	7,833	66,382
2014	4,422	37,475
Total	¥12,642	$107,136

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,536 million ($38,441 thousand) and ¥4,354 million for the years ended March 31, 2007 and 2006, respectively.

14. 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, 2007 and 2006 were ¥1,020 million ($8,644 thousand) and ¥1,196 million, respectively.

For the year ended March 31, 2007, the Group recorded an impairment loss of ¥397 million ($3,364 thousand) 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, 2007 and 2006 was as follows:

	Millions of Yen					
	2007			2006		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥5,184	¥2,089	¥7,273	¥5,064	¥3,367	¥8,431
Accumulated depreciation	2,589	949	3,538	1,990	1,522	3,512
Accumulated impairment loss	397		397			
Net leased property	¥2,198	¥1,140	¥3,338	¥3,074	¥1,845	¥4,919

	Thousands of U.S. Dollars 2007		
	Machinery and Equipment	Other	Total
Acquisition cost	$43,932	$17,703	$61,635
Accumulated depreciation	21,941	8,042	29,983
Accumulated impairment loss	3,364		3,364
Net leased property	$18,627	$ 9,661	$28,288

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 989	¥1,184	$ 8,381
Due after one year	2,746	3,735	23,271
Total	¥3,735	¥4,919	$31,652

Allowance for impairment loss on leased property of ¥397 million ($3,364 thousand) 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
	2007	2006	2007
Depreciation expense	¥1,020	¥1,196	$8,644
Impairment loss	397		3,364

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

The minimum rental commitments under noncancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥205	¥ 206	$1,737
Due after one year	613	821	5,195
Total	¥818	¥1,027	$6,932

15. 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 fair value of the Group's derivative financial instruments at March 31, 2007 and 2006 were as follows:

	Millions of Yen					
	2007			2006		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps:						
Pay fixed/						
Receive floating	¥2,000	¥(2)	¥(2)	¥2,000	¥(8)	¥(8)

	Thousands of U.S. Dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps:			
Pay fixed/			
Receive floating	$16,949	$(17)	$(17)

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

16. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 90	$ 763
Endorsed note	2	17
Guarantees of bank loans of certain affiliated companies and items of a similar nature	1,266	10,729

17. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2007 was approved at the Company's shareholders meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 ($0.03) per share	¥1,102	$9,339

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, 2007 and 2006, 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 audit provides 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, 2007 and 2006, 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 28, 2007

Member of
Deloitte Touche Tohmatsu

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman
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 28, 2007)

OUTLINE OF COMPANY (as of March 31, 2007)

Established :		April 1, 2004
Number of Employees :	***Non-consolidated***	255
	Consolidated	12,037
Paid-in Capital :		16.5 billion yen
Number of Shareholders :		39,383
Shares Outstanding :		367,574,714
Listed-securities exchange :		Tokyo Stock Exchange, Osaka Stock Exghange
Stock Code :		6674

PRINCIPAL SHAREHOLDERS (as of March 31, 2007)

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

SERVICE NETWORK

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

GS Yuasa Corporation

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GS Yuasa Technology Ltd.
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GS Yuasa Lighting Ltd.
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GS Yuasa International Ltd.
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Phone: 81-75-312-1211

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

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Ztong Yee Indusrial Co., Ltd.
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: 86-22-25325681
Fax: 86-22-25328527
Url: http://www.tongyeebattery.com.cn

GS Battery Vietnam Co., Ltd.
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, 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
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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
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Fax : 61-7-3361-6166
Url: http://www.cyb.com.au

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Fei E Gang, Daliang, Shunde, Foshan, Guangdong,
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Fax : 86-757-2262-4441
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GS Yuasa Corporation

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