ANNUAL REPORT 2006

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.

Our Group is comprised of the Company and 87 subsidiaries and 45 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, 2006 totaled US$2,080 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.

CONTENTS

GS YUASA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Financial Statements for the Year Ended March 31, 2006, and Independent Auditors' Report

A LETTER FROM TOP MANAGEMENT

The Japanese economy has seen two conflicting factors during the consolidated fiscal period 2006 (from April 1, 2005 to March 31, 2006) of GS Yuasa Corporation. While we have shaken ourselves free from a tentative break of recovering economy, we still continue to experience soaring prices in raw materials including oil prices. With the improvement of corporate profit, the business in Japan is steadily recovering through the improving capital investment of private sector as well as a modest recovery in consumer consumption due to increases in consumer income and employment levels.

In this business environment GS Yuasa Group entered the second year of the corporate integration process with a “Restructuring Plan”. The first year of this plan has been challenging, however we continue to drive the integration plan forwards to achieve early maximization of the synergy leading to the improvements in profitability and recovery of business results.

Consolidated sales for the fiscal year ending March 31, 2006 increased by ¥3,733 million (1.6%) as compared to the previous consolidated period to ¥243,429 million as a result of increases in sales prices and other counter measures in the foreign market. These measures have been managed despite the extremely competitive environment in our domestic market. The price increases in the foreign market was mainly in response to the significant raw material increases of our overseas consolidated subsidiaries.

The profitability was improved last year, however the cost of sales was impacted by the soaring raw material price increases and these significant price increases have remained in place, particularly with our major raw material, lead. The increase in lead price was partly offset by the increase in sales price and additionally through the implementation of other key initiatives from within our “Restructuring Plan”. These implementations included a reduction of personnel expenses mainly in Japan, reinforced procurement initiatives and elimination of redundant expenses in connection with corporate integration. As a result of these actions, operating income for the current consolidated fiscal period was ¥5,653 million, an increase of ¥4,462 million (374.5%) as compared to the previous consolidated fiscal period.

We posted the sales profit of fixed assets, including land and investment securities as extraordinary profits. Expenses for redundancies, losses on the disposal of fixed, and impaired assets, the redevelopment expenses of the ex-Takatsuki site have been posted as extraordinary expenses. After the adjustments of additional tax expenses including corporate tax, net income for the current consolidated fiscal period was ¥598 million compared to a loss of ¥14,732 million in the previous consolidated fiscal period.

We are sorry to report there will be no profit distribution for the current term. While we have made progress in restructuring our company, we will retain our profits in reserves and continue our efforts in the next fiscal year.

We forecast that the business environment will continue to be severe. But we have developed the “First Mid-Term Management Plan” to promote continued growth in the challenging years to come. We would like to ask for your guidance and support in continuing the positive achievements that are now underway.

Kan Akiyama
Chairman

Makoto Yoda
President

FIRST MID-TERM MANAGEMENT PLAN (FY06 ~ FY08)

The Japanese economy has slowly and steadily recovered and the economies of China and other Asian countries continue to record high growth rates. Hybrid Electric Vehicles (HEV) demand is increasing. We believe the global demand for batteries will increase as these trends continue. As a result of the Company implementing its “Restructuring Plan” and promoting management rationalization and streamlining, we achieved our Plan targets. Based on these results, we have developed and are implementing the “First Mid-Term Management Plan” (FY06 ~ FY08).

1. Background of the Development of the “First Mid-Term Management Plan”

Prior to management integration in 2004, we developed an “Integration Three Year Plan”, to be carried out from FY04 to FY06. In order to cope with radical changes in the economy during the plan period, including soaring prices of major materials such as oil and lead, we modified the “Integration Three Year Plan” and developed the “Restructuring Plan” in FY05. The new plan also addressed streamlining the management organization and modifications to our business structure. The impact of the plan was an improvement in our business results. In FY06, based on results from the “Restructuring Plan”, and to promote the goals of the original “Integration Three Year Plan”, we decided to develop and execute the “First Mid-Term Management Plan”. As a result of these efforts, the goals of the “Integration Three Year Plan” were completed in two years.

2. Period and Targets of First Mid-Term Management Plan

(1) Period

Three years (April 2006~March 2009)

(2) 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. Material Business Tasks

(1) Philosophy & Vision

As a precondition of our Management Plan, we have determined Philosophy & Vision as follows.

[**Philosophy**]

“Innovation and Growth”

We are committed to the people, society and global environment through innovation and growth of our employees and business entities.

[**Vision**]

We are committed to delivering security and comfort to our customers around the globe through advanced technologies developed in the field of stored energy solutions.

(2) Management Tasks of the Entire Group

Throughout the period of our Plan, we will make efforts at the reinforcement of our financial structure, development of human resources, and comprehensive productivity improvements to realize a strong group management. In particular, we will place focus on the following management tasks and cope with them through the entire group.

① Promotion of CSR (Corporate Social Responsibility) and Establishment of Compliance System
② Promotion of Cost Reduction Activities
③ Expansion of Introduction of ERP (Enterprise Resource Planning) and Formulation of a New Business Management System.
④ Establishment of Environmentally-Friendly Lead Recycling System

(3) Business Strategy Tasks

In order to realize the Management Plan targets, we will tackle the following business strategy tasks.

① Profit improvement of Domestic Automotive battery business
Revision of prices due to the increased cost of raw materials, securing domestic share and recovery of rationalization investment
② Further Expansion of Chinese and Asian business
Strengthening of sales in markets in China and Asia, improvement of bases in China and Asia for global supply
③ Intensive participation to HEV/EV market
Development of high performance batteries for securing expanding new demand and promotion of development of mass production technologies
④ Strengthening of Profit Foundation of Industrial Batteries and Power Supply System Business
Promotion of rationalization and streamlining through integration of product models and production factory and Sales network
⑤ Reinforcement of System installation/ maintenance business
Securing competitive advantage through service improvements and commercialization of services
⑥ Expansion of Large type Lithium-ion Battery Business
Development of global de facto standard products
⑦ Reinforcement of other promising peripheral business
Strengthening of peripheral businesses, coexisting with growing markets

(4) Establishment of Special Project Teams

With respect to the following five themes across business corporations from among the management and business strategy tasks of the Group, special project teams will be established and quick decision-making and execution will be carried out. Special project teams will be established and directly report to the President and PMO (Project Management Office), which will manage the projects.

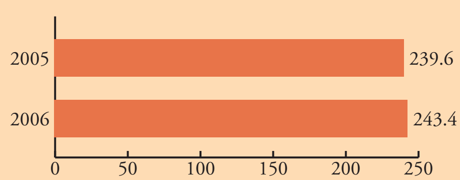
Project 1: Streamlining of Head Office and Indirect Management Departments
Project 2: Profit improvement of Domestic Automotive battery business
Project 3: Intensive participation to HEV/EV market
Project 4: Further Expansion of Chinese and Asian business
Project 5: Expansion of Large type Lithium-ion Battery Business

FINANCIAL HIGHLIGHTS

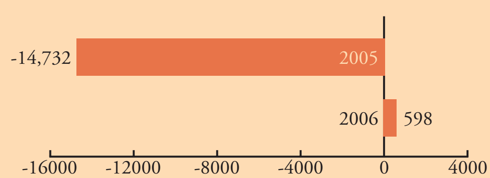
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 2) (Except for Per Share Amounts)
	2006	2005	2006
Net sales	¥243,429	¥239,696	$2,080,590
Costs and operating expenses	237,776	238,505	2,032,273
Other expenses, net	(4,295)	(6,659)	(36,710)
Income (Loss) before income taxes and minority interests	1,358	(5,468)	11,607
Net income (loss)	598	(14,732)	5,111
Per share of common stock (in yen, in U.S. dollars)			
- Net income (loss) (Note 1)	1.68	(41.62)	0.01
Property, plant and equipment	86,649	91,722	740,590
Total assets	254,808	267,996	2,177,846
Shareholders' equity	72,438	65,708	619,130

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, 2006, of ¥117 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



CONSOLIDATED BALANCE SHEET

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,188	¥ 8,856	$ 69,983
Time deposits (Note 6)	373	375	3,188
Receivables:			
Trade notes	6,687	6,066	57,154
Trade accounts	52,577	57,046	449,376
Unconsolidated subsidiaries and affiliated companies	935	1,307	7,991
Other	5,974	9,220	51,060
Allowance for doubtful receivables	(344)	(616)	(2,940)
Inventories (Note 3)	40,422	35,559	345,487
Deferred tax assets (Note 10)	1,755	1,534	15,000
Prepaid expenses and other current assets	2,049	2,627	17,513
Total current assets	118,616	121,974	1,013,812
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land (Note 2.g)	30,849	31,925	263,667
Buildings and structures	57,192	60,695	488,821
Machinery and equipment	90,376	86,284	772,444
Furniture and fixtures	23,579	23,290	201,530
Construction in progress	2,865	2,919	24,487
Total	204,861	205,113	1,750,949
Accumulated depreciation	(118,212)	(113,391)	(1,010,359)
Net property, plant and equipment	86,649	91,722	740,590
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 6)	27,349	32,870	233,752
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	13,699	11,170	117,085
Goodwill	324	458	2,769
Long-term assets for employees' retirement benefits	699	718	5,974
Deferred tax assets (Note 10)	1,135	1,142	9,701
Other assets	6,337	7,942	54,163
Total investments and other assets	49,543	54,300	423,444
TOTAL	¥254,808	¥267,996	$2,177,846

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 39,427	¥ 34,856	$ 336,983
Current portion of long-term debt (Note 6)	14,125	20,500	120,726
Payables:			
Trade notes	10,856	9,846	92,786
Trade accounts	18,143	17,897	155,068
Unconsolidated subsidiaries and affiliated companies	720	1,311	6,154
Other	14,354	18,031	122,684
Income taxes payable	2,354	2,842	20,120
Accrued expenses	5,815	6,665	49,701
Deferred tax liabilities (Note 10)	1		8
Other current liabilities	2,421	11,981	20,693
Total current liabilities	108,216	123,929	924,923
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	41,659	45,140	356,060
Liability for retirement benefits (Notes 2.h and 7)	5,604	8,654	47,897
Long-term deposits received	7,866	7,781	67,231
Deferred tax liabilities (Note 10)	6,434	5,417	54,991
Deferred tax liabilities on land revaluation	4,310	6,182	36,838
Other	3,978	1,215	33,998
Total long-term liabilities	69,851	74,389	597,015
MINORITY INTERESTS	4,303	3,970	36,778
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock, authorized, 1,400,000,000 shares; issued, 355,539,621 shares	15,000	15,000	128,205
Capital surplus	36,845	36,845	314,915
Retained earnings	3,292	(57)	28,137
Land revaluation surplus (Note 2.g)	6,330	9,081	54,103
Unrealized gain on available-for-sale securities	11,055	8,327	94,487
Foreign currency translation adjustments	(9)	(3,414)	(77)
Treasury stock - at cost: 293,037 shares in 2006 and 261,605 shares in 2005	(75)	(74)	(640)
Total shareholders' equity	72,438	65,708	619,130
TOTAL	¥254,808	¥267,996	$2,177,846

CONSOLIDATED STATEMENT OF OPERATIONS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES (Note 5)	¥243,429	¥239,696	$2,080,590
COST OF SALES (Note 5)	188,281	186,544	1,609,239
Gross profit	55,148	53,152	471,351
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	49,495	51,961	423,034
Operating income	5,653	1,191	48,317
OTHER INCOME (EXPENSES):			
Interest and dividend income	596	705	5,094
Interest expense	(2,337)	(2,216)	(19,974)
Gain on sales of property, plant and equipment	2,666	1,348	22,786
Loss on disposal of property, plant and equipment	(1,469)	(2,607)	(12,556)
Loss on impairment of long-lived assets	(632)		(5,402)
Gain on sales of investment securities	5,944	288	50,803
Write-down of investment securities	(64)	(64)	(547)
Foreign exchange gain (loss)	298	(343)	2,547
Equity in earnings of unconsolidated subsidiaries and affiliated companies	1,126	666	9,624
Gain on liquidation of dormant partnership	2,429		20,761
Expenses for redevelopment of the Takatsuki Plant site	(4,161)		(35,564)
Charge of full amount of unfunded pension obligations for retirement benefits at overseas subsidiary	(2,237)		(19,120)
Loss on business restructuring	(233)	(2,974)	(1,991)
Additional severance payment for early retirement	(5,342)	(773)	(45,658)
Other - net	(879)	(689)	(7,513)
Other expenses - net	(4,295)	(6,659)	(36,710)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	1,358	(5,468)	11,607
INCOME TAXES (Note 10):			
Current	3,784	3,214	32,342
Deferred	(3,018)	5,861	(25,795)
Total income taxes	766	9,075	6,547
MINORITY INTERESTS IN NET INCOME (LOSS)	(6)	189	(51)
NET INCOME (LOSS)	¥ 598	¥ (14,732)	$ 5,111

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p)			
Net income (loss)	¥1.68	¥(41.62)	$0.01

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Outstanding Number of Shares of Common Stock	Millions of Yen						
		Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2004	353,778,234	¥15,000	¥36,845	¥ 16,001	¥ 9,228	¥ 6,705	¥(4,452)	¥(587)
Net loss				(14,732)				
Cash dividends, ¥3.50 per share				(1,239)				
Bonuses to directors and corporate auditors				(28)				
Repurchase of treasury stock	(130,100)							(32)
Disposal of treasury stock	1,629,882			(115)				545
Take over of retained earnings from split-up				56				
Effect of change in statutory tax rate					(147)			
Net increase in unrealized gain on available-for-sale securities						1,622		
Net change in foreign currency translation adjustments							1,038	
BALANCE, MARCH 31, 2005	355,278,016	15,000	36,845	(57)	9,081	8,327	(3,414)	(74)
Net income				598				
Repurchase of treasury stock	(31,432)							(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		
Net change in foreign currency translation adjustments							3,405	
BALANCE, MARCH 31, 2006	355,246,584	¥15,000	¥36,845	¥ 3,292	¥ 6,330	¥11,055	¥ (9)	¥ (75)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2005	$128,205	$314,915	$ (487)	$ 77,616	$71,171	$(29,179)	$(632)
Net income							
Repurchase of treasury stock			5,111				
Transfer due to sales of lands, and other			23,513	(23,513)			(8)
Net increase in unrealized gain on available-for-sale securities					23,316		
Net change in foreign currency translation adjustmentss						29,102	
BALANCE, MARCH 31, 2006	$128,205	$314,915	$28,137	$ 54,103	$94,487	$ (77)	$(640)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 1,358	¥ (5,468)	$ 11,607
Adjustments for:			
Income taxes - paid	(4,128)	(1,680)	(35,282)
Depreciation	7,688	7,970	65,709
Loss on impairment of long-lived assets	632		5,402
Gain on sales of property, plant and equipment	(2,666)	(1,348)	(22,786)
Loss on disposal of property, plant and equipment	1,469	2,607	12,556
Gain on sales of investment securities	(5,944)	(288)	(50,803)
Write-down of investment securities	64	64	547
Gain on liquidation of dormant partnership	(2,429)		(20,761)
Expenses for redevelopment of the Takatsuki Plant site	4,161		35,564
Charge of full amount of unfunded pension obligations for retirement benefits at overseas subsidiary	2,237		19,120
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(1,126)	(666)	(9,624)
Proceeds from refund of trading guarantee deposit	1,351		11,547
Changes in assets and liabilities, net of effects from newly consolidated subsidiary and split-up of unconsolidated subsidiary:			
Decrease in trade accounts receivable	5,595	3,965	47,821
Decrease (increase) in inventories	(3,404)	162	(29,094)
Decrease in interest and dividend receivable	339	364	2,897
Decrease in trade accounts payable	(830)	(1,441)	(7,094)
Increase (decrease) in interest payable	(42)	100	(359)
Increase (decrease) in liability for retirement benefits	(3,049)	849	(26,060)
Other - net	(9,482)	3,664	(81,044)
Net cash provided by (used in) operating activities	(8,206)	8,854	(70,137)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	7,142	2,500	61,043
Purchases of property, plant and equipment	(6,145)	(9,688)	(52,521)
Proceeds from sales of investment securities	17,431	1,770	148,983
Purchases of investment securities	(1,927)	(39)	(16,470)
Proceeds form liquidation of dormant partnership	2,834		24,222
Payments to acquire additional securities of consolidated subsidiary		(274)	
Net increase from acquisition of securities of newly consolidated subsidiary		132	
Decrease (increase) in other assets	1,216	(2,018)	10,393
Net cash provided by (used in) investing activities	20,551	(7,617)	175,650
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings - net	3,264	(15,748)	27,897
Proceeds from long-term bank loans	19,392	16,372	165,744
Repayments of long-term bank loans	(26,452)	(9,206)	(226,085)
Proceeds from issuance of bonds		5,000	
Redemption of bonds	(3,000)	(5,000)	(25,641)
Disposal (repurchase) of treasury stock	(21)	320	(179)
Increase (decrease) in deposits received account	(6,563)	6,568	(56,094)
Dividends paid	(8)	(1,263)	(68)
Other - net	(94)		(805)
Net cash used in financing activities	(13,482)	(2,957)	(115,231)
NET DECREASE IN CASH AND CASH EQUIVALENTS	¥ (1,137)	¥ (1,720)	$ (9,718)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	469	(27)	4,009
CASH AND CASH EQUIVALENTS OF UNCONSOLIDATED SUBSIDIARY AQUIRED BY SPLIT-UP		8	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,856	10,595	75,692
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,188	¥ 8,856	$ 69,983
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired and liabilities assumed in purchase:			
Fair value of assets acquired		¥ 529	
Liabilities assumed		(457)	
Minority interests		(36)	
Consolidated subsidiary’s interest prior to acquisition		(20)	
Cash paid for the capital		16	

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.

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 ¥117 to $1, the approximate exchange rate at March 31, 2006. 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 Company was established as a holding company of Japan Storage Battery Co., Ltd. and Yuasa Corporation on April 1, 2004, by means of the share transfer facility provided for in the Japanese Commercial Code.

The consolidated financial statements as of March 31, 2006 and 2005 include the accounts of the Company and its 76 (79 in 2005) 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 25 (22 in 2005) 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 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 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.

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 - Investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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 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.

f. Long-lived Assets - In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (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.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥632 million ($5,402 thousand).

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 shareholders' equity. There was no effect on the statement of operations. 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, 2006, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥5,406 million ($46,205 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 statement of operations.

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. **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.

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

k. **Income Taxes -** The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

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

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" as a separate component of shareholders' 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 and interest rate swaps to manage its exposures to fluctuations in foreign exchange and interest rates. 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 statements of operations 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.

p. **Per Share Information -** Net income (loss) per share is computed by dividing net income (loss) 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 355,233,274 shares and 353,988,542 shares for 2006 and 2005, respectively.

Diluted net income per common share is not disclosed because it is anti-dilutive for 2006 and 2005.

Cash dividends per share are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the fiscal year.

The Company had no dividend applicable to the 2006 and 2005 fiscal years.

3. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Finished products	¥23,604	¥19,761	$201,744
Semi-finished products	1,882	1,992	16,085
Work-in-process	8,600	7,380	73,504
Raw materials and supplies	6,336	6,426	54,154
Total	¥40,422	¥35,559	$345,487

4. INVESTMENT SECURITIES

Investment securities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Non-current:			
Marketable equity securities	¥26,460	¥31,438	$226,154
Government and corporate bonds	30	170	256
Other	859	1,262	7,342
Total	¥27,349	¥32,870	$233,752

The carrying amounts and aggregate fair values of investment securities at March 31, 2006 and 2005 were as follows:

	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

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥15,783	¥14,460	¥(390)	¥29,853
Debt securities	160			160
Other	65		(3)	62
Held to maturity	10			10

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$51,752	$159,556	$(120)	$211,188
Debt securities	256			256
Other	504	60		564

Available-for-sale securities whose fair value is not readily determinable at March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Equity securities	¥1,751	¥1,585	$14,966
Others	793	1,200	6,778

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥17,431 million ($148,983 thousand) and ¥1,770 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥6,386 million ($54,581 thousand) and ¥442 million ($3,778 thousand), respectively for the year ended March 31, 2006 and ¥584 million and ¥296 million, respectively for the year ended March 31, 2005.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2006 were as follows:

	Million of Yen	Thousands of U.S. Dollars
Due in one year or less	¥30	$256

5. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Investments at cost	¥ 7,158	¥ 6,687	$ 61,179
Equity in undistributed earnings	6,541	4,483	55,906
Total	¥13,699	¥11,170	$117,085

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Sales	¥4,345	¥3,328	$37,137
Purchases	6,050	5,302	51,709

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Bank loans	¥39,427	¥31,758	$336,983
Commercial paper		3,098	
Total	¥39,427	¥34,856	$336,983

At March 31, 2006, short-term bank loans of ¥6,305 million ($53,889 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 and commercial papers were 2.12% and 1.74% at March 31, 2006 and 2005, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Collateralized loans, principally from banks, 0.8% to 6.8% maturing serially through July 2010	¥ 4,719	¥ 14,181	$ 40,333
Unsecured bank loans, 0.8% to 2.5% maturing serially through July 2010	41,065	38,459	350,983
Unsecured bonds, 0.38% and 0.56% due September 2005		3,000	
Unsecured bonds, 1.06% due March 2007	5,000	5,000	42,735
Unsecured bonds, 1.20% due September 2007	5,000	5,000	42,735
Total	55,784	65,640	476,786
Less current portion	(14,125)	(20,500)	(120,726)
Long-term debt	¥ 41,659	¥ 45,140	$ 356,060

The aggregate annual maturities of long-term debt for the years following March 31, 2006 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥14,125	$120,726
2008	22,268	190,325
2009	15,003	128,231
2010	559	4,778
2011	3,829	32,726
Total	¥55,784	$476,786

Repayments of certain bank loans in an aggregate amount outstanding of ¥18,600 million ($158,974 thousand) as of March 31, 2006 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 ¥6,600 million ($56,410 thousand), the total amount of shareholders' equity of the Group falls below ¥543 million ($4,641 thousand). As for the remaining bank loans, the total amount of shareholders' equity of the Group falls below the higher amount of ¥512 million ($4,376 thousand) and 75% of the total amount of shareholders' equity of the Group at the previous period.

3) The total amount of 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, 2006 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 18	$ 154
Land	148	1,265
Buildings and structures	152	1,299
Investment securities	6,802	58,137
Total	¥7,120	$60,855

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.

7. 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, 2006 and 2005 were ¥378 million ($3,231 thousand) and ¥1,300 million, respectively.

The liability for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 51,691	¥ 57,366	$ 441,803
Fair value of plan assets	(40,694)	(28,789)	(347,812)
Unrecognized prior service benefit	2,391	2,597	20,436
Unrecognized actuarial gain (loss)	742	(13,821)	6,342
Unrecognized transitional obligation	(9,603)	(10,717)	(82,077)
Net liability	4,527	6,636	38,692
Prepaid pension cost	699	718	5,974
Liability for retirement benefits	¥ 5,226	¥ 7,354	$ 44,666

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥2,133	¥2,071	$18,231
Interest cost	1,054	1,110	9,009
Expected return on plan assets	(340)	(345)	(2,906)
Amortization of prior service benefit	(207)	(140)	(1,769)
Recognized actuarial loss	1,440	1,478	12,307
Amortization of transitional obligation	1,013	1,013	8,658
Net periodic benefit costs	¥5,093	¥5,187	$43,530

Assumptions used for the years ended March 31, 2006 and 2005 were set forth as follows:

	2006	2005
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

8. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥2,795 million ($23,889 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be 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) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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 Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. 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 shareholders' 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 shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, 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.

9. SEGMENT INFORMATION

Effective April 1, 2005, the Group changed its industry segmentation from "Batteries and Power Supplies," "Lighting and Other Equipment" and "Other" to "Batteries and Power Supplies," "Lighting" and "Other," and "Batteries and Power Supplies" was classified into three breakdowns as "Domestic Operations (Automotive Batteries)," "Domestic Operations (Industrial Batteries and Power Supplies)" and "Overseas Operations" to clarify the operations at the industry segment level.
The Group defines the new segments as follows:
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 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, 2006 and 2005 were as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Operations in Different Industries

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

If the segment information for the year ended March 31, 2005 had been prepared using the new segmentation, such information would have been as follows:

a. Sales and Operating Income

	Millions of Yen						
	2005						
	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	¥70,047	¥56,312	¥72,500	¥15,447	¥25,390		¥239,696
Intersegment transfer	690	66		56	8,290	¥(9,102)	
Total sales	70,737	56,378	72,500	15,503	33,680	(9,102)	239,696
Operating expenses	71,107	53,842	72,869	14,584	32,755	(6,652)	238,505
Operating income (loss)	¥ (370)	¥ 2,536	¥ (369)	¥ 919	¥ 925	¥(2,450)	¥ 1,191

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen						
	2005						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	¥72,344	¥55,594	¥67,490	¥10,780	¥44,989	¥16,799	¥267,996
Depreciation	2,523	1,214	2,628	285	1,318	2	7,970
Capital expenditures	3,009	2,655	2,991	333	1,326		10,314

a. Sales and Operating Income

	Thousands of U.S. Dollars						
	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	$592,880	$470,821	$636,342	$151,556	$228,991		$2,080,590
Intersegment transfer	3,940	4,265	179	547	61,274	$(70,205)	
Total sales	596,820	475,086	636,521	152,103	290,265	(70,205)	2,080,590
Operating expenses	604,563	419,573	638,581	141,556	276,838	(48,838)	2,032,273
Operating income (loss)	$ (7,743)	$ 55,513	$ (2,060)	$ 10,547	$ 13,427	$(21,367)	$ 48,317

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars						
	2006						
	Batteries and Power Supplies						
	Domestic Operations						
	Automotive Batteries	Industrial Batteries and Power Supplies	Overseas Operations	Lighting	Other	Eliminations and/or Corporate	Consolidated
Assets	$572,162	$488,624	$640,444	$102,368	$316,094	$58,154	$2,177,846
Depreciation	18,709	10,214	23,692	1,992	11,085	17	65,709
Impairment loss	2,102	1,188	43	9	2,060		5,402
Capital expenditures	20,726	15,949	20,350	1,889	14,932		73,846

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, 2006 and 2005 were summarized as follows:

	Millions of Yen					
	2006					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consoli-dated
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

	Millions of Yen					
	2005					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥174,298	¥23,919	¥30,239	¥11,240		¥239,696
Interarea transfer	8,861	9,854	109	37	¥(18,861)	
Total sales	183,159	33,773	30,348	11,277	(18,861)	239,696
Operating expenses	176,524	33,497	31,552	10,580	(13,648)	238,505
Operating income (loss)	¥ 6,635	¥ 276	¥ (1,204)	¥ 697	¥ (5,213)	¥ 1,191
Assets	¥196,474	¥33,254	¥22,318	¥ 7,841	¥ 8,109	¥267,996

	Thousands of U.S. Dollars					
	2006					
	Japan	Asia	Europe and America	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	$1,501,427	$249,863	$226,872	$102,428		$2,080,590
Interarea transfer	75,111	106,906	821	8	$(182,846)	
Total sales	1,576,538	356,769	227,693	102,436	(182,846)	2,080,590
Operating expenses	1,507,743	350,974	235,171	98,821	(160,436)	2,032,273
Operating income (loss)	$ 68,795	$ 5,795	$ (7,478)	$ 3,615	$ (22,410)	$ 48,317
Assets	$1,616,710	$354,000	$185,145	$ 75,897	$ (53,906)	$2,177,846

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, 2006 and 2005 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2006	2005	2006	2006	2005
Asia	¥32,094	¥27,821	$274,308	13.2%	11.6%
Europe and America	36,334	37,037	310,547	14.9	15.5
Other	14,646	13,210	125,179	6.0	5.5
Total	¥83,074	¥78,068	$710,034	34.1%	32.6%

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, 2006 and 2005.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Accrued bonuses	¥ 1,421	¥ 1,436	$ 12,145
Retirement benefits	3,969	4,549	33,923
Write-down of investment securities	2,672	1,136	22,838
Unrealized profit	49	49	419
Tax loss carryforwards	5,890	5,423	50,342
Other	4,540	2,789	38,803
Less valuation allowance	(8,962)	(9,172)	(76,598)
Deferred tax assets	¥ 9,579	¥ 6,210	$ 81,872
Deferred tax liabilities:			
Valuation excess of property	¥ 3,315	¥ 1,506	$ 28,333
Unrealized gain on available-for-sale securities	7,558	5,701	64,598
Undistributed earnings of foreign subsidiaries	1,349	1,184	11,530
Other	902	561	7,709
Deferred tax liabilities	¥13,124	¥ 8,952	$112,170
Net deferred tax liabilities	¥ (3,545)	¥(2,742)	$ (30,298)

Reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2006 and 2005 was as follows:

	2006	2005
Normal effective statutory tax rate:	40.5%	40.5%
Expenses not deductible for income tax purposes	13.9	(8.3)
Non-taxable dividend income	(16.4)	3.7
Per capita levy	8.9	(1.9)
Net change in valuation allowance	(24.6)	(157.9)
Tax benefit not recognized on operating losses of foreign subsidiaries	8.0	(25.4)
Undistributed earnings of foreign subsidiaries	13.5	(16.3)
Amortization of goodwill	4.0	(1.0)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(33.6)	5.0
Unrecognized tax effects on the eliminated inter-company unrealized profit		(3.2)
Elimination of intercompany dividends	53.8	
Refund of income taxes of subsidiaries	(10.2)	
Other - net	(1.4)	(1.2)
Actual effective tax rate	56.4%	(166.0)%

At March 31, 2006, certain subsidiaries have tax loss carryforwards aggregating approximately ¥14,542 million ($124,291 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	¥ 43	$ 368
2010	20	171
2011	154	1,316
2012	2,190	18,718
2013	12,135	103,718
Total	¥14,542	$124,291

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,354 million ($37,214 thousand) and ¥5,005 million for the years ended March 31, 2006 and 2005, 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, 2006 and 2005 were ¥1,196 million ($10,222 thousand) and ¥1,316 million, respectively.

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, 2006 and 2005 was as follows:

	Millions of Yen					
	2006			2005		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥5,064	¥3,367	¥8,431	¥5,199	¥2,162	¥7,361
Accumulated depreciation	1,990	1,522	3,512	1,435	1,099	2,534
Net leased property	¥3,074	¥1,845	¥4,919	¥3,764	¥1,063	¥4,827

	Thousands of U.S. Dollars		
	2006		
	Machinery and Equipment	Other	Total
Acquisition cost	$43,282	$28,778	$72,060
Accumulated depreciation	17,009	13,009	30,018
Net leased property	$26,273	$15,769	$42,042

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥1,184	¥1,001	$10,119
Due after one year	3,735	3,825	31,923
Total	¥4,919	¥4,826	$42,042

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
	2006	2005	2006
Depreciation expense	¥1,196	¥1,316	$10,222

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

The minimum rental commitments under noncancelable operating leases at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 206	¥ 209	$1,761
Due after one year	821	1,012	7,017
Total	¥1,027	¥1,221	$8,778

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.

All derivative transactions are entered into to hedge interest and foreign currency 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.

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, 2006 and 2005 were as follows:

	Millions of Yen					
	2006			2005		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps:						
Pay fixed/ Receivefloating	¥2,000	¥(8)	¥(8)	¥6,000	¥(76)	¥(76)
Foreign currency swaps:						
Receive U.S. dollars/ Pay Japanese Yen				¥ 989	¥(23)	¥(23)

	Thousands of U.S. Dollars		
	2006		
	Contract Amount	Fair Value	Unrealized Los
Interest rate swaps:			
Pay fixed/ Receive floating	$17,094	$(68)	$(68)

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.

14. CONTINGENT LIABILITIES

At March 31, 2006, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 73	$ 624
Guarantees of bank loans of certain affiliated companies and items of a similar nature	1,155	9,872

15. SUBSEQUENT EVENTS

On April 14, 2006, the Company issued ¥3,000 million ($25,641 thousand) of unsecured convertible-typed bonds with warrants. The bonds are due April 11, 2008, and the warrants are exercisable from April 17, 2006 through April 10, 2008. The issue price of the bonds was 100% of the face value of the bonds and the initial exercise price of the warrants is ¥367 ($3) per share, which is subject to be adjusted to 90% of the average of the closing stock price during five consecutive trading days on the Tokyo Stock Exchange, Inc. until the exercise date with the ¥184 ($2) floor and the ¥551 ($5) ceiling.

Deloitte.

Deloitte Touche Tohmatsu
Nakanoshima Central Tower
2-2-7, Nakanoshima, Kita-ku
Osaka-shi, Osaka 530-0005
Japan

Tel: +81 6 4560 6000
Fax: +81 6 4560 6001
www.deloitte.com/jp

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 (together, the "Group") as of March 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.f to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

As discussed in Note 9 to the consolidated financial statements, the Group changed its industry segmentation, effective April 1, 2005.

As discussed in Note 15 to the consolidated financial statements, the Company issued ¥3,000 million ($25,641 thousand) of unsecured convertible-typed bonds with warrants on April 14, 2006.

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 29, 2006

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 29, 2006)

OUTLINE OF COMPANY (as of March 31, 2006)

Established :	April 1, 2004
Paid-in Capital :	15 billion yen
Number of Shareholders :	39,048
Shares Outstanding :	355,539,621

PRINCIPAL SHAREHOLDERS (as of March 31, 2006)

Japan Trustee Services Bank, Ltd. (Trust Account)

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.

The Bank of Kyoto, Ltd.

Sumitomo Mitsui Banking Corporation

The Chuo Mitsui Trust and Banking Company, Limited

The Dai-ichi Mutual Life Insurance Company

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

GS Yuasa Corporation

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

Kyoto Head Office*

1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto 601-8520, Japan
Phone: 81-75-312-1211

Tokyo Head Office

(Shiba-koen Tower) 2-11-1,
Shiba-koen, Minato-ku,
Tokyo 105-0011, Japan
Phone: 81-3-5402-5800

Business Companies

GS Yuasa Manufacturing Ltd.

1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto 601-8520, Japan
Phone: 81-75-312-1211

GS Yuasa Battery Ltd.

1-8-1, Nishishinbashi, Minato-ku,
Tokyo, 105-0003, Japan
Phone: 81-3-3597-2200

GS Yuasa Power Supply Ltd.

(Shiba-koen Tower) 2-11-1, Shiba-koen,
Minato-ku, Tokyo 105-0011, Japan
Phone: 81-3-5402-5820

GS Yuasa Technology Ltd.

1-37, Osadano-cho, Fukuchiyama-shi,
Kyoto pref. 620-0853, Japan
Phone: 81-773-20-2630

GS Yuasa Lighting Ltd.

1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto, 601-8520, Japan
Phone: 81-75-312-1222

GS Yuasa International Ltd.

1-8-1, Nishishinbashi, Minato-ku,
Tokyo, 105-0003, Japan
Phone: 81-3-3597-2400

GS Yuasa Industry Ltd.

1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto 601-8520, Japan
Phone: 81-75-312-1211

Yuasa Development Corporation

2-3-21, Kosobe-cho, Takatsuki-shi,
Osaka 569-1115, Japan
Phone: 81-72-686-6181

Shared Service Companies

GS Yuasa Business Support Ltd.

1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto 601-8520, Japan
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

Major Overseas Consolidated Subsidiaries

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. Lauredale,
PA 19605, U.S.A.
Phone: 1-610-929-5781
Fax: 1-610-568-1123
Url: http://www.yuasabatteries.com

Yuasa Battery Europe Ltd.

Battery Way, Birmingham B11 3DA United
Kingdom
Phone: 44-121-325-5600
Fax: 44-121-325-5774
Url: http://www.yuasaeurope.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 : 86-757-2261-0309
Fax : 86-757-2262-4441
Url: http://www.gdyuasa.com

Yuasa Battery (Shunde) Co., Ltd.

Fu An Industrial District, LieLiu , Shunde, Foshan,
Guangdong, P.R.China
Phone : 86-757-2563-9402
Fax : 86-757-2563-9448

GS Yuasa Corporation

Additional copies of this annual report and
other information may be obtained from:

GS Yuasa Corporation
Public Relations Office

1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto 601-8520, Japan
Phone: 81-75-312-1214
Fax: 81-75-312-0493
Url(English Ver.): http://www.gs-yuasa.com/us

Printed in Japan