ANNUAL REPORT 2004

JAPAN STORAGE BATTERY CO., LTD.

PROFILE

Japan Storage Battery Co., Ltd. is the nation's first storage battery manufacturer. Since its foundation in 1917, the firm has become a leader in the industry and its latest sales during the period ended March 31, 2004 totalled US $991 million.

Represented by the trademark derived from the initials of the company's founder, Genzo Shimadzu, Japan Storage Battery has continued to apply technological expertise acquired over many years. As a leader of Japan's storage battery industry, we are producing automobile batteries, industrial batteries, small batteries, and many other batteries for diverse applications. At the same time, we are continuing to develop new business, advancing into areas such as power supply systems and lighting equipment.

We and Yuasa Corporation established a joint holding company, GS Yuasa Corporation on April 1, 2004 by means of stock transfer and became wholly-owned subsidiaries of the Holding Company. As part of this undertaking, both companies including subsidiaries reorganized corporate structure by function June 1, 2004.

In the field of battery industry, reorganization of enterprises is currently under way on a global scale and international competition is increasingly intense. With business integration, GS Yuasa Corporation will implement our corporate vision, "Innovation and Growth" and supply products and services from the viewpoint of customers by establishing efficient R&D, production and distribution systems worldwide.

The 21st century is being called "the century of the environment." With accelerating technological innovation in the energy and environmental fields, new values are required for the storage battery industry. GS Yuasa Corporation will serve the needs of the age in diverse fields including automotive battery, promote social evolution by developing high-performance battery using next-generation technology, and make incessant efforts in performing the business that will help enrich your lives.

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A LETTER FROM TOP MANAGEMENT

The Japanese economy in the 144th term (April 1, 2003 through March 31, 2004) was at a standstill due to prolonged deflation and downturn in public investment, but there has been a sign of recovery since the middle of the term because of the increase in private equipment investment as well as the increase in import.

In this improved business climate, we have launched full-scale efforts in increasing sales and developing new technology and products. However, as a result of the shares sold in GS-MELCOTEC Co., Ltd. and the separation from the consolidated subsidiaries as well as fierce competition, sales for this term were 104,071 million yen, down 27,417 million yen (20.9%) from the previous term.

In terms of profit, a recovery in earnings was achieved through the promotion of a number of measures to reduce costs and beef up marketing and sales operations. Based on the “Business Reconstruction Plan”, which was aimed at achieving a sweeping management turnaround, overall labor costs were reduced through measures including recruitment for voluntary retirement, personnel retrenchment and reduction of procurement costs. As a result, the operation profit for this term was 2,884 million yen, an increase of 461 yen (19.0%) over the previous term.

Extraordinary profits were earned from the liquidation of the Fujisawa Plant and the sale of that land as well as the sale of additional fixed assets. On the other hand, we posted extraordinary loss on retirement of fixed assets and expenses related to the integration with Yuasa Corporation. Consequently, the net income in this term after application of tax effect accounting was 3,710 million yen after taxes, an increase of 2,500 million yen (206.5%) when compared with the previous term.

The domestic economy is starting to show bright signs of recovery supported by the upturn of the world economy, however, destabilizing elements such as Iraq issue, exchange fluctuations, soaring oil prices and material prices are expected to continue to impact the economic situation. Under these circumstances, the management integration with Yuasa Corporation was carried out on April1, 2004 and a joint holding company, GS Yuasa Corporation was established. In 2004, our first year together, we believe our most important task is to promptly realize the advantages incurred through the integration of our businesses by restructuring both companies.

In order to ensure the target profit, we will strengthen our efforts along the following lines for 2004:
1) A smooth transition to a new business framework after integration
2) A streamlining of and an improvement in work efficiency generated from Integration and Reorganization
3) An expansion of overseas operations to enhance revenue

We look forward to your continued support and cooperation for our newly integrated company.

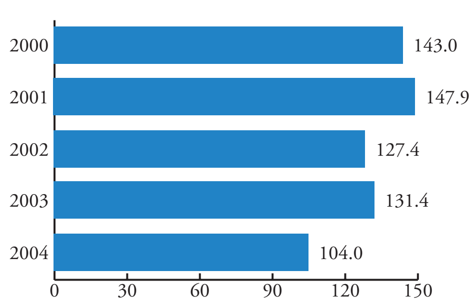
Chiaki Tanaka Chairman	Shinichiro Murakami President
Chiaki Tanaka	Shinichiro Murakami

FINANCIAL HIGHLIGHTS

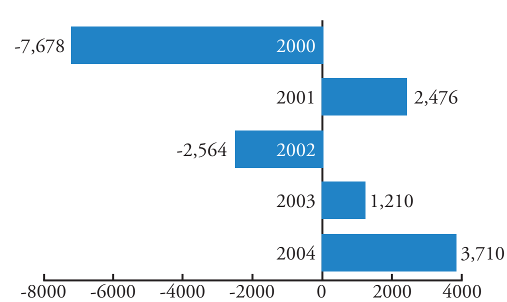
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2004	2003	2004
Net sales	¥104,071	¥131,488	$991,152
Costs and operating expenses	101,186	129,064	963,676
Other income (expenses), net	3,363	(1,181)	32,028
Income before income taxes and minority interests	6,247	1,242	59,495
Net income	3,710	1,210	35,333
Per share of common stock (in yen, in U.S. dollars) - Net income (Note 1)	20.84	6.83	0.20
Cash dividends applicable to the year (Note 2)	4.00		0.04
Property, plant and equipment	35,884	38,638	341,752
Total assets	119,420	121,533	1,137,333
Shareholders' equity	38,478	31,583	366,457

Notes : 1. Computation of net income per share is based on the weighted average number of common shares outstanding.
2. Cash dividends per share are the amounts applicable to the respective years including dividends to be paid after the end of the fiscal year.
3. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2004, of ¥105 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



FIVE-YEAR SUMMARY

	Millions of Yen (Except for Per Share Amounts)					Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2004	2003	2002	2001	2000	2004
Net sales	¥104,071	¥131,488	¥127,403	¥147,997	¥143,055	$991,152
Costs and operating expenses	101,186	129,064	128,210	141,408	140,361	963,676
Other income (expenses), net	3,363	(1,181)	(2,939)	(3,133)	(15,195)	32,028
Income (loss) before income taxes and minority interests	6,247	1,242	(3,746)	3,454	(12,502)	59,495
Net income (loss)	3,710	1,210	(2,564)	2,476	(7,678)	35,333
Per share of common stock (in yen, in U.S. dollars):						
Net income (loss) (Note 1)	20.84	6.83	(14.45)	13.88	(43.05)	0.20
Cash dividends applicable to the year (Note 2)	4.00			4.00	4.00	0.04
Property, plant and equipment	35,884	38,638	53,288	53,243	55,087	341,752
Total assets	119,420	121,533	148,633	157,171	162,700	1,137,333
Shareholders' equity	38,478	31,583	32,714	36,461	32,779	366,457

Notes : 1. Computation of net income (loss) per share is based on the weighted average number of common shares outstanding.
2. Cash dividends per share are the amounts applicable to the respective years including dividends to be paid after the end of the fiscal year.
3. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2004, of ¥105 to U.S.$1.

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 4,210	¥ 3,192	$ 40,095
Time deposits (Note 7)	207	690	1,971
Notes and accounts receivable - trade:			
Notes	4,896	7,023	46,628
Accounts	29,276	29,018	278,819
Unconsolidated subsidiaries and affiliated companies	1,889	1,761	17,990
Allowance for doubtful notes and accounts	(155)	(219)	(1,476)
Inventories (Note 4)	14,683	14,304	139,838
Deferred tax assets (Note 11)	1,269	804	12,085
Other current assets	1,014	1,743	9,657
Total current assets	57,293	58,320	545,647
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	8,493	9,042	80,885
Buildings and structures	28,915	28,932	275,380
Machinery and equipment	56,832	59,738	541,257
Construction in progress	649	1,292	6,180
Total	94,891	99,005	903,723
Accumulated depreciation	(59,007)	(60,367)	(561,971)
Net property, plant and equipment	35,884	38,638	341,752
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 6)	5,157	5,017	49,114
Investment securities (Notes 5 and 7)	17,725	11,108	168,809
Long-term assets for employees' retirement benefits (Note 8)	903	1,720	8,600
Goodwill	4	18	38
Deferred tax assets (Note 11)	377	4,290	3,590
Other assets	2,074	2,419	19,752
Total investments and other assets	26,242	24,574	249,923
TOTAL	¥119,420	¥121,533	$1,137,333

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 27,292	¥ 42,885	$ 259,923
Current portion of long-term debt (Note 7)	7,378	2,970	70,266
Notes and accounts payable - trade:			
Notes	4,371	4,811	41,628
Accounts	13,722	10,495	130,685
Unconsolidated subsidiaries and affiliated companies	318	1,036	3,028
Income taxes payable	642	417	6,114
Accrued expenses and other current liabilities	3,850	4,859	36,666
Total current liabilities	57,577	67,476	548,352
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	12,468	12,631	118,742
Long-term deposits received	3,553	4,044	33,838
Liability for retirement benefits (Notes 2-f and 8)	3,113	2,595	29,647
Deferred tax liabilities (Note 11)	2,449	1,348	23,323
Total long-term liabilities	21,585	20,620	205,571
MINORITY INTERESTS	1,779	1,853	16,942
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 14 and 15)			
SHAREHOLDERS' EQUITY (Notes 9 and 16):			
Common stock - authorized, 400,000,000 shares; issued, 178,354,986 shares	14,353	14,353	136,695
Capital surplus - Additional paid-in capital	13,249	13,249	126,180
Retained earnings	8,597	4,887	81,876
Unrealized gain on available-for-sale securities (Note 2-d)	5,834	1,710	55,561
Foreign currency translation adjustments (Note 2-l)	(3,055)	(2,135)	(29,095)
Total	38,978	32,064	371,219
Treasury stock - at cost: 1,387,843 shares in 2004 and 1,309,468 shares in 2003	(500)	(481)	(4,761)
Total shareholders' equity	38,478	31,583	366,457
TOTAL	¥119,420	¥121,533	$1,137,333

CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
NET SALES (Notes 6)	¥104,071	¥131,488	$991,152
COSTS AND OPERATING EXPENSES:			
Cost of sales (Notes 6 and 12)	78,045	102,536	743,285
Selling, general and administrative expenses (Note 12)	23,140	26,528	220,380
Total	101,186	129,064	963,676
OPERATING INCOME	2,884	2,423	27,466
OTHER INCOME (EXPENSES):			
Interest expense	(1,016)	(1,282)	(9,676)
Interest and dividend income	172	262	1,638
Gain (loss) on sales of property, plant and equipment	4,395	(8)	41,857
Loss on disposal of property, plant and equipment	(338)	(729)	(3,219)
Gain on exemption from future pension obligation of the governmental program (Note 2-f)		3,046	
Gain on sales of investment securities	350	904	3,333
Foreign exchange gain (loss)	2	(290)	19
Write-down of investment securities	(99)	(727)	(942)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	849	683	8,085
Gain on sales of investment in subsidiaries		2,163	
Loss on business restructuring of subsidiaries and affiliated companies		(1,508)	
Severance payment of voluntary early retirement		(3,531)	
Other - net	(952)	(161)	(9,066)
Total	3,363	(1,181)	32,028
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,247	1,242	59,495
INCOME TAXES (Note 11):			
Current	920	641	8,761
Deferred	1,595	(648)	15,190
Total	2,515	(6)	23,952
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	21	38	200
NET INCOME	¥ 3,710	¥ 1,210	$ 35,333

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2-n) :			
Net income	¥20.84	¥6.83	$0.20
Cash dividends applicable to the year	4.00		0.04

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Outstanding Number of Shares of Common Stock	Millions of Yen					
		Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2002	177,116,846	¥14,353	¥13,249	¥3,715	¥3,394	¥(1,528)	¥(468)
Net income				1,210			
Effect from inclusion of newly consolidated subsidiaries (Note 2-a)				(41)			
Effect on retained earnings of merger of subsidiaries (Note 2-a)				2			
Net decrease in unrealized gain on available-for-sale securities					(1,683)		
Net change in foreign currency translation adjustments						(606)	
Repurchase of treasury stock							(12)
BALANCE, MARCH 31, 2003	177,045,518	14,353	13,249	4,887	1,710	(2,135)	(481)
Net income				3,710			
Net increase in unrealized gain on available-for-sale securities					4,123		
Net change in foreign currency translation adjustments						(919)	
Repurchase of treasury stock	(78,375)						(19)
BALANCE, MARCH 31, 2004	176,967,143	¥14,353	¥13,249	¥8,597	¥5,834	¥(3,055)	¥(500)

	Thousands of U.S. Dollars (Note 3)					
	Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	$136,695	$126,180	$46,542	$16,285	$(20,333)	$(4,580)
Net income			35,333			
Net increase in unrealized gain on available-for-sale securities				39,266		
Net change in foreign currency translation adjustments					(8,752)	
Repurchase of treasury stock						(180)
BALANCE, MARCH 31, 2004	$136,695	$126,180	$81,876	$55,561	$(29,095)	$(4,761)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,247	¥ 1,242	$ 59,495
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Income taxes - paid	(507)	(573)	(4,828)
Depreciation	3,848	7,523	36,647
Amortization of goodwill	13	53	123
Loss (gain) on sales of property, plant and equipment	(4,395)	8	(41,857)
Loss on disposals of property, plant and equipment	338	729	3,219
Gain on exemption from future pension obligation of the governmental program		(3,046)	
Gain on sales of investment securities	(350)	(904)	(3,333)
Write-down of investment securities	99	727	942
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(849)	(683)	(8,085)
Gain on sales of investment in subsidiaries		(2,163)	
Loss on business restructuring of subsidiaries and affiliated companies		1,146	
Increase (decrease) in liability for retirement benefits	1,335	(2,080)	12,714
Changes in operating assets and liabilities, net of effects of merger and newly consolidated subsidiaries:			
Notes and accounts receivable - trade	1,124	(4,685)	10,704
Inventories	(737)	1,457	(7,019)
Notes and accounts payable - trade	1,840	2,279	17,523
Long-term deposits	(361)	307	(3,438)
Decrease in interest and dividend receivable	230	209	2,190
Increase in interest payable	23	28	219
Other - net	145	314	1,380
Net cash provided by operating activities	8,047	1,890	76,638
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	5,172	378	49,257
Purchases of property, plant and equipment	(2,468)	(7,878)	(23,504)
Proceeds from sales of investment securities	587	1,109	5,590
Payments to acquire investment securities	(14)	(309)	(133)
Proceeds from sales of securities of consolidated subsidiaries		1,175	
Payments to acquire securities of consolidated subsidiaries		(1,434)	
Decrease in time deposits	479	266	4,561
Other investing activities	54	(212)	514
Net cash provided by (used in) investing activities	3,810	(6,905)	36,285
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	(15,006)	4,211	(142,914)
Increase in long-term bank loans	7,680	1,716	73,142
Proceeds from issuance of unsecured bonds	5,000		47,619
Repayments of long-term debt	(3,403)	(2,834)	(32,409)
Redemption of unsecured bonds	(5,000)	(3,000)	(47,619)
Investment in consolidated subsidiaries by minority shareholders	40		380
Payments to repurchase of treasury stock	(19)	(12)	(180)
Dividends paid	(4)	(4)	(38)
Net cash provided by (used in) financing activities	(10,712)	76	(102,019)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - (Forward)	¥ 1,144	¥ (4,938)	$ 10,895
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AND MERGED AFFILIATES AT BEGINNING OF YEAR		130	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(126)	(258)	(1,200)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,192	8,259	30,400
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 4,210	¥ 3,192	$ 40,095
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets and liabilities decreased by removing subsidiaries from consolidation (Note 2-a):			
Current assets		¥11,796	
Long-term assets		13,660	
Total		¥25,457	
Current liabilities		¥17,422	
Long-term liabilities		4,635	
Total		¥22,058	

See notes to consolidated financial statements.

1.BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Japan Storage Battery Co., Ltd. (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.

In accordance with the Japanese Commercial Code, the Japanese yen amounts are presented in millions of yen, rounded down to the next lower figure. Accordingly, certain total amounts presented herein may not be equal to the sum of the individual items.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The consolidated financial statements include the accounts of the Company and its significant subsidiaries (together, the "Group"). 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. All significant intercompany balances and transactions are eliminated in consolidation. The excess of cost over the net assets of subsidiaries acquired is amortized over a period of five years.

Due to their insignificance, certain unconsolidated subsidiaries are accounted for by the equity method, and certain other unconsolidated subsidiaries and affiliated companies are stated at cost. Consolidating or accounting for those companies on the equity method would not have had a significant effect on the consolidated financial statements.

In the first quarter of 2003, Ehime GS Co., Ltd. merged with Kagawa GS Co., Ltd., Kochi Electrical Sales Co., Ltd. (consolidated subsidiaries) and Shikoku Electric Industries Inc. (unconsolidated subsidiary) and changed its company name to GS Shikoku Co., Ltd. The newly combined company was consolidated from April 1, 2002.

In 2003, GS Battery (China) Co., Ltd. was established and consolidated.

In the first quarter of 2003, GS Battery (Vietnam) Co., Ltd. (unconsolidated subsidiary) merged with Ztong Yee-Vietnam Industries Co., Ltd. (unconsolidated subsidiary). The newly combined company was consolidated from April 1, 2002.

In the fourth quarter of 2003, the Company's ownership percentage of GS-Melcotec Co., Ltd., a joint venture company of the Company and Mitsubishi Electric Corp., was changed from 56.7% to 49.0% because the Company canceled the joint contract and concluded the joint contract with Sanyo Electric Co., Ltd. As a result, GS-Melcotec Co., Ltd. and its subsidiaries (GS-Melcotec Rakunan Co., Ltd., GS-Melcotec U.S.A. Inc., GS-Melcotec Europe Ltd., Shanghai GS-Melcotec Ltd. and GS-Melcotec International Trading (Shanghai) Co., Ltd.) changed their company name to SANYO GS Soft Energy Co., Ltd., respectively, and were accounted for using the equity method.

In 2003, GS-Melcotec (Taiwan) Co., Ltd. and Kumiyama Electric Co., Ltd. were liquidated. Accordingly, GS-Melcotec (Taiwan) Co., Ltd. and Kumiyama Electric Co., Ltd. were excluded from the Company's consolidated financial statements for the year ended March 31, 2003.

In 2004, GS Chugoku Charge Center Co., Ltd. and GS Toyota Charge Center Co., Ltd. were liquidated. Accordingly, these Companies were excluded from the Company's consolidated financial statements for the year ended March 31, 2004.

In 2004, the Company sold its share of Fiamm GS S.p.A. and accordingly, Fiamm GS S.p.A. was excluded from using the equity method for the year ended March 31, 2004.

In 2004, Asia GS Lighting Co., Ltd. was established and consolidated.

In 2004, Shanghai GS Top Tiger Motive Power Co., Ltd. was established and accounted for using the equity method.

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 last-in, first-out (LIFO) method for principal raw materials and work-in-process, and by the average method for substantially all other inventories.

d. Investment Securities - All of the Group's investment 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 shareholders' equity. The cost of securities sold is determined by the moving average method. Non-marketable securities are stated at cost determined by the moving-average method. Appropriate write-downs are recorded for securities with values considered to have been substantially and other than temporarily impaired.

e. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is computed by using the straight-line method for buildings and by using the declining-balance method for all other assets over the estimated useful lives of the assets. The range of useful lives is principally from 7 to 50 years for buildings and structures, and from 4 to 12 years for machinery and equipment.

f. Retirement Benefits - The Company and certain domestic subsidiaries have non-contributory pension plans and unfunded retirement benefit plans for employees. In addition, the Company has a contributory funded defined benefit pension plan.

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on September 1, 2002.

As a result of this exemption, the Company recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥3,046 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

Plan assets, related to the substitutional portion of the Company as of the year ended March 31, 2003, was ¥16,843 million.

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.

g. 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.

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

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

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

k. 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.

l. Foreign Currency Financial Statements - The balance sheet accounts of the overseas subsidiaries and affiliated companies 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 overseas subsidiaries and affiliated companies are translated into Japanese yen at the annual average rates.

m. Derivatives and Hedging Activities - The Group uses foreign exchange forward contracts, interest rate swaps and interest rate options 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 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.

n. **Per Share Information** - Basic 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 177,039,029 shares and 177,095,624 shares for 2004 and 2003, respectively.

Diluted net income per common share is not disclosed because it is anti-dilutive for 2004 and 2003.

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.

o. **New Accounting Pronouncements** - In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are 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 new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that 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 Company is currently in the process of assessing the effect of adoption of these pronouncements.

3.TRANSLATION INTO UNITED STATES DOLLARS

The accompanying consolidated financial statements are expressed in Japanese yen and, solely for the convenience of readers, have been translated into United States dollars at the rate of ¥105 to $1, the approximate exchange rate at March 31, 2004. 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.

4.INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Finished products	¥ 7,693	¥ 7,306	$ 73,266
Semi-finished products	395	546	3,761
Work-in-process	3,879	3,441	36,942
Raw materials and supplies	2,715	3,009	25,857
Total	¥14,683	¥14,304	$139,838

5.INVESTMENT SECURITIES

Investment securities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Non-current:			
Marketable equity securities	¥17,319	¥10,442	$164,942
Government and corporate bonds	60	161	571
Other	345	505	3,285
Total	¥17,725	¥11,108	$168,809

Information for the investment securities at March 31, 2004 and 2003 was as follows:

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥7,462	¥9,909	¥(51)	¥17,319
Debt securities	60			60
Other	6			5

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥7,532	¥3,340	¥431	¥10,442
Debt securities	159	1		161
Other	6		1	5

	Thousands of U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$71,066	$94,371	$(485)	$164,942
Debt securities	571			571
Other	57			47

Securities whose fair value is not readily determinable at March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Equity securities and other	¥339	¥499	$3,228

Proceeds from sales of securities for the years ended March 31, 2004 and 2003 were ¥587 million ($5,590 thousand) and ¥1,109 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥350 million ($3,333 thousand) and ¥904 million for the years ended March 31, 2004 and 2003, respectively.

The carrying values of debt securities by contractual maturities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due in one year or less		¥131	
Due after one year through five years	¥60	31	$571
Total	¥60	¥162	$571

6.INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Investments at cost	¥5,685	¥5,950	$54,142
Equity in undistributed earnings	(528)	(933)	(5,028)
Total	¥5,157	¥5,017	$49,114

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Sales	¥3,764	¥1,484	$35,847
Purchases	1,117	1,042	10,638

7.SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Bank loans	¥19,276	¥31,454	$183,580
Commercial paper	8,015	11,431	76,333
Total	¥27,292	¥42,885	$259,923

At March 31, 2004, short-term bank loans of ¥11,100 million ($105,714 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 15). The weighted average annual interest rates for the Group's short-term bank loans, commercial papers were 1.40% and 1.32% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Collateralized loans, principally from banks, 0.93% to 1.6% maturing serially through July 2010	¥ 4,152	¥ 3,316	$ 39,542
Unsecured bank loans, 0.93% to 1.6% maturing serially through July 2010	5,695	2,285	54,238
Unsecured bonds, 2.28% due August 2004	5,000	10,000	47,619
Unsecured bonds, 1.06% due March 2007	5,000		47,619
Total	19,847	15,601	189,019
Less current portion	(7,378)	(2,970)	(70,266)
Long-term debt	¥12,468	¥12,631	$118,742

The aggregate annual maturities of long-term debt for the years following March 31, 2004 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 7,378	$ 70,266
2006	2,338	22,266
2007	7,046	67,104
2008	1,585	15,095
2009 and thereafter	1,500	14,285
Total	¥19,847	$189,019

The carrying values of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 18	$ 171
Land	930	8,857
Buildings and structures	733	6,980
Investment securities	7,754	73,847
Total	¥9,436	$89,866

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

8.RETIREMENT BENEFITS

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

The portions of the liability for retirement benefits attributable to directors, corporate auditors and executive officers at March 31, 2004 and 2003 were ¥615 million ($5,857 thousand) and ¥584 million, respectively.

The liability for employees' retirement payments at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥40,650	¥42,078	$387,142
Fair value of plan assets	(26,894)	(18,765)	(256,133)
Unrecognized prior service benefit	872	945	8,304
Unrecognized actuarial loss	(13,033)	(23,989)	(124,123)
Net liability	¥ 1,594	¥ 269	$ 15,180

The net liabilities for employees' retirement payments were comprised of a ¥903 million ($8,600 thousand) fixed asset and a ¥2,497 million ($23,780 thousand) liability on the books of the Group at March 31, 2004 and a ¥20 million current asset, a ¥1,720 million fixed asset and a ¥2,010 million liability on the books of the Group at March 31, 2003, respectively.

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥1,346	¥1,754	$12,819
Interest cost	799	1,137	7,609
Expected return on plan assets	(250)	(901)	(2,380)
Amortization of prior service benefit	(73)	(95)	(695)
Recognized actuarial loss	1,820	1,525	17,333
Net periodic benefit costs	¥3,641	¥3,420	$34,676

Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	3.5% - 3.8%
Amortization period of prior service benefit/cost	14 years	14 years
Recognition period of actuarial gain/loss	14 years	14 years

9.SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded 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 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 as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. 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 revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥5,902 million ($56,209 thousand) as of March 31, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to 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.

10.SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Group for the years ended March 31, 2004 and 2003 was as follows:

(1) Operations in Different Industries

a. Sales and Operating Income

	Millions of Yen				
	2004				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥73,649	¥20,002	¥10,419		¥104,071
Operating expenses	69,677	18,192	9,648	¥ 3,668	101,186
Operating income	¥ 3,972	¥ 1,809	¥ 770	¥(3,668)	¥ 2,884

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2004				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
Assets	¥85,851	¥14,247	¥10,005	¥9,316	¥119,420
Depreciation	3,582	193	67	3	3,848
Capital expenditures	2,744	240	55		3,040

a. Sales and Operating Income

	Millions of Yen				
	2003				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥104,272	¥17,014	¥10,201		¥131,488
Operating expenses	99,272	16,628	9,063	¥ 4,100	129,064
Operating income	¥ 5,000	¥ 385	¥ 1,138	¥(4,100)	¥ 2,423

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2003				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
Assets	¥95,209	¥12,518	¥9,273	¥4,531	¥121,533
Depreciation	7,228	226	34	33	7,523
Capital expenditures	7,045	164	16		7,226

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2004				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$701,419	$190,495	$99,228		$991,152
Operating expenses	663,590	173,257	91,885	$ 34,933	963,676
Operating income	$ 37,828	$ 17,228	$ 7,333	$(34,933)	$ 27,466

b. Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2004				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
Assets	$817,628	$135,685	$95,285	$88,723	$1,137,333
Depreciation	34,114	1,838	638	28	36,647
Capital expenditures	26,133	2,285	523		28,952

Storage batteries and power supplies consisted of lead-acid batteries, alkaline batteries, other batteries, power supply systems with storage batteries and royalties.

Lighting and other equipment consisted of lighting for facilities, ultraviolet light systems, and other electric equipment without storage batteries.

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 "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, 2004 and 2003 were summarized as follows:

	Millions of Yen				
	2004				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥88,160	¥12,017	¥3,893		¥104,071
Interarea transfer	2,549	3,793		¥ (6,342)	
Total sales	90,710	15,810	3,893	(6,342)	104,071
Operating expenses	84,959	14,970	3,802	(2,545)	101,186
Operating income	¥ 5,750	¥ 839	¥ 91	¥ (3,797)	¥ 2,884
Assets	¥92,139	¥17,664	¥1,652	¥ 7,963	¥119,420

	Millions of Yen				
	2003				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥110,643	¥12,577	¥8,268		¥131,488
Interarea transfer	7,176	4,289	71	¥(11,537)	
Total sales	117,819	16,866	8,339	(11,537)	131,488
Operating expenses	112,513	15,715	8,266	(7,431)	129,064
Operating income	¥ 5,305	¥ 1,150	¥ 73	¥ (4,106)	¥ 2,423
Assets	¥ 98,199	¥18,950	¥1,501	¥ 2,882	¥121,533

	Thousands of U.S. Dollars				
	2004				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$839,619	$114,447	$37,076		$ 991,152
Interarea transfer	24,276	36,123		$(60,400)	
Total sales	863,904	150,571	37,076	(60,400)	991,152
Operating expenses	809,133	142,571	36,209	(24,238)	963,676
Operating income	$ 54,761	$ 7,990	$ 866	$(36,161)	$ 27,466
Assets	$877,514	$168,228	$15,733	$ 75,838	$1,137,333

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, 2004 and 2003 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2004	2003	2004	2004	2003
Asia	¥13,521	¥25,195	$128,771	13.0%	19.2%
Other	4,771	11,230	45,438	4.6	8.5
Total	¥18,293	¥36,425	$174,219	17.6%	27.7%

11. 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 42.0% for the years ended March 31, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred Tax Assets:			
Accrued bonuses	¥ 889	¥ 678	$ 8,466
Retirement benefits	2,203	1,299	20,980
Write-down of investment securities	831	1,341	7,914
Unrealized profit	214	28	2,038
Tax loss carryforwards	201	2,895	1,914
Other	1,349	1,006	12,847
Less valuation allowance	(650)	(664)	(6,190)
Deferred tax assets	¥5,038	¥6,585	$47,980
Deferred Tax Liabilities:			
Valuation excess of property	¥1,313	¥1,345	$12,504
Unrealized gain on available-for-sale securities	3,979	1,161	37,895
Undistributed earnings of foreign subsidiaries	288	232	2,742
Deferred gains on sales of property	55	58	523
Other	205	41	1,952
Deferred tax liabilities	¥5,841	¥2,839	$55,628
Net deferred tax assets (liabilities)	¥ (802)	¥3,746	$ (7,638)

Reconciliations 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, 2004 and 2003 are as follows:

	2004	2003
Normal effective statutory tax rate:	42.0%	42.0%
Expenses not deductible for income tax purposes	3.9	32.5
Non-taxable dividend income	(1.2)	(8.4)
Per capita levy	0.7	4.0
Net increase (decrease) in valuation allowance	(0.1)	12.0
Tax benefit not recognized on operating losses of overseas subsidiaries	(0.8)	(18.2)
Amortization of goodwill	0.1	1.8
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(4.8)	(3.4)
Loss on sales of investment in subsidiaries	0.9	(84.6)
Unrecognized tax effects on the eliminated inter-company unrealized income	(1.7)	5.0
Effect of tax rate reduction		16.9
Tax credit		(1.5)
Other - net	1.3	1.4
Actual effective tax rate	40.3%	(0.5)%

At March 31, 2004, certain subsidiaries have tax loss carryforwards aggregating approximately ¥496 million ($4,724 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
2005	¥208	$1,981
2006	27	257
2007	43	410
2008	49	467
2009	167	1,590
Total	¥496	$4,724

On March 31, 2003, Cabinet Order No. 9 entitled "Reform of a Portion of Local Tax Law" was issued and this reform will apply to fiscal years beginning after April 1, 2004. As a result of this reform, the statutory income tax rate to be used for the calculation of deferred income taxes concerning temporary differences, which are expected to be realized or settled after April 1, 2004, will be changed from 42.0% to 40.5%. The effect of this change was to decrease deferred tax assets and income taxes - deferred (net gain) by ¥167 million and ¥210 million, respectively, and to increase net unrealized gain on available-for-sale securities by ¥42 million for the year ended March 31, 2003.

12.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥3,906 million ($37,200 thousand) and ¥4,077 million for the years ended March 31, 2004 and 2003, respectively.

13.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, 2004 and 2003 were ¥358 million ($3,409 thousand) and ¥1,030 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, 2004 and 2003 was as follows:

	Millions of Yen					
	2004			2003		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥272	¥1,588	¥1,861	¥347	¥1,109	¥1,456
Accumulated depreciation	134	791	926	175	623	798
Net leased property	¥137	¥ 796	¥ 934	¥172	¥ 485	¥ 657

	Thousands of U.S. Dollars		
	2004		
	Machinery and Equipment	Other	Total
Acquisition cost	$2,590	$15,123	$17,723
Accumulated depreciation	1,276	7,533	8,819
Net leased property	$1,304	$ 7,580	$ 8,895

Pro forma amounts of obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥351	¥258	$3,342
Due after one year	583	399	5,552
Total	¥934	¥657	$8,895

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

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

The minimum rental commitments under noncancelable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥19	¥ 33	$180
Due after one year	8	167	76
Total	¥28	¥200	$266

14.DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts and interest rate option 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 Group had no derivative contracts outstanding at March 31, 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15.CONTINGENT LIABILITIES

At March 31, 2004, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 23	$ 219
Guarantees of bank loans of certain affiliated companies and items of a similar nature	675	6,428
Redemption of bonds transferred to a third party under a debt assumption agreement with a bank	5,000	47,619

16.SUBSEQUENT EVENTS

a. Establishment of a Holding Company

The Company (GS) and Yuasa Corporation (YC) established a holding company, GS Yuasa Corporation on April 1, 2004, by means of the share transfer facility provided for in the Japanese Commercial Code, in accordance with resolutions of the extraordinary shareholders meetings of GS and YC on December 12, 2003.

1. Outline of the share transfer

(1)The effective date of transfer of shares was April 1, 2004

(2)The Number and type of shares issued in the share transfer:

355,539,621 shares of common stock

(3)The number of the Holding Company's Shares of common stock issued for GS and YC:

1 share of GS or YC was to be exchanged for 1 share of the holding company

(4)No cash was distributed as part of the share transfer

2. Outline of the holding company

(1)Company name: GS Yuasa Corporation

(2)Head office: Shimogyo-ku, Kyoto

(3)Capital and additional paid-in capital

Capital: ¥15,000 million

Additional paid-in capital: The sum of shareholders' equity of GS and YC, net of the capital above

b. Spin-off of the Company's Businesses

The Company (GS) and Yuasa Corporation (YC) divided their businesses into nine companies on June 1, 2004, by means of the company dividing facility provided for in the Japanese Commercial Code, in accordance with resolutions of the extraordinary shareholders meetings of GS and YC on April 23, 2004.

Outline of new companies

(1)Manufacturing and selling of storage batteries

Company name: GS Yuasa Manufacturing Ltd.
Head office: Minami-ku, Kyoto
Capital: ¥5,000 million
Ownership: GS Yuasa Corporation 100%
Details of the business: Manufacturing and selling of storage batteries (lead-acid battery for industry and car, alkaline battery, lithium battery and other battery)
Support of oversea subsidiaries

(2)Selling of storage batteries for car repair market

Company name: GS Yuasa Battery Ltd.
Head office: Minato-ku, Tokyo
Capital: ¥2,000 million
Ownership: GS Yuasa Corporation 100%
Details of the business: Selling of lead-acid storage batteries for car repair market
Selling of automotive related equipment

(3)Manufacturing and selling of power supply system and large-sized storage batteries

Company name: GS Yuasa Power Supply Ltd.
Head office: Shinagawa-ku, Tokyo
Capital: ¥1,000 million
Ownership: GS Yuasa Corporation 100%
Details of the business: Manufacturing and selling of power supply system
Selling of large-sized storage batteries (lead-acid and lithium)

(4)Manufacturing and selling of power supply system and large-sized storage batteries

Company name: GS Yuasa Technology Ltd.
Head office: Fukuchiyama, Kyoto
Capital: ¥50 million
Ownership: GS Yuasa Corporation 100%
Details of the business: Manufacturing and selling of large-seized lead-acid storage batteries for industry

(5)Manufacturing and selling of general-purpose power supply system

Company name: GS Yuasa Power Electronics Ltd.
Head office: Minami-ku, Kyoto
Capital: ¥50 million
Ownership: GS Yuasa Corporation 100%
Details of the business: Manufacturing and selling of general-purpose power supply system

(6)International business

Company name: GS Yuasa International Ltd.
Head office: Shinagawa-ku, Tokyo
Capital: ¥1,000 million
Ownership: GS Yuasa Corporation 100%
Details of the business: Foreign operations management
Export and import business

(7)Staff Companies

Company name: GS Yuasa Business Support Ltd.
GS Yuasa Information Ltd.
GS Yuasa Accounting Service Ltd.
Head office: Minami-ku, Kyoto
Ownership: GS Yuasa Corporation 100%

c. Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's general shareholders meeting held on June 22, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.00 ($0.04) per share	¥707	$6,733
Bonuses to directors and corporate auditors	20	190

Deloitte.

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To the Board of Directors of Japan Storage Battery Co., Ltd.

We have audited the accompanying consolidated balance sheets of Japan Storage Battery Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Storage Battery Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, 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 16 to the consolidated financial statements, in accordance with resolutions of the extraordinary shareholders meetings of the Company and Yuasa Corporation on December 12, 2003, the Company established a holding company, GS Yuasa Corporation, with Yuasa Corporation on April 1, 2004 by means of the share transfer facility provided for in the Japanese Commercial Code.

In addition, in accordance with resolutions of the extraordinary shareholders meetings of the Company and Yuasa Corporation on April 23, 2004, the Company and Yuasa Corporation divided their businesses into nine companies on June 1, 2004 by means of the company dividing facility provided for in the Japanese Commercial Code.

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 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 22, 2004

Member of
Deloitte Touche Tohmatsu

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman

Chiaki Tanaka

President

Shinichiro Murakami

Senior Managing Director

Hitoshi Tamura

Managing Directors

Masanori Yamachi
Yoshitami Saito
Haruyuki Ueda
Makoto Yoda
Hideyuki Maeno

Auditors

Masaharu Tsubota
Toshinori Nomura
Syunsuke Kusuyama
Susumu Watanabe

Directors

Katsuyuki Ono
Tadashi Shimizu

Senior Excecutive Officers

Masakazu Otani
Atsuaki Osumi

Excecutive Officers

Akira Tamura
Naoyuki Inoue
Mikio Noda

(as of June 22, 2004)

OUTLINE OF COMPANY (as of March 31, 2004)

Established :	January 17, 1917
Number of Employees :	1,663
Paid-in Capital :	¥14,353,144,222
Number of Shareholders :	21,725
Shares Outstanding :	178,354,986 *

*Notes: Our stock was delisted on the Tokyo Stock Exchange and Osaka Stock Exchange on March 25, 2004 and the company became a wholly-owned subsidiary of GS Yuasa Corporation as of April 1, 2004 (listed on the same date).

PRINCIPAL SHAREHOLDERS (as of March 31, 2004)

Meiji Yasuda Life Insurance Company
Nippon Life Insurance Company
The Bank of Tokyo-Mitsubishi, Ltd.
Toyota Motor Corporation
The Dai-ichi Mutual Life Insurance Company
The Master Trust Bank of Japan, Ltd. (Trust Account)
The Tokio Marine and Fire Insurance Co., Ltd.
The Mitsubishi Trust and Banking Corporation
The Bank of Kyoto, Ltd.
Daido Life Insurance Company

Notes: We became a wholly-owned subsidiary of GS Yuasa Corporation on April 1, 2004, and the shareholder is GS Yuasa Corporation as of the same date.

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Head Office*

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